

**By: Delegates Taylor, Cummings, Hixson, Hurson, and Rawlings**

Requested: November 15, 1995

Introduced and read first time: January 10, 1996

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

**2 Education - Annual School Budget and Maintenance of Effort Requirements**

3 FOR the purpose of altering certain categories required to be included in the annual  
4 budget prepared by each county board of education, not including Baltimore City;  
5 requiring the county boards to include certain information with their annual  
6 budgets; altering certain requirements on the county governments relating to  
7 reductions in the annual budgets of the county boards; requiring a county board to  
8 submit a certain report to the county governing body regarding reductions to its  
9 budget; altering certain requirements on the county boards to spend revenues in  
10 accordance with their annual budgets; altering certain authority of the county  
11 boards to make transfers within their annual budgets; requiring a county board to  
12 submit certain reports to the county governing body under certain circumstances;  
13 requiring a county board at the request of the county governing body to report to  
14 the county governing body on the school system's operations on or before certain  
15 dates; altering certain local primary and secondary education funding requirements;  
16 allowing a local board of education to exclude from the calculation of certain local  
17 primary and secondary education funding requirements certain costs under certain  
18 circumstances; defining a certain term; repealing certain obsolete language;  
19 providing for the application of this Act; and generally relating to the annual  
20 budgets of the county boards of education and certain local primary and secondary  
21 education funding requirements.

22 BY repealing and reenacting, with amendments,  
23 Article - Education  
24 Section 5-101(b) and (c), 5-103(d), 5-105, and 5-202(b)(3)  
25 Annotated Code of Maryland  
26 (1992 Replacement Volume and 1995 Supplement)

27 BY adding to  
28 Article - Education  
29 Section 5-109(d) and 5-202(a)(14)  
30 Annotated Code of Maryland  
31 (1992 Replacement Volume and 1995 Supplement)

32 BY repealing

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1 Article - Education  
2 Section 5-101(f) and 5-103(e)  
3 Annotated Code of Maryland  
4 (1992 Replacement Volume and 1995 Supplement)

5 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
6 MARYLAND, That the Laws of Maryland read as follows:

7 **Article - Education**

8 5-101.

9 (b) (1) Subject to the rules and regulations of the State Board and with the  
10 advice of the county superintendent, each county board shall prepare an annual budget  
11 according to:

12 (i) The major categories listed in this section; and

13 (ii) Any other major category required by the State Board.

14 (2) In addition to the information required by this section, the county fiscal  
15 authorities may require the county board to provide details to the service areas and  
16 activities levels in the account structure within the "Financial Reporting Manual for  
17 Maryland Public Schools."

18 (3) WITH THE ANNUAL BUDGET, EACH COUNTY BOARD SHALL  
19 PROVIDE:

20 (I) THE NUMBER OF FULL-TIME EQUIVALENT POSITIONS  
21 INCLUDED WITHIN EACH MAJOR CATEGORY; AND

22 (II) A DESCRIPTION AND EXPLANATION OF ANY FUND BALANCES  
23 OR OTHER MONEYS HELD BY ANY OUTSIDE SOURCE, INCLUDING AN INSURER, THAT  
24 ARE UNDESIGNATED OR UNRESERVED AND ARE AVAILABLE TO THE COUNTY  
25 BOARD.

26 (c) The budget shall be prepared to include the following categories AND  
27 SUBCATEGORIES:

28 Part I

29 (1) Current expense fund, estimated receipts:

30 (i) Revenue from local sources;

31 (ii) Revenue from State sources;

32 (iii) Revenue from federal sources;

33 (iv) Unliquidated surplus, the actual from the previous fiscal year and  
34 the estimated from the current fiscal year, whether accrued from revenues or  
35 expenditures; and

36 (v) Revenue from all other sources with identification of the source.

3

1 (2) Current expense fund, requested appropriations:

2 (i) Administration, which means those activities associated with the  
3 general regulations, direction, and control of the county board, including:

- 4 1. Executive administration;
- 5 2. Business support services;
- 6 3. Centralized support services; and
- 7 4. Staff providing administration and supervision to the school  
8 instructional programs;

9 (ii) [Instructional salaries] CLASSROOM INSTRUCTION, which means  
10 those activities which deal directly with teaching students, including:

- 11 [1. Teachers;
- 12 2. Aides;
- 13 3. Psychological personnel;
- 14 4. Guidance counselors;
- 15 5. Library personnel; and
- 16 6. The office of the school principal;]

17 1. CLASSROOM INSTRUCTIONAL SALARIES FOR REGULAR  
18 CLASSROOM INSTRUCTION, SPECIAL PROGRAM INSTRUCTION, AND CAREER AND  
19 TECHNICAL EDUCATION, NOT INCLUDING ANY SALARY PAID TO AN INDIVIDUAL  
20 WHO SPENDS LESS THAN 50% OF THE INDIVIDUAL'S COMPENSABLE WORK TIME  
21 PROVIDING CLASSROOM INSTRUCTION TO STUDENTS; AND

22 2. TEXTBOOKS AND CLASSROOM INSTRUCTIONAL SUPPLIES.

23 (iii) Other instructional [costs] SUPPORT, INCLUDING SCHOOL  
24 LIBRARY MEDIA PROGRAMS, CO-CURRICULAR ACTIVITIES, INSTRUCTIONAL STAFF  
25 DEVELOPMENT, AND STUDENT SUPPORT SERVICES;

26 (IV) OFFICE OF THE PRINCIPAL;

27 [(iv)] (V) Special education [with subcategories and items budgeted in  
28 this category to be determined by the State Board with the advice of the county board]  
29 INSTRUCTION EXPENSES;

30 [(v)] (VI) Student personnel services;

31 [(vi)] (VII) Health services;

32 [(vii)] (VIII) Student transportation;

33 [(viii)] (IX) Operation of plant and equipment;

34 [(ix)] (X) Maintenance of plant;

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1 [(x)] (XI) Fixed charges;

2 [(xi)] (XII) Food services; and

3 [(xii)] (XIII) Capital outlay.

4 Part II

5 (3) School construction fund, estimated receipts:

6 (i) Revenue from local sources;

7 (ii) Sale of bonds;

8 (iii) State General Public School Construction Loan;

9 (iv) Revenue from State sources;

10 (v) Revenue from federal sources;

11 (vi) Unliquidated surplus, the actual from the previous fiscal year and  
12 the estimated for the current fiscal year, whether accrued from revenues or expenditures;  
13 and

14 (vii) Funds from all other sources, with identification of the source.

15 (4) School Construction Fund, requested appropriations:

16 (i) Land for school sites;

17 (ii) Buildings and the equipment that will be an integral part of a  
18 building by project;

19 (iii) School site improvement by project;

20 (iv) Remodeling by project;

21 (v) Additional equipment by project; and

22 (vi) Debt service.

23 5-103.

24 (d) If a county council or board of county commissioners does not approve the  
25 amount requested in the budget that is more than the amount required by § 5-202 of this  
26 title[, it]:

27 (1) THE COUNTY COUNCIL OR BOARD OF COUNTY COMMISSIONERS  
28 shall indicate in writing, within 15 days after the adoption of the budget, which major  
29 categories of the annual budget AND WHICH SUBCATEGORIES OF THE CLASSROOM  
30 INSTRUCTION CATEGORY have been reduced and the reason for the reduction; AND

31 (2) THE COUNTY BOARD SHALL SUBMIT TO THE COUNTY GOVERNING  
32 BODY, WITHIN 30 DAYS AFTER THE ADOPTION OF THE BUDGET, A REPORT  
33 INDICATING HOW THE ALTERATIONS TO THE BUDGET WILL BE IMPLEMENTED,  
34 ACCOMPANIED BY REASONABLE SUPPORTING DETAIL AND ANALYSIS.

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1 5-105.

2 (a) This section does not apply to Baltimore City.

3 (b) All revenues received by a county board shall be spent by the board in  
4 accordance with the major categories of its annual budget AND IN ACCORDANCE WITH  
5 THE SUBCATEGORIES OF THE CLASSROOM INSTRUCTION CATEGORY as provided  
6 under § 5-101 of this subtitle.

7 (c) (1) [A transfer may be made within the major categories without]  
8 WITHOUT recourse to the county commissioners or county council,[ exceptthat a report  
9 of the a transfer shall be submitted to the county commissioners or county council at the  
10 end of each month] THE COUNTY BOARD MAY MAKE A TRANSFER:

11 (I) WITHIN A MAJOR CATEGORY OTHER THAN THE CLASSROOM  
12 INSTRUCTION CATEGORY; OR

13 (II) WITHIN A SUBCATEGORY OF THE CLASSROOM INSTRUCTION  
14 CATEGORY.

15 (2) A transfer between major categories OR BETWEEN SUBCATEGORIES  
16 OF THE CLASSROOM INSTRUCTION CATEGORY shall be made only with the approval of  
17 the county commissioners or county council.

18 (3) If the county commissioners or county council fail to take action on a  
19 request for transfer between major categories OR BETWEEN SUBCATEGORIES OF THE  
20 CLASSROOM INSTRUCTION CATEGORY within 30 days after the receipt of a written  
21 request substantiating the transfer, the failure to take action constitutes approval.

22 (4) A COUNTY BOARD SHALL SUBMIT TO THE COUNTY GOVERNING  
23 BODY A REPORT AT THE END OF EACH MONTH IF DURING THAT MONTH THE  
24 COUNTY BOARD:

25 (I) MAKES A TRANSFER AUTHORIZED UNDER PARAGRAPH (1) OF  
26 THIS SUBSECTION; OR

27 (II) MAKES ANY POLICY DECISION OR TAKES ANY ACTION THAT  
28 REASONABLY WOULD BE EXPECTED TO COMMIT THE COUNTY BOARD TO SPEND  
29 MORE FOR THE CURRENT FISCAL YEAR IN ANY MAJOR CATEGORY OR IN A  
30 SUBCATEGORY OF THE CLASSROOM INSTRUCTION CATEGORY THAN THE AMOUNT  
31 APPROVED IN THE ANNUAL BUDGET FOR THAT CATEGORY OR SUBCATEGORY.

32 (5) A REPORT UNDER PARAGRAPH (4) OF THIS SUBSECTION SHALL  
33 INCLUDE:

34 (I) A NARRATIVE SUMMARY THAT CLEARLY INDICATES EACH  
35 TRANSFER UNDER PARAGRAPH (1) OF THIS SUBSECTION; AND

36 (II) AN EXPLANATION OF ANY POLICY DECISION OR ACTION  
37 DESCRIBED UNDER PARAGRAPH (4)(II) OF THIS SUBSECTION, INDICATING ANY  
38 REQUEST FOR TRANSFER BETWEEN CATEGORIES OR SUBCATEGORIES THAT MAY  
39 BECOME NECESSARY FOR THE FISCAL YEAR AS A RESULT OF THE DECISION OR  
40 ACTION.

6

1 (d) Nonlocal funds received by a county board after the adoption of the annual  
2 budget by the county fiscal authority may be spent by the county board if the county fiscal  
3 authority is notified and approves of:

4 (1) The source and amount of the funds; and

5 (2) The manner of spending the funds.

6 (E) (1) A COUNTY GOVERNING BODY MAY NOTIFY THE DEPARTMENT  
7 THAT A LOCAL BOARD HAS NOT COMPLIED WITH ONE OR MORE REQUIREMENTS  
8 UNDER THIS SECTION.

9 (2) THE DEPARTMENT SHALL INVESTIGATE A COMPLAINT FILED  
10 UNDER THIS SUBSECTION. IF THE STATE SUPERINTENDENT DETERMINES THAT A  
11 VIOLATION HAS OCCURRED WITHOUT REASONABLE JUSTIFICATION, FOR THE NEXT  
12 FISCAL YEAR FOLLOWING THE FINAL DETERMINATION OF A VIOLATION, THE  
13 COUNTY BOARD MAY NOT MAKE A LINE ITEM EXPENDITURE, AS DEFINED BY THE  
14 MARYLAND BOARD OF EDUCATION REPORTING MANUAL, IN EXCESS OF THE ITEM  
15 EXPENDITURE IN THE OPERATING BUDGET APPROVED BY THE COUNTY  
16 GOVERNING BODY WITHOUT THE PRIOR APPROVAL OF THE COUNTY GOVERNING  
17 BODY. IF THE COUNTY GOVERNING BODY FAILS TO TAKE ACTION ON A REQUEST  
18 FOR APPROVAL WITHIN 30 DAYS AFTER THE RECEIPT OF A WRITTEN REQUEST, THE  
19 FAILURE TO TAKE ACTION CONSTITUTES APPROVAL.

20 5-109.

21 (D) AT THE REQUEST OF THE COUNTY GOVERNING BODY, THE COUNTY  
22 BOARD OR SUPERINTENDENT SHALL REPORT TO THE COUNTY GOVERNING BODY  
23 ON OR BEFORE NOVEMBER 1 AND MARCH 1 OF EACH FISCAL YEAR ON THE SCHOOL  
24 SYSTEM'S OPERATIONS, INCLUDING ANY ADJUSTMENTS MADE TO THE APPROVED  
25 ANNUAL BUDGET.

26 5-202.

27 (a) (14) "CLASSROOM INSTRUCTION AND SPECIAL EDUCATION  
28 EXPENDITURES" MEANS THE TOTAL EXPENDITURES FOR THOSE ACTIVITIES AND  
29 MATERIALS THAT DEAL DIRECTLY WITH TEACHING STUDENTS AND FOR SPECIAL  
30 EDUCATION, WITHIN THE MEANING OF § 5-101(C)(2)(II) AND (V) OF THIS TITLE.

31 (b) (3) (I) IN THIS PARAGRAPH, "ENROLLMENT" MEANS THE FULL-TIME  
32 EQUIVALENT ENROLLMENT USED IN CALCULATING THE CURRENT EXPENSE AID  
33 FOR A COUNTY.

34 (II) To be eligible to receive the State share of basic current expenses:

35 [(i) 1. The county governing body shall levy an annual tax sufficient  
36 to provide an amount of revenue for elementary and secondary public education purposes  
37 equal to the product of the wealth of the county and a local contribution rate determined  
38 for each fiscal year; and

39 [(ii) 1.] 2. The county governing body shall appropriate local  
40 funds to the school operating budget in an amount [no less than the greater of the  
41 product of the full-time equivalent enrollment used in calculating the current expense aid

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1 for the current fiscal year and the local appropriation on a per pupil basis for the prior  
2 fiscal year or the highest local appropriation to the school operating budget in the prior  
3 fiscal year] EQUAL TO AT LEAST THE MINIMUM APPROPRIATION DETERMINED  
4 UNDER SUBPARAGRAPH (III) OF THIS PARAGRAPH.

5 (III) THE MINIMUM LOCAL APPROPRIATION TO THE SCHOOL  
6 OPERATING BUDGET REQUIRED FOR A COUNTY UNDER SUBPARAGRAPH (II)2 OF  
7 THIS PARAGRAPH IS THE HIGHEST LOCAL APPROPRIATION TO THE SCHOOL  
8 OPERATING BUDGET IN THE PRIOR FISCAL YEAR:

9 1. INCREASED BY AN AMOUNT EQUAL TO THE LOCAL  
10 APPROPRIATION ON A PER PUPIL BASIS FOR THE PRIOR FISCAL YEAR MULTIPLIED  
11 BY 60% OF ANY INCREASE IN ENROLLMENT FOR THE CURRENT FISCAL YEAR OVER  
12 THE ENROLLMENT FOR THE PRIOR FISCAL YEAR; OR

13 2. DECREASED BY AN AMOUNT EQUAL TO THE LOCAL  
14 APPROPRIATION ON A PER PUPIL BASIS FOR THE PRIOR FISCAL YEAR MULTIPLIED  
15 BY 60% OF ANY DECREASE IN ENROLLMENT FOR THE CURRENT FISCAL YEAR FROM  
16 THE ENROLLMENT FOR THE PRIOR FISCAL YEAR.

17 [2.] (IV) 1. [For] EXCEPT AS PROVIDED IN  
18 SUB-SUBPARAGRAPH 2 OF THIS SUBPARAGRAPH, FOR purposes of this paragraph, the  
19 local appropriation on a per pupil basis for the prior fiscal year for a county is derived by  
20 dividing the county's highest local appropriation to its school operating budget for the  
21 prior fiscal year by the [full-time equivalent] enrollment [used to calculate the current  
22 expense aid] for the county for the prior fiscal year. For example, the calculation of the  
23 current expense aid for fiscal year 1985 shall be based on the highest local appropriation  
24 for the school operating budget for a county for fiscal year 1984. Program shifts between  
25 a county operating budget and a county school operating budget may not be used to  
26 artificially satisfy the requirements of this paragraph.

27 2. FOR PURPOSES OF THIS PARAGRAPH, THE CALCULATION  
28 OF THE COUNTY'S HIGHEST LOCAL APPROPRIATION TO ITS SCHOOL OPERATING  
29 BUDGET FOR THE PRIOR FISCAL YEAR SHALL EXCLUDE A NONRECURRING COST  
30 THAT IS SUPPLEMENTAL TO THE REGULAR SCHOOL OPERATING BUDGET IF THE  
31 EXCLUSION HAS BEEN APPROVED BY THE STATE SUPERINTENDENT IN  
32 ACCORDANCE WITH REGULATIONS ADOPTED BY THE STATE BOARD.

33 (V) 1. THE PROVISIONS OF THIS PARAGRAPH DO NOT APPLY TO  
34 A COUNTY IF A COUNTY IS GRANTED A TEMPORARY WAIVER OR PARTIAL WAIVER  
35 FROM THE PROVISIONS BY THE STATE SUPERINTENDENT BASED ON A  
36 DETERMINATION BY THE SUPERINTENDENT THAT THE COUNTY'S FISCAL  
37 CONDITION SIGNIFICANTLY IMPEDES THE COUNTY'S ABILITY TO FUND THE  
38 MAINTENANCE OF EFFORT REQUIREMENT.

39 2. THE STATE SUPERINTENDENT MAY GRANT A WAIVER  
40 UNDER THIS SUBPARAGRAPH:

41 A. IF THERE IS AN INCREASE IN ENROLLMENT FOR THE  
42 CURRENT FISCAL YEAR OVER ENROLLMENT FOR THE PRIOR FISCAL YEAR AND THE  
43 PERCENT INCREASE IN THE TOTAL ASSESSMENT OF ALL PROPERTY IN THE COUNTY

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1 FOR THE CURRENT FISCAL YEAR, AS ESTIMATED BY THE DEPARTMENT OF  
2 ASSESSMENTS AND TAXATION UNDER § 2-205(B)(1)(I) OF THE TAX - PROPERTY  
3 ARTICLE OVER THE TOTAL ASSESSMENT FOR THE PRIOR FISCAL YEAR IS LESS THAN  
4 THE PERCENT INCREASE IN ENROLLMENT FOR THE CURRENT FISCAL YEAR OVER  
5 ENROLLMENT FOR THE PRIOR FISCAL YEAR; OR

6 B. IN ACCORDANCE WITH CRITERIA ADOPTED BY THE  
7 SUPERINTENDENT BY REGULATION.

8 SECTION 2. AND BE IT FURTHER ENACTED, That Section(s) 5-101(f) and  
9 5-103(e) of Article - Education of the Annotated Code of Maryland be repealed.

10 SECTION 3. AND BE IT FURTHER ENACTED, That:

11 (a) Except as otherwise provided in this section, the changes made under this Act  
12 to §§ 5-101, 5-103, and 5-105 of the Education Article do not apply to the budgets of the  
13 county boards of education until the fiscal year that begins July 1, 1997.

14 (b) For the fiscal year that begins July 1, 1996, a county board shall submit to the  
15 county governing body a report at the end of each month if during that month the county  
16 board:

17 (1) Makes a transfer authorized under § 5-105(c) of the Education Article;  
18 or

19 (2) Makes any policy decision or takes any action that reasonably would be  
20 expected to commit the county board to spend more for the current fiscal year in any  
21 major category than the amount approved in the annual budget for that category.

22 (c) A report under subsection (b) of this section shall include:

23 (1) A narrative summary that clearly indicates each transfer under §  
24 5-105(c) of the Education Article; and

25 (2) An explanation of any policy decision or action described under  
26 subsection (b)(2) of this section, indicating any request for transfer between major  
27 categories that may become necessary for the fiscal year as a result of the decision or  
28 action.

29 SECTION 4. AND BE IT FURTHER ENACTED, That, subject to the provisions  
30 of Section 3 of this Act, this Act shall take effect July 1, 1996.