

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE
Revised

House Bill 950 (Delegate Cryor, *et al.*)
 (Commission on Education, Finance, Equity, and Excellence)
 Ways and Means and Appropriations

Education Finance, Equity, and Excellence Act of 2001

This bill provides \$132 million in additional State funding to local school systems in both fiscal 2002 and fiscal 2003. Education programs receiving additional State funding include: student transportation, special education, academic intervention, teacher mentoring, full-day kindergarten, Judith P. Hoyer Centers, reconstitution-eligible schools, positive behavioral intervention grants, and instructional leadership development for school principals. In addition, the bill continues \$240 million in State funding to local school systems in fiscal 2003 that otherwise would have expired after fiscal 2002.

This bill takes effect June 1, 2001.

Fiscal Summary

State Effect: General fund expenditures would increase by \$132.4 million in FY 2002 and by \$132.5 million in FY 2003. In addition, \$239.7 million in State education funding that sunsets after FY 2002 would continue in FY 2003.

(\$ in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF/SF Exp.	132.4	372.2	0	0	0
Net Effect	(\$132.4)	(\$372.2)	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: State aid to local school systems would increase by \$132.4 million in FY 2002 and by \$132.5 million in FY 2003. In addition, \$239.7 million in State education funding that sunsets after FY 2002 would continue in FY 2003.

Small Business Effect: None.

Analysis

Current Law: The Maryland Constitution requires the State to provide a thorough and efficient system of free public schools. To satisfy this requirement, the State will provide approximately \$2.6 billion to local school systems in fiscal 2002. State education aid accounts for approximately 30% of the State's general fund revenues. In addition, State funding to local school systems represents the largest component of the State's general fund budget. State funding to local school systems is provided through approximately 50 programs.

Background: In the fall of 1999, the Commission on Education Finance, Equity, and Excellence was established to review the State's current education funding formulas and accountability measures. The commission released an interim report in December 2000 outlining several recommendations for the 2001 session. The commission recommended that State education funding be enhanced by \$133.4 million in fiscal 2002, including \$42.3 million for special education, \$22 million for transportation of disabled students, and \$69.1 million for programmatic enhancements.

State and Local Fiscal Effect: State expenditures for public education could increase by \$132.4 million in fiscal 2002 and by \$132.5 million in fiscal 2003. In addition, \$239.7 million in State education funding that sunsets after fiscal 2002 would continue in fiscal 2003. **Exhibit 1** shows the estimated increase in State expenditures by program. **Exhibit 2** provides a county-by-county allocation for fiscal 2002.

Exhibit 1 Increase in State Expenditures for Public Education (\$ in millions)

Program	Fiscal 2002	Fiscal 2003
Transportation – Disabled Students	\$21.9	\$22.0
Special Education	42.3	42.3
Academic Intervention	26.0	26.0
Teacher Mentoring	12.9	12.9
Full-Day Kindergarten	15.8	15.8
Judith P. Hoyer Grants	7.0	7.0
Reconstitution-Eligible Grants	5.0	5.0
Positive Behavioral Interventions	0.7	0.7
Instructional Leadership Development	0.8	0.8
Sunset Extension - SB 795/SAFE	0	105.1
Baltimore City Partnership	0	58.0
Teacher Salary Challenge Program	0	76.2
Management Oversight Panel	0	0.3
Total	\$132.4	\$372.2

Students with Disabilities Transportation Grant

Student transportation costs have increased steadily since the early 1980s, while the proportion of transportation costs funded by the State has declined. From fiscal 1981 to 1998, total expenditures for student transportation increased by 180%. During this same period, State expenditures for student transportation increased by only 35%. The percentage of total student transportation costs funded by the State peaked at about 90% in 1984 and has declined gradually in each subsequent year. In fiscal 1998 the State funded about 36% of total student transportation costs.

The transportation of students with disabilities is particularly costly, as shown by the differences in mileage for nondisabled and disabled students. Statewide, the average number of miles traveled per disabled student (1,318) is more than ten times the miles traveled per nondisabled student (127). Additionally, disabled students comprise only 4% of the total number of students who are eligible for transportation services, but account for 33% of the total miles that students are transported. Accordingly, the per pupil cost of transporting a disabled student is much higher than a nondisabled student. Current State funding for transporting disabled students is significantly less than the actual costs incurred by local school systems.

State aid to help pay the costs of transporting disabled students equals \$500 times the number of disabled students in need of special transportation services in excess of the number transported in the 1980-1981 school year. Fiscal 2002 State aid is based on the number of disabled students receiving special services as of September 1999.

Pursuant to this legislation, the per pupil grant increases to \$1,000, and the current offset for disabled students transported during the 1980-1981 school year is eliminated. Based on 27,492 disabled students requiring special transportation services, the students with disabilities transportation grant to local school systems would total \$27.5 million in fiscal 2002. This represents a \$21.9 million increase over current law. In fiscal 2003 State aid is estimated at \$27.7 million, which reflects a \$22 million increase over current law.

Special Education Grants

Growth in special education enrollment from 1989 to 1999 has increased at a faster rate than enrollment growth in the total student population. Further, special education costs are paid disproportionately by local school systems. With regard to nonpublic placements, commission testimony indicated that students are sometimes transferred from public schools to more expensive non-public placements because appropriate services that could otherwise be provided in the public schools are not available due to a lack of funding.

Under current law funding for public special education programs consists of two components: (1) a \$70 million base amount; and (2) an additional \$11.25 million second tier amount. A local school system's share of the \$70 million base grant is equal to the amount of special education funding that the school system received in 1981 under a formula that distributed funds according to: (1) total enrollment; and (2) a 1976 cost index for special education expenditures in each county. The \$11.25 million second tier funding is distributed through a formula that is based on special education enrollment and local wealth. Total State funding for public special education (\$81.25 million) has remained unchanged since 1990.

This bill increases State funding for public special education programs by \$42.3 million in fiscal 2002. This increased funding level would continue into fiscal 2003. The additional funding would be added to the \$11.25 million second tier amount. The existing \$70 million base amount would remain for both fiscal 2002 and fiscal 2003.

Maryland Academic Intervention and Support Program

The Maryland Academic Intervention and Support Program was established to improve the performance of students with documented academic deficiencies and to prepare students for the high school assessments that students will have to pass in order to graduate. The State Board of Education recommended that \$45 million be included in the State budget to fund this program in fiscal 2001; however, the program received only \$12 million in funding that year. Legislation adopted at the 2000 session requires the Governor to include \$19.5 million in funding for this program in fiscal 2002. Under current law, funding for this program is distributed to local school systems based on the percentage of students scoring less than 70% on the reading and math portions of the Maryland School Performance and Assessments Program (MSPAP). MSDE estimates that approximately 400,000 students in grades 1 through 12 need intervention services, which is about one-half of all students enrolled in the State's public schools.

This bill increases State funding for academic intervention by \$26 million in fiscal 2002. This increased funding level would continue into fiscal 2003. In addition, the bill alters the allocation method for \$7.5 million of program funding. Of the total funding, \$11.6 million would be allocated according to the percentage of students scoring less than 70% on the reading and math portions of the MSPAP; and \$33.9 million would be allocated according to an intensity factor based on the distance students are from the State standard on the grade 8 composite MSPAP score. Under current law \$19.1 million would have been allocated according to the percentage of students scoring less than 70% on the reading and math portions of the MSPAP.

Statewide Teacher Mentoring Program

The State currently provides \$15.4 million in funding for teacher mentoring programs that assist newly hired teachers and teachers who have less than five years experience with classroom management, curriculum, and school agendas. Of the total funding, \$5 million is part of a statewide initiative and the remaining \$10.4 million is for special grants to three local school systems (\$500,000 for Anne Arundel County, \$7.9 million for Baltimore County, and \$2 million for Prince George's County).

This bill increases State funding for teacher mentoring programs by \$12.9 million in fiscal 2002. This increased funding level would continue into fiscal 2003. The enhanced funding would provide 152 mentors for 2,280 teachers. Each local school system would receive a \$100,000 base grant to cover basic operating expenses associated with the program. The remainder of the funds (\$10.5 million) would be distributed to local school systems based on the number of new hires with an adjustment for local wealth.

Full-Day Kindergarten

Approximately 57,000 children currently attend public school kindergarten programs in Maryland. Most local school systems operate half-day kindergarten programs. However, about 30% of elementary schools in the State offer full-day kindergarten programs. For the 1999-2000 school year, an estimated 14,200 students attended full-day kindergarten programs. Most of these students were in Baltimore City and Allegany, Baltimore, Caroline, Garrett, Montgomery, and Prince George's counties. All kindergarten students in Allegany, Caroline, and Garrett counties attend a full-day program.

This bill provides \$15.8 million in additional State funding for full-day kindergarten programs in both fiscal 2002 and fiscal 2003. This bill does not include a distribution method for allocating the funds to local school systems. According to the commission's interim report, the additional funding is based on the cost of providing: (1) increased funding under the basic current expense formula as a result of using an enrollment count that assumes, for the purpose of calculating aid, that one-fourth of the total number of kindergarten students are counted as full-day kindergarten students; and (2) reallocations under four other State aid programs (compensatory aid, special education, targeted improvement grant, and student transportation) that would be affected by the use of the new enrollment count in calculating aid under the basic current expense formula. This method of distribution is simply illustrative of one way in which the \$15.8 million could be distributed to individual counties to support voluntary full-day kindergarten initiatives. The actual funding allocation to local school systems could vary depending on which distribution method is used and which local school systems implement full-day kindergarten programs.

Judith P. Hoyer Early Child Care and Education Enhancement Program

This program provides financial support for the establishment of centers that provide full-day, comprehensive, early education programs and family support services that will assist in preparing children to enter school ready to learn. This program also provides funding to support voluntary accreditation of early child care centers, professional development of early childhood educators, and statewide implementation of an early childhood assessment system. The proposed fiscal 2002 State budget includes \$8 million for these programs.

This bill requires that at least \$15 million in State funding be provided for this program in both fiscal 2002 and fiscal 2003. Of this amount, \$8 million is for Judy Center grants; \$2.3 million is for early child care and education enhancement grants to be awarded to early child care and education programs that have voluntarily obtained accreditation or have voluntarily initiated or are actively pursuing accreditation; \$1.6 million is for early child care and education enhancement grants to be awarded to local school systems; \$1.3 million is for statewide implementation of MSDE's early childhood assessment system; \$1 million is for early childhood professional preparation projects; and \$800,000 is to cover costs incurred by MSDE in implementing the program.

Reconstitution-Eligible Schools

This program assists low-performing schools in meeting State performance standards by providing extended-day academic instruction, implementing student assessments and professional teacher development, providing additional teachers, and instituting exemplary curricula. Currently, 102 public schools in Maryland have been identified by the State Board of Education as reconstitution-eligible: 85 in Baltimore City, 15 in Prince George's County, one in Anne Arundel County, and one in Baltimore County. Approximately 61,000 public school students attend a reconstitution eligible school. In addition, the State Board of Education has placed four Baltimore City public schools under State reconstitution. Three schools, Gilmor, Montebello, and Furman L. Templeton elementary schools, were reconstituted in February 2000 and the Westport school that serves both elementary and middle school students was reconstituted in January 2001.

The proposed fiscal 2002 State budget includes \$9.8 million for this program. Of this amount: \$7.8 million is for Baltimore City, \$1.6 million is for Prince George's County, \$0.2 million is for Anne Arundel County, and the remainder is unallocated. This bill provides an additional \$5 million for this program. According to the commission's interim report, the additional funding would be used to provide: coaches and technical assistance teams to schools, and grants to school systems to increase instructional capacity at reconstitution-eligible schools.

Student Support – Positive Behavioral Interventions

This program trains school personnel on how to teach behavioral expectations and positive social behaviors with the goal of reducing the number of students referred for discipline. The program addresses Maryland's continuing problem with high suspension and expulsion rates. The program was originally funded as a pilot project through a partnership agreement with Sheppard Pratt Health System. As part of the initial partnership agreement, personnel at 15 elementary schools participated in training and follow-up programs. During the summer of 2000, personnel at 24 additional schools participated in training. This bill requires that an additional \$712,090 in State funding be provided for this program in both fiscal 2002 and fiscal 2003.

Instructional Leadership Development for School Principals

This program would establish and deliver instructional leadership programs for school principals. This bill requires that an additional \$750,000 in State funding be provided for this program in both fiscal 2002 and fiscal 2003. These funds would be used to cover the costs of providing ongoing professional development for school leaders using a model that includes bringing cohorts of school principals together to participate in four days of intensive training and three additional days of follow-up training.

State Education Funding That Sunsets After Fiscal 2002

At the 1997 session, the General Assembly adopted legislation (Senate Bill 795/Chapter 105) restructuring the management of the Baltimore City Public School System. Specifically, the legislation: (1) established the Baltimore City-State Partnership grant, the additional poverty grants, and the aging schools program; (2) enhanced State funding for the limited English proficiency and extended elementary education programs; and (3) provided Baltimore County with additional funding for teacher mentoring, Montgomery County with additional funding for gifted and talented programs, and Prince George's County with additional funding for magnet schools.

At the 1998 session, the General Assembly adopted the School Accountability Funding for Excellence (SAFE) Program that provided additional targeted State funding for education programs serving at-risk students. Specifically, the legislation: (1) established a new targeted improvement grant, elementary school library grant, and teacher development program; (2) enhanced State funding for the limited English proficiency, aging schools, and extended elementary education programs; and (3) provided Prince George's County with additional funding for effective schools, a pilot integrated student support services project, and teacher certification initiatives.

These two bills have provided over \$668 million to local school systems over a five-year period. In fiscal 2002 State funding under the two bills total \$154 million. State funding, however, will expire after fiscal 2002. This bill extends \$163.1 million in State funding through fiscal 2003, including \$58 million for the Baltimore City Partnership grant.

Teacher Salary Challenge Program

Chapter 492/493 of 2000 provided incentives to local boards of education to increase teachers' salaries in fiscal 2001 and 2002. Funding under the challenge program consisted of five components: a percentage component; a wealth-adjusted component; a targeted component; a hold harmless component; and a transitional component. The program terminates after fiscal 2002. This bill extends the program's funding until fiscal 2003 without increasing the State match beyond the fiscal 2002 funding level. State expenditures in fiscal 2003 will total \$76.2 million.

Management Oversight Panel

Pursuant to the SAFE legislation, a Management Oversight Panel (MOP) for the Prince George's County Public School System was established to monitor the progress of the school system's performance and financial audits and the implementation of the audits' recommendations for a four-year period. The State was responsible for funding the coordination office up to a maximum of \$210,000 each year. However, since State funding began in fiscal 2000, the State appropriation for the MOP has been set at \$310,000.

Exhibit 3 provides a list of the programs that sunset at the end of fiscal 2002 and the estimated costs of funding these programs in fiscal 2003.

Prince George's County School Construction Funding

Legislation enacted in 1998, Chapter 704, altered the State/local cost sharing formula for public school construction projects in Prince George's County by requiring the State to fund 75% of the eligible project costs for the first \$35 million in public school construction funding allocated by the State and 60% on any funds in excess of \$35 million. Under the existing cost share arrangement, the State was responsible for 60% of eligible project costs. In addition, the legislation required the State to provide Prince George's County with \$35 million each year in school construction funding for fiscal 1999 through fiscal 2002. Prince George's County must provide at least \$32 million for school construction projects. This bill extends the current State/local cost share arrangement and the required \$35 million State appropriation for school construction projects for Prince George's County until fiscal 2003. This extension will enable Prince George's County to leverage State school construction funding with less local funds; however, fewer school construction projects in Prince George's County may be funded.

Task Force Extension

The bill extends the final reporting deadline for the Commission on Education Finance, Equity, and Excellence from October 15, 2000 to October 15, 2001. The commission terminates May 31, 2002.

Additional Information

Prior Introductions: None.

Cross File: SB 719 (Senator Hoffman, *et al.*) – Budget and Taxation and Economic and Environmental Affairs.

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

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Exhibit 2
Education Finance, Equity, and Excellence Act of 2001 - House Bill 950
Increased State Education Funding

<u>School System</u>	<u>Transportation Enhancement</u>	<u>Special Education Enhancement</u>	<u>Academic Intervention</u>	<u>Teacher Mentoring</u>	<u>Full-Day Kindergarten Phase In</u>	<u>Other Programs*</u>	<u>Total Estimated Increase</u>	<u>Per Pupil Increase</u>
Allegany	\$185,000	\$980,406	\$288,445	\$132,734	\$275,553		\$1,862,138	\$189
Anne Arundel	1,526,500	2,909,054	2,175,546	592,093	1,151,802		8,354,995	118
Baltimore City	4,587,500	11,009,273	7,072,056	2,481,642	2,738,271		27,888,742	301
Baltimore	2,865,500	3,719,576	2,493,316	1,148,552	1,412,643		11,639,586	116
Calvert	116,000	788,201	306,955	229,697	317,499		1,758,352	115
Caroline	74,500	448,308	117,872	170,359	148,032		959,072	186
Carroll	364,000	1,481,161	580,955	331,698	576,855		3,334,669	126
Cecil	229,500	1,090,076	384,161	299,526	360,245		2,363,508	159
Charles	215,500	1,160,590	545,866	389,866	383,745		2,695,567	122
Dorchester	44,500	277,549	163,269	184,014	99,616		768,948	170
Frederick	442,000	1,680,791	845,068	499,340	854,920		4,322,120	124
Garrett	46,500	312,734	98,336	174,922	(82,217)		550,276	115
Harford	373,000	2,285,907	824,718	629,387	937,639		5,050,652	136
Howard	670,500	1,229,059	895,666	590,525	661,649		4,047,398	94
Kent	31,500	98,047	50,744	124,832	37,662		342,785	132
Montgomery	5,515,000	3,423,403	2,636,278	792,848	1,422,437		13,789,966	109
Prince George's	3,721,000	5,823,511	4,748,314	2,492,711	3,048,399		19,833,936	158
Queen Anne's	39,500	329,893	166,499	176,340	134,544		846,776	127
St. Mary's	187,000	822,781	374,624	268,800	355,787		2,008,991	143
Somerset	72,000	220,056	106,901	147,221	91,068		637,247	228
Talbot	43,000	86,202	117,762	113,844	8,250		369,058	88
Washington	327,000	1,171,414	438,860	408,273	477,277		2,822,824	151
Wicomico	186,000	786,470	425,147	410,151	343,416		2,151,185	164
Worcester	72,500	165,536	142,641	110,625	54,374		545,676	85
Unallocated	0	0	0	0	0	13,462,000		
Total	\$21,935,000	\$42,300,000	\$26,000,000	\$12,900,000	\$15,809,466	\$13,462,000	\$132,406,466	\$165

* Includes \$7 million for Judy Centers, \$5 million for reconstitution schools, \$712,000 for positive behavioral intervention, and \$750,000 for instructional leadership development.
Prepared by the Department of Legislative Services, February, 2001

Exhibit 3
State Education Funding That Expires After Fiscal 2002 - Estimated Cost in Fiscal 2003

	<u>Fiscal 1998</u>	<u>Fiscal 1999</u>	<u>Fiscal 2000</u>	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Teacher Salary Challenge Program (SB 810/HB 1247)	\$0	\$0	\$0	\$35,038,002	\$85,221,182	\$76,221,182
Baltimore City - State Partnership Grant						
SB 795	30,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
SB 810/HB 1247	0	0	0	8,000,000	8,000,000	8,000,000
Additional Poverty Grants - SB 795	16,563,360	16,563,360	16,563,360	16,563,360	16,563,360	16,563,360
Limited English Proficiency Grant						
SB 795	1,903,500	1,903,500	1,903,500	1,903,500	1,903,500	1,903,500
SAFE	0	15,327,250	16,500,000	16,800,000	17,900,000	18,800,000
Targeted Improvement Grant (SAFE)	0	20,645,706	21,400,458	21,813,201	21,991,425	22,453,000
Extended Elementary Education Program						
SB 795	3,290,000	3,290,000	3,290,000	3,290,000	3,290,000	3,290,000
SAFE	0	4,365,761	4,365,761	4,365,761	4,365,761	4,365,761
Teacher Development/Mentoring Grants						
Teacher Development Grant (SAFE)	0	5,488,000	5,616,000	5,712,000	5,760,000	5,898,000
Baltimore County Teacher Mentoring Grant (SB 795)	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Baltimore County Teacher Development Grant (SAFE)	0	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Prince George's County Teacher Development Grant (SAFE)	0	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Prince George's County Teacher Certification Grant (SAFE)	0	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Statewide Teacher Certification/Development Initiatives (SAFE)	0	500,000	500,000	500,000	500,000	500,000
Aging Schools Program						
SB 795	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000
SAFE	0	6,020,000	6,020,000	6,020,000	6,020,000	6,020,000
School Libraries Grant (SAFE)	0	2,549,838	2,721,423	3,000,000	3,000,000	3,000,000
Other Grants						
Montgomery County Gifted and Talented Grant (SB 795)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Prince George's County Magnet Schools Grant (SB 795)	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Prince George's County Effective Schools Grant (SAFE)	0	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Prince George's County Pilot I.S.S.S. Grant (SAFE)	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Management Oversight Panel (SAFE)	0	0	310,000	310,000	310,000	310,000
Total	\$61,606,860	\$149,003,415	\$151,540,502	\$195,665,824	\$247,175,228	\$239,674,803
City School Legislation (SB 795)	\$61,606,860	\$81,606,860	\$81,606,860	\$81,606,860	\$81,606,860	\$81,606,860
SAFE Legislation (HB 1)	\$0	\$67,396,555	\$69,933,642	\$71,020,962	\$72,347,186	\$73,846,761
Teacher Salary Challenge Program (SB 810/HB 1247)	\$0	\$0	\$0	\$43,038,002	\$93,221,182	\$84,221,182

Prepared by the Department of Legislative Services, February 2001

