

**Department of Legislative Services**  
 Maryland General Assembly  
 2003 Session

**FISCAL AND POLICY NOTE**

House Bill 449 (Prince George’s County Delegation)  
 Ways and Means

**Prince George's County - Kindergarten - Full-Time Equivalent Enrollment -  
 Funding PG 408-03**

This bill alters the definition of full-time equivalent (FTE) enrollment, which is used to calculate State education aid, by counting kindergarten students in Prince George’s County as 1.0 FTE instead of a fraction of an FTE.

The bill is effective July 1, 2003.

**Fiscal Summary**

**State Effect:** General fund expenditures would increase by an estimated \$11.8 million in FY 2004 to provide additional State education aid. Future year expenditure increases reflect declining differences between the bill’s requirements and existing State aid mandates. 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	11.8	8.3	7.2	4.6	.8
Net Effect	(\$11.8)	(\$8.3)	(\$7.2)	(\$4.6)	(\$.8)

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

**Local Effect:** State education aid for Prince George’s County would increase by \$19.1 million in FY 2004, and aid for other local school systems would decrease by \$7.8 million. State aid increases decline annually to an estimated \$0.8 million by FY 2008.

**Small Business Effect:** None.

## Analysis

**Current Law:** An FTE enrollment count is used to calculate State education aid in several formula programs. Except in Garrett County, kindergarten students have historically been counted as 0.5 FTE. New funding formulas that are being phased in over the next five years will increase the kindergarten FTE count for every jurisdiction. Kindergarten students will be counted as 0.6 FTE in fiscal 2004, 0.7 FTE in fiscal 2005, 0.8 FTE in fiscal 2006, 0.9 FTE in fiscal 2007, and 1.0 FTE in fiscal 2008.

**Background:** Prince George's County is one of five local school systems in the State (the others are Baltimore City and Allegany, Garrett, and Caroline counties) that have established full-day kindergarten programs for all students. Most other local school systems have some full-day programs, and they are usually concentrated in areas with large numbers of economically disadvantaged students. Three local school systems (Calvert, Howard, and Kent counties) do not have any full-day kindergarten classes, but do provide extended day programs for students who have special academic needs. For the 2002-2003 school year, a preliminary count by the Maryland State Department of Education shows that more than half of the State's kindergarten students (54%) attend full-day or extended day kindergarten.

One of the recommendations of the Thornton Commission was to require full-day kindergarten in every school. This recommendation was enacted in the Bridge to Excellence in Public Schools Act of 2002 (Chapter 288), which requires local school systems to provide full-day kindergarten programs for all students by the 2007-2008 school year. To recognize the fiscal impact of the kindergarten mandate, the formulas phase in a higher FTE count for kindergarten students. For the purposes of calculating State aid, kindergarten students will be counted the way that other primary and secondary students are counted, as 1.0 FTE. The new funding formulas established in the legislation are set for full implementation by fiscal 2008.

Local school systems will receive an additional \$214.3 million in State funding in fiscal 2004, representing a 7.8% increase from the prior year. Prince George's County receives the highest funding increase with an additional \$42.2 million in State funding. This accounts for 20% of the total statewide funding increase.

**State Expenditures:** General fund expenditures would increase by an estimated \$11.8 million in fiscal 2004 due to an increase of nearly 3,700 in the State's FTE enrollment count. Because the State will be phasing in higher FTE counts for kindergarten students even without this legislation, the impact of the bill would decline over a number of years. By fiscal 2008, the impact of the legislation would be an estimated \$768,300.

The State impact includes the estimated effect on direct State aid grants to local school boards and teachers' retirement payments that are paid by the State 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, State paid retirement costs would increase beginning in fiscal 2006. The estimated impacts on direct aid to counties and on teachers' retirement payments are shown in **Exhibit 1**.

---

**Exhibit 1**  
**Estimated Impact of House Bill 449**  
**Fiscal 2004 to 2008**  
**(\$ in Millions)**

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
<i>Direct Aid</i>					
HB 449	\$2,980.0	\$3,311.2	\$3,650.9	\$4,017.4	\$4,450.7
Current Law	2,968.2	3,302.9	3,644.4	4,013.2	4,450.3
<b>Increase Subtotal</b>	<b>\$11.8</b>	<b>\$8.3</b>	<b>\$6.6</b>	<b>\$4.2</b>	<b>\$0.4</b>
<i>Retirement Payments</i>					
HB 449	\$383.6	\$405.5	\$425.7	\$452.3	\$480.0
Current Law	383.6	405.5	425.1	451.9	479.7
<b>Increase Subtotal</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.6</b>	<b>\$0.4</b>	<b>\$0.4</b>
<b>Total Increase</b>	<b>\$11.8</b>	<b>\$8.3</b>	<b>\$7.2</b>	<b>\$4.6</b>	<b>\$0.8</b>

---

**Local Revenues:** Because State aid is wealth equalized based on local wealth per FTE student, a change in Prince George's County's FTE enrollment would affect State aid to all jurisdictions. Fiscal 2004 school revenues from State aid would increase by \$19.1 million in Prince George's County and decrease by a total of \$7.3 million in other jurisdictions to produce a net increase in local school revenues of \$11.8 million. The impact of the legislation would decline in future years as the higher kindergarten FTE count is phased in for all other local school systems. The estimated county-by-county fiscal 2004 to 2008 impact of the bill is shown in **Exhibit 2**. The projected fiscal impact shown in the exhibit includes direct aid to local school systems, which makes up the majority of the effect, as well as teachers' retirement payments for the school system.

---

## **Additional Information**

**Prior Introductions:** A similar bill was introduced last year as HB 647. The bill was not reported out of the House Ways and Means Committee.

**Cross File:** None.

**Information Source(s):** Prince George's County, Maryland State Department of Education, Department of Legislative Services

**Fiscal Note History:** First Reader - February 18, 2003  
mdf/hlb

---

Analysis by: Mark W. Collins

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510

**Exhibit 2**  
**Change in State Education Aid Under HB 449**  
**Fiscal 2004 to 2008**  
**(\$ in Thousands)**

<u>County</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Allegany	(\$121)	(\$115)	(\$101)	(\$66)	(\$6)
Anne Arundel	(1,015)	(729)	(582)	(324)	(31)
Baltimore City	(1,443)	(1,526)	(1,196)	(801)	(64)
Baltimore	(1,399)	(1,103)	(885)	(432)	(48)
Calvert	(172)	(137)	(111)	(66)	(6)
Caroline	(62)	(59)	(52)	(35)	(3)
Carroll	(278)	(216)	(174)	(103)	(9)
Cecil	(160)	(153)	(136)	(89)	(8)
Charles	(253)	(205)	(167)	(102)	(9)
Dorchester	(59)	(53)	(46)	(29)	(3)
Frederick	(393)	(310)	(253)	(153)	(14)
Garrett	(61)	(48)	(39)	(24)	(2)
Harford	(413)	(328)	(267)	(161)	(15)
Howard	(614)	(478)	(367)	(212)	(20)
Kent	(7)	(24)	(17)	(11)	(1)
Montgomery	(158)	(1,730)	(1,184)	(756)	(73)
<i>Prince George's</i>	<i>19,108</i>	<i>16,063</i>	<i>13,280</i>	<i>8,299</i>	<i>1,109</i>
Queen Anne's	(89)	(68)	(55)	(30)	(3)
St. Mary's	(163)	(131)	(107)	(65)	(6)
Somerset	(39)	(40)	(37)	(25)	(2)
Talbot	(0)	0	(0)	0	0
Washington	(225)	(182)	(149)	(90)	(8)
Wicomico	(157)	(160)	(145)	(97)	(9)
Worcester	<u>(0)</u>	<u>0</u>	<u>(0)</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$11,827</b>	<b>\$8,268</b>	<b>\$7,211</b>	<b>\$4,629</b>	<b>\$768</b>

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