

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

Senate Bill 761 (Senators McCabe and Madden)

Economic and Environmental Affairs and Finance

Educational Opportunity and Family Investment Program Act of 1999

This bill establishes a public charter school pilot program to provide educational opportunities for children from low income families. Under the pilot program, a child of a family participating in the Family Investment Program who attends a traditional public school may attend a public charter school if the school that the child is currently attending has scored at or below 24% on the Maryland School Performance Program Composite Index.

The Maryland State Department of Education (MSDE) must conduct an annual assessment of public charter schools to determine if the schools are meeting the goals of the charter. MSDE must submit a report and evaluation of the public charter school program to the General Assembly by June 30, 2003. The report must include a recommendation on the advisability of the continuation, modification, expansion, or termination of the program.

This bill takes effect July 1, 1999 and sunsets June 30, 2003.

Fiscal Summary

State Effect: Indeterminate impact on State expenditures. Revenues would not be affected.

Local Effect: Indeterminate impact on local school finances.

Small Business Effect: None.

Fiscal Analysis

Bill Summary: Local boards of education and public institutions of higher education are granted chartering authority for the establishment of public charter schools. A public school chartering authority must disseminate information concerning the establishment, curriculum, and operation of a public charter school. The public charter school can be a new school or an existing public school. An existing public school is eligible to become a public charter school if at least 60% of the staff and 60% of the parents or guardians of students attending the school sign a petition and vote in support of the school becoming a public charter school.

A public charter school must seek the enrollment of children who are (1) from traditional public schools that have scored at or below 24% on the Maryland School Performance Program Composite Index within the past year; and (2) members of families participating in the Family Investment Program. A child from a family participating in the Family Investment Program who attends a public charter school may remain in that school if the family is no longer eligible for the Family Investment Program. The public charter must be open to other students in the county in which the school is located on a space-available basis. Enrollment preference may be granted to siblings of a student who attends the charter school. The charter school may limit admission to a particular grade level. A public charter school that is developed as a new public school must enroll at least 70% of its students from a family in the Family Investment Program.

Local boards of education are required to provide funding to the public charter schools, for each student enrolled in the school, in an amount that is equivalent to the cost for educating like-kind students in the existing public school. The Maryland State Department of Education will determine the per student funding amount for each local board. Public charter schools may not charge students tuition. A public charter school must abide by State regulations governing traditional public school facilities. The State cannot waive any health or safety regulations for the public charter school.

The bill establishes certain personnel requirements for public charter schools. An employee of the county board who works at a public charter school shall remain a member of the appropriate employee bargaining unit and must receive at least the same salary and benefits of an employee at a traditional public school. A county board cannot require a board employee to work at a public charter school. In addition, a member of the professional staff of a public charter school must hold the appropriate Maryland certification.

A public charter school and the public school chartering authority must submit an annual fiscal report and student performance report to MSDE by August 1st, which must be made available to the parents and guardians of students enrolled in the public charter school. MSDE must conduct an annual assessment of public charter schools to determine if the schools are meeting the goals of the charter. MSDE must submit a report and evaluation of the public charter school program to the General Assembly by June 30, 2003. The report must include a recommendation on the advisability of the continuation, modification, expansion, or termination of the program.

Background: Charter school legislation has been enacted in 32 states and the District of Columbia. Across the country charter school laws vary considerably, with some states like Arizona granting maximum autonomy to charter schools while other states such as Georgia providing schools with limited authority. For example, in Arizona, charter schools are legally independent entities with complete waivers from district and state regulations. In Georgia, however, charter schools are considered part of the school district and are granted less freedom over budgets and personnel. While different in many ways, certain characteristics are common for all charter schools. Charter schools cannot charge tuition, must be nonsectarian, are subject to federal and state laws prohibiting discrimination, and must comply with all health and safety laws. In addition, most charter schools can negotiate and contract for facilities and services, acquire real property, receive and disburse funds, incur temporary debt, and operate as a business or corporation.

Legislation enacted in 1998 established a task force to recommend legislation that would allow Maryland public charter schools to qualify and compete for start-up funds under the Federal Charter School Grant Program. This grant program is open to states that have enacted a state law authorizing the granting of charters to schools. As Maryland currently has no authorizing legislation, the task force identified the provisions that should be contained in such a law.

Local Effect: The Family Investment Program is the State's program for serving welfare recipients with the goal of making recipients self-sufficient. As of December 1998, there were around 97,000 people on public assistance. Of this amount, around 60,000 were children over the age of one. Around 60% of the caseload was in Baltimore City.

Conceptually, establishing public charter schools should not result in additional local expenditures. Public charter schools would receive the same level of funding provided to regular public schools to educate like-kind students, which in fiscal 1997 averaged \$6,688 per pupil. Also, public charter schools are eligible to receive local, State, and federal funding in the same manner as calculated for regular public schools.

Even with the availability of State and local funds, public charter schools may still incur financial difficulties. Based on a study by the National Conference of State Legislatures, locating and paying for adequate school facilities pose significant barriers to charter schools.

According to this report, new charter schools rarely have a financial track record or assets that enable them to secure loans to lease or buy buildings. In addition, many charter schools do not have access to local district funds available for capital improvements (buildings and major improvements), nor do they have the ability to issue bonds. Accordingly, most charter schools must use a portion of their operating funds to purchase and maintain school facilities.

In addition, Senate Bill 761 requires public charter schools to conform to the regulations governing traditional public school facilities. This could eliminate potential facility sites for public charter schools, thus increasing costs. In many states, public charter schools are located in commercial office and retail space and other facilities that may not conform to public school standards.

Another major fiscal issue involves start-up costs. According to a report by the Education Commission of the States, most charter schools have initial cash-flow problems because they do not receive any state or local money until the school year begins. Charter schools often have to take out loans for operating and start-up expenses. Further, it can be difficult for a charter school to access or receive federal categorical funds during its first year, because funding for some federal programs is based on prior year enrollment. To alleviate this problem, some states such as Massachusetts, have made an exception for charter schools by allowing them to qualify for federal categorical funds based on actual enrollment of eligible children during the first year. Like similar legislation in other states, Senate Bill 761 does not provide any funding for facility acquisition or school start-up costs that could assist public charter schools to become operational.

Finally, public charter schools must pay teachers who are employees of the board of education at least the same salary as negotiated in the employees' collective bargaining agreement. In addition, public charter schools can only hire certified teachers. Both of these requirements could increase instructional costs or prevent public charter schools from reducing personnel expenditures in order to pay for start-up and facility costs.

State Effect: Public institutions of higher education could incur additional costs if they decide to establish and operate a public charter school. Any such costs would depend on whether the per pupil funding provided under this bill is enough to cover the instructional, administrative, facility, and start-up costs of a public charter school. As stated in the local effect section, this bill does not provide for any facility and start-up costs, which are two potential barriers affecting the establishment of charter schools.

Also, MSDE and the Department of Human Resources (DHR) may need additional resources to comply with the reporting and administrative requirements of the bill. DHR advises that an additional \$153,300 is needed each year for programming changes to the automated client management information system.

In addition, State funding for public schools could increase to the extent that establishing public charter schools encourages private school students to return to the public school system. Nationally, charter schools enroll only about 0.5% of public school students. Assuming public charter schools in Maryland experience similar trends, approximately 4,000 students could be enrolled in public charter schools. If a portion of these students come from private schools, State education funding will increase. Currently 17% of students in Maryland attend private schools.

Information Source(s): Department of Legislative Services, National Conference of State Legislatures, Education Commission of the States, Maryland State Department of Education

Fiscal Note History:

First Reader - March 16, 1999

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