
Maryland School Funding Primer

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

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

October 10, 2018

Equity and Adequacy

- **Funding Equity** – Distribution of State funds. Each Maryland child should have a substantially similar opportunity to meet performance standards regardless of where they live
- **Funding Adequacy** – Amount of total funds (State, local, and federal). Total funding should be sufficient to acquire the resources needed to reasonably expect that all students can meet academic performance standards

Wealth Equalization

- To achieve funding equity, educational opportunities should not depend on local abilities to generate revenue
 - 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 jurisdiction's net taxable income (NTI) and a portion of the assessable property base
 - This calculation is then compared on a per pupil basis to the State average to establish a jurisdiction's relative wealth
- 70% of total State aid is wealth equalized in fiscal 2019

Funding Components That Are Wealth Equalized

- Foundation program
- Per pupil weights
- Guaranteed tax base
- Add-on grants – net taxable income, tax increment financing, declining enrollment, full-day prekindergarten

Foundation Program

- The foundation program ensures a base level of funding per pupil
 - \$7,065 (FY2019) x local full-time equivalent (FTE) 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%
- Jurisdictions are required to pay the local share of the foundation program
- The amount of State aid that a jurisdiction receives is based on FTE student enrollment and local wealth
- State funding floor – No jurisdiction may receive less than 15% of the base per pupil amount from the State

Per Pupil Weights

- The targeted funding formulas recognize the additional costs associated with educating certain student populations to ensure success
 - Special education (0.74 X base level of funding per pupil)
 - Student at risk of not succeeding – 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
 - English learner (0.99 X base level of funding per pupil)
- Although the State provides approximately 50% of the total estimated cost of each program, unlike the foundation 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
- State funding floors – no jurisdiction may receive less than 40% of the full per pupil amount from the State

Enrollment for Per Pupil Weights

- English learners are identified based on performance on a test that indicates English ability
- Special education students are identified by the existence of an Individualized Education Program
- Students at risk of not succeeding – due to the high correlation of academic achievement and income, the number of students eligible to receive free or reduced-price meals is used *as a proxy* for identifying the number of students at risk of not succeeding

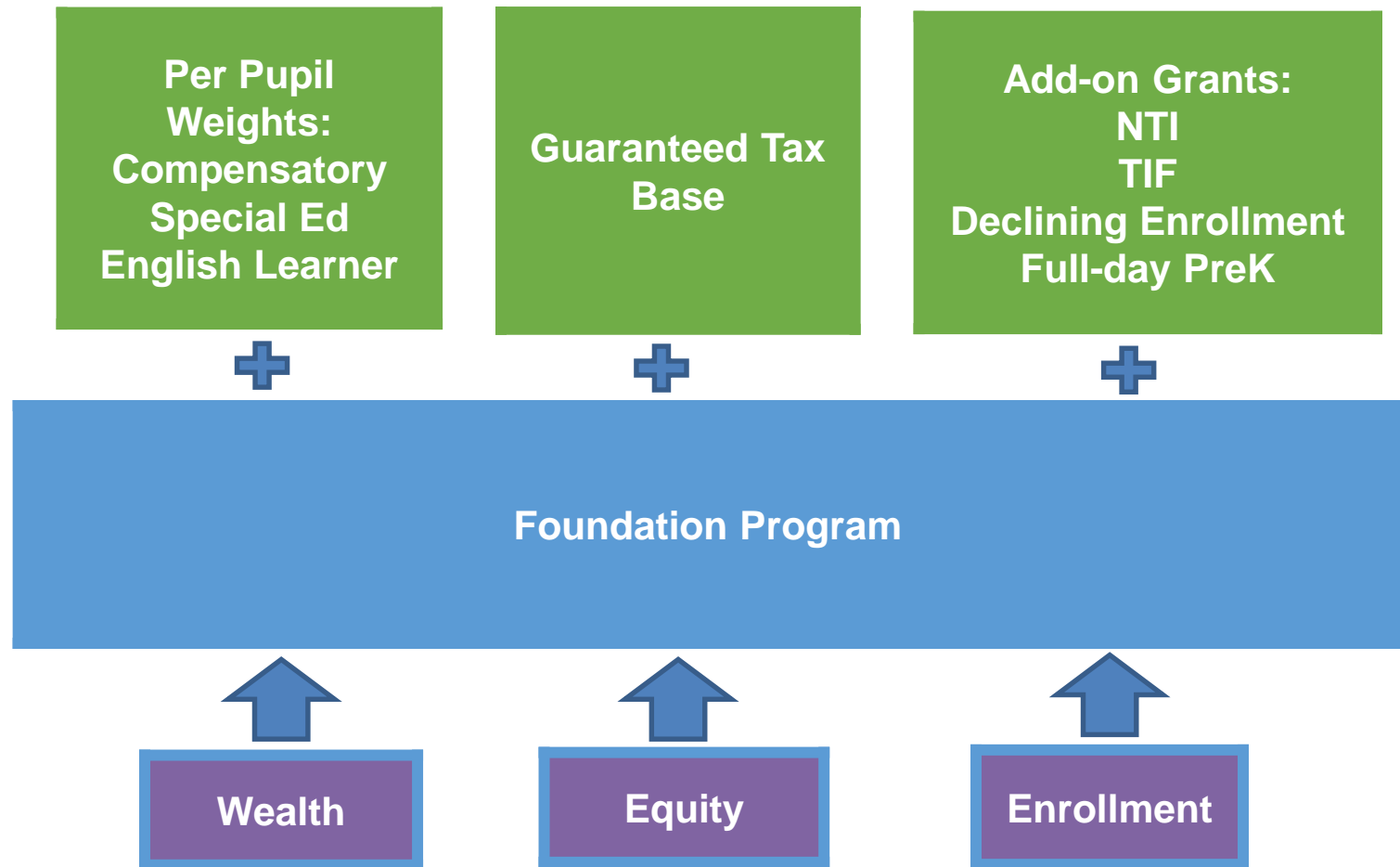
Guaranteed Tax Base

- 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

Add-on Grants

- NTI – jurisdictions receive the *greater of* State aid calculated using September 1 or November 1 NTI
- Tax increment financing (TIF) – State disparity grant jurisdictions held harmless of the wealth impacts of TIF districts created after May 1, 2016
- Declining enrollment – for fiscal years 2018-2020, available if a jurisdiction's average FTE in the prior three years is greater than the FTE in the prior year
- Full-day prekindergarten – a per pupil amount is provided to jurisdictions that make full-day prekindergarten available to *all* four-year-olds regardless of family income

Layers of State Resources



Components of Funding that are Not Wealth Equalized

- Geographic Cost of Education Index (GCEI)
- Student transportation
- Teacher retirement
- Categorical grants – prekindergarten expansion, supplemental grants, and other miscellaneous grants

Geographic Cost of Education

- 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 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

Student Transportation

- Each local school system is generally required to provide transportation to and from school for students enrolled in kindergarten through grade 12
- Transportation funding consists of
 - a base grant that is adjusted annually
 - a per pupil grant based on the number of students with special transportation needs

Teacher Retirement

- Prior to fiscal 2013, the State paid 100% of retirement costs
- Beginning in fiscal 2013, legislation required school systems to share in the cost of retirement
- In fiscal 2019, the State provided 71% of total retirement costs

Categorical Grants

- Prekindergarten expansion – available to jurisdictions that establish or expand prekindergarten for economically disadvantaged four-year-olds
- Supplemental – initially ensured no jurisdiction received less than a 1% increase, currently the grant amount received in fiscal 2010 is locked in for every year thereafter
- Miscellaneous – national board certification, fine arts, Judy Centers, etc.

Local Maintenance of Effort

- Two components of Maintenance of Effort (MOE)
 - Local share of the foundation program
 - Local appropriation on a per FTE basis
- MOE escalator – If a jurisdiction's funding effort is below the five-year Statewide average, then required MOE per pupil amount is increased by *lesser of* the jurisdiction's increase in per pupil wealth, the Statewide average increase in per pupil wealth, or 2.5%
- Noncompliance results in a redirection of the jurisdiction's revenue to the school system thus holding the school system harmless

\$6.550 Billion in Fiscal 2019 State Aid

<u>Program</u>	<u>2019</u>	<u>% of Total</u>
Foundation Program	\$3,056,189	46.65%
Compensatory Education Program	1,308,336	19.97%
Teachers' Retirement	732,921	11.19%
Special Education Program	290,813	4.44%
Limited English Proficiency	288,041	4.40%
Student Transportation	282,585	4.31%
Geographic Cost of Education Index	141,574	2.16%
Net Taxable Income Grant	62,524	0.95%
Guaranteed Tax Base	48,170	0.74%
Supplemental Grant	46,620	0.71%
Declining Enrollment Supplemental Grant	18,664	0.28%
Prekindergarten Supplemental Grant	16,039	0.24%
Prekindergarten Expansion	11,644	0.18%
Tax Increment Financing Grant	535	0.01%
Other Programs	246,099	3.8%