

TO: Members of the State Board of Education

FROM: Carey M. Wright, Ed.D., State Superintendent of Schools

DATE: October 22, 2024

SUBJECT: Financial Reporting Requirements



Purpose

The purpose of this item is to brief the State Board of Education (SBOE) on the status of local education agency (LEA) audit reports and to request that the SBOE authorize the State Superintendent of Schools to withhold funds from LEAs that are not in compliance with the provisions of §5-114 of the Education Article.

Background and Process

Senate Bill 894, the Education Fiscal Accountability and Oversight Act of 2004, codified at §5-114, strengthens the authority of the State Superintendent of Schools and the SBOE to monitor the fiscal health of LEAs and provides for the enforcement of the requirements through the withholding of funds.

The requirements of §5-114 include the following:

- Timely submission of the annual audit report or submission within ten days after notification that the report is late (§5-114(d));
- Submission of a corrective action cost containment plan within 15 days of notification by the State Superintendent of Schools of a deficit situation (§5-114(e)(2)(i)); and
- Submission of monthly status reports on actions taken to close the deficit (§5-114(e)(2)(ii)).

Section 5-114 of the Education Article further states:

"If a local school system fails to comply with the requirements of this section, the State Superintendent, with the approval of the State Board of Education, shall notify the State Comptroller, who shall withhold 10% of the next installment and each subsequent installment due the local school system from the general State school fund until the State Superintendent notifies the Comptroller that the local school system is in full compliance with the requirements of this section."

As of October 21, 2024, 21 of 24 LEAs have complied with the reporting requirement. Three LEAs have not complied with the reporting requirements, and they have been notified in writing that the report is late and must be submitted by October 26, 2024. Maryland State Department of Education staff will provide an update on the status of the submissions during the SBOE meeting.

Action Requested

The SBOE is requested to authorize the State Superintendent of Schools to notify the Comptroller to withhold 10% of the November state aid payment and each subsequent installment for any LEA that is not in full compliance with §5-114 of the Education Article.