

Memorandum

Date: October 17, 2025

To: Howard County Delegation and HB1450 Task Force Members

From: Katie Fry Hester, Maryland State Senator, District 9
Deb Jung, Howard County Councilmember, District 4
Jolene Mosley, Board of Education Chair, Howard County Public School System
Jacky McCoy, Board of Education Member, Howard County Public School System
Terri Marcus, Former President of the PTA of Howard County (PTAHC)

Subject: Additional & Alternative Recommendations for HCPSS Capital Funding pursuant to HB1450-2024

We write to you as individual members of the HB1450 Task Force, which met from August 2024 to June 2025. The final Task Force report, which is available [online](#), identified funding needs and shortfalls, as well as recommendations for closing the funding gap for HCPSS Capital projects. We have compiled this memorandum to document alternative and additional recommendations that were not included in the final report.

This memorandum contains:

- 1) An Executive Summary of the Memorandum,
- 2) Alternative recommendations to some of those set forth in the Task Force report, and
- 3) Additional proposals that were not included in the final Task Force Report.

EXECUTIVE SUMMARY

Dedicate at least 50% of each year's PAYGO to HCPSS Capital projects.

PAYGO is non-recurring, surplus money that can be spent on one-time Capital and Operating expenses. Dedicating half of each year's PAYGO to HCPSS Capital projects is a policy shift that provides a variable but sizable funding source to school facilities.

Revisit allocation of Transfer Tax to receiving departments on a periodic basis and avoid increasing taxes on County residents who are already facing high tax burdens.

We do not support increases to the Transfer Tax, whether it is on all transactions or high-value transactions. Modeling of rate increases for high-value transactions yielded so little new revenue that it is not worth pursuing. We recommend revisiting the allocation of Transfer Tax revenue to receiving departments on a periodic basis. Each department's fund balance should be reviewed as well so that decisionmakers are aware of other sources of revenue for the receiving departments.

Adjust County funding to HCPSS Capital Budget to reflect the school system's size and scope and escalating construction costs.

The County Administration indicated in the Task Force report that it will pursue \$50-\$54 million per year for the HCPSS Capital Budget. Flat funding will result in declining future investments in HCPSS Capital needs due to escalating construction costs and other inflationary factors.

Investigate ways that State construction and funding requirements can be responsibly adjusted to reduce new construction costs, expedite construction timelines, and support timely repairs to older facilities to avoid costly systemic repairs.

As identified in the final Task Force report, State funding for school construction projects has declined overall and construction costs have risen. We ask the State to investigate ways to adjust the construction requirements of new school facilities, without undermining safety and quality standards. Revisions of construction requirements could reduce construction costs allowing local jurisdictions to maximize limited funds.

Additionally, we ask the State to investigate ways to support funding of annual operation and maintenance repairs to avoid more costly systemic renovations.

ALTERNATIVE RECOMMENDATIONS

Task Force Recommendation: Increase County funding to HCPSS projects and establish a baseline of 10-50% of annual PAYGO to HCPSS capital projects.

The Task Force recommended an increase of annual PAYGO funding by 10-50% to HCPSS Capital projects (see page 13 of the final report). The Task Force report chose the 10% to 50% range because PAYGO also supports public works projects that cannot be bond funded and one-time needs that the County Executive considers a priority.

Alternative Recommendation: Increase PAYGO to a minimum of 50%.

We believe that the PAYGO percentage can be comfortably increased to a baseline of 50% because PAYGO has been a significant source of additional funds for the County and HCPSS Capital projects are typically prioritized over several years.

Since FY24, PAYGO has been near or above \$100 million (see Table 1). Within the Capital budget, PAYGO is often appropriated between HCPSS projects and County projects (see Table 1a). We further compared PAYGO funding between HCPSS projects and “General County” projects, which are often one-time priorities that fall outside of the ongoing Capital needs of the County departments (see Table 2 and 2a).

Examples of General County projects and their PAYGO appropriations are included below; these PAYGO amounts do not represent the projects’ full funding totals (see Table 2b). PAYGO is often appropriated to the Operating Budget for one-time expenses, but those totals are not discussed here.

Table 1. FY20-FY26 PAYGO Totals

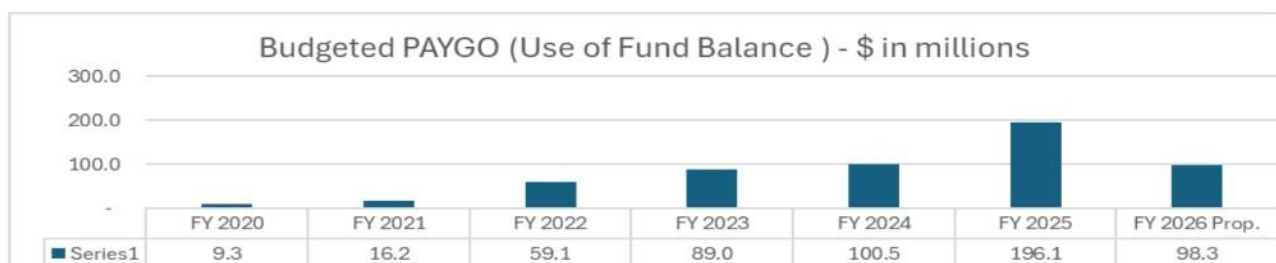


Table 1a. FY25 Capital PAYGO Projects

Capital Budget Category	Amount
HCPSS	\$15 million
Bridges	\$500,000
Community College	\$5 million
General County	\$65.2 million
Library	\$4 million
Recreation & Parks	\$4.3 million
Road Resurfacing	\$15 million
Sidewalks	\$2.5 million
Traffic Improvements	\$75,000

Table 2: FY25 & FY26 PAYGO & Capital PAYGO Totals

PAYGO Amounts	FY25	FY26
Total (Capital & Operating)	\$196.1 million	\$98.3 million
Capital	\$117.1 million	\$74.8 million

Table 2a: FY25 & FY26 Capital PAYGO to General County & HCPSS

Budget Category	FY25	FY26
General County	\$65.2 million	\$32.7 million
HCPSS	\$15 million	\$18.7 million

Table 2b. FY25 Capital PAYGO: General County Details

General County PAYGO projects	PAYGO Amount
Bus Stop Improvements	\$1.8 million
Alpha Ridge Landfill	\$70,000
Ellicott City	\$1 million
Broadband	\$2 million
North Laurel Pool	\$20 million
Systemic Renovations	\$250,000
Former Circuit Courthouse	\$7 million
High School #14 Land	\$15 million
Elkridge Community Center	\$11.5 million
Indoor Track	\$2.5 million
Public Ice Rink	\$1 million

County Revenues: The Task Force report did not give an overview of future County revenues, which is necessary when considering recommendations for PAYGO percentages that should be appropriated to HCPSS Capital projects. For informational purposes, we have included a synopsis of current revenues and budget forecasts provided to the Council by the Budget Director in the spring of 2025. This information is being shared to highlight that PAYGO is a reasonable source of new funding for increasing HCPSS Capital appropriations since primary revenue sources (property and income taxes) are predicted to be relatively stable.

Property and income tax revenues have increased more than 4% each between FY25 and FY26. Similarly, both property and income tax revenues increased on average 4.2% each year since FY20. Property tax revenues are predicted to remain strong and revenue impacts from Federal job cuts are predicted but no scenario modeling was provided to the Council. Interest income (listed as “Use of Money & Property”) has recently demonstrated strong growth. (See Table 3.)

Table 3. FY26 Revenue Summary & Comparison to FY25
FY 26 Revenue Summary

	FY 2025	FY 2026	\$	%
	Budget	Proposed	Change	Change
Property Tax	698.0	729.9	31.8	4.6%
Income Tax	635.9	662.2	26.3	4.1%
Recordation Tax	19.3	19.0	(0.3)	-1.6%
Other local taxes	9.1	8.9	(0.2)	-1.9%
State Shared Taxes	5.6	6.1	0.6	10.1%
Other Agency Rev.	10.3	13.4	3.1	29.8%
Permit/licen/Charge/Misc	22.2	20.6	(1.6)	-7.2%
Interfund Reimbursements	48.4	48.3	(0.1)	-0.3%
Use of Money & Property	12.0	24.1	12.1	100.9%
Total Revenues	1,460.8	1,532.5	71.7	4.9%

Task Force Recommendation: Work with the State to seek additional taxation authority where possible while balancing the overall local tax burden on businesses and residents.

The Task Force concluded that it is unlikely that a higher percentage of revenue from the Transfer Tax can fund HCPSS capital projects. The report recommended that increases to the Transfer Tax rate, across all transactions and tiered for homes over \$1.5 million or \$2 million, should go to fund school deferred maintenance. (See page 13 of the Task Force report.)

The Task Force also determined that shifting the allocation of Transfer Tax revenues away from current recipients would risk a negative impact on services or projects needed by residents. A majority of the meetings were spent hearing from the County Departments that receive a percentage of Transfer Tax revenue and the critical importance of that revenue.

Alternative Recommendation: Revisit allocation of Transfer Tax to receiving departments on a periodic basis and avoid increasing taxes on County residents who are already facing high tax burdens.

We do not support increases to the Transfer Tax, whether it is on all transactions or high-value transactions; modeling of rate increases for high-value transactions yielded so little new revenue that it is not worth pursuing.

County residents have experienced significant tax and fee increases, either through increased assessments resulting in higher property tax bills or new and increased fees on water, sewer, 911 services, fire and watershed protection. The School Surcharge was also increased in 2019 and is levied on new residential construction. (See the Task Force Report, page 5, for a table of tax and fee increases since FY19.)

We recommend revisiting the allocation of Transfer Tax revenue to receiving departments on a periodic basis. Each department's fund balance should be reviewed as well so that decisionmakers are aware of other sources of revenue for the receiving departments.

Omitted from the Task Force discussion dealing with Transfer Tax revenue was information about each of the receiving agencies' fund balances and other sources of funding. Transfer Tax does not generate enough revenue overall to fully fund any department, including HCPSS. (See Table 4 for total Transfer Tax revenues from 2010 to 2024.)

Below is additional information from the FY26 Budget that should have been shared with the Task Force members to understand the sources of funds for the receiving agencies.

Non-School Transfer Tax Revenue Recipients: Funding for the Department of Recreation & Park's Capital projects comes from grants, PAYGO, and Transfer Tax revenues. The Recreation and Parks Capital Projects Fund had a \$5.9 million fund balance in the FY26 Budget.

In addition to Transfer Tax revenues, the Department of Fire & Rescue receives dedicated funding from the Fire Tax, which is two cents per \$100 of real property assessment. The Fire Tax fund had a \$127.2 million balance in the FY26 Budget.

Transfer Tax revenues dedicated to Housing are used to fund staff and housing initiatives through the Community Renewal Program, which also receives funding from the fee paid by developers opting out of the obligation to build moderate income housing on-site. Housing programs are also supported through the dedicated Housing Opportunities Trust, which receives funds from the General Fund. The Community Renewal Program fund had a \$8.4 million balance in the FY26 Budget.

Agricultural Land Preservation program purchases easements that involve multi-year debt payments funded through Transfer Tax and other sources. Transfer tax revenues dedicated to

agricultural preservation are also used to support agricultural initiatives in the Operating Budget. The Agricultural Land Preservation fund has a \$25 million balance in the FY26 Budget.

Table 4. Transfer Tax Revenues

Transfer Tax Revenues - Total Receipts	
Fiscal Year	Amount
2010	21,276,814
2011	21,319,655
2012	25,801,013
2013	25,264,645
2014	26,907,783
2015	30,964,190
2016	31,570,488
2017	37,904,073
2018	37,826,118
2019	31,367,019
2020	40,140,976
2021	55,649,810
2022	63,393,157
2023	41,991,873
2024	38,565,819

ADDITIONAL PROPOSALS

New Proposal: Adjust County funding of HCPSS Capital Budget to reflect the school system's size and scope as well as inflationary costs.

The County Administration indicated in the Task Force report that it will pursue flat funding of \$50-\$54 million per year for the HCPSS Capital Budget. We believe that flat funding will result in declining future investments in HCPSS Capital needs due to escalating construction costs and other inflationary factors.

We maintain that the County is not proportionally funding the school system based on its size and scope. When compared to the County, HCPSS has more employees, maintains more building square footage, and is mandated to serve a significant portion of the County's population on a more regular basis than any other County facility or service. (See Table 5.)

Furthermore, flat funding from the County doesn't reflect budgetary constraints. There are opportunities for additional funding by the County even in uncertain economic times.

Table 5. School & County Asset Comparison

School and County Asset Comparison		
	County Government	Schools
FY26 Operating Budget	\$1.5B	\$1.2B
FY25 Authorized Personnel	4513	9062
Square ft.	2.7M+	7M+
FY26 Capital Budget	\$266.4M	\$100.6M

New Proposal: Investigate ways that the State construction and funding requirements can be adjusted to reduce construction costs without undermining current standards, expedite construction timelines, and support timely repairs to older facilities in an effort to avoid costly systemic repairs.

Adjust Construction and Funding Requirements and Timelines: Several of the Task Force’s recommendations proposed alternative approaches to the current requirements for funding and building school facilities. We would also like to request that the State review their current building templates to assess changes that could suit small parcels of land, co-locate school buildings with existing public sports fields or amenities, and reduce the overall cost of construction within the current educational facilities’ standards.

The Task Force also recommended exploring public-private partnerships (P3) as a solution to funding constraints. We would encourage decision makers to include the annual maintenance costs of P3s in their cost analysis. Howard County’s new Circuit Courthouse is a P3 with an annual maintenance fee not to exceed \$10.9 million in addition to the annual debt service on \$91 million in construction bonds (Council Bill 54-2018).

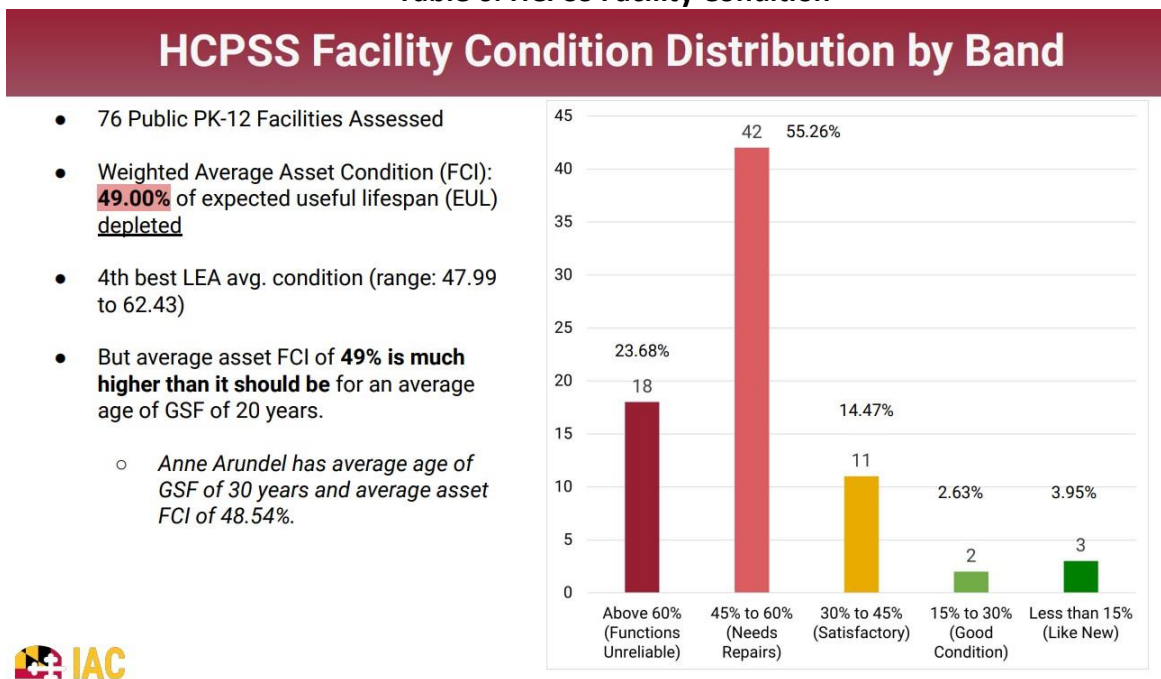
Operation and Maintenance Funding: Additionally, we request additional funding consideration for operations and maintenance costs that occur in the Operating Budget. This category is not always fully funded due to competing priorities, and lack of funds in this category contributes to more costly systemic repairs in the Capital Budget.

On October 9, 2024, the Interagency on School Construction (IAC) presented information to the Task Force from the State’s 2024 assessment about the well-being of HCPSS school buildings. The presentation is available online [here](http://bit.ly/4hbqYBa) (<http://bit.ly/4hbqYBa>). The IAC also maintains an online Statewide Facilities Assessment Dashboard accessible [here](#).

The 2024 presentation included the following:

- HCPSS facilities are insufficiently funded to maintain the school buildings for their full lifespan. In FY23, the HCPSS operation and maintenance budget was about \$54.9 million. The industry standard should be \$114.6 million. This amounts to a shortfall of \$59.7 million for that fiscal year.
- HCPSS facilities rank in the younger tier in the State, but HCPSS Facility Condition Index (FCI), the metric used to determine the lifespan of the buildings' functions, is on par with school systems that have buildings that are on average ten years older. FCI is calculated by assigning values to HVAC systems, plumbing, roofs, electrical systems, and other building components; the higher the value, the worse the conditions.
- According to the IAC's 2024 presentation, HCPSS facilities have an average age of 20 years, but the school system's average FCI is 49%. Anne Arundel County Public Schools (AACPS) have an average age of 30 years and an FCI of 48.54%. Current FCI is 50.1% for HCPSS and 48.2% for AACPS.
- More than half (42 facilities, 55.26%) of HCPSS's buildings were identified as "Needing Repairs" receiving an FCI of 45% to 60%. The State average is 40% in this range. A total of 18 HCPSS facilities were identified as having "Unreliable Functions" with an FCI score of greater than 60%. (See Table 6)

Table 6. HCPSS Facility Condition



Conclusion

The County can and should direct more funding for school construction and operation and maintenance of school facilities to HCPSS. In addition to gaps in direct Capital funding, according to the IAC, HCPSS was short \$60 million annually in operations and maintenance funding in FY23 and that shortage continues to grow.

The County's revenues have increased on average 4.2% for the past six fiscal years; this growth indicates that we have the financial resources to ensure our largest capital investment in the County is not falling into disrepair, in need of expensive replacements. The State can help by revisiting and revising construction and funding requirements, expediting construction timelines, and setting aside dedicated funding for operations and maintenance. State funding for capital construction has remained the same since 1999: \$285M per year for all jurisdictions in the State.

Together, we can tackle this problem and make progress toward ensuring timely repairs and sufficient, healthy classroom space for all of our students.