

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 307 (Carroll County Delegation)
Ways and Means

Carroll County - Maintenance of Effort - Adjustment for Decreasing Student Enrollment

This bill limits the per pupil maintenance of effort (MOE) appropriation requirement for Carroll County in fiscal 2014 through 2016 under certain circumstances. Specifically, in any fiscal year that the county's full-time equivalent (FTE) enrollment decreases and the county government appropriates funds to the school operating budget in excess of the required MOE amount, the required per pupil MOE amount for the following year must equal the amount required for the fiscal year immediately prior to the decrease in FTE enrollment.

The bill takes effect June 1, 2013, and terminates June 30, 2017.

Fiscal Summary

State Effect: None. State education aid expenditures are not affected.

Local Effect: Carroll County appropriations for the county public school system may decrease beginning in FY 2014 and may, therefore, result in decreased school system expenditures beginning in FY 2014 and ending in FY 2016.

Small Business Effect: None.

Analysis

Current Law: Under the MOE requirement, each county government (including Baltimore City) must provide on a per pupil basis at least as much funding for the local

school board as was provided in the prior fiscal year. A county's governing body must apply to the State Board of Education for a waiver from the minimum MOE requirement if the county is unable to fund the full MOE amount. If a county does not receive a waiver from the State board, it must fund the full MOE amount or the State will intercept the county's local income tax revenues in the amount by which the county is below MOE and forward the funds to the local school board. Counties are authorized to exceed local property tax limitations to fund education.

Counties that receive waivers and are making above-average education effort will be able to request "rebasement waivers" that allow limited decreases to their annual MOE amounts if they can demonstrate ongoing problems with meeting MOE. To qualify for a rebasing waiver, a county's required MOE amount must be above the five-year moving average of statewide education effort times the county's wealth. The State board may grant multiyear rebasing waivers that encompass up to three years. Beginning in fiscal 2015, counties that are below the statewide five-year moving average education effort level must increase their annual per pupil MOE amounts by the lesser of (1) the increase in local wealth per pupil; (2) the statewide average increase in local wealth per pupil; or (3) 2.5%.

The State board must grant MOE waivers when a county and the local school board have agreed to reduce recurring costs and have agreed on the amount of the waiver. The agreed upon waiver amount may be less than the total amount of savings generated through the reduction in recurring costs, but may not exceed the savings. The waiver reduces the county's required MOE amount for the following fiscal year.

Background: Carroll County is 1 of 11 counties in which fiscal 2013 school system appropriations exceeded the MOE requirement by more than \$100,000. The local appropriation figure used to determine MOE compliance totaled \$163,784,618 (excluding the required pension contribution) for Carroll County, which exceeded the fiscal 2013 MOE requirement by \$2,783,164 (or by 1.7%).

FTE enrollment used to calculate State education aid for Carroll County has decreased for each of fiscal 2008 to 2014. In fiscal 2014, FTE enrollment decreases for 13 counties, although total FTE enrollment increases 0.5%. The Carroll County decrease of 468 or 1.7% is the largest decrease for any county, and Carroll County is one of seven counties in which FTE decreases by more than 0.5% (Calvert, Cecil, Charles, Garrett, Harford, and Kent counties are the other six).

Local education effort is calculated for each county by dividing the local school system appropriation by the wealth measure used to determine State education formula aid. The local contribution rate, which is used to calculate the local share of the foundation program, represents a minimum allowable local education effort for all the counties. The

fiscal 2013 local contribution rate is 0.69% of local wealth, and the school appropriations from all counties exceed this minimum. However, the extent to which the minimum level of funding has been exceeded varies considerably.

Exhibit 1 shows local education effort levels for the counties from fiscal 2008 to 2013. In fiscal 2013, local education effort levels range from 0.75% in Talbot County to 1.80% in Howard County. Carroll County is one of four counties with a local education effort of 1.49% in fiscal 2013; only Howard and Charles counties exceeded this level of local effort. Carroll County has consistently exceeded the statewide average of local effort for the six years covered by the exhibit.

About 88% of State aid to public schools is distributed inversely to local wealth, whereby the less affluent school systems receive relatively more State aid. In addition, State formula aid funding is distributed on a per pupil basis, and is also targeted to local school systems based on enrollments of at-risk student groups including students who receive free and reduced-price meals, students who are limited English proficient, and students receiving special education services. Carroll County foundation program aid decreases by \$3.1 million in fiscal 2014, or 3.1% due largely to its FTE enrollment decrease (described above) and its increase in wealth relative to the statewide average of local wealth.

Local Fiscal Effect: The fiscal 2014 MOE requirement for Carroll County is reduced under the bill from \$160.9 million to \$158.2 million. Therefore, Carroll County government is relieved of approximately \$2.7 million toward meeting the minimum MOE requirement for appropriations to the county school system for fiscal 2014. To the extent that actual appropriations related to the MOE calculation are below the amount required under current law, the MOE requirement for Carroll County is also effectively rebased at a lower annual per pupil amount.

The bill may eliminate any impetus for Carroll County to request a MOE waiver during the years affected by the bill; however, under current law, based on its local effect, Carroll County would qualify for a rebasing waiver of up to 3% of its required MOE amount if the county applied, and the State board granted, such a waiver. State education aid for Carroll County is not affected.

Additional Comments: This analysis assumes that MOE relief for Carroll County begins in fiscal 2014; however, an alternative interpretation of the bill, which sunsets after fiscal 2017, would provide MOE relief beginning in fiscal 2015 based upon decreased FTEs in Carroll County in fiscal 2014.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Carroll County, Department of Budget and Management, Maryland State Department of Education, Department of Legislative Services

Fiscal Note History: First Reader - February 12, 2013
ncs/rhh

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Exhibit 1
Local Education Effort
Fiscal 2008 to 2013

County							Five-year Averages	
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 08-12	FY 09-13
Allegany	1.47%	1.36%	1.27%	1.19%	1.14%	1.19%	1.29%	1.23%
Anne Arundel	1.41%	1.35%	1.21%	1.19%	1.20%	1.31%	1.27%	1.25%
Baltimore City	1.25%	1.11%	0.99%	1.05%	1.06%	1.13%	1.09%	1.07%
Baltimore	1.50%	1.42%	1.32%	1.27%	1.30%	1.38%	1.36%	1.34%
Calvert	1.62%	1.51%	1.44%	1.39%	1.42%	1.49%	1.48%	1.45%
Caroline	1.00%	0.88%	0.76%	0.73%	0.73%	0.83%	0.82%	0.79%
Carroll	1.56%	1.52%	1.41%	1.33%	1.38%	1.49%	1.44%	1.42%
Cecil	1.37%	1.32%	1.15%	1.12%	1.11%	1.19%	1.22%	1.18%
Charles	1.73%	1.61%	1.43%	1.36%	1.41%	1.55%	1.51%	1.47%
Dorchester	1.23%	1.13%	0.97%	0.95%	0.91%	1.06%	1.04%	1.01%
Frederick	1.69%	1.53%	1.33%	1.24%	1.32%	1.49%	1.42%	1.38%
Garrett	1.28%	1.19%	1.07%	1.02%	1.04%	1.09%	1.12%	1.08%
Harford	1.58%	1.50%	1.35%	1.30%	1.31%	1.36%	1.41%	1.36%
Howard	1.94%	1.84%	1.66%	1.65%	1.71%	1.80%	1.76%	1.73%
Kent	1.37%	1.26%	1.12%	1.06%	1.01%	1.11%	1.16%	1.11%
Montgomery	1.72%	1.50%	1.40%	1.38%	1.40%	1.49%	1.48%	1.43%
Prince George's	1.68%	1.47%	1.24%	1.15%	1.18%	1.33%	1.34%	1.27%
Queen Anne's	1.27%	1.19%	1.09%	1.04%	0.98%	1.02%	1.12%	1.06%
St. Mary's	1.52%	1.40%	1.21%	1.07%	1.05%	1.19%	1.25%	1.19%
Somerset	1.31%	1.15%	0.99%	0.95%	0.96%	1.04%	1.07%	1.02%
Talbot	0.89%	0.84%	0.74%	0.70%	0.68%	0.75%	0.77%	0.74%
Washington	1.38%	1.24%	1.13%	1.08%	1.15%	1.24%	1.20%	1.17%
Wicomico	1.38%	1.27%	1.17%	0.98%	0.84%	0.96%	1.13%	1.04%
Worcester	0.98%	0.92%	0.79%	0.83%	0.89%	0.92%	0.88%	0.87%
Simple State Avg.	1.42%	1.31%	1.18%	1.13%	1.13%	1.23%	1.23%	1.20%