



Baltimore City Council Must Act to Protect Education Funding As Port Covington Bill Moves Forward

The Baltimore City Council is currently considering Sagamore's proposal to develop Port Covington, which includes approving over \$600 million in Tax Increment Financing (TIF) - city subsidies to pay for infrastructure needs such as roads, parks, and sewers. Given the enormous scope of the development and size of the subsidies, many local groups have been working to ensure that this development maximizes the benefits and opportunities - such as jobs, workforce development, and affordable housing - for the city's most marginalized and underserved citizens. Little attention has been paid to the enormous detrimental impact the project could have on State education funding for Baltimore's public schools. The ACLU and the Baltimore Education Coalition (BEC), in collaboration with BUILD and Maryland Working Families, have been working to bring this critical issue to the forefront of the discussion.

Maryland's State education funding formula is "wealth-equalized", which ensures that low-wealth school districts like Baltimore City and Somerset County get more State funding to make up for lower spending capacity at the local level. However, when the assessed wealth - as measured by property assessments and personal income - of a jurisdiction goes up, State aid to education goes down. Based on information available, the ACLU has estimated that Baltimore City schools could lose \$630 million to \$1.6 billion in state education funding over the 41-year timeline of the development.

The ACLU and BEC have made these demands of the City Council:

1. Produce an accurate analysis on the potential effect of Port Covington on City Schools' State education aid;
2. Obtain a commitment from the Governor and State legislative leaders that State legislation will be passed to ensure that TIF- and other City-subsidized-related wealth gains do not lead to any reduction in State education funding for low-wealth jurisdictions like Baltimore City; and,
3. Add language to the Port Covington legislation that mandates the City refund City Schools for any loss of State education funding until the State education funding formula is fixed.

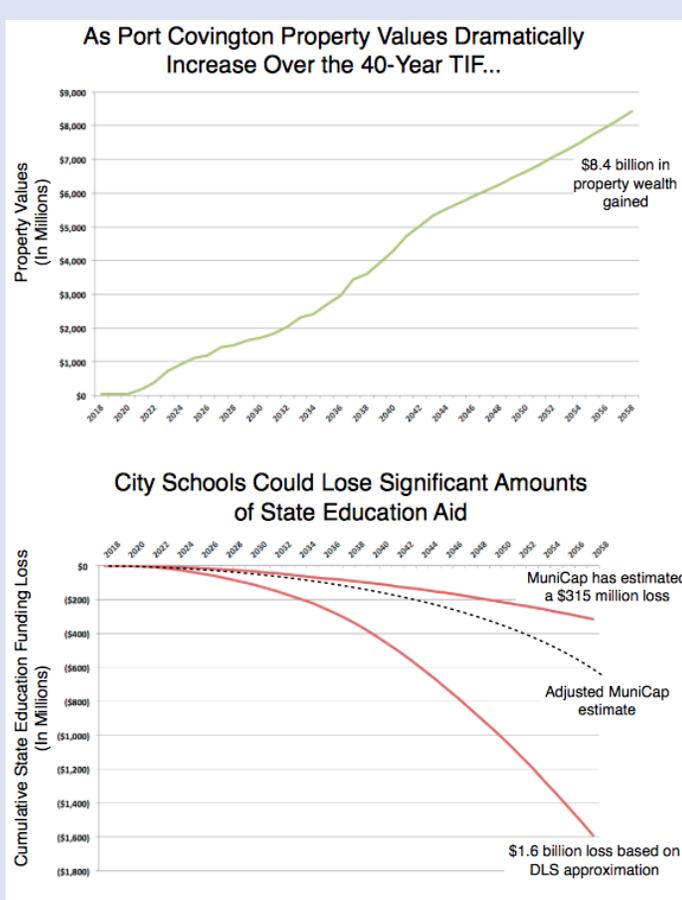
[Read our letter to City Council and see our analysis on the impact of the Port Covington development on education funding here.](#)

ACLU's Analysis of Port Covington's Impact on Education Funding

Projecting the impact of the Port Covington development on State education aid is difficult because changes in wealth affect almost all aspects of the State education funding formula. Plus, the funding formula considers the relative changes in wealth among all Maryland districts each year to determine changes in allocating education aid. However, there are ways to present realistic scenarios of the impact, which must be considered by the City Council to ensure there is a plan for protecting education funding for Baltimore's schoolchildren. To that end, the ACLU [did an analysis](#) of the potential loss of funding to City Schools, based on the [City's estimate](#) (prepared by its consultant, MuniCap), and the state's Department of Legislative Services approximation.

MuniCap's Analysis is Flawed.

MuniCap's analysis showed that City Schools could lose approximately \$315.4 million in state education funding over the 41-year TIF period. However, the major flaw of the MuniCap analysis is that it examined only one component of the State education funding formula - the "Foundation" program. The analysis ignores the impact on major State aid programs like Compensatory Education, Limited English Proficiency, and Special Education, which combined provide as much funding to City Schools as the Foundation program. Therefore, the ACLU contends that MuniCap's estimate should be at least twice as large - \$630 million.



Further, the MuniCap analysis holds City Schools' enrollment constant and adds in estimated additional students expected from the Port Covington development. This adds approximately \$20 million in additional State aid over time, making the loss of State aid due to increased wealth a lower figure than it should be. Additional funding for children who must be served does not replace the per pupil loss in state funding for every child already in the system.

City's Claim of Enough Revenue From Port Covington To Cover Losses Must Be Scrutinized. Given that MuniCap's estimate is off by roughly half, the City would not have enough money in its General Fund to cover the loss of State aid to City Schools, as the MuniCap analysis showed it would and as City officials have claimed. Indeed, City revenue would fall far short of covering the loss of State aid in most years.

State's Approximation Shows a Much Larger Loss to City Schools. Over the past two years, Baltimore City schools have lost approximately \$17 million in state funding due to the city's recent economic development boom. Based on the current trend, the State's Department of Legislative Services (DLS) has estimated City Schools loses approximately \$1 million in State education aid for every \$100 million in assessed property wealth gain. If the current trend continues, City Schools could lose approximately \$1.6 billion in State education funding over Port Covington's 41-year TIF period.

While it is impossible to know which scenario is most accurate, city council must have a plan to ensure that city schoolchildren do not lose any funding for their schools.

Senate President and House Speaker Pledge to Protect City Schools from State Education Aid Losses

The State's education funding formula assumes that when a district becomes wealthier, it has more in its coffers to contribute to its own school system. However, with city-subsidized developments like Harbor Point and Harbor East, most of their future property tax revenues have already been committed to paying off TIF bonds, leaving very little additional revenue to cover State education funding losses caused by the development. Recognizing this problem, Baltimore's delegation in Annapolis worked to pass a provision (House Bill 285) during the 2016 legislative session to protect City Schools for the next three years from reductions in State education funding due to TIF developments. While the ACLU and Baltimore Education Coalition supported this effort, we have asked for a permanent fix to ensure that Port Covington and future city-subsidized developments do not cause any further loss in State aid to City Schools.

In response to BEC's advocacy to the City Council and city legislators, House Speaker Michael Busch and Senate President Mike Miller last week promised Baltimore officials

they will enact a long-term fix, stating that the "poorest of our jurisdictions should not have to choose between job creating projects and State education aid." They point to the requirement that the State study the impact of economic development incentives as it reevaluates and makes recommendations to the State's education funding formula.

The ACLU and Baltimore Education Coalition are encouraged by this commitment from our highest ranking officials in the Maryland legislature. However, the details of a long-term fix are unknown. During a recent meeting on the reevaluation of the State funding formula, Ohio's law was recommended as a model for Maryland. Under this model, the state would exempt only 65% of property wealth gains from a TIF development. This solution is not acceptable for Baltimore as it would still lead to significant State education funding losses. We will continue our campaign to secure the passage of state legislation that will ensure no education funding is taken from City children due to the Port Covington and other city-subsidized economic development projects.

American Civil Liberties Union of Maryland | Education Reform Project

Bebe Verdery, Director
Frank Patinella, Senior Education Advocate
Kimberly Humphrey, Esq., Legislative/Education Advocate
Gary Therkildsen, Education Advocate

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