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FISCAL AND POLICY NOTE
First Reader

Senate Bill 1002
Rules

(Senators Hershey and Eckardt)

**County Boards of Education - Establishing Regional Career and Technical
Education Schools - Authority and Funding**

This bill authorizes five local school boards and an institution of higher education on the Eastern Shore to establish a regional career and technical education (CTE) school under specified conditions. The State must provide 100% of per pupil operating and school construction funding for a school established under the bill in addition to education formula aid provided to the school systems under current law. A regional CTE school must comply with all regulations and statutory provisions governing other public schools.

Fiscal Summary

State Effect: General fund expenditures may increase significantly, potentially by \$11.1 million, if the regional CTE school is established. No effect on total State funding for school construction, as discussed below, but fewer projects may receive funding annually. No effect on revenues.

Local Effect: Local revenues for Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties increase as discussed below commensurate with the increase in State expenditures for operating and capital costs associated with the proposed regional CTE high school. No effect on local expenditures.

Small Business Effect: None.

Analysis

Bill Summary: A regional CTE school may be established only if the local school boards of Caroline, Dorchester, Kent, Queen Anne's, and Talbot counties and the board of trustees

of a public institution of higher education in any of those counties approve the school. Each of the above parties must enter into a binding memorandum of understanding (MOU) that provides for the governance, operation, financing, and maintenance of the school.

The State must calculate a per pupil funding level that is equal to all expenditures for public education from the prior fiscal year, including all county, State, and federal appropriations, by the five local school boards divided by the total full-time equivalent enrollment from the prior fiscal year of the five school systems. The State must then pay the appropriate per pupil funding amount to the school based on the school's enrollment from each county. State and federal education aid provided to the five school systems must be calculated and distributed in accordance with current law unless otherwise specified in the MOU.

If the regional CTE school requires construction of a new building or a renovation or addition to an existing building, the State must provide 100% of the costs of construction. Any unused construction funds revert to the State.

Current Law: There is a regional community college, Chesapeake College, located in Queen Anne's County that serves the five counties on the mid-Eastern Shore.

Primary and Secondary Education Funding

The great majority of direct State aid to public schools (excluding teachers' retirement) is determined by funding formulas found in Title 5, Subtitle 2 of the Education Article. Together with some more recent enactments, these funding formulas were set forth in the Bridge to Excellence in Public Schools Act (Chapter 288 of 2002). The majority of State education aid formulas are based on student enrollment counts and also entail wealth equalization across counties, compensating for differences in local wealth by providing less aid per pupil to the more wealthy counties and more aid per pupil to the less wealthy counties. Although on the whole most State aid formulas are designed to have the State pay roughly one-half of program costs, the State's share for the less wealthy counties is higher than 50%, and the State's share for more wealthy counties is lower than 50%.

Public schools are funded from federal, State, and local sources. In fiscal 2018, local sources accounted for 47.9% of public school funding in Maryland, and 47.8% came from the State. The federal government provided 4.3% of fiscal 2018 funding for public schools, predominantly targeted toward supporting economically disadvantaged students and students with disabilities.

School Construction Funding

The State pays at least 50% of eligible costs of school construction and renovation projects, based on a funding formula that takes into account numerous factors including each local

school system's wealth and ability to pay. The 21st Century School Facilities Act (Chapter 4 of 2018) requires that the cost-share formula be recalculated every two years (previously, statute required recalculation every three years). The most recent recalculation was approved by the Interagency Commission on School Construction (IAC) in January 2019. **Exhibit 1** shows the State share of eligible school construction costs for all Maryland jurisdictions for fiscal 2020, as approved by IAC.

Exhibit 1
State Share of Eligible School Construction Costs
Fiscal 2020

County	FY 2020
Allegany	85%
Anne Arundel	50%
Baltimore City	91%
Baltimore	56%
Calvert	53%
Caroline	81%
Carroll	55%
Cecil	66%
Charles	61%
Dorchester	75%
Frederick	60%
Garrett	50%
Harford	60%
Howard	54%
Kent	50%
Montgomery	50%
Prince George's	70%
Queen Anne's	51%
St. Mary's	57%
Somerset	96%
Talbot	50%
Washington	71%
Wicomico	95%
Worcester	50%
MD School for the Blind	93%

Source: Interagency Commission on School Construction

Study on Regional CTE High Schools

The 21st Century School Facilities Act requires IAC to explore the feasibility of regional school construction projects, including regional career and technical education high schools. It must also develop mechanisms and incentives to provide State funding for regional school construction projects. Chapter 14 required IAC to report its findings to the Commission on Innovation and Excellence in Education by July 1, 2018, but the report has not yet been completed.

Background:

Career and Technical Education

The Strengthening Career and Technical Education for the 21st Century Act is the 2018 reauthorization of the federal Carl D. Perkins Career and Technical Education Act (Perkins), which was last overhauled in 2006. The new Perkins law provides approximately \$1.2 billion in formula grants to states to implement CTE programs in their secondary schools and postsecondary institutions. The new law allows states to set their own goals for CTE programs, requires them to make progress toward those goals, and makes other changes to federal CTE law. Generally, Perkins requires states to develop sequences of academic and CTE coursework, called programs of study, that prepare students for postsecondary degrees or industry-recognized credentials. Many of the programs of study – which range from plumbing and culinary arts to aerospace engineering and cybersecurity – include or encourage apprenticeship or pre-apprenticeship opportunities.

In federal fiscal 2018, Maryland received \$17.0 million in Perkins Title I grants to support CTE programs in secondary schools and postsecondary institutions. Of that amount, \$14.4 million (85%) was distributed to local governments and the remaining 15% was designated for statewide activities and administration. Of the \$14.4 million distributed to local governments, 65% was used for secondary school programs and 35% was spent on postsecondary programs. Perkins funds are used for a variety of purposes at the local level, including teacher professional development, equipment, and program development and administration.

The Maryland State Department of Education (MSDE) has developed several dozen programs of study grouped within 10 career clusters. Each program of study includes a sequence of four courses that begin in either grade 10 or 11 and prepares students for either further study or industry certification; students that complete the course sequence by high school graduation are considered “CTE completers.” Almost one-quarter of the class of 2017 (22.5%) completed a CTE program of study, and more than half of those also completed the requirements for admission to the University System of Maryland (*i.e.*, “dual completers”).

Chapter 149 of 2017 required MSDE, in consultation with the Department of Labor, Licensing, and Regulation (DLLR) and the Governor’s Workforce Development Board, to develop statewide goals each year from 2018 through 2024 so that by January 1, 2025, 45% of high school students successfully complete a CTE program, earn industry-recognized occupational or skill credentials, or complete a registered youth or other apprenticeship before graduating high school.

Of the five counties included in the bill, Caroline and Dorchester counties already have CTE centers in which high school CTE students spend a portion of their day completing CTE pathway requirements. Talbot County also indicates that it has a high school CTE program.

Per Pupil Funding Levels

Exhibit 2 shows the enrollment and per pupil revenues for each of the five counties in the bill. The weighted total per pupil funding level is \$14,797, with weighted averages of \$6,248 in local per pupil funding and \$7,566 for State per pupil funding.

Exhibit 2
Enrollment and Per Pupil Revenues in Affected Counties

	2018	FY 2019 Local	FY 2019 State	FY 2019 Total
	<u>Enrollment</u>	<u>Per Pupil</u>	<u>Per Pupil</u>	<u>Per Pupil</u>
		<u>Revenues</u>	<u>Revenues</u>	<u>Revenues</u>
Caroline	5,517	\$2,617	\$11,118	\$14,852
Dorchester	4,549	4,232	10,417	15,835
Kent	1,800	9,572	6,524	17,239
Queen Anne’s	7,501	7,584	5,559	13,970
Talbot	4,396	9,251	4,010	14,066
Weighted Average		\$6,248	\$7,566	\$14,797

Note: Total revenues include federal revenues, which are not otherwise shown.

Source: Local School Budgets; Department of Legislative Services

State Expenditures: This analysis assumes that the regional CTE school authorized by the bill is established. Under the State’s school funding system, local school systems receive State and federal funds for K-12 education from the State, and local education funding from the county government, based on statutory formulas and requirements. The bill requires the State to calculate a per pupil funding amount for the five counties that includes all funding sources (including local funds). The State then pays to the regional CTE school

the full per pupil amount based on the “home” county of each student. Thus, the State is paying the local share of per pupil funding to the school in addition to the State and federal amounts it currently pays or passes through. State expenditures for K-12 education therefore increase by the amount of local funding for each student who enrolls in the regional CTE school. *For illustrative purposes*, based on a weighted average of \$6,248 in local per pupil revenues, and assuming a school enrollment of 800 students, general fund expenditures increase by \$4,998,491.

The bill also requires the State to continue to calculate and pay State and federal education aid to the five school systems as required by current law, meaning that the State pays twice for students enrolled in the regional CTE school. *For illustrative purposes*, based on a weighted average of \$7,566 in per pupil State aid and assuming a school enrollment of 800 students, State expenditures increase by an additional \$6,052,800 to maintain State aid for the school systems; federal fund expenditures increase accordingly, too.

The State currently pays at least 50% of eligible school construction expenditures in the five counties, but the bill requires it to pay 100% of all construction costs for the regional CTE school. This has no effect on total State spending for school construction, which is determined annually by the Governor and General Assembly through the capital budget process, but it does reduce the amount of funds available for other school construction projects, assuming a fixed amount for school construction.

Local Fiscal Effect: Revenues for Caroline, Dorchester, Kent, Queen Anne’s, and Talbot counties increase commensurate with the amount of State aid they receive for students enrolled in the regional CTE school. Based on the example given above, local school system revenues increase by \$5.0 million. Further, revenues that would otherwise be lost under the State aid formulas are maintained, \$6.1 million under the example above, by virtue of the State double paying for those students attending the regional CTE school.

State support for school construction also increases to the extent that the State pays 100% of construction costs for the regional CTE school. Local capital funds supplanted by State funds are available for other capital projects in those counties.

Additional Information

Prior Introductions: None.

Cross File: HB 513 (Delegate Ghrist, *et al.*) - Ways and Means.

Information Source(s): Maryland Higher Education Commission; Queen Anne's County; Maryland State Department of Education; Talbot County Public Schools; Department of Legislative Services

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