

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

Senate Bill 452 (Senator McFadden, *et al.*)
Education, Health, and Environmental Affairs

Education - Compulsory Attendance and Parental Responsibility - Age Limits

This bill increases the age of compulsory school attendance from 16 to 18. A student under 18 who has earned a high school certificate or diploma is not required to attend school.

The bill is effective July 1, 2002.

Fiscal Summary

State Effect: General fund expenditures for State aid through the current expense formula would increase by an estimated \$24.9 million in FY 2004. Future year expenditures reflect increased enrollment and inflation. No effect on revenues.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	24.9	39.1	40.5	42.2
Net Effect	\$0	(\$24.9)	(\$39.1)	(\$40.5)	(\$42.2)

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

Local Effect: State aid to local school systems through the current expense formula would increase by an estimated \$24.9 million in FY 2004; however, four local school systems would realize a reduction in State funding. Local expenditures would increase to comply with the maintenance of effort requirement.

Small Business Effect: None.

Analysis

Current Law: A child who is 5 to 15 years of age must attend public school regularly unless the child is otherwise receiving regular, thorough instruction at an alternative

setting (a private or home school). An individual who has legal custody of a child aged 5 to 15 and fails to see that the child attends school is guilty of a misdemeanor.

Background: According to the Maryland State Department of Education, there were 10,838 students who dropped out of school during the 2000-2001 school year, including approximately 725 students who were expelled from school. Dropout rates averaged 3.9% statewide and ranged from less than 2% in Howard and Montgomery counties to 11.3% in Baltimore City. The number of dropouts and the dropout rate for each school system are shown in **Exhibit 1**.

Exhibit 1
Number and Percent of Dropouts, by Local School System
2000-2001 School Year

School System	Number of Dropouts	Dropout Rate	School System	Number of Dropouts	Dropout Rate
Allegany	129	3.6%	Harford	428	3.5%
Anne Arundel	1,138	4.3%	Howard	276	1.9%
Baltimore City	3,449	11.3%	Kent	37	3.7%
Baltimore	889	2.6%	Montgomery	723	1.7%
Calvert	204	3.7%	Prince George's	1,501	3.0%
Caroline	83	4.6%	Queen Anne's	76	3.4%
Carroll	195	2.2%	St. Mary's	146	3.0%
Cecil	179	3.8%	Somerset	81	7.5%
Charles	261	3.3%	Talbot	38	2.6%
Dorchester	63	3.8%	Washington	248	3.8%
Frederick	355	2.8%	Wicomico	212	5.0%
Garrett	66	4.6%	Worcester	61	2.7%

Source: Maryland State Department of Education

In most cases, local school systems require verbal or written parental permission for a child under the age of 18 to drop out of school. Lack of interest and academics were the reasons most often cited for dropping out. School officials did not know the whereabouts of more than a quarter of the students who dropped out, and therefore did not record the reasons that these students dropped out.

The proposed fiscal 2003 State budget includes \$9.7 million in federal Temporary Assistance for Needy Families (TANF) funding for dropout prevention programs.

State Expenditures: General fund expenditures for current expense aid would increase by an estimated \$24.9 million in fiscal 2004. This estimate assumes that approximately 10,800 students who would have dropped out in the 2002-2003 school year would instead stay in school and be included in the enrollment count used to calculate fiscal 2004 aid. In the 2003-2004 school year, enrollment would increase again due to the inclusion of: (1) a portion of the students who would have dropped out in the 2002-2003 school year; and (2) all of the students who would have dropped out in the 2003-2004 school year. The fiscal 2005 impact is estimated at \$39.1 million. Student enrollment would stabilize at a higher annual amount after the 2003-2004 school year. The estimates of current expense funding under current law and under SB 452 for fiscal 2004 through fiscal 2007 are shown below. Current expense aid constitutes approximately 60% of total State education aid.

(\$ in millions)	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
SB 452	\$1,890.6	\$2,003.0	\$2,084.5	\$2,177.1
Current Law	\$1,865.7	\$1,963.9	\$2,043.9	\$2,134.9
Increase	\$24.9	\$39.1	\$40.5	\$42.2

Other State aid programs would also be affected by the move to a higher compulsory school age. The student transportation formula provides additional per pupil aid to school systems with increasing enrollments. In addition, to the extent that students who would drop out at 16 or 17 are eligible for free and reduced meals, State aid through targeted improvement grants would increase. To the extent that students who would drop out at 16 or 17 are eligible for limited English proficiency (LEP) services, State aid through LEP grants would increase. The most significant impact, however, would be on current expense aid.

Local Revenues: State aid to local school systems would increase beginning in fiscal 2004. However, because dropout rates vary significantly between school systems, the increased aid is not shared equally by all school systems. The fiscal 2004 to 2007 estimated net impact on State current expense funding is shown in **Exhibit 2**. As seen in the exhibit, four school systems with high wealth and low dropout rates would lose State aid as a result of requiring 16-year old and 17-year old students to attend school. This is due to the higher dropout rates in some of the less wealthy areas of the State and the wealth equalization factor in State current expense aid, which measures wealth on a per pupil basis.

Exhibit 2
Net Impact of SB 452 on State Aid through the Current Expense Formula
Fiscal 2004 to 2007

<u>School System</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Allegany	\$410,829	\$649,578	\$673,553	\$699,202
Anne Arundel	2,577,174	4,034,803	4,208,678	4,355,997
Baltimore City	14,232,064	22,139,344	22,577,893	23,374,117
Baltimore	676,124	1,114,956	1,214,243	1,291,944
Calvert	515,776	818,729	846,701	875,083
Caroline	287,970	452,137	470,474	490,334
Carroll	196,118	306,267	311,528	311,014
Cecil	476,431	752,114	786,327	818,535
Charles	630,834	1,004,668	1,058,528	1,127,771
Dorchester	183,797	290,254	291,742	302,707
Frederick	657,293	1,039,739	1,095,507	1,155,917
Garrett	183,401	288,531	300,269	311,618
Harford	978,953	1,536,285	1,583,047	1,631,870
Howard	(381,807)	(630,386)	(667,922)	(725,204)
Kent	80,640	127,392	134,861	138,700
Montgomery	(2,759,215)	(4,285,965)	(4,360,330)	(4,488,737)
Prince George's	4,001,583	6,433,268	6,788,426	7,150,514
Queen Anne's	126,667	197,541	204,635	217,355
St. Mary's	311,427	484,996	507,311	516,722
Somerset	318,997	499,897	515,892	534,572
Talbot	(64,433)	(104,267)	(112,870)	(116,892)
Washington	651,408	1,027,162	1,067,023	1,111,638
Wicomico	690,791	1,086,810	1,140,453	1,213,244
Worcester	(78,631)	(118,916)	(109,551)	(110,666)
Total	\$24,904,191	\$39,144,939	\$40,526,418	\$42,187,353

The bill would also impact the distribution of other State education aid programs that allocate funding to local school systems based on local wealth. These programs include the compensatory education formula (\$142 million in fiscal 2003), targeted improvement grants (\$23 million), the Governor's Early Education Initiative (\$19 million), and second tier special education funding (\$11 million). Local school systems could receive

additional funding that is not wealth equalized through the student transportation formula and the LEP formula. The most significant impact, however, would be on current expense funding.

Local Expenditures: Local school system expenditures could increase as a result of adding students to local enrollments. In fiscal 2002, local school systems budgeted an average of nearly \$4,600 per pupil in local education spending. If this cost is applied to 10,800 additional students, local expenditures would increase by \$49.7 million in fiscal 2003. However, the actual magnitude of the increase would depend on the ability of each local school system to accommodate additional students with available resources.

The maintenance of effort mandate in State law requires local jurisdictions to provide at least as much aid per pupil as was provided during the previous fiscal year. Due to the increases in enrollment that would occur if students 16 and 17 years of age were required to attend school, local governments would be forced to significantly increase funding for local school systems to comply with maintenance of effort. In total, fiscal 2003 local funding for school systems would have to increase by an estimated \$41.5 million. The impact on each local jurisdiction is shown in **Exhibit 3**. Local governments typically provide funding for public schools above the maintenance of effort requirement, and therefore the increases shown in the exhibit would be offset by the funding increases that local governments would provide without the bill.

Additional Information

Prior Introductions: Similar bills were most recently introduced during the 2000 and 1996 legislative sessions as SB 298 and HB 303 respectively. The 2000 bill received an unfavorable report from the Senate Economic and Environmental Affairs Committee, and the 1996 bill received an unfavorable report from the House Ways and Means Committee.

Cross File: None.

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

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Exhibit 3
Maintenance of Effort Increases resulting from SB 452
Fiscal 2003

School System	Additional Students	Est FY02 Per Pupil Funding	Required FY03 Increase
Allegany	129	\$2,652	\$342,114
Anne Arundel	1,138	4,972	5,658,484
Baltimore City	3,449	2,486	8,573,670
Baltimore	889	5,330	4,738,189
Calvert	204	4,151	846,722
Caroline	83	2,035	168,921
Carroll	195	3,804	741,750
Cecil	179	3,220	576,329
Charles	261	3,470	905,649
Dorchester	63	3,245	204,430
Frederick	355	3,598	1,277,449
Garrett	66	3,253	214,715
Harford	428	3,521	1,507,089
Howard	276	5,712	1,576,492
Kent	37	5,090	188,318
Montgomery	723	7,509	5,429,017
Prince George's	1,501	3,522	5,286,756
Queen Anne's	76	4,246	322,692
St. Mary's	146	3,566	520,619
Somerset	81	3,200	259,216
Talbot	38	5,733	217,836
Washington	248	3,525	874,145
Wicomico	212	3,167	671,471
Worcester	61	6,548	399,428
Total	10,838	\$4,584	\$41,501,502