Department of Legislative Services

Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 415 (The Speaker, *et al.*) (By Request - Administration)
Appropriations

Operating Budget - Funding - Scholarships for Nonpublic School Students

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This Administration bill requires the Governor to include a general fund appropriation in the annual budget bill for the Broadening Options and Opportunities for Students Today Program (BOOST) beginning in fiscal 2024. BOOST provides scholarships for students who are eligible for the U.S. Department of Agriculture's (USDA) free or reduced-price lunch program to attend eligible nonpublic schools. The mandatory appropriation is $10.0 million for fiscal 2024, $12.0 million for fiscal 2025, $14.0 million for fiscal 2026, and $16.0 million for fiscal 2027 and each subsequent fiscal year. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: No effect in FY 2023, and no net effect in FY 2024. General fund expenditures increase by $2.0 million in FY 2025, $4.0 million in FY 2026, and $6.0 million in FY 2027 and subsequent years to fund BOOST, as discussed below. However, to the extent the bill reduces public school enrollment, general fund expenditures for public schools decrease as early as FY 2026; the net impact on annual general fund expenditures cannot be reliably estimated. **This bill establishes a mandated appropriation beginning in FY 2024.**

Local Effect: Beginning as early as FY 2026, local school system revenues and local government expenditures for public schools may decrease. The impact on revenues and related expenditures cannot be reliably estimated.

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

Current Law/Background: BOOST has been authorized annually since fiscal 2017 through the budget bill and budget bill language. Special funds for this program are provided through the Cigarette Restitution Fund (CRF), but annual funding is not mandated. According to the annual authorizing language, scholarship amounts and distribution of scholarships are determined by the BOOST Advisory Board, while the program is administered by the Maryland State Department of Education (MSDE).

The fiscal 2022 operating budget, as enacted, details the criteria for nonpublic schools that have students who are eligible for a BOOST scholarship and would like to participate in BOOST. These criteria include:

- participation in the Aid to Non-Public Schools Program for textbooks, and computer hardware and software in the prior school year;
- providing more grades than only prekindergarten and kindergarten;
- administering standardized assessments approved by the National Blue Ribbon program in English, math, and science at specified grade levels; and
- compliance with Title VI of the Civil Rights Act of 1964 as amended; Title 20, Subtitle 6 of the State Government Article (related to employment nondiscrimination); and not discriminate in student admissions, retention, or expulsion based on race, color, national origin, sexual orientation, or gender identity or expression.

The Governor's proposed fiscal 2023 budget (Senate Bill 290/House Bill 300) includes substantial changes to these criteria. The proposed language (1) requires participation in the Aid to Non-Public Schools Program, but not in the prior school year; (2) requires that assessments comply with all State and federal law; and (3) limits language relating to discrimination in admissions and removes reference to discrimination regarding gender identity or expression. The proposed fiscal 2023 budget for BOOST includes $10.0 million in CRF monies. Grant awards in fiscal 2022, making use of a prior-year fund balance, amount to $10.2 million.

State Expenditures:

Cigarette Restitution Fund and General Funds

Absent the bill, this analysis assumes funding for BOOST would continue at $10.0 million a year with CRF monies; CRF has been used to fund BOOST since its inception. Requiring use of general funds for the program, therefore, means a commensurate decrease in CRF expenditures for BOOST. Since CRF and general funds are also used to meet State

Medicaid obligations (as well as for other purposes), any decrease in CRF special fund expenditures for BOOST means those funds are available for Medicaid, thereby supplanting general funds paying for Medicaid. Accordingly, an increase of $10.0 million in general fund expenditures in fiscal 2024 for BOOST means that CRF monies are freed up to pay an equivalent amount for Medicaid. There is no assumed net effect on the general fund in fiscal 2024 because the increase of $10.0 million for BOOST is offset by a commensurate decrease in general fund expenditures for Medicaid. Similarly, there is no net effect on CRF because a decrease of $10.0 million in expenditures for BOOST is offset by an equivalent increase in CRF expenditures for Medicaid.

Beginning in fiscal 2025, however, general fund expenditures increase to reflect the annual increases mandated by the bill. Therefore, general fund expenditures increase by $2.0 million in fiscal 2025, $4.0 million in fiscal 2026, and $6.0 million annually beginning in fiscal 2027. This analysis assumes all funding available to BOOST is expended each year; current practice has allowed for some special funds to carry over for awards the following year.

Education Aid

To the extent that the bill encourages more students to attend private school than under current BOOST funding levels, State aid to public schools, which depends largely on student enrollment counts, will be reduced as early as fiscal 2026, after factoring in a one-year lag between measured enrollment declines in fiscal 2025 and adjustments to State aid in fiscal 2026. In fiscal 2021, State aid per student was approximately $8,400; however, the amount of State per pupil aid varied by local school system from about $4,400 for Worcester County to about $14,700 for Somerset County. Annual per pupil State funding will increase significantly under the Blueprint for Maryland's Future legislation (Chapters 36 and 55 of 2021). The impact on enrollment and, therefore, on State general fund expenditures for public schools cannot be reliably estimated.

Because MSDE has administered BOOST in a manner assumed to be similar to what the bill requires, with the assistance of the BOOST Advisory Board, it is assumed that MSDE can handle administering the bill with existing resources. However, to the extent that additional resources are necessary, it is assumed that some portion of the additional (and mandated) funding under the bill can be used to cover these costs, with an equivalent reduction in funds available for BOOST scholarships.

Local Fiscal Effect: As discussed above, to the extent that the bill encourages more students to attend private school than under current BOOST funding levels, State aid to public schools will be reduced beginning in fiscal 2026. This reflects enrollment declining in fiscal 2025 due to the increase in BOOST funding that year, with adjustments to State aid following in fiscal 2026. Similarly, reduced public school enrollment reduces the required minimum local appropriations to public schools beginning in fiscal 2026. Per pupil local appropriations for public schools averaged about $8,000 in fiscal 2021, ranging from about $2,900 in Caroline County to $14,800 in Worcester County. Annual per pupil local funding for some counties will increase significantly in the near future under the Blueprint for Maryland's Future legislation. To the extent local school system enrollment significantly decreases, local school system expenditures may also decrease; however, many local school system expenditures are fixed costs and cannot be quickly adjusted. Any such impact cannot be reliably estimated and could vary significantly by school system.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 401 (The President, *et al.*) (By Request - Administration) - Budget and Taxation.

Information Source(s): Maryland State Department of Education; Department of Budget and Management; Department of Legislative Services

Fiscal Note History: First Reader - February 7, 2022
rh/mcr

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Operating Budget - Funding - Scholarships for Nonpublic School Students

BILL NUMBER: HB 415

PREPARED BY: A. Cassilly

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

_x_ 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

This bill codifies a program that has been included in the State budget for the last several years. The increase in funding beginning in fiscal year 2025 may benefit private schools to the extent that more students are able to take advantage of this program.