



Senate Bill 455

State Education Aid - Real Property Valuation - Tax Increment Financing

MACo Position: **OPPOSE**

Date: February 24, 2016

To: Budget & Taxation Committee

From: Robin Clark Eilenberg, Esq.

The Maryland Association of Counties (MACo) **OPPOSES** SB 455. The bill would alter the wealth component used to calculate the payment of state aid to public schools and redistribute state education aid among the state's school jurisdictions. MACo is concerned that acting on this element of the many school funding formula components would be premature ahead of a pending study.

SB 455 creates a new method for calculating state aid to public schools at a time when the State is in the midst of studying the subject. The Study of Adequacy of Funding for Education in the State of Maryland is ongoing, and will not be completed until the fall of 2016.

The adequacy study is a comprehensive review of state education funding required by the Bridge to Excellence in Public Schools Act of 2002. One of the components required in the study is a review of the current wealth calculation. In the interim report, *Analysis of School Finance Equity and Local Wealth Measures in Maryland*, consultants assess Maryland's school finance equity under current school funding formulas and consider alternative wealth measures for distribution of state aid to local school districts.

As part of this analysis, consultants reviewed tax increment financing and school funding in Maryland. The analysis found that if Maryland allowed districts to reduce their fiscal capacity amount by the full valuation of property exempted for economic development purposes, it could create an incentive to over-utilize these measures at the expense of the rest of the state. The study team recommended Maryland allow only a portion of a Tax Increment Financing (TIF) tax-exemption be used to reduce the property wealth of a school district.

Augenblick, Palaich and Associates, in partnership with Picus Odden and Associates and the Maryland Equity Project at the University of Maryland, will submit a final study to the State no later than October 31, 2016. The final study will include comprehensive recommendations regarding the State's education funding.

As a study of this subject is ongoing, MACo finds this legislation premature and requests an **UNFAVORABLE** report on SB 455.