

**Department of Legislative Services**  
Maryland General Assembly  
2004 Session

**FISCAL AND POLICY NOTE**

Senate Bill 618 (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, 2004.

**Fiscal Summary**

**State Effect:** General fund expenditures for State education aid would increase by an estimated \$62.2 million in FY 2006 due to increased public school enrollment. Future year expenditures reflect inflation and the phase-in of enhanced funding formulas through FY 2008. 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	62.2	69.5	80.7	82.3
Net Effect	\$0	(\$62.2)	(\$69.5)	(\$80.7)	(\$82.3)

*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 \$62.2 million in FY 2006; however, Frederick, 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 \$60.5 million in FY 2006.

**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 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**.

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**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

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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.

The proposed fiscal 2005 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 \$62.2 million in fiscal 2006, increasing to \$69.5 million in fiscal 2007 and \$82.3 million in fiscal 2009. The information and assumptions used to calculate this estimate are stated below.

- Approximately 9,638 students who would have dropped out in the 2004-2005 school year would instead stay in school and be included in the enrollment counts used to calculate fiscal 2006 aid. In addition, approximately half of the students who dropped out during the 2003-2004 school year would be required to return to school. In total, approximately 14,453 additional students would be included in the fall 2004 enrollment counts that will be used to calculate fiscal 2006 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 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 2006, State-paid retirement costs would increase beginning in fiscal 2008. 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 618**  
**Fiscal 2006 to 2009**  
**(\$ in millions)**

	<u><b>FY 2005</b></u>	<u><b>FY 2006</b></u>	<u><b>FY 2007</b></u>	<u><b>FY 2008</b></u>
<i>Direct Aid</i>				
SB 618	\$3,652.9	\$3,996.7	\$4,405.3	\$4,505.3
Current Law	<u>3,590.7</u>	<u>3,927.1</u>	<u>4,328.4</u>	<u>4,427.2</u>
<b>Increase Subtotal</b>	<b>\$62.2</b>	<b>\$69.5</b>	<b>\$77.0</b>	<b>\$78.2</b>
<i>Retirement Payments</i>				
SB 618	\$424.1	\$449.7	\$481.7	\$510.2
Current Law	<u>424.1</u>	<u>449.7</u>	<u>478.0</u>	<u>506.1</u>
<b>Increase Subtotal</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$3.7</b>	<b>\$4.2</b>
<b>Total Increase</b>	<b>\$62.2</b>	<b>\$69.5</b>	<b>\$80.7</b>	<b>\$82.3</b>

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

**Local Revenues:** State aid to local school systems would increase beginning in fiscal 2006. However, because dropout rates vary among local school systems, the increased aid is not shared equally by all local school systems. The fiscal 2006 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, three local school systems with relatively low dropout rates (Frederick, 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 2004, local school systems have budgeted an average of \$4,912 per pupil in local education spending. If this cost is applied to 14,453 additional students in fiscal 2005, local expenditures would increase by \$71.0 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 schools, it is assumed that there would be more truancy problems and that more pupil personnel workers would be needed. In October 2002, the average salary for a pupil personnel worker was approximately \$66,300. 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 \$60.5 million. The fiscal 2006 maintenance of effort calculation would be the first affected by the higher enrollment count. The estimated impact on each local jurisdiction in fiscal 2006 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.

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### **Additional Information**

**Prior Introductions:** Identical bills were introduced in 2002 and 2003 as SB 452 and SB 740. Both bills received unfavorable reports 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 Committee on Ways and Means.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 15, 2004  
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**Exhibit 3**  
**Estimated Change in State Education Aid by County**  
**Fiscal 2006 to 2009**  
**(\$ in thousands)**

<u>County</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Allegany	\$772	\$811	\$914	\$922
Anne Arundel	3,734	4,032	4,636	4,743
Baltimore City	40,675	45,643	53,477	54,309
Baltimore	4,841	6,100	7,034	7,210
Calvert	766	822	944	960
Caroline	585	619	715	718
Carroll	199	177	162	153
Cecil	812	843	937	962
Charles	1,212	1,305	1,497	1,557
Dorchester	354	369	415	422
Frederick	(80)	(140)	(191)	(193)
Garrett	323	347	434	439
Harford	1,667	1,726	1,932	1,950
Howard	(1,128)	(1,084)	(1,259)	(1,276)
Kent	227	246	280	274
Montgomery	(453)	(118)	155	386
Prince George's	4,239	4,153	4,378	4,451
Queen Anne's	222	259	288	291
St. Mary's	317	332	354	353
Somerset	544	608	713	740
Talbot	114	118	125	124
Washington	472	481	524	533
Wicomico	1,582	1,738	2,042	2,127
Worcester	156	161	173	177
<b>Total</b>	<b>\$62,151</b>	<b>\$69,548</b>	<b>\$80,680</b>	<b>\$82,331</b>

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

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**Exhibit 4**  
**Estimated Maintenance of Effort Increases**  
**Fiscal 2006**

<u>County</u>	<u>Additional Students</u>	<u>Est. FY 2004 Per Pupil Funding</u>	<u>Required Increase</u>
Allegany	174	\$2,699	\$469,626
Anne Arundel	1,311	5,324	6,979,764
Baltimore City	4,408	2,288	10,085,504
Baltimore	1,728	5,319	9,191,232
Calvert	258	4,475	1,154,550
Caroline	112	2,099	235,088
Carroll	256	4,126	1,056,256
Cecil	246	3,507	862,722
Charles	379	3,805	1,442,095
Dorchester	85	3,271	278,035
Frederick	301	4,212	1,267,812
Garrett	87	3,773	328,251
Harford	567	3,748	2,125,116
Howard	258	6,591	1,700,478
Kent	57	5,356	305,292
Montgomery	1,437	8,409	12,083,733
Prince George's	1,756	3,898	6,844,888
Queen Anne's	103	4,795	493,885
St. Mary's	174	3,599	626,226
Somerset	81	3,063	248,103
Talbot	57	5,994	341,658
Washington	237	3,707	878,559
Wicomico	306	3,177	972,162
Worcester	<u>75</u>	7,242	<u>543,150</u>
<b>Total</b>	<b>14,453</b>	<b>\$4,912</b>	<b>\$60,514,185</b>

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