STATE SPENDING SERIES: SCHOOL CONSTRUCTION

SEPTEMBER 2025

As Maryland's elected Chief Fiscal Officer and member of the state spending board – the Board of Public Works – the Comptroller of Maryland values cost-effective investments that grow the economy and advance opportunity for all Marylanders.

This report is the third in a series that shares lessons learned from within Maryland and beyond about cost drivers of critical infrastructure and other public goods.

I. Introduction

One of Maryland's most valuable assets is its highly-rated public school system. Maryland is a top-five state for K-12 education according to *Education Week*'s "Grading the States" Survey, which measures academic achievement and the resources that support it.[1] And a majority of Marylanders believe the state's public schools provide a "good" or "excellent" K-12 education.[2] But a critical area of public education where the state has fallen behind is the physical condition of school buildings, despite increased state and county investment in recent years. On average, schools in Maryland are in unsatisfactory condition and fail to meet a state of good repair.

The condition of school buildings is a key factor in academic achievement and student success. The physical environment directly impacts students' health, safety, and ability to learn.[3] Research shows a connection between poor school facility conditions and negative outcomes related to student attendance, academic achievement, and health, as well as teacher retention.[4] A study of capital improvements to school buildings found a positive impact on student reading scores.[5]

Modern, state-of-the-art school facilities also support economic growth. The construction of new schools allows for new housing development and population growth, and ongoing maintenance and upgrades to existing school facilities helps to retain and attract families that want to send their children to good schools.

This report, part of the Comptroller's State Spending Series, seeks to better understand the condition of Maryland's public school buildings and the cost drivers limiting the ability of the state and local school systems to achieve a state of good repair and build new schools to meet present and future needs. Research indicates that there are policy and regulatory decisions and procedural inefficiencies that drive up costs and provide an opportunity for the state to realize savings on the margins. However, cost increases driven by external factors, such as inflation and site and building specifications, are significant. Finally, perhaps the most stubborn challenge rests on the funding side of the ledger, where revenue streams and funding methodologies are not keeping pace with cost increases and are not closing equity gaps across local school districts.

The report is divided into the following sections

I. **State of School Infrastructure** reviews the physical condition of Maryland's nearly 1,400 public school buildings, finding that 81% of schools are functionally unreliable or need repairs.

II. **State of School Spending & Funding** analyzes spending and funding sources and amounts for school construction in Maryland compared to surrounding states and highly rated peer states, finding that capital spending per student is on par with the national average, with the state contributing 23% and county governments contributing 74%, on average.

III. **Cost Analysis** details the factors driving up school construction costs, finding that recent cost increases, including those created by the Covid-19 pandemic, have largely followed the growth rate in the overall construction industry, but a range of other factors from larger school buildings, to regulatory and policy priorities, and limited in-house expertise are cost drivers that can be controlled by state and local governments.

IV. **Funding Analysis** reviews funding for capital projects over time and presents findings for directing additional resources to school construction, including promising practices from other states and within Maryland relating to dedicated state or local revenue streams and resource allocation models.

Public Stakeholders in School Construction

The **Maryland Interagency Commission on School Construction (IAC)** oversees and approves state funding for school construction projects, sets guidelines, ensures compliance with state standards, conducts facility assessments, and provides technical assistance to LEAs.

Local Education Authorities (LEAs) identify school construction needs and develop project proposals for the IAC, manage local funding, and oversee day-to-day planning, design, construction, operations, maintenance, and decommissioning of schools.

The **Maryland State Department of Education, Office of School Facilities (MSDE OSF)** reviews educational specifications and facility designs to ensure alignment with instructional needs. OSF supports LEAs in planning safe and effective learning environments.

The **Department of General Services (DGS)** conducts technical reviews of design and construction plans, and recommends which projects should be authorized for construction bids.

The **Maryland Stadium Authority (MSA)** manages large-scale or alternative-financed IAC-approved school construction projects, often acting as project manager. The Built to Learn Act of 2020 allowed MSA to issue up to $2.2 billion in revenue bonds to fund school construction projects.

The **Maryland Board of Public Works (BPW)**, comprised of the Governor, Comptroller, and Treasurer, previously reviewed and approved funding for school construction projects. Legislation passed in 2018 shifted this oversight of school construction funding to the IAC. While BPW now has a limited oversight role, as the state spending board, it has a vested interest in how state resources are allocated and expended.

II. State of School Infrastructure

In 2021, the Interagency Commission on School Construction (IAC) completed its first baseline Statewide Facilities Assessment (SFA), reviewing the condition of all 1,361 K-12 public schools in Maryland. This came years after a statewide needs assessment was recommended, first by the Kopp Commission in 2004 and later by the Knott Commission in 2016.[i] The goal is to discern facilities with the highest needs and help state and local governments plan and budget to address these capital and maintenance needs.[6] Maryland is one of only a few states, including New Mexico, Wyoming, and Rhode Island, that has completed a statewide assessment of all its school facilities.

Each year, the IAC assesses one-quarter (about 340) of the state's schools, ensuring all schools are reviewed on a four-year cycle. Details on what should be included in a school facility inspection are outlined in state law.[7] As part of the SFA, the IAC assigns each school a Facility Condition Index (FCI) score.[ii] The score is the percent a school is depleted – the lower the percent score, the better condition of the school – and is intended to be an objective measure of a school building's remaining useful life.[8] (Though, in research for this report, some Local Education Authorities (LEAs) expressed concerns about the methodology behind FCI scores.)[iii]

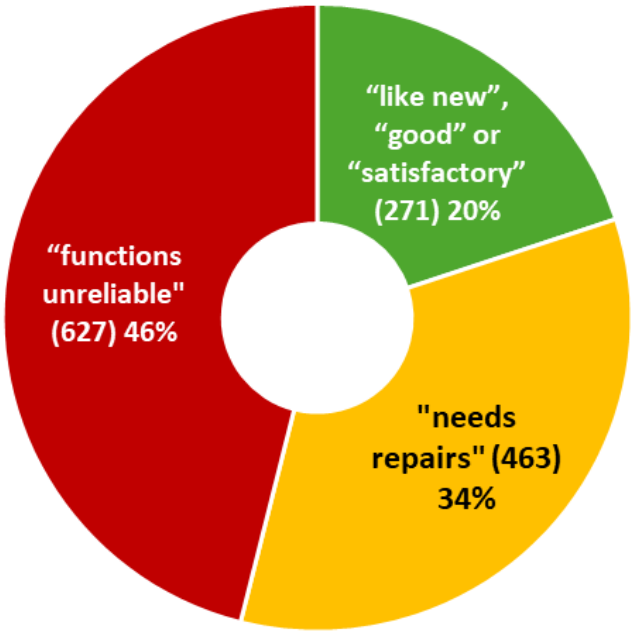
According to current data 271 public school facilities (just 20%) in the state are categorized as "like new", "good" or "satisfactory"; 463 (34%) are categorized as "needs repairs"; and 627 (46%) as "functions unreliable." (See Figure 1.) The counties with the worst scores on average (across all of their schools) are: 1) Kent, 2) Garrett, 3) Allegany, 4) Washington, and 5) Cecil. As with most physical assets, there's a strong correlation between age and condition.[9] None of the 24 public school districts in the state receives overall scores of "like new," "satisfactory," or "good" **on average** (taking into account all schools within the district.)[10]

i Over the past half century, the Maryland General Assembly has created several commissions to study school construction. The Commission to Study the State's Role in Financing Public Education, established in 1970, directed the Board of Public Works (BPW) to establish the "State School Construction Program" and funded it at $150 million (in 1970 dollars). The Task Force to Study Public School Facilities (also known as the Kopp Commission), established in 2003, conducted the first state survey of school facility needs, estimated the gap in financing to improve school infrastructure ($2.9 billion in 2003 dollars), and recommended that the state, (1) increase its annual allocation to school construction, and (2) assess the condition of all school facilities at least every four years. The 21st Century School Facilities Commission (also known as the Knott Commission), established in 2016, made 36 recommendations to improve the way that the state and LEAs manage school facilities, many of which resulted in statutory changes during the 2018 legislative session.

ii The SFA is discussed in more detail in section V, including information on the second component (in addition to FCI scores): "educational sufficiency."

iii During research for this report, Baltimore City Public Schools shared the following concerns: (1) the score is an observation of quality by assessors, so there is some subjectivity; (2) scores are benchmarked against current equipment, so the score will not reflect a deficiency for a school with no AC or window units compared to a school with central HVAC if they are both "new;" (3) individual system components are scored, so if one piece of the HVAC is replaced, like the boiler, the whole system score improves, masking the severity of depletion of other components in that system. There is concern that this could perpetuate sub-standard infrastructure and less funding for schools of lower quality.

Figure 1: Facility Condition Categorization – All Public Schools in Maryland (August 2025)



Source: Statewide Facilities Assessment (SFA) Dashboard, Maryland Interagency Commission on School Construction

The IAC has a goal for all schools in Maryland to score at least "satisfactory." To achieve this, 1,090 school facilities would require repair, renovation, or replacement. The IAC has a project underway to estimate what it will cost the state and LEAs to bring schools up to condition levels that support educational sufficiency and fiscal sustainability. This estimate will include costs associated with: (1) building missing facilities, such as science labs or pre-K classrooms, (2) improving facility conditions, and (3) improving the energy performance of schools.[11] A similar effort took place 20 years ago as part of the Kopp Commission, which estimated the cost of bringing all schools up to basic, minimum facility standards at $4 billion in 2004, which represents about $12 billion in today's dollars.

Most schools across Maryland are too old, but in comparison, only a few are too small. Therefore, from a statewide perspective, improving school conditions and addressing deferred maintenance is a more urgent priority than expanding school capacity. Of the 24 LEAs in Maryland, 15 have an overall utilization rate of less than 90%, while three (Charles, Howard, and Wicomico) have an overall utilization of 95% or more. It's important to note that "overall" indicates the LEA average, so some schools in a district may be over capacity, while others are under capacity. For example, Frederick County's average utilization rate is 94%, but 19 of its 62 schools exceed 100% of state rated capacity (Oakdale Elementary is at 170% capacity).[12, 13]

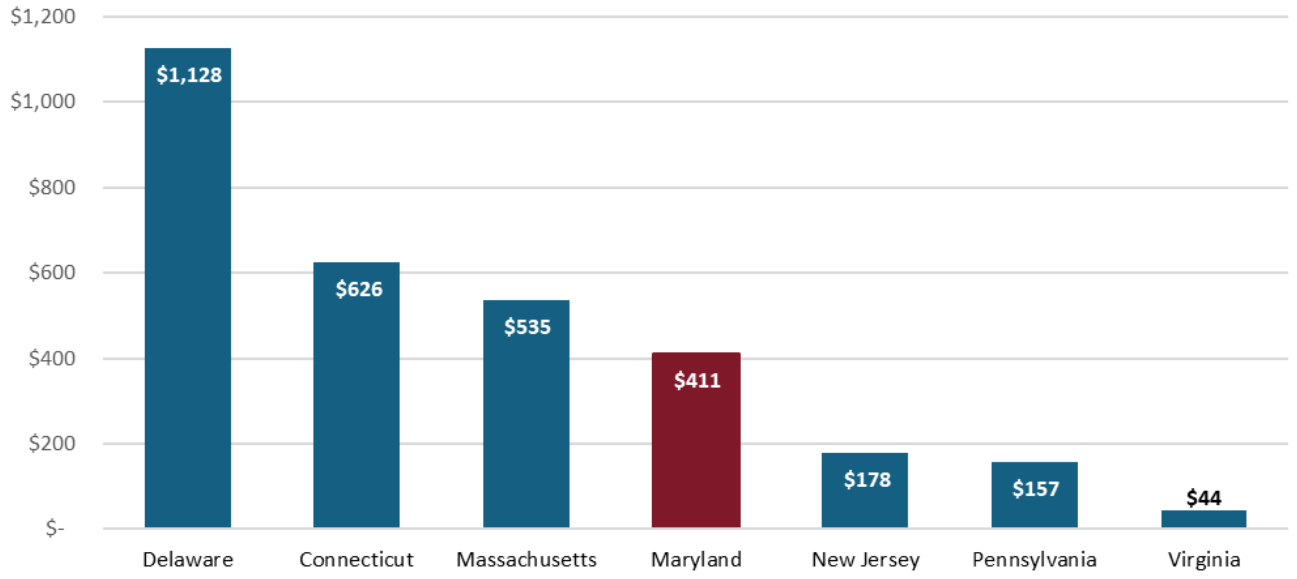
III. State of School Spending & Funding

Spending on public school facilities is the second largest public infrastructure investment in the U.S. behind only highways. However, the funding model for public schools is like no other public infrastructure asset. Whereas highways, airports, rail, utilities, and other major capital projects in the U.S. are primarily funded by federal and state government (or user fees), public school buildings are mostly funded by local school districts through property taxes, bonding authority, and other revenues raised and allocated by local government. As a result, there is significant variation across the country and within states in funding for school construction, and ultimately in the condition of facilities.[14]

According to the most recent *State of Our Schools Report*, published every five years by the 21st Century School Fund, the International WELL Building Institute, and the National Council on School Facilities (NCSF), Maryland's annual average capital expenditure between FY2009 and 2019 was approximately $981 million or $1,095 per student. The report indicates that Maryland falls short of **adequate** capital spending based on the condition of its schools. The NCSF defines adequate annual capital spending as 4% of Current Replacement Value, the estimated cost of fully replacing all school facilities. The report estimates **adequate** capital spending per student in Maryland at $2,459, more than twice current annual spending.[15]

Typically, state governments share a portion of the costs associated with school construction. In Maryland, local governments cover the vast majority of per pupil capital spending: on average between 2018 and 2022, 23% of total school capital spending came from state funds, 74% from local governments, and 3% from federal sources. This mirrors national averages, though there is significant variability in the state/local split by state.[16, 17] (See Figure 2.)

Figure 2: Average State Revenue for Capital Outlay per Student for Select States, 2018-2022



Source: National Center on School Infrastructure

Note: State Revenue for Capital Outlay is district-reported revenue from the state to the local district specifically for school construction and building aid, including amounts to help school systems pay for servicing debt.

LEAs can apply for state funding to support their public school capital projects through six active grant programs managed by the IAC.[18] A 2022 law established a legislative target of $450 million allocated to public school construction annually. (This target has been met since its enactment; FY23-26).[19] The longest standing program is the Capital Improvement Program (CIP), which was established in 1972 and has been funded at around $300 million annually for nine of the past 10 years.[20] Other grant programs support specific needs or costs, such as schools experiencing significant enrollment growth or schools in need of HVAC upgrades. (See Table 1 in the appendix for the full list of state capital grant programs for public school construction.)

LEAs receive funding from the state CIP through the IAC for specific projects. Target allocations and actual award amounts vary annually; they are primarily based on an LEA's share of statewide enrollment, and are adjusted for county wealth and facility needs.[21] To access their state CIP funds for a project, LEAs are required to contribute their local share. Each LEA has a customized cost share arrangement with the IAC, ranging from 50% to 100% of eligible project costs, that takes into account their county's poverty rate, income level, willingness and capacity to pay, along with enrollment growth and facility capacity.[22] (See Table 2 in the appendix for the full set of criteria of the IAC cost share model; see Table 3 for each county's cost share agreement for the current fiscal year and FY27.)

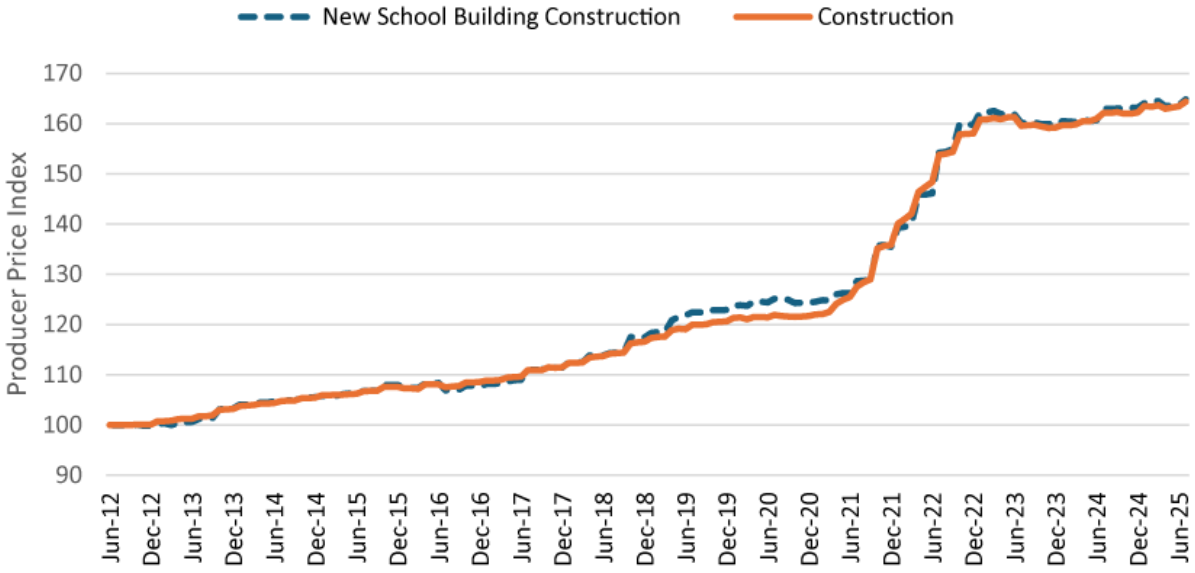
It is important to note that the cost share formula does not apply to all IAC grant programs, and applies only to certain, **eligible** school construction and renovation costs rather than the full cost of capital projects.[23] There is a long list of **ineligible** costs – those that must be covered solely by LEAs, including site acquisition, master plan development, capital improvements to newer buildings, and additional square footage beyond the IAC established maximum (discussed further in Section IV).[24] Hence, the local governments in Maryland, on average, end up covering the vast majority (74%, as mentioned above) of school capital expenditures when accounting for **all** capital costs.

Caroline County Public Schools - Greensboro Elementary - Credit Whiting-Turner

IV. Cost Analysis

Nationally, new school construction costs increased 22% from June 2012 to June 2019, generally in line with overall construction costs, which increased 19% during that period. Pre to post pandemic (June 2019 – June 2025), new school construction costs increased 42%.[25] (See Figure 3.)

Figure 3: School construction cost growth rate, indexed to June 2012 (100=June 2012)



Source: U.S. Bureau of Labor Statistics, Producer Price Index by Commodity: Construction (Partial): New School Building Construction and Producer Price Index by Commodity: Construction (Partial), retrieved from FRED, Federal Reserve Bank of St. Louis

Accelerated cost increases from the pandemic and post-pandemic era are largely due to factors **outside of the control** of state governments and LEAs, including inflation, pandemic related supply chain challenges and labor shortages, and most recently tariffs on commonly used construction materials, such as steel. However, there are some cost drivers that state governments and LEAs **can influence or control**, such as facility size and policy and regulatory requirements. This section explores current costs and some of the key drivers of increased costs.

A. Current Costs

The latest national data that compares school construction cost per gross square feet (GSF) is from the *State of Our Schools Report* and uses data from 2009 through 2019. On average during that time period, Maryland ranked 17th out of all U.S. states plus Washington D.C. for new construction per GSF.[26] Compared to peer states with highly rated public school systems (New Jersey, Massachusetts, Connecticut), Maryland spends ***less*** on new construction per GSF. (See Figure 4).

Figure 4: Cost per Square Foot for New Construction for Select States, 2020

State	New Construction Cost per GSF
New Jersey	$ 488
Massachusetts	$ 480
Connecticut	$ 465
Delaware	$ 420
Maryland	**$ 392**
Pennsylvania	$ 351
Virginia	$ 321
West Virginia	$ 303

Source: State of Our Schools, 2021

It is important to note that the above costs pre-date accelerated pandemic-era cost increases. According to interviews with construction firms for this report, the current cost per GSF for new construction is closer to $600. This translates to about $1 million to build a new classroom and about $80 million to build a new school.[iv]

COST CASE STUDY FOR BUILDING A NEW SCHOOL IN MARYLAND

A national construction firm that builds schools in the Washington D.C. metro area shared their average costs and timelines based on several recent projects for this report, summarized below. The cost figures include site preparation and building (including labor). They do **not** include additional costs such as architectural/ engineering design, construction management fees, site services, and insurance, which add an estimated 15-20% of overall costs, bringing the total average cost to approximately $600 per square foot.

School Type	Schedule	Costs (per square foot)
Elementary School	Planning and Design: 18 months Construction: 18 months **Total: 3 years**	Building: $365-446 Site costs: $81-98 **Total: $445-$544**
Middle School	Planning and Design: 18-20 months Construction: 20-22 months **Total: 3.5 years**	Building: $338-$415 Site: $75-$91 **Total: $413-$506**
High School	Planning and Design: 24 months Construction: 24 months **Total: 4 years**	Building: $374-$457 Site: $82-$101 **Total: $456-$558**

iv Example represents a middle school under construction for about 900 students.

B. Cost Drivers

There are a number of factors influencing the variability of school construction costs and contributing to increased costs. While it is difficult to precisely quantify the specific cost increases associated with each factor, the below categories outline key areas driving capital project costs.

School and Site Features

When it comes to new construction, there is a range of factors and preferences that determine overall costs, including:

- **Site availability and cost:** LEAs often have to compete with commercial developers if a new site is needed, which requires paying high market rates. In cases that require negotiating with developers for land they own, LEAs can be saddled with costly site work to make the tract school-suitable.[27]

- **Existing site conditions**: Construction on a site occupied by an existing school that has to be replaced can be even more costly than acquiring and building on a new site. This is not uncommon; according to a consultant interviewed for this report, adequate sites for new and replacement schools are difficult to obtain, even in rural jurisdictions.[28]

- **Location and site complexity**: School construction can require significant land modification and site preparation, including soil amendment, remediation, deep foundations, grading to level elevation change, and retaining walls. Some necessitate underground stormwater management or underground parking, which require excavation, waterproofing and structural support.

- **School structure**: Material selection (concrete, structural steel, etc.), building height, number of stairwells, and/or elevators are key cost factors.

- **School interior:** The size and complexity of spaces within the school (auditoriums, pools, gyms, cafeterias, STEM spaces, art/music classrooms, etc.).

- **Fit/finish**: The number of lockers, the amount of interior glass, the type of flooring (tile, terrazzo, carpet, vinyl composition tile, etc.), and furniture choices.

- **Exterior programs**: The size and types of spaces provided for sports and playgrounds, such as tracks and fields, and the type of lighting required.

- **Sustainability features**: High-efficiency mechanical, electrical, and plumbing systems; geothermal energy; energy-efficient roofs and insulation; exterior skin systems/building envelopes; and solar power systems, and other high performance or net-zero infrastructure.

Policy Priorities and Regulations

Some school construction features are driven by elective design choices and societal expectations, while others are the result of state and local policy and regulatory requirements. Policy and regulation impacting construction and infrastructure typically add value for students, teachers, and staff, contributing to Maryland's highly-ranked education system and providing a strong return on investment with regards to academic achievement and well-being of students. In the short term, these requirements ***can*** increase capital costs, discussed below.

The Blueprint for Maryland's Future Requirements[v]

The Blueprint prioritizes the expansion of pre-K, college and career readiness, supporting teachers and school leaders, and strengthening services for students with greater needs.[29, 30] Implementing policy goals outlined in the Blueprint will require LEAs to make additions or modifications to school infrastructure in many cases, including the addition of pre-K classrooms; spaces for teacher professional development; and space for new personnel, such as coordinators for career and technical education opportunities for students and support for multilingual learners and students with heightened needs.

Blueprint regulations are intended to create a better learning and working environment for students, teachers, and staff, and improve educational outcomes. They will also increase capital expenditures up front, and the costs will vary depending on how LEAs approach the modifications (i.e., simple additions; repurposing existing space; demolition; building new schools; redistricting to address school capacity needs, etc.). LEAs have incentives to pursue the most cost-effective approach but may be limited in their options based on available funding, space, and timing.

Climate and Sustainability Goals

Maryland has set a state goal to cut emissions by 60% by 2031 and achieve net-zero by 2045.[31] The state currently requires all school systems to adhere to environmentally oriented green building standards from Leadership in Environmental Design (LEED), the International Green Construction Code (IgCC), or Green Globes.[32] Reaching the decarbonization milestone will yield long-term benefits for the environment and residents, and savings for state and local governments: (1) improving indoor air quality and enhancing learning conditions can improve students' health and productivity, and (2) net zero schools typically require 65-80% less energy to operate and require less HVAC maintenance.[33, 34] A study of decarbonization in Fairfax, Virginia revealed annual energy savings of $110,000 **per school**.[35] A national review found that the financial savings of greening schools are 10 times the costs.[36] (Note: LEAs can be awarded an additional five percentage points in the state cost share from the IAC for net-zero school construction projects).[37]

The IAC and Maryland Energy Administration (MEA) are partnering to estimate the cost of decarbonizing Maryland public schools by 2045. Affordability will hinge on timing upgrades with regular replacement schedules. Cost efficiency will be enhanced if, for example, a gas HVAC system is replaced with an electric one once it's come to the end of its useful lifespan; not prior. As part of this study, IAC and MEA will assess the carbon and energy intensity levels of every school in the state, estimate what is needed to decarbonize and bring each facility to net zero (i.e., solar panels, electric HVAC, energy-saving

v The Blueprint for Maryland's Future is a plan to transform public education in Maryland, approved by the General Assembly in 2021. The Blueprint intends to increase state funding for education over the next 10 years, enrich student experiences and accelerate student outcomes, as well as improve the quality of education for all children in Maryland, especially those who have been historically underserved. (Blueprint - Maryland State Department of Education)

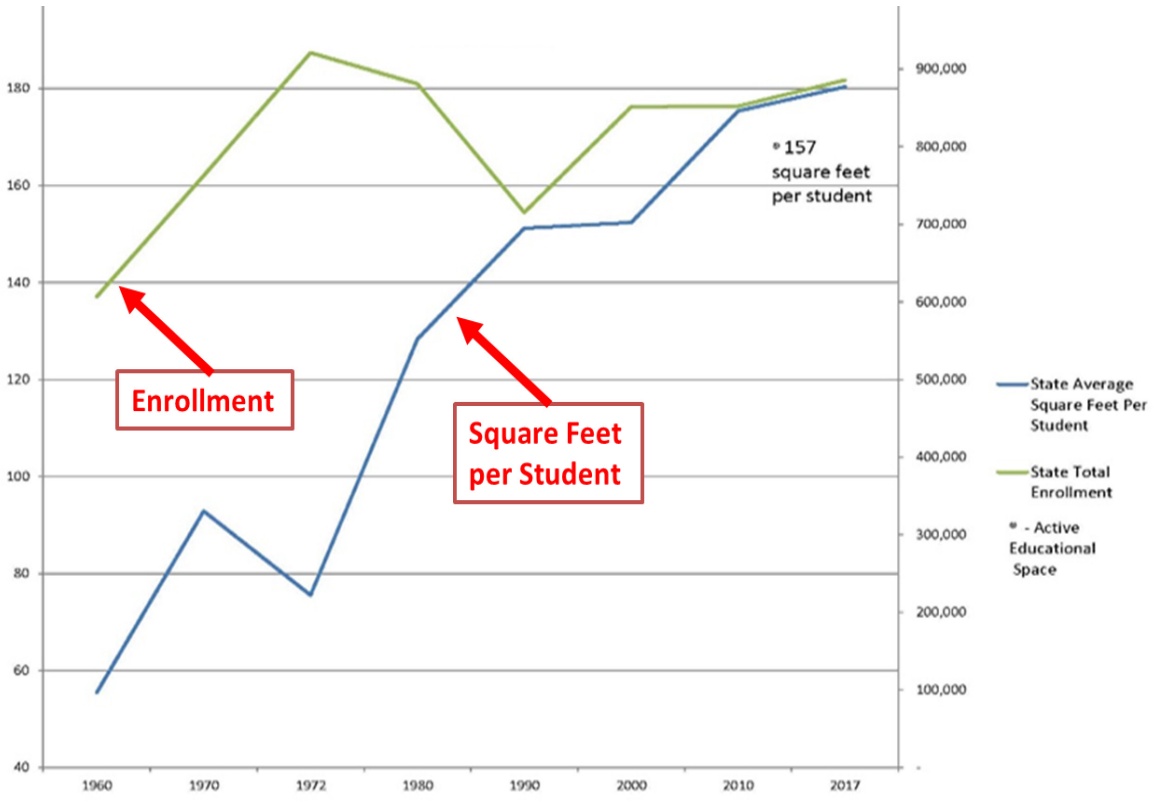
appliances), and then present various scenarios and schedules to achieve decarbonization goals in the most cost-effective manner, and work with state leaders to determine the best path forward.[38] Meanwhile, separate from IAC grant programs, the MEA is providing targeted support to LEAs that are working to decarbonize, recently awarding $17 million to 30 school projects.[39]

Stormwater management is another major climate change resilience and adaptation measure. Regulations implemented in 2010 require all school districts in Maryland to do more to mitigate flooding, erosion, and pollution.[40] This necessitates additional engineering design work and site grading during school construction. Montgomery County Public Schools estimates these regulations have increased project costs by 10-20%.[41] Over the long term, these measures can decrease economic losses from flooding, reduce the risk of harm to students, and improve water quality.

Building Size

Between 1970 and 2017, school buildings in Maryland increased in size by over 100%, as measured by square foot per student. (See Figure 5). LEAs have increased school building size over time to address educational requirements and meet community needs. Schools increasingly serve as community centers and neighborhood anchors.[42] For example, many schools today provide social work, health care, and other services to low-income households. In addition, some schools offer community services including before and after school programming, health care facilities, computer access rooms, and libraries.

Figure 5: Statewide School Square Feet per Student and Enrollment Growth (1970-2017)



Source: Maryland Interagency Commission on School Contruction

In order to best serve the community, state regulations suggest that specific school spaces meet certain size specifications, including:[43]

- Special education pull-out rooms should be greater than 450 square feet.
- Science rooms for grade 6-12 should be greater than four square feet per student and include at least 40 square feet for storage.
- Arts rooms should be greater than four square feet per student and have at least 60 square feet of storage space.
- Technology labs should be greater than three square feet per student with 80 square feet in storage; and career and technical education workshops must be at least 650 square feet.

Minimum square footage requirements are complemented by maximum state-funded square footage guidelines from the IAC (updated in 2023 to accommodate the requirements added by the Blueprint). While acknowledging the need for larger spaces to comply with increasing programmatic demands on schools and state mandates, the IAC guidelines are intended to put some brakes on project size. According to a consultant interviewed for this report, guidelines have the effect of imposing discipline and incentivizing LEAs to consider how they can maximize space (i.e., consider whether a classroom or flexible space can serve multiple purposes instead of just one). However, the same consultant stressed that even counties that are fiscally conservative and make every effort to stay below the IAC maximum square footage, often find it challenging.[44] The expectations and requirements for educational programming and the IAC maximum funded square footage can come into conflict.

This tension ends up driving up costs for LEAs, because the IAC will only fund projects up to their maximum square footage guidelines.[vi] The IAC may approve larger projects that exceed maximum size standards, but the state cost share is not applied to the added expenses.[vii] LEAs have "home rule" authority to build as large as they want, but they must cover any costs associated with square footage that exceed the IAC standards. This has a ripple effect: going over budget on one project can limit an LEA's ability to meet competing or future capital needs, contributing to more deferred maintenance, delays to new construction, and ultimately higher costs. These policies advantage wealthier counties that can afford to build beyond the IAC guidelines, while poorer counties often end up without comparable amenities.[45]

vi The IAC will consider exceptions in some cases.
vii It is not uncommon that LEAs build schools 10% to 50% larger than the IAC's maximum standards.

Addressing Special Needs

Another factor increasing the cost of school facilities is the policy priority put into place to better serve students with special needs, including students with disabilities and English language learners.

According to the Maryland State Department of Education (MSDE), the state is shifting how it approaches education for students identified as having a disability. While the percentage of students with disabilities in Maryland has been consistent over the past decade,[46] an effort is underway to maximize co-location and inclusion for students with special needs, many of whom are currently taught in standalone special education centers (which are aging). Improving the learning environments for this population of students will require revised design specifications, renovations, and building reconfiguration for uses like life skills classrooms, sensory rooms for de-escalation, occupational therapy and physical therapy (OT/PT) rooms, adaptive gymnasiums, and behavior support rooms for students who need to be out of the regular classroom but who may or may not have individualized educational programs (IEPs). In addition, more space is needed for itinerant specialists (i.e., speech, hearing, vision, and OT/PT).

The population of English language learning students in Maryland public schools has nearly doubled over the past decade, from about 61,000 in 2015 to 112,000 in 2024.[47] The state and LEAs are committed to improving these students' education experience, which often requires facility expansion to accommodate additional staff to serve them. More small instructional rooms ("resource rooms") are also needed for one-on-one or small group instruction.

School Safety

By necessity, student safety has become a key priority due to the prevalence of school shootings across the country. Schools are enhancing security features and, in some cases, modifying facility floorplans and layouts to align with best practices for school safety. School Resource Officers (SROs) are also now routinely present in schools, requiring an additional office space.

Prince George's County Public Schools - William Wirt Middle - Credit PGCPS

Timing and Project Management

Several other factors at the LEA level relating to the life cycle of schools and management capacity can impact school construction costs.

School Building Life Cycles

Schools typically have a 50-to-60-year lifespan (with renovations along the way) before they need to be fully replaced. Currently, 20% of schools in Maryland are 50 years or older, meaning they are reaching or have reached the end of their life span.[48] This is largely attributable to rapid enrollment growth in the 1960s and a burst in school construction in the 1960s and 70s in response.[49] (See Figure 5.) Many of the schools built in the 1960s are due to be replaced now, at a time when construction costs have increased significantly in recent years.

Preventive Maintenance Challenges

Some LEAs lack the resources to keep up with regular maintenance and operations (M&O) of facility infrastructure, equipment, appliances, and other capital items. (M&O funding comes solely from local governments. They have significant variations in ability to pay, discussed further in section V). Without regular preventive maintenance, appliances and equipment (1) don't last as long and (2) often require emergency maintenance or repairs. In the first scenario, LEAs are not getting the full value out of the appliances and equipment and need to replace them years earlier than projected (capital budget). In the second scenario, LEAs are paying for emergency or corrective maintenance, which can be five times the cost of routine and preventative maintenance (operating budget). Deferring or skipping recommended maintenance often results in additional costs in the future, and occasionally, temporary school closures for student safety. (Note: The IAC conducts an annual "maintenance effectiveness assessment" and LEAs can be awarded a five percentage point increase in the state cost share from the IAC if they receive a rating of adequate or above).[50]

Management and Planning Challenges for Small or Under-Resourced LEAs

Smaller LEAs are disadvantaged with limited **human and capital resources** to manage projects and plan ahead. In counties where school capital improvement and construction projects are few and far between because they have fewer schools, LEAs often lack the dedicated, in-house expertise to manage large projects. Eight of Maryland's 24 school districts - Worcester, Talbot, Somerset, Queen Anne's, Kent, Garrett, Dorchester, Caroline - have less than 15 schools.[51]

According to contractors and builders interviewed for this report, smaller LEAs can be "slower to adopt new trends" or to become aware of opportunities to enhance project efficiency. Some rural counties have historically not taken advantage of cost-saving opportunities, such as energy performance contracting that allows for increased spending in the short-term paid for with future savings on energy costs. In addition, these counties are often less knowledgeable of state and federal competitive grant programs and lack dedicated grant writers and other staff and resources to apply for grants, manage large capital projects, and explore new financing mechanisms.

Both financing and technical assistance can help enhance cost efficiency and generating savings, especially for smaller and poorer LEAs. (Several financing models are discussed further in section V.)

Long-term planning and budgeting can be another challenge, which is required to conduct major capital projects. It often takes smaller or under-resourced jurisdictions longer to get projects off the ground and to complete them. Some smaller LEAs, or larger LEAs with limited local resources, are hesitant to ***begin*** projects (i.e., start spending their own money on a site, master plan, or design) or cannot begin projects until they have received IAC Local Planning Approval (the assurance of future state funding) or the actual funding. New school construction in particular takes these LEAs longer once initiated as they must rely on their annual state CIP award and county capital allocation to keep funding the construction of individual projects year over year; they do not get enough up front from the state or their local government to finance an entire project. Both of these factors cause project delays, and the longer projects are delayed, the more expensive they become. Each year, the cost of land and construction increases. Examples include a one-year delay on an active project that added an estimated $2.5 million to project expenses, and a 10-year delay between the feasibility study and groundbreaking that added 54% (or $25 million above original estimates) to the total construction costs of an elementary/middle school building.[52, 53]

On the other hand, LEAs that can afford to fund their own projects up front (such as Montgomery, Frederick, and Anne Arundel Counties) can perform the advance work of planning and design for capital projects, which takes about two years, and sometimes begin construction before receiving state funding or Planning Approval, so they're ahead in the race against construction cost escalation.

Calvert County Public Schools - Northern High - Credit CCPS

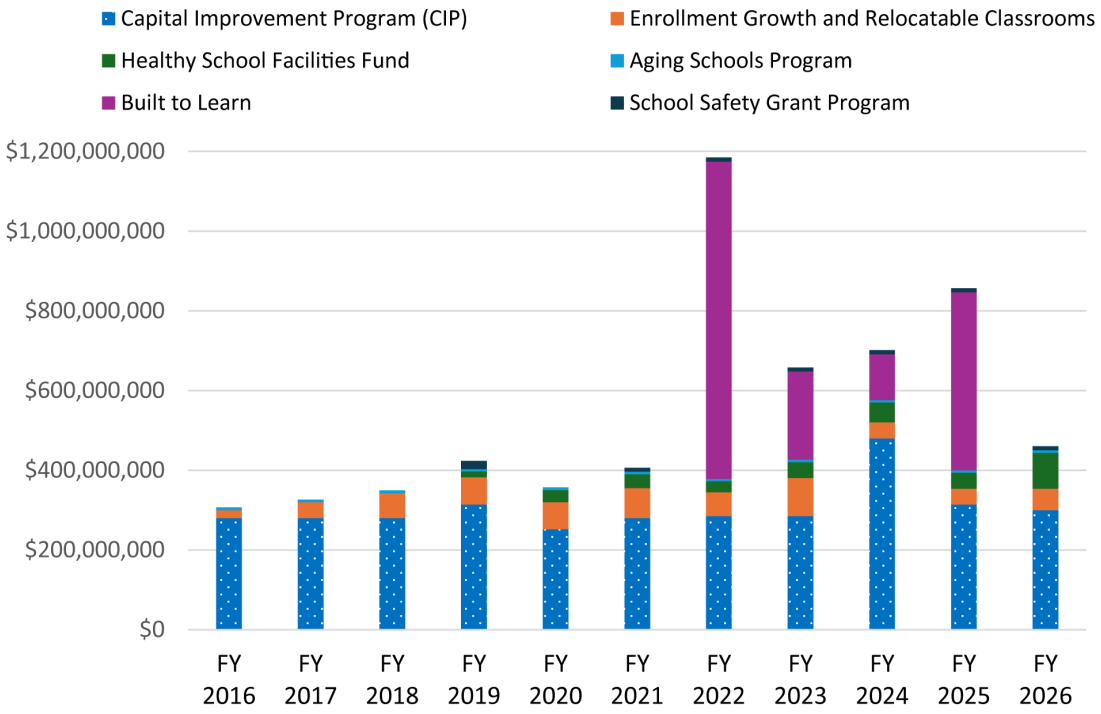
V. Funding Analysis

Even if the state and LEAs addressed the cost drivers that they can directly control they would still be hard-pressed to achieve a state of good repair for all school facilities. The reason is a lack of funding from the state and local levels to meet demand, educational priorities, and building specifications. As noted in section III (p. 5), ***current capital spending per student in Maryland is currently half of the recommended adequate capital spending per student.***[54]

The state has increased funding for school capital intermittently over time, but not enough to meet LEA needs. Over the past 10 years, state funding to the CIP, the IAC's largest grant program, has hovered around $300 million annually (with a short-term increase in FY24), not keeping up with inflation or the myriad other cost increases discussed in section IV. Between FY21 and FY26, only about **half** (56%) of LEA requests to the CIP have been awarded.

In recent years, additional short-term grant programs, like the Built to Learn Act, which provided $1.7 billion from 2022 through 2026, have helped fill critical gaps**.** (See Figure 6.) However, one-time funding boosts limit the ability of counties and LEAs to effectively budget and plan ahead.

Figure 6: Annual State Appropriations to Public School Capital Programs (FY2016 – 2025)



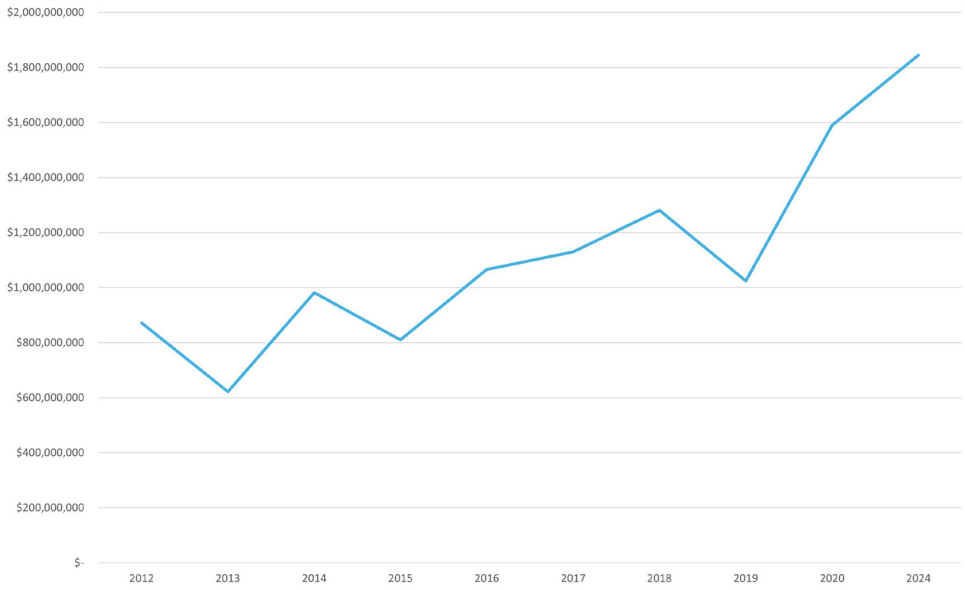
Source: Maryland Department of Legislative Services

Data on county capital budgets compiled by Maryland Association of Counties (MACo) suggest that, cumulatively across the state, local governments have been allocating increasingly more capital funding to K-12 schools since FY2012. Overall, local capital allocations have increased by about 125% since 2012 and by 80% since 2019. (See Figure 7.) Not counting the funding infusion provided by the Built to Learn Act at the state level, local growth rates have far outpaced state growth.

It is important to note that local capital spending and growth rates vary significantly by county and can fluctuate from one year to the next within individual counties. Many smaller counties with fewer schools, like Garrett, Allegany, Worcester, and Wicomico, have notable variations in capital appropriations to K-12 schools year over year; they may have no significant K-12 capital needs and allocate nothing one year, then allocate millions the next year as renovation or new construction is needed. Among the counties with larger school districts, several appear to be driving the overall increase in local capital spending on schools since FY2012, including Frederick, Charles, and Montgomery. Other counties' capital appropriations have been relatively stagnant over time (i.e., Baltimore City, Howard, and Prince George's).

Finally, there is a significant disparity in the amount each county allocates to K-12 schools as a share of their total capital budget. On average since 2012, four counties allocated more than 40% of their capital budgets to school construction annually (Carroll, Montgomery, Frederick, and Wicomico County), while five counties allocated less than 20% annually (Baltimore City, Caroline, Dorchester, Garrett, and Queen Anne's County).[55]

Figure 7: Total County Capital Spending on K-12 Schools (FY2012-2020 and FY2024)



Source: Maryland Association of Counties, Budget & Tax Rate Survey

Based on recent efforts in other states and in Maryland, there are some promising practices that the state and local governments could consider implementing or expanding to increase and better target revenues for school construction, even in tight budget cycles, such as the current period.

Dedicated State Revenue

Several states have dedicated and consistent revenue streams to support school construction. A predictable and well-funded revenue stream allows for the following: (1) strategic, long-term planning and spending, (2) fiscal responsibility relating to ongoing maintenance and replacement of equipment and appliances, and (3) expedited construction timelines, allowing state and local governments to cut down on overhead costs incurred by project delays.

In **Massachusetts**, 1% of the statewide 6.25% sales tax is dedicated to the Massachusetts School Building Authority (MSBA). The MSBA reimburses LEAs for school construction projects with a cost-sharing formula based on wealth and population.[56] In 2008, **Iowa** increased its sales tax from 5% to 6% and designated the increase for school infrastructure projects and property tax relief.[57] Since then, Iowa's state share for school construction jumped from 0 to 60%.[58]

State Cost Share Formula & Funding Criteria

The current cost share formula used by the IAC does not consider a facility's age or condition. The ***only*** facility-related metric in the cost share formula pertains to enrollment growth (i.e., lack of space; not the condition of the space). Therefore, counties with declining enrollment and/or sufficient square footage to meet student capacity are often disadvantaged by this formula. Kent County offers a good example.

Kent County receives the minimum 50% cost share percentage from the IAC, in large part because enrollment has declined consistently since 2000.[59] However, on average across its five schools, Kent County school buildings rank worst in the state based on FCI scores, meaning their buildings have the least remaining useful life.[60, viii] Kent County will have difficulty funding its share of the estimated $68 million project to replace its Middle School, while also supporting other needs, without a larger state cost share.[ix] (They have a small tax base - their total population is 19,000, the smallest in the state - and their total capital budget averaged $2.7 million annually between FY12-20).[61]

In other states, like New Mexico, resource allocation decisions are driven primarily by facility condition, where LEAs with schools in the poorest condition get higher allocations. In the 20 years New Mexico has employed this allocation approach, FCI scores for overall quality of school facilities have improved by 100%.[62]

In 2020, the Maryland General Assembly created a new grant program – the Kopp Priority Fund – designed to distribute funding to schools with the most severe facility needs based on the statewide facilities assessment (SFA). The SFA is required to account for both FCI scores and educational sufficiency, defined as the usability of the space for supporting the delivery of education (a proxy for capacity). The legislature charged a workgroup to develop a methodology for weighting these two factors for determining funding decisions by January 1, 2026.[63, 64, 65]

viii The Kent County Middle School – the only public middle school in the county – is 76 years old and was last fully renovated in 1975. Students missed three school days in the last year due to facilities issues that shutdown the school, including sewer system failure and roof leaks.

ix Note: Garrett County was in a similar situation (declining enrollment, significant facility needs) and received an exemption via state law which manually boosted their in the IAC cost share formula by linking it Allegany County's (currently 89%, being increased to 95% next year).

The weighting methodology will have a significant impact on which schools are funded. If more weight is placed on educational sufficiency, which includes the need for new space, counties with flat or declining enrollment will be disadvantaged (as they are under the current cost share formula). If more weight is placed on current facility conditions, counties with, and students in older, more depleted schools stand to gain. Recent research on the SFA methodology has identified a clear association between the condition of the most severely depleted schools and worse absenteeism and test scores. This research suggests that if too much weight is assigned to potential need for new space, the state's investment may not correlate with education needs, and "there is a serious risk of compounding equity gaps."[66, 67]

It will be important to monitor the methodology determined for the SFA as it is intended to inform future school capital funding decisions (i.e., for the Kopp Priority Fund).

Local Revenue Allocation

A greater cost share allocation from the state **alone** does not necessarily provide adequate resources for LEAs to keep up with their school capital needs: local government contributions to LEAs are critical too, and are required in order to access state funding through the CIP and several other IAC grant programs.

Consider the following examples: a new school has a total price tag of $125 million. The IAC approved $100 million in eligible project costs (i.e., design and construction). For an LEA with a 50% cost share agreement, the IAC will contribute $50 million and the county will contribute $50 million, plus the $25 "balance" to cover ineligible costs, such as site acquisition and excess square footage ($75 million total). For an LEA with a 90% cost share, the IAC will provide $90 million and the county will provide $10 million, plus the $25 million in ineligible costs ($35 million total).

Wealthier counties can afford to provide their LEAs with: a) the required share of eligible costs to draw down the maximum IAC share per that county's cost share agreement, b) additional funds to cover all of the ineligible project costs, and c) forward or advance funding for projects prior to drawing down IAC funds. Poorer counties, on the other hand, often struggle to provide the full local share to draw the maximum IAC/ state funding, and often cannot provide the funds to cover ineligible costs or additional projects. In many cases, **these counties are already maximizing tax *effort* but have low tax *capacity*** (low wealth or limited tax base), leaving them with few options to raise additional local revenue.[x] In the absence of a state funding distribution policy that directs more resources to LEAs in counties with local funding gaps, these districts will continue to struggle to meet their capital needs and fall farther behind. Baltimore City offers a good example.

Baltimore City receives a **91%** cost share allocation from the IAC (one of five counties above 90%) but is not able to allocate nearly as much money to K-12 schools from its capital budget compared to other counties with the highest enrollment. (See Figure 8.) This makes it extremely challening to keep up with school construction and repair: There are more than 11,000 requests for repairs to Baltimore City Public School buildings currently waiting to be addressed, in addition to larger capital needs like substantial renovation projects.[68]

x Tax effort measures the extent to which a local tax base is actually taxed. It is affected by several factors, including a jurisdiction's wealth base, available revenue sources, demand for local services, and acceptance of higher taxes and fees.

Figure 8: Student Enrollment, Average Annual Capital Budget Allocation to K-12 Schools, and Average Annual CIP Allocation by County for Select Years

County	Enrollment (2023)	10-year average annual county capital budget allocated to K-12 education (FY12-22; 24)	10-year average annual CIP allocation to LEAs (FY12-22; 24)
Montgomery	160,223	$325,999,900	$48,004,648
Prince George's	131,325	$180,170,000	$38,785,008
Baltimore County	110,275	$123,795,478	$41,761,323
Anne Arundel	84,346	$160,446,455	$34,147,770
Baltimore City	75,811	$17,545,800	$31,538,638

Source: Maryland State Department of Education; Maryland Association of Counties; IAC
Note: These are the five counties with the highest K-12 public school enrollment in Maryland. Because annual state CIP target allocations are primarily based on an LEAs share of statewide enrollment, they are also the counties with the highest state CIP award amounts.

A report published in 2019 by the Maryland Department of Legislative Services (DLS) ranks Baltimore City **first in the state for "tax effort."**[69] Baltimore currently has the state's highest property tax rate (2.25%) and is at the highest allowable county-level income tax (3.2%).[70] This indicates that Baltimore City is maximizing its local tax options.

The challenge for Baltimore City is **low tax capacity** – it ranks 21st of 24 counties. Baltimore's tax base is limited for several reasons: (1) one-third of properties in Baltimore are owned by governments or nonprofits and exempt from property taxes, many of which provide immense value to the state via employment opportunities for Marylanders and the provision of vital services; (2) low median home values ($219,300 in Baltimore to $397,700 in Maryland overall); and (3) low median incomes ($60,000 in Baltimore compared to $100,000 in Maryland overall.)[71, 72, 73] Of course, many counties in the state have limited wealth and low tax capacity. The unique issue with Baltimore is that the City is already maximizing local tax rates (ranked 1st for tax effort), whereas several other low-wealth counties have room to increase their tax effort, as per the DLS study.[74, xi]

For the last decade, Baltimore City has contributed between $16 and $19 million per year to support its 135 school facilities.[75] Local support increased to $27.5 million in FY26, due to a recent ballot initiative approved by voters that allows the city to borrow up to $55 million in bonds to build new or improve existing school facilities.[76] Combined with state aid, in FY26 Baltimore's LEA received **$54 million** for school construction, which enabled systemic upgrades and work on only four major capital projects – one replacement and three renovations.[77, xii]

xi The other high tax **effort**, low tax **capacity** counties in Maryland like Baltimore City are Allegany (ranked 3; 23), Wicomico (ranked 2; 22), and Somerset (ranked 5; 24).

xii Systemic upgrades include replacement of life-cycle equipment like HVAC (which can cost anywhere from $4 – 20 million), as well as minor building renovations to serve educational program changes at various school sites.

Like most counties with low wealth and limited tax capacity, Baltimore City relies solely on revenues from GO bonds to fund school capital projects. The City uses its general fund (comprised largely of property and income tax revenue), and revenues from its beverage container tax, to pay down debt on the bonds. (The beverage container tax is used to make the city's contribution toward debt service payments for the Baltimore City 21st Century Schools project, discussed below).

Counties with greater tax capacity have access to more funds and more revenue streams to finance school construction. Montgomery County, for example, has among the highest median incomes and property values in the state contributing to their general fund.[78] (The county ranks third for tax capacity in the same DLS study cited above). The county also has additional revenue streams, including recordation taxes, recordation tax premiums, and developer impact fees that are that are in whole or in part dedicated to to school construction. As a result, the county contributed **$244 million** in local share to its LEA in FY26, nearly eight times more than Baltimore City's local share. Combined with state aid, in FY26, the county's LEA received $326 million for its 210 schools, which funded 37 capital projects.[xiii]

Frederick County has implemented a different model: creating a dedicated revenue stream for school construction. Last year, the County Executive proposed, and the county council adopted a five-cent increase to its property tax rate, raising it from $1.06 to $1.11 per $100 of assessed value. The revenue generated by the increase – the "Dedicated Reserve for Future Years School Construction" – is expected to add approximately $21.5 million annually to be used solely for improvements to existing, aging school buildings (not to add capacity or build new schools).[79] Frederick County also uses general funds (pay-go and bonds), impact fees, and recordation fees to fund school construction projects. In total, Frederick County's capital appropriation to its LEA was **$133 million** in FY26.[80]

Frederick County Public Schools - Blue Heron Elementary - Credit FCPS

xiii Montgomery County Office of Management and Budget.

Prince George's County offers another example of the options afforded by counties with more revenue and resources for school construction. In 2014 the County conducted an asset study that identified $8.5 billion worth of deferred school maintenance, followed by a value for money analysis that suggested a public-private partnership (P3) would be the most cost-effective way to address these deficiencies quickly. The county was able to attract a private partner by demonstrating its robust bonding capacity, strong revenue forecasts, and (historically) diverse and substantial funding streams dedicated to capital improvement projects. The private partner provided up-front financing and the County and LEA will each pay about $15 million annually for 30 years. Phase one of the project is complete: six schools were built in two-and-a-half years. Prince George's County Public Schools estimates that building these six schools would have taken 15 years through the traditional process: securing CIP approval for state funding, raising the local share (millions incrementally through bonding), completing design work, and obtaining permits before building. The accelerated timeline and bundled procurement have yielded significant savings, estimated at $230 million for the six schools. Phase two involves another 30-year (design, build, finance, maintain) P3 for eight more schools, this time supported by state funding ($27 million annually) in addition to local funding.[81]

For jurisdictions like Baltimore City, the options for generating more revenue and/or allocating more local revenue to school construction are limited. One option is to allocate a greater share of the capital budget to school construction. According to the MACo report cited above, Baltimore City averaged a 10% annual allocation of its capital budget to schools between FY2012-2020, the lowest share in the state. Over that time period, there was significant variation in the size of the capital budget but the appropriation to schools stayed constant between $16 and $19 million. (It's important to note that there are no state highways in Baltimore City, so the City maintains all of its roads which consumes the vast majority of the capital budget. A second option is to grow the tax base through a combination of increasing population, property values, and incomes, goals that the city and state are both focused on. A third option is to develop new, dedicated revenue streams. The beverage container tax is an example.

In the past, the state has attempted to help right size the local resource challenge facing Baltimore City through the 21st Century Schools Building Program. Enacted by state legislation in 2013, the program is fueled by bond issuances from the Maryland Stadium Authority with debt service payments divided among the local LEA Baltimore City Public Schools, the City of Baltimore, and the IAC. To date, the program has provided over $1.2 billion in funding and is on track to deliver 29 new or renovated school buildings.[82]

IV. Conclusion

For Maryland to maintain its position as a top-rated state for public school education and for the state to retain and attract middle class families that value affordability and quality public schools, the state and LEAs must improve the physical conditions of schools. While increased capital improvements can be addressed through cost cutting measures, the ultimate solution will rely on a statewide reimagining of funding formulas and revenue streams.

The Kopp Commission's admonition to all Marylanders is as true today as it was when written 20 years ago: "The task force appreciates the fiscal difficulties facing the State and local governments. However, school facilities are critical to a strong education system and a strong community, and the needs will only increase over time. Good schools must be a top priority for Maryland."[83]

Appendix

Table 1: State of Maryland Capital Grant Programs

Program	Year Est.	Description	FY26 Funding	Funding Sources FY26
Capital Improvement Program (CIP)	1972	Provides matching grants to LEAs for design, construction, and renovation of school facilities. Subject to cost sharing percentages through the funding formula described in table 2. "Enrollment Growth and Relocatable Classrooms" funding is available as an add on to the CIP for LEAs experiencing above average enrollment growth and/or have > 250 modular or temporary classroom spaces.	$300 million	$290.9 million from General Obligation (GO) Bonds; $9.1 million from the Fiscal Responsibility Fund for the CIP.
Aging Schools Program	1998	Provides funds for capital improvements and deferred maintenance work without a local cost share. Schools must be 16 years old and projects must be for existing facilities.	$6.1 million	All GO bonds
Supplemental Capital Grant Program	2016	Provides grants for schools with enrollment growth exceeding 150% of statewide average over a 5-year period. However, these funds do not have to be used for expansion projects.	$53.9 million	All GO bonds
School Safety Grant Program	2018	Provides grants to LEAs for school security improvements.	$10 million	
Healthy School Facility Fund	2018	Provides grants to projects focused on the health of those utilizing school buildings, including addressing lead, mold, and HVAC issues. 50% of funding is required to go to Baltimore City Public Schools. Funding for this program ends this fiscal year (FY26).	$90 million	All GO bonds
Built to Learn	2021	The Built to Learn Act authorized the Maryland Stadium Authority (MSA) to issue up to $2.2 billion in revenue bonds, but bond rates resulted in a borrowable amount of about $1.7 billion. Projects are proposed by LEAs and must be approved by IAC. Approved projects are managed by MSA or LEAs. Prince George's County also received dedicated funds for its P3 schools.	$371.2 million	$302.2 million from revenue bonds; $69 million from the Education Trust Fund for Prince George's County.
Kopp Priority Fund	2023	The Built to Learn Act established this Fund which will use the Statewide Facilities Assessment to prioritize funding to schools with the greatest needs.	$70 million starting FY27	All GO bonds

Source: Maryland Department of Budget and Management; Maryland Department of Legislative Services

Table 2: IAC cost share formula criteria for eligible capital costs

Factor	Reflects
The LEA's current State share of the Foundation program divided by the Foundation program of the LEA as defined in the Education Article;	County **wealth**
The current amount of State aid provided to the LEA by the guaranteed tax base program as defined under the Education Article, divided by the Foundation program of the LEA;	County support to LEA operating-budget vs. wealth (= proxy for **County effort** in supporting the LEA operating budget)
20 percent of the amount by which the LEA's free and reduced price meal percentage exceeds the Statewide free and reduced price meal percentage in the prior school year;	**Community need related to poverty** of families with children in school
10 percent if the county where the LEA is located is a Tier I county that has a median household income level below the level identified in the Economic Development Article, or has had a median household income level below the level identified in Economic Development Article, at some time during the preceding 24-month period;	Community need related to income of all households in the county
The difference between the percent growth in the LEA's full-time equivalent enrollment, as defined by Education Article, from the 6th prior year to the prior year, and the percent growth in the Statewide full-time equivalent enrollment from the 6th prior year to the prior year, provided this calculation results in a positive number; and	Facilities-related need resulting from significant enrollment growth.
10 times the amount by which the county's and local board's total outstanding school construction debt at the end of the 2nd prior fiscal year plus the county's total school construction expenditures from its operating budget from the 4th to the 2nd prior fiscal years exceeds 1 percent of the county wealth, as defined by Education Article for the prior fiscal year.	County effort in supporting the LEA capital budget ("local wealth" is denominator).

Source: Code of Maryland Regulations

Note: Statute includes several adjustments and incentives that increase the State share for eligible projects. They are detailed in the Maryland Legislative Handbook, and generally enhance support for schools in areas of concentrated poverty, schools that excel in M&O, and schools that are being built as net-zero.

Table 3: IAC State Cost Share Percentages by Maryland County for Eligible Capital Costs

County	Current (sorted)	Projected FY27	% Change
Somerset	100%	98%	-2%
Dorchester	98%	97%	-1%
Wicomico	95%	99%	4%
Caroline	94%	97%	3%
Baltimore City	91%	91%	0%
Allegany	89%	95%	6%
Garrett	89%	95%	6%
Washington	78%	82%	4%
Prince George's	68%	67%	-1%
Frederick	67%	69%	2%
Charles	64%	66%	2%
Cecil	61%	63%	2%
Harford	58%	59%	1%
St. Mary's	58%	58%	0%
Baltimore	57%	56%	-1%
Calvert	56%	54%	-2%
Carroll	54%	57%	3%
Howard	51%	50%	-1%
Anne Arundel	50%	50%	0%
Kent	50%	50%	0%
Montgomery	50%	50%	0%
Queen Anne's	50%	50%	0%
Talbot	50%	50%	0%
Worcester	50%	50%	0%

Source: Interagency Commission on School Construction

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