

**BILL:** Senate Bill 994  
**TITLE:** School Overcrowding Reduction Act of 2017  
**POSITION:** OPPOSE  
**DATE:** March 8, 2017  
**COMMITTEE:** Budget and Taxation Committee  
**CONTACT:** John R. Woolums, Esq.

The Maryland Association of Boards of Education (MABE), representing all of the state’s twenty-four local boards of education, opposes Senate Bill 994.

MABE appreciates the bill’s intent to facilitate alternative financing of projects to address school capacity needs, but opposes the bill’s reconstitution of the Interagency Committee on School Construction, setting of per pupil cost thresholds on school construction projects, and other provisions. MABE recommends that the issues raised in this bill be the subject of deliberations by the Knott Commission on 21<sup>st</sup> Century School Facilities. This Commission, on which MABE is represented and actively participating, will reconvene in April to make legislative and funding recommendations for the 2018 legislative session.

A major component of Senate Bill 994 is the proposal to replace existing statute regarding alternative financing of school construction projects, and place the review and approval of school projects using alternative financing under the authority of the Maryland Stadium Authority, which would be renamed the Maryland Construction Authority.

MABE is certainly not opposed to a role for the Stadium Authority in the area of school construction, as it already has a primary role in managing financing, procurement, and construction management for the new schools and major renovations as a partner with the Interagency Committee on School Construction (IAC), the City of Baltimore, and the Baltimore City Public School System. Recognizing this key role in completing the projects within the 21<sup>st</sup> Century School Buildings Plan, MABE is concerned with this bill’s proposal to expand the scope of the MSA’s statewide role at this time.

This bill would significantly restructure the State’s approach to alternative finance of school construction projects, not only by engaging the MSA in this work, but also by directing school systems to pursue alternative financing within newly proposed cost parameters and procedures. Again, MABE is not opposed to the use of alternative financing in school construction projects, but is concerned with the approach taken in this bill. MABE has adopted a legislative position which “supports the pursuit of innovative funding policies and strategies to maximize the capacity of state and local bonding authority in support of school facility project funding.” Alternative financing refers to financing a project completely or partially using approaches other than traditional revenue bond financing or pay-as-you-go (PAYGO) financing. Alternative financing methods include sale-leaseback arrangements, lease-leaseback arrangements, public-private partnership agreements, performance-based contracting, and design-build arrangements.

MABE supported the School Facilities Act of 2004, which enhanced efforts to address Maryland's public school facility needs by providing clear statutory authority for local boards and governments to utilize alternative financing methods. There are several examples of successfully completed school projects which were financed through the sale-leaseback or other alternative financing approach. The merits of alternative financing are often very case-specific, but these methods can also generate much needed revenue when traditional financing methods are lacking.

MABE will continue to pursue recommendations to improve Maryland's public school construction program in ways which will preserve local board governance and enhance cost containment. In this context, MABE appreciates the bold approaches contained within this bill and looks forward to deliberations on these and other innovative proposals to improve Maryland's Public School Construction Program in the coming year.

For these reasons, MABE requests an unfavorable report on Senate Bill 994.