Financing $2.8 Billion in School Building Renovations Within 8 Years is POSSIBLE for Baltimore City

A New Approach is Needed

Given current the allotment of about $60 million per year for improving Baltimore's school buildings, it would take over 50 years to fulfill the $2.8 billion needed to fully modernize every city school building. Building conditions will always be deficient unless city AND state officials develop an innovative financing plan and new revenue to fund improvements.

The Greenville Plan: 70 New and Renovated Schools Built in Five Years!

With only $60 million annually for school construction and renovation, it would have taken Greenville, South Carolina's school district 25 years to implement their school facilities master plan. With deteriorating school buildings and hundreds of inadequate portable classroom structures, the county had $1 billion in school construction and renovation needs. With bold action and visionary leadership, all of Greenville County's 70 schools were built new and/or fully renovated in five years. And it was done entirely with existing revenue!

Greenville Middle School was fully renovated with a 30,000 square foot expansion wing. The two-story addition provides extra seats for increased enrollment and space for arts programs. Features of this school include new mechanical, fire suppression, and technology systems, and arts lab and exhibition space for student projects.

How Did They Do It?

The Greenville County Public School System was limited by debt management guidelines, which only allowed the school system to borrow $60 million annually for construction and building improvements. Believing that Greenville needed high quality school facilities immediately, school board member William Herlong successfully led the effort to find a new and innovative approach.

The school district needed $1 billion up front to implement a mass-scale school construction program within a reasonable timeline.

> **"Conventional wisdom says it can't be done. But we've found a way that it can."**
>
> William Herlong, Former Greenville County Public Schools Board Member

Institutional Resources, an independent group of finance and project management consultants, proposed that the school district create a special nonprofit organization, "63-20" corporation. This particular type of nonprofit had the ability to sell $1 billion in bonds up-front, since it was unconstrained by governmental debt limitations. With $1 billion in available funds, the nonprofit hired staff to implement all aspects of the construction process including land acquisition, procurement, design, and construction management. About 99% of construction was completed within five years, and Greenville County Public Schools is paying back the $1 billion with its existing revenue; $60 million annually for 25 years. By completing the construction in five years, the school district estimated that it is saving up to $600 million by avoiding increases in the cost of construction due to inflation.

What Would Greenville's Model Look Like in Baltimore City?

Baltimore City needs $2.8 billion to implement a comprehensive citywide school construction and renovation plan. Baltimore will need additional funding from the state, just as the state of Connecticut covered 80% of the cost to modernize all of New Haven's schools. Baltimore will also need to explore ways of increasing local revenue for school construction, either by finding funds in the current city budget or through raising revenue. However, existing city and state funds for improving Baltimore's schools can be used in a Greenville-like model to borrow approximately $1 billion for school construction right now. This would be a significant first step!

"[Greenville's Superintendent] Fisher said the construction plan improved instruction because classes are no longer held in old closets and on auditorium stages, each school has the infrastructure to support the latest technology and the schools have better lighting and heating and air conditioning systems."

- Billion dollar project completed, Journal Watchdog, May 23, 2011

Greenville's Model Could Mean $1 Billion for School Construction in Baltimore Now!

Partnership Organization

- A Partnership Organization is needed to borrow a large sum of money up front so that a large scale construction program can be implemented.
- A "63-20" corporation, like Greenville's, could be formed to sells bonds or borrow large amounts of money from a financial institution. Alternatively, other institutions like the Maryland Health and Higher Educational Facilities Authority (MHHEFA), could also be used to borrow money up-front.
- The size of Baltimore City Public Schools' annual funding for improving school facilities will determine how much could be borrowed for school construction.
- The amount that the Partnership Organization can borrow is also determined by the length of time the loan must be paid back.
- The current payback period on government debt is 15 years. Extending the payback period to 30 years will allow for increased borrowing, just like a home mortgage.

Dedicating Existing Revenue

- Baltimore City Public Schools needs a consistent revenue stream annually to pay back debt, so that bondholders and banks are confident that the loan will be repaid.
- **Existing Revenue** that is already allotted for school construction in Baltimore City can be used to borrow large sums of money.
- Current annual funding for improving city school buildings varies slightly each year averaging approximately $60 million in total in recent years; $45 million per year from the state and $15 million from the city.
- State and city legislation is needed to ensure that this funding remains consistent over 30 years.
- Like Greenville, Baltimore City Public School's Partnership Organization could borrow about $1 billion up front for school construction.
- The city school system would then use its $60 million in existing revenue as annual installments, each year to pay back the debt over a period of 30 years.

Transform Baltimore
Build Schools. Build Neighborhoods.

This Campaign calls upon elected officials and decision makers at the local, state, and federal levels to adopt and act upon a funding plan to renovate and modernize all public school buildings in Baltimore City within 8 years.

www.transformbaltimore.org or email transform.bmore@gmail.com