

Department of Legislative Services  
Maryland General Assembly  
2013 Session

FISCAL AND POLICY NOTE

House Bill 926 (Delegate Olszewski)  
Ways and Means

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County Boards of Education - Spending - Reporting Requirement

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This bill requires each county board of education to submit by October 1, 2014, 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, 2014, and every three years thereafter, MSDE must submit a copy of the reports received to the General Assembly.

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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 may impose a mandate on a unit of local government.**

**Small Business Effect:** None.

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## Analysis

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

### *Annual County Board Audits*

Each county board of education must provide, within three months after the close of the fiscal year, 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.

The audit must be made in accordance with the standards and regulations adopted by the State Board of Education. The results of the audit, including the letter of recommendation submitted by the auditor, are a matter of public record, and must be reported on the form and in the manner requested by the State Board of Education to:

- the State Superintendent of Schools;
- the county fiscal authority;
- the Joint Audit Committee of the General Assembly;
- the Senate Budget and Taxation Committee;
- the Senate Education, Health, and Environmental Affairs Committee;
- the House Appropriations Committee; and
- the House Ways and Means Committee.

In addition to the above requirements, the county commissioners or county council may conduct an audit using auditors employed by the county.

### *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 2014, the foundation amount is \$6,829 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-priced 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 students receive special education services in the public schools. Additional resources for these students are supported by the State through a special education formula. 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. State formula aid funding for the special education is based on local public school special education enrollments and 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.

The guaranteed tax base program provides additional State education aid to counties that have less than 80% of the statewide average wealth per pupil and provide local education funding above the minimum local share required by the foundation program. The program uses local education tax effort and local wealth to determine State aid amounts for each eligible school system in order to encourage less wealthy jurisdictions to maintain or increase local education tax effort.

However, 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 sub-groups 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 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. Charles County advises that its local school system will need to reconfigure its financial reporting, which currently is not done by individual school; Charles County was unable to provide an estimate of additional costs. Frederick County indicates 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, professional development expenditures, and expenditures under the guaranteed tax base program, may be difficult to attribute specifically to one of the categories of students identified by the bill, in a manner that is mutually exclusive.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 25, 2013  
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