Maryland Education Funding Adequacy Study: Presentation to the Commission on Innovation and Excellence in Education

APA Consulting

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Today's Presentation

- Study overview
- Maryland's current education finance system
- Study recommendations and costs

Overview of the Adequacy Study

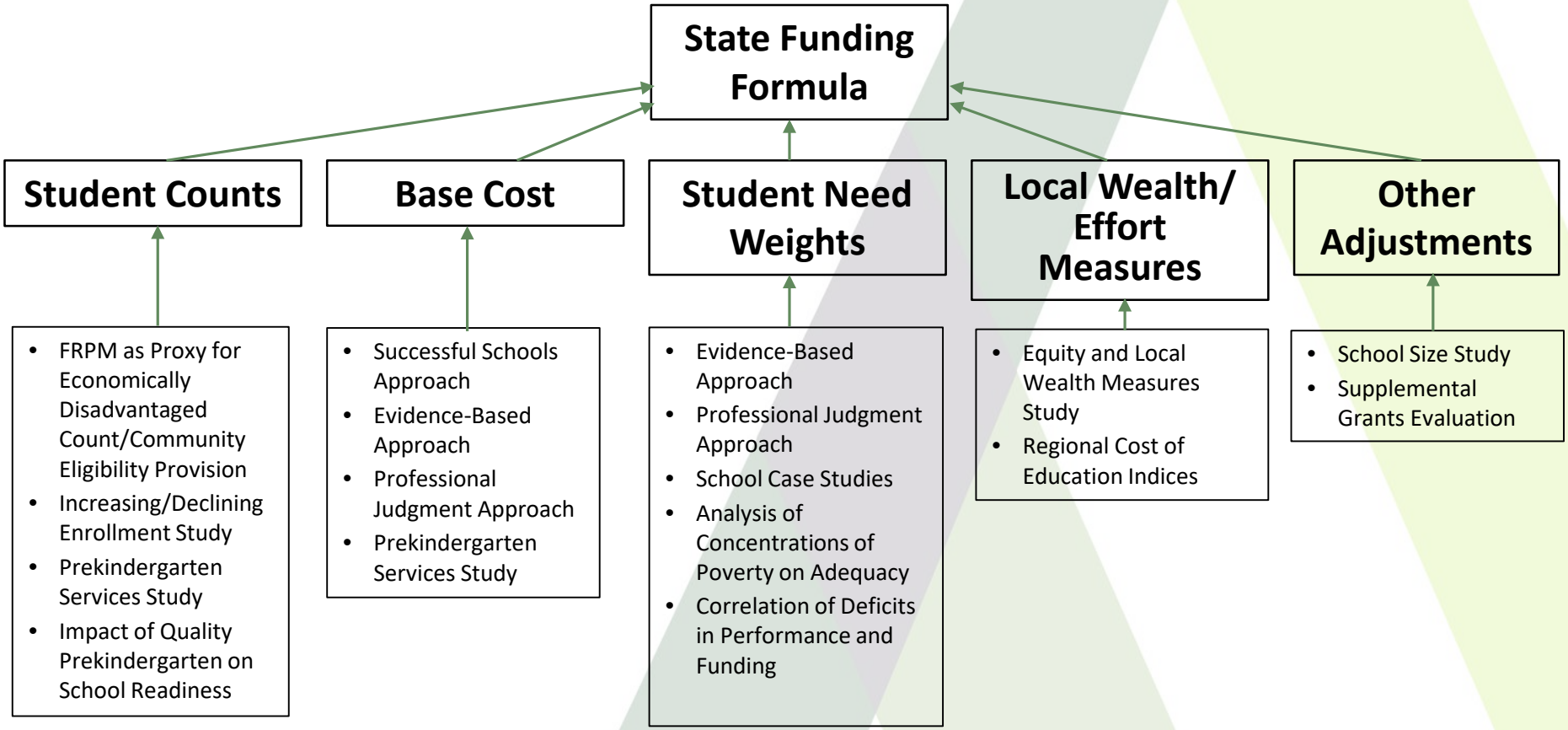
Study of Adequacy Funding for Education in Maryland

- This evaluation of the Bridge to Excellence in Public Schools Act was mandated as part of the Act's enacting legislation (Chapter 288, Acts of 2002)
- Focus is on reassessing the adequacy of the current foundation formula - per student base funding amount and weights for special needs students (compensatory, LEP, and special education)
- Adequacy considerations:
  - New state standards and assessments
  - Effects of concentrations of poverty
  - Achievement gaps
  - Impact of quality prekindergarten

Adequacy Studies

Preliminary Studies	Adequacy and Associated Studies	School Size Study	Other Requested Studies
Review of State Adequacy Studies Due August 2014	Evidence-Based Approach Due November 2016	School Size Study Final Report Due June 2015	FRPM as Proxy for Economically Disadvantaged Count/Community Eligibility Provision – Due June 2015
Case Studies of Improving Schools Due November 2016	Successful Schools Approach Due November 2016		Increasing/Declining Enrollment Study Due June 2015
Literature Reviews Multiple Reports and Due Dates	Professional Judgment Approach Due November 2016		Equity and Local Wealth Measures Study – Due September 2015
	Analysis of Concentrations of Poverty on Adequacy Targets Literature Review Due June 2015 Final Report Due November 2016		Prekindergarten Services Study Due September 2015
	Gaps in Growth and Achievement Among Student Groups Due November 2016		Regional Cost of Education Indices Final Report Due June 2016
	Correlation of Deficits in Student Performance and Funding Due November 2016		Supplemental Grants Evaluation Due October 2016
	Impact of Quality Prekindergarten on School Readiness Due November 2016		
	Other Factors in Adequacy Cost Study Due November 2016		
Technical Assistance			

How Studies Contribute to Maryland State Formula Update



Background Studies: Review of State Adequacy Studies, Literature Reviews, Gaps in Growth and Achievement Among Student Groups, Other Factors Affecting Adequacy

Adequacy Study

Utilized three approaches for estimating adequacy:

1. Evidence-Based (EB):
   - Adequacy estimated by costing out research-based strategies and programs
   - Used for estimating a per student base cost and special needs weights
   - State context incorporated through professional judgment panels and case studies of high performing schools
2. Professional Judgment (PJ):
   - Adequacy estimated via expertise of education professionals
   - Used for estimating a per student base cost and special needs weights
   - Employed total of nine professional panels (school level (4), special needs (2), district level, CFO, and state level)
3. Successful Schools (SSD):
   - Used for estimating a per student base cost
   - Measures spending levels of existing successful schools in State
   - Conducted at school level due to small number of districts

Evidence-Based Approach

- Evidence-based approach overview
  - Uses results of research, best practices, and case studies to identify elements of prototypical schools at each level (elementary, middle, and high) and district central office functions

Evidence-Based Approach

- Consists of three main components of work:
  - Develop a conceptual model of effective schools using literature from research and best practices
  - Then, modify conceptual model for Maryland context via:
    - Four EB panels comprised of educational practitioners who review the draft conceptual model to ensure that the EB recommendations reflect the needs and concerns of Maryland educators
    - A set of 12 case studies of high-performing or improving Maryland schools with which to compare the EB model and to identify effective programs currently being used in the state.

Evidence-Based Approach

- Study team worked with MSDE to identify 76 educators to serve on four panels held around the state. Each panel included:
  - District and school administrators, teachers (from all school levels, classroom & special needs), teacher leaders, school board members
- The panels were facilitated by study team researchers
- Panelists were provided with copies of the draft EB report and state standards/performance expectations for review prior to their meetings

Evidence-Based Approach

- The four EB panels were held in June 2016:

Date	Region	Location
June 23, 2015	Eastern Shore	Washington College 300 Washington Ave. Chestertown, Maryland
	Western Maryland	Allegany College of Maryland 12401 Willowbrook Rd. Cumberland, Maryland
June 24, 2015	Northern Maryland	Harford Community College 401 Thomas Run Rd. Bel Air, Maryland
	Southern Maryland	Prince George's Community College 301 Largo Rd. Largo, Maryland

Professional Judgment Approach

- Professional judgment approach overview
  - Convenes multiple panels of successful educators to identify the resources needed in schools and districts to achieve Maryland's state standards and other performance expectations
  - Panelists identify the components/resources needed for Maryland schools and districts to be successful
  - These components are then costed-out and an overall adequacy estimate produced

Professional Judgment Approach

- Consists of the following components of work:
  - Develop background materials (literature review, summary of state standards, panel meeting materials) for briefing panelists
  - Develop a set of representative districts and schools based on actual sizes, demographics, and grade configurations found in Maryland
  - Select panelists and convene panels
  - Create an Excel model for estimating the cost of implementing the PJ adequacy model in Maryland

Professional Judgment Approach

- Five progressive levels of panels of educators were convened between October 2015 and January 2016 at MSDE building in Baltimore:
  - 4 school level panels
  - 2 special needs panels
  - 1 district central office panel
  - 1 district chief financial officer panel
  - 1 statewide panel
- 77 accomplished educators were selected to participate on the nine panels
  - Panels included district & school administrators, teachers, teacher leaders, and school board members

Successful Schools Approach

- Successful schools approach overview:
  - Identifies successful schools using performance criteria based on state assessment data
    - Spending on administration, operations, and non-special needs instruction by these schools estimates adequate base amount
  - Used MSA/HSA data for initial analysis, reviewed results when 2015 & 2016 PARCC data became available
  - Because state has few districts, analysis was conducted at school level – collected school spending data from districts

Successful Schools Approach

- Consists of following work components:
  - Identify high performing schools
  - Collect and analyze school-level expenditure data
  - Determine a per pupil base cost

Successful Schools Approach

- 111 schools identified initially
- One school withdrawn due to high percentage of low-income students – unable to disentangle base spending from compensatory spending
- 39 schools ultimately dropped due to lower than average performance on PARCC
- 71 schools used for base cost estimate

Adequacy Study

- Also required to make recommendations on:
  - Whether changes to the FTE enrollment count should be made to address increasing/declining enrollments in school districts
  - The cost of providing universal, high-quality prekindergarten
  - How low-income students are counted for state aid purposes due to the federal Community Eligibility Provision
  - How local wealth is measured for state aid purposes, including whether to change the date(s) of the NTI data used in the measure
  - Whether to update the current Maryland Geographic Cost of Education Index or adopt a new methodology
  - Whether the Supplemental Grant program should be changed or discontinued

Overview of Current Maryland Education Finance System

School Finance: Foundation

- Foundation formula – State establishes the minimum per pupil funding amount for all students
  - $6,860 for FY 2015, $6,954 for FY 2016
- Applied to prior year's September 30 FTE student enrollment count
- Foundation amount based on adequacy recommendations from Thornton Commission study
- Foundation has not kept up with inflation

School Finance: Foundation

- Foundation is adjusted annually for inflation (except in certain years experiencing budget shortfalls)
  - Adjustment is lesser of the Consumer Price Index for the Baltimore-Washington region, the implicit price deflator for state and local governments, or 5%
- Foundation is also adjusted for regional cost differences using the Geographic Cost of Education Index (GCEI).
  - Only adjusts up for jurisdictions with higher than average regional costs of living

School Finance: Per Pupil Weights

- Additional weights are applied to the foundation to provide additional resources for students with special needs (per pupil amounts are for FY 2015)
  - Compensatory Education: 0.97 or $6,654. Applied to count of students eligible for federal free- and reduced-price meals program
  - Limited English Proficiency: 0.99 or $6,791. Applied to students eligible for program services
  - Special Education: 0.74 or $5,076. Applied to students eligible for program services

School Finance: State and Local Shares

- State Share:
  - Goal of providing 50 percent of total program revenues in state aid, on average, statewide
  - Minimum state aid guarantees of 15 percent of total program for foundation program, 40 percent of total program for special needs programs
  - The foundation and special needs formulas are all equalized, that is, jurisdictions with lower local wealth receive a larger proportion of total program in state aid than those with greater local wealth
  - State funding of major education programs was $5.8 billion in FY 2015

School Finance: State and Local Shares

- Local Share:
  - Jurisdictions (counties and the City of Baltimore) also appropriate local resources to fund local school districts
  - The foundation local share is the only major aid program requiring a local share determined by formula
  - Local appropriations for the special needs total program formulas are discretionary
  - Local appropriations totaled $5.7 billion in FY 2015

School Finance: State and Local Shares

- Determining State/Local Shares:
  - The foundation and special needs total program formulas are equalized based on local wealth
    - A jurisdiction's local wealth consists of: 50 percent of total applicable personal property + 40 percent of total real property + Net Taxable Income (NTI)
    - Either the September or November NTI is used, whichever results in the greatest state aid for a jurisdiction
  - Jurisdictions with lower local wealth receive a larger share of total program in state aid, districts with greater local wealth receive a smaller share in state aid – as low as the guaranteed minimum aid amount

School Finance: Other Aid Programs

- Guaranteed tax base (GTB): provides a financial incentive for jurisdictions with less than 80 percent of the statewide average local wealth per pupil to increase their local education appropriation - may receive up to 20 percent of the per pupil foundation amount in additional state aid
- Net taxable income education grants: State uses Sept. or Nov. NTI - whichever produces the largest state aid amount in a district. If the Nov. NTI-based aid amount is larger, districts receive the difference in additional state aid

School Finance: Other Aid Programs

- Grants to counties with declining enrollment: assists smaller districts with declining enrollment by providing a state grant equal to 50 percent of the decrease in state education aid from the prior year. Only two districts meet the grant program's eligibility criteria
- Supplemental grants: beginning in FY 2009 these grants were paid to ensure that all districts received at least a one percent annual increase in state funding following a freeze of the per pupil foundation in fiscal years 2009 and 2010. Nine districts currently receive this aid

School Finance: Other Aid Programs

- Student transportation: state aid for student transportation is based on a district's prior year grant with adjustments for inflation and increases in enrollment. Districts are guaranteed a minimum annual increase of one percent

Adequacy Study Results and Recommendations

Determining an Adequate Base Amount and Student Weights

Why We Used Multiple Approaches to Estimating Adequacy in Maryland

	Evidence-Based	Professional Judgment	Successful Schools/Districts
Benchmark of Success	Ensuring students can meet all State standards	Ensuring students can meet all state standards	Currently outperforming other Maryland schools
Data Source	Best practice research, reviewed by Maryland educators; when conflict arises in resource recommendations, the EB approach defers to the research	Expertise of Maryland educators serving on PJ panels; uses research as a starting point but defers to educators when conflict arises in resource recommendations	2014-15 expenditure data from selected successful schools
Available Data Points			
Base	Yes	Yes	Yes
Student Adjustments (Weights)	Yes	Yes	No

Basis of Adequacy Estimate

- Study team felt that the most appropriate benchmark of success for determining adequacy is meeting Maryland's rigorous College and Career Ready Standards
- Evidence-based and professional judgment approaches best suited to estimating resources for meeting this benchmark

Results of Three Approaches

	2014-15 Maryland	Evidence-Based	Professional Judgment	Successful Schools
Base Cost	$6,860	$10,514	$11,607	$8,716
Weights				
Compensatory Education (At risk)	0.97	0.29	0.36	N/A
Limited English Proficient	0.99	0.37	0.61	N/A
Special Education	0.74	0.70	1.18	N/A
Prekindergarten		0.40	0.26	

* Note, Maryland weights are net of Federal dollars while adequacy weights are not. EB special education weight does not include severely disabled students while PJ weight does. PJ weights for at-risk and LEP are averages across varying concentrations.

Developing a Final Blended Base

- It was important to utilize all three approaches for the study team to understand the differences in base costs associated with meeting Maryland's benchmarks of success
- The final base cost figure is based on the results of both the PJ and EB approaches
  - The results of these two approaches best represent resources required to meet all state standards
  - The study team does not believe the SSD figure fully represents the current cost of adequacy in Maryland, however, the study team believes that the SSD figure could be used during the phasing-in of a new funding system
  - The final figure relies on the research and feedback from both the EB and PJ approaches and the case studies
  - The main areas of resource differences were identified and the differences were reconciled using all the information available from the two studies and the case studies

Shift to Higher Base Amount

- The estimates of the preferred EB and PJ approaches represent a significant shift from the current funding model – a shift from low base/larger weights to high base/smaller weights
- Clear message from the research and the Maryland educators serving on PJ panels was that all students, even those without special needs designations, require higher levels of support to meet today's greater performance expectations
- Current expectation is also for more supports, even for special needs-designated students, to occur in the regular education classroom
- Both the EB and PJ approaches, and thus the resulting blended base figure, represent this important shift toward allocating more resources through the base cost to provide a higher level of services to all students regardless of identified need

Services Included in Base Amount

Key Resources in the Development of the Base Figure
• Small class sizes
• Staffing to support (but not limited to) the following areas: art, music, PE, world languages, technology, CTE, and advanced courses
• Significant time for teacher planning, collaboration, and embedded professional development
• Additional instructional staff, including instructional coaches, and librarian/media specialists
• High level of student support, such as counselors, nurses, behavior specialists, or social workers, for all students
• Administrative staff to allow for instructional leadership, data-based decision making, and evaluation
• Technology rich learning environments, resourced at a level that would allow for one-to-one student devices
• Resources for instructional supplies and materials, assessment, textbooks, and student activities
• District-level personnel and other resources to support schools

Resource Prices

- Data on resource prices for staff compensation and technology were collected from the State and local school districts for estimating the base cost, including:
  - Average salaries for 73 different certified and classified staff working in central offices and schools
  - Employee benefits, including Social Security, Medicare, retirement, health insurance, Workers Compensation, and Unemployment Insurance

Resource Prices

- Retirement costs included in the base include the normal cost of teachers retirement for active members (the share of teachers' retirement districts are obligated to pay), but not the amortized accrued liability paid directly by the State
- Technology prices were collected from districts for computers and peripherals (admin. and instruction), and other instructional technology devices

Key Base Resource Differences: EB & PJ

- EB and PJ base estimates are similar, about $1,000 per student apart
- The main differences in base cost figures include:
  - Elementary class size ratios
  - Middle school teacher utilization rates
  - School administration
  - School level student support services
  - Career and Technical Education (CTE) included in PJ model but treated as a separate categorical aid in EB

Key Base Resource Differences: EB & PJ

	Evidence-Based	Professional Judgment	Blended Model Recommendation
Elementary School Teacher Ratios (grades four and five)	25:1	20:1	25:1
Middle School Planning and Collaboration Time	25%	30%	25%
School Administrator Positions - Assistant Principals (AP)	E/S- No AP per 450 students M/S- 1 AP per 720 students H/S- 3 AP per 1,200 students	E/S- 2 AP per 450 students M/S- 3 AP per 720 students H/S- 4 AP per 1,200 students	E/S- 1 AP per 450 students M/S- 2 AP per 720 students H/S- 3 AP per 1,200 students
School Level Student Support Positions	2.0	3.8	3.0
CTE	Not included in Base	Included in Base	Included in Base

Understanding Differences in Base

Elementary School Student-Teacher Ratios

- Elementary class size differs in grades 4 and 5, 25 to 1 in EB and 20 to 1 in PJ
  - PJ panels felt transition from 15 to 25 was too high, literature review also supported 20 to 1 as smallest grades 4/5 class size
  - deferred to the available best practice research and used the 25:1 ratio in grades 4 and 5 since additional teaching staff are added on top of the base once student need is considered

Understanding Differences in Base

Middle School Planning and Collaboration Time

- The EB model has a higher utilization rate requiring fewer teachers
  - The PJ model's lower utilization rate is partially offset by lowering the number of days needed for professional development
  - The study team recommends the slightly more conservative estimate from the EB approach with teachers teaching 75 percent of the day and 25 percent of the day set aside for planning and collaboration activities

Understanding Differences in Base

School Administrator Positions

- The PJ and EBPJ panels both mentioned the need for administrative time to ensure proper evaluation of teaching staff and to provide instructional leadership
- Panelists from both approaches had strong opinions about the importance of the positions, each model was adjusted to include one assistant principal in the elementary school, two assistant principals in the middle school, and three assistant principals in the high school

Understanding Differences in Base

Student Support Services Positions

- Both the EBPJ and PJ panelists identified a significant need for student support resources, even at the base-level
- The study team settled on three student support staff positions at the elementary-level as a compromise between PJ and EB recommendations to adequately meet student needs
  - This would allow for one nurse and two counselors, or a different configuration of the positions that would work best for a school site

Understanding Differences in Base

CTE Expenditures

- The PJ study included CTE expenditures in the base while the EB study kept CTE as a separate per student amount
- The study team determined that given CTE is not a separate component of the current funding system, these resources should be a part of the base

Developing Adjustments for Special Needs Students: Weights

- Once the blended base cost was determined, the study team:
  - Recalculated weights for special needs students using the blended base
  - Examined differences in the weights between the two models and made adjustments
  - Reviewed special needs weights nationally to ensure recommended weights were comparable

Compensatory Education

- The EB and PJ approaches to compensatory education have many similarities including additional instructional staff, additional support staff, and additional learning time
- EB weight of 0.29 and an averaged PJ weight across three concentration levels of 0.39
  - The EB weight did not include the resources for an alternative school (instead the resources for an alternative school were kept as a separate categorical) while the PJ weight did
  - If alternative schools were included, the EB weight would be 0.31
- The PJ figure provides for necessary additional support services - a recommendation also made by the EB panels - therefore the study team recommends the higher rounded 0.40 weight for compensatory education

Compensatory Education and Concentrations of Poverty

- Study team also conducted a literature review to determine whether compensatory funding should increase for districts or schools with higher concentrations of poverty
- Goal of this study was to assess whether districts/schools with higher concentrations of poverty should receive more compensatory education aid per pupil (nonlinear funding) versus the same amount per pupil currently provided by formula (linear funding)
- The literature is quite clear that additional resources are needed to serve low-income students and mitigate the effects of poverty

Compensatory Education and Concentrations of Poverty

- The research is less clear on whether nonlinear funding mechanisms are warranted
- Many of the interventions suggested by the literature are currently funded and found in higher poverty schools and districts – incentives for highly effective teachers, extra instructional time, student support staff, attendance strategies, etc.
  - Current (2015) compensatory education formula provides an additional $1.7 million in a school of 500 students with 50 percent free- and reduced-price meal eligibility
- Study team recommends maintaining the linear approach. This recommendation provides sufficient funding for a range of services in schools with higher concentrations of poverty, including a school-based services coordinator

Limited English Proficiency (LEP)

- The LEP service model for the EB and PJ approaches varied significantly
  - The PJ approach is well resourced for both instruction and student support, while the EB approach assumes that support services would be addressed through the compensatory education weight; instructional caseloads were also higher for EB than PJ
  - The EB model identified a weight of 0.37, while the PJ identified an average weight across the concentration levels of 0.61
- Therefore, the study team recommends a 0.40 weight to address the language needs of LEP students
- Students who are both LEP and eligible for compensatory education would also receive the compensatory education weight of 0.40, for a combined weight of 0.80

Special Education

- Difference in the weights for special education between the two models was primarily caused by the exclusion of higher cost students from the weight in the EB model (funded separately by state)
  - PJ was 1.25 and EB was 0.70
    - Estimating the inclusion of higher cost special education students brought the EB weight up to 0.96
  - Averaging the EB and PJ weight produces a weight of 1.11
  - The study team recommends a rounded weight of 1.10 for special education students, including mild, moderate, and severe categories

Prekindergarten

- Models for preschool in the EB and PJ approach were similar
  - Both models include a 15:2 classroom ratio (one teacher and one instructional aide per 15 students)
  - Very low student-staff ratio drives the need for additional funding generated via a per pupil weight in both approaches
- Using the blended base cost, the weight for preschool for EB was 0.36 and the weight for PJ was 0.33
- The study team recommends a weight of 0.35 for prekindergarten students

Adjusting for Federal Funds

- The base figure and weights represent the total costs of providing educational services, so certain federal funds also used to fund these services must be deducted from the totals (also done for the Thornton study)
- Total of $485.6 million in federal funds from regular ed., compensatory ed., LEP, special ed., and early childhood programs

Recommendation for Blended Per Pupil Base and Weights

	Before Adjustment for Federal Funds	After Adjustment for Federal Funds
Base Amount	$10,970	$10,880
Compensatory Education	0.40	0.35
LEP	.040	0.35
Special Education	1.10	0.91
Prekindergarten	0.35	0.29

Base Costs and Weights for Original and Current Adequacy Studies

	Original SSD	Current SSD	Original PJ	Current Recommended*
Base Cost	$5,969	$8,716	$6,612	$10,970
Base Cost Adjusted for Inflation	$8,362	$8,716	$9,263	$10,970
Compensatory Education Weight	1.10	0.50	1.10	0.40
LEP Weight	1.00	0.50	1.00	0.40
Special Education Weight	1.17	1.39	1.17	1.10

*Current Recommended Base Cost is prior to federal funds adjustment.

Adequacy Cost Estimates for Original and Current Adequacy Studies (in Millions)

	Original SSD	Current SSD	Original PJ	Current Recommended*
Total Adequacy Cost Estimate	$11,974.3	$10,473.8	$13,264.2	$12,380.1

*Current Recommended amount does not include the increased prekindergarten enrollment or adjustments for regional cost differences such as the GCEI or the CWI.

Other Study Recommendations

Student FTE Enrollment Count

- Addresses declining enrollment by changing the FTE enrollment count used for calculating total program
  - FTE enrollment count would be the greater of the prior year's September 30th count or the rolling average of the three prior years
  - Provides declining enrollment districts time to adjust costs, protects districts with increasing enrollment
  - Recommended in the increasing and declining enrollment study final report

Counting Low-Income Students

- Continue counting low-income students using eligibility for the federal free- and reduced-price meals program
  - State would develop an alternative eligibility form to replace current federal form
  - Addresses issue of potential undercounts due to Community Eligibility Program rules
  - Provides greater stability for counts in comparison to using other proxies for low-income
  - Preferred recommendation from the evaluation of FRPM counts final report

Counting Low-Income Students

- Report also suggested an alternative option: Adopt a direct certification method of counting economically disadvantaged students in both non-CEP and CEP schools
  - Uses existing administrative data from support programs such as TANF, food stamps, and Medicaid
  - Targets more aid to higher-poverty districts, but results in much lower statewide count
  - Multiplier factors can be used to adjust statewide count, but still causes significant shifts in counts across districts

Expanding High-Quality Prekindergarten

- Adopt universal full-day prekindergarten for 4-year-olds
  - Four-year-olds would be included in September FTE enrollment count
  - Programs must be high-quality (meet Maryland EXELS level 5 or state or nationally accredited) to be eligible for funding
  - Students would receive a 0.29 weight
  - Recommended in the evaluation of state prekindergarten programs and funding final report

Expanding High-Quality Prekindergarten

- Recommendation would provide funding for 80 percent of Maryland's four-year-olds to attend either a public prekindergarten program or a private program that has received a rating of Level 5 in Maryland EXCELS or has national or state accreditation
- Other recommendations:
  - Continue to invest in early childhood data systems
  - Provide increased investment to support quality improvement efforts in child care centers and family homes to help them reach the highest EXCELS Level of 5
  - Encourage providers to participate in EXCELS and encourage parents to enroll their children in high-quality programs
  - Provide supports for private providers to improve their EXCELS quality level

Regional Cost Adjustment

- Replace the current GCEI with a three-year rolling average of the Comparable Wage Index (CWI)
  - Would be used with all total program formulas (foundation and special needs)
  - Would be applied to total program amounts – prior to determination of State and local shares
  - Would adjust for costs both above and below state average (not truncated for values less than 1.0)
  - Would more readily account for changes in regional cost differences since easily updated annually
  - Recommended in the evaluation of the Maryland GCEI reports

Equity and Local Wealth Measures

- Change the way in which local wealth is calculated
  - Net taxable income (NTI) would be determined using only the November NTI values
  - The multiplicative approach would be used for combining NTI and assessable property values
  - Improves equity, puts more weight on ability to pay local taxes, simplifies state aid calculations
  - Phase-in both of the NTI-related items to ease the transition for impacted counties
  - Recommended in the equity and local wealth measures study final report

Other Recommendations for Improving Equity

- Change the way State and local shares are determined
  - Eliminate the minimum aid guarantees of 15 percent of the foundation and 40 percent of special needs total program
  - Require local jurisdictions to contribute a full local share of special needs total program – calculated using same method as foundation program
  - Ensures that an adequate total program amount is provided for all students, improves equity
  - Recommended in adequacy study draft final report

Supplemental Grant Program

- The Supplemental Grant Program should be discontinued in its current form
  - Implementing new, adequate levels of funding eliminates the rationale for the Supplemental Grant Program
  - A new hold-harmless program may be necessary during the phase-in period for implementing these recommendations, but any hold-harmless provision should not become a permanent source of funding

Total Cost of All Recommendations

- Total funding for major Prek-12 education aid programs, excluding transportation and GTB, would increase by 29 percent, from $10.3 billion to $13.2 billion
- State share would increase 39 percent, from $4.9 billion to $6.8 billion
- Local appropriations would increase 19 percent, from $5.4 billion to $6.4 billion

Comparison of Current and Proposed Total Program: Foundation & Special Needs

Total Program Per Student				
Local Unit	Proposed	Current	Change	Percent Change
Allegany	$12,000	$11,405	$595	5%
Anne Arundel	$14,789	$9,899	$4,889	49%
Baltimore City	$17,165	$13,988	$3,178	23%
Baltimore	$15,115	$10,970	$4,144	38%
Calvert	$13,873	$9,084	$4,789	53%
Caroline	$13,339	$11,560	$1,780	15%
Carroll	$12,801	$8,843	$3,958	45%
Cecil	$14,003	$10,388	$3,616	35%
Charles	$14,049	$9,758	$4,291	44%
Dorchester	$13,395	$11,822	$1,572	13%
Frederick	$13,757	$9,548	$4,209	44%
Garrett	$11,434	$10,523	$910	9%

Comparison of Current and Proposed Total Program: Foundation & Special Needs

Total Program Per Student				
Local Unit	Proposed	Current	Change	Percent Change
Harford	$14,477	$9,595	$4,882	51%
Howard	$14,397	$8,958	$5,439	61%
Kent	$13,327	$11,133	$2,194	20%
Montgomery	$16,197	$10,824	$5,373	50%
Prince George's	$16,959	$12,857	$4,103	32%
Queen Anne's	$12,313	$9,446	$2,867	30%
St. Mary's	$14,269	$9,538	$4,731	50%
Somerset	$14,588	$12,704	$1,884	15%
Talbot	$12,650	$10,450	$2,200	21%
Washington	$13,261	$10,714	$2,547	24%
Wicomico	$13,765	$11,682	$2,082	18%
Worcester	$13,239	$10,598	$2,641	25%
Total State	**$15,241**	**$10,975**	**$4,266**	**39%**

Comparison of Proposed State & Local Shares and Current State Aids & Total Local Appropriations

	Total State Share				Total Local Share			
Local Unit	Proposed	Current	Change	Percent Change	Proposed Total Required Local Share	Current Total Local Appropriation	Change	Percent Change
Allegany	$84,760,301	$69,402,465	$15,357,836	22%	$21,433,643	$27,803,239	($6,369,596)	(23%)
Anne Arundel	$338,187,597	$298,243,340	$39,944,257	13%	$823,749,394	$574,019,440	$249,729,954	44%
Baltimore City	$1,255,260,400	$868,410,977	$386,849,423	45%	$193,849,309	$222,668,278	($28,818,969)	(13%)
Baltimore	$805,808,718	$543,936,097	$261,872,621	48%	$830,550,082	$702,043,465	$128,506,617	18%
Calvert	$132,316,345	$74,239,921	$58,076,424	78%	$92,978,632	$107,464,664	($14,486,032)	(13%)
Caroline	$62,256,061	$44,843,482	$17,412,579	39%	$11,617,526	$12,165,081	($547,555)	(5%)
Carroll	$182,371,694	$120,768,400	$61,603,294	51%	$155,824,465	$160,009,414	($4,184,949)	(3%)
Cecil	$160,424,468	$93,494,559	$66,929,909	72%	$59,973,786	$71,200,935	($11,227,149)	(16%)
Charles	$263,859,425	$148,176,358	$115,683,067	78%	$107,119,210	$147,990,646	($40,871,436)	(28%)
Dorchester	$48,221,525	$33,872,151	$14,349,374	42%	$14,934,638	$17,283,492	($2,348,854)	(14%)
Frederick	$358,044,072	$214,292,242	$143,751,830	67%	$201,994,834	$226,057,530	($24,062,696)	(11%)
Garrett	$17,831,996	$16,372,428	$1,459,568	9%	$27,257,534	$25,648,414	$1,609,119	6%

Comparison of Proposed State & Local Shares and Current State Aids & Total Local Appropriations

	Total State Share				Total Local Share			
Local Unit	Proposed	Current	Change	Percent Change	Proposed Total Required Local Share	Current Total Local Appropriation	Change	Percent Change
Harford	$329,614,473	$183,761,510	$145,852,963	79%	$220,394,097	$205,619,903	$14,774,194	7%
Howard	$284,723,521	$200,955,246	$83,768,275	42%	$481,750,910	$509,476,046	($27,725,136)	(5%)
Kent	$0	$7,038,633	($7,038,633)	(100%)	$28,665,436	$17,083,590	$11,581,846	68%
Montgomery	$210,685,890	$564,924,312	($354,238,422)	(63%)	$2,256,483,667	$1,414,198,324	$842,285,342	60%
Prince George's	$1,616,734,015	$938,783,546	$677,950,469	72%	$493,937,436	$571,471,671	($77,534,235)	(14%)
Queen Anne's	$31,948,463	$29,340,617	$2,607,846	9%	$63,224,504	$48,258,017	$14,966,487	31%
St. Mary's	$162,528,290	$89,393,070	$73,135,220	82%	$90,337,468	$85,808,913	$4,528,555	5%
Somerset	$37,756,339	$25,425,381	$12,330,958	48%	$5,802,736	$8,546,617	($2,743,880)	(32%)
Talbot	$0	$10,595,400	($10,595,400)	(100%)	$58,485,958	$34,608,537	$23,877,421	69%
Washington	$228,453,419	$155,626,289	$72,827,130	47%	$71,893,179	$90,022,201	($18,129,022)	(20%)
Wicomico	$170,557,795	$121,959,193	$48,598,602	40%	$32,754,966	$37,385,077	($4,630,111)	(12%)
Worcester	$0	$15,774,211	($15,774,211)	(100%)	$89,045,641	$74,211,757	$14,833,884	20%
Total State	**$6,782,344,808**	**$4,869,629,829**	**$1,912,714,978**	**39%**	**$6,434,059,051**	**$5,391,045,250**	**$1,043,013,801**	**19%**

Comparison of Proposed State & Local Shares and Current State Aids & Total Local Appropriations

Amounts Per Student				
Local Unit	Proposed	Current	Change	Percent Change
Allegany	$12,000	$11,693	$307	3%
Anne Arundel	$14,789	$11,450	$3,339	29%
Baltimore City	$17,165	$13,750	$3,416	25%
Baltimore	$15,115	$11,940	$3,175	27%
Calvert	$13,873	$11,484	$2,389	21%
Caroline	$13,339	$10,890	$2,450	22%
Carroll	$12,801	$10,821	$1,981	18%
Cecil	$14,003	$10,907	$3,096	28%
Charles	$14,049	$11,604	$2,446	21%
Dorchester	$13,395	$11,355	$2,039	18%
Frederick	$13,757	$11,156	$2,601	23%
Garrett	$11,434	$11,100	$333	3%

Comparison of Proposed State & Local Shares and Current State Aids & Total Local Appropriations

Amounts Per Student				
Local Unit	Proposed	Current	Change	Percent Change
Harford	$14,477	$10,508	$3,969	38%
Howard	$14,397	$13,760	$637	5%
Kent	$13,327	$12,091	$1,235	10%
Montgomery	$16,197	$13,421	$2,776	21%
Prince George's	$16,959	$12,661	$4,298	34%
Queen Anne's	$12,313	$10,386	$1,927	19%
St. Mary's	$14,269	$10,373	$3,896	38%
Somerset	$14,588	$12,458	$2,130	17%
Talbot	$12,650	$10,516	$2,134	20%
Washington	$13,261	$11,197	$2,064	18%
Wicomico	$13,765	$11,439	$2,325	20%
Worcester	$13,239	$14,400	($1,161)	(8%)
Total State	**$15,241**	**$12,295**	**$2,946**	**24%**

Other Recommendations not Included in Cost Estimates

Supporting Districts with Changing Enrollment

- Study of Increasing and Declining Enrollment also recommended:
  - Developing better information for district level planning on:
    - Birth rates
    - Transportation cost detail
  - Implementing geographic information systems to support planning, provide data on school proximity for school closing or transportation decisions
  - Carry out a technology inventory – last update was 2010, may reveal technology opportunities to improve instruction and operational effectiveness
  - Increase MSDE capacity for providing technical assistance on difficult decisions such as:
    - School closings
    - Transportation efficiency balanced with safety and service levels
    - Shared staffing, consultants, or expertise

School Size

- Study team suggests creating a policy establishing maximum school sizes by school-level (elementary, middle, and high). These maximum school sizes would be set at the enrollment levels at which school operating costs were no longer benefiting from economies of scale and where student performance tends to decrease due to larger school size.
  - The research team suggests enrollment limits based on the points at which schools in Maryland start becoming both less cost efficient and less productive
  - These enrollment limits are set at 700 students for elementary schools, 900 students for middle schools, and 1,700 students for high schools
  - The study team does not recommend that schools in Maryland should be this large, but no newly constructed schools would be allowed to exceed these limits

School Size

- Recommend instituting a competitive grant program to support the construction of small schools and/or the renovation of existing large school buildings. Grants would help accommodate school-within-school models – that is, the program would be targeted toward replacing or reconfiguring the lowest-performing large schools in the State.
  - This recommendation would provide financial incentives and support for replacing the State's largest, low-performing schools or for renovating existing large school buildings to house them
  - Based on the study team's assumptions, up to 74 schools would be eligible for this type of grant. The estimated costs vary, but will ultimately be controlled by the fiscal decisions of State policy makers

Finance Components not Addressed by Study

Student Transportation

- Study team made no specific recommendation. But, increasing and declining enrollment report recommended the following:
  - Replace current formula with multivariate statistical model that establishes realistic cost and funding levels based on multiple factors that affect transportation costs
  - The formula should be designed to promote efficiency based on best practices from school systems and other transportation sectors
  - Adopting this recommendation would require:
    - Collecting more detailed transportation data from districts
    - Making State policy decisions on State/district share and wealth adjustment
  - Fund pilot projects for regional shared services and other innovations

Guaranteed Tax Base

- Study team suggests further study to determine if the GTB is still necessary or should be retained in another form
  - Requiring local shares for special needs total program may reduce need for comprehensive GTB
  - To preserve equity, State may want to consider an equalization formula to support lower wealth districts with appropriating operating funds above required total program amounts

Statutory Inflation Adjustment

- In the current education funding formula the per pupil foundation amount is adjusted annually for inflation using the lesser of the Consumer Price Index for the Baltimore-Washington region, the implicit price deflator for state and local governments, or 5 percent
- The study team did not make a recommendation for changing or eliminating the current inflation adjustment

Tax Increment Financing

- Study team suggests further study of the issue of whether a portion of TIF increment values should be excluded from the local wealth measure
- Concern about state/local shares was raised in highly impacted jurisdictions such as Baltimore City
- Wealth and equity report suggested adopting an approach similar to Ohio's: excluding some portion of TIF increment value from local wealth base for education finance formula purposes
- Study team did not make a specific recommendation because it could find no research or best practice justification for the portion of value to be excluded

Considerations for Phase-In

- The study team recognizes these recommendations represent a structural shift in Maryland's finance system
- The team also believes this is the right approach for the State to take to meet its educational goals
- Therefore, the study team suggests phasing-in these recommendations

Considerations for Phase-In

- Phase-in should be guided by these two considerations:
  - New State funding should go toward funding students with special needs first
  - No district should receive less funding than it currently receives during phase-in

Questions?