

Department of Legislative Services  
Maryland General Assembly  
2014 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 349

(Delegate Vitale, *et al.*)

Ways and Means

Budget and Taxation

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Education - Study of Alternative Financing Methods for the Purpose of School  
Construction

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This bill requires the Department of Legislative Services (DLS) to conduct a study that examines the use by local school systems of lease payments or certain other alternative financing methods for school construction. DLS must examine how lease payments and alternative financing methods affect the State's public school maintenance of effort (MOE) requirement. By December 15, 2014, DLS must report its findings and recommendations to the Governor and the General Assembly.

The bill takes effect July 1, 2014.

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Fiscal Summary

**State Effect:** DLS can conduct the study and meet the reporting requirements of the bill with existing resources.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Current Law:** Chapter 306 and 307 of 2004, Public School Facilities Act, authorized a private entity to hold the title to property used for a particular public school or local school system if the private entity is contractually obligated to transfer the title to the appropriate local board of education on a specified date. The conveyance of title of school property to a private entity for a specified term may not be construed to prohibit

the allocation of construction funds to an approved school construction project under the Public School Construction Program. A local board of education may convey or dispose of surplus land in exchange for public school construction or development services.

### *Maintenance of Effort*

Under the MOE requirement, each county government (including Baltimore City) must provide on a per pupil basis at least as much funding for the local school board as was provided in the prior fiscal year. Statute exempts from the MOE calculation specified nonrecurring costs, the cost of any program that has been shifted from the local school board's operating budget to the county operating budget, and debt service payments for school construction. The Budget Reconciliation and Financing Acts of 2011 and 2012 (Chapter 397 of 2011 and Chapter 1 of the 2012 first special session) provided one-year exemptions from MOE for a county (including Baltimore City) that shifted recurring health care costs for current retirees to the local school board if those costs were reduced the following year. Chapter 647 of 2013 made this exemption permanent.

Chapter 6 of 2012 requires a county governing body to apply to the State Board of Education for a waiver from the State's MOE requirement if the county is unable to fund the full MOE amount. If a county does not receive a waiver from the State board, it must fund the full MOE amount or the State will intercept the county's local income tax revenues in the amount by which the county is below MOE and forward the funds to the local school board. Counties that receive waivers and are making above-average education effort may request "rebasement waivers" that allow limited decreases to their annual MOE amounts if they can demonstrate ongoing problems with meeting MOE.

Under Chapter 6, counties have the authority to exceed local tax limitations to fund education. While most provisions of Chapter 6 took effect in May 2012, the requirement that counties with below-average effort escalate their per pupil MOE amount by up to 2.5% begins July 1, 2014 (fiscal 2015). For those counties that shifted retiree health care costs and dedicated additional State funds received as a result of the cost shift to school construction, total retiree health care costs are excluded from this escalator provision.

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 388 (Senator Reilly) - Budget and Taxation.

**Information Source(s):** Maryland State Department of Education, Department of Legislative Services

**Fiscal Note History:** First Reader - February 17, 2014  
ncs/rhh Revised - House Third Reader - March 24, 2014

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