

Department of Legislative Services  
 Maryland General Assembly  
 2018 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1636 (Delegate Wilson, *et al.*)  
 Ways and Means and Appropriations

Education - Teacher Salary Enhancement Grant - Established

This bill establishes a State teacher salary enhancement grant equal to a 1% salary increase over the prior fiscal year for teachers employed by local boards of education. In order to receive a grant, a local board must provide specified matching funds; the State grant equals 1% of the local board’s expenditures for teacher salaries in the prior fiscal year. Beginning in fiscal 2020, the Governor must annually include in the State budget an amount of general funds needed to provide a 1% salary increase for all teachers in the State. The State grant and local board match may not supplant any other funds provided to support the education program in schools and must be used to provide an increase in teacher salaries that is *supplemental* to any other planned salary increase. **The bill takes effect July 1, 2018.**

Fiscal Summary

**State Effect:** Under assumptions discussed below, general fund expenditures increase by as much as \$39.7 million in FY 2020 and \$41.7 million by FY 2023. General fund expenditures for teacher retirement increase by an indeterminate but substantial amount beginning as early as FY 2022. **This bill establishes a mandated appropriation beginning in FY 2020.**

(\$ in millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	39.7	40.4	41.0	41.7
Net Effect	\$0.0	(\$39.7)	(\$40.4)	(\$41.0)	(\$41.7)

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

**Local Effect:** If the bill’s local matching requirements are met each year, counties receive substantial increases in State aid for public schools. Local education appropriations may increase in order to receive grant funding; however, the bill does not mandate any increase in local appropriations. Local teachers’ retirement costs may increase as early as fiscal 2022.

**Small Business Effect:** None.

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## **Analysis**

**Bill Summary:** The local match amount for a county is equal to (1) the ratio of its local share of the foundation program to the total foundation program for that county, multiplied by (2) the grant amount for that county.

**Current Law/Background:** Public school employees may form, join, and participate in the activities of employee organizations of their own choice for the purpose of being represented on all matters that relate to salaries, wages, hours, and other working conditions.

Chapters 492 and 493 of 2000 established the Governor's Teacher Salary Challenge Program, which provided a 1% match to school systems that increased teacher salaries by at least 4.0% in fiscal 2001 and 2002. Other components of the program provided grants to less wealthy school systems. Chapter 420 of 2001 continued the funding through fiscal 2003. The Bridge to Excellence in Public Schools Act of 2002 phased out the program by fiscal 2006 as the new Bridge to Excellence formulas significantly increased overall aid to local school systems.

According to data from the Maryland State Department of Education (MSDE), public school teacher salaries average about \$68,900 statewide during the 2017-2018 school year, ranging from about \$54,900 in Dorchester County to \$81,800 in Montgomery County. All county governments and boards of education provided salary enhancements to their employees in fiscal 2018, with 17 counties and 15 boards of education providing cost-of-living adjustments and 16 counties and 22 boards providing step/merit increases.

The State awarded no salary enhancements of any kind to its employees in fiscal 2018. The fiscal 2019 allowance includes funds for a 2% general salary increase for all State employees, effective January 1, 2019. In addition, State employees will receive another 0.5% increase and a \$500 bonus effective April 1, 2019, if actual fiscal 2018 general fund revenues exceed the December 2017 estimate by \$75 million. **Appendix 1** shows the number of jurisdictions, including the State, providing salary enhancements over the last 10 years. For more information regarding salary actions, see Chapter 6 of the 2018 [\*Overview of Maryland Local Governments\*](#) report.

**State Expenditures:** General fund expenditures increase substantially, beginning as early as fiscal 2020, to the extent that local governments provide the required matching funds. It is not known how many counties will provide the required match in any given year. Based upon data provided by MSDE on total salaries paid by county to local public school teachers, and assuming annual changes in the number of public school teachers in each

county, the statewide total for public teacher salaries in fiscal 2019 is approximately \$4.0 billion. Applying a 1% increase to this total results in approximately \$39.7 million. If all counties provide the required matching funds, State general fund expenditures increase by this amount in fiscal 2020. By fiscal 2023 the potential increase in State expenditures under the bill is approximately \$41.7 million.

This estimate reflects only instructional and special education teacher salaries (not including fringe benefits) and does not include teacher aides, substitute teachers, or other education professionals. To the extent fringe benefits or additional types of personnel are intended to be included in the salary enhancement program, general fund expenditures increase significantly beyond the amounts discussed above.

Teachers' retirement costs are paid primarily by the State, based on local school system salaries from the second prior fiscal year. Given that the grants to local school systems and local matching funds will be used to increase salaries beginning as early as fiscal 2020, teachers' retirement costs will increase beginning as early as fiscal 2022. These costs are in addition to the salary enhancement grants and, depending on the number of counties that increase teacher salaries each year, will be significant.

**Local Fiscal Effect:** Local public school systems receive substantial increases in annual State aid as early as fiscal 2020 to the extent that these counties choose to meet, and continue to meet, the matching requirement under the bill. It is not known which counties, if any, will decide to increase appropriations each year by a level that is sufficient to receive the additional grant funding from the State. *For illustrative purposes*, **Exhibit 1** shows the combined State and local funding by county based on the assumption that each county meets the matching requirement in fiscal 2020. The local matching percentage is correlated with local per pupil wealth. Under this scenario, combined State and local funding totals \$59.8 million in fiscal 2020, \$39.7 million from the State and \$20.1 million from local governments. By fiscal 2023, funding is projected to total \$62.9 million, \$41.7 million from the State and \$21.2 million from local governments.

Generally, under the maintenance of effort 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. Given this, a county that provides a match in any given year will increase its required appropriation in the following year; thus, it is assumed to be likely that once a county opts into providing matching funds that county will continue to do so in each subsequent year.

Local school boards are responsible for the actual normal cost of pensions for qualifying personnel. Many of the likely uses for the additional State revenues involve hiring additional staff. Given that the grants to local school systems and local matching funds will be used to increase salaries beginning as early as fiscal 2020, expenditures for teacher retirement in those counties increase, beginning as early as fiscal 2022.

The bill will likely have an effect on future salary negotiations, but the nature of such effects is difficult to project or quantify.

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**Exhibit 1**  
**Potential Additional State and Local Funding for Salary Increases**  
**Fiscal 2020**  
**(\$ in Thousands)**

<b>County</b>	<b>State Grants</b>	<b>Local Match Percentage</b>	<b>Local Match</b>	<b>Total Funding</b>
Allegany	\$373	30%	\$112	\$485
Anne Arundel	3,626	61%	2,225	5,851
Baltimore City	3,350	33%	1,114	4,464
Baltimore	4,919	47%	2,320	7,239
Calvert	718	48%	347	1,065
Caroline	228	27%	62	290
Carroll	1,052	50%	522	1,574
Cecil	737	39%	290	1,027
Charles	1,116	39%	441	1,556
Dorchester	208	34%	70	278
Frederick	1,613	44%	710	2,323
Garrett	174	62%	108	282
Harford	1,490	47%	706	2,196
Howard	2,856	55%	1,573	4,430
Kent	90	80%	72	162
Montgomery	7,893	68%	5,362	13,255
Prince George's	6,038	40%	2,438	8,477
Queen Anne's	314	58%	182	496
St. Mary's	673	43%	290	962
Somerset	127	28%	35	163
Talbot	188	94%	176	364
Washington	915	34%	314	1,229
Wicomico	654	27%	178	833
Worcester	363	113%	409	771
<b>Total</b>	<b>\$39,715</b>		<b>\$20,056</b>	<b>\$59,771</b>

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**Additional Comments:** MSDE advises that it may not be feasible to gather required salary information for each local school system in a given fiscal year in time to make the required State appropriation in the annual State budget for the immediately following fiscal year and to make payments on a bimonthly basis beginning with July 1 of that fiscal year.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Montgomery County; Maryland State Department of Education; Department of Budget and Management; Department of Legislative Services

**Fiscal Note History:** First Reader - March 8, 2018  
mm/rhh

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## Appendix 1 – Number of Jurisdictions Providing Salary Increases Fiscal 2009-2018

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>State Government</b>										
COLAs	Yes	No	No	No	Yes	Yes	Yes	No	No	No
Step Increases	Yes	No	No	No	No	Yes	Yes	No	Yes	No
<b>Local Government</b>										
<b>COLAs</b>										
County Employees	20	6	1	2	8	18	16	14	14	17
Board of Education	22	10	4	2	8	7	12	14	16	15
<b>Step Increases</b>										
County Employees	20	8	4	4	7	13	16	12	17	16
Board of Education	24	14	10	9	19	21	18	21	21	22
<b>Both COLA and Step</b>										
County Employees	17	2	0	1	1	10	11	7	8	9
Board of Education	22	8	3	2	6	7	10	12	14	13

COLA: cost-of-living adjustment

Source: Department of Legislative Services