

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

House Bill 9 (Delegate Rawlings, *et al.*)
 Ways and Means

State Aid for Public Education - School Operating Support Grants

This bill establishes a school operating support grant program for local boards of education. As a condition to receive the State grants, each local board is required to provide a local match.

This bill takes effect July 1, 2000, and sunsets June 30, 2002.

Fiscal Summary

State Effect: General fund expenditures increase by \$29.9 million in FY 2001 and by \$30.1 million in FY 2002. Revenues would not be affected.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
GF Expenditures	29.9	30.1	0.0	0.0	0.0
Net Effect	(\$29.9)	(\$30.1)	\$0.0	\$0.0	\$0.0

Note: () = decrease; GF = general funds

Local Effect: State aid to local governments increases by \$29.9 million in FY 2001. Local government expenditures increase by \$21.3 million in FY 2001 due to the local matching requirement.

Small Business Effect: None.

Analysis

Current Law: The State funds local school systems through about 50 different programs. The current expense formula is Maryland's basic support program for public schools, accounting for over 60% of State education aid. The formula recognizes the disparities in local government's ability to raise revenue from local sources by providing less affluent counties with relatively more aid than wealthier counties. Local school systems have wide discretion in the use of current expense funding.

Background: Local school systems will receive \$2.3 billion in State operating funding in fiscal 2001, representing a \$104.9 million or 4.8% increase. The percentage of change in State education aid in fiscal 2001 ranges from an 8% decrease in Talbot County to over an 8% increase in Calvert and Montgomery counties. Five local school systems will realize a reduction in State education aid in fiscal 2001. The decrease is less than 1% in Garrett and Worcester counties, around 2% in Allegany and Caroline counties, and 8% in Talbot County.

The current expense formula, the largest State education aid program, increases by \$53.9 million in fiscal 2001. This is the second lowest increase this program has experienced in the last ten years, with fiscal 2000 being the lowest. The relatively small increase for fiscal 2001 is due to low student enrollment growth (0.8%) and moderate growth in local school appropriations (3% in 1997 and 1998). The current expense formula is based on school expenditures in the third and fourth prior years, thereby the fiscal 2001 formula is affected by expenditures in fiscal 1997 and 1998. In addition, the State's compensatory aid program, which provides funding to disadvantaged children, decreases by \$6.3 million in fiscal 2001, which is due to a reduction in the federal Title I count from 122,961 students in fiscal 2000 to 113,435 students in fiscal 2001.

State funding under House Bill 9 will partially offset the reduction in State education aid for Allegany, Caroline, and Talbot counties and fully offset the reduction in Garrett and Worcester counties.

The Commission on Education Finance, Equity, and Excellence, in recognizing the existing fiscal needs of local school systems, endorsed in its preliminary report the concept of "bridge funding" as provided in House Bill 9. The commission, created at the 1999 session, is charged with conducting a comprehensive review of the State's current education funding system. The commission's final report is due October 15, 2000.

State Fiscal Effect: This bill establishes a new education funding program for local school systems. The school operating support grant program is modeled after the basic current expense formula, which is the major State aid program for primary and secondary education. The school operating support program in fiscal 2001 is based on a \$75 per pupil foundation

that is shared by the State and counties. Each county's share is based on its full-time equivalent enrollment and county wealth. The State share totals \$37.50 per full-time equivalent student. State expenditures thus will increase by \$29.9 million in fiscal 2001 and by \$30.1 million in fiscal 2002. The program terminates after fiscal 2002. **Exhibit 1** provides a county-by-county distribution for fiscal 2001.

Local Fiscal Effect: In order to receive the State school operating support grant, counties must provide a local match as determined in the bill. In fiscal 2001, the local match would total \$21.3 million. The local match is in addition to county funds needed to satisfy the local maintenance of effort requirement under the basic current expense formula. However, the local match does not count towards maintenance of effort in subsequent years. Accordingly, county governments will have to provide local school systems with at least \$21.3 million in additional funding over the maintenance of effort requirement.

In fiscal 1999, the latest year in which data is available, county governments provided local school systems with \$81.3 million in funding above the maintenance of effort requirement. Five counties (Caroline, Carroll, Charles, Kent and Prince George's) provided their local school systems with a level of funding that would be insufficient to cover the local matching requirement in House Bill 9. Accordingly, these counties would have to increase their level of local support for public schools in order to fulfill the bill's local matching requirement. The remaining counties would satisfy the local matching requirement, assuming that their funding commitment to public schools does not change. **Exhibit 2** shows the maintenance of effort level and the local appropriation to the boards of education for fiscal 1999.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - January 31, 2000
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Exhibit 1
School Operating Support Program (HB 9)
Fiscal 2001 Funding Allocation By School System

<u>County</u>	<u>FTE Enrollment 9/30/99</u>	<u>Basic Program</u>	<u>Wealth Base</u>	<u>Local Share</u>	<u>State Aid Amount</u>	<u>Per Pupil State Aid</u>
Allegany	10,066	\$754,969	\$1,838,518,674	\$262,540	\$492,428	\$49
Anne Arundel	71,171	5,337,825	21,864,727,276	2,215,542	2,215,542	31
Baltimore City	95,649	7,173,638	13,124,187,564	1,874,134	5,299,504	55
Baltimore	99,839	7,487,888	29,811,059,245	3,230,868	3,230,868	32
Calvert	14,943	1,120,725	3,655,017,633	521,937	598,788	40
Caroline	5,214	391,031	764,003,167	109,100	281,932	54
Carroll	26,408	1,980,619	5,721,509,003	817,031	1,163,587	44
Cecil	14,652	1,098,900	2,851,932,918	407,256	691,644	47
Charles	21,358	1,601,850	4,643,347,693	663,070	938,780	44
Dorchester	4,705	352,875	901,928,951	128,795	224,080	48
Frederick	34,066	2,554,969	7,721,668,136	1,102,654	1,452,315	43
Garrett	4,812	360,900	998,335,531	142,562	218,338	45
Harford	37,049	2,778,675	8,085,725,896	1,154,642	1,624,033	44
Howard	41,606	3,120,450	12,880,715,722	1,281,084	1,281,084	31
Kent	2,647	198,525	778,723,161	87,323	87,323	33
Montgomery	123,832	9,287,419	51,549,922,160	1,926,090	1,926,090	16
Prince George's	123,373	9,252,956	25,484,600,277	3,639,201	5,613,755	46
Queen Anne's	6,527	489,488	1,825,172,111	228,853	228,853	35
St. Mary's	13,934	1,045,069	3,006,084,723	429,269	615,800	44
Somerset	2,852	213,881	444,780,270	63,515	150,367	53
Talbot	4,209	315,638	1,947,388,640	37,550	37,550	9
Washington	18,731	1,404,844	4,051,083,522	578,495	826,349	44
Wicomico	13,187	988,988	2,437,382,420	348,058	640,929	49
Worcester	6,510	488,250	3,043,315,825	53,665	53,665	8
Total	797,338	\$59,800,369	\$209,431,130,518	\$21,303,234	\$29,893,603	\$37

Source: Department of Legislative Services, January 2000

Exhibit 2
Maintenance of Effort Level for Local School Funding
Fiscal 1999

<u>County</u>	<u>Maintenance of Effort Level</u>	<u>Local Appropriation</u>	<u>Amount Over M.O.E.</u>	<u>Percent Over M.O.E.</u>
Allegany	\$21,408,820	\$22,230,000	\$821,180	3.7%
Anne Arundel	278,591,753	287,740,000	9,148,247	3.2%
Baltimore City	193,646,397	197,548,000	3,901,603	2.0%
Baltimore	429,773,429	436,977,416	7,203,987	1.6%
Calvert	51,266,277	53,047,018	1,780,741	3.4%
Caroline	10,651,854	10,696,100	44,246	0.4%
Carroll*	81,123,264	81,332,686	209,422	0.3%
Cecil	39,006,321	40,625,207	1,618,886	4.0%
Charles	65,124,737	65,570,300	445,563	0.7%
Dorchester	12,680,340	12,866,145	185,805	1.4%
Frederick	106,366,458	109,174,804	2,808,346	2.6%
Garrett	11,939,616	12,850,000	910,384	7.1%
Harford	112,296,372	113,685,459	1,389,087	1.2%
Howard	191,194,811	196,245,720	5,050,909	2.6%
Kent	10,882,367	10,947,085	64,718	0.6%
Montgomery	783,132,232	811,165,912	28,033,680	3.5%
Prince George's	413,318,199	415,821,500	2,503,301	0.6%
Queen Anne's	23,356,811	25,706,642	2,349,831	9.1%
St. Mary's	40,173,314	41,998,208	1,824,894	4.3%
Somerset	6,961,948	7,516,648	554,700	7.4%
Talbot	19,052,946	19,656,765	603,819	3.1%
Washington	50,656,295	55,229,520	4,573,225	8.3%
Wicomico	32,027,827	35,426,026	3,398,199	9.6%
Worcester	34,154,563	36,077,783	1,923,220	5.3%
Statewide	\$3,018,786,951	\$3,100,134,944	\$81,347,993	2.6%

*Data for Carroll County is for fiscal 1998.

Source: Maryland State Department of Education
Prepared by the Department of Legislative Services, January 2000