

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 856 (Senator McKay)
Education, Energy, and the Environment

Education - Minimum School Funding - Waiver

This bill authorizes a local board of education to apply to the Maryland State Department of Education (MSDE) and the Accountability and Implementation Board (AIB) for a waiver from minimum school funding requirements under specified major education aid programs, for a school that has fewer than 300 students. MSDE and AIB must grant such a waiver request. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: AIB and MSDE can receive and approve waivers using existing resources. Revenues are not affected.

Local Effect: Local school systems may realize administrative cost savings due to enhanced flexibility provided under the bill.

Small Business Effect: None.

Analysis

Current Law:

Blueprint for Maryland's Future and Education Funding Formulas

Blueprint for Maryland's Future legislation, including Chapter 771 of 2019; Chapters 36 and 55 of 2021; and Chapter 33 of 2022 established new programs and updated education funding formulas, to provide additional support for schools serving high concentrations of

students living in poverty, including community schools and wraparound services, and increased support for students learning English and students with disabilities.

The majority of direct State aid to public schools (excluding teachers' retirement) is determined by enrollment-based funding formulas generally found in Title 5, Subtitle 2 of the Education Article. Collectively, the formulas account for a uniform base cost per pupil that is necessary to provide general education services to students in every school system and address the additional costs associated with educating three student populations: special education students; students eligible for free and reduced-price meals; and students who are English-language learners. Chapter 36 established additional major education aid programs.

Most State education aid formulas also include 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%.

Minimum Local Allocations to Specific Public Schools

Except for specified systemwide obligations and contracts and subject to a waiver process, at least 75% of most formula funding must be allocated by local boards to the schools those students attended, including funding under the foundation program, the compensatory education program, the English learner education program, the special education program, full-day prekindergarten (for public providers), transition supplemental instruction, comparable wage index grants, and the college and career readiness program. For private providers under full-day prekindergarten and for concentration of poverty grants, the percentage that must follow the students to the school is 100%.

A local board may request a waiver from these requirements for reasons including a significant:

- shift in total school-level enrollment between the prior year and the current year;
- shift in school-level enrollment of at-promise students between the prior year and the current year; and
- difference in the amount of funding provided through the formula and the amount of expenditures necessary for a category of at-promise students.

Local Fiscal Effect: MSDE advises that as of fall 2023, there are fewer than 200 public schools, across 23 of the 24 local school systems in the State, that enroll fewer than 300 students. The bill provides enhanced flexibility, allowing local school systems to either

shift resources between schools or to allocate more resources for central office administrative uses. Local revenues are not affected.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 1169 (Delegate Hinebaugh) - Appropriations.

Information Source(s): Anne Arundel County Public Schools; Baltimore County Public Schools; Montgomery County Public Schools; Accountability and Implementation Board; Maryland State Department of Education; Department of Budget and Management; Department of Legislative Services

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