



**Board of Education of Howard County
Testimony Submitted to the Maryland House of Delegates
Ways and Means Committee
April 1, 2026**

**Board of Education
of Howard County**

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**SB0646: FAVORABLE
Public School System Contracts - Prohibited Provisions**

The Board of Education of Howard County (the Board) supports **Public School System Contracts - Prohibited Provisions** as an avenue for school systems to reduce burden in the contracting process while also elevating protections.

SB0646 establishes a framework to protect local school systems by banning specific harmful clauses from all public school system contracts. The legislation prohibits terms that would force schools into binding arbitration, limit a contractor's financial liability, or mandate automatic renewals that tie up future funding. It also prevents vendors from unilaterally changing terms or enforcing confidential conditions unknown to the school system at the time of signing. Any contract containing these forbidden elements will be treated as if those sections do not exist, ensuring the remainder of the agreement stays valid. This act is designed to apply only to new agreements or extensions signed after its effective date in July 2026.

This bill was brought forward by the Maryland Association of Boards of Education (MABE) and the in-house counsels for local school systems. It is modeled on legislation and various Attorney General opinions already in place for state agencies and was implemented two years ago for the University System of Maryland who have found it valuable. The goal is to simplify contract negotiations by prohibiting certain provisions that often consume time and resources to negotiate, delaying implementation in the process.

In particular, SB0646 provides several key protections for public school budgets by prohibiting specific financial and contractual obligations in any agreement entered into by a public school system:

- **Prohibition on Unappropriated Spending:** A contract may not include any provision that creates a deficiency, incurs a liability, or spends money in excess of the appropriation. It also prohibits binding a public school system to pay any amount unless funds have specifically been appropriated for that purpose.
- **Indemnification Restrictions:** Public school systems are prohibited from agreeing to indemnify, defend, or hold harmless another person unless there is an existing appropriation of funds to cover that specific purpose.
- **Protection Against Future Funding Obligations:** The bill bars provisions that require the automatic renewal of a contract if that renewal would obligate the school system to allocate funding in future fiscal years.



- **Prevention of Unilateral or Unknown Costs:** Contracts cannot include terms that are unknown at the time of signing or terms that may be unilaterally changed by the other party, which prevents unexpected financial hits to the budget.
- **Recovery of Replacement Costs:** To ensure fiscal responsibility when a contractor fails to perform, the bill prohibits provisions that would limit a school system's ability to recover the difference in cost for a replacement contractor to finish the work.
- **Liability Protections:** Contracts may not limit the liability of another party for direct losses to the school system caused by negligence, intentional misconduct, fraud, or recklessness.

If any of these prohibited provisions are included in a contract, the bill specifies that the provision is void ab initio (void from the beginning), and the rest of the contract remains enforceable as if the prohibited provision did not exist. This ensures that even if a school system signs a contract with these terms, the budget remains protected under state law.

For these reasons, we urge a FAVORABLE report on SB0646 from this Committee.