

**Department of Legislative Services**  
Maryland General Assembly  
2019 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 172 (The President)(By Request - Administration)

Education, Health, and Environmental Affairs  
and Budget and Taxation

**Public Charter School Facility Fund**

This Administration bill establishes the Public Charter School Facility Fund to provide funding to public charter schools in the State for school facilities. Each year, the Governor must appropriate to the fund an amount that equals or exceeds aggregate enrollment in public charter schools multiplied by \$1,600. **The bill takes effect July 1, 2019.**

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$38.7 million in FY 2020 for the fund; special fund revenues and expenditures are assumed to increase commensurately. General fund expenditures increase by an additional \$63,800 to administer the grant program. Out-year expenditures reflect 1% enrollment growth, a full salary, and ongoing operating costs. FY 2020 funding is at the discretion of the Governor. **This bill establishes a mandated appropriation beginning in FY 2021.**

| (\$ in millions) | FY 2020  | FY 2021  | FY 2022  | FY 2023  | FY 2024  |
|------------------|----------|----------|----------|----------|----------|
| SF Revenue       | \$38.7   | \$39.1   | \$39.5   | \$39.9   | \$40.3   |
| GF Expenditure   | \$38.8   | \$39.2   | \$39.6   | \$40.0   | \$40.4   |
| SF Expenditure   | \$38.7   | \$39.1   | \$39.5   | \$39.9   | \$40.3   |
| Net Effect       | (\$38.8) | (\$39.2) | (\$39.6) | (\$40.0) | (\$40.4) |

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

**Local Effect:** Local school system revenues increase by \$38.7 million in fiscal 2020, which reflects the State grants received by public charter schools. Out-year revenues reflect 1% assumed enrollment growth. No effect on expenditures.

**Small Business Effect:** The Administration has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

## Analysis

**Bill Summary:** Funding provided to public charter schools is equal to the eligible facility expenses that the charter school demonstrates that it incurred in the immediately preceding fiscal year, but funding for each school in a given year is capped at the school's enrollment multiplied by \$1,600. Funds may be used by charter schools to acquire, plan, develop, finance, construct, lease, improve, repair, and maintain their facilities. The Maryland State Department of Education (MSDE) must establish procedures to administer grants to public charter schools.

The bill cannot be construed to reduce the amount of funding to which public charter schools are entitled under current law.

### **Current Law:**

#### *Charter Schools Generally*

The general purpose of the Maryland Public Charter School Program is to establish an alternative means within the existing public school system in order to provide innovative learning opportunities and creative educational approaches to improve the education of students. A local board of education must disburse to a public charter school an amount of county, State, and federal money for elementary, middle, and high school students that is commensurate with the amount disbursed to other public schools in the local jurisdiction.

The local board of education is the public chartering authority within a county. Public charter schools must be nonsectarian and, with exceptions, open to all students on a space-available basis and admit students on a lottery basis if more students apply than can be accommodated. If granted a waiver, a public charter school located within a federal military base may designate as much as 65% of its enrollment for students whose parents are assigned to the base.

Public charter schools cannot discriminate in their enrollment policies or charge tuition to students. A local school system must serve students with disabilities attending charter schools in the same manner as the public agency serves students with disabilities in its other schools, in accordance with applicable federal and State law. A public charter school must require students to be physically present on school premises for a period of time substantially similar to that which other public school students spend on school premises.

An application to establish a public charter school may be submitted to a county board by the staff of a public school, a parent of a student who attends a public school in the county, a nonsectarian nonprofit entity, a nonsectarian institution of higher education in

the State, or any combination of these. A public chartering authority may not grant a charter to a private school, a parochial school, a home school, or a school that operates fully online.

### *Charter School Facilities*

If a local school system decides, with the approval of the State Superintendent, that a school site or building is no longer needed for school purposes, it must first offer the building to the county government. If the county government indicates that it does not want the building for specified purposes, the county board must inform charter schools in the county that the school site or building is available for occupation and use by a charter school on the terms determined by the school board. Each local school board must establish procedures for determining which charter school can occupy an available school site or building.

Charter schools located in public school buildings owned by the local board of education or Baltimore City are eligible for capital funding under the State Public School Construction Program.

**Background:** During the 2018-2019 school year, there were 49 charter schools operating in the State with a total enrollment of 24,205. Of the 49 schools, 34 were in Baltimore City, 9 were in Prince George's County, 3 were in Frederick County, 2 were in Anne Arundel County, and 1 was in St. Mary's County.

A 2016 study of charter school funding in Maryland conducted on behalf of the State by American Institutes for Research (AIR) found that, in the five jurisdictions with charter schools, per pupil expenditures for charter schools exceeded that for traditional schools in Anne Arundel and St. Mary's counties, the reverse was true in Frederick and Prince George's counties, and spending was roughly even in Baltimore City. However, in four of the five counties, actual per pupil expenditures for charter schools exceeded their predicted expenses based on their location, student populations, and other factors.

AIR reported that, of the 45 charter schools operating at the time, 10 facilities were owned by the operator, 17 were leased from a local school system, and 18 were leased from other entities. Occupancy costs ranged from \$10 to \$3,400 per student, but were most commonly between \$1,500 and \$2,500 per student.

According to the Education Commission of the States, of the 45 states (including the District of Columbia) with charter school legislation, 16 provide capital or facility aid to charter schools on a per pupil basis. In addition, 31 states offer charter schools access to state or other tax-free financing options for facility costs, and 16 states provide other facility or capital support, often through targeted grant programs.

In 2017, MSDE received a five-year, \$17.2 million federal grant from the Expanding Opportunity through Quality Charter Schools program. The first six grants, totaling \$5.4 million, were awarded in September 2018.

**State Expenditures:** Based on the most recent enrollment data from the 2018-2019 school year, general fund expenditures increase by \$38.7 million in fiscal 2020 for the Public Charter School Facility Fund; special fund revenues and expenditures increase commensurately. These expenditures are at the discretion of the Governor in fiscal 2020; the proposed fiscal 2020 budget does not include an appropriation to the fund.

Beginning in fiscal 2021, the funding is mandated annually. It is assumed that all of the required appropriation is expended each year; actual expenditures will depend on eligible facility expenses incurred by public charter schools in the prior fiscal year. Any funds that are not expended remain in the special fund for use in future years. Out-year expenditures assume 1% charter school enrollment growth annually.

In addition, MSDE does not have sufficient staff to administer a new grant program. Therefore, general fund expenditures increase by \$63,835 in fiscal 2020, which accounts for a 90-day start-up delay from the bill's July 1, 2019 effective date. This estimate reflects the cost of hiring one program manager to administer the grant program. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

|   |                 |
|---|-----------------|
| Position                                | 1               |
| Salaries and Fringe Benefits            | \$58,476        |
| Operating Expenses                      | <u>5,359</u>    |
| <b>Total FY 2020 State Expenditures</b> | <b>\$63,835</b> |

Future year expenditures reflect a full salary with annual increases and employee turnover and ongoing operating expenses.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 156 (The Speaker)(By Request - Administration) - Appropriations.

**Information Source(s):** Maryland State Department of Education; Department of Budget and Management; Comptroller's Office; Montgomery County Public Schools; Prince George's County Public Schools; State Treasurer's Office; Baltimore City Public Schools; American Institutes for Research; Education Commission of the States; Department of Legislative Services

**Fiscal Note History:** First Reader - February 25, 2019  
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# ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: **Public Charter School Facility Fund**

BILL NUMBER: SB 172/HB 156

PREPARED BY: Governor's Legislative Office

## PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

**OR**

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

## PART B. ECONOMIC IMPACT ANALYSIS