

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 817 (Delegate Shriver, *et al.*)
 Ways and Means

Education - Full-Day Kindergarten and Half-Day Pre-Kindergarten Programs - Establishment

This bill alters the definition of full-time equivalent enrollment for the purpose of calculating State education aid by including all kindergarten students in the student enrollment count. Local boards of education must establish full-day kindergarten programs by the 2007-2008 school year. The Governor is required to provide an additional \$5 million in the fiscal 2004 through 2008 annual State budgets for the establishment of half-day pre-kindergarten programs.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: General fund expenditures would increase by \$64.7 million in FY 2003. Future year expenditure increases reflect student enrollment growth, increases in the current expense foundation amount, and retirement payments.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	64.7	73.6	80.9	83.9	87.1
Net Effect	(\$64.7)	(\$73.6)	(\$80.9)	(\$83.9)	(\$87.1)

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

Local Effect: Local school operating expenditures could increase from \$31.6 million to \$72.8 million to establish full-day kindergarten programs for all students. State aid to local school systems, except Garrett County, would increase by \$64.7 million in FY 2003. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law: Local boards of education are not required to provide full-day kindergarten programs. Six State education funding programs use the student enrollment count to allocate funding to local school systems. The student enrollment count includes one-half of the number of students enrolled in kindergarten programs, except in Garrett County where the enrollment count includes the full number.

Background: Approximately 56,100 children currently attend public school kindergarten programs in Maryland. All kindergarten students in Allegany, Caroline, Garrett, and Prince George's counties attend a full-day program. The full-day kindergarten programs in the other local school systems are concentrated in Title 1 eligible schools. For the 2000-2001 school year, 38% of kindergarten students attended full-day programs, representing 21,500 students. Four local school systems (Howard, Kent, Wicomico, and Worcester) did not offer full-day kindergarten programs during the 2000-2001 school year. **Exhibit 1** shows the estimated number of students attending full-day kindergarten programs for the 2000-2001 school year.

Exhibit 1 Enrollment at Full-Day Kindergarten Programs 2000-2001 School Year

Local School System	Full-Day Enrollment	% Enrollment
Allegany	664	100.0%
Anne Arundel	60	0.1%
Baltimore City	4,056	62.2%
Baltimore	3,588	56%
Calvert	924	88%
Caroline	387	100%
Carroll	8	0.4%
Cecil	70	6.4%
Charles	43	3.2%
Dorchester	41	16.1%
Frederick	120	4.7%
Garrett	358	100%
Harford	180	6.6%
Montgomery	1,516	16.3%
Prince George's	9,094	100%
Queen Anne's	13	2.6%
St. Mary's	49	5.0%
Somerset	69	33.7%
Talbot	217	72.1%
Washington	55	4.0%
Total	21,512	38.3%

Source: Maryland State Department of Education

State Fiscal Effect: This legislation affects State education aid under six programs: current expense, compensatory aid, special education, early education initiative, targeted improvement grants, and student transportation. The current expense formula is affected by the additional students being included in the student enrollment count and by the relative change in per pupil wealth among local school systems. The compensatory aid program, special education, early education initiative, and targeted improvement grants are affected by the relative change in per pupil wealth among local school systems. Student transportation funding is affected by the increase in the school system's full-time equivalent (FTE) enrollment count.

State expenditures would increase by \$64.7 million in fiscal 2003 with Garrett County being the only county losing State aid. **Exhibit 2** shows the effect on State education funding by including the full number of kindergarten students in the student enrollment count.

Pre-Kindergarten Grants

The Governor is required to include an additional \$5 million in the fiscal 2004 through 2008 annual State budgets for the establishment of half-day pre-kindergarten programs.

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, State expenditures could increase from \$2.8 million to \$6.9 million if full-day kindergarten programs are provided to all kindergarten students. For purposes of the fiscal note, it is assumed that additional full-day kindergarten programs would have an average class size of 20 students and teachers being hired at the first quartile salary level. Accordingly, State retirement expenditures could increase by \$3.9 million beginning in fiscal 2005.

Exhibit 2
Impact on State Education Aid from Including All Kindergarten Students in the FTE Count
Based on the Fiscal 2003 Formula Calculation

<u>County</u>	<u>Current Expense</u>	<u>Hold Harmless Grant</u>	<u>Compensatory Aid</u>	<u>Special Education</u>	<u>Early Education</u>	<u>Targeted Improvement</u>	<u>Student Transportation</u>	<u>Total Effect</u>
Allegany	\$991,210	(\$187,414)	\$8	\$42	\$70	(\$71)	\$10,022	\$813,867
Anne Arundel	4,201,873		-4,083	-453	-765	-612	386,485	4,582,445
Baltimore City	10,453,140		66,250	3,352	5,664	8,611	230,268	10,767,286
Baltimore	5,561,115		-27,044	-2,700	-4,560	-5,100	510,647	6,032,357
Calvert	1,270,107		-2,090	-282	-476	-253	83,517	1,350,522
Caroline	616,099		3,838	299	506	615	30,782	652,140
Carroll	2,214,952		-2,598	-451	-761	-268	143,252	2,354,125
Cecil	1,550,102		4,209	545	921	470	87,335	1,643,581
Charles	1,522,176		-14,852	-1,420	-2,399	-2,231	105,629	1,606,903
Dorchester	297,344		-8,158	-417	-705	-1,215	11,136	297,985
Frederick	3,221,991		2,429	452	762	281	203,463	3,429,378
Garrett	-280,702	280,702	-48,207	-2,827	-4,774	-6,266	0	-62,075
Harford	3,524,156		4,950	847	1,432	575	215,951	3,747,911
Howard	2,305,410		-3,862	-622	-1,050	-521	229,552	2,528,907
Kent	129,222	-87,250	-1,004	-73	-122	-195	0	40,578
Montgomery	5,230,382		6,571	1,092	1,845	1,174	738,290	5,979,355
Prince George's	12,590,192		21,644	2,128	3,594	4,935	723,337	13,345,830
Queen Anne's	551,815		1,501	203	343	153	39,770	593,785
St. Mary's	1,273,771		-560	-15	-26	-93	78,347	1,351,425
Somerset	320,977		2,580	118	199	350	15,789	340,012
Talbot	72,898		364	27	45	42	23,942	97,318
Washington	1,791,326		4,870	533	899	635	108,731	1,906,993
Wicomico	1,194,154		-5,477	-299	-504	-830	57,547	1,244,592
Worcester	36,825	-36,825	-1,278	-80	-135	-185	32,691	31,013
Total	\$60,640,536	-\$30,787	\$0	\$0	\$0	\$0	\$4,066,483	\$64,676,232

Summary of State Expenditures

General fund expenditures would increase by \$64.7 million in fiscal 2003 due to the inclusion of all kindergarten students in the enrollment count used to calculate current expense funding. **Exhibit 3** shows the estimated impact on State expenditures by program.

Exhibit 3
Estimated Impact on State Expenditures
(\$ in millions)

<u>Program</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Current Expense	\$60.6	\$64.0	\$67.3	\$70.1	\$73.1
Hold Harmless Grant	-0.03	0	0	0	0
Student Transportation	4.1	4.6	4.7	4.9	5.1
Pre-K Grants	0	5.0	5.0	5.0	5.0
Retirement	0	0	3.9	3.9	3.9
Total	\$64.7	\$73.6	\$80.9	\$83.9	\$87.1

Local Fiscal Effect: Approximately 38% of kindergarten students already attend a full-day program. If local school systems implement full-day kindergarten programs at all public schools, local school expenditures to hire additional teachers could increase from \$28.1 million to \$69.4 million depending upon the experience level of new school teachers and the class size ratios. **Exhibit 4** shows the estimated local costs of expanding full-day kindergarten programs to all public schools based on varying teacher salary levels and class size ratios. In addition, local school expenditures for supplies and materials could increase by \$3.5 million annually. This estimate is based on a \$200 per pupil cost. Costs for teacher aides are not included in the estimate. It is assumed that most fixed costs, such as administration, would remain the same under the full-day program. **Exhibit 5** shows the estimated local cost of full-day kindergarten programs by local school system.

Exhibit 4
Potential Local Costs to Expand Full-Day Kindergarten Programs
(Only Includes Costs for Teacher Salaries and Benefits)

	<u>Beginning Salary Level</u>	<u>First Quartile Salary Level</u>	<u>Average Salary Level</u>
25 Students Per Class	\$28.1 million	\$31.5 million	\$41.7 million
20 Students Per Class	\$35.1 million	\$39.3 million	\$52.0 million
15 Students Per Class	\$46.8 million	\$52.4 million	\$69.4 million

Exhibit 5
Estimated Cost to Provide Full-Day Kindergarten Programs

County	<u>Beginning Teacher Salary</u>			<u>1st Quartile Teacher Salary</u>			<u>Average Teacher Salary</u>			Cost for Supplies & Materials
	25 Students Per Class	20 Students Per Class	15 Students Per Class	25 Students Per Class	20 Students Per Class	15 Students Per Class	25 Students Per Class	20 Students Per Class	15 Students Per Class	
Allegany	0	0	0	0	0	0	0	0	0	0
Anne Arundel	3,821,748	4,777,186	6,369,581	4,389,955	5,487,444	7,316,592	5,700,205	7,125,257	9,500,342	479,900
Baltimore City	1,923,698	2,434,067	3,219,250	2,064,646	2,612,410	3,455,122	2,790,727	3,531,124	4,670,196	246,400
Baltimore	2,296,181	2,860,155	3,786,685	2,491,208	3,103,084	4,108,309	3,371,090	4,199,077	5,559,342	283,200
Calvert	124,379	124,379	165,838	148,113	148,113	197,485	186,143	186,143	248,190	12,600
Caroline	0	0	0	0	0	0	0	0	0	0
Carroll	1,425,715	1,782,144	2,376,192	1,626,492	2,033,114	2,710,819	2,138,372	2,672,965	3,563,954	179,300
Cecil	826,859	1,023,730	1,338,724	895,355	1,108,534	1,449,622	1,164,043	1,441,196	1,884,641	102,800
Charles	1,054,138	1,297,401	1,743,382	1,106,068	1,361,314	1,829,266	1,468,833	1,807,795	2,429,225	128,500
Dorchester	149,566	186,958	261,741	158,890	198,613	278,058	232,451	290,564	406,789	21,400
Frederick	1,912,904	2,381,370	3,162,147	2,107,881	2,624,097	3,484,457	2,851,727	3,550,109	4,714,079	243,800
Garrett	0	0	0	0	0	0	0	0	0	0
Harford	2,039,645	2,519,562	3,399,409	2,295,515	2,835,636	3,825,858	2,847,838	3,517,917	4,746,396	253,500
Howard	2,362,521	2,932,785	3,910,380	2,617,218	3,248,960	4,331,947	3,502,889	4,348,414	5,797,885	288,600
Kent	121,416	161,888	202,360	142,609	190,145	237,681	180,170	240,227	300,284	15,900
Montgomery	6,730,669	8,424,192	11,246,731	7,829,373	9,799,345	13,082,631	10,593,452	13,258,901	17,701,316	776,600
Prince George's	0	0	0	0	0	0	0	0	0	0
Queen Anne's	413,853	496,624	662,166	428,452	514,142	685,522	544,820	653,784	871,712	48,700
St. Mary's	781,854	946,455	1,275,656	812,823	983,944	1,326,186	1,081,724	1,309,455	1,764,917	93,600
Somerset	109,156	109,156	181,927	126,543	126,543	210,906	159,177	159,177	265,295	13,600
Talbot	81,434	81,434	122,151	81,607	81,607	122,411	106,051	106,051	159,076	8,400
Washington	1,011,085	1,283,300	1,711,066	1,104,717	1,402,140	1,869,520	1,445,859	1,835,128	2,446,838	131,200
Wicomico	635,594	822,534	1,084,249	727,462	941,421	1,240,964	922,306	1,193,572	1,573,345	86,500
Worcester	311,875	428,828	545,782	355,600	488,950	622,300	447,686	615,569	783,451	42,100
Total	\$28,134,293	\$35,074,148	\$46,765,418	\$31,510,528	\$39,289,558	\$52,385,655	\$41,735,563	\$52,042,425	\$69,387,274	\$3,456,600

Note: Estimated cost includes fringe benefits at 19% of salary.
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To accommodate the additional kindergarten programs, local school systems may have to construct additional classrooms. The cost to construct an additional classroom totals approximately \$180,000. This cost could be lower if local school systems purchase or use portable classrooms. Based on a survey conducted by the Maryland Association of Counties (MACo), additional capital costs to implement full-day kindergarten programs at 12 local school systems was estimated at \$85 million.

The additional State funding under the basic current expense formula may not offset the full instructional cost of providing full-day kindergarten programs in some counties. Accordingly, local school systems may have to use local funds to cover the remaining costs. For example, Anne Arundel County would have to use local funds to extend full-day kindergarten programs to all public schools because State aid would not be sufficient to cover the full costs. However, Baltimore County, which has already implemented full-day kindergarten programs in a majority of the county's public schools, would realize a net increase in State aid. This is due to the fact that the county has been using non-current expense aid funding and local funding to cover the cost of its full-day kindergarten programs.

Additional Information

Prior Introductions: A similar bill was introduced at the 2000 session as HB 1003. The bill received an unfavorable report by the House Ways and Means Committee. At the 2001 session, three bills were introduced to provide funding for full-day kindergarten programs. HB 227 would have provided additional funding for the Caroline County Public School System; HB 1090 would have provided additional funding statewide; and HB 1121 would have provided additional funding for Title 1 schools with full-day kindergarten programs. The House Ways and Means Committee did not take action on the bills.

Cross File: SB 153 (Senator Mitchell, *et al.*) – Education, Health, and Environmental Affairs and Budget and Taxation.

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