



The MuniCap Analysis of Port Covington’s Impact on City Schools’ State Education Aid is Significantly Flawed and Underestimates the True Impact

- 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.
- In simple terms, as a jurisdiction’s assessed property wealth increases, its State education aid decreases. The analysis of the impact on State education aid prepared by MuniCap on July 12, 2016 estimated the future loss of State funding dollars to Baltimore City Schools as being \$315.4 million due to the increased property values over the life of the Port Covington development.¹
- The MuniCap analysis makes several assumptions to reach its estimated impact, including a constant 3 percent inflation factor year to year, and a constant enrollment of 79,503 students in City Schools plus the gradual introduction of 884 additional public school students due to the Port Covington development.
- A major flaw of the MuniCap analysis is that it examines only one component of the State education funding formula to show the impact on City Schools’ loss of aid – the effect that increased City wealth due to the Port Covington development will have on the State education funding formula’s “Foundation” program. The analysis ignores the impact on major State aid programs like Compensatory Education, Limited English Proficiency, and Special Education.²

The amount of State education aid City Schools could lose over the life of the Port Covington project is likely at least twice that of the MuniCap estimate

- These three major programs combine for nearly as much annual aid as City Schools receives through the Foundation Program alone. This means that the MuniCap analysis leaves off roughly half of the impact Port Covington could have on State education aid to City Schools.
- In addition, the MuniCap analysis masks the impact on education funding due to the City’s increased wealth through Port Covington by holding City Schools’ enrollment constant and then adding in estimated additional students expected from the Port Covington development. This adds approximately \$20 m. 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.³
- Given that the MuniCap 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 stated. Indeed, City revenue would fall far short of covering the loss of State aid in most years.⁴

¹ A copy of the MuniCap analysis can be found at:

http://www.aclu-md.org/uploaded_files/0000/0860/municap_port_covington_state_ed_aid_report.pdf

² Utilizing MuniCap's methodology to determine a more accurate estimate, on page 5 of the analysis, in the fourth column from the left, titled "Total Current State Program Share," one would include not only the State's portion of the total enrollment-based funding under the Foundation program (\$389.7 m.), but also the amounts for Compensatory Education (\$322.2 m.), Limited English Proficiency (\$19.4 m.), and Special Education (\$52.9 m.). The first entry in the column "Total Current State Program Share" should include those amounts and total to \$784.3 m. (other parts of the State funding formula could make this total even higher, but these are obvious missing programs). This total would then be multiplied out into the future using MuniCap's assumed inflation factor of 3 percent. This will dramatically increase the estimates in the final column, titled "Projected Impact to State Aid."

³ Additionally, because wealth is calculated on a per-pupil basis, holding enrollment constant but also adding estimated additional students expected from the Port Covington development dilutes the wealth increases associated with Port Covington by spreading the impact out across a larger City Schools population. To better isolate the impact of Port Covington an analysis should either keep the enrollment constant and not add any estimated additional students expected from Port Covington, or, if it added additional estimated students due to Port Covington, it should also incorporate student enrollment projections based on population trends as projected by the State's Planning Department.

⁴ See page 6 of the MuniCap analysis.