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HOUSE BILL 598 Education - Funding for General Education Programs – Definition Alterations

STATEMENT OF INFORMATION

DATE: March 16, 2023

COMMITTEE: House Appropriations

SUMMARY OF BILL: HB 598 modifies the calculation method used for major K-12 education funding formulas in a given fiscal year by redefining “enrollment count” as the sum of the prior year’s enrollment plus the average enrollment change over the three prior years, from its current definition as the greater of full-time equivalent enrollment in the prior school year or the three-year moving average enrollment figure. This alteration specifically affects the Foundation, Regional Cost of Education, and Guaranteed Tax Base funding formulas, which use the current definition of “enrollment count” to help determine the amounts that each local education agency (LEA) should receive for those funding formulas. This change in statute would increase State expenditures on K-12 education formulas significantly in future years.

EXPLANATION: Currently, the Foundation, Regional Cost of Education/Comparable Wage Index, and Guaranteed Tax Base funding formulas for K-12 education provide jurisdictions with funding based in part on the greater of enrollment in the prior year or the three-year moving average of enrollment. HB 598 would modify this approach by instead defining “enrollment count” as the prior year’s enrollment plus the average change in enrollment from the third-prior year to the prior year. For a jurisdiction where enrollment grew from the third-prior year to the prior year, the enrollment figure used for funding calculations would be greater than it would be under existing statute. Meanwhile, a jurisdiction with declining enrollment would receive less funding than the amount provided under existing statute.

In recent years, enrollment has trended downward due to the COVID-19 pandemic. Therefore, if this proposed enrollment count method was used for FY 2024, State K-12 spending would be \$80.5 million less than in the Governor’s Allowance due to average enrollment change in most jurisdictions being negative. Baltimore City and Prince George’s County schools alone would lose over \$63 million due to enrollment declines in those jurisdictions, while the jurisdiction that would benefit the most from this revised method would be Carroll County, with a net increase of \$4.9 million. However, using current enrollment projections, compared to the current baseline, this legislation would increase State expenditures by \$52 million in FY 2025, \$83 million in FY 2026, \$66 million in FY 2027, and \$48 million in FY 2028.

Therefore, this legislation would supplement recent enhancements for education. Funding in the State

budget for K-12 education is at record levels in FY 2024, at approximately \$8.8 billion. Under current law this amount will grow as per pupil funding amounts increase each year. This legislation would accelerate the currently projected exhaustion of the Blueprint for Maryland’s Future Fund, which funds the Foundation and Regional Cost of Education formulas and increase the Fund’s reliance on the State’s General Fund to support mandated education funding formulas.

The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and strives to create a structurally balanced budget, in which the growth in spending is less than the growth in revenues. In light of current economic uncertainty and the potential for a downturn, the Department urges caution in passing legislation significantly expanding State required expenditures without offsetting revenues. General fund mandates can have the effect of crowding out the State’s ability to fund staffing, salary adjustments, and in general invest strategically and holistically in State government’s human capital and the infrastructure required to carry out State government’s mission. State government must be intentional, disciplined, and strategic with its allocation of State funding to ensure maximum impact toward priority outcomes.

General Fund Structural Budget Outlook, Fiscal 2024 – 2028 (\$ millions)

	Est. 2024	Est. 20235	Est. 2026	Est. 2027	Est. 2028
Structural Balance	\$337	\$232	\$263	\$529	\$1,113
Adjusted for Blueprint				-\$963	-\$1,207

Department of Legislative Services, January 2023 Fiscal Briefing

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