

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 197
 Ways and Means

(Delegate Luedtke, *et al.*)

Education, Health, and Environmental Affairs
 and Budget and Taxation

Education - State Reimbursement for County Board Payments for Exams for Eligible Students

This bill requires a local school system to annually pay up to \$300 toward Career and Technical Education (CTE) industry certification per student who is eligible for free or reduced price meals or an alternative standard developed by the State Board of Education for schools in counties that participate in the U.S. Department of Agriculture community eligibility provision. The State Board of Education must reimburse local school systems for the payments made. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: Beginning in FY 2020, general fund expenditures increase by *at least* \$291,000 annually to reimburse local school systems for exam fees. Future years reflect enrollment growth. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2020.**

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	291,000	292,700	294,800	297,000
Net Effect	\$0	(\$291,000)	(\$292,700)	(\$294,800)	(\$297,000)

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

Local Effect: Local school system expenditures increase by an estimated \$291,000 beginning in FY 2019; however, all expenditures must be reimbursed by the State. It is assumed school systems are reimbursed in the following fiscal year.

Small Business Effect: None.

Analysis

Current Law/Background: Under current law, there is a grant program to distribute grant to local school systems for the administration of the Preliminary Scholastic Aptitude Test. Subject to the availability of funding in the State budget, local school system's grants must be an amount sufficient for the administration of the test to all tenth grade students in the county. However, the program has not been funded in the State budget.

The costs of CTE exams vary; in 2017 CTE exam fees averaged \$83. The Maryland State Department of Education reports that approximately 7,600 students took a CTE exam in 2017; information on free and reduced-price meals status is not available for CTE exams.

Historically, federal grant funds were used to reimburse school systems for AP and IB fees; the last grant, of \$536,857, was received by the State in fiscal 2016. Under the federal Every Student Succeeds Act, local school systems may request funding under Title IV for exam fees. Eight local school systems are using federal funds for AP exam fees; one system will also be using the funds for CTE exams.

State Expenditures: General fund expenditures increase by *at least* an estimated \$290,998 in fiscal 2020 to reimburse local school systems for exam fees paid for students in fiscal 2019. Expenditures increase in future years due to enrollment growth. The following information and assumptions were used in this estimate.

- According to enrollment estimates there will be approximately 259,731 high school students in the 2018-2019 school year. Approximately 36% of high school students qualified for free or reduced-price meals during the 2016-2017 school year.
- It is assumed that 15% of income-eligible students will meet the residency requirement *and* want to take an exam, which reflects an increase in the percentage of eligible students who take an exam due to the removal of the price barrier. This assumption is supported by current data showing an increase in participation in school systems that subsidize exam fees.
- Each of those students will take *one CTE exam in high school*. Thus, an estimated 3,500 students will take an exam in the 2018-2019 school year. The average cost per CTE exam is \$83 (the nonweighted average of the exams) and the average cost remains constant. Thus, the total cost is \$290,998 for exams taken during the 2018-2019 school year. Actual costs depend on the actual number and cost of exams taken by eligible students; thus, costs may be more or less than those estimated.
- The State reimburses the local school systems for exams taken the prior fiscal year; thus, general fund expenditures increase by \$290,998 in fiscal 2020.

Local Fiscal Effect: As explained above, local school system expenditures increase by approximately \$291,000, beginning in fiscal 2019. It is assumed that the State reimburses local school systems in the following fiscal year; thus, fiscal 2019 expenditures will be reimbursed in fiscal 2020. Since expenditures will be reimbursed, there will be no lasting fiscal effect; however, local school systems may be affected, particularly in fiscal 2019, as they wait for reimbursement.

Local school system expenditures may increase less in those local school systems that currently pay for certain students to take CTE exams.

It is assumed that local school systems that currently use Title IV federal funds to pay for exam fees will request to use those funds for other eligible purposes. Thus, federal revenues and expenditures are not affected.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City; Howard and Montgomery counties; Maryland State Department of Education; Maryland Association of Boards of Education; The College Board; Department of Legislative Services

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