

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 854
 Appropriations

(Delegates Boyce and Barnes)

Budget and Taxation

School Construction - Nonpublic Special Education School Renovation Program
- Established

This bill establishes the Nonpublic Special Education School Renovation Program administered by the Interagency Commission on School Construction (IAC) to provide grants to eligible nonpublic special education schools for specified purposes. IAC may prioritize applications for projects that (1) address student health or safety concerns; (2) are necessary to comply with standards set by the Maryland State Department of Education (MSDE); or (3) are for nonpublic special education schools with a high percentage of students who are residents of the State. The bill establishes the intent of the General Assembly that the Governor include an appropriation of at least \$5.0 million to the program in the annual capital budget bill for each fiscal year. IAC must adopt regulations to implement the program. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures increase by \$145,200 in FY 2027 for staffing. Out-year costs reflects annualization, inflation, and ongoing staffing. No effect on total capital budget expenditures, which are established annually by the Governor and General Assembly through the capital budget process, subject to debt affordability limits. To the extent that funds are used for this purpose, funding for other capital projects is either reduced or delayed. To the extent the bill’s legislative intent is satisfied using pay-as-you-go (PAYGO) funds, PAYGO general fund expenditures instead increase beginning in FY 2028. Revenues are not affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	145,200	250,200	261,700	273,400	285,300
Net Effect	(\$145,200)	(\$250,200)	(\$261,700)	(\$273,400)	(\$285,300)

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 program provides grants for (1) renovations and improvements to classrooms and school facilities; (2) upgrades to residential cottages on school grounds that will improve student treatment and safety; (3) health, safety, and accessibility improvements; (4) infrastructure modernization and technology upgrades; and (5) new construction necessary to comply with standards set by MSDE.

A nonpublic special education school is eligible for the program if the school provides (1) high school credit towards graduation requirements or a curriculum and educational program for elementary or middle school students and (2) services for students placed in nonpublic educational programs under State law.

Current Law:

Nonpublic Placements

The State and local school systems share in the costs of nonpublic placements for special education children who cannot receive an appropriate education in a public school. For those children in nonpublic placements approved by MSDE, the local school system contributes an amount equal to the local share of the basic cost of educating a child without disabilities plus two times the total basic cost. Any costs above this base amount are split on a State/local basis. Beginning in fiscal 2010 this share has been 70% State/30% local. However, the Budget Reconciliation and Finance Act of 2025 reduces the State share of the cost of educating a child with disabilities in a nonpublic placement program over two years, setting the local school system cost share at 40% in fiscal 2026 and 50% in fiscal 2027 and subsequent years.

State Support of Nonpublic Schools

In addition to nonpublic placement aid described above, there are four major ongoing programs that provide funding from the State to nonpublic schools: the Nonpublic Textbook Program; the Senator James E. “Ed” DeGrange Nonpublic Aging Schools Program (NASP); the Broadening Options and Opportunities for Students Today (BOOST) Scholarship Program; and the Nonpublic School Health and Security (NSHS) grant.

Nonpublic Textbook Program

Funding for the State Nonpublic Schools Textbook and Technology Grants Program is not mandated but has been provided for several years through the annual operating and capital budget bills, with accompanying budget language regarding eligibility that currently includes:

- holding a certificate of approval from or being registered with the State Board of Education;
- not charging tuition above a specified rate;
- complying with Title VI of the Civil Rights Act of 1964; and
- submitting its student handbook or other written policy on student admissions for review.

The fiscal 2027 budget passed by the General Assembly includes \$6.0 million in special funds for the program.

Senator James E. “Ed” DeGrange Nonpublic Aging Schools Program

The Senator James E. “Ed” DeGrange NASP provides funding for nonpublic school construction in the form of grants for renovations and improvements to existing nonpublic school buildings. The fiscal 2027 capital budget as passed by the General Assembly includes \$5.0 million in general obligation bond revenue for the program.

Broadening Options and Opportunities for Students Today Program

BOOST has been authorized annually since fiscal 2017 through the budget bill and budget bill language. Special funds for this program are provided through the Cigarette Restitution Fund but annual funding is not mandated. According to the annual authorizing language, scholarship amounts and distribution of scholarships are determined by the BOOST Advisory Board, while the program is administered by MSDE. The fiscal 2027 operating budget passed by the General Assembly includes \$9.0 million in special funds for the program, including \$569,800 reserved for students with special needs.

Nonpublic School Health and Security Grant

Since fiscal 2024, NSHS provides funds for school nurses, other health services, and school security to nonpublic schools that participated in the BOOST Scholarship and Nonpublic Textbook Programs. The fiscal 2027 operating budget as passed by the General Assembly includes \$2.5 million in special funds for the program.

State Expenditures:

Grant Funding

Despite the bill's July 1, 2026 effective date, this analysis assumes that awards are not made until fiscal 2028 because the fiscal 2027 capital budget as passed by the General Assembly does not include any funds for the program. Regardless, the bill's intent language has no effect on total capital expenditures, which are established annually by the Governor and General Assembly through the capital budget process, subject to debt affordability limits. To the extent that funds are used for this purpose, funding for other capital projects is either reduced or delayed. To the extent the bill's legislative intent is satisfied using PAYGO funds, PAYGO general fund expenditures increase beginning no earlier than fiscal 2028.

Program Administration

Both IAC and MSDE advise that the scope of projects eligible under the proposed program greatly exceeds the scope of projects awarded under NASP, which generally provides awards for limited system upgrades. This larger scope may therefore necessitate more extensive policies and oversight. Additionally, MSDE's and IAC's experiences with NASP indicate that nonpublic schools generally require significantly more technical assistance throughout the application and construction process compared to assistance provided to public school systems.

This estimate therefore includes one full-time program administrator at IAC to manage funding, evaluate grant applications, make award determinations, and lead coordination between IAC, MSDE, MDH, DHS, and DJS as needed. It also includes one full-time school facilities engineer at MSDE to develop eligibility criteria, establish minimum technical and educational standards for funded projects, assist in the evaluation of grant applications, and provide technical assistance to applicants. Although the Department of General Services (DGS) reviews design development and construction documents for public school construction, this analysis assumes minimal additional impact on DGS given the additional resources at IAC and MSDE.

Although no grant funding for the program is available in fiscal 2027, this analysis assumes that IAC and MSDE require staffing beginning in January 2027 to lay the groundwork for grant applications (*e.g.*, establishing grant criteria, developing administrative procedures, and creating application forms), and that they begin receiving applications and distributing funds in fiscal 2028 in accordance with any funding made available in the budget for that fiscal year.

Therefore, general fund expenditures increase by \$145,165 in fiscal 2027, which accounts for staff starting January 1, 2027. This estimate reflects the cost of hiring two full-time staff positions, one program administrator at IAC and one school facilities engineer at MSDE, to develop and administer the new grant program as described above. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	2.0
Salaries and Fringe Benefits	\$128,272
Operating Expenses	<u>16,893</u>
Total FY 2027 State Expenditures	\$145,165

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

Additional Information

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

Designated Cross File: None.

Information Source(s): Department of Budget and Management; Department of Human Services; Department of Juvenile Services; Interagency Commission on School Construction; Maryland State Department of Education; Department of Legislative Services

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