



BILL NO.: House Bill 171

TITLE: Creation of State Debt – Aging School Program – Qualified Zone Academy Bonds

POSITION: **SUPPORT WITH AMENDMENTS**

DATE: February 2, 2010

COMMITTEE: Appropriations

CONTACT: Leslie Knapp Jr.

The Maryland Association of Counties (MACo) **SUPPORTS** House Bill 171 **WITH AMENDMENTS**. The bill authorizes the creation of \$4.5 million in State Debt through the issuance of Qualified Zone Academy Bonds (QZABs) to go to the Interagency Committee on School Construction for the Aging Schools Program.

MACo has and will continue to support the Aging Schools Program. The Program provides assistance to local schools to cover basic repairs and maintenance that are considered to have less than a 15-year life span, such as painting, carpeting, and site development. The Program fills an important niche by covering projects that would not normally qualify as capital projects, and thus be eligible for general obligation bond (GO) funding.

In other instances, MACo has not raised concerns when the State has backfilled local aid from operating funds with GO bond funds. The counties, like the State, have been severely impacted by the recession, and MACo appreciates the efforts undertaken by the State to address its structural deficit. However, the Aging Schools Program is unique, in that reliance on GO bonds restricts the types of projects that can be undertaken and QZABs are limited to certain schools. This runs counter to the original purpose of the Program.

QZABs were first authorized by the federal government under the Taxpayers' Relief Act of 1997. Use of QZABs are limited to schools that are located in a federal Empowerment Zone or Enterprise Community, or has at least 35% of its students eligible for free or reduced price lunch. Additionally, a private entity or business must make a contribution to the school equal to at least 10% of the money borrowed using the QZAB.

The Budget Reconciliation and Financing Act (BRFA) of 2009 “rebased” the Aging Schools formula from \$10.37 million to \$6.1 million and the FY 2010 capital budget funded the Program entirely through GO bonds. The Governor’s proposed FY 2011 capital budget would continue the practice. The use of GO bonds and QZABs to fund the Aging Schools program in lieu of operating funds should not become standard practice.

MACo urges the Committee to amend the bill to include language stating that it is the intent of the General Assembly that the Aging Schools Program be funded through general funds rather than GO bond or QZAB funding whenever practicable. Accordingly, MACo recommends the Committee issue a **FAVORABLE WITH AMENDMENTS** report on HB 171.