

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 453 (Delegate Elliott)
Ways and Means

Schools - Overcrowding - Use of Nonpublic Schools

This bill authorizes local boards of education to offer public school students in an overcrowded school the option of attending nonpublic schools. Local boards are required to pay the lessor of: (1) 90% of the tuition and other expenses associated with attending the nonpublic school; or (2) 75% of the per pupil cost of educating a student in the county.

Fiscal Summary

State Effect: State education aid expenditures could decrease depending on the number of students who choose to attend a nonpublic school. Revenues would not be affected.

Local Effect: Local boards of education revenues could decrease as discussed above. Indeterminate effect on local expenditures.

Fiscal Analysis

Background: Approximately 156,600 students attended nonpublic schools in Maryland in 1994, representing 17% of all students. Schools operated by the Baltimore Catholic Archdiocese represent approximately 34,000 students. The archdiocese reports an average per pupil cost of \$2,500, with tuition for many elementary students ranging between \$2,000 and \$3,000. The Association of Independent Maryland Schools (AIMS) reports an average tuition for its member schools of around \$7,700 for elementary students and \$9,500 for high school students. In comparison, the Maryland State Department of Education (MSDE) reported an average statewide cost per student of \$6,100 in 1995. It is important to note that many private schools, especially parochial schools, have parent organizations that subsidize the school's operation, thereby keeping both cost and tuition low.

State Effect: State education aid under the basic current expense formula is based on student

enrollment in the prior year. Accordingly, any reduction in student enrollment pursuant to this legislation will reduce State aid expenditures in the following fiscal year. Using fiscal 1997 data, State aid would decrease by \$27.1 million if approximately 2% (15,100) of students in each county attend nonpublic schools pursuant to this legislation. The actual impact would depend on the number of local boards that permit public school students to attend nonpublic schools and the number of students involved.

Local Effect: State education aid to local boards of education would decline depending on the number of students permitted to attend nonpublic schools pursuant to this legislation and the local wealth of the jurisdiction. The reduction in State aid could be potentially offset by: (1) lower operating costs resulting from less students in the school system; and (2) reduction in annual debt service resulting from a smaller school construction program. To the extent that these cost savings do not fully offset the decrease in State aid, local boards could realize a net loss in funding.

For illustrative purposes only, if 2% or 619 elementary students in Frederick County were permitted to attend nonpublic schools, State education aid under the basic current expense formula would decline by \$1,949,160 in fiscal 1997. This reduction in State aid would be offset by a \$853,000 reduction in school operating costs. Also, assuming that a new elementary school would no longer be needed, the county would save an additional \$210,600 in annual debt service expenses. In sum, Frederick County would realize a net loss of \$885,600. This estimate is based on the following:

- all school systems permitting 2% of their students to attend nonpublic schools;
- \$5,514 per pupil cost in Frederick County (fiscal 1994);
- \$4,136 (75% of \$5,514) per pupil reimbursement cost to parents who send their children to nonpublic schools;
- \$601,800 savings in annual debt service cost, which is based on \$7.5 million construction cost at 5% interest over 20 years; and
- school construction costs shared 65% by the State and 35% by the county.

The actual impact to local school systems would depend on (1) the number of students attending nonpublic schools pursuant to this legislation; (2) the amount of tuition reimbursement paid to students attending nonpublic schools; (3) potential operating cost savings that occur from serving less students; (4) the local share of school construction costs; and (5) the extent that school construction costs are reduced.

Additional Comments: The fiscal 1997 State capital budget includes \$133 million for school construction projects. However, this amount is \$141 million less than requested by the local boards. The State and local governments share the cost of school construction

projects, with the State share ranging from 50% (for the wealthiest school systems) to 80% (for the less affluent school systems). In addition, approximately 80% of school facilities were built or renovated prior to 1980 and are expected to require upgrading in a few years. Accordingly, any new school construction project that is no longer required pursuant to this legislation would be supplanted with an additional project.

Information Source(s): Department of Fiscal Services, Maryland State Department of Education, Interagency Committee on School Construction, Frederick County Schools

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