



## The O'Malley-Brown Plan to Address Maryland's School Construction Crisis

“While other states are moving forward, with leaders who bring people together to solve problems, Maryland is adrift. We suffer under an administration that does the minimum allowable for K-12 education, is making higher education unaffordable for many of Maryland’s students, fails to adequately fund school construction, and denies much needed pension benefit increases to our teachers.”

“Too many of our children are forced to spend their school days in crowded classrooms, crumbling school buildings or portable trailers. You and I know a stronger Maryland can and must do a better job of providing a first-class learning environment for our children.”

– Martin O'Malley

### ***"Clearly, Maryland faces a crisis in school construction."***

This was the simple and ominous conclusion of State Treasurer Nancy K. Kopp last year in her blue-ribbon task force report on the status of public school facilities in Maryland.<sup>1</sup>

The Kopp Commission provided an unprecedented statewide assessment of the condition of our public schools. Yet, its well-documented findings of a severe crisis confirmed the common-sense observations of parents, students, teachers, and other educators across Maryland.

#### **Our school facility crisis stretches from our poorest to our richest districts throughout the State:**

- More than 17,000 students in Montgomery County are going to school in trailers, and that the County is seeking \$126 million for new schools in 2006. The 419 classroom trailers in Prince George's County houses enough students to fill more than a dozen new elementary schools as high school enrollment is steadily on the rise.<sup>2</sup>
- Some students in Howard County are forced to hold classes in libraries and in cafeterias, and the County is still waiting

<sup>1</sup> Final Report of Maryland's Task Force to Study Public School Facilities (February 2004).

<sup>2</sup> Washington Post, de Vise, "Pressure Builds to Rehab Md. Schools; Ehrlich, Lawmakers Offer Their Plans," (January 27, 2005).

for State compensation for projects completed 17 years ago.<sup>3</sup>

- The average age of school facilities in Baltimore City and Baltimore County is nearly fifty years old.
- The vast majority of schools in Charles County are holding more students than they were planned to when originally constructed.
- Harford County, Howard County and Anne Arundel County schools face the prospect of thousands of new students following the Base Realignment and Closure Commission's decision to add and expand missions at Aberdeen Proving Ground and Ft. Meade, as well as growth at the National Security Agency.
- In Caroline County approximately 6,500 new homes are in various stages of development. Once these homes are built, the population of the county will increase by more than 50%. This will require construction of new schools, as well as expansion of existing school facilities.

Many local jurisdictions have been extending their financial capacity as far as possible to address the school facility issue. In Baltimore City, for example, Mayor O'Malley, School Board Chair Brian Morris and School CEO Bonnie Copeland announced a \$75 million school construction initiative.

#### **New School Construction Fund**



<sup>3</sup> Ibid.

It is clear, however, that such neither poor nor wealthy jurisdictions have the financial capacity to come anywhere near to meeting their facility needs on their own. That is why the State must step up to the plate and make a major long-term commitment to financial assistance for our 1,355 public schools across the State.

## Our School Construction Crisis is a School Quality Crisis

Our first concern about our school facilities, of course, involves the health and safety of our children. But it goes far beyond that. Numerous studies illustrate the link between facilities and performance. It should be understood that our school facility crisis is also a major educational quality crisis.

A good building does not necessarily make a good school. Yet it certainly plays a substantial role in creating the kind of environment in which quality teachers want to teach and students want to learn.

### Researchers, for example, have found that:

- “[S]afe, healthy, and uncrowded school facilities are a basic ingredient of a good educational program.”<sup>4</sup>

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<sup>4</sup> Ortiz, *Essential Learning Conditions for California Youth: Educational Facilities*, UCLA Institute for Democracy, Education, and Access (2002).

- “When teachers work in well-designed and highly functional school buildings, they are able to be more effective than when they must teach in inadequate facilities.”<sup>5</sup>
- “School facilities have a direct effect on teaching and learning. Poor school conditions make it more difficult for teachers to deliver an adequate education to their students, adversely affect teachers’ health, and increase the likelihood that teachers will leave their school and the teaching profession.”<sup>6</sup>
- “[S]chool infrastructure has a critical impact on student attendance and drop out rates period...[S]chools in structural ruin [and] schools that rely on temporary buildings instead of permanent structures...provide an environment where students are less likely to attend school and are more likely to drop out...[I]f the goal is to give children the best education possible, the quality of the schoolhouse is of great importance.”<sup>7</sup>

The Kopp Commission’s expert overview similarly concluded that the last thirty years of scholarly research established the positive link between school facilities and school quality.

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<sup>5</sup> Ortiz, *Essential Learning Conditions for California Youth: Educational Facilities*, UCLA Institute for Democracy, Education, and Access (2002).

<sup>6</sup> From Schneider, *Linking School Facility Conditions to Teacher Satisfaction and Success*, National Clearinghouse for Educational Facilities (August 2003).

<sup>7</sup> Branham, David, *The Wise Man Builds His House Upon the Rock: The Effects of Inadequate School Building Infrastructure on Student Attendance*, Social Science Quarterly, Volume 85, Number 5, December 2004.

**The Kopp study specifically stated:**

*“Numerous studies have indicated that students in poor buildings performed less well than students in functional or acceptable buildings. Results of these studies indicate the following:*

- *Students in poor buildings perform less well than students in functional buildings.*
- *Most researchers found students in poor buildings scored between 5 to 10 percentile rank points lower than students in functional buildings, after controlling for socioeconomic status.*
- *The difference in scores for students in poor buildings can be as high as 17 percentile rank points.”*<sup>8</sup>

One could argue that the issue of this positive link between school facilities and school quality was a driving force behind authorization of Treasurer Kopp’s Task Force. The Thornton Commission originally recommended and then the 2002 Bridge to Excellence Act formally authorized formation of the task force. Its charge was to determine whether school facilities across the State were adequate to support not just existing educational programming, but also the advances in educational programming to be financed in successive years such as full-day kindergarten and pre-kindergarten.

The Kopp Commission’s finding of “crisis” establishes that the educational quality goals of Thornton are severely endangered unless the State makes a long-term commitment to school construction assistance at a requisite level.

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<sup>8</sup> Earthman, *Prioritization of 31 Criteria for School Building Adequacy*, Virginia Polytechnic Institute & State University (January 5, 2004), p. 8.

Moreover, enhancement of our school facilities contributes not only to educational quality but also to the quality of life in communities across our State. As the Kopp Commission aptly put it, quality school buildings represent “a source of pride to their communities.”<sup>9</sup> Scholarly research has found that “poorly maintained, overcrowded [school] facilities contribute to neighborhood decline, while new or well-maintained facilities help revitalize a neighborhood.”<sup>10</sup>

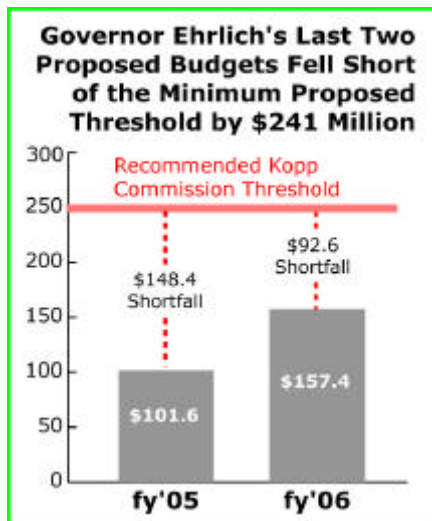
## How Did Maryland Fall Into the School Construction Crisis?

The growth in Maryland’s school construction needs is quite understandable. Every year a new wave of students cycle in and out of our schools, while our buildings remain in place and endure more wear and tear. Added population pressure on our school facilities comes from Maryland’s reputation for its great quality of life with good jobs and good schools. Thus meeting our school construction needs is not just our inevitable challenge; it is also a challenge that our leaders should embrace as a signal that Maryland is a successful state.

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<sup>9</sup> Kopp Commission, p. 55.

<sup>10</sup> Weiss, *Public Schools and Economic Development: What the Research Shows*, p. 25 (2004).



When it comes to public school construction, the State must be a reliable partner for local jurisdictions, utilizing its resources to complement and enable local efforts. This can only occur in an environment where the State government's support of public school construction is stable, certain, and sufficient. Unbelievably, in his two budget proposals since the Kopp Commission completed its work, Governor Ehrlich fell \$241 million short of the minimum recommended threshold.

Thankfully, as a result of the General Assembly's action, an additional \$104.9 million of public school construction funding was added to the State's last two adopted budgets, thereby helping prevent Maryland from slipping even further behind. Despite this intervention, over the last two fiscal years, the State has fallen over \$131 million short of the Kopp Commission mark. Even with the still clear and overwhelming need, it has been reported that Governor Ehrlich intends to propose only approximately \$150

million for public school construction for FY2007.<sup>11</sup>

The Steele Commission report confirmed that the Ehrlich Administration has failed to learn any needed lessons of leadership when it comes to funding public school construction. In fact, the Steele Commission's laundry list of small-bore and divisive next steps in education totally ignores the school construction crisis and the school quality crisis it engenders. We can always hope for an "election-year conversion" from the Ehrlich administration that prevents the State from falling even further behind on its watch. But the Ehrlich administration has already proven beyond dispute that it has no serious, long-term commitment to meeting the State's school construction needs.

## How to Address Maryland's School Construction Crisis

Any plan to address Maryland's school construction crisis begins with embracing the Kopp Commission's recommendation to establish \$250 million as an annual minimum threshold for the funding of public school construction. In truth, the \$250 million minimum does not reflect the recent escalation in construction costs – which could make \$300 million a more realistic figure for a State school construction minimum.

<sup>11</sup> The Sun, "School Plans May Prove Difficult" 12/9/05.

In undertaking any effort to address the Ehrlich Administration's past and soon-to-be-proposed disinvestment in public school construction, it is imperative to protect the State's extended budgetary outlook and safeguard its finances by doing nothing to jeopardize Maryland's AAA bond rating. This will necessitate advancing sustainable plans that are mindful of the input of the Capital Debt Affordability Committee chaired by Treasurer Kopp and the General Assembly's Spending Affordability Committee.

The first, best, and most fiscally prudent and disciplined option to increase funding for public school construction is to utilize pay-as-you-go (PAYGO) funds. The use of PAYGO funds affords multiple benefits. Most importantly, it helps State government resist the temptation to add new recurring operating costs into its base budget, and it helps State government avoid incurring additional debt service costs through increased borrowing.

The State's projected \$1.2 billion FY2006 General Fund balance offers an initial option to begin addressing Governor Ehrlich's past and proposed public school construction funding deficiencies. While it was once thought that more than \$1 billion of this fund balance might be needed to plug projected gaps in the State's FY2007 and FY2008 baseline expenditure budgets, these concerns have recently eased with an improved revenue outlook. We now enjoy the increased flexibility to allocate a larger portion of the fund balance to public school construction funding. Ultimately, this is a much more desirable use of these funds as much too often governments act as though these types of fund balances are annually recurring events and

use them to either make temporary one-time budgetary fixes or incur unsustainable recurring costs.

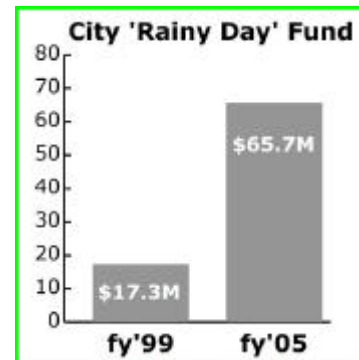
While effective financial stewardship of fund balances, surpluses, and stronger than expected revenue forecasts is the preferred strategy to increase our investments in public school construction, it is important that we not lose sight of the State's ever-present budgetary challenges. While the immediate financial outlook is improved, the continued growth in health care costs and the need to address future pension liabilities represent tangible threats to Maryland's fiscal stability. We must be mindful that these and other challenges might sometime necessitate pursuing other or complementary strategies to sustain our investments in public school construction.

Another thoroughly viable option remains to incrementally and strategically make use of the State's unused debt capacity, currently estimated at almost \$800 million. Such a decision, however, could only be made after thorough consultation with Treasurer Kopp and the State's Capital Debt Affordability Committee and the General Assembly's Spending Affordability Committee to ensure that Maryland's AAA bond rating is preserved. While such a measure does not appear to be immediately necessary, if circumstances ever necessitate this action to sustain our investment in public school construction we cannot lose sight of the fact that this would not represent borrowing from the next generation, but borrowing for the next generation.

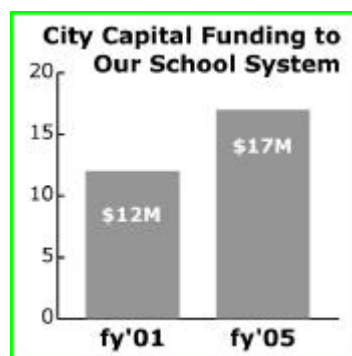
Issuing additional state debt as a means of funding more school projects would increase

State debt service. The increase would be small beginning in FY2009 and increase in the out years after FY2011. To avoid an increase in the State property tax rate, General Funds should be appropriated for debt service. The current level of State debt will require General Funds for debt service beginning in FY2009 to avoid increasing the State property tax rate. This is what Maryland did for more than two decades before Governor Ehrlich increased property taxes in 2003.

In Baltimore City we have demonstrated not only an ability to yield unprecedented budgetary surpluses, but the fiscal discipline to appropriately seize these opportunities to make strategic investments in priority initiatives like our own recent public school construction effort. We have also shown through our 42 percent annual increase in bond funding to our local school system, that it is possible to increase borrowing for public school construction all while strengthening a municipal bond rating and almost quadrupling the City's Rainy Day Fund.



With these same types of options available at hand, by increasing the FY2007 allocation to the minimally recommended \$250 million threshold, we can prevent Governor Ehrlich from allowing Maryland's public school construction crisis to worsen. Better still, by embracing the Maryland Association of Counties' call to approve \$400 million for public school construction in the FY2007 budget, we can fully reverse the damage done by Governor Ehrlich in his budgets since the release of the Kopp Commission's report.



## Conclusion

A true leader would never think of holding hostage our children's education. Maryland deserves a governor who will commit to getting the job done and then makes serious, targeted proposals for achieving the goal – while always working to listen to the proposals of others.

We owe it to our schools, our children, our State, and ourselves not to allow any more opportunity to be wasted – or worse, to continue to slide backwards. It is time to solve Maryland's school construction crisis.