

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 502 (Delegate Kaiser, *et al.*)
Ways and Means

State Department of Education - Financial Advisory Board - Establishment

This bill establishes a financial advisory board within the Maryland State Department of Education (MSDE) to assist the State Superintendent of Schools in making preliminary assessments of local education maintenance of effort (MOE) waiver requests. The Superintendent's preliminary assessment must be developed in consultation with the board. The board consists of the chief operating officer of MSDE, the director (or designee) of the State Department of Assessments and Taxation (SDAT), and the Secretary (or designee) of the Department of Budget and Management (DBM). The board must review documents submitted as part of the county waiver request; consider specified factors when advising the Superintendent; and prepare a plain English analysis of the advice, which must be made available to the public.

The bill takes effect June 1, 2015.

Fiscal Summary

State Effect: DBM, MSDE, and SDAT can fulfill the bill's requirements using existing resources. Revenues are not affected.

Local Effect: The bill may affect the ultimate decision in some percentage of MOE waiver requests, but the direction of such an effect on required local education appropriations, school system expenditures, and/or MOE penalties is indeterminate.

Small Business Effect: None.

Analysis

Bill Summary: The board must consider the following factors when advising the Superintendent during a preliminary assessment of a county MOE waiver request:

- external environmental factors such as a loss of a major employer or industry affecting a county or a broad economic downturn affecting more than one county;
- a county's tax base;
- rate of inflation relative to growth of student population in a county;
- MOE requirement relative to a county's statutory ability to raise revenues;
- significant reductions in State aid to a county and municipalities of the county for the fiscal year for which a waiver is requested; and
- the history of compensation adjustments for employees of the county board and county government.

Current Law: Under the MOE requirement, each county government (including Baltimore City) must provide on a per pupil basis at least as much funding for the local school board as was provided in the prior fiscal year. Statute exempts from the MOE calculation specified nonrecurring costs as approved by MSDE, the cost of any program that has been shifted from the local school board's operating budget to the county operating budget, and debt service payments for school construction. The Budget Reconciliation and Financing Acts of 2011 and 2012 (Chapter 397 of 2011 and Chapter 1 of the 2012 first special session) provided one-year exemptions from MOE for a county (including Baltimore City) that shifted recurring health care costs for current retirees to the local school board if those costs were reduced the following year. Chapter 647 of 2013 made this exemption permanent.

Chapter 6 of 2012 requires a county governing body to apply to the State Board of Education (SBE) for a waiver from the State's MOE requirement if the county is unable to fund the full MOE amount. If a county does not receive a waiver from the State board, it must fund the full MOE amount or the State will intercept the county's local income tax revenues in the amount by which the county is below MOE and forward the funds to the local school board. Counties that receive waivers and are making above-average education effort may request "rebasement waivers" that allow limited decreases to their annual MOE amounts if they can demonstrate ongoing problems with meeting MOE.

Counties must submit MOE waiver requests to SBE no later than April 20 each year, and SBE must approve or deny a waiver (in whole or in part) within 30 days.

Background: As of January 2015, SBE has certified that the school appropriations of all 24 counties met the fiscal 2015 MOE requirement. SBE granted an MOE waiver in the amount of \$2.9 million regarding Baltimore City's fiscal 2015 appropriation. The waiver request, agreed to by city government and the Baltimore City Public School System, eliminates (beginning with fiscal 2015) the ongoing effect on MOE from a fiscal 2013 budgeting error made by Baltimore City. The budgeting error resulted from the city's use of an incorrect (high) full-time equivalent figure for determining the required MOE total for fiscal 2013. Based on experience in recent years, MSDE expects between zero and three waiver requests in any given future year.

State Fiscal Effect: The bill may result in approximately 20 extra hours of workload for DBM and SDAT, per waiver request. Given the anticipated small number of waiver requests each year, both departments can comply with the bill's requirements using existing resources. State revenues are not affected.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Department of Budget and Management, Maryland State Department of Education, Department of Legislative Services

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md/rhh

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