

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

House Bill 625

(Prince George's County Delegation)

Ways and Means

Education, Health, and Environmental Affairs

Prince George's County - Charter Schools – Funding
PG 421-07

This bill defines a method that the Prince George's County Board of Education may use to determine per pupil disbursements to public charter schools operating in Prince George's County.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: Any additional administrative requirements for the Maryland State Department of Education (MSDE) that result from the bill could be handled with existing personnel and resources. Federal funds provided for public charter school efforts in the State would not be adversely affected by the bill.

Local Effect: Relative to existing charter school contracts, the funding method established in the bill would increase Prince George's County school expenditures for charter schools by an estimated \$1.3 million in FY 2008. Relative to a potential 98% funding formula adopted by the State Board of Education and currently under appeal, the bill could decrease Prince George's County school expenditures for charter schools by an estimated \$3.9 million in FY 2008. Prince George's County school revenues would not be affected.

Small Business Effect: Minimal.

Analysis

Bill Summary: For each charter school student, the Prince George's County Board of Education may provide 85% of the budgeted per pupil expenditures from the school system's unrestricted current expense fund, minus expenditures for special education, student transportation, contingencies, and reserve funds. A charter school may also receive any restricted grant funds for which it qualifies.

Initial funding computations under the methodology are based on budgeted expenditures and estimated September 30 enrollments. Adjustments must be made to a charter school's funding allocation at later points in time using actual September 30 enrollment counts and actual school system expenditures. The county board and a charter school may negotiate an amount in excess of the 85% calculation, but the negotiation is not appealable to the State Board of Education.

PGCPS or a county charter school may provide transportation for charter school students. If the charter school provides the services, the local board must reimburse the charter school for the cost of transporting students or for the average per rider cost in the school system, whichever is less. A charter school may not reimburse parents for transporting their children to the school in personal vehicles.

Current Law: A local board of education must disburse to a public charter school an amount of State, local, and federal funding that is commensurate with the amount disbursed to other public schools in the system.

Background: The Public Charter School Act of 2003 was established as a means to provide innovative learning opportunities and creative educational approaches. In the 2006-2007 school year, 23 charter schools are operating in the State, including three in Prince George's County. MSDE reports that nine additional charter schools are scheduled to open for fall 2007, including two more in Prince George's County.

In spring 2005, three charter school applicants, two in Baltimore City and one in Prince George's County, pursued their right of appeal before the State Board of Education arguing that the level of funding provided by the local boards of education was too low. The State board ruled that a charter school should be allocated 98% of per pupil expenditures in the school system, with adjustments for federal funds that are provided for specific student populations.

The State board's decision was appealed by the Baltimore City and Prince George's County boards of education, beginning a string of court appeals that continue to the present. The lower courts ruled that the funding question was moot since contracts

between local boards of education and charter schools had been signed. On appeal by the charter schools, however, the Court of Special Appeals reversed the Baltimore City Circuit Court's ruling and upheld the State Board of Education's 98% funding formula, resulting in another appeal to the Maryland Court of Appeals. The Court of Appeals has agreed to hear the case, and oral arguments have been set for April 2007.

A survey conducted by the Department of Legislative Services (DLS) in fall 2005 attempted to determine the percent of local school system expenditures that are used to support individual schools or students. Surveys were sent to all 24 local school systems, and valid responses were provided by 23 systems. After removing the special education and student transportation categories, the percent of school system expenditures that were attributed to individual schools ranged from 65% to 96%, with all but one response falling between 74% and 96%. Prince George's County indicated that approximately 74% of its fiscal 2005 expenditures could be attributed to school-level spending. The survey responses provided by each local school system are shown in **Appendix 1**. Using the results of the survey, DLS concluded that, on average, 84% to 86% of school system expenditures support individual schools or students.

Local Expenditures: In fiscal 2007, PGCPs is providing \$6,136 per student in discretionary funds to public charter schools in the county. If this bill was in effect for the current school year and the method proposed in the bill was used to determine a per pupil allocation to charter schools, Prince George's County would provide an estimated \$7,304 per charter school pupil. Relative to the current contracts in the county, the bill would result in an increase of approximately \$1,168 per pupil for charter schools. According to estimates from PGCPs and MSDE, there could be 1,000 to 1,200 charter school students in Prince George's County next year. Assuming 1,100 charter school students and an increase of \$1,168 per student, PGCPs expenditures could increase by \$1.3 million in fiscal 2008 under the funding model in the bill relative to existing charter school contract costs.

Although the decision is still in court, the State Board of Education ruled that a local school system must provide charter schools in the system with 98% of the system's per pupil revenues, less any federal funds for which the schools do not qualify. Under this approach, PGCPs would be required to provide discretionary allocations to charter schools of an estimated \$10,829 per pupil, or \$3,525 more than the method in the bill would provide. Assuming 1,100 charter school students in fiscal 2008 and a difference of \$3,525 per pupil, the bill would save Prince George's County \$3.9 million in fiscal 2008 relative to the State board's charter school funding model. If this bill is enacted and the State board's decision is upheld in court, Prince George's County would be authorized to use a different funding methodology for charter schools than the other 23 local school systems, which would be required to use the State board's funding model. Comparisons

of the funding methodology in this bill to existing contracts and the State Board of Education's model are shown in **Exhibit 1**.

Exhibit 1
Comparison of House Bill 625 Charter School Funding Model to
Existing Charter Contracts and State Board of Education Model
Fiscal 2008 Estimate

<u>Relative to Existing Contracts</u>	<u>Estimated FY 2007 Discretionary Per Pupil Allocation</u>
HB 625	\$7,304
Existing Contracts	<u>6,136</u>
Difference	\$1,168
PGCPS Expenditures (assuming 1,100 students)	\$1,284,800
 <u>Relative to State Board of Education's Model</u>	
HB 625	\$7,304
State Board's Model	<u>10,829</u>
Difference	(\$3,525)
PGCPS Expenditures (assuming 1,100 students)	(\$3,877,500)

In addition to discretionary allocations to charter schools, the bill authorizes PGCPS to provide charter schools with any restricted funds for which they qualify, which is similar to the State Board of Education's model. The bill would allow PGCPS or a county charter school to provide transportation services to charter school students. If a charter school provides the services, PGCPS would provide additional funds to the school. This is different from the existing contracts, which do not include any funding for transportation, and the State board's model, which would provide more discretionary funds that could presumably be used to purchase the service.

Although the bill specifies that budgeted special education expenditures would be excluded from the calculation of a per pupil amount for charter schools, it does not specifically require PGCPS to provide special education services to charter school students with disabilities. Under the existing charter school contracts in the county, PGCPS does provide the services to charter schools.

Additional Information

Prior Introductions: SB 293/HB 651 of 2006 would have established statewide a funding method for charter schools that is similar to the one proposed in this bill. SB 293 received a favorable report from the Senate Education, Health, and Environmental Affairs Committee but was not approved by the full Senate. HB 651 received a hearing in House Ways and Means Committee but no further action was taken.

Cross File: None.

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

Fiscal Note History: First Reader - March 13, 2007
mll/rhh Revised - House Third Reader - March 30, 2007

Analysis by: Mark W. Collins

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

Appendix 1
School System Expenditures Used to Support Individual Schools or Students
Excluding Special Education and Student Transportation Expenditures
Fiscal 2005
(\$ in Thousands)

<u>County</u>	<u>Total Expenditures</u>	<u>School-Level Expenditures</u>	<u>Percent School-Level</u>
Calvert	\$122,477	\$117,045	95.6%
Washington	146,315	136,766	93.5%
Worcester	63,570	58,772	92.5%
Baltimore	815,034	746,536	91.6%
Harford	262,345	239,389	91.2%
Anne Arundel	554,203	501,689	90.5%
Charles	173,782	157,076	90.4%
Caroline	34,409	30,751	89.4%
Garrett	32,521	28,953	89.0%
Baltimore City	659,409	569,447	86.4%
Queen Anne's	47,647	40,415	84.8%
Howard	372,067	309,935	83.3%
St. Mary's	108,460	89,989	83.0%
Frederick	294,179	243,144	82.7%
Montgomery	1,332,628	1,098,973	82.5%
Kent	19,653	15,873	80.8%
Cecil	109,682	86,984	79.3%
Dorchester	30,897	24,452	79.1%
Talbot	31,052	24,244	78.1%
Carroll	198,201	151,954	76.7%
Wicomico	97,668	73,948	75.7%
Prince George's	962,328	711,623	73.9%
Somerset*	<u>26,755</u>	<u>17,279</u>	<u>64.6%</u>
State	\$6,495,282	\$5,475,235	84.3%

*The county noted that employee benefits were not allocated to the school-level spending category despite attributing the salaries to school-level spending.

Source: Department of Legislative Services survey of local school systems, November 2005.
