

TO: Members of the Finance Transformation Committee

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

DATE: April 15, 2025

SUBJECT: Local Financial Reporting System - Update

Purpose

The purpose of this item is to provide an update on the Financial Reporting System (FRS) implemented by the Maryland State Department of Education (MSDE) in coordination with the Accountability and Implementation Board (AIB) to monitor the Local Education Agency (LEA) compliance with the minimum school funding (MSF) requirements established under the Blueprint for Maryland's Future.

Executive Summary

This presentation provides an update on the local financial reporting required in the Blueprint for Maryland's Future. This update includes the status of the reporting system, the status of local reporting, the methodology used to analyze the data in the first required expenditure report, which was submitted to the AIB in January 2025, and the next steps for MSDE and the LEAs.

Action

No action is required; this information is for discussion only.

Attachments

FTC – FRS – 4-15-2025.pptx

FTC – FRS – 4-15-2025.pdf

OFFICE OF FINANCE

Financial Reporting System

April 15, 2025

Presented By | Krishna Tallur, Deputy State Superintendent
Donna Gunning, Assistant State Superintendent

A photograph of a classroom scene. A female teacher with curly blonde hair, wearing a green shirt, is giving a high-five to a young student with curly dark hair wearing a yellow and black striped shirt. The student is sitting at a desk and holding a blue pen. In the background, other students are visible at their desks, and there are windows and educational posters on the wall.

Presentation Outline

1. Introduction and Background
2. Reporting and System Development Timelines
3. Current Status
4. §5-406 Expenditure Report
5. Questions and Answers

Introduction and Background

Under § 5-234 of the Education Article, the Maryland State Department of Education (MSDE), in coordination with the Accountability and Implementation Board, must implement a financial reporting and student data system capable of tracking and analyzing Local Education Agency (LEA) data provided to the State Board of Education and update the Financial Reporting Manual for Maryland Public Schools.

The Financial Reporting System is used to collect data regarding LEA compliance with minimum school funding(MSF) requirements as established under the Blueprint for Maryland's Future to ensure that a percentage of the per pupil amount for certain statutory PreK-12 education formula programs is allocated to and spent at schools based on their enrollment counts for those programs.

Minimum School Funding

- 75% of the per pupil amount for the following formula programs:
 - The foundation program under § 5–213;
 - The compensatory education program under § 5–222;
 - The multilingual learner education program under § 5–224;
 - The special education program under § 5–225;
 - Public providers of prekindergarten under § 5–229;
 - Transitional supplemental instruction under § 5–226;
 - The comparable wage index grant under § 5–216 ; and
 - The college and career readiness program under § 5–217.
- 100% of the per pupil amount for the following programs:
 - Private providers of prekindergarten under § 5–229; and
 - The per pupil grant under the concentration of poverty program under § 5–223.

Reporting Timelines

- LEAs submit data by the 15th of each month for the previous month's expenditures.
- School-level budget information due with first month's expenditures in August of each Fiscal Year. The budget data may be updated in subsequent months to reflect LEA adjustments.
- Required Report: MSDE must provide the AIB with current year, school-level financial data on January 1 of each year.
- The report includes LEA data through November of each fiscal year.
- LEAs must submit final, audited fiscal data by the 15th of October each year.

System Development Update

- System design, development and testing – Fall 2022 to June 2024.
- Financial Reporting Guidance (Baby Blue Book) issued in April 2024, updated in June 2024, will update again at the conclusion of fiscal 2025.
- Creation of public site, updated guidance, and expanded reporting process - TBD

System Development Next Steps

- Creation of public facing site with navigation support, updated guidance
- Finalize standard report formats, determine access, and make updates to the “Baby Blue Book”.

Current Status

- All 24 LEAs are working to submit data by the 15th of each month
- 19 LEAs met the deadline for February expenditures
 - 3 had data issues that required immediate attention
- PowerSchool and MSDE staff continue to support LEAs in complying with this requirement

Next Steps – Supporting LEAs

- Training - Data quality issues and how to identify them
- Create a step-by-step data edit-check prior to submission
- Develop a process for importing school-level student counts
- Create a process to realign student counts for new and closed schools

Education Article §5-406 – Expenditure Report

- The State Board of Education and the AIB Board adopted joint policy in 2024 that requires LEAs to reduce the number of students attending schools that do not meet the minimum school funding requirement in FY 2026 and fully comply in FY 2027.
- The January 1, 2025, report of LEA fiscal data from July 1, 2024, through November 2024, was submitted. The AIB analysis of this data is available [here](#).
- The AIB Strategic Partners continue to work with LEAs to make strategic changes to resource allocation in order to meet student need and minimum school funding requirements.
- MSDE and AIB worked together to develop the methodology for analyzing the data to evaluate whether a school meets the minimum school funding requirement.

Education Article §5-406 – Expenditure Report

- The analysis was divided into a review of budget data and a review of expenditure data.
- The January report included data from July 1, 2024, through November 30, 2025, which represents approximately one-third of the year for school systems.
- The budget data was compared to the required amount per §5-234 (75% or 100%) by program. School systems and schools were categorized into four areas by program:
 - # of districts meeting MSF
 - # of districts halfway or closer to meeting MSF
 - # of districts 25% - 50% meeting MSF
 - # of districts less than 25% meeting MSF
- The AIB analysis revealed that College and Career Readiness, Concentration of Poverty, Multi-lingual learner, and PreK programs had the lowest percentage of districts and schools at the budgeted at MSF level.

Education Article §5-406 – Expenditure Report

- The expenditure data was reviewed against the 30% minimum (three months of the school year) and identified how far schools and school systems were from the benchmark (30%).
- The results of the expenditure analysis were grouped into the same four categories as the budget data.
- The least number and percent of districts and schools meeting the MSF expenditure benchmark (30%) are in College and Career Readiness, Concentration of Poverty, and Multi-lingual learners' programs.

Education Article §5-406 – Expenditure Report – Lessons Learned

- The magnitude of change required of districts is huge. Districts had to change data and coding structures, align to a new chart of accounts, revise allocation methodologies. They are all in different stages of this work which is necessary to meet MSF.
- FY 2025 is the baseline year. LEAs should focus work with strategic partners on FY 2026.
- Focus on programs with the least number of schools meeting MSF.
- In FY 2026, LEAs must reduce the number of students attending a school that does not meet MSF by 50%.

Questions and Answers