

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

House Bill 365 (Delegate Hixson, *et al.*)
 Ways and Means

Labor and Employment - Adult Education and Literacy Grants - Funding Formula

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 2011, the Adult Education and Literacy Services Office must provide competitive adult education grants to eligible local adult education providers using the new formula. The new formula will be fully phased in in fiscal 2015. The Adult Education and Literacy Services Office must adopt regulations to implement the grant program.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: General fund expenditures increase by an estimated \$2.9 million in FY 2011 to begin funding 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 2015. **This bill establishes a mandated appropriation beginning in FY 2011.** Revenues are not affected.

(\$ in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	2.9	7.0	12.0	17.0	29.9
Net Effect	(\$2.9)	(\$7.0)	(\$12.0)	(\$17.0)	(\$29.9)

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

Local Effect: Local revenues from State aid for adult education increase by an estimated \$2.9 million in FY 2011 and by an estimated \$29.9 million in FY 2015. To be eligible for the State grants, local expenditures for adult education programs have to total an estimated \$5.0 million in FY 2011 and an estimated \$22.5 million in FY 2015.

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 2012) 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 2011, \$13.9 million in fiscal 2012, \$18.9 million in fiscal 2013, and \$23.9 million in fiscal 2014. After fiscal 2014, 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 2011, \$10 million in fiscal 2012, \$15 million in fiscal 2013, and \$20 million in fiscal 2014. 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: The Maryland State Department of Education (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.

Chapter 134 of 2008 transfers responsibility for adult education services from MSDE to the Department of Labor, Licensing, and Regulation effective July 1, 2009.

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 approximately one million Marylanders 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 Governor’s proposed fiscal 2010 State budget includes \$6.9 million in State general funds for adult education. The State aid will be distributed to local adult education providers. In most counties the local school systems provide adult education programs, but in a number of counties 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 increase by an estimated \$2.9 million in fiscal 2011 to reach the \$8.9 million maximum formula funding level for that fiscal year and provide approximately \$942,000 in hold harmless grants to ensure that no county receives less State funding in fiscal 2011 than it does in fiscal 2010. In fiscal 2012 through 2014, the maximum aggregate State grant amounts increase by \$5.0 million per year, from \$13.9 million in fiscal 2012 to \$23.9 million in fiscal 2014. Statewide FTE enrollments, per FTE student amounts, and State funding levels for fiscal 2011 through 2015 are estimated in **Exhibit 1**. By fiscal 2015, general fund expenditures increase by \$29.9 million. Current projections suggest that no hold harmless grants are needed after fiscal 2011.

Exhibit 1
Projected Enrollment and State Funding
Fiscal 2011-2015

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Weighted FTE Enrollment*	16,614	19,685	22,555	26,000	30,191
Per Pupil Amount	\$2,004	\$2,044	\$2,086	\$2,138	\$2,191
	(\$ in Thousands)				
State Formula Funding	\$8,854	\$13,854	\$18,854	\$23,854	\$36,722
Hold Harmless	<u>\$942</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Formula Amount	\$9,795	\$13,854	\$18,854	\$23,854	\$36,722
Less Current Funding**	<u>\$6,854</u>	<u>\$6,854</u>	<u>\$6,854</u>	<u>\$6,854</u>	<u>\$6,854</u>
Funding Increase	\$2,942	\$7,000	\$12,000	\$17,000	\$29,868

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

**Assumes proposed fiscal 2010 funding level will be maintained in future years.

Local Revenues: State aid to local jurisdictions increases by an estimated \$2.9 million in fiscal 2011. **Exhibit 2** shows estimates of the funding levels by jurisdiction and compares the funding to projected fiscal 2010 allocations of adult education aid. The exhibit suggests that as many as 11 counties may receive hold harmless grants in fiscal 2011 to avoid any decreases in funding from fiscal 2010 to 2011.

Exhibit 2
Estimated Fiscal 2011 Funding for the Proposed Adult Education Formula
(\$ in Thousands)

<u>County</u>	<u>Est. FY 2009 Weighted FTE Students</u>	<u>FY 2011</u>		<u>Estimated Total</u>	<u>Proposed FY 2010 Aid</u>	<u>Estimated Change FY10-11</u>
		<u>Formula</u>	<u>Hold Harmless</u>			
Allegany	113	\$116	\$72	\$188	\$188	\$0
Anne Arundel	760	291	112	403	403	0
Baltimore City	2,098	2,043	0	2,043	1,136	907
Baltimore	2,055	1,006	0	1,006	795	210
Calvert	144	57	143	200	200	0
Caroline	78	50	0	50	0	50
Carroll	258	116	0	116	50	66
Cecil	189	98	6	104	104	0
Charles	448	199	137	335	335	0
Dorchester	86	49	99	148	148	0
Frederick	818	347	0	347	310	37
Garrett	51	48	0	48	39	9
Harford	641	300	0	300	172	128
Howard	1,214	465	0	465	438	27
Kent	94	48	31	79	79	0
Montgomery	3,890	1,489	0	1,489	465	1,024
Prince George's	2,613	1,489	0	1,489	771	718
Queen Anne's	148	57	31	88	88	0
St. Mary's	106	50	131	181	181	0
Somerset	85	77	55	132	132	0
Talbot	39	48	0	48	0	48
Washington	297	170	0	170	152	18
Wicomico	283	193	84	277	277	0
Worcester	106	48	42	90	90	0
Unallocated		0	0	0	300	(300)
State	16,614	\$8,854	\$942	\$9,795	\$6,854	\$2,942

In future years, State aid increases for individual jurisdictions 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 receives less than \$100,000 annually and no jurisdiction receives a decrease in adult education funding from one fiscal year to the next.

Local Expenditures: In addition to increased State aid, local expenditures may increase to provide the local shares of the new adult education formula. As shown in **Exhibit 3**, the required local shares for fiscal 2011 total an estimated \$5.0 million, which is the cap placed on local funding shares for that 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 2011 Local Share of Adult Education Formula

<u>County</u>	<u>Local Share</u>	<u>County</u>	<u>Local Share</u>
Allegany	\$0	Harford	\$212,395
Anne Arundel	295,596	Howard	472,175
Baltimore City	32,624	Kent	35,389
Baltimore	661,345	Montgomery	1,512,983
Calvert	56,008	Prince George's	766,428
Caroline	16,398	Queen Anne's	57,563
Carroll	91,171	St. Mary's	34,680
Cecil	55,871	Somerset	2,676
Charles	161,712	Talbot	15,169
Dorchester	22,377	Washington	77,378
Frederick	307,659	Wicomico	52,465
Garrett	18,710	Worcester	41,228
State		\$5,000,000	

In future years, local shares grow in accordance with local FTE enrollments in adult education programs. Assuming growth of 14% to 19% annually, the local share increases to an estimated \$23.6 million by fiscal 2015. 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 2011-2015
(\$ in Thousands)

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Total State Funding	\$9,795	\$13,854	\$18,854	\$23,854	\$36,722
Total Local Shares	<u>5,000</u>	<u>10,000</u>	<u>14,615</u>	<u>18,634</u>	<u>23,556</u>
Total Funding	\$14,795	\$23,854	\$33,469	\$42,487	\$60,277

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 benefit.

Additional Information

Prior Introductions: Very similar cross filed bills, SB 647/HB 978 of 2008, received hearings from the Senate Budget and Taxation Committee and the House Ways and Means Committee, but no further action was taken.

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. In 2007, SB 231/HB 150 were again introduced to establish the formula in law, but both bills were unsuccessful.

Cross File: None.

Information Source(s): Baltimore, Garrett, Howard, and Montgomery counties; Maryland State Department of Education; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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ncs/mwc

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