

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

Senate Bill 721 (Senator Giannetti)
 Education, Health, and Environmental Affairs

Department of Juvenile Services - Money Follows the Child Education Act of 2006

This bill requires a local school system to pay the local per pupil current expenses for each child from the county who is being held in a Department of Juvenile Services (DJS) facility as of December 31 of each year. For each child who requires intensity IV or V special education services, a school system must pay three times the local per pupil current expenses. Payments must be made to DJS or the Maryland State Department of Education (MSDE), whichever agency is providing the educational services. DJS must prepare a list of all children in DJS facilities on December 31 and make a preliminary determination of the county that is responsible for the payment of each child. The State Superintendent of Schools must decide any disputes about the responsible county and must deduct payments from the State aid for a school system that does not make a required payment by May 15.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: Special fund revenues from local school system payments would increase by an estimated \$2.8 million in FY 2007. General fund expenditures would increase by an estimated \$25,400 in FY 2007 to pay MSDE administrative costs. The bill does not specify how the new special funds would be spent. Future year estimates reflect 3% annual growth in revenues, and annualization and inflation in expenditures.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SF Revenue	\$2,816,700	\$2,901,200	\$2,988,300	\$3,077,900	\$3,170,300
GF Expenditure	25,400	28,100	29,800	31,600	33,500
Net Effect	\$2,791,300	\$2,873,100	\$2,958,500	\$3,046,300	\$3,136,800

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

Local Effect: Local board of education expenditures would increase by an estimated \$2.8 million in FY 2007 and an estimated \$3.2 million in FY 2011 to pay for students who are being held in DJS facilities. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law: Funding for educational programs at DJS facilities is included in the annual State budget. Local school systems do not contribute to these costs.

Background: Chapter 535 of 2004 established a Coordinating Council for Juvenile Services Educational Programs and requires MSDE to take over operations of the educational services in all DJS facilities by 2012. MSDE began the process in July 2004, when it assumed control of the education program at the Charles H. Hickey, Jr. School. The fiscal 2006 State budget includes \$5.2 million for MSDE to operate the education program at Hickey school, although the Governor announced plans in June 2005 to close a significant portion of the facility. MSDE has also begun to provide educational programming at the Lower Eastern Shore Children's Center and the Baltimore City Juvenile Justice Center. The fiscal 2007 proposed budget includes \$5.3 million for MSDE to operate education programs at DJS facilities, and \$6.9 million for DJS-operated education programs.

State Fiscal Effect: Special fund revenues for MSDE and DJS would increase by an estimated \$2.8 million in fiscal 2007, with the funding coming from local school systems. Currently, MSDE operates the educational program at the Charles H. Hickey, Jr. School, the Lower Eastern Shore Children's Center, and the Baltimore City Juvenile Justice Center and would collect funding for the children who are in these facilities. In fiscal 2007, the revenues that MSDE would generate are estimated at approximately \$695,700. DJS would collect the remainder of the revenues, an estimated \$2.1 million. As the educational programs at the facilities transfer to MSDE, a greater share of the funding would be collected by MSDE.

A calculation of the special fund revenues that would be generated if the program was operational this year (fiscal 2006) is shown in **Exhibit 1**. Estimates for fiscal 2006 and subsequent years assume that local per pupil current expenses will increase by 3% annually. It is further assumed that the number of children committed to DJS facilities will remain relatively stable. DJS advises that very few children requiring intensity IV and V special education services are committed to DJS facilities, so the figures in the exhibit do not assume any additional revenues stemming from that provision.

Exhibit 1
Calculation of the Money Follows the Child Education Act
Fiscal 2006

<u>Local School System</u>	<u>Children Committed to DJS Dec 31, 2005</u>	<u>Local Current Expenses</u>	<u>Total Cost</u>
Allegany	3	\$2,750	\$8,250
Anne Arundel	29	5,783	167,707
Baltimore City	185	2,424	448,440
Baltimore	75	5,568	417,600
Calvert	14	4,790	67,060
Caroline	4	2,150	8,600
Carroll	14	4,437	62,118
Cecil	7	3,713	25,991
Charles	32	4,075	130,400
Dorchester	2	3,402	6,804
Frederick	20	4,592	91,840
Garrett	2	4,022	8,044
Harford	5	3,970	19,850
Howard	4	7,132	28,528
Kent	2	5,795	11,590
Montgomery	81	8,986	727,866
Prince George's	53	4,217	223,501
Queen Anne's	2	5,064	10,128
St. Mary's	13	3,769	48,997
Somerset	7	3,092	21,644
Talbot	4	6,167	24,668
Washington	15	3,934	59,010
Wicomico	27	3,395	91,665
Worcester	3	8,133	24,399
Total	603		\$2,734,700

State Expenditures: General fund expenditures could increase by an estimated \$25,409 in fiscal 2007, which accounts for a 90-day start-up delay following the bill's July 1, 2006 effective date. This estimate reflects the cost of hiring one half-time budget specialist at MSDE to track, collect, and reconcile payment transfers under the program. A half-time salary, fringe benefits, one-time start-up costs, and ongoing operating expenses are included in the estimate.

Salaries and Fringe Benefits	\$20,267
Operating Expenses	<u>5,142</u>
Total FY 2007 State Expenditures	\$25,409

Future year expenditures reflect: (1) a full-year half-time salary with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

The bill does not specify if the additional special funds collected from local school systems would be spent to offset general fund appropriations for educational programming at juvenile facilities, for further enhancements to the educational programs at the facilities, or for some other purpose. If the special funds may be used to pay MSDE administrative expenses, the general fund expenditure increase would be eliminated and replaced with an equal special fund expenditure.

Local Expenditures: Local school expenditures would increase by an estimated \$2.8 million in fiscal 2007 to pay the local per pupil current expenses for each child committed to a DJS facility. The potential local spending pattern is shown in Exhibit 1. Assuming increases of 3% annually in local per pupil expenses, expenditures across the 24 local school systems would total \$3.2 million by fiscal 2011.

Additional Information

Prior Introductions: SB 611 of 2005, a similar bill, received an unfavorable report from the Senate Education, Health, and Environmental Affairs Committee.

Cross File: None.

Information Source(s): Department of Juvenile Services; Maryland State Department of Education; Baltimore City; Allegany, Montgomery, and Prince George's counties; Department of Legislative Services

Fiscal Note History: First Reader - March 8, 2006
nas/rhh

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