



House Bill 502

State Department of Education - Financial Advisory Board - Establishment

MACo Position: **SUPPORT**

Date: February 26, 2015

To: Ways and Means Committee

From: Robin Clark

The Maryland Association of Counties (MACo) **SUPPORTS** HB 502. This bill would create a Financial Advisory Board to review and analyze a county board's application for a maintenance of effort funding waiver.

Under current law, if a county's fiscal condition significantly impedes its ability to meet maintenance of effort, it may apply to the State Board for a one-year waiver. When considering whether to grant a county's waiver request, the State Board must consider nine factors, six of which relate directly to economic and financial concerns. These factors include the local economy, rates of inflation, and the loss of a major employer, in addition to the county's tax base, ability to raise revenues, and changes in employee compensation and State aid.

Counties have long advocated for a more independent voice in this financial analysis, recognizing that the charge of the State Board of Education does not include financial expertise in local tax bases, economic analysis, or budget dynamics. HB 502 represents a positive step in that direction.

This bill creates an independent board of financial experts to review economic factors affecting a county, and to provide advice to the State Superintendent and a plain English analysis of their findings. In consultation with the Financial Advisory Board's advice, the State Superintendent then makes a preliminary assessment of the county's waiver application, following which, the State Board holds a public hearing on the application and makes the final determination of whether or not to grant the county's waiver.

This bill properly provides a financial analysis where appropriate and selects a suitable body to produce that analysis. At the same time, the legislation preserves the ultimate authority of the State Board over the grant of the waiver.

Review of a county's fiscal condition is best conducted by financial experts. This bill assures that in the area of maintenance of effort waivers, some independent expertise will be employed. For these reasons, MACo recommends the Committee issue a **FAVORABLE** report on HB 502.