

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 114 (Delegate Luedtke)
Ways and Means

Education - Geographic Cost of Education - Requirement

This bill changes the Geographic Cost of Education Index (GCEI) formula from discretionary to mandated funding beginning in fiscal 2015.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: The proposed FY 2015 State budget includes full funding for the GCEI formula. Since the formula has been fully funded each year since FY 2010, establishing the GCEI formula as a mandated appropriation may not result in an increase in State education funding, assuming the program continues to be fully funded in future years.

Local Effect: State aid may increase to the extent that the mandate prevents reductions in State funding for the GCEI formula, but funding levels for the formula in recent years indicate that the bill may have no effect.

Small Business Effect: None.

Analysis

Current Law: The GCEI formula is established in statute but is not mandated. The foundation program equals the annual per pupil foundation amount multiplied by a county's full-time equivalent enrollment. The GCEI formula multiplies the foundation program for each county by the county's predetermined adjustment factor (which for 11 counties is zero and for 13 counties is above this amount).

Background: GCEI is a discretionary component of the State aid formulas that provides additional funding to local school systems where educational resource costs are above the State average. Since funding for the program began in fiscal 2009, the State has provided funding through GCEI to 13 local school systems each year, and it has been fully funded each year since fiscal 2010. The Governor’s proposed fiscal 2015 budget includes \$132.7 million for GCEI as shown in **Exhibit 1**.

Exhibit 1
Governor’s Proposed GCEI Funding
Fiscal 2015

| <u>County</u> | <u>Funding Amount</u> |
|-----------------|-----------------------|
| Allegany | \$0 |
| Anne Arundel | 9,406,830 |
| Baltimore City | 22,862,898 |
| Baltimore | 5,727,153 |
| Calvert | 2,279,425 |
| Caroline | 0 |
| Carroll | 2,492,094 |
| Cecil | 0 |
| Charles | 3,501,859 |
| Dorchester | 0 |
| Frederick | 6,498,588 |
| Garrett | 0 |
| Harford | 0 |
| Howard | 5,312,701 |
| Kent | 136,857 |
| Montgomery | 34,394,095 |
| Prince George’s | 39,276,765 |
| Queen Anne’s | 563,799 |
| St. Mary’s | 231,734 |
| Somerset | 0 |
| Talbot | 0 |
| Washington | 0 |
| Wicomico | 0 |
| Worcester | 0 |
| Total | \$132,684,798 |

The Bridge to Excellence in Public Schools Act (Chapter 288 of 2002) restructured the State's public school finance system and increased State aid to public schools by an estimated \$1.3 billion over six fiscal years (fiscal 2003-2008). Chapter 288 included language that required the development of a Maryland-specific GCEI that would be available to adjust State aid beginning in fiscal 2005. Chapter 288 did not, however, provide a specific formula or funding level for the cost adjustments, and as a result, language in the bill did not constitute a legal mandate for GCEI funding. Chapter 430 of 2004 established a formula for GCEI, but unlike the rest of the major State aid programs, the formula was not mandated. The statutory GCEI formula phased in from fiscal 2006 to 2010, but the phase-in schedule was not followed. Instead, the formula received no funding through fiscal 2008 and was phased in at 30% in fiscal 2009 and 100% in each subsequent year.

The Maryland State Department of Education, in consultation with the Department of Budget and Management and the Department of Legislative Services, must contract with a public or private entity to conduct a study of the adequacy of education funding in the State. The study must be conducted in phases, with the first phase beginning no later than June 30, 2014, and the final phase being completed by December 1, 2016. Chapter 1 of the First Special Session of 2012 requires the GCEI formula to be updated using the most current methodology by September 1, 2016. The formula was previously updated in 2009, but the statutory formula has not been altered to reflect the updated figures.

Additional Information

Prior Introductions: SB 958 of 2013 included a similar provision. The bill was referred to the Senate Rules Committee, and no further action was taken. Its cross file, HB 1474, received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

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

Fiscal Note History: First Reader - February 3, 2014
ncs/rhh

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