

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1011 (Senator Peters)
 Budget and Taxation

**Prince George's County - Public School Construction - Prince George's County
 Alternative Financing Fund**

This bill establishes the Prince George’s County Alternative Financing Fund (fund) to provide supplemental State funds for alternative financing methods for school construction projects in the county and requires the State to pay \$30 million annually into the fund from State Lottery proceeds beginning in fiscal 2021. Prince George’s County, the Prince George’s County Public Schools (PGCPS), and the Interagency Commission on School Construction (IAC) must enter into a memorandum of understanding with specified provisions, including required contributions to the fund by the county and the school board. Specified requirements for public school construction projects in the State do not apply to projects in Prince George’s County that use alternative financing methods. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: General fund revenues decrease by \$30 million annually beginning in FY 2021 due to the diversion of State Lottery proceeds from the general fund to the alternative financing fund. IAC can implement the bill with existing resources.

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GF Revenue	\$0	(\$30.0)	(\$30.0)	(\$30.0)	(\$30.0)
Expenditure	0	0	0	0	0
Net Effect	\$0.0	(\$30.0)	(\$30.0)	(\$30.0)	(\$30.0)

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

Local Effect: Expenditures for Prince George’s County and PGCPS increase by an indeterminate amount to make the payments required by the three-party memorandum of understanding (MOU) to the alternative financing fund. Local special fund revenues increase correspondingly and include the State contribution.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Prince George's County Alternative Financing Fund

PGCPS administers, holds, and accounts for the fund. The fund consists of (1) the \$30 million annual contribution from State Lottery proceeds; (2) money deposited by Prince George's County and PGCPS under the terms of the MOU; and (3) any other money from any other source. The fund may be used only to provide funding for alternative financing methods in Prince George's County that are authorized in current law.

Memorandum of Understanding

The three-party MOU must:

- specify the roles, rights, terms, and responsibilities in each party with respect to public school construction projects undertaken with a private entity;
- indicate that specified provisions of current law related to public school construction projects do not apply to projects using alternative financing methods in the county;
- require PGCPS to submit projects to IAC for review;
- specify the timeframes in which IAC must complete its review; and
- require PGCPS to submit annual reports to Prince George's County and IAC.

Exemptions from Current Law

Projects that use alternative financing methods in Prince George's County are not subject to (1) the State and local cost-share provisions; (2) maximum State allocations for public school construction projects; and (3) IAC approval of project funding.

Current Law/Background:

Alternative Financing

Local school boards, with the approval of the county governing body, may use any of seven alternative financing methods authorized by statute. They may accept unsolicited proposals for the development of public schools in limited circumstances, but they are not authorized to solicit proposals. IAC must adopt regulations that require projects using alternative financing to meet specified requirements regarding scope, risk sharing, public need, and other factors. The projects must also meet educational and design standards, and they must be approved by the county governing body, the State Superintendent, and IAC.

They must also meet State requirements related to State and local cost shares, maximum State funding levels, the payment of prevailing wages, the use of MBEs, and other requirements.

Baltimore City 21st Century Schools Program

Chapter 647 of 2013 dedicated State and local funding sources to support a \$1.1 billion public school construction and revitalization initiative for Baltimore City to build or substantially renovate 23 to 28 school facilities. Specifically, it phased in requirements that the State, Baltimore City, and Baltimore City Public Schools each contribute \$20.0 million annually for approximately 30 years to pay debt service on bonds issued by the Maryland Stadium Authority (MSA) to finance the program. State general funds for the initiative are provided from proceeds of the State Lottery. Included in Chapter 647 was a requirement that Baltimore City, IAC, the Baltimore City Board of School Commissioners, and MSA enter into a four-party MOU to establish a framework for completion of the initiative. The MOU was completed and signed in September 2013, and the Board of Public Works approved the MOU in October 2013.

As of September 2018, nine projects in Baltimore City had been completed, five were under construction, six were in various stages of design, and eight were in early planning stages.

Lottery Ticket Sales and the State Lottery Fund

After payments to lottery winners and agents and to the State Lottery and Gaming Control Agency for operating expenses, the Comptroller must make the following payments annually from the State Lottery Fund:

- up to \$20.0 million for the Maryland Stadium Facilities Fund, from revenues generated by sports lotteries conducted on behalf of MSA;
- 10% of the proceeds of instant lottery ticket machines by veterans' organizations to the Maryland Veterans Trust Fund; and
- \$20.0 million to the Baltimore City Public School Construction Financing Fund.

Any funds remaining in the State Lottery Fund after the above payments are made are paid to the general fund. In fiscal 2018, the payment to the general fund was \$534.6 million.

Additional Information

Prior Introductions: None.

Cross File: HB 1402 (Delegate Jackson) - Appropriations.

Information Source(s): Department of Legislative Services

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mm/rhh

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