

## Article - Education

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§5–114.

(a) (1) In this section the following words have the meanings indicated.

(2) “Deficit” means a negative fund balance in the General Fund at the end of the fiscal year.

(3) “Structural deficit” means a projected negative fund balance in the General Fund that requires the transfer of reserve funds in order to avoid a deficit.

(b) The State Superintendent and the Department shall monitor the financial status of each local school system.

(c) If a local school system does not file the annual audit results in a timely manner with the State Superintendent as required by § 5–109 of this subtitle, the State Superintendent shall:

(1) Immediately notify:

(i) The Department of Legislative Services;

(ii) The county governing body; and

(iii) The local board and local superintendent or chief executive officer of the local school system; and

(2) Order that the audit report be filed within 10 days.

(d) (1) A local school system may not carry a deficit as reported in the annual audit under § 5–109 of this subtitle.

(2) If a local school system has a deficit, the State Superintendent shall immediately notify the Governor, the General Assembly, the Department of Legislative Services, and county governing body and shall require the local school system to:

(i) Develop and submit for approval a corrective action cost containment plan within 15 days;

(ii) File monthly status reports with the State Superintendent and county governing body demonstrating actions taken to close the deficit and the effect of the actions taken on the deficit; and

(iii) Include information on the corrective action cost containment plan, actions taken to close the deficit, and status of the deficit in the annual audit under § 5–109 of this subtitle filed with the State Superintendent and county

governing body.

(3) (i) If a local school system has a structural deficit and transfers reserve funds into the General Fund in order to avoid a deficit, the local school system immediately shall notify the Governor, the General Assembly, the State Superintendent, the Department of Legislative Services, and the county governing body.

(ii) The State Superintendent shall require a local school system described in subparagraph (i) of this paragraph to submit a corrective action cost containment plan within 15 days and file monthly status reports with the State Superintendent and county governing body demonstrating actions taken to eliminate the structural deficit, the effect of the actions taken on the structural deficit, and a schedule to repay the reserve fund.

(4) The State Superintendent shall include information on any local school system deficit or structural deficit, corrective action cost containment plan, actions taken to close a local school system deficit or structural deficit, and status of any local school system deficit or structural deficit in a quarterly report to the Governor and the General Assembly, in accordance with § 2–1246 of the State Government Article.

(5) If a local school system has a deficit or structural deficit:

(i) The Office of Legislative Audits may request any financial information pertaining to the deficit or structural deficit and the corrective action cost containment plan; and

(ii) The local superintendent or chief executive officer of a local school system shall provide the requested information.

(e) If a local school system fails to comply with the requirements of this section, the State Superintendent, with the approval of the State Board of Education, shall notify the State Comptroller, who shall withhold 10% of the next installment and each subsequent installment due the local school system from the General State School Fund until the State Superintendent notifies the Comptroller that the local school system is in full compliance with the requirements of this section.

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