

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1393
Ways and Means

(Delegate Aumann, *et al.*)

Education - Bridge to Excellence in Public Schools Act - Use of Funds

This bill requires all funding provided through the Bridge to Excellence in Public Schools State aid programs to be expended in the fiscal year for which the funds are appropriated. The funding may not be used to extinguish a debt or deficit incurred by a local school system in a prior fiscal year.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: None. State aid formulas are not altered.

Local Effect: None. If necessary, local boards of education could use local appropriations to eliminate debts and deficits.

Small Business Effect: None.

Analysis

Current Law: The following State aid programs are permanent components of the Bridge to Excellence in Public Schools Act of 2002: the foundation program; the compensatory education formula; the special education formula; the limited English proficiency formula; the guaranteed tax base program; and the student transportation formula. Funding for all of these programs except student transportation is unrestricted. Each local school system must submit a comprehensive master plan detailing the way all school funds, including local and federal funds, will be used to ensure student achievement in every segment of the student population.

Background: Funding related to the Bridge to Excellence in Public Schools Act of 2002 comprises approximately 84% of fiscal 2005 State aid for education. Estimates of State education aid under the Thornton programs and other programs are shown in **Exhibit 1**.

Exhibit 1
State Education Aid Estimates
Fiscal 2005 to 2009

<u>Program</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Foundation Program	\$2,114.6	\$2,288.2	\$2,413.4	\$2,594.0	\$2,632.9
Compensatory Ed	488.1	590.3	711.3	841.6	859.4
Special Ed Formula	157.6	189.6	227.2	268.1	271.9
Limited English Prof	51.3	66.1	85.3	108.3	117.3
Guaranteed Tax Base	19.1	39.9	63.7	86.5	97.1
Student Transportation	172.5	181.1	189.7	198.3	203.7
Balt City Partnership	21.1	14.1	0.0	0.0	0.0
Salary Challenge	8.3	0.0	0.0	0.0	0.0
Extended Elem Ed	<u>19.3</u>	<u>19.3</u>	<u>19.3</u>	<u>0.0</u>	<u>0.0</u>
Thornton Subtotals	\$3,051.9	\$3,388.5	\$3,709.9	\$4,096.7	\$4,182.3
Teachers' Retirement	403.2	424.1	449.7	478.0	506.1
Non-public Special Ed	108.8	119.6	131.6	144.8	159.2
Other Programs	<u>81.0</u>	<u>82.6</u>	<u>85.7</u>	<u>86.9</u>	<u>85.6</u>
Grand Total	\$3,644.9	\$4,014.8	\$4,376.8	\$4,806.4	\$4,933.2
% Thornton Programs	83.7%	84.4%	84.8%	85.2%	84.8%

Over several years, the Baltimore City Public School System (BCPSS) has accumulated a deficit of approximately \$56 million. The Baltimore City government has agreed to cover the deficit in fiscal 2004 using reserves from its rainy day fund, and BCPSS is scheduled to repay the funds by the end of fiscal 2006.

Local Fiscal Effect: Some local school systems carry small debts or deficits from one fiscal year to the next. If State funds cannot be used to extinguish these debts, local school systems would maintain the option of earmarking a portion of their local appropriations to cover the debts. In fiscal 2004, local jurisdictions are providing an estimated \$4.2 billion for public schools, 52% of total funding for public education. The State is providing approximately \$3.3 billion, or 42% of total funding.

The \$56 million deficit for BCPSS is more than \$150 million less than the fiscal 2004 appropriation it is receiving from Baltimore City. These amounts do not include the additional funding that Baltimore City is providing to cover the fiscal 2004 BCPSS deficit.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 26, 2004
mh/hlb

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