

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 980
Ways and Means

(Delegate Alston)

County Boards of Education - Children in Home Instruction Programs

This bill requires a local board of education to count children receiving home instruction programs under written agreements with the local superintendent of schools in the county's full-time equivalent (FTE) enrollment. A child must be counted in FTE enrollment if the child's parent agrees to require the child to participate in the regularly scheduled standardized testing programs administered in the public school the child is eligible to attend. In return, the local board of education must remit money to the parent that is no less than 10%, but no more than 25%, of the annual per pupil foundation amount. The parent must use the money only to purchase educational materials for the child's home instruction. The bill also alters the definition of FTE enrollment, which is used in determining State formula aid for education, to include the children participating in home instruction under the specified written agreement.

The bill takes effect July 1, 2012.

Fiscal Summary

State Effect: Assuming about 75% of home-schooled students participate in return for educational material payments, general fund expenditures for education aid increase by \$62.9 million in FY 2013 due to increases in FTE enrollment counts. Future year increases reflect a stable number of participating students and ongoing State aid increases. Revenues are not affected.

(in dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	62,877,100	63,608,200	64,095,700	65,429,100	66,851,000
Net Effect	(\$62,877,100)	(\$63,608,200)	(\$64,095,700)	(\$65,429,100)	(\$66,851,000)

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

Local Effect: Local school system revenues from direct State aid increase by an estimated \$62.9 million in FY 2013, increasing to \$66.9 million by FY 2017. Required county and Baltimore City maintenance of effort appropriations to local school systems increase by an estimated \$102.2 million, in FY 2013. Local school expenditures for payments to the parents and guardians of home-schooled students increase by approximately \$11.2 million to \$29.2 million in FY 2013. Local school system expenditures for standardized testing increase minimally, beginning in FY 2013, to the extent that the allowable parental expenditure on tests does not cover these costs. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: Educational materials that a parent may purchase include: instructional, reading, and creative materials; worksheets and workbooks; and tests.

Current Law:

Home Instruction Programs

The Maryland Code of Regulations (COMAR 13A.10.01) establishes a procedure to be used by local school systems to determine if a child participating in a home instruction program is receiving regular, thorough instruction during the school year in the studies usually taught in the public schools to children of the same age. The home instruction program must:

- include instruction in English, mathematics, science, social studies, art, music, health, and physical education; and
- take place on a regular basis during the school year and be of sufficient duration to implement the instruction program.

Supervision from the local school board includes review of educational materials at the conclusion of each local school system semester. Also, not more than three times during a school year, a local school system representative must be permitted to not only review educational materials, but also to discuss the instructional program and observe instruction that is provided. A local school system may not impose requirements for the home instruction of those students under the school system's supervision beyond those specified in COMAR 13A.10.01.

Upon the request of a parent, a child receiving home instruction may participate in the regularly scheduled standardized testing programs that are administered in the public school the child is eligible to attend.

Students may also receive home instruction under the supervision of a State certified nonpublic school or under the supervision of certain schools or organizations operated by a bona fide church organization.

State Aid to Public Schools

FTE student enrollment counts used in the State education aid formulas include all kindergarten through grade 12 students enrolled in each public school system on September 30 of the preceding fiscal year, less out-of-state students attending Maryland schools and discounted for part-time students. The State pays on behalf of each local board of education the entire cost of State retirement benefits for eligible school personnel. Local school boards, however, are required to reimburse the State for retirement expenses that are accrued for personnel who are paid with federal funds.

Background: According to the Maryland State Department of Education, over 22,000 students in Maryland were taught through home instruction during the 2010-2011 school year, ranging from 49 students in Somerset County to 2,488 in Baltimore County. About 10,700, or 48%, of these students were home schooled under supervision of a local board of education. **Exhibit 1** shows the number of students receiving home instruction, by county.

Exhibit 1
Students Receiving Home Instruction
2010-2011 School Year

County	Students
Allegany	208
Anne Arundel	1,863
Baltimore City	1,005
Baltimore	2,488
Calvert	389
Caroline	163
Carroll	1,277
Cecil	1,097
Charles	1,363
Dorchester	85
Frederick	2,305
Garrett	342
Harford	1,401
Howard	1,188
Kent	61
Montgomery	2,418
Prince George's	2,147
Queen Anne's	267
St. Mary's	668
Somerset	49
Talbot	77
Washington	754
Wicomico	380
Worcester	115
Total	22,110

Source: Maryland State Department of Education

State Fiscal Effect: While it is not certain what percentage of parents will enter into the specified agreement with the local superintendent of schools, Legislative Services assumes that well over half of parents will do so. The following analysis assumes that parents of 75% of children in home instruction will take advantage of the incentives provided under the bill.

General fund expenditures for State education aid increase by \$62.9 million in fiscal 2013 due to an increase in the FTE student enrollment count used in the education aid formulas. The largest increase is in the foundation program, the State's main education aid formula, but other programs, such as the geographic cost of education index and the student transportation formula, are also affected because they include an FTE enrollment component. In addition, there will be modest impacts on programs that have a wealth component (specifically, the compensatory education, special education, limited English proficiency, and guaranteed tax base formulas) since wealth is measured on a per FTE student basis.

The projected fiscal 2013 to 2017 impact of the bill by State aid program is detailed in **Exhibit 2**.

Exhibit 2
Estimated Impact on General Fund Expenditures by Education Aid Program
Fiscal 2013-2017
(\$ in Millions)

<u>Program</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Foundation Program	\$57.0	\$57.5	\$58.0	\$59.3	\$60.5
Geographic Cost Index	2.1	2.1	2.1	2.2	2.2
Compensatory Education	0.1	0.2	0.2	0.2	0.2
Special Education Formula	0.2	0.2	0.2	0.2	0.2
Limited English Proficiency	0.2	0.2	0.2	0.2	0.2
Guaranteed Tax Base	(0.4)	(0.3)	(0.4)	(0.5)	(0.5)
Student Transportation	<u>3.8</u>	<u>3.8</u>	<u>3.8</u>	<u>3.9</u>	<u>4.0</u>
Total	\$62.9	\$63.6	\$64.1	\$65.4	\$66.9

Source: Department of Legislative Services

Increasing direct aid to local school systems is also likely to increase teachers' retirement costs in future years. State payments for teachers' retirement are calculated using actual school system salary bases from the second prior fiscal year. Assuming local school systems receive additional State aid in fiscal 2013, retirement payments will increase in fiscal 2015. Although some of the additional funds will be paid out to the families of homeschooled children – and therefore will not result in additional retirement costs – local school systems will have additional funds, some of which are likely to be spent to increase salaries or hire additional personnel. The amount of any increase will depend on local decisions but is likely to add several million additional dollars annually to the cost of the bill.

Local Fiscal Effect: Local school system revenues from direct State aid increase by \$62.9 million overall in fiscal 2013 due to the increase in FTE school enrollment counts used to determine State aid. The projected impact for fiscal 2013 is shown by local school system in **Exhibit 3**. Due to relative changes in FTE school enrollment and wealth equalization factors, Baltimore City and Montgomery County may receive less direct State aid as a result of the bill. The actual changes in State aid will depend in part on the relative participation among the home-schooled students living in different counties.

Exhibit 3
Impact on Local School Revenues from State Aid
Fiscal 2013
(\$ in Thousands)

County	State Aid
Allegany	\$606
Anne Arundel	3,766
Baltimore City	(3,028)
Baltimore	6,314
Calvert	993
Caroline	667
Carroll	5,532
Cecil	6,774
Charles	8,048
Dorchester	154
Frederick	11,416
Garrett	1,433
Harford	5,542
Howard	2,603
Kent	108
Montgomery	(168)
Prince George's	3,525
Queen Anne's	808
St. Mary's	2,761
Somerset	55
Talbot	75
Washington	3,429
Wicomico	1,376
Worcester	90
Total	\$62,877

Source: Department of Legislative Services

Each local school system must remit from 10% to 25% of the per pupil foundation amount to the parent of a student receiving home instruction under the specified agreement with the local superintendent of schools. In fiscal 2013, the per pupil foundation amount is projected to be \$6,761, meaning payments will range from \$676 to \$1,690 per participating student. In total, local school payments to parents and guardians for an estimated 16,585 participating students will range from \$11.2 million to \$29.2 million.

Though current law allows a child receiving home instruction to participate in regularly scheduled public school standardized testing programs, requests for permission to do so will likely increase due to the monetary incentives provided by the bill. The impact on public school finances will be minimal compared to other provisions of the bill.

County governments (and Baltimore City) are required to provide local school systems with at least as much funding per FTE pupil as was provided in the previous fiscal year in order to receive increases in the State share of the foundation formula. Due to the increases in FTE enrollments resulting from the bill, local governments will be required to increase funding for local school systems to comply with the maintenance of effort (MOE) requirement. Local governments often provide funding for public schools above the MOE requirement, so the actual impact of the legislation on local funding for local school systems cannot be reliably estimated. However, minimum required MOE amounts increase by an estimated \$102.2 million in fiscal 2013 assuming roughly 75% participation among home-schooled students.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mc/mwc

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