



Senate Bill 159

Building Opportunity Act of 2019

MACo Position: **SUPPORT**
WITH AMENDMENTS

Date: February 27, 2019

To: Budget and Taxation Committee

From: Michael Sanderson

The Maryland Association of Counties (MACo) **SUPPORTS** SB 159's strong commitment to school construction funding **WITH AMENDMENTS** to provide some flexibility to county governments for their participation in this new program.

This legislation responds to many of the recommendations Maryland counties have made for the State program over the past several years: it provides a robust State commitment to school construction, technical support for smaller counties and the potential for a more equitable split of school construction costs between the State and the counties. While MACo supports this legislation on the whole, there are concerns that the quick ramp-up of funding—almost doubling the State's commitment for five years—could unintentionally disadvantage small and mid-size counties, who may be unable to readily gather the local funding match required to participate.

This Bill's Funding Infusion Will Accelerate the State's Recovery from a School Construction Backlog

Factors driving school construction cost increases over the past decade include economic impacts such as the Recession's effect on the construction industry, along with policy changes including the State prevailing wage mandates and environmental building and site requirements. These factors combined with an aging stock of schools and 10-point enrollment increases in several counties have led to a backlog of school construction projects. Since 2009, the State has left—on average—more than \$300 million in school construction requests without funding each year.

This legislation's provision of up to \$1.8 billion in additional school construction funding over five years is gauged to save these projects from further delay. The broad based nature of this program—available to all counties, and all types of projects, including renovation and updates to aging facilities, or new building to accommodate new growth—could be the providential intervention needed to provide safe and modern schools for students statewide.

Project Management by the Maryland Stadium Authority Will Provide Technical Assistance and May Allow Better Balance of State and Local Funding

Under this legislation, the Maryland Stadium Authority would provide management and oversight of public school facility projects. The need for more technical assistance for school boards was a central theme of the 21st Century School Facilities Commission Report. While larger school systems with their own construction management staff may waive out of this requirement, centralized technical assistance may benefit smaller school systems and manifest school construction efficiencies statewide.

Employing the Maryland Stadium Authority to perform school construction projects may also create economies of scale that help re-balance State and county school construction efforts. For example, under this legislation, before any bonds are issued to finance improvement to a public school, the Authority may pay for any costs of start-up, administration, overhead, and operations of the Authority or costs of engineering, architectural, and other design professionals. Under current law, many of these costs would be considered ineligible for state school construction funding, leaving them the sole responsibility of county governments. Grouping these costs, perhaps into one contract for several schools, could create efficiencies, and right-side the state-local cost share.

Allowing the State to Forward-Fund the Local Share for Two Years Could Help More Counties Participate in this Program

County governments would all seek to identify matching funds to allow them to take advantage of this legislation's additional funding for school construction, however, it would be difficult for some to dramatically increase their spending within a year's time. Local debt limits pose hurdles to doubling debt, while shifting capital projects could delay time-sensitive improvements already in the pipeline, such as road safety projects, police communications upgrades, and detention center repairs. Any additional debt may pressure operating budgets with additional debt service. This year, counties are especially mindful of their operating budgets as they anticipate new fiscal responsibilities stemming from the Commission on Innovation and Excellence in Education's recommendations.

Counties request that this legislation clarify that memorandum of understanding with the Authority may allow the State to forward-fund the local share of a school construction project for up to two years. This allowance would parallel the inverse and relatively common practice, whereby county governments forward-fund the State share of projects when State funding is unavailable, and ensure greater accessibility to the program for all counties.

For these reasons, MACo urges a **FAVORABLE** report on SB 159 **WITH AMENDMENTS** to allow the State to forward-fund school construction costs.