

**Department of Fiscal Services**  
Maryland General Assembly

**FISCAL NOTE**  
**Revised**

House Bill 875 (Delegate Hixson)

(Chairman, Ways and Means Committee)

Ways and Means

Referred to Budget and Taxation

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**Education - Calculation of State Aid**

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This amended bill establishes the fiscal 1996 per pupil basic current expense figure at \$3,410 for the purpose of calculating the State share of basic current expense and compensatory education aid. In addition, the bill reduces the fiscal 1996 expenditures used to calculate the fiscal 1999 and 2000 basic current expense and compensatory aid program by \$14.4 million.

This bill is effective June 1, 1996.

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**Fiscal Summary**

**State Effect:** The FY 1996 State appropriation to local boards of education is already based on the \$3,410 per pupil amount. Accordingly, State expenditures would not be affected in FY 1996. However, future year expenditures could decrease by \$2.8 million in FY 1999 and \$3.0 million in FY 2000. Revenues would not be affected.

**Local Effect:** Local boards of education FY 1996 school budgets are already based on the \$3,410 per pupil amount. Accordingly, local revenues and expenditures would not be affected in FY 1996. However, State-aid to local governments could decrease by \$2.8 million in FY 1999 and \$3.0 million in FY 2000. Future year expenditures would not be directly affected.

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**Fiscal Analysis**

**Additional Comments:** The Maryland State Department of Education (MSDE) is required to calculate the per pupil basic current expense figure (foundation amount) that is used in the basic current expense and compensatory education formulas. The per pupil foundation amount is based on 75% of the average per pupil spending in the third and fourth prior years

(most recent years for which actual costs are available). For example, in fiscal 1996, the foundation is based on spending in fiscal 1992 and 1993.

**State Effect:** When calculating the fiscal 1996 foundation amount, MSDE used incorrect expenditure data which resulted in State education aid being overstated by \$15.3 million. This bill codifies the higher foundation amount into current law. Accordingly, State expenditures would not be affected in fiscal 1996.

However, this bill reduces the fiscal 1996 expenditures that will be used to calculate the fiscal 1999 and 2000 basic current expense and compensatory aid funding levels by \$14.4 million. This \$14.4 million is equivalent to the current expense formula overpayment in fiscal 1996. This results in an estimated \$2.8 million decrease in State current expense and compensatory aid funding in fiscal 1999 and an estimated \$3.0 million decrease in fiscal 2000.

**Local Effect:** Local revenues would decrease as discussed in the “State Effect” section.

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**Information Source(s):** Department of Fiscal Services

**Fiscal Note History:** First Reader - February 20, 1996

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Revised - House Third Reader - March 27, 1996

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