

The Blueprint for Maryland's Future Funding Formula

Workgroup Overview of Proposal

- The workgroup proposal fully phases in the recommendations of the Commission on Innovation and Excellence in Education over the next 10 years (fiscal 2021 to 2030) while also adjusting for inflation.
- Under the proposal, every school system in the State will receive significantly more than they would have under current law over the next decade.
- Direct State education aid in fiscal 2030 will exceed \$10.2 billion, \$2.8 billion more than would be allocated under current law, and is allocated on a wealth equalized basis.
- Local governments will be expected to fund the local share of existing and new formulas beginning in fiscal 2022, totaling \$8.9 billion in fiscal 2030.
- State education aid will grow at an annual rate of about 5.6% over the 10-year period. This steady growth approach is designed to ensure the sustainability of the commission's recommendations while more than doubling the projected current law annual growth in State education aid.
- Funding allocated for enhancements to direct State education aid in fiscal 2023 and 2024 results in annual growth in direct aid of about 5.1%. Slightly higher annual growth of 5.6% is assumed in subsequent years largely due to the assumption that the State will cover the local share of concentration of poverty grants for jurisdictions that do not benefit from the compensatory education funding floor.
- The Blueprint for Maryland's Future legislation included a request for the commission to develop an implementation schedule that is as even as practicable over the phase-in period. To accomplish that, the workgroup proposal initiates and sustains funding for the commission's recommendations albeit at a slower pace than contemplated by the commission, which will allow planning time for thoughtful implementation and effective use of the funds.
- Funds dedicated by the General Assembly during the 2019 session for implementing the commission's recommendations are sufficient to fully fund the cost of implementing the proposal in fiscal 2021 and 2022 and will cover all but \$55 million of the \$649 million of proposed fiscal 2023 State expenses.
- Fiscal 2021 will be a transition year, and no additional local share will be required beyond current law.

- New education funding formulas will go into effect beginning with fiscal 2022 at which point local governments are expected to share in the expense of implementing the commission's recommendations.
- The workgroup recognized that for some low-wealth counties, the requirement to fund the local share of all formulas will need to be phased in over a period of years.
- For concentration of poverty grants, the local share will only be paid by counties benefitting from the funding floor on the amount of State aid that they will receive through the compensatory education aid formula. By fiscal 2030, the State will cover \$261 million annually of the local share.
- Under the proposal, fully funding all targeted formulas (by requiring the local share to be funded) and the addition of the State funding most of the new concentration of poverty grants will increase the progressivity of Maryland's education finance system.
- The projected savings from reducing the number of students requiring special education begins to kick in with fiscal 2024 and will grow beyond fiscal 2030 as the benefits from the commission's proposed investments in K-12 education are realized.

Accountability

- The Blueprint for Maryland's Future legislation provided start-up funding in fiscal 2020 and 2021 to begin implementing the commission's final policy recommendations. The workgroup's proposed slower phase-in of funding in fiscal 2022 through 2024 allows sufficient time for the State and local school systems to develop the necessary plans and systems recommended by the commission to ensure the faithful implementation of the recommendations and use of funds for those purposes.
- These include the development and approval of local implementation plans and State agency implementation plans, standing up a new State accountability entity, procurement of a statewide school-level financial reporting system, and establishment of expert review teams, among other things.
- The workgroup intends that new funds are used to support implementation of the commission's policy recommendations, regardless of whether they are distributed via formula or categorical programs.

Fiscal 2021 through 2024 Priorities

- The fiscal 2021 through 2024 priorities are aligned with both The Blueprint for Maryland's Future legislation and the commission's recommendations.
- The amount of enhancement funding allocated under the proposal in fiscal 2021 and 2022 is generally aligned with the funding contemplated in The Blueprint for Maryland's Future.
- The proposal requires the State to spend \$345 million to implement the commission's recommendations in fiscal 2021 and \$450 million in fiscal 2022. No local contribution is required in fiscal 2021.
- Every school system in the State will experience annual growth in State aid from fiscal 2021 through 2024, and all will receive more than they would under current law.
- Supplemental grants are retained for fiscal 2022 through 2024. A portion of funding for counties that benefit from using September Net Taxable Income is also retained in those years. This funding will be phased out beginning in fiscal 2025. The phase-out ensures that every school system will receive year over year growth in education aid from fiscal 2022 through 2024.
- For fiscal 2021, the State will fund the State share of base funding for college and career readiness (CCR). The State will also fund the State and local share of incentive funds for each grade 11 and grade 12 student in a post-CCR/career and technical education (CTE) pathway.
- Enhancements to the foundation amount in fiscal 2022, 2023, and 2024 will fund mid-year teacher salary increases of 3%, 2%, and 2%, respectively. This is in addition to the 3% teacher salary increase funded in fiscal 2020.
- Transitional supplemental instruction grows from \$23 million in fiscal 2020 and 2021 to \$46 million by fiscal 2023, a funding level closely aligned with the commission's recommendations.
- Additional funding is provided for teacher supplies and technology totaling \$83 per teacher in fiscal 2021.
- Funding for a mental health services coordinator in every school system is provided beginning in fiscal 2020.
- Funding for English language learners (\$60 million) and special education students (\$106.5 million) also increases significantly by fiscal 2024.

- Additional funding is provided for full-day pre-kindergarten for low-income four-year-olds totaling \$52.9 million in fiscal 2020 and \$95.9 million in fiscal 2024.
- Funds are provided in fiscal 2024 to provide at least one career counselor in every middle school and high school in the State.
- The proposal assumes that the Guaranteed Tax Base formula remains as in current law.

Concentration of Poverty Grants

- Schools will remain eligible for the 2 positions provided under the grants for three years, regardless of whether they meet the concentration of poverty threshold.
- The additional funding for wraparound services will be calculated using the rolling three-year average concentration of poverty in each eligible school.
- The State's total investment in funding for schools with concentrations of students eligible for free or reduced-price meals will rise from \$58.7 million in fiscal 2021 to \$180.7 million by fiscal 2024. This funding level will support the hiring of staff in all schools above the 70% threshold and will provide additional funding for wraparound services for all schools above the 75% threshold.

Maintenance of Effort and Local Share

- The escalator provision of Maryland's current Maintenance of Effort (MOE) law will be eliminated.
- The higher of the local share of wealth-equalized formulas or the current MOE per pupil amount (without the escalator) using the "greater of" September 30 or the rolling three-year average enrollment count will be the required annual local contribution.
- The local share of concentration of poverty is required only for counties that benefit from the funding floor in the compensatory education formula.