

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 737 (Senator Pipkin)
Budget and Taxation

Education - Foundation Program - Per-Pupil Adjustment for Salaries

This bill establishes an administrative salary grant that the State must distribute annually to each local school system. The salary grant is determined by calculating the statewide average of prior year salaries of local superintendents, chief financial officers, and the highest salaried assistant superintendents in each school system. The bill also reduces the per pupil foundation amount used in calculating the foundation program, by subtracting from it the statewide cost of administrative salary grants divided by statewide full-time equivalent (FTE) enrollment.

The bill takes effect July 1, 2011.

Fiscal Summary

State Effect: General fund expenditures in the form of State aid to local school systems decrease by approximately \$140,000 in FY 2012. The Maryland State Department of Education (MSDE) can administer salary grants with existing resources. Future year expenditures depend upon changes in local wealth and overall enrollment. Revenues are not affected.

Local Effect: Local school systems with FTE enrollment above the statewide average will realize annual reductions in State aid for education; those with lower than average enrollment will realize increased aid. State aid for the geographic cost of education index (GCEI) is reduced due to the reduction in the total foundation program. The change in funding will vary considerably and will generally be greatest for those school systems furthest from the State FTE enrollment average.

Small Business Effect: None.

Analysis

Current Law/Background: State financing of public schools changed considerably in fiscal 2004 with the implementation of new funding formulas established by Chapter 288 of 2002, the Bridge to Excellence in Public Schools Act. The financing structure established by the Act is based on the concept of “adequacy” – an empirical estimate of the amount of funding needed by schools and school systems in order to obtain the resources needed to reasonably expect that students can meet the State’s academic performance standards. State education aid formulas incorporate the adequacy concept by ensuring a minimum per pupil funding level; providing additional funding based on enrollments of at-risk students; and granting additional aid to school systems with higher educational resource costs, via GCEI.

The great majority of State education aid is distributed to local school systems through formulas that are based primarily on student enrollment counts and local wealth (as derived from assessed property values and net taxable income in each county). The State share of minimum foundation funding varies by county, but may be no less than 15% of total foundation funding. State education aid formulas do not include an adjustment for the size of a school system, as determined by FTE enrollment.

The job titles for local school officials vary across local school systems. While each local school system has a superintendent (chief executive officer in Baltimore City), some may not have an official with the specific title of assistant superintendent or chief financial officer.

State Fiscal Effect: The following analysis presents estimates based on salary data from MSDE for the 2010-2011 school year, assumes that MSDE will identify for each local school system one individual for each of the three position categories (superintendent, assistant superintendent, and chief financial officer) for the purpose of determining the annual administrative salary grant; and imputes some salary figures based on actual reported figures. For fiscal 2012, administrative salary grants are estimated at approximately \$472,100. Each local school system would receive a grant of this amount.

The increase in general fund expenditures for the administrative salary grants is generally offset by a decrease in the State share of the foundation program. However, the aid calculations under current law and under the bill do not match perfectly because of the impact of the 15% minimum floors on the State share of the foundation. In addition, State funding under GCEI is reduced slightly due to the lower foundation program calculation established in the bill through the adjusted per pupil foundation amount. In total, State aid for education is expected to decrease by an estimated \$140,000 in fiscal 2012. Future year changes depend upon changes in local wealth and overall enrollment, which will drive the relative effects of the 15% floor and GCEI on

expenditures each year. Estimates for fiscal 2013 through 2016 range from a \$314,000 increase, to a \$1.9 million decrease in State expenditures.

Local Fiscal Effect: In effect, the bill reduces State funding to local school systems with FTE enrollment above the statewide average and increases State funding to school systems with below average FTE enrollment. **Exhibit 1** shows the fiscal 2012 estimated change in State aid to local school systems under the bill, along with enrollment figures, by county.

The administrative salary grant mechanism may also place some downward pressure on the salaries of specified school officials in larger school systems, while possibly having the opposite effect for smaller school systems.

Additional Information

Prior Introductions: None.

Cross File: HB 945 (Kent County Delegation) - Ways and Means.

Information Source(s): Carroll, Harford, and Montgomery counties; Maryland State Department of Education; Maryland Association of Counties; Department of Legislative Services

Fiscal Note History: First Reader - March 7, 2011
ncs/mwc

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Exhibit 1
Impact on State Aid for Local School Systems
Fiscal 2012

County	Change in State Aid	FTE Enrollment
Allegany	\$354,582	8,515
Anne Arundel	(562,640)	73,655
Baltimore City	(658,418)	78,619
Baltimore	(923,514)	100,328
Calvert	241,372	16,375
Caroline	400,697	5,174
Carroll	93,425	27,061
Cecil	260,303	15,347
Charles	106,756	25,955
Dorchester	411,758	4,372
Frederick	(81,328)	39,163
Garrett	415,733	4,084
Harford	(46,650)	37,590
Howard	(227,505)	49,946
Kent	443,728	2,035
Montgomery	(1,531,326)	140,402
Prince George's	(1,260,587)	119,806
Queen Anne's	367,607	7,489
St. Mary's	244,742	16,442
Somerset	434,825	2,701
Talbot	463,280	4,257
Washington	173,384	21,646
Wicomico	281,207	13,832
Worcester	459,016	6,317
Total	(\$139,551)	821,109
Average	(\$5,815)	34,213
