

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1432

(Delegate Marriott, *et al.*)

Ways and Means

Education, Health, and Environmental Affairs & Budget and Taxation

Education - Residential Boarding Education Programs - At-Risk Youth

This bill establishes a Residential Boarding Education Program for at-risk youth that must be operated under the supervision of the Maryland State Department of Education (MSDE). MSDE may contract with a private nonprofit or public entity to provide the program, and a Board of Trustees of Residential Boarding Education Programs is established to govern the program. Disadvantaged and at-risk Maryland students in the fifth and sixth grades are eligible to participate in the program. Local school systems with students attending the boarding program must pay to support instructional programming. The State provides mandated funding for transportation, boarding, and administrative costs beginning in fiscal 2009.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated \$42,800 in FY 2007 and \$124,100 in FY 2008 to begin monitoring the program. Mandated general fund expenditures would increase by \$2.0 million in FY 2009. Special fund revenues and expenditures from local school system payments would increase by an estimated \$821,000 in FY 2009. Future year estimates reflect increasing enrollment in the program, mandated increases in general fund support, regular salary increases, and inflation.

| (\$ in millions) | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|------------------|----------|----------|----------|----------|----------|
| SF Revenue | \$0 | \$0 | \$.82 | \$1.53 | \$2.11 |
| GF Expenditure | .04 | .12 | 2.13 | 3.88 | 5.14 |
| SF Expenditure | 0 | 0 | .82 | 1.53 | 2.11 |
| Net Effect | (\$0.04) | (\$0.12) | (\$2.13) | (\$3.88) | (\$5.14) |

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

Local Effect: Local school expenditures would increase by an estimated \$821,000 in FY 2009 and by an estimated \$2.1 million in FY 2011 to pay tuition for students attending the boarding school. Local school system revenues would not be affected.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Program Requirements

A Residential Boarding Education Program must provide:

- a remedial curriculum for middle school grades;
- a college-preparatory curriculum for high school students;
- extracurricular activities;
- college admissions counseling;
- health and mental health services;
- tutoring;
- community service opportunities; and
- a residential student life program.

MSDE may only contract for the operation of the program with an operator that has had previous experience and success with a comparable program and that has the capacity to finance and secure private funds for the development of a campus for the program. The operator must adopt written standards for the admission and dismissal of students and must submit the standards and its charter and bylaws to the State Board of Education for approval. The program is subject to the same accountability standards as other public schools in Maryland and must comply with federal laws governing students with disabilities. Teachers and other professional employees working at the program must be paid at a rate that is at least equal to the pay they receive in the local school system where the program is located.

The operator of the program must conduct an outreach program to provide information about the program to each local school system and encourage student recruitment and participation from each jurisdiction in the State.

Board of Trustees of Residential Boarding Education Programs

The Board of Trustees of Residential Boarding Education Programs consists of 25 members who serve staggered, three-year terms. A member may not serve more than three consecutive full terms. By July 1 of each year, the board must submit the names of and home school systems of students participating in the program, the program's operating budget for the preceding fiscal year, and the program's projected operating budget for the upcoming fiscal year.

Program Funding

Twice a year, MSDE must report to each local board of education the names of students from the county participating in the program. Students enrolled in the boarding school are included in the local enrollment counts for State aid and maintenance of effort calculations.

For each student enrolled in the program, the home school system must pay MSDE 85% of the local cost per pupil, which includes local funding and State funding provided through the foundation program and the geographic cost of education index (GCEI); the compensatory education, limited English proficiency, and special education formulas; and the guaranteed tax base program. MSDE must disburse funds from the local school systems to the program.

Beginning in fiscal 2009, the Governor must appropriate at least \$2 million to MSDE for the program to serve up to 80 students. For each additional 10 students enrolled in the program, the Governor must appropriate an additional \$250,000, up to a maximum of \$10 million total appropriation annually. The program may also receive funds from private, federal, or other sources.

Current Law: The Residential Boarding Education Program would be a new initiative.

The Maryland schools for the blind and the deaf are examples of statewide schools established in statute and governed by independent boards. The schools are supported with State and local funds.

For charter schools in Maryland, local boards of education act as the primary chartering authorities, although the State Board of Education has secondary chartering authority in its appeal review capacity and as the primary charter authority for restructured schools. Local boards of education must provide charter schools with a level of State, local, and federal funds that is commensurate with the funding provided to other public schools in the system.

Background: This bill is modeled on a framework established by the SEED School of Washington, DC, which was opened in 1998 as a residential public charter school for disadvantaged city students. At least two *Baltimore Sun* articles have suggested that SEED (Schools for Educational Evolution and Development) has been working towards opening a similar school in Baltimore City. SEED advises, however, that no site has been selected and that opening a school in another high-need region in Maryland is still a possibility.

The Washington, DC SEED school has approximately 320 students, and students generally enter the program in the seventh grade. Students who continue in the program for high school take a college preparatory curriculum. The web site for The SEED Foundation indicates that 100% of SEED school graduates from each of the last two years were admitted to college. The web site lists the following essential components of a SEED school.

- educate underserved inner-city children who have a wide range of academic and social abilities and are willing to make a commitment to SEED school goals;
- provide a boarding program that offers a life skills development program;
- utilize a college preparatory curriculum starting no later than seventh grade and incorporate a strong remedial program;
- take a year-round educational perspective, enforce established standards for student promotion, and maintain the ability to dismiss students who repeatedly fail to embrace core values;
- encourage parent and family participation in the SEED school program;
- maintain reasonable proximity to students' home community;
- ensure accountability for quality, consistency, and results; and
- access a sustainable source of funding to cover the operation of the base boarding and academic program.

State Fiscal Effect: General fund expenditures could increase by an estimated \$42,830 in fiscal 2007 to hire an MSDE education specialist in January 2007 to begin working with the new board of trustees to develop the residential boarding education program and establish the proper linkages between the board of trustees, the State Board of Education, MSDE, and the local school systems. An MSDE office secretary will be added in fiscal 2008 to bring general fund expenditures to an estimated \$124,147. Estimated fiscal 2007 and 2008 administrative costs are shown below.

| | <u>FY 2007</u> | <u>FY 2008</u> |
|---|-----------------|------------------|
| Salaries and Fringe Benefits | \$37,095 | \$117,834 |
| Ongoing and Operating Expenses | <u>5,735</u> | <u>6,313</u> |
| Total State Administrative Costs | \$42,830 | \$124,147 |

Future year administrative expenditures will reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

In fiscal 2009, the residential boarding program will begin accepting students. A general fund appropriation of \$2 million will be required from the State, and an estimated \$821,000 in special fund revenues will be generated from local school system tuition payments. These estimates assume that 80 students will be chosen to participate in the program and that the boarding school will be located in Baltimore City and draw approximately half of its students from the city.

Based on SEED's experience in Washington, it is assumed that 80 additional students will be added each year but that some students will be lost to attrition. The estimated number of students served, the required State general fund appropriation, and the estimated special fund revenues for the program for fiscal 2009 to 2011 are shown below. The chart also shows estimated per pupil funding for the program, which will total between \$35,000 and \$37,000 annually.

| | <u>Students</u> | <u>State Funds (GF)</u> | <u>Local Funds (SF)*</u> | <u>Per Pupil Funding</u> |
|-------------|-----------------|-------------------------|--------------------------|--------------------------|
| Fiscal 2009 | 80 | \$2,000,000 | \$821,000 | \$35,263 |
| Fiscal 2010 | 145 | 3,750,000 | 1,533,657 | 36,189 |
| Fiscal 2011 | 196 | 5,000,000 | 2,107,000 | 36,260 |

* Includes portions of local appropriations to boards of education and funding from certain State aid programs. Assumes the GCEI is funded.

Local Fiscal Effect: Local school systems that have students enrolled in the residential boarding program will pay 85% of the local cost per pupil for each student. It is assumed that the first year of the program will be the 2008-2009 school year (fiscal 2009), when approximately 80 students will attend. The fiscal 2009 cost per pupil for each school system, as calculated in the bill, is estimated in **Exhibit 1**.

Exhibit 1
Estimated Local Costs Per Pupil
Fiscal 2009

| <u>School System</u> | <u>State Funding</u> | <u>Local Funding</u> | <u>Total Cost Per Pupil</u> | <u>85% of Cost Per Pupil</u> |
|----------------------|----------------------|----------------------|-----------------------------|------------------------------|
| Allegany | \$8,185 | \$3,160 | \$11,345 | \$9,643 |
| Anne Arundel | 3,359 | 7,432 | 10,791 | 9,172 |
| Baltimore City | 9,986 | 2,598 | 12,584 | 10,696 |
| Baltimore | 4,584 | 6,223 | 10,806 | 9,185 |
| Calvert | 4,662 | 5,726 | 10,388 | 8,830 |
| Caroline | 7,229 | 2,293 | 9,522 | 8,094 |
| Carroll | 4,536 | 5,630 | 10,166 | 8,641 |
| Cecil | 5,749 | 4,386 | 10,135 | 8,614 |
| Charles | 5,495 | 5,085 | 10,580 | 8,993 |
| Dorchester | 5,934 | 3,609 | 9,544 | 8,112 |
| Frederick | 4,681 | 5,854 | 10,535 | 8,955 |
| Garrett | 4,754 | 4,947 | 9,702 | 8,246 |
| Harford | 4,905 | 5,277 | 10,183 | 8,655 |
| Howard | 3,426 | 9,123 | 12,548 | 10,666 |
| Kent | 3,544 | 6,956 | 10,500 | 8,925 |
| Montgomery | 2,779 | 10,855 | 13,634 | 11,589 |
| Prince George's | 7,102 | 4,803 | 11,905 | 10,119 |
| Queen Anne's | 3,468 | 5,817 | 9,286 | 7,893 |
| St. Mary's | 5,103 | 4,315 | 9,419 | 8,006 |
| Somerset | 8,327 | 3,144 | 11,472 | 9,751 |
| Talbot | 2,028 | 7,429 | 9,457 | 8,039 |
| Washington | 6,001 | 4,510 | 10,511 | 8,934 |
| Wicomico | 7,251 | 3,487 | 10,738 | 9,128 |
| Worcester | 2,127 | 10,311 | 12,439 | 10,573 |
| State Average | \$5,214 | \$6,349 | \$11,563 | \$9,829 |

If the school is located in Baltimore City, it is assumed that approximately 40 of the first 80 students in the program will come from Baltimore City and the rest of the students will come from other school systems in the State. Under this scenario, local expenditures to pay tuition for students who attend the boarding school will total an estimated \$821,000, \$427,840 from Baltimore City and \$393,160 from other school systems.

Future year expenditures will reflect inflation and enrollments in the boarding school, and are estimated at \$1.5 million in fiscal 2010 and \$2.1 million in fiscal 2011.

Students attending the residential boarding school will still be included in the enrollment counts of their home school systems for State aid and local maintenance of effort calculations, so school system revenues will not be affected by the bill. In addition, local school systems will retain 15% of the local costs per pupil for each student sent to the boarding program.

Additional Information

Prior Introductions: None.

Cross File: SB 714 (Senator Hollinger, *et al.*) – Education, Health, and Environmental Affairs and Budget and Taxation.

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