

**Department of Legislative Services**  
 Maryland General Assembly  
 2002 Session

**FISCAL NOTE**

House Bill 621 (Delegates Zirkin and Morhaim)  
 Ways and Means

**Maryland's Expanding Our Commitment to Excellence in Learning (EXCEL) Pilot Program**

This bill establishes the Expanding Our Commitment to Excellence in Learning (EXCEL) Pilot Program to limit class sizes in kindergarten through grade three to 15 or fewer students per class. The pilot program would operate in at least 50 public schools statewide.

The bill takes effect July 1, 2002.

**Fiscal Summary**

**State Effect:** General fund expenditures would increase by \$4.8 million in FY 2003 and by \$11.7 million in FY 2007. Future year expenditures reflect the continual phase-in of the pilot program. Revenues would not be affected.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	4.8	7.4	10.5	11.1	11.7
Net Effect	(\$4.8)	(\$7.4)	(\$10.5)	(\$11.1)	(\$11.7)

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

**Local Effect:** None. It is assumed that the State would cover the full cost of the pilot program.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The EXCEL pilot program would limit class size in kindergarten through the third grade to 15 or fewer students per class. Class size reduction would be phased-in over three years beginning with kindergarten and first grade classes in the 2002-2003 school year. Second grade classes would be included at the 2003-2004 school year, and third grade classes would be included at the 2004-2005 school year.

The Maryland State Department of Education (MSDE) must select at least 50 public schools to participate in the pilot program with 1 to 5 public schools coming from each local school system. The selected public school must have at least 30% of its students eligible for free and reduced price meals. Public schools selected for the pilot program must keep the school building open each day from early in the morning until late in the day, provide a rigorous academic curriculum to improve academic achievement, and establish staff development and accountability.

An institute of higher education must evaluate the pilot program. The Governor is required to include funds for the pilot program in the annual State budget beginning in fiscal 2003. The State Superintendent of Schools must report on the program's effectiveness to the Governor and the General Assembly by July 31, 2003 and each year thereafter.

**Current Law:** The Maryland Learning Success Program provides grants to local school systems to reduce class sizes to a maximum of 20 students for reading instruction in the first and second grades.

**Background:** Chapters 513/514 of 1999 established the Maryland Learning Success Program, commonly referred to as the State's class size reduction program. The program is entering its third year of awarding grants to local school systems for class size reduction. Local school systems must use the grants to reduce their first and second grade class sizes for reading instruction. **Exhibit 1** shows the level of State funding for the program in fiscal 2001 through 2003 and the projected level of funding for fiscal 2004 through fiscal 2007.

### Exhibit 1 State Funding for Class Size Reduction (\$ in Millions)

<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
\$11.3	\$17.3	\$26.1	\$33.1	\$42.5	\$44.4	\$46.3

**State Fiscal Effect:** Existing class-size reduction programs initiated with federal and State funding have decreased class sizes at the elementary level from 23 to 20 students per class. Based on information for the 1999-2000 school year, most elementary schools in Maryland enroll between 400 to 800 students. Approximately 25% of elementary schools have 400 or fewer students and less than 5% have over 800 students. Pursuant to this legislation, MSDE must select at least 50 public schools to participate in a program whereby class sizes are reduced to 15 students per class in kindergarten through grade three. Participating schools must have at least 30% of its students eligible for free and reduced price meals. Approximately 446 public elementary schools would be eligible to participate in the pilot program.

#### *Additional Instructional Costs*

To limit the class sizes to 15 students, most participating public schools would be required to add one additional classroom per grade, resulting in the need for four additional teachers per school. **Exhibit 2** shows the estimated cost of the EXCEL pilot program by local school system. It is assumed that the State would cover the full costs for salaries and benefits. Accordingly, State general fund expenditures for salaries and benefits would increase by \$4 million in fiscal 2003 and by \$9.4 million in fiscal 2007. This estimate is based on the following:

- 50 public schools would participate in pilot program;
- 5 schools selected from each of the 5 largest school systems, 3 schools selected from medium size school districts with FTE enrollment of 22,000 to 45,000 students, and 1 school selected from the remaining 14 school systems;
- teacher salaries based on the beginning teacher salary for each local school system;
- 4% annual inflation for teacher's salaries and 19% local fringe benefit rate; and
- each elementary school has approximately 480 students with 4 classes at each grade level.

#### *Additional Classroom Costs*

To accommodate the additional classrooms, four portable classrooms would be needed at each elementary school. The average rental cost for a new classroom at an existing building is \$7,200 per year. It is estimated that 100 portable classrooms would be needed in fiscal 2003, 150 in fiscal 2004, and 200 beginning in fiscal 2005. Costs for portable classrooms would total \$720,000 in fiscal 2003 and \$1.5 million by fiscal 2007.

*Retirement Payments*

The State is responsible for paying the retirement costs for certain school employees. Since these payments are based on the teacher's salary base in the second prior year, State expenditures would not increase until fiscal 2005. Based on a 9.87% retirement contribution rate and a \$3.4 million teacher salary base, State expenditures could increase by \$332,000 in fiscal 2005. State retirement payments would increase by \$718,000 in fiscal 2007.

*Administrative Costs*

Administrative expenditures within MSDE would increase by \$58,010 in fiscal 2003 which accounts for a four-month start-up delay. The estimate reflects the cost of one new position (an educational program specialist) to administer the program, direct the selection of schools, and ensure that program objectives are achieved. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. Future year expenditures reflect: (1) a full salary with a 2.5% increase in fiscal 2004 and a 3.5% increase each year thereafter, with 3% employee turnover; (2) 1% annual increases in ongoing operating expenses; and (3) the phase-in of classes.

**Exhibit 3  
Administrative Costs at MSDE**

	<b><u>Fiscal 2003</u></b>	<b><u>Fiscal 2004</u></b>
Salary and Benefits	\$50,712	\$68,412
Start-up Costs	4,688	0
Ongoing Operating Costs	<u>2,610</u>	<u>3,515</u>
<b>Total Expenditures</b>	<b>\$58,010</b>	<b>\$71,927</b>

*Total State Expenditures*

State expenditures for the EXCEL pilot program would total \$4.8 million in fiscal 2003 and \$11.7 million by fiscal 2007. This estimate does not include any costs for constructing permanent classrooms to accommodate the lower class sizes. **Exhibit 4** shows the projected costs by expenditure item.

**Exhibit 4**  
**Projected Increase in State Expenditure for EXCEL Pilot Program**  
**(\$ in Millions)**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Teacher Salaries/Benefits	\$4.0	\$6.2	\$8.7	\$9.0	\$9.4
Portable Classrooms	0.7	1.1	1.4	1.5	1.5
Retirement Payments	0.0	0.0	0.3	0.5	0.7
Administrative Costs	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
<b>Total Expenditures</b>	<b>\$4.8</b>	<b>\$7.4</b>	<b>\$10.5</b>	<b>\$11.1</b>	<b>\$11.7</b>

*Permanent Classrooms*

If local school systems decide to build permanent classrooms, school construction costs would increase by \$46.1 million. Based on the existing cost share arrangement for the State Public School Construction Program, the State share would total \$29.3 million and the local share would total \$16.8 million. This estimate is based on the following:

- the cost to build an additional classroom is estimated at \$230,300; and
- 4 additional classrooms at each of the 50 schools participating in the pilot program.

**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 11, 2002  
ncs/jr

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**Exhibit 2  
Estimated Cost of EXCEL Pilot Program**

<u>County</u>	<u>Eligible Schools</u>	<u>Pilot Schools</u>	<u>Additional 2 Teachers Per School FY 2003</u>	<u>Additional 3 Teachers Per School FY 2004</u>	<u>Additional 4 Teachers Per School FY 2005</u>	<u>Additional 4 Teachers Per School FY 2006</u>	<u>Additional 4 Teachers Per School FY 2007</u>	<u>Potential School Construction Costs</u>		
								<u>Total Costs</u>	<u>State Share</u>	<u>Local Share</u>
Allegany	14	1	68,699	107,171	148,612	154,557	160,740	921,272	690,954	230,318
Anne Arundel	22	5	398,103	621,037	861,179	895,618	931,437	4,606,360	2,303,180	2,303,180
Baltimore City	115	5	392,593	612,451	849,255	883,218	918,537	4,606,360	4,145,724	460,636
Baltimore	49	5	402,839	628,427	871,413	906,280	942,528	4,606,360	2,303,180	2,303,180
Calvert	0	0	0	0	0	0	0	0	0	0
Caroline	5	1	76,412	119,202	165,296	171,907	178,786	921,272	690,954	230,318
Carroll	1	1	79,206	123,561	171,336	178,191	185,316	921,272	598,827	322,445
Cecil	7	1	78,749	122,851	170,351	177,167	184,255	921,272	644,890	276,382
Charles	8	3	243,260	379,487	526,218	547,267	569,158	2,763,816	1,796,480	967,336
Dorchester	4	1	74,784	116,664	161,773	168,242	174,973	921,272	644,890	276,382
Frederick	5	3	234,235	365,404	506,697	526,961	548,038	2,763,816	1,796,480	967,336
Garrett	9	1	70,020	109,231	151,468	157,527	163,830	921,272	644,890	276,382
Harford	8	3	239,961	374,336	519,078	539,841	561,432	2,763,816	1,796,480	967,336
Howard	2	2	162,935	254,177	352,459	366,558	381,219	1,842,544	921,272	921,272
Kent	4	1	80,944	126,271	175,097	182,099	189,381	921,272	460,636	460,636
Montgomery	50	5	434,231	677,408	939,338	976,919	1,015,998	4,606,360	2,303,180	2,303,180
Prince George's	102	5	415,191	647,705	898,141	934,055	971,421	4,606,360	3,454,770	1,151,590
Queen Anne's	1	1	82,772	129,123	179,052	186,216	193,665	921,272	506,700	414,572
St. Mary's	5	1	82,300	128,388	178,034	185,154	192,561	921,272	644,890	276,382
Somerset	5	1	72,771	113,522	157,418	163,715	170,265	921,272	737,018	184,254
Talbot	2	1	81,434	127,038	176,158	183,203	190,533	921,272	460,636	460,636
Washington	11	1	77,776	121,330	168,242	174,973	181,970	921,272	598,827	322,445
Wicomico	14	1	74,775	116,650	161,754	168,223	174,954	921,272	644,890	276,382
Worcester	3	1	77,969	121,630	168,661	175,406	182,422	921,272	460,636	460,636
<b>Total</b>	<b>446</b>	<b>50</b>	<b>\$4,001,958</b>	<b>\$6,243,066</b>	<b>\$8,657,031</b>	<b>\$9,003,297</b>	<b>\$9,363,420</b>	<b>\$46,063,600</b>	<b>\$29,250,386</b>	<b>\$16,813,214</b>