

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE

Senate Bill 440 (Senator Pinsky)
 Education, Health, and Environmental Affairs

Education - Expenditures of Revenues - Reporting by County Boards of Education

This bill requires each local board of education to report to the Maryland State Department of Education (MSDE) all expenditures by specified funding categories at the school level and the local education agency level.

Fiscal Summary

State Effect: General fund expenditures increase by \$1.7 million in FY 2016. Future year expenditures total \$222,400 in FY 2017 and increase to \$237,500 by FY 2020 due to inflation. Revenues are not affected.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	1,668,800	222,400	227,200	232,300	237,500
Net Effect	(\$1,668,800)	(\$222,400)	(\$227,200)	(\$232,300)	(\$237,500)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Beginning in FY 2016, most local school systems incur significant additional one-time and ongoing expenditures to enhance and maintain systems for determining, collecting, and reporting expenditures by individual school. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: To the extent that small businesses assist local school systems in reconfiguring systems for gathering, compiling, and reporting expenditures, those businesses benefit.

Analysis

Bill Summary: Major categories for which school level and local education agency level expenditures must be reported are: administration, including executive administration, business support services, and centralized support services; mid-level administration, including the office of the school principal and staff administering and supervising school instructional programs; instructional salaries for teachers, aides, psychological personnel, guidance counselors, and library personnel; textbooks and classroom instructional supplies; other instructional costs; special education; student personnel services; health services; student transportation; operation of plant and equipment; maintenance of plant; fixed charges (such as rent and employee benefits); food services; and capital outlay.

Current Law: 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 (summarized above) established by State law and additional specific revenue and expenditure areas as specified by MSDE's *Financial Reporting Manual for Maryland Public Schools*. MSDE draws upon this financial data provided by local school systems to produce an annual *Selected Financial Data* report, which includes a section on expenditures. The Selected Financial Data report presents information at the school system level. Each local board must also submit an annual budget to the county governing body in accordance with the major categories and the financial reporting manual.

State Fiscal Effect: MSDE advises that its Annual Financial Reporting System needs to be updated to accommodate local education agency (LEA) school level data. This entails a one-time expenditure in fiscal 2016 of \$1.5 million, as well as ongoing contractual services totaling \$150,000 annually to maintain the enhanced system. Also, MSDE requires an additional staff specialist. Even with this funding, MSDE advises that the earliest the system could collect LEA school level data is December 2016.

Thus, general fund expenditures increase by \$1.7 million in fiscal 2016, which assumes an October 1, 2015 start date for the staff specialist. This estimate reflects contractual services, salary for one new position, fringe benefits, one-time start-up costs, and ongoing operating expenses. General fund expenditures in fiscal 2017 total \$222,400, increasing to \$237,500 by fiscal 2020.

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
New Position	1	-	-	-	-
Salary and Fringe Benefits	\$51,530	\$70,267	\$73,606	\$77,106	\$80,777
Contractual Services	1,612,500	151,500	153,015	154,545	156,091
Other Start-up/Operating Expenses	<u>4,724</u>	<u>591</u>	<u>597</u>	<u>603</u>	<u>609</u>
Total	\$1,668,754	\$222,358	\$227,218	\$232,254	\$237,477

Local Fiscal Effect: The Department of Legislative Services is aware of five counties in which the public school system tracks expenditures at the school level: Calvert, Carroll, Garrett, Talbot, and Wicomico counties. In most other counties, the local school system needs to enhance its systems for determining, collecting, and reporting expenditures by individual school. Local estimates of the additional cost that is incurred varies considerably. Anne Arundel County Public Schools reports that two additional financial staff are required to budget, track, and report expenditures at the school and central office levels, at an annual cost of approximately \$125,000. Baltimore City advises that while some of its reports have to be altered, additional staff are not required. Washington County indicates that approximately \$1.2 million in one-time contractual costs, coupled with approximately \$350,000 in annual ongoing expenditures, are required to develop a considerably more complex accounting structure, for new software and to train administrative staff to record and report expenditures at the school level.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City; Anne Arundel, Calvert, Carroll, Garrett, Montgomery, Prince George's, Talbot, Wicomico, and Washington counties; Maryland State Department of Education; Maryland Association of Boards of Education; Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2015
min/rhh

Analysis by: Scott P. Gates

Direct Inquiries to:
(410) 946-5510
(301) 970-5510