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An Improved Local Wealth Measure Would Expand Educational Equity and Opportunity

Statement Given before the Commission on Innovation and Excellence in Education

Maryland delivers some of the highest-quality education in the country by some measures, and yet too many students still see their educational opportunities limited based solely on where they live. The Commission on Innovation and Excellence in Education presents a once-in-a-generation opportunity to improve Maryland’s education policies, leading to better outcomes for students and our economy.

It is essential that we provide schools across our state with the resources they need to deliver a first-rate education. When students have access to high-quality public schools, they are better prepared to succeed in college, find good jobs, and fully participate in their communities. A well-educated workforce means a stronger economy for everyone.

On the other hand, when resources are distributed inequitably among school districts, it makes it harder for some schools to compete for highly qualified teachers and harder for the students who attend these schools to compete for good jobs later in life. Most importantly, it undermines the principle that education should provide all children with a fair shot. For this reason, it is vital to consider equity at every step of the deliberative process.

An analysis by the Maryland Center on Economic Policy shows that Maryland’s current school funding formula does not provide sufficient resources to the districts with the greatest needs. On average, school districts with lower incomes, higher levels of school-age poverty, more students of color, and more students with disabilities are not as well equipped as other districts to provide a high-quality education. To address this shortcoming, we should fix Maryland’s school aid formula

KEY FINDINGS

- **EQUITY IS AN ESSENTIAL ATTRIBUTE** of an effective education system.
- Maryland’s current school finance system leaves significant inequities, **HARMING THE STUDENTS WITH THE GREATEST NEEDS.**
- An **IMPROVED MEASURE OF LOCAL WEALTH** would direct more funding to the places where it can do the most good.

to accurately measure local wealth.

Like in other states, state aid to schools in Maryland is distributed according to a formula that measures each district's needs as well as its wealth. This way, districts that have less capacity to fund education on their own receive more help from the state. This can be an effective way to distribute resources, provided that the formula measures local wealth accurately.

Maryland should take four steps to improve the way we measure local wealth and thereby ensure that students across our state have access to a high-quality education:

- **INCORPORATE INCOME IN THE RIGHT WAY.** Using a multiplicative wealth measure, which involves multiplying property wealth by a local income index, is the strongest single step the state can take to measure local wealth more accurately. This approach more effectively measures local jurisdictions' capacity to raise revenue through property taxes, and would direct more funding to the districts with the greatest needs.
- **EXPAND THE GUARANTEED TAX BASE.** The existing guaranteed tax base program leverages state and local resources to ensure that areas with lower incomes and property values have the education funding they need. Expanding this program would make education funding in Maryland more equitable.
- **IMPROVE TRANSPARENCY, ACCURACY, AND EQUITY IN THE FUNDING FORMULA.** The state has an opportunity to make education funding more straightforward and accurate by making three small changes to the formula: measuring a jurisdiction's income only one time per year, streamlining the way a district's property wealth is measured, and eliminating arbitrary funding floors.
- **COMBINE THE MOST EFFECTIVE IMPROVEMENTS TO MAXIMIZE GAINS.** Even the most effective improvements would leave inequity in Maryland's school finance system if done in isolation. Combining the most effective changes is the only way to ensure that all students can access the education they deserve.

The full report, *Expanding Educational Opportunity in Maryland: The Role of Funding Formulas in Increasing Equity*, was supported by a generous grant from the Abell Foundation. It is available at mdeconomy.org/edfunding.