

# Department of Legislative Services

Maryland General Assembly

2007 Session

## FISCAL AND POLICY NOTE

### Revised

Senate Bill 688

(Senators Pugh and McFadden)

Education, Health, and Environmental Affairs

### High School - Compulsory Attendance - Diploma by Examination

This bill requires a child age 16 or older who withdraws from a public or private school to take an examination for a high school diploma at the first test offering after the child withdraws. If the child fails the examination and is under 18, the child must enroll in and attend regularly a full-time public or private school program, an alternative educational program, or a workforce development program.

The bill takes effect July 1, 2009.

### Fiscal Summary

**State Effect:** Special fund revenues would increase by an estimated \$373,500 annually beginning in FY 2010 due to the collection of additional test administration fees. Special and general fund expenditures would increase by an estimated \$571,300 in FY 2010 to administer more exams. General fund expenditures for State education aid would increase by an estimated \$56.1 million in FY 2012 due to increased student enrollments. Future year expenditure estimates reflect an increase in the number of students required to attend school, regular salary increases, and inflation.

(\$ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
SF Revenue	\$.4	\$.4	\$.4	\$.4	\$.4
GF Expenditure	.2	.4	56.5	77.1	79.3
SF Expenditure	.4	.4	.4	.4	.4
Net Effect	(\$.2)	(\$.4)	(\$56.5)	(\$77.1)	(\$79.3)

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

**Local Effect:** Total State aid to local school systems would increase by an estimated \$56.1 million in FY 2012 and \$76.7 million in FY 2013; however, Frederick, Howard,

and Montgomery counties could realize reductions in State funding. Minimum required local appropriations to school systems under the maintenance of effort provision would increase beginning in FY 2011.

**Small Business Effect:** Minimal.

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## Analysis

**Current Law:** A child who is 5 to 15 years of age must attend public school regularly unless the child is otherwise receiving regular, thorough instruction at an alternative setting (*i.e.*, a private or home school). An individual who has legal custody of a child aged 5 to 15 and fails to see that the child attends school is guilty of a misdemeanor.

**Background:** According to data from the Maryland State Department of Education (MSDE), there were 11,058 students who dropped out of school during the 2005-2006 school year. Dropout rates averaged 3.6% statewide and ranged from less than 1% in Frederick County to 10.5% in Baltimore City. These dropout rates are annual percentages and do not reflect the full number of students who drop out prior to graduating from high school. In 2006, 85% of Maryland public school students graduated within four years of starting high school. Graduation rates for local school systems ranged from 61% in Baltimore City to 96% in Frederick County. Only Baltimore City and Somerset County had graduation rates below 80%. Graduation rates and the number of students who dropped out last school year are shown for each school system in **Exhibit 1**.

In most cases, local school systems require verbal or written parental permission for a child under the age of 18 to drop out of school. Half of the students who dropped out in the 2005-2006 school year cited lack of interest as the reason, and another 17% said they were dropping out because of academics. School officials did not know the whereabouts of 22% of the students who dropped out last year and therefore did not record the reasons that these students decided to leave school.

Chapter 449 of 2006 established the Task Force to Study Raising the Compulsory Public School Attendance Age to 18. The task force is scheduled to submit its final report in December 2007.

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**Exhibit 1**  
**Graduation Rates and Numbers of High School Dropouts**  
**2005-2006 School Year**

<u>County</u>	<u>2006 Graduation Percent</u>	<u>2005-06 Dropouts</u>	<u>County</u>	<u>2006 Graduation Percent</u>	<u>2005-06 Dropouts</u>
Allegany	87.4	118	Harford	87.2	449
Anne Arundel	86.3	552	Howard	94.1	232
Baltimore City	60.6	2,997	Kent	84.7	28
Baltimore	83.3	1,612	Montgomery	91.6	1,052
Calvert	89.7	148	Prince George's	86.6	2,039
Caroline	87.2	53	Queen Anne's	88.1	92
Carroll	95.1	144	St. Mary's	85.8	233
Cecil	80.6	247	Somerset	72.9	70
Charles	87.0	323	Talbot	92.1	21
Dorchester	83.8	99	Washington	90.5	198
Frederick	96.4	131	Wicomico	81.2	154
Garrett	87.2	33	Worcester	95.4	33

Source: Maryland Report Card, Maryland State Department of Education

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**State Revenues:** Special fund revenues would increase by an estimated \$373,500 annually beginning in fiscal 2010, which accounts for the bill's July 1, 2009 effective date. This estimate reflects the additional general educational development (GED) test administration fees that would be collected if high school dropouts are required to take the test. The fee is \$45 per test-taker, and it is estimated that approximately 8,300 students who withdraw from high school would take the test each year. This assumes that those students whose whereabouts were unknown when they left Maryland public schools would not take the test.

The additional test administration fees would be collected by MSDE and would be used to support administrative costs associated with GED testing.

**State Expenditures:** Combined, special and general fund expenditures would increase by an estimated \$571,329 in fiscal 2010 to manage a large increase in the number of GED tests administered. Beginning in fiscal 2012, general fund expenditures would

increase more significantly as students who do not pass the GED are forced to return to public schools, increasing the student enrollment counts used to determine State funding for schools.

*Maryland State Department of Education Administration*

General and special fund expenditures would increase by an estimated \$571,329 in fiscal 2010, which accounts for the bill's July 1, 2009 effective date and assumes that GED test administrations would begin to increase in October 2009. The estimate reflects the cost of hiring an education specialist, three staff specialists, and three office secretaries to manage the large increase in the number of GED tests, as well as 100 contractual part-time examiners. The estimate includes costs to rent additional space to administer the tests, seven full-time salaries with associated fringe benefits, stipends for 100 part-time examiners, one-time start-up costs, and ongoing operating expenses. Part of the cost will be covered with added special fund revenues generated from GED test administration fees, and the rest of the costs will be covered with general funds.

	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>
Permanent Salaries and Fringe Benefits	\$305,846	\$416,539
Part-time Examiners	150,000	202,000
Rental of Additional Testing Space	86,265	116,170
Start-up and Operating Expenses	<u>29,218</u>	<u>5,626</u>
<b>Total State SF/GF Expenditures</b>	<b>\$571,329</b>	<b>\$740,335</b>

Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

*Increased State Aid for Education*

In fiscal 2012, general fund State aid for education would increase by an estimated \$56.1 million due to an increase in public school enrollments in fall 2010. Estimated increases by program are shown in **Exhibit 2** and are based on the following information and assumptions.

- Approximately 8,300 students who drop out in the 2009-2010 school year will be required to pass a GED test or return to school.

- Because these students would not have completed the courses necessary to pass a high school level test, MSDE estimates that nearly all (97.5%) will return to school and be part of the fall 2010 enrollment counts used to determine fiscal 2012 State aid.
- The number of students in at-risk categories (students eligible for free and reduced price meals, students with disabilities, and students with limited English proficiency) will increase in accordance with the overall increase in enrollment.

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**Exhibit 2**  
**Estimated Fiscal 2012 Increases in State Education Aid Programs**  
**(\$ in Millions)**

<b><u>State Aid Program</u></b>	<b><u>FY 2012</u></b>
Foundation Program	\$30.9
Geographic Cost of Education Index	1.6
Compensatory Education	15.5
Special Education Formula	3.7
Limited English Proficiency	2.1
Guaranteed Tax Base	0.7
Student Transportation	<u>1.7</u>
<b>General Fund Expenditure Increase</b>	<b>\$56.1</b>

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Fiscal 2013 general fund expenditures for State aid would increase by an estimated \$76.7 million, as a portion of the students who dropped out in the 2009-2010 school year and the majority of the students who dropped out in the 2010-2011 school year would be required to return to school in fall 2011. After fiscal 2013, State aid increases would stabilize at approximately \$80 million annually.

To the extent that students enroll in private school or a workforce development program, State aid increases would be lower. However, the workforce development programs may also receive State support and need additional funding.

Depending on the available capacity of high schools in each county, additional school construction funding might also be needed to ensure that school facilities have sufficient space to house the added students.

**Local Revenues:** State aid to local school systems would increase beginning in fiscal 2012 (\$56.1 million) due to higher student enrollment counts. However, because dropout rates vary among local school systems, the increased aid is not shared equally by all local school systems. The effect on direct fiscal 2012 State education funding for each local school system is estimated in **Exhibit 3**. As seen in the exhibit, three local school systems with relatively low dropout rates (Frederick, Howard, and Montgomery counties) could receive less State aid than they are expected to receive under current law. This is due to the higher dropout rates in some of the less wealthy areas of the State and the wealth equalization factor in State aid formulas, which measures wealth on a per pupil basis.

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**Exhibit 3**  
**Projected Changes in Fiscal 2012 Direct State Aid**  
**(\$ in Thousands)**

<u>County</u>	<u>Change in Aid</u>	<u>County</u>	<u>Change in Aid</u>
Allegany	\$891	Harford	\$2,217
Anne Arundel	507	Howard	(554)
Baltimore City	37,198	Kent	196
Baltimore	5,483	Montgomery	(942)
Calvert	574	Prince George's	3,558
Caroline	224	Queen Anne's	300
Carroll	7	St. Mary's	993
Cecil	1,732	Somerset	777
Charles	1,652	Talbot	47
Dorchester	714	Washington	416
Frederick	(812)	Wicomico	799
Garrett	116	Worcester	71

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**Local Expenditures:** Local school system expenditures could increase as a result of adding students to local enrollments, which would be expected to begin in fall 2010 under the bill. In fiscal 2007, local school systems have budgeted an average of nearly \$6,000 per pupil in local education spending. If this cost is applied to approximately 8,100 additional students in fiscal 2011 and approximately 10,800 additional students in fiscal 2012, local expenditures will increase by \$48.7 million in fiscal 2011 and \$64.8 million in fiscal 2012. However, the actual magnitude of the increases will depend on the

ability of each local school system to accommodate additional students with available resources.

One school function that would require additional resources in most school systems is the tracking of truant students. Systems use pupil personnel workers to monitor truancy. If students who would drop out without this legislation are required to pass GED exams or attend school, it is assumed that there will be more truancy problems and that more pupil personnel workers will be needed. In October 2005, the average salary for a pupil personnel worker was approximately \$72,000. The number of additional pupil personnel workers that might be needed cannot be reliably estimated.

Local jurisdictions are required to provide local school systems with at least as much funding per pupil as was provided in the previous fiscal year in order to receive State aid increases under the foundation formula. Due to the increases in enrollment that could occur if more students aged 16 and 17 are required to attend school, local governments could be required to increase funding for local school systems to comply with the maintenance of effort (MOE) requirement. Local governments often provide funding for public schools above the MOE requirement.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland State Department of Education, Department of Legislative Services

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