

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE

Senate Bill 647

(Senator Kasemeyer, *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 2010, the Maryland State Department of Education must provide competitive adult education grants to eligible local adult education providers using the new formula. The new formula would be fully phased-in in fiscal 2014. The State Board of Education must adopt regulations to implement the grant program.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated \$2.7 million in FY 2010 to fund the adult education formula. Future year expenditure estimates reflect the phase-in of the formula, projected increases in adult education enrollments, and the elimination of program expenditure caps in FY 2014. **This bill establishes a mandated appropriation beginning in FY 2010.** Revenues would not be affected.

(\$ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	2.7	7.0	12.0	17.0	29.8
Net Effect	(\$2.7)	(\$7.0)	(\$12.0)	(\$17.0)	(\$29.8)

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

Local Effect: Local revenues from State aid for adult education would increase by an estimated \$2.7 million in FY 2010 and by an estimated \$29.8 million in FY 2014. To be eligible for the State grants, local expenditures for adult education programs would have to total an estimated \$5.0 million in FY 2010 and an estimated \$22.5 million in FY 2014.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The formula established in the bill uses a per student amount of \$2,004 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;
- a minimum State funding level for jurisdictions with smaller adult education enrollments; and
- a hold harmless component that ensures that (with the possible exception of fiscal 2011) no county's funding level for adult education decreases from one fiscal year to the next.

The maximum formula funding level cannot exceed \$8.9 million in fiscal 2010, \$13.9 million in fiscal 2011, \$18.9 million in fiscal 2012, and \$23.9 million in fiscal 2013. After fiscal 2013, 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. Collectively, the local shares may not exceed \$5 million in fiscal 2010, \$10 million in fiscal 2011, \$15 million in fiscal 2012, and \$20 million in fiscal 2013. 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. There is a minimum State funding level of \$6.9 million in fiscal 2008, but there is no minimum amount in fiscal 2009 or thereafter. 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 first proposed in 2006 and is being proposed again with very slight modifications by this bill.

The proposed fiscal 2009 State budget includes \$6.9 million in State general funds for adult education, the same amount that was mandated in fiscal 2008. 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: Mandated general fund expenditures would increase by an estimated \$2.7 million in fiscal 2010 to reach the \$8.9 million maximum formula funding level for that fiscal year and provide approximately \$662,000 in hold harmless grants to ensure that no county receives less State funding in fiscal 2010 than it does in fiscal 2009. In fiscal 2011 through 2013, the maximum aggregate State grant amounts increase by \$5.0 million per year. Statewide FTE enrollments, per FTE student amounts, and State funding levels for fiscal 2010 through 2014 are estimated in **Exhibit 1**. By fiscal 2014, general fund expenditures would increase by \$29.8 million. Current projections suggest that no hold harmless grants would be needed after fiscal 2010.

Exhibit 1
Projected Enrollment and State Funding
Fiscal 2010-2014

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Weighted FTE Enrollment*	16,614	19,685	22,555	26,000	30,191
Formula Per Pupil Amount	\$2,004	\$2,038	\$2,077	\$2,114	\$2,156
			(\$ in Thousands)		
Formula Amount	\$8,854	\$13,854	\$18,854	\$23,854	\$36,650
Hold Harmless Grants	<u>662</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total State Funding	\$9,515	\$13,854	\$18,854	\$23,854	\$36,650
Current Law Funding**	<u>6,854</u>	<u>6,854</u>	<u>6,854</u>	<u>6,854</u>	<u>6,854</u>
Funding Increase	\$2,662	\$7,000	\$12,000	\$17,000	\$29,797

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

**Assumes proposed fiscal 2009 funding level would be maintained in future years.

Local Revenues: State aid to local jurisdictions could increase by an estimated \$2.7 million in fiscal 2010. **Exhibit 2** shows estimates of the funding levels by jurisdiction and compares the funding to projected fiscal 2009 allocations of adult education aid. The exhibit suggests that as many as 12 counties may receive hold harmless grants in fiscal 2010 to avoid any decreases in funding from fiscal 2009 to 2010.

Exhibit 2
Estimated Fiscal 2010 Funding for the Proposed Adult Education Formula
(\$ in Thousands)

<u>County</u>	<u>Est. FY08</u>	<u>FY 2010</u>		<u>Est. FY10</u>	<u>Proposed</u>	<u>Est.</u>
	<u>FTE</u>	<u>Formula</u>	<u>Hold</u>		<u>FY09</u>	<u>Increase</u>
	<u>Students</u>		<u>Harmless</u>	<u>Total</u>	<u>Aid</u>	<u>FY09-10</u>
Allegany	113	\$109	\$64	\$173	\$173	\$0
Anne Arundel	760	288	40	328	328	0
Baltimore City	2,098	2,047	0	2,047	981	1,066
Baltimore	2,055	993	0	993	693	301
Calvert	144	56	101	157	157	0
Caroline	78	49	0	49	0	49
Carroll	258	115	91	206	206	0
Cecil	189	98	6	103	103	0
Charles	448	199	62	261	261	0
Dorchester	86	48	79	127	127	0
Frederick	818	337	0	337	235	102
Garrett	51	47	0	47	38	9
Harford	641	298	0	298	171	127
Howard	1,214	459	0	459	286	174
Kent	94	47	17	64	64	0
Montgomery	3,890	1,472	0	1,472	394	1,078
Pr. George's	2,613	1,567	0	1,567	390	1,177
Qu. Anne's	148	56	17	73	73	0
St. Mary's	106	50	116	166	166	0
Somerset	85	76	41	118	118	0
Talbot	39	47	0	47	0	47
Washington	297	164	0	164	150	14
Wicomico	283	182	0	182	165	17
Worcester	106	47	27	75	75	0
Unallocated		0	0	0	1,500	(1,500)
State	16,614	\$8,854	\$662	\$9,515	\$6,854	\$2,662

In future years, State aid increases for individual jurisdictions will depend to a large extent on where the growth in adult education enrollments occurs. Enrollment changes for specific jurisdictions cannot be reliably estimated at this time. Once the formula is

fully funded, no jurisdiction will receive less than \$100,000 annually and no jurisdiction will receive a decrease in adult education funding from one fiscal year to the next.

Local Expenditures: In addition to increased State aid, local expenditures could increase to provide the local shares of the new adult education formula. As shown in **Exhibit 3**, the required local shares for fiscal 2010 total an estimated \$5.0 million, which is the cap placed on local funding shares for that fiscal year. The amounts represent estimates of the total required local spending levels for adult education in the counties. Depending on the amounts currently being spent, the local shares do not necessarily reflect spending increases. Local funding shares may come from local, private, or federal sources.

Exhibit 3
Estimated Fiscal 2010 Local Share of Adult Education Formula

<u>County</u>	<u>Local Share</u>	<u>County</u>	<u>Local Share</u>
Allegany	\$0	Harford	\$214,089
Anne Arundel	299,903	Howard	479,055
Baltimore City	15,215	Kent	35,942
Baltimore	671,763	Montgomery	1,535,030
Calvert	56,824	Prince George's	711,839
Caroline	16,919	Queen Anne's	58,402
Carroll	91,900	St. Mary's	35,090
Cecil	56,432	Somerset	2,928
Charles	161,979	Talbot	15,390
Dorchester	23,163	Washington	81,103
Frederick	316,451	Wicomico	59,780
Garrett	18,975	Worcester	41,829
State		\$5,000,000	

In future years, local shares will grow in accordance with local FTE enrollments in adult education programs. Assuming growth of 14% to 19% annually, the local share will increase to an estimated \$22.5 million by fiscal 2014. Projections of State aid, local shares, and total funding for adult education are shown in **Exhibit 4**.

Exhibit 4
Estimated State and Local Funding for Adult Education
Fiscal 2010-2013
(\$ in Thousands)

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Total State Funding	\$9,515	\$13,854	\$18,854	\$23,854	\$36,650
Total Local Shares	<u>5,000</u>	<u>10,000</u>	<u>14,199</u>	<u>17,904</u>	<u>22,542</u>
Total Funding	\$14,515	\$23,854	\$33,052	\$41,758	\$59,192

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.

Additional Information

Prior Introductions: The formula that would be established by this bill was initially introduced as 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.

Last year, cross filed bills (SB 231/HB 150) were again introduced to establish the formula in law. SB 231 received an unfavorable report from the Senate Budget and Taxation Committee, and the House Committee on Ways and Means took no action on HB 150 after holding a hearing for the bill.

Cross File: HB 978 (Delegate Hixson, *et al.*) – Ways and Means.

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

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mll/rhh

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