

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE

Senate Bill 683 (Senator Ferguson)
 Education, Health, and Environmental Affairs

State Board of Education - Next Generation Schools - Established

This bill requires the Maryland State Board of Education (State board) to submit a request for proposals (RFP) for up to five operators who will provide students in the State with a Next Generation School (NGS). An NGS is open to all students statewide on a space-available basis and admits students on a lottery basis if more students apply than can be accommodated. An NGS has an innovative teaching and learning model and has at least 35%, but no more than 55%, of its students eligible for free or reduced-price meals. An NGS must be operated under supervision of the State Board.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: General fund expenditures increase by \$88,500 in FY 2016 and by \$215,400 in FY 2020. Special fund revenues (largely in the form of payments from local school boards) and expenditures increase by an equivalent, but indeterminate, amount by FY 2019.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	88,500	157,100	156,500	210,100	215,400
Net Effect	(\$88,500)	(\$157,100)	(\$156,500)	(\$210,100)	(\$215,400)

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

Local Effect: State aid provided to each local school system may not be significantly altered. Payments that must be made by a local school system to the Maryland State Department of Education (MSDE) to educate students in the NGS program may or may not outweigh savings associated with educating fewer students in other public schools in the county.

Small Business Effect: None. It is assumed that NGS operators are not small businesses.

Analysis

Bill Summary: An NGS operator must meet the qualifications established by the State board and may be a private nonprofit or public entity. The RFP for NGSs must include information regarding:

- academic criteria and standards that students at an NGS will be expected to meet;
- how the operator will attract the socioeconomic demographic that is required of an NGS;
- how the operator will integrate students from different socioeconomic backgrounds within the school to achieve its next generation learning objectives; and
- any other requirements as determined by the State board.

An NGS is subject to the accountability mandates of the federal Elementary and Secondary Education Act and the requirements of the federal Individuals with Disabilities Education Act and Section 504 of the Rehabilitation Act of 1973. An NGS operator may request a waiver from all other provisions of law and regulation governing other public schools.

Teachers and other professional personnel at an NGS may form an exclusive employee collective bargaining unit and must be paid an annual salary that is at least equal to the salary paid to similarly qualified public school professionals in the county in which the NGS is located.

Funding for an NGS must be determined by the State board. The State board may include students participating in an NGS in the enrollment of the county in which the student is domiciled for the purposes of calculating State aid for public schools. If the State board determines to do so:

- each local board must pay to MSDE an amount commensurate with the cost per pupil for each student who participates in an NGS but is domiciled in the county; and
- each local board must include a student participating in an NGS in the full-time equivalent (FTE) enrollment used for calculating the required maintenance of effort appropriation from each county to its local school system.

The bill establishes a special, nonlapsing NGS Supplemental Fund, administered by MSDE, to provide supplemental funds to NGSs, in the form of grants from MSDE.

Current Law: There is no NGS public school program. There is, however, a Maryland local Public Charter School Program to establish an alternative public schools means within each school system in order to provide innovative learning opportunities and creative educational approaches to improve the education of students. A local board of education must disburse to a public charter school an amount of county, State, and federal money for elementary, middle, and high school students that is commensurate with the amount disbursed to other public schools in the local jurisdiction.

Each local school system is required to designate which employee organization, if any is the exclusive representative of all certificated public school employees (including public charter school employees) in the county. The same is true for noncertificated employees. There may not be more than two bargaining units for certificated employees in a county for certificated public school employees. Except in Baltimore County, which allows for four, there may not be more than three collective bargaining units for noncertificated public school employees.

Public school enrollment by county is (along with local wealth) an important factor in the funding formulas for major State aid programs for public schools. This includes FTE enrollment, enrollment counts for the special education and limited English proficiency aid programs, and the number of students eligible for free and reduced-price meals (for the compensatory education program).

Background: The NGS concept is based on the premise that racial, cultural, and economic diversity within a school is beneficial for student learning. The NGS model also stresses complex problem solving, critical thinking, and collaborative teaching and learning. An NGS may be characterized by a mix of traditional classrooms and online learning as well as other learning experiences outside of the classroom, including apprenticeships. The bill requires an NGS to have an innovative teaching and learning model, such as a research- or experience-based learning model. This leaves considerable discretion to MSDE in determining what a qualifying NGS model will be.

State Fiscal Effect: MSDE will research and develop an RFP and conduct information sessions in various regions of the State. Once MSDE releases the RFP, technical assistance sessions will be held for potential applicants and reviewers will score applications and conduct interviews. MSDE will also be responsible for oversight of NGSs operated by up to five successful applicants. MSDE must also administer the Next Generation Schools Supplemental Fund.

To accomplish these objectives, general fund expenditures increase by \$88,500 in fiscal 2016, which assumes an October 1, 2015 start date for one staff specialist. A part-time administrative support position will be required beginning in fiscal 2017 and a

part-time accountant will be required beginning in fiscal 2019. Estimated general fund expenditures by year are shown below. These estimates reflect salaries for three new positions (two being part-time), varying start dates for these positions, fringe benefits, one-time start-up costs, and ongoing operating expenses.

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
New Positions	1	0.5	-	0.5	-
Salary and Fringe Benefits	\$83,757	\$145,820	\$152,607	\$204,658	\$214,218
Other Operating Expenses	<u>4,724</u>	<u>11,292</u>	<u>3,895</u>	<u>5,490</u>	<u>1,217</u>
Total	\$88,481	\$157,112	\$156,502	\$210,148	\$215,435

Special fund revenues (largely in the form of payments to MSDE from local boards of education) and expenditures increase by an indeterminate amount depending on the number of schools approved by MSDE through the RFP process, the opening date for each school, the number of students per school, and whether given schools will phase-in the number of students served over time. Given the time required to develop an RFP, and for the RFP process, in addition to start-up time required by NGS operators, schools under the NGS program may open as late as fiscal 2019. Therefore, additional special fund expenditures may not be required until then. It is assumed that increased funding for NGSs will be met by a roughly equivalent decrease in effective State expenditures for other schools, because the overall public school student population will not be altered by the bill and local school systems will in effect reimburse the State for State aid funding to public schools that will be needed to support students participating in the NGS program.

However, the NGS supplemental fund may receive funds donated to the fund for the establishment and operation of NGSs. Potentially this could include grant funding from foundations that support the NGS concept.

Local Fiscal Effect: Assuming that each of up to five NGS operators will operate only one, or very few, schools, overall State aid to public schools will not be substantially altered. MSDE may decide to include students participating in an NGS in the enrollment of the county in which the student is domiciled for the purposes of calculating State aid for public schools. Local school systems in turn would be required to pay MSDE an amount commensurate with the cost per pupil for each student participating in an NGS but domiciled in the county. These students must also be included when determining the required local share of public school funding in each county.

The introduction of the NGS program will make the State funding amount provided to each local school system, as well as the amount each school system must pay to MSDE for students participating in NGS somewhat less predictable than required funding and expenditures under current law. Schools in the NGS program will draw student population away from other public schools and, in some cases, draw these students from public school

in one county to an NGS in another county. The particular effects will depend on the number of NGS program schools that are established, their location (which in part may relate to relative teacher pay across counties), their particular student population, cross-county differences in costs and funding on a per pupil basis, among other factors. Thus, the impact across counties is difficult to estimate.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Carroll, Montgomery, and Queen Anne's counties; Maryland State Department of Education; Department of Legislative Services

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min/rhh

Analysis by: Scott P. Gates

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