

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 742 (Montgomery County Delegation)
Appropriations

**Education - State Funding - Montgomery and Prince George's Counties - City of
Takoma Park
MC 614-96**

This bill requires the State to provide additional education funding to Montgomery County in the amount equal to the reduction in Prince George's County's State basic current expense education aid resulting from the annexation of the City of Takoma Park to Montgomery County. This additional funding must go toward acquiring, constructing, or renovating school facilities. These provisions are in effect for fiscal 1999 through fiscal 2003.

Fiscal Summary

State Effect: Based on FY 1996 data, State expenditures could increase by \$440,500 in FY 1999, assuming all students from the Prince George's section of Takoma Park attend Montgomery County schools. Actual expenditure increases for FY 1999 through FY 2003 will depend upon changes in student enrollment and county wealth in those years. Revenues would not be affected.

Local Effect: Montgomery County's revenues could increase by \$440,500, assuming all students from the Prince George's section of Takoma Park attend Montgomery County schools. Prince George's County revenues are not affected. Expenditures in both counties are not affected.

Fiscal Analysis

Background: At the November 1995 municipal election, residents of Takoma Park decided to place the entire city in Montgomery County. The boundary alteration would occur on July 1, 1997. Prior legislation enabled public school students to remain in their same school after unification, which could affect approximately 1,740 students (1,190 in Montgomery County

and 550 in Prince George's County).

State Expenditures: State basic current expense education aid is based on student enrollment and wealth data for the prior fiscal year, except taxable income which is based on the second prior calendar year. Accordingly, State education aid to the two counties will not be affected until the fiscal 1999 school year, although 550 students from the Prince George's section of Takoma Park could attend Montgomery County schools beginning in fiscal 1998. Changes to each counties' State aid will depend upon the number of students from Prince George's County that attend schools in Montgomery County.

The actual fiscal impact for fiscal 1999 will depend upon student enrollment and county wealth in that year; however, it is possible to illustrate the potential impact of this legislation using fiscal 1996 data. (**Exhibit 1** sets forth the fiscal 1996 data.) Under current law, if all 550 students currently attending school in the Prince George's section of Takoma Park move to schools in Montgomery County, Montgomery County would receive an additional \$440,460 under the basic current expense formula, whereas Prince George's County would lose \$440,460. This legislation would require the State to provide an additional \$440,460 to Montgomery County for improvements to school facilities.

Alternatively, if all 550 students remain in Prince George's County, Montgomery would lose \$1.4 million under the basic current expense formula; whereas, Prince George's County would receive an additional \$1.4 million. Approximately 75% to 80% of the 550 students would have to move to Montgomery County schools for both counties' State basic current expense aid to remain the same.

The impact of the annexation varies because the wealth of Takoma Park, as measured by assessable base and net taxable income, becomes part of Montgomery County wealth. In other words, Montgomery County gains the Takoma Park tax base regardless of where the students attend school. The basic current expense formula takes this additional wealth, as well as the additional students, into account when determining Montgomery County education aid.

Since total State aid under the basic current expense formula is based on total FTE enrollment statewide, under current law the State would not realize any cost savings if students decide to attend schools in Montgomery County instead of Prince George's County, even though State aid per pupil is almost three times greater in Prince George's County than Montgomery County.

Local Revenues: Based on fiscal 1996 data, Montgomery County could receive additional State aid, if more than 75% of students in the Prince George's section of Takoma Park attend Montgomery County schools. Prince George's County State aid would not be affected.

Exhibit 1
Takoma Park Student and Wealth Components
Fiscal 1996 School Year

Student Enrollment:

Takoma Park - Montgomery County 1,190
Takoma Park - Prince George's County: 550

Wealth Component:

	<u>Montgomery</u>	<u>Prince George's</u>
Real Property Base	\$179,651,000	\$103,100,000
Public Utility Operating Property	6,878,000	2,933,000
50% Personal Property Base	2,288,000	2,795,000
Net Taxable Income	\$119,670,000	\$ 54,562,000
Total Wealth	\$308,487,000	\$163,390,000
Wealth Per Student	\$259,233	\$363,088
Recent Unincorporated Annex (est.)		\$36,308,800
Total Adj. Wealth	\$308,487,000	\$199,698,800

Information Source(s): Department of Fiscal Services, Montgomery County, Prince George's County

Fiscal Note History: First Reader - February 23, 1996

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Analysis by: Hiram L. Burch Jr.
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710