

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE

Senate Bill 650 (Senator Hogan, *et al.*)
Budget and Taxation

Education - Funding Formula for Adult Education and Literacy Grants

This bill establishes a formula to provide funding for adult education and literacy programs. The formula is based primarily on local adult education enrollments and local wealth per capita. Beginning in fiscal 2007, the Maryland State Department of Education (MSDE) must provide competitive adult education grants to eligible local adult education providers. The State Board of Education must adopt regulations to implement the grant program.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: General fund expenditures would increase by \$3.5 million in FY 2007 if the adult education formula is fully funded. Future year mandated expenditure estimates reflect the phase in of the formula and projected increases in adult education enrollments. 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	3.5	8.5	12.0	15.1	18.0
Net Effect	(\$3.5)	(\$8.5)	(\$12.0)	(\$15.1)	(\$18.0)

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

Local Effect: Local revenues from State aid for adult education could increase by \$3.5 million in FY 2007 and would increase by an estimated \$8.5 million in FY 2008 and \$18.0 million in FY 2011. To be eligible for the State grants, local expenditures for adult education programs would increase by \$2.7 million in FY 2007 and by an estimated \$11.7 million in FY 2011.

Small Business Effect: Minimal.

Analysis

Bill Summary: The formula established in the bill uses a per pupil amount of \$1,803 that increases annually with inflation. This amount is multiplied by a full-time equivalent (FTE) adult education enrollment count from the second prior fiscal year to calculate a full program amount. The program amount is shared by the State and local jurisdictions, with less wealthy jurisdictions receiving a greater State share per pupil and more wealthy jurisdictions receiving a lower State share per pupil. Other features of the formula include:

- a weighted enrollment count that assumes greater funding needs for some adult education populations;
- adjustments for regional differences in the cost of education;
- a 40% minimum State share of the total funding level; and
- a minimum State funding level for jurisdictions with smaller adult education populations.

The maximum State funding level cannot exceed \$8.9 million in fiscal 2007, \$13.9 million in fiscal 2008, \$18.9 million in fiscal 2009, and \$23.9 million in fiscal 2010. After fiscal 2010, the maximum State amount is capped if the statewide FTE adult education enrollment exceeds 0.73% of the Maryland population.

State grants to local adult education providers may be used for adult education and literacy services, including:

- general educational development instruction;
- the Maryland adult external high school program;
- English for speakers of other languages;
- family literacy; and
- basic skills and literacy instruction.

The formula also calculates a local share of funding for adult education programs that must be provided in order to receive a State grant for the programs. Payment of the local share may include contributions from private donors and the federal government, and the calculation of the local share has an offset of \$7.2 million that represents estimated federal funding for adult education programs. The local shares combined may not exceed \$5 million in fiscal 2007, \$10 million in fiscal 2008, \$15 million in fiscal 2009, and \$20

million in fiscal 2010. The additional State funding may not be used to supplant the local share of funding.

Current Law: MSDE must distribute competitive grants for adult education and literacy services in accordance with the State plan for adult education and family literacy. The grants must be based on need and performance. State funding for adult education and literacy works grants must total at least \$4.0 million in fiscal 2007 and 2008. The State grants generally use a 75% State/25% local split of the total funding level.

Background: Committee narrative in the 2004 *Joint Chairmen's Report* expressed concern about the number of individuals on the waiting list for adult education and literacy services. The waiting list has consistently been estimated at approximately 4,000 to 5,000 individuals. Legislation enacted last year established minimum fiscal 2007 and 2008 funding levels for adult education and literacy services and required MSDE to establish an ongoing method of funding for adult education and literacy services so that the waiting list for these programs could be reduced to the greatest extent possible.

In response to the legislative actions, a Superintendent's Panel on Excellence in Adult Education was established and released a final report, *Stepping Up to the Future*, on December 1, 2005. The panel found that there are approximately one million Marylanders who need adult education services and that the State's contribution to adult education programs is considerably lower than the contributions made by other states.

Using a model that was previously used by the Commission on Education Finance, Equity, and Excellence (Thornton Commission), the superintendent's panel estimated the amount of funding that is needed to provide adequate educational services to different populations of adult education students. The panel then used the estimates to develop the formula proposed in this bill.

The proposed fiscal 2007 State budget includes \$5.4 million in State general funds for adult education, \$1.4 million more than the minimum required amount and \$2.0 million more than the amount provided in fiscal 2006. The State aid will be distributed to local adult education providers. In most counties, the local school systems provide adult education programs, but there are also a number of counties where the local community colleges provide the services. In addition, some jurisdictions use community groups to provide the services, and Howard County provides some adult education programs through its public library system.

State Expenditures: If the bill leads to additional funding being included in the fiscal 2007 State budget, general fund expenditures will increase by \$3.5 million to reach the \$8.9 million maximum State funding level for fiscal 2007. The projected change in the adult education funding level for each local jurisdiction is shown in **Exhibit 1**.

Exhibit 1
Fiscal 2007 Funding for the Proposed Adult Education Formula

<u>County</u>	<u>FY 2005 Weighted FTE Enrollment</u>	<u>Proposed Formula</u>	<u>Projected FY 2007 Allocation*</u>	<u>Difference</u>
Allegany	63.76	\$75,377	\$104,485	(\$29,108)
Anne Arundel	478.84	246,776	259,074	(12,298)
Baltimore City	1,773.82	2,236,718	853,986	1,382,732
Baltimore	1,444.48	898,658	532,473	366,185
Calvert	81.00	71,459	68,777	2,682
Caroline	59.96	71,459	0	71,459
Carroll	195.51	115,455	112,050	3,405
Cecil	182.13	121,603	52,499	69,104
Charles	320.66	193,734	159,166	34,568
Dorchester	46.08	71,459	53,816	17,643
Frederick	395.55	223,952	100,388	123,564
Garrett	37.09	71,459	31,412	40,047
Harford	654.40	398,828	89,568	309,260
Howard	919.73	473,995	247,129	226,866
Kent	61.84	71,459	43,756	27,703
Montgomery	2,819.68	1,453,159	353,877	1,099,282
Prince George's	1,793.78	1,455,122	411,850	1,043,272
Queen Anne's	53.71	71,459	34,449	37,010
St. Mary's	64.62	71,459	89,978	(18,519)
Somerset	42.18	71,459	40,517	30,942
Talbot	26.43	71,459	0	71,459
Washington	127.48	94,132	98,924	(4,792)
Wicomico	188.85	151,523	73,174	78,349
Worcester	56.43	71,459	42,274	29,185
Unallocated		0	1,500,000	(1,500,000)
State	11,888.01	\$8,853,622	\$5,353,622	\$3,500,000

Source: Department of Budget and Management.

Beginning in fiscal 2008, the additional State funding will be mandated, and the maximum State grant amount will increase to \$13.9 million, an \$8.5 million increase over the proposed fiscal 2007 amount. It is estimated that the fiscal 2008 formula calculation will result in the maximum State funding level.

Even assuming annual growth of 10% to 20% in adult education enrollments, the maximum State amounts will not be reached after fiscal 2008. State expenditures will increase by an estimated \$12.0 million in fiscal 2009, \$15.1 million in fiscal 2010, and \$18.0 million in fiscal 2011. The projected statewide FTE enrollment, the per pupil amount, and the State funding level for each of the next five fiscal years are estimated in **Exhibit 2**.

Exhibit 2
Projected Enrollment and State Funding
Fiscal 2007 to 2011

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Weighted FTE Enrollment*	11,888.01	13,221.02	16,041.35	18,653.68	20,749.78
Per Pupil Amount	\$1,803	\$1,855	\$1,903	\$1,948	\$1,994
	(\$ in Thousands)				
Proposed Formula	\$8,854	\$13,854	\$17,305	\$20,496	\$23,306
Current Law Funding	<u>\$5,354</u>	<u>\$5,354</u>	<u>\$5,354</u>	<u>\$5,354</u>	<u>\$5,354</u>
Funding Increase	\$3,500	\$8,500	\$11,951	\$15,142	\$17,953

* From second prior fiscal year.

Increases in funding for individual jurisdictions will depend to a large extent on where the growth in adult education enrollments occurs. Enrollment increases for specific jurisdictions cannot be reliably estimated at this time. Once the formula is fully funded (fiscal 2009 under the projections described above), no jurisdiction will receive less than \$100,000 annually.

Local Fiscal Effect: State aid to local jurisdictions could increase by \$3.5 million in fiscal 2007 if the bill results in additional funding for adult education being added to the State budget. Beginning in fiscal 2008, the additional State funding will be mandated and will total an estimated \$8.5 million in fiscal 2008 and an estimated \$18.0 million by fiscal 2011.

In addition, local expenditures will increase to provide the local shares of the formula. As shown in **Exhibit 3**, the local shares total approximately \$2.7 million in fiscal 2007. The local share of funding may come from local, private, or federal sources.

Exhibit 3
Fiscal 2007 Local Share of Adult Education Formula

<u>County</u>	<u>Local Share</u>	<u>County</u>	<u>Local Share</u>
Allegany	\$2,597	Harford	\$170,354
Anne Arundel	141,927	Howard	272,606
Baltimore City	55,469	Kent	17,778
Baltimore	374,717	Montgomery	835,748
Calvert	24,008	Prince George's	370,738
Caroline	10,279	Queen Anne's	15,919
Carroll	53,666	St. Mary's	16,251
Cecil	43,347	Somerset	0
Charles	87,292	Talbot	7,834
Dorchester	9,933	Washington	26,883
Frederick	114,223	Wicomico	35,195
Garrett	9,936	Worcester	16,726
State			\$2,713,426

In future years, local shares will grow depending on local enrollments in adult education programs. Assuming growth of 10% to 20% annually in these enrollments, the local share will increase to an estimated \$11.7 million by fiscal 2011. Projections of total State funding, local shares, and total funding for adult education are shown in **Exhibit 4**.

Exhibit 4
Estimated State and Local Funding for Adult Education
Fiscal 2007 to 2011
(\$ in Thousands)

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
Total State Funding	\$8,854	\$13,854	\$17,305	\$20,496	\$23,306
Total Local Shares	<u>2,713</u>	<u>4,112</u>	<u>6,841</u>	<u>9,468</u>	<u>11,729</u>
Total Funding	\$11,567	\$17,965	\$24,146	\$29,964	\$35,035

Small Business Effect: MSDE advises that the majority of individuals enrolled in adult education programs are working. To the extent that the enhanced funding results in a more well-educated workforce, businesses will benefit.

Additional Information

Prior Introductions: None.

Cross File: HB 1130 (Delegate Hixson, *et al.*) – Ways and Means.

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

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ncs/rhh

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