Senate Bill 224

Education - Maintenance of Effort - Lease Payment Exclusion

MACo Position: **SUPPORT**

Date: February 18, 2015

To: Budget & Taxation Committee

From: Robin Clark

The Maryland Association of Counties (MACo) **SUPPORTS** SB 224. This bill would clarify school funding laws' effect on facility lease payments, treating them the same way that debt service is treated under more conventional school financing.

SB 224 would exclude lease payments made by a local board of education to a private entity holding title to school property from the "base" under the State's education funding maintenance of effort (MOE) calculation. The bill essentially treats lease payments in the same manner as debt service – properly outside the year-to-year MOE funding law.

Maryland prides itself on its commitment to education and makes a significant investment of State and county dollars in school construction, but in recent years funding has not kept pace with need. This year the average age of K-12 schools in Maryland increased to 28 years and, as is common each year, requests for school construction funding by local boards exceeded the available funding.

State and local funding has been restrained in part by the recent recession and a slow recovery. As described in the Report of the Capital Debt Affordability Committee on Recommended Debt Authorizations for Fiscal Year 2016, the escalation in building costs since 2004 has created challenges in bringing all public schools up to minimum standards by fiscal year 2013, and school construction needs continue to exceed the anticipated level of State funding. At the same time, enrollment data from September 2013 and 2014 shows additional enrollment increases of over 1% in eight counties. Statewide, we have 7,705 more students in Maryland schools this year.

This bill would encourage counties to coordinate private investment in school construction, and allow for funding that might have been spent on school construction costs to be used to support school and county government operations in other ways. The practical effect of this bill is twofold. First, it would avoid an inappropriate "cliff effect" where MOE requirements would oblige funding to continue even after the lease's expiration. Second, it would avoid treating lease costs as a variable to be funded "per pupil" when the lease itself surely would not require payments in that manner.

Private investment in school construction should not be impeded by rigid State funding laws, and this bill simply conforms their treatment to the obvious comparison: debt service. For these reasons, MACo recommends the Committee issue a **FAVORABLE** report on SB 224.

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