

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

House Bill 725 (Delegate Bozman. *et al.*)

Ways and Means

Education - State Share of Basic Current Expenses - Minimum

This bill provides that the annual State share of basic current expense per pupil for a local board of education cannot be less than \$1,000 per pupil.

This bill takes effect July 1, 1999.

Fiscal Summary

State Effect: General fund expenditures would increase by \$24.3 million in FY 2000. Future year expenditures reflect growth in the State's share of the current expense formula. Revenues would not be affected.

(in millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	24.3	22.1	18.8	15.3	11.9
Net Effect	(\$24.3)	(\$22.1)	(\$18.8)	(\$15.3)	(\$11.9)

Note: () = decrease; GF = general funds

Local Effect: State aid to local school systems would increase by \$24.3 million in FY 2000. Expenditures are not directly affected.

Small Business Effect: None.

Fiscal Analysis

Background: The basic current expense formula is the major State aid program for primary/secondary education, accounting for over 60% of education aid in fiscal 2000. The formula determines for each school district the State and local shares of a minimum per pupil funding level or foundation. For fiscal 2000 the minimum foundation is \$3,901 per student. The formula will distribute over \$1.5 billion in State assistance to local boards of education in fiscal 2000.

Part of the State’s constitutional responsibility to provide a “thorough and efficient system of free public schools” involves offsetting the disparities in taxable wealth among the counties. The basic current expense formula is the primary mechanism used by the State to offset these disparities in taxable wealth between counties. Although on average the State share equals about 50% of the minimum foundation, the State’s share for a specific county varies depending on each county’s wealth base. Less wealthy counties, as measured by assessable base and taxable income, receive relatively more aid per student than wealthier counties. In fiscal 2000 the State share ranged from \$512 in Worcester County to \$2,899 in Baltimore City.

State Effect: In fiscal 2000 the State share of the basic current expense formula is less than \$1,000 per pupil in three local school districts: Montgomery, Talbot, and Worcester counties. As shown in the following table, establishing a minimum State funding level at \$1,000 per pupil would increase State expenditures by \$24.3 million in fiscal 2000.

School System	FTE Enrollment	Per Pupil State Aid Under Current Law	Additional State Aid - FY 2000
Montgomery	120,893.75	\$838	\$19.6 million
Talbot	4,268.50	\$636	\$1.5 million
Worcester	6,486.50	\$512	\$3.2 million
Total			\$24.3 million

State expenditures increase by \$22.1 million in fiscal 2001 and \$11.9 million in fiscal 2004. The smaller increase in State expenditures in the out-years is partly due to the overall growth in the formula’s minimum per pupil foundation amount and changes in each county’s relative wealth and student enrollment count.

For example, the per pupil State aid under the basic current expense formula for Montgomery County is projected to increase from \$838 in fiscal 2000 to \$938 in fiscal 2004. By fiscal

2004, the per pupil State aid is projected to increase to \$712 in Talbot County and \$573 in Worcester County.

Local Effect: State aid to three local school systems would increase by \$24.3 million in fiscal 2000 and \$11.9 million in fiscal 2004. Expenditures are not directly affected.

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

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