

**Department of Legislative Services**  
 Maryland General Assembly  
 2001 Session

**FISCAL NOTE**

Senate Bill 136                                      Senator Harris)  
 Economic and Environmental Affairs and Budget and Taxation

**Education - Class Size Reduction - Maryland Learning Success Program**

This bill accelerates the implementation of the Maryland Learning Success Program by two fiscal years. The proposed funding formula for fiscal 2002 would be based on the current fiscal 2004 formula, and the proposed formula for fiscal 2003 would be based on the current fiscal 2005 formula. The bill also repeals the reduction in program funding for school systems in which more than 2% of teachers are provisionally certified. Local school systems must submit a plan to the Maryland State Department of Education that specifies a strategy for reducing first and second grade reading instruction class sizes to a ratio no greater than 15 students per teacher through the use of program funds.

The bill is effective July 1, 2001.

**Fiscal Summary**

**State Effect:** General fund expenditures would increase by \$14.5 million in FY 2002 for increased grants to local school systems. Revenues would not be affected.

(\$ in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	14.5	14.8	7.2	0	0
Net Effect	(\$14.5)	(\$14.8)	(\$7.2)	\$0	\$0

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

**Local Effect:** State aid to local boards of education would increase by \$14.5 million in FY 2002. Local expenditures would increase by at least that much beginning in FY 2002.

**Small Business Effect:** None.

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## **Analysis**

**Current Law:** The Maryland Learning Success Program provides grants to local school systems for the purpose of reducing reading instruction class sizes for students in first and second grades. The grant provides State aid based on the number of first and second grade students in the local school system and the school system's starting salary for a teacher with no experience and a bachelor's degree. In fiscal 2002, each school system's allocation is determined by dividing the number of first and second grade students by 375 and then multiplying the quotient by either \$39,000 or 130% of the starting teacher salary, whichever is greater. The same basic formula is used in each fiscal year thereafter, but the number by which first and second grade students are divided decreases to 250 in fiscal 2003, 185 in fiscal 2004, and 150 in fiscal 2005 and beyond, thereby increasing local grants.

Beginning in fiscal 2003, the grant received by a local school system through the Maryland Learning Success Program can be reduced if the number of provisionally certified teachers in the system exceeds 2%. The State Superintendent of Schools may waive or modify the reduction if a school system demonstrates that it has made efforts to reduce the number of provisionally certified teachers in its schools.

Prior to October 1, 1999 each local school system was required to submit a plan for its use of program funds that included a strategy for reducing first and second grade reading instruction class sizes to a ratio no greater than 20 students per teacher.

To qualify for a grant under the Maryland Learning Success Program, a local school system must use its federal Class Size Reduction (CSR) grants to reduce class sizes for reading instruction in the first and second grades.

**Background:** The Maryland Learning Success Program was established by Chapter 514 of 1999, shortly after the U.S. Department of Education launched its CSR initiative. A November 1999 U.S. Department of Education report cited substantial research showing higher student achievement in reading and math when class sizes are reduced to 15-20 students. The report noted that the benefits of small class sizes are most apparent with disadvantaged and minority students.

A Spring 2000 policy report by the ERIC Clearinghouse on Education Management reports that, based on its review of formal class size evaluations, class size reduction is most effective when the student-teacher rate is reduced significantly (ideally to 13 to 17 students per teacher), when reduction initiatives are implemented in grades K-3, and

when certain services and technologies are available to achieve the small-class effect. The review notes, however, that no organizational reform, smaller class size included, will substitute for high-quality teaching. Ongoing evaluations consistently indicate that class size initiatives are most effective when coupled with a program of professional development that helps teachers adapt their teaching methods to smaller classes.

Virginia has a class-size reduction program with the goal of reducing student-teacher ratios in kindergarten through third grade. The program targets schools with higher concentrations of at-risk students.

The Governor’s proposed fiscal 2002 budget includes \$17.3 million for the Maryland Learning Success Program and \$19 million in federal CSR grants.

**State Expenditures:** General fund expenditures would increase by \$14.5 million in fiscal 2002 due to the alteration of the Maryland Learning Success Program funding formula. General fund expenditures could increase by \$14.8 million in fiscal 2003 and \$7.2 million in fiscal 2004. Because the program is set to reach full funding in fiscal 2005, there would be no increase in State aid through the program beyond fiscal 2004. **Exhibit 1** compares the current program funding to the funding levels proposed in this legislation.

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**Exhibit 1**  
**SB 136 Increased Funding Under the Maryland Learning Success Program**  
**(Dollars in Thousands)**

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
SB 136	\$28,527	\$37,038	\$38,193	\$39,422	\$40,545
Current Program	14,074	22,223	30,967	39,422	40,545
SB 136 Increase	\$14,454	\$14,815	\$7,226	\$0	\$0

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It is assumed that the State Superintendent of Schools would have waived the reduction in grant funding for school systems where the number of provisionally certified teachers exceeds the program’s 2% limit. Thus, the repeal of this provision would have no fiscal effect. **Exhibit 2** displays the number of provisionally certified teachers in each school system as of October 1999.

The estimate provided here does not include any additional State cost for school construction. It is assumed that the current State commitment for public school construction projects will remain the same. The Governor has included \$246 million in the proposed fiscal 2002 State budget for public school construction projects.

**Local Fiscal Effect:** To assist local boards of education in reducing class sizes, State aid to local school systems would increase by \$14.5 million in fiscal 2002, as shown in **Exhibit 3**.

In the 2000-2001 school year, 129,090 first and second grade students attend public schools in Maryland. The most recent available class size assessments estimate an average of 24 to 25 students per teacher in Maryland's elementary schools. Based on this average, local school systems would have to add about 3,300 first and second grade reading classes to comply with the proposed class size of 15 students per teacher which is 2,100 more than would be required if the law was not changed. The formulas initially established for the program were designed to reduce class sizes to 20 students per teacher by fiscal 2005. This bill accelerates that process but does not alter the formulas to account for class sizes of 15 students.

The full cost associated with reducing class sizes depends upon the staffing capacity at each school, the ability to rearrange teaching and classroom schedules, the need for new teachers, and the need for additional classroom space. These characteristics vary by jurisdiction. However, based on the salary for a beginning teacher (and assuming a 30% fringe benefit rate), the additional State aid under the bill would pay the salaries of approximately 338 teachers in fiscal 2002, 336 teachers in fiscal 2003, and 159 teachers in fiscal 2004.

Local school systems, most notably Baltimore City and Prince George's County, would benefit from the repeal of the provision that reduces the local school system's grant if more than 2% of the system's teachers are provisionally certified. Assuming the proportion of provisionally certified teachers as of October 1999 has not changed, Baltimore City would lose nearly 100% of its fiscal 2003 program funding, unless it could receive a waiver from the State Superintendent. Prince George's County could lose up to 75% of its fiscal 2003 program funding. Twenty other counties were over the limit and could have lost a portion of State funding.

Local school systems would be required to update their Maryland Learning Success Program plans to include strategies for reducing first and second grade reading instruction class sizes to 15 students per teacher. It is assumed that this update could be prepared with existing budgeted resources.

**Additional Comments:** Approved school construction costs are shared by the State and local governments based on local wealth. The State share ranges from 50% in the more wealthy jurisdictions to 80% in the poorest jurisdictions. In addition, the State share only covers eligible costs. The local governments are responsible for non-eligible costs such as architectural and engineering fees, utility connections, permits, and movable furniture and equipment.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader – February 5, 2001  
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**Exhibit 2**  
**Provisionally Certified Teachers, October 1999**

<b>County</b>	<b>Number of Teachers</b>	<b>Provisionally Certified</b>	
		<b>Number</b>	<b>Percent</b>
Allegany	741	4	0.5%
Anne Arundel	4,750	117	2.5%
Baltimore City	6,165	1,346	21.8%
Baltimore	7,438	323	4.3%
Calvert	940	22	2.3%
Caroline	386	10	2.6%
Carroll	1,717	32	1.9%
Cecil	1,109	42	3.8%
Charles	1,384	68	4.9%
Dorchester	382	13	3.4%
Frederick	2,434	84	3.5%
Garrett	388	7	1.8%
Harford	2,675	86	3.2%
Howard	3,178	102	3.2%
Kent	209	9	4.3%
Montgomery	8,566	240	2.8%
Prince George's	8,042	1,403	17.4%
Queen Anne's	459	16	3.5%
St. Mary's	1,015	41	4.0%
Somerset	231	8	3.5%
Talbot	331	15	4.5%
Washington	1,357	19	1.4%
Wicomico	1,062	27	2.5%
Worcester	526	11	2.1%
<b>Total</b>	<b>55,485</b>	<b>4,045</b>	<b>7.3%</b>

Source: Maryland State Department of Education

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**Exhibit 3**  
**Maryland Learning Success Program**  
**Funding Increases Under SB 136**

<b>School System</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Allegany	\$148,040	\$142,703	\$66,617
Anne Arundel	1,206,332	1,239,483	603,225
Baltimore City	1,939,097	1,930,927	911,514
Baltimore	1,710,091	1,755,336	855,133
Calvert	254,498	265,135	130,972
Caroline	78,186	78,144	37,992
Carroll	427,564	441,062	215,728
Cecil	256,212	264,301	129,144
Charles	371,573	383,304	189,345
Dorchester	69,961	70,322	34,395
Frederick	590,100	615,969	305,478
Garrett	83,099	80,588	37,964
Harford	633,117	652,457	319,124
Howard	768,096	802,553	398,402
Kent	41,028	41,652	20,068
Montgomery	2,421,695	2,500,624	1,226,737
Prince George's	2,304,987	2,387,181	1,176,900
Queen Anne's	115,527	119,292	58,347
St. Mary's	248,382	255,208	124,700
Somerset	48,492	46,413	22,003
Talbot	72,624	73,729	35,343
Washington	315,199	321,776	156,757
Wicomico	246,626	241,321	118,150
Worcester	103,393	105,600	51,650
<b>Total</b>	<b>\$14,453,919</b>	<b>\$14,815,080</b>	<b>\$7,225,688</b>

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