

Council Resolution 183-2025 Fiscal Analysis

Introduced: October 6, 2025

Fiscal Manager: Owen Kahn

Legislative Intent: This legislation as introduced adopts the Howard County Board of Education's FY 2027 capital budget request for State funded projects. Locally funded projects will be proposed in an amendment to this legislation at a subsequent legislative session.

ANALYSIS

Fiscal Impact:

<u>FY 2027 Capital Budget for school construction projects</u>			
<u>Capital Budget</u> <u>Project</u>	<u>Proposed</u> <u>State Aid</u>	<u>Proposed</u> <u>County Match</u>	<u>Total</u>
Systemic Renovations/Modernizations	\$23,906,000	\$17,728,000	\$41,634,000
Roofing Projects	\$3,231,000	\$3,555,000	\$6,786,000
Total	\$27,137,000	\$21,283,000	\$ 48,420,000

Amendment for locally funded projects

HCPSS and the Board of Education have stated they will introduce an amendment to this legislation for the remainder of the FY 2027 capital budget and all locally funded projects. This analysis only covers the proposed State funded projects.

FY27 CIP Request

This legislation proposes an application for \$27.12 million in State funds for school construction projects from the Capital Improvement Program (CIP) administered by the State Interagency Commission on School Construction (IAC). \$23.91 million would be used for Systemic Renovations/Modernizations and \$3.23 would be used for Roofing Projects. A full list of proposed projects within those two capital budget categories can be found on page 2 of the legislation attachment. The school system has stated that they intend to order these projects based on prioritized need at a subsequent meeting on October 23.

Because these projects require local matching funds, the legislation proposes \$17.73 million local funds for Systemic Renovations/Modernizations and \$3.56 for Roofing Projects for a total of \$21.28 in local funding. **The total proposed budget for State eligible school construction projects is \$48.42 million, 56% of which is State funded and the remaining 44% being locally funded.**

HCPSS has notified the County that these numbers are overestimated and that the real award amount, to be determined by the State in spring 2026, will be several million dollars lower than what is stated in this legislation. **The anticipated allocation in FY27 is \$23.97 in State funds.** HSPSS testified the reason for this overestimation is to "allow for adjustments" once the State has made final award decisions. Additionally, as explained below, State law will require the County's matching funds to total 50% of

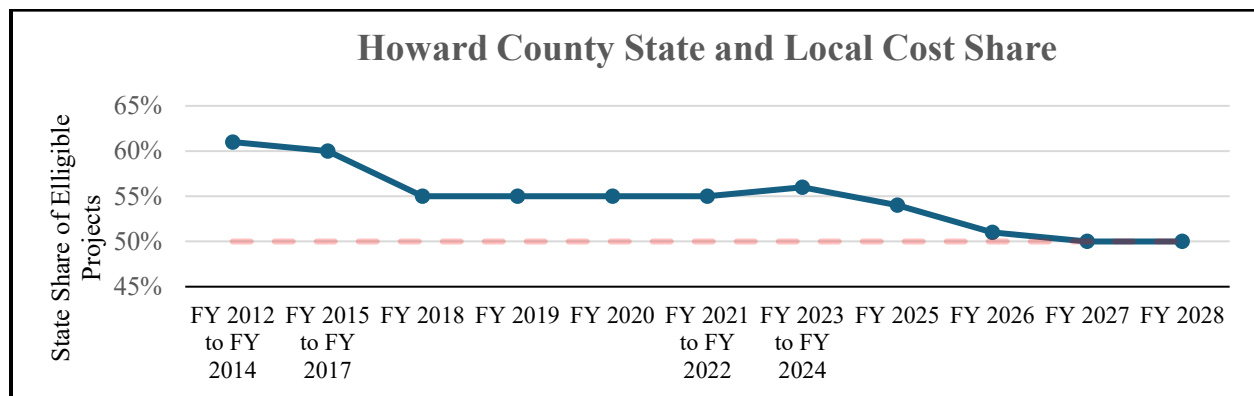
eligible projects. This means that the total local funding will need to be increased to evenly match the State's final award amount.

According to HCPSS, \$5.9 million of the State aid would be drawn from a reserve account. This is State funding that had been available to the County in prior fiscal years but has not been spent yet.

CIP Appropriations Background and State Process

The State provides significant funding to the County's school construction projects. The largest source of funds is the CIP, which is administered by the IAC. The CIP's ~\$300 million budget is awarded to each county based off a formula that takes the county's share of [statewide enrollment](#) and adjusts to consider local wealth and local facility needs. In FY26, Howard County's enrollment is 6.5% of statewide enrollment and the [County's CIP award amount](#) was \$23.7 million (7.9% of statewide CIP).

CIP grants are awarded to each county for [eligible costs of certain projects](#), and the County is required to appropriate a certain ratio of local matching funds. The [formula](#) for calculating the State share ranges from 50% to 100% of eligible costs for a project. The [State cost split for Howard County](#) has declined from 61% in FY 2012 to 51% in FY2026. HCPSS has been notified that the State share will be 50% in FY2027, the lowest share allowed by State law. Barring major changes to the State or County budgets, it will likely remain at 50% for the foreseeable future. Other counties with similar education commitments, such as Montgomery County and Anne Arundel County, have remained at 50% as well.



County Timeline for submission to State IAC

For FY27, the County was required to submit its proposed State funded projects to [the IAC on October 6, 2025](#). This deadline was not in line with HCPSS and Board of Education's budget formulation process, which has necessitated this initial piece of legislation only comprising State funded projects. HCPSS and the Board of Education plan on adopting their full FY27 capital budget in October 2025. That budget is expected to be proposed as an amendment to this legislation at the end of the month. The County must notify the IAC of any amendments to the request by November 30, 2025.

This process is a departure from previous school system capital projects, which were adopted by the Board of Education and transmitted to the County Council prior to the IAC deadline. While the State has

had agencies funding local school system projects for decades, the IAC in its current form is a relatively new State agency and Howard County is still integrating IAC deadlines into the County budget formulation process. This relationship has necessitated unique legislative fixes in recent years, such as [CR 105-2024](#) and [CB 63-2025](#). HCPSS has indicated they aim to have future capital budget requests in line with both the IAC timeline and the County’s budget timeline.

According to [County Code](#), the County Council is required to approve the school’s capital budget request in November. And according to [State regulations](#), applications to the IAC are required to have approval from the local governing authority (in Howard County, this means Council approved and Executive signed legislation). [During a public meeting on October 9th](#), the school system suggested the possibility of “legislative changes” to “have a better process.”¹ It was suggested that amendments could allow for the school system to submit its application to the IAC without first obtaining Council approval. This could remove the need for duplicative legislation and subsequent amendments once the State has made final CIP award decisions as the Council would only vote on the County capital budget once in April. Additional research is needed to ensure this change in practice is compliant with State law and the IAC’s application requirements.

State funding for school construction trends

The State budgets about \$300,000,000 per year to the IAC’s CIP program. In FY2027, it is expected to decline slightly to \$280,000,000 due to broader fiscal constraints in the State budget. In addition to the CIP, the [Built to Learn Act of 2020](#) issued bonds for \$1.7 billion for LEAs from 2022 through 2026. [Howard County was allocated 6.6% of this money](#) (\$112,000,000). [According to the IAC](#), Howard County has only spent \$36.6 million of these funds (*see Other Notes below*). Other small amounts of funding are available for specific uses.

State funding for school construction costs has remained relatively stagnant in the past decade and has not increased even as construction costs and school enrollment have increased. The State on average funds 23% of local school construction costs and the counties cover the remaining 77%. [MACo has estimated](#) that County capital costs for school systems have increased by 80% since FY2019 while State funding has only grown by approximately 10%. Howard County has increased the school system capital budget by 54% since FY19. On average since FY2019, State aid represents 30% of Howard County’s school system capital budget. State aid hit a highwater mark of 53% in FY24 largely because of the Built to Learn Act and [SB 291](#) but has returned to 34% in FY26.

Percent of Howard County school construction projects funded by State

In millions	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
HC Total School CIP	\$65,069	\$54,615	\$92,652	\$90,464	\$105,887	\$109,127	\$75,738	\$100,644
State Aid	\$8,743	\$ 6,115	\$23,965	\$33,119	\$51,541	\$57,539	\$16,636	\$33,899
State Percentage	13%	11%	26%	37%	49%	53%	19%	34%

¹ Timestamp: 2 hours 9 minutes 49 seconds; and again at 4 hours and 3 minutes.

Budget Implications:

- This legislation only approves the planned school construction projects for the purpose of submitting the application to the IAC. The Council will be presented with the plan again in April when the HCPSS submits their FY2027 capital budget plan for approval.
- Following adoption of this legislation, the IAC will begin its process of making final award decisions for local education agencies. Howard County can expect the final award amounts in May 2026.
- The [Comptroller of Maryland recently released a report](#) criticizing the State's reducing its share of school construction costs.

Comparison to FY26 CIP Award

	FY 2025 final award	FY 2026 final award	FY 2027 application	Dollar difference	Percent difference from FY26
Systemic Renovations Modernizations	\$13,707,000	\$16,659,000	\$23,906,000	\$ 7,247,000	43.50%
Roofing Projects	\$1,929,000	\$7,061,000	\$3,231,000	\$(3,830,000)	-54.24%
Total	\$15,636,000	\$23,720,000	\$27,137,000	\$3,417,000	14.41%

Other Notes:

The following requests for information have been submitted to the school system:

- According to the [most recent report from the IAC](#), of the Built to Learn Act funds Howard County has only spent \$36.6 million of the \$112 million that was allocated to the County. What is the status of this funding? Will the County still receive the remaining \$75 million?
- Are there any other pots of State money that the County is expecting to receive funds from, such as the Aging School Program, the Healthy School Facility Fund, or any others?
- When the State adjusts the award amount, do they typically make minor adjustments to a lot of projects or make major adjustments to a few projects?
 - o Additionally, which of the projects do you expect will not be funded by this application? Would these projects be deferred or be covered instead by County funds?
- Could you please summarize the justification for the Ilchester ES HVAC Replacement project and why it is such a high percentage of the total application?
- As the request relates to the \$5.9 million in the reserve fund:
 - o How did that money end up in the reserve fund in the first place?
 - o Is that all the money that is in the reserve fund? If we do not spend it all this year, will it be lost?
 - o It was mentioned in the post-profile meeting that money had been lost from the reserve fund in the past. How much money was lost? Did the State notify the County before the money was lost?
 - o Next year should we expect the State's award to be \$5.9 million less than this year?
- What is the County's relationship like with the IAC and State staff? Do you communicate often, or is there a more formal process for coordination?