

SENATE BILL 224

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5lr2329
CF HB 65

By: **Senator Reilly**

Introduced and read first time: February 3, 2015

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Education – Maintenance of Effort – Lease Payment Exclusion**

3 FOR the purpose of authorizing certain county governing bodies to exclude certain lease
4 payments made by a county board of education from the maintenance of effort
5 calculation under certain circumstances; providing for the application of this Act;
6 and generally relating to maintenance of effort funding.

7 BY repealing and reenacting, with amendments,
8 Article – Education
9 Section 5–202(d)(1) through (3)
10 Annotated Code of Maryland
11 (2014 Replacement Volume and 2014 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
13 That the Laws of Maryland read as follows:

14 **Article – Education**

15 5–202.

16 (d) (1) (i) Subject to § 5–213.1 of this subtitle, the county governing body
17 shall levy and appropriate an annual tax sufficient to provide an amount of revenue for
18 elementary and secondary public education purposes equal to the local share of the
19 foundation program.

20 (ii) 1. Except as provided in subparagraph 2 of this
21 subparagraph and subject to § 5–213 of this subtitle, the county governing body shall
22 appropriate local funds to the school operating budget in an amount no less than the
23 product of the county’s full-time equivalent enrollment for the current fiscal year and the
24 local appropriation on a per pupil basis for the prior fiscal year.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 2. Except as provided in paragraph [(3)(ii)] **(3)(III)** of this
2 subsection and subject to subparagraph (iii) of this paragraph, in each fiscal year if a
3 county's education effort, as defined in paragraph (10) of this subsection, is below 100% of
4 the statewide 5-year moving average of education effort, the required maintenance of effort
5 amount for the county shall be adjusted by increasing the per pupil amount by the lesser
6 of:

7 A. A county's increase in the local wealth per pupil;

8 B. The statewide average increase in local wealth per pupil;

9 or

10 C. 2.5%.

11 (iii) The calculation of local wealth for the purposes of paragraphs (1)
12 and (10) of this subsection shall use the amount certified for net taxable income under
13 subsection (k)(2)(ii) of this section based on tax returns filed on or before:

14 1. For fiscal years 2015 through 2017, September 1; and

15 2. For fiscal year 2018 and each fiscal year thereafter,
16 November 1.

17 (2) Except as provided in paragraph (3)(i) **AND (II)** of this subsection, for
18 purposes of this subsection, the local appropriation on a per pupil basis for the prior fiscal
19 year for a county is derived by dividing the county's highest local appropriation to its school
20 operating budget for the prior fiscal year by the county's full-time equivalent enrollment
21 for the prior fiscal year. For example, the calculation of the foundation aid for fiscal year
22 2003 shall be based on the highest local appropriation for the school operating budget for a
23 county for fiscal year 2002. Program shifts between a county operating budget and a county
24 school operating budget may not be used to artificially satisfy the requirements of this
25 paragraph.

26 (3) (i) For purposes of this subsection, for fiscal year 1997 and each
27 subsequent fiscal year, the calculation of the county's highest local appropriation to its
28 school operating budget for the prior fiscal year shall exclude:

29 1. A nonrecurring cost that is supplemental to the regular
30 school operating budget, if the exclusion qualifies under regulations adopted by the State
31 Board;

32 2. A cost of a program that has been shifted from the county
33 school operating budget to the county operating budget;

34 3. The cost of debt service incurred for school construction
35 projects; and

1 4. For a county that shifts the recurring costs associated with
2 providing retiree health benefits for current retirees to the county board, any reduction in
3 those retiree health costs from the amount the county was required to appropriate in the
4 previous year.

5 **(ii) 1. FOR PURPOSES OF THIS SUBSECTION, FOR FISCAL**
6 **YEAR 2016 AND EACH SUBSEQUENT FISCAL YEAR, IN CALCULATING THE COUNTY'S**
7 **HIGHEST LOCAL APPROPRIATION TO ITS SCHOOL OPERATING BUDGET FOR THE**
8 **PRIOR FISCAL YEAR, A COUNTY GOVERNING BODY MAY EXCLUDE LEASE PAYMENTS**
9 **MADE BY THE COUNTY BOARD IN ACCORDANCE WITH §§ 4-114(C)(1) AND 4-126 OF**
10 **THIS ARTICLE IN EXCESS OF THE MAINTENANCE OF EFFORT CALCULATION.**

11 **2. THE COUNTY GOVERNING BODY MUST IDENTIFY A**
12 **LEASE PAYMENT DESCRIBED IN SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH AS**
13 **BEING EXCLUDED FROM THE MAINTENANCE OF EFFORT CALCULATION AT THE TIME**
14 **OF THE INITIAL EXECUTION OF THE LEASE CONTRACT.**

15 **[(ii)] (iii)** For purposes of the adjustment required under paragraph
16 (1)(ii)2 of this subsection, a county that dedicates to public school construction any
17 additional State funds received from recurring retiree health costs shifted to the county
18 board may exclude those retiree health costs from the highest local appropriation on a per
19 pupil basis.

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be construed to
21 apply only prospectively and may not be applied or interpreted to have any effect on or
22 application to any leases entered into before the effective date of this Act.

23 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July
24 1, 2015.