

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 406 (Senator Guzzone)
 Budget and Taxation

Public Safety - Maryland Freestate ChalleNGe Academy - Funding

This bill requires the Governor, beginning in fiscal 2018, to appropriate to the Maryland Freestate ChalleNGe Academy (FCA), operated by the Maryland National Guard, an amount equal to 25% of the target per pupil foundation amount used to determine much of formula aid for public schools for each cadet enrolled in FCA who was included in the current or prior year full-time equivalent (FTE) enrollment of a county public school system. Also beginning in fiscal 2018, a county board of education must reimburse the General State School Fund for the amount provided under the bill for each cadet who was included in that county’s current or prior year FTE enrollment. Funds provided under the bill must be supplemental and may not supplant any other State funding provided to FCA. The Comptroller, in consultation with the Military Department and the Maryland State Department of Education (MSDE) must establish the appropriate process to carry out provisions of the bill.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: General fund expenditures increase by \$483,200 in FY 2018 and by \$518,900 by FY 2021, offset by an equal amount of special fund revenues in the form of local reimbursements each year. Federal matching funds increase by as much as \$1.4 million in FY 2018 and by \$1.6 million in FY 2021; expenditures of federal funds increase by equal amounts. **This bill establishes a mandated appropriation beginning in FY 2018.**

| (in dollars) | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|----------------|---------|-------------|-------------|-------------|-------------|
| SF Revenue | \$0 | \$483,200 | \$495,300 | \$507,400 | \$518,900 |
| FF Revenue | \$0 | \$1,449,700 | \$1,486,000 | \$1,522,100 | \$1,556,600 |
| GF Expenditure | \$0 | \$483,200 | \$495,300 | \$507,400 | \$518,900 |
| FF Expenditure | \$0 | \$1,449,700 | \$1,486,000 | \$1,522,100 | \$1,556,600 |
| Net Effect | \$0 | \$0 | \$0 | \$0 | \$0 |

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

Local Effect: Local board of education reimbursements to the General State School Fund total \$483,200 in FY 2018, including \$239,100 from Prince George's County. Statewide local board reimbursements increase to \$518,900 by FY 2021. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law/Background: FCA is a division of the National Guard Youth Challenge Program established in 1993. FCA is a State-run 22-week residential program followed by a 12-month post-residential intervention phase for 16- to 18-year-olds who have dropped out of high school or are at risk of dropping out. The Maryland National Guard operates two FCA classes annually in a quasi-military environment with a goal of graduating 200 cadets.

Generally, the program receives 75% of its funding from the federal Office of the Secretary of Defense and 25% from the State. FCA receives additional funding in fiscal 2016 and 2017 after years of level funding. The proposed fiscal 2017 State budget includes \$1.1 million in State general funds and \$3.1 million in federal funds for FCA. For more information about FCA, its funding, and program outcomes, see the fiscal 2017 budget analysis for the Military Department (D50H01).

The Budget Reconciliation and Financing Act (BRFA) of 2009 limited to 1% the fiscal 2012 inflationary increase for the target per pupil foundation amount used to determine much of formula aid for public schools, and the BRFA of 2010 extended the 1% cap through fiscal 2015. The target per pupil foundation amount for fiscal 2017 is \$6,964, a 0.1% increase over the fiscal 2016 amount of \$6,954.

Except for money appropriated for specified school construction and capital improvement costs, all money appropriated by the General Assembly to aid in support of public schools constitutes the General State School Fund. The Comptroller has to charge against and pay from the fund annual appropriations for support of the various components of public education in Maryland, much of which is distributed to local boards of education.

State Fiscal Effect: Based on information for fiscal 2014 to 2016, each year approximately 275 cadets are accepted into FCA and nearly 200 cadets graduate. Based on an assumed annual enrollment of 275 cadets and a projected \$7,029 target per pupil foundation amount, **Exhibit 1** shows the estimated number of cadets by county and the resulting annual reimbursement to the General State School Fund in fiscal 2018. Accordingly, State general fund expenditures increase by approximately \$483,200 in

fiscal 2018 offset by an increase in special fund revenues from local reimbursements. Assuming a 75% federal fund match, *i.e.*, \$3.00 to \$1.00, federal fund revenues and expenditures increase by approximately \$1.4 million in fiscal 2018. By fiscal 2021, special fund revenues and general fund expenditures increase by an estimated \$518,900 and federal fund revenues and expenditures increase by \$1.6 million. The Comptroller, Military Department, and MSDE can establish the process for carrying out the bill using existing resources.

Exhibit 1
Estimated FCA Enrollment and FY 2018 Reimbursements

| County | Annual FCA Enrollment | % of Total | FY 2018 Reimbursement |
|-----------------|----------------------------------|-----------------------|----------------------------------|
| Allegany | 1 | 0.5% | \$2,478 |
| Anne Arundel | 19 | 6.9% | 33,455 |
| Baltimore City | 20 | 7.4% | 35,934 |
| Baltimore | 18 | 6.7% | 32,216 |
| Calvert | 0 | 0.0% | 0 |
| Caroline | 1 | 0.3% | 1,239 |
| Carroll | 2 | 0.8% | 3,717 |
| Cecil | 1 | 0.3% | 1,239 |
| Charles | 7 | 2.6% | 12,391 |
| Dorchester | 1 | 0.5% | 2,478 |
| Frederick | 2 | 0.8% | 3,717 |
| Garrett | 0 | 0.0% | 0 |
| Harford | 19 | 6.9% | 33,455 |
| Howard | 9 | 3.3% | 16,108 |
| Kent | 0 | 0.0% | 0 |
| Montgomery | 29 | 10.5% | 50,803 |
| Prince George's | 136 | 49.5% | 239,144 |
| Queen Anne's | 0 | 0.0% | 0 |
| St. Mary's | 3 | 1.0% | 4,956 |
| Somerset | 0 | 0.0% | 0 |
| Talbot | 1 | 0.5% | 2,478 |
| Washington | 2 | 0.8% | 3,717 |
| Wicomico | 1 | 0.3% | 1,239 |
| Worcester | 0 | 0.0% | 0 |
| Other* | 1 | 0.5% | 2,478 |
| Total | 275 | 100.0% | \$483,244 |

*The county of origin is not known for one cadet in FY 2015; one cadet was from New Castle County, DE, in fiscal 2016.

Local Fiscal Effect: Beginning in fiscal 2018, local school boards will be required to reimburse the General State School Fund for the amount provided under the bill for each cadet who was included in that county's current or prior year FTE enrollment count. Exhibit 1 shows estimated reimbursements in fiscal 2018. Prince George's County is responsible for paying nearly half (\$239,100) of the estimated cost in fiscal 2018. Local school board reimbursements increase to approximately \$518,900 by fiscal 2021.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Maryland State Department of Education, Department of Budget and Management, Military Department, Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2016
min/rhh

Analysis by: Scott P. Gates

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