Priorities and Perspectives on the Future of Public School Funding in Maryland

Executive Summary & Position Paper

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Maryland Association of Boards of Education
Serving & Supporting Boards of Education Since 1957

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EXECUTIVE SUMMARY: The Future of Public School Funding in Maryland (January 2016)

Today the State stands poised to usher in a new era of funding reform designed to provide the foundations of adequate and equitable state and local funding contributions necessary to support 24 world class local school systems throughout Maryland. MABE is pleased to provide an overview and highlight local board perspectives on the ongoing adequacy study and the future of public school funding in Maryland.

In 1999 the General Assembly formed the Commission on Education Finance, Equity, and Excellence. The commission determined that per pupil funding was significantly inadequate to provide all students the resources needed to meet Maryland's performance standards. In 2002 the legislature enacted the Bridge to Excellence in Public Schools Act, based on the commission's adequacy studies and final report. The Act called for a $1.3 billion increase in state funding, to be phased-in through FY 2008, and restructured the education financing system to enhance the adequacy, equity, flexibility and accountability of state public school funding. Since 2008 Maryland's students have continued to benefit, but to a diminishing extent, from these historical actions.

In 2014 the Maryland State Department of Education (MSDE) contracted with national consultants to conduct a comprehensive adequacy cost study. Augenblick, Palaich and Associates, in partnership with Picus Odden and Associates and the Maryland Equity Project at the University of Maryland, will submit a final report by October 31, 2016. MSDE formed a "Cost of Adequacy of Education Funding in the State of Maryland Stakeholder Group" to receive and discuss the consultant's progress updates and reports. MSDE maintains an adequacy study website with all study reports and stakeholder group meeting materials.

MABE Forms Committee on Funding Adequacy

MABE established the MABE Ad Hoc Committee on the Study of School Funding Adequacy in January of 2015 to provide a forum for discussing and informing MABE's participation on the MSDE stakeholder group and adequacy study panels. MABE's adequacy committee meets monthly and has welcomed guest speakers including Kristy Michel, MSDE's Chief Operating Officer; and Rachel Hise, the Department of Legislative Services (DLS) Lead Principal Policy Analyst.

Donna Brightman, Chair - Washington County	Tolbert Rowe - Caroline County
Linda Chinnia/Martha James-Hassan - Baltimore City	Tom Carr - Garrett County
Edward Root - Allegany County	Ann De Lacy - Howard County
Stacy Korbelak/Teresa Milio Birge - Anne Arundel County	Chris Barclay/Philip Kauffman - Montgomery County
David Uhlfelder/Kathleen Causey - Baltimore County	Verjeana Jacobs - Prince George's County
Bill Phalen - Calvert County	Warner Sumpter - Somerset County

The primary purpose of the adequacy study commissioned in 2014 is underway through a comprehensive and multi-faceted study of funding adequacy using three different methodologies: evidence-based; professional judgment; and successful schools. Two of these study methods (successful schools and professional judgment) were used to develop the Bridge to Excellence Act. The evidence-based methodology is more recently developed; and MABE strongly supports this three-pronged approach to updating Maryland's school finance system.

MABE is represented on the evidence-based panels by Dr. Ed Root, member of the Allegany County Board of Education, and former President of the Maryland State Board of Education; and Phil Kauffman, member of the Montgomery County Board of Education. MABE is represented on the professional judgment panels by Bill Phalen, member of the Calvert

County Board of Education, and past President of MABE. MABE is represented on the Professional Judgment Panel by Verjeana Jacobs, member of the Prince George's County Board of Education, and past President of MABE.

To date, MABE's representatives on the evidence-based and successful schools adequacy study panels have reported significant concerns with the organization, composition, and facilitation of the panels. ***MABE's adequacy committee is deeply concerned by the observations and criticisms articulated by Dr. Root, Mr. Kauffman, and Mr. Phalen. In response, the adequacy committee met with staff representing MSDE and DLS to share our representatives' experiences and discuss opportunities to improve the study methodology and panel process. MABE also shared these concerns with the Public School Superintendents Association of Maryland, other education stakeholders, and legislators.***

MABE Positions

The consultants have provided preliminary and final reports on the following issues. MABE has adopted positions, and continues to monitor and develop positions on the broad scope of these studies.

Equity	MABE places a high priority on advocating for both adequacy, in terms of overall statewide funding levels and formulas to ensure sufficient state investments in special needs student populations; and equity in terms of adjusting state investments to ensure that less wealthy jurisdictions receive sufficient state aid.
Wealth & Tax Policy	MABE supports state tax policies which reflect the economic diversity and fiscal dependence of Maryland's 24 school systems. MABE supports the Guaranteed Tax Base Program to reward education effort; and wealth calculation adjustments for tax increment financing (TIF).
GCEI	MABE supports fully funding GCEI and a state school finance system which recognizes and adjusts for dramatic variation in local wealth and costs of doing business.
Enrollment	MABE supports further study of how best to adjust state funding to account for dramatic increases or decreases in student enrollment.
Prekindergarten	MABE strongly supports enacting legislation in 2016 to remedy the longstanding deficiency in funding provided to local school systems for prekindergarten, by including prekindergarten students in local school system enrollment counts for purposes of state and local funding formulas.
Transportation	MABE supports sufficient state funding to ensure transportation services to and from public schools, including transportation to support programs outside the school day.
School Size	MABE opposes any State mandated school sizes for elementary, middle or high schools.
Poverty	MABE supports local discretion to determine eligibility for compensatory education funding, based on Free and Reduced Price Meal (FARM) eligibility or direct certification based on the Community Eligibility Provision (CEP).
Maintenance of Effort (MOE)	MABE supports the study of MOE and its role in securing nearly half of the overall investment in public schools. Further, MABE supports consideration of ways to bolster MOE based on inflation, supplemental local per pupil funding for special needs students, and other factors.

MABE Calls for New Funding Commission

MABE strongly supports establishing a legislative commission on education funding to begin the process of translating the work of the consultants' studies and recommendations into legislative proposals for comprehensive funding reforms. MABE believes that establishing a commission in 2016 is essential to provide ample time to appoint members and brief them on the substantial studies and reports already issued by the consultants, and presented to a stakeholders group.

Maryland Association of Boards of Education

Position Paper

Priorities and Perspectives on the Future of Public School Funding in Maryland

January 2016

Introduction

Today the State stands poised to usher in a new era of funding reform designed to provide the foundations of adequate and equitable state and local funding contributions necessary to support 24 world class local school systems throughout Maryland. School performance assessments, new at the time, and a groundbreaking expert analysis, led to significant increases in state funding from 2003 to 2008.

In 1999 the General Assembly formed the Commission on Education Finance, Equity, and Excellence. The commission determined that per pupil funding was significantly inadequate to provide all students the resources needed to meet Maryland's performance standards. In 2002 the legislature enacted the Bridge to Excellence in Public Schools Act, based on the commission's recommendations. The Act called for a $1.3 billion increase in state funding, to be phased-in through FY 2008, and restructured the education financing system to enhance the adequacy, equity, flexibility and accountability of state public school funding.

Since 2008 Maryland's students have continued to benefit, but to a diminishing extent, from these historical actions.

In 2014 a new study was commissioned and the consultants have produced a series of preliminary and final reports on topics ranging from school size to calculating funding for students living in poverty. MSDE formed a stakeholder group; and MABE's board of directors created an ad hoc committee to monitor the study. These groups continue to meet to discuss the consultant's reports and the ongoing adequacy studies.

MABE has adopted a legislative position in support of creating a new legislative commission to translate the studies and findings into legislation which will reform - and enhance - state funding to support the continuous improvement of Maryland's public schools.

MABE is pleased to provide an overview and highlight local board perspectives on the ongoing adequacy study and the future of public school funding in Maryland.

The Maryland State Constitution requires that the General Assembly "shall by law establish throughout the state a thorough and efficient system of free public schools" and "shall provide by taxation or otherwise for their maintenance."

Md. Const., Art. VIII, Sections 1 and 3

The New Adequacy Study

The study must include, at a minimum, adequacy cost studies that identify a base funding level for students without special needs and per pupil weights for students with special needs to be applied to the base funding level, and an analysis of the effects of concentrations of poverty on adequacy targets.

The adequacy cost study will be based on the Maryland College and Career Ready Standards (MCCRS) adopted by the State Board of Education and include two years of results from the new PARCC State assessments, which were first administered in the 2014-2015 school year.

The study must evaluate the impact of school size, the Supplemental Grants program, the use of Free and Reduced Price Meal eligibility as the proxy for identifying economic disadvantage, the federal Community Eligibility Program in Maryland, prekindergarten services and funding, the current wealth calculation, and the impact of increasing and decreasing enrollments on local school systems. The study must also include an update of the Geographic Cost of Education Index.

The study is to be completed by October 31, 2016.

The New Adequacy Study and Stakeholder Group

In 2014 the Maryland State Department of Education (MSDE) contracted with national consultants to conduct a comprehensive adequacy cost study. Augenblick, Palaich and Associates, in partnership with Picus Odden and Associates and the Maryland Equity Project at the University of Maryland, will submit a final report by October 31, 2016.

MSDE formed a "Cost of Adequacy of Education Funding in the State of Maryland Stakeholder Group" to receive and discuss the consultant's progress updates and reports. MSDE maintains an adequacy study website with all study reports and stakeholder group meeting materials.

MABE's Adequacy Committee

MABE established the MABE Ad Hoc Committee on the Study of School Funding Adequacy in January of 2015 to provide a forum for discussing and informing MABE's participation on the MSDE stakeholder group and adequacy study panels. MABE's adequacy committee meets monthly and has welcomed guest speakers including Kristy Michel, MSDE's Chief Operating Officer; and Rachel Hise, the Department of Legislative Services (DLS) Lead Principal Policy Analyst.

The following sections relate to specific areas of study being conducted by the consultants.

Equity

Generally, the goal of "equity" in education funding refers to the belief that educational opportunities should not depend on a jurisdiction's relative ability to raise revenue from local sources, and the corresponding need for adjustments in the allocation of state aid. The Thornton Commission and Bridge to Excellence Act adhere to Maryland's longstanding public policy establishing a state school funding system that wealth-equalizes education aid so that per pupil state aid in less wealthy jurisdictions is greater than per pupil state aid in more wealthy jurisdictions.

MABE places a high priority on advocating for both adequacy, in terms of overall statewide funding levels and formulas to ensure sufficient state investments in special

needs student populations; and equity in terms of adjusting state investments to ensure that less wealthy jurisdictions receive sufficient state aid to combine with limited local revenues to support strong public schools. Without any independent taxing authority, Maryland's school boards are fiscally dependent on these state investments and local budgets mandated to maintain per pupil funding levels from year to year.

The consultant's equity analysis concludes that Maryland does well in achieving equity in the state funding system. MABE strongly supports adhering to the principal of equity in developing legislative proposals to reform the state's school finance system. However, in the context of a state funding system that ensures a high degree of equity, MABE opposes any limitation on the ability of local governments to invest available resources in their local school systems.

On October 13, 2015 the Stakeholder Group received a Presentation from Picus Odden & Associates highlighting the findings included in two reports: the Analysis of School Finance Equity and Local Wealth Measures in Maryland; and Geographic Cost of Education Adjustment for Maryland. The report on equity and wealth includes two major sections, including Chapter 1: Equity Analysis of Maryland's Bridge to Excellence in Public Schools Funding System; and Chapter 2: Wealth Measures and Property Tax Issues.

> Fiscal neutrality is the concept that there should not be a relationship between the wealth of a community and the amount of money spent on public education in that community. This concept relates to the idea that all children deserve a high quality education regardless of where they live.
>
> – Picus Odden & Associates

The equity analysis considers fiscal neutrality, horizontal equity, and vertical equity. The analysis of horizontal equity measures the degree of equity in the distribution of per pupil spending in top and bottom half of the school systems according to the school system's per pupil spending. The analysis of vertical equity considers spending based on student need, which in Maryland involves analysis of the three categories of special needs students receiving weighted additional per pupil funding: special education, English language learners, and economically disadvantages students.

The study team described their work as a traditional longitudinal school finance equity analysis of Maryland school district funding. According to the report:

> The equity analysis focuses on three main issues: the extent to which education revenues are related to measures of district fiscal capacity, the equality of education revenues and expenditures per pupil across districts, and the extent to which differences in education funding relate to student needs. The statistics used can be divided into two categories: those that measure the fiscal neutrality of the system, i.e. the degree to which revenues and expenditures are related to local measures of fiscal capacity, and those that measure the equality (equity) of per pupil revenues and expenditures across school districts in the State. The analysis shows that there is a relationship between wealth and funding in Maryland, but that the relationship has decreased over time. Thus, the system became more fiscally neutral over the years covered by the study.

Wealth & Tax Policy

The consultant's report on wealth measures and property tax issues considers Maryland's approach to measuring school district fiscal capacity, state policy on assessing property value, incorporating income, and the timing of calculating net taxable income (NTI). In Maryland, school systems are fiscally dependent, and state funding is distributed to districts based on the relative wealth or ability to pay. The report found that Maryland's school funding formula counts district real and personal property wealth as about two thirds of district fiscal capacity. Comparative data finds that states vary in this regard, with several balancing property and income wealth at 50% shares. In addition, the report analyzed the use of tax increment financing (TIF) and the impact on the calculation of local wealth and fiscal capacity for purposes of allocating state funding. Comparative data finds that some states require school district permission, or consultation, for TIF programs to be established. In other states, TIF programs may not be used to reduce school district tax revenues.

Equity by Wealth Equalization

The State's share of education funding, which is calculated and distributed on a per pupil basis, is adjusted according to the county's taxable wealth, so that school systems with smaller tax bases receive proportionally more state aid.

According to the report:

> Maryland currently measures the fiscal capacity of school districts using a combination of property values and net taxable income. The study team's analysis describes the way these measures are combined to provide state aid to districts in inverse relationship to their fiscal capacity. The study team considered the way property is currently assessed in Maryland, concluding that the three-year reappraisal process is a reasonable compromise between the expense of annual reappraisals and the dis-equalizing potential of longer assessment cycles.

With regard to net taxable income, the report addresses that fact that Maryland currently includes NTI in its measure of fiscal capacity for school funding based on September 1 or November 1 of the prior year, requiring computation of local wealth and state aids twice. The report recommends selecting the November 1 date, while acknowledging that "If the State moved to a single November NTI computation (without a hold harmless) it would reduce state revenues for Baltimore and Montgomery counties."

Overall, the consultants recommend the following:

> The State retain its current 3 year property reassessment cycle; Maryland address TIF valuation in a way similar to the Ohio system that allows all three entities (the district, the municipality, and the state) to share both the costs and the potential benefits over time; the State consider using the multiplicative approach to combining property and NTI wealth to improve equity for low income districts; and the State move to a November-only NTI collection with a phase-in both of the NTI-related items to ease the transition for impacted counties.

GCEI

The consultant's report on the Geographic Cost of Education Index (GCEI) evaluates the current methodology used to calculate GCEI and provides recommendations to change the methodology. The consultants acknowledge that schools and districts across Maryland experience different costs to provide comparable educations to children. The report finds that "This is primarily because of differences in the wages that must be paid to teachers and other employees. There may also be variations between geographic areas of a state in terms of needs for physical inputs. Schools and districts in different climates will have different needs for energy for heating and/or cooling. Schools in rural, sparsely populated areas will have different transportation needs than schools in urban areas. Wages, which make up the largest share of districts' budgets by far, are far more subject to location-based variation."

The report considers measuring, and adjusting for, educational cost variations by geographic region based on (1) cost of living, (2) comparable wages, and (3) hedonic wage models. According to the report:

> The current Maryland GCEI is based on two hedonic indices for professional and non-professional district workers, a hedonic index of energy costs, and a non-varying measure of other instructional expenditures. The current GCEI is included in the Maryland school finance program as an add-on to the base foundation formula, and the hedonic index is truncated at 1.0. (That is, districts with values less than 1.0, e.g. with costs that are lower than average, are treated as if their value is 1.0.)

The consultants recommend considering significant policy changes to revise the calculation of the GCEI:

> 1. The current wage indices within the GCEI should be replaced with indices estimated using comparable wage methodology.
>
> 2. The Energy Cost Index and the other expenditures should be removed so that the GCEI cleanly isolates the wage costs associated with geographic location. These wage costs could still be a combination of professional and non-professional wages, weighted for budget shares.

LOCAL WEALTH & EFFORT ADJUSTMENTS

Guaranteed Tax Base Program

The Bridge to Excellence in Public Schools Act included an add-on grant for jurisdictions with less than 80% of statewide per pupil wealth that contributed more than the minimum required local share under the foundation program in the prior year. The grant is based on local support for education relative to local wealth. The grant cannot exceed 20% of the per pupil foundation amount. Nine local school systems qualify for grants totaling $53.8 million in FY 2016.

GCEI

A discretionary formula (until FY 2017) to provide additional State funds to local school systems where costs for educational resources are higher than the State average. Funding for the GCEI formula was provided in FY 2009 for the first time. Thirteen local school systems were to receive a total of $136.2 million in FY 2016; but the Governor withheld $68.1 million. Mandated funding for GCEI will total $137.9 million in FY 2017.

3. The GCEI should not be truncated, and should be integrated into the base foundation formula rather than treated as a separate, add-on program.

MABE strongly supports maintaining and fully funding GCEI and a state school finance system which recognizes and adjusts for dramatic variation in local wealth and costs of doing business relative to wages and other factors impacting the ability of a school system to recruit and retain highly qualified teachers and staff. MABE believes the current approach to funding the GCEI has yielded benefits to many school systems and over 85% of Maryland's public school students, without diminishing the state's investment in other jurisdictions.

MABE strongly supports maintaining and fully funding GCEI and a state school finance system which recognizes and adjusts for dramatic variation in local wealth and costs of doing business.

Student Enrollment

The consultant's Final Report of the Study of Increasing and Declining Enrollment in Public Schools was issued on June 30, 2015. The report analyzes trends in enrollment, changes in operating factors, and transportation funding and operations. The Report's recommendations focus on ways in which funding formulas and enrollment, especially declining enrollment, could be better aligned.

The report concludes that Maryland's method of making enrollment projections does not adjust quickly enough to declining enrollment. Therefore the Report recommends the use of more sophisticated enrollment projection methods, including the use of Geographic Information Systems (GIS).

> "Given this study's findings regarding the future outlook for declining enrollment, and the possibility that the number of districts facing the fiscal challenges presented by declining enrollment will increase over the next decade, Maryland should consider adopting a more permanent, and automatic, mechanism for giving districts temporary relief from revenue reductions driven by falling enrollment. The approach suggested here is to change the student count used in the foundation formula calculations to a multi-year rolling average of the full-time equivalent enrollment count currently used."

The Report recommendation to shift away from using an annual per pupil count on which annual funding is based to a multi-year rolling average.

MABE agrees that further study is needed to determine how state funding based on enrollment could be adjusted to ameliorate the severe funding shortfalls which can occur in cases of dramatic declines in student enrollment. A corresponding dilemma arises when student enrollment dramatically exceeds that of the prior year, since per pupil funding is not provided until the following budget and school year.

Student Transportation

The Final Report of the Study of Increasing and Declining Enrollment in Public Schools, issued on June 30, 2015, analyzes Maryland's transportation funding system and recommends significant changes to enhance the accuracy, equity, and efficiency of the system. The report recommends that "serious consideration should be given to modernizing the State's transportation funding formula." Specifically, the

report recommends that "A multivariate statistical model provides the most comprehensive and effective approach to account for distinctions between densely populated urban areas and more rural or sparsely populated districts in an effort to equalize the allocation process."

The report recommends modernizing the school transportation funding structure. The report acknowledges that "Implementing a more sophisticated funding formula will require timely submission of extensive data on transportation cost factors. In addition, the model may result in a significant redistribution of funding. For both of the reasons, a transition period will be required."

MABE supported the increases in student transportation funding provided by the Bridge to Excellence Act; increases in response to chronic underfunding in the 1980s and 1990s. Since 2008, student transportation funding has remained stable, but mandates such as the federal McKinney-Vento Homeless Assistance Act have imposed new costs. MABE advocates for sufficient state funding to ensure transportation services to and from public schools because transportation, including transportation to support programs outside the regular school day, plays such a critical role in addressing the educational opportunity gap.

Economically Disadvantaged Students

The Evaluation of the Use of Free and Reduced-Price Meal Eligibility as a Proxy for Identifying Economically Disadvantaged Students. Alternative Measures and Recommendations was issued on June 30, 2015. The consultant's report focuses on analyzing methods to determine eligibility for compensatory education funding, including Maryland's use of Free and Reduced Price Meal (FARM) eligibility, direct certification based on participation in certain public assistance programs, under the Community Eligibility Provision (CEP), and others.

> What is FARM?
>
> To be eligible to receive free or reduced-price meals through direct application, a student's household income must not exceed 185 percent of the federally designated poverty threshold for a comparable size family living in a similar geographic area. Students living in households with incomes that do not exceed 130 percent of the poverty threshold are eligible to receive free meals, while students living in households with incomes between 130 percent and 185 percent of the poverty threshold are eligible to receive reduced-price meals.
>
> What is CEP?
>
> The Community Eligibility Provision (CEP) is a provision from the Healthy, Hunger-Free Kids Act of 2010 that allows schools and local educational agencies (LEAs) with high poverty rates to provide free breakfast and lunch to all students. CEP is intended to eliminate the burden of collecting household applications to determine eligibility for school meals, relying instead on information from other means-tested programs such as the Supplemental Nutrition Assistance Program and Temporary Assistance for Needy Families.

The report finds that "Only Free and Reduced-price Meal counts, Free Only counts, Direct Certification counts and Title I counts provide an individual indicator of low-income status;" and recommends "the continued use of free and reduced-price meals and the use of Direct Certification as being the best proxies for identifying economically disadvantaged students." Regarding direct certification, the report recommends expanding the number of means-tested social services used to identify low-income students, such as Medicaid support and the Children's Health Insurance Program, to capture a larger number of students.

Prekindergarten

The consultants are required to evaluate current mandated and additional prekindergarten services provided by local boards and private providers in the state, and evaluate current funding provided for prekindergarten services. This study will assess the current state of prekindergarten services in Maryland, determine the costs and benefits of moving to universal access to quality programs, and use nationally recognized cost models for assessing alternative approaches to funding prekindergarten services for children ages 3 and 4. The completion of the prekindergarten report is pending.

The Bridge to Excellence in Public Schools Act (Chapter 288 of 2002) has required each local school system to make publicly funded prekindergarten available to all economically disadvantaged or homeless four-year-old children in the State since the 2007-2008 school year.

Under current law, all children who are four years old on September 1 of that school year, who are eligible for free and reduced-price meals (FARM) (i.e., from families whose income is at or below 185% of federal poverty level guidelines), whose parent or guardian seeks to enroll the child in a public prekindergarten program, must be admitted free of charge to publicly funded prekindergarten programs established by each of the local boards of education.

However, prekindergarten students are not included in the annual September 30 enrollment counts for State education aid. This means that no per pupil state aid, or corresponding local share of per pupil funding, is provided for approximately 30,000 prekindergarten students.

For this reason, MABE strongly supports enacting legislation in 2016 to remedy the longstanding deficiency in funding provided to local school systems for prekindergarten, by including prekindergarten students in local school system enrollment counts for purposes of state and local funding formulas. MABE's legislative proposal would update state law to require a per pupil funding allocation for students attending prekindergarten, including a 0.5 full-time equivalent (FTE) amount for half-day students and a 1.0 FTE amount for full-day students, without any off-setting reduction in compensatory education funding.

School Size

In addition to updating the analysis of the "adequacy and equity" of Maryland's school funding system, the study commissioned by the State also requires a report on the effects of school size on student performance. The consultants issued a Preliminary Report on the Impact of School Size on January 21, 2015; and a Final School Size Study Report on June 30, 2015.

The study makes two recommendations:

1. Create a policy establishing maximum school sizes by school level (elementary, middle, and high). These maximum school sizes would be set at the enrollment levels at which school operating costs were no longer benefiting from economies of scale and where student performance begins to decrease due to larger school size.

MABE supports the pursuit of innovative funding policies and strategies to maximize the capacity of state and local bonding authority in support of school facility funding. MABE opposes any State mandated school sizes for elementary, middle, or high schools.

-MABE Legislative Position

2. Institute a competitive grant program to support the construction of small schools and/or the renovation of existing large school buildings. Such a program would help accommodate school within-school models – that is, the program would be targeted toward replacing or reconfiguring the lowest-performing large schools in the State.

The consultants cite research findings which suggest enrollment limits based on the points at which schools in Maryland start becoming both less cost efficient and less productive. These enrollment limits would be set at 700 students for elementary schools, 900 students for middle schools, and 1,700 students for high schools. The report "does not recommend that schools in Maryland should be this large, but no newly constructed schools should be allowed to exceed these limits."

MABE strongly supports enacting legislation in 2016 to remedy the longstanding deficiency in funding provided to local school systems for prekindergarten students in local school system enrollment counts for purposes of state and local funding.

MABE appreciates the analysis of school size presented in the report, and the benefit of such research to local board policy decisions, but MABE strongly objects to the recommendation to establish state level maximum school sizes by school level.

Maintenance of Effort

The current study of education funding adequacy commissioned by MSDE does not include any request for analysis of the impact or call for recommendations for changes to the local government maintenance of effort (MOE) requirement. This is perhaps not surprising for one reason; and surprising for another. First, the original 2002 commission report addressed but made no recommendations regarding MOE. However, a caveat worth noting is the 2002 report's presumption that local governments would continue the practice of funding above MOE – local funding increases which were generally not provided in the years following passage of the Bridge to Excellence Act. More troubling is that adequacy, as defined by the Thornton Commission and Bridge to Excellence Act, was premised on such local funding increases.

Update MOE to Grow Local Investments

MABE supports reasonable growth in local funding based on inflation, supplemental per pupil funding for special needs students, and other factors.

MABE opposes any legislation that would weaken the maintenance of effort law.

The failure to address MOE in the current adequacy study's scope is of much greater concern when considering the legislative record in more recent years. Not only did the presumption made in 2002 that MOE would routinely be exceeded not come to fruition, but the 2011 legislative session and subsequent local budgets adopted for FY 2012 saw the decimation of MOE. For that one year, MOE was not the protected funding floor below which local governments could not drop without receiving approval of a waiver from the State Board of Education. Local investment in education fell by a quarter of a billion dollars.

At MABE's urging, the General Assembly enacted emergency legislation in 2012 to secure the "floor" of minimum local funding intended by the maintenance of effort law. Sadly, many local governments dropped below MOE in FY 2012 and were never required to restore those cuts. In this context, MABE supports the

study of MOE and its role in securing nearly half of the overall investment in public schools. Further, MABE supports consideration of ways to bolster MOE based on inflation, supplemental local per pupil funding for special needs students, and other factors.

Adequacy Studies

The primary purpose of the adequacy study commissioned in 2014 is underway through a comprehensive and multi-faceted study of funding adequacy using three different methodologies: evidence-based; professional judgment; and successful schools. Two of these study methods (successful schools and professional judgment) were used to develop the Bridge to Excellence Act. The evidence-based methodology is more recently developed; and MABE strongly supports this three-pronged approach to updating Maryland's school finance system.

The Evidence-Based Adequacy Study

The evidence-based approach utilizes local panels of highly qualified educators, as well as case studies of high-performing schools, to ensure that the analysis is state-specific. Maryland's evidence based conceptual model was completed in early 2015, and in June 2015 four evidence-based panels were convened across the State to review the conceptual model from a Maryland perspective. MABE is represented on the evidence-based panels by Dr. Ed Root, member of the Allegany County Board of Education, and former President of the Maryland State Board of Education; and Phil Kauffman, member of the Montgomery County Board of Education.

The consultants adopted 10 school improvement strategies "suggested by research to lead to significant

> *The evidence-based approach "assumes that information from research can be used to define the resource needs of a hypothetical school or district to ensure that the school or district can meet state standards. The approach not only estimates resource levels, but also specifies the programs and strategies by which such resources could be used effectively."*
>
> - Adequacy Cost Study, Interim Report

improvement in academic achievement for all students and also to substantially reduce student achievement gaps." Key strategies include: smaller class sizes of 15 in early grades; raising goals to 95 percent proficiency on state assessments; and individualized tutoring, and extended day and summer school interventions for struggling students.

Dr. Root reported to MABE's adequacy committee that he appreciates the opportunity to contribute his extensive educational knowledge and expertise to the development of a Maryland-specific approach to an evidence-based adequacy study. He acknowledges the merits of pursuing such a bold set of instructional and professional development strategies. However, Dr. Root notes the emphasis on classroom instructional and professional development initiatives may not adequately account for sufficient investments in principals and assistant principals, or central office staffing needs. He attributes this discrepancy to the fact that there is ample research to support increasing investments in instruction, and individualized interventions; but that much less research is available on funding allocations or the effectiveness of investments in school system administration and support.

Mr. Kauffman reported to MABE's adequacy committee his experience as an evidence-based panel member. Mr. Kauffman reports that prior to the meeting, panel members were sent a 78 page report by the consultant that described the Evidence-Based approach to estimate school resources. There were 28 recommendations for research allocation and the research supporting each one, where such research existed. From those recommendations, an estimate was provided for the cost of each element in the model. The purpose of the panel was to provide feedback on the adequacy of the resources in the context of how schools and districts improve student performance in Maryland.

However, Mr. Kauffman's report highlights his concerns with the study framework already completed for the panel's review; and the apparent lack of flexibility in response to panelists' input on the study design. He emphasizes concerns with the composition of the panel and the absence of panelists with overall knowledge of school budgets or the costs of delivering individual services. He specifically notes the lack of consideration of school security as an operational and funding obligation. Finally, Mr. Kauffman cites the lack of any mechanism provided for panel members to provide any feedback to the consultant following the meeting, or mechanism for members to review the feedback that was recorded for accuracy prior to its incorporation into the consultant's report.

MABE's adequacy committee is deeply concerned by the observations and criticisms articulated by Dr. Root and Mr. Kauffman. In response, the adequacy committee met with staff representing MSDE and DLS to share our representatives' experiences and discuss opportunities to improve the study methodology and panel process.

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The consultants will continue to revise the evidence-based study using information gleaned from the panels and from the case studies of high-performing schools. In addition, the study will be updated with the most current school year data in the summer of 2016.

The Professional Judgment Adequacy Study

The goal of the professional judgment study is to determine the kinds and quantities of resources necessary for all students to achieve Maryland's College and Career-Ready Standards and other state requirements. The consultants emphasize that this study will include "the additional resources necessary for students with special needs to meet the standards"; and that the costs will be "determined and translated into a per pupil base amount and a series of weights to represent the additional resources needed to serve students with identified special needs."

This approach is familiar to Maryland educators and policy makers because it is the basis on which the three special needs categories and weighted funding formulas based on Special Education, Limited English Proficiency, and Economic Disadvantage were developed and adopted in the Bridge to Excellence Act.

> *The professional judgment approach "relies on the views of experienced educational service providers to specify the kinds and quantities of resources needed to achieve a set of identified objectives. The approach uses panels of experts to specify the types of education programs needed to meet state standards. The approach not only estimates resource levels, but also specifies the programs and strategies by which such resources could be used effectively."*
>
> - Adequacy Cost Study, Interim Report

MABE certainly agrees with the consultant's description of the professional judgment approach as a "rational way to specify the resources required to produce a specific level of student performance."

MABE is represented on the professional judgment panels by Mr. Bill Phalen, member of the Calvert County Board of Education, and past President of MABE. Mr. Phalen's report to MABE's adequacy committee on his experience as a member of a district-level professional judgment panel emphasizes his satisfaction with the process of reviewing and providing input on appropriate numbers of positions and other resources for hypothetical elementary, middle and high schools. He highlights the quality of the meeting facilitation and the outcome achieved through a collaborative and consensus-building process.

Mr. Phalen reports much less satisfaction with the second of the two-day panel meeting. He notes that the discussions of two significant items, career technology centers and district central office administration, were conducted with no or very little expertise present on the panel. He indicates that no panel member was informed on the specifics of career technology center funding practices or needs; and that one school system CEO was relied on for input on the subject of central office administration costs.

Again, MABE's adequacy committee takes very seriously the observations and criticisms raised by Mr. Phalen, and has shared these concerns with MSDE and DLS staff, other stakeholders, and legislators.

The first six professional judgment panels were convened in October 2015, with three additional panels to be convened by January 2016. Throughout this process, MABE will communicate our representatives' experiences and pursue opportunities to improve the study methodology and panel process.

> *" … very informative and a valuable exercise, with an outcome I can firmly support."*
>
> - Bill Phalen, MABE

The Successful Schools Adequacy Study

The successful schools approach, also used to develop the Bridge to Excellence Act, sets out to determine an adequate per pupil base cost amount by looking at actual expenditure levels of schools that are currently meeting or exceeding state performance objectives.

This approach focuses on the required level of base funding available to the most successful schools and districts. The consultants point out that this approach "does not provide a means of determining what additional funding is needed to provide services and programs for students with special needs (e.g. at risk, ELL, and students with disabilities) and for districts with special circumstances." These factors are the purview of the evidence-based and professional judgment models.

MABE looks forward to the outcome of the successful schools study, including the findings regarding "high growth" schools achieving high levels of student achievement growth across student groups; and "high-growth for student groups" schools succeeding at improving achievement for students experiencing special needs (ethnic/minority, FARMs, ELL, and special education).

The consultants report that the successful schools analysis is progressing, with expenditure data to be collected over the winter of 2015-2016.

MABE on the Future of Education Funding

MABE strongly supports establishing a legislative commission on education funding to begin the process of translating the work of the consultants' studies and recommendations into legislative proposals for comprehensive funding reforms.

The goal is to convene legislative leaders and education, business, and local government stakeholders to craft legislation to ensure the long-term adequacy and equity of funding for students in public schools statewide. MABE believes that establishing a commission in 2016 is essential to provide ample time to appoint members and brief them on the substantial studies and reports already issued by the consultants, and presented to a stakeholders group. The consultants' adequacy and equity studies are to be completed by the close of 2016. Waiting until 2017 to form a commission would unnecessarily delay the development of legislative recommendations for an additional year.

The new commission would review the current education financing formulas and accountability measures and make recommendations to update and enhance the funding formulas established by the Bridge to Excellence in Public Schools Act of 2002. Therefore, the proposed legislation is similar to the 1999 legislation which created the "Thornton" Commission and led to the passage of the Bridge to Excellence in Public Schools Act. A key difference is the proposal to have the appointment authority reside with the legislature.

The "Thornton" Commission was created by the same bill that funded the adequacy and equity studies, and the work occurred in tandem. Today, the study is already fully funded and well underway; and an informal stakeholders group is briefed by the consultants but has no charge to develop legislation, nor does it include legislators. MABE believes it is time for the legislature to establish the forum for deliberating and deciding on legislative proposals to chart the course of education finance for the future.