

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	\$20.0	\$76.0	\$75.1	\$74.2	\$73.3
SF Revenue	80.5	0	0	0	0
GF Expenditure	.5	148.0	365.0	639.9	948.7
SF Expenditure	74.7	0	0	0	0
Net Effect	\$25.4	(\$72.0)	(\$290.0)	(\$565.7)	(\$875.4)

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

Local Effect: State aid to local jurisdictions would increase by \$74.7 million in FY 2003 and by an estimated \$1.3 billion in FY 2008. Local school expenditures would increase by an estimated \$49 million annually by FY 2008 to provide full-day kindergarten programs. Eight local jurisdictions would be required to increase their local education appropriations by a total of \$11.9 million in FY 2003. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Meaningful.

Analysis

Bill Summary: The elements of the bill are discussed individually within four categories: tobacco tax, State aid for education, local and State accountability, and education policies.

Tobacco Tax

The bill increases the tobacco tax rate for cigarettes from 66 cents to \$1. All cigarettes held in the State on or after June 1, 2002 for sale or use in the State are subject to the full tobacco tax. A special fund is established with \$80.5 million in revenues collected from the rate increase and any funds above \$80.5 million are distributed to the State's general fund. All tobacco tax receipts after fiscal 2003 will be placed in the general fund. By January 15, 2003, the Comptroller of the Treasury must report on the loss of gross sales revenues of retail establishments that sell cigarettes and are located within 30 miles of the State's border.

State Aid for Education

The bill provides for "bridge" funding in fiscal 2003 that is supported with the \$80.5 million dedicated portion of the tobacco tax. From fiscal 2004 through 2008, the bill phases in education funding formulas under a framework similar to the one established by the Commission on Education Finance, Equity, and Excellence. Twenty-seven existing State education aid programs are eliminated or phased out, with the funding for the programs replaced by enhanced funding for four programs, one based on total student

enrollment and three based on the enrollments of three categories of students with special needs. In addition, the Guaranteed Tax Base Program is established, and State aid for student transportation is enhanced. The different State aid programs are discussed individually below.

Fiscal 2003 "Bridge" Funding

The bill requires the special fund revenues generated through the increased tobacco tax in fiscal 2003 to be used to provide: (1) up to \$64.7 million in unrestricted grants to local boards of education; (2) \$4.8 million for the Maryland Infants and Toddlers Program; (3) \$1.1 million for adult education and literacy services; and (4) a \$10 million board of education restructuring grant for Prince George's County. The unrestricted grants to Montgomery, Talbot, and Worcester counties are reduced if their local education tax effort is less than 80% of State average. The provision funding the Infants and Toddlers Program is contingent on the enactment of Senate Bill 419/House Bill 371; the provision funding adult education is contingent on the enactment of Senate Bill 737/House Bill 910; and the provision funding the \$10 million board restructuring grant for Prince George's County is contingent on the enactment of House Bill 949 and the submission of an approved comprehensive master by the Prince George's County Public School System. The fiscal 2003 distributions for the four State aid programs supported with the special funds are specified in the bill.

Foundation Program

The bill changes the name of the program that funds a per pupil amount for all students in the State from the Basic Current Expense Program to the Foundation Program. A higher per pupil amount to be shared by the State and local governments is phased in from fiscal 2004 to 2008. During the phase-in period, the full-time equivalent enrollment value for a kindergarten student is increased to 1.0. The State share of the Foundation Program is 50%. By fiscal 2008, the minimum State share of the per pupil foundation amount that a local school system may receive is 15%.

In fiscal 2004, the State share of the Foundation Program will be increased for Baltimore City and Anne Arundel, Howard, and Montgomery counties to account for higher costs of education in these school systems. Beginning in fiscal 2005, the State share of the Foundation Program will be adjusted to reflect regional differences in the cost of providing education services based on an index developed specifically for Maryland. The Maryland State Department of Education (MSDE) must contract with a private entity by September 30, 2002 to develop the geographic cost of education index. The study must also make recommendations about how the index should be used to adjust costs in the State.

Compensatory Education Formula

The bill enhances funding for the Compensatory Education Program. A funding level per student who is eligible for free and reduced price meals (FRPM) is calculated by taking 97% of the per pupil amount established in the Foundation Program. An overall 50% State share of the per pupil funding level is phased in from fiscal 2004 to 2008, with less wealthy school systems receiving more than a 50% State share and more wealthy school systems receiving less than a 50% State share. By fiscal 2008, no school system may receive less than a 40% State share of the per pupil compensatory education amount regardless of local wealth.

Beginning in fiscal 2004, the enrollments used to calculate State aid through the compensatory education formula are based on enrollments from the first prior fiscal year rather than the second prior fiscal year. However, in fiscal 2004, enrollments from the second prior fiscal year will be used for school systems with declining enrollments.

Special Education Formula

The bill enhances State special education aid. A funding level per special education student is calculated by taking 74% of the per pupil amount established in the Foundation Program. An overall 50% State share of the per pupil funding level is phased in from fiscal 2004 to 2008, with less wealthy school systems receiving more than a 50% State share and more wealthy school systems receiving less than a 50% State share. By fiscal 2008, no school system may receive less than a 40% State share of the per pupil special education amount regardless of local wealth.

Beginning in fiscal 2004, the enrollments used to calculate State aid through the special education formula are based on enrollments from the first prior fiscal year rather than the second prior fiscal year. However, in fiscal 2004, enrollments from the second prior fiscal year will be used for school systems with declining enrollments.

Limited English Proficiency Formula

The bill enhances State aid for students with limited English proficiency (LEP). A funding level per LEP student is calculated by taking 99% of the per pupil amount established in the Foundation Program. An overall 50% State share of the per pupil funding level is phased in from fiscal 2004 to 2008, with less wealthy school systems receiving more than a 50% State share and more wealthy school systems receiving less than a 50% State share. By fiscal 2008, no school system may receive less than a 40% State share of the per pupil LEP amount regardless of local wealth.

Beginning in fiscal 2004, the enrollments used to calculate State aid through the LEP formula are based on enrollments from the first prior fiscal year rather than the second

prior fiscal year. However, in fiscal 2004, enrollments from the second prior fiscal year will be used for school systems with declining enrollments.

Guaranteed Tax Base Formula

The bill establishes the Guaranteed Tax Base Program and begins the phase-in of the new program in fiscal 2005. The program distributes State funding to local jurisdictions that: (1) have less than 80% of the statewide wealth per pupil; and (2) provide local education funding above the local share required under the Foundation Program. The amount provided to each local school system is equal to the additional funding that would have been provided by the local government if the same education tax effort was made and the jurisdiction had the wealth base that is “guaranteed.” Regardless of local education tax effort, local school systems may not receive more per pupil than 20% of the base per pupil amount established in the Foundation Program.

Student Transportation

The bill enhances State aid for base student transportation grants and grants for the transportation of disabled students. The base transportation grant is enhanced for 15 counties that experienced aggregate enrollment increases between 1980 and 1995, a time when the transportation formula did not include annual adjustments for enrollment increases. For eligible local school systems, the enhancements equal the increase in full-time equivalent enrollment from September 30, 1980 to September 30, 1995 times the fiscal 2002 statewide average per pupil base transportation grant.

The amount each school system receives per student who requires special transportation services is increased from \$500 to \$1,000 by fiscal 2008. In addition, the existing offset for the number of disabled students transported in the 1980-1981 school year is removed.

Teachers' Retirement Costs

The bill requires the State Retirement Agency to pay the retirement costs for all members of the Teachers' Pension System and the Teachers' Retirement System whose salaries are paid with funding from any State aid program. Under current law, the State does not pay retirement costs for school employees funded through some categorical State aid programs.

State Aid Programs that are Phased Out

The bill requires the State to distribute partnership grants to Baltimore City through fiscal 2006. The grants are \$28.2 million in fiscal 2004, \$21.1 million in fiscal 2005, and \$14.1 million in fiscal 2006. No funds for the program are provided after fiscal 2006.

Funding for the percentage, wealth adjusted, and targeted components of the Governor's Teacher Salary Challenge Program are also phased out. Each school system receives 50% of its fiscal 2002 funding in fiscal 2004 and 25% of its fiscal 2002 funding in fiscal 2005. No funds for the program are provided after fiscal 2005.

Each local school system also receives its fiscal 2002 Extended Elementary Education Program (EEEP) funding in fiscal 2004 through 2007. The program sunsets after fiscal 2007.

Other State Aid Programs

The bill eliminates the following mandated State aid programs: Excellence in Education Incentive Grant Program and other funding for gifted and talented students; teacher mentoring; school library media incentives; the Maryland Learning Success Program (class size initiative); magnet schools; targeted improvement grants; targeted poverty I grants; additional poverty grants; the Effective Schools Program; integrated student support services; provisional teacher development and certification initiatives; teacher development grants; and academic intervention.

In addition, the bill states that it is the intent of the General Assembly that the following discretionary programs receive no funding in the State budget: environmental education; the Maryland Student Service Alliance; the pre-kindergarten through third grade initiative; Allegany County resource deficiencies; high school assessment fees; foster care assessment; rural schools performance; rural school nurses; Potomac High School; pilot summer program; and Baltimore City teacher certification.

School Construction

The bill extends the sunsets on the enhanced Baltimore City and Prince George's County school construction programs through fiscal 2004. In fiscal 2004, Baltimore City will continue to receive from the State 90% of the eligible school construction costs for the first \$20 million in public school construction projects and 75% of the eligible costs above \$20 million. Baltimore City must appropriate at least \$12.4 million to school construction projects in fiscal 2004. Prince George's County will continue to receive from the State 75% of the eligible school construction costs for the first \$35 million in public school construction projects and 60% of the eligible costs above \$35 million in fiscal 2004. Prince George's County must provide at least \$32 million for public school construction projects in fiscal 2004. The sunset on the Aging Schools Program is also extended through fiscal 2004.

The bill establishes a 21-member Task Force to Study Public School Facilities to review, evaluate, and make findings and recommendations regarding issues related to the adequacy and equity of the State's school construction program. The task force must be

appointed and begin its deliberations by June 1, 2002 and must submit a report by December 31, 2002. The task force will be staffed by the Interagency Committee on School Construction, the Maryland State Department of Education (MSDE), the Department of Budget and Management, and the Department of Legislative Services.

Affirmation of the State's Ability to Provide Enhanced State Aid

The bill requires the General Assembly to affirm by joint resolution during the 2004 legislative session that the State aid amount calculated for fiscal 2005 is within the State's fiscal resources. If the resolution is not adopted by the fiftieth day of the session, State education aid for each school system will increase by 5% from fiscal 2004 to 2005 and by 5% to 6% annually from fiscal 2006 to 2008.

Local Funding for Education

The bill requires eight local jurisdiction (Baltimore City and Allegany, Caroline, Garrett, Prince George's, Somerset, Washington, and Wicomico counties) to earmark a portion of the disparity grants they receive from the State in fiscal 2003 to enhance local funding for education. The earmarked portions of the disparity grants must be used to provide local education appropriations above the existing maintenance of effort requirement. The amounts that each jurisdiction must earmark, which total \$11.9 million, are specified in the bill.

Enrollment Counts

The bill requires MSDE to form a committee of stakeholders to examine State aid issues related to student enrollment. The committee must make recommendations to address problems relating to: (1) school systems with declining or growing enrollments; and (2) the dates on which the State should take enrollment counts for different student populations. The committee must submit its report by December 30, 2003.

Local and State Accountability

Comprehensive Master Plans

The bill requires each school system to develop a comprehensive master plan that describes the strategies that will be used to improve performance in every segment of the student population. Each plan must include goals that are aligned with State standards, implementation strategies, methods for measuring progress toward meeting goals, and time lines for the implementation of strategies. If any segment of the student population in a school system fails to demonstrate progress towards meeting performance standards, the State Superintendent of Schools must review the system's plan and may require the system to make changes to its plan. The State Board of Education may withhold funding

from a school system that fails to demonstrate progress towards State standards and fails to develop an adequate plan. With the exception of the Prince George's County Public School System, all local school systems must submit the master plans by October 1, 2003. The Prince George's County school system must submit its plan by September 30, 2002, and the State Superintendent of Schools may not release Prince George's County's fiscal 2003 \$10 million board of education restructuring grant until the plan has been approved.

The State Superintendent must review academic intervention initiatives being implemented in local school systems and report periodically on initiatives that are improving student performance.

Funding for MSDE to report on best practices and to provide technical assistance to local school systems as they develop and implement master plans must be included in the State budget.

Future Studies and Evaluations

The bill requires MSDE to conduct an evaluation of the impact of the enhanced State aid or to contract with a public or private entity to conduct or assist with the evaluation. MSDE must submit an initial report on the evaluation by December 31, 2006 and a final report by December 31, 2008. Funding for the evaluation must be provided in the State budget.

The bill also requires MSDE to contract with a public or private entity to conduct a study of the adequacy of education funding no later than June 30, 2012. At a minimum, the study must identify an adequate base funding level for students without special needs, calculate the additional costs associated with special needs students, and conduct an analysis of the effect of concentrations of poverty on adequacy. Funds for the study must be included in the State budget.

Annual Audit Reports to the General Assembly

The bill requires each local board of education to provide a report on its annual audit to the Joint Audit Committee of the General Assembly; the Senate Budget and Taxation Committee; the Senate Education, Health, and Environmental Affairs Committee; the House Appropriations Committee; and the House Committee on Ways and Means.

Education Policy

Kindergarten and Pre-Kindergarten Requirements

The bill requires every school system to provide full-day kindergarten for all students by the 2007-2008 school year. Also by the 2007-2008 school year, each school system must make publicly funded pre-kindergarten programs available to all economically disadvantaged four-year-old children. Each school system must identify the strategies that will be used to accomplish these requirements in its comprehensive master plan.

New Baltimore City Board of School Commissioners Appointment Process

The bill continues the existing appointment process for members of the New Baltimore City Board of School Commissioners. The State Board of Education must continue to submit a list of qualified candidates to the Governor and the Mayor of Baltimore City, who jointly appoint individuals from the list to the city board.

Prince George's County Management Oversight Panel

The bill extends the sunset on the Prince George's County Management Oversight Panel until the State Superintendent of Schools determines that its work is complete. During this time, the State must continue to fund the operating expenses of the coordination office up to maximum of \$310,000 annually.

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, the largest component of the State's general fund budget. State funding to local school systems is provided through approximately 50 programs, many of which are due to sunset after fiscal 2003.

The Baltimore City and Prince George's County public school systems are required to develop and implement comprehensive master plans for the coordinated use of all education funding. All school systems are required to develop and implement master plans for the use of State education funding that is provided for the purpose of aiding students who are at risk of failing to meet State performance standards.

Local school systems are required to provide half-day kindergarten programs that all students must attend. Local school systems are not required to provide full-day kindergarten programs and are not required to fund pre-kindergarten programs for four-year-old children.

The tobacco tax rate for cigarettes is 66 cents per pack.

Background: The Commission on Education Finance, Equity, and Excellence was established by chapter 610 of 1999 (HB 10) and was appointed in the fall of 1999. The commission was charged with examining the State's education finance system and accountability measures. The commission's final report was submitted in January 2002.

The commission's recommendations are founded on the concept of standards-based school financing. In this approach, the role of the State is to set academic performance standards for students, ensure that schools have sufficient resources to achieve the standards, and hold schools and school systems accountable when they fail to meet standards. Maryland has set high performance standards and has established a nationally-recognized accountability system. The State has not, however, linked its school financing system to expected student outcomes. To establish this link, the commission contracted with a consultant to conduct "adequacy" studies using two different methodologies (the "successful schools" and "professional judgment" approaches). The studies attempted to quantify the resources that would be needed for schools and school systems to meet the existing performance standards. The studies were initially presented to the commission in June 2001, and a final report was submitted by the consultant in September 2001. The consultant's findings established the basis for the commission's funding recommendations.

As defined by the commission, adequacy is composed of a base per pupil funding level common to all school systems and two adjustments to this base cost, one that accounts for the higher costs associated with special needs students and one that accounts for cost of education differences among the school systems. The adequacy studies conducted for the commission estimated a base per pupil funding level as well as the additional costs associated with students in three special needs categories: special education, limited English proficient, and economically disadvantaged. The base per pupil cost adopted by the commission was calculated at \$5,969. The additional costs associated with special needs populations are expressed as "weights," which estimate the proportion of the base cost that would be needed above the base cost to ensure that students with special needs can meet standards. The weights adopted by the commission were calculated at 1.17 for special education students, 1.10 for economically disadvantaged students (as defined by eligibility for free and reduced price meals), and 1.00 for limited English proficient students. The adequacy studies did not produce a measure of the cost of education differences between school systems. To estimate these differences, the commission's consultant used the Geographic Cost of Education Index (GCEI) developed for the National Center for Education Statistics.

As a result of the adjustments for special needs student populations and cost of education differences, adequate funding measured on a per pupil basis varies among the 24 local school systems. Using the GCEI to estimate cost of education variations and the

commission’s adopted base cost and special needs student weights, the statewide fiscal 2002 adequacy cost per pupil is \$8,944. Budgeted fiscal 2002 revenues that are related to adequacy are estimated at \$7,491 per pupil. **Exhibit 1** shows the estimated fiscal 2002 per pupil adequacy needs of each local school system and the revenues that are available in each system.

Exhibit 1
Adequacy Costs and Budgeted Revenues Per Pupil
Fiscal 2002

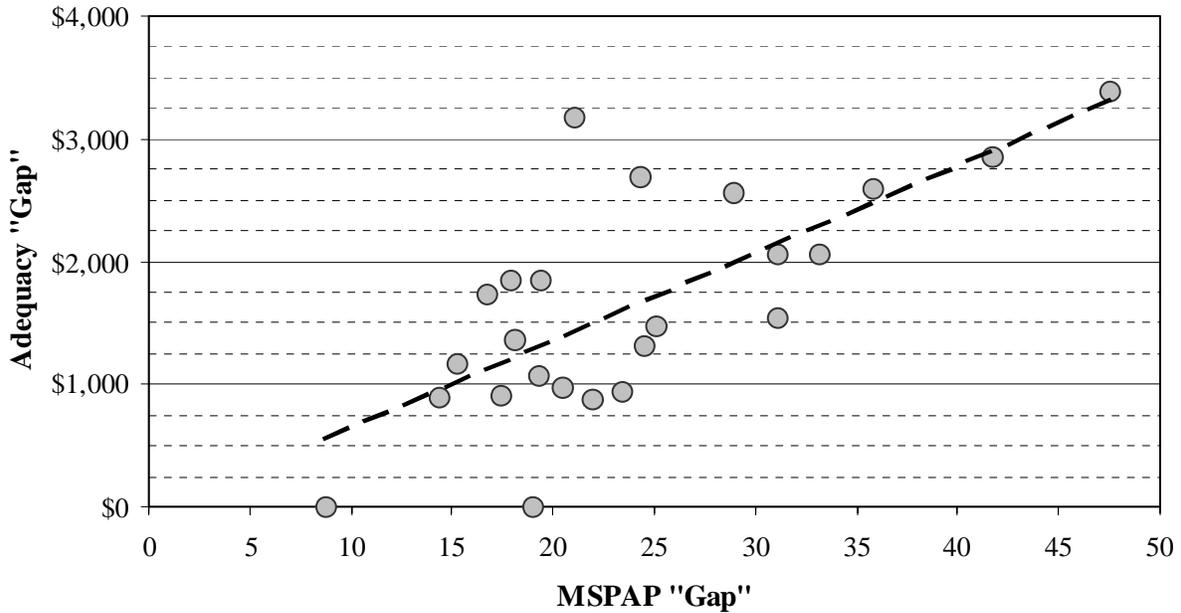
School System	Per Pupil Adequacy Needs ¹	Available Revenues Per Pupil ²	Adequacy “Gap”	School System	Per Pupil Adequacy Needs ¹	Available Revenues Per Pupil ²	Adequacy “Gap”
Allegany	\$9,792	\$7,106	\$2,687	Harford	\$7,914	\$6,189	\$1,725
Anne Arundel	7,952	7,012	940	Howard	7,513	7,865	0
Baltimore City	11,947	8,564	3,383	Kent	9,213	8,046	1,168
Baltimore	8,716	7,739	977	Montgomery	8,730	8,876	0
Calvert	7,626	6,732	894	Prince George’s	9,731	6,878	2,853
Caroline	9,294	6,112	3,182	Queen Anne’s	7,811	6,934	877
Carroll	7,357	6,284	1,072	St. Mary’s	7,940	6,634	1,306
Cecil	8,294	6,443	1,851	Somerset	10,243	7,646	2,597
Charles	8,081	6,600	1,481	Talbot	8,633	7,100	1,533
Dorchester	9,485	7,433	2,052	Washington	8,584	6,732	1,852
Frederick	7,662	6,305	1,357	Wicomico	8,968	6,916	2,052
Garrett	9,494	6,929	2,565	Worcester	8,801	7,887	914

¹ Cost of adequacy does not include costs associated with capital expenditures, debt service, transportation, and food service.

² Source: Fiscal 2002 county and school board budgets. Budgeted spending for transportation and a few other State aid programs is deducted from available resources because it is for purposes/functions not incorporated in the adequacy analyses.

This theory of adequacy assumes that as a school system approaches its adequacy “target,” school performance should approach Maryland’s established performance standards. This theory is tested in **Exhibit 2**. Each point on the chart represents a local school system. In the chart, the 2001 Maryland School Performance Assessment Program (MSPAP) “gap” is calculated by subtracting a school system’s composite index score on MSPAP from 70%, the State performance standard. The chart indicates that the MSPAP gap generally decreases as the adequacy gap decreases. Although there are some outliers, most school systems are clustered around the regression trend line shown in the exhibit, suggesting that funding and student performance are related.

Exhibit 2
Fiscal 2002 Adequacy Gap and 2001 MSPAP Gap



State Revenues: In fiscal 2002 and 2003, the increased tobacco tax rate for cigarettes would generate an estimated \$100.5 million, which includes: (1) \$7.4 million collected from cigarette sales in June 2002 (fiscal 2002); (2) \$81.9 million collected from cigarette sales from July 2002 to June 2003; and (3) \$11.3 million collected from the “floor tax” on cigarettes that are in stock as of June 1, 2002. To support the bridge funding established in this bill, \$80.5 million would be distributed to the special fund. An estimated \$20.0 million would be allocated to the State’s general fund. Fiscal 2004 to 2007 revenue estimates, which are calculated at approximately \$80 million annually, reflect slight declines in the demand and consumption of cigarettes in Maryland.

Under current law, local school systems reimburse the State for the retirement costs of teachers and other school personnel who are paid with State categorical aid. The amount of the reimbursements totals approximately \$5 million per year. The bill, however, requires the State to pay the retirement costs for all employees funded with State aid. As a result, general fund revenues would decrease by an estimated \$5 million annually beginning in fiscal 2004.

State Expenditures: Special fund expenditures would increase by \$74.7 million in fiscal 2003 to provide additional State aid to local school systems. In addition, general fund expenditures would increase by \$492,000 to provide administrative support for the bill at MSDE. There could also be an increase in State school construction costs in order to ensure that all local school systems could accommodate full-day kindergarten programs by fiscal 2008. Finally, the employment of additional field enforcement agents could be

a cost-effective way to reduce the smuggling of cigarettes into Maryland from neighboring states, all of which have lower cigarette tax rates. These four categories of expenditures are discussed separately below.

State Aid to Education

Fiscal 2003 “Bridge” Funding

“Bridge” funding in fiscal 2003 would total \$80.5 million, including \$74.7 million related to this bill and \$5.8 million contingent on the enactment of other bills. The funding would be provided through the four funding streams discussed below.

- Unrestricted grants totaling up to \$64.7 million would be distributed to local school systems. The allocation of the grants as specified in the bill was determined by making some modifications to Senate Bill 856 as introduced and identifying the fiscal 2003 distribution of new funds under the modified model. The grants for Allegany, Anne Arundel, and Baltimore counties include an additional \$1 million. In addition, all school systems are guaranteed increases of at least 2% in current expense aid from fiscal 2002 to 2003.
- A \$10 million board of education restructuring grant would be provided to Prince George’s County. The funding would be contingent on the passage of House Bill 949 and the approval of a comprehensive master plan for the school system.
- A total of \$4.8 million would be provided for the Maryland Infants and Toddlers Program contingent on the enactment of Senate Bill 419/House Bill 371.
- Adult education and literacy services funding would increase \$1.1 million contingent on the enactment of Senate Bill 737/House Bill 910.

The distribution of enhanced fiscal 2003 funding is shown in **Exhibit 5**, which is attached at the end of the fiscal note.

The Phase-in of Funding Formulas in Fiscal 2004 through Fiscal 2008

State aid to local school systems would increase by an estimated \$147.8 million in fiscal 2004 and by an estimated \$1.3 billion by fiscal 2008. **Exhibit 3** shows the estimated funding by program from fiscal 2004 to fiscal 2008.

Exhibit 3
SB 856 State Education Aid Estimates
Fiscal 2004 to 2008

<u>Program</u>	(\$ in millions)				
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Foundation	\$2,005.4	\$2,144.7	\$2,345.8	\$2,522.9	\$2,750.8
Compensatory Ed	357.5	490.2	600.2	741.2	891.9
Special Ed	114.3	155.2	188.6	230.9	277.1
LEP	38.3	55.7	73.1	97.1	126.3
Guaranteed Tax Base	0.0	21.9	43.7	67.5	88.6
Transportation	166.5	175.3	184.0	193.1	201.8
Teachers Retirement	373.0	393.5	414.4	446.0	482.8
City Partnership	28.2	21.1	14.1	0.0	0.0
Salary Challenge	36.5	18.3	0.0	0.0	0.0
EEEEP	19.3	19.3	19.3	19.3	0.0
Other Programs	199.4	210.9	223.5	237.3	252.5
Total	\$3,338.4	\$3,706.1	\$4,106.8	\$4,555.3	\$5,071.9
Current Law Aid	\$3,190.6	\$3,341.8	\$3,467.6	\$3,607.3	\$3,766.2
Increase	\$147.8	\$364.3	\$639.2	\$948.0	\$1,305.7

It has been assumed within these estimates that teachers' retirement costs would increase as a result of increased State aid. The State pays retirement costs based on salary bases from the second prior fiscal year. Therefore, beginning in fiscal 2005, the teachers' retirement payments shown in Exhibit 3 reflect estimated increases to State aid.

Estimated annual increases to total State education aid average approximately 11% per year from fiscal 2005 to 2008. However, the General Assembly must pass a joint resolution in 2004 for the full increases to occur. If the joint resolution is not passed, State aid would not increase as rapidly as is shown in Exhibit 3. Annual increases to State aid would instead total approximately 5% each year from fiscal 2005 to 2008.

Additional exhibits that explain the enhanced State aid in more detail and show the distribution of State aid are attached at the end of the fiscal note. A brief description of each exhibit is provided below:

- The bill's funding provisions are summarized in **Exhibit 6**. The exhibit provides a brief textual synopsis of the bill and graphs showing the estimated enhancements to State aid in fiscal 2003 and over the five-year phase-in period. Three pie charts at the bottom of the exhibit reflect the characteristics of State aid in fiscal 2008.

The charts show the proportion of State aid provided through general education programs, programs targeting students with special needs, and functional programs (such as transportation and food service); the proportion of State aid that would be wealth equalized; and the proportion of total education aid that would be provided by federal, State, and local sources.

- A comparison of fiscal 2002 and fiscal 2008 education aid characteristics is shown in **Exhibit 7**. This exhibit repeats the three pie charts that were shown in Exhibit 6 and compares them to pie charts that reflect fiscal 2002 education funding.
- An estimate of the county-by-county distribution of enhanced State aid is shown in **Exhibit 8**. The first set of columns on the left shows the increases from fiscal 2003 to 2008 that school systems would receive above the funding they would receive under current law. The second set of columns shows actual fiscal 2002 State aid and the aid increases that local school systems would realize from one fiscal year to the next. Finally, the last two columns show the total difference between estimated fiscal 2008 aid and actual fiscal 2002 aid, and the percent increase in aid that each school system could expect.
- **Exhibit 9** shows State aid on a per pupil basis. It has the same sets of columns as Exhibit 8.
- A fiscal 2008 adequacy analysis is shown in **Exhibit 10**. The exhibit attempts to project how close each school system might be to its adequacy target by fiscal 2008 with the enhanced State aid and projected increases to local and federal education funding. The exhibit shows that, with the State aid enhancements, the number of school systems with adequacy gaps is reduced from 22 in fiscal 2002 to 1 in fiscal 2008.

Maryland State Department of Education Administrative Costs

General fund expenditures would increase by \$492,067 in fiscal 2003 and by \$190,670 in fiscal 2004 to fund the administrative costs associated with the bill. These estimates reflect the cost of hiring one education program specialist and one administrative specialist in fiscal 2003 to aid in the transition to new funding formulas, provide technical assistance to local school systems as they develop and implement comprehensive master plans, review proposals for the creation of a Maryland-specific geographic cost of education index, and report on student interventions being implemented in local school systems. A second education program specialist would be added in fiscal 2004 as these responsibilities increase and as the evaluation of enhanced State aid begins. The estimates include salaries, fringe benefits, one-time start-up costs, and ongoing operating

expenses as well as the estimated fiscal 2003 contract costs for the production of a cost of education index.

	<u>FY 2003</u>	<u>FY 2004</u>
Contractual Services	\$400,000	\$0
Salaries and Fringe Benefits	81,449	182,612
Start-up and Ongoing Operating Expenses	<u>10,618</u>	<u>8,058</u>
Total State Expenditures	\$492,067	\$190,670

Fiscal 2005 to 2007 expenditures would reflect: (1) ongoing contractual services of approximately \$575,000 annually for the evaluation of enhanced State aid; (2) salaries with 3.5% annual increases and 3% employee turnover; and (3) 1% annual increases in ongoing operating expenses.

School Construction Costs

It is estimated that the State would need an additional 620 classrooms to provide full-day kindergarten programs for all students. The State's share of the costs are estimated at \$83 million. These are one-time costs that would be borne by the State between fiscal 2003 and fiscal 2007.

The bill also requires local school systems to make publicly-funded pre-kindergarten programs available for all economically disadvantaged four-year-old children by the 2007-2008 school year. The bill does not necessarily require systems to establish the programs within public school buildings. If there are a sufficient number of existing pre-kindergarten programs throughout the State, no additional facilities would be needed. If additional facilities are needed in some local school systems, State school construction expenditures could increase.

Additional Field Enforcement Officers

The Comptroller's Office currently employs 16 field enforcement agents to enforce anti-smuggling regulations. The office advises that it could be cost-effective for the State to employ up to six additional alcohol and tobacco agents to help control any increase in cigarette smuggling that may result from a cigarette tax rate increase. The estimated general fund cost of the additional agents with necessary equipment is approximately \$350,000 annually from fiscal 2003 to 2007. The Department of Legislative Services advises that because there is only limited experience with a tobacco tax increase of this size, the extent to which smuggling will become a problem is unknown. However, if organized or large-scale smuggling does become a problem in the future, additional tax agents may be required, perhaps on the scale envisioned by the Comptroller's Office. It

should be noted that a loss from the additional cross-border sales has been incorporated in the revenue estimates.

Local Revenues: State aid to local school systems would increase by \$74.7 million in fiscal 2003. In addition, local jurisdictions could receive a total of \$5.8 million for the Infants and Toddlers Program and for adult education contingent on the enactment of other bills. The distribution of fiscal 2003 funding enhancements is shown in Exhibit 5 at the end of the fiscal note. The estimated fiscal 2003 to 2008 increases for each school system (not including enhanced funding for the Infants and Toddlers Program and adult education) are detailed in Exhibit 8. Increases on a per pupil basis are shown in Exhibit 9.

Local Expenditures: Assuming the enhanced State aid would not result in lower local education appropriations, local school system expenditures would increase commensurate with the increased State aid. A portion of the funding would be used to fund full-day kindergarten programs for all students by fiscal 2008. Approximately 46% of kindergarten students already attend a full-day program. Operating costs to implement full-day kindergarten programs for the rest of the State's kindergarten students would depend on class sizes and the salaries of teachers hired to instruct the additional students. Assuming class sizes of 20 students and average teacher salaries, the estimated fiscal 2003 cost to implement full-day kindergarten programs at all public schools is \$49 million. The State aid formulas proposed in this bill count each kindergarten student as 1.0 full-time equivalent student to recognize the move to mandatory full-day programs. It is assumed that most fixed costs, such as administration, would not change with the transition to full-day kindergarten.

There would also be facilities costs associated with full-day kindergarten. It is estimated that the State would need an additional 620 classrooms to accommodate all kindergarten students in full-day programs. The local share of the cost for the classrooms is estimated at \$60 million.

Additional school facilities and teachers may also be required to make publicly-funded pre-kindergarten programs available to all economically disadvantaged four-year-old children. Since fiscal 1999, local school systems have received \$19.3 million annually for EEEP, which funds pre-kindergarten programs for a similar population of children. It is assumed that local school systems would continue to spend at least this much on pre-kindergarten programs. To the extent that more children would need to be served, costs would increase.

Eight jurisdictions would be required to enhance their local support for education in fiscal 2003. A portion of the fiscal 2003 disparity grants received by the jurisdictions would be earmarked and must be used by the jurisdictions to increase local education

appropriations beyond the maintenance of effort requirement. The jurisdictions and the amount of the disparity grants that would be earmarked are shown in **Exhibit 4**.

Exhibit 4
Earmarked Portions of Fiscal 2003 Disparity Grants

Allegany	\$497,884
Baltimore City	4,326,695
Caroline	140,125
Garrett	10,626
Prince George's	5,325,793
Somerset	164,435
Washington	876,584
Wicomico	562,430

Local school systems could also incur increased administrative costs during fiscal 2003 and 2004 when comprehensive master plans would be drafted.

Local school systems would realize a reduction in teachers' retirement expenditures because they would not be required to reimburse the State for retirement payments the State makes on behalf of teachers funded with State categorical aid.

Small Business Effect: According to the 1998 Survey of U.S. Business by the U.S. Census Bureau, over 92% of general merchandise stores, food and beverage stores, and gas stations (places where individuals most often purchase cigarettes), have fewer than 20 employees. Cigarettes are major sources of sales revenues in these stores, meaning any reduction in cigarette sales would have an impact on these businesses. In addition, stores that are located near State borders may realize reductions in the numbers of customers in the stores due to the migration of the customers to other states. This could result in reduced sales receipts for all products sold in the stores.

Additional Information

Prior Introductions: None.

Cross File: HB 1329 (Delegate Rawlings, *et al.*) (Commission on Education Finance, Equity, and Excellence) – Ways and Means.

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

Fiscal Note History: First Reader - March 5, 2002
ncs/jr Revised - Senate Third Reader - April 4, 2002
Revised - Enrolled Bill - May 6, 2002
Revised - Correction - May 10, 2002
Revised - Correction - July 3, 2002

Analysis by: Mark W. Collins

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

**Exhibit 5
Fiscal 2003 "Bridge" Funding**

School System	Unrestricted Bridge Grants (SB 856)	Board Restructuring Grant (SB 856)	2% Guarantee¹ (SB 856)	Infants & Toddlers (SB 419/HB 371)	Adult Education (SB 737/HB 910)	Total
Allegany	\$2,318,809 ²		\$571,852	\$75,618	\$25,387	\$2,991,666
Anne Arundel	2,368,568 ²			479,666	89,383	2,937,617
Baltimore City	17,841,271		843,397	747,150	152,492	19,584,310
Baltimore	3,087,705 ²			638,238	172,578	3,898,521
Calvert	793,974			45,709	22,930	862,613
Caroline	929,352			24,265	4,330	957,947
Carroll	936,689			116,813	35,782	1,089,284
Cecil	900,472			53,045	14,410	967,927
Charles	1,278,854			69,410	61,921	1,410,185
Dorchester	392,988		15,732	38,373	7,319	454,412
Frederick	1,912,848			207,667	35,170	2,155,685
Garrett	234,928		77,354	15,236	6,028	333,546
Harford	1,811,353			291,750	35,584	2,138,687
Howard	1,849,594			264,663	57,182	2,171,439
Kent	26,645		93,665	4,515	3,871	128,696
Montgomery	7,586,129			835,183	134,114	8,555,426
Prince George's	12,527,220	10,000,000 ³		536,661	143,579	23,207,460
Queen Anne's	105,717			23,701	8,956	138,374
St. Mary's	496,593			71,668	10,388	578,649
Somerset	556,384			7,336	8,414	572,134
Talbot	1,009,900 ⁴			15,236	4,031	1,029,167
Washington	1,181,006			104,398	36,038	1,321,442
Wicomico	1,410,573			82,954	19,662	1,513,189
Worcester	1,442,426 ⁴		54,837	17,494	10,471	1,525,228
Total	\$62,999,998	\$10,000,000	\$1,656,837	\$4,766,749	\$1,100,020	\$80,523,604

¹ Guarantees an increase of at least 2% in basic current expense funding from FY 2002 to 2003. All counties that receive grants experienced declines in enrollments from FY 2002 to 2003.

² Includes the continuation of the FY 2002 \$1 million Allegany County Resource Deficiency Grant and \$1 million for Anne Arundel and Baltimore counties.

³ \$10 million for Prince George's County is contingent on the enactment of HB 949 and the approval of a master plan for the school system.

⁴ The grant amounts for Talbot and Worcester counties are dependent on increases to local education effort that would bring the counties to at least 80% of the Statewide average. If this level of local education funding is not achieved, the funding levels would be \$417,165 and \$523,004 respectively.

Exhibit 6 Summary of State Aid for Education

Foundation Program

Adjusted successful schools foundation level phased in
50% State share of total program
1.0 FTE for kindergarten students phased in
15% minimum State share of per pupil foundation level

Retirement

Separate State-paid program

Special Student Populations

Spec Ed: 1.17 overall weight
50% State share of adjusted weight phased in
40% minimum State share per pupil phased in
Wealth equalized

FRPM: 1.10 overall weight
50% State share of adjusted weight phased in
40% minimum State share per pupil phased in
Wealth equalized

LEP: 1.00 overall weight
50% State share of adjusted weight phased in
40% minimum State share per pupil phased in
Wealth equalized

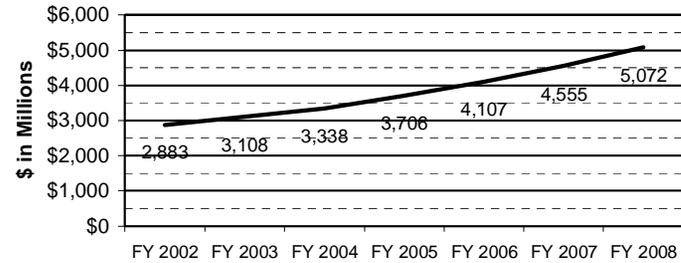
Additional Programs and Adjustments

Cost of education adjustment beginning in FY 2004
80% guaranteed tax base phased in

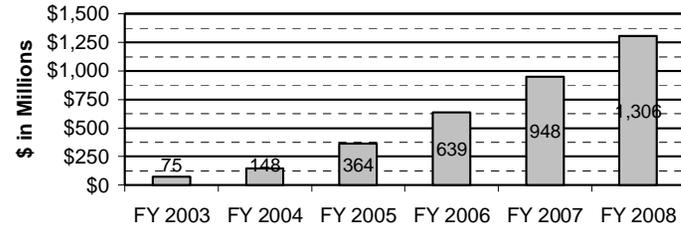
Transportation

\$1,000 per disabled rider phased in
Add-on for 1980-1995 enrollment increases in FY 2004

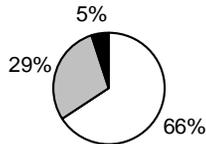
Estimated State Education Aid



Estimated Increases Over Current Law

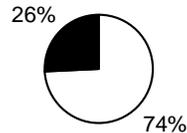


State Aid Targeting
FY 2008 Estimate



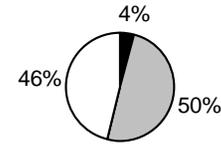
□ General Ed □ Special Populations ■ Other

State Aid Wealth Equalization
FY 2008 Estimate



□ Equalized ■ Not Equalized

Federal-State-Local Shares
FY 2008 Estimate

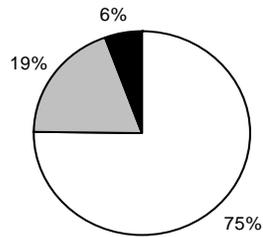


■ Federal □ State □ Local

Exhibit 7 Education Funding Characteristics, Fiscal 2002 and 2008

Fiscal 2002

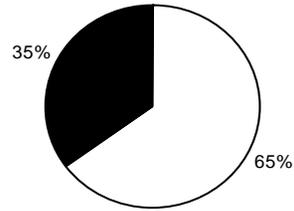
State Aid Targeting



□ General Ed □ Special Populations ■ Other

(State Aid = 2.9 billion)

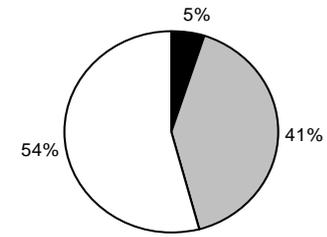
State Aid Wealth Equalization



□ Equalized ■ Not Equalized

(State Aid = 2.9 billion)

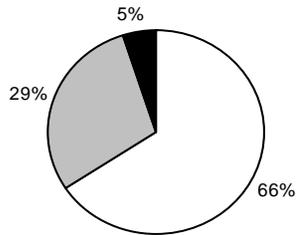
Federal¹-State-Local Shares



■ Federal □ State □ Local

(Total Education Aid = 7.1 billion)

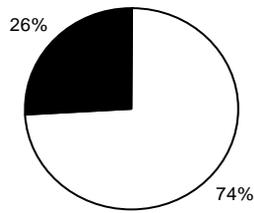
State Aid Targeting



□ General Ed □ Special Populations ■ Other

(Est. State Aid = \$5.1 billion)

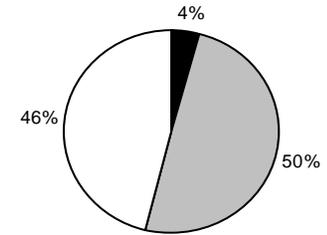
Fiscal 2008 with SB 856
State Aid Wealth Equalization



□ Equalized ■ Not Equalized

(Est. State Aid = \$5.1 billion)

Federal¹-State-Local Shares



■ Federal □ State □ Local

(Est. Total Education Aid = \$10.2 billion)

¹ Not including federal food service funding.

Exhibit 8
Estimated Increases in State Education Aid
(Dollars in Millions)
FY 2003 to FY 2008

County	Increases Over Current Law						Actual FY 2002	Increases Over Prior Year						Incr FY02-FY08	
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008		FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Dollars	Percent
Allegany	\$2.9	\$2.8	\$7.4	\$12.8	\$18.9	\$25.1	\$47.7	\$2.4	\$2.1	\$6.5	\$7.1	\$8.0	\$8.7	\$34.6	72.5%
Anne Arundel	2.4	4.4	15.1	28.5	44.2	60.4	200.8	11.0	9.5	18.4	21.0	22.5	26.7	109.1	54.3%
Baltimore City	18.7	28.1	68.9	125.5	187.6	258.6	583.4	29.3	25.7	60.0	73.1	86.4	100.7	375.2	64.3%
Baltimore	3.1	7.4	26.7	51.3	82.0	120.1	306.6	23.0	21.9	36.2	39.0	45.4	55.3	220.6	72.0%
Calvert	0.8	2.8	6.4	10.4	14.0	18.3	49.4	6.1	5.7	6.8	5.9	5.6	7.2	37.3	75.4%
Caroline	0.9	2.4	4.8	7.8	10.9	13.6	24.5	2.7	2.7	3.2	3.9	4.1	4.1	20.6	84.4%
Carroll	0.9	3.1	5.9	12.0	17.3	23.9	89.2	7.1	6.9	7.7	9.5	8.9	11.5	51.6	57.9%
Cecil	0.9	2.3	5.6	10.7	15.8	21.9	57.7	4.6	4.4	6.2	7.6	7.6	9.2	39.7	68.8%
Charles	1.3	4.3	8.6	15.2	22.0	30.4	80.9	6.3	8.5	9.5	10.8	12.1	13.1	60.2	74.4%
Dorchester	0.4	1.1	2.4	3.9	5.6	6.7	19.8	0.7	1.9	2.0	1.6	2.4	2.1	10.7	54.0%
Frederick	1.9	6.3	11.1	20.6	29.8	42.6	114.1	10.9	11.9	12.4	15.7	16.2	19.6	86.8	76.1%
Garrett	0.3	0.6	1.6	2.9	4.3	5.4	20.2	0.8	1.1	1.8	2.1	2.0	2.2	10.0	49.5%
Harford	1.8	5.8	11.0	20.4	29.1	38.3	127.9	8.9	10.2	11.7	13.7	13.5	16.1	74.0	57.9%
Howard	1.8	6.3	10.8	19.2	28.5	39.2	117.0	8.1	12.2	11.2	14.2	15.0	17.3	77.9	66.6%
Kent	0.1	0.1	0.5	1.2	2.0	2.2	9.1	0.3	0.4	0.6	1.1	1.0	0.7	4.1	44.9%
Montgomery	7.6	19.1	40.6	67.8	105.4	152.4	274.2	25.4	32.6	41.7	44.7	55.7	62.8	263.0	95.9%
Prince George's	22.5	36.9	108.5	179.6	258.7	350.4	509.7	60.3	51.1	106.4	98.6	108.2	121.7	546.3	107.2%
Queen Anne's	0.1	0.4	1.0	2.3	3.7	5.0	21.1	0.8	1.5	1.5	2.0	2.6	2.5	11.0	51.9%
St. Mary's	0.5	1.6	3.3	6.9	10.0	12.8	52.3	3.6	3.7	4.0	5.9	4.6	5.6	27.3	52.3%
Somerset	0.6	1.1	2.9	5.1	7.6	10.2	14.0	1.3	1.3	2.3	2.6	3.0	3.3	13.9	99.8%
Talbot	1.0	3.8	5.1	6.2	7.0	7.2	7.1	0.5	2.6	1.1	0.9	1.0	0.4	6.5	90.5%
Washington	1.2	3.4	6.9	12.4	17.7	23.1	69.6	3.7	5.6	6.9	8.1	8.3	9.1	41.7	59.9%
Wicomico	1.4	3.6	8.6	15.7	24.9	37.7	54.5	4.1	5.4	7.4	9.8	12.7	15.8	55.1	101.2%
Worcester	1.5	4.7	6.2	6.8	7.5	7.4	11.0	1.4	3.8	1.8	1.7	1.2	0.5	10.4	94.3%
Unallocated	0.0	(4.6)	(5.7)	(6.3)	(6.6)	(7.3)	21.0	1.6	(1.7)	0.5	0.1	0.5	0.6	1.5	7.1%
Total	\$74.7	\$147.8	\$364.3	\$639.2	\$948.0	\$1,305.7	\$2,882.7	\$225.0	\$230.7	\$367.7	\$400.7	\$448.5	\$516.6	\$2,189.2	75.9%

Note: These estimates do not include enhancements to the Maryland Infants and Toddlers Program and adult education and literacy services.

Note: These estimates assume that the cost of education index developed for implementation in FY 2005 will identify greater cost differentials than the GCEI.

Exhibit 9
Estimated Increases in Per Pupil State Education Aid
FY 2003 to FY 2008

County	Increases Over Current Law						Actual FY 2002	Increases Over Prior Year						Incr FY02-FY08	
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008		FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Dollars	Percent
Allegany	\$293	\$287	\$766	\$1,340	\$2,005	\$2,711	\$4,698	\$375	\$267	\$744	\$816	\$916	\$1,067	\$4,185	89.1%
Anne Arundel	32	60	205	387	600	822	2,733	129	140	253	280	305	376	1,483	54.3%
Baltimore City	198	309	775	1,443	2,179	3,070	6,073	429	504	844	1,024	1,089	1,419	5,308	87.4%
Baltimore	30	71	258	497	797	1,174	2,960	212	216	355	391	454	565	2,193	74.1%
Calvert	49	171	380	624	839	1,095	3,121	281	293	366	363	334	424	2,061	66.0%
Caroline	172	453	911	1,476	2,052	2,588	4,572	467	506	671	745	764	833	3,987	87.2%
Carroll	34	112	209	424	613	846	3,264	188	235	248	336	311	414	1,731	53.0%
Cecil	58	147	358	680	1,000	1,376	3,743	249	269	378	465	465	559	2,386	63.7%
Charles	55	181	362	634	898	1,231	3,562	193	305	348	412	415	488	2,161	60.7%
Dorchester	89	236	528	872	1,267	1,544	4,258	192	371	501	524	583	604	2,775	65.2%
Frederick	51	165	289	529	751	1,063	3,155	203	263	264	353	340	431	1,853	58.7%
Garrett	66	125	334	628	914	1,159	4,203	237	253	394	454	448	503	2,289	54.5%
Harford	46	148	279	519	740	974	3,315	188	252	274	353	335	419	1,821	54.9%
Howard	41	135	230	402	588	806	2,637	105	211	195	254	264	334	1,363	51.7%
Kent	47	54	200	469	793	902	3,400	259	161	276	401	443	412	1,951	57.4%
Montgomery	56	141	297	493	761	1,101	2,084	147	218	284	310	382	454	1,795	86.2%
Prince George's	171	278	815	1,350	1,945	2,654	3,921	417	350	773	748	815	974	4,077	104.0%
Queen Anne's	15	56	140	316	507	687	3,056	90	172	194	263	296	321	1,337	43.7%
St. Mary's	34	105	224	465	673	860	3,591	195	233	264	367	324	387	1,771	49.3%
Somerset	192	389	1,027	1,807	2,716	3,668	4,807	460	461	899	1,006	1,143	1,291	5,261	109.4%
Talbot	232	889	1,197	1,501	1,672	1,714	1,646	97	640	296	264	207	105	1,610	97.8%
Washington	60	175	350	632	904	1,187	3,583	169	286	340	420	415	496	2,127	59.4%
Wicomico	104	265	636	1,167	1,820	2,725	4,017	315	383	580	718	852	1,067	3,914	97.4%
Worcester	225	710	934	1,003	1,106	1,097	1,656	209	564	285	200	176	78	1,511	91.3%
Unallocated	0	(5)	(7)	(7)	(8)	(9)	25	2	(2)	1	0	0	1	2	6.1%
Total	\$89	\$176	\$433	\$760	\$1,125	\$1,556	\$3,469	\$237	\$270	\$431	\$479	\$522	\$636	\$2,574	74.2%

Note: These estimates do not include enhancements to the Maryland Infants and Toddlers Program and adult education and literacy services.
Note: These estimates assume that the cost of education index developed for implementation in FY 2005 will identify greater cost differentials than the GCEI.

**Exhibit 10
Fiscal 2008 Adequacy Analysis**

Dollars in Millions

School System	Adjusted FY 2002 Revenue	Estimated FY 2008 Adequacy Cost ¹	Estimated Additional Need	Estimated Aid Increases ²			Estimated Revenue Increase	Remaining Gap	Gap Per Pupil
				State	Federal ³	Local ⁴			
Allegany	\$74.7	\$102.8	\$28.1	\$33.9	\$1.2	\$5.2	\$40.3	\$0.0	\$0
Anne Arundel	552.8	710.5	157.7	105.5	3.2	94.9	203.6	0.0	0
Baltimore City	862.6	1,242.9	380.3	370.4	18.2	0.3	389.0	0.0	0
Baltimore	852.9	1,097.6	244.7	216.1	7.2	96.3	319.6	0.0	0
Calvert	116.8	148.0	31.2	36.4	1.1	19.1	56.5	0.0	0
Caroline	35.2	56.2	21.1	20.3	0.5	1.2	22.0	0.0	0
Carroll	187.0	240.3	53.3	50.1	1.2	23.2	74.5	0.0	0
Cecil	107.4	153.2	45.8	38.8	1.0	20.6	60.5	0.0	0
Charles	162.2	233.2	71.1	58.6	1.2	32.9	92.7	0.0	0
Dorchester	36.4	46.0	9.7	10.4	0.8	3.1	14.3	0.0	0
Frederick	251.4	365.3	113.9	84.5	1.3	49.8	135.6	0.0	0
Garrett	35.1	49.7	14.6	9.6	0.6	6.4	16.7	0.0	0
Harford	259.1	362.7	103.6	72.2	1.6	29.9	103.7	0.0	0
Howard	381.4	458.8	77.4	74.7	1.8	90.9	167.4	0.0	0
Kent	21.9	25.9	4.0	3.9	0.2	1.7	5.8	0.0	0
Montgomery	1,275.1	1,536.5	261.4	252.5	5.7	242.7	500.9	0.0	0
Prince George's	967.2	1,586.8	619.6	538.2	9.0	17.9	565.1	54.5	413
Queen Anne's	51.7	64.4	12.7	10.5	0.6	9.8	20.9	0.0	0
St. Mary's	104.6	123.8	19.2	26.5	1.4	16.1	44.1	0.0	0
Somerset	23.8	33.2	9.4	13.7	0.5	4.8	19.0	0.0	0
Talbot	33.0	43.1	10.1	6.3	0.6	4.6	11.5	0.0	0
Washington	141.3	192.6	51.4	40.7	1.6	36.0	78.3	0.0	0
Wicomico	99.9	152.7	52.8	54.3	1.3	26.2	81.8	0.0	0
Worcester	55.8	66.9	11.1	10.0	0.8	17.2	28.0	0.0	0
Total	\$6,689.2	\$9,093.2	\$2,403.9	\$2,138.0	\$62.8	\$851.1	\$3,051.8	\$54.5	\$65

¹ FY 2008 adequacy costs are based on projected FY 2008 enrollments and the successful schools base increased annually beginning in FY 2003 by the projected Implicit Price Deflator and enhanced by weights for special student populations from the professional judgement study. The FY 2008 base cost per pupil is estimated at \$7,011. Adequacy costs were multiplied by the GCEI.

² Revenue increases do not include projected increases to student transportation and other programs not covered under the adequacy analyses.

³ Federal aid increases were estimated by increasing budgeted FY 2002 federal revenues annually by the projected Implicit Price Deflator. Estimates of federal aid do not reflect increases resulting from the fiscal 2002 re-authorization of the Elementary and Secondary Education Act.

⁴ Total local appropriations were estimated by applying the average annual increase in local per FTE aid from FY 1997 to FY 2000 to the FY 2002 per FTE local appropriations, and multiplying the calculated per FTE appropriations for FY 2003 to FY 2008 by projected FTE enrollment under current law. Local appropriation estimates shown in the exhibit are less estimated local student transportation contributions.