

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE
 Revised

House Bill 1045
 Ways and Means

(Delegate Ramirez, *et al.*)

Budget and Taxation

Adult Education and Literacy Services - Waiting List - Funding

This bill requires the Governor to include in the fiscal 2007 and 2008 State budgets an appropriation for adult education equal to an increase of \$1,500,000 over the fiscal 2005 appropriation. The Maryland State Department of Education (MSDE) must distribute the funding as Literacy Works Grants in order to reduce the waiting list for adult education and literacy services. The bill also requires MSDE, in consultation with the General Assembly, to establish an ongoing method of funding for adult education and literacy services so that the waiting list for these programs is reduced to the greatest extent possible. MSDE must report on the method by January 1, 2006.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: General fund expenditures would increase by \$1.5 million in FY 2007 and 2008 to provide the mandated appropriations for Literacy Works Grants. Future year expenditure estimates reflect the assumption that an ongoing method of funding for adult education would include, at a minimum, a continuation of the mandated increase. 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	1.5	1.5	1.5	1.5
Net Effect	\$0	(\$1.5)	(\$1.5)	(\$1.5)	(\$1.5)

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

Local Effect: Local school revenues from State Literacy Works Grants would increase by \$1.5 million annually beginning in FY 2007. Local school expenditures would increase by \$500,000 annually beginning in FY 2007 to provide local matches for the grants.

Small Business Effect: Minimal. Small businesses in Maryland would benefit from increased literacy skills of current and prospective employees.

Analysis

Current Law: MSDE must distribute competitive grants for adult education services in accordance with the State Plan for Adult Education and Family Literacy. The grants must be based on need and performance and may be used for GED instruction, the Maryland Adult External High School Program, English for Speakers of Other Languages, family literacy, and basic skills and literacy instruction. Funding for the grants must be provided in the State budget.

Background: A task force was established at the 2001 session to study adult education services in Maryland. The task force determined that there is a significant need for adult education services in Maryland, with 700,000 to 900,000 adults who have not earned a high school diploma or lack the skills to speak English well. Current adult education programs serve between 36,000 and 38,000 individuals annually, or 5% of the individuals in need. The demand for literacy services varies across Maryland. Statewide about 20% of adults function at the lowest literacy level; however, this percentage ranges from 10% in Carroll and Frederick counties to 38% in Baltimore City.

Chapter 185 of 2002 required MSDE to distribute competitive grants for adult education services according to the State plan for adult education and family literacy. MSDE was required to submit a methodology for determining the need and cost of adult education instruction to the Legislative Policy Committee by September 15, 2002. In its presentation to the committee, MSDE recommended that existing funding for adult education be compared to current needs to calculate an annual State appropriation. Using this approach, MSDE estimated that an additional \$36.1 million would be needed to serve all individuals currently receiving or seeking services. Due to the State's fiscal condition, MSDE recommended that the funding method be phased in over five years and then re-evaluated.

State funding for adult education services totals \$2.4 million in fiscal 2005, and federal funding totals approximately \$7.4 million. The proposed fiscal 2006 State budget includes a stable amount of funding from both sources. State funding for adult education was most recently enhanced in fiscal 2003 with the enactment of the Bridge to Excellence in Public Schools Act of 2002, which increased the tobacco tax and provided \$1.1 million for adult education. State funding has been stable since then. **Exhibit 1** shows the fiscal 2005 and 2006 levels of State and federal funding for adult education, by program.

Exhibit 1
State and Federal Funding for Adult Continuing Education
Fiscal 2005 and 2006

State Funding

Adult General Education	\$161,703
External Diploma Program	281,070
Literacy Works Grant	810,829
Adult Education and Literacy Works	<u>1,100,020</u>
<i>Subtotal – State Funding</i>	<i>\$2,353,622</i>

Federal Funding

Adult Ed – State-Administered Basic Grants	<u>\$7,448,618</u>
--	--------------------

Total Funding **\$9,802,240**

Source: *Maryland Operating Budget Book, Fiscal Year 2006*

Budget language in the 2004 *Joint Chairmen’s Report* expressed the General Assembly’s concern about the number of individuals on the waiting list for adult education services and required MSDE to submit a proposal for an ongoing adult education funding method by November 15, 2004. MSDE requested an extension in December 2004 and was given until March 15, 2005 to submit the proposal.

State Expenditures: General fund expenditures would increase by \$1.5 million in fiscal 2007 and 2008 to fund the additional appropriations required by the bill. The funding would be distributed to counties as Literacy Works Grants, which require a local match based on a 75% State and 25% local split. The funding could be used to serve nearly 4,000 additional adult students in fiscal 2007 and 2008. This assumes that State funding would equal approximately \$376 per student. Combined with the required local match of \$126 per student, per pupil spending would equal \$502, the same as the fiscal 2002 spending per adult education student served. The additional students that could be served with the funding increase is fewer than the 4,925 individuals on adult education waiting lists as of December 30, 2004.

Expenditures for adult education and literacy services after fiscal 2008 would depend on the ongoing method of funding for adult education that MSDE devises. It is assumed that the method would include, at a minimum, the continuation of the \$1.5 million annual grant. MSDE could develop and report on the method that is developed with existing resources.

Local Fiscal Effect: State aid to local school systems for adult education would increase by \$1.5 million in fiscal 2007 and 2008. To leverage the additional funding, local school expenditures would increase by \$500,000 to meet the required 25% local match on State aid.

After fiscal 2008, funding for local matches would depend on the adult education funding method that MSDE establishes. It is assumed, however, that local funding would at least continue at the fiscal 2007 and 2008 levels.

Small Business Effect: Both national and State employers indicate that they have a need for increased basic skills in their workers. The *American Management Association's Annual Survey of Workplace Testing* found that 36% of job applicants tested by major U.S. firms in 1998 lacked the reading and math skills to do the job they sought. This is up from 23% in 1997 and 19% in 1996. Employers overwhelmingly reported increased profits and other bottom line benefits when their employees gained basic skills that enabled them to work more effectively. Benefits reported included improved work quality, better team performance, improved capacity to cope with change and ability to use new technology, and a reduction in errors and waste.

Additional Information

Prior Introductions: Similar cross filed bills were introduced last year as SB 331/HB 629. SB 331 was not reported out of the Senate Budget and Taxation Committee, and HB 629 received an unfavorable report from the House Committee on Ways and Means. SB 562 of 2003 would have established a formula for State funding of adult educational and literacy services and would have mandated that the funding be provided in the State budget. The bill was not reported out of the Senate Budget and Taxation Committee.

Cross File: None. However, SB 384 (Senator Hogan, *et al.*) is very similar. That bill has been assigned to the Senate Budget and Taxation Committee.

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

Fiscal Note History: First Reader - February 23, 2005
mp/rhh Revised - House Third Reader - April 4, 2005

Analysis by: Mark W. Collins

Direct Inquiries to:
(410) 946-5510
(301) 970-5510