

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

Senate Bill 740 (Senator McFadden, *et al.*)

Education, Health, and Environmental Affairs

Education - Compulsory Attendance and Parental Responsibility - Age Limits

This bill increases the age of compulsory school attendance from 15 to 17. A student under 18 who has earned a high school certificate or diploma is not required to attend school.

The bill is effective July 1, 2003.

Fiscal Summary

State Effect: General fund expenditures for State education aid would increase by an estimated \$56.1 million in FY 2005 due to increased public school enrollment. Future year expenditures reflect inflation and the phase-in of enhanced funding formulas. Revenues would not be affected.

(\$ in millions)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	56.1	67.3	79.9	90.7
Net Effect	\$0	(\$56.1)	(\$67.3)	(\$79.9)	(\$90.7)

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

Local Effect: Total State aid to local school systems would increase by an estimated \$56.1 million in FY 2005; however, Howard and Montgomery counties could realize a reduction in State funding. Minimum required local school appropriations under the maintenance of effort provision would increase by approximately \$61.8 million in FY 2005.

Small Business Effect: None.

Analysis

Current Law: A child who is 5 to 15 years of age must attend public school regularly unless the child is otherwise receiving regular, thorough instruction at an alternative setting (a private or home school). An individual who has legal custody of a child aged 5 to 15 and fails to see that the child attends school is guilty of a misdemeanor.

Background: According to the Maryland State Department of Education (MSDE), there were 10,355 students who dropped out of school during the 2001-2002 school year, including approximately 693 high school students who were expelled. Dropout rates averaged 3.7% statewide and ranged from less than 2% in Carroll, Frederick, Howard, and Montgomery counties to 10.3% in Baltimore City. The number of dropouts and the dropout rate for each school system are shown in **Exhibit 1**.

Exhibit 1
Number and Percentage of Dropouts by Local School System
2001-2002 School Year

<u>County</u>	<u>Number of Dropouts</u>	<u>Dropout Percentage</u>	<u>County</u>	<u>Number of Dropouts</u>	<u>Dropout Percentage</u>
Allegany	141	4.0%	Harford	412	3.2%
Anne Arundel	1,150	4.3%	Howard	290	1.9%
Baltimore City	2,998	10.3%	Kent	53	5.7%
Baltimore	948	2.8%	Montgomery	811	1.8%
Calvert	182	3.2%	Prince George's	1,411	2.9%
Caroline	95	5.4%	Queen Anne's	70	3.1%
Carroll	187	2.0%	St. Mary's	142	2.9%
Cecil	153	3.0%	Somerset	47	5.2%
Charles	267	3.2%	Talbot	44	2.9%
Dorchester	84	5.3%	Washington	202	3.0%
Frederick	277	1.7%	Wicomico	249	5.9%
Garrett	68	4.6%	Worcester	74	3.0%

Source: Maryland State Department of Education

Dropout rates reported by MSDE and shown in the exhibit are annual percentages and do not reflect the full number of students who fail to complete high school. For example, the Baltimore City Public School System reports that approximately 55% of its students drop out without earning a high school diploma.

In most cases, local school systems require verbal or written parental permission for a child under the age of 18 to drop out of school. Lack of interest and academics were the reasons most often cited for dropping out. School officials did not know the whereabouts of 19% of the students who dropped out, and therefore did not record the reasons that these students decided to drop out.

The proposed fiscal 2004 State budget includes \$5.7 million in federal Temporary Assistance for Needy Families (TANF) funding for dropout prevention programs.

State Expenditures: General fund expenditures for State education aid would increase by an estimated \$56.1 million in fiscal 2005, increasing to \$67.3 million in fiscal 2006 and \$90.7 million in fiscal 2008. The information and assumptions used to calculate this estimate are stated below.

- Approximately 10,355 students who would have dropped out in the 2003-2004 school year would instead stay in school and be included in the enrollment counts used to calculate fiscal 2005 aid. In addition, approximately half of the students who dropped out during the 2002-2003 school year would be required to return to school. In total, approximately 15,527 additional students would be included in the fall 2003 enrollment counts that will be used to calculate fiscal 2005 aid.
- Roughly the same number of additional students would be included in the enrollment counts in each subsequent year.
- The number of students in at-risk categories (students eligible for free and reduced meals, students with disabilities, and students with limited English proficiency) would increase in accordance with the overall increase in enrollment.
- The estimated increases assume that the Bridge to Excellence in Public Schools Act of 2002 is fully funded by fiscal 2008.

The projected fiscal impact for the State includes the increase in direct State aid grants to local school boards as well as the effect on teachers' retirement payments that are paid on behalf of local school boards. Retirement payments are calculated from salary bases in the second prior fiscal year. Assuming a portion of the increased direct aid will pay for teachers' salaries in fiscal 2005, State-paid retirement costs would increase beginning in fiscal 2007. The estimated impacts on direct aid to counties and on teachers' retirement payments are shown in **Exhibit 2**.

Exhibit 2
Estimated Impact of Senate Bill 740
Fiscal 2005 to 2008
(\$ in Millions)

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
<i>Direct Aid</i>				
SB 740	\$3,359.1	\$3,711.7	\$4,089.8	\$4,537.1
Current Law	<u>3,302.9</u>	<u>3,644.4</u>	<u>4,013.2</u>	<u>4,450.3</u>
Increase Subtotal	\$56.1	\$67.3	\$76.6	\$86.8
<i>Retirement Payments</i>				
SB 740	\$405.7	\$425.1	\$455.2	\$483.6
Current Law	<u>405.7</u>	<u>425.1</u>	<u>451.9</u>	<u>479.7</u>
Increase Subtotal	\$0.0	\$0.0	\$3.3	\$4.0
Total Increase	\$56.1	\$67.3	\$79.9	\$90.7

Local Revenues: State aid to local school systems would increase beginning in fiscal 2005. However, because dropout rates vary among school systems, the increased aid is not shared equally by all school systems. The fiscal 2005 to 2008 estimated effect on State education funding for each school system is shown in **Exhibit 3**. The projected impacts include direct aid to local school systems, which makes up the majority of the effect, as well as teachers' retirement payments for the school system. As seen in the exhibit, two school systems with high wealth and low dropout rates (Howard and Montgomery counties) would lose State aid as a result of requiring 16-year old and 17-year old students to attend school. This is due to the higher dropout rates in some of the less wealthy areas of the State and the wealth equalization factor in State education aid, which measures wealth on a per pupil basis.

Local Expenditures: Local school system expenditures could increase as a result of adding students to local enrollments. In fiscal 2003, local school systems have budgeted an average of \$4,715 per pupil in local education spending. If this cost is applied to 15,527 additional students in fiscal 2004, local expenditures would increase by \$73.2 million. However, the actual magnitude of the increase would depend on the ability of each local school system to accommodate additional students with available resources.

One school function that would require additional resources in most school systems is the tracking of truant students. Systems use pupil personnel workers to monitor truancy issues. If students who would drop out without this legislation are required to attend SB 740 / Page 7

schools, it is assumed that there would be more truancy problems and that more pupil personnel workers would be needed. In October 2001, the average salary for a pupil personnel worker was approximately \$63,300. The number of additional pupil personnel workers that would be needed cannot be reliably estimated at this time.

The maintenance of effort mandate in State law requires local jurisdictions to provide at least as much aid per pupil as was provided during the previous fiscal year. Due to the increases in enrollment that would occur if students 16 and 17 years of age were required to attend school, local governments would be forced to increase funding for local school systems to comply with maintenance of effort. In total, mandated local funding for school systems would increase by an estimated \$61.8 million. The fiscal 2005 maintenance of effort calculation would be the first affected by the higher enrollment count. The estimated impact on each local jurisdiction in fiscal 2005 is shown in **Exhibit 4**. Local governments typically provide funding for public schools above the maintenance of effort requirement, and therefore the increases shown in the exhibit would be offset by the funding increases that local governments would provide without the bill.

Additional Information

Prior Introductions: An identical bill was introduced in 2002 as SB 452. The bill received an unfavorable report from the Senate Education, Health, and Environmental Affairs Committee.

Similar bills were also introduced during the 2000 and 1996 legislative sessions as SB 298 and HB 303 respectively. The 2000 bill received an unfavorable report from the Senate Economic and Environmental Affairs Committee, and the 1996 bill received an unfavorable report from the House Ways and Means Committee.

Cross File: None.

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

Fiscal Note History: First Reader - March 14, 2003
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Exhibit 3
Estimated Change in State Education Aid by County
Fiscal 2005 to 2008
(\$ in Thousands)

<u>County</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Allegany	\$978	\$1,088	\$1,235	\$1,361
Anne Arundel	5,597	6,166	7,075	7,796
Baltimore City	31,956	40,700	48,667	56,294
Baltimore	2,122	2,449	3,708	4,303
Calvert	800	859	948	1,012
Caroline	738	830	962	1,075
Carroll	277	256	234	198
Cecil	622	624	661	668
Charles	1,229	1,312	1,444	1,539
Dorchester	624	712	836	944
Frederick	529	502	475	420
Garrett	384	421	477	523
Harford	1,741	1,861	2,039	2,171
Howard	(251)	(309)	(289)	(365)
Kent	315	353	411	456
Montgomery	(2,678)	(2,674)	(2,793)	(2,774)
Prince George's	7,014	7,642	8,592	9,445
Queen Anne's	187	190	240	278
St. Mary's	522	545	592	616
Somerset	381	429	501	555
Talbot	120	133	148	155
Washington	850	911	1,005	1,071
Wicomico	1,867	2,107	2,451	2,719
Worcester	<u>213</u>	<u>231</u>	<u>257</u>	<u>267</u>
Total	\$56,136	\$67,338	\$79,876	\$90,723

Note: These estimates assume that the Bridge to Excellence in Public Schools Act of 2002 (SB 856) is fully funded by fiscal 2008.

Exhibit 4
Estimated Maintenance of Effort Increases
Fiscal 2005

<u>County</u>	<u>Additional Students</u>	<u>Est. FY 2003 Per Pupil Funding</u>	<u>Required Increase</u>
Allegany	211	\$2,589	\$546,279
Anne Arundel	1,725	5,206	8,980,350
Baltimore City	4,497	2,164	9,731,508
Baltimore	1,422	5,210	7,408,620
Calvert	273	4,367	1,192,191
Caroline	142	2,053	291,526
Carroll	280	3,949	1,105,720
Cecil	229	3,435	786,615
Charles	400	3,773	1,509,200
Dorchester	126	3,267	411,642
Frederick	415	3,970	1,647,550
Garrett	102	3,367	343,434
Harford	618	3,709	2,292,162
Howard	435	6,283	2,733,105
Kent	79	5,368	424,072
Montgomery	1,216	7,902	9,608,832
Prince George's	2,116	3,754	7,943,464
Queen Anne's	105	4,510	473,550
St. Mary's	213	3,532	752,316
Somerset	70	3,056	213,920
Talbot	66	5,935	391,710
Washington	303	3,639	1,102,617
Wicomico	373	3,121	1,164,133
Worcester	<u>111</u>	<u>7,113</u>	<u>789,543</u>
Total	15,527	\$4,715	\$61,844,059
