
By: **Senators Currie, DeGrange, Jones, Kasemeyer, Kittleman, Lawlah,
McFadden, Munson, and Ruben**

Introduced and read first time: February 26, 2004

Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 **Education Fiscal Accountability and Oversight Act of 2004**

3 FOR the purpose of requiring the State Superintendent and the State Department of
4 Education to monitor the financial status of each county board of education and
5 report to the Governor and General Assembly on a quarterly basis; requiring the
6 local superintendent or chief executive officer of a local school system to file a
7 certain quarterly report and to make a certain attestation; providing that if a
8 local school system does not file a certain annual audit, the State
9 Superintendent shall take certain action; providing that if a local school system
10 has a deficit, the State Superintendent shall immediately notify the Governor
11 and the General Assembly and shall require a local school system to develop a
12 certain corrective action plan, to file monthly status reports and to include
13 certain information in certain quarterly reports; requiring the State
14 Superintendent to include certain information in on a local school system deficit
15 in certain quarterly reports; providing that if a local school system fails to
16 comply with certain requirements, the State Superintendent shall notify the
17 State Comptroller who shall be required to withhold certain funds until
18 receiving a certain notice from the State Superintendent; requiring the
19 Legislative Auditor to appoint professional staff to conduct audits of local school
20 systems; requiring the Office of Legislative Audits to conduct a certain audit of
21 each local school system within a certain time period; and generally relating to
22 the State Superintendent of Schools and the State Department of Education and
23 fiscal accountability and oversight of local school systems.

24 BY adding to
25 Article - Education
26 Section 5-114
27 Annotated Code of Maryland
28 (2001 Replacement Volume and 2003 Supplement)

29 BY adding to
30 Article - State Government
31 Section 2-1219(c) and 2-1220(f)

1 Annotated Code of Maryland
2 (1999 Replacement Volume and 2003 Supplement)

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

5 **Article - Education**

6 5-114.

7 (A) THE STATE SUPERINTENDENT AND THE DEPARTMENT SHALL:

8 (1) MONITOR THE FINANCIAL STATUS OF EACH LOCAL SCHOOL SYSTEM;
9 AND

10 (2) REPORT ON A QUARTERLY BASIS THE FINANCIAL STATUS OF EACH
11 LOCAL SCHOOL SYSTEM TO THE GOVERNOR AND, IN ACCORDANCE WITH § 2-1246 OF
12 THE STATE GOVERNMENT ARTICLE, THE GENERAL ASSEMBLY.

13 (B) A LOCAL SUPERINTENDENT OR CHIEF EXECUTIVE OFFICER OF A LOCAL
14 SCHOOL SYSTEM SHALL:

15 (1) FILE A QUARTERLY REPORT ON THE FINANCIAL STATUS OF THE
16 LOCAL SCHOOL SYSTEM WITH THE SUPERINTENDENT; AND

17 (2) ATTEST TO THE ACCURACY OF EACH QUARTERLY REPORT WHEN
18 THE REPORT IS SUBMITTED TO THE SUPERINTENDENT.

19 (C) IF A LOCAL SCHOOL SYSTEM DOES NOT FILE THE ANNUAL AUDIT
20 RESULTS IN A TIMELY MANNER WITH THE STATE SUPERINTENDENT AS REQUIRED
21 BY § 5-109 OF THIS TITLE, THE STATE SUPERINTENDENT SHALL:

22 (1) IMMEDIATELY NOTIFY THE LOCAL BOARD AND LOCAL
23 SUPERINTENDENT OR CHIEF EXECUTIVE OFFICER OF THE LOCAL SCHOOL SYSTEM;
24 AND

25 (2) ORDER THAT THE AUDIT REPORT BE FILED WITHIN 10 DAYS.

26 (D) (1) A LOCAL SCHOOL SYSTEM MAY NOT CARRY AN OPERATING BUDGET
27 DEFICIT AS REPORTED IN THE ANNUAL AUDIT UNDER § 5-109 OF THIS TITLE.

28 (2) IF A LOCAL SCHOOL SYSTEM HAS A DEFICIT OF ANY AMOUNT, THE
29 STATE SUPERINTENDENT SHALL IMMEDIATELY NOTIFY THE GOVERNOR AND THE
30 GENERAL ASSEMBLY AND SHALL REQUIRE THE LOCAL SCHOOL SYSTEM TO:

31 (I) DEVELOP A CORRECTIVE ACTION COST CONTAINMENT PLAN
32 WITHIN 15 DAYS;

1 (II) FILE MONTHLY STATUS REPORTS WITH THE STATE
2 SUPERINTENDENT DEMONSTRATING ACTIONS TAKEN TO CLOSE THE DEFICIT AND
3 THE EFFECT OF THE ACTIONS TAKEN ON THE DEFICIT; AND

4 (III) INCLUDE INFORMATION ON THE CORRECTIVE ACTION COST
5 CONTAINMENT PLAN, ACTIONS TAKEN TO CLOSE THE DEFICIT, AND STATUS OF THE
6 DEFICIT IN THE QUARTERLY FINANCIAL STATUS REPORTS FILED WITH THE STATE
7 SUPERINTENDENT.

8 (3) THE STATE SUPERINTENDENT SHALL INCLUDE INFORMATION ON
9 ANY LOCAL SCHOOL SYSTEM DEFICIT, CORRECTIVE ACTION COST CONTAINMENT
10 PLAN, ACTIONS TAKEN TO CLOSE A LOCAL SCHOOL SYSTEM DEFICIT, AND STATUS OF
11 ANY LOCAL SCHOOL SYSTEM DEFICIT IN THE QUARTERLY FINANCIAL REPORT TO
12 THE GOVERNOR AND THE GENERAL ASSEMBLY, IN ACCORDANCE WITH § 2-1246 OF
13 THE STATE GOVERNMENT ARTICLE.

14 (E) IF A LOCAL SCHOOL SYSTEM FAILS TO COMPLY WITH THE REQUIREMENTS
15 OF THIS SECTION, THE STATE SUPERINTENDENT SHALL NOTIFY THE STATE
16 COMPTROLLER, WHO SHALL WITHHOLD 10% OF THE NEXT INSTALLMENT AND EACH
17 SUBSEQUENT INSTALLMENT DUE THE LOCAL SCHOOL SYSTEM FROM THE GENERAL
18 STATE SCHOOL FUND UNTIL THE STATE SUPERINTENDENT NOTIFIES THE
19 COMPTROLLER THAT THE LOCAL SCHOOL SYSTEM IS IN FULL COMPLIANCE WITH
20 THE REQUIREMENTS OF THIS SECTION.

21 **Article - State Government**

22 2-1219.

23 (C) WITH THE APPROVAL OF THE EXECUTIVE DIRECTOR, THE LEGISLATIVE
24 AUDITOR SHALL APPOINT PROFESSIONAL STAFF TO CONDUCT AUDITS OF LOCAL
25 SCHOOL SYSTEMS IN ACCORDANCE WITH § 2-1220(F) OF THIS SUBTITLE.

26 2-1220.

27 (F) (1) AT LEAST ONCE EVERY 3 YEARS, THE OFFICE OF LEGISLATIVE
28 AUDITS SHALL CONDUCT A MANAGEMENT AND FINANCIAL PRACTICES AUDIT OF
29 EACH LOCAL SCHOOL SYSTEM TO REVIEW THE USE OF FUNDING PROVIDED IN
30 ACCORDANCE WITH §§ 5-202 AND 5-205 THROUGH 5-210 OF THE EDUCATION ARTICLE.

31 (2) THE AUDIT SHALL INCLUDE A REVIEW OF:

32 (I) THE ADEQUACY OF THE LOCAL SCHOOL SYSTEM'S MASTER
33 PLAN AND WHETHER THE MASTER PLAN CONTAINS SUFFICIENT DETAIL TO ALLOW A
34 DETERMINATION THAT THE ADDITIONAL EDUCATION AID HAS BEEN USED BY THE
35 LOCAL SCHOOL SYSTEM:

36 1. IN A MANNER CONSISTENT WITH THE MASTER PLAN; AND

37 2. FOR PURPOSES THAT WILL ACHIEVE IDENTIFIABLE AND
38 MEASURABLE GOALS IN THE MASTER PLAN; AND

1 (II) THE USE OF THE ADDITIONAL STATE AID PROVIDED FOR
2 EDUCATION AND THE EXTENT TO WHICH THE FUNDS HAVE BEEN USED TO PROVIDE
3 IMPROVEMENT IN THE DIRECT EDUCATIONAL SERVICES AND PROGRAMS FOR
4 STUDENTS IN THE LOCAL SCHOOL SYSTEM.

5 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
6 July 1, 2004.