

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 722 (Senator Harris)
Economic and Environmental Affairs

Public Schools - Reconstitution - Transfer to Private Schools

This bill authorizes a local board of education to offer public school students currently enrolled in a reconstitution or reconstitution eligible school the option of attending another public school in the county, another publicly chartered school in the county, or a private school. Local boards are required to provide a scholarship for students attending a private school to defray the cost of attending the school. These costs include the student's tuition, books, transportation, and other fees. Local boards must determine the number of students that may transfer to private schools.

This bill takes effect July 1, 2001.

Fiscal Summary

State Effect: General fund expenditures would decrease by \$2,200 for each public school student who transfers from a reconstitution or reconstitution eligible school to a private school beginning in FY 2003. Revenues would not be affected.

Local Effect: Local school finances in Baltimore City and Anne Arundel, Baltimore, and Prince George's counties could be negatively affected, ranging from \$2,400 to \$2,800 per student who transfers from a reconstitution or reconstitution eligible school to a private school.

Small Business Effect: Minimal.

Analysis

Bill Summary: Upon providing the option for students to attend a private school, the local board must: (1) notify the private schools in the county of the school system's intent to offer this option to students; (2) determine the number of students who may transfer to private schools; and (3) provide certain information to parents and guardians of students enrolled in a reconstitution or reconstitution eligible school. The local board may select students for transfer to a private school on a random basis in its discretion or by other means if a greater number of students are accepted by a private school than the number determined by the local board.

A private school intending to accept public school students from a reconstitution or reconstitution eligible school must notify the local board of the number of spaces reserved for these students and the cost of tuition, books, transportation, and other fees. A private school may not set aside more than 25% of its projected enrollment for these students.

If a student enrolled in a private school under this bill continues to meet the academic and behavior standards of the private school, then the student may attend the school through the highest grade taught at the school, even if the State board determines that the student's public school is no longer eligible for reconstitution.

Current Law: The State and local school systems do not provide funding for public school students to attend private and parochial schools.

A public school is eligible for State reconstitution if the school does not meet all satisfactory or better standards in the State school performance areas, and the school's average of results in those areas: (1) is below satisfactory and declining; or (2) does not show substantial and sustained improvement through implementation of its school improvement plan.

Background: Currently, 102 public schools in Maryland have been identified by the State Board of Education as reconstitution-eligible: 85 in Baltimore City, 15 in Prince George's County, one in Anne Arundel County, and one in Baltimore County. Approximately 61,000 public school students attend a reconstitution eligible school.

In addition, the State Board of Education has placed four Baltimore City public schools under State reconstitution. Three schools, Gilmor, Montebello, and Furman L. Templeton elementary schools, were reconstituted in February 2000 and the Westport school that serves both elementary and middle school students was reconstituted in January 2001. In March 2000 the Maryland State Department of Education signed a

contract with Edison Schools, Inc., a national for-profit company providing educational services, to operate the three elementary schools beginning on July 1, 2000. In addition, the State Board of Education has granted conditional approval to a proposal by the Baltimore City Public School System in which the school system will hire a management company to operate the Westport school.

State Fiscal Effect: State education aid under the basic current expense formula is based on student enrollment in the prior year. Accordingly, any reduction in student enrollment pursuant to this legislation will reduce State aid expenditures in the following year. The average per pupil State grant under the current expense formula in fiscal 2003 is estimated at \$2,200.

Local Fiscal Effect: Local school expenditures could increase to the extent that local boards approve the transfer of public school students attending reconstitution or reconstitution eligible schools to private schools. There are three reasons for this increase: (1) State aid to local school systems under the basic current expense formula would be reduced for each student that transfers to a private school; (2) local boards must pay a portion of the student's tuition and other expenses for attending the private school; and (3) the private school payment would in most cases exceed any cost savings realized by the local school system from fewer students attending public schools.

Tuition Costs at Private Schools

Approximately 179,000 students attended nonpublic schools in Maryland during the 1999-2000 school year, representing 17% of all students. Schools operated by the Catholic Archdiocese serve 62,000 students in Maryland. Tuition ranges from \$1,500 to \$3,500 per student at most Catholic elementary schools and from \$3,500 to \$6,500 at most Catholic secondary schools. Non-parochial private schools charge on average \$9,000 for elementary school and \$11,000 for secondary school. Many private schools, especially parochial schools, have parent organizations that subsidize the school's operation, thereby keeping both costs and tuition low.

Public School Expenditures

Local schools systems must provide an educational opportunity scholarship to students attending a private school. The scholarship must total the amount of per pupil State funding under the basic current expense formula and per pupil local funding provided to the local school system less the per pupil amount budgeted for the benefit of or use by all schools in the county (per pupil systemwide costs).

Systemwide costs include local school expenditures for administration, mid-level administration, plant operation and maintenance, health services, pupil services, community services, and capital outlays. These costs are based on local school expenditures in fiscal 1998 adjusted by a 2.7% annual growth factor. **Exhibit 1** shows the projected scholarship amount for each local school system.

Exhibit 1
Estimated Private School Scholarship Amount
Based on Fiscal 2001 Funding

School System	Per Pupil Current Expense State Aid	Per Pupil Local Appropriation	Per Pupil Systemwide Costs	Per Pupil Scholarship Amount
Anne Arundel	\$1,697	\$4,815	\$1,681	\$4,831
Baltimore City	\$2,973	\$2,134	\$1,730	\$3,377
Baltimore	\$1,761	\$5,229	\$1,818	\$5,172
Prince George's	\$2,453	\$3,720	\$1,719	\$4,454

However, beginning in fiscal 2003, local school systems would not receive State aid for students who transfer to a private school during the 2001-2002 school year. **Exhibit 2** shows the net effect on local school revenues and expenditures for the four local school systems if the local boards decide to transfer public school students to private schools. Local school cost savings are based on per pupil local school expenditures for instruction and student transportation in fiscal 1998 adjusted by a 2.7% annual growth factor.

Exhibit 2
Net Impact Per Pupil on Local School Expenditures and Revenues

School System	Private School Scholarship	Local School Cost Savings	Reduction in State Aid	Net Effect on Local Finances
Anne Arundel	\$4,831	\$4,173	\$1,697	\$2,355
Baltimore City	\$3,377	\$3,856	\$2,973	\$2,494
Baltimore	\$5,172	\$4,347	\$1,761	\$2,586
Prince George's	\$4,454	\$4,109	\$2,453	\$2,798

*Expenditures impacted beginning in fiscal 2002; however, revenues are not affected until fiscal 2003.

Additional Information

Prior Introductions: Similar bills were introduced at the 2000 session as SB 570 and HB 890. SB 570 was withdrawn and HB 890 received an unfavorable report from the Ways and Means Committee.

Cross File: HB 1089 (Delegate Ports) – Ways and Means.

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

Fiscal Note History: First Reader – February 16, 2001
ef/jr

Analysis by: Hiram L. Burch, Jr.

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510