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Report of

The Governor's Task Force

on Financing Public Education

Annapolis, Maryland

January, 1973

STATE OF MARYLAND
EXECUTIVE DEPARTMENT
ANNAPOLIS, MARYLAND 21404

BLAIR LEE III
LIEUTENANT GOVERNOR

January, 1973

The Honorable Marvin Mandel
Governor of Maryland
State House
Annapolis, Maryland 21404

Dear Governor Mandel:

I am pleased to submit herewith the report of the Task Force appointed by you in June of last year to formulate a proposal for an equitable distribution of State aid to public education. The Task Force has worked diligently in carrying out its assignment; and, while unanimity of opinion with regard to an appropriate solution was not achieved, I believe that the recommendations approved by the majority of the members reasonably fulfill the requirements which you laid down for us in your letter of June 8, 1972 (See Exhibit A attached). You requested us to devise a formula that:

(a) will give every Maryland youngster a fair shake in education regardless of the wealth of his community,

(b) will be sufficiently stable and durable so that new disparities will not creep in from the very outset,

(c) will be sufficiently simple so that local school boards can estimate their share for the coming year with reasonable assurance,

(d) will avoid doing drastic damage to the school system or taxpayers of any particular jurisdiction, and

(e) will require little, if any, increase in the very large sum of money ($343,425,540 in Fiscal Year 1971) that the State is already pumping into the local school systems.

Stated in the briefest terms possible, we are recommending that:

1. The State agree to equalize fully a program requiring an expenditure of $610 per pupil. (The present program is about $450 per pupil).

2. The State agree to pay 55% of the statewide cost of such program with the relative shares varying among individual counties in relation to wealth. (The State now pays about 45% of the $450 program).

3. Local governments be required to tax themselves at the rate required to pay their statewide share of 45%. All will pay at the same rate but their contribution will vary according to wealth. (For the first year this rate would be 0.869%.)

4. All complicated foundation program adjustments used in the present program be eliminated.

5. There be no minimum guarantees or continuing save harmless provisions.

6. All data required for aid calculations be firm when appropriations are made.

7. The program be phased in over a period of five years, with the cost to the State increasing at the rate of approximately $21,000,000 each year, representing a total State cost increase of about $105,000,000.

Clearly, requirements (b), (c), (d), and (e) as set forth in your letter of June 8, and as amplified by your letter of September 27th (See Exhibit B), have been satisfied. Requirement (a) has at least been satisfied within the limits of current fiscal constraints.

As you will recall, prior to the appointment of the Task Force you requested a committee to develop background materials for the Task Force. The committee was comprised of Dr. R. Kenneth Barnes, Deputy Secretary, Department of Budget and Fiscal Planning; Dr. Richard C. Ahlberg, Associate State Superintendent, State Department of Education; Mr. W. Shepherdson Abell, Executive Assistant to the Lieutenant Governor; Dr. Paul D. Cooper, Director, Department of Fiscal Services; Mr. Fred H. Spigler, Jr., Administrative Officer for Education; Mr. William M. Perkins, Supervising Budget Analyst, Department of Budget and Fiscal Planning; Mr. J. R. Hamilton, Specialist in State Aid, State Department of Education; Mr. William M. Houck, Chief, Bureau of Fiscal Planning, Department of Budget and Fiscal Planning, and myself. This committee worked for several months prior to the first meeting of the Task Force reviewing the materials developed by former study commissions, and assembling calculations of the effects of every conceivable aid distribution plan. The Task Force was thus able to begin its deliberations with benefit of a wealth of materials.

Meeting regularly from June 21, 1972 to October 18, 1972, the Task Force examined all of the various formulae giving particular attention to the recommendations and findings of the Hughes Commission, and the different proposals submitted recently to the General Assembly in bill form. This report presents the conclusions and recommendations of the majority of the group.

Chief among the many persons to whom the Task Force is indebted is Dr. Paul Cooper for serving as its Chief of Staff in his usual masterful style and for drafting the attached report. We are also extremely grateful to his able assistant, Mrs. Anne Carroll, for her skill and patience in preparing an almost endless array of county-by-county tabulations at the request of the Task Force or its individual members. It was one of the individual members, Delegate Lucille Maurer, who devised the approach ultimately selected by the Task Force. Your Assistant Legislative Officer, Alan M. Wilner, Esquire, has been most helpful and cooperative in drafting legislation.

Respectfully submitted,

Blair Lee III
Chairman

ROSTER OF TASK FORCE MEMBERS

Lieutenant Governor Blair Lee III, Chairman

Delegate Benjamin L. Cardin, Vice-Chairman

Senator James Clark, Jr.

Senator Steny H. Hoyer

Senator Verda F. Welcome

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Mr. William M. Perkins, Chief Budget Analyst, Dept. of Budget & Fiscal Planning

Mrs. Phyllis Reed, Vice-President for Field Services, Maryland Congress of Parents & Teachers

Dr. John Walton, President, Baltimore City Board of School Commissioners

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THE PRESENT METHOD OF FINANCING ELEMENTARY AND SECONDARY EDUCATION IN MARYLAND - DESCRIPTION AND APPRAISAL

The following table provides a brief and concise overview of the manner in which elementary and secondary education is financed in Maryland at the present time, based upon data for the 1972-73 school year.

1.	State Share of Current Expenses	$ 184,408,000
2.	Current Expense Incentive Aid	12,830,000
3.	State Aid for Transportation	34,612,000
4.	State payments for Retirement and Social Security	75,816,000
5.	State Aid for Handicapped Children	27,876,000
6.	Miscellaneous State Aid for Current Expenses	6,000,000
7.	State payments for School Construction	58,000,000
	Total State Aid - 1973	$ 399,542,000
8.	Estimated Local Appropriations	617,935,000
9.	Estimated Federal payments	70,000,000
	Grand Total	$1,087,477,000

The total cost of elementary and secondary education is $1,087,000,000. 37% of this is provided by the State; 57% is provided by local governments; and 6% is paid by the Federal government. Of the total, $99,000,000 is expended for debt service for school construction loans. The State pays $58,000,000 of this amount and the remaining $41,000,000 comes from local revenue. The bulk of the remainder from all sources is devoted to operating costs, or current expenses. It then costs approximately $988,000,000 a year to operate our schools; and of this total, local governments pay roughly 58%, the State pays about 35% and the Federal government pays 7%.

Examined in another way, leaving out the Federal contributions, the State and local shares of the total school costs become 39% and 61%. The State and local shares of operating costs only become respectively 37% and 63%. Stated most succinctly then, it costs nearly one billion dollars to operate our schools with local governments contributing about two-thirds of the cost and the State government contributing one-third.

Through legislation enacted in 1971 the State has undertaken to assume virtually all of the cost of school construction. Local governments pay only the costs of sites and, of course, any expenditures they decide to make in excess of costs approved by the State. The State also assumed responsibility for all debt service for obligations outstanding as of June 30, 1967. The $58,000,000 figure presented as item 7 in the table represents the budgeted cost for this program in 1972-73. In view of the fact that this part of the future cost of education will be virtually fully State funded, the Task Force directed its attention solely to the funding of operating costs (Current Expenses).

The first six items of the table reflect the State's contribution for this purpose. Items 3, 4, and 5 - State Aid for Transportation, State payments for Retirement and Social Security, and State Aid for Handicapped Children - again represent programs in which the State has assumed, substantially, the full cost. In the case of transportation, local governments pay only about $2,000,000 in addition to the $34,600,000 paid by the State. With respect to Retirement and Social Security, only one county pays anything for benefits beyond those funded by the State. Amounts paid by local governments for the costs of educating handicapped children in excess of the normal program cannot be accurately identified, but are minimal.

Item 6, Miscellaneous State Aid for Current Expenses, consists of $1,000,000 for driver education, $4,000,000 for food services, and $1,000,000 for school community centers. The State contribution to driver education comes from a special fund derived from driver examination charges with additional local costs coming from local levys or from student fees. The State appropriation for food services supplements, primarily, Federal funds and pupil payments with little local tax revenue support. The $1,000,000 appropriation for school community centers is of recent origin, is intended to encourage the more complete use of schools, and is closely related to recreation programs for which local appropriations are made apart from those for elementary and secondary education.

In light of the foregoing, the Task Force directed its attention almost solely to items 1 and 2 - State Share of Current Expenses and Current Expense Incentive Aid. The State aid for these two items along with the local contribution for current expenses represents the bulk of operating costs and here the State share drops to about 25%. These, essentially, are the only programs in which the State attempts to share the cost of operating schools through equalization formulae which aim toward providing equal education for equal local effort. A more detailed examination of these programs is, therefore, in order. Throughout the report these costs of education are referred to as "Basic Current Expenses."

Maryland's Effort to Provide Equal Educational Opportunity Through Equalization Formulae

Since 1922, when it adopted one of the first equalization programs in the nation, Maryland has endeavored to provide equal educational opportunity for all of its children. In the early years the approach was to establish staffing allowances for various types and sizes of schools; to prescribe minimum salary scales for that staff; to allow a percentage (mostly 20%) of

salary costs for other costs of instruction (textbooks, maintenance, etc.); to require a local property tax levy (ranging from 47¢ to 87¢ per hundred dollars in 1964) toward the cost of such program; and to have the State provide the funds for any remaining gap. In addition to this equalization aid, the State provided basic aid in the form of per pupil and per classroom grants. In the calculation of equalization aid these grants were used as offsets and thus became minimum guarantees, in that all subdivisions received at least the amount of the basic aid regardless of how much the required local levy produced.

Between 1922 and 1964 the Legislature found it necessary to make significant changes in the program seventeen times - every two and one-half years, on the average. Generally the changes involved increases in salary scales, increases or reductions in required local tax rates, increases in basic aid, and occasionally program expansions. On six different occasions the required local tax rate was changed and in one instance was dropped 20¢, suggesting that revenue sharing as well as educational needs has played a significant role. Generally, however, the pattern has been for the State to set a foundation program level somewhere near average practice; for local governments to find it necessary to gradually increase expenditures beyond that level; for pressures upon the Legislature to build up and to result in program adjustments increasing State aid.

In 1964 the law was amended extensively. The basic program supported by the State was expressed in terms of a per pupil expenditure ($340); the staffing allowance was expressed in terms of 45 professionals per 1,000 pupils; an allowance for other costs was established at $61 per pupil; the required local effort was expressed as a percentage of real property tax assessment plus net taxable income; the earlier basic aid grants were converted to a guaranteed minimum State aid of $98 per pupil; an extra allowance was provided for new pupils; and adjustments were made for differences among the subdivisions in costs of meeting the mandatory salary schedules. In effect, all of the elements of the former equalization program were retained but were expressed in different terms; and, of course, there was a substantial increase in State aid of roughly $16,000,000. An incentive program to encourage subdivisions to staff beyond 45 per thousand pupils was also included in this package.

In 1967 the program was expanded to include kindergartens; minimum salaries were increased; minimum guarantees were increased; a program of "density aid" was added recognizing the high incidence of the culturally deprived in Baltimore City; a provision was included to stabilize the State's share of the foundation program; and State aid for current expenses was increased by another $40,000,000. A concurrent increase in construction aid brought the total 1967 package to $68,000,000.

By 1970 the pressures from local governments again mounted to the point where action seemed unavoidable and the administration and the General Assembly agreed to a temporary program of increased aid amounting to approximately $22,000,000 per year. "Density Aid" for Baltimore City was increased to $50 per pupil (it had been increased to $40 in 1969); the aid allowed for new pupils was raised to $80 per

pupil; and $22 per pupil, representing the bulk of the program, was distributed under a completely new formula, basically inversely proportional to wealth per pupil.

Equalization Today

This is the program as it operates today after 50 years of change:

A. The State equalizes an adjusted program of $370 per pupil.

1. It mandates salaries ranging from $4,500 to $8,000.

2. It establishes an allowed staffing ratio of 45 professionals per 1,000 pupils.

3. It includes an adjustment determined by the amount by which the average State mandated salary for the professional staff for each county is in excess of or below the average salary of $6,645, which amount is stated in the law.

4. It prescribes an expenditure of $71 per pupil out of the $370 for other costs of instruction.

5. It adds to the $370 an allowance of $30 for each additional pupil.

6. It adds to the $370 for Baltimore City an additional $50 per pupil for Density Aid.

7. It requires local governments to levy a tax equal to 1.228% of the sum of their assessed real property and taxable net income. However, the law as amended in 1967 requires that this local rate be adjusted whenever the State share of the foundation program for equalization counties varies more than one-half per cent from the level that prevailed that year. Resulting adjustments since 1967 have decreased the local rate to 0.733%, and now only three counties continue to be equalization counties (based on the 1.228% rate) and thus determine the required rate for all subdivisions irrespective of their growth in wealth. Within three years, the program will not be calculable because there will probably be no equalization counties at the 1.228% rate.

8. The State guarantees that no county will receive less than $128 per pupil, regardless of the amount of its wealth, or the amount of equalization aid to which it would be entitled - even if its entitlement were zero.

9. A second minimum guarantee (Art. 77, Sec. 128(c)) is basically a save harmless feature included first in the 1964 statute. It was designed to phase out, but is still on the books and still benefits two subdivisions to the extent of about $353,000.

B. In addition to the $370 program the State provides aid through a Current Expense Incentive program. This program, in effect, says that if the subdivisions will increase their staffing from 45 professionals per thousand pupils to 50 per thousand the State will pay the same share of the cost of the mandated salaries for these professionals that it pays for the adjusted $370 program. Practically all counties are now staffing at the 50 per thousand level.

As in the case of the program described in A, a minimum guarantee is provided. No subdivision may receive less than 35% of the cost of the minimum salaries for such additional staff members.

C. Since FY 1971, the aid under Program A has been increased by the following:

1. $22 per pupil multiplied by a fraction which is the average State wealth per pupil divided by the average county wealth per pupil.

2. An additional $50 for each additional pupil.

Appraisal of Equalization as it Operates Today

As a vehicle to get directly to the heart of the issue, we present the table on the following page. Column (1) represents the wealth back of each pupil in each subdivision. Column (2) is the amount that each county is expected to expend per pupil for basic current expenses in 1973-74. Column (3) presents the estimated State aid per pupil for 1973-74 under the present program. The local effort for 1973-74 in terms of property tax rate equivalent is shown in Column (4). Column (5) reveals the effects on a per pupil basis of all minimum guarantees.

It will be noted from Column (2) that per pupil expenditures are expected to range from a low of $512 to a high of $1,108, a ratio of more than two to one. From Column (1) it will be seen that the lowest expenditure county is third lowest in wealth per pupil and that the highest expenditure unit has the greatest wealth. The range in wealth is from a low of $17,243 per pupil to a high of $49,327, or a ratio of 2.9 to 1. Of the four counties lowest in wealth, three have the lowest expenditures per pupil. Of the twelve counties lowest in wealth, eight are among the lowest twelve in expenditure per pupil. The correlation is far from perfect, but the conclusion that wealth does have a direct relationship to expenditure level in Maryland can readily be drawn. Whether financial input bears a direct relation to cognitive output is an argument still raging among the academic experts.

It may be argued that this signifies nothing, since it may cost more to provide the same level of education in wealthy suburban counties than in poor rural counties. Columns (1) and (2) also answer this argument, at least partially. The suburban-urban argument may have some validity; however, examine these contrasts. Montgomery and Prince George's Counties should have relatively the same kinds of problems in providing education for their children. Baltimore City should be expected to have to spend more than Baltimore County. Here, also, we find that level of expenditure relates to level of wealth.

DATA RE BASIC CURRENT EXPENSES: MARYLAND PUBLIC SCHOOLS: 1973-74

Local Unit	(1) Wealth per pupil*	(2) Basic current expense per pupil	(3) State aid per pupil in current program	(4) Local effort in terms of local property tax rate	(5) Minimum guarantee and save harmless aid
Tot.State	$31,061	$ 842	$216	x	$23
Alleg.	23,450	762	272	$2.25	-
An.Arun.	26,103	728	230	2.57	-
B.City	22,244	800	271	2.72	-
Balto.	36,837	922	170	2.74	30
Calv.	23,682	676	259	2.22	-
Crln.	17,243	610	319	2.24	-
Carr.	25,737	708	236	2.17	-
Cecil	21,507	675	275	2.39	-
Chas.	28,531	635	212	1.92	-
Dorch.	25,739	694	247	2.11	-
Fred.	29,578	803	202	2.48	-
Garr.	21,589	564	329	1.28	35
Harf.	23,378	705	256	2.36	-
How.	37,352	813	170	1.95	32
Kent	30,006	725	192	2.24	-
Montg.	49,327	1,108	172	2.55	120
Pr.Geo's.	31,198	869	181	2.95	-
Qu.An's.	28,881	699	211	2.03	-
St.My's.	18,343	512	304	1.50	13
Somer.	17,418	571	338	1.51	-
Talb.	42,192	757	157	1.77	65
Wash.	24,915	784	255	2.35	-
Wic.	24,617	634	250	1.80	-
Worc.	44,203	669	158	1.13	81

* As used in calculation of current State aid.

Column (3), which shows the present distribution of State aid per pupil, when compared with Columns (1) and (2) suggests that while the State is equalizing with one hand it is increasing disparities with the other. Generally the poorest units receive the most aid while the wealthier units receive the least. However, the differences in amount of State aid are not in proportion to the differences in wealth. A principal element of the formula responsible for this is the minimum guarantee, as revealed in Column (5).

The table also discloses what is probably the most serious inadequacy of our present system of financing education. As pointed out previously, the State is now equalizing an adjusted expenditure of $370 per pupil. In addition to this we distributed $22 per pupil on a modified equalization basis, and we provide a further amount of equalizing aid through the Current Expense Incentive program. Through all of these in combination, the State supports a foundation program of roughly $450 per pupil. In contrast to this, Column (2) indicates that the lowest per pupil expenditure to be made in 1973-74 will be $512, the highest will be $1,108, and the average will be $842. We will be guaranteeing a program, then, at about one-half of the level of the statewide average. The wealthiest subdivision in the State can make expenditures beyond $450 with roughly one-third as much effort as the poorest.

Column (4) suggests that wealth is not the only factor responsible for differences in expenditure level. The lowest expenditure subdivisions are also near the bottom in effort as expressed in property tax rate equivalents. Nonetheless, it will be seen that there are instances in which some subdivisions make greater effort and are able to spend less. Also it must be noted that if the poorest subdivision made an effort equal to that of the wealthiest subdivision, the program it could offer would still be $437 lower.

Finally, it must be recognized that the present system, as it has evolved over the years, has become exceedingly complex and cumbersome. While it is generally conceded that, in matters of equalization, simplicity and equity rarely go hand in hand, a review of our program as set forth previously in the description of "Equalization Today" leads to the conclusion that "there must be a simpler way." The variety of adjustments to the foundation program had rational bases when instituted but have little meaning today. The method used to maintain a State share of the foundation program is exceedingly cumbersome and, in any event, must be amended shortly if the aid program is to be calculated at all. There appears to be little sense in distributing money through three different programs which to a degree work against each other. They surely can be consolidated. Further, the data required for calculating State aid under the present law are such that they cannot be accurately determined by the time appropriations must be made. Consequently, both State and local governments experience serious budget problems due to inaccurate estimates.

In summary:

1. The level of program supported is too low.

2. The minimum guarantee is in conflict with the principle of equalization.

3. The program must be simplified.

NEW PROGRAM OF STATE AID FOR BASIC CURRENT EXPENSES PROPOSED

The Task Force recommends that the present programs of State aid described in the law as "State Share of Current Expenses" and "Current Expense Incentive Aid," be replaced by a new program of "State Aid for Basic Current Expenses." The fundamental elements of that program would be:

A. The State would guarantee for the education of every child in every subdivision an expenditure of at least $610 per year for basic current expenses.

B. Every subdivision would be required to make equal effort (in essence, impose the same tax rate) in support of the program.

C. The State would add to the amount produced in each subdivision by the equal effort sufficient funds to provide $610 per pupil.

D. The State's share of the total cost of the program for all subdivisions would always be 55%, but this percentage would vary from subdivision to subdivision depending upon differences in wealth.

This is the manner in which the program would operate. (Please refer to the table on the following page which demonstrates the calculation for the 1973-74 school year):

A. Program to be supported. Since the State would be guaranteeing an expenditure of $610 per pupil, the total program supported statewide and in each subdivision is determined by multiplying the number of pupils by $610 (Column (1) x $610 = Column (3)).

Note that the enrollment data used for the school year 1973-74 would be as of September 30, 1972. The reason for using the prior year's enrollment is to make it possible to arrive at firm budget estimates. Through this and other provisions both State and local governments will know the exact amount of aid at budget time.

B. Measurement of local wealth. The wealth of each subdivision (Column 2) to which the required equal local effort would be applied would be the sum of the assessed value of real property and taxable net income determined as follows:

1. Assessed value of real property would be as of July 1 of the first completed fiscal year preceding the school year for which the calculation is being made.

2. Net taxable income would be for the second completed calendar year preceding the school year for which the calculation is being made.

CALCULATION OF PROPOSED NEW PROGRAM OF STATE AID FOR BASIC CURRENT EXPENSES
(thousands of dollars)

Local Unit	(1) No.of pupils 9/30/72	(2) Wealth *	(3) Total program $610 per pupil	(4) Local contribution 0.869% of wealth	State Aid (5) State share of program (3)-(4)	State Aid (6) Current basis	State Aid Additional (7) 100% (5)-(6)	State Aid Additional (8) 20% of (7)
Total State	890,769	$28,121,901	$543,369	$244,379	$298,990	$193,646	$105,344	$21,069
Allegany	16,741	403,799	10,212	3,509	6,703	4,563	2,140	428
Anne Arundel	74,682.6	2,073,743	45,556	18,021	27,535	17,351	10,184	2,037
Baltimore City	180,180.5	3,918,215	109,910	34,049	75,861	48,590	27,271	5,454
Baltimore	128,066	4,892,065	78,120	42,512	35,608	21,456	14,152	2,830
Calvert	6,079	155,626	3,708	1,352	2,356	1,632	724	145
Caroline	5,191	92,808	3,167	807	2,360	1,627	733	147
Carroll	17,324	474,689	10,568	4,125	6,443	4,269	2,174	435
Cecil	12,478	293,590	7,612	2,551	5,061	3,604	1,457	291
Charles	15,065	339,097	9,190	2,947	6,243	3,415	2,828	566
Dorchester	6,208	167,149	3,787	1,453	2,334	1,521	813	163
Frederick	20,899.9	626,120	12,749	5,441	7,308	4,312	2,996	599
Garrett	5,794	135,121	3,534	1,174	2,360	1,968	392	78
Harford	31,286	772,200	19,084	6,710	12,374	8,280	4,094	819
Howard	19,686	816,007	12,008	7,091	4,917	3,598	1,319	264
Kent	3,764	116,475	2,296	1,012	1,284	712	572	114
Montgomery	122,554.5	6,072,060	74,758	52,766	21,992	21,268	724	145
Prince George's	156,363.5	4,881,773	95,382	42,423	52,959	28,452	24,507	4,901
Queen Anne's	4,588	137,469	2,799	1,195	1,604	951	653	131
St. Mary's	11,314	218,218	6,901	1,896	5,005	3,436	1,569	314
Somerset	4,367	78,239	2,664	680	1,984	1,462	522	104
Talbot	4,854	217,350	2,961	1,889	1,072	765	307	61
Washington	23,032	580,286	14,050	5,043	9,007	5,870	3,137	627
Wicomico	13,874	358,614	8,463	3,116	5,347	3,534	1,813	363
Worcester	6,377	301,188	3,890	2,617	1,273	1,010	263	53

* Real property, State purposes, equalized to 55% of value + public utility real operating property + taxable income.

3. Both (1) and (2) are basically the same as the provisions of the present law and represent the latest firm data available at budget time. There are, however, these additional changes proposed with respect to the measurement of assessed wealth:

   (a) There are substantial differences among the subdivisions in the ratio of level of assessment to market value. In the interest of equity the present law requires that for subdivisions with ratios below 50% the total assessments be adjusted to 50%, and for subdivisions with ratios which exceed 56%, the assessments be adjusted down to that level. To achieve further equity it is proposed here that the total assessments for each subdivision be adjusted to 55%.

   (b) There are a limited number of properties which are taxable for State purposes but which have been exempted from local taxation in certain subdivisions. Under existing law the assessed value used in the education wealth measure is "county purposes" assessment. In the interest of uniformity and equity it is proposed that the "State purposes" assessment be used for all subdivisions.

   (c) While the present measure of assessed wealth is for "the first completed fiscal year preceding the school year for which the calculation is being made," 50% of the value of new properties assessed between July 1 and December 30 of the year are included. Since this practice interferes with the firm data requirement accepted by the Task Force, it is recommended that assessments shall in the future be limited to those assessed as of July 1.

C. Determination of local contribution. In any equalization formula there are three basic elements, viz: (1) a program to be equalized, (2) a local contribution rate, and (3) a State share or contribution. If a formula is to work, only two of these elements can remain at fixed amounts or levels. As noted earlier, the Task Force is proposing that the program to be equalized be fixed by law at $610 per pupil, and that the State's share of the total program be also fixed by law at 55%. Therefore, the required local rate of contribution will change each year, increasing if total local wealth per pupil decreases, and decreasing if total local wealth per pupil increases.

As shown at the top of Column (4) of the table, the local rate of contribution for 1973-74 would be 0.869% Since this rate is subject to change each year, it becomes necessary to understand how it would be calculated. This is the manner in which the rate would be determined:

1. We would know the cost of the total equalized program for the entire State: Total pupils (Column 1) x $610 = $543,369,090 (Column 3).

2. The law would require that the State pay 55% of the cost of the total program. Therefore the local subdivisions combined will pay 45%. 45% of $543,369,090 = $244,516,090.

3. The total combined wealth of all subdivisions is $28,121,901,000 and together they must pay $244,516,090. Therefore the local rate must be $244,516,090 ÷ $28,121,901,000 = 0.869%.

   The rate thus derived applied to each subdivision's wealth determines the total amount of money that must be provided locally (Column 4).

D. Determination of State aid for each subdivision. This simply requires the subtraction of the amounts determined in Column 4 from the cost of the program for each subdivision as determined in Column 3. (Note that the total for Column 4 does not agree exactly with the figure derived in the above explanation. This results from rounding the 0.869% to three decimal places.)

E. Increase in State aid over present program. Column 6 presents the aid each subdivision would receive in 1973-74 under the existing law. By subtracting this from the aid under the proposed program determined in Column 5, the increase from the new program in full effect is revealed (Column 7).

F. Transition from present program to proposed program. It will have been noted that the cost to the State for the new program in full effect in 1973-74 would be $105,344,000. Since the Governor's charge to the Task Force and subsequent advice from him has made it clear that such an initial amount cannot be made available, it is proposed that the program be phased in over a five year period as follows:

1. For the first year (1973-74) each subdivision would receive the amount of aid to which it would have been entitled under the present law (Column 6) plus 20% of the difference between that amount and the aid to which it would be entitled under the new law (see Column 8).

2. For each of the next three years the per pupil amount of the aid in Column 6 would be multiplied by the prior year's enrollment. Each subdivision would be entitled to this amount plus a percentage of the difference between such figure and the amount resulting from the new program calculations as follows: 40% in 1974-75; 60% in 1975-76; and 80% in 1976-77.

3. The new program would be in full effect in 1977-78.

The Task Force contemplates no changes in other existing current expense aid programs as described in an earlier section, viz: State Aid for Transportation; State Aid for Education of the Handicapped; and State payments for Retirement and Social Security. These are all programs which are essentially fully State funded and the Task Force believes that we should not reverse directions in these areas. Further, the Task Force recommends that, for the time being at least, the "Density Aid" to Baltimore City be continued in addition to aid under the program proposed herein.

For the purposes of this program, then, it is recommended that "Basic Current Expenses" be defined to include expenditures made by the subdivisions from State and local revenues for public elementary and secondary schools exclusive of payments for debt service, capital outlay, and transportation of pupils, and exclusive of State aid for handicapped children, State aid for driver education, and State aid for food services.

WHAT THE PROPOSED PROGRAM WOULD ACCOMPLISH

The fundamental weaknesses of our present system of providing State aid for elementary and secondary education have been set forth in a preceding section as inadequate level of program supported, unequalizing minimum guarantees, and vast complexity. This proposal, if enacted, will:

A. Raise the level of the program supported from approximately $450 per pupil to $610 per pupil over a five year period, at a cost to the State of approximately $21,000,000 in the first year and $105,000,000 annually when fully in effect.

B. The State's share of the cost of the program will be firmly fixed at 55% replacing the present complicated, unpredictable, and soon unworkable method of maintaining a stable State share.

C. All data required for aid calculations will be firm at the time when appropriations are made. Both State and local governments will know their exact obligations.

D. For the first time in 50 years there will be no unequalizing minimum guarantees.

E. A practical transition from the present level of finance to the proposed level is provided without the use of continuing "save harmless" features. It is recognized that complete equalization is not achieved in the early years; but, when fully implemented, the $610 program will be fully equalized without jeopardizing the education of any child in the State.

F. All complicated adjustments to the supported program will have been eliminated.

G. For the next five years, State aid will increase at the rate of about $21,000,000 per year, as opposed to an almost certain decline under the present formulae.

H. Further equity will be achieved through recommended adjustments in the measurement of local wealth, viz: adjustment of real property assessments to ratio of 55% and utilization of State purposes assessments.

I. All would be accomplished within the guidelines set forth by the Governor in his letter of June 8, and as further amplified in his letter of September 27.

These two questions with respect to these recommendations will certainly be raised: In view of the present cost of providing education in Maryland, is the $610 program realistic? Does the program comply with the principle enunciated by Serrano and other judicial opinions?

With respect to the first we must agree that by the time the program is fully in effect, a $610 expenditure will be unrealistic in relation to what the costs will actually be in 1977-78. The average State expenditure is expected to be $842 in 1973-74 and may well reach $1,100 or more by that time. On the other hand these realities must be faced:

A. A program larger than the one proposed will certainly require a substantial increase in State taxes or a substantial shift in existing resources, both of which have essentially the same effect.

B. Federal revenue sharing is now a fact, and two-thirds of this new revenue goes to the local governments as opposed to one-third for the State. All education aid programs represent, to a considerable extent, State revenue sharing. The State presently uses about fifty per cent of its total revenues to assist local governments. In light of these facts, it may be a wise State policy to evaluate the effects of Federal revenue sharing before making a greater commitment.

C. A recently appointed commission, headed by Judge Sherbow, has been requested to make a comprehensive study of the appropriateness of the present assignment of responsibility for the various functions of government to the different levels of government.

D. The program, as proposed, falls within the guidelines set forth by the Governor.

The second question relating to compliance with the Serrano principle cannot, of course, be answered with certainty. Obviously, until there is final court action on the Rodriguez or other case we cannot know what the courts will require. It seems clear that this proposal would satisfy the most literal interpretation of

Serrano with respect to the $610 level of expenditure. It is equally clear, however, that for expenditures beyond that level, equality of opportunity may well conflict with the "function of wealth" prohibition. Nonetheless, the State will have moved as far as possible toward literal compliance within the limits of existing fiscal constraints.

It is highly unlikely that the courts will require exactly equal per pupil expenditures, since all agree that equal expenditures will not necessarily produce equal education and, in fact, would most surely guarantee unequal opportunity. A question then arises regarding the extent of variation that might be allowed. It must be noted in this regard that, according to data submitted to a United States Senate Committee for the year 1969-70, the ratio for expenditures between high and low districts for Maryland was 1.63. Only three states in the entire nation had lower ratios and in some cases the ratios were in excess of 20 to 1. This is the situation under our present system.

UNFINISHED BUSINESS

This Task Force, as well as other similar groups that have preceded it, faced recurring issues that it was unable to resolve - issues that we believe must be resolved before any satisfactory solution to the problem of financing education can be devised. Accordingly, it is recommended that appropriate agencies or commissions be promptly assigned the task of developing answers to the following questions:

A. What will it cost to provide equality of opportunity?

The discussion throughout this report will have seemed to imply that equal expenditures per pupil will produce equal education. We know that is not the case. We spent considerable time attempting to identify the differences in costs that result from such factors as:

1. Cultural deprivation
2. Physical or mental handicap
3. Level of education - pre-school, elementary, secondary
4. Impact of enrollment increases
5. Cost of living by geographical areas
6. Program differences - vocational education, etc.

Attempts were made to develop pupil weightings that would compensate for such differences in the distribution formula. We could, however, devise no acceptable weightings due to inability to identify the costs. Further, it was found that for those differences for which reasonably acceptable cost factors could be determined, their application had little effect upon the distribution of State aid.

Maryland is perhaps unique in that it contains only 24 relatively large school districts, and when districts are large the differences in children that create cost burden tend to be evenly distributed among them. A clear exception to this is found in the incidence of culturally deprived children, and here it will be recalled that we have recommended that the Density Aid program be continued in addition to the new aid program.

Factors such as "cost of living" surely have an appreciable effect upon cost, but no one has yet found an acceptable way to adjust for it.

We believe that all aspects of this problem must be pursued until satisfactory answers are found.

An additional question related to this issue was not resolved, viz: should children attending summer school be included in the aid formula, either for the purpose of weighting to determine relative ability or to provide increased State aid and thus encourage subdivisions to make full use of their facilities. This problem should be studied along with the other factors itemized above.

B. <u>What do we get for the money we now spend?</u>

The Governor requested the Task Force "to examine the feasibility of inserting a provision in the formula that would serve as a deterrent to rampant local spending for current expenses" at the same time pointing out that "the imposition of penalizing constraints might lead to unhealthy stagnation of the entire school system." Members of the Task Force repeatedly raised the same issue.

We were unable to devise any acceptable provision and we believe that a better approach will be a thorough and objective study of what the money we spend produces - which expenditures seem to produce the most in quality education and which seem to produce little or no change. Perhaps such study will be a logical extension of the accountability effort stemming from legislation enacted last year.

C. <u>How can we best use the financial resources of the entire State to assure equal educational opportunity for all children?</u>

As has been pointed out earlier, it is quite possible that the $610 program proposed here will be inadequate in terms of actual expenditure levels by the time it becomes fully effective. In fact, the Task Force considered a number of proposals that would have increased certain taxes or would have transferred existing local revenues to the State in order to achieve immediately an equal or higher level support program. These programs were rejected in view of the State's general fiscal needs and the guidelines under which the Task Force operated. However, it was agreed that there must be continuing study of the matter, particularly after the impact of revenue sharing can be evaluated and when the Sherbow Commission presents its findings.