

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 312 (Chairman, Appropriations Committee and Chairman, Ways and Means
Committee) (Departmental - Education)
Appropriations and Ways and Means

**Primary and Secondary Education - New Baltimore City Board of School
Commissioners**

This emergency departmental bill restructures the management of the Baltimore City Public Schools. The enactment of the bill's provisions is contingent upon the State providing additional funding to the Baltimore City Public Schools.

Fiscal Summary

State Effect: General fund expenditures would increase by \$35.6 million in FY 1998. However, funds are already included in the State's FY 1998 budget allowance to cover these expenditures. Future year expenditures increase to \$50 million through FY 2002. Revenues would not be affected.

(in millions)	FY 1998*	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
GF Expenditures	35.6	50.0	50.1	50.0	50.1
Net Effect	(\$35.6)	(\$50.0)	(\$50.1)	(\$50.0)	(\$50.1)

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

*Funds are already included in the State's FY 1998 budget allowance to cover the \$35.6 million in expenditures for FY 1998.

Local Effect: State aid to Baltimore City increases by \$35.6 million in FY 1998 and \$50 million annually in FY 1999 through FY 2002.

Small Business Effect: The Department of Education has determined that this bill has minimal or no impact on small businesses (attached). Fiscal Services concurs with this assessment.

Fiscal Analysis

Bill Summary: This bill restructures the management of the Baltimore City Public Schools contingent on the State providing additional funding to the city. The current board of school commissioners is replaced with a ten-member board appointed jointly by the mayor and Governor. The new board is responsible for all functions relating to the public school system including the establishment of a personnel system governing all employees and the adoption of regulations governing school system procurement. Currently noncertificated personnel are governed by the city's personnel system and procurement functions are administered by the city's finance department. The new school board is required to adopt and commence implementation of a transition plan by September 1, 1997.

The bill also increases the amount of State education aid going to Baltimore City. In addition, Baltimore City is eligible to receive a supplemental grant based on the current expense aid formula as a result of any enrollment decrease that exceeds the enrollment projections provided in the bill. The bill requires certain noninstructional senior level staff within the central school administration to reapply to the board of school commissioners for continued employment upon the reorganization of the school system.

Background: A number of lawsuits have been filed concerning the education of Baltimore City's youth. In December 1994 the American Civil Liberties Union (ACLU), on behalf of Baltimore City school children, sued the State alleging that the children of Baltimore are not receiving an adequate education as provided in the State constitution. In September 1995 Baltimore City also filed suit against the State Superintendent of Schools and other State officials claiming that the State has failed to fulfill its duty to provide a "thorough and efficient" education for children as provided in the State constitution. The State responded by filing to include Baltimore City officials as defendants in the ACLU lawsuit. The State claimed that if the children of Baltimore are not receiving an adequate education, it is a result of poor management by the Baltimore City Public Schools. The State called for a total restructuring of the management of the city school system.

During the 1996 interim the Governor and several legislators both developed proposals addressing the management of Baltimore City's schools. Subsequent to the Governor's veto of House Bill 608 in June 1996, the Governor proposed a collaborative agreement between Baltimore City and the State that laid a foundation for management reform tied to an increase in education funding over a five-year period. (*HB 608 would have withheld \$5.9 million in fiscal 1996 from Baltimore City's basic current expense funding*). Following the failure to reach a partnership agreement with Baltimore City and a joint legislative hearing that focused on needed management reform in August, the Governor proposed a memorandum of understanding (MOU) between the State and the Mayor of Baltimore City. The MOU

established the conceptual framework of a city-State education partnership including a New Baltimore City School Board; however, the city and State failed to reach an agreement. Through subsequent negotiations led by the judges assigned to the pending court cases, a consent agreement was reached between the State and the city that called for Baltimore City to receive \$230 million in new State aid over the next five years. In addition, Baltimore City would be eligible to receive a supplemental grant based on the current expense formula for any enrollment decreases that exceeded enrollment projections in the consent agreement. The provisions of the agreement have been incorporated into this bill (HB 312).

State Effect: General fund expenditures would increase by \$35,621,040 in fiscal 1998. The State fiscal 1998 budget allowance includes funding to implement this legislation. Accordingly, additional State funds are not needed in fiscal 1998. A break down of expenditures is provided below.

Increase State Education Aid

The State is required to provide Baltimore City with an additional \$30 million in aid in fiscal 1998 and \$50 million annually in fiscal 1999 through fiscal 2002. Accordingly, Baltimore City would receive a total of \$230 million in additional State aid over the next five years, as illustrated in **Exhibit 1**. The bill requires the additional funds to be used to improve the educational performance of schools with a high percentage of students living in poverty and schools that are eligible for reconstitution, to make progress toward meeting teacher salary parity with Baltimore County, and to make other improvements that directly support improved classroom instruction. It should be noted that \$12 million appropriated for Baltimore City in the fiscal 1997 budget under innovative programs for these purposes was not continued in fiscal 1998.

Exhibit 1

Fiscal Year	Additional State Aid	Additional State Aid Per Pupil
FY 1998	\$30 million	\$301
FY 1999	\$50 million	\$507
FY 2000	\$50 million	\$516
FY 2001	\$50 million	\$526
FY 2002	\$50 million	\$540
FY 1998 - FY 2002	\$230 million	

Supplemental Grant for Enrollment Decreases

In addition, Baltimore City is eligible to receive a supplemental grant based on the current expense aid formula as a result of any enrollment decreases that exceed the enrollment projections provided in the bill. The supplemental grant would equal Baltimore City's State basic current expense aid per pupil in the current year multiplied by the difference in the actual enrollment and the enrollment count provided in the bill. As illustrated in **Exhibit 2**, in fiscal 1998 the actual city enrollment count of 99,611 students is below the amount provided in the bill (101,648) by a total of 2,037 students. Accordingly, Baltimore City would receive a supplemental grant totaling \$5,621,040 in fiscal 1998. However, after fiscal 1998, based on current enrollment projections, the city would not receive a supplemental grant because the enrollment will be higher than the enrollment count provided in the bill.

Exhibit 2

Fiscal Year	"Hold Harmless" Enrollment	Enrollment Forecast	Difference	Additional State Aid
FY 1998	101,648	99,611	(2,037)	\$5,621,000
FY 1999	97,842.5	98,659	816.5	\$0
FY 2000	94,616.5	96,964	2,347.5	\$0
FY 2001	91,479.0	95,003	3,524	\$0
FY 2002	89,197.5	92,585	3,387.5	\$0

School Evaluations

The bill requires a consultant to complete an interim review of the Baltimore City Public School System by April 30, 2000 and a final comprehensive review and evaluation of the New Baltimore City Board of School Commissioners by December 1, 2001. The cost of the consultant's reports are to be shared by the Maryland State Department of Education (MSDE) and the Baltimore City School System. MSDE advises that the two reports would cost \$400,000. Accordingly, State general fund expenditures would increase by \$200,000 (\$100,000 in fiscal 2000 and \$100,000 in fiscal 2002.)

Consent Decrees

Section 6 of this Act may require the State to provide funding for fiscal 2001 and fiscal 2002 in excess of the \$50 million. This is based on the provision that requires the legislation to reflect the terms of the consent decrees entered into by parties to the several court cases. In these consent decrees, the new board of commissioners may request, after completion of an interim evaluation, additional funds for the city school system. The consent decree enables the State and the board to negotiate an agreement for more funding. If however an agreement cannot be reached, the board of commissioners may seek relief from the Circuit Court for Baltimore City.

Local Effect: This bill changes the management structure of the Baltimore City Public School System. The bill requires Baltimore City to make several management reforms within the public school system. To assist the city, the level of State aid for Baltimore City increases by \$35.6 million in fiscal 1998 and \$50 million annually in fiscal 1999 through fiscal 2002. The bill also requires certain noninstructional senior level staff within the central school administration to reapply to the board of school commissioners for continued employment upon the reorganization of the school system. The fiscal impact of any changes to the city school personnel system cannot be determined until a reorganization plan is drafted.

Additional Comments: The Baltimore City Public Schools fiscal 1997 budget totals approximately \$654 million, a \$4.8 million increase over the prior year. Salaries and other personnel costs accounted for roughly 76% of school expenditures. There are 9,740 budgeted personnel positions in the city school system. The following exhibit is a break down of school expenditures by program.

Exhibit 3

Program	FY 1997 Baltimore City Education Budget	Percent of Budget
General Instruction	\$303.9 million	46.4%
Enhanced General Instruction ¹	26.1 million	4%
Special Education ²	136.7 million	20.9%
Adult Education	10.8 million	1.6%

Student/Staff Support ³	22.1 million	3.4%
Central Administration ⁴	36.3 million	5.5%
Food Service	25.6 million	3.9%
Transportation	28 million	4.3%
Facilities Management	59.5 million	9%
School Police	5.2 million	1%
Total	\$654.2 million	100%

Source: Baltimore City FY 1997 budget

Note: ¹ includes compensatory programs, gifted and talented, and career and technology

² includes special education and special career and technology

³ includes other instructional services, school-based staff development, school social work services, and staff development

⁴ includes the school board, office of superintendent, curriculum and instruction, family and student support, special education monitoring, fiscal management, procurement, personnel services, external relations, planning and strategic budgeting, assessments, and management information systems

Information Source(s): Department of Fiscal Services, Maryland State Department of Education, Baltimore City

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Analysis by: Hiram L. Burch Jr.

Reviewed by: John Rohrer

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710