

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 1297 (Delegate Carter, *et al.*)
 Ways and Means and Appropriations

Education - Public Schools - Funding

This bill changes the Geographic Cost of Education Index (GCEI) formula from a discretionary State aid program to a mandated State aid program and requires the State to provide an additional \$30 million grant to the Baltimore City Board of School Commissioners each year. The \$30 million grant must be used to: (1) enhance access to early education programs; (2) ensure smaller class sizes; (3) improve student enrichment programs, including art and music education; (4) purchase classroom supplies and textbooks; and (5) recruit and retain qualified teachers. The bill states that it is the intent of the General Assembly that the additional \$30 million grant bring the State into compliance with the order of the Circuit Court for Baltimore City in the *Bradford* case.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: General fund expenditures could increase by \$83.6 million in FY 2006 to fund the GCEI formula and an additional \$30 million grant to Baltimore City. Mandated future year expenditure estimates reflect the phase-in of the GCEI formula and the continuation of the \$30 million grant. 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	83.6	101.1	122.2	138.8	158.8
Net Effect	(\$83.6)	(\$101.1)	(\$122.2)	(\$138.8)	(\$158.8)

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

Local Effect: Local school revenues from State aid could increase by \$83.6 million in FY 2006 and would increase by an estimated \$158.8 million in FY 2010.

Small Business Effect: None.

Analysis

Current Law: The GCEI formula is established in statute but is not mandated. The State is required to provide a \$14.1 million partnership grant to the Baltimore City Board of School Commissioners in fiscal 2006, but most of the education aid for Baltimore City is based on formulas that calculate State aid amounts for all local school systems. Generally, local school systems are responsible for the allocation of board of education revenues.

Background: The State Board of Education, Baltimore City Board of School Commissioners, and advocates for Baltimore City schoolchildren have been involved in a 10-year-old court case commonly referred to as the *Bradford* case after Keith Bradford, the parent of students in the Baltimore City Public School System (BCPSS) and the original plaintiff in the case. The plaintiffs allege that schoolchildren in Baltimore City are not receiving an adequate education as required by the Maryland Constitution and contend that State funding for BCPSS is insufficient to ensure an adequate education. The *Bradford* case originally resulted in the 1997 Baltimore City-State partnership legislation, which restructured the governance of BCPSS and provided an additional \$230 million to BCPSS over five fiscal years. The legislation satisfied a consent decree approved by the Circuit Court of Baltimore City.

When the Bridge to Excellence in Public Schools Act was adopted in 2002, the judge overseeing the *Bradford* case ruled that the legislation represented “substantial compliance” with his order. However, he held the case open to ensure that the State funding required in the legislation would be provided. Last year, the disclosure of a growing deficit forced BCPSS to reduce expenditures in fiscal 2004 and 2005, and the *Bradford* plaintiffs returned to court in August 2004 to seek additional funding and avoid the erosion of educational enhancements that had been established since the 1997 partnership agreement. After several days of hearings, the judge ordered the State to provide an additional \$30 million to \$45 million in fiscal 2005 to bring the State back into compliance with his order. The State has appealed this decision, and no supplemental funding has been provided.

The proposed fiscal 2006 State budget contains \$4.0 billion for public education, including approximately \$738 million, or an estimated \$8,618 per student, for Baltimore City. The Baltimore City funding level represents an increase of \$53.4 million in State funding in fiscal 2006, approximately \$766 per student. The proposed State budget does not, however, include funding for the GCEI formula, a program that was part of the original Bridge to Excellence legislation. The formula provides additional aid to

recognize the higher costs of educational resources in some jurisdictions. It was set in statute last year, but funding for the program was not mandated. If full funding for the GCEI formula had been included in the fiscal 2006 State budget, BCPSS would be scheduled to receive an additional \$9.9 million.

Not counting \$35 million that was budgeted to reduce the \$58 million deficit that had accumulated by the end of fiscal 2004, per pupil revenues for BCPSS total an estimated \$11,218 in fiscal 2005, the third highest figure in the State. Recent newspaper articles have suggested that BCPSS spending in fiscal 2005 is as much as \$30 million below projected levels. If BCPSS ends the fiscal year with spending this far below its budgeted expenditures, all or most of its deficit should be eliminated by the end of fiscal 2005.

State Expenditures: General fund expenditures would increase by \$83.6 million in fiscal 2006 if the bill results in funding being added to the fiscal 2006 State budget. The funding would be distributed to local school systems in accordance with the GCEI formula, and an additional \$30 million grant would be provided to BCPSS. The Maryland-specific GCEI is shown in **Exhibit 1**. The 13 jurisdictions with GCEI values greater than 1.0, including Baltimore City at 1.042, receive additional funding under the GCEI formula. Funding is not reduced for counties with values below 1.0.

Exhibit 1
Geographic Cost of Education Index

<u>School System</u>	<u>GCEI Value</u>	<u>School System</u>	<u>GCEI Value</u>
Allegany	0.959	Harford	0.992
Anne Arundel	1.018	Howard	1.015
Baltimore City	1.042	Kent	1.010
Baltimore	1.008	Montgomery	1.034
Calvert	1.021	Prince George's	1.048
Caroline	1.000	Queen Anne's	1.011
Carroll	1.014	St. Mary's	1.002
Cecil	0.989	Somerset	0.973
Charles	1.020	Talbot	0.991
Dorchester	0.978	Washington	0.974
Frederick	1.024	Wicomico	0.971
Garrett	0.948	Worcester	0.959

Source: *Adjusting for Regional Differences in the Cost of Educational Provision in Maryland*

Beginning in fiscal 2007, funding for the GCEI formula and the additional grant to Baltimore City would be mandated. As a result, general fund expenditures would increase by an estimated \$101.1 million in fiscal 2007 and by an estimated \$158.8 million in fiscal 2010. The funding estimates for Baltimore City and the 12 other local school systems that would receive additional State aid through the GCEI formula are shown in **Exhibit 2**. The large funding increases from one fiscal year to the next are due to the implementation schedule for the GCEI formula, which phases in over five years from fiscal 2006 to 2010. After fiscal 2010, annual increases in funding would be driven by inflation and enrollment changes.

Exhibit 2
Additional State Aid Under HB 1297
Fiscal 2006 to 2010
(\$ in Thousands)

<u>School System</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Anne Arundel	\$3,544	\$4,677	\$6,065	\$7,174	\$8,483
Baltimore City	39,888	42,889	46,491	49,078	52,265
Baltimore	2,253	2,983	3,847	4,518	5,328
Calvert	975	1,312	1,720	2,063	2,442
Carroll	1,085	1,443	1,871	2,216	2,642
Charles	1,373	1,842	2,410	2,895	3,472
Frederick	2,520	3,384	4,462	5,361	6,416
Howard	1,934	2,587	3,385	4,062	4,841
Kent	65	85	107	122	141
Montgomery	12,563	16,767	21,873	26,073	31,148
Prince George's	17,061	22,704	29,423	34,614	40,812
Queen Anne's	218	295	385	463	556
St. Mary's	86	114	149	177	212
Total	\$83,566	\$101,081	\$122,189	\$138,818	\$158,757

Local Revenues: Local school revenues from State aid could increase by an estimated \$83.6 million in fiscal 2006, including \$39.9 million for Baltimore City. Beginning in fiscal 2007, the State aid increases would be mandatory. The estimated funding increases for the 13 local school systems affected by the bill are shown in Exhibit 2.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland State Department of Education, Baltimore City,
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mp/hlb

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