

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 1340
Appropriations

(Delegates McMillan and Vitale)

Education - Calculation of State Appropriation - Information Transparency in
Budget Books

This bill requires the Governor's budget books to contain a section that, for each local school system, shows the data used to calculate the State appropriation for specified State education aid programs, as well as the source of that data. The budget books must also include, for each local school system, any difference between the State appropriation for primary and secondary education that is provided and the amount required under specified funding formulas for State aid to public schools.

Fiscal Summary

State Effect: General fund expenditures increase by approximately \$500 annually beginning in FY 2015 for the Department of Budget and Management (DBM) to include approximately 10 additional pages in the Governor's budget books.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: Data must be shown for the following programs:

- the foundation program, including the geographic cost of education index (GCEI) adjustment, supplemental grants, and the net taxable income adjustment;
- student transportation grants;

- the aging schools program;
- compensatory education grants;
- limited English proficiency grants;
- special education grants;
- the guaranteed tax base program;
- teacher retirement payments made by the State; and
- any other State appropriations for primary and secondary education that are provided to the local boards of education.

Current Law: In general, the Governor’s budget must be in a form and with the detail that the Governor or law require. The Governor’s budget books must provide a statement of the mission, goals, objectives and performance measures for each agency and show certain prior year, current year, and proposed budget information by unit of government. This includes information on the number of, and salaries for, officers and employees, as well as an itemized statement of expenditures for specified operating expenses. The budget books must include separate sections for programs funded by the Cigarette Restitution Fund and the Maryland Emergency Medical System Operations Fund and certain Maryland Department of Transportation expenditures and appropriations. The budget books must also:

- indicate the extent to which the proposed budget differs from the recommendations of the Spending Affordability Committee, and the Governor’s reasons for exceeding the recommendations;
- state each source of revenue from which proposed appropriations are to be paid, and the amount expected to be generated from each source;
- provide a summary of the State’s annuity bond accounts as of the end of the last fiscal year; and
- include a copy of the statewide cost allocation plan filed with the federal government and the amount of reimbursement provided to each agency by the federal government.

Background: State financing of public schools changed considerably in fiscal 2004 with the implementation of new funding formulas established by Chapter 288 of 2002, the Bridge to Excellence in Public Schools Act. The financing structure established by the Act is based on the concept of “adequacy” – an empirical estimate of the amount of funding needed by schools and local school systems in order to obtain the resources needed to reasonably expect that students can meet the State’s academic performance standards. State education aid formulas incorporate the adequacy concept by ensuring a minimum per pupil funding level, providing additional funding based on enrollments of at-risk students, and granting additional aid to local school systems with higher educational resource costs.

The great majority of State aid for public schools is distributed through formulas that are based primarily on student enrollment and local wealth. Student enrollment data includes not only figures on full-time equivalent enrollment but also figures on the number of students who (1) are limited English proficient; (2) have special education needs; (3) are eligible for free and reduced-price meals (for compensatory education grants); and (4) are children with disabilities receiving transportation services. Local wealth data, used to determine relative State and local per pupil shares, include data on net taxable income and on the assessable property base for each county.

Teacher salary base figures as well as certain contribution rates and normal costs assumptions constitute important data for determining the State and local shares of teachers' retirement aid. The index value used in determining GCEI grants and certain inflation factors, including those used to determine any increases in the per pupil foundation amount and in student transportation aid, are among other key data used in determining State aid for public schools.

State Fiscal Effect: DBM advises that it produces about 600 sets of budget books each year and that the Governor's proposed fiscal 2015 budget includes \$78,000 for budget book layout and printing. General fund expenditures increase by approximately \$500 annually beginning in fiscal 2015 for DBM to include approximately 10 additional pages of information in the Governor's budget books. The information is available to DBM each year, and DBM can compile the information with existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management, Maryland State Department of Education, Maryland Association of Boards of Education, Department of Legislative Services

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