

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1058 (Delegates Leopold and Heller)
Ways and Means

Primary and Secondary Education - New Targeted Poverty Grant Program

This bill replaces the State's existing targeted poverty grant program with a New Targeted Poverty Grant Program for one year only. Grants to local school systems are based on the following: (1) school systems with more than 70% of their students qualifying for free and reduced price lunch receive \$411 per student; (2) school systems with more than 40% but not more than 70% of their students qualifying for free and reduced price lunch receive \$136 per student; and (3) school systems with 40% or less of their students qualifying for free and reduced price lunch receive \$45 per student.

This bill takes effect July 1, 1997 and sunsets on June 30, 1998.

Fiscal Summary

State Effect: General fund expenditures could increase by \$37.2 million in FY 1998, assuming the Governor includes funding in an FY 1998 State supplemental budget.

Local Effect: State aid to local school systems could increase by \$37.2 million in FY 1998, assuming the Governor includes funding in an FY 1998 State supplemental budget.

Small Business Effect: None. Small businesses are not directly affected.

Fiscal Analysis

State Effect: This bill replaces the State's existing targeted poverty grant program that provides at least \$8 million annually to local school systems with a new targeted poverty grant program. Under the existing targeted program, local school systems receive the same amount of aid per student (roughly \$32 per student receiving free or reduced priced lunch). However, pursuant to this legislation, the per student grant received by a local school system would be based on the percentage of students receiving free or reduced price lunch as illustrated in **Exhibit 1**.

Exhibit 1

Percent of Students Receiving Free or Reduced Price Lunch	Poverty Grant Per Student	Local School Systems
Greater than 70%	\$411	Baltimore City
Between 40% and 70%	\$136	Allegany, Caroline, Dorchester, Garrett, Prince George's, and Somerset
Between 0% and less than 40%	\$45	Anne Arundel, Baltimore, Calvert, Carroll, Cecil, Charles, Frederick, Harford, Howard, Kent, Montgomery, Queen Anne's, St. Mary's, Talbot, Washington, Wicomico, and Worcester

As shown in **Exhibit 2**, the New Targeted Poverty Program would increase State expenditures by \$45.2 million in fiscal 1998. However, since the existing targeted poverty program is eliminated, State expenditures would only increase by \$37.2 million. In addition, the bill provides that the Governor may use the \$35.6 million for the Baltimore City Public School litigation settlement and the \$1.6 million in additional poverty grants appropriated in the fiscal 1998 budget to pay for this program in fiscal 1998. **Exhibit 3** shows the impact on each local school system, if such funding was redirected to finance the New Targeted Poverty Program.

The Department of Fiscal Services advises that the Governor is not required to provide funding for this legislation in fiscal 1998 or to eliminate funding for the Baltimore City Public School litigation settlement and the additional poverty grants. Because the bill sunsets at the end of fiscal 1998, the Governor does not have to fund the program in fiscal 1999.

Local Effect: State aid to local school systems could increase by \$37.2 million in fiscal 1998, assuming the Governor includes funding in the State's fiscal 1998 supplemental budget. A county-by-county breakdown is provided in **Exhibit 2**.

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

Fiscal Note History: First Reader - February 17, 1997

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