

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

Revised

Senate Bill 137 (The President. *et al.*) (Administration)

Econ. & Environ. Affairs and Budget & Taxation

Maryland Learning Success Program - Public School Class Size Reduction Assistance

This Administration bill establishes the Maryland Learning Success Program to provide funding to local boards of education to reduce class sizes to a maximum of 20 students for reading instruction in the first and second grades. Each local board must submit a plan to the State School Superintendent on the intended use of the funds. The State School Superintendent must review the local board's plan and progress in achieving the goals of the program. The State School Superintendent may reduce a local board's grant under certain conditions, including failing to develop an effective plan to reduce class sizes. In addition, beginning in fiscal 2003, a local board's grant is reduced if the percentage of provisionally certified teachers exceeds 2%.

This bill takes effect July 1, 1999 with State grants to local boards beginning in fiscal 2001.

Fiscal Summary

State Effect: General fund expenditures would increase by \$38,200 in FY 2000. Future year expenditures increase to \$10.3 million in FY 2001 when the State starts providing grants to local school systems. This estimate assumes the State grants the maximum awards. 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	0.04	10.3	17.8	26.6	33.1
Net Effect	(\$0.04)	(\$10.3)	(\$17.8)	(\$26.6)	(\$33.1)

Note: () = decrease; GF = general funds

Local Effect: State aid to local boards of education would increase by \$10.3 million in FY 2001. Local expenditures could increase by an indeterminate significant amount beginning in FY 2001.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small businesses (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Fiscal Analysis

Bill Summary: The Maryland Learning Success Program grant includes two components: a reading instruction component to reduce class sizes in the first and second grades and a professional development, materials, and facilities component. The reading component is based on the number of students enrolled in the first and second grade and 130% of the standard salary for a beginning teacher. Each board's share of the professional development component is determined by the State Superintendent, with the statewide amount capped at \$3 million. Local boards are eligible to receive the professional development component for only three years (fiscal 2001 through 2003).

Local boards must submit a Maryland Learning Success Plan to the State Superintendent by October 1, 1999. The plan must (1) describe the local school system's intended use of State funds and federal class size reduction initiative grants; (2) specify how the funds will be initially targeted towards higher-risk schools and schools that serve disadvantaged students; (3) include performance indicators to evaluate the success of the school system's class size reduction program; (4) include a statement of any funding increases provided from local sources since fiscal 1995 that can be documented to have been provided for class size reduction; and (5) provide a strategy for reducing the number of provisionally certified teachers to no more than 2% of the total number of teachers.

A local board cannot receive a Maryland Learning Success Program Grant unless the school system expends its federal class size reduction initiative grants to reduce class sizes for reading instruction in the first and second grades.

Beginning in calendar 2001 local boards of education must submit a Maryland Learning Success Report to the State Superintendent by October 1st of each year. The State Superintendent must provide a status report to the Governor and General Assembly by December 31st of each year. In addition, the bill requires the Special Study Commission on Class Size Reduction Programs to include in its report to the Governor and General Assembly the benefits and necessity of reducing class sizes for mathematics in public schools and reading instruction in the third grade.

State Effect: State grants to local boards of education could increase by \$10.3 million in fiscal 2001. This includes \$7.3 million to reduce class sizes for reading instruction in the first and second grades and \$3 million for program development, materials, and facilities costs. The following table shows the projected grant amounts for fiscal 2001 through 2004. **Exhibit 1** shows the projected costs on a county-by-county basis for fiscal 2001.

Components	FY 2001	FY 2002	FY 2003	FY 2004
Reading	\$7.3 million	\$14.8 million	\$22.7 million	\$31.3 million
Program Development	\$3.0 million	\$3.0 million	\$3.0 million	\$0
Total	\$10.3 million	\$17.8 million	\$25.7 million	\$31.3 million

Beginning in fiscal 2003, a local board's grant is reduced if the percentage of provisionally certified teachers exceeds 2% unless the State Superintendent waives the penalty. Statewide around 6% of the total number of teachers hold a provisional certificate with 12 school systems currently exceeding the 2% limit. Unless these local school systems reduce the number of teachers with provisional certificates in the next three years or the State Superintendent waives the penalty, State aid under this program will be reduced. **Exhibit 2** shows the number of teachers holding a provisional certificate on a county-by-county level.

The Maryland State Department of Education (MSDE) will have to hire one staff specialist at the State headquarters at a cost of \$38,200 to administer the program and review local plans. Future year administrative expenditures total \$51,200 in fiscal 2001 and \$57,000 in fiscal 2004. In addition, the State is responsible for paying teacher retirement costs for teachers hired by the local boards. Such costs could total at least \$900,000 million in fiscal 2003. This is based on a \$7.3 million salary base and a 12.54% contribution rate. Since the State payments for teachers' retirement costs are based on the teacher's salary base in the second prior year, State retirement expenditures will not increase until fiscal 2003.

In summary, State expenditures would increase by \$38,200 in fiscal 2000 and \$10.3 million in fiscal 2001. This estimate does not include any additional State cost for school construction. It is assumed that the current State commitment for public school construction projects will remain the same. The Governor has included \$250 million in the fiscal 2000 State budget for public school construction projects.

Local Effect: To assist the local boards to reduce class sizes, State aid would increase by \$10.3 million in fiscal 2001 and \$31.3 million by fiscal 2004.

Approximately 138,500 students are projected to be enrolled in the first and second grades in fiscal 2001. The average elementary English class in the State consists of 27.8 students,

ranging from 22.5 students in Kent County to 36.5 students in Allegany County. Based on each county's average class size, local school systems would have to add almost 2,000 reading classes to comply with the proposed class size requirement of 20 students per class.

The actual number of teachers needed and the associated cost to reduce class sizes for specific subjects depends upon the staffing capacity at each school, the ability to rearrange teaching schedules, the need to hire additional teachers, and facility costs. This information is not readily available at this time, therefore the actual impact on local boards to implement the provisions of this bill cannot be determined. However, the additional State aid under this bill will enable the local boards of education to hire 199 new teachers in fiscal 2001. By fiscal 2004, local boards will be able to hire a total of 804 teachers. This estimate is based on the beginning teacher's salary in each county.

Additional Comments: Under current law, approved school construction costs are shared by the State and local governments based on local wealth. The State share ranges from 50% in affluent jurisdictions to 80% in the poorest jurisdictions. In addition, the State share only covers eligible costs. The local governments are responsible for noneligible costs such as architectural and engineering fees, utility connections, permits, and movable furniture and equipment.

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

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Exhibit 1
Maryland Learning Success Program (SB 137 as enacted)
Estimated Fiscal Impact - Fiscal 2001

<u>County</u>	<u>Oct. 99 Beg. Teacher Salary</u>	<u>130% of Salary</u>	<u>Enrollment 1st and 2nd Grades</u>	<u>Reading Component</u>	<u>PD,M,F Component</u>	<u>Total State Aid</u>	<u>Number of Teachers</u>
Allegany	\$25,428	\$33,057	1,504	\$78,227		\$78,227	2
Anne Arundel	26,870	34,932	12,177	633,201		633,201	18
Baltimore City	25,681	33,386	19,194	998,104		998,104	30
Baltimore	29,131	37,871	17,317	900,498		900,498	24
Calvert	27,952	36,338	2,506	130,317		130,317	4
Caroline	28,837	37,488	949	49,336		49,336	1
Carroll	27,898	36,268	4,361	226,794		226,794	6
Cecil	28,188	36,644	2,598	135,109		135,109	4
Charles	28,823	37,470	3,365	174,996		174,996	5
Dorchester	28,091	36,518	777	40,413		40,413	1
Frederick	27,571	35,842	5,828	303,061		303,061	8
Garrett	25,009	32,512	823	42,802		42,802	1
Harford	28,443	36,977	6,534	339,789		339,789	9
Howard	28,286	36,772	7,172	372,928		372,928	10
Kent	27,511	35,765	450	23,394		23,394	1
Montgomery	31,104	40,435	20,743	1,118,344		1,118,344	28
Prince George's	28,241	36,713	21,762	1,131,621		1,131,621	31
Queen Anne's	28,559	37,127	1,124	58,459		58,459	2
St. Mary's	29,717	38,632	2,336	121,466		121,466	3
Somerset	26,922	34,999	454	23,602		23,602	1
Talbot	28,091	36,518	756	39,310		39,310	1
Washington	26,088	33,914	3,240	168,464		168,464	5
Wicomico	27,206	35,368	2,360	122,745		122,745	3
Worcester	27,934	36,314	1,081	56,222		56,222	2
Total			139,414	\$7,289,200	\$3,000,000	\$10,289,200	199

Note: Total State aid includes \$3 million in unallocated aid for professional development materials and facilities

Prepared by the Department of Legislative Services

Exhibit 2
Number of Teachers with a Provisional Certificate
as of February 5, 1999

<u>County</u>	<u>Total Teachers</u>	<u>Number of Provisional Teachers</u>	<u>Percent Provisional</u>
Allegany	688	2	0.3%
Anne Arundel	4,185	41	1.0%
Baltimore City	5,556	964	17.4%
Baltimore	6,504	175	2.7%
Calvert	804	5	0.6%
Caroline	335	3	0.9%
Carroll	1,513	24	1.6%
Cecil	970	16	1.6%
Charles	1,231	42	3.4%
Dorchester	318	7	2.2%
Frederick	2,083	52	2.5%
Garrett	349	3	0.9%
Harford	2,301	81	3.5%
Howard	2,686	59	2.2%
Kent	182	8	4.4%
Montgomery	7,595	144	1.9%
Prince George's	6,807	1,055	15.5%
Queen Anne's	394	9	2.3%
St. Mary's	897	42	4.7%
Somerset	208	4	1.9%
Talbot	289	17	5.9%
Washington	1,220	9	0.7%
Wicomico	925	8	0.9%
Worcester	<u>449</u>	<u>6</u>	<u>1.3%</u>
Total	48,489	2,776	5.7%

Source: Maryland State Department of Education

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