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TO: Members of the Maryland State Board of Education
FROM: Nancy S. Grasmick *Nancy*
DATE: May 27-28, 2009
SUBJECT: COMAR 13A.02.01.02C (AMEND)
COMAR 13A.04.02.03 (AMEND)

PURPOSE:

The purpose of this item is to request permission to publish proposed amendments to COMAR 13A.02.01.02C, Records and Reports, and COMAR 13A.04.02.03, Federal Funds. The proposed regulatory amendments are required to provide for the use of an updated Financial Reporting Manual for Maryland Public Schools that includes forms and procedures for submission of annual school budgets by the local boards of education.

BACKGROUND:

In 1963 as a result of the need for a uniform system for budgeting and reporting financial data for Maryland Public Schools, the *Financial Reporting Manual for Maryland Public Schools* (Manual) was developed based on the federal *Handbook II financial Accounting for Local and State School Systems (HBIIR)*, written and produced in 1957 by the U S Office of Education in coordination with Generally Accepted Accounting Principles (GAAP), established by the Government Accounting Standards Board (GASB). In 1968, education laws were reviewed and changes were proposed to regulate local government control of public school budgets. It was determined that in order for Governmental entities to ensure the proper segregation of resources and maintain accountability, an entity's accounting system should be organized and operated on a fund basis, each fund representing a separate element establishing specific activities and objectives in accordance with statutes, laws, regulations, restrictions and specific purposes. Subsequent passage of Article 77, Section 117, the Education Article of the *Annotated Code of Maryland*, changed federal reporting requirements and necessitated revisions to the manual in 1970. It was revised in 1977 to add a new expenditure category for **Special Education** and to revise the categories of **Administration and Instruction**, effective in the FY 1979. In 1983, the manual was again revised to include a standard chart of accounts to accommodate the automated reporting of financial information and to provide guidance in areas not previously addressed in the Manual. The last revision to the Manual occurred in 1996 and since then there have been many major statutory changes affecting financing of public education and accountability, such as



the Bridge to Excellence In Education Act in 2002 and the establishment of Charter Schools. Two major changes to the manual include raising the threshold for capital equipment from \$1,000.00 to \$5,000.00, bringing it into line with industry standards and adding guidance on reporting on-behalf-of payments to local school systems to assure comprehensive reporting on financial statements.

SUMMARY:

Changes are proposed to COMAR 13A.02.01.02C, Records and Reports, and COMAR13A.04.02.03, Federal Funds to incorporate by reference a revised Financial Reporting Manual for Maryland Public Schools. The revised Manual includes forms and procedures for submission and reporting of annual school budgets by local boards of education.

ACTION:

I am requesting permission to publish the proposed amendments to COMAR 13A.02.01.02 and COMAR 13A.04.02.03 with the following TENTATIVE timeline:

Maryland Register Issue Date: July 17, 2009

30 Day Open Comment Period Ends: August 17, 2009

Adoption: September 21-22, 2009

13A.02.01.02 (5/7/09)

.02 Records and Reports.

A.(text unchanged)

B. Record of Hearings.

(1) — (2) (text unchanged)

C. Annual School Budget. The annual school budget shall be submitted by the local board of education to the board of county commissioners or county council or the city council according to the form and procedures adopted by the State Board of Education and set forth in the "Financial Reporting Manual for Maryland Public Schools Revised [1996 and Supplement 1] 2009", which is incorporated by reference. The forms and procedures in the manual shall apply to the annual school budgets beginning with fiscal year [1998] 2010.

D. — E. (text unchanged)

13A.04.02.03

.03 Federal Funds.

A. Requirements. (text unchanged)

B. Application for Funds.

(1) — (3) (text unchanged)

(4) Reporting Requirements.

(a) Financial reports shall be submitted according to the forms and procedures in the "Financial Reporting Manual for Maryland Public Schools Revised [1996] 2009", which is incorporated by reference in COMAR 13A.02. 01.02C.

(b) (text unchanged)

(5) Liquidation of Financial Obligations.

(a) – (b) (text unchanged)— (b) (text unchanged)

C. (text unchanged)

IMPACT STATEMENTS

Part A

(check one option)

Estimate of Economic Impact

The proposed action has no economic impact.

or

The proposed action has an economic impact. Complete the following form in its entirety.

I. Summary of Economic Impact.

II. Types of Economic Impacts.

Revenue (R+/R-)
Expenditure (E+/E-) Magnitude

A. On issuing agency:

B. On other State agencies:

C. On local governments:

Benefit (+)
Cost (-) Magnitude

D. On regulated industries or trade groups:

E. On other industries or trade groups:

F. Direct and indirect effects on public:

III. Assumptions. (Identified by Impact Letter and Number from Section II.)

Part B
(check one option)

Economic Impact on Small Businesses

X The proposed action has minimal or no economic impact on small businesses.

or

The proposed action has a meaningful economic impact on small businesses. An analysis of this economic impact follows.

Impact on Individuals with Disabilities
(Check one option)

X The proposed action has no impact on individuals with disabilities.

or

The proposed action has an impact on individuals with disabilities as follows:

Part C

(For legislative use only; not for publication.)

- A. Fiscal Year in which regulations will become effective: **FY 2010**
- B. Does the budget for fiscal year in which regulations become effective contain funds to implement the regulations?
- Yes No
- C. If "yes," state whether general, special (exact name), or federal funds will be used:
- N/A
- D. If "no," identify the source(s) of funds necessary for implementation of these regulations:
- N/A
- E. If these regulations have no economic impact under Part A, indicate reason briefly:
- Clarification and update of financial reporting information.
- F. If these regulations have minimal or no economic impact on small businesses under Part B, indicate the reason and attach small business worksheet.
- Clarification and update of financial reporting information.

Comparison to Federal Standards

(Check one option)

There is no corresponding federal standard to this proposed regulation.

or

There is a corresponding federal standard to this proposed regulation, but the proposed regulation is not more restrictive or stringent.

or

In compliance with Executive Order 01.01.1996.03, this proposed regulation is more restrictive or stringent than corresponding federal standards as follows:

- (1) Regulation citation and manner in which it is more restrictive than the applicable federal standard:
- (2) Benefit to the public health, safety or welfare, or the environment:
- (3) Analysis of additional burden or cost on the regulated person:
- (4) Justification for the need for more restrictive standards: