

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1403
Appropriations

(Delegate Rose, *et al.*)

Primary and Secondary Education - Full-Time Equivalent Enrollment Count -
Alterations (Truancy Reduction Act of 2025)

This bill alters the definition of full-time equivalent (FTE) enrollment that is used to calculate State education aid and local government education funding requirements to include the average number of students enrolled on September 30, December 31, March 31, and the last day of the prior school year instead of only the September 30 count from the prior year used under current law. **The bill takes effect July 1, 2025, and is applicable to the calculation of education funding for fiscal 2027 and subsequent fiscal years.**

Fiscal Summary

State Effect: State expenditures for education aid are affected beginning in FY 2027 by an indeterminate amount. The actual impact will vary by year. Revenues are not affected.

Local Effect: Local revenues from direct State education aid are affected beginning in FY 2027. Required county appropriations to local school systems also change beginning in FY 2027. The results are indeterminate and vary by year and by county.

Small Business Effect: None.

Analysis

Current Law:

Full-time Equivalent Enrollment and Major Education Aid

FTE means the sum of:

- the number of students enrolled in kindergarten through grade 12 or their equivalent in regular day school programs on September 30 of the prior school year;

- the number of FTE students enrolled in evening high school programs during the prior school year; and
- the number of Pathways in Technology Early College High students.

Funding for major education aid programs is determined by wealth-equalized formulas, in that the State provides more aid per pupil to school systems in the less wealthy jurisdictions and less aid per pupil to school systems in the more wealthy jurisdictions. The foundation formula grant was altered by Chapter 36 of 2021, such that the “enrollment count” of students to be funded is the greater of (1) the prior year FTE enrollment or (2) the three-year moving average of FTE enrollment.

Maintenance of Effort and Local Share

Each year, the county government (including Baltimore City) is required to appropriate funds to the local board equivalent to the greater of the Maintenance of Effort (MOE) requirement or the local share amount of all wealth-equalized formulas. The per-pupil MOE amount is based upon the enrollment count as defined above. The local share amount equals the local share of the foundation formula, compensatory education, English learner, special education, comparable wage index (CWI), full-day prekindergarten, college and career ready, transitional supplemental instruction (through fiscal 2026), and career ladder grant programs. Also, counties that benefit from the compensatory education State funding floor are required to fund the local share of concentration of poverty grants. However, for some counties, the combined local share across these several programs is subject to adjustments described below.

Education Effort Adjustment to Local Share Requirement

Local governments are required to fund the local share of the foundation program and the required local shares for several other funding formula programs. The law also includes a mechanism for establishing a maximum local share that a county must fund each year. This involves “local education effort,” which is determined for each county by dividing the county’s local share of major education aid by the county’s wealth. An “education effort index,” which is the local education effort divided by the “State average education effort” is then determined. A “maximum local share” is calculated for each county, which is the county’s local wealth multiplied by the State average education effort.

Each county with an education effort above 1.0 for two consecutive years receives relief based upon its “education effort adjustment,” which is the amount by which the calculated local share exceeds the maximum local share. This relief (which results in increases to State aid) is provided to counties within one of three tiers, based on whether the education effort is (1) greater than 1.0 but less than 1.15; (2) at least 1.15 but less than 1.27; or (3) at least 1.27. State relief for the first tier is phased up from 15% of the education effort

adjustment in fiscal 2023 to 50% by fiscal 2030. State relief for the second tier is phased up from 20% of the education effort adjustment in fiscal 2023 to 100% by fiscal 2030. State relief for the third tier is 100% beginning in fiscal 2023. However, the education effort adjustment for a county is only allowed to the degree that per-pupil MOE is met each year.

Additional Reductions to Local Share

A county may be eligible for a reduction in the required local share of major aid formulas in three additional ways: (1) if a county receives State funds from the guaranteed tax base (GTB) program, the local share may be reduced by the amount of GTB funds, except that for Baltimore City only the amount above \$10.0 million may be reduced from the local share; (2) if a county receives State funds to support the minimum funding floors of 15% for the foundation and 40% for the targeted programs; and (3) if a county has a CWI of at least 0.13, the local share of CWI may be reduced by 50%. However, in all of these cases, the local share may not be reduced below the required per-pupil MOE amount.

Annual Submission of Education Aid Data

On December 1, each year the Maryland State Department of Education (MSDE) must submit to the Department of Budget and Management (DBM) and the Department of Legislative Services (DLS) the enrollment counts and other data necessary to calculate the funding formulas to implement the Blueprint for Maryland's Future for the upcoming fiscal year.

State Expenditures: The effect on general and special fund expenditures for education aid may be substantial beginning in fiscal 2027.

According to MSDE, comparing September 30, 2022 enrollment to the average daily membership for schools in the 2022-2023 school year yielded a statewide increase of 142 students, or about 0.02%, ranging from a 0.6% increase for Montgomery County to a 1.6% decrease for Baltimore City. However, this data is not a precise match to what the bill specifies, because data is not collected in the manner specified by the bill and the estimates are based on total, not FTE, enrollment. Further, MSDE's analysis for similar past legislation indicated a 0.1% increase in statewide enrollment, based on data from the 2018-2019 school year (prior to the enrollment disruptions resulting from the COVID-19 pandemic).

Potentially, given the relatively slight change found using this data, the bill results in increased FTE enrollment counts and, therefore, in State aid in some years, and decreased FTE counts and State aid in others, as compared to results projected under the current law methodology for determining FTE enrollment.

The calculation of FTE enrollment under the bill will prohibit MSDE from meeting the statutory deadline for providing enrollment data to DBM and DLS. This will present practical challenges for assuring that State education aid is properly accounted for in the annual State budget bill.

Local Fiscal Effect: Local school system revenues from direct State aid change by an indeterminate amount, beginning in fiscal 2027 as discussed above due to changes in FTE school enrollment counts used to determine State aid. Similarly, local government's local share of major education aid and per pupil MOE requirements are changed in an indeterminate manner, beginning in fiscal 2027, thus altering projected county government appropriations to public schools. Use of data described above suggests a slight change in local appropriations, which will vary by county, beginning in fiscal 2027. However, for reasons discussed above, it is not certain that the corresponding set of funding results is indicative of likely results in fiscal 2027 or future years. Based on the data discussed above, these changes may be relatively minor.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1200 of 2024, HB 739 of 2023, and HB 1365 of 2022.

Designated Cross File: None.

Information Source(s): Baltimore County Public Schools; Montgomery County Public Schools; Maryland State Department of Education; Department of Legislative Services

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