

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 910 (Delegate Cadden, *et al.*)
 Ways and Means

Education - Adult Education and Literacy Services

This bill requires the Governor to include \$2,400,800 in the fiscal 2004 State budget for competitive grants for adult education services. The competitive grants must be distributed according to the State plan for adult education and family literacy. Beginning in fiscal 2005, State funding for adult education services would be based on a formula developed by the Maryland State Department of Education (MSDE). MSDE must submit the methodology for determining the need and cost of adult education instruction to the Legislative Policy Committee by September 15, 2002.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: General fund expenditures would increase by \$1.1 million beginning in FY 2004. Future year expenditures could increase by a much larger amount depending upon the formula used by MSDE to calculate the need and cost for adult education services.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	1.1	-	-	-
Net Effect	\$0	(\$1.1)	-	-	-

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

Local Effect: Local agencies providing adult education services could receive a significant increase in State funding. Local expenditures would not be directly affected.

Small Business Effect: Meaningful. Small businesses in Maryland would benefit from increased literacy skills of current and prospective employees.

Analysis

Current Law: The State provides funding for adult education services through three programs: adult general education, external diploma program, and literacy works grant.

Background: At the 2001 session, a task force was established to study adult education services in Maryland. The task force determined that there is a significant need for adult education services in Maryland with 700,000 to 900,000 adults without a high school diploma or lacking the skills to speak English well. Current adult education programs serve between 36,000 to 38,000 individuals annually or 5% of the individuals in need. The demand for literacy services varies across Maryland. Statewide about 20% of adults function at the lowest literacy level; however, this percentage ranges from 10% in Carroll and Frederick counties to 38% in Baltimore City.

State funding for adult education services will total \$1.25 million in fiscal 2003 and federal funding will total approximately \$6.6 million. The State's support for adult education totals approximately \$45 per student, which is lower than any state along the East Coast. State funding totals \$132 per student in Virginia and \$610 per student in Delaware. **Exhibit 1** shows the level of State and federal funding for adult education by program and **Exhibit 2** shows the level of State funding in relation to other states on the East Coast.

Exhibit 1 State and Federal Funding for Adult Continuing Education Fiscal 2003

State Funding	
Adult General Education	\$161,703
External Diploma Program	281,070
Literacy Works Grant	810,829
<i>Subtotal – State Funding</i>	<i>\$1,253,602</i>
Federal Funding	
Adult Education – State-Administered Basic Grant Program	\$6,595,172
Total Funding	\$7,848,774

Exhibit 2
State Funding for Adult Education Services – FY 2001

<u>State</u>	<u>Total Funding</u>	<u>Per Student Funding</u>	<u>State</u>	<u>Total Funding</u>	<u>Per Student Funding</u>
Florida	\$240,579,467	\$602	Maine	\$4,100,000	\$418
New York	104,300,000	538	West Virginia	2,743,941	122
Massachusetts	37,000,000	1,506	Washington D.C.	2,500,000	884
North Carolina	30,504,068	197	New Jersey	2,448,000	55
Pennsylvania	17,979,000	384	Vermont	2,419,927	546
South Carolina	16,333,227	123	Delaware	2,000,000	610
Georgia	10,000,000	93	Maryland	1,253,000	45
Connecticut	7,920,000	286	New Hampshire	500,000	91
Virginia	4,124,106	132	Rhode Island	450,000	57

Source: MSDE Survey of States, U.S. Department of Education

Economic Impact of Adult Education Services

Individuals who leave school without a high school diploma pay a substantial penalty throughout their lives. About 16% of the State's adult population do not have a high school diploma. The lack of a high school diploma has serious economic consequences. Jobs for workers without a high school diploma have largely disappeared from the State's economy. A family headed by a high school dropout earned about 50% less than a family headed by an individual with a high school diploma. Over 50% of current public assistance recipients were dropouts and only 11% of dropouts were able to find a full-time job paying more than a poverty wage.

State and Local Fiscal Effect: Pursuant to this legislation, the Governor must include \$2,400,800 in the fiscal 2004 State budget for adult education services, an increase of \$1,147,198 over current funding levels. Beginning in fiscal 2005, State funding will be based on a funding formula developed by MSDE that incorporates both the need and cost for adult education services. Since this funding formula has not been developed, the actual impact on State expenditures cannot be determined at this time. However, since less than 5% of individuals needing adult education services are currently being served and the State's contribution is among the lowest in the nation, it is assumed that the mandated State funding for adult education would increase significantly.

For illustrative purposes, if the current level of State support (\$45 per student) was provided to each individual in need of adult education services, State expenditures would increase by at least \$30 million annually. This is approximately the same level of funding that Massachusetts and North Carolina provide to adult education programs.

Small Business Effect: Both national and State employers indicate that they have a need for increased basic skills in their workers. The *American Management Association's Annual Survey of Workplace Testing* found that 36% of job applicants tested by major U.S. firms in 1998 lacked the reading and math skills to do the job they sought. This is up from 23% in 1997 and 19% in 1996. Employers overwhelmingly reported increased profits and other bottom line benefits when their employees gained basic skills that enabled them to work more effectively. Benefits reported included improved work quality, better team performance, improved capacity to cope with change and ability to use new technology, and a reduction in errors and waste.

Additional Information

Prior Introductions: None.

Cross File: SB 737 (Senator Middleton, *et al.*) – Budget and Taxation and Health, Education, and Environmental Affairs.

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

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