

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 770 (Senators Hester and Rosapepe)
 Education, Health, and Environmental Affairs

Education – Technology Resources – Funding (Ending the Digital Divide Act)

This bill, beginning in fiscal 2022, increases the target per pupil foundation amount (PPFA) under the State foundation program by \$180 for the purpose of providing technology resources for local school systems. Each local board of education must annually use not less than 7% of the PPFA to provide laptops and other devices, Internet connectivity, technical assistance, and information technology (IT) software for students. Each local school system must use specified federal funds in fiscal 2022 before using any local funds. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: State expenditures increase by \$78.9 million in FY 2022, increasing to \$87.0 million by FY 2026. **This bill increases a mandated appropriation beginning in FY 2023.**

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenues	\$0	\$0	\$0	\$0	\$0
GF/SF Exp.	78.9	80.6	82.9	85.1	87.0
Net Effect	(\$78.9)	(\$80.6)	(\$82.9)	(\$85.1)	(\$87.0)

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

Local Effect: The bill requires a certain level of expenditures on specified items by local boards of education each year, beginning in FY 2022. To the extent that this results in expenditures above current levels, and to the extent that federal, State, and other sources do not cover these expenditures, county government funding for local school systems increases. County government funding may also increase due to increased local effort requirements, as described below. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: Small businesses that sell certain technology products and services may benefit.

Analysis

Bill Summary: Each local board of education may partner with an organization for the use of a device as a service model. At the end of each fiscal year, any unused funds may be held in a special fund by the local board for use in a subsequent fiscal year. Each local board allocating funds to provide specified technology resources for students must adhere to specified IT security standards as set by the Department of Information Technology (DoIT) for units of State government. The bill expresses the intent of the General Assembly that Maryland Education Enterprise Consortium agreements are encouraged to include options for connectivity, hardware, software, maintenance of physical equipment, and technical support services.

Current Law: The foundation program is the major State general education aid program for public schools, accounting for nearly half of State education aid. The PPFA used to determine State and local shares of the foundation program is annually inflated by the lesser of the increase in (1) the implicit price deflator for State and local government expenditures for the second prior fiscal year; (2) the regional consumer price index for the second prior fiscal year; or (3) 5%.

The Secretary of Information Technology must develop and maintain a statewide IT master plan that will (1) be the basis for the management and direction of IT within the Executive Branch of State government and (2) include all aspects of State IT including telecommunications, security, data processing, and information management. Chapter 467 of 2018 requires DoIT, by January 31, 2019, to develop a plan to (1) develop, maintain, and revise security training material that focuses on data protection and integrity and can be used by the Governor and any unit of State government and (2) report specified information to the Governor and specified committees of the General Assembly.

Blueprint for Maryland's Future Fund

The Blueprint for Maryland's Future Fund was created by Chapter 771 of 2019 as the successor to the Commission on Innovation and Excellence in Education Fund. The purpose of the fund is to assist in providing adequate funding for early childhood education and primary and secondary education to provide a world-class education to students. The fund consists of (1) specified allocations of personal income tax and sales tax revenues; (2) money appropriated in the budget for the fund; and (3) any other money from other sources accepted for the benefit of the fund.

State Expenditures: State aid to local school systems increases beginning in fiscal 2022, and is mandated beginning in fiscal 2023, which may be general fund expenditures or special fund expenditures from the Blueprint for Maryland's Future Fund. Adding \$180 per student to the foundation program results in an estimated increase in State aid for

public schools totaling \$78.9 million in fiscal 2022, increasing to \$87.0 million by fiscal 2026 with inflation in the PPFA.

APA Consulting, which conducted the 2016 education adequacy study for the State of Maryland and also served as a financial consultant to the Commission on Innovation and Excellence in Education and the Department of Legislative Services, has estimated approximately \$530 per student is needed in Maryland in fiscal 2022 to adequately support educational technology needs of school systems for students in the current and post-COVID-19 pandemic era. Of that amount, approximately \$350 is provided in the current PPFA for fiscal 2022, requiring an increase of \$180 per student, as provided by this bill.

Local Revenues: As early as fiscal 2022, and mandated beginning in fiscal 2023, local boards of education receive increased State aid via the foundation program, as described above. **Exhibit 1** shows increased State funding under the bill in fiscal 2022. As described further below, local boards of education also receive increased funding from county governments to the degree local effort must increase and/or to the extent that increased local school board expenditures are not covered by federal, State and/or other sources.

Exhibit 1
Increased State Aid and Local Requirements Under the Bill
Fiscal 2022
\$ in Thousands

<u>County</u>	<u>Increased State Aid</u>	<u>Local Spending Requirement</u>
Allegany	\$1,025	\$4,089
Anne Arundel	5,729	42,939
Baltimore City	8,840	38,726
Baltimore	10,351	57,099
Calvert	1,533	7,895
Caroline	727	2,811
Carroll	2,338	12,821
Cecil	1,583	7,535
Charles	2,933	13,796
Dorchester	547	2,378
Frederick	4,275	22,283
Garrett	278	1,850
Harford	3,636	19,356
Howard	4,578	29,550
Kent	68	916
Montgomery	9,080	83,071
Prince George's	13,950	67,578
Queen Anne's	548	3,801
St. Mary's	1,764	8,863
Somerset	354	1,409
Talbot	118	2,274
Washington	2,593	11,176
Wicomico	1,877	7,348
Worcester	172	3,356
Total	\$78,898	\$452,919

Local Expenditures: This analysis assumes that each local board of education must use at least 7% of the enhanced PPFA *per full-time equivalent (FTE) enrollment student* for specified technology resources. This amounts to \$530 per FTE in fiscal 2022, increasing to \$569 per FTE by fiscal 2026. This analysis also assumes that this obligation can be met with the use of any combination of federal, State, local, and other funds. Therefore, it is assumed that local school system expenditures increase only to the extent that the

requirement exceeds currently projected levels of expenditures for the specified technology resources.

Exhibit 1 also shows the total required spending level by county in fiscal 2022. County government expenditures may increase to the extent that any increased expenditures are not met by (1) increased local effort as described above, (2) offsetting these costs with reductions to other items in local school board budgets, or (3) federal, State, and other resources. In fiscal 2022, specified federal funds must be used before local funds; therefore, there is likely no impact on county spending in fiscal 2022. The bill also provides that any unspent funds in a fiscal year may be retained in a special fund for use in a subsequent fiscal year.

Increasing the foundation PPFA results in increased local share of the foundation program requirements for county governments. For each fiscal year, the total local share for a given county is compared to the per pupil maintenance of effort (MOE) requirement to determine the minimum effort required of a county in the following fiscal year. As early as fiscal 2022, to the extent that the bill causes a county's required local share to exceed the per pupil MOE, or causes the local share to increase further above MOE than under current law, local appropriations to public schools increase. The impact varies by county and cannot be reliably estimated. Any required increase in a given year will then result in increased per pupil MOE obligations in subsequent years.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 717 (Delegate Guyton) - Appropriations and Ways and Means.

Information Source(s): Prince George's County Public Schools; Wicomico County Public Schools; Maryland State Department of Education; Department of Budget and Management; APA Consulting; Department of Legislative Services

Fiscal Note History: First Reader - March 8, 2021
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