

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

House Bill 1329 (Delegate Stocksdale)
 Ways and Means

State Aid for Education - Full-Time Equivalent Enrollment - Calculation

This bill changes the definition of “full-time equivalent enrollment” for purposes of State aid calculations from the number of students enrolled on September 30 of the prior school year to the average of student attendance on September 30 and April 15 of the prior school year.

The bill takes effect July 1, 2009, and applies to the calculation of payments of State aid for education for fiscal years beginning after June 30, 2010.

Fiscal Summary

State Effect: General fund expenditures decrease by an estimated \$181.1 million in FY 2011 due to the use of a lower student enrollment count in the calculation of State education aid. Future year expenditure reductions reflect inflation and projected decreases in teachers’ retirement beginning in FY 2013. Revenues are not affected.

(\$ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	(181.1)	(180.8)	(202.9)	(209.1)
Net Effect	\$0	\$181.1	\$180.8	\$202.9	\$209.1

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

Local Effect: Local school revenues from State aid decrease by an estimated \$181.1 million in FY 2011 due to the change in the calculation of student enrollment. Required local funding for public school systems will also decline beginning in FY 2011.

Small Business Effect: None.

Analysis

Current Law: Student enrollment counts from September 30 of the prior school year are used in the calculation of State education aid formulas.

Background: The foundation program is the major State aid program for primary and secondary education and is calculated by multiplying the annual per pupil foundation amount by each local school system's full-time equivalent (FTE) enrollment from September 30 of the previous school year. Foundation program costs are shared by the State and the local jurisdictions, with less wealthy jurisdictions receiving more State aid per pupil and more wealthy jurisdictions receiving less State aid per pupil. The per pupil foundation amount used in the formula is \$6,694 in fiscal 2010 and will increase with inflation in future fiscal years.

To be eligible to receive the State's share of foundation program funding, the local governing body must appropriate local funds to the school operating budget on a per pupil basis in an amount no less than the per pupil contribution from the previous year. This minimum amount must also comprise at least the local share of the foundation.

For the 2007-2008 school year, the Maryland State Department of Education (MSDE) reports an average daily attendance (ADA) percentage of 94.0%, meaning approximately 94 of every 100 students enrolled in public schools each day actually showed up for school. This rate varies by grade level, with prekindergarten students and secondary students having lower ADA rates than students in kindergarten through grade 6. There is also variation among the 24 local school systems. **Exhibit 1** shows the ADA percentages for local school systems, which range from 90.2% in Baltimore City to 95.7% in Howard County.

State Expenditures: General fund expenditures decrease by an estimated \$181.1 million in fiscal 2011, the first year average student attendance on April 15 and September 30 will be used to calculate State aid. The changes in each of the major State aid programs for fiscal 2011 are estimated in **Exhibit 2**. Reduced State aid levels continue after fiscal 2011 due to the use of lower enrollment counts.

Exhibit 1
Average Daily Attendance Rates
2007-2008 School Year

Allegany	94.0%	Harford	94.7%
Anne Arundel	94.6%	Howard	95.7%
Baltimore City	90.2%	Kent	93.1%
Baltimore	93.9%	Montgomery	95.2%
Calvert	95.3%	Prince George's	93.3%
Caroline	94.0%	Queen Anne's	93.9%
Carroll	95.2%	St. Mary's	94.8%
Cecil	92.7%	Somerset	93.6%
Charles	94.6%	Talbot	94.9%
Dorchester	91.7%	Washington	95.2%
Frederick	94.6%	Wicomico	94.1%
Garrett	94.7%	Worcester	94.2%

Source: Maryland State Department of Education

Exhibit 2
Projected Changes in State Aid Programs Using Average Student Attendance on
April 15 and September 30
Fiscal 2011
(\$ in Millions)

<u>Program</u>	<u>HB 1329</u>	<u>Current Law</u>	<u>Change</u>
Foundation Program	\$2,652.6	\$2,820.4	(\$167.7)
Geographic Cost of Education Index	120.5	128.7	(8.2)
Compensatory Education	965.9	968.7	(2.8)
Special Education Formula	272.9	273.8	(0.9)
Limited English Proficiency	164.4	165.0	(0.6)
Guaranteed Tax Base	67.4	67.8	(0.4)
Student Transportation	248.7	249.3	(0.6)
GF Expenditures for Direct Aid	\$4,541.0	\$4,722.1	(\$181.1)

Reductions in State aid beginning in fiscal 2011 will also slow the growth of teachers' retirement costs, which are paid by the State on behalf of local school systems. The majority of funding for local school systems supports personnel costs, so reducing State aid to school systems is likely to reduce the number of new personnel hired by school systems and/or reduce growth in the salaries of existing school staff. Either of these outcomes will slow growth in the professional salary bases of local school systems and reduce future retirement costs.

State payments for the teachers' retirement program are calculated using actual school system salary bases from the second prior fiscal year. Lower State aid levels beginning in fiscal 2011, therefore, will affect teachers' retirement payments beginning in fiscal 2013. The reductions are estimated at \$17.6 million in fiscal 2013 and \$19.0 million in fiscal 2014. The projected impact of the bill through fiscal 2014 is detailed in **Exhibit 3**.

Exhibit 3
Estimated Impact on General Fund Expenditures of
Using Average Student Attendance
Fiscal 2011 to 2014
(\$ in Millions)

<u>Program</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
Foundation Program	(167.7)	(167.4)	(171.1)	(175.0)
Geographic Cost of Education Index	(8.2)	(8.1)	(8.3)	(8.4)
Compensatory Education	(2.8)	(2.8)	(2.9)	(2.9)
Special Education Formula	(0.9)	(0.9)	(0.9)	(0.9)
Limited English Proficiency	(0.6)	(0.7)	(0.7)	(0.8)
Guaranteed Tax Base	(0.4)	(0.3)	(0.9)	(1.4)
Student Transportation	(0.6)	(0.6)	(0.6)	(0.6)
Direct Aid Subtotal	(181.1)	(180.8)	(185.3)	(190.1)
Teachers' Retirement	0.0	0.0	(17.6)	(19.0)
Total	(181.1)	(180.8)	(202.9)	(209.1)

Local Revenues: Direct State aid for local school systems decreases by an estimated \$181.1 million in fiscal 2011 and by an estimated \$190.1 million in fiscal 2014. The impact will not be evenly distributed across the school systems because of the differences in anticipated attendance rates, and the wealth equalization of State education aid. The impact of the bill on each local school system is projected in **Exhibit 4**.

Local Expenditures: To be eligible for the State share of the foundation program, each county's governing body must appropriate local funds to its local school system in an amount per student that is no less than the amount provided per student for the prior fiscal year. The student count used to determine the minimum local appropriation is the same as the count that is used to calculate State funding. Therefore, county appropriations to local school systems may decrease beginning in fiscal 2011 to reflect the revised student counts. However, counties often provide funding over the minimum required amount, and even when student enrollment is declining, counties rarely decrease their funding levels from one fiscal year to the next.

Additional Comments: Although the bill requires the use of April 15 attendance from the previous school year, April 15 attendance from the *second* prior school year would have to be used in order to have an enrollment figure in time for use in preparing the annual State budget.

Additional Information

Prior Introductions: A similar bill, HB 738 of 2008, which would have required using ADA to calculate State aid, received an unfavorable report from the House Ways and Means Committee.

Cross File: None.

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

Fiscal Note History: First Reader - March 17, 2009
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Exhibit 4
Projected Impact on Direct State Aid of Calculating School Enrollment Using Average Student Attendance on April 15 and September 30

County	Total Direct Aid (\$ in Millions)				Per Pupil Direct Aid			
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2011	FY 2012	FY 2013	FY 2014
Allegany	(\$1.9)	(\$1.8)	(\$2.5)	(\$3.1)	(\$221)	(\$221)	(\$301)	(\$383)
Anne Arundel	(\$8.7)	(\$8.5)	(\$8.7)	(\$8.8)	(\$121)	(\$119)	(\$120)	(\$121)
Baltimore City	(\$56.0)	(\$55.1)	(\$55.9)	(\$57.1)	(\$753)	(\$750)	(\$762)	(\$780)
Baltimore	(\$20.5)	(\$20.8)	(\$21.5)	(\$22.4)	(\$207)	(\$209)	(\$214)	(\$221)
Calvert	(\$2.3)	(\$2.3)	(\$2.3)	(\$2.4)	(\$136)	(\$136)	(\$139)	(\$140)
Caroline	(\$1.2)	(\$1.2)	(\$1.3)	(\$1.3)	(\$221)	(\$219)	(\$224)	(\$228)
Carroll	(\$3.7)	(\$3.7)	(\$3.7)	(\$3.7)	(\$136)	(\$136)	(\$137)	(\$136)
Cecil	(\$5.9)	(\$6.0)	(\$6.2)	(\$6.5)	(\$379)	(\$377)	(\$385)	(\$393)
Charles	(\$4.3)	(\$4.3)	(\$4.4)	(\$4.5)	(\$164)	(\$162)	(\$164)	(\$164)
Dorchester	(\$2.0)	(\$2.1)	(\$2.2)	(\$2.3)	(\$459)	(\$463)	(\$493)	(\$501)
Frederick	(\$7.5)	(\$7.6)	(\$7.8)	(\$7.9)	(\$187)	(\$187)	(\$189)	(\$192)
Garrett	(\$0.6)	(\$0.6)	(\$0.6)	(\$0.6)	(\$150)	(\$153)	(\$145)	(\$148)
Harford	(\$6.6)	(\$6.6)	(\$6.8)	(\$7.0)	(\$176)	(\$176)	(\$178)	(\$180)
Howard	(\$3.5)	(\$3.4)	(\$3.3)	(\$3.2)	(\$71)	(\$70)	(\$67)	(\$65)
Kent	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.3)	(\$172)	(\$168)	(\$168)	(\$169)
Montgomery	(\$5.0)	(\$5.4)	(\$5.8)	(\$6.0)	(\$36)	(\$39)	(\$41)	(\$43)
Prince George's	(\$40.7)	(\$40.5)	(\$41.2)	(\$41.9)	(\$341)	(\$342)	(\$349)	(\$353)
Queen Anne's	(\$1.4)	(\$1.4)	(\$1.5)	(\$1.5)	(\$182)	(\$182)	(\$183)	(\$183)
St. Mary's	(\$2.8)	(\$2.9)	(\$3.0)	(\$3.1)	(\$170)	(\$172)	(\$177)	(\$177)
Somerset	(\$0.7)	(\$0.7)	(\$0.8)	(\$0.8)	(\$265)	(\$267)	(\$275)	(\$279)
Talbot	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)	(\$53)	(\$52)	(\$54)	(\$54)
Washington	(\$1.9)	(\$1.9)	(\$2.0)	(\$2.0)	(\$87)	(\$85)	(\$85)	(\$84)
Wicomico	(\$2.9)	(\$3.0)	(\$3.0)	(\$3.1)	(\$199)	(\$199)	(\$200)	(\$202)
Worcester	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)	(\$60)	(\$60)	(\$61)	(\$62)
Total	(\$181.1)	(\$180.8)	(\$185.3)	(\$190.1)	(\$223)	(\$222)	(\$226)	(\$226)