

Department of Legislative Services  
Maryland General Assembly  
2021 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 266 (Delegate Cox)  
Ways and Means and Appropriations

---

Student Education Equity Grant Program - Established (Student Education  
Equity in Funding Act)

---

This bill establishes the Student Education Equity Grant Program to provide grants in the amount of \$1,000 per semester for students to attend an “open” public or nonpublic school if the public school they are assigned to attend is not “open.” “Open” is defined as at the time of application (1) the school is offering fully in-person learning for all classes in the school and (2) the school has not restricted any in-person school sports or extracurricular activities. The Maryland State Department of Education (MSDE) must use funds distributed to the local school system under the Foundation Program to provide the grants. MSDE must verify that a student is eligible, distribute a \$1,000 grant for the semester, and enter into an agreement with the student. **The bill takes effect July 1, 2021.**

---

Fiscal Summary

**State Effect:** To the extent staff resources cannot be redirected to administer the grant program, general fund expenditures may increase. If student enrollment changes, as explained below, State expenditures through the State education funding formulas may be impacted, potentially significantly. However, these expenditures cannot be reliably estimated. Revenues are not affected.

**Local Effect:** Beginning with the 2021-2022 school year (FY 2022), local school system revenues decrease by up to \$2,000 per eligible student who applies for the grant. As explained below, additional potentially significant impacts on local school system revenues and expenditures and local government expenditures are possible. Overall impact on revenues and expenditures cannot be reliably estimated

**Small Business Effect:** None.

---

## Analysis

**Bill Summary:** An eligible student may apply to MSDE to receive a \$1,000 initial grant from the program to be used at an open public or nonpublic school during a fall or spring semester. If a student receives a grant for the fall semester, the student is automatically eligible to receive a grant for the spring semester if the student submits documentation to MSDE that the student (1) remains unable to attend the school that they are assigned to attend by the local school system because the school is not open; (2) is currently enrolled in a school that is open; and (3) used the initial grant for eligible expenses. A student must reapply to be eligible for a grant in a school year following the school year in which the student received the initial grant.

MSDE must establish an application process to verify that a student is eligible for the grant program. The agreement with the student must specify that the grant may be used only for eligible expenses. MSDE must provide to each student who receives a grant a written description of (1) the authorized uses of the grant and (2) the responsibilities of the student and MSDE under the program.

Each student who receives a grant must provide receipts to MSDE to verify that the grant was used only for eligible expenses. Eligible expenses means expenses incurred by a student to attend an open school in the State, including those specified.

MSDE may adopt regulations *only* to (1) further define eligible expenses; (2) establish the process for grant applications and renewals; and (3) establish the process for distributing the grants including redirecting foundation program funding to eligible students. MSDE may not adopt regulations to alter the definition of an eligible student or require any additional criteria for grant applications.

**Current Law:** The Foundation Program is the major State aid program for public schools. A formula determines for each school system the State and local shares of a minimum per pupil funding level. The total cost of the Foundation Program, which equals the per pupil foundation amount times the full-time equivalent student enrollment count, is shared equally by the local governments and the State. However, as a wealth equalized formula, 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. In addition to the Foundation Program, there are per pupil funding for specified groups of students.

### *Enrolling in Another Local School System*

The bill allows students to use the grant funds to attend an “open” public school if their assigned school is not “open.” In 2018, MSDE surveyed local school systems regarding

their transfer policies. Based on the information presented in the resulting report, Allegany, Anne Arundel, Charles, St. Mary's, and Somerset counties responded that students from outside of the county are allowed to attend their schools in certain circumstances.

Further, statute allows districts to negotiate voluntary interdistrict transfer agreements for a school that is in one county and near the boundary of an adjoining county. Accordingly, local boards of the two counties may provide jointly for the maintenance of the jointly attended school in the receiving county and determine the geographical attendance areas and other attendance policies of the two counties for all jointly attended schools in the receiving county. If the two county boards fail to agree on a geographical attendance area or attendance policy, the State Superintendent must decide the matter.

For each student, the sending county must pay the receiving county, the current local expense per student of either the sending or receiving county (whichever is the lessor). If the sending county's per student spending is less than that of the receiving county, then the difference, plus the appropriate State share of the Foundation Program, must be paid by the State to the receiving county.

### **State/ Local Fiscal Effect:**

#### *Administration Costs*

Beginning with the 2021-2022 school year, MSDE may need to redirect staff resources from existing priorities to administer the grant program if a significant number of schools are not "open" as defined by the bill. To the extent staff resources cannot be temporarily redirected, general fund expenditures increase to hire a contractual grants administrator; however, any need for contractual services will likely be of limited duration. Any such increase cannot be reliably estimated as it is dependent on the number of eligible students who apply for the grant. Further, it should be noted that the mechanism that MSDE would use to redirect State aid to local school systems to grants to students is unclear.

#### *Local School System Revenues*

Beginning with the 2021-2022 school year (fiscal 2022), local school system revenues decrease by up to \$2,000 per eligible student who applies for the grant. The number of eligible students depends on the number of schools not "open" and cannot be reliably estimated. However, the impact on any local school system that is not able to be fully "open" is likely to be significant.

### *State Per Pupil Aid for Local School Systems*

State per pupil aid is based on the September 30 enrollment count from the prior fiscal year. In fiscal 2020, State aid per full-time equivalent student was approximately \$8,000; however, the amount of State per pupil aid varied by local school system from about \$4,200 for Talbot County to about \$14,200 for Somerset County.

If the grant program encourages students to not enroll in a public school system in the State, State general fund expenditures decrease. The funding mechanism for students who enroll in a district other than their home district under the bill is unclear. State aid per pupil may be impacted, potentially significantly, if students are included in the enrollment count of a district other than their home district. While this will benefit the receiving district, it will further exacerbate the revenue loss for sending districts if students who receive grants under the bill are *not* included in the September 30 enrollment count of the home district.

### *Local School System Expenditures*

To the extent local school system enrollment significantly decreases (or increases), local school system expenditures may decrease (or increase). However, many local school system expenditures are fixed costs and cannot be quickly adjusted. Any such impact cannot be reliably estimated.

### *Local Government Expenditures*

To the extent that students do not enroll in a public school system in the State due to the grant program, local expenditures the following fiscal year decrease. Per pupil local appropriations for public schools averaged about \$7,600 in fiscal 2020, ranging from about \$2,800 in Caroline County to \$14,100 in Worcester County.

However, to the extent that local governments must pay for students to attend “open” local schools in another jurisdiction, these savings may not be realized. The enrollment count and funding mechanisms for students to enroll in public school system other than their home jurisdiction is unclear in the bill. Any such impact cannot be reliably estimated.

**Additional Comments:** Students who never attended or intended to attend a public school are eligible for the grant program. Private school enrollments and revenues may increase due to the grant program.

## **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Maryland Association of Counties; Maryland State Department of Education; Baltimore City Public Schools; Department of Legislative Services

**Fiscal Note History:** First Reader - February 2, 2021  
rh/rhh

---

Analysis by: Caroline L. Boice

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510