

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 1329 (Delegate Rawlings, *et al.*)
 (Commission on Education, Finance, Equity, and Excellence)
 Ways and Means

Adequate and Equitable Funding for Public Schools Act

This bill codifies the recommendations of the Commission on Education Finance, Equity, and Excellence. Twenty-seven existing State education aid programs are eliminated or phased out, and the funding for the programs is 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 enhanced State education aid is phased in from fiscal 2003 to fiscal 2007. Local school systems must submit comprehensive master plans for the coordinated use of education funding by October 1, 2003. By the 2006-2007 school year, school systems must provide full-day kindergarten programs for all students and must make pre-kindergarten programs available for all economically disadvantaged four-year-old children.

The bill is effective June 1, 2002.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated \$140.9 million in FY 2003. General fund revenues would decrease by \$5 million annually beginning in FY 2003. Potential increase in State school construction expenditures. Future year expenditures reflect the phase-in of increased State aid, increased salaries, and inflation.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)
GF Expenditure	140.9	267.5	471.9	767.8	1,079.5
Net Effect	(\$145.9)	(\$272.5)	(\$476.9)	(\$772.8)	(\$1,084.5)

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

Local Effect: State aid to local school systems would increase by \$140.4 million in FY 2003 and by an estimated \$1.1 billion in FY 2007. Local school expenditures would increase by an estimated \$49 million by FY 2007 to provide full-day kindergarten programs. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

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

State Aid for Education

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 2003 to 2007. 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 for increases over the fiscal 2002 per pupil amount of \$4,124 is decreased to 45% by fiscal 2007, and the first \$4,124 per pupil is shared by the State at 50%. The minimum State share of the per pupil foundation amount that a local school system may receive is 15%.

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. The State must contract with a private entity by September 30, 2002 to develop a geographic cost of education index specific to Maryland. 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. State funding for the program equals 97% of the per pupil amount established in the Foundation Program times the number of students in the State eligible for free and reduced meals times the State share of the program. A 50% State share is phased in from fiscal 2003 to 2007. Local school systems receive funding for the program based on local wealth and the number of students in the system eligible for free and reduced meals.

Special Education Formula

The bill enhances State special education aid. State funding through the special education formula equals 74% of the per pupil amount established in the Foundation Program times the number of special education students in the State times the State share of the program. A 50% State share is phased in from fiscal 2003 to 2007. Existing Tier 1 special education funding that has not changed since fiscal 1981 is phased out from fiscal 2003 to 2007 and is replaced with formula funding. Local school systems receive funding for the program based on local wealth and the number of special education students in the system.

Limited English Proficiency Formula

The bill enhances State aid for students with limited English proficiency (LEP). State funding through the LEP formula equals 99% of the per pupil amount established in the Foundation Program times the number of LEP students in the State times the State share of the program. A 50% State share is phased in from fiscal 2003 to 2007. The formula provides \$1,350 per LEP pupil to each local school system. Amounts provided through the formula above \$1,350 per LEP pupil are distributed to local school systems based on local wealth and the number of LEP students in the system.

Guaranteed Tax Base Formula

The bill establishes the Guaranteed Tax Base Program. 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 2007. 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 in fiscal 2003 and 2004. The grants are \$31.7 million in fiscal 2003 and \$28.2 million in fiscal 2004. No funds for the program are provided after fiscal 2004.

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 75% of its fiscal 2002 funding in fiscal 2003, 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. In addition, the Transitional Education Fund established by the original Salary Challenge legislation is eliminated, and the funds are returned to the State's general fund.

Each local school system also receives 75% of its fiscal 2002 Extended Elementary Education Program (EEEP) funding in fiscal 2003. The program sunsets after fiscal 2003.

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 declares 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.

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. The plans must be submitted by October 1, 2003.

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, 2005 and a final report by December 31, 2007. 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.

Education Policy

Kindergarten and Pre-Kindergarten Requirements

By the 2006-2007 school year, every school system must provide full-day kindergarten for all students. Also by the 2006-2007 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.

Local Property Tax and Revenue Limitations

The bill authorizes a county council to set a property tax level that is higher than the rate authorized in the county charter or to collect more revenues from property taxes than are authorized in the county charter. To alter charter tax limitations, two-thirds of the full membership of the county council must vote for the change. The additional revenues collected by the county must be used to fund education in the county.

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 use of 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.

To overturn a provision established in a county charter, a proposed change must be submitted to citizen referendum at a general election.

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 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 is \$8,944 per pupil. 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

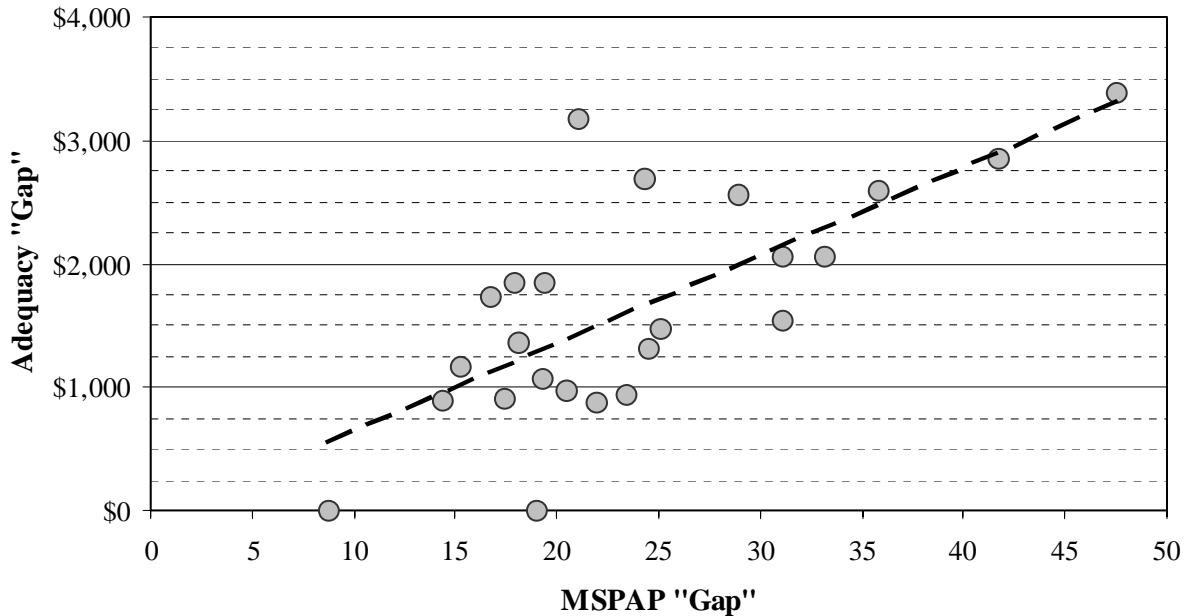
¹ Cost of adequacy does not include costs associated with capital expenditures, debt service, transportation, and food service.

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: 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. This amount totals approximately \$5 million per year. The bill 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.

State Expenditures: General fund expenditures would increase by \$140.9 million in fiscal 2003, \$140.4 million for increased aid to local school systems and \$492,000 for administrative costs at MSDE. In addition, State school construction costs could increase to ensure that all local school systems would be able to accommodate full-day kindergarten programs. These three categories of expenditures are discussed separately below.

State Aid for Education

State aid to local school systems would increase by \$140.4 million in fiscal 2003, an increase of 4.7% over current law fiscal 2003 funding. State aid increases over current law would grow to an estimated \$1.1 billion by fiscal 2007. **Exhibit 3** shows the estimated funding by program from fiscal 2003 to fiscal 2007.

Exhibit 3 Commission on Education Finance, Equity, and Excellence Funding for Education, Fiscal 2003 to 2007

<u>Program</u>	(\$ in millions)				
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Foundation	\$1,858.1	\$2,002.4	\$2,168.2	\$2,358.8	\$2,539.3
Compensatory Ed	368.8	432.9	537.8	665.7	802.6
Special Ed	92.6	139.8	173.2	213.3	255.9
LEP	35.2	43.7	58.3	77.4	100.1
Guaranteed Tax Base	15.6	32.2	48.4	62.6	76.6
Transportation	160.5	169.3	178.1	186.8	195.9
Teachers Retirement	328.2	393.7	420.3	446.3	477.3
City Partnership	31.7	28.2	0.0	0.0	0.0
Salary Challenge	54.8	36.5	18.3	0.0	0.0
EEEP	14.4	0.0	0.0	0.0	0.0
Other Programs	188.7	199.4	231.8	246.1	261.5
Subtotal	\$3,148.6	\$3,478.1	\$3,834.5	\$4,257.0	\$4,709.2
Current Law Aid	\$3,008.2	\$3,211.3	\$3,363.4	\$3,490.0	\$3,630.6
SB 856 Increase	\$140.4	\$266.8	\$471.1	\$767.0	\$1,078.7

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.

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 5**. The exhibit provides a brief textual synopsis of the bill and graphs showing the estimated enhancements to State aid over the five-year phase-in period. Three pie charts at the bottom of

the exhibit reflect the characteristics of State aid in fiscal 2007. 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 2007 education aid characteristics is shown in **Exhibit 6**. This exhibit repeats the three pie charts that were shown in Exhibit 5 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 7**. The first set of columns on the left shows the increases from fiscal 2003 to 2007 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 2007 aid and actual fiscal 2002 aid, and the percent increase in aid that each school system could expect.
- **Exhibit 8** shows State aid on a per pupil basis. It has the same sets of columns as Exhibit 7.
- A fiscal 2007 adequacy analysis is shown in **Exhibit 9**. The exhibit attempts to project how close each school system might be to its adequacy target by fiscal 2007 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 5 in fiscal 2007. Additions to local or federal aid beyond what is estimated in the chart could further reduce the estimated adequacy gaps.

Maryland State Department of Education Administrative Costs

General fund expenditures would increase by \$492,067 in fiscal 2003 and by \$765,670 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 estimated contract costs for the production of a cost of education index (\$400,000 in fiscal 2003) and the required evaluation (\$575,000 annually from fiscal 2004 to fiscal 2007).

	<u>FY 2003</u>	<u>FY 2004</u>
Contractual Services	\$400,000	\$575,000
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	\$765,670

Fiscal 2005 to 2007 expenditures reflect: (1) ongoing contractual services of \$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 2006.

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 2006-2007 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.

Local Revenues: State aid to local school systems would increase by \$140.4 million in fiscal 2003. The estimated fiscal 2003 to 2007 increases for individual school systems are detailed in Exhibit 7. Increases on a per pupil basis are shown in Exhibit 8.

Authorizing county councils to override charter tax limitations could result in increased local revenues. There are five jurisdictions that currently have tax limitations: Anne Arundel, Montgomery, Prince George's, Talbot, and Wicomico counties. **Exhibit 4** shows the current effective property tax rates in these counties and the amount of revenue that would be generated if \$.01 was added to these rates. If county councils override their county charters, the additional funding would have to be used to increase local funding for education.

Exhibit 4
Local Property Tax Limitations

County	Real Property Tax Rate per \$100 Value	One-Cent Increase Yield (\$ in thousands)
Anne Arundel	\$0.960	\$3,365.0
Montgomery ¹	1.021	7,826.3
Prince George's	1.286	3,899.8
Talbot	0.556	368.9
Wicomico	1.070	350.9

¹ The Montgomery County Council already has the authority to override tax limitations in the county's charter.

Local Expenditures: Assuming the enhanced State aid would not result in decreases to 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 2007. 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.

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.

Additional Information

Prior Introductions: None.

Cross File: SB 856 (Senator Hoffman, *et al.*) (Commission on Education, Finance, Equity, and Excellence) – 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 - March 6, 2002
ncs/jr

Analysis by: Mark W. Collins

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

Exhibit 5 Summary of the State Education Aid Proposed in HB 1329

Foundation Program

- Adjusted successful schools foundation level phased-in
- 50% State share for first \$4,124
- 45% State share for growth in foundation level
- 1.0 FTE for kindergarten students phased-in

Retirement

- Separate State-paid program

Special Student Populations

- Spec Ed:* 1.17 overall weight
 - 50% State share of adjusted weight phased-in
 - Wealth equalized
- FRPM:* 1.10 overall weight
 - 50% State share of adjusted weight phased-in
 - Wealth equalized
- LEP:* 1.00 overall weight
 - 50% State share of adjusted weight phased-in
 - Per pupil funding increases wealth equalized

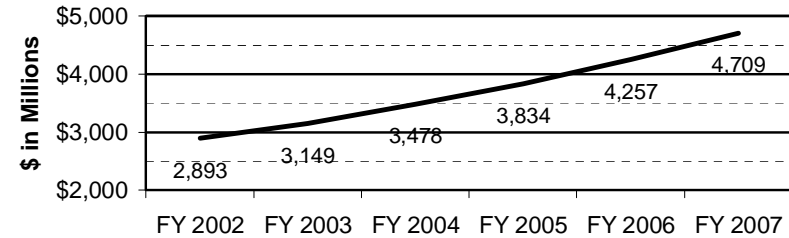
Additional Programs and Adjustments

- Cost of education adjustment beginning in FY 2005
- 80% guaranteed tax base phased-in

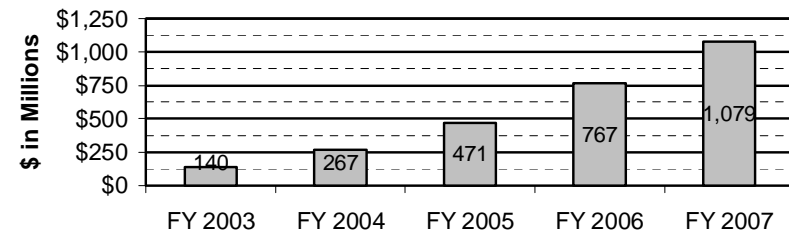
Transportation

- \$1,000 per disabled rider phased-in
- Add-on for 1980-1995 enrollment increases in FY 2003

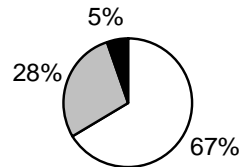
Estimated State Education Aid



Estimated Increases Over Current Law

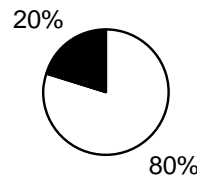


**State Aid Targeting
FY 2007 Estimate**



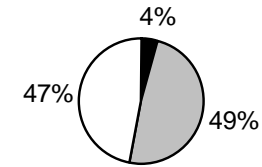
□ General Ed ■ Special Populations ■ Other

**State Aid Wealth Equalization
FY 2007 Estimate**



□ Equalized ■ Not Equalized

**Federal-State-Local Shares
FY 2007 Estimate**

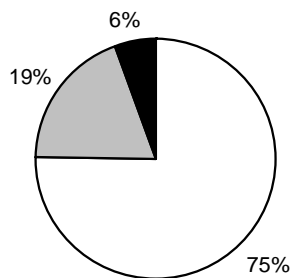


■ Federal ■ State □ Local

Exhibit 6 Education Funding Characteristics, Fiscal 2002 and 2007

Fiscal 2002

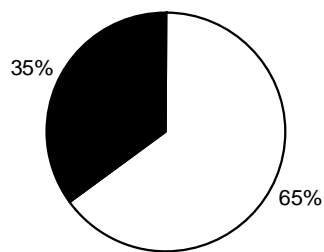
State Aid Targeting



□ General Ed □ Special Populations ■ Functions

(State Aid = 2.9 billion)

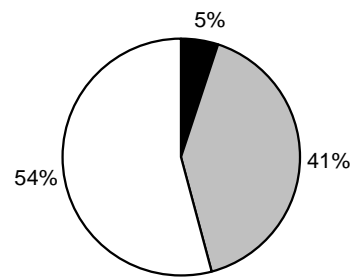
State Aid Wealth Equalization



□ Equalized ■ Not Equalized

(State Aid = 2.9 billion)

Federal¹-State-Local Shares

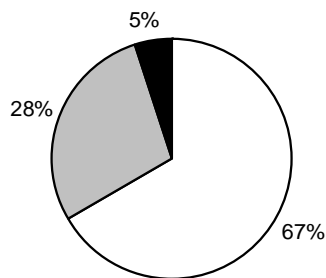


■ Federal □ State □ Local

(Total Education Aid = 7.1 billion)

Fiscal 2007, under HB 1329

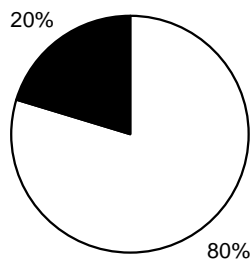
State Aid Targeting



□ General Ed □ Special Populations ■ Other

(Est. State Aid = \$4.7 billion)

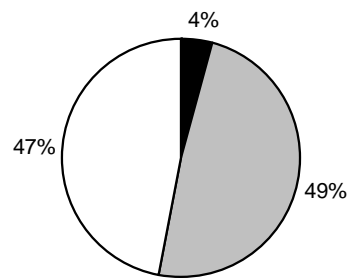
State Aid Wealth Equalization



□ Equalized ■ Not Equalized

(Est. State Aid = \$4.7 billion)

Federal¹-State-Local Shares



■ Federal □ State □ Local

(Est. Total Education Aid = \$9.7 billion)

¹ Not including federal food service funding.

Exhibit 7
Estimated Increases in State Education Aid
(Dollars in Millions)
FY 2003 to FY 2007

School System	Increases over Current Law					Actual FY 2002	Increase over Prior Year					Incr FY02-FY07	
	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007		FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Dollars	Percent
Allegany	\$4.0	\$7.0	\$11.8	\$18.0	\$24.7	\$48.1	\$2.8	\$5.7	\$6.7	\$7.9	\$8.5	\$31.6	65.7%
Anne Arundel	2.8	7.0	15.3	26.7	37.6	202.5	7.5	15.5	16.1	19.0	17.7	75.9	37.5%
Baltimore City	44.6	76.5	115.2	188.9	269.3	587.0	48.7	53.4	57.9	90.4	104.7	355.2	60.5%
Baltimore	6.3	17.5	34.5	60.3	86.7	306.3	23.1	34.8	34.0	40.2	41.1	173.3	56.6%
Calvert	2.4	4.4	7.5	11.8	15.7	48.9	7.7	6.5	6.4	6.2	5.9	32.7	66.9%
Caroline	2.8	4.3	6.8	9.9	13.2	24.4	4.4	3.0	3.3	4.0	4.2	19.0	77.8%
Carroll	2.8	6.1	10.4	17.0	23.2	88.7	8.7	9.3	9.4	10.0	9.7	47.2	53.2%
Cecil	2.7	5.2	9.1	14.7	20.4	56.9	6.7	6.3	6.8	8.1	8.2	36.2	63.6%
Charles	3.9	6.4	11.4	18.7	26.3	81.1	7.9	9.2	10.1	11.5	13.0	51.8	63.8%
Dorchester	1.2	1.9	3.4	5.2	7.0	20.1	1.0	2.2	2.2	1.9	2.5	9.8	48.9%
Frederick	5.8	10.0	17.0	27.2	37.6	113.7	14.1	13.8	14.6	16.5	17.5	76.5	67.3%
Garrett	0.7	1.1	2.2	3.8	5.4	19.8	1.5	1.5	1.9	2.3	2.3	9.4	47.7%
Harford	5.5	10.3	17.6	28.0	37.9	127.6	11.8	13.0	13.8	14.7	14.7	68.0	53.3%
Howard	3.2	6.0	13.1	20.4	27.6	115.9	8.9	13.4	13.8	13.1	13.0	62.2	53.6%
Kent	0.1	0.1	0.5	1.1	1.7	9.1	0.2	0.6	0.6	1.0	0.8	3.1	34.5%
Montgomery	4.0	10.0	27.4	46.1	67.6	271.4	19.4	36.5	37.8	36.3	39.8	169.8	62.6%
Prince George's	37.7	74.5	133.7	212.5	295.2	516.9	64.7	80.0	94.0	106.5	112.0	457.1	88.4%
Queen Anne's	0.3	0.7	1.6	2.9	4.3	21.2	0.8	2.0	1.8	2.0	2.5	9.2	43.4%
St. Mary's	1.5	2.8	5.5	9.5	13.2	52.1	4.5	4.7	4.9	6.3	5.2	25.5	49.0%
Somerset	1.7	2.7	4.6	6.9	9.6	14.0	2.3	2.0	2.3	2.8	3.2	12.6	90.4%
Talbot	1.1	1.6	2.4	3.4	4.1	7.2	0.4	0.5	0.7	0.7	0.9	3.2	45.4%
Washington	3.6	6.2	10.6	16.9	23.0	69.9	5.2	7.0	7.9	8.8	9.2	38.1	54.5%
Wicomico	4.2	7.3	12.8	20.6	30.3	54.1	6.9	7.0	7.9	10.4	13.3	45.5	84.2%
Worcester	1.4	1.6	2.4	2.7	3.8	10.8	1.3	1.1	1.2	1.5	1.5	6.6	61.8%
Unallocated	(3.8)	(4.6)	(6.0)	(6.3)	(6.6)	25.0	(4.8)	0.6	0.2	0.4	0.5	(3.1)	-12.4%
Total	\$140.4	\$266.8	\$471.1	\$767.0	\$1,078.7	\$2,892.7	\$255.9	\$329.5	\$356.4	\$422.6	\$452.2	\$1,816.6	62.8%

Exhibit 8
The Commission Recommendation
Estimated Increases in Per Pupil State Education Aid
FY 2003 to FY 2007

<u>School System</u>	<u>Increases over Current Law</u>					<u>Actual</u>	<u>Increases over Prior Year</u>					<u>Incr FY02 to FY07</u>	
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Dollars</u>	<u>Percent</u>
Allegany	\$402	\$718	\$1,225	\$1,893	\$2,622	\$4,738	417	640	774	911	982	\$3,723	78.6%
Anne Arundel	38	95	208	363	509	2,757	81	222	222	253	240	1,019	36.9%
Baltimore City	474	839	1,295	2,173	3,127	6,111	635	817	834	1,235	1,308	4,829	79.0%
Baltimore	61	168	333	585	842	2,957	213	340	334	404	413	1,705	57.6%
Calvert	147	266	449	707	939	3,086	385	340	340	377	353	1,796	58.2%
Caroline	519	808	1,283	1,871	2,483	4,568	790	565	690	770	800	3,614	79.1%
Carroll	101	217	371	604	821	3,246	246	320	305	355	340	1,565	48.2%
Cecil	174	330	580	932	1,290	3,694	385	387	418	496	503	2,190	59.3%
Charles	166	272	479	776	1,075	3,573	265	335	374	439	450	1,863	52.1%
Dorchester	256	410	749	1,157	1,583	4,322	264	435	550	589	616	2,454	56.8%
Frederick	155	265	441	698	949	3,143	288	310	317	371	369	1,655	52.7%
Garrett	149	243	477	816	1,149	4,123	369	344	420	500	496	2,130	51.7%
Harford	140	263	447	712	962	3,306	263	324	328	378	366	1,658	50.1%
Howard	69	129	279	426	570	2,614	123	237	250	230	223	1,063	40.7%
Kent	31	54	203	435	678	3,417	192	238	280	365	363	1,438	42.1%
Montgomery	30	74	201	335	488	2,063	102	248	256	250	268	1,123	54.5%
Prince George's	287	562	1,004	1,597	2,219	3,977	450	567	678	807	844	3,346	84.1%
Queen Anne's	46	104	226	407	585	3,062	85	241	234	269	283	1,112	36.3%
St. Mary's	101	192	369	634	884	3,573	252	302	324	392	368	1,638	45.8%
Somerset	577	936	1,611	2,461	3,420	4,818	801	683	937	1,078	1,194	4,693	97.4%
Talbot	259	368	560	809	980	1,648	91	150	181	211	207	840	51.0%
Washington	182	317	543	862	1,175	3,597	247	359	392	459	457	1,914	53.2%
Wicomico	314	539	950	1,524	2,218	3,988	522	504	622	762	894	3,304	82.8%
Worcester	213	240	357	404	555	1,614	203	168	179	178	224	953	59.0%
Unallocated	(5)	(5)	(7)	(7)	(8)	30	(6)	1	0	1	0	(4)	-13.6%
Total	\$167	\$318	\$560	\$912	\$1,280	\$3,481	\$273	\$387	\$417	\$505	\$526	\$2,109	60.6%

Exhibit 9
Fiscal 2007 Adequacy Analysis
With Geographic Cost of Education Index Applied to Adequacy Cost

School System	Dollars in Millions								
	Adjusted FY 2002 Revenue	Estimated FY 2007 Adequacy Cost ¹	Estimated Additional Need	Estimated Aid Increases ²			Estimated Revenue Increase	Remaining Gap	Gap Per Pupil
				State	Federal ³	Local ⁴			
Allegheny	\$74.7	\$101.9	\$27.2	\$30.6	\$1.0	\$4.2	\$35.8	\$0.0	\$0
Anne Arundel	552.8	694.7	141.9	71.1	2.6	77.5	151.3	0.0	0
Baltimore City	862.6	1,227.5	364.9	346.7	15.0	0.3	362.1	2.8	34
Baltimore	852.9	1,071.6	218.7	164.1	6.0	79.8	249.8	0.0	0
Calvert	116.8	145.0	28.1	30.9	0.9	15.7	47.5	0.0	0
Caroline	35.2	55.0	19.9	18.3	0.4	0.9	19.7	0.2	40
Carroll	187.0	234.8	47.9	44.4	1.0	19.1	64.5	0.0	0
Cecil	107.4	149.1	41.6	34.7	0.8	16.5	52.0	0.0	0
Charles	162.2	226.0	63.9	49.8	1.0	26.5	77.3	0.0	0
Dorchester	36.4	45.5	9.2	9.6	0.6	2.6	12.8	0.0	0
Frederick	251.4	353.0	101.6	72.7	1.1	40.3	114.1	0.0	0
Garrett	35.1	48.8	13.6	9.0	0.5	5.1	14.6	0.0	0
Harford	259.1	356.6	97.5	64.8	1.4	24.6	90.7	6.8	173
Howard	381.4	443.3	61.9	57.0	1.5	75.5	134.0	0.0	0
Kent	21.9	25.6	3.7	2.9	0.2	1.6	4.6	0.0	0
Montgomery	1,275.1	1,494.0	218.8	154.3	4.7	204.3	363.3	0.0	0
Prince George's	967.2	1,554.6	587.4	447.3	7.4	17.3	472.0	115.5	874
Queen Anne's	51.7	62.6	10.9	8.5	0.5	8.0	17.0	0.0	0
St. Mary's	104.6	121.4	16.7	24.3	1.2	13.1	38.6	0.0	0
Somerset	23.8	32.7	8.9	12.4	0.4	3.8	16.6	0.0	0
Talbot	33.0	42.2	9.2	2.9	0.5	3.6	6.9	2.3	559
Washington	141.3	189.3	48.0	37.0	1.3	29.0	67.3	0.0	0
Wicomico	99.9	146.4	46.5	44.3	1.1	20.3	65.7	0.0	0
Worcester	55.8	65.4	9.6	6.0	0.7	14.1	20.8	0.0	0
Total	\$6,689.2	\$8,887.1	\$2,197.8	\$1,743.5	\$51.8	\$703.6	\$2,498.9	\$127.6	\$152

¹ FY 2007 adequacy costs are based on projected FY 2007 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 2007 base cost per pupil is estimated at \$6,852. 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 2007 by projected FTE enrollment under current law. Local appropriation estimates shown in the exhibit are less estimated local student transportation contributions.