

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 625 (Senator Colburn)
Budget and Taxation and Economic and Environmental Affairs

Educational Funding - Children Living in Out-of-County Living Arrangements

This bill eliminates State “reimbursement” funding to local boards of education for students in an out-of-county placement. The bill alters the amount a local board has to pay for students in an out-of-county placement and expands eligibility for out-of-county placements to include students residing with relatives in other counties.

Fiscal Summary

State Effect: General fund expenditures could decrease by approximately \$2.3 million annually. Revenues would not be affected.

Local Effect: Local government expenditures could increase by at least \$2.5 million annually. Indeterminate impact on local revenues.

Fiscal Analysis

Background: In fiscal 1995, there were 927 students that attended public schools outside the county where the student’s parent or legal guardian resided. In these situations, the school system where the parent or legal guardian resides (sending county) must make a payment to the school system where the child is attending (receiving county). Under current law, this payment is the lesser of the local current expense per student in the sending county or the local current expense per student in the receiving county. If the local current expense per student in the sending county is less than the receiving county, the State is required to pay the receiving county the difference. For example, local appropriations per pupil totaled \$1,869 in Baltimore City and \$4,069 in Baltimore County in fiscal 1995. When a student from Baltimore City is placed in an educational setting in Baltimore County, Baltimore City has to pay \$1,869 and the State has to pay the remaining \$2,200. Under this bill, Baltimore City would have to pay the entire amount (\$4,069), which is 118% more than they currently spend

on their own students.

Bill Summary: This bill alters funding to local boards of education for students placed in out-of-county educational settings. The bill provides for the following:

- Enables a parent or legal guardian to place a child in an out-of-county educational placement. Under current law, out-of-county placements can only be made by a State agency, licensed child placement agency, or the courts.
- Includes children living with relatives, stepparents, or persons exercising temporary care of a child as eligible for out-of-county placements. Under current law, such living arrangements are not eligible for reimbursements.
- Requires local boards in the sending county to pay the receiving county the greater of the local current expense per student of the two counties. Under current law, local boards only had to pay the lesser of the two amounts.
- Eliminates State “reimbursement” funding for out-of-county placements. Under current law, the State had to reimburse the receiving county the difference between the local current expense in the sending county and that in the receiving county.

State Effect: General fund expenditures would decrease by approximately \$2.3 million annually. This estimate is based on current State reimbursements to local boards of education for out-of-county placements in fiscal 1995. Future year expenditure decreases would depend upon the number of students placed in an out-of-county educational setting, the counties affected, and growth in local school appropriations.

Local Effect: Local expenditures would increase by a minimum of \$2.5 million in fiscal 1997. **Exhibit 1** provides a county-by-county impact of the actual expenditure increase based on fiscal 1996 data. As illustrated in **Exhibit 1**, approximately 70% of the students in out-of-county placements are from Baltimore City. Baltimore City’s share of the expenditures totals \$1.9 million and the State share totals around \$2 million. Since most of the Baltimore City students went to Baltimore County which has a higher local appropriation per student, pursuant to this legislation Baltimore City would have to pick up the total cost of the program which is 118% (\$2,200) more than the city’s per pupil local cost.

In addition, depending upon how many parents decide to send their children to an out-of-county living arrangement, local expenditures could increase by a greater amount. The total amount cannot be quantified at this time; however, it is assumed to be significant.

Information Source(s): Department of Fiscal Services, Maryland State Department of Education

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