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## One chance for City Schools

### **Our view: Mayor's proposal to raise revenue for school construction is welcome, but the council should take its time to make sure it has the maximum impact**

This week, Mayor Stephanie Rawlings-Blake finally made a serious attempt to address one of the city's biggest problems: the \$2.8 billion backlog in school construction, repairs and renovation that both hinders academic achievement among students and creates a disincentive for their parents to remain in the city. By proposing to fund her plan in part through an expansion of the city's controversial bottle tax – the very levy she nearly failed to enact in a budget balancing effort two years ago – it is clear that she is willing to expend some political capital to advance the cause. She deserves tremendous credit for taking an issue that advocates in the community, most notably the ACLU, have been pushing for years and bringing it to the center of attention.

However, after deferring questions on the topic for months while waiting for an oft-delayed task force report that has not yet been made, Ms. Rawlings-Blake is suddenly in a hurry to address the issue. She is demanding that the City Council pass her proposal immediately and has even pressured members to enact the bottle tax increase by amending it onto an existing bill rather than creating new legislation and holding hearings on the matter. The council should be in no such rush.

We endorsed the bottle tax before and still believe it was the right thing to do. Nonetheless, the beverage industry deserves a chance to make its case based on a year's worth of data about the impact of the tax. But more importantly, the council needs to consider whether this plan is the best, most effective way to tackle the capital needs of Baltimore schools. There are a number of important questions to be answered.

The mayor estimates that her proposal would generate an extra \$23 million a year on top of the \$17 million the city already dedicates to the schools' capital needs. Most of the money – \$12 million – comes from a redetermination of how the city's contributions to the health benefits of retired teachers are counted in state matching formulas. Another \$1.2 million comes from money the mayor had already pledged from the proceeds of the city's yet-to-be-built slots parlor. The remaining \$10 million would come from increasing the current 2-cent bottle tax to 5 cents and dedicating all of the revenue to schools.

The estimate of \$10 million in annual revenue from the bottle tax is probably reasonable. The current 2-cent iteration has raised somewhat less money than the city expected, in part because of poor enforcement. But even assuming some drop-off in sales, it's likely the city could collect that much. The \$1.2 million from slots is also speculative, but the city now has a serious bidder for its casino license, and it's certainly plausible that it could generate enough to support that allocation and the mayor's promised property tax reduction by 2013. The \$12 million is based on current figures, but it depends on the state's continued willingness to allow that money to be counted as part of the city's contribution to schools and, thus, eligible for matching funds.

### **A risk for the schools**

The reliability of the revenue stream is of particular importance in this case because the mayor is proposing not just to increase the amount of money the city spends each year on building and renovating schools but to use the new revenue stream to allow the school system to issue potentially hundreds of millions in bonds. Ms. Rawlings-Blake has promised that so long as she is mayor, those revenues would be dedicated to school construction, but she can offer no guarantee beyond that. That means she is asking the schools to make a decades-long financial commitment based on a promise her successors aren't bound to uphold. If, for whatever reason, they decide to use the money for something else – or if it dries up, or the City Council repeals the bottle tax – the schools would be left holding the bag and would have no choice but to reduce funds that go into classroom instruction in order to pay off the bonds. That's a major detail that needs ironing out.

Another caveat of the mayor's plan is that it could not, under current law, produce anywhere near its advertised benefits. Ms. Rawlings-Blake said in announcing her plan that it "could leverage as much as \$300 million in bond funding for school construction and renovation." The key word here is "could." In theory, that's how much borrowing the revenue stream could support, but the city schools have a state-imposed debt limit of \$100 million, of which they have currently used about \$34 million. The mayor tacitly acknowledged that fact in a news release in which she promised to lobby for an increase to \$200 million – no sure thing, given skepticism in Annapolis about letting the schools issue debt that is ultimately backed by the full faith and credit of the state. In any case, it is still short of the amount she is leading city residents to believe they'll get.

### **A more innovative plan**

That's why it's perplexing that the administration has not taken a harder look at a proposal supported by education advocates to create a separate, nonprofit entity to handle the financing and construction of a school modernization and renovation plan. Greenville, S.C., was able to raise \$1 billion by creating such a nonprofit and securing legislation to dedicate existing streams of school construction money to paying off bonds over 25 years. As a result, it constructed or renovated 70 schools in just five years. Such a scheme would allow the city to avoid the problem of debt limits and the uncertainty of future revenues.

A coalition called Transform Baltimore estimates that the city could finance \$1 billion in renovations with just the \$60 million the state and city now spend annually on school construction in Baltimore. The extra money Ms. Rawlings-Blake has identified through the bottle tax, slots proceeds and other means would only add to that. The advocates are pushing for further measures – like a 1-cent local sales tax – to generate enough revenue to cover the rest of the city's needs, but there's no need to consider that right now. City and state leaders might be more amenable to finding other revenue sources for the rest of Baltimore's needs if taxpayers can see that an initial, large-scale effort is successful.

There are other good reasons for the council to take its time. For one, the school system is in the midst of conducting its own facilities review to determine whether the ACLU's \$2.8 billion estimate is accurate and to guide schools CEO Andrés Alonso in decisions about which schools to close. That report won't be published until late January or February, and school closure announcements will come after that. It will be impossible to know the true scope of the problem until that process is complete. The mayor's proposal relies on state legislation, and even if her lobbying is successful, that wouldn't be enacted until the spring. And neither the money from the proposed bottle tax increase nor the funds from slots would be available until at least July 1, 2013.

But the most important reason for the council to take its time is that it likely has one shot at this. The mayor's proposal is welcome and could be an important part of the answer to the problem of Baltimore's dilapidated schools. But the council should take its time to make sure it is considering the matter more broadly. The risk of acting too quickly is that what should be a first step becomes the only step the city takes, and an opportunity to do something bold to revitalize Baltimore is lost.