



BILL NO.: Senate Bill 153  
TITLE: Creation of State Debt – Qualified Zone Academy Bond  
POSITION: **SUPPORT WITH AMENDMENTS**  
DATE: March 7, 2012  
COMMITTEE: Budget and Taxation  
CONTACT: Michael Sanderson

The Maryland Association of Counties (MACo) **SUPPORTS** Senate Bill 153 **WITH AMENDMENTS**. SB 153 would authorize the Board of Public Works to issue \$15.3 million in Qualified Zone Academy Bonds (QZABs) by December 31, 2012, and grant the money to the Interagency Committee on School Construction (IAC) and the Maryland State Department of Education (MSDE) for the renovation, repair, and capital improvements of qualified schools in accordance with criteria established under the Aging Schools Program. IAC would award the money through competitively awarded grants and MSDE would provide targeted grants to eligible schools under the Breakthrough Center Program.

MACo has supported and will continue to support the Aging Schools Program. The Program provides assistance to local schools to cover basic repairs and maintenance that are considered to have less than a 15-year life span, such as painting, carpeting, and site development. The Program fills an important niche by covering projects that would not normally qualify as capital projects, and thus be eligible for general obligation bond (GO) funding.

MACo has expressed concern in the past when the State has backfilled local aid from operating funds with GO bond funds. The counties, like the State, have been severely affected by the recession, and MACo appreciates the difficult efforts undertaken by the State to address its structural deficit. However, the Aging Schools Program is unique, in that reliance on GO bonds restricts the types of projects that can be undertaken and QZABs are limited to certain schools. This runs counter to the original purpose of the Program.

The QZAB program is welcome, but is simply not as flexible and effective as the Aging Schools Program. QZABs were first authorized by the federal government under the Taxpayers' Relief Act of 1997. Use of QZABs are limited to schools that are located in a federal Empowerment Zone or Enterprise Community, or schools where at least 35% of its students are eligible for free or reduced price lunch. Additionally, a private entity or business must make a contribution to the school equal to at least 10% of the money borrowed using the QZAB.

The Budget Reconciliation and Financing Act (BRFA) of 2009 “rebased” the Aging Schools formula from \$11.7 million to \$6.1 million and the FY 2010 capital budget funded the Program entirely through GO Bonds. The 2010 BRFA made the \$6.1 million rebase permanent and eliminated the Program’s inflationary adjustment. The 2011 BRFA allows the State to permanently fund the Program through either general appropriation funds or bond funding. The Aging Schools Program grants to school systems are not included in the operating budget. The FY 2012 budget includes \$10.37 million to fully fund the grants, however the FY 2013 capital budget returns the program to its \$6.1 million “rebased” funding level.

The use of GO bonds and QZABs to fund the Aging Schools program in lieu of operating funds should not become standard practice. MACo urges the Committee to amend the bill to include language stating that it is the intent of the General Assembly that when funding becomes available, the Aging Schools Program be funded through general funds rather than GO bond or QZAB funding whenever that preferred practice becomes once again practicable. Accordingly, MACo recommends the Committee issue a **FAVORABLE WITH AMENDMENTS** report on SB 153.