

**Department of Fiscal Services**  
Maryland General Assembly

**FISCAL NOTE**  
**Revised**

House Bill 7 (Delegate Hixson, et al.)  
Ways & Means Ref. to Economic & Environmental Affairs and Budget & Taxation

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**Education - Annual Budgets and Maintenance of Effort**

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This enrolled bill requires Baltimore City to prepare its school budget in the same manner as the 23 county school boards. The bill also changes the major expenditure categories that the school boards must include in their annual budgets. In addition, the State Board of Education, after a public hearing, may grant a waiver of the maintenance of effort requirement. Further, the bill requires county school boards to submit certain reports to county governments.

For purposes of calculating the highest local appropriation under the maintenance of effort funding requirement, the bill excludes nonrecurring costs that qualify under regulations adopted by the State Board and costs of programs shifted from county school boards to county governments.

With several exceptions, the bill is effective June 1, 1996.

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**Fiscal Summary**

**State Effect:** Minimal general fund expenditure increase. No effect on revenues.

**Local Effect:** County and Baltimore City maintenance of effort education expenditures could decrease depending upon the scope of the waivers granted by the State Board, while county school board revenues would decrease by a similar amount. However, to the extent that a waiver allows a school board to receive State funds which would otherwise be withheld due to a county's non-compliance with the maintenance of effort requirement, school board revenues could increase.

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## **Fiscal Analysis**

**Bill Summary:** This enrolled bill requires Baltimore City to prepare its school budget according to the major categories specified by State law. The bill also requires each school board to provide in their annual budget the number of full-time equivalent positions included within each major expenditure category and an explanation of any fund balances or monies held by any outside source that are available to the school board. In addition, the bill creates a “mid-level administration” budget category and a “textbooks and classroom instructional supplies” budget category.

Within 30 days after the adoption of the school board’s budget by the county government, the school board must submit a report indicating how the changes to the budget will be implemented by the school board. At the request of the county government, the county school board or superintendent must also report to the county government on the school system’s operations, including any adjustments made to the annual budget, by March 1 and November 1 of each fiscal year. Similarly, the county government, at the request of the school board, must report on the county’s fiscal status by similar dates.

In addition, the bill requires a school board to submit a report of certain actions made during a month to the county government if the actions would commit the board to spend more in a major category than the amount approved in the annual budget. This report must contain an explanation of the actions which may result in a future request for a transfer between categories.

If the State Superintendent determines that a school board failed to comply with the reporting requirements or the expenditure limitations, a school board may not make a category expenditure in excess of the category expenditure in the subsequent year’s approved operating budget without the prior approval of the county government.

For purposes of calculating the highest local appropriation under the maintenance of effort funding requirement, any nonrecurring costs that are supplemental to the regular school operating budget would be excluded if the costs qualify under regulations adopted by the State Board. Similarly, any costs of a program that were shifted from the school board budget to the county operating budget would be excluded.

Finally, the bill allows the State Board, after a public hearing, to grant a county a waiver of the minimum funding requirement.

**State Expenditures:** The Maryland State Department of Education (MSDE), including the

State Board of Education and State Superintendent, could grant waivers of the maintenance of effort requirement and approve nonrecurring cost items with existing resources. It is assumed that any costs associated with the State Board holding public hearings on potential waivers would be minimal and could be absorbed within MSDE's existing resources.

**Local Effect:** County expenditures could decrease if the State Board grants a waiver of the minimum funding requirement. School boards would have a revenue loss in an equal amount. However, to the extent that a waiver allows a school board to receive State funds which would otherwise be withheld due to a county's non-compliance with the maintenance of effort requirement, school board revenues could increase. The number of waivers and their amounts cannot be reliably estimated at this time.

School board expenditures could increase by an indeterminate minimal amount due to the additional reporting requirements. Fiscal Services, however, believes these requirements could be handled with the school boards' existing resources. Similarly, county governments could handle the reporting requirements with existing resources.

Baltimore City could prepare its school system budget by the major categories specified by State law with existing resources.

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**Information Source(s):** Maryland State Department of Education; Maryland Association of Boards of Education; Baltimore City; Calvert, Caroline, Howard, and Montgomery counties; Department of Fiscal Services

**Fiscal Note History:** First Reader - March 20, 1996  
ncs Revised - House Third Reader - March 27, 1996  
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