



Fixing Maintenance of Effort

The Maryland State Education Association, Maryland Association of Boards of Education, and the Public School Superintendents Association of Maryland call on Governor O'Malley and the General Assembly to adopt comprehensive reform of the state's maintenance of effort law. We believe comprehensive reform will address deficiencies in the law and protect the historic investments that Maryland has made in our students and schools.

Predictability and Creating a Consistent Funding Floor Without a Permanent Funding Ceiling

Establishing MOE as the funding floor is the first critical step to any fix. This must also be accompanied by an inflation factor year over year so that the MOE floor does not also become the MOE ceiling.

Accurate Accounting of MOE

A comprehensive MOE fix must ensure **non-operational expenses are not counted towards a county's MOE obligation**. The state should not allow a county to apply debt service on school construction, or any other finance tactics in order to artificially meet their funding obligations.

School Funding Is for Education, Not Retirement Costs

Any new retirement obligations shifted to the county must be excluded from MOE calculations.

Accountability and a Mandatory Waiver Process

If a county is unable to meet MOE, a **mandatory waiver process must ensue**. A public hearing and acknowledgement of the effort made and rationale for not meeting the minimum floor must take place so there is full transparency and accountability in the budget process.

Increased Flexibility for County Governments

The waiver process is worthy of review and assurances that **appropriate factors are considered** if a county applies for relief from MOE. Whether it is weighing a county's historic investments or taxing effort, there are process changes we support as a part of a comprehensive fix of MOE.

Fairness

County governments have the taxing authority and the funding responsibility of meeting the local obligation of school aid. If that obligation is not met and a waiver is not granted, any **penalty from the state should be assessed to the county and not the school board**.

Assistance in Finding and Applying New Revenue

Recommended fixes include providing **new revenue for counties, new taxing authority, and/or the ability to override tax caps** in order to meet the constitutional requirement for school funding. Multiple Attorneys General rulings have stipulated that local tax caps are not binding when it comes to tax efforts to meet local school funding obligations. Giving counties more flexibility to adjust income tax rates would likely result in more using that option to address critical needs. We need to provide additional tools in the county toolbox to assist them in meeting MOE while also protecting other county priorities.