

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 540 (Delegate Haddaway)
 Ways and Means

Education - Laptop Computer Distribution Program

This bill establishes a Laptop Computer Distribution Program that will provide a laptop computer to every seventh grader in a public school in Maryland. The State must provide 70% of the cost of the program, and funds provided for laptop computers may not supplant other State funding for education. A local board of education may opt out of the program if it determines that the requirements of the program would be a fiscal hardship.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated \$42,900 in FY 2008 and by an estimated \$27.3 million in FY 2009 to implement the laptop distribution program. Future year expenditure estimates reflect ongoing computer contract and technology maintenance costs, regular salary increases, and inflation. Revenues would not be affected.

(\$ in millions)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	.04	27.47	22.97	23.15	23.50
Net Effect	(\$0.04)	(\$27.47)	(\$22.97)	(\$23.15)	(\$23.50)

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

Local Effect: State aid to local school systems could increase by an estimated \$27.3 million in FY 2009, and local school expenditures would increase by an estimated \$11.7 million to provide the required 30% local match.

Small Business Effect: Minimal.

Analysis

Bill Summary: Local boards of education participating in the Laptop Computer Distribution Program must develop technology plans consisting of:

- vision statements;
- strategies that will be used for integrating the program into the local infrastructure, curricula, and administration;
- projections of the resources needed to implement the program and the costs that would be incurred to implement the program;
- mechanisms and timelines to monitor progress toward plan targets; and
- methods for evaluating the effectiveness of the program.

The State Board of Education may adopt regulations to implement the program.

Current Law: The Laptop Computer Distribution Program would be a new State program. The State does not provide funding for school systems that is specifically earmarked for computers or technology, but almost all direct State aid for local boards of education could be used to purchase laptop computers for students. Unrestricted, mandated direct aid for local school systems totals approximately \$4.4 billion in fiscal 2008.

Background: In 2002, Maine began equipping all seventh and eighth grade students in the state with laptop computers under its Maine Learning Technology Initiative. In June 2006, the state announced that the program will continue for another four years under a \$41 million contract the state signed with Apple Computers, Inc. The contract calls for Apple to provide computers for 32,000 students and 4,000 teachers, as well as wireless networks, training, and technical support. A number of states and school districts have considered similar programs since the Maine initiative.

Chapter 276 of 2006 established an Educational Technology Pilot Program to introduce elementary age students to computer technology and train teachers to integrate technology into curricula in Baltimore City and Dorchester, Prince George's, St. Mary's, and Somerset counties. The program is not funded in the proposed fiscal 2008 State budget.

State Expenditures: Assuming the State would not begin distributing laptop computers to middle schools until fiscal 2009, general fund expenditures would increase by \$42,882 in fiscal 2008 to begin implementation of the new program. This estimate assumes two new staff members would be hired by MSDE in April 2008 to review local school system applications and begin preparations for implementation of the new program. Two full-time salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses are included in the estimate.

In fiscal 2009 general fund expenditures would increase by an estimated \$27.3 million, which assumes that Maryland would be able to obtain a contract similar to the one Maine signed with Apple Computers, Inc. The estimate includes ongoing administrative costs at MSDE, as well as the State's 70% share of projected contract costs and other local costs of implementing the program. The estimate was calculated based on the following information and assumptions.

- Maine's contract with Apple Computers, Inc. provided 32,000 computers for seventh and eighth grade students and 4,000 computers for middle school teachers at a total cost of \$41 million over four years. With approximately 65,000 seventh grade students, Maryland would need a contract at twice that amount, or approximately \$82 million over four years.
- The State would fund 70% of the contract cost at an annual cost of \$14.4 million (70% of \$20.5 million). This assumes that students would not keep the laptop computers once the school year is over and that the same computers would be used the following year by incoming seventh grade students. If students are to keep the laptop computers beyond seventh grade, contract costs would be roughly four times the projected amount, or \$82 million annually (\$57.4 million annually for the State).
- In addition to the contract costs, public middle schools would need an estimated \$10 million in upgrades to computer hardware and infrastructure to support the laptop program. The State would pay 70% of this cost, or \$7 million.
- Local school systems would also need additional information technology personnel to support and maintain computers and hardware purchased under the program. Assuming one additional technology support person for every two middle schools in the State, 114 new employees would be hired. The State would pay 70% of the cost of the new employees, which is estimated at \$75,000 (salary and benefits) per employee. State costs would total \$6.0 million.

- Administrative expenses for MSDE would amount to approximately \$140,000.

	<u>FY 2008</u>	<u>FY 2009</u>
Computer Contract Cost		\$14,350,000
Grants to Local School Systems		12,985,000
MSDE Salaries and Fringe Benefits	\$33,647	137,333
Other Operating Expenses	<u>9,235</u>	<u>2,040</u>
Total State Expenditures	\$42,882	\$27,474,373

Future year expenditures reflect: (1) continued computer contract costs; (2) lower local school system grants to reflect ongoing updates to technology hardware rather than one-time upgrades; (3) two full salaries with 4.5% annual increases and 3% employee turnover; and (4) 1% annual increases in ongoing operating expenses.

Local Fiscal Effect: Local school systems would benefit from the additional State support and would be responsible for 30% of the program costs. Based on the assumptions described above, local school systems would be required to contribute an estimated \$11.7 million in fiscal 2009 and \$9.8 million in fiscal 2010.

The bill authorizes a local school system to opt out of the program if participation would present a financial hardship.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland State Department of Education, Howard and Prince George's counties, Department of Legislative Services

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mll/rhh

Analysis by: Mark W. Collins

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

