

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 795 (Chairman, Budget and Taxation Committee, *et al.*)
(Departmental - Education)

Budget & Taxation/Econ. & Environ. Affairs Ref. to Appropriations/Ways & Means

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

This enrolled emergency departmental bill restructures the management of the Baltimore City Public Schools. Enactment is contingent upon the State providing additional funding to the Baltimore City Public Schools and the State's 23 counties.

Fiscal Summary

State Effect: General fund expenditures would increase by \$62.3 million in FY 1998. The funding for FY 1998 is included in the State budget, contingent upon the enactment of this bill. Future year expenditures increase annually to about \$82.3 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	62.3	82.3	82.4	82.3	82.4
Net Effect	(\$62.3)	(\$82.3)	(\$82.4)	(\$82.3)	(\$82.4)

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

Local Effect: State aid to Baltimore City increases by \$30.3 million in FY 1998 and \$50.3 million annually in FY 1999 through FY 2002. State aid to the State's 23 counties increases by \$32.0 million annually 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. (The attached assessment does not reflect amendments to the bill.)

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 has the authority and 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 removes numerous instances where Baltimore City was exempt from provisions in the Education Article. The bill also increases the amount of State education aid going to Baltimore City and the State's 23 counties.

The bill requires certain noninstructional supervisory personnel within the central school administration to reapply to the board of school commissioners for continued employment upon the reorganization of the school system. In addition, the bill provides that any collective bargaining agreement or memorandum of understanding for certificated and noncertificated public school employees that is in effect on the effective date of this Act shall remain in effect until successor agreements are negotiated. The bill also enables a certificated and noncertificated employee as of the effective date of this Act to retain all sick leave, personal leave, and vacation leave earned and unused as a city employee. Through December 31, 1998, certificated and noncertificated public school employees shall retain the same health care benefits at the same participant costs as benefits available to civil service employees under the city health insurance plan. City public school employees shall retain the right to convert to cash one day of unused sick leave for each four days of sick leave accrued prior to the effective date of this Act. Also, a noncertificated public school employee who has been a civil service employee under the Baltimore City Charter and who becomes an employee of the Board of School Commissioners of Baltimore City is provided additional safeguards to protect the employee's seniority, service credit, and remain eligible for other city jobs.

The bill requires the Baltimore City School System and Baltimore City Government to share the cost for severance payments, if these costs exceed \$3.5 million. In addition, the city government is required to continue to provide certain services to the school system, unless the city and the school system agree to another arrangement. During the regular legislative session in 2002, the General Assembly is required to deliberate and determine whether the provisions of this Act should be terminated, modified, or extended. If the General Assembly fails to take further action, the Mayor and Governor would continue to appoint the school board, with the only exception being that the State Board of Education would not be responsible for submitting the names of potential candidates to the Mayor and Governor.

Background: A number of lawsuits have been filed concerning the education of Baltimore City's children. 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.

State Effect: General fund expenditures would increase by \$62.3 million in fiscal 1998. The State fiscal 1998 budget 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 provides that the \$30 million in additional State aid in fiscal 1998 be distributed to the city school system as follows: (1) \$15 million on July 1, 1997; and (2) \$15 million after the city school board adopts the transition plan. 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, to begin implementation of a new performance-based system-wide evaluation system for teachers, principals, and administrators, 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.

The State budget includes, contingent upon the enactment of this bill, another \$3.5 million to assist the city with school management restructuring as well as the ten new reconstitution schools identified in 1997. Specifically, \$2 million is for the ten reconstitution eligible schools; \$350,000 is for the development of a transition and master plan and to provide orientation to the new school board members; \$600,000 is for a comprehensive audit by an independent auditor; and \$550,000 is for monitoring of the restructuring by the State Department of Education and for coordination and orientation of the new school board and new staff.

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	

In addition to the \$33.5 million in State grants for Baltimore City, the bill provides over \$32 million in funding for a variety of statewide education programs. This additional funding includes \$16.6 million for the New Targeted Poverty Program, \$1.9 million in additional grants for the Limited English Proficiency Program, \$4.4 million for the Aging School Program, \$3.3 million in additional grants for the Extended Elementary Education Program, \$2.4 million for the Baltimore County Teacher Mentoring Program, \$2 million for the Montgomery County Gifted and Talented Program, \$1.1 million in additional grants for the Prince George's County Magnet School Program, and \$739,498 for hold harmless grants to seven local community colleges. These additional funds are contingent upon \$30 million being provided to Baltimore City in fiscal 1998. In subsequent years, if funding is not provided the legislation terminates.

Another \$2.1 million in budgeted State aid is contingent upon the enactment of this legislation, even though the funds are not stipulated in this bill. These funds include \$1.6 million in additional poverty grants to local school districts and \$552,642 in fire apparatus funds for Prince George's County. A county-by-county breakdown of additional State education funds contingent upon the enactment of this legislation is provided in **Exhibit 2**.

School Evaluations

The bill requires a consultant to complete an interim review of the Baltimore City Public School System by February 1, 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 7 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 \$30.3 million in fiscal 1998 and \$50 million annually in fiscal 1999 through fiscal 2002. This legislation requires the Board of School Commissioners to honor certain collective bargaining agreements with employees' organizations and to continue to provide certain employee benefits (i.e., health care benefits, sick leave, personal leave, vacation leave, and tenure rights). The bill also requires certain noninstructional supervisory staff within the central school administration to reapply to the board of school commissioners for continued employment upon the reorganization of the school system. This legislation could eliminate potential savings resulting from the Board of School Commissioners negotiating new contracts with employees' organizations. Any such potential cost savings that could not be realized cannot be determined before such renegotiations commence. In addition, the Baltimore City School System is required to develop a new financial reporting system which adequately tracks and reports school and system expenditures by function and by program for each school site and for the total system. This could result in an increase in school expenditures; however, the increase in State aid should be enough to cover the cost to purchase and implement the system.

In addition, the State's 23 counties would receive \$32.0 million in State aid in fiscal 1998. A county-by-county breakdown of additional State education funds contingent upon the enactment of this legislation is provided in **Exhibit 2**.

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

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