

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 912 (Senator Hershey)
 Budget and Taxation

Education - Low-Density Calculation - Mandated Funding

This bill establishes, for fiscal 2025 to 2027, a State aid program to county governments based on low population density. State funding is provided to jurisdictions with (1) a county population density of less than 100 individuals per square mile and (2) a public school full-time equivalent (FTE) enrollment of less than 2,000 students. Per pupil aid amounts, which increases over the course of the three years, are specified. The State aid amount is determined by multiplying the FTE enrollment by the product of the per pupil amount and the number of square miles in the county. The Governor must include funding for the State aid program in the relevant annual budget bills. **The bill takes effect July 1, 2023, and terminates June 30, 2028.**

Fiscal Summary

State Effect: General fund expenditures increase by \$478,000 in FY 2025; by \$565,000 in FY 2026; and by \$1.0 million in FY 2027. Revenues are not affected. **This bill establishes a mandated appropriation in FY 2025 to 2027.**

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	478,000	565,000	1,033,800	0
Net Effect	\$0	(\$478,000)	(\$565,000)	(\$1,033,800)	\$0

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

Local Effect: State aid to Kent County increases by \$478,000 in FY 2025; by \$565,000 in FY 2026; and by \$1.0 million in FY 2027. County expenditures are not affected.

Small Business Effect: None.

Analysis

Bill Summary: As shown in **Exhibit 1**, per pupil amounts for the purpose of determining State aid under the bill are specified for fiscal 2025 to 2027.

Exhibit 1 Per Pupil Amount under the Bill

<u>Fiscal Year</u>	<u>Per Pupil Amount</u>
2025	\$1.06
2026	1.27
2027	2.34

Source: Department of Legislative Services

Current Law: FTE enrollment is a key factor in determining most of the direct State aid provided to local school systems. FTE enrollment is also a key factor in determining required minimum funding, or effort, that county governments (including Baltimore City) must provide to local school systems each year. While the sharing of public school costs between the State and county governments is based upon both local wealth and FTE enrollment, population density and relative magnitude of enrollment are not factors used to determine these shared costs, nor are these factors used in combination to determine funding provided by the State to county governments.

State Expenditures: General fund expenditures increase by \$478,000 in fiscal 2025; by \$565,000 in fiscal 2026; and by \$1.0 million in fiscal 2027, in the form of State aid to Kent County. **Exhibit 2** shows by county (1) the July 2021 population according to the Maryland Department of Planning; (2) square miles and the resulting population density; and (3) the September 2022 FTE enrollment for each local school system. Based on these figures, Kent County is the only jurisdiction eligible to receive funding under the new State aid program. Further, based on current projections of both the county population and FTE enrollment, Kent County receives funding under the bill for each of the three years covered by the bill. Because the per pupil funding amount increases substantially each year under the bill, State expenditures continue to increase annually.

Exhibit 2
Population Density and FTE Enrollment by County

County	Population July 2021	Land Area (Square Miles)	Population Density	FTE Student Enrollment Sept. 2022
Allegany	67,729	424.2	159.7	7,699.0
Anne Arundel	590,336	414.9	1,422.8	81,911.5
Baltimore City	576,498	80.9	7,126.1	69,639.8
Baltimore	849,316	598.3	1,419.5	106,795.3
Calvert	93,928	213.2	440.6	15,011.3
Caroline	33,386	319.4	104.5	5,357.0
Carroll	173,873	447.6	388.5	25,323.3
Cecil	103,905	346.3	300.0	14,344.0
Charles	168,698	457.8	368.5	26,637.8
Dorchester	32,489	540.8	60.1	4,212.8
Frederick	279,835	660.2	423.9	45,219.3
Garrett	28,702	647.1	44.4	3,294.3
Harford	262,977	437.1	601.6	36,915.8
Howard	334,529	250.7	1,334.4	56,130.8
Kent	19,270	277.0	69.6	1,650.0
Montgomery	1,054,827	491.3	2,147.0	155,523.0
Prince George's	955,306	482.7	1,979.1	124,660.8
Queen Anne's	50,798	371.9	136.6	7,091.0
St. Mary's	114,468	357.2	320.5	16,853.3
Somerset	24,584	319.7	76.9	2,561.0
Talbot	37,626	268.5	140.1	4,227.0
Washington	154,937	457.8	338.4	21,193.8
Wicomico	103,980	374.4	277.7	14,211.5
Worcester	53,132	468.3	113.5	6,330.0
Total	6,165,129	9,707.2	635.1	852,792.8

FTE: full-time equivalent

Source: U.S. Census Bureau; Maryland Department of Planning; Maryland State Department of Education

Local Fiscal Effect: State aid to Kent County increases by \$478,000 in fiscal 2025; by \$565,000 in fiscal 2026; and by \$1.0 million in fiscal 2027. The bill does not prescribe how the county government must use the additional State funding; however, it is assumed that

to some extent this funding will be used to meet the local maintenance of effort requirement with respect to public school funding.

Kent County is one of the five jurisdictions that the Department of Legislative Services (DLS) indicates in its [January 2022 report](#) will face significant stress in future years to meet the local funding requirements under the Blueprint for Maryland's Future. Based on findings from the report, Kent County will need to increase its local appropriation by approximately \$0.5 million in fiscal 2024 in order to meet the Blueprint local funding requirement. This amount increases to \$3.3 million in fiscal 2028 and \$7.0 million by fiscal 2034, which represents a 16.0% and 28.9% respective increase over the county's projected pre-Blueprint local appropriation. On a per pupil basis, the required increase in the local appropriation totals \$1,913 in fiscal 2028 and \$3,957 in fiscal 2034, which represents the second highest per pupil increase among the local jurisdictions.

The report also indicates that Kent County will experience a significant gap between the required increase in local education funding under the Blueprint legislation and the projected growth in local revenues. Between fiscal 2022 and 2034, local revenues in Kent County are projected to increase by 3.3% on an annual basis, while the required local appropriation under the Blueprint legislation will increase by 4.4%. This results in a 1.1% gap between the projected annual revenue growth and the required increase in education funding (the third highest gap among the local jurisdictions).

Additional information on the local fiscal impact of the Blueprint legislation can be found in the report, which is available on the DLS [website](#).

Additional Information

Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1240 and SB 986 of 2022.

Designated Cross File: HB 799 (Delegate Ghrist, *et al.*) - Appropriations.

Information Source(s): Maryland State Department of Education; Department of Budget and Management; Maryland Department of Planning; Department of Legislative Services

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