

BILL: House Bill 1432
TITLE: Education – Prekindergarten and Withholding of County Board Funding
(Blueprint Accountability and Flexibility Act of 2024)
DATE: March 6, 2024
POSITION: OPPOSE
COMMITTEE: Appropriations; Ways and Means
CONTACT: John R. Woolums, Esq.

The Maryland Association of Boards of Education (MABE) opposes House Bill 1432 as an unwarranted expansion of the State’s authority to withhold education funding from local school systems in a manner, and based on standards, contrary to the substantial accountability (and withholding) provisions already included in State law.

Maryland’s 24 local school systems take fiscal accountability very seriously, as it related so closely to the duties and responsibilities of local board to wisely and soundly invest precious public dollars towards the educational goals and operational necessities of operating 1,400 schools and meeting the needs of the nearly 900,000 students in classrooms every school day.

In Maryland, all school systems are entirely fiscally dependent on appropriations by the State and local governments and, to a much lesser extent, the federal government. State statute therefore includes an array of fiscal accountability measures for local school systems, including federal, state, and local reporting and audit requirements.

Section 2-205 of the Education Article requires the State Board to adopt bylaws, rules, and regulations that govern the administration of the public school systems in Maryland and empowers the State board to direct the local collection and reporting of financial records. Section 5-101 establishes the operating and capital budget categories and references the *Financial Reporting Manual for Maryland Public Schools*. Sections 2-303 and 5-213 authorize the State Superintendent to withhold funding if a school system violates the legal requirements identified in the laws, bylaws, and State board rules and regulations.

In addition, state law prescribes a uniform method of reporting receipts, expenditures, and balances of the operations and activities of the public schools. Pursuant to Section 5-109, the Code of Maryland Regulations further defines the Annual School Budget and Annual School Financial Report (COMAR 13A.02.01.02). Section 5-111 requires that local boards provide all reports, including financial reports, at the time and including the items requested by the State Board and State Superintendent.

In addition, local school system financial practices must conform to the State Financial Reporting Manual. Section 5-101 of the Education Article establishes the budget categories and references the *Financial Reporting Manual for Maryland Public Schools* as the source for identifying additional budgetary details which the county fiscal authorities may request of the local board of education. The *Manual*, which is also known as “the teal book”, is incorporated by reference in COMAR 13A.02.01.02C, and most recently updated in 2014, with another update underway. Maryland’s local school systems are required to adhere to the definitions and terms of the *Manual* when submitting expenditure information to MSDE. Failure to comply with the definitions and other requirements is a violation of State Board regulations and may be the basis for withholding State Aid in accordance with Sections 2-303(b) and 5-205(a) of the Education Article.

The Blueprint for Maryland's Future has added an entirely new layer of fiscal and performance accountability to the operation of Maryland's public school systems.

Beginning in FY 2023, the AIB was required to withhold 25% of the increase in the State share of major education aid over the amount provided in the current fiscal year. For FY 2023 and FY 2024 only, the AIB must release funds withheld if it finds that a local school system has met the minimum guidelines for the submission of the initial implementation plan. In FY 2024 and FY 2025 the AIB must release funds if it finds that a local school system or public school has developed an initial implementation plan and received approval for its plan and for any subsequent modifications (Md. Code Ann., Ed. Art. § 5-405; as amended by HB 1450 (2022)). Beginning in FY 2026, the AIB is required, merely, to consider releasing withheld funds if it determines that a public school or local school system has made sufficient progress on an implementation plan or taken appropriate steps to improve student performance. The AIB may also consider and act on recommendations to release funds from MSDE, the CTE Committee, or an expert review team.

The AIB may withhold more than 25% of the increase in the state share of major education aid over the amount provided in the current fiscal year from a public school or local school system, if, in the judgment of the AIB: (1) a local school system has not made satisfactory efforts to develop or revise its Blueprint implementation plan; (2) a public school or local school system has not made sufficient progress on its implementation plan; or (3) a public school or local school system has not taken appropriate steps to improve student performance.

If the AIB determines that a public school or local school system has made progress in some areas but not in others, the AIB may determine that a portion of the funds may be released while a portion may be withheld. Also, the AIB may determine it is necessary to release or withhold funds for the current fiscal year.

Clearly, from MABE's perspective concerning the scope of budgetary and legal requirements outlined above, no additional school funding accountability standards or accountability measures, including penalties, should be considered or adopted.

For these reasons, MABE urges an unfavorable report on House Bill 1432.