

**Department of Legislative Services**  
Maryland General Assembly  
2007 Session

**FISCAL AND POLICY NOTE**

House Bill 1002 (Delegate Stocksdale)  
Ways and Means

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**Education - Scholarship Program for Children in Foster Care**

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This bill establishes a Scholarship Program for Children in Foster Care to allow foster care children to attend private schools in Maryland with the State and local school systems paying the tuition. For each participating child from a local school system, the system must pay the local current expense per student or the full cost of tuition, whichever is less. For a foster care student with a disability, the local school system must pay three times the annual cost per pupil or three times the tuition at the private school. If the local payment for a program participant does not cover the tuition cost at the private school, the State must pay any remaining amount.

The bill takes effect June 1, 2007.

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**Fiscal Summary**

**State Effect:** For every 1,000 foster care children enrolling in the program in FY 2008, general fund expenditures would increase by an estimated \$7.5 million to pay a portion of the private school tuition and all of the transportation costs to and from private schools. The FY 2008 expenditure increase would also include approximately \$265,100 for the administration of the program, with future year administrative expenditures reflecting salary increases, inflation, and approximately \$250,000 per year for an evaluation of the program in FY 2009 and 2010. Future year general fund expenditures for tuition costs would be offset by decreases in State education aid, but ongoing transportation costs for participating students could be significant. Revenues would not be affected.

**Local Effect:** Local school expenditures would increase significantly beginning in FY 2008 to pay the local per student current expense for up to 10,300 children in foster care who could choose to attend a private school. Local school revenues from State aid would decrease significantly beginning in FY 2009 due to public school enrollment declines.

Expenditure reductions due to public school enrollment declines are likely but would not necessarily match the losses in State aid revenue and the expenditures for private school tuition. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** Meaningful.

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## Analysis

**Bill Summary:** A foster parent or legal guardian of a child in foster care may enroll the child in a private school, and the child may stay in the Scholarship Program for Children in Foster Care until the child graduates from high school or turns 21. Private schools must send the name of each participant to the State Superintendent of Schools, who makes the final determination about which county school system is responsible for paying the local per pupil current expense towards a child's tuition. A private school may not refund, rebate, or share scholarship moneys with foster care children or their foster parents or guardians.

To be eligible to participate in the program, a private school must:

- operate in the State;
- comply with all applicable health and safety laws and regulations;
- hold a valid occupancy permit, if required;
- certify that the private school will not discriminate against the foster care child on the basis of race, color, national origin, or religion;
- comply with State laws and regulations relating to employment practices;
- submit an annual accounting report of the use of program funds;
- demonstrate financial viability if it is to receive \$50,000 or more in program funds; and
- report regularly on the progress of each foster care child in the program.

A private school may accept foster care children into the program on a first-come, first-serve basis or may select program participants through a random selection process, giving priority to students who are already enrolled in the school. When a child in foster care has been accepted at a private school, the school must notify the board of education for the financially responsible county of the acceptance and the board of education must promptly forward the child's school records.

A financially responsible county must provide transportation for foster care children participating in the program, and the Maryland State Department of Education (MSDE) must reimburse the county for providing the service.

MSDE must certify private schools that are eligible to participate in the program; distribute a list of private schools participating in the program; develop a uniform application for the program; and debar private schools that either intentionally misrepresent information provided for the program or fail to comply with program requirements. MSDE may not regulate the educational curriculum of a participating private school.

By December 1, 2009, MSDE must conduct a review of the program or contract with a private consulting firm to conduct the review. MSDE may accept a grant from a private entity to conduct the review and may require periodic updates of the review. MSDE must report the results of the review by December 31, 2009.

**Current Law:** The State and local school systems do not fund tuition for students who attend private schools.

**Background:** Providing private school vouchers to children in foster care is a recommendation of the Maryland Public Policy Institute (MPPI). An editorial written by a Senior Fellow at MMPI and printed in the *Baltimore Sun* notes that children in foster care move frequently, causing significant disruption to their educations. The editorial indicates that foster care children often lag behind their classmates on school outcome measures and suggests that allowing the children to attend and stay at private schools through multiple placement changes would provide a more stable environment for the children.

According to MSDE, there are approximately 10,300 foster care children in Maryland and 1,175 private schools.

**State Expenditures:** General fund expenditures could increase by an estimated \$265,107 in fiscal 2008, which accounts for the bill's June 1, 2007 effective date and a 30-day start-up delay. This estimate reflects the cost of hiring four additional staff at MSDE to manage the program, including:

- a program director to oversee implementation of the program;
- a financial auditor to track private schools' and local school systems' compliance with the program;
- a special education specialist to ensure that children in foster care who are identified as disabled students are in need of and receiving special education services; and
- an office secretary to support the team.

Four full-time salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses are included in the estimate.

Salaries and Fringe Benefits	\$243,082
Operating Expenses	<u>22,025</u>
<b>Total FY 2008 State Expenditures</b>	<b>\$265,107</b>

Future year expenditures reflect: (1) a contract for the evaluation of the program, which is expected to cost at least \$500,000 and would be paid in fiscal 2009 and 2010; (2) full salaries with 4.5% annual increases and 3% employee turnover; and (3) 1% annual increases in ongoing operating expenses.

In addition to the administrative costs of operating the program, the State would be responsible for paying any tuition costs that exceed the local current expenses provided by local school systems, as well as all transportation costs associated with the program. Various available references estimate the average cost of private school tuition at between \$7,000 and \$19,000 per year. Assuming an average of approximately \$11,000 per year in private school tuition and an average local contribution of approximately \$5,000 in fiscal 2008, the State would pay approximately \$6,000 per participating foster care child for private school tuition.

In fiscal 2006, the average annual cost for student transportation was \$750 per rider. It is assumed, however, that transportation for foster care children would be approximately twice that cost (\$1,500 per student) because smaller groups of students would be transported over potentially longer distances. In fiscal 2008, therefore, each participating foster care child would cost, on average, an estimated \$7,500 (\$6,000 for tuition and \$1,500 for transportation). For every 1,000 participants in the program, general fund expenditures would increase by approximately \$7.5 million.

The transfer of foster care students from public schools to private schools in fall 2007 would decrease general fund State education aid in fiscal 2009. Program costs for tuition and transportation in fiscal 2009 would, therefore, be offset by a reduction in State funding for the public school systems. Under current law, State aid per pupil is expected to average approximately \$6,600 in fiscal 2009. Assuming this would be roughly equivalent to the State's share of tuition costs for the program, paying tuition for foster care students in private schools would not increase or decrease fiscal 2009 expenditures if participation in the program is relatively stable. However, transportation costs would continue.

Future year expenditures would continue in the same pattern as fiscal 2009, with increases in private school tuition costs for foster care children at least partially offset by decreased State aid for public school systems. State expenditures for the transportation of

program participants would likely represent an added State cost. The costs cannot be reliably estimated but could be significant.

**Local Revenues:** Beginning in fiscal 2009, local school system revenues would decrease in accordance with any transfer of foster care children from public schools to private schools. On average, the State is expected to provide approximately \$6,600 per pupil in fiscal 2009 and nearly \$7,600 per pupil by fiscal 2012. Any loss of public school students that results from this bill would result in decreased State aid the year after the student transfers to a private school.

**Local Expenditures:** Local school system expenditures would increase significantly in fiscal 2008 to pay the local per student current expense to private schools that enroll foster care children in the new program. Children with disabilities enrolling in private schools would cost three times the local per pupil current expense. **Exhibit 1** shows the estimated local current expenses for fiscal 2008, which average \$5,210 per student. It's not known how many children would enroll in the program, but it is assumed that a sizable number of the 10,300 children in foster care around the State would participate. If 2,000 foster care children enroll in eligible private schools in fall 2007 and 13% of these students have disabilities, local school expenditures would increase by approximately \$13.1 million to pay their tuition; if 5,000 children enroll in the program, local school expenditures would increase by approximately \$32.8 million.

Since local school systems would no longer be responsible for providing educational services to foster care children who enroll in private schools, some school-related expenditures could decrease in accordance with the enrollment reduction. It is not expected, however, that the savings realized through the reduction in the public school enrollments would necessarily be equivalent to the increased expenditures.

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**Exhibit 1**  
**Estimated Fiscal 2008 Local Per Pupil Current Expenses**

<u>County</u>	<u>Per Pupil Current Expense</u>	<u>County</u>	<u>Per Pupil Current Expense</u>
Allegany	\$3,015	Harford	\$4,905
Anne Arundel	6,788	Howard	8,184
Baltimore City	2,578	Kent	6,806
Baltimore	5,961	Montgomery	10,256
Calvert	5,312	Prince George's	4,829
Caroline	2,232	Queen Anne's	5,374
Carroll	5,112	St. Mary's	4,284
Cecil	4,127	Somerset	3,236
Charles	4,807	Talbot	7,068
Dorchester	3,667	Washington	3,954
Frederick	5,221	Wicomico	3,492
Garrett	4,410	Worcester	9,428

**Simple State Average: \$5,210**

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**Small Business Effect:** Participating private schools would benefit from the ability to receive public funds to support tuition for foster care children enrolling in the schools. Currently, private schools do not receive public funds.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Human Resources, Maryland State Department of Education, Maryland Public Policy Institute, Department of Legislative Services

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ncs/rhh

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