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Monarch Academy Baltimore Campus, Inc. v. Baltimore City Board of School Commissioners

Court of Appeals of Maryland - December 18, 2017 - A.3d - 2017 WL 6421282

Charter schools brought breach-of-contract actions against city school board for board's alleged failure to provide commensurate funding and failure to provide certain financial information as required by contract between charter schools and school board.

After the actions were consolidated, the Circuit Court denied school board's motion to dismiss. School board petitioned for declaratory relief before the State Board of Education and asked the State Board to declare that school board's funding formula complied with statute on charter-school funding. Following State Board's dismissal of the petition, school board filed a counterclaim against charter schools in circuit court as to funding allocated for administrative services. The Circuit Court dismissed school board's counterclaims with prejudice and sua sponte stayed the proceedings pending administrative review by the State Board. Charter schools appealed, and school board again petitioned for declaratory relief before the State Board, which dismissed the petition. The Court of Special Appeals dismissed charter schools' appeal. Charter schools petitioned for a writ of certiorari.

The Court of Appeals held that:

- Stay order was a final and appealable judgment;
- Circuit court abused its discretion by issuing stay order; but
- State Board had primary jurisdiction over the issue of whether school board's allocation to charter schools was commensurate funding; disapproving *Baltimore City Board of School Commissioners v. Koba Institute, Inc.*, 194 Md.App. 400, 5 A.3d 60.

Circuit court's stay order in charter schools' breach-of-contract action, which stayed proceedings pending administrative review by the State Board of Education, had the effect of putting the charter schools entirely out of court with no clear procedural path they could follow to return to court within a reasonable period of time, and thus the stay order was a "final judgment," as required for an appeal; order suspended all claims before the circuit court, order did not specify what, precisely, the charter schools needed to do in order for proceedings to resume, no proceeding was pending before State Board when order was issued, and State Board might have declined to issue a declaratory ruling on issues that did not involve public education laws or Board's own regulations.

Circuit court abused its discretion by issuing sua sponte a stay order in charter schools' breach-o--contract actions against city school board over commensurate funding levels, which stayed proceedings pending administrative review by the State Board of Education in lieu of granting school board's motion to dismiss; the sua sponte ruling meant that charter schools had no reason to offer arguments against an immediate stay, as charter schools had done on school board's prior and unsuccessful motion to dismiss before a different judge, and stay order did not clearly state which issues needed to be resolved before the State Board and how the charter schools could have resumed proceedings before the circuit court.

State Board of Education had primary jurisdiction over the issue of whether city school board's proposed per-pupil funding allocation to charter schools was commensurate funding, which underlay charter schools' breach-of-contract actions against school board, and thus it would be appropriate to stay proceedings in the breach-of-contract actions once charter schools obtained the financial and related information in discovery necessary to fairly present the commensurate-funding dispute before the State Board; statutory-interpretation issues as to commensurate funding had not been finally resolved through regulation; disapproving *Baltimore City Board of School Commissioners v. Koba Institute, Inc.*, 194 Md.App. 400, 5 A.3d 60.