

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

House Bill 1239
 Ways and Means

(Delegate Stocksdales, *et al.*)

Education - Foster Child Incentive Program

This bill establishes a Foster Child Incentive Program to allow a child in foster care to attend a participating private school or a participating public school outside of the child's home school system. For each child who participates in the program and attends a qualifying school, the child's home school system must pay the local current expense per student or the full cost of tuition for the participating school, whichever is less.

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: General fund expenditures would increase by an estimated \$269,500 in FY 2009 to administer the Foster Child Incentive Program. Future year expenditure estimates reflect the cost of an evaluation of the program in FY 2010 and 2011, regular salary increases, and inflation. In addition, general fund expenditures for education aid could decrease, depending on the number of foster care children who transfer out of public schools and into private schools. Revenues would not be affected.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	269,500	507,200	519,900	283,400	297,500
Net Effect	(\$269,500)	(\$507,200)	(\$519,900)	(\$283,400)	(\$297,500)

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

Local Effect: Local school expenditures to pay tuition for foster care children could increase significantly beginning in FY 2009. Local school revenues from State aid could decrease beginning in FY 2010, depending on the number of foster care children who

transfer out of public schools and into private schools. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Meaningful.

Analysis

Bill Summary: A foster parent or legal guardian of a child in foster care may enroll the foster child in a participating school, and the child may stay in the Foster Child Incentive Program until the child graduates from high school or turns 21. Participating 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 school may not refund, rebate, or share scholarship monies with foster care children or their foster parents or guardians.

To be eligible to participate in the program, a 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 school will not discriminate against a 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 participating 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 participating 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.

MSDE must certify schools that are eligible to participate in the program; distribute a list of schools participating in the program; develop a uniform application for the program;

and debar 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 school.

By December 1, 2010, 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, 2010.

Current Law: Local school systems do not provide scholarship funds for students to attend private schools or public schools in other systems. Public schools are funded with a combination of State, local, and federal funds, and students attend the schools free of charge. In general, a student must attend the appropriate level public school in the attendance area of the student's permanent residence. For situations in which students are permitted to attend schools in other districts, the "sending" school system must reimburse the "receiving" system.

Background: Scholarship or school voucher programs targeted to specific student populations have been implemented in the District of Columbia and seven states – Arizona, Florida, Maine, Ohio, Utah, Vermont, and Wisconsin. Some of the programs provide vouchers to low-income or special education students, while other programs make vouchers available to students in struggling schools or to foster care children. All of the voucher programs operating in the United States target a specific subset of the general student population.

According to documentation from the Department of Human Resources, there were 9,931 foster care children as of December 2007. Of these, 6,050 or 61% were from Baltimore City. A statistical report from MSDE identifies 1,258 nonpublic schools in Maryland, but a significant number of these schools (482 or 38%) serve only prekindergarten and/or kindergarten students.

State Expenditures: General fund expenditures could increase by an estimated \$269,476 in fiscal 2009, which accounts for the bill's June 1, 2008 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;
- an auditor to track participating schools' compliance with the program;
- a budget specialist to track payments from financially responsible counties to participating schools and to monitor local school system expenditures for the program; 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.

Positions	4
Salaries and Fringe Benefits	\$247,451
Operating Expenses	<u>22,025</u>
Total FY 2009 State Expenditures	\$269,476

Future year expenditures reflect • a contract for the evaluation of the program, which is expected to cost at least \$500,000 and would be paid in fiscal 2010 and 2011; • full salaries with 4.4% annual increases and 3% employee turnover; and • 2% annual increases in ongoing operating expenses.

All the funding for foster children scholarships would be paid by local school systems so there would be no State tuition costs. However, State aid for local school systems would decrease to the extent that the program results in students transferring from public schools to private schools. A significant amount of State education aid is based on student enrollments from the prior year, so any reduction in public school enrollments in one year would decrease State aid in the following fiscal year. The number of foster care children who might transfer from public schools to private schools cannot be reliably estimated. However, if 1,000 students are removed from the public school enrollment count because they are attending private schools, there would be a decrease of at least \$3.5 million in State aid the following year.

Local Fiscal Effect: Local school system expenditures would increase in fiscal 2009 to pay the local per student current expense to schools that enroll foster care children participating in the new program. It is unclear what advantage a public school would gain by joining the program, so it is assumed that only private schools would participate. **Exhibit 1** shows the number of foster care children from each local jurisdiction as of December 2007 and the estimated local current expenses for fiscal 2009. The local current expenses vary considerably among the jurisdictions, meaning the maximum scholarship amounts would likewise vary depending on each child's home county. Exhibit 1 also calculates a maximum expenditure level for each school system based on the number of foster care children from the jurisdiction and the per pupil current expense estimated for fiscal 2009.

Exhibit 1
Number of Foster Care Children and Fiscal 2009 Local Current Expenses Per Pupil

County	Foster Care Children	Local Current Expenses Per Pupil	Maximum Expenditure Level
Allegany	111	\$3,155	\$350,205
Anne Arundel	208	7,152	1,487,616
Baltimore City	6,050	2,692	16,286,600
Baltimore	674	6,176	4,162,624
Calvert	60	5,807	348,420
Caroline	46	2,290	105,340
Carroll	54	5,392	291,168
Cecil	157	4,180	656,260
Charles	86	5,257	452,102
Dorchester	38	3,738	142,044
Frederick	162	5,793	938,466
Garrett	44	5,019	220,836
Harford	287	5,232	1,501,584
Howard	81	8,802	712,962
Kent	14	7,536	105,504
Montgomery	572	10,775	6,163,300
Prince George's	585	5,027	2,940,795
Queen Anne's	21	5,898	123,858
St. Mary's	95	4,743	450,585
Somerset	62	3,251	201,562
Talbot	34	7,498	254,932
Washington	267	4,038	1,078,146
Wicomico	154	3,568	549,472
Worcester	51	10,403	530,553
Total	9,913	--	\$40,054,934

Source: Department of Human Resources; Department of Legislative Services

The maximum expenditure level totals \$40.1 million for all counties, but it is unlikely that actual local expenditures would approach this amount. Some foster care parents may prefer to send their children to local public schools and the scholarship amounts that would be provided for many students may not be enough to persuade other foster parents to use the program. However, if 20% of the eligible students used the scholarship

program to attend private schools, nearly 2,000 students would participate and local school expenditures for the scholarships could increase by approximately \$8.0 million.

Since most of the foster children who would participate in the program would be moving from public schools to private schools, some school-related expenditures would decrease for local school systems. It is not expected, however, that the savings realized through the reduction in the public school enrollments would necessarily equal the expenditures for tuition scholarships.

Local school system revenues from State aid would also decrease in accordance with any transfer of foster care children from public schools to private schools. For every 1,000 foster care children attending a private school instead of a public school, local school revenues would decrease by at least \$3.5 million the following school year.

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 for tuition.

Additional Information

Prior Introductions: HB 1002 of 2007, a somewhat similar bill, received a hearing from the House Committee on Ways and Means but no further action was taken on the bill.

Cross File: None.

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

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