10-Year Phase-in Funding to Support School Enrollment Growth

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HB598 Purpose

A large part of school funding is based on the enrollment count of schools. The current statute holds that a school's enrollment count is the greater of the school's prior year full-time equivalent enrollment or the three-year moving average. The school can't simply count its current year FTE enrollment because the school must receive funding before the school year begins. The school enrollment count is dated on September 30 of each year. That means for a new fiscal year funding (starting July 1st of each year), the current long-existing practice is to use last September 30's enrollment number for the new fiscal year budgeting.

This leads to a funding deficit for schools with enrollment growth.

In general, let us define A_0 as the current year enrollment count. A_1, A_2 and A_3 be the actual FTE enrollment of the past three years respectively. The current statute is thus visualized as:

Education- Funding for General Education Programs- Definition Alterations HB0598 Enrollment (September 30 for each year)				
Year	2020-2021	2021-2022	2022-2023	2023 -2024
Enrollment	A_3	A_2	A_1	A_0

$$A_0 = \text{Greater}\left(A_1, \frac{A_1+A_2+A_3}{3}\right)$$

$$\textit{Three-year mean} = \frac{A_1+A_2+A_3}{3}$$

A problem with this formula is that it does not account for growth. Suppose $A_3 = 1000$, $A_2 = 1020$ and $A_1 = 1040$. Based on the growth pattern, **we expect A_0 to be 1060**.

However, the current funding formula led to enrollment **A0 = 1040**; the greatest of 1040 or 1020 where 1020 is the average of (1000, 1020, 1040).

Funding for growth is extremely important so as not to leave out portions of incoming students. In order to account for growth, delegate Wu's bill proposes a modification to the enrollment count formula, so it also considers a new measure: the prior year FTE enrollment + average enrollment change calculated from the last three years. The average enrollment change represents expected growth.

$$A_0 = \text{Greatest}\left(A_1, \frac{A_1+A_2+A_3}{3}, A_1 + \frac{A_1-A_3}{2}\right)$$

Growth Formula $= A_1 + \frac{A_1-A_3}{2}$

Thus, when A_3 = 1000, A_2 = 1020 and A_1 = 1040, **A_0 will be 1060**. That is: the greatest of 1040, 1020 or 1060, where 1060 = (1040 + (1040-1000) / 2. This new enrollment number is able to account for expected growth.

Note:

1) The new formula is designed to address the uncounted growth of the student population in the fiscal year based on the existing funding formula.
2) The new formula will NOT decrease funding to schools with declining enrollment.
3) The new formula will NOT change the per student funding level based on various factors.

The Challenges

HB 0598 was killed in its first committee reading primarily because of its high fiscal impact. Utilizing the current projections in FTE enrollment, Maryland will have to spend an extra $41.9 million for FY 2025, $49.5 million for FY 2026, $40.9 million for FY 2027 and $28.3 million for FY 2028. On one side, this is a huge challenge for our state budget. However, on the other side, we can see that we have NOT been funding our enrollment growth timely for years.

A Solution with a Phase-In Funding Approach

Delegate Wu's plan is to find a percentage of the actual amount of predicted growth to fund to overcome the large fiscal impact. Taking Maryland Blueprints' ten-year funding cycle, we also propose a ten-year phase-in funding approach.

What this means is that in the next fiscal year (FY 2025), we will fund 10% of expected growth (average enrollment change amount). In the year following, we will fund an additional 10%– so a total of 20%– of the expected growth. This continues until 10 years later, at which point 100% of expected growth will be funded. This will lead to annual state budget growth to 4-5 million dollars, which is **0.00625%** of the state's operating budget.

The new student population counting formula is the following:

$$A_0 = Greatest\left(A_1, \frac{A_1 + A_2 + A_3}{3}, A_1 + r_n \frac{A_1 - A_3}{2}\right)$$

where r_n is the percentage, n is the year. r_1 = 0.1 in FY 2025, r_2 =0.2 in FY 2026, … r_{10} =1.0 in FY 2034.

This will greatly reduce the yearly budgetary consideration to around 4 million dollars.