ISSUE PAPERS
2018 LEGISLATIVE SESSION

DEPARTMENT OF LEGISLATIVE SERVICES 2017
Education

State Education Aid and Maintenance of Effort

State education aid is estimated to increase by $161 million or 2.5% in fiscal 2019. Several new initiatives will be funded for the first time or will receive increased funding in fiscal 2019, including declining enrollment and supplemental prekindergarten grants that were first funded in fiscal 2018. Mandated funding increases for several programs enacted in the 2016 session that were reduced by the 2017 Budget Reconciliation and Financing Act, including teacher stipends, teacher mentoring, and after-school and summer programs for public school children. Finally, all 24 counties have met their required Maintenance of Effort (MOE) appropriation for schools in fiscal 2018. MOE is expected to increase further in fiscal 2019 for several counties.

State Public Schools Aid Projected to Increase by $161 Million

Public schools are expected to receive an estimated $6.5 billion in fiscal 2019, representing a $160.9 million (2.5%) increase over the prior fiscal year. The increase is comprised of aid that flows directly to local school boards, which is projected to increase by $145.8 million (2.6%), as well as by retirement aid which is projected to increase by $15.1 million (2.1%). The increase in direct aid is largely driven by a slight expected rise in the per pupil foundation amount, projected enrollment increases, and continued phase-in of Net Taxable Income (NTI) education grants.

Foundation and Most Other Direct Aid Programs Will Increase Slightly

The foundation program is the major State aid program for public schools, accounting for nearly half of State education aid. For each school system, a formula determines the State and local shares of a minimum per pupil funding level, or “foundation.” The foundation program is projected to total $3.0 billion in fiscal 2019, an increase of $40.3 million (1.3%) over fiscal 2018, as shown in Exhibit 1. The increase is attributable to statewide enrollment growth of an estimated 0.6% (5,365 full-time equivalent students) and a 0.8% inflationary increase in the per pupil foundation amount, from $7,012 to $7,065. The 0.8% increase in the per pupil foundation amount in fiscal 2019 is equivalent to the Consumer Price Index for all urban consumers (commonly known as CPI-U) for the Washington/Baltimore Metropolitan Area. Statute provides that the inflationary adjustment is the lesser of CPI-U or the Implicit Price Deflator for State and Local Government (IPD) up to 5.0%. For fiscal 2019, IPD is higher than CPI-U at 2.3%. Although projected enrollment grows statewide, it varies by local school system, from an increase of 1.6% to a decline of 1.2%. Actual enrollment and wealth figures will not be available until January 2018.
Exhibit 1
Estimated State Aid for Education
Fiscal 2018 and 2019
($ in Millions)

<table>
<thead>
<tr>
<th>Program</th>
<th>2018</th>
<th>2019</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation Program</td>
<td>$3,005.3</td>
<td>$3,045.6</td>
<td>$40.3</td>
<td>1.3%</td>
</tr>
<tr>
<td>Supplemental Grant</td>
<td>46.6</td>
<td>46.6</td>
<td>0.0</td>
<td>0.0%</td>
</tr>
<tr>
<td>GCEI</td>
<td>139.1</td>
<td>141.0</td>
<td>1.9</td>
<td>1.4%</td>
</tr>
<tr>
<td>NTI Education Grants</td>
<td>49.2</td>
<td>62.2</td>
<td>13.0</td>
<td>26.4%</td>
</tr>
<tr>
<td>TIF Education Grants</td>
<td>0.4</td>
<td>0.5</td>
<td>0.1</td>
<td>13.6%</td>
</tr>
<tr>
<td>Declining Enrollment Grants</td>
<td>17.2</td>
<td>12.9</td>
<td>-4.4</td>
<td>-25.4%</td>
</tr>
<tr>
<td>Compensatory Aid</td>
<td>1,305.5</td>
<td>1,349.7</td>
<td>44.2</td>
<td>3.4%</td>
</tr>
<tr>
<td>Student Transportation</td>
<td>276.3</td>
<td>281.3</td>
<td>4.9</td>
<td>1.8%</td>
</tr>
<tr>
<td>Special Education – Formula Aid</td>
<td>284.9</td>
<td>288.8</td>
<td>3.9</td>
<td>1.4%</td>
</tr>
<tr>
<td>Special Education – Nonpublic</td>
<td>123.6</td>
<td>126.1</td>
<td>2.5</td>
<td>2.0%</td>
</tr>
<tr>
<td>Limited English Proficiency</td>
<td>248.7</td>
<td>267.5</td>
<td>18.8</td>
<td>7.6</td>
</tr>
<tr>
<td>Guaranteed Tax Base</td>
<td>50.3</td>
<td>49.1</td>
<td>-1.2</td>
<td>-2.3%</td>
</tr>
<tr>
<td>Aging Schools Program</td>
<td>6.1</td>
<td>6.1</td>
<td>0.0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Head Start/Prekindergarten</td>
<td>20.7</td>
<td>29.8</td>
<td>9.1</td>
<td>44.0%</td>
</tr>
<tr>
<td>Other</td>
<td>76.9</td>
<td>89.5</td>
<td>12.6</td>
<td>16.4%</td>
</tr>
<tr>
<td><strong>Direct Aid Subtotal</strong></td>
<td>$5,650.9</td>
<td>$5,796.7</td>
<td>$145.8</td>
<td>2.6%</td>
</tr>
<tr>
<td>Teachers’ Retirement</td>
<td>$734.5</td>
<td>$749.6</td>
<td>$15.1</td>
<td>2.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$6,385.3</td>
<td>$6,546.2</td>
<td>$160.9</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

GCEI: Geographic Cost of Education Index
NTI: Net Taxable Income
TIF: Tax Increment Financing

Source: Department of Legislative Services

Other than the foundation program, the compensatory education and limited English proficiency formulas are projected to have the largest dollar increases among the direct aid programs in fiscal 2019. A portion of the increase in each program is due to projected enrollment growth in students eligible for free and reduced-price meals and English language learners, respectively, and the rest of the increases can be attributed to the slight increase in the per pupil foundation amount.

About three-quarters of State aid to public schools is distributed inversely to local wealth, whereby the less affluent school systems receive relatively more State aid. NTI is one component of calculating local wealth for purposes of State aid for education. Fiscal 2019 is the final year of the phase-in of additional education grants authorized by Chapter 4 of 2013 for counties whose
formula aid is higher using November NTI as compared to September NTI. NTI education grants increase to an estimated $62.2 million in fiscal 2019 to be distributed to an estimated 18 school systems.

### Changes to State Aid Programs

State aid to public schools was enhanced by several initiatives enacted during the 2017 legislative session, which are reflected in Exhibit 1. Chapters 6 and 607 of 2017 provide declining enrollment and prekindergarten supplemental grants to eligible local boards of education for fiscal 2018 through 2020. A local board is eligible for an enrollment-based supplemental grant if the county’s most recent prior three-year average full-time equivalent (FTE) enrollment is greater than the FTE enrollment in the previous school year. A local board is eligible for a prekindergarten grant if the local board offers a full-day program for all four-year-olds who are enrolled in public prekindergarten. In fiscal 2019, it is estimated that $12.9 million in grants will be distributed due to declining enrollment, while $16.3 million will be distributed for prekindergarten enrollment.

Chapters 573 and 574 require the State Board of Education to provide for drug addiction and prevention education (specifically for heroin and opioids) and require each local board of education to establish a policy requiring every public school to store naloxone and authorize school personnel to administer it. Each local board of education or local health department is also required to hire a county or regional community action official or to develop an equivalent program. The Governor must include at least $3.0 million in the fiscal 2019 budget to fund grants to local boards of education for implementation of the bill’s policy and training requirements. Funding is also provided for Pathways in Technology Early College High (P-TECH) schools authorized by Chapter 591 of 2017, including two new schools that opened in fall 2017 in Prince George’s County and one new school that opened in fall 2017 in Allegany County.

Funding increases in fiscal 2019 for several initiatives that were enacted in the 2016 legislative session and first funded in fiscal 2018, but whose mandated amounts were reduced by the Budget Reconciliation and Financing Act (Chapter 23) of 2017. The Public School Opportunities Enhancement Program receives $7.5 million, as compared to $2.5 million in fiscal 2018, which was its first year. The program assists local school systems, public community schools, and nonprofit organizations in the State in expanding or creating extended day and summer enhancement programs, as well as assisting nonprofit organizations in expanding or supporting existing educational programming during the school day. Initiatives for increased stipends for certain teachers and teacher mentoring under the Teacher Induction, Retention, and Advancement Act (Chapter 740 of 2016) also receive increased funding, from $3.1 million in fiscal 2018 to $8.0 million in fiscal 2019.

### State Retirement Costs Increase; Local Costs Virtually Flat

State retirement costs for public school teachers and other professional personnel will total an estimated $749.6 million in fiscal 2019, representing a $15.1 million (2.1%) increase. This
slight increase is attributed to an increase in the State contribution rate and modest salary base growth. In addition to the State’s share of teacher pension costs, local governments will contribute approximately $296.2 million in fiscal 2019, which is nearly level with the $298.0 million fiscal 2018 local total: $277.0 million for the local share of pension contributions, which is the employer “normal cost” for active members of the State Teachers’ Pension or Retirement Systems, as well as $19.2 million toward State Retirement Agency (SRA) administrative costs, a portion of which will go toward SRA information technology upgrades. Fiscal 2019 is the third year in which the actual normal cost will be used to determine local contributions; the estimated normal cost was set in statute for each county during the fiscal 2012 to 2016 phase-in period under Chapter 1 of the 2012 first special session. The normal cost for fiscal 2019 is 4.41% of salary base as compared to 4.47% in fiscal 2018; however, this rate decline is expected to be somewhat offset by a statewide increase in the local salary base.

Maintenance of Effort

The Maintenance of Effort (MOE) law requires each county government, including Baltimore City, to provide as much per pupil funding for the local school board as was provided in the prior fiscal year. Beginning in fiscal 2017, the local retirement contribution for the normal cost is included in the highest local appropriation for purposes of calculating the per pupil MOE amount. As of October 2017, the Maryland State Department of Education (MSDE) has certified that the school appropriations of all 24 counties have met the fiscal 2018 MOE requirement. In total, 14 counties significantly exceeded MOE, including Baltimore City.

Several provisions of law have required certain counties to increase their fiscal 2018 MOE appropriation. Fiscal 2018 budget language requires counties that receive increases in their disparity grants in fiscal 2018 to provide the increase to their school systems above the required MOE amount. This includes Baltimore City ($946,445) and Cecil ($196,240), Prince George’s ($4,245,462), Washington ($52,938), and Wicomico ($587,801) counties. In addition, Chapters 6 and 607 of 2017 and fiscal 2018 budget language required Baltimore City to increase its education appropriation by $10 million over MOE in fiscal 2018; according to MSDE, this requirement has been met. This amount is required to be included in Baltimore City’s MOE calculation in fiscal 2019.

Finally, nine jurisdictions may be required to increase their MOE appropriations in fiscal 2019 as required by Chapter 6 of 2012. Preliminary estimates suggest that statewide per pupil local wealth will increase from fiscal 2018 to 2019. Actual wealth and enrollment figures pertaining to fiscal 2019 aid will be available in January 2018. The required increase is the lesser of the increase in a county’s per pupil wealth, the average statewide increase in per pupil local wealth, or 2.5%. In fiscal 2018, nine jurisdictions were required to increase their appropriations due to this provision, ranging from an increase of 0.5% to 2.4%.
Education

The Commission on Innovation and Excellence in Education and Related Workgroups

During the 2017 interim, the Commission on Innovation and Excellence in Education continued their work by focusing on policy strategies pertaining to improving the quality of education provided to Maryland students so that they are better prepared to compete in a global economy. The commission will also be considering the recommendations made by two separately created statutory workgroups that completed their work during the 2017 interim: the Workgroup to Study the Implementation of Universal Access to Prekindergarten for 4-Year-Olds and the Teacher Induction, Retention, and Advancement Workgroup.

Commission on Innovation and Excellence in Education Continues Work

Chapter 701 of 2016 established a 25-member Commission on Innovation and Excellence in Education that must, among other charges, (1) review the findings of the study on adequacy of education funding and related studies completed by Augenblick, Palaich, and Associates (APA) and make recommendations on the funding formulas; (2) review and make recommendations on innovative education delivery mechanisms and other strategies to prepare Maryland students for the twenty-first century workforce and global economy; and (3) review and make recommendations on expanding prekindergarten including special education prekindergarten. The commission submitted a preliminary report to the Governor and selected committees of the General Assembly in December 2016, and must submit its final report by December 31, 2017. However, the commission has decided that it needs to extend its study period into the 2018 interim so that the commission can fully cost out the fiscal impact of implementing the policies it is recommending. The commission will submit its policy recommendations in December of this interim. More information about the commission’s work including the interim report is archived here: http://mgaleg.maryland.gov/Pubs/CommTFWorkgrp/2016-Innovation-Excellence-in-Education-Commission.pdf

In January of 2017 the commission asked the National Center on Education and the Economy (NCEE) to perform a gap analysis to help the commission compare Maryland’s education system to systems in top-performing countries and states. The gap analysis was designed to help the commission identify policy priorities and implementation strategies to be considered in conjunction with changes to the State aid education formulas. NCEE published the 9 Building Blocks for World-Class Education Systems and presented it to the commission. Each building block represents a policy area that Maryland should pursue to achieve student outcomes that are comparable to those in top-performing systems and are discussed below.
The commission has met at least monthly throughout the 2017 interim. During these meetings, the commission has explored each building block and gap analysis prepared by NCEE, and divided into smaller discussion groups to develop consensus on various decision points. The commission has also held four public hearings throughout the State for parents, teachers, students, and other members of the public to testify on policies and strategies to make Maryland a top-performing education system.

Two additional workgroups that were established by legislation are completing their work this fall. These workgroups are discussed below, and the final reports of these workgroups will be considered by the commission.

9 Building Blocks for World Class Education Systems

- **Building Block 1: Provide Strong Supports for Children and their Families Before Students Arrive at School**

  Building Block 1 addresses policies to improve and intensify early childhood education programs, increase the affordability of high-quality child care, build on the capacity of early childhood educators, and increase supports for children zero to three-year-olds and their families.

- **Building Block 2: Provide More Resources for At-risk Students than for Others**

  This building block addresses equity in funding between poor school districts and wealthy ones and whether the State should adjust the weights for the at-risk populations: English language learners; low-income students; and special education students. Building Block 2 also addresses the local wealth calculation and funding the local share of at-risk student weights.

- **Building Block 3: Develop World-class, Highly Coherent Instructional Systems**

- **Building Block 4: Create Clear Gateways for Students through the System, Set to Global Standards, With No Dead Ends**

- **Building Block 7: Create an Effective System of Career and Technical Education and Training**

  Building blocks 3, 4, and 7 focus on instructional systems which include curriculum standards and assessments, high school graduation requirements and college and career readiness, and building on career and technology education programs and pathways to industry certification and apprenticeships.
• **Building Block 5:** Assure an Abundant Supply of Highly Qualified Teachers with the Necessary Dispositions, Knowledge, and Skills

• **Building Block 6:** Redesign Schools to be Places in which Teachers are Treated as Professionals, with Incentives and Support to Continuously Improve their Practice and the Performance of their Students

• **Building Block 8:** Create a Leadership Development System that Develops Leaders at All Levels to Manage the New Systems Effectively

Building blocks 5, 6, and 8 address policies affecting teacher quality and recruitment, admission and selection processes for teacher preparation programs, teacher licensure and certification standards, time for teacher mentoring and compensation, and the identification and development of school leaders.

• **Building Block 9:** Institute a Governance System that Has the Authority and Legitimacy to Develop Coherent, Powerful Policies and Is Capable of Implementing Them at Scale

This building block focuses on the governance structure of the State education system as a whole and the roles and responsibilities of the State and local boards of education, Maryland State Department of Education (MSDE), Maryland Higher Education Commission, Professional Standards and Teacher Education Board, and the Governor’s P20 Leadership Council in coordinating and implementing State education policies at scale. More specifically, Building Block 9 addresses the State’s accountability plan for the K-12 system, teacher and principal accountability, teacher education accountability, and the alignment of the State’s education goals and economic workforce objectives.

**Workgroup to Study the Implementation of Universal Access to Prekindergarten for 4-Year-Olds**

One of the major charges to the commission is to make recommendations pertaining to prekindergarten. Chapters 25 and 779 of 2017 established the Workgroup to Study the Implementation of Universal Access to Prekindergarten for 4-Year-Olds, which was given the charge to estimate the number and portion of eligible 4-year-old children currently being served by publicly funded prekindergarten programs and to submit recommendations regarding an implementation plan to make full-day prekindergarten universally available to 4-year-old children, based on APA’s January 2016 report *A Comprehensive Analysis of Prekindergarten in Maryland*. Following five meetings, the workgroup submitted a report in September 2017 to the commission to inform the commission’s final report.
Generally, the workgroup recommended that universal high-quality full-day prekindergarten should be provided to all 4-year-old children in a mixed delivery system to include schools (public and private), child care centers, family child care homes, and Head Start programs. Additionally, it was recommended that this should be phased in over at least 10 years. Naturally, there is a gap between the number of slots needed under the workgroup’s recommendations and the current services being provided. Maryland’s current publicly funded prekindergarten capacity, including both full and half-day, is 28,604 slots. School districts have reported that if they were to only provide full-day prekindergarten given current resources, the statewide capacity for prekindergarten would be 22,258 slots. This means that if, at minimum, the State implemented the workgroup’s recommendation to convert half-day slots to full-day for children currently receiving services, there would be a gap of 6,346 slots to maintain current enrollment. The gap between the current estimated capacity for full-day prekindergarten and what would be needed at full implementation of the workgroup’s recommendations (full-day prekindergarten for all 4-year-olds) is much larger. It is estimated that Maryland’s total population of 4-year-olds who may enroll in publicly funded prekindergarten is 66,770, based on the average enrollment in kindergarten between 2014 and 2016. This indicates a gap of 44,512 slots which would need to be addressed through the workgroup’s recommended mixed delivery system. It is also worth noting that during the commission’s meetings, much discussion has been given to expanding prekindergarten to 3-year-olds as well, which would represent a need for even more slots.

Teacher Induction, Retention, and Advancement Workgroup

In accordance with Chapter 740 of 2016, the Teacher Induction, Retention, and Advancement Act of 2016, MSDE convened a workgroup of stakeholders, including representatives of primary and secondary education, higher education, and other education policy experts, to determine and recommend effective policies for the recruitment, retention, and promotion of quality teachers in the State. The workgroup submitted an interim report to the Governor and the General Assembly on November 1, 2016, and the final report was received on November 2, 2017.

To cover the extensive list of topics for consideration and recommendation set forth in Chapter 740, the workgroup established five committees composed of representatives from the same stakeholder groups appointed to the workgroup: Committee 1: Teacher Certification; Committee 2: Incentives; Committees 3 and 5: Professional Development and Mentoring; and Committee 4: Revision of the Institutional Performance Criteria (educator preparation program standards). Each committee performed research and held in-depth discussions regarding their topic area and then made recommendations to the workgroup.

While the workgroup adopted 21 recommendations, a few will be highlighted here. First, the workgroup agreed to adopt revisions to the Institutional Performance Criteria and rename them the Maryland Educator Preparation Standards as the new framework for all State-approved education preparation programs. Although the proposed standards did not achieve workgroup member consensus, members agreed they incorporated standards for necessary educator training
on cultural competency and educator ethics, better aligned program requirements with existing State content standards, and incorporated the use of data to improve program development.

Another recommendation is that all public school teachers be eligible, including retroactively, for participation in an undergraduate student loan forgiveness program beginning in the teacher’s sixth year of teaching after teaching for five years in a Maryland public school. Teachers prepared in a MSDE-approved educator preparation program would be eligible for repayment of up to $25,000, and teachers prepared in an approved out-of-state program would be eligible for repayment of up to $17,500. The workgroup agreed that greater details about the program, including funding sources, remain to be determined.

Lastly, the workgroup recommended adopting a regulation allowing school districts to request from MSDE an adjunct certification for professional individuals to teach short term in specialty subject areas or critical shortage areas as needed or identified by the district.
State Submits Required Accountability Plan Under the Every Student Succeeds Act

The Maryland State Department of Education submitted its consolidated State plan to the United States Department of Education (USDE) in September 2017, as required by the federal Every Student Succeeds Act. Prior to its submission, the plan was revised to comply with the Protect Our Schools Act of 2017 that set forth requirements for the plan. USDE must approve the plan within 120 days of submission or provide the State with an opportunity to revise and resubmit the plan.

Federal Every Student Succeeds Act

In 2015, President Barack Obama signed the Every Student Succeeds Act (ESSA), the most recent reauthorization of the Elementary and Secondary Education Act (ESEA), which provides federal funds for elementary and secondary education. Under the previous authorization of ESEA, known as No Child Left Behind, each state educational agency was required to hold schools accountable based solely on results of statewide assessments and one other academic indicator. Under ESSA, each state must have a consolidated state plan (plan) that requires accountability based on performance on various academic indicators such as proficiency on assessments and high school graduation rates, and a nonacademic indicator, also known as school quality or student success. The plan was required to be submitted to the U.S. Department of Education (USDE) no later than September 18, 2017, for approval.

Protect Our Schools Act of 2017

During the 2017 legislative session, the General Assembly overrode the Governor’s veto of House Bill 978 (Chapter 29), known as the Protect Our Schools Act of 2017 (POSA). Chapter 29 establishes a set of parameters for Maryland’s plan, including the number and weights of the academic and nonacademic indicators, the methodology for calculating the composite score, and how the score must be reported. Chapter 29 also set forth requirements for improvement plans for schools that are identified for comprehensive or targeted support and improvement.

Maryland’s Consolidated State Plan

The Maryland State Department of Education (MSDE) submitted a draft plan to the Governor and Legislative Policy Committee (LPC) for review and comment on June 30, 2017. The Department of Legislative Services (DLS) provided LPC with an analysis of whether Maryland’s plan complied with federal and State law. DLS found several potential issues, including that certain provisions of the plan may conflict with POSA. The Attorney General’s Office subsequently advised that the plan did not comply with POSA. The co-chairs of LPC
provided comments relaying this information and DLS’ analysis to MSDE on August 10, 2017. Prior to submission to USDE, the State Board of Education (State board) revised the plan to comply with POSA. MSDE provided the final plan to Governor Lawrence J. Hogan, Jr. for his signature. However, Governor Hogan sent letters indicating his decision not to sign the plan to the President of the State board and the U.S. Secretary of Education. ESSA requires the State Superintendent of Schools to sign the plan but does not require the Governor to sign it. State Superintendent Karen B. Salmon signed the plan on September 15, 2017, and MSDE submitted the plan on September 18, 2017.

**Academic and School Quality Indicators and a Five-star Rating System**

As it was submitted to USDE, the accountability system in the plan will operate as follows: each indicator is weighted at least 10% of the composite score, the combined total of the academic indicators does not exceed 65% of the composite score, and a five-star rating system for schools, with green and red arrows indicating positive or negative movement, will be based on all the indicators that comprise the composite score.

**Exhibit 1** details the weights for each assigned indicator for elementary and middle schools, and **Exhibit 2** details the weights for the indicators for high schools. As required by Chapter 29, academic indicators comprise 65% of the composite score, and the other 35% is comprised of school quality/student success indicators.
Exhibit 1
ESSA Plan Composite Score Distribution
Elementary/Middle School

Academic Indicators, 65%

ESSA: Every Student Succeeds Act

Source: Maryland State Department of Education
Exhibit 2
ESSA Plan Composite Score Distribution
High School

Academic Indicators, 65%

ESSA: Every Student Succeeds Act
Source: Maryland State Department of Education

According to the plan, using each school’s composite score, a statewide percentile ranking will be calculated. The percentile will be converted into a five-star rating system. Using equity gap “rules,” which have not yet been developed by MSDE, the equity gap will be factored into a school’s final five-star rating, and a school with significant equity gaps may be reclassified into a lower star level.

Assessment Scores Used in Maryland’s Plan

The Partnership for Assessment of Readiness for College and Careers (PARCC) assessments were administered for the third year during 2016-2017, and the scores will be used as the baseline for the new accountability system in the State’s plan. The PARCC assessments have five performance levels. A score of four or five is considered proficient. On all the PARCC assessments, proficiency gaps between all students and subgroups, including racial and service groups (free and reduced-price meals, English learners, and students with disabilities) remain significant. For example, as shown in Exhibit 3, only about 40% of students statewide in grades three through eight earned a four or five on the English/Language Arts PARCC assessment, and the proficiency gaps between all students and subgroups are significant.
Exhibit 3
Proficiency Rates on PARCC by Student Group in 2015-2017
English/Language Arts
Grades 3 through 8

The State’s plan proposes to reduce the percentage of students and subgroups who score nonproficient on PARCC assessments by half by the year 2030. For the academic achievement indicator (20% of the composite score), half of a school’s score will be the percentage of students receiving a four or five on a PARCC assessment or the equivalent on the multi-state alternative assessment (MSAA) for students with a severe cognitive disability. The other half of the score for this indicator will be a performance index, equal to the average of all student performance levels on PARCC assessments (or the equivalent on MSAA). The academic growth indicator for elementary and middle schools (25% of the composite score) will be measured by student growth percentile (SGP) on the PARCC assessments. SGP reflects student growth by comparing a student with a student’s academic peers who had similar academic performance on the PARCC assessments in the previous year. However, the State board directed MSDE to include in the plan that beginning in 2017-2018, MSDE will study using a growth-to-standard measure in combination with SGP for the accountability system for the 2020-2021 school year. Growth-to-standard reflects student growth by measuring the progress of students toward an agreed upon achievement outcome. The method developed by MSDE will affect the overall composite score calculation and the school rankings.
Next Steps

Maryland’s plan, along with the plans submitted by other states, will undergo a peer review process that meets certain requirements, per ESSA. Based on the results of the peer review process, unless the Secretary determines that the plan fails to meet the requirements for a consolidated State plan as detailed in ESSA, the Secretary must approve the plan no later than 120 days after its submission, which will be January 16, 2018. If the Secretary determines that the State’s plan fails to meet the requirements, USDE must offer the State an opportunity to revise and resubmit its plan.
Education

Update on School Construction

The 21st Century School Facilities Commission continued to meet during the 2017 interim and will make final recommendations in December 2017. School systems are requesting over $700 million in funding for school construction projects in fiscal 2019. The State share of school construction costs was due to be updated for fiscal 2019 to 2021; however, the Board of Public Works held harmless nine counties whose State share was decreasing in fiscal 2019 and did not approve the State share for fiscal 2020 and 2021, awaiting the recommendations of the 21st Century School Facilities Commission. The first two schools under the Baltimore City Revitalization Program opened for the 2017-2018 school year, with the final schools in the program falling behind schedule and anticipated to open in summer 2021.

21st Century School Facilities Commission

The 21st Century School Facilities Commission was appointed by the President of the Senate and the Speaker of the House of Delegates in early 2016 to, among other things, identify opportunities to make school construction more cost efficient and determine the appropriate role for State agencies to play in the approval and funding of school construction projects. The commission has a broad base of members representing key stakeholders, including legislators, State officials, local school districts and governments, and the construction industry. During the 2016 interim, the commission focused on assessing how the State currently reviews and funds school construction projects against best practices from other states. During the 2017 interim, the commission established two subcommittees to develop recommendations for improving the State’s current processes and establish guidelines for funding future projects: the Funding Subcommittee; and the Process, Procedure and Educational Specification Subcommittee. The commission issued an interim report in January 2017 and plans to issue a final report in December of 2017.

School Construction Requests and the State-local Cost-share Formula

School systems submitted their fiscal 2019 school construction requests to the Interagency Committee on School Construction (IAC) in October 2017, totaling over $700 million. IAC will review the projects and make recommendations in December 2017 equal to 75% of the Governor’s preliminary allocation. The Governor’s Capital Improvement Program projected $320 million for projects in fiscal 2019. State and local governments share in the cost of school construction projects. This share is based on a formula, which includes components to recognize local wealth and the proportion of low-income students, enrollment growth, economically distressed counties, and the local school construction funding effort by counties. The State-local cost-share formula is required by Chapters 306 and 307 of 2004 and the Code of Maryland Regulations to be updated every three years. It was supposed to be updated in October 2016 for fiscal 2019 through 2021.
but did not go to IAC for approval until September 2017. IAC recommended modifying the local school construction effort component of the cost-share formula to include debt issued by local school systems in addition to counties. Baltimore City Public Schools (BCPS) is presently the only school system with the authority to issue debt.

The updated and revised cost-share formula was submitted to the Board of Public Works (BPW) for approval on October 18, 2017. Current practice establishes cost-shares for three years, including phasing in decreases if the State share decreases by more than five percentage points. For example, if the State share is scheduled to decrease by eight points, the State share decreases by five points in the first year and then by three points the following year. However, because the 21st Century School Facilities Commission is reviewing the factors and process used to calculate the State cost share, BPW voted to approve cost-shares only for fiscal 2019. BPW also voted to maintain the State share in effect for fiscal 2018 for nine school systems in which the State share was slated to decrease. The approved State share percentages of public school construction for eligible costs for fiscal 2019 is outlined in Exhibit 1, reflecting BPW’s decision to hold harmless all local school systems for one year. The Maryland School for the Blind’s State share remains at 93%. The regulations must still be published for public comment and reviewed by the Joint Committee on Administrative, Executive, and Legislative Review before they are finalized.

Baltimore City School Construction and Revitalization

Chapter 647 of 2013, the Baltimore City Public Schools Construction and Revitalization Act, established a new partnership among the State, Baltimore City, and BCPS to fund up to $1.1 billion in public school facility improvements through revenue bonds to be issued by the Maryland Stadium Authority (MSA). To date, one bond issuance of $320.0 million was issued on April 20, 2016, resulting in $385.0 million available for construction. MSA is planning on seeking BPW approval for a second issuance of $426.4 million in 2017. It is expected that MSA will issue a final series of bonds in 2018 for the remaining costs.

The current estimate is that 23 to 28 schools will be replaced or renovated under the program. The specific projects that will be included in the initiative contain more elementary and middle schools and fewer high schools than originally proposed. The schedule has taken longer than originally anticipated, but the first 2 schools, Fort Worthington PreK-8 and Frederick Elementary, were completed in the summer of 2017 and opened for the 2017-2018 school year. Two more schools are anticipated for completion by January 2018. Seven other schools are currently under construction, with an additional 10 schools in some stage of design. The program is currently anticipated to be completed by summer 2021, one year behind the original schedule.

IAC has had continued concerns with the BCPS budget for ongoing maintenance. With the first schools opening in 2017, BCPS will need to find additional funds. The Memorandum of Understanding states that BCPS must include an annual increase over the prior year maintenance appropriation of $3 million until the full amount is reached. Baltimore City budget cuts left only a $2 million increase for fiscal 2017; the fiscal 2018 budget includes the required $3 million increase. The BCPS budget will continue to be a critical issue to monitor.
Exhibit 1  
State Share of Eligible School Construction Costs  
Fiscal 2018-2019

<table>
<thead>
<tr>
<th>County</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allegany</td>
<td>83%</td>
<td>85%</td>
</tr>
<tr>
<td>Anne Arundel</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Baltimore City</td>
<td>93%</td>
<td>93%*</td>
</tr>
<tr>
<td>Baltimore</td>
<td>52%</td>
<td>56%</td>
</tr>
<tr>
<td>Calvert</td>
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<td>53%</td>
</tr>
<tr>
<td>Caroline</td>
<td>80%</td>
<td>81%</td>
</tr>
<tr>
<td>Carroll</td>
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<td>59%*</td>
</tr>
<tr>
<td>Cecil</td>
<td>63%</td>
<td>66%</td>
</tr>
<tr>
<td>Charles</td>
<td>61%</td>
<td>61%</td>
</tr>
<tr>
<td>Dorchester</td>
<td>76%</td>
<td>76%*</td>
</tr>
<tr>
<td>Frederick</td>
<td>64%</td>
<td>64%*</td>
</tr>
<tr>
<td>Garrett</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Harford</td>
<td>63%</td>
<td>63%*</td>
</tr>
<tr>
<td>Howard</td>
<td>55%</td>
<td>55%*</td>
</tr>
<tr>
<td>Kent</td>
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<td>50%</td>
</tr>
<tr>
<td>Montgomery</td>
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<td>50%</td>
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<tr>
<td>Prince George’s</td>
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<td>70%</td>
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<tr>
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<tr>
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<td>100%*</td>
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<tr>
<td>Washington</td>
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<td>71%</td>
</tr>
<tr>
<td>Wicomico</td>
<td>97%</td>
<td>97%*</td>
</tr>
<tr>
<td>Worcester</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>

*Indicates the county’s State share was held harmless in fiscal 2019.

Source: Interagency Committee for School Construction; Department of Legislative Services