Draft Additional/Alternative Recommendations

Funding —

2. The State’s short-term funding goal for FY19 should be at least $345 million, which is roughly the current funding level (which includes additional funds for school systems with significant enrollment growth/relocatable classrooms but does not include Aging Schools or QZABs). However, the current funding level has not kept up with inflation based on the $250 million annual goal set in FY06. The State should increase funding to at least $400 million annually. Recognizing fiscal constraints, this goal may be phased in over several years. Revenues that exceed projections, particularly one-time revenues, should be considered for school construction. Once the initial school facility assessment is completed, the new $400 million goal should be compared to the assessment results, which may result in developing a higher long-term funding goal.

10. The State should explore the possibility of creating a school construction authority that could accelerate State school construction funding and provide more flexibility for financing school construction projects than traditional general obligation (GO) bonds. Although GO debt is typically the least expensive option for the State and moving to appropriation- or revenue-backed bonds increases the cost of debt, these higher costs may be offset by completing projects sooner and avoiding the inflationary costs. Alternative funding such as a dedicated revenue source or perhaps combining State and local revenue should be considered. The State may also wish to consider creating a revolving loan fund (similar to the Water Quality Revolving Loan Fund for local wastewater and sewer costs) to help counties fund the local share of school construction costs.

15. To accelerate innovation in cost effective building design, methods, and materials, and to serve more students faster by stretching State and local government funds further, the State should consider increasing the share of school construction costs for school construction projects whose cost is materially below the statewide average.

16. To encourage greater use of alternative financing and public-private partnerships (P3) for school facilities, the State should consider allowing school systems to enter into long-term lease agreements for school buildings that do not require the local board of education to own the building at the end of the lease term. This would enable school systems to lease commercial or other space to serve as school buildings and would also allow the P3 model whereby in addition to design–build, the developer would also maintain and operate the building for a set period of time. The legal and financial implications related to this should be examined.

Structure —

1. The process for evaluating school construction projects for State funding should be locally driven using a merit-based, apolitical process. Each stage of the process should include appropriate State oversight that adds value by utilizing professional expertise to build modern, efficient, and high quality public school facilities for Maryland’s students.