

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 890 (Delegate Elliott, *et al.*)

Ways and Means

Public Schools - Reconstitution - Transfer to Private Schools

This bill authorizes a local board of education to offer public school students currently enrolled in a reconstitution eligible school the option of applying to a private school. Local boards providing this option are required to provide financial assistance to the student's parents to defray the cost of attending the private school. Local boards must determine the number of students that may transfer to private schools.

The bill takes effect June 1, 2000.

Fiscal Summary

State Effect: General fund expenditures would decrease by \$2,100 per public school student who transfers from a reconstitution eligible school to a private school beginning in FY 2002. Revenues would not be affected.

Local Effect: Local school finances in Baltimore City and Anne Arundel and Prince George's Counties could be negatively affected in the amounts of \$3,000 and \$5,000 per student who transfers from a reconstitution eligible school to a private school.

Small Business Effect: Minimal.

Analysis

Bill Summary: This bill authorizes a local board to offer public school students currently enrolled in a reconstitution eligible school the option of applying to a private school. Local boards providing this option are required to provide financial assistance to the student's parents to defray the cost of attending the private school. The financial assistance totals the

lesser of: (1) 90% of the total cost charged on the invoice submitted to the local board for payment for the student's tuition, books, transportation, and other fees; or (2) 75% of the per pupil cost to educate a student in the county.

Upon providing this option, the local board must: (1) notify the private schools in the county of the school system's intent to offer this option to students; (2) determine the number of students who may transfer to private schools; and (3) provide certain information to parents and guardians of students enrolled in a reconstitution eligible school. The local board may select students for transfer by granting priority to students from low income families.

A private school intending to accept public school students from a reconstitution eligible school must notify the local board of the number of spaces reserved for these students and the cost of tuition, books, transportation, and other fees. A private school may not set aside more than 25% of its projected enrollment for these students.

If a student enrolled in a private school under this bill continues to meet the academic and behavior standards of the private school, then the student may attend the school through the highest grade taught at the school, even if the State board determines that the student's public school is no longer eligible for reconstitution.

Current Law: The State and local school systems do not provide funding for public school students to attend private and parochial schools.

Background: Currently, 96 public schools in Maryland have been identified by the State Board of Education as reconstitution-eligible: 83 in Baltimore City, 12 in Prince George's County, and one in Anne Arundel County. Approximately 57,000 public school students attend a reconstitution eligible school. A school becomes eligible for reconstitution if it does not meet all satisfactory or better standards in the State performance areas and its average of results in those areas: (1) is below satisfactory and declining; or (2) does not show substantial and sustained improvement through implementation of its school improvement plan.

On February 1, 2000, the State board voted to reconstitute three elementary schools in Baltimore City that were not meeting the State's standards and were not making substantial and sustained improvement. This was the first time that the State has actually moved to assume the management of a low-performing school since the State began identifying reconstitution eligible schools in 1994. These three schools are Gilmor, Montebello, and Furman L. Templeton elementary schools.

The Archdiocese of Baltimore has formed a Partners in Excellence initiative with corporations and foundations to provide financial support, particularly in the form of

scholarship assistance grants, for at-risk students in the inner city to attend Catholic schools. Nearly 3,000 students are educated each year in Archdiocesan inner-city schools; however, these schools can accommodate 4,200 students. Accordingly, space is available in inner-city Catholic schools in Baltimore City to accommodate some students from reconstitution eligible schools.

State Fiscal Effect: State education aid under the basic current expense formula is based on student enrollment in the prior year. Accordingly, any reduction in student enrollment pursuant to this legislation will reduce State aid expenditures in the following year. The average per pupil State grant under the current expense formula in fiscal 2002 is estimated at \$2,100.

Local Fiscal Effect: Local school expenditures could increase to the extent that local boards approve the transfer of public school students attending reconstitution eligible schools to private schools. There are two reasons for this increase: (1) local boards must pay a portion of the student's tuition and other expenses for attending the private school; and (2) the private school payment would in most cases exceed any cost savings realized by the school system from fewer students attending public schools.

Tuition Costs at Private Schools

Approximately 176,000 students attended nonpublic schools in Maryland in 1998, representing 17% of all students. Schools operated by the Catholic Archdiocese serve around 60,000 students in Maryland. Tuition ranges from \$1,500 and \$3,500 per student at most Catholic elementary schools and between \$3,500 and \$6,500 at most Catholic secondary schools. Non-parochial private schools charge on average approximately \$9,000 at elementary schools and \$11,000 at secondary schools. Many private schools, especially parochial schools, have parent organizations that subsidize the school's operation, thereby keeping both costs and tuition low.

Public School Expenditures

As shown in **Exhibit 1**, local boards in the three counties could be required to pay between \$5,377 and \$5,655 for each student that transfers to a private school. This assumes that private school expenses would not be less than 75% of the total per pupil expenditure at public schools. While tuition at most Catholic elementary schools is below \$4,000, it is

assumed that parents would include other expenses related to attending a private school, such as fees, books, and transportation costs, in the invoice that must be submitted, which increases the total cost of attending a private school. In addition, children could attend non-Catholic private schools where tuition is higher than the cost of public schools.

The required payments under this bill exceed the potential cost savings realized by the school system from fewer students attending public schools. As shown in **Exhibit 1**, student instruction and transportation services account for between 50% and 57% of total school expenditures. The remaining school expenditures, such as administration, special education, operations, maintenance, and fixed costs, would not be affected by fewer students attending a reconstitution eligible school.

Exhibit 1
Estimated Per Pupil Expenditures in FY 2001

| School System | Estimated Per Pupil Expenditure in Fiscal 2001 | 75% of Per Pupil Expenditure in Fiscal 2001 | Estimated Per Pupil Instructional and Transportation Cost |
|----------------------|-------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------------|
| Anne Arundel | \$7,170 | \$5,377 | \$4,075 |
| Baltimore City | \$7,540 | \$5,655 | \$3,755 |
| Prince George's | \$7,180 | \$5,385 | \$4,000 |

*Estimated expenditures equal per pupil amount in fiscal 1998 adjusted by 2.7% annually.

In addition, beginning in fiscal 2002, local school systems would not receive State aid for students who transfer to a private school. This revenue loss totals \$1,730 per pupil in Anne Arundel County, \$2,500 in Prince George's County, and \$3,035 in Baltimore City.

Exhibit 2 shows the net effect on local school revenues and expenditures for the three school systems if the local boards decide to transfer public school students to private schools.

Exhibit 2
Net Impact Per Pupil on Local School Expenditures and Revenues*

| | Estimated Private School | Estimated Instruct./Trans | Reduction in State Aid | Net Effect on |
|--|---------------------------------|----------------------------------|-------------------------------|----------------------|
|--|---------------------------------|----------------------------------|-------------------------------|----------------------|

| School System | Payment | Cost Savings | Payments | Local Finances |
|-----------------|---------|--------------|----------|----------------|
| Anne Arundel | \$5,377 | \$4,075 | \$1,730 | (\$3,032) |
| Baltimore City | \$5,655 | \$3,755 | \$3,035 | (\$4,935) |
| Prince George's | \$5,385 | \$4,000 | \$2,500 | (\$3,885) |

*Expenditures impacted beginning in fiscal 2001; however, revenues are not affected until fiscal 2002.

Additional Information

Prior Introductions: None.

Cross File: SB 570 (Senators Harris and Jacobs - Economic and Environmental Affairs) is identified as a cross file although it is not identical.

Information Source(s): Maryland State Department of Education, Department of Legislative Services

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cm/jr

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