

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

**FISCAL NOTE**

House Bill 1294 (Delegate Hixson, *et al.*)  
 Ways and Means

**Education - Financing - Aid to Education**

This bill provides an additional \$27.5 million in State funding to local school systems for student transportation. A local school system is prohibited from receiving more than 100% of the actual cost of providing student transportation services in the county. The bill also continues \$256.6 million in State aid to local school systems in fiscal 2004 that otherwise would have expired after fiscal 2003. In addition, the Governor must continue to provide a minimum funding level for several education programs including special education, academic intervention, teacher mentoring, Judith P. Hoyer Centers, early education initiatives, and reconstitution-eligible schools.

The bill takes effect June 1, 2002.

**Fiscal Summary**

**State Effect:** General fund expenditures would increase by \$27.5 million in FY 2003 to provide additional student transportation grants to local school systems. Future year grants increase by inflation. Approximately \$256.6 million in State education aid that sunsets after FY 2003 would continue in FY 2004 only and an additional \$9 million in funding under the transitional component would be provided to local school systems.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	27.5	37.5	29.5	30.5	31.5
Net Effect	(\$27.5)	(\$37.5)	(\$29.5)	(\$30.5)	(\$31.5)

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

**Local Effect:** State aid to local school systems would increase by \$27.5 million in FY 2003. In addition, local school systems would continue to receive \$256.6 million in State aid in FY 2004 that would have expired after FY 2003.

**Small Business Effect:** None.

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## **Analysis**

**Current Law:** The Maryland Constitution requires the State to provide a thorough and efficient system of free public schools. To satisfy this requirement, the State will provide approximately \$3.0 billion to local school systems in fiscal 2003. State education aid accounts for approximately 30% of the State's general fund revenues. In addition, State funding to local school systems represents the largest component of the State's general fund budget. State funding to local school systems is provided through approximately 50 programs.

State student transportation funding is based on each county's allocation in the previous year increased by the lesser of 8% or the change in the Consumer Price Index (CPI) for private transportation in the Washington-Baltimore metropolitan area for the preceding fiscal year. Each school system, however, is guaranteed a minimum 3% increase. In addition, local school systems receive an additional grant to reflect enrollment growth. The add-on grant is calculated by multiplying the increase in student enrollment by the per student transportation grant amount in the previous year. If a local school system receives more State aid than the actual cost of providing student transportation services in that county, the local school system may apply any excess funds to the costs of student transportation in subsequent years.

**Background:** The Commission on Education Finance, Equity, and Excellence was established in the fall of 1999 pursuant to legislation enacted during the 1999 session. The 27-member commission was charged with reviewing the State's current school finance system and accountability measures. The commission's interim report, issued in December 2000, included recommendations that would have resulted in \$133.4 million in new education funding for fiscal 2002. The interim report also recommended that the termination provision for 23 programs be extended for one year while the commission continued its appraisal of the State's school finance structure.

The commission's interim recommendations were subsequently included in legislation (Senate Bill 719) that was introduced during the 2001 session. The final version of the bill that was passed by the General Assembly extended the termination dates for 23 programs until the end of fiscal 2003 and mandated that funding for several other existing programs continue in fiscal 2003. However, the final legislation did not include the enhanced education funding recommended by the commission. The commission's final report was issued in January 2002 and includes recommendations that will provide an additional \$140 million in funding in fiscal 2003 and \$1.1 billion over a five-year period.

*Student Transportation Funding*

Chapter 1 of the first 1992 special session reduced the State basic grant for student transportation by \$55 million. Local school systems would have received \$141.2 million in student transportation funding in fiscal 1993; however, due to cost containment actions, State funding for the basic grant totaled only \$86.2 million. Future formula calculations were based on the revised fiscal 1993 State aid amount. If this cost containment action was not taken, State funding for student transportation would have totaled \$224 million in fiscal 2003, approximately \$85 million more than currently provided.

The fiscal 2003 State budget includes \$138.9 million in funding for student transportation, of which \$5.7 million is for transporting students with disabilities. State student transportation funding covers approximately 35% of total local expenditures for student transportation services. In fiscal 2000 local school systems spent approximately \$330 million for student transportation services including fixed charges.

**State and Local Fiscal Effect:** General fund expenditures would increase by \$27.5 million in fiscal 2003 and by \$31.5 million in fiscal 2007. In addition, approximately \$256.6 million in State education funding that sunsets after fiscal 2003 would continue in fiscal 2004. Local school systems will receive an additional \$9 million in fiscal 2004 under the transitional component of the Governor’s Teacher Salary Challenge Program. This component was not funded in fiscal 2003.

*Student Transportation Funding*

State funding for student transportation would increase by \$27.5 million in fiscal 2003. This represents one-half of the amount of State funding that was eliminated by cost containment measures during the 1992 session. The increase in State funding in future years reflects inflation. **Exhibit 1** shows the projected level of State funding for student transportation under current law and under the legislation. **Exhibit 2** shows the State funding increase by local school system for fiscal 2003.

**Exhibit 1**  
**State Funding for Student Transportation – Basic Grant**  
**(\$ in Millions)**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Current Law	\$133.2	\$137.9	\$142.8	\$147.5	\$152.5
HB 1206	<u>160.7</u>	<u>166.4</u>	<u>172.3</u>	<u>178.0</u>	<u>184.0</u>
Difference	\$27.5	\$28.5	\$29.5	\$30.5	\$31.5

### *State Education Funding That Sunsets After Fiscal 2003*

Chapter 420 of 2001 extended the termination provision for 23 programs for one year while the commission continued its appraisal of the State's school finance structure. These programs were established under three bills: Chapter 105 of 1997 (Baltimore City School Legislation); Chapter 565 of 1998 (SAFE Program); and Chapter 492/493 of 2000 (Governor's Teacher Salary Challenge Program). **Exhibit 3** provides a list of the programs that sunset at the end of fiscal 2003 and the estimated costs of funding these programs in fiscal 2004. **Exhibit 4** shows the amount of State education aid that sunsets after fiscal 2003 and the amount of State education funding mandated under this bill in fiscal 2004.

### *Maryland Academic Intervention and Support Program*

The Maryland Academic Intervention and Support Program was established to improve the performance of students with documented academic deficiencies and to prepare students for the high school assessments that students will have to pass in order to graduate. The fiscal 2003 State budget includes \$19.5 million in funding for this program. This bill requires that this funding be continued in fiscal 2004.

### *Special Education Grants*

State funding for public special education programs consists of two components: (1) a \$70 million base amount; and (2) an additional \$11.25 million second tier amount. A local school system's share of the \$70 million base grant is equal to the amount of special education funding that the school system received in 1981 under a formula that distributed funds according to: (1) total enrollment; and (2) a 1976 cost index for special education expenditures in each county. The \$11.25 million second tier funding is distributed through a formula that is based on special education enrollment and local wealth. Total State funding for public special education (\$81.25 million) has remained unchanged since 1990. This bill requires that at least \$81.25 million be provided for this program in fiscal 2004.

### *Statewide Teacher Mentoring Program*

The State currently provides \$15.9 million in funding for teacher mentoring programs that assist newly hired teachers and teachers who have less than five years experience with classroom management, curriculum, and school agendas. Of the total funding, \$5 million is part of a statewide initiative and the remaining \$10.9 million is for special grants to three local school systems (\$1 million for Anne Arundel County, \$7.9 million for Baltimore County, and \$2 million for Prince George's County). This bill requires that at least \$15.9 million be provided for this program in fiscal 2004.

### *Early Education Initiatives*

The fiscal 2003 State budget includes \$19 million for early education initiatives. This bill requires that at least \$19 million be provided in the fiscal 2004 State budget for early education programs that improve the academic achievement of students in pre-kindergarten through third grade.

### *Judith P. Hoyer Early Child Care and Education Enhancement Program*

This program provides financial support for the establishment of centers that provide full-day, comprehensive, early education programs and family support services that will assist in preparing children to enter school ready to learn. This program also provides funding to support voluntary accreditation of early child care centers, professional development of early childhood educators, and statewide implementation of an early childhood assessment system. The fiscal 2003 State budget includes \$11.625 million for these programs. This bill requires that at least \$11.625 million be provided for this program in fiscal 2004.

### *Reconstitution-Eligible Schools*

This program assists low-performing schools in meeting State performance standards by providing extended-day academic instruction, implementing student assessments and professional teacher development, providing additional teachers, and instituting exemplary curricula. Currently, 107 public schools in Maryland have been placed by the State Board of Education under local reconstitution (reconstitution-eligible): 85 in Baltimore City, 20 in Prince George's County, one in Anne Arundel County, and one in Baltimore County. Approximately 63,200 public school students attend a local reconstitution 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. The fiscal 2003 State budget includes \$11.8 million for this program. Of this amount: \$8.9 million is for Baltimore City, \$2.4 million is for Prince George's County, \$0.3 million is for Baltimore County, and \$0.2 million is for Anne Arundel County. This bill requires that at least \$9.8 million be provided for this program in fiscal 2004.

### *Management Oversight Panel*

Pursuant to the SAFE legislation, a Management Oversight Panel (MOP) for the Prince George's County Public School System was established to monitor the progress of the school system's performance and financial audits and the implementation of the audits' recommendations for a four-year period. The State was responsible for funding the coordination office up to a maximum of \$210,000 each year. However, since State

funding began in fiscal 2000, the State appropriation for the MOP has been set at \$310,000. The MOP and State funding is extended for fiscal 2004.

### *Prince George's County School Construction Funding*

Legislation enacted in 1998, Chapter 704, altered the State/local cost sharing formula for public school construction projects in Prince George's County by requiring the State to fund 75% of the eligible project costs for the first \$35 million in public school construction funding allocated by the State and 60% on any funds in excess of \$35 million. Under the then existing cost share arrangement, the State was responsible for 60% of eligible project costs. In addition, the legislation required the State to provide Prince George's County with \$35 million each year in school construction funding for fiscal 1999 through fiscal 2002, contingent on future economic conditions. Prince George's County must provide at least \$32 million for school construction projects. Legislation enacted in 2001, Chapter 420, extended the current State/local cost share arrangement and the required \$35 million State appropriation for school construction projects for Prince George's County until fiscal 2003.

This bill extends the current State/local cost share arrangement and the required \$35 million State appropriation for school construction projects for Prince George's County until fiscal 2004. This extension will enable Prince George's County to leverage State school construction funding with less local funds; however, fewer school construction projects in Prince George's County may be funded.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 751 (Senator Middleton) – Budget and Taxation and Education, Health, and Environmental Affairs.

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

**Fiscal Note History:** First Reader - February 27, 2002  
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**Exhibit 2**  
**Increased Student Transportation Grants**  
**Fiscal 2003**

<u>County</u>	<u>Regular Grant</u> <u>Current Law</u>	<u>State Grant</u> <u>Under HB 1206</u>	<u>Increased</u> <u>State Aid</u>
Allegany	2,838,327	3,469,827	631,500
Anne Arundel	12,606,928	15,293,428	2,686,500
Baltimore City	10,303,967	12,596,967	2,293,000
Baltimore	15,614,981	18,920,981	3,306,000
Calvert	2,456,378	2,907,878	451,500
Caroline	1,477,633	1,798,633	321,000
Carroll	4,950,550	5,967,050	1,016,500
Cecil	2,776,398	3,351,898	575,500
Charles	5,343,410	6,443,910	1,100,500
Dorchester	1,465,299	1,790,299	325,000
Frederick	5,274,089	6,291,589	1,017,500
Garrett	1,886,605	2,308,605	422,000
Harford	6,490,468	7,843,468	1,353,000
Howard	6,605,117	7,807,617	1,202,500
Kent	985,359	1,202,859	217,500
Montgomery	15,730,395	18,691,895	2,961,500
Prince George's	20,871,346	25,145,846	4,274,500
Queen Anne's	1,745,313	2,103,813	358,500
St. Mary's	3,451,286	4,178,786	727,500
Somerset	1,140,339	1,393,339	253,000
Talbot	936,895	1,140,895	204,000
Washington	3,761,016	4,587,516	826,500
Wicomico	2,758,441	3,365,941	607,500
Worcester	<u>1,693,619</u>	<u>2,063,619</u>	<u>370,000</u>
<b>Total</b>	<b>\$133,164,159</b>	<b>\$160,666,659</b>	<b>\$27,502,500</b>

Prepared by the Department of Legislative Services, February 2002

**Exhibit 3**  
**State Education Funding That Terminates After Fiscal 2003**  
**Estimated Allocation in Fiscal 2004**

<u>County</u>	<u>Teacher Salary Challenge</u>	<u>Additional Poverty</u>	<u>Limited English Proficiency (SB 795)</u>	<u>Limited English Proficiency (SAFE)</u>	<u>Targeted Improvement</u>	<u>Extended Elementary Education</u>	<u>Teacher Development</u>	<u>Aging Schools</u>	<u>School Libraries</u>	<u>Other Grants</u>	<u>Total</u>
Allegany	1,795,564	484,128	0	12,426	569,843	110,856	205,000	355,000	40,266	0	3,573,084
Anne Arundel	5,108,777	1,038,816	40,500	931,010	732,216	513,006	271,000	570,000	268,456	0	9,473,781
Baltimore City	16,799,470	0	81,000	910,937	9,764,896	1,019,270	1,470,000	1,635,000	380,390	70,465,079	102,526,042
Baltimore	8,558,529	2,446,368	45,000	1,919,371	1,986,549	373,029	624,000	2,940,000	376,316	7,400,000	26,669,163
Calvert	629,582	184,032	0	32,499	175,066	166,839	16,000	65,000	53,740	0	1,322,759
Caroline	712,824	212,448	4,000	112,792	302,688	173,254	74,000	85,000	20,218	0	1,697,224
Carroll	2,038,172	215,040	11,000	100,366	196,664	23,428	41,000	385,000	98,518	0	3,109,187
Cecil	2,442,523	301,056	2,500	99,410	339,236	379,136	90,000	355,000	55,039	0	4,063,900
Charles	1,892,713	455,424	5,000	100,366	470,841	689,384	115,000	65,000	78,281	0	3,872,008
Dorchester	434,878	220,800	5,500	56,396	213,172	92,014	90,000	65,000	18,382	0	1,196,141
Frederick	2,599,852	445,728	2,500	515,210	427,088	397,207	107,000	85,000	125,881	0	4,705,465
Garrett	424,068	216,192	0	0	194,642	87,796	115,000	85,000	19,170	0	1,141,868
Harford	2,964,779	612,960	16,500	287,715	533,096	494,604	107,000	400,000	139,416	0	5,556,070
Howard	3,504,597	326,880	37,500	1,462,469	279,245	225,321	74,000	65,000	147,977	0	6,122,990
Kent	213,792	95,616	3,500	34,411	69,864	105,193	66,000	65,000	10,197	0	663,573
Montgomery	13,207,914	2,469,216	1,129,000	10,686,539	1,457,975	589,692	690,000	1,170,000	453,584	2,000,000	33,853,920
Prince George's	10,725,029	4,840,416	465,500	6,794,268	5,828,312	427,801	1,174,000	970,000	463,151	8,910,000	40,598,477
Queen Anne's	477,005	117,216	1,000	26,764	73,354	147,741	16,000	85,000	23,544	0	967,624
St. Mary's	1,159,947	361,632	6,000	139,556	271,938	446,922	66,000	85,000	52,289	0	2,589,284
Somerset	528,183	168,192	4,000	56,396	219,104	89,381	74,000	65,000	11,060	0	1,215,315
Talbot	700,802	110,016	3,000	91,763	54,193	140,193	33,000	155,000	16,384	0	1,304,351
Washington	1,611,731	571,200	15,000	144,335	468,466	274,552	164,000	200,000	72,645	0	3,521,929
Wicomico	2,274,483	443,808	19,500	256,171	541,719	552,834	156,000	355,000	50,492	0	4,650,007
Worcester	542,219	226,176	6,000	66,910	92,678	136,308	82,000	65,000	24,604	0	1,241,896
<b>Total</b>	<b>\$81,347,433</b>	<b>\$16,563,360</b>	<b>\$1,903,500</b>	<b>\$24,838,079</b>	<b>\$25,262,845</b>	<b>\$7,655,761</b>	<b>\$5,920,000</b>	<b>\$10,370,000</b>	<b>\$3,000,000</b>	<b>\$89,275,079</b>	<b>\$265,636,057</b>

Prepared by the Department of Legislative Services, February 2002



**Exhibit 4**  
**Mandated Education Funding in SB751**  
**FY 2004 Estimates**

	SB 795 New Baltimore City School Board / State P'ship (1997)	HB 1 SAFE (1998)	SB 810 / HB 1247 Governor's Teacher Salary Challenge (2000)	SB 719 Educ. Finance, Equity and Excellence Act (2001)	Total
<b>SB795 Programs</b>					
Baltimore City Partnership Funding	50,000,000				50,000,000
New Targeted Poverty Grants	16,563,360				16,563,360
Limited English Proficiency Grants	1,903,500	24,838,079			26,741,579
Aging Schools Program	4,350,000	6,020,000			10,370,000
Extended Elementary Education Program	3,290,000	4,365,761			7,655,761
<b>Special Programs</b>					
Teacher Mentoring -Baltimore County	2,400,000	5,000,000			7,400,000
Teacher Mentoring - Prince George's County		2,000,000			2,000,000
Gifted & Talented - Montgomery County	2,000,000				2,000,000
Magnet Schools - Prince George's County	1,100,000				1,100,000
<b>SAFE Programs</b>					
Targeted Improvement Grants		25,262,845			25,262,845
Teacher Development Grants		5,920,000			5,920,000
Effective Schools Program - Prince George's County		2,000,000			2,000,000
Pilot Integrated Suppt Serv - Prince Georges County		1,000,000			1,000,000
Teacher Develop. Initiatives - Prince George's County		2,500,000			2,500,000
Teacher Develop. Initiatives - Non Prince George's County		500,000			500,000
Elementary School Libraries		3,000,000			3,000,000
Prince George's - Management Oversight Panel		310,000			310,000
<b>Governor's Teacher Salary Challenge Program</b>					
Percentage Component			54,260,798		54,260,798
Wealth Adjusted Component			7,108,153		7,108,153
Hold Harmless Component			378,482		378,482
Targeted Component			10,600,000		10,600,000
Transitional Component			9,000,000		9,000,000
<b>Other Funding Mandated</b>					
Academic Intervention				19,500,000	19,500,000
Section 4 Funding (Baltimore City)			8,000,000	12,465,079	20,465,079
Special Education Tier II				11,250,000	11,250,000
Teacher Mentoring - (Anne Arundel and Baltimore Counties & Statewide)				6,500,000	6,500,000
Pre-K to 3 Initiative				19,000,000	19,000,000
Judy Hoyer Early Child Care & Educ. Enhancement				11,625,000	11,625,000
Local Reconstitution				9,800,000	9,800,000
<b>Total Funding Mandated</b>	<b>\$81,606,860</b>	<b>\$82,716,685</b>	<b>\$89,347,433</b>	<b>\$90,140,079</b>	<b>\$343,811,057</b>

