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FISCAL AND POLICY NOTE
Revised

House Bill 373

(Delegate Braveboy, *et al.*)

Ways and Means

Education, Health, and Environmental Affairs

Education - Age for Compulsory Public School Attendance - Exemptions

This bill phases in increases in the age of compulsory school attendance from 15 to 17. Beginning with the 2015-2016 school year, the age of compulsory school attendance increases from 15 to 16 for any child who turns 16 on or after July 1, 2015. Beginning with the 2017-2018 school year, the age of compulsory school attendance increases from 16 to 17 for any child who turns 17 on or after July 1, 2017. The State Superintendent of Schools may waive the compulsory school attendance age requirement for an individual, and the bill specifies a number of exemptions from the requirement.

The bill also establishes numerous reporting requirements, including a September 1, 2013 report from the Maryland State Department of Education (MSDE) that must include recommendations for programs, interventions, and services necessary prior to implementation of the bill.

The bill takes effect July 1, 2012.

Fiscal Summary

State Effect: General fund expenditures may increase significantly in FY 2015 to support any programs, interventions, and services that MSDE recommends for funding prior to implementation of the older age of compulsory school attendance. General fund expenditures may increase significantly in FY 2016 if the State provides additional funding in the first school year that is subject to the older compulsory school age. General fund expenditures increase by at least \$8.8 million in FY 2017 due to a relatively small number of additional students in the fall 2015 enrollment counts and by approximately \$35.6 million in FY 2018, when a full year of additional students will be included in the enrollment counts. By FY 2020, general fund expenditures may increase by roughly twice the FY 2018 increase due to higher enrollment counts that result from raising the age of compulsory school attendance to 17. Revenues are not affected.

Local Effect: State education aid for programs and interventions necessary to implement the bill may increase significantly beginning in FY 2015. State aid to local school systems increases through the education aid formulas by an estimated \$8.8 million in FY 2017 and by an estimated \$35.6 million in FY 2018 due to higher enrollment counts; however, Carroll and Washington counties may realize reductions in State education aid. Minimum required local appropriations to school systems under the maintenance of effort requirement will increase significantly beginning in FY 2017.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill specifies that the compulsory school attendance ages do not apply to an individual who:

- has obtained a Maryland high school diploma, an equivalent out-of-state high school diploma, or a GED;
- is a student with disabilities and has completed the requirements for a Maryland high school certificate of completion;
- is receiving regular, thorough instruction during the school year in the studies usually taught in the public schools, or has completed such a program;
- is severely ill and requires home or hospital instruction;
- is married;
- is in military service;
- is committed by a court order to an institution without an educational program;
- provides financial support to his or her family;
- has been expelled from school;
- is pregnant or a parent and is enrolled in an alternative educational program;
- attends an alternative educational program;
- attends a public school on a part-time basis while also attending a private career school; or
- is waived from the compulsory attendance age requirements by the State Superintendent.

Beginning July 1, 2015, a child under the legal dropout age must return to attendance at a public school regularly during the school year if the child is no longer participating in GED courses and has not obtained a passing score on the GED test that resulted in the issuance of a Maryland high school diploma.

Reporting Requirements

By December 1, 2012, MSDE must:

- update the Drop Out Prevention/School Completion/Intervention/Resource Guide, synthesize the information, and analyze the effectiveness of local programs and services;
- report on the methodology for estimating the expected number of students per local school system that will remain in school as a result of the bill;
- estimate how to calculate State aid based on this methodology; and
- review available data from other states that have increased their compulsory age of attendance during the last decade.

By July 1, 2013, each local board of education must submit a report to MSDE on its plans for implementation of the bill. By September 1, 2013, MSDE must submit a compilation of the reports submitted by the local boards of education and any recommendations for programs, interventions, and services that are necessary prior to the implementation of the bill. Also by September 1, 2013, MSDE must report on (1) successful interventions at the early childhood and elementary school level; (2) best practices for parental education and involvement; and (3) alternative educational pathways.

By March 1, 2016, MSDE must submit a preliminary report to the General Assembly on the implementation of the bill. By August 1, 2016, MSDE must submit a final report to the General Assembly on the implementation of increasing the age of compulsory school attendance from 15 to 16. By August 1, 2018, MSDE must submit a final report to the General Assembly on increasing the age of compulsory school attendance from 16 to 17.

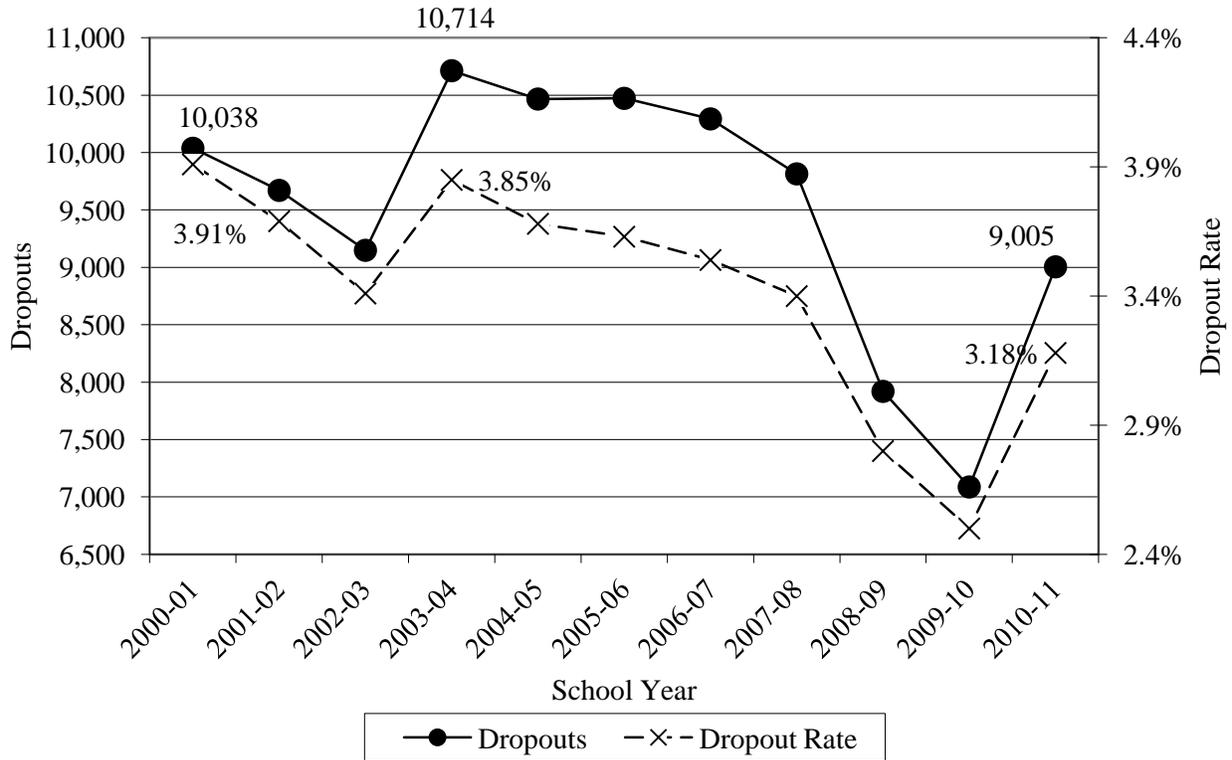
GED Options Program

By December 1, 2012, MSDE, in consultation with the Department of Labor, Licensing, and Regulation (DLLR), must develop a GED Options Program and request departmental legislation necessary to implement the program.

Current Law: A child age 5 to 15 must attend public school regularly unless the child is otherwise receiving regular, thorough instruction at an alternative setting (*i.e.*, a private or home school). An individual who has legal custody of a child age 5 to 15 and fails to see that the child attends school is guilty of a misdemeanor.

Background: An average of approximately 9,500 students per year dropped out of Maryland public high schools from the 2000-2001 school year to the 2010-2011 school year. **Exhibit 1** charts the number of dropouts over this span and also shows the reported dropout rate for each year. Overall, the number of dropouts has decreased approximately 1% annually between the 2000-2001 school year and the 2010-2011 school year.

Exhibit 1
Number of Dropouts and Dropout Rates
2000-2001 to 2010-2011 School Years



Source: Maryland State Department of Education

Dropout rates are not consistent across the State. **Exhibit 2** displays the number of dropouts and the dropout rates for local school systems with a dropout rate greater than or equal to 3% during the 2010-2011 school year. The exhibit shows that Prince George’s County had the highest number of dropouts and the highest dropout rate.

Exhibit 2
Number of Dropouts and Dropout Rates
For School Systems with a Dropout Rate Greater Than or Equal to 3%
2010-2011 School Year

<u>School System</u>	<u>Dropouts</u>	<u>School System</u>	<u>Dropout Rate</u>
Prince George's	2,621	Prince George's	5.82%
Baltimore	1,231	Wicomico	4.81%
Baltimore City	1,142	Somerset	4.23%
Anne Arundel	795	Baltimore City	4.19%
Wicomico	214	Baltimore	3.57%
St. Mary's	186	St. Mary's	3.29%
Cecil	167	Anne Arundel	3.24%
Caroline	56	Caroline	3.21%
Somerset	39	Cecil	3.13%

Note: In order to ensure compliance with the federal Family Education Rights and Privacy Act (FERPA) (20 U.S.C. § 1232g; 34 CFR Part 99), which prohibits the release of individually identifiable information to the public, MSDE now suppresses the number of dropouts and the dropout rate in counties with a dropout rate less than 3%.

Source: Maryland State Department of Education

Chapter 449 of 2006 established the Task Force to Study Raising the Compulsory Public School Attendance Age to 18, and the task force submitted a final report in December 2007. The task force noted that students who drop out of high school face “harsh futures” characterized by lower wages, disproportionate representation in prisons, and shorter overall life spans. The costs to society were also described, including greater dependency on public assistance among dropouts and high incarceration costs for the population.

The task force recognized several factors that would make increasing the age of compulsory school attendance difficult, including the significant operating and capital cost increases associated with the age change and the ongoing shortage of qualified teacher candidates. The task force did not specifically recommend that the age of compulsory school attendance be raised, but it did encourage strong use of student supports and alternative paths to high school graduation. In addition, the task force recommended that, if the State does increase the age of mandatory school attendance, it should provide adequate financial support for the endeavor.

The GED Options Program is licensed by the American Council on Education (ACE) and can only be operated under a contractual agreement to comply with their requirements. It is designed to provide another pathway to obtain a high school credential within a local high school. The program allows a student to participate in a GED preparation program without dropping out from school, as is required to participate in the traditional GED program.

State Expenditures: General fund expenditures may increase beginning in fiscal 2015 if the State provides financial support for programs and interventions recommended by MSDE in its September 2013 report. The cost of any needed interventions cannot be reliably estimated but could be significant. The additional expenditures will be subject to the normal State budget process.

The bill will have the effect of phasing additional students into the annual enrollment counts used to determine mandated State education aid. A small number of additional students are expected in the fall 2015 enrollment counts (those who turned 16 after July 1, 2015, and would have dropped out without the bill). The higher fall 2015 counts will affect fiscal 2017 State aid; however, local school systems will be serving additional students throughout the 2015-2016 school year (fiscal 2016) due to a presumed reduction in student dropouts. MSDE could recommend, therefore, that additional State aid be provided in fiscal 2016 to implement the bill. The amount of any increase will depend on MSDE's methodology for estimating the additional students served and will be subject to the normal State budget process.

The relatively small number of additional students in the fall 2015 enrollment counts will increase fiscal 2017 State aid by an estimated \$8.8 million. Once again, MSDE could recommend additional State funds since the additional aid will not account for the full number of additional students expected to be enrolled. By fiscal 2018, State aid will reflect the full annualized effect of the increase to 16 in the age of compulsory school attendance, increasing general fund expenditures by an estimated \$35.6 million. The estimate is based on the following information and assumptions.

- Over the three-year period ending with the 2010-2011 school year, an average of approximately 8,000 students per year dropped out of high school.
- Over the past 10 years, the dropout rate has decreased by approximately 1% annually. If this trend continues, approximately 7,750 students will be affected by the increase in compulsory attendance age in the 2015-2016 school year.

- Over a three-year period, an average of approximately 6% of school withdrawals were due to expulsion, court action, parenting, illness, pregnancy, economic reasons, military service, or marriage. Due to the exemptions specified in the bill, it is assumed that the increased attendance age will not apply to approximately 6% of the 7,750 students who might otherwise be subject to the bill. This leaves an estimated 7,285 students annually who could be affected by a one-year increase in the compulsory attendance age.
- It is assumed that about three-quarters of the students who drop out are 16-year-olds. With a higher compulsory attendance age, these students will remain in the annual enrollment counts for at least one additional year beginning in September 2015.
- It is assumed that the number of students in at-risk categories (students eligible for free and reduced price meals, students with disabilities, and students with limited English proficiency) will increase in accordance with the overall increase in enrollment.

The projected fiscal 2018 increases in State education aid due to increasing the age of compulsory education to 16 are shown by program in **Exhibit 3**.

Exhibit 3
Increases in State Education Aid Programs
Fiscal 2018
(\$ in Millions)

<u>Direct Aid</u>	<u>FY 2018</u>
Foundation Program	\$20.3
Geographic Cost of Education Index	1.0
Compensatory Education	10.5
Special Education Formula	2.1
Limited English Proficiency	1.9
Guaranteed Tax Base	(0.4)
Student Transportation	<u>0.2</u>
Direct Aid	\$35.6

Source: Department of Legislative Services

The phase-in of additional students will continue in future years as the compulsory age of attendance is raised to 17 prior to the 2017-2018 school year. The addition of 17-year-old students who would otherwise dropout will be represented fully in the enrollment counts by fall 2018. At that time, approximately 10,000 to 13,000 additional students may be included in the enrollment counts annually, increasing fiscal 2020 general fund expenditures by perhaps twice as much as the fiscal 2018 increase.

The actual increases in enrollments and in State aid will also depend on factors that are difficult to predict. First, the number of students who qualify for exemptions from the higher compulsory attendance age is likely to increase as the legal dropout age is raised and as additional supports, such as GED programs, are implemented. Second, school systems may be able to retain students who are required to stay in school until age 17 or 18. If requiring a child to stay in school for one or two additional years results in their retention all the way through graduation, enrollment counts will be higher for more than just the one or two additional years that students are required to attend school.

The bill also requires MSDE, in consultation with DLLR, to develop a GED Options Program and request the departmental legislation necessary to implement the program. If enacted, the program will require additional general fund expenditures.

Depending on the available capacity of high schools in each county, additional school construction funding might also be needed to ensure that school facilities have sufficient space to accommodate the added students. For example, the Task Force to Study Raising the Compulsory Public School Attendance Age to 18 estimated that costs to accommodate additional students in portable classrooms would total \$45 million. The estimate was based on an increase to 18 in the compulsory attendance age and would be shared by the State and local governments.

The bill could also indirectly affect State expenditures for other programs and functions. The Task Force to Study Raising the Compulsory Public School Attendance Age to 18 indicated that dropouts are disproportionately represented in public assistance programs and the juvenile and adult justice systems. If increasing the compulsory school attendance age reduces the number of students who leave high school before earning a diploma, State costs for social programs, public safety, and correctional services could decrease. Any potential long-term savings cannot be reliably estimated.

Local Revenues: In fiscal 2018, enrollment increases will result in an estimated \$35.6 million increase in State aid that will be distributed to local school systems in accordance with enrollment counts taken in fall 2016. Because dropout rates vary among the local school systems, the increased aid will not be shared equally by all systems. The effect on fiscal 2018 State education funding for each school system is estimated in **Exhibit 4**.

Exhibit 4
Projected Changes in Fiscal 2018 State Aid
(\$ in Thousands)

<u>County</u>	<u>Change in Aid</u>	<u>County</u>	<u>Change in Aid</u>
Allegany	\$252	Harford	\$826
Anne Arundel	2,118	Howard	61
Baltimore City	11,745	Kent	22
Baltimore	5,074	Montgomery	1,955
Calvert	165	Prince George's	8,804
Caroline	364	Queen Anne's	62
Carroll	(154)	St. Mary's	524
Cecil	902	Somerset	309
Charles	531	Talbot	67
Dorchester	179	Washington	(16)
Frederick	58	Wicomico	1,671
Garrett	24	Worcester	52

Source: Department of Legislative Services

As seen in the exhibit, Carroll County and Washington County may receive less State aid than they are expected to receive under current law. This is due to the higher dropout rates in some of the less wealthy areas of the State and the wealth equalization factor in State aid formulas, which measures wealth on a per pupil basis.

Local Expenditures: Local school expenditures may increase as a result of adding students to local enrollments, which will begin in fall 2015 (fiscal 2016) under the bill. In fiscal 2013, local school systems have budgeted an average of approximately \$6,500 per pupil in local education spending. If this cost is applied to an estimated 5,500 additional students in the initial years of the older compulsory attendance age, local expenditures will increase by \$35.8 million. When the compulsory age of attendance is raised to 17, local school expenditures could increase further. However, the actual magnitude of the increases will depend on the ability of each local school system to accommodate additional students with available resources.

One school function that will require additional resources in most local school systems is the tracking of truant students. Systems use pupil personnel workers to monitor truancy. If students who would drop out without this legislation are required to stay in school, it is assumed that there will be more truancy problems and that more pupil personnel workers will be needed. In October 2011, the average salary for a pupil personnel worker was approximately \$85,800. The number of additional pupil personnel workers that might be needed cannot be reliably estimated.

County governments (and Baltimore City) are required to provide local school systems with at least as much funding per 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 enrollment that could occur if more 16-year-olds and 17-year-olds are required to attend school, 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 school systems cannot be reliably estimated. However, the minimum required local funding levels will increase significantly beginning in fiscal 2017.

Additional Information

Prior Introductions: SB 41 of 2011 received a hearing in the Senate Education, Health, and Environmental Affairs Committee, but no further action was taken. Similar bills to increase the age of compulsory school attendance have been introduced every year since 2002; however, none of the bills have been successful.

Cross File: SB 362 (Senator Pugh, *et al.*) - Education, Health, and Environmental Affairs.

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

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Analysis by: Caroline L. Boice

Direct Inquiries to:
(410) 946-5510
(301) 970-5510