

Department of Legislative Services  
 Maryland General Assembly  
 2007 Session

**FISCAL AND POLICY NOTE**

Senate Bill 231 (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 2008, 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, 2007.

**Fiscal Summary**

**State Effect:** General fund expenditures would increase by \$2.0 million in FY 2008 if the adult education formula is fully funded. Future year mandated general fund expenditure estimates reflect the phase-in of the formula and projected increases in adult education enrollments. 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	2.0	7.0	12.0	15.5	19.4
Net Effect	(\$2.0)	(\$7.0)	(\$12.0)	(\$15.5)	(\$19.4)

*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 \$2.0 million in FY 2008 and would increase by \$7.0 million in FY 2009 and by an estimated \$19.4 million in FY 2012. To be eligible for the State grants, local expenditures for adult education programs would increase by \$3.7 million in FY 2008 and by an estimated \$14.1 million in FY 2012.

**Small Business Effect:** Potential meaningful.

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## 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 funding level. The full 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 providing educational services;
- a 40% minimum State share of the total funding level; and
- a minimum State funding level for jurisdictions with smaller adult education enrollments.

The maximum State funding level cannot exceed \$8.9 million in fiscal 2008, \$13.9 million in fiscal 2009, \$18.9 million in fiscal 2010, and \$23.9 million in fiscal 2011. After fiscal 2011, 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 2008, \$10 million in fiscal 2009, \$15 million in fiscal 2010, and \$20

million in fiscal 2011. The additional State funding may not be used to supplant the local share of funding.

Finally, the bill repeals the existing competitive grant program for adult education.

**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 \$6.9 million in fiscal 2008, \$1.5 million more than the amount appropriated in fiscal 2007. The State grants generally use a 75% State/25% local split of the total funding level for adult education programs.

**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. In addition to requiring additional State funding for adult education programs, Chapter 305 of 2005 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 a formula that was initially proposed last year in SB 650/HB 1130 and is being proposed again by this bill.

The Governor's fiscal 2008 allowance includes \$6.9 million in State general funds for adult education, \$1.5 million more than the amount appropriated in fiscal 2007. 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 2008 State budget, general fund expenditures will increase by \$2.0 million to reach the \$8.9 million maximum State funding level for fiscal 2008. The projected change in the adult education funding level for each local jurisdiction is shown in **Exhibit 1**.

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**Exhibit 1**  
**Fiscal 2008 Funding for the Proposed Adult Education Formula**

<u>County</u>	<u>FY 2006 Weighted FTE Enrollment</u>	<u>Proposed Formula</u>	<u>Projected FY 2008 Allocation*</u>	<u>Difference</u>
Allegany	78.59	\$90,372	\$173,258	(\$82,886)
Anne Arundel	609.38	288,357	328,099	(39,742)
Baltimore City	1,742.95	2,090,858	980,769	1,110,089
Baltimore	1,710.50	1,002,286	692,979	309,307
Calvert	111.42	65,613	156,590	(90,977)
Caroline	49.94	65,613	0	65,613
Carroll	205.99	113,246	206,495	(93,249)
Cecil	174.86	109,815	103,210	6,605
Charles	341.66	190,735	261,155	(70,420)
Dorchester	74.46	65,613	126,920	(61,307)
Frederick	530.21	276,468	234,954	41,514
Garrett	43.27	65,613	37,977	27,636
Harford	564.16	322,047	171,125	150,922
Howard	799.78	378,453	285,849	92,604
Kent	70.38	65,613	64,090	1,523
Montgomery	3,258.52	1,541,923	394,186	1,147,737
Prince George's	1,994.10	1,499,327	389,530	1,109,797
Queen Anne's	114.53	65,613	72,911	(7,298)
St. Mary's	64.18	65,613	166,350	(100,737)
Somerset	53.90	65,613	117,578	(51,965)
Talbot	45.39	65,613	0	65,613
Washington	211.71	145,907	150,306	(4,399)
Wicomico	193.41	147,704	164,777	(17,073)
Worcester	78.43	65,613	74,514	(8,901)
Unallocated		0	1,500,000	(1,500,000)
<b>State</b>	<b>13,121.70</b>	<b>\$8,853,628</b>	<b>\$6,853,622</b>	<b>\$2,000,006</b>

\* From the Department of Budget and Management based on the Governor's fiscal 2008 allowance.

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Beginning in fiscal 2009 the additional State funding will be mandated. The maximum State grant amount will increase to \$13.9 million in fiscal 2009, a \$7.0 million increase over the proposed fiscal 2008 funding level, and \$18.9 million in fiscal 2010, a \$12.0 million increase. It is estimated that the fiscal 2009 and 2010 formula calculations will result in the maximum State funding levels for those years.

Even assuming annual growth of 15% to 18% in FTE adult education enrollments, the maximum State amount is not expected to be achieved in fiscal 2011. State expenditures will increase by an estimated \$15.5 million in fiscal 2011 and \$19.4 million in fiscal 2012. Statewide FTE enrollments, per FTE student amounts, and State funding levels for the next five fiscal years are estimated in **Exhibit 2**.

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**Exhibit 2**  
**Projected Enrollment and State Funding**  
**Fiscal 2008-2012**

	<u><b>FY 2008</b></u>	<u><b>FY 2009</b></u>	<u><b>FY 2010</b></u>	<u><b>FY 2011</b></u>	<u><b>FY 2012</b></u>
Weighted FTE Enrollment*	13,121.7	15,065.0	17,753.0	20,308.0	23,332.0
Per Pupil Amount	\$1,803	\$1,865	\$1,914	\$1,958	\$2,003
	(\$ in Thousands)				
Proposed Formula	\$8,854	\$13,854	\$18,854	\$22,332	\$26,284
Current Law Funding**	<u>6,854</u>	<u>6,854</u>	<u>6,854</u>	<u>6,854</u>	<u>6,854</u>
<b>Funding Increase</b>	<b>\$2,000</b>	<b>\$7,000</b>	<b>\$12,000</b>	<b>\$15,478</b>	<b>\$19,431</b>

\*From the Maryland State Department of Education. Numbers reflect estimates of FTE enrollments in the second prior fiscal year.

\*\*Assumes fiscal 2008 funding level would be maintained in future years.

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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 2011 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 \$2.0 million in fiscal 2008 if the bill results in additional funding for adult education being added to the State budget. Beginning in fiscal 2009, the additional State funding will be mandated and

will total an estimated \$7.0 million in fiscal 2009 and an estimated \$19.4 million by fiscal 2012.

In addition, local expenditures could increase to provide the local shares of the formula. As shown in **Exhibit 3**, the required local shares total approximately \$3.7 million in fiscal 2008. The local share of funding may come from local, private, or federal sources and would be offset by the amount that local subdivisions are currently spending in support of adult education.

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**Exhibit 3**  
**Fiscal 2008 Local Share of Adult Education Formula**

<u>County</u>	<u>Local Share</u>	<u>County</u>	<u>Local Share</u>
Allegany	\$1,347	Harford	\$179,228
Anne Arundel	224,477	Howard	294,614
Baltimore City	29,917	Kent	24,727
Baltimore	538,397	Montgomery	1,200,340
Calvert	41,044	Prince George's	504,920
Caroline	10,448	Queen Anne's	42,188
Carroll	69,464	St. Mary's	19,965
Cecil	50,363	Somerset	841
Charles	114,972	Talbot	16,719
Dorchester	18,638	Washington	54,256
Frederick	189,853	Wicomico	42,088
Garrett	14,809	Worcester	28,892
	<b>State \$3,712,507</b>		

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In future years, local shares will grow depending on local FTE enrollments in adult education programs. Assuming growth of 14% to 18% annually, the local share will increase to an estimated \$14.1 million by fiscal 2012. Projections of total State aid, local shares, and total funding for adult education are shown in **Exhibit 4**.

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**Exhibit 4**  
**Estimated State and Local Funding for Adult Education**  
**Fiscal 2008-2012**  
**(\$ in Thousands)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total State Funding	\$8,854	\$13,854	\$18,854	\$22,332	\$26,284
Total Local Shares	<u>3,713</u>	<u>5,718</u>	<u>8,373</u>	<u>10,976</u>	<u>14,092</u>
<b>Total Funding</b>	<b>\$12,566</b>	<b>\$19,572</b>	<b>\$27,226</b>	<b>\$33,308</b>	<b>\$40,376</b>

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**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.

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**Additional Information**

**Prior Introductions:** The formula proposed in this bill was initially introduced last year in SB 650/HB 1130 of 2006. Both bills were amended to instead require an increase in the fiscal 2008 appropriation for adult education, and HB 1130 was ultimately enacted as Chapter 380 of 2006.

**Cross File:** HB 150 (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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