

December 8, 2014

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Election Results

The General Assembly

The 2014 general election results are in, and the outcomes certainly warrant the attention and education and advocacy efforts of MABE and local boards. The roster of election results finds the return of many familiar faces, especially in the Senate Education Committee and House Ways and Means Committee, in which MABE spends considerable time lobbying on education policy-related bills. In fact, it is rare to find a key bill of concern assigned to any other committee.

Based on committee assignments in the previous term, the House Ways and Means Committee and Senate Education Committee saw little in the way of turnover. Returning legislators include Ways and Means Committee Chair, Sheila Hixson, and Education Subcommittee Chair, Anne Kaiser; Senate Education Committee Chair Joan Carter Conway, and almost every other member of the Education Committee. A notable exception to the lack of turnover on these key committees was the loss of Senate Education Committee Vice Chair, and long-time MABE Legislative Day sponsor, Roy Dyson.

By contrast, in the House Appropriations Committee, several key positions must be filled following the elections. These positions include: Committee Chair Norm Conway; Education Subcommittee Chair John Bohanan, and Vice Chair Heather Mizeur; Health Subcommittee Chair Mary-Dulany James; Personnel Subcommittee Chair Steve DeBoy; and Public Safety Subcommittee Chair Guy Guzzone. Delegate Conway leaves a legacy as a career educator and administrator in the Wicomico County School System and as a stalwart supporter of securing state funding, and strengthening the maintenance of effort law to ensure stable local funding. House Speaker Mike Busch has appointed Baltimore City Delegate Maggie McIntosh to become the Chair of the Appropriations Committee, leaving her long-time position as Chair of

Legislative Committee Calendar

- December 15, 2014
- January 5, 2015
- (Session convenes Jan. 14, 2015)
- January 26, 2015
- February 9, 2015
- 2015 Legislative Day Luncheon – Feb. date TBD
- March 2, 2015
- March 16, 2015
- March 30, 2015 (*not April 6!*)
- (April 13, 2015 – Sine Die)
- April 27, 2015 – Session Wrap-up

MABE's Legislative Committee meetings are held in the MABE office on Monday mornings, 10:00 to 12:30, unless otherwise indicated. Meeting agendas and materials are posted on the [MABE website](#).

the Environmental Matters Committee. Clearly, building relationships with incoming leadership and members of the Appropriations Committee will be a top priority in 2015.

The Governor

This election year saw a primary in which the democratic contenders jockeyed for support for their version of expanding Prekindergarten, and a general election in which Governor-elect Hogan focused on turning around Maryland's lagging economic recovery. Given this focus, and in light of the report on the looming budget shortfall of \$593 million presented at a fiscal briefing before the Spending Affordability Committee on November 12, 2014, the FY 2016 State Budget will likely see major reductions in funding levels for state agencies, amendments to cap or reduce mandated funding levels, and reductions in non-mandated funding.

The FY 2016 State Budget: Looking Ahead

The following sections provide an overview of the respective roles of the Governor and General Assembly in developing and enacting the State Operating and Capital Budgets, and provide highlights of the educational funding outlook for FY 2016.

Budget Authority & the Operating Budget

Education Funding is a Constitutional Mandate

The Maryland State Constitution places a high priority on public education by requiring the General Assembly to "establish a thorough and efficient system of free public schools" and to "provide by taxation or otherwise for their maintenance."

Governor's Budget Authority

Under the Maryland Constitution, the Governor must submit a budget to the General Assembly on the third Wednesday in January (or by the tenth day of session in the first year of a term). The budget consists of a detailed statement of revenues and intended spending and a bill making the appropriations proposed. The budget must be balanced when submitted. In other words, the proposed appropriations must be supported by estimated revenues. After submission of the budget bill, the Governor may change proposed appropriations by submitting one or more supplemental budgets.

General Assembly's Budget Authority

In acting on the budget bill, the legislature may not amend the budget to increase the amounts allowed to units of the Executive Branch nor may it transfer funds from one unit to another. The legislature's main power is to reduce or delete appropriations proposed in the budget bill. The legislature may also add language to the budget bill making appropriations contingent or conditional or restricting how funds may be applied. Appropriations for debt service, statutorily mandated support for public schools, and salaries of constitutional officers may not be reduced.

Through its spending affordability process, the legislature offers input into the fiscal policy used by the Governor in making the budget. Under this process, a statutory committee meets each fall to consider the condition of the economy and the State's fiscal health and to recommend to the Governor the amount by which State government spending should be allowed to grow in the upcoming budget.

Budget Authority & the Capital Budget

Governor's and General Assembly's Authority

Unlike the operating budget, in acting on the capital budget bill, the legislature may amend the budget to add and delete projects from the capital bond program. The legislature may also increase project funding and add contingent, conditional, or restrictive language to the bill regarding how the funds may be applied.

It has long been the practice of the Administration to present the capital budget bill by the twentieth day of the session; and may not be finally acted upon until after the operating budget has passed.

Debt Service

As a uniform practice, each debt authorization pledges toward repayment of ad valorem property tax on all taxable property in the State. The Board of Public Works is required annually to set a tax rate by May 1 that will produce revenue sufficient for debt service requirements. The Constitution of Maryland (Article III, Section 34) provides that the tax or taxes so levied need not be collected if, or to the extent, that funds sufficient for debt service requirements in the next fiscal year are appropriated in the annual State budget. Property tax revenues, while exclusively dedicated to debt repayment, are supplemented with premiums from bond sales and some miscellaneous revenues. The State property tax is exclusively dedicated to the repayment of debt service. The rate is set each year in an amount sufficient to pay all debt service for which funds are not available from other sources.

FY 2016 Budget Outlook

On November 12, 2014, the Spending Affordability Committee convened to receive a comprehensive briefing on Maryland’s economic performance and revenue and expenditure projections for FY 2016; information on which the operating and capital budgets the Governor and General Assembly will be acting on in the upcoming 2015 legislative session. The [full Spending Affordability Briefing report](#) is available on the Department of Legislative Services website, which *GreenSheet* readers are encouraged to frequent in the coming weeks and, of course, throughout the session.

The centerpiece of the briefing was the announcement that the state is facing a nearly \$600 million shortfall in balancing the FY 2016 budget.

Cash Balance/Shortfall	\$148	-\$291	-\$593
Structural			
Balance (Ongoing Revenues Less Operating Costs)	-\$542	-\$645	-\$525
Ratio (Ongoing Revenues/Operating Costs)	96.5%	96.1%	96.9%

Source: DLS Spending Affordability Briefing

It is worth noting that the \$593 million shortfall does include the cost of fulfilling state employee raises of 2%, which is a perennial pledge that often falls prey to other budget realities and priorities as the Governor and General Assembly balance the annual budget.

Annapolis budget briefings typically focus on the General Fund of the state operating budget, and the capital budget. Both are of major import to the 24 public school systems and boards of education. The General Fund refers to the revenues generated by more than 15 major sources, such as the personal income tax, sales and use tax, lottery, corporate income tax, tobacco tax, insurance premium tax, estate and inheritance tax, court fees, and miscellaneous taxes and fees that together total more than \$16 billion in state revenue. Click here for an [historical snapshot of General Fund revenues from 1980 to 2016](#). These

revenues, in turn, are expended on major funding categories such as public education, medical assistance, debt service, public safety, higher education, county and municipal governments, community colleges, the judiciary, juvenile services, foster care, and all other state agencies.

The “Aid to Local Governments” share of the more than \$16 billion in General Fund expenditures includes \$5.5 billion in direct funding for local boards of education, and more than \$750 million in teacher retirement payments. Additional local government aid includes the significantly lesser amounts of funding for community colleges and direct aid to counties and municipalities. These items amount to more than \$6.5 billion of the \$16 billion total; with entitlements including medical assistance totaling more than \$3 billion, and state agency funding including health, higher education, and public safety, totaling nearly \$7 billion.

FY 2016 Education Funding Outlook

State Operating Budget

Full-time equivalent (FTE) enrollment of public school kindergarteners through 12th graders increases from 834,524 in FY 2015, to 840,747 in FY 2016. The statewide total allocation of funding to local boards of education to educate these students includes the major Bridge to Excellence funding categories (foundation, compensatory, special education, and limited English proficient) and several other major items such as the student transportation, Geographic Cost of Education Index (GCEI), Guaranteed Tax Base Program, Net Taxable Income (NTI) grants, supplemental grants, and other programs. The following table lists the major components of state aid to education, including the baseline budget for FY 2016.

State Aid to Education FY 2014 – FY 2016

	<u>FY 2014</u>	<u>FY 2015</u>	<u>Baseline FY 2016</u>	<u>\$ Change 2015-2016</u>	<u>% Change 2015-2016</u>
Public Schools					
Foundation Program	\$2,850.5	\$2,882.4	\$2,941.7	\$59.2	2.1%
Supplemental Grant	46.5	46.6	46.6	0.0	0.0%
Geographic Cost Index	130.8	132.7	135.6	2.9	2.2%
NTI Education Grants	8.3	26.9	35.1	8.3	30.7%
Foundation – Special Grants	0.0	0.6	0.0	-0.6	-100.0%
Compensatory Aid	1,196.0	1,251.7	1,315.9	64.2	5.1%
Student Transportation	254.5	258.4	265.2	6.8	2.6%
Special Education – Formula Aid	269.3	271.7	277.1	5.4	2.0%
Special Education – Nonpublic Placements	109.8	110.9	114.0	3.1	2.8%
Limited English Proficiency Grants	193.4	197.7	216.1	18.5	9.3%
Guaranteed Tax Base	52.3	59.4	51.3	-8.1	-13.6%
Aging Schools Program	8.1	6.1	6.1	0.0	0.0%
Head Start/Pre-Kindergarten	5.9	6.1	6.1	0.0	0.0%
Other Education Programs	81.1	83.2	84.5	1.2	1.5%
Subtotal Direct Aid	\$5,206.5	\$5,334.4	\$5,495.4	\$161.0	3.0%
Retirement Payments	728.1	738.6	760.0	21.4	2.9%
Total Public School Aid	\$5,934.7	\$6,072.9	\$6,255.4	\$182.4	3.0%

Source: DLS Spending Affordability Briefing

MABE’s adopted legislative positions for 2015 include 1) Support for sustaining a robust level of school funding in the FY 2016 State Budget, including the Geographic Cost of Education Index (GCEI) and an

inflation factor, to support Maryland’s standards-based school finance system; 2) Support for legislation to create a commission to make legislative and funding recommendations in order to update and improve Maryland’s school finance system; and 3) Support for a per pupil funding allocation for prekindergarten students, including a 0.5 FTE for half-day students and 1.0 FTE for full-day students, without any off-setting reduction in compensatory education funding.

Significant education funding issues on the horizon for the 2015 session include the extent to which the Governor’s proposed budget not only funds the mandated programs, which represent the bulk of the total \$5.5 billion, but also the notable exceptions of the non-mandated funding programs, including the \$135 million slated for GCEI, and the more than \$35 million slated for NTI grants. In addition to the Budget Bill, the Budget Reconciliation and Financing Act (BRFA) is the vehicle for the legislative amendments needed to amend future funding requirements, even to mandated funding programs. Another issue will be the funding of the mandated inflation factor, which is the lesser of 5% or the implicit price deflator or consumer price index for the second prior year. In FY 2015, the inflation factor was only 0.46%, but still resulted in a mandated increase in the foundation per pupil amount.

Geographic Cost of Education Index (GCEI)

GCEI is a discretionary component of the State aid formulas that provides additional funding to local school systems where educational resource costs are above the State average. Since funding for the program began in fiscal 2009, the State has provided funding through GCEI to 13 local school systems each year, and it has been fully funded each year since fiscal 2010. The FY 2015 budget included \$132.7 million for GCEI; and the FY 2016 budget should include \$135.6 million.

FY 2015 Geographic Cost of Education Index (GCEI)			
<u>County</u>	<u>Funding Amount</u>		
Allegany	\$0	Harford	0
Anne Arundel	9,406,830	Howard	5,312,701
Baltimore City	22,862,898	Kent	136,857
Baltimore	5,727,153	Montgomery	34,394,095
Calvert	2,279,425	Prince George’s	39,276,765
Caroline	0	Queen Anne’s	563,799
Carroll	2,492,094	St. Mary’s	231,734
Cecil	0	Somerset	0
Charles	3,501,859	Talbot	0
Dorchester	0	Washington	0
Frederick	6,498,588	Wicomico	0
Garrett	0	Worcester	0
		Total	\$132,684,798

Source: DLS

State Capital Budget

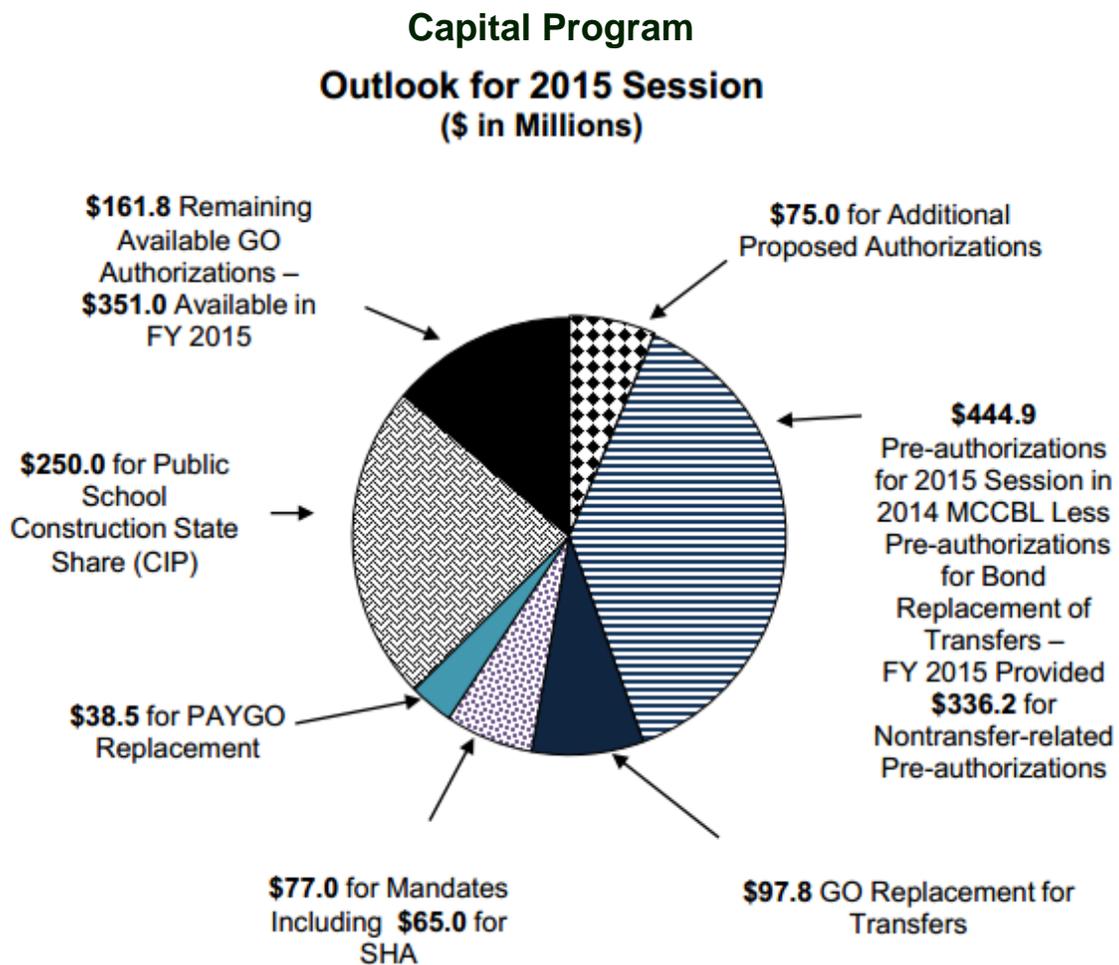
The state capital budget includes the annual state investment in the Maryland School Construction Program to provide the state share of project funding for new school construction and renovation projects. For MABE and Maryland’s 24 local school boards, the mission to provide all of Maryland’s students with high performing school facilities conducive to learning remains a top priority. The Maryland Constitution

requires that the state provide a “thorough and efficient” system of public education, and MABE believes that this includes the duty to provide safe, high quality school facilities in which all students can learn.

The Public School Construction Program was created by the General Assembly in 1971 to increase the State participation in school construction costs and to equalize public school facilities throughout the State. State and local governments share public school construction costs on a basis that varies among local school jurisdictions depending on the jurisdiction’s taxable wealth. The State’s share of eligible project costs varies from 50% to 90%. However, because certain costs, such as architectural, engineering, and site development costs, are ineligible for State funding, local jurisdictions actually pay a larger share of total project costs than the these percentages would indicate.

MABE’s adopted legislative positions for 2015 include 1) Support for a state funding level of at least \$350 million for school construction and renovation projects for FY 2016 to provide the State’s share of approved projects to build, renovate, and improve school facilities throughout Maryland; and 2) Support for the pursuit of innovative funding policies and strategies to maximize the capacity of state and local bonding authority in support of school facility project funding.

The following chart was presented at the Spending Affordability Committee briefing, and includes the “default” school construction allocation of \$250 million, and \$161 million in remaining available funding. Again, MABE will be advocating for significantly more than \$250 million.



Source: DLS Spending Affordability Briefing

The Education Trust Fund

The Education Trust Fund is the repository for a significant share of the revenues received by the state from video lottery terminals (VLTs), or “slot machines”; and from table games, such as Black Jack. VLT revenues are distributed among several designated recipients, such as local impact grants to local governments, the purse dedication account to support the horse racing industry, and the Education Trust Fund, which received all non-designated revenues totaling between 49 and 52 percent of the state revenue. By contrast, only 20% of table game revenues are distributed to the Education Trust Fund; which will drop to 15% once the Prince George’s County casino at National Harbor opens.

Importantly, while the Education Trust Fund is the mandated repository for a significant share of gaming revenues, these moneys do not automatically trigger any increase in state funding. The State’s annual funding obligation to PreK-12 public education is dictated by the funding laws that set per pupil funding amounts and establish other grant programs.

Recognizing that the State Budget must include nearly \$6 billion for education, the Education Trust Fund contributes the amounts shown in the table, as estimated for FY 2016, to assist in fulfilling that mandated funding amount. Estimated gaming revenues to the Education Trust Fund are included in the budget for mandated education programs, and if more revenue than expected is received that creates a surplus for other General Fund programs, and if less is received that creates a deficiency in the Education Trust Fund that must be back-filled at the end of the fiscal year from other sources.

FY 2016 Estimated Gaming Revenues and Impact on the Education Trust Fund (\$ in Millions)	
Video Lottery Terminals	
Education Trust Fund	\$341.4
Casino Operators	318.5
Local Impact Grants	41.7
Small, Minority, and Women-Owned	11.4
Purse Dedication	52.7
Racetracks Facility Renewal Account	7.4
State Lottery Agency	8.3
Total Gross Revenues	\$781.3
Table Games	
Education Trust Fund	\$72.8
Casino Operators	291.1
Total Gross Revenues	\$363.9
Source: DLS Spending Affordability Briefing	

MABE’s 2015 Priorities

MABE’s top priorities for the 2015 Legislative Session include:

- **Support for continued governance autonomy for local boards of education to set education policy and school budgets; and opposition to unfunded mandates** - MABE supports continued autonomy for all local boards to adopt education policies that promote high standards for academic and fiscal accountability. Therefore, MABE opposes any legislative or regulatory initiatives which would have the effect of reducing local board governance or budgetary authority, or which create unfunded mandates.
- **Support at least a two-year delay in using the new PARCC High School Assessments in English 10 and Algebra I as “high stakes” graduation requirement tests** - MABE does not oppose administering the new HSAs developed by the Partnership for Assessment of Readiness for College and

Careers (PARCC), but strongly opposes linking student scores on these new tests to high school graduation for at least the next two school years in order to develop cut scores and alternative assessments.

- **Support for full State funding for Maryland's outstanding public schools** - MABE urges the Governor and General Assembly to support increased funding of public education in the FY 2016 State Budget. Local boards of education are committed to preparing all students to be globally competitive in college and careers. Increased state investments in public education are essential in these times of rapid change, rising expectations, and increased costs.
- **Support for robust State funding for school construction and renovation projects** - MABE places a high priority on providing students high quality, healthy, and safe learning environments. Therefore, we greatly appreciate the State's consistent investment in school construction and renovation projects. The FY 2016 school construction budget should provide at least \$350 million to ensure that all Maryland schools are better learning environments to prepare our students to be college and career ready.
- **Support for sustained local government investments in education** - Funding from Maryland's twenty-three counties and Baltimore City plays a critical role in combining with state and federal funding to support teaching and learning. MABE strongly supports the Maintenance of Effort reforms enacted in 2012. MABE also supports sustaining adequate local capital funding essential to financing the construction and renovation of high quality school facilities in partnership with the State.

For more information on these priority issues, and MABE's legislative positions on other issues ranging from charter schools to special education, go to MABE's [Annapolis Advocacy Center](#), or directly to MABE's [2015 Legislative Positions](#) publication.

MABE Resources

General Assembly: MABE strives to be the primary voice for public education in Annapolis. The unity of 24 local school boards lends strength to our increasing importance in the legislative process, ensuring that the Governor, General Assembly, and State Board of Education turn to MABE to help determine what is best for school children.

MABE's Legislative Committee holds monthly meetings to guide the Association's lobbying activities in Annapolis, and invites policy and legislative leaders to exchange ideas. The Director of Governmental Relations, in coordination with MABE leadership, conducts direct lobbying activities including written and oral testimony before the General Assembly. MABE adopts and publishes an annual Legislative Positions publication and a Session Summary. MABE coordinates the Green Street Coalition, which is comprised of legislative liaisons from school systems and the superintendents association, and MABE staff pens the weekly GreenSheet update on legislative activity. For more information go to [MABE's Annapolis Advocacy Center](#).

State Board of Education: In addition, MABE staff and members of the Board of Directors attend each meeting of the State Board of Education, and staff pens The Monitor, which provides a comprehensive summary of each meeting. MABE frequently informs the State Board of the Association's positions on priority issues through testimony, correspondence, and meetings. For more information, go to [MABE's State Board Advocacy Center](#).

Federal Government: MABE encourages all boards of education to engage in advocacy at the federal level to ensure that our federal officials are well informed on the priorities and perspectives of local school systems and the fiscal and policy issues arising under the myriad federal programs impacting public

education. MABE's Federal Relations Network (FRN) Committee is comprised of board members appointed to represent the association in communicating NSBA and MABE positions to Maryland's federal delegation, including our two U.S. Senators and eight members of the U.S. House of Representatives. For more information, go to MABE's [Federal Advocacy Center](#).