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# **Process for Estimating Costs and Savings, and Incorporating Costs Into Funding Formulas**

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

**Department of Legislative Services  
Office of Policy Analysis  
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# General Approach

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- Identified whether an element would have an *additional* cost and/or require a shifting of existing resources
- Identified whether the cost would be one-time (even if over multiple years) or permanent and ongoing
- Adjusted for overlapping elements where possible
  - For example, teacher salary increases recommended by working group 2 were incorporated into transitional supplemental instruction recommended by working group 3
- When implementation of one element was related to implementation of another, the phase-in schedule was adjusted accordingly
- Used costing out and implementation assumptions developed by the working groups
  - If none were developed by working group, staff used their best judgement

# General Approach

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- Costs were inflated to fiscal 2020 and then held constant
  - Inflation will be applied to the total cost at a later meeting
- Costs were not differentiated between the source of revenue (i.e., State, local, available federal funds)
- Staff used the best data available for current expenditures
- Staff have identified items that could require additional State agency costs
  - These costs include IT/data collection and analysis, additional staff, etc.
  - When administrative costs can be reliably estimated, staff have done so

# Phase-In Timing Assumptions

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- Year 0 – fiscal 2020
  - Bridge year for transitional programming, start-up costs, training, needs assessment, etc.
- Year 1 – fiscal 2021
  - Main formula funding phase-in begins
- Year 5 – fiscal 2025
  - Mid point of phase-in
- Year 10 – fiscal 2030
  - Final year of phase-in

# Caveats and Cautions

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- It would be inaccurate to simply add together each element and characterize this as a total cost
  - Cost overlaps have not been fully adjusted
  - Cost savings have not been incorporated
- At this stage, there are cost overlaps (i.e., double counting) because each element has been separately costed out
  - An adjustment to remove double counting will be done as a final step
- Costs are based on assumptions. To the extent assumptions are changed or actual implementation differs, there may be a difference in cost and a potentially significant difference

# Cost Savings

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- Some working groups identified cost savings associated with particular elements
- Staff are working on calculating these savings
- Because savings may be interrelated to elements from different working groups, savings will be incorporated at a later meeting

# Cost Savings

(examples)

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- Teacher recruitment, training, orientation, etc. costs due to lower teacher turnover
- Reduced central administrative costs as career ladder is implemented and teachers and principals take on more roles and responsibilities
- Larger class sizes due to higher teacher: student ratio
- Decline in special education enrollment as more timely and more effective interventions are provided

# Indirect Savings

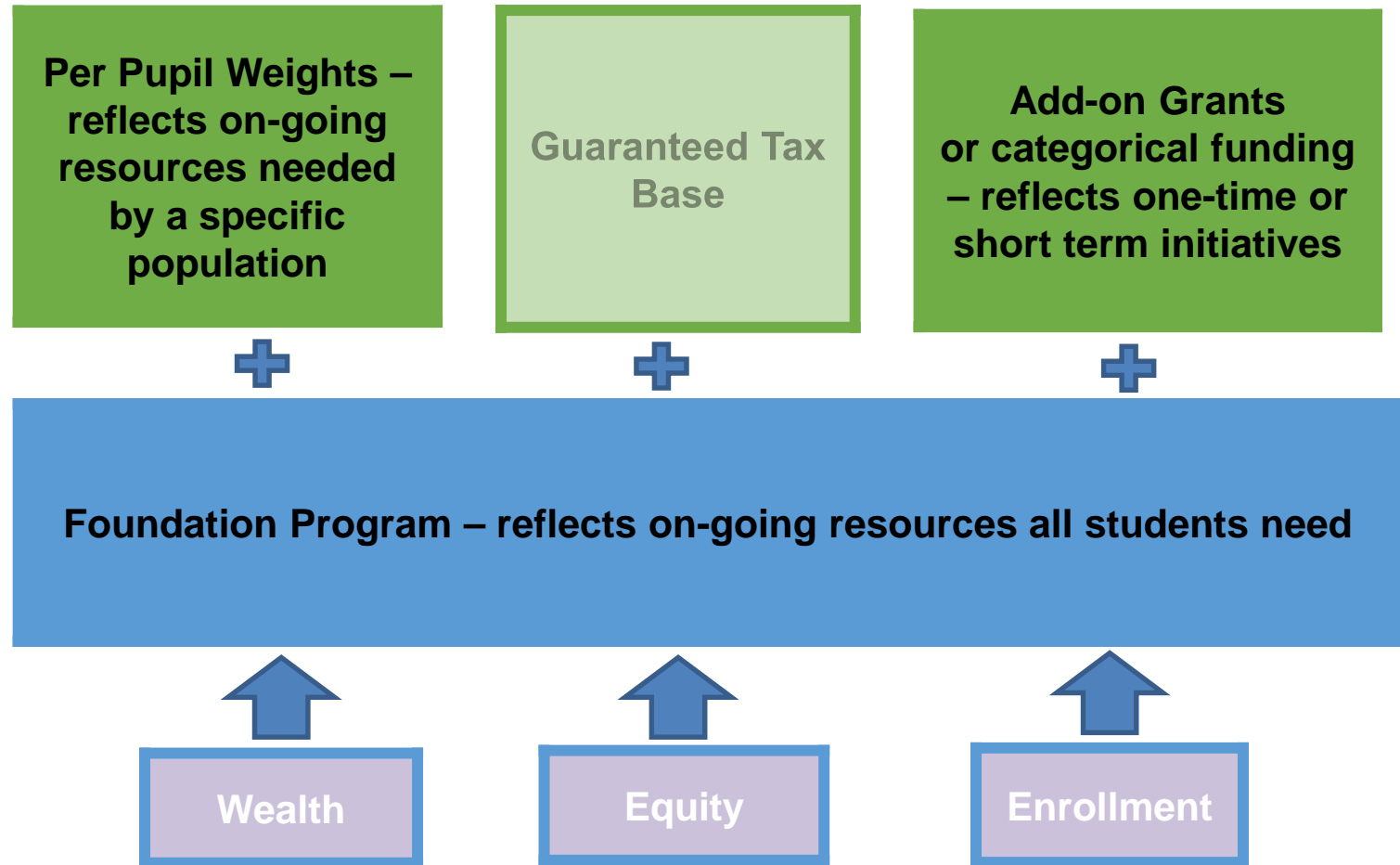
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- Higher education
  - Less remediation and faster time to degree
  - Offset by greater college/certificate participation
- Less need for social services, welfare, juvenile services, police and corrections
- Stronger economy/better educated workforce
  - Greater employment in jobs with a variety of skill level demands
  - Greater economic development as employers locate in the State due to skilled workforce
  - Greater future income



# Building the Formulas

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# Building the Foundation

## (examples)

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- WG2
  - Raise teacher pay and career ladders (2f and g)
  - Additional teachers to restructure school day (2i)
- WG3
  - Accelerated pathways for advanced students (3b)
  - Alternative educational approaches and 11<sup>th</sup> and 12<sup>th</sup> grade transition (3d and 3g)
  - Post CCR pathways (3e)
  - CTE enrollment, offerings, career counselors (3h-m)
- WG 1 and 4 elements to be determined
- Other on-going costs not covered by WGs

# Building the Weights

(examples)

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- WG 1 to be determined
  - Full-day Prekindergarten
- WG 4 to be determined
  - Compensatory Education
  - Concentration of Poverty (school-based)
  - English Learners
  - Special Education

# Building Add-on/Categorical

(examples)

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- WG2
  - LEA and teacher preparation program collaborative seed grants (2a)
  - Public relations/marketing campaign (2e)
- WG3
  - Transitional supplemental instruction (3c)
  - CTE Innovation Grants (3h-m)