

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

Senate Bill 913 (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, 2005.

Fiscal Summary

State Effect: General fund expenditures for State education aid would increase by an estimated \$81.4 million in FY 2007 due to increased public school enrollment. Future year expenditures reflect inflation and the phase-in of enhanced education funding formulas through FY 2008. Revenues would not be affected.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	81.4	91.4	97.7	100.5
Net Effect	\$0	(\$81.4)	(\$91.4)	(\$97.7)	(\$100.5)

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 \$81.4 million in FY 2007; however, Carroll, Frederick, Howard, Montgomery, and Washington counties could realize a reduction in State funding. Minimum required local school appropriations under the maintenance of effort provision would increase by approximately \$70.0 million in FY 2007.

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 (*i.e.*, 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 data from the Maryland State Department of Education (MSDE), there were 10,714 students who dropped out of school during the 2003-2004 school year. Dropout rates averaged 3.9% statewide and ranged from less than 1% in Frederick County to 11.7% 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
2003-2004 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	113	3.5%	Harford	341	2.6%
Anne Arundel	1,216	4.8%	Howard	227	1.5%
Baltimore City	3,241	11.7%	Kent	36	3.9%
Baltimore	1,604	4.4%	Montgomery	828	1.8%
Calvert	135	2.4%	Prince George's	1,328	2.9%
Caroline	73	4.2%	Queen Anne's	65	2.7%
Carroll	133	1.4%	St. Mary's	125	2.5%
Cecil	243	4.8%	Somerset	46	5.1%
Charles	331	3.7%	Talbot	26	1.6%
Dorchester	92	5.5%	Washington	146	2.2%
Frederick	89	0.7%	Wicomico	205	4.6%
Garrett	45	3.2%	Worcester	26	1.2%

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 has reported 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. Half of the students who dropped out cited lack of interest as the reason, and another 11% said they were dropping out because of academics. School officials did not know the whereabouts of 22% of the students who dropped out and therefore did not record the reasons that these students decided to leave school.

State Expenditures: General fund expenditures for State education aid would increase by an estimated \$81.4 million in fiscal 2007, increasing to \$91.4 million in fiscal 2008 and \$100.5 million in fiscal 2010. The information and assumptions used to calculate this estimate are stated below.

- Approximately 10,714 students who would have dropped out in the 2005-2006 school year would instead stay in school and be included in the enrollment counts used to calculate fiscal 2007 aid. In addition, approximately half of the students who dropped out during the 2004-2005 school year would be required to return to school. In total, approximately 16,064 additional students would be included in the fall 2005 enrollment counts that will be used to calculate fiscal 2007 aid.
- Approximately 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 2007, State-paid retirement costs would increase 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 Senate Bill 618
Fiscal 2007 to 2010
(\$ in millions)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
<i>Direct Aid</i>				
SB 913	\$4,153.8	\$4,634.2	\$4,766.4	\$4,907.3
Current Law	<u>4,072.4</u>	<u>4,542.8</u>	<u>4,673.2</u>	<u>4,811.7</u>
Increase Subtotal	\$81.4	\$91.4	\$93.2	\$95.5
<i>Retirement Payments</i>				
SB 913	\$435.3	\$467.9	\$508.6	\$547.0
Current Law	<u>435.3</u>	<u>467.9</u>	<u>504.1</u>	<u>542.0</u>
Increase Subtotal	\$0.0	\$0.0	\$4.4	\$5.0
Total Increase	\$81.4	\$91.4	\$97.7	\$100.5

Note: Estimates assume adjustments to account for regional differences are funded in fiscal 2007 to 2010.

Local Revenues: State aid to local school systems would increase beginning in fiscal 2007. However, because dropout rates vary among local school systems, the increased aid is not shared equally by all local school systems. The fiscal 2007 to 2010 estimated effect on State education funding for each local school system is shown in **Exhibit 3**. The projected effects include direct aid to local school systems, which makes up the majority of the impact, as well as teachers' retirement payments for the local school system. As seen in the exhibit, five local school systems with relatively low dropout rates (Carroll, Frederick, Howard, Montgomery, and Washington counties) could 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 2005, local school systems have budgeted an average of \$5,183 per pupil in local education spending. If this cost is applied to 16,064 additional students in fiscal 2005, local expenditures would increase by \$83.3 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 2003, the average salary for a pupil personnel worker was approximately \$66,833. The number of additional pupil personnel workers that would be needed cannot be reliably estimated.

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 \$70.0 million. The fiscal 2007 maintenance of effort calculation would be the first affected by the higher enrollment count. The estimated impact on each local jurisdiction in fiscal 2007 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.

Additional Information

Prior Introductions: Identical bills were introduced in 2002, 2003, and 2004 as SB 452, SB 740, and SB 618, respectively. The 2004 bill was withdrawn, and the 2003 and 2002 bills received unfavorable reports from the 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 Economic and Environmental Affairs Committee, and the 1996 bill received an unfavorable report from the 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 21, 2005
ncs/rhh

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Exhibit 3
Estimated Change in State Education Aid by County
Fiscal 2007 to 2010
(\$ in thousands)

<u>County</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Allegany	\$676	\$712	\$759	\$776
Anne Arundel	7,161	7,886	8,472	8,672
Baltimore City	53,173	60,359	63,859	65,675
Baltimore	10,625	11,828	12,691	12,996
Calvert	321	343	389	407
Caroline	547	579	634	629
Carroll	(375)	(459)	(482)	(494)
Cecil	1,800	1,978	2,176	2,272
Charles	2,040	2,226	2,448	2,539
Dorchester	877	961	1,037	957
Frederick	(1,584)	(1,804)	(1,924)	(1,970)
Garrett	135	240	249	245
Harford	1,116	1,150	1,241	1,256
Howard	(889)	(971)	(1,014)	(1,048)
Kent	218	239	237	231
Montgomery	(2,634)	(2,590)	(2,566)	(2,404)
Prince George's	5,605	5,808	6,387	6,576
Queen Anne's	159	168	181	190
St. Mary's	308	300	340	344
Somerset	432	499	533	554
Talbot	84	87	96	92
Washington	(40)	(6)	(123)	(104)
Wicomico	1,605	1,761	1,935	2,022
Worcester	92	94	101	104
Total	\$81,449	\$91,390	\$97,657	\$100,516

Note: Estimates assume adjustments to account for regional differences are funded in fiscal 2007 to 2010.

Exhibit 4
Estimated Maintenance of Effort Increases
Fiscal 2007

<u>County</u>	<u>Additional Students</u>	<u>Est. FY 2005 Per Pupil Local Funding</u>	<u>Required Increase</u>
Allegany	169	\$2,714	\$458,666
Anne Arundel	1,824	5,703	10,402,272
Baltimore City	4,861	2,381	11,574,041
Baltimore	2,406	5,482	13,189,692
Calvert	202	4,731	955,662
Caroline	109	2,123	231,407
Carroll	199	4,380	871,620
Cecil	364	3,660	1,332,240
Charles	496	4,025	1,996,400
Dorchester	138	3,338	460,644
Frederick	133	4,521	601,293
Garrett	67	4,015	269,005
Harford	511	3,914	2,000,054
Howard	340	7,049	2,396,660
Kent	54	5,717	308,718
Montgomery	1,242	8,852	10,994,184
Prince George's	1,992	4,133	8,232,936
Queen Anne's	97	4,954	480,538
St. Mary's	187	3,706	693,022
Somerset	69	3,042	209,898
Talbot	39	6,084	237,276
Washington	219	3,870	847,530
Wicomico	307	3,214	986,698
Worcester	<u>39</u>	8,029	<u>313,131</u>
Total	16,064		\$70,043,587
