MABE
MARYLAND ASSOCIATION OF BOARDS OF EDUCATION

# POSITION PAPER

621 Ridgely Avenue, Annapolis, MD 21401-1112 | 410-841-5414 | 800-841-8197 | MABE.ORG

## Priorities & Perspectives on the Future of Public School Funding in Maryland

September 2016 Update

**Introduction**

In 2016 the Maryland General Assembly enacted legislation creating the Commission on Innovation and Excellence in Education (HB 999/SB 905); action taken in response to MABE's adopted legislative priority and the support of a broad coalition of education advocates. MABE advocated for establishing this legislative commission because it is needed to translate the ongoing education funding adequacy studies and consultants' recommendations into legislation which will reform - and enhance - state funding to support the continuous improvement of Maryland's public schools. MABE greatly appreciates the support of legislative leaders in creating the commission and looks forward to participating fully in the development of recommendations and advocacy for legislation to reform and enhance school funding in Maryland.

On August 9, 2016, Governor Hogan issued a press release announcing that he had joined Senate President Miller and House Speaker Busch to announce the appointment of former University System of Maryland Chancellor, Dr. William E. "Brit" Kirwan, as the Chair of the Maryland Commission on Innovation and Excellence in Education. MABE is represented on the Commission by MABE's President-elect Donna Brightman (President, Washington County Board of Education). Now the Commission is underway, with its first meeting scheduled on September 29, 2016.

> *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

In 2014 a new school funding adequacy 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 President created an ad hoc committee to monitor the State commission study. These groups continue to meet to discuss the consultants' reports and the ongoing adequacy studies. In addition, in 2016 legislative leaders formed the 21st Century School Facilities Commission to review the State's school construction policies and make recommendations for more efficient and effective construction practices.

Today the State stands poised to usher in a new era of education funding reform designed to provide the solid foundation of adequate and equitable state and local funding contributions necessary to support 24 world class local school systems - and world class opportunities for students - throughout Maryland.

Maryland has a strong record of investing in operating and capital funding to support successful public school employees, programs, and facilities in every jurisdiction. Maintaining and building on this record requires constant vigilance in support of funding and accountability measures to ensure that every local, state and federal dollar is being invested wisely.

***Adequacy Study Overview***

*The adequacy 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 studies 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 assessments, which were first administered in the 2014-2015 school year.*

*The consultants 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 also must propose an update of the Geographic Cost of Education Index.*

*The final consultants' report is to be completed by October 31, 2016.*

MABE stands ready to support adequate and equitable investments in the classroom - in every classroom in the state in which more than 870,000 prekindergarten to twelfth grade students learn each school day.

Local boards recognize that reforming the state's school finance system requires consulting with experts to determine viable options for continuous improvement; and MABE is actively engaged in this work. True reform, however, depends on the courage and commitment of the Governor and General Assembly to take the necessary budgetary and legislative actions now and in future years.

In this report, MABE is pleased to provide an updated overview and highlight local board perspectives on the ongoing adequacy studies, the role of the Commission on Innovation and Excellence in Education, the 21st Century School Facilities Commission, and the future of public school funding for educational programs and school facilities in Maryland.

**Education Funding Adequacy – An Introduction**

The Commission on Education Finance, Equity, and Excellence, commonly referred to as the "Thornton Commission" for its chairman, Dr. Alvin Thornton, was created by the General Assembly in 1999. The 27-member commission was charged with reviewing the State's public school finance system and accountability measures and making recommendations for ensuring adequacy and equity in funding for public schools, and excellence in school systems and student performance.

The Commission contracted with Augenblick and Myers, nationally recognized for its education adequacy analysis, to study and make recommendations regarding the adequacy and equity of Maryland's school finance system. The Commission's final report was the basis for the Bridge to Excellence in Public Schools Act of 2002; legislation which resulted in more than $1 billion in additional state aid to education.

The Thornton Commission recommendations and Bridge to Excellence Act are premised on the belief that there should be a direct link between what is expected of school systems in terms of student performance and the level of State funding that school systems receive. Thus Maryland has adopted a State school finance system that defines "adequacy" as the total projected costs associated with meeting State performance standards, including the additional costs associated with providing services to students with special needs, e.g., special education, limited English proficient, and economically disadvantaged.

The current adequacy study is being conducted in accordance with the 2002 legislation, which foresaw the need to update the State's school finance system.

**The Funding Adequacy Study & 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, are to submit a final report by October 31, 2016. To monitor and inform the consultants' work, 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; and maintains an adequacy study website with all consultant studies, progress reports, and stakeholder group meeting materials.

**MABE's Committee on Operating and Capital School Funding & Policy Issues**

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 is chaired by MABE President-Elect Donna Brightman, and has welcomed guest speakers including Kristy Michel, MSDE's Chief Operating Officer; Rachel Hise, the Department of Legislative Services (DLS) Lead Principal Policy Analyst; John Rohrer, Assistant to Executive Director, Department of Legislative Services; and Melanie Wenger, Director of the Montgomery County Government's Office of Governmental Relations.

Through these meetings, MABE members have gained a deeper understanding of funding and policy issues, MABE representatives' perspectives on participating in the adequacy studies, and the implications for pursuing reforms through legislation.

In July 2016, MABE's President expanded the charge of the committee to include the school facility funding and policy issues raised by the formation of the 21st Century School Facilities Commission. For this reason, this position paper addresses both operating and capital funding issues.

The following sections relate to specific issues being studied by the consultants contracted to update Maryland's school finance system.

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**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.

In October of 2015 the consultants Picus Odden & Associates issued the Analysis of School Finance Equity and Local Wealth Measures in Maryland. The report includes two major sections: 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 the 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 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

***Equity through 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.*

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.

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 each district 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.

*Tax increment financing (TIF) is a public financing method that uses future gains in tax revenues to finance current improvements. The increase in the property tax revenue generated by new commercial development in a specific area pays for bonds issued to finance site improvements, infrastructure, and other project costs located on public property.*

*-Maryland DLS*

With regard to net taxable income, the report addresses the 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 three 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 of the NTI-related items to ease the transition for impacted counties.

**TIF Update**
In 2016, legislation passed to require grants, for FY 2018 and 2019, to counties that establish a tax increment financing (TIF) development district after May 1, 2016, and that qualify for State disparity grant funding. Under the bill (HB 285), State education aid must be calculated twice for eligible counties: once including the assessed value of property in a TIF district and once excluding the increase in the value of property in the TIF district. A county would receive a State grant to ensure it receives the higher amount of State aid for education between the two calculations.

**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 also may 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.

*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.*

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 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.

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.

***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 totals $137.9 million in FY 2017.*

**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). The report also recommends shifting away from using an annual per pupil count on which annual funding is based to a multi-year rolling average.
"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."

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 these reasons, a transition period will be required."

MABE supported the increases in student transportation funding provided by the Bridge to Excellence Act, and 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 (FRPM) Eligibility as a Proxy for Identifying Economically Disadvantaged Students. Alternative Measures and Recommendations was issued on June 30, 2015. The report examines the efficacy of using FRPM eligibility as a proxy for economically disadvantaged

students and alternative indicators that could be used to determine compensatory aid for school districts in Maryland.

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 FRPM?***

*To be eligible to receive free or reduced-price meals (FRPM) 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.*

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.

The report finds:
"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."

**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.

*MABE strongly supports enacting legislation in 2017 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.*

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), and 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 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 through a new grant program based on a 0.5 full-time equivalent (FTE) amount for half-day students and a 1.0 FTE amount for full-day students.

**School Facilities – From School Size to the Funding & Construction Process**

In addition to updating the analysis of the "adequacy and equity" of Maryland's educational funding system, the funding 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 School Size Study makes two recommendations:

1. Create a state 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.

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, and 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 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.

**Adequate and Equitable School Facility Funding**

The Maryland Constitution requires that the State provide a "thorough and efficient" system of public education, and MABE believes providing a "thorough and efficient" system of public education requires providing our students and educators with high quality public school facilities. Local boards face many challenges to maintain, renovate, and construct world class learning environments.

School construction costs continue to escalate rapidly, resulting in project costs that can dramatically exceed projected cost estimates and the anticipated state and local appropriations for pending projects. In addition, the General Assembly has enacted significant mandates affecting school construction procedures and project costs, including: expanding the scope of prevailing wage rates; raising minority business enterprise contracting participation standards; and imposing strict environmental design standards.

In addition, the General Assembly has enacted significant mandates affecting school construction procedures and project costs, including: expanding the scope of prevailing wage rates; raising minority business enterprise contracting participation standards; and imposing strict environmental design standards.

MABE advocates for the continued commitment by the Governor and General Assembly in future years to provide the state's share of the funding needed to address the school facility needs identified by local school systems. Similarly, MABE advocates for reforms to the current array of laws and regulations to provide greater flexibility for local boards to implement innovative strategies and avoid unwarranted costs. For example, MABE supports repealing or lessening the burden of prevailing wage requirements impacting school construction project costs; and maintaining and enhancing options for local school systems to use alternative methods of financing and project delivery, and to procure school construction by methods other than competitive bidding. MABE believes such changes are needed to optimize cost savings and efficiencies in building the best schools possible for as many of our students as possible.

**21st Century School Facilities Commission**

Senate President Thomas V. Mike Miller, Jr. and House Speaker Michael E. Busch announced in December of 2015 the formation of a school facilities commission to review the State's school construction policies and make recommendations for more efficient and effective school construction practices. The Commission is comprised of private sector representatives from the construction services and development industry; local government and educational members; as well as State officials. A press release issued on April 19, 2016 announced the commission roster and provided additional background information. The Commission met for the first time on April 25, 2016, and is to report to the General Assembly by December 2016. MABE is represented on the Commission by MABE's President Warner Sumpter. The Department of Legislative Services is maintaining a School Facilities Commission webpage, which includes the roster and all meeting materials.

***Update*** - In July 2016, MABE's President expanded the charge of MABE's Adequacy Committee to include school facility funding and policy issues.

***21st Century School Facilities Commission Charge***

*The Commission is to complete the following work and report to the General Assembly in December of 2016:*

- *Review existing educational specifications for school construction projects and determine if existing specifications are appropriate for the needs of 21st century schools;*
- *Identify best practices from the construction industry to identify efficiencies that can be made in the construction of public schools;*
- *Identify a long-term plan for jurisdictions with growing enrollment, and to maintain facilities in jurisdictions with declining enrollment;*
- *Identify innovative financing mechanisms including public-private partnerships, as well as alternatives to traditional general obligation debt that can be used for construction and ongoing maintenance;*
- *Evaluate the appropriate role for State agencies;*
- *Review the Kopp Commission findings and progress toward implementation.*

**MABE Leaders Testify on School Facilities Issues**

On July 21, 2016, MABE leaders testified before the School Facilities Commission, including President-Elect Donna Brightman, Legislative Committee Chair Joy Schaefer, and Legislative Committee Vice-Chair Stacy Korbelak. Their testimony highlighted MABE's positions supporting:

- The pursuit of changes in law, regulations, or procedures to facilitate the availability of alternative financing methods;
- Local discretion in the use of repeat or standardized school designs;
- Changes in the law to lessen or mitigate the impact of prevailing wage rates on school construction project costs; and
- A $100 million annual increase in the minimum State investment in school construction, for a total of $350 million.

**School Construction Process**

In 2016, the General Assembly adopted budget language to significantly change the appeals process for the FY 2018 Capital Improvement Program (CIP) by limiting the venue for appeals to the Interagency Committee on School Construction (IAC); thereby removing that role from the Board of Public Works. The budget language provides: "[T]he recommendations of the Interagency Committee on School Construction on appeals by local school systems of public school construction funding allocations for the fiscal 2018 Capital Improvement Program are not subject to further appeal" (Senate Bill 191, Ch. 27, 2016 Laws of Maryland). Legislation is anticipated in the 2017 legislative session to further reform Maryland's Public School Construction Program.

*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 Positions*

**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.

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; and 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 Methodologies**

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.

***Update to 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 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.

**Evidence-Based Study – In Brief**

- Adequacy estimated by costing out research-based strategies and programs;
- Used for estimating a per student base cost and special needs weights; and
- State context incorporated through professional judgment panels and case studies of high performing schools.

*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*

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 was represented on the evidence-based panels by Dr. Ed Root, president 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 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. 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.

**Professional Judgment Study – In Brief**

- Adequacy estimated via expertise of education professionals;
- Used for estimating a per student base cost and special needs weights;
- Employed total of 9 professional panels (school level (4), special needs (2), district level, CFO, and state level).

> *The professional judgment approach "relies on the views of experienced educational service providers to specify the kinds and qualities of resources needed to achieve a set of identified objectives. The approach uses a panel 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*

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.

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 was represented on the professional judgment panels by William 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 emphasized 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 highlighted the quality of the meeting facilitation and the outcome achieved through a collaborative and consensus-building process.

Mr. Phalen reported much less satisfaction with the second of the two-day panel meeting. He noted 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. MABE's adequacy committee took very seriously the observations and criticisms raised by Mr. Phalen, and 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 convened by January 2016. Throughout this process, MABE has communicated our representatives' experiences and pursued 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.

**Successful Schools Study – In Brief**

- Used for estimating a per student base cost;
- Measures spending levels of existing successful schools in the state;
- Requires a school-level expenditure survey;
- Conducting at school level due to small number of districts; and
- Includes 111 schools.

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).

**MABE on the Future of Education Funding**

The "adequacy study" comprised of the evidence-based, successful schools, and professional judgment studies, are nearly completed. The consultants are costing out each of the three adequacy approaches and developing a recommendation for a per student base cost amount and weights for students with special needs. The draft final report is due in September 2016, and the final report is due in October 2016.

As the consultants complete the adequacy studies and produce their final report, the Commission on Innovation and Excellence in Education is poised to begin meeting to translate the work of the consultants' recommendations into legislative proposals for comprehensive funding reforms.

The Commission on Innovation and Excellence in Education will review the current education financing formulas and accountability measures and make recommendations for updating and enhancing the funding formulas established by the Bridge to Excellence in Public Schools Act of 2002. The Commission is to provide a preliminary report to the Governor and General Assembly by December 31, 2016; and a final report by December 31, 2017.

MABE looks forward to playing a leading role as a member of the Commission in advocating for meaningful reforms, improvements, and enhancements to Maryland's school finance system. MABE will continue to

engage board members and support our representative on the Commission through its own Committee on School Funding Adequacy. The Committee released the initial report "Priorities and Perspectives on the Future of Public School Funding in Maryland" to provide background information, in-depth analysis, and an overview of local board perspectives on the ongoing adequacy studies. MABE hopes that this updated report has provided a thorough overview of not only the operating funding adequacy issues but also the capital funding and policy issues before the 21st Century School Facilities Commission.

Prior to the 2017 legislative session of the General Assembly, MABE will update this report to reflect the recommendations of the consultants on school funding adequacy, and the findings of the School Facilities Commission.

For more information, contact MABE's Director of Governmental Relations, John R. Woolums, Esq., at jwoolums@mabe.org or 410-841-5414.