

Department of Legislative Services  
Maryland General Assembly  
2024 Session

FISCAL AND POLICY NOTE  
First Reader

Senate Bill 552

(Senator Corderman, *et al.*)

Budget and Taxation

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Operating Budget - Funding - Scholarships for Nonpublic School Students

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This bill requires the Governor to include a general fund appropriation in the annual budget bill for the Broadening Options and Opportunities for Students Today Program (BOOST) beginning in fiscal 2026. BOOST provides scholarships for students who are eligible for the U.S. Department of Agriculture's free or reduced-price lunch program to attend eligible nonpublic schools. The mandatory appropriation is \$10.0 million for fiscal 2026, \$12.0 million for fiscal 2027, \$14.0 million for fiscal 2028, and \$16.0 million for fiscal 2029 and each subsequent fiscal year. **The bill takes effect July 1, 2024.**

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Fiscal Summary

**State Effect:** No effect in FY 2025. General fund expenditures increase by \$1.0 million in FY 2026, \$3.0 million in FY 2027, \$5.0 million in FY 2028, and \$7.0 million in FY 2029 and subsequent years to fund BOOST, as discussed below. However, to the extent the bill reduces public school enrollment, general fund expenditures for public schools decrease as early as FY 2027; the net impact on annual general fund expenditures cannot be reliably estimated. **This bill establishes a mandated appropriation beginning in FY 2026.**

**Local Effect:** Beginning as early as FY 2027, local school system revenues and local government expenditures for public schools may decrease. The impact on revenues and related expenditures cannot be reliably estimated.

**Small Business Effect:** None.

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Analysis

**Current Law/Background:** BOOST has been authorized annually since fiscal 2017

through the budget bill and budget bill language. Special funds for this program are provided through the Cigarette Restitution Fund (CRF), but annual funding is not mandated. According to the annual authorizing language, scholarship amounts and distribution of scholarships are determined by the BOOST Advisory Board, while the program is administered by the Maryland State Department of Education (MSDE).

The fiscal 2024 operating budget, as enacted, details the criteria for nonpublic schools that have students who are eligible for a BOOST scholarship and would like to participate in BOOST. These criteria include:

- participation in the Aid to Non-Public Schools Program for textbooks and computer hardware and software in the prior school year;
- providing more grades than only prekindergarten and kindergarten;
- administering standardized assessments used to qualify nonpublic schools for the National Blue Ribbon Schools program in English, mathematics, and science at specified grade levels; and
- compliance with Title VI of the Civil Rights Act of 1964 as amended; Title 20, Subtitle 6 of the State Government Article (related to employment nondiscrimination) and not discriminate in student admissions, retention, or expulsion, or otherwise discriminate against any student based on race, color, national origin, sexual orientation, or gender identity or expression.

The fiscal 2024 operating budget also specifies that the BOOST Advisory Board must prioritize awards for current BOOST recipients and their siblings and that a student must receive no less than the fiscal 2022 base award amount. For students who receive a BOOST scholarship for the first time, priority must be given to students who attended public schools in the prior school year. In addition to the \$9.0 million in fiscal 2024 State funding for BOOST, \$2.5 million is provided for school nurses, other health services, and for school security at schools that participated in BOOST.

The fiscal 2025 budget (Senate Bill 360/House Bill 350) as introduced includes \$9.0 million in CRF monies, level with the fiscal 2024 appropriation, for BOOST. The nonpublic school eligibility criteria are similar to those described above for fiscal 2024. The only substantive difference is that, though the proposed language requires that assessments comply with all State and federal law, the language does not refer to the National Blue Ribbon Schools program. The proposed budget language limits BOOST award eligibility in fiscal 2025 to those who (1) have a sibling who received a BOOST scholarship award in the 2023-2024 school year, or (2) received a BOOST scholarship award for the 2023-2024 school year and will be entering any of grades 1 through 12; those entering grade 9 must have attended a nonpublic school that serves kindergarten through grade 12.

## **State Expenditures:**

### *Cigarette Restitution Fund and General Funds*

Absent the bill, this analysis assumes funding for BOOST would continue at \$9.0 million a year with CRF monies because CRF has been used to fund BOOST since its inception. Requiring use of general funds for the program, therefore, means a commensurate decrease in CRF expenditures for BOOST. Since CRF and general funds are also used to meet State Medicaid obligations (as well as for other purposes), any decrease in CRF special fund expenditures for BOOST means those funds are available for Medicaid, thereby supplanting general funds paying for Medicaid. This analysis further assumes that MSDE will continue to administer BOOST under the bill in a manner that is similar to current practice, with the assistance of the BOOST Advisory Board.

Accordingly, an increase of \$10.0 million in general fund expenditures in fiscal 2026 for BOOST means that \$9.0 million in CRF monies are freed up to pay an equivalent amount for Medicaid. The net effect is an increase of \$1.0 million in general fund expenditures in fiscal 2026 because the increase of \$10.0 million for BOOST is only partially offset by a \$9.0 million decrease in general fund expenditures for Medicaid. However, there is no net effect on CRF because a decrease of \$9.0 million in expenditures for BOOST is offset by an equivalent increase in CRF expenditures for Medicaid.

Applying the same logic as discussed above, and given the phase-in of general fund increases under the bill, general fund expenditures increase by \$3.0 million in fiscal 2027, \$5.0 million in fiscal 2028, and \$7.0 million annually beginning in fiscal 2029. This analysis assumes all funding available to BOOST is expended each year; current practice has allowed for some special funds to carry over for awards the following year.

### *Broadening Options and Opportunities for Students Today – Administration and Staffing*

MSDE anticipates that increases in funding under the bill result in an increase in the number of applicants, which will in turn increase BOOST administrative costs. BOOST is currently administered by one full-time BOOST program manager who manages daily operations and a 0.5 contractual position to assist with administrative tasks and communication with stakeholders. The increased workload due to the program's expansion requires that the 0.5 contractual position be converted to full time status. Moreover, as the bill requires ongoing funding for BOOST on an indefinite basis, contractual staffing is no longer appropriate to assist with managing the program. Therefore, this analysis assumes that the 0.5 contractual position is converted to a full-time regular position.

It is assumed that some portion of the mandated funding under the bill can be used to cover these costs, with an equivalent offset of funds available for BOOST scholarships in each

year. This estimate reflects the cost of converting the existing 0.5 contractual position to one full-time regular position to process increased scholarship applications. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses, including increased scholarship mailing and interpretation services costs. This analysis further assumes that increased staffing costs begin July 1, 2025, concurrent with the start of the first fiscal year of the bill’s mandated appropriations.

Regular Position	1.0
Salary and Benefits	\$112,040
Termination of 0.5 Contractual Position	-51,580
Additional Scholarships	913,110
Other Operating Expenses	<u>26,430</u>
<b>Total FY 2026 State Expenditures</b>	<b>\$1,000,000</b>

Future year expenditures reflect salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

*Education Aid*

To the extent that the bill encourages more students to attend private school than under current BOOST funding levels, State aid to public schools, which depends largely on student enrollment counts, will be reduced as early as fiscal 2027, after factoring in a one-year lag between measured enrollment declines in fiscal 2026 and adjustments to State aid in fiscal 2026. In fiscal 2023, State aid per student was approximately \$9,300; however, the amount of State per pupil aid varied by local school system from about \$5,300 for Worcester County to about \$17,100 for Somerset County. Annual per pupil State funding will increase significantly under the Blueprint for Maryland’s Future legislation (primarily Chapters 36 and 55 of 2021). The impact on enrollment and, therefore, on State general fund expenditures for public schools cannot be reliably estimated.

**Local Fiscal Effect:** As discussed above, to the extent that the bill encourages more students to attend private school than under current BOOST funding levels, State aid to public schools will be reduced beginning in fiscal 2027. This reflects enrollment declining beginning in fiscal 2026 due to the increase in BOOST funding that year, with adjustments to State aid following in fiscal 2027 and subsequent years. Similarly, reduced public school enrollment reduces the required minimum local appropriations to public schools beginning in fiscal 2027. Per pupil local appropriations for public schools averaged about \$8,600 in fiscal 2023, ranging from about \$3,000 in Caroline County to \$15,800 in Worcester County. Annual per pupil local funding for some counties will increase significantly in the near future under the Blueprint for Maryland’s Future legislation. To the extent local school system enrollment significantly decreases, local school system

expenditures may also decrease; however, many local school system expenditures are fixed costs and cannot be quickly adjusted. Any such impact cannot be reliably estimated and could vary significantly by school system.

**Additional Comments:** The bill does not codify the BOOST program, which has been authorized and funded only through annual budget bills since its inception. This analysis assumes that MSDE will continue to administer BOOST under the bill in a manner that is similar to current practice, with the assistance of the BOOST Advisory Board. However, in the absence of statutory requirements or authorization, MSDE may choose to alter BOOST's structure and criteria for making awards.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has been introduced within the last three years. See SB 401 and HB 415 of 2022.

**Designated Cross File:** HB 791 (Delegate Ghrist, *et al.*) - Appropriations.

**Information Source(s):** Maryland State Department of Education; Department of Legislative Services

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