HB 949

Department of Legislative Services

Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 949 (Prince George's County Delegation)
Ways and Means Budget and Taxation

Prince George's County School System - Education - Management, Governance, and Financing
PG 415-02

This bill reorganizes the governance structure of the Prince George's County Public School System and requires the system to develop and implement a comprehensive master plan for the improvement of student performance and system management. The bill also requires the County Council for Prince George's County to impose and collect a tax of at least 5% on telecommunication services in the county. The revenues collected from the tax must be used to enhance local funding for education. In addition, the State must provide an additional $20 million annually to the school system if SB 856 is not enacted.

The bill is effective June 1, 2002.

Fiscal Summary

State Effect: General fund expenditures would decrease by $310,000 in FY 2003 due to the elimination of the Management Oversight Panel. Assuming enactment of SB 856, annual general fund expenditures would increase by $300,000 from FY 2004 to FY 2007 to oversee implementation of bill. General fund expenditures would increase by an additional $188,000 in FY 2005 and $377,000 in FY 2006 to fund half of a review of the bill's impact. Revenues would not be affected.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	$0	$0	$0	$0	$0
GF Expenditure	(310,000)	300,000	488,000	677,000	300,000
Net Effect	$310,000	($300,000)	($488,000)	($677,000)	($300,000)

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

Local Effect: Prince George's County revenues would increase by an estimated $20.4 million annually beginning in FY 2003 due to the collection of a local telecommunications tax. Prince George's County expenditures would decrease by an estimated $3,100 in FY 2003 and $5,300 on an annualized basis due to salary enhancements and expense reimbursement reductions for school board members. County school expenditures would increase by an estimated $188,000 in FY 2005 and $377,000 in FY 2006 to fund half of a review of the bill's impact. School expenditures for the salaries of new school system officers could increase. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill's provisions are discussed below under three categories: governance structure, school system accountability, and enhanced school system funding.

Governance Structure

The New Prince George's County Board of Education

The bill eliminates the existing Board of Education of Prince George's County and establishes a New Prince George's County Board of Education. The new board will consist of nine voting members jointly appointed by the County Executive and the Governor from a list of nominees submitted by the State Board of Education. At least four voting members must have management experience, at least three members must possess a high level of knowledge concerning education, at least one member must be the parent of a student in a Prince George's County public school, and at least one member must have knowledge or experience in the education of students with disabilities. In addition to the nine voting members, one student with limited voting privileges will serve on the new board. The new board will take office June 1, 2002 and members' terms expire December 3, 2006.

On December 4, 2006, a newly-elected board will replace the appointed board. The elected board will consist of nine voting members, five of whom will be elected from five new schools board districts established in the bill and four of whom will be elected from the county at large. The elected board will also include one student member with limited voting privileges.

Beginning December 2, 2002, the annual compensation provided to the nine voting members of the school board will be $18,000, with the board chairman receiving an additional $1,000 annually. Under rules and regulations adopted by the board, all ten school board members will be entitled to annual allowances of up to $7,000 for travel and other expenses.

Chief Executive Officer

The bill eliminates the existing Prince George's County Superintendent of Schools position and replaces it with a Chief Executive Officer (CEO). The CEO will act as the executive officer, secretary, and treasurer of the new board and is responsible for the overall administration of the county public school system. The new board employs the CEO and establishes the salary of the CEO. The CEO's contract, which may not exceed four years, must provide that continued employment is contingent on demonstrable improvement in student performance and successful management of the school system.

The new board must initiate a search for a CEO no later than 30 days after its appointment. If the board determines that it cannot hire a permanent CEO within the 30 days, an interim CEO must be appointed by August 15, 2002. The new board must appoint a permanent CEO by January 1, 2003. However, if the board, in consultation with the State Board of Education, determines that extenuating circumstances exist, the deadline is extended to July 1, 2003.

The provisions establishing the CEO and the CEO's responsibilities sunset on June 30, 2006.

Other Executive-level Officers

The bill requires the CEO to select and establish salaries for a Chief Academic Officer, a Chief Financial Officer, and a Chief Accountability Officer for the Prince George's County public school system. The selection of officers and establishment of officers' salaries are subject to the approval of the new board.

The Chief Academic Officer and the Chief Accountability Officer positions sunset on June 30, 2006, but the Chief Financial Officer position continues past that date.

The Parent and Community Advisory Board

The bill establishes a 13-member Parent and Community Advisory Board in the Prince George's County Public School System. Subject to the approval of the new board, the CEO will appoint the advisory board members from lists submitted by local education groups. A majority of the members on the advisory board must be parents of students enrolled in Prince George's County public schools. Advisory board members serve two-year terms and may not serve more than two consecutive terms.

The new school board and the CEO must consult regularly with the advisory board and must ensure that parents are involved in the development and implementation of education policies. The CEO must meet at least quarterly with the advisory board.

The Parent and Community Advisory Board sunsets on June 30, 2006.

The Management Oversight Panel

The bill eliminates the Prince George's County Management Oversight Panel as of June 1, 2002.

The Maryland State Department of Education

From fiscal 2004 to 2007, the State must provide $300,000 for the Maryland State Department of Education (MSDE) to assist the State Superintendent of Schools and the State Board of Education in overseeing the implementation of the new governance structure. A portion of the funding must be used to hire a liaison officer.

School System Accountability

Comprehensive Master Plan

The bill requires the CEO to develop a comprehensive master plan for the improvement of student achievement and system management in the Prince George's County Public School System by September 1, 2002. The existing master plan for the school system may be reviewed and updated in order to satisfy this requirement. The new school board must approve the plan and begin implementing the plan no later than November 1, 2002. The plan must be submitted to the State Board of Education and the State Superintendent no later than September 15, 2002 for their review and approval. The General Assembly must consider the plan before approving the fiscal 2004 State budget.

Annual Report

The bill requires the CEO and the new school board to issue an annual report by December 31 of each year and by June 30, 2006. The report must include a financial statement, an assessment of student performance, and a review of the implementation of the comprehensive master plan. The State Board of Education and the State Superintendent must review the annual reports and comment on the progress made towards achieving system objectives. The General Assembly must consider the reports and the comments each year before approving the State budget.

The annual report requirement sunsets June 30, 2006.

A Study of the New Prince George's County Board of Education

The bill requires the new school board and MSDE to select a private consultant to conduct a comprehensive review of the Prince George's County Public School System and the New Prince George's County Board of Education. At a minimum, the review must evaluate educational and management reforms made by the new board and must determine whether there has been improvement in these areas. The review may include recommendations to the General Assembly concerning the organizational structure of the school system and modifications to the school system's master plan. The review must be complete by June 1, 2006. The new board and MSDE must share equally in the cost of the review.

Enhanced School System Funding

Telecommunications Tax

The bill requires the County Council for Prince George's County to impose by ordinance a sales and use tax on telecommunications services in Prince George's County. The tax rate must be at least 5%. The tax must be applied to telephone communications that: (1) originate and terminate in Prince George's County; or (2) originate or terminate in Prince George's County and have a service address in Prince George's County. The tax must be collected by vendors providing telecommunications services in the county, and the vendors must remit the tax to the county.

The net proceeds from the telecommunications tax must be used for operating expenses of the Prince George's County Public School System and may not be used to supplant State or local aid for education. The new board must consider using the proceeds to fund a Spanish language immersion program and a program for disruptive, delinquent, or low-performing students.

State Aid for School Operating Expenditures

The bill requires the Governor to include in the annual State budgets for fiscal 2004 to 2007 an additional $20 million in State aid to the Prince George's County Public School System if SB 856 is not enacted. However, this funding may only be disbursed in proportion to the degree that the Prince George's County Public School System has achieved the benchmarks and outcomes established in its comprehensive master plan.

The additional funding may not supplant other State aid for the system and must be used to assist the system in implementing reforms.

State Aid for Public School Construction

The bill extends the sunset on the enhanced Prince George's County school construction program from fiscal 2003 to fiscal 2007. Prince George's County will continue to receive from the State 75% of the eligible school construction costs for the first $35 million in public school construction projects and 60% of the eligible costs above $35 million in fiscal 2004 through fiscal 2007. In addition, Prince George's County must provide at least $32 million for public school construction projects during this time period.

In fiscal 2003, the State may not release school construction funds to the county until the county's master plan has been approved by the State Superintendent and the State Board of Education. In subsequent fiscal years, the funding may only be disbursed in proportion to the degree that the Prince George's County Public School System has achieved the benchmarks and outcomes established in its master plan.

Current Law: The Board of Education of Prince George's County is composed of nine elected members, each of whom is elected from one of nine school board districts in the county. There is also a student member on the board. The terms of office for four elected members are due to expire in 2002, and the terms of the other five members end in 2004. The elected members receive annual compensation of $13,000, with the board chairman receiving an additional $1,000 per year. Board members are entitled to the allowances for travel and other expenses provided in the Prince George's County budget.

The Prince George's County Superintendent of Schools is the executive officer, secretary, and treasurer of the Board of Education of Prince George's County. The Management Oversight Panel sunsets June 30, 2003.

Background: Two recent audits highlighted some of the apparent problems within the Prince George's County Public School System. The first, a performance audit mandated by the General Assembly, made 297 broad recommendations, including improvement of the trust and communication between system leaders, increased use of information technology, and the restructuring of specific divisions within the school system. The audit identified 75 recommendations with a fiscal impact. Chapter 565 of 1998, the School Accountability Funding for Excellence (SAFE) legislation, created the Prince George's County Public Schools Management Oversight Panel to monitor the school system's implementation of the audit recommendations.

A second audit examining expenditures by board of education members was completed and submitted to the board in September 2000. The audit uncovered numerous examples of misused funds and made over 30 recommendations, including the full implementation of a prohibition on the use of board funds for alcoholic beverages, the development of guidelines prohibiting the use of board credit cards for personal needs, the establishment of procedures for expense reimbursements, and repayment of improperly used funds. The Management Oversight Panel recommended that the board accept all of the audit recommendations and suggested that the board strengthen its code of ethics.

In the fall of 2001 and the early months of 2002, ongoing problems within the school system were evidenced by continued conflicts between the county superintendent and the county board. These conflicts eventually led to the board's dismissal of the superintendent in February 2002. Immediately following the firing, the House passed emergency legislation (HB 780) that would have created an Executive Committee within the Management Oversight Panel and would have required the Executive Committee to review and approve any major actions by the county board. The bill also would have reinstated the county superintendent and prohibited the existing county board from removing the superintendent during the board's present term of office. Meanwhile, on appeal from the county superintendent, the State Board of Education overturned the dismissal. The Senate, therefore, never acted on the emergency bill. As of May 2002, the county board and the county superintendent continue to oversee the operations of the Prince George's County Public School System.

If enacted, SB 856 would implement new funding formulas to distribute State education aid and would increase State funding for education by an estimated $1.3 billion by fiscal 2008. Overall, the bill would: (1) have the State provide a greater share of education funding; (2) wealth equalize a greater proportion of State aid; and (3) provide a greater proportion of State aid based on the special needs of students in local school systems. Under the bill, Prince George's County would receive an additional $22.5 million over current law in fiscal 2003 and an estimated $350 million over current law in fiscal 2008. The bill would also give local boards of education increased flexibility to use funds to best accommodate the students in their school systems. Each local school system would be required to develop a master plan for the coordinated use of education funding to ensure that the educational needs of all student populations are being addressed in a comprehensive manner.

State Expenditures: General fund expenditures would decrease by $310,000 in fiscal 2003 due to the elimination of the Prince George's County Management Oversight Panel and the panel's coordination office. From fiscal 2004 to 2007, the annual State budgets must include $300,000 for MSDE to oversee the Prince George's County Public School System reform efforts implemented by this bill. A portion of the funding must be used to hire an MSDE liaison officer for the Prince George's County Public School System.

The State would be required to pay one-half of the cost of a comprehensive review of the new board that would be completed by June 2006. Based on experience with a similar evaluation of the Baltimore City school system, a study of this type would cost approximately $1.13 million. The State's share of the cost would be $565,000 and would be paid in fiscal 2005 and 2006. Assuming one-third of the cost is paid in fiscal 2005 and two-thirds of the cost are paid in fiscal 2006, general fund expenditures would increase by approximately $188,000 in fiscal 2005 and by $377,000 in fiscal 2006.

From fiscal 2004 to 2007, State aid to Prince George's County would increase by up to $20 million annually if SB 856 is not enacted. Assuming SB 856 is enacted, there would be no additional cost for the State. The State would also be required to continue its support for the enhanced Prince George's County school construction program through fiscal 2007.

Local Revenues: The bill requires the County Council for Prince George's County to impose a telecommunications tax of at least 5%. Assuming a 5% tax is imposed, local revenues would increase by an estimated $20.4 million annually. If an 8% tax is imposed, local revenues would increase by an estimated $32.7 million annually. The proceeds from the tax may only be used for operating expenditures of the Prince George's County Public School System.

Local Expenditures: The bill provides for a $5,000 annual salary increase for appointed school board members beginning with the next term of office on December 2, 2002. This would increase county expenditures by $26,300 in fiscal 2003 (to reflect increased salaries for a seven-month period) and $45,000 on an annualized basis. School board members currently receive $12,594 annually for travel and other expense reimbursements. This bill limits the amount to $7,000. The reduction in expense allowances would reduce county expenditures by $29,400 in fiscal 2003 and by $50,300 on an annualized basis. In combination, the alterations to board salaries and reimbursements would result in a decrease in Prince George's County expenditures of approximately $3,100 in fiscal 2003 and $5,300 annually thereafter.

Decrease in Prince George's County Expenditures

	FY 2003	**Annualized**
Board Salaries	+$26,300	+$45,000
Expense Reimbursements	-$29,400	-$50,300
Net Decrease in Expenditures	-$3,100	-$5,300

It is assumed that the CEO hired for the Prince George's County Public School System would earn a salary similar to the $196,000 annual salary paid to the current county superintendent. Therefore, the creation of the CEO position would have minimal or no impact on county expenditures.

The bill also establishes three additional executive-level school system positions: a Chief Financial Officer, a Chief Academic Officer, and a Chief Accountability Officer. There are no existing positions authorized in State law that these officers would replace; however, it is assumed that persons with similar responsibilities currently exist within the school system administrative structure. Salary levels for the three new officers would be set by the CEO and approved by the new board of education. To the extent that the officers' salaries exceed the salaries of individuals who currently work in these areas, Prince George's County school expenditures would increase accordingly.

The Prince George's County Public School System is required to provide one-half of the cost of the comprehensive review of the new school board. The review must be completed by June 2006. The full cost of the review is estimated at $1.13 million, and the share funded by the school system is estimated at $565,000. It is assumed that one-third of this cost ($188,000) would be funded in fiscal 2005 and two-thirds ($377,000) would be funded in fiscal 2006.

Assuming SB 856 is signed by the Governor, this bill does not provide additional State aid to the Prince George's County Public School System. If SB 856 is not enacted, State aid for Prince George's County Public School System operating expenses would increase by up to $20 million per year from fiscal 2004 to fiscal 2007.

Additional Comments: The Prince George's County Board of Education is 1 of 13 elected school boards in the State and is 1 of only 2 boards (with Somerset County) in which all the members are elected from separate school board districts. A breakdown of the selection methods and the numbers of school board members for all 24 local boards is shown in **Exhibit 1**.

Exhibit 1
Selection Method for Maryland's Local Boards of Education

	Full Voting Members	Appointed Members	Elected Members: County At Large	Elected Members: From Districts	Student Member
Allegany	5	0	5	0	1
Anne Arundel	7	7	0	0	1
Baltimore City	9	9	0	0	1
Baltimore	11	11	0	0	1
Calvert	5	0	2	3	1
Caroline	5	5	0	0	0
Carroll	5	0	5	0	1
Cecil	5	5	0	0	1
Charles	7	0	7	0	1
Dorchester	5	5	0	0	1
Frederick	7	0	7	0	0
Garrett	5	0	2	3	1
Harford	7	7	0	0	1
Howard	5	0	5	0	0
Kent	5	0	5	0	0
Montgomery	7	0	2	5	1
Prince George's	9	0	0	9	1
Queen Anne's	5	5	0	0	0
St. Mary's	5	0	1	4	1
Somerset	5	0	0	5	0
Talbot	5	5	0	0	1
Washington	7	0	7	0	1
Wicomico	7	7	0	0	0
Worcester	7	7	0	0	1

Additional Information

Prior Introductions: HB 1311 of 2001 would have restructured the Board of Education of Prince George's County to elect five members from school board districts and four members from the county at large. The bill passed in both the House and the Senate, but a conference committee to reconcile the differences between the bills was never appointed.

Cross File: None.

Information Source(s): Prince George's County, Comptroller's Office, Maryland Association of Counties, Department of Legislative Services

Fiscal Note History:	First Reader - March 18, 2002
mld/hlb	Revised - House Third Reader - April 2, 2002
	Revised - Enrolled Bill - May 7, 2002

Analysis by: Mark W. Collins

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510