Department of Legislative Services

Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 995 (Delegate Hixson, *et al.*)

Ways and Means Education, Health, and Environmental Affairs

Education - Principals - Fellowship and Leadership Development Program

This bill establishes a Principal Fellowship and Leadership Development Program and authorizes the State Superintendent of Schools to select up to 10 principals per year to become fellows in the program. The principals must be nominated by their local superintendents of schools and must agree to be transferred out of their local school systems for three years to schools identified for restructuring under the State's accountability regulations. In addition to their normal salaries, fellows receive an annual stipend of $20,000 from the State.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated $75,000 in FY 2007 to provide stipends and salary differentials to fellows. Future year estimates reflect increasing participation in the program and increased State retirement payments beginning in FY 2009. Revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	$0	$0	$0	$0	$0
GF Expenditure	0	75,000	150,000	232,000	239,000
Net Effect	$0	($75,000)	($150,000)	($232,000)	($239,000)

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

Local Effect: State aid to local systems would increase by an estimated $75,000 in FY 2007 and by an estimated $239,000 in FY 2010. Local school expenditures for fellows' fringe benefits would increase minimally for local school systems receiving principals.

Small Business Effect: None.

Analysis

Bill Summary: The Maryland State Department of Education (MSDE) must develop criteria for the selection of fellows and schools that receive fellows. Subject to the approval of the State Board of Education, the State Superintendent may require a school system that is in corrective action to participate in the program. Placing a fellow in a school that has been identified for restructuring satisfies the requirement that the school implement an alternative governance structure.

With the approval of the State Superintendent and the local superintendent in the school system in which the fellow has been placed, the fellow may select assistant principals from qualified employees in the school system. Prior to the third year of the fellow's participation in the program, the fellow must select one of the assistant principals to assume leadership of the school after the fellow's departure. The vice principal selected by the fellow must be approved by the State Superintendent and the local superintendent.

In addition to paying the $20,000 annual stipend, the State must pay the difference, if any, between the salary that a fellow would have received at the fellow's home school system and the salary that a principal with equal experience receives at the receiving school district. The funding transfers from the State to the receiving school system and then back to the school system that employs the fellow. The receiving school system must also send funding for the fellow's salary and fringe benefits associated with the fellow's salary. MSDE must act as the fiscal agent for appropriations to the program.

The bill also repeals a requirement that MSDE and the Baltimore City Public School System (BCPSS) develop a principal development initiative for BCPSS. This repeal takes effect July 1, 2006.

Current Law: The Principal Fellowship and Leadership Development Program would be a new State program. MSDE and BCPSS have established a similar program that is financed by the Baltimore City Partnership grant.

Background: Chapter 545 of 2002 required MSDE and BCPSS to collaborate to establish a Distinguished Principal Fellowship Program for BCPSS. MSDE advises that two cohorts of principals have been selected to participate in the program since its inception and that four fellowship recipients are currently assigned to Baltimore City schools, two at the elementary level and two at the middle school level. The principals were placed in some of the most difficult schools in the city, and MSDE reports that student achievement, student attendance, teacher retention, and parent involvement are up at each of the four schools. In addition, two of the schools made adequate yearly progress (AYP) under State and federal accountability rules. Two of the principals are scheduled to complete their three-year commitments in June of 2005, and the last two will complete their commitments in June 2006. The program is scheduled to terminate after fiscal 2006, when funding for the Baltimore City partnership expires.

The federal No Child Left Behind Act requires schools to test all students in reading and math in grades three through eight and again at some point in high school. The assessments are used to gauge whether schools have made AYP. A school that fails to make AYP for two consecutive years is designated as a school in need of improvement (year one) and is required to offer school choice options to students. After a third year of failing to meet AYP, a school enters year two of school improvement and must offer supplemental educational services to economically disadvantaged students. If the school continues to fall short of expectations, it is placed under corrective action or is eventually restructured. MSDE reports that there are 93 schools in Maryland designated for corrective action or restructuring, including 73 in Baltimore City, 16 in Prince George's County, and 1 each in Anne Arundel, Baltimore, Frederick, and Montgomery counties.

State Expenditures: General fund expenditures would increase by an estimated $75,000 in fiscal 2007, which assumes that the existing Distinguished Principal Fellowship Program for BCPSS would expire after fiscal 2006 and the new program established in the bill would begin in fiscal 2007. This estimate was calculated using the following information and assumptions.

- MSDE advises that, although the bill authorizes up to 10 fellows, the number of fellows participating in the program would remain below the maximum level. It is assumed that three fellows would be chosen to participate in the program in fiscal 2007. The stipends for the three fellows would total $60,000.

- In addition to the stipends, the State is responsible for paying the difference between a fellow's salary at the sending school system and the receiving school system when the salary at the sending system is higher. Based on current salary schedules, it is assumed that principal salaries at the sending school system would average approximately $5,000 more than salaries at the receiving school system, adding $5,000 to the State cost for each fellow. This adds $15,000 to the State's estimated fiscal 2007 expenses.

Future year expenditure estimates assume that three additional fellows would be selected to participate in the program each year, increasing participation to six fellows in fiscal 2008 and nine fellows by fiscal 2009. After fiscal 2009, the first cohort of fellows would complete the three-year commitment. In fiscal 2010, three new fellows would be selected, keeping the total number of program participants at nine. Using the assumptions described above, the cost for nine participants is estimated at $225,000 per year. If the program results in 10 new fellows participating in the program each year, program participation would peak at 30 fellows and would cost an estimated $750,000 per year.

In addition to the direct costs of the program, State retirement costs would be calculated from salary bases that include the $20,000 stipends and other State additions to fellows' salaries. Retirement expenses are based on the actual salary base from the second prior fiscal year, so if the first stipends are granted in fiscal 2007, general fund expenditures for principals' retirement payments would increase in fiscal 2009. Using the State's retirement contribution of 9.35%, fiscal 2009 general fund expenditures would increase by an estimated $7,013, and fiscal 2010 general fund expenditures would increase by $14,025.

MSDE could monitor and act as the fiscal agent for the program with existing resources.

Local Fiscal Effect: Based on the assumptions described above, school revenues from State aid would increase by an estimated $75,000 in fiscal 2007. The funding would pay for three $20,000 principal stipends and the salary difference between the school system sending the principal and the school system receiving the principal when the sending school system pays a higher salary.

Local school expenditures for a school system receiving a principal would increase minimally to pay fringe benefits costs for the principal's full salary, including the stipend.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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