

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

House Bill 660 (Delegate Hixson)
 Ways and Means

Education - State Aid To Education - Compensatory Aid

This bill alters the calculation of the compensatory aid program by basing the formula on the free and reduced price meal eligible count and 45% of the per pupil foundation amount used in the current expense formula. In addition, the bill eliminates the targeted poverty grant program and requires State funding provided under targeted poverty grants, targeted improvement grants, teacher development grants, new targeted poverty grants, additional poverty grants, the Baltimore City-State partnership grant, and the Prince George’s County magnet and effective schools programs to be consolidated under the enhanced compensatory aid program.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: General fund expenditures would increase by \$369.8 million beginning in FY 2003. Future year expenditures reflect increases in the free and reduced price meal count and the per pupil foundation amount. Revenues would not be affected.

(in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	369.8	403.3	438.6	472.6
Net Effect	\$0	(\$369.8)	(\$403.3)	(\$438.6)	(\$472.6)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: State education aid to local school systems would increase by \$369.8 million in FY 2003 and by \$472.6 million in FY 2006.

Small Business Effect: None.

Analysis

Current Law: Compensatory aid is based on the student poverty counts used for the distribution of federal Title 1 funding and 25% of the per pupil foundation amount used in the current expense formula. The federal Title 1 count is an indication of the number of students from economically disadvantaged environments.

State funding under the targeted improvement grants, teacher development grants, new targeted poverty grants, the Baltimore City-State partnership, and the Prince George's County magnet and effective schools programs sunsets after fiscal 2002. The Governor is not required to include funds in the fiscal 2003 State budget for these programs. State funding for additional poverty grants is provided annually in the State budget and is not statutorily required.

Background: The State has developed several programs aimed at improving the academic performance of students from economically or educationally deprived environments. **Exhibit 1** shows the level of State funding for these programs in fiscal 2002. Funding for many of these programs is scheduled to terminate after fiscal 2002.

Compensatory Aid Program

The compensatory aid program provides State funding to local school systems based on the number of students from economically disadvantaged environments. The program recognizes local fiscal disparities by adjusting the per pupil grant amount by local wealth, whereby less affluent school systems receive relatively more aid per pupil. For example, compensatory aid funding ranges from \$396 per Title 1 student in Talbot County to \$1,394 in Baltimore City. The proposed fiscal 2002 State budget includes \$117.1 million for this program. Approximately 25% of this funding must be dedicated specifically to programs serving students from economically or educationally deprived environments.

Targeted Poverty Grants

State funding for the four poverty grants are based on the number of students eligible for free and reduced price meals. *Targeted poverty grants* are distributed to local school systems in proportion to each county's share of students in the State qualifying for free and reduced price meals in the prior year. State funding for this program has totaled \$8 million annually. *New targeted poverty grants* are distributed to every school system in the State, except for Baltimore City. The amounts are in proportion to the number of students qualifying for free and reduced price meals in fiscal 1998. *Additional poverty grants* are distributed to six local school systems, excluding Baltimore City, where more than 40% of students are eligible for free and reduced price meals. *Targeted Improvement Grants* are based on 2.5% of the per pupil foundation amount used in the current expense formula and 85% of the number of students eligible for free and reduced price meals. The grants are adjusted for local wealth.

Exhibit 1
Existing Targeted Programs Serving Disadvantaged Students

<u>County</u>	<u>Targeted Poverty</u>	<u>Targeted Improvement</u>	<u>Additional Poverty</u>	<u>Teacher Development</u>	<u>Baltimore City Partnership</u>	<u>Magnet and Effective Schools</u>	<u>Total</u>
Allegany	\$159,308	\$566,100	\$616,339	\$200,000	\$0	\$0	\$1,541,747
Anne Arundel	374,892	674,710	1,038,816	264,000	0	0	2,352,418
Baltimore City	2,166,864	8,653,699	0	1,424,000	70,465,079	0	82,709,642
Baltimore	906,162	1,688,080	2,446,368	664,000	0	0	5,704,610
Calvert	67,010	158,978	184,032	16,000	0	0	426,020
Caroline	71,946	267,238	265,522	72,000	0	0	676,706
Carroll	74,240	186,553	215,040	40,000	0	0	515,833
Cecil	109,974	314,804	301,056	96,000	0	0	821,834
Charles	154,594	409,095	455,424	120,000	0	0	1,139,113
Dorchester	74,622	209,259	280,517	80,000	0	0	644,398
Frederick	154,148	374,722	445,728	96,000	0	0	1,070,598
Garrett	72,169	191,427	274,913	112,000	0	0	650,509
Harford	193,672	490,430	612,960	112,000	0	0	1,409,062
Howard	135,325	243,025	326,880	64,000	0	0	769,230
Kent	32,964	61,375	95,616	64,000	0	0	253,955
Montgomery	930,239	1,266,856	2,469,219	632,000	0	0	5,298,314
Prince George's	1,683,272	4,651,085	6,090,877	1,104,000	0	17,100,000	30,629,234
Queen Anne's	34,747	69,579	117,216	24,000	0	0	245,542
St. Mary's	103,317	267,102	361,632	64,000	0	0	796,051
Somerset	54,238	192,183	214,008	72,000	0	0	532,429
Talbot	41,212	46,707	110,016	48,000	0	0	245,935
Washington	169,977	435,926	571,200	168,000	0	0	1,345,103
Wicomico	160,582	485,558	443,808	144,000	0	0	1,233,948
Worcester	74,526	86,934	226,176	80,000	0	0	467,636
Total	\$8,000,000	\$21,991,425	\$18,163,363	\$5,760,000	\$70,465,079	\$17,100,000	\$141,479,867

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Teacher Development Grants

These grants provide funds to enhance teacher development programs in schools with a free and reduced price meal count of 25% or more of their student population. Each eligible school receives an \$8,000 grant to enhance teacher development in dealing with at-risk students. The proposed fiscal 2002 State budget includes \$5.8 million for this program.

Baltimore-City Partnership Grant

The Baltimore-City Partnership Grant was established by Chapter 105 of 1997 to assist in implementing management and educational reforms consistent with the school system's Master Plan and State education standards. Baltimore City must receive \$30 million in fiscal 1998 and \$50 million annually in fiscal 1999 through fiscal 2002. Chapter 492 of 2000 requires Baltimore City to receive at least \$8 million in additional funds for fiscal 2001 and fiscal 2002. The proposed fiscal 2002 State budget includes \$70.5 million for this grant.

Prince George's County Magnet and Effective Schools Programs

State funding for the Prince George's County magnet school program is used to support the county's 55 magnet schools that are operated as part of court-ordered school desegregation efforts. The State began providing funding for the county's magnet schools in fiscal 1985. Chapter 105 of 1997 requires the State to provide at least \$14.1 million in funding for the program in fiscal 1998 through fiscal 2002. State funding for the county's effective schools is intended to eliminate deficiencies in the academic performance of the county's schools. Chapter 565 of 1998 requires the State to provide, for fiscal 1999 through fiscal 2002, \$2 million annually for effective schools and \$1 million annually for a Pilot Integrated Student Support Services Project.

State and Local Fiscal Effect: Pursuant to this legislation, State funding for the compensatory aid program would increase from \$121.8 million in fiscal 2003 to \$491.6 million, representing a \$369.8 million expenditure increase. **Exhibit 2** shows the projected increase in future years.

Exhibit 2
Increases in the Compensatory Aid Program
(\$ in Millions)

	<u>Current Law</u>	<u>HB 660</u>	<u>Difference</u>
Fiscal 2003	\$121.8	\$491.6	\$369.8
Fiscal 2004	\$128.5	\$531.8	\$403.3
Fiscal 2005	\$135.1	\$573.7	\$438.6
Fiscal 2006	\$139.3	\$611.9	\$472.6

In addition, the bill requires State funding provided under targeted poverty grants, targeted improvement grants, teacher development grants, new targeted poverty grants, additional poverty grants, the Baltimore City-State partnership grant, and the Prince George's County magnet and effective schools programs to be consolidated under the enhanced compensatory aid program. State funding under these programs total approximately \$141.5 million. State funding for all of these programs, except for the targeted poverty grants, terminates after fiscal 2002. Accordingly, the Governor is not required to provide funding for these programs in fiscal 2003. **Exhibit 3** shows the net effect on State aid if existing programs serving economically disadvantaged students were consolidated under the enhanced compensatory aid program.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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Exhibit 3

Net Effect of Enhanced Compensatory Aid Funding in Fiscal 2003

Assuming Existing Targeted Programs Receive State Funding and are Consolidated into the Compensatory Aid Program

<u>County</u>	<u>Compensatory Aid Under HB 660</u>	<u>Compensatory Aid Current Law</u>	<u>Difference</u>	<u>Minus Targeted Targeted Programs</u>	<u>Net Effect</u>
Allegany	\$11,844,195	\$3,725,575	\$8,118,620	\$1,541,747	\$6,576,873
Anne Arundel	14,346,999	3,644,102	10,702,897	2,352,418	8,350,479
Baltimore City	197,423,565	63,791,940	133,631,624	82,709,642	50,921,982
Baltimore	36,674,387	6,988,280	29,686,107	5,704,610	23,981,497
Calvert	3,215,275	899,056	2,316,219	426,020	1,890,199
Caroline	5,811,143	1,102,471	4,708,671	676,706	4,031,965
Carroll	3,858,488	1,248,440	2,610,048	515,833	2,094,215
Cecil	6,475,018	1,838,652	4,636,366	821,834	3,814,532
Charles	9,052,463	1,963,204	7,089,260	1,139,113	5,950,147
Dorchester	4,174,870	1,125,153	3,049,717	644,398	2,405,319
Frederick	8,221,125	2,079,938	6,141,187	1,070,598	5,070,589
Garrett	3,938,921	1,229,862	2,709,059	650,509	2,058,550
Harford	10,461,118	2,785,462	7,675,655	1,409,062	6,266,593
Howard	5,244,213	1,251,318	3,992,895	769,230	3,223,665
Kent	1,340,408	236,259	1,104,149	253,955	850,194
Montgomery	27,652,994	4,732,212	22,920,782	5,298,314	17,622,468
Prince George's	108,375,779	13,395,770	94,980,009	30,629,234	64,350,775
Queen Anne's	1,486,575	504,556	982,019	245,542	736,477
St. Mary's	5,308,271	1,955,539	3,352,732	796,051	2,556,681
Somerset	4,175,293	1,081,913	3,093,380	532,429	2,560,951
Talbot	1,033,030	267,392	765,639	245,935	519,704
Washington	9,392,029	,7272,746	6,645,302	1,345,103	5,300,199
Wicomico	10,273,669	2,762,774	7,510,895	1,233,948	6,276,947
Worcester	1,829,045	460,662	1,368,383	467,636	900,747
Total	\$491,608,873	\$121,817,256	\$369,791,617	\$141,479,867	\$228,311,750

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