

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 232 (Delegate Olszewski)
Ways and Means

County Boards of Education - Spending - Reporting Requirement

This bill requires each local board of education to submit by October 1, 2015, and every three years thereafter, to the Maryland State Department of Education (MSDE) a funding report on each public school in the county. The report must include the State, local, and federal per student spending at each school for students who qualified for State funding for compensatory education, limited English proficiency, and special education, as well as magnet students and all other students. The bill states legislative intent that the local school systems report *actual* spending per student instead of budgeted spending.

By December 1, 2015, and every three years thereafter, MSDE must submit a copy of the reports received to the General Assembly.

Fiscal Summary

State Effect: MSDE can receive, and submit to the General Assembly, the required reports using existing resources.

Local Effect: Local boards of education will need to develop and implement new methods for compiling and reporting expenditures of local, State, and federal funds, at the individual school level, for specified groups of students. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law: There are no triennial reports on education spending per student by each school within local school systems.

Annual Financial Reporting

Each local board of education is required to submit an Annual School Financial Report to the State Board of Education in accordance with major categories established by State law and additional specific revenue and expenditure areas as required by MSDE's *Financial Reporting Manual for Maryland Public Schools*. Each local board must submit an annual budget to the county governing body in accordance with the major categories and the financial reporting manual.

Each local board of education must provide, within three months after the close of the fiscal year (*i.e.*, September 30), an annual audit of its financial transactions and accounts. The audit must be prepared by a certified public accountant or a partnership of certified public accountants who are licensed by the State Board of Public Accountancy and approved by the State Superintendent of Schools.

Selected State Education Funding

The foundation program is the major State aid program for public schools, accounting for nearly half of State education aid. A formula determines, for each local school system, the State and local shares of a minimum per pupil funding level, or "foundation." For fiscal 2015, the foundation amount is \$6,860 per student. The total cost of the foundation program, which equals the per pupil foundation amount times the full-time equivalent student enrollment count, is shared equally by the local governments and the State. However, as a wealth equalized formula, the State provides more aid per pupil to school systems in the less affluent jurisdictions and less aid per pupil to school systems in the more affluent jurisdictions. Full-time enrollment is calculated using a September 30 student count from the prior fiscal year.

Funding for the compensatory education formula is based on local enrollments of students eligible for free and reduced-price meals and local wealth. The formula uses a per pupil cost to be shared by State and local governments that is 0.97 times the per pupil funding level established in the foundation program. Similarly, State funding for the limited English proficiency formula is based on local enrollments of limited English proficient students and local wealth. The formula uses a per pupil cost to be shared by State and local governments that is 0.99 times the per pupil funding level established in the foundation program.

Most special education students receive special education services in the public schools. Additional resources for these students are supported by the State through a special education formula. State formula aid funding for special education is based on local public school special education enrollments and local wealth. The formula calculates a per special education pupil cost to be shared by State and local governments that is 0.74 times the per pupil funding level established in the foundation program. If an appropriate program is not available in the public schools, however, the student is placed in a private school offering more specialized services. State support for private schools that serve special education students is provided through aid for nonpublic placements.

Although State funding is calculated on a per-student basis, local school systems are not required to track spending by type of student. As part of the Bridge to Excellence in Public Schools Act of 2002, local school systems are required to submit annual master plans to MSDE that show how additional funding will be spent to increase student achievement, including subgroups of students like low income, limited English proficient, and special education. Student assessment scores are required to be reported on a disaggregated basis, and school systems must show how scores will be improved. Local school systems are also not required to track or report spending for each school.

Local Expenditures: Local school systems will need to develop and implement new methods for compiling and reporting expenditures of local, State, and federal funds, at the individual school level, for specified groups of students. While some local school systems have the ability to track spending by student by school, many school systems do not. Allegany County advises that the October 1 deadline under the bill will make meeting the September 30 deadline for annual audits increasingly challenging in years affected by the bill and that it will need to restructure its accounting ledger. Further, Allegany County advises that school system staff (including counselors and pupil personnel workers) do not track their time by student group. Harford County advises that its school system is not presently equipped to calculate expenditures by revenue source.

In response to the prior introduction of this bill, Charles County indicated that its local school system will need to reconfigure its financial reporting, which currently is not done by individual school, and Frederick County indicated that \$30,000 in incremental expenditures will be required to meet reporting requirements of the bill.

Additional Comments: Some public school expenditures, including various capital expenditures, and professional development expenditures may be difficult to attribute specifically to one of the categories of students identified by the bill, in a manner that is mutually exclusive.

Additional Information

Prior Introductions: HB 926 of 2013 received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

Information Source(s): Allegany, Charles, Frederick, and Harford counties; Maryland State Department of Education; Department of Legislative Services

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