

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 70 (Delegate Cardin, *et al.*)
 Ways and Means

Public Schools - Size of Classes - Limitations

This bill limits the average class size in a local school system to 15 students for kindergarten through third grade classes and 25 students for fourth through twelfth grade classes. The limits begin in the 2008-2009 school year and do not apply to music, art, and physical education classes. The State Superintendent of Schools must enforce the class size limits, and the State Board of Education must adopt regulations that implement the bill. The regulations must include procedures for a local superintendent of schools to request that the State board exempt a class from the calculation. The State board's decision on an exemption is final.

Fiscal Summary

State Effect: State funding for public school construction could increase significantly in FY 2007 and 2008 to build the additional classrooms that would be needed. General fund expenditures would increase by an estimated \$25.4 million in FY 2011 to pay additional teacher retirement costs. Regulations could be adopted and the class size limits could be enforced with existing resources. Revenues would not be affected.

(\$ in millions)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	0	0	0	25.4
Bond Exp.	-	-	0	0	0
Net Effect	\$0	\$0	\$0	\$0	(\$25.4)

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

Local Effect: Local school expenditures would increase by an estimated \$321.9 in FY 2009 to hire an estimated 4,500 new teachers needed to meet the class size requirements. In addition, local costs for school construction would be significant. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law: There is no statewide limit on class sizes, but local boards of education often set class size limits or goals for the public schools under their jurisdiction.

Background: Although class size reductions continue to be popular with the public, recent data on the success of the programs is mixed. A report from the Education Commission of the States (ECS) states that research generally supports the benefits of class size reductions but that the costs are often prohibitively high. The report notes that California's effort to reduce class sizes has led to critical shortages of qualified teachers, particularly in schools serving poor and minority students. Research from Tennessee and Wisconsin has shown that smaller class sizes have the greatest benefits for minority, inner-city students, but the studies done in these states did not involve statewide initiatives that might result in high quality teachers leaving impoverished schools for new jobs in more affluent districts. The ECS report concludes by stating that "Clearly, reducing class size is a significant means of improving student achievement but high academic standards, a challenging curriculum, safe and orderly classrooms, and qualified teachers are no less significant in the arsenal of solid, research-proven methods."

Even without increasing the number of teachers needed in the State, Maryland is having trouble meeting the federal requirement that all core academic subjects be taught by highly qualified teachers. Recently released data for Maryland show that nearly one-quarter of public school classes in Maryland are taught by teachers who do not meet the highly qualified threshold and that none of the State's school systems have reached the 100% goal. **Exhibit 1** shows the percentage of courses that were taught by highly qualified teachers in each school system in the 2004-2005 school year.

Chapters 513 and 514 of 1999 established a class size reduction initiative for Maryland that was funded from fiscal 2000 to 2003. In fiscal 2004, funding for the program was folded into the foundation program established by the Bridge to Excellence in Public Schools Act of 2002 (Chapter 288). The foundation program is providing local school systems with \$2.3 billion in fiscal 2006, and the proposed fiscal 2007 State budget includes \$2.5 billion for the program.

Exhibit 1
Percentage of Courses Taught by Highly Qualified Teachers
2004 – 2005 School Year

Allegany	93.6%	Harford	88.9%
Anne Arundel	84.0%	Howard	84.2%
Baltimore City*	42.1%	Kent	75.1%
Baltimore	77.7%	Montgomery	80.3%
Calvert	85.5%	Prince George's	62.0%
Caroline	87.0%	Queen Anne's	81.1%
Carroll	85.6%	St. Mary's	89.6%
Cecil	86.9%	Somerset	75.8%
Charles	59.2%	Talbot	87.8%
Dorchester	56.5%	Washington	84.4%
Frederick	86.4%	Wicomico	80.5%
Garrett	90.1%	Worcester	86.2%

Maryland 75.3%

* Figure for Baltimore City does not include Edison Schools.
Source: Maryland State Department of Education

State Expenditures: The Public School Construction Program estimates costs of approximately \$775 million to build the kindergarten through third grade (K-3) classrooms necessary to meet the class size requirements in the bill. The State will probably be responsible for roughly \$400 to \$450 million of these costs, with the remaining school construction costs borne by local governments. The fiscal 2007 Capital Improvement Program includes \$281 million in fiscal 2007 and \$152.4 million in fiscal 2008 through 2010 for school construction. Assuming all of the projected school construction funds were allocated to projects needed to meet the class size mandate in fiscal 2008, an additional \$100 to \$150 million would be needed. Although the bill does not require the State to be an active member in ensuring local school systems' ability to meet the requirements, State expenditures for public school construction will have to increase significantly to accomplish the class size goals in the next two years.

In addition to the school construction costs, general fund expenditures for teachers' retirement costs will increase in fiscal 2011. The State pays teachers retirement costs on behalf of local school systems, and the payments are based on a contribution rate of 9.71% and the total teacher salary base in the second prior fiscal year. Assuming the teacher salary base increases in fiscal 2009 due to the employment of additional teachers

(as discussed in the Local Expenditures section), general fund expenditures for retirement payments will increase by an estimated \$25.4 million in fiscal 2011.

Local Expenditures: Local school expenditures will increase by an estimated \$321.9 million in fiscal 2009, when the mandated limit on class sizes begins. The information and assumptions used to calculate this estimate are described below.

- Most fourth through twelfth grade classes meet or come close to meeting the 25 students per class limit imposed by the bill. Relative to the cost of limiting K-3 class sizes to 15 students, the costs for grades 4 through 12 will not be significant.
- There are approximately 240,000 K-3 students in Maryland public schools, and approximately 11,500 K-3 teachers. To achieve class sizes of 15 students, 4,500 additional teachers will be needed.
- In fiscal 2005, the average teacher salary was \$52,330. Assuming 4% annual increases and local benefits at 23% of salary, each additional teacher will cost approximately \$75,300 in fiscal 2009.
- It is assumed that the State Board of Education would waive the class size requirements for a number of classes each year, reducing total costs by 5%.
- Expenditure increases after fiscal 2009 will reflect teacher salary increases.

In addition to paying for additional teachers, local governments will be responsible for some of the costs of school construction needed to add classrooms at public schools. These costs are estimated at \$325 million to \$375 million. Costs associated with teacher recruitment could also be incurred.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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