

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 360

(Senator Guzzone)

Budget and Taxation

Appropriations

Public School Construction - Grant Programs, Approvals, and Administration - Alterations

This bill makes the Interagency Commission on School Construction (IAC) an independent unit of State government and allows appointed members of IAC to be removed by their appointing authority for incompetence, misconduct, or failure to perform their duties. It also repeals the School Safety Grant Program (SSGP) (and related mandated appropriation) and the Aging Schools Program (ASP) beginning in fiscal 2027. The bill raises the cost thresholds for specified actions related to school construction that must be approved by the State Superintendent. Finally, it makes other technical and procedural changes related to the approval and funding of school construction projects in the State. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: General fund expenditures increase by \$123,300 in FY 2024 for staffing. Out-year expenditures reflect inflation and termination of one-time costs. This analysis assumes that expenditures for ASP and SSGP are redirected to the Nancy K. Kopp Public School Facilities Priority Fund beginning in FY 2027, as discussed below and, therefore, have no net effect on State finances. **This bill eliminates a mandated appropriation beginning in FY 2027.**

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	\$0	\$0	\$0	\$16,109,000	\$16,109,000
GF Expenditure	\$123,300	\$113,600	\$118,600	\$123,800	\$130,300
SF Expenditure	\$0	\$0	\$0	\$16,109,000	\$16,109,000
Net Effect	(\$123,300)	(\$113,600)	(\$118,600)	(\$123,800)	(\$130,300)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The State Superintendent, or the Superintendent's designee, must approve or disapprove (1) each plan or specification for the remodeling of a school building if the remodeling costs more than \$1.0 million (up from \$350,000) and (2) a change order that costs more than \$50,000 (up from \$25,000) for the remodeling, restoration, or construction of a school building. The bill authorizes the State Superintendent's designee (in addition to the Superintendent) to approve various school construction activities in current law, including contracts for school construction projects.

The bill includes a technical correction that clarifies that the Board of Public Works does not approve grants awarded by IAC.

Current Law: IAC is an independent commission that functions within the Maryland State Department of Education (MSDE). It has nine members, including three *ex officio* members and six public members, with two each appointed by the Governor, the Speaker of the House, and the President of the Senate. There are no provisions for the removal of appointed IAC members.

The State Superintendent must approve or disapprove (1) each plan or specification for the remodeling of a school building if the remodeling costs more than \$350,000 and (2) a change order that costs more than \$25,000 for the remodeling, restoration, or construction of a school building.

Aging Schools Program and School Safety Grant Program

Eligible ASP expenditures include asbestos and lead paint abatement; upgrade of fire protection systems and equipment; painting; plumbing; roofing; upgrade of heating, ventilation, and air conditioning systems; site redevelopment; wiring schools for technology; and renovation projects related to education programs and services. Projects must cost at least \$10,000 to be funded through the program. MSDE and IAC review ASP requests submitted by local school systems, approve eligible projects, and determine if additional review of any construction documents will be required. Chapter 20 of 2020 (the Built to Learn Act) inadvertently repealed funding allocations for the program, but program allocations remained in the fiscal 2022 and 2023 capital budget absent the authorization; the funding allocations were restored by Chapter 32 of 2022.

Chapter 14 of 2018 created SSGP to provide grants to local school systems for security improvements, including:

- secure and lockable doors for every classroom;

- an area of safe refuge in every classroom; and
- surveillance and other security technology for school monitoring purposes.

The Governor is required to include \$10.0 million in the annual operating or capital budget that may be used only to make grant awards. As with ASP, Chapter 20 inadvertently repealed authorization for the program and the mandated appropriation, but full funding was nevertheless included in the fiscal 2023 budget as enacted. Authorization for the program and the mandated appropriation were restored by Chapter 32.

Chapter 20 expressed legislative intent that funding for ASP and SSGP be consolidated into the Public School Facilities Priority Fund (since renamed in honor of former Treasurer Nancy K. Kopp) beginning in fiscal 2027. By repealing the two programs beginning in fiscal 2027, the bill facilitates the implementation of the legislative intent expressed in Chapter 20.

State Expenditures:

Interagency Commission on School Construction Staff

IAC advises that becoming an independent agency involves an increase in operational roles formerly carried out by MSDE, including human resource and financial operations. By reorganizing existing personnel and positions and also working with other agencies for information technology and procurement support, IAC can absorb most of the additional responsibilities with existing staff. The one exception is human resources.

Therefore, general fund expenditures increase by \$123,256 in fiscal 2024, which assumes that new human resources staff is needed and hired on the bill’s July 1, 2023 effective date. This estimate reflects the cost of hiring one human resources administrator to absorb personnel-related tasks currently carried out by MSDE. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$115,582
Operating Expenses	<u>7,674</u>
Total FY 2024 State Expenditures	\$123,256

Future year expenditures reflect annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Terminated Programs

With the termination of ASP and SSGP, State expenditures could decrease by \$10.0 million in general funds (for SSGP) and \$6.1 million in general obligation bond funds (for ASP) beginning in fiscal 2027. However, this analysis assumes that those funds are instead redirected to the Nancy K. Kopp Public School Facilities Priority Fund and used to fund high-priority school construction projects, consistent with the legislative intent expressed in Chapter 20. Therefore, there is no net effect on State finances.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 458 (Delegate J. Lewis, *et al.*) - Appropriations.

Information Source(s): Public School Construction Program; Department of Budget and Management; Department of General Services; Board of Public Works; Department of Legislative Services

Fiscal Note History: First Reader - February 13, 2023
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