

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 1199 (Delegate Trueschler)
 Ways and Means

Primary and Secondary Education - Performance Expectations and Funding

This bill restricts the use of State foundation program aid and limits the total amount that local school systems may spend on compensation and benefits for administrators and administrative staff. The Office of Legislative Audits must examine local school system expenditures periodically to ensure that the cap on spending for administration is not exceeded. The bill also requires each local board of education to prepare and submit annual performance expectations charts.

The bill takes effect June 1, 2004.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated \$252,100 in FY 2005 to support four additional positions at the Office of Legislative Audits. Future year expenditures reflect annualization, regular salary increases, ongoing operating expenses, and inflation. Revenues would not be affected.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	252,100	305,500	321,200	337,900	363,700
Net Effect	(\$252,100)	(\$305,500)	(\$321,200)	(\$337,900)	(\$363,700)

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

Local Effect: Any reduction in compensation and benefits for administrators would be used to enhance in-school programs. Local school systems could prepare and submit performance expectations charts with existing resources.

Small Business Effect: None.

Analysis

Bill Summary: The bill limits the items for which local school systems may use foundation program State aid to: (1) training and compensation of in-school administrators and faculty; (2) tutors for economically disadvantaged students, special education students, limited English proficient students, and low-performing students; (3) before-school and after-school programs for economically disadvantaged students, special education students, and limited English proficient students; and (4) summer school programs for economically disadvantaged students, special education students, limited English proficient students, and low-performing students.

Local school systems may only spend \$700 per pupil in fiscal 2005 on compensation and benefits for administrators and administrative staff. This amount is increased annually by the rate of inflation. Legislative auditors must periodically audit the financial record of local boards of education to ensure that local school systems are adhering to the limitation.

Local boards of education must prepare and publish performance expectations charts that list expected student passage rates for five years disaggregated by school, test type, grade, and student subgroups. The charts must also include actual passage rates, per pupil costs for administration and faculty compensation and benefits, and per pupil costs for teaching supplies and equipment. Beginning July 1, 2005, copies of the charts must be made available to the public annually, and the charts must be submitted to the Maryland State Department of Education (MSDE). MSDE must post the charts on its web site.

Current Law: Foundation program State aid is not restricted. There are no statutory limits on the amount of compensation and benefits that local school systems may provide to administrators and administrative staff.

Local school systems are not required to develop and publicize annual performance expectations. Although local boards of education may implement their own standards, academic performance objectives are generally set by the State Board of Education. Schools and local school systems are required by federal law (the No Child Left Behind Act of 2001) to make adequate yearly progress towards meeting State performance standards. If standards are not met for a number of years, schools and local school systems must take specific actions. MSDE tracks school performance and posts detailed results from all public schools on its web site.

Background: The Bridge to Excellence in Public Schools Act of 2002, which came out of the work of the Commission on Education, Finance, Equity, and Excellence (Thornton Commission), redesigned the State's school finance system to lift many of the restrictions on State aid. Approximately 27 categorical funding programs were folded into larger State aid block grants that provide flexible aid to local school systems. The foundation

formula was one of the State aid programs that was adjusted to reflect the views and findings of the Thornton Commission. The foundation formula calculates a per pupil funding amount that is shared by the State and local jurisdictions, with more wealthy counties receiving less State aid per pupil and less wealthy counties receiving more State aid per pupil. In the proposed fiscal 2005 State budget, the foundation program makes up 58% of aid to local school systems. Estimated fiscal 2005 to 2009 funding through each of the State's major education aid programs is shown in **Exhibit 1**.

Exhibit 1

**Estimated State Education Aid
Fiscal 2005 to 2009**

<u>Program</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Foundation	\$2,114.6	\$2,288.2	\$2,413.4	\$2,594.0	\$2,632.9
Compensatory Ed	488.1	590.3	711.3	841.6	859.4
Teachers' Retirement	403.2	424.1	449.7	478.0	506.1
Student Transportation	172.5	181.1	189.7	198.3	203.7
Special Ed Formula	157.6	189.6	227.2	268.1	271.9
Non-public Special Ed	108.8	119.6	131.6	144.8	159.2
LEP	51.3	66.1	85.3	108.3	117.3
Baltimore City Partnership	21.1	14.1	0.0	0.0	0.0
Extended Elem Ed (EEEP)	19.3	19.3	19.3	0.0	0.0
Guaranteed Tax Base	19.1	39.9	63.7	86.5	97.1
Teacher Salary Challenge	8.3	0.0	0.0	0.0	0.0
All Other Programs	<u>81.0</u>	<u>82.6</u>	<u>85.7</u>	<u>86.9</u>	<u>85.6</u>
Total	\$3,644.9	\$4,014.8	\$4,376.8	\$4,806.4	\$4,933.2

State Expenditures: General fund expenditures would increase by an estimated \$252,108 in fiscal 2005, which assumes a 150-day start-up delay following the bill's June 1, 2004 effective date. This estimate reflects the cost of hiring four additional legislative auditors to audit local board of education spending on administrators and administrative staff. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used to calculate the estimate are stated below.

- Each local board of education would be audited every three years, meaning eight boards would be audited per year.
- Audits would encompass only the latest fiscal year, not the full three-year cycle.

	<u>FY 2005</u>	<u>FY 2006</u>
Salaries and Fringe Benefits	\$199,365	\$272,205
Start-up Costs (automobiles and computers)	28,000	0
Ongoing Operating Expenses	<u>24,743</u>	<u>33,320</u>
Total State Expenditures	\$252,108	\$305,525

Local Fiscal Effect: Local school systems would be limited in their expenditures on compensation and fringe benefits for administrators and administrative staff. The limit would be \$700 per pupil in fiscal 2005 and would increase annually with the rate of inflation. Fiscal 2001 data on per pupil spending by category show a statewide average of \$214 per pupil for upper-level administration and \$523 per pupil for mid-level administration, which includes school administrators. These amounts do not include all benefits provided to administrative personnel. Based on these figures, local school systems would be forced to reduce administrative staff considerably to stay under the \$700 per pupil limit that would be imposed by this legislation.

The limitation, however, would not impact overall school expenditures. If administrative staffs were reduced, it is assumed that existing administrative personnel would be reassigned to jobs as teachers, guidance counselors, or other in-school positions.

Local school systems could prepare and submit the required performance expectations charts with existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services (Office of Legislative Audits), Maryland State Department of Education, Department of Legislative Services

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