

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

**FISCAL NOTE**

House Bill 1197  
 Ways and Means

(Delegates McIntosh and Rosenberg)

Education, Health, and Environmental Affairs

**Public Schools - Technology for Education**

This bill requires the Maryland State Department of Education (MSDE) to provide virtual learning opportunities to teachers and students through the procurement and development of on-line courses and services. MSDE must develop standards for on-line courses and services and must review the courses to ensure that they are aligned with Maryland content standards and other appropriate standards. The bill also establishes a continuing, nonlapsing Maryland Virtual Learning Opportunities Fund made up of fees charged for web-based courses and services. The State Board of Education is authorized to set fees for the courses and services, and the fees will support the Maryland Virtual Learning Opportunities Fund. The fund is not subject to State procurement laws. The bill also makes changes to the General Assembly’s findings on technology in school systems to acknowledge the progress that has been made and to encourage the use of more web-based learning resources.

**Fiscal Summary**

**State Effect:** General fund expenditures would increase by an estimated \$275,900 in FY 2003 to establish an office within MSDE to oversee virtual learning programs. Special fund revenues would increase by an estimated \$25,000 beginning in FY 2004 due to fees collected for on-line courses. Future year revenues and expenditures reflect annualization, salary increases, ongoing operating expenses, and inflation.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
SF Revenue	\$0	\$25,000	\$25,000	\$25,000	\$25,000
GF Expenditure	275,900	297,500	302,700	308,300	314,100
Net Effect	(\$275,900)	(\$272,500)	(\$277,700)	(\$283,300)	(\$289,100)

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

**Local Effect:** Local school expenditures would increase for school systems that choose to purchase on-line courses for students.

**Small Business Effect:** Potential meaningful.

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## Analysis

**Current Law:** MSDE is not required to provide virtual learning opportunities to students and teachers. In findings established by the General Assembly, MSDE and local school systems are encouraged to pursue technology-based instruction.

**State Revenues:** MSDE estimates that fees collected from local school systems for on-line courses would total \$25,000 per year beginning in fiscal 2004. This estimate is based on experiences in Kentucky, where a similar virtual learning program has been established. In Kentucky, approximately .11% of the student population participates in virtual learning programs annually. Assuming a similar proportion of students participates in Maryland, approximately 1,000 students would take on-line courses each year. MSDE estimates student fees at \$25 per course. Based on these assumptions, Maryland Virtual Learning Opportunities Fund revenues from the collection of fees paid by local school systems would total \$25,000 annually. Fiscal 2003 would be a developmental year, and any revenues collected would be minimal.

The State Board of Education would set the actual fees charged to school systems. Fees paid to the fund would be used to support the development of on-line courses.

**State Expenditures:** To begin implementation, general fund expenditures would increase by \$275,944 in fiscal 2003, which accounts for the bill's October 1, 2002 effective date. The estimate reflects the cost of hiring one education program specialist and one secretary at MSDE to implement, monitor, and develop virtual learning programs. The estimate includes salaries, fringe benefits, contractual services, one-time start-up costs, and ongoing operating expenses. Contractual services of approximately \$175,500 in fiscal 2003 would be used to purchase, develop, and support a web portal (\$100,000); pay teachers to develop content review rubrics and review on-line courses (\$45,000); work with an on-line course provider to modify curriculum to meet the State's needs (\$15,000); provide staff training for on-line course developers (\$9,000); post virtual learning information on-line (\$1,500); and evaluate the effectiveness of project implementation (\$5,000).

Contractual Services	\$175,500
Salaries and Fringe Benefits	84,471
Start-up and Ongoing Operating Expenses	<u>15,973</u>
<b>Total FY 2003 State Expenditures</b>	<b>\$275,944</b>

Future year expenditures reflect: (1) ongoing contractual services; (2) full salaries with 3.5% annual increases and 3% employee turnover; and (3) 1% annual increases in

ongoing operating expenses. MSDE assumes that, in future years, program enhancements would be funded with private or federal funds. State funding for contractual services could be shifted to other areas or purposes but would not be increased.

**Local Fiscal Effect:** Local school systems could elect to have students participate in virtual learning programs provided by the State. MSDE estimates that approximately 1,000 students annually would participate at a cost of \$25 per student. Therefore, local expenditures for on-line courses sponsored by the State would total \$25,000 per year beginning in fiscal 2004. The cost of on-line courses provided through the State, however, would be less than the cost of local school systems contracting individually with on-line course providers.

**Small Business Effect:** The bill would open opportunities for small businesses that develop or support virtual learning programs.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 3, 2002  
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