

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
First Reader - Revised

Senate Bill 267 (The President, *et al.*) (By Request - Administration)
 Education, Health, and Environmental Affairs

AP Opportunities Act of 2020

This Administration bill requires, to the extent funding is provided in the State budget, the State Board of Education to provide Advanced Placement (AP) examination fee assistance for specified students with financial need beginning in the 2020-2021 school year. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: Beginning in FY 2021, general fund expenditures increase by an estimated \$1.1 million annually to provide AP exam fee assistance to students with financial need (the Governor’s proposed FY 2021 budget includes this funding). To the extent federal funds are available to the State for this purpose, general fund expenditures may be less. Revenues are not affected.

(\$ in millions)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	1.1	1.1	1.1	1.1	1.1
Net Effect	(\$1.1)	(\$1.1)	(\$1.1)	(\$1.1)	(\$1.1)

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

Local Effect: To the extent State AP exam fee assistance for students with financial need supplants local school system funds (including federal Title IV funds) currently used for this purpose, local school system expenditures decrease for this purpose. Any increased revenue for local school systems will be passed directly to the College Board.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary: “Student with financial need” is defined as a student:

- whose annual household income is at or below 185% of the federal poverty level;
- who is in foster care or Head Start;
- who is homeless;
- who is living in a household that receives benefits under the Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, or the Food Distribution Program on Indian Reservations; or
- who is able to show that payment of the required fee would be a financial hardship.

To receive the AP examination fee assistance, a student with financial need must be enrolled in an approved course and plan to take the appropriate examination. The State Board of Education may adopt regulations to implement the bill.

Current Law/Background:

Advanced Placement Exams

AP courses have rigorous curriculum with external assessments created by the College Board and are offered at many Maryland high schools. There are approximately 38 AP exams in subjects ranging from U.S. History to Calculus to Biology.

Students who choose to take AP courses may take as many or as few of the courses as their school offers and allows, and the College Board allows a student to take an AP exam regardless of participation in its respective course. AP exams are scaled on a five-point scale with a five being the highest score. Many colleges and universities offer credit to students who receive at least a three or four on the AP exam. However, the policies on the score required to receive credit vary widely among institutions and even among particular exams. In addition, many institutions have separate criteria for awarding credit and for course placement. For example, a student may receive credit for an AP exam score but still be required to complete the course at the institution if the course is required for the student’s major. Moreover, achieving a passing score on AP assessments is one option for meeting the graduation assessment requirements for attaining a high school diploma.

Maryland Advanced Placement Participation

In 2018, 58,500 Maryland public school students took 110,200 AP exams for an average of 1.9 exams per test taker. Maryland public school students earned a 3, 4, or 5 on 65% of exams. While approximately 36% of Maryland public high school students were eligible for free or reduced priced meals (FRPM), which is set at or below 185% of the federal poverty level, only 14% of AP exams were taken by students eligible for FRPM in the 2017-2018 school year.

Advanced Placement Exam Fees for Students from Low-income Families

From 1998 to 2016, the federal government provided states with dedicated funding to offset the cost of AP exams for low-income students under a Title I program called the AP Test Fee Program. Beginning with the 2017 AP exams, the Every Student Succeeds Act eliminated this program and consolidated AP funding with 40 other educational programs under a new Title IV, Part A block grant. According to the College Board, the vast majority (95%) of this new Title IV, Part A funding goes to districts, which can use it to subsidize their low-income students' AP exam fees. Low-income means a family income at or below 185% of the poverty level, the same threshold for free and reduced-price meal eligibility. States can reserve up to 5% of the Title IV funds and use them for the same purpose. Fifteen school systems in Maryland have chosen to use some amount of Title IV funding to cover AP exam costs in fiscal 2020.

Advanced Placement Exam Fees

The current fee for an AP test is \$94 for students, as set by the College Board. The student pays \$94 to the local system, which remits \$85 to the College Board, thus providing a \$9 rebate per exam to the local school system. However, the College Board offers a \$32 reduction to the fee for low-income students at a cost to local school systems of \$53 per exam; local school systems are expected to forgo the \$9 rebate for these exams. For the capstone AP exam, which is taken by relatively few students, the fee is now set at \$142 by the College Board, netting to \$133 after a \$9 rebate. A reduction of \$32 is applied for low-income students, resulting in a charge of \$101.

State Expenditures: General fund expenditures increase by an estimated \$1.1 million to cover AP exam fees for students with financial need. To the extent federal funds (*e.g.*, Title IV) are available for this purpose, general fund expenditures may be less. The Governor's proposed fiscal 2021 budget contains \$1.1 million for AP tests for low-income students specifically for this purpose. For this estimate, it is assumed that AP fee assistance is provided to *all* students with financial need for all qualified exams. As shown in **Exhibit 1**, according to the Maryland State Department of Education approximately 20,900 fee-reduced AP exams (20,600 by public school students) and 240 fee-reduced AP

capstone exams will be taken in fiscal 2020 (2019-2020 school year). Based on the AP exam fees after the College Board fee reduction, to provide complete AP fee assistance to all students with financial need costs approximately \$1.1 million annually. This estimate assumes that the number of AP exams taken by qualified students does not increase in response to the bill, and a steady number of exams are taken by qualified students annually. If the State budget contains less funding than is needed, it is assumed that less than complete assistance is provided per exam, fewer students receive assistance, or both.

Exhibit 1
Estimated Number and Cost
Fee-reduced AP Exams

	<u>Cost Per Exam</u>	<u>Estimated # of Exams (Public Schools Only)</u>	<u>Estimated # of Exams (Private Schools Only)</u>	<u>Estimated Cost (All Schools)</u>
Fee-reduced AP Exams	\$53	20,600	300	\$1,107,700
Fee-reduced AP Capstone Exams	101	240	0	24,240
Total				\$1,131,940

AP: Advanced Placement

Source: Maryland Department of Education; Department of Legislative Services

Local Fiscal Effect: School systems may use State, local, or federal funds (*e.g.*, Title IV) to cover AP exam fees for low-income students currently. As noted above, 15 school systems in Maryland are using Title IV-A federal funds for this purpose in fiscal 2020. It is not known how many systems may be using State or local funds to cover AP exam fees. State funds provided under the bill will supplant other funds being used by school systems to pay AP exam fees, freeing up those dollars for other eligible spending by the school system.

Additional Comments: Private schools may receive approximately \$16,000 in AP exam fee assistance from the State annually for eligible high school students.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 348 (The Speaker, *et al.*) (By Request - Administration) - Ways and Means.

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

Fiscal Note History: First Reader - January 31, 2020
mr/rhh Revised - Correction - February 4, 2020

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: AP Opportunities Act of 2020

BILL NUMBER: SB 267

PREPARED BY: Ali Keane

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS