

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 502 (Delegates Owings and O'Donnell)
 Ways and Means

Education - Public School Dropouts

This bill identifies a student 14 years of age or older as a dropout if the student willfully fails to attend school or receive instruction for a period of more than 90 consecutive school days without the permission of the local superintendent of schools, the principal of the student's school, or another individual authorized by the superintendent or principal. These students are assumed to have withdrawn from school.

Fiscal Summary

State Effect: General fund expenditures would decrease by an estimated \$11.0 million in FY 2007 due to a reduction in student enrollment counts. Future year expenditure reductions reflect a stable number of students dropped from the enrollment counts and increased per pupil State aid. 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	0	(11.0)	(12.4)	(13.3)
Net Effect	\$0	\$0	\$11.0	\$12.4	\$13.3

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

Local Effect: State aid to local school systems would decrease by an estimated \$11.0 million in FY 2007 and by \$13.3 million in FY 2009. Expenditures would not be affected.

Small Business Effect: Minimal.

Analysis

Current Law: A child who is five 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 five 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 9,638 students who dropped out of school during the 2002-2003 school year, including approximately 600 high school students who were expelled. Dropout rates averaged 3.4% statewide and ranged from less than 2% in Carroll, Frederick, and Howard counties to 10.5% in Baltimore City. The number of dropouts and the dropout rate for each local school system are shown in **Exhibit 1**.

Exhibit 1
Number and Percentage of Dropouts by Local School System
2002-2003 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	116	3.4%	Harford	378	2.8%
Anne Arundel	874	3.2%	Howard	172	1.0%
Baltimore City	2,939	10.5%	Kent	38	4.2%
Baltimore	1,152	3.3%	Montgomery	958	2.0%
Calvert	172	2.7%	Prince George's	1,171	2.3%
Caroline	75	4.3%	Queen Anne's	69	2.9%
Carroll	171	1.7%	St. Mary's	116	2.3%
Cecil	164	3.1%	Somerset	54	5.6%
Charles	253	2.9%	Talbot	38	2.5%
Dorchester	57	3.7%	Washington	158	2.2%
Frederick	201	1.3%	Wicomico	204	4.7%
Garrett	58	4.0%	Worcester	50	2.1%

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 more than half of its students drop out before 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 16% of the students who dropped out, and therefore did not record the reasons that these students decided to drop out.

State Expenditures: General fund expenditures for State education aid could decrease by an estimated \$11.0 million in fiscal 2007 and by \$13.3 million by fiscal 2009. The information and assumptions used to calculate this estimate are stated below.

- Approximately 1,825 students were absent more than 90 days during the 2002-2003 school year but were officially recorded on school enrollment lists at the end of the school year. Two-thirds of these students are in Baltimore City and another 15% are in Prince George's County. It is assumed that this bill would require these students to be dropped from the student enrollment counts used to determine State aid.
- Due to the requirement that students be absent for 90 consecutive days before being dropped from school enrollments, the bill would first impact the fall 2005 enrollment counts used to determine fiscal 2007 State aid. Beginning in the 2005-2006 school year, approximately 1,825 students would be deducted from the annual enrollment counts each 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 decrease in accordance with the overall decrease in enrollment.

The projected fiscal impact for the State includes the decrease 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 decrease in direct aid would have paid for teachers' salaries in fiscal 2007, State-paid retirement costs would decrease beginning in fiscal 2009. The estimated impacts on direct aid to counties and on teachers' retirement payments are shown in **Exhibit 2**.

Exhibit 2
Estimated Impact of House Bill 502
Fiscal 2007 to 2009
(\$ in millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
<i>Direct Aid</i>			
HB 502	\$3,916.2	\$4,316.0	\$4,414.6
Current Law	<u>3,927.1</u>	<u>4,328.4</u>	<u>4,427.2</u>
Subtotal	(\$11.0)	(\$12.4)	(\$12.6)
<i>Retirement Payments</i>			
HB 502	\$449.7	\$478.0	\$505.4
Current Law	<u>449.7</u>	<u>478.0</u>	<u>506.1</u>
Subtotal	\$0.0	\$0.0	(\$0.7)
Total	(\$11.0)	(\$12.4)	(\$13.3)

Note: Estimates do not include any adjustments to account for regional differences in the cost of education.

Local Revenues: Total State aid to local school systems would decrease beginning in fiscal 2007. However, because early dropout rates would vary among local school systems, the decreased aid is not shared equally by all local school systems. The fiscal 2007 to 2009 estimated effect on State education funding for each local 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 local school system. As seen in the exhibit, despite the decreases in student counts for nearly every school system, only five school systems would lose funding as a result of this legislation. This is due to the large majority of students who would be dropped from Baltimore City's enrollment counts and the wealth equalization factor in State education aid, which measures wealth on a per pupil basis.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ncs/hlb

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Exhibit 3
Estimated Change in State Education Aid
Fiscal 2007 to 2009
(\$ in thousands)

<u>County</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Allegany	\$107	\$126	\$127
Anne Arundel	162	163	173
Baltimore City	(13,740)	(15,530)	(16,509)
Baltimore	547	597	622
Calvert	142	155	172
Caroline	65	78	81
Carroll	218	246	266
Cecil	99	120	129
Charles	198	230	235
Dorchester	7	17	27
Frederick	123	151	157
Garrett	64	71	40
Harford	237	272	281
Howard	88	90	91
Kent	5	5	3
Montgomery	1,062	1,120	1,187
Prince George's	(506)	(504)	(540)
Queen Anne's	46	50	54
St. Mary's	(257)	(280)	(301)
Somerset	67	80	86
Talbot	(2)	0	(3)
Washington	227	261	278
Wicomico	66	85	95
Worcester	<u>(5)</u>	<u>(8)</u>	<u>(6)</u>
Total	(\$10,980)	(\$12,403)	(\$13,257)

Note: Estimates do not include adjustments to account for regional differences in the cost of education.
