

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 939 (Delegate Arikan)
Ways and Means and Appropriations

Education - Student Education Grant Program - Established

This bill establishes a Student Education Grant Program to provide grants for students to attend an “open” nonpublic school if the public school they are assigned to attend is not “open” on the *first day of school* for the 2021-2022 school year. A grant may not be less than the State share of the foundation program for the county that the student resides in, and an eligible student must continue to receive a grant until the student turns 21 years old or graduates high school, whichever is earlier. “Open” is defined as at the time of application (1) the school is offering fully in-person learning for all classes in the school and (2) the school has not restricted any in-person school sports or extracurricular activities. The Maryland State Department of Education (MSDE) must use funds distributed to the local school system under the Foundation Program to provide the grants. MSDE must verify that a student is eligible and distribute the grant. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: To the extent staff resources cannot be redirected to administer the grant program, general fund expenditures may increase. Revenues are not affected.

Local Effect: Local school system revenues decrease beginning in FY 2022 by an estimated average of \$8,000 per eligible student who applies for the grant. Revenue decreases potentially continue until FY 2039, as explained below. Additional potentially significant impacts on local school system revenues and expenditures and local government expenditures are possible. Overall impact on revenues and expenditures cannot be reliably estimated.

Small Business Effect: None.

Analysis

Bill Summary: An eligible student may apply to MSDE to receive a grant to be used to attend an open nonpublic school during the school year. A student who receives a grant for the 2021-2022 school year must continue to receive a grant each year the student is enrolled in a nonpublic school as specified.

MSDE must establish an application process to verify that a student is eligible for the program. MSDE must review applications in a timely manner and approve an application if the student meets the requirements of an eligible student. MSDE must distribute a grant to the eligible student.

MSDE may *only* adopt regulations to (1) establish the process for grant applications and renewals; and (2) establish the process for distributing the grants, including redirecting foundation program funding to eligible students. MSDE may *not* adopt regulations to (1) alter the definition of an eligible student or (2) require any additional criteria for grant applications.

Current Law: The Foundation Program is the major State aid program for public schools. A formula determines for each school system the State and local shares of a minimum per pupil funding level. The total cost of the Foundation Program, which equals the per pupil foundation amount times the full-time equivalent student enrollment count, is shared equally by the local governments and the State. However, as a wealth equalized formula, the State provides more aid per pupil to school systems in the less wealthy jurisdictions and less aid per pupil to school systems in the more wealthy jurisdictions. In addition to the Foundation Program, there are per pupil funding formulas for specified groups of students.

State Expenditures:

Administrative Costs

Beginning with fiscal 2022 (the 2021-2022 school year), MSDE may need to redirect staff resources from existing priorities to administer the grant program if a significant number of schools are not “open” as defined by the bill. To the extent staff resources cannot be temporarily redirected, general fund expenditures increase to hire a contractual grants administrator. Any need for contractual services will likely be of limited duration; however, there may be administrative costs in future years if eligible students choose to reapply annually. Any such increase cannot be reliably estimated as it is dependent on the number of public schools that are not “open” and the number of eligible students who apply or reapply for the grant each year. MSDE will need to develop regulations to establish a

process for the grant applications and renewals and to establish the process for distributing the grants, including redirecting foundation program funding to eligible students.

Local Revenues:

Local School System Revenues

Beginning with the 2021-2022 school year (fiscal 2022), local school system revenues decrease by an estimated \$4,200 to \$14,200 per eligible student who receives the grant. The decrease continues for as long as the student remains enrolled in a nonpublic school until the student turns 21 years old or graduates from high school, whichever is earlier (as late as fiscal 2038, *i.e.*, 2037-2038 school year, for students who enter kindergarten at 5 years of age in the 2021-2022 school year).

State foundation per pupil aid is based on the September 30 enrollment count from the prior fiscal year. In fiscal 2020, State aid per full-time equivalent student was approximately \$8,000; however, the amount of State per pupil aid varied by local school system from about \$4,200 for Talbot County to about \$14,200 for Somerset County. Thus, *in addition to* the revenue decrease discussed above to fund the grants, State foundation per pupil aid decreases beginning in fiscal 2023 (based on the prior year count) for students who received grants to attend a nonpublic school in the 2021-2022 school year. Revenue decreases could include until fiscal 2039 (for students who were not included in the September 30 count for the 2037-2038 school year).

Revenue decreases each year depend on the number of schools not “open” and the number of eligible students who apply or reapply for the grant each year. The impact cannot be reliably estimated. However, the impact on any local school system that is not able to be fully “open” is likely to be significant.

Further, as explained below, local per pupil appropriations may decrease.

Local Expenditures:

Local School System Expenditures

To the extent local school system enrollment significantly decreases, local school system expenditures may decrease. However, many local school system expenditures are fixed costs and cannot be quickly adjusted. Any such impact cannot be reliably estimated.

Local Government Expenditures

To the extent that students do not enroll in a public school system due to the grant program, required local expenditures the following fiscal year decrease. Per pupil local appropriations for public schools averaged about \$7,600 in fiscal 2020, ranging from about \$2,800 in Caroline County to \$14,100 in Worcester County.

Additional Comments: Students who never attended or intended to attend a public school are eligible for the grant program. Private school enrollments and revenues may increase due to the grant program.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland State Department of Education; Montgomery County Public Schools; Department of Legislative Services

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