

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 331 (Senator Hogan, *et al.*)
Budget and Taxation

Adult Education and Literacy Services - Waiting List - Funding

This bill requires the Governor to include in the fiscal 2006 and 2007 State budgets an appropriation for adult education equal to an increase of \$1,474,296 over the fiscal 2004 appropriation. The Maryland State Department of Education (MSDE) must distribute the funding as Literacy Works Grants in order to reduce the waiting list for adult education and literacy services. The bill also declares that it is the intent of the General Assembly that MSDE and the General Assembly work together to create a method for funding adult education and literacy services. MSDE must report on the established method by January 1, 2005.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: General fund expenditures would increase by \$1.5 million in FY 2006 and 2007 to provide the additional appropriations for Literacy Works Grants. Revenues would not be affected.

(\$ in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	1.5	1.5	0	0
Net Effect	\$0	(\$1.5)	(\$1.5)	\$0	\$0

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

Local Effect: Local school revenues from State Literacy Works Grants would increase by \$1.5 million in FY 2006 and 2007. Local school expenditures would increase by an estimated \$494,000 in FY 2006 and 2007 to provide local matches for the grants.

Small Business Effect: Minimal. Small businesses in Maryland would benefit from increased literacy skills of current and prospective employees.

Analysis

Current Law: MSDE must distribute competitive grants for adult education services in accordance with the State Plan for Adult Education and Family Literacy. The grants must be based on need and performance and may be used for GED instruction, the Maryland Adult External High School Program, English for Speakers of other languages, family literacy, and basic skills and literacy instruction. Funding for the grants must be provided in the State budget.

Background: A task force was established at the 2001 session to study adult education services in Maryland. The task force determined that there is a significant need for adult education services in Maryland, with 700,000 to 900,000 adults without a high school diploma or lacking the skills to speak English well. Current adult education programs serve between 36,000 and 38,000 individuals annually, or 5% of the individuals in need. The demand for literacy services varies across Maryland. Statewide about 20% of adults function at the lowest literacy level; however, this percentage ranges from 10% in Carroll and Frederick counties to 38% in Baltimore City.

Chapter 185 of 2002 required MSDE to distribute competitive grants for adult education services according to the State plan for adult education and family literacy. MSDE was required to develop and submit a methodology for determining the need and cost of adult education instruction to the Legislative Policy Committee by September 15, 2002. In its presentation to the committee, MSDE recommended that existing funding for adult education be compared to current needs to calculate an annual State appropriation. Using this approach, MSDE estimated that an additional \$36.1 million would be needed to serve all individuals currently receiving or seeking services. Due to the State's fiscal condition, MSDE recommended that the funding method be phased in over five years and then re-evaluated.

State funding for adult education services totals \$2.4 million in fiscal 2004, and federal funding totals approximately \$8.2 million. The proposed fiscal 2005 State budget includes a stable amount of State funding, but federal funding assumed in the budget is reduced by more than \$700,000. **Exhibit 1** shows the level of State and federal funding for adult education by program for fiscal 2004 and 2005.

Exhibit 1
State and Federal Funding for Adult Continuing Education
Fiscal 2004 and 2005

<u>State Funding</u>	<u>FY 2004</u>	<u>Proposed FY 2005</u>
Adult General Education	\$161,703	\$161,703
External Diploma Program	281,070	281,070
Literacy Works Grant	810,829	810,829
Adult Education and Literacy Works	<u>1,100,020</u>	<u>1,100,020</u>
<i>Subtotal – State Funding</i>	\$2,353,622	\$2,353,622
<u>Federal Funding</u>		
Adult Ed – State-Administered Basic Grants	\$8,181,641	\$7,448,618
Total Funding	\$10,535,263	\$9,802,240

Source: *Maryland Operating Budget Book, Fiscal Year 2005.*

Individuals who leave school without a high school diploma pay a substantial penalty throughout their lives. About 16% of the State's adult population do not have a high school diploma. A family headed by a high school dropout earned about 50% less than a family headed by an individual with a high school diploma. Over 50% of current public assistance recipients were dropouts and only 11% of dropouts were able to find a full-time job paying more than a poverty wage.

State Expenditures: General fund expenditures would increase by \$1.5 million in fiscal 2006 and 2007 to fund the additional appropriations required by the bill. The funding would be distributed to counties as Literacy Works Grants, which employ a 75% State and 25% local split. MSDE estimates that the funding could be used to serve 3,921 additional adult students in fiscal 2006 and 2007, the number of individuals on adult education waiting lists as of December 30, 2003. State funding would equal approximately \$376 per student. Combined with additional local funding of \$126 per student, per pupil spending would equal \$502, the same as the fiscal 2002 spending per adult education student served.

MSDE could report on the established method of ongoing funding for adult education and literacy services with existing resources.

Local Fiscal Effect: State aid to local school systems for adult education would increase by \$1.5 million in fiscal 2006 and 2007. To leverage the additional funding, local school expenditures would increase by \$494,000, enough for the required 25% local match on State aid.

Small Business Effect: Both national and State employers indicate that they have a need for increased basic skills in their workers. The *American Management Association's Annual Survey of Workplace Testing* found that 36% of job applicants tested by major U.S. firms in 1998 lacked the reading and math skills to do the job they sought. This is up from 23% in 1997 and 19% in 1996. Employers overwhelmingly reported increased profits and other bottom line benefits when their employees gained basic skills that enabled them to work more effectively. Benefits reported included improved work quality, better team performance, improved capacity to cope with change and ability to use new technology, and a reduction in errors and waste.

Additional Information

Prior Introductions: SB 562 of 2003 would have established a formula for State funding of adult educational and literacy services and would have mandated that the funding be provided in the State budget. The bill was not reported out of the Senate Budget and Taxation Committee.

Cross File: HB 629 is designated as a cross file although it is not identical.

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

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ncs/jr

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