



Education Advocate

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Maryland Children Need Additional \$2.6 Billion for Adequate Education

For more than two years, Maryland State Department of Education (MSDE) research consultants have been [studying the adequacy of the state education funding formula](#). This month, the consultants released their much anticipated [draft final report](#). Clocking in at 371 pages, the full report includes recommendations on everything from per pupil spending and calculating a jurisdiction's wealth, to universal full-day pre-k and the Geographic Cost of Education Index.

Built into the current state education funding law, the Bridge to Excellence Act of 2002, was a requirement to reassess the adequacy of the formula a decade later. Though legislators kicked the can down the road in 2012, the state hired consultants Augenblick, Palaich and Associates, Inc. (APA) and a few other associated consultant groups in 2014 to begin the review. The ACLU served on a [Stakeholder Advisory Group](#) to give input during the last two years. After producing a number of sub-studies and interim reports logging their progress, the consultants released a draft of their final report in October 2016. The new Commission for Innovation and Excellence in Education (or, "[Kirwan Commission](#)") will take APA's study, get additional public input, and make recommendations about any changes to the formula in their final report, due December 2017.

History of the Fight for Adequate Funding

Maryland's current education funding formula grew out of the [1994 ACLU Bradford v. MSBE](#) lawsuit. The ACLU of Maryland sued the state on behalf of Baltimore parents and students, arguing that **City children were not receiving an adequate education as guaranteed by the state constitution**. The court affirmatively ruled in favor of Baltimore parents and students, and the rulings in the case led the state to establish the "Thornton" Commission to study and recommend solutions to funding adequacy for all systems in the state.

With strong support from the ACLU and a statewide coalition, the Commission's recommendations passed into law as the **2002 Bridge to Excellence Act (BTE)**, establishing our current, simpler and wealth-equalized statewide education funding formula. The BTE's \$1.3 billion increase was phased in over six years, peaking in FY 2008. Hallmarks of the new law included a **uniform foundation** amount for each student and three categories of additional weighted funding for **low-income students, English Language Learners, and students with disabilities**. Key to the formula is the recognition that children with these challenges and special needs require additional funding for programs and services to support them.

Exploring the Adequacy Study Draft Final Report

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The Basics

The consultants recommended the state move to a high base foundation per pupil amount with lower weights for the three categories that fund students with special needs. A base amount of **\$10,880** per student (state and local funding combined) is recommended with weights/multipliers of **0.35** for low-income ("Compensatory Education") students and English Language Learners/ELL ("Limited English Proficient"), and a **0.91** weight for special education students. A new **0.29** weight was added for prekindergarten (see more below on that aspect).

This is contrary to the theory of Maryland's current formula which has a lower base amount (for the "average" student) and relatively high weights to accommodate added expenses of serving students from low-income families, with Limited English Proficiency, or with disabilities. In FY 2017, the base amount was **\$6,964** per student, with weights of **0.97** for low-income students, **0.99** for ELL, and **0.74** for special education.

Proposed Formula	
Base or Foundation	\$10,880
Compensatory Education	0.35*
Limited English Proficiency	0.35
Special Education	0.91
Pre-Kindergarten	0.29

** To determine the amount of funding a student qualifying with a special need would receive, multiply the base by the weight and add that value to the base value to obtain the funding amount. Students may qualify and receive funding for multiple special categories.*

Current Formula	
Base or Foundation	\$6,964
Compensatory Education	0.97
Limited English Proficiency	0.99
Special Education	0.74

APA's recommendation raises funding for all students and for special education but reduces the additional funding for low-income & ELL/LEP students. The higher base amount provides all students with more resources, as the consultants argue is needed given the new Partnership for Assessment of Readiness for College and Careers (PARCC) standards.

"Schools and districts are being asked to make meaningful progress in getting all students to meet high standards every year and require resources to provide the supports and services to do so."

-APA Consultants, "Adequacy Study: Draft Final Report," pg. x

If in proposing legislative changes to the formula, the Commission and General Assembly accept this shift in base and special needs weights, it will be imperative not to reduce the proposed foundation base. If the base was reduced, and the special needs categories had already been cut, there would not be sufficient funding to provide services to those students.

	Current Spending	Proposed Spending	Difference
State	\$4.9 B	\$6.8 B	\$1.9 B
Locals	\$5.7 B	\$6.4 B	\$0.7 B
Total	\$10.6 B	\$13.2 B	\$2.6 B

As for the total cost, the consultants endorse an additional **\$2.6 billion** need for investment in Maryland education. The state would be responsible for most of the new funding, but the twenty four local governments in Maryland would be required to provide additional dollars as well.

Recommended Changes Would Improve Equity

Some of the most noteworthy recommendations concern improving **adequacy and equity** in the state funding formula. Equity is a fundamental goal of the current state education funding formula. It ensures state resources are provided to jurisdictions based on need, taking into account the resources that can be raised by local jurisdictions (counties/the City). While many think of our current funding formula as equitable, at least one prominent national research group, the Education Law Center (ELC), finds that Maryland has work to do to make sure more resources are moving toward children in those jurisdictions with less capacity to fund their school systems. In its most recent version of ["Is School Funding Fair? A National Report Card,"](#) ELC gave Maryland a grade of "C".

To improve the equity of our state education funding formula, the consultants have recommended: changing the way the formula evaluates a county's wealth, which is used to determine how much state funding a jurisdiction gets compared to how much funding the locality must provide; assess county income in November; and remove guaranteed minimum amounts for jurisdictions in the formula. More specifically, the recommendations are:

1. Use a multiplicative wealth calculation for assessing a jurisdiction's wealth. Rather than adding up the value of a county's net taxable income (NTI), and real and personal property to determine its ability to provide funding to its school system, the consultants recommend a multiplicative approach. This places a greater emphasis on income (the funds a county/City has access to to support its school system) by multiplying a county's property wealth by the ratio of the county's NTI compared to the state average NTI.

2. Move the Net Taxable Income calculation to November only. Currently, MSDE calculates a jurisdiction's funding based on both its September NTI and November NTI, and gives the higher amount to the county. Consultants note that calculating a county's NTI in November after citizens have all filed their taxes is a more accurate measurement.

3. Remove minimum grant guarantees from base and weighted category programs. In the current funding formula, regardless of county wealth, the state provides a minimum amount in both the base program (15 percent) and the three weighted programs for students with special needs (40 percent). Consultants note that eliminating these minimums would allow county wealth and capacity to be taken into account across the full formula and free up state funding for jurisdictions with lower capacity.

In addition to recommending removal of the minimum grant guarantees from the formula, the consultants have also recommended that localities be required to provide a full match on all three weighted category programs. Currently, jurisdictions are only required to provide a match to the base funding amount. Consultants explain these changes are necessary to improve the equity of the current funding formula.

"Further, providing the state aid minimums to wealthier districts and not requiring local shares of the special needs programs may be contributing to inequities identified in the formula in the study team's earlier school funding equity analysis."

-APA Consultants, "Adequacy Study: Draft Final Report," pg. 99

One can expect this proposal to be a flashpoint for the Kirwan Commission, since allowing county wealth to be taken into consideration across the formula means that three Maryland counties would be viewed as capable of supporting their school systems without any state aid.

Some Recommendations Are Questionable

Geographic Cost of Education Index

A significant proposal is the recommendation to replace the current **Geographic Cost of Education Index (GCEI)**, which provides additional funding to those jurisdictions which have higher costs not within the control of the school system-- high costs of living (such as housing costs) or other barriers to recruiting and retaining quality teachers (such as violent crime rate). The consultants are recommending GCEI be replaced with a **Comparable Wage Index (CWI)**, which looks at salaries of professionals comparable to teachers, by regions within the state, as a way of assessing what teachers in a certain county would need to be paid. A change from GCEI to CWI would have a large impact on which school systems are viewed as needing additional funds to attract and retain teachers; the overall price tag for this proposal is \$1 billion (state and local funding).

APA also recommends that the CWI would adjust all program calculations (foundation base, compensatory education, LEP, and special education) not just the foundation. And, rather than acting as a program that provides additional funding to those counties with higher costs as the current GCEI does, jurisdictions that fall below the state average "cost of living" would have funding reduced to account for the lower costs in their counties.

The overall impact of a change to CWI would appear to offset gains in equity in other recommendations. The Kirwan Commission and policymakers will need to grapple with the question of what index best addresses cost of living and other community or school factors considered when teachers decide where they want to work.



Proxy for Identifying Economically Disadvantaged Students

The consultants also recommend moving to require that certain school systems use an alternate form to collect household income data from students in counties that are utilizing the **Community Eligibility Provision (CEP)**, i.e., free school meals. Before CEP, all jurisdictions collected **free and reduced meals ("FARMS") forms**, which were used to identify economically disadvantaged students and determine compensatory education funding in the state formula. The expansion of

CEP has complicated the situation because enrollment in the program bars a jurisdiction from collecting FARMS forms in those schools.

The recommendation of using an alternate form was somewhat surprising since the consultants' own study showed the use of direct certification of income (from other government databases) with a multiplier is the most accurate way to identify the number of low-income children in a jurisdiction. Requiring collection of alternate forms is not a best practice; the Kirwan Commission and affected school systems will need agree on a method other than attempting to collect alternate forms to ensure that income data is accurate.

Lack of Recommendation to Address Concentrated Poverty Troubling

At the outset of the Adequacy Study, consultants were charged with analyzing the effects of concentrations of poverty on adequacy targets and whether the state funding formula would need to be modified to provide adequate funding to schools and jurisdictions with high concentrations of poverty. Additional funding is given per pupil in the current formula and in the consultant's recommendation for every child eligible for free or reduced lunch. But no distinction is made between what a low-income child in a low-poverty school might need compared to a low-income child in a school with 100% free lunch and in a neighborhood lacking resources.

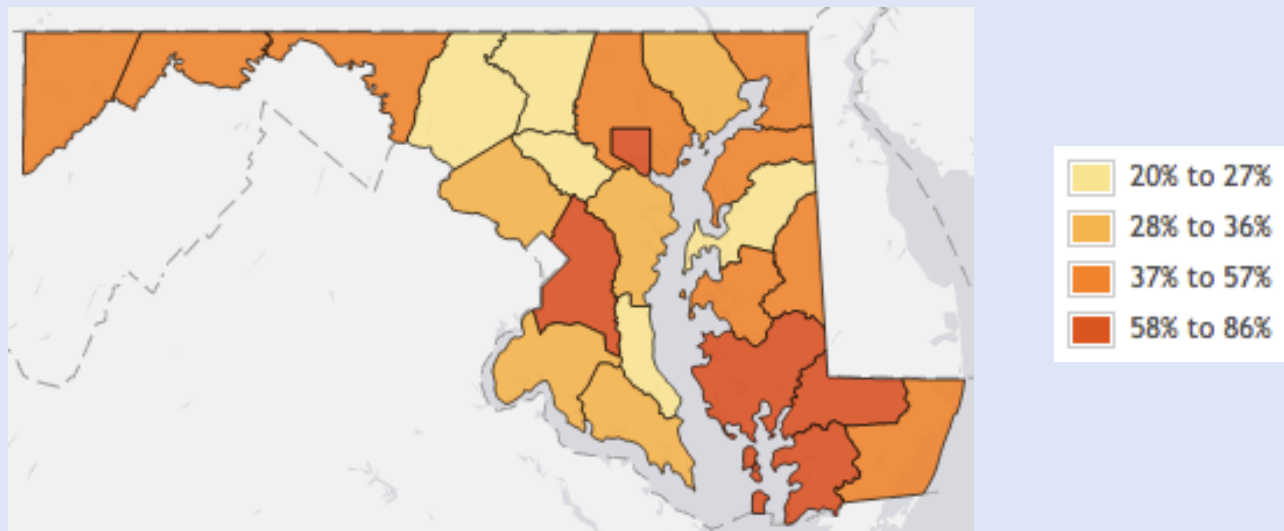
The consultants note that "the challenges that high-poverty schools face are readily observed," **but do not recommend any escalator or weight to provide additional services to schools with high percentages of low-income students.**

"The research team believes that given the level of funding recommended by this study, Maryland's schools would have the necessary resources for services to meet state standards, such as... prekindergarten, summer school, afterschool programs, arts education, and the coordination of wrap-around services through the use of school-based community liaisons to address the needs of these students.

- APA Consultants, "Adequacy Study: Draft Final Report," pg. 94

The above statement was made but without a clear cost-out of how this would be the case for high-poverty schools. There is growing research to support the conclusion that the level of poverty in a school impacts the school's learning environment - that concentrated poverty has a distinct impact on learning. Although studies differ on the exact threshold at which this occurs, many agree that **50 percent or greater poverty in a school triggers challenges** that require additional resources for staff and students. The ACLU has continually pushed the state to fund a different approach for providing educational services in areas of concentrated poverty. One promising alternative is the community schools model, which provides wrap-around services and additional staff to support low-income students and connect families to resources. Another topic for the Kirwan Commission!

Percent of Students Receiving Free and Reduced Meals In Maryland Schools in 2015



Source: Kids Count Data Center, Advocates of Children and Youth, Students Receiving Free and Reduced Meals, 2015

Universal Full-Day Pre-K For 4-Year-Olds

Children (and many parents) need schools to provide full-day prekindergarten programs, and the ACLU has advocated in Annapolis to provide funding for full-day prekindergarten for low-income children. In their draft final report, APA has recommended **funding full-day pre-k for all four-year-olds in the state** (actually 80 percent based on likely participation). Notably, the Thornton Commission even recommended funding universal pre-k for four-year-olds, but the legislature reduced it to require districts to provide half-day pre-k to children eligible for free and reduced price meals.

Pre-k would be mandatory for school systems to offer but not for children to attend. As shown in the Basics section above, pre-k children would receive the full proposed base amount in the formula (not the case now) as well as a 0.29 weighted funding stream to pay for the additional teacher and aide resources pre-k classes need. (Pre-k students will also be able to qualify for compensatory education and special education weighted program funding). This is, indeed, a step in the right direction.

With that said, we know children from low-income families need educational resources the most, and benefit from a second year of early education (indeed, birth to three also). The Kirwan Commission should continue to examine an approach that funds low-income three-year-olds in full-day pre-k programs as well. A significant investment in pre-k would do the most to close long-standing achievement gaps in low-income communities.



Conclusion

In addition to the significant recommendations covered above, APA made several other recommendations worth mentioning:

Declining Enrollment. The first recommendation is to provide a subsidy of sorts to those counties that lose students over time. By allowing a jurisdiction to select the higher of its current enrollment or the average of its last three years' of enrollment, the state funding formula will soften the blow of losing students, and thus funding, while attempting to provide all of the resources that current students need.

Supplemental Grants. The consultants also recommended eliminating the supplemental grant program, which started in FY 2009 as a one-year measure to offset a loss of funding for some jurisdictions but that legislators made permanent.

What is Missing?

The consultants declined to provide any recommendations on changes to the **Guaranteed Tax Base program** (which helps low-wealth jurisdictions that devote higher amounts to their school systems), student **transportation funding**, or how the state education funding formula should deal with **Tax Increment Financing (TIF)** and the wealth generated by TIF development. The consultants' methodology also neglected to look at differences in central administration **costs for school facility operation and maintenance** between those with newer and older buildings or at **school safety/police** costs. The Commission and legislators will still need to tackle these issues.

Policymakers and legislators will have the chance to weigh in on everything discussed above as the Kirwan Commission ramps up its work over the next few months. The work to improve Maryland's funding formula will be of great interest because we know that, despite progress, we have a long way to go to shrink the achievement gap and meet the needs of all students across the state. ACLU will call for public hearings on the proposals made during the process. Note the following dates and stay connected with the ACLU as this work moves forward:

- ◆ Consultants' Final Report due December 1, 2016
- ◆ Final Commission report due December 2017
- ◆ Potential action by the General Assembly, 2018

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