

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1329
Appropriations

(Delegate Miller, *et al.*)

Education - Public School Construction - Funding

This bill establishes the intent of the General Assembly that, beginning in fiscal 2027, the State should provide \$550 million each year for public school construction, a \$100 million increase over the State's current \$450 million goal. The annual goal should be recalculated before the Nancy K. Kopp Public School Facilities Priority Fund is established, and does not include funding provided through the Built to Learn Program. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: The bill has no direct effect on total spending under the capital budget, as that amount is determined annually by the Governor and General Assembly through the capital budget process. To the extent that additional capital budget funds are allocated to public school construction as a result of the bill, funding for other capital projects is either reduced or delayed. Revenues are not affected.

Local Effect: Local revenues for public school construction may increase to the extent the bill results in increased State funding for public school construction. No effect on local capital expenditures, as any reductions in the local share of public school construction projects are reallocated to other local capital projects.

Small Business Effect: None.

Analysis

Current Law: For an overview of State support for public school construction, including a discussion of State funding levels, the Built to Learn Program, and the Nancy K. Kopp

Public School Facilities Priority Fund, please see the **Appendix – State Funding for Public School Construction**.

State Expenditures: Adjusting the General Assembly’s goal for public school construction funding has no direct effect on State capital funding as the intent language is not a mandate and State funding is determined annually by the Governor and General Assembly through the capital budget process. To the extent the adjusted goal results in higher discretionary State support for school construction through general obligation bond funding in the capital budget, funding for other capital projects is either reduced or delayed. To the extent the General Assembly chooses to meet the intended funding language through the State operating budget, pay-as-you-go (PAYGO) general or special funds must be used, thereby increasing PAYGO spending by up to the difference in intended funding levels.

The Interagency Commission on School Construction receives (and reviews) funding requests each year in excess of the current \$450 million goal and therefore does not anticipate receiving more requests. As a result, it does not require additional staffing.

Additional Information

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

Designated Cross File: SB 934 (Senator Corderman) - Budget and Taxation.

Information Source(s): Department of Budget and Management; Interagency Commission on School Construction; Department of Legislative Services

Fiscal Note History: First Reader - March 9, 2026
js/mcr

Analysis by: Michael E. Sousane

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

Appendix – State Funding for Public School Construction

School Construction Review and Approval Process

The Interagency Commission on School Construction (IAC) manages State review and approval of local school construction projects. Each year, local systems develop and submit to IAC a facilities master plan that includes an analysis of future school facility needs based on the current condition of school buildings and projected enrollment. The master plan must be approved by the local school board. Subsequently, each local school system submits a capital improvement plan to IAC that includes projects for which it seeks planning and/or funding approval for the upcoming fiscal year, which may include projects that the local system has forward funded. In addition to approval from the local school board, the request for the upcoming fiscal year must be approved by the county's governing body. Typically, the submission letter to IAC contains signatures of both the school board president and either the county executive and county council president or chair of the board of county commissioners.

Based on its assessment of the relative merit of all the project proposals it receives, and subject to the projected level of school construction funds available, IAC determines which projects to fund through the Public School Construction Program (PSCP). By December 31 of each year, IAC must approve projects comprising 75% of the preliminary school construction allocation projected to be available by the Governor for the upcoming fiscal year. Local school systems may appeal these preliminary decisions by IAC. By March 1 of each year, IAC must recommend to the General Assembly projects comprising 90% of the allocation for school construction submitted in the Governor's capital budget. Following the legislative session, IAC approves projects comprising the remaining school construction funds included in the enacted capital budget, no earlier than May 1. The final allocations are not subject to appeal.

Built to Learn Act

The Built to Learn Act (Chapter 20 of 2020) authorizes the Maryland Stadium Authority (MSA) to issue up to \$2.2 billion in revenue bonds, backed by annual payments from the Education Trust Fund (ETF) beginning in fiscal 2022, for public school construction projects in the State, including to support a public-private partnership (P3) agreement to build six new schools in Prince George's County (the P3 agreement in place is actually for eight schools). Proceeds from the revenue bonds are in addition to funding available from PSCP and are allocated among local school systems as shown in **Exhibit 1** (based on MSA's most recent projection of anticipated revenues of \$1.7 billion given increases in interest rates since the program's enactment).

Exhibit 1
Allocation of Built to Learn Bond Sale Proceeds
(\$ in Millions)

	<u>Percent of Total</u>	<u>Proceeds</u>
Anne Arundel	12.5%	\$212.5
Baltimore City	21.0%	357.0
Baltimore	21.0%	357.0
Frederick	5.1%	86.7
Howard	6.6%	112.2
Montgomery	21.0%	357.0
Prince George's	*	*
All Other Counties	11.5%	195.5
Unallocated/Maryland Stadium Authority	1.3%	22.1
Total	100.0%	\$1,700.0

* Under Chapter 20 of 2020, as amended by Chapter 679 of 2023, Prince George's County receives \$27.0 million annually for up to 30 years to supplement local funds for an availability payment if it enters into a public-private partnership agreement, subject to other provisions in the Act.

Source: Department of Legislative Services

The Built to Learn Act also (1) extends mandated funding for the Healthy School Facility Fund by three years, through fiscal 2024, with Chapter 32 of 2022 subsequently extending funding to at least \$90.0 million in fiscal 2024 through 2026; (2) raises the mandated annual funding level for the Enrollment Growth or Relocatable Classrooms (EGRC) program from \$40.0 million to \$80.0 million beginning in fiscal 2027; and (3) creates the Public School Facilities Priority Fund (PSFPF), later renamed by Chapter 32 to be the Nancy K. Kopp Public Schools Facilities Priority Fund) to provide State funds to address the facility needs of the highest priority schools identified by the statewide facilities assessment completed by IAC. Under Chapter 354 of 2024 and only for fiscal 2027, the purpose of PSFPF is to provide State funds to address the severity of issues in a school, including (among other things) air conditioning, heating, and plumbing. In accordance with funding amounts updated by Chapter 354, beginning in fiscal 2027, the Governor must appropriate at least \$70.0 million to the fund annually.

Prior to distributing funds under the Built to Learn program, MSA must enter into a program memorandum of understanding (MOU) with IAC (which is in place), and each county, local school board, and MSA must enter into a project MOU for each project seeking funding from the program. All projects receiving Built to Learn funds must be

approved by IAC using the same process it uses for PSCP. As of January 2026, IAC has approved 59 projects and committed more than \$1.5 billion in funding to those projects.

Eligible School Construction Costs

IAC establishes a range of appropriate per-student, square-foot allocations for elementary, middle, and high schools as well as for special education students, career and technology students, and specialized programs. IAC updated the space allocations in 2019 and renamed them gross area baselines. IAC also establishes, on an annual basis, a *cost per square foot* that is applicable to major school construction projects. For calendar 2026, the cost per square foot is \$431 for new construction *without* site development (up from \$416 in calendar 2025) and \$513 for new construction *with* site development (up from \$495 in calendar 2025). In general, multiplying the cost per square foot by the applicable gross area baseline for each proposed project (based primarily on the State-rated capacity of a building) yields the maximum allowable cost that is subject to the State/local cost-share formula. Thus, any portion of a project that exceeds the gross area baseline is not eligible for State funding and must be paid for by the local school system.

The cost of acquiring land may not be considered an eligible construction cost and may not be paid by the State. Otherwise, regulations specify public school construction-related costs that are eligible and ineligible for State funding. Chapter 20 expanded the costs eligible for State funding. In general, the following costs are now included among *eligible* expenses:

- planning and design costs (including architectural and engineering fees);
- construction of a new facility, renovation of a new facility, an addition to an existing facility, or a replacement of an existing building or building portion (*i.e.*, “bricks and mortar”);
- building and site development;
- replacement of building systems, including roofs; windows; and heating, ventilation, and air conditioning (*i.e.*, “systemic renovations”);
- modular construction that meets specified standards;
- State-owned relocatable facilities and temporary facilities that are required to be on site during construction; and
- furniture, fixtures, and equipment with a median useful life of at least 15 years.

Among the major items explicitly *not eligible* for State funding under current law (besides site acquisition) are (1) master plans and feasibility studies; (2) projects or systemic renovations for buildings and systems that have been replaced, upgraded, or renovated within the last 15 years; and (3) items that do not have a useful life of at least 15 years.

State Share of Eligible Costs

The State pays at least 50% of eligible costs of school construction and renovation projects, based on a funding formula that takes into account numerous factors, including each local school system's wealth and ability to pay. State law requires that the cost-share formula be recalculated every two years. **Exhibit 2** shows the State share of eligible school construction costs for all Maryland jurisdictions for fiscal 2026 through 2028, as approved by IAC. When updating the cost-share calculations every two years, Chapter 32 requires IAC to limit the percentage decrease in the State share for any county to 5%.

Exhibit 2 State Share of Eligible School Construction Costs Fiscal 2026-2028

<u>County</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Allegany	89%	95%	95%
Anne Arundel	50%	50%	50%
Baltimore City	91%	91%	91%
Baltimore	57%	56%	56%
Calvert	56%	54%	51%
Caroline	94%	97%	97%
Carroll	54%	57%	57%
Cecil	61%	63%	63%
Charles	64%	66%	66%
Dorchester	98%	97%	97%
Frederick	67%	69%	69%
Garrett	89%	95%	95%
Harford	58%	59%	59%
Howard	51%	50%	50%
Kent	50%	50%	50%
Montgomery	50%	50%	50%
Prince George's	68%	67%	67%
Queen Anne's	50%	50%	50%
St. Mary's	58%	58%	58%
Somerset	100%	98%	95%
Talbot	50%	50%	50%
Washington	78%	82%	82%
Wicomico	95%	99%	99%
Worcester	50%	50%	50%
Maryland School for the Blind*	100%	100%	100%

* Chapter 192 of 2024 establishes the State share at 100% for Maryland School for the Blind for all eligible school construction projects.

Source: Interagency Commission on School Construction

State Funding Levels

Chapter 14 of 2018, the 21st Century School Facilities Act, established the State's intent to provide at least \$400.0 million annually, within current debt affordability guidelines. Chapter 32 increased the legislature's intended annual funding level to \$450.0 million beginning in fiscal 2023. Chapter 354 clarifies that the intended threshold does not include funding provided through the Built to Learn program. The State surpassed the intended thresholds in fiscal 2019 and 2021 through 2025; the State would have surpassed \$400.0 million in fiscal 2020, but the \$10.0 million allocation for the School Safety Grant Program (SSGP) was canceled by the Board of Public Works for cost-containment reasons. Chapter 679 of 2023 repeals the Aging Schools Program beginning in fiscal 2027 with the intent that funding be transferred to PSFPP, which takes effect that year. Although Chapter 679 also repealed SSGP beginning fiscal 2027, Chapter 354 subsequently retained the \$10.0 million funding mandate for the program indefinitely. **Exhibit 3** shows annual State public school construction funding from fiscal 2022 through 2026, by county.

The fiscal 2027 operating and capital budgets as introduced provide funding that, not including the Prince George's County P3 funding under Built to Learn, meets the \$450.0 million statutory goal. State support for school construction is divided among general obligation (GO) bond funding and special funds as follows:

- \$300.0 million in GO bonds for PSCP;
- \$80.0 million in GO bonds for EGRC;
- \$70.0 million in GO bonds for PSFPP
- \$69.0 million in special funds for the P3 to construct and maintain schools in Prince George's County (of which \$27.0 million are State funds from ETF and the remainder are local funds).

Exhibit 3
State Public School Construction Funding
Fiscal 2022-2026
(\$ in Thousands)

<u>County</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
Allegany	\$2,613	\$4,116	\$5,742	\$12,308	\$9,854
Anne Arundel	170,456	76,974	58,141	88,551	44,641
Baltimore City	83,293	327,001	154,841	282,068	79,863
Baltimore	258,315	127,687	75,823	201,151	63,917
Calvert	13,454	8,678	18,737	8,250	10,585
Caroline	4,791	7,059	4,469	5,967	4,546
Carroll	38,831	20,955	16,609	16,417	18,179
Cecil	5,508	19,590	42,912	5,490	7,684
Charles	35,892	35,237	21,031	22,982	17,058
Dorchester	6,616	4,670	6,114	3,992	6,853
Frederick	109,454	48,808	43,608	21,131	29,313
Garrett	12,185	11,065	18,479	23,802	9,420
Harford	47,453	16,911	33,455	18,238	22,517
Howard	70,378	69,797	26,993	19,642	28,230
Kent	158	2,331	3,242	406	8,885
Montgomery	305,449	50,233	198,048	57,636	53,730
Prince George's	51,147	124,264	76,967	52,782	63,786
Queen Anne's	2,368	4,526	6,934	784	16,168
St. Mary's	5,773	7,878	15,951	7,073	24,698
Somerset	815	266	9,409	6,813	13,195
Talbot	1,380	1,129	6,202	6,438	3,701
Washington	8,804	10,413	14,903	27,890	14,909
Wicomico	26,169	33,416	22,072	7,861	11,584
Worcester	5,014	308	689	8,202	7,293
Maryland School for the Blind	2,021	9,100	13,605	4,595	11,328
Statewide	6,500	4,279	63	9,033	1,849
Total	\$1,274,837	\$1,026,691	\$895,038	\$919,501	\$583,784

Notes: Includes general obligation bonds, Built to Learn revenue bonds, pay-as-you-go funds, and reallocated funds that were previously authorized (as shown in IAC Capital Improvement Program 100% Allocation reports). Allocated funds include the Enrollment Growth or Relocatable Classroom program, School Safety grants, and Healthy School Facility grants. Statewide funds include unallocated discretionary funds, contractual costs for external reviews, and funds reserved for unforeseen contingencies. Columns may not sum to total due to rounding.

Source: Interagency Commission on School Construction; Department of Legislative Services