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

Presentation to the Commission on Innovation and Excellence in Education

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

November 29, 2018
General Approach

• 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

• 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

• 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

• 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

• 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)

• 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

• 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

Per Pupil Weights – reflects on-going resources needed by a specific population

Add-on Grants or categorical funding – reflects one-time or short term initiatives

Foundation Program – reflects on-going resources all students need

Guaranteed Tax Base

Wealth

Equity

Enrollment
Building the Foundation
(examples)

- **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 11th and 12th 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)

- 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)

• 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)