

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 512 (Delegate Hornberger)
 Ways and Means

The James Samuel Coleman Act of 2017

This bill abolishes the existing county-based local school systems in Maryland and replaces them with legislative district-based school systems, effective July 1, 2020. Each school district is composed of two contiguous legislative districts, except for Baltimore City which will remain one school district. Beginning January 2021, each school district is governed by a nine-member school district board, consisting of one member elected from the school district at-large, one member elected from each of six delegate districts, and two student members.

By September 1, 2018, the Department of Planning and the Maryland State Department of Education (MSDE) must submit specified reports to the General Assembly.

Fiscal Summary

State Effect: General fund expenditures increase by \$266,400 in FY 2018 and by \$310,300 in FY 2019. State education aid may be significantly altered beginning in FY 2021; the degree and direction of change cannot be determined without additional legislation.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	266,400	310,300	0	0	0
Net Effect	(\$266,400)	(\$310,300)	\$0	\$0	\$0

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

Local Effect: Local funding for public schools is significantly affected as discussed below. Local election costs are impacted; the effect varies by county depending upon the board member selection method in each county. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary:

School District Composition

Each school district is composed of two contiguous legislative districts established under Section 2-202 of the State Government Article. If there is more than one contiguous legislative district, the school district is composed of the two contiguous legislative districts that result in the largest diversity of income of the residents of the district. However, Baltimore City remains one school district. MSDE and the Department of Planning must jointly determine school districts in accordance with the provisions of the bill. The geographical boundary of a school district is determined on the same decennial cycle as State legislative districts.

School District Boards

Each school district is governed by a nine-member school district board. The seven nonstudent members of a school district board are elected in the general election, beginning with the 2020 general election, and serve four-year terms beginning on January 2 after the election and until a successor is elected and qualifies. The two student members are appointed to one-year terms by the elected board members. Gender diversity must be considered in the appointment of the student members. Each school district may determine the voting rights of the student members.

Other Provisions

The State share of the foundation program and other State education aid under Title 5, Subtitle 2 of the Education Article must be distributed by the State to each school district. Each school district must distribute the State and local funds for education to the school of attendance of each student who was counted in the full-time equivalent enrollment used to calculate State and local funds for education.

By September 1, 2018, the Department of Planning and MSDE must report to the General Assembly on school districts established under the bill. Also by September 1, 2018, MSDE must report to the General Assembly on changes to the Education Article made necessary by the bill, including changes to Title 5, Subtitle 2, which concerns State and federal aid to public schools.

The publisher of the Annotated Code of Maryland is required to change cross references and terminology throughout the code and to describe each change in an editor's note.

Current Law/Background:

Local School Systems

In general, the local boards of education and the local superintendents appointed by the boards control educational matters and policymaking within the school districts and oversee the day-to-day operation of public schools. The local boards are not agencies or departments of county or State government; however, they are quasi-State agencies and are considered State agencies for some purposes and units of county government for other purposes stipulated in State law. While the State Board of Education has the "last word on any matter concerning educational policy or the administration of the system of public education" (*Board of Education of Prince George's County v. Waeldner*, 298 Md. 354, 360 (1984)), the local boards have relative autonomy in the management of the schools.

Local boards of education vary considerably in terms of how members are selected, the number of members on the board, whether there is one or more student member on the board (and the extent to which student members have voting rights on the board), and the extent to which (if at all) members are compensated for service on the board. There are 17 elected local school boards in the State, as well as 4 appointed school boards and 3 hybrid boards. **Appendix – Local Boards of Education** shows the selection methods, terms of office, and membership of the 24 local boards of education.

Local boards must submit their budget requests to the county governing body. The budget submission includes revenues and expenditures by major category, as established by State law and the State Board of Education. The county governing body reviews, modifies, and approves the budget; any reductions are made by major category. In jurisdictions with a county executive, the executive reviews the budget first and then submits it to the county council. With the exception of Baltimore County, the county governing body may restore any reductions made by the county executive to the proposed school board budget. Once a county has approved its annual appropriation to the local school system, the appropriation may not be reduced mid-year. Each local superintendent of schools must also provide annual financial reports to the State and the local governing body detailing the financial status of the system.

State Aid to Public Schools

The great majority of direct State aid to public schools (excluding teachers' retirement) is determined by funding formulas found in Title 5, Subtitle 2 of the Education Article. Together with some more recent enactments, these funding formulas were set forth in the

Bridge to Excellence in Public Schools Act (Chapter 288 of 2002). The formulas are in part based on the adequacy model, which entails three components. The first is a uniform base cost per pupil that is necessary to provide general education services to students in every school system. The second component of adequacy involves adjustments for the additional costs associated with educating three at-risk student populations: special education students, students eligible for free and reduced-price meals, and students with limited English proficiency. The third component of adequacy is an adjustment that accounts for differences in the local costs of educational resources.

The majority of State education aid formulas also entail wealth equalization across counties, compensating for differences in local wealth by providing less aid per pupil to the more wealthy counties and more aid per pupil to the less wealthy counties. Although on the whole most State aid formulas are designed to have the State pay roughly one-half of program costs, the State's share for the less wealthy counties is higher than 50%, and the State's share for more wealthy counties is lower than 50%.

Exhibit 1 shows fiscal 2018 direct State aid for public schools under the Governor's proposed budget by county.

Exhibit 1
Direct Aid to Public Schools in Fiscal 2018

County	Direct Aid	Ranking by Per Pupil Direct Aid	
Allegany	\$80,551,153	1.	Somerset \$11,602
Anne Arundel	358,136,195	2.	Baltimore City 10,897
Baltimore City	835,052,340	3.	Wicomico 10,246
Baltimore	659,775,445	4.	Caroline 10,173
Calvert	82,059,978	5.	Allegany 9,844
Caroline	54,813,906	6.	Dorchester 9,403
Carroll	131,507,736	7.	Prince George's 8,928
Cecil	107,895,637	8.	Washington 8,026
Charles	172,642,836	9.	Cecil 7,205
Dorchester	42,734,173	10.	Charles 6,765
Frederick	242,620,270	11.	St. Mary's 6,170
Garrett	21,787,457	12.	Baltimore 6,102
Harford	208,915,801	13.	Frederick 6,067
Howard	247,389,664	14.	Garrett 5,989
Kent	9,930,611	15.	Harford 5,710
Montgomery	688,908,506	16.	Calvert 5,290
Prince George's	1,114,138,530	17.	Carroll 5,290
Queen Anne's	34,733,562	18.	Kent 5,246
St. Mary's	105,679,195	19.	Queen Anne's 4,655
Somerset	32,057,707	20.	Howard 4,558
Talbot	14,085,179	21.	Anne Arundel 4,544
Washington	175,698,838	22.	Montgomery 4,456
Wicomico	146,077,453	23.	Talbot 3,261
Worcester	19,850,857	24.	Worcester 3,155
Unallocated	30,878,652		
Total	\$5,617,921,681		State Average \$6,590

Legislative Districts

The Maryland Constitution and federal case law require State legislative district boundaries to be redrawn every 10 years after the decennial census to adjust for population changes. The Maryland Constitution provides for 47 legislative districts. Article III, Section 4 requires that State legislative districts consist of adjoining territory, be compact in form and of substantially equal population, and that natural boundaries and the boundaries of

political subdivisions be given due regard. Legislative districts can be subdivided for the purpose of electing one or two delegates from a subdistrict. Creation of legislative boundaries falls under the requirements of the U.S. Constitution's Fourteenth Amendment, which requires districts to be equally populated.

Article III, Section 5 of the Maryland Constitution requires public hearings to be held before the Governor prepares a legislative redistricting plan. In 2011, the Governor appointed a Redistricting Advisory Committee to conduct public hearings around the State as required by the State Constitution. Consistent with prior practice in previous redistricting phases, the public hearings addressed both legislative and congressional redistricting. The Governor must present a legislative districting plan to the General Assembly by the first day of session in the second year following the decennial census and after the public hearings. If the General Assembly does not pass an alternative plan before the forty-fifth day of session, the Governor's plan becomes law. The current legislative districting plan was enacted as Joint Resolution 2 of the General Assembly in 2012.

Of the 47 legislative districts under the current plan, 31 are three-member delegate districts, 12 are divided into two subdistricts (with two and one delegate members, respectively), and 4 are divided into three one-member delegate subdistricts.

State Fiscal Effect: It is assumed, as suggested by the reporting requirements of the bill, that subsequent legislation will be necessary to clarify (1) the initial specific boundaries of the school districts to be created and (2) the particular funding obligations of the State and local governments regarding the new school districts, which will in many cases cross county borders. Average per pupil State funding to local school systems statewide may remain relatively unchanged. However, the bill may cause significant changes to the overall level of State aid to public schools, primarily due to changes in relative local wealth per pupil under the new school districts, which affects wealth-based State aid formulas. Other possible impacts include changes to add-on grants like the Net Taxable Income and Geographic Cost of Education Index grants as well as changes in local appropriations. Absent additional legislation, a reasonable estimate of the impact of the bill on total State education aid cannot be made.

MSDE and the Department of Planning experience significant short-term expenditures to evaluate, report on, and implement substantial changes in State statute and related regulations, particularly regarding funding of public schools and local accountability and reporting requirements.

The Department of Legislative Services assumes that both the Department of Planning and MSDE will each require two full-time contractual employees through the end of fiscal 2019 (given reporting dates under the bill and assuming additional follow-up responsibilities).

General fund expenditures increase accordingly by \$266,400 in fiscal 2018, which accounts for the bill's October 1, 2017 effective date. The estimate includes salaries, fringe benefits, one-time start-up costs, and operating expenses. Based on annualization, inflation, and elimination of one-time costs, fiscal 2019 general fund expenditures increase by \$310,300.

	<u>FY 2018</u>
Contractual Positions	4
Salaries and Fringe Benefits	\$245,993
Operating Expenses	<u>20,435</u>
FY 2018 State Expenditures	\$266,428

Because most existing local school boards have some portion of the membership subject to elections, overall State Board of Elections costs relating to election of local school district boards may not be altered substantially.

Local Fiscal Effect: The bill, by abolishing local (county-based) boards of education as of January 2021, has maximal impact on the operations and finances of these entities in fiscal 2021 and beyond. It is assumed that 22 local school districts will be formed by the bill. These school districts may receive and expend substantially different amounts of funds as compared to the existing 24 local boards of education; however the effect by county is indeterminate and will depend largely upon subsequent legislation.

The present one-to-one relationship between a county and its public school system provides considerable clarity and a substantial degree of predictability regarding the relationship between the combined federal, State, and county appropriations and (1) the local public school board of education and (2) the student population being served by these appropriations in a given fiscal year, and from one fiscal year to another.

Another issue is the relative geographic size of the newly established school districts. Based upon the current configuration of legislative districts, it appears that the westernmost school district established under the bill will likely span three counties (Garrett, Allegany, and Washington) and that one Eastern Shore school district will potentially span as many as six counties (Caroline, Dorchester, Somerset, Talbot, Wicomico, and Worcester). These districts will be substantially larger in geographical terms than any existing local school system, causing considerable challenges regarding transportation, coordination, and other logistical matters for local school system governance. Conversely, the configuration of local school districts under the bill may divide the student population in more urban counties into multi-school districts. For example, Anne Arundel County may span as many as three school districts and Montgomery County may span as many as four districts. Each of these examples indicates implications for representation of the interests of county populations across and within school districts.

It is assumed, as suggested by the reporting requirements of the bill, that subsequent legislation will be necessary to clarify (1) the initial specific boundaries of the school districts to be created and (2) the particular funding obligations of the State and local governments regarding the new school districts, which will in many cases cross county borders. Absent such legislation, a reasonable estimate of the impact upon individual counties, and on a statewide local level, cannot be made.

The bill does not specify salaries for members of school district boards, or stipends for student members. Assuming that members of school district boards are unpaid, local board of education expenditures are reduced, beginning six months into fiscal 2021. The effect will vary by county, depending on the number of paid members and the pay per member.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City; Carroll and St. Mary's counties; Maryland State Department of Education; Maryland Department of Planning; Department of Legislative Services

Fiscal Note History: First Reader - February 20, 2017
md/rhh

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Appendix – Local Boards of Education

School System	Number of Members	Term		Means of Selection ¹
Allegany	6	4 years	E	5 from county at large 1 student (nonvoting, one-year term)
Anne Arundel ²	9	5 years	A	3 from county at large 5 from legislative districts 1 student (one-year term)
Baltimore City ³	10	3 years	A	9 from city at large 1 student (one-year term)
Baltimore ⁴	12	5 years	A	4 from county at large 7 from councilmanic districts 1 student (one-year term)
Calvert	6	4 years	E	2 from county at large 3 from commissioner districts 1 student (nonvoting, one-year term)
Caroline	7	4 years	A/E	3 elected from school board districts 2 appointed from county at large 2 students (nonvoting, one-year term)
Carroll	11	4 years	E	5 from county at large 5 commissioners <i>ex officio</i> (nonvoting) 1 student (nonvoting, one-year term)
Cecil	6	4 years	E	5 from commissioner districts 1 student (nonvoting, one-year term)
Charles	8	4 years	E	7 from county at large 1 student (nonvoting, one-year term)
Dorchester	7	4 years	E	5 from councilmanic districts 2 students (nonvoting, one-year term)
Frederick	8	4 years	E	7 from county at large 1 student (nonvoting, one-year term)
Garrett	6	4 years	E	2 from county at large 3 from commissioner districts 1 student (nonvoting, one-year term)

School System	Number of Members	Term		Means of Selection¹
Harford	11	4 years	A/E	6 elected from councilmanic districts 3 appointed from county at large 1 superintendent <i>ex officio</i> (nonvoting) 1 student (one-year term)
Howard	8	4 years	E	7 from county at large 1 student (one-year term)
Kent	6	4 years	E	5 from county at large 1 student (nonvoting, one-year term)
Montgomery	8	4 years	E	2 from county at large 5 from school districts 1 student (one-year term)
Prince George's ⁵	14	4 years	A/E	9 elected from school board districts 4 appointed by county 1 student (one-year term)
Queen Anne's	7	4 years	E	1 from county at large 4 from commissioner districts 2 students (nonvoting, one-year term)
St. Mary's	6	4 years	E	1 from county at large 4 from commissioner districts 1 student (nonvoting, one-year term)
Somerset	5	4 years	E	All from commissioner districts
Talbot	9	4 years	E	7 from school board districts 2 students (nonvoting, one-year term)
Washington ⁶	8	4 years	E	7 from county at large 1 student (nonvoting, one-year term)
Wicomico ⁷	7	5 years	A	All from county at large
Worcester	10	4 years	E	7 from commissioner districts 3 students (nonvoting, one-year term)

¹A = Appointed by Governor, except in Baltimore City, where board is appointed jointly by the Governor and the Mayor; E = Elected; and A/E = Combined appointed by Governor and elected board, except in Prince George’s County.

²There are three steps to being appointed and retained as a member of the Anne Arundel County Board of Education. First, the School Board Nominating Commission selects nominees who are recommended to the Governor as candidates for appointment to the Anne Arundel County Board of Education. The commission consists of 13 members – 3 appointed by the county executive, and 10 appointed from various county organizations. A board member begins serving immediately upon appointment; however, the board member must stand for “approval or rejection of the registered voters of the county” at the next general election. The board member is placed on the ballot, without opposition. If the voters retain the board member, he or she may complete the remainder of the 5-year term. If the voters reject the board member, the position becomes vacant and the process begins again. Chapters 177 and 178 of 2011, as well as an Opinion of the Attorney General (98 Op. Att’y Gen. 51 (May 22, 2013)), clarify that this three-step process applies not only to newly appointed board members, but also to incumbent board members seeking a second term.

³The nonstudent members of the Baltimore City Board of School Commissioners are jointly appointed by the Mayor of Baltimore City and the Governor from a list of qualified individuals submitted by the State Board of Education. Each member must be a resident of Baltimore City, and the membership must reflect the demographic diversity of Baltimore City. In addition, Chapter 723 of 2016 restructured the board to be a hybrid board with two members elected from the city at large, nine members jointly appointed by the Governor and the Mayor of Baltimore City, and one student member. The two elected board members will be elected at the general election in November 2022 and every four years thereafter.

⁴Chapters 480 and 481 of 2014 restructured the Baltimore County Board of Education from a 12-member appointed board (including 1 student member) to a 12-member board consisting of 4 at-large members appointed by the Governor, 7 nonpartisan members each elected from one of seven councilmanic districts, and a student member. The elected members will be elected at the general election in November 2018 and every four years thereafter. In addition, Chapters 480 and 481 of 2014 established the Baltimore County Nominating Commission. The commission is responsible for selecting eight nominees to be recommended to the Governor as qualified candidates for appointment to the Baltimore County Board of Education. The commission consists of 19 members of the county and must reflect the diversity of the county. Except in extenuating circumstances, the Governor must appoint members to the board of education from the list the nominating commission provides.

⁵Chapter 147 of 2013 altered the membership of the Prince George’s County Board of Education by adding four appointed members to the existing elected board. The county executive appoints three members with certain experience requirements, and the county council appoints one member who must be a parent of a student in the county school system. If a seat held by an elected member becomes vacant, the county executive must appoint a qualified individual for the remainder of the term, with the appointment subject to rejection by a two-thirds vote of the county council.

⁶The Washington County Board of Education reports that the student member can only concur on votes and must abstain from certain matters.

⁷Chapter 169 of 2016, subject to referendum, required the restructuring of the Wicomico County Board of Education. In the 2016 general election, the county approved a fully elected board option, with five members each elected from one of the five councilmanic districts and two members elected from the county at large. Members will be elected at the general election in 2018 and every four years thereafter. The terms of board members who are in office on December 2, 2018, will expire on December 2, 2018.

Source: Annotated Code of Maryland, Education Article, Sections 3-101 through 3-1405; Local Boards of Education