
Overview of Education Funding in Maryland

**Presentation to the Commission on
Innovation and Excellence in Education**

**Department of Legislative Services
Office of Policy Analysis
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Presentation Overview

- Principles Guiding Funding of Primary/ Secondary Education In Maryland
- Commission on Education, Equity, and Excellence/Bridge to Excellence Act
- Trends in Education Funding Since 2002
- Overview of Major State Aid Programs

Principles Guiding Funding of Education in Maryland

- Thorough and efficient system of free public schools (Article VIII of the State Constitution)
- Equity
- Adequacy
- Local Control
- Accountability

Equity

- Each Maryland child should have a substantially similar opportunity to meet performance standards regardless of geographical location
- Maryland has a system of shared State and local responsibility for education funding
- Consequently, State aid for education should offset local fiscal disparities

Local Fiscal Disparities

- To achieve funding equity, educational opportunities should not depend on local abilities to generate revenue
 - In Maryland the primary sources of local tax revenues are the property tax and income tax
 - For many years a significant share of State education aid has been distributed inverse to local wealth as measured by property assessable base and net taxable income
 - Less wealthy school systems, therefore, receive more State aid per pupil than wealthier school systems – this is known as wealth equalization
- Wealth is calculated by adding together a district's net taxable income and assessable base of property
 - This calculation is then compared to the State average to establish a district's relative wealth

Adequacy

- State and local funding should be sufficient to acquire the total resources needed to reasonably expect that **all** students can meet academic performance standards
 - Prior to the Thornton Commission, sufficient funding to provide an excellent fundamental education was a goal but quantifying the amount was elusive
 - Ensuring that all students meet performance standards requires that students with special needs or at risk of failure receive targeted resources or services
 - Maryland counties, including Baltimore City, provide a significant share of funding for education. Maintenance of effort requirements ensure that counties do not reduce their support for education

Local Control with Accountability

- Local school systems should have the primary responsibility for allocating education resources
- Schools and school systems should be held accountable for performance outcomes
- The State may need to play a greater role in allocation of resources if progress toward meeting standards is not being made

Current Funding Structure Based on “Thornton” Commission Work

- Commission on Education Finance, Equity, and Excellence established by legislation in 1999 and met through 2001
- Chaired by Dr. Alvin Thornton
- The charge of the commission included ensuring:
 - adequacy in funding
 - equity in funding
 - excellence in schools and student performance

Thornton Focus on Adequate Funding a Departure from Earlier Study Groups

- Maryland's funding formulas traditionally focused on equity – offsetting local fiscal disparities
- In the 1990s there was a greater recognition of the additional resources required to serve targeted student populations
- Working with education finance consultants, the Thornton Commission built upon the existing funding structure and developed a methodology for linking the level of State funding to State performance standards

Two Adequacy Methods Considered by Thornton Commission

- Two methods to determine adequate funding were used
 - Successful schools – the actual expenditures of 59 schools that met a set of State standards were examined
 - Professional judgement – 7 teams developed prototypical schools and the needed resources were costed out

Thornton Commission's Recommendations

- Provide a base per pupil amount derived from the actual expenditures of selected successful schools
- Augment the base amount with additional funding for targeted student populations
- Use a Maryland-specific geographic cost of education index to begin in fiscal 2005
- Establish a Guaranteed Tax Base program to provide a financial incentive for low-wealth counties to fund their schools
- Increase the share of State aid to less wealthy counties
- Move toward the State providing an equal share of education aid as compared to the counties

Thornton Commission's Recommendations (cont.)

- Require counties, at a minimum, to maintain their funding effort
- Require school systems to develop a master plan specifying how funds will be used and what strategies will be implemented to improve student performance
- Establish full-day kindergarten for all 5-year-olds and optional pre-K for economically disadvantaged 4-year-olds
- New State funding estimated to be \$1.1 billion
 - On per pupil basis, it would increase from \$3,500 in fiscal 2002 to more than \$5,600 in fiscal 2007

Bridge to Excellence Act of 2002

- The Bridge to Excellence (BTE) in Public Schools Act of 2002 incorporated many of the recommendations of the Thornton Commission and restructured the State's public school finance system by:
 - eliminating a large number of small categorical aid programs
 - establishing formulas that are based primarily on full-time equivalent (FTE) student enrollments and local wealth
- The Act also significantly increased financial support for public schools by phasing in an additional \$1.3 billion in State aid from fiscal 2003 through 2008 to reach funding adequacy and improve equity

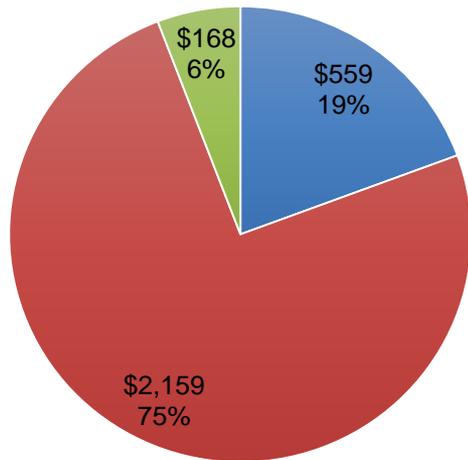
Balancing Local Control and State Accountability

- Under Bridge to Excellence, 50 prescriptive categories of State funding were replaced with block grants
 - This increased local control over how to spend the money
- The comprehensive master plan process was established
 - Each district is required to outline the steps they are taking to improve student achievement including closing achievement gaps

More State Aid is Targeted

(\$ in Millions)

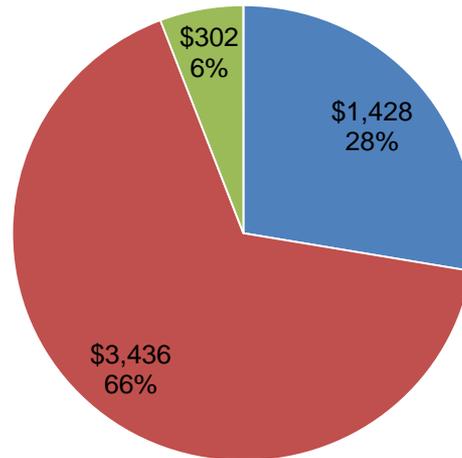
FY 2002



Total = \$2,886

- Targeted
- General Education
- Noninstructional

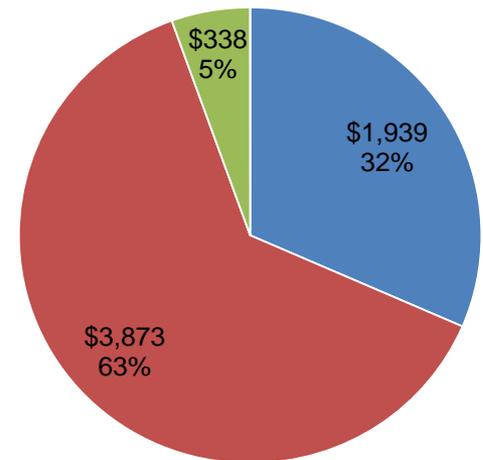
FY 2008



Total = \$5,166

- Targeted
- General Education
- Noninstructional

FY 2016

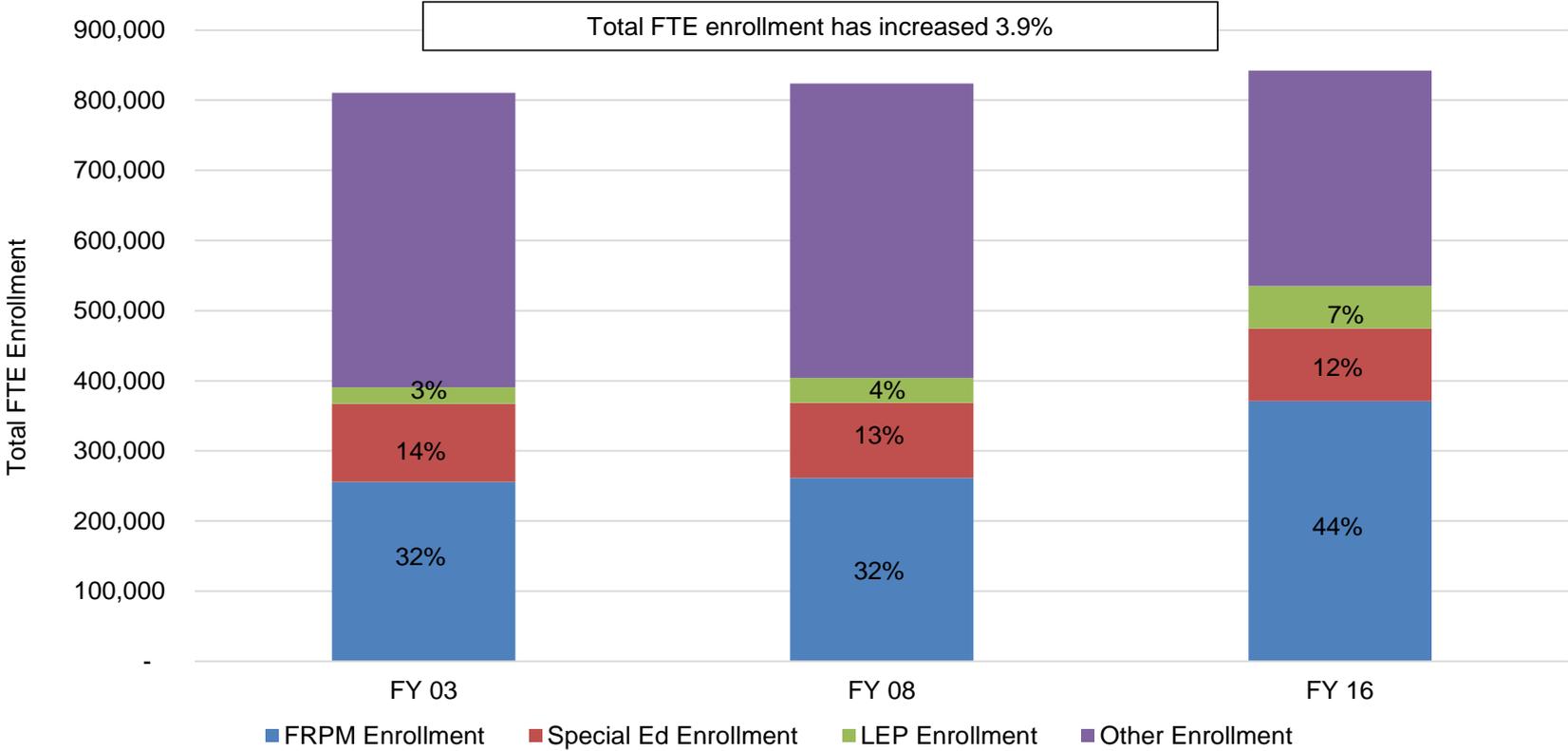


Total = \$6,150

- Targeted
- General Education
- Noninstructional

Note: General education includes teachers' retirement. Noninstructional aid includes student transportation and other direct State aid.

Low-income and Limited English Proficient Students Account for Increasing Share of Total Enrollment



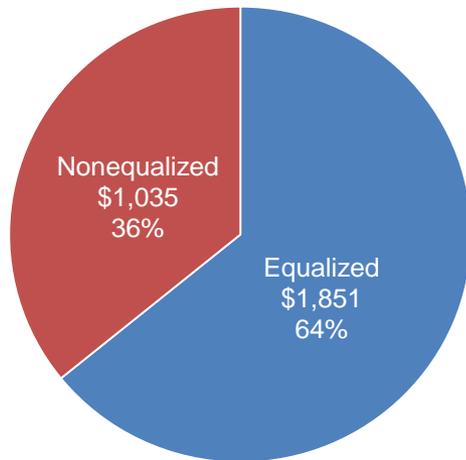
FRPM: free and reduced-price meals
 LEP: limited English proficiency
 FTE: full-time equivalent

Enrollment for a fiscal year is from the fall of the prior fiscal year

More State Aid is Wealth Equalized

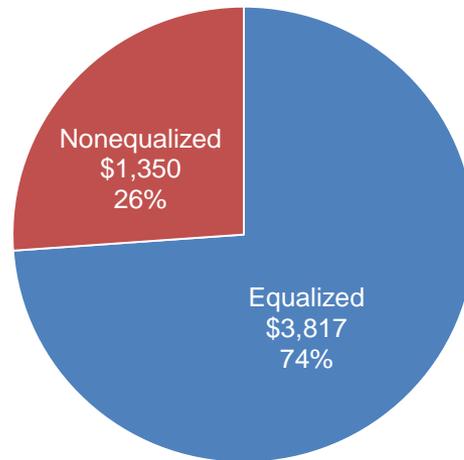
(\$ in Millions)

Fiscal 2002



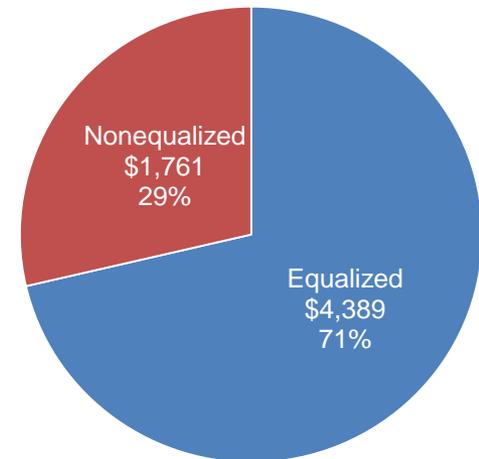
Total = \$2,886

Fiscal 2008



Total = \$5,166

Fiscal 2016



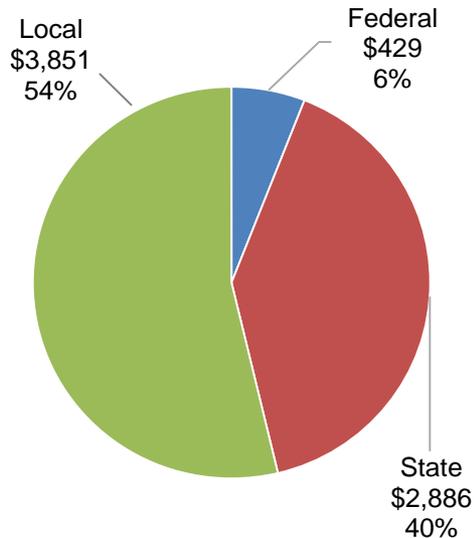
Total = \$6,150

Note: Includes teachers' retirement

State Share of Total Revenue Has Increased

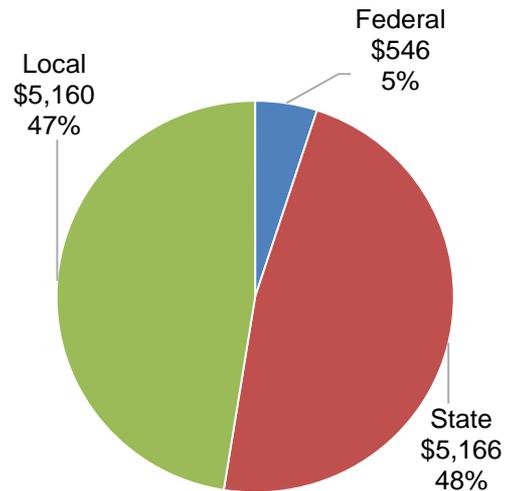
(\$ in Millions)

FY 2002



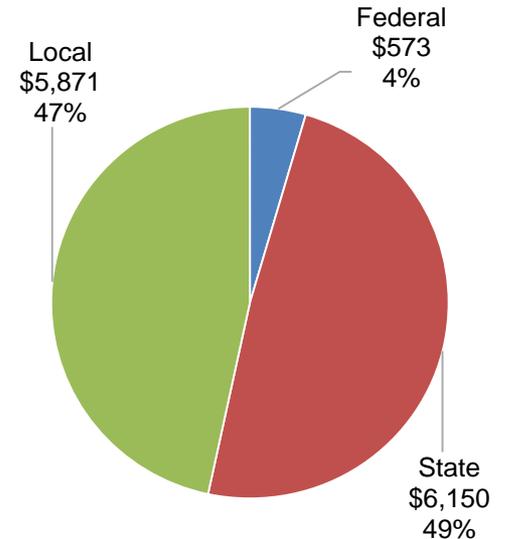
Total = \$7,166

FY 2008



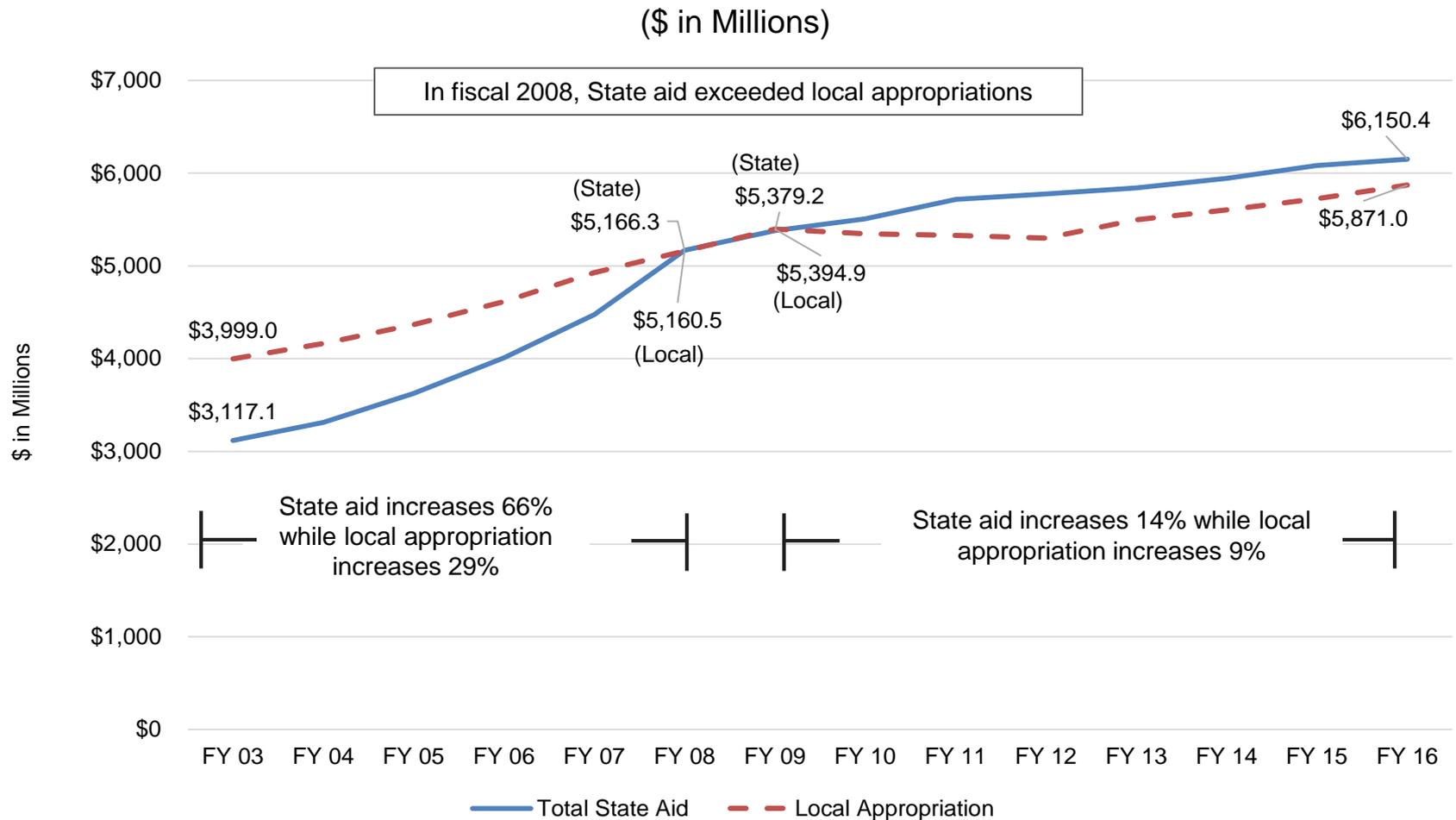
Total = \$10,872

FY 2016



Total = \$12,594

State Aid Increases Sharply During Thornton Phase-in



Categories of State Aid

The majority of State education aid falls into one of three categories:

1. General Education Aid

- provides a minimum level of operating support for all students, driven by total student enrollment and local wealth

2. Targeted Aid

- provides additional funding based on enrollments of targeted student populations (*i.e.*, low-income, limited English, and special education)

3. Noninstructional Aid

- provides school support activities that are not directly related to instruction

State Aid for Education

Fiscal 2002-2016
(\$ in Thousands)

<u>Program</u>	vs. 2002				
	<u>2002*</u>	<u>2008</u>	<u>2016**</u>	<u>Change</u>	<u>% Change</u>
Foundation	\$1,681,184	\$2,782,717	\$3,017,610	\$1,336,426	79%
GCEI	0	0	68,100	68,100	n/a
Compensatory Education	117,124	902,134	1,305,133	1,188,009	1014%
Special Education	81,253	280,044	275,997	194,744	240%
Limited English Proficiency	29,965	126,168	217,180	187,216	625%
Guaranteed Tax Base	0	78,890	53,762	53,762	n/a
Student Transportation	133,313	218,987	266,247	132,934	100%
Bridge to Excellence Total	\$2,042,839	\$4,388,940	\$5,204,030	\$3,161,192	155%
Other Direct State Education Aid	\$514,847	\$210,954	\$217,078	-\$297,769	-58%
State Teacher Retirement Aid	\$328,222	\$566,448	\$729,286	\$401,064	122%
Total	\$2,885,907	\$5,166,342	\$6,150,394	\$3,264,487	113%

* Fiscal 2002 shows education funding prior to Bridge to Excellence enactment.

** Fiscal 2016 includes Supplemental Grants (\$46.6 million), Net Taxable Income Grants (\$23.8 million), and Declining Enrollment Grants (\$86,000).

GCEI: Geographic Cost of Education Index. GCEI was funded at 50% in fiscal 2016; full funding of GCEI is mandated beginning in fiscal 2017.

Foundation Program

General Education Aid

- The foundation program is the main program in general education aid and accounts for almost half of State education aid
- The foundation program ensures a base level of funding per pupil
 - per pupil foundation amount x local enrollment
- At the statewide level, the foundation formula is designed to have the State pay roughly 50% of program costs; however, the State's share for the less wealthy jurisdictions is higher than 50% and the State's share for more wealthy jurisdictions is lower than 50% (wealth equalization)
- The amount of State aid that a jurisdiction receives is based on FTE student enrollment and local wealth
- No jurisdiction may receive less than 15% of the base per pupil amount from the State

Other General Education Aid

- *Geographic Cost of Education Index (GCEI)*: GCEI is a Maryland-based index that adjusts the amount of State aid a local school system receives based on regional differences in the cost of educational resources
 - The GCEI formula does not reduce funding for jurisdictions where educational resources are less expensive
 - Unlike every other major State aid program, GCEI was not mandated until fiscal 2017
 - GCEI only applies to the foundation program and the State pays the State and local shares
- *Guaranteed Tax Base*: GTB provides additional funds to jurisdictions with less than 80% of the statewide wealth per pupil that provide local education funding above the minimum local share required by the foundation program
 - The State provides the funds that would have been generated locally if the jurisdiction had the wealth base that is guaranteed
 - Per pupil GTB amount for any one local school system is limited to 20% of the per pupil foundation amount

Targeted Education Aid

- The targeted formulas recognize the additional costs associated with educating certain student populations:
 - Special education (0.74 X base level of funding per pupil)
 - Compensatory education (based on free and reduced-price meal status) (0.97 X base level of funding per pupil)
 - Prekindergarten funding is accounted for in the compensatory education formula
 - Limited English proficiency (0.99 X base level of funding per pupil)
- Although the State provides approximately 50% of the total estimated cost of each program, local governments are not required to provide the other half
- Funding amounts and distributions are based on local wealth and enrollments of the three targeted student populations, however, no jurisdiction may receive less than 40% of the full per pupil amount from the State

Noninstructional State Aid

- *Student Transportation:* Each local school system is required to provide transportation to and from school for all public school students
 - Transportation funding consists of a base grant that is adjusted annually and a per pupil grant based on the number of students with special transportation needs
- *Other Noninstructional Aid:* Includes early education, food service, adult education, and a variety of innovative programs

Teacher Retirement Costs

- Prior to 2012, the State paid 100% of retirement costs
- In 2012, legislation required locals to share in the cost of retirement
- Retirement aid is not wealth equalized
- In fiscal 2016, local share ranged from 25%-30%

State Aid Structure Results

Fiscal 2016

<u>Full-time Equivalent Enrollment</u>		<u>Targeted Student Index*</u>		<u>Local Wealth per Pupil</u>		<u>Direct State Aid per Pupil</u>	
1.Montgomery	150,097	1.Baltimore City	106.1%	24.Wicomico	\$276,605	1.Baltimore City	\$11,172
2.Prince George's	121,619	2.Prince George's	91.3%	23.Caroline	284,456	2.Somerset	10,658
3.Baltimore	105,904	3.Somerset	88.3%	22.Somerset	289,596	3.Wicomico	9,542
4.Baltimore City	79,503	4.Dorchester	78.3%	21.Baltimore City	292,864	4.Caroline	9,483
5.Anne Arundel	77,280	5.Wicomico	74.9%	20.Allegany	299,197	5.Allegany	9,348
6.Howard	52,475	6.Caroline	72.6%	19.Washington	345,731	6.Dorchester	8,767
7.Frederick	39,655	7.Allegany	71.7%	18.Dorchester	353,979	7.Prince George's	8,580
8.Harford	36,740	8.Kent	64.9%	17.Prince George's	378,600	8.Washington	7,629
9.Carroll	25,505	9.Baltimore	64.3%	16.Cecil	385,432	9.Cecil	6,724
10.Charles	25,413	10.Washington	61.6%	15.Charles	389,280	10.Charles	6,389
11.Washington	21,760	11.Montgomery	60.2%	14.Frederick	420,738	11.St. Mary's	5,869
12.St. Mary's	16,959	12.Worcester	59.3%	13.St. Mary's	434,423	12.Baltimore	5,855
13.Calvert	15,594	13.Talbot	58.5%	12.Harford	457,132	13.Frederick	5,844
14.Cecil	14,936	14.Garrett	58.4%	11.Carroll	460,527	14.Garrett	5,611
15.Wicomico	14,074	15.Cecil	57.8%	10.Calvert	470,644	15.Harford	5,563
16.Allegany	8,333	16.Anne Arundel	48.2%	9.Baltimore	500,086	16.Carroll	5,141
17.Queen Anne's	7,478	17.Charles	45.9%	8.Howard	558,318	17.Calvert	5,111
18.Worcester	6,261	18.Harford	45.4%	7.Queen Anne's	574,248	18.Kent	4,901
19.Caroline	5,293	19.St. Mary's	43.8%	6.Garrett	608,084	19.Queen Anne's	4,544
20.Dorchester	4,575	20.Frederick	41.1%	5.Anne Arundel	610,015	20.Anne Arundel	4,395
21.Talbot	4,371	21.Queen Anne's	40.3%	4.Montgomery	706,889	21.Howard	4,377
22.Garrett	3,710	22.Howard	33.3%	3.Kent	815,518	22.Montgomery	4,245
23.Somerset	2,726	23.Calvert	33.2%	2.Talbot	1,041,921	23.Talbot	3,201
24.Kent	1,970	24.Carroll	32.0%	1.Worcester	1,113,630	24.Worcester	3,165
Statewide	842,229	Statewide	63.5%	Statewide	\$496,206	Statewide	\$6,437

* Targeted Student Index is the sum of the special education, free and reduced-price meals, and limited English proficient enrollments, divided by total enrollment. Due to overlap within these populations, it is not equal to the percentage of targeted students.

Revenue Sources for Public Schools

Fiscal 2016

<u>County</u>	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Ranking by Total Per Pupil Funding</u>	
Allegany	7.0%	68.6%	24.4%	1.	Worcester \$17,606
Anne Arundel	3.8%	37.7%	58.5%	2.	Baltimore City 16,715
Baltimore City	7.7%	72.1%	20.2%	3.	Somerset 16,304
Baltimore	4.7%	45.8%	49.4%	4.	Kent 15,973
Calvert	3.7%	43.2%	53.1%	5.	Howard 15,930
Caroline	6.3%	74.3%	19.4%	6.	Prince George's 15,693
Carroll	3.3%	44.3%	52.5%	7.	Montgomery 15,664
Cecil	4.2%	56.1%	39.7%	8.	Allegany 14,926
Charles	4.2%	50.0%	45.7%	9.	Dorchester 14,857
Dorchester	5.4%	65.2%	29.5%	10.	Garrett 14,828
Frederick	3.7%	50.1%	46.3%	11.	Charles 14,408
Garrett	5.8%	43.6%	50.6%	12.	Baltimore 14,307
Harford	4.5%	47.7%	47.8%	13.	Calvert 13,904
Howard	2.2%	33.4%	64.4%	14.	Caroline 13,833
Kent	5.3%	37.0%	57.6%	15.	Wicomico 13,690
Montgomery	3.0%	33.2%	63.8%	16.	Anne Arundel 13,628
Prince George's	5.3%	59.1%	35.6%	17.	Carroll 13,563
Queen Anne's	5.1%	40.3%	54.6%	18.	Washington 13,535
St. Mary's	6.3%	49.9%	43.7%	19.	Cecil 13,376
Somerset	7.2%	71.3%	21.5%	20.	Frederick 13,369
Talbot	5.7%	30.6%	63.8%	21.	Queen Anne's 13,322
Washington	5.3%	62.1%	32.6%	22.	St. Mary's 13,241
Wicomico	6.1%	72.4%	21.5%	23.	Harford 13,235
Worcester	4.7%	23.8%	71.5%	24.	Talbot 12,928
Total	4.5%	48.5%	47.0%		Statewide 14,927

Note: State and local revenue includes teacher retirement aid
Source: Local School Budgets, Department of Legislative Services