

# **Commission on Education Finance, Equity, and Excellence**

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**Interim Report**

**December 2000**

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# Commission on Education Finance, Equity, and Excellence

**Dr. Alvin Thornton**  
Chairman

December 15, 2000

The Honorable Parris N. Glendening  
Governor of Maryland

The Honorable Thomas V. Mike Miller, Jr.  
President of the Senate

The Honorable Casper R. Taylor, Jr.  
Speaker of the House

Gentlemen:

On behalf of the Commission on Education Finance, Equity, and Excellence, I am pleased to submit a copy of the Commission's Interim Report and the Technical Supplement to this report.

The 27-member Commission was established in the fall of 1999 pursuant to Chapter 601 of the Laws of Maryland (1999). It is charged with reviewing current education financing formulas and accountability measures and making recommendations for: (1) ensuring adequacy of funding for students in public schools; (2) ensuring equity in funding for students in public schools; (3) ensuring excellence in school systems and student performance; (4) providing for a smooth transition when current educational funding initiatives sunset at the end of fiscal 2002; (5) analyzing whether it is more effective to provide additional State aid in the form of targeted grants or by increasing funding through the base formula; and (6) ensuring that local property tax policies do not affect the equitable allocation of funding for students in public schools.

Inherent in the Commission's charge is the priority status that public education has among the responsibilities of State government. This priority status is reflected in Article VIII, Section 1 of the Maryland Constitution, which requires the State to establish a "thorough and efficient System of Free Public Schools". The State's economic health, regional and national competitiveness, and political and social development relate directly and uniquely to the quality of the State's public school system. At the base of the State's public school system must be high performance standards for students and schools and funding that is equitable and adequate.

The Honorable Parris N. Glendening  
The Honorable Thomas V. Mike Miller, Jr.  
The Honorable Casper R. Taylor, Jr.  
December 15, 2000

The legislation that established the Commission required it to submit a final report to the Governor and General Assembly by October 15, 2000. However, in the course of conducting its work this interim, the Commission determined that many of the most significant issues relating to the State's school finance system could not be properly resolved until the Commission had thoroughly explored the issue of whether the State's schools are being adequately funded. The Commission also determined that an adequacy study could not be completed prior to the spring of 2001. In light of the importance of the Commission's work and the need for a thorough review of issues relating to adequacy, the Commission sought and received permission from each of you to continue its work after the conclusion of the 2000 interim. Specifically, the Commission received permission to submit an interim report by December 15, 2000, and a final report by October 15, 2001.

The attached report outlines the work of the Commission during the 2000 interim and discusses its recommendations regarding policy options that could be implemented during the 2001 session. Although the Commission will continue its work next interim to focus on issues that cannot be resolved until after completion of the adequacy study, there are a number of policy options that the Commission believes should be pursued during the 2001 session to address specific needs that have already been identified by the Commission. The Commission's recommendations are outlined in Chapter 3 of the report. The Commission is recommending that \$133.4 million in new education funding be included in the fiscal 2002 State budget. This recommendation includes \$42.3 million for special education, \$22 million for transportation of disabled students, and \$69.1 million for programmatic enhancements. The Commission views this additional funding as a temporary but essential adjustment to the State's school finance system that may be subsequently modified depending on the Commission's final recommendations. The Commission's interim recommendations are consistent with the high priority that the Governor and General Assembly place on the education of Maryland's children and are fiscally responsible given the strong economy that Maryland continues to enjoy.

In its final report, the Commission plans to make recommendations regarding changes to the State's school finance system that may be necessary to insure that the State meets its constitutional obligation to provide a "thorough and efficient" education for all children. In this regard, the Commission intends to study the trend in State education aid as a percentage of the State budget and consider whether the State should mandate by statute that a certain percentage of the State budget be used to fund primary and secondary education.

I wish to express my appreciation to my fellow Commissioners for the time and effort that they are devoting to the work of the Commission. Extensive work sessions, considerable travel throughout the State, and the need to read and digest voluminous documents did not deter them as they worked to develop meaningful recommendations for fiscal 2002 and establish a solid foundation

The Honorable Parris N. Glendening  
The Honorable Thomas V. Mike Miller, Jr.  
The Honorable Casper R. Taylor, Jr.  
December 15, 2000

for the next stage of the Commission's work. I also want to thank the staff of the Maryland State Department of Education and Department of Legislative Services for their contributions to the work of the Commission. Their service to the Commission has been superior in every respect.

My colleagues and I are grateful for the opportunity you gave us to participate in this important endeavor. We look forward to the important work that lies ahead and completion of the Commission's final report.

Sincerely,

Alvin Thornton, Ph.D.  
Chairman

cc: Members, Commission on Education Finance, Equity, and Excellence

## **Commission on Education Finance, Equity and Excellence Roster**

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Dr. Alvin Thornton  
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The Honorable Michael J. Collins  
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The Honorable Barbara A. Hoffman  
Chairman, Senate Budget and Taxation  
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Member, Maryland State Board of Education

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## Executive Summary

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### I. Charge and Overview

The Commission on Education Finance, Equity, and Excellence was established in the fall of 1999 pursuant to Chapter 601 of the Laws of Maryland (1999). The 27-member commission is charged with reviewing current education financing formulas and accountability measures and making recommendations for: (1) ensuring adequacy of funding for students in public schools; (2) ensuring equity in funding for students in public schools; (3) ensuring excellence in school systems and student performance; (4) providing for a smooth transition when current educational funding initiatives sunset at the end of fiscal 2002; (5) analyzing whether it is more effective to provide additional State aid in the form of targeted grants or by increasing funding through the base formula; and (6) ensuring that local property tax policies do not affect the equitable allocation of funding for students in public schools.

The legislation that established the Commission requires it to submit a final report to the Governor and General Assembly by October 15, 2000. However, in the course of conducting its work this interim, the Commission determined that it could not complete its work by this date. In particular, the Commission determined that many of the most significant issues relating to the State's school finance system cannot be resolved properly until the Commission has had an opportunity to thoroughly explore the issue of whether the State's schools are being adequately funded. The Commission also determined that an adequacy study could not

be completed any earlier than the spring of 2001. The Commission has engaged Augenblick & Myers, a nationally recognized consulting firm that specializes in issues relating to school finance, to conduct an adequacy study that is expected to be completed by the end of May 2001.

In light of the importance of the Commission's work and the need for a thorough review of issues relating to adequacy, the Commission sought and received permission from the Governor and the presiding officers to continue its work after the conclusion of the 2000 interim. Specifically, the Commission received permission to submit an interim report by December 15, 2000 and a final report by October 15, 2001.

This report outlines the work of the Commission during the 2000 interim and discusses the Commission's recommendations regarding education funding enhancements that could be implemented during the 2001 session. The Commission views these recommendations as temporary adjustments to the State's school finance system that may be modified next year depending on the Commission's final recommendations.

### II. Summary of Commission's Work During 2000 Interim

The Commission worked diligently throughout the 2000 interim to implement its broad statutory charge. The Commission's schedule prior to the issuance of the first draft of this report on October 26, 2000, included four regional public hearings in July 2000 and



nine work sessions. The first draft of this report included recommendations that addressed some of the major concerns expressed by the public during the July hearings. Following the issuance of the first draft of this report, the Commission held five additional public hearings and two additional work sessions. The second set of public hearings, held in November 2000, provided the public with an opportunity to comment on the Commission's proposed recommendations. To a large extent, testimony received at the hearings was supportive of the Commission's recommendations. However, various individuals and organizations raised issues for the Commission's consideration. Following the second set of hearings, the Commission made several revisions to its proposed recommendations to address concerns that were discussed at the public hearings.

The Commission received numerous briefings throughout the 2001 interim on issues relating to the three primary components of its charge -- equity, adequacy, and accountability/excellence. The Commission also spent a significant amount of time and energy reviewing all of the current State education funding programs and discussing issues that relate to education funding programs that sunset at the end of fiscal 2002, targeted programs, and local tax restrictions/effort.

In order to facilitate an informed discussion of issues relating to equity in school funding, the Commission requested that Augenblick & Myers evaluate the equity of Maryland's school finance system. After reviewing the equity of the various components of the State's school finance system, Augenblick & Myers concluded that "Maryland's school finance system produces

a high level of equity." However, Augenblick & Myers also advised the Commission that the State could improve the equity in its school finance system by changing the way State retirement funds are allocated, modifying the foundation program so that it includes more local funds or is adjusted to be more sensitive to district need (thereby reducing the need for the State to provide funds outside of the foundation program), or creating a "second tier" of funding that provides aid to less wealthy jurisdictions based on local effort. The Commission discussed a number of policy options that could address these suggestions for improving equity in the State's school finance system and decided to study these options more fully during the 2001 interim after the completion of the adequacy study.

The Commission learned from Augenblick & Myers that there are several ways to approach the concept of adequacy, some of which have been pursued in other states and some of which are theoretical. On November 7, 2000, the Commission approved a task order that requires Augenblick & Myers to undertake a two-pronged approach to determining a base cost per student amount that could be used to establish the per student aid amount that is distributed under the basic current expense formula. The first prong involves the use of the professional judgment approach. The second prong involves an analysis of successful schools. After developing a base cost per student amount, Augenblick & Myers will assist the Commission in developing a series of adjustments to this figure to reflect the cost pressures associated with students with special needs.

In the fall of 2000, the Commission learned that the *New Maryland Education*

Coalition (MEC) had contracted with a private consultant to conduct an adequacy study using the professional judgment approach. The Commission agreed to designate liaisons to the MEC study for the purpose of assisting in efforts to make the MEC study consistent with the adequacy study conducted by Augenblick & Myers on behalf of the Commission.

After reviewing the findings and recommendations of various studies relating to the content, validity, and reliability of the MSPAP program, the Commission affirmed that MSPAP is the State's current standard of excellence for elementary and middle schools. Accordingly, the MSPAP standards, along with the other components of Maryland's School Performance Index (i.e., the Maryland Functional Tests (for high schools), attendance rates, and drop-out rates (for high schools)) will be used by Augenblick & Myers in the course of conducting an adequacy study that seeks to measure the amount of funding that is needed to achieve desired performance objectives.

In November 2000, the State Superintendent advised the Commission that she would be appointing a "10-year review panel" in January 2001 to review and evaluate the State's education reform efforts since 1989 (e.g., professional development, technology, class size, minority achievement, dropout prevention, reading, academic intervention, special education inclusion, teacher preparation, MSPAP, and other assessments). The State Superintendent also advised the Commission that MSDE is in the process of negotiating a contract with the Maryland Assessment Research Center for Educational Success and a nationally recognized research institution to review and evaluate two reports on MSPAP that were recently conducted by research teams funded by the Abell

Foundation. This new study is expected to be completed by March 2001. The 10-year review panel will review the results of the study as part of its evaluation of MSPAP.

The Commission intends to monitor the work of the 10-year review panel during the 2001 interim for the purpose of ensuring that the Commission's final report properly addresses issues that are relevant to the Commission's charge of ensuring excellence in school systems and student performance. To assist in this endeavor, the Commission agreed, at the suggestion of the State Superintendent, to designate one or two members of the Commission to serve on the panel. In addition to receiving regular updates during the 2001 interim from Commission members who serve on the panel, the Commission plans to conduct briefings with other representatives of the panel as necessary to allow the Commission to fully understand the scope of the panel's work.

### **III. Commission's Recommendations for 2001 Session**

Although the Commission believes that many of the significant issues relating to school finance in Maryland cannot be resolved until after the completion of the adequacy study next year, it also believes that the Governor and General Assembly should have the benefit of the Commission's current thinking prior to the 2001 session. There are a number of education funding enhancements that the Commission believes should be pursued during the 2001 session to address specific needs that have already been identified by the Commission. In total, the Commission is recommending that \$133.4 million in new education funding be included in the fiscal 2002 State budget. This recommendation includes \$42.3 million for

special education, \$22 million for transportation of disabled students, and \$69.1 million for programmatic enhancements. The Commission views this additional funding as a temporary adjustment to the State's school finance system that may be modified later depending on the Commission's final recommendations.

The Commission believes that its recommendations are fiscally responsible in light of the positive budget outlook for fiscal 2002. In September 2000, the Commission was advised by DLS that the State is experiencing continued growth in its economy. As evidence of the State's strong economy, DLS estimated in November 2000 that there will be a general fund balance of approximately \$353 million at the end of fiscal 2001. The Commission recognizes that there are a number of competing priorities for funding in the fiscal 2002 budget and the Governor must make difficult choices when formulating a budget to propose to the General Assembly. However, the Commission believes that the State's public schools should be among the State's highest priorities for enhanced funding. The Commission also notes that the total estimated cost of its fiscal 2002 recommendations (\$133 million) is only 4.9% of total State aid for education in fiscal 2001 (\$2.7 billion).

### **Special Education**

The Commission recommends that an additional \$42.3 million be included in the fiscal 2002 budget for special education. This recommendation involves maintaining the \$70 million base appropriation distributed in accordance with current law and adding \$42.3 million to the second tier (currently funded at \$11.25 million). The \$42.3 million figure represents the first-year cost of a five-year

plan that was considered by the Commission. Under the proposed five-year plan, the State's contribution for special education would increase in each of the five years until it equals 2.3 times the State's share of the fiscal 2001 per-pupil foundation amount. The Commission plans to reconsider issues relating to special education during the 2001 interim after reviewing the results of its adequacy study. The Commission's evaluation of this issue will include an analysis of: (1) whether the 2.3 pupil weight is appropriate (i.e., is too high or too low); (2) whether the State's contribution should be based on the per pupil foundation amount in the applicable fiscal year (rather than the per pupil foundation amount in fiscal 2001); and (3) whether a five-year phase-in should be implemented.

### **Transportation (Disabled Students)**

The Commission recommends that the State's supplemental aid for transporting disabled students be modified to provide a \$1,000 grant for each disabled student who requires special student transportation services. Under this proposal, the current \$500 per student grant amount is increased to \$1,000 per student and the current offset for disabled students transported during the 1980-1981 school year is eliminated. Implementation of this proposal would result in increased funding of \$22 million in fiscal 2002. The Commission believes that this recommendation should be implemented in the fiscal 2002 budget to provide relief to school systems that are absorbing a disproportionate share of transportation costs. However, the Commission also plans to continue to explore issues relating to funding of transportation for both regular and special education students during the 2001 interim.

## **Programmatic Budget Enhancements**

The Commission recommends that \$69.1 million be included in the fiscal 2002 State budget to fund the following programs: (1) Maryland Academic Intervention and Support Program (\$25,983,326); (2) Judith P. Hoyer Centers/early education initiatives (\$8,000,000); (3) full-day kindergarten (\$15,809,466); (4) reconstitution-eligible schools (\$5,000,000); (5) teacher mentoring (\$12,880,501); (6) positive behavioral interventions (\$712,090); and (7) instructional leadership development for principals (\$750,000). The Commission believes these proposals address special needs identified by the State Board and State Superintendent and are consistent with the Commission's charge to make recommendations that promote excellence in the State's public schools. For the most part, the proposals are also consistent with the principles of equity that were used by the Commission's consultant to analyze the equity of the State's current school financing system.

## **Baltimore City Remedy**

Although the Commission does not believe it is appropriate to take a position on the merits of the legal issues involved in the case of Maryland State Board of Education et. al. v. Bradford et. al. currently pending in the Maryland Court of Appeals (September 2000 Term) ("Bradford case"), it does believe that it is in the best interest of the children of Baltimore City for the State to resolve these issues as expeditiously as possible. The Commission also believes that it is in the best interest of the State for the executive and legislative branches of government to resolve the complex issues that relate to adequacy, equity, and accountability in the State's school finance system, so as to minimize the need for

judicial intervention. In an attempt to further this goal, the Commission has urged the Governor, the Board of School Commissioners for Baltimore City, and the other parties involved in the Bradford case to reopen negotiations and work jointly with the General Assembly to insure that the underlying issues are resolved as soon as possible. The Commission notes that MSDE believes that a significant portion of the fiscal 2002 funding recommended by the Commission in this report aligns with the remedy plan for the Baltimore City Public School System that was endorsed by the Maryland State Board of Education in August 2000.

## **Funding that Expires after Fiscal 2002**

As mentioned above, several pieces of legislation enacted in recent years mandate funding for categorical aid that is scheduled to terminate ("sunset") at the end of fiscal 2002. This legislation relates to: (1) the Baltimore City-State Partnership (SB 795 of 1997); (2) the School Accountability Funding for Excellence ("SAFE") Program (HB 1 of 1998); (3) the Teacher Challenge Salary Program/Public School Funding Enhancement (SB810/HB1247 of 2000); and (4) the Prince George's School Construction Program (HB 657 of 1998). The Commission determined that a final decision on whether to extend, repeal, or modify the categorical funding that is scheduled to sunset at the end of fiscal 2002 could not be made until after the completion of an adequacy study. Since the adequacy study is not expected to be completed until the spring of 2001, the Commission concluded that the best course of action would be to extend the sunset on all of these programs for one year -- i.e., until the end of fiscal 2003. To accomplish this goal, the Commission

recommends that legislation be introduced during the 2001 session.

With regard to the Governor's Teacher Salary Challenge Program, the Commission recommends that the program be extended to the end of fiscal 2003 without increasing the State match beyond the fiscal 2002 level. With regard to the legislation relating to the State and local cost share for the Prince George's County school construction program (HB 657 of 1998), the Commission notes that this legislation is similar to a provision of the 1996 consent decree entered in the Bradford case that pertains to the State and local cost share for the Baltimore City school construction program. The applicable provision of the consent decree is currently set forth in the rules adopted by the Board of Public Works to govern the Public School Construction Program. For consistency, the Commission recommends that the Board of Public Works extend the applicable rule until the end of fiscal 2003.

#### **IV. Issues and Proposals Deferred for Further Consideration in 2001 Interim**

The Commission will continue to study issues relating to the State's accountability system, adequacy of funding for public schools, local tax restrictions/effort, special education, student transportation, and full-day kindergarten during the 2001 interim. The Commission also believes that several policy options relating to alternative school finance mechanisms that it explored this interim should be studied further during the 2001 interim after completion of the adequacy study. These policy options relate to: (1) changes in the basic current expense formula; (2) funding for and consolidation of targeted poverty programs and the compensatory education program; (3) funding

for limited English proficiency (LEP) students; and (4) "second tier" funding for less wealthy jurisdictions based on local effort. The Commission remains open to studying proposals for alternative school financing mechanisms that were not considered by the Commission during the 2000 interim. Finally, the Commission intends to study the trend in State education aid as a percentage of the State budget and consider whether the State should mandate by statute that a certain percentage of the State budget be used to fund primary and secondary education.

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## Chapter 1. Commission's Charge

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The Commission on Education Finance, Equity, and Excellence was established in the fall of 1999 pursuant to legislation enacted during the 1999 session. (See **Appendix 1.**) The 27-member commission is charged with reviewing current education financing formulas and accountability measures and making recommendations for: (1) ensuring adequacy of funding for students in public schools; (2) ensuring equity in funding for students in public schools; (3) ensuring excellence in school systems and student performance; (4) providing for a smooth transition when current educational funding initiatives sunset at the end of fiscal 2002; (5) analyzing whether it is more effective to provide additional State aid in the form of targeted grants or by increasing funding through the base formula; and (6) ensuring that local property tax policies do not affect the equitable allocation of funding for students in public schools.

The legislation that established the Commission requires that the Commission submit a final report to the Governor and General Assembly by October 15, 2000. However, in the course of conducting its work during the 2000 interim, the Commission determined that it could not complete its work by October 15, 2000. In particular, the Commission determined that many of the most significant issues relating to Maryland's school finance system cannot be resolved properly until the Commission has had an opportunity to thoroughly explore the issue of whether Maryland's schools are being adequately funded. The Commission worked with a private consultant throughout the 2000 interim to determine the best methodology for evaluating adequacy of funding for public schools. On November 7, 2000, the Commission approved a task order that requires the consultant to conduct an adequacy study that is expected to be completed by the spring of 2001. (See **Appendix 6.**)

In light of the importance of the Commission's work and the need for a thorough review of the many complex issues relating to the State's school finance system, the Commission requested that the Governor and presiding officers authorize the Commission to continue its work after the conclusion of the 2000 interim. Specifically, the Commission sought permission from the Governor and presiding officers to make "interim" recommendations on policy options that could be implemented during the 2001 session, with the understanding that any such interim adjustments to the State's school finance system should be viewed as temporary adjustments that could be modified during the 2002 session, depending on the Commission's final recommendations. (See **Appendix 21.**) In October 2000, the Commission received written authorization from the Governor and presiding officers to proceed with the Commission's plan to submit a report on its interim recommendations by December 15, 2000, and to submit a report on its final recommendations by October 15, 2001. (See **Appendices 22-25.**)

# Chapter 2. Summary of Work of the Commission in 2000 Interim<sup>1</sup>

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## 2.1 Introduction

The Commission worked diligently during the 2000 interim to implement its broad statutory charge. The Commission's schedule prior to the issuance of the first draft of this report on October 26, 2000, included nine work sessions and four regional public hearings. These work sessions and public hearings provided the Commission with significant and valuable background information on the issues that it has been charged to study. Following the issuance of the first draft of this report on October 26, 2000, the Commission held five additional public hearings and two additional work sessions.

On June 7, the Board of Public Works approved a contract between the Maryland State Department of Education (MSDE) and Augenblick & Myers for consulting services to be provided to the Commission.<sup>2</sup> The contract is being implemented through a task order process, which requires the Commission to identify the tasks to be undertaken by the consultant. The Commission issued several task orders this interim and has been working primarily with Dr. John Augenblick in connection with these task orders. (See **Appendix 5 and 6.**) Thus far, Dr. Augenblick's main contribution to the work of the Commission has been an analysis of the equity of Maryland's school finance system.<sup>3</sup> Dr. Augenblick has also assisted the Commission in evaluating various issues relating to school finance systems in other states, trends in school financing, funding for special education and compensatory education programs, adequacy of funding for public schools, and alternative approaches to measuring adequacy.<sup>4</sup> On November 7, 2000, the Commission approved a task order that requires Augenblick & Myers to complete an adequacy study by the spring of 2001.

The Commission used the nine work sessions that were held prior to the issuance of the first draft of this report to explore a variety of issues that relate to its statutory charge. The Commission received testimony and engaged in lengthy discussions about: (1) the goals of the State's school finance system; (2) the standards by which the State measures student achievement and the manner in which the State addresses issues relating to unsatisfactory performance (e.g., the Maryland School Performance System

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<sup>1</sup>References in this report to the "Technical Supplement" are references to the "Technical Supplement to the Interim Report of the Commission on Education Finance, Equity, and Excellence (December 2000)."

<sup>2</sup>See Document 2 in the Technical Supplement.

<sup>3</sup>See Documents 10, 11, and 19 in the Technical Supplement.

<sup>4</sup>See Documents 5-9 and 12-16 in the Technical Supplement.

(MSPAP), reconstitution, the High School Improvement Program and the Maryland Academic Intervention and Support Program); (3) the State's efforts to address issues relating to minority achievement; (4) the findings and recommendations of "Miles To Go: Maryland;" (5) education legislation enacted during the 2000 Session; (6) recent trends in education spending; (7) the State's current education funding programs; (8) issues relating to local tax restrictions and local education effort; (9) potential revenue sources for increased funding for K-12 education programs; (10) the equity of Maryland's school finance system; (11) public school financing systems in other states; (12) legal and policy issues that relate to the concept of "adequacy" of funding for education; (13) alternative ways to determine adequacy of funding for education; (14) fiscal 2002 budget enhancements proposed by the State Board of Education; (15) the estimated increase in mandated education aid for fiscal 2002; (16) Maryland State Board of Education et. al. v. Bradford et. al. (Court of Appeals, September 2000 Term); and (17) the remedy plan for the Baltimore City Public School System ("Baltimore City Remedy Plan").

The Commission's first set of public hearings was held during July 2000 in four different regions of the State. (See **Appendix 7.**) The purpose of the public hearings was to secure individual and organizational comments about issues before the Commission prior to the Commission's issuance of this draft report. The Commission sought to obtain specific input from the public as to how the current financing system could be improved so as to further the goals of equity, adequacy, increased student performance, and accountability. In order to focus the hearings on salient issues, the Commission developed a list of questions that speakers were asked to address at the hearings. (See **Appendix 8.**) Testimony at the public hearings was informed and extensive and included the opinions of elected officials, organizational representatives, and individual citizens. The Commission received input on numerous issues relating to adequacy, equity, and accountability in the current school finance system, including suggestions for specific policy recommendations relating to a variety of topics. (See **Appendix 9.**)

The first draft of this report (issued on October 26, 2000) included recommendations that addressed some of the major concerns expressed by the public during the July hearings. The Commission held a second set of public hearings in November 2000 for the purpose of allowing the public to comment on the proposed recommendations. Like the first round of hearings, testimony during the November hearings was informed and extensive. To a large extent, testimony received at the hearings was supportive of the Commission's recommendations. However, various individuals and organizations raised issues for the Commission's consideration.

On November 20, 2000, the Commission discussed the testimony that was received at the second round of hearings and decided to make a number of revisions to its proposed recommendations. In particular, the Commission decided to: (1) recommend that the State develop a better accountability system for special education programs; (2) recommend that the State provide financial support for voluntary full-day kindergarten initiatives rather than mandatory full-day kindergarten; and (3) express its intent to monitor MSDE's effort to review and evaluate the State's education reform initiatives, including the MSPAP program, during the 2001 interim. These decisions are discussed in more detail under Sections 3.2, 3.4, and 3.7 of this report.

The Commission also decided to: (1) designate liaisons to an adequacy study being conducted by the *New Maryland Education Coalition* (MEC) to help insure consistency and compatibility between the MEC study and the adequacy study being conducted by Augenblick & Myers on behalf of the Commission; and (2) express the Commission's intent to study the trend in State education aid as a percentage of the State budget during the 2001 interim and consider whether the State should mandate by statute that a certain percentage of the State budget be used to fund primary and secondary education. These decisions are discussed in more detail under Sections 2.3 and 3.7 of this report.

## 2.2 Equity

The Commission has been charged with making recommendations that "ensure equity in funding for students in public schools." In order to facilitate an informed discussion of issues relating to equity in school funding, the Commission issued a task order letter on July 13, 2000, requesting that Dr. Augenblick evaluate the equity of Maryland's school funding system. (See **Appendix 5**.) Dr. Augenblick presented his equity analysis to the Commission on August 10, 2000.<sup>5</sup> Dr. Augenblick's equity analysis focused on "fiscal" equity, which emphasizes disparities in revenues, rather than on "programmatic" equity, which emphasizes disparities in expenditures (e.g., expenditures for resources such as number of teachers and teacher salaries).

According to Dr. Augenblick, the concept of equity is associated with the needs of school districts, the wealth of school districts, and the tax effort that school districts make to generate local funding for public schools. Essentially, an equitable school finance system is one in which the combination of state and local revenues available to school districts is measurably related to the needs of those districts while simultaneously not being related to their wealth and having a relationship to their tax effort.<sup>6</sup> After

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<sup>5</sup>See Documents 10 and 11 in the Technical Supplement.

<sup>6</sup>See Document 10 of the Technical Supplement at 2.

reviewing the equity of the various components of Maryland's school finance system, Dr. Augenblick concluded that "Maryland's school finance system produces a high level of equity."<sup>7</sup>

However, Dr. Augenblick also advised the Commission that "the system could . . . be improved [and] . . . that particular components of the system are . . . inequitable."<sup>8</sup> Specifically, he stated that:

"[t]he foundation program, including the state and local pieces of it, works well and should not be dismantled. Other state aids, excluding retirement funding, do a good job, in combination, of reflecting the different needs of school districts but could be made more sensitive to differences in district wealth. State retirement funds are distributed in an inequitable manner. Perhaps most important, local funds generated for current operating purposes beyond the foundation requirement are disequalizing and something should be done, given their importance as a source of revenue, to deal with the problems they cause by being raised in a manner that is unrelated to district need and positively related to district wealth."<sup>9</sup>

Dr. Augenblick advised the Commission that the State could improve the equity in its school finance system by changing the way State retirement funds are allocated, modifying the foundation program so that it includes more local funds or is adjusted to be more sensitive to district need (thereby reducing the need for the State to provide funds outside of the foundation program), or creating a "second tier" of funding that provides aid in recognition of the variation in district tax effort.<sup>10</sup> At its meetings in September and October 2000, the Commission discussed a number of policy options that could address some of these suggestions. However, as discussed below in Section 3.6 of this report, the Commission eventually decided to study these proposals more fully during the 2001 interim. This will allow the Commission to obtain the results of the adequacy study before reaching final conclusions about the merits of any particular proposal.

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<sup>7</sup>See Document 10 of the Technical Supplement at 9.

<sup>8</sup>See Document 10 of the Technical Supplement at 9.

<sup>9</sup>See Document 10 of the Technical Supplement at 9.

<sup>10</sup>See Document 10 of the Technical Supplement at 10.

## 2.3 Adequacy

The Commission has been charged with “ensuring adequacy of funding for students in public schools.” To implement this charge, the Commission asked Dr. Augenblick to assist the Commission by providing background information and advice regarding: (1) the legal and policy issues associated with the concept of “adequacy”; (2) the manner in which other states have dealt with the issue of adequacy; (3) the different approaches to measuring adequacy; and (4) the availability of data needed to conduct an adequacy study in Maryland.<sup>11</sup> Dr. Augenblick discussed these issues with the Commission at its meetings on June 23, August 10, September 7, and October 19.

The Commission learned during the course of these discussions that there are several ways to approach the concept of adequacy, some of which have been pursued in other states and some of which are theoretical. According to Dr. Augenblick, none of the alternatives has emerged as the “best” way to resolve the issue and each has strengths and weaknesses that makes it more or less appropriate for use in a particular state. All of them work under the theory that adequacy has two components: (1) a base cost per pupil common to all districts (the parameter that could be used to establish the per student aid amount that is distributed under Maryland’s foundation program); and (2) a series of adjustments to the base to reflect the cost pressures associated with different pupils, different programs, or different characteristics of school districts.

Dr. Augenblick advised the Commission that the following three approaches to developing a base cost figure have received the most attention: (1) the professional judgment approach (used in Wyoming and being discussed in Oregon, South Carolina, and Wisconsin); (2) the successful school district approach (used in Mississippi, New Hampshire, and Ohio); and (3) the complex statistical approach (not used in any state).

The professional judgment approach typically uses multiple panels of educators to determine the kinds of resources needed to achieve a particular set of objectives in prototypical elementary, middle, and high schools. The resources identified by these panels are then “priced out” based on salary levels and other factors to determine the per pupil base cost. The successful school district approach examines the “basic” spending of those districts that meet performance objectives established by the state, where basic spending excludes transportation, special education, compensatory education, or other spending associated with the kinds of adjustments that will be made to the base cost figure. This approach can be designed to reflect efficiency by focusing on districts with relatively low spending among all those that meet the state’s objectives. The complex statistical approach typically uses multi-stage, multiple regression to infer a base cost figure (and a series of adjustments) and is analyzed in terms of statistical significance, r-square, beta weights, and other statistical tools.

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<sup>11</sup>See Documents 5-9 and 14 in the Technical Supplement.

Dr. Augenblick advised the Commission that the data that is currently available in Maryland on local school systems would support a study based on the professional judgment model. Given the small number of school districts in Maryland, however, it would be necessary to gather spending data at the school level (rather than the district level) in order to pursue either the successful school district approach or the complex statistical approach. Currently, this type of spending data is not being collected by MSDE or any other State agency.

On November 7, 2000, the Commission approved a task order that requires Augenblick and Myers to: (1) determine a base cost per student amount that could be used in establishing the per-student aid amount that is distributed under Maryland's basic current expense formula; and (2) provide assistance in developing weights to reflect the cost of serving students with special needs (e.g., students from economically disadvantaged families, special education students, and students with limited English proficiency). (See **Appendix 6.**) The task order calls for Augenblick & Myers to undertake a two-pronged approach to determining a base cost per student amount. The first prong involves the use of the professional judgment approach. The second prong involves an analysis of successful schools. Since the estimated cost of the proposed adequacy study and related follow-up work (\$149,000) exceeds the amount of funds remaining in the Commission's budget (\$74,000), the Commission is in the process of seeking additional funding for the adequacy study.

The professional judgment approach requires Augenblick & Myers to use teams of educators to help develop the base cost per pupil amount. Specifically, Augenblick & Myers will use six teams of educators to specify the kinds of resources that are needed to achieve a particular set of objectives in prototypical elementary, middle, and high schools. Augenblick & Myers will also use an expert panel of educators to review the work of the prototype teams. After the needed resources have been identified, Augenblick & Myers will determine district level resource needs and price-out all of the needed resources to develop a total cost figure. MSDE, with the assistance of Augenblick & Myers, has developed criteria that will be used to select educators to participate in the prototype teams and the expert panel. MSDE has also developed a selection process that seeks to identify a good cross-section of knowledgeable and experienced educators that are representative of the State in terms of race, gender, and geographic region.

The first step in the successful schools analysis is to identify a sample of approximately 60 schools (elementary, middle, and high schools) that are considered to be successful using Maryland's School Performance Index (SPI). This sample will be designed to reflect geographic regions of the State as well as variation in the proportion of students receiving free and reduced price meals, enrollment count, minority students, and LEP students. In order to obtain appropriate school level spending information, Augenblick & Myers will ask the school districts in which successful schools are located to provide information about the schools, including the numbers of people who work in the schools, the extent of the time they spend providing services to pupils with special needs, their salaries and benefits, and other spending that is attributable to each school.

Augenblick & Myers will also allocate certain district expenditures, such as spending for plant maintenance and operation, to schools based on pupil-driven formulas.

To facilitate data collection, Augenblick & Myers will: (1) create a data template; (2) meet with school district fiscal officers to review the template; (3) send the template to school districts with successful schools and ask them to provide the requested data; (4) review the data; and (5) develop a procedure to verify the data. Augenblick & Myers will use the Office of Legislative Audits and the MSDE audit division to assist in developing the template and reviewing data. Augenblick & Myers will obtain figures that are comparable to those that are derived from the professional judgement approach so that a comparison between the two figures can be undertaken. In addition, Augenblick & Myers will collect other information that might shed light on why schools are successful, including demographic data, information about the kinds of programs and services that are available, personnel information, etc. Toward this end, Augenblick & Myers will survey successful schools to obtain information about the way they are organized, the programs they offer, and any other characteristics that the schools believe might explain their success. The Commission will monitor the work of Augenblick & Myers through written progress reports that are submitted by Augenblick & Myers on December 31, 2000, January 31, 2001, March 15, 2001, and April 30, 2001.

On November 20, 2000, the *New Maryland Education Coalition* (MEC) advised the Commission that it had contracted with a private consultant to conduct an adequacy study using the professional judgment approach. The study will be funded by the Annie E. Casey Foundation. MEC briefed the Commission on the general parameters of the study but stated that these parameters would not be finalized until December 15, 2000. MEC stated that it welcomes the involvement of Commission representatives on the advisory panel that MEC has assembled to help design the study. MEC also stated that it would make its consultant available during the 2001 interim to present the findings of the MEC study to the Commission. The Commission agreed to designate three liaisons to the MEC study (one local representative, one State representative, and one business representative) for the purpose of assisting in efforts to make the MEC study consistent with the adequacy study conducted by Augenblick & Myers on behalf of the Commission.

## 2.4 Accountability/Excellence

The Commission has been charged with “ensuring excellence in school systems and student performance”. To implement this charge, the Commission held a number of briefings on subjects relating to performance accountability measures for both students and schools. The Commission received several briefings from MSDE regarding MSPAP<sup>12</sup>, the School Accountability for Excellence (SAFE) program, and various accountability measures that have been incorporated into other funding programs. In

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<sup>12</sup>See Documents 25-27 in the Technical Supplement.



addition, the Department of Legislative Services (DLS) conducted a thorough review of funding programs relating to accountability and excellence, including programs that relate to school reconstitution, high school assessments, the California Test of Basic Skills/5, the Maryland Academic Intervention and Support program, financial accountability, and teacher quality.<sup>13</sup>

In addition to its review of MSPAP and current funding programs that relate to accountability and excellence, the Commission discussed the way in which MSPAP relates to the issue of whether the State is providing adequate funding for public schools. The Commission's review of MSPAP included briefings by MSDE on the findings and recommendations of various studies relating to the content, validity, and reliability of MSPAP. The Commission affirmed that the MSPAP standards are the State's standard of excellence for elementary and middle schools. Accordingly, MSPAP standards, along with the other components of Maryland's School Performance Index (i.e., the Maryland Functional Tests (for high schools), attendance rates, and drop-out rates (for high schools)) will be used by Dr. Augenblick in the course of conducting an adequacy study that seeks to measure the amount of funding that is needed to achieve desired performance objectives. (See **Appendix 6**.)

On November 20, 2000, the State Superintendent advised the Commission that she would be appointing a "10-year review panel" in January 2001 to review and evaluate the State's education reform efforts since 1989 (e.g., professional development, technology, class size, minority achievement, dropout prevention, reading, academic intervention, special education inclusion, teacher preparation, MSPAP, and other assessments). The State Superintendent also advised the Commission that MSDE is in the process of negotiating a contract with the Maryland Assessment Research Center for Educational Success and a nationally recognized research institution to review and evaluate two reports on MSPAP that were recently conducted by research teams funded by the Abell Foundation. This new study is expected to be completed by March 2001. The 10-year review panel will review the results of the study as part of its evaluation of MSPAP.

The Commission intends to monitor the work of the 10-year review panel during the 2001 interim for the purpose of ensuring that the Commission's final report properly addresses issues that are relevant to the Commission's charge of ensuring excellence in school systems and student performance. To assist in this endeavor, the Commission agreed, at the suggestion of the State Superintendent, to designate one or two members of the Commission to serve on the panel. In addition to receiving regular updates during the 2001 interim from Commission members who serve on the panel, the Commission plans to conduct briefings with other representatives of the panel as necessary to allow the Commission to fully understand the work of the panel.

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<sup>13</sup>See Document 17 in the Technical Supplement.

## 2.5 Funding that Expires after Fiscal 2002

Several pieces of legislation enacted in recent years mandate categorical aid funding that is scheduled to terminate (“sunset”) at the end of fiscal 2002. This legislation relates to: (1) the Baltimore City-State Partnership (SB 795 of 1997); (2) the School Accountability Funding for Excellence (“SAFE”) Program (HB 1 of 1998); (3) the Teacher Challenge Salary Program/Public School Funding Enhancement (SB810/HB1247 of 2000); and (4) the Prince George’s County School Construction Program (HB 657 of 1998)<sup>14</sup>. The Commission has been charged with making recommendations that will “provid[e] for a smooth transition when . . . [these] initiatives sunset.” To facilitate a discussion of this issue, the Commission held three meetings in August 2000 for the purpose of conducting a thorough review of the current education funding programs in Maryland, including the programs that are scheduled to sunset at the end of fiscal 2002.<sup>15</sup> The Commission also held briefings on the Baltimore City Remedy Plan and the status of the litigation relating to the Baltimore City-State partnership (Maryland State Board of Education et. al. v. Bradford et. al. (Court of Appeals, September 2000 Term)).

## 2.6 Targeted Programs

The Commission is charged with “analyzing whether it is more effective to provide additional State aid in the form of targeted grants or by increasing funding through the base formula.” The Commission explored issues relating to this charge in a variety of ways throughout the 2000 interim. The Commission held three meetings in August 2000 for the purpose of reviewing the current education funding programs. At these meetings, the Commission reviewed the basic current expense formula as well as funding programs that relate to special education, students with special needs, transportation, accountability, teachers retirement, and a variety of other categorical programs that provide targeted funding for different purposes.<sup>16</sup> The Commission also enlisted the assistance of Dr. Augenblick for the purpose of exploring issues relating to this charge. Dr. Augenblick prepared a number of briefing documents on related subjects that he presented to the Commission.<sup>17</sup>

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<sup>14</sup>For a list of all of the programs that sunset at the end of fiscal 2002, see Exhibit 9 in Section 3.6 of this report.

<sup>15</sup>See Document 17 in the Technical Supplement.

<sup>16</sup>See Documents 17-18 in the Technical Supplement.

<sup>17</sup>See Documents 12-13 and 15-16 in the Technical Supplement.

## **2.7 Local Tax Restrictions/Effort**

The Commission is charged with “ensuring that local property tax policies do not affect the equitable allocation of funding for students in public schools.” To better understand issues relating to this charge, the Commission asked DLS to brief the Commission on: (1) the extent to which local tax limitations impact a county’s ability to raise sufficient revenues for education programs; and (2) how counties compare to each other with regard to education effort. DLS presented a report to the Commission on September 7, 2000, that provided useful background information on both of these topics.<sup>18</sup>

In its report, DLS noted that four counties have limits on property taxes: (1) Anne Arundel; (2) Montgomery; (3) Prince George’s; and (4) Talbot.<sup>19</sup> The DLS report states that these tax limits could affect the ability of the counties to raise revenues and, therefore, could affect the amount of funds that are appropriated to education services. However, the DLS report also indicated that two counties with local tax restrictions (i.e., Prince George’s and Montgomery) have a local education effort that is above the State average. The DLS report described “local education effort” as a measure of the extent to which a local government utilizes its revenue base to fund education programs. This figure is calculated by dividing the local education appropriation by local wealth and indexing the results to the State average. The DLS report also noted that local education effort is not a measure of what the tax level should be and, therefore, should not be used to judge whether counties are taxing too little or too much. The Commission will use the DLS report to guide further discussions on this topic during the 2001 interim.

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<sup>18</sup>See Document 22 in the Technical Supplement.

<sup>19</sup>On November 7, 2000, voters in Wicomico County approved a referendum that limits local property tax revenues. Revenues derived from properties included in the county’s real property tax rolls at the beginning of a fiscal year cannot increase, compared with the previous year, by more than 2% or by the percentage change in the consumer price index for urban consumers, whichever is less. This new revenue cap is effective in fiscal 2002.

## Chapter 3. Commission's Recommendations

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### 3.1 Introduction

As mentioned above in Chapter 1 of this report, the Commission sought and received permission from the Governor and the presiding officers to make interim recommendations by December 15, 2000, and to make final recommendations by October 15, 2001. Although the Commission believes that many of the significant issues relating to school finance in Maryland cannot be resolved until after the completion of the adequacy study next year, it also believes that the Governor and General Assembly should have the benefit of the Commission's current thinking prior to the 2001 session. The Commission held several meetings in the fall of 2000 for the purpose of determining whether various "policy options" that would address issues that had been identified throughout the 2000 interim should be pursued during the 2001 session or deferred for further consideration during the 2001 interim. (See **Appendices 10-14.**) Sections 3.2 through 3.6 of this chapter discuss the policy options the Commission believes should be pursued during the 2001 session. Section 3.7 of this chapter discusses the policy options the Commission plans to study further during the 2001 interim. **Exhibit 1** provides a summary of the additional funding the Commission recommends for fiscal 2002. **Exhibit 2** provides estimates of the funds that individual counties would receive in fiscal 2002 if all of the Commission's recommendations are implemented during the 2001 session.

The Commission took a number of steps in the course of its deliberations to insure that the Commission's recommendations are fiscally responsible. With regard to special education funding, the Commission agreed to make a "one-year only" recommendation for additional special education funding in fiscal 2002, rather than endorse the five-year plan from which the fiscal 2002 funding recommendation was derived. With regard to programmatic enhancements, the Commission is recommending funding that is significantly below the fiscal 2002 enhancements proposed by the Maryland State Board of Education ("State Board"). The Commission also rejected numerous proposals discussed during public hearings and Commission meetings that would have required additional funding in fiscal 2002. (See **Appendices 10-14.**)

The Commission believes that its recommendations are fiscally responsible in light of the positive budget outlook for fiscal 2002. In September 2000, the Commission was advised by DLS that the State is experiencing continued growth in its economy. As evidence of this strong economy, DLS estimated in November 2000 that there will be a general fund balance of approximately \$353 million at the end of fiscal 2001. The Commission recognizes that there are a number of competing priorities for funding in the fiscal 2002 budget and the Governor must make difficult choices when formulating a

**Exhibit 1****Estimates of the Fiscal 2002 Costs of the  
Commission's Recommended Budget Enhancements**

<b><u>Program</u></b>	<b><u>FY 2002 Cost</u></b>
Special Education	\$42,300,001
Student Transportation (Disabled Students)	21,965,000
Academic Intervention and Support Program	25,983,326
Judith P. Hoyer Centers/Early Education Interventions	8,000,000
Full-Day Kindergarten	15,809,466
Reconstitution-Eligible Program	5,000,000
Teacher Mentoring	12,880,501
Positive Behavioral Interventions	712,090
Instructional Leadership Development for Principals	750,000
<b>Total</b>	<b>\$133,400,384</b>

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## Exhibit 2

### Estimates of the Fiscal 2002 Costs of the Commission's<sup>1</sup> Recommended Budget Enhancements - Summary by Local School System<sup>2</sup>

Local Unit	Special Education Enhancement	Transportation Enhancement	Academic Intervention	Judith Hoyer Early Child Care Education	Full-Day Kindergarten <sup>2</sup>	Reconstitution Eligible Schools	Teacher Mentoring	Positive Behavior Intervention	Instructional Leadership Development Principals	Total Estimated Increase
Allegany	\$947,919	\$179,500	\$341,257		\$275,553		\$132,519			\$1,876,748
Anne Arundel	2,918,763	1,465,000	2,546,152		1,151,802		598,262			8,679,979
Baltimore City	11,670,847	4,466,000	9,539,666		2,738,271		2,497,480			30,912,264
Baltimore	3,740,049	2,928,500	3,204,089		1,412,643		1,152,511			12,437,792
Calvert	728,598	118,500	429,397		317,499		225,610			1,819,604
Caroline	465,899	62,500	249,728		148,032		171,072			1,097,231
Carroll	1,518,160	374,500	715,849		576,855		335,769			3,521,133
Cecil	1,041,663	207,000	477,139		360,245		299,775			2,385,822
Charles	1,131,833	198,500	664,717		383,745		384,086			2,762,881
Dorchester	300,214	44,500	246,338		99,616		185,892			876,560
Frederick	1,760,636	433,000	1,011,342		854,920		503,247			4,563,145
Garrett	315,616	48,500	154,809		(82,217)		175,713			612,421
Harford	2,181,482	354,000	1,006,822		937,639		633,150			5,113,093
Howard	1,186,892	630,000	1,092,701		661,649		592,912			4,164,154
Kent	102,329	30,000	85,879		37,662		125,426			381,296
Montgomery	3,274,012	5,247,000	3,385,735		1,422,437		755,201			14,084,385
Prince George's	5,476,026	4,214,500	5,963,245		3,048,399		2,460,189			21,162,359
Queen Anne's	310,370	40,500	212,438		134,544		176,017			873,869
St. Mary's	809,435	189,500	492,959		355,787		268,898			2,116,579
Somerset	226,562	61,500	132,491		91,068		147,442			659,063
Talbot	100,832	39,000	157,916		8,250		123,806			429,804
Washington	1,182,171	365,500	581,945		477,277		409,629			3,016,522
Wicomico	748,059	196,000	545,221		343,416		413,212			2,245,908
Worcester	161,634	71,500	245,491		54,374		112,683			645,682
	<b>\$42,300,001</b>	<b>\$21,965,000</b>	<b>\$33,483,326</b>		<b>\$15,809,466</b>		<b>\$12,880,501</b>			<b>\$126,438,294</b>
<b>Competitive Grants</b>				\$5,100,000				\$562,090		\$5,662,090
<b>Unallocated</b>				\$2,800,000		\$3,000,000			\$750,000	\$6,550,000
<b>MSDE Headquarters</b>				\$100,000		\$2,000,000		\$150,000		\$2,250,000
<b>Funded in Base Budget</b>										(\$7,500,000)
<b>TOTAL</b>	<b>\$42,300,001</b>	<b>\$21,965,000</b>	<b>\$25,983,326</b>	<b>\$8,000,000</b>	<b>\$15,809,466</b>	<b>\$5,000,000</b>	<b>\$12,880,501</b>	<b>\$712,090</b>	<b>\$750,000</b>	<b>\$133,400,384</b>

1 Estimates are based on data used to prepare FY 2001 grants. FY 2002 program would be based on more recent data.

2 These are estimated allocations for increased funding under the basic current expense formula as a result of using an enrollment count that assumes, for the purpose of calculating aid, that one-fourth of the total number of kindergarten students in each jurisdiction are counted as full-day kindergarten students. These allocations include reallocations under the four other State aid programs that would be affected by the use of the new enrollment count in calculating aid under the basic current expense formula.

budget to propose to the General Assembly. However, the Commission believes that the State's public schools should be among the highest priorities for enhanced funding. The Commission notes that the total estimated cost of its fiscal 2002 recommendations (\$133 million) is only 4.9% of total State aid for education in fiscal 2001 (\$2.7 billion).

The Commission also notes that between 1990 and 1998 after adjusting for inflation, there was no increase in total per student funding for education in Maryland. During this period, total per student funding increased by \$1,460 (State per student funding increased by \$728, local per student funding increased by \$645, and federal per student funding increased by \$88). However, after adjusting for inflation (using the Consumer Price Index for urban areas), total per student funding actually declined by approximately \$104 (State per student funding increased by 3.8%, local per student funding decreased by 5.8%, and federal per student funding increased by 10%). Viewed from this perspective, the Commission's recommendations for additional education funding in fiscal 2002 represent a modest attempt to provide a meaningful increase in total per student education aid.

### **3.2 Special Education**

Under current law, funding for public special education programs consists of two components: (1) a \$70 million base amount; and (2) additional ("second tier") \$11.25 million. A county's share of the \$70 million base grant is equal to the amount of special education funding that was received by the county in 1981 under a formula that distributes funds based on two factors: (1) total enrollment; and (2) a 1976 cost index for special education expenditures in each county.<sup>20</sup> The \$11.25 million second tier funding is distributed through a formula that is based on special education enrollment and local wealth.<sup>21</sup> This funding level (\$81.5 million) has remained unchanged since 1990. With regard to non-public placements, current law requires the State to share in a specified portion of the costs.<sup>22</sup> The annual funding level, therefore, is driven by the total number of nonpublic placements for the year. The fiscal 2001 State budget includes \$91.5 million to support non-public placements.

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<sup>20</sup>See §8-414 of the Education Article.

<sup>21</sup>An initial amount is allocated for each county based on each county's share of special education enrollment. An adjustment is then made to this initial based on a county's wealth per full-time equivalent student in comparison to the State's wealth per full-time equivalent student, so that less wealthy counties receive more funds per special education student. After application of the wealth adjustment a reducing factor is applied to ensure that the sum of all of the county allocations does not exceed \$11.5 million.

<sup>22</sup>See §8-415 of the Education Article.

Testimony at public hearings and Commission meetings indicated that growth in special education enrollment between 1989 and 1999 has increased at a faster rate than enrollment growth in the total student population.<sup>23</sup> Testimony also indicated that special education costs are paid disproportionately by local unrestricted appropriations. In fiscal 1998, total federal, State, and local expenditures for special education programs in Maryland was \$987 million. Of this amount, the State paid \$147 million (15%), the federal government paid \$92 million (9%), and \$748 million (76%) was paid with local unrestricted revenues.<sup>24</sup> With regard to non-public placements, testimony indicated that students are sometimes transferred from public schools to more expensive non-public placements because appropriate services that could otherwise be provided in public programs are not available because of a lack of funding.

After reviewing current law governing special education funding and listening to testimony received at public hearings and Commission meetings, the Commission concluded that the State's current contribution to the funding for special education should be increased. The Commission believes that the Governor and General Assembly should begin to address this issue in fiscal 2002. Specifically, the Commission recommends that an additional \$42.3 million be included in the fiscal 2002 budget for special education. This recommendation involves maintaining the \$70 million base appropriation distributed in accordance with current law and adding \$42.3 million to the second tier (currently funded at \$11.25 million). For estimates of individual county allocations under this proposal in fiscal 2002, see **Exhibit 3**.

The Commission's \$42.3 million recommendation for fiscal 2002 represents the first-year cost of a five-year plan that was considered by the Commission. Under the proposed five-year plan, the State's contribution for special education would increase in each of the five years until it equals 2.3 times the State's share of the fiscal 2001 per-pupil foundation amount. Although the Commission recommends that the first year of funding under this plan be implemented in fiscal 2002, the Commission has not endorsed the funding that is required in the remaining four years of the plan. The Commission plans to reconsider this five-year plan and other issues relating to special education during the 2001 interim after reviewing the results of the adequacy study. The Commission's evaluation of this issue will include an analysis of: (1) whether the 2.3 pupil weight is appropriate (i.e., is too high or too low); (2) whether the State's contribution should be based on the per-pupil foundation amount in the applicable fiscal year (rather than the per-pupil foundation amount in fiscal 2001); and (3) whether a five-year phase-in should be implemented.

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<sup>23</sup>See Document 17 in the Technical Supplement at 39.

<sup>24</sup>See Document 18 in the Technical Supplement.



### Exhibit 3

## Estimates of the Fiscal 2002 Costs of the Commission's Recommendation for Additional Funding for Special Education<sup>1</sup>

**Additional Tier 2 Funding of \$42.3 Million per yr - Fiscal 2002**  
**Assumes # Spec Ed Pupils and Per Pupil Wealth Remain Constant**

Local Unit	(1) Tier 1 Special Education Formula	(2) Tier 2 Special Ed. Eligible Pupils	(3) Times \$483.87	(4) Per Pupil Wealth	(5) Unadjusted	(6) Adjusted 0.8553430	(7) Total Special Education Funding	(8) Change From Current Formula
Allegany	\$983,597	1,765	\$854,025	\$159,697	\$1,402,975	\$1,200,025	\$ 2,183,622	\$ 947,919
Anne Arundel	5,879,464	10,455	5,058,825	307,219	4,319,940	3,695,030	9,574,494	2,918,763
Baltimore City	19,870,136	18,686	9,041,531	137,321	17,273,531	14,774,794	34,644,930	11,670,847
Baltimore	5,680,683	13,023	6,301,395	298,646	5,535,490	4,734,743	10,415,426	3,740,049
Calvert	425,197	2,078	1,005,475	244,614	1,078,366	922,373	1,347,570	728,598
Caroline	341,066	796	385,158	146,536	689,558	589,809	930,875	465,899
Carroll	1,329,780	3,835	1,855,628	216,656	2,246,965	1,921,926	3,251,706	1,518,160
Cecil	926,864	2,364	1,143,861	194,645	1,541,722	1,318,701	2,245,565	1,041,663
Charles	1,666,130	2,869	1,388,213	217,406	1,675,177	1,432,851	3,098,981	1,131,833
Dorchester	376,048	671	324,674	191,696	444,335	380,059	756,107	300,214
Frederick	1,525,582	4,653	2,251,431	226,666	2,605,844	2,228,890	3,754,472	1,760,636
Garrett	444,509	762	368,706	207,070	467,131	399,557	844,066	315,616
Harford	2,185,478	5,551	2,685,943	218,244	3,228,721	2,761,664	4,947,142	2,181,482
Howard	2,229,686	4,285	2,073,368	309,644	1,756,669	1,502,555	3,732,241	1,186,892
Kent	325,334	351	169,837	294,191	151,453	129,544	454,878	102,329
Montgomery	7,663,408	15,891	7,689,124	416,288	4,845,728	4,144,760	11,808,168	3,274,012
Prince George's	13,479,477	13,189	6,381,717	206,571	8,104,837	6,932,416	20,411,893	5,476,026
Queen Anne's	320,514	1,012	489,673	279,656	459,365	392,915	713,429	310,370
St. Mary's	1,426,653	2,036	985,152	215,734	1,198,011	1,024,710	2,451,363	809,435
Somerset	278,414	412	199,353	155,967	335,325	286,818	565,232	226,562
Talbot	238,115	544	263,223	462,727	149,237	127,649	365,764	100,832
Washington	1,382,383	2,981	1,442,406	216,274	1,749,683	1,496,579	2,878,962	1,182,171
Wicomico	807,731	1,581	764,993	181,267	1,107,171	947,011	1,754,742	748,059
Worcester	217,096	881	426,286	467,483	239,228	204,622	421,718	161,634
<b>Total State</b>	<b>\$70,003,345</b>	<b>110,671</b>	<b>\$53,549,997</b>	<b>\$262,347</b>	<b>\$62,606,462</b>	<b>\$53,550,001</b>	<b>\$123,553,346</b>	<b>\$42,300,001</b>

Source:	No Change from Current Law	12/1 Count of Special Ed. Students	Per Pupil = Total of \$53,550,000 div. by total of Col. (2)	From FY 2001 Comp. Ed. Grant calc'n	Col (3) / Ratio of Co. WPP to Statewide WPP in Col (4)	Col. (3) Total Prorated on Col. (5)	Total Col. (1) + Col. (6)	Difference from FY 2001 Special Educ. Formula Grant
			<b>Current Tier 2 Funding:</b>					
			<b>Additional Required:</b>					
			<b>Total Tier 2 Funding:</b>					

<sup>1</sup>Estimates are based on data used to prepare FY 2001 grants. FY 2002 program would be based on more recent data.  
 Prepared by: Maryland State Department of Education, Division of Business Services, September 20, 2000.

The Commission believes that its recommendation for increased special education funding in fiscal 2002 is reasonably linked to the cost of educating students with special education needs (as identified in Individualized Education Programs (IEPs)), which some experts estimate to be, on average, 2.3 times the cost of educating regular students.<sup>25</sup> This proposal is equitable because it is distributed based on the needs of individual counties (i.e., number of students enrolled in special education programs) and adjusted for local wealth. The Commission recognizes that some of this additional funding might be used by local school systems to supplant other State and local funding that is currently being used for special education programs, thereby freeing up funds for other educational purposes. For example, some of the supplanted funds could be used to provide services that might help prevent the placement of students in special education programs. Also, to the extent that this additional funding allows local school systems to provide adequate special education services through public programs, it could reduce reliance on more expensive non-public placements.

At the two sets of public hearings that were held by the Commission during the 2000 interim, the Commission received testimony from numerous individuals who expressed concerns about the current accountability system for special education programs. These individuals stressed the need for new performance measures for special education programs, noting, in particular, that traditional standards such as MSPAP do not adequately measure the success of students with disabilities. The Commission agrees that there is a need for increased accountability in special education programs and plans to review this issue further during the 2001 interim.

### 3.3 Transportation (Disabled Students)

Under current law, the State provides two types of funding for costs associated with transporting students to public schools: (1) a basic transportation grant; and (2) supplemental aid for students with disabilities. The amount of the basic transportation grant for each county is set forth in statute and adjusted annually to reflect changes in the consumer price index and enrollment increases within districts.<sup>26</sup> With regard to the supplemental aid for students with disabilities, a county receives \$500 for each disabled

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<sup>25</sup>See Document 10 in the Technical Supplement at 4.

<sup>26</sup>The first adjustment to the basic transportation grant amounts is made to reflect the annual change in the private transportation category of the Consumer Price Index for the Baltimore-Washington metropolitan area. Regardless of the index, annual increases to the basic transportation grant amounts cannot be less than 3% or greater than 8%. After adjustments are made to reflect inflation, a county's full-time equivalent enrollment for the previous year and current year are compared. If enrollment has risen, funding to the county increases by the State's average per pupil transportation expenditure (\$143.93 per pupil in fiscal 2001) times the increase in enrollment. The final amount derived for each county becomes the base for the following year. See §5-205 of the Education Article.

student requiring services in excess of the number of disabled students transported in the 1980-1981 school year.<sup>27</sup>

Testimony at public hearings and Commission meetings indicated that student transportation costs have increased steadily since the early 1980s, while the proportion of transportation costs funded by the State has declined. A report presented to the Commission by DLS indicated that, between fiscal 1981 and 1998, total expenditures for student transportation increased by 180%.<sup>28</sup> During this same period, State expenditures for student transportation increased by only 35%.<sup>29</sup> The percentage of total student transportation costs funded by the State peaked at about 90% in 1984 and has declined gradually in each subsequent year. In fiscal 1998, the State funded about 36% of total student transportation costs.<sup>30</sup>

The DLS report indicated that transportation of students with special needs is particularly costly, as evidenced by the differences in mileage for regular and disabled students. Statewide, the average number of miles traveled per disabled student (1,318) is more than ten times the miles traveled per regular student (127).<sup>31</sup> This problem can also be viewed from another perspective -- disabled students make up only 4% of the total number of students who are eligible for transportation services, but account for 33% of the total miles that students are transported.<sup>32</sup>

After reviewing current law governing funding for student transportation and listening to testimony received at public hearings and Commission meetings, the Commission concluded that the State's current contribution to student transportation should be increased. As a means of addressing this problem, the Commission recommends that the State's supplemental aid for transporting disabled students be modified to provide a \$1,000 grant for each disabled student who requires student transportation services. Under this proposal, the current \$500 per student grant amount is increased to \$1,000 per student and the current offset for disabled students transported during the 1980-81 school year is eliminated. Implementation of this proposal would

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<sup>27</sup>A county does not receive the \$500 supplemental grant for all special education students. The supplemental funding is provided only if a student's Individualized Education Program (IEP) lists special transportation services as a need. See §5-205 of the Education Article.

<sup>28</sup>See Document 17 in the Technical Supplement at 56.

<sup>29</sup>*Id.*

<sup>30</sup>*Id.* at 57.

<sup>31</sup>*Id.* at 60.

<sup>32</sup>*Id.* at 62.

result in increased funding of \$22 million in fiscal 2002. For estimates of individual county allocations under this proposal in fiscal 2002, see **Exhibit 4**.

The Commission believes that this recommendation should be implemented in the fiscal 2002 budget to provide relief to school systems that are absorbing a disproportionate share of transportation costs. However, the Commission also plans to continue to explore issues relating to funding of transportation for both regular students and special education students during the 2001 interim. The Commission notes that some of the additional recommended funding for transportation of disabled students in fiscal 2002 could be used by local school systems to supplant other State and local funding that is currently being used to cover transportation costs for disabled students, thereby freeing up funds for other educational purposes.

## Exhibit 4

### Estimates of the Fiscal 2002 Costs of the Commission's Recommendation for Additional Funding for Student Transportation (Disabled Students)<sup>1</sup>

	(1)	(2)	(3)	(4)	(5)	(6)
	Grant for Students with Disabilities <sup>2</sup>					Change From Current
<u>Local Unit</u>	<u>Regular Formula Gt.</u>	<u>Disabled Students Transported</u>	<u>Times \$1,000</u>	<u>Total Grants</u>	<u>Current Funding</u>	<u>Change From Current</u>
Allegany	\$2,551,534	280	\$280,000	\$2,831,534	\$2,652,034	\$179,500
Anne Arundel	11,253,327	1,669	1,669,000	12,922,327	11,457,327	1,465,000
Baltimore City	9,262,825	5,431	5,431,000	14,693,825	10,227,825	4,466,000
Baltimore	13,911,228	3,167	3,167,000	17,078,228	14,149,728	2,928,500
Calvert	2,089,443	189	189,000	2,278,443	2,159,943	118,500
Caroline	1,320,642	87	87,000	1,407,642	1,345,142	62,500
Carroll	4,369,112	482	482,000	4,851,112	4,476,612	374,500
Cecil	2,437,517	280	280,000	2,717,517	2,510,517	207,000
Charles	4,640,724	285	285,000	4,925,724	4,727,224	198,500
Dorchester	1,317,241	60	60,000	1,377,241	1,332,741	44,500
Frederick	4,482,202	508	508,000	4,990,202	4,557,202	433,000
Garrett	1,695,977	63	63,000	1,758,977	1,710,477	48,500
Harford	5,750,003	433	433,000	6,183,003	5,829,003	354,000
Howard	5,576,869	831	831,000	6,407,869	5,777,869	630,000
Kent	885,795	38	38,000	923,795	893,795	30,000
Montgomery	13,334,202	6,646	6,646,000	19,980,202	14,733,202	5,247,000
Prince George's	18,291,213	5,857	5,857,000	24,148,213	19,933,713	4,214,500
Queen Anne's	1,539,666	59	59,000	1,598,666	1,558,166	40,500
St. Mary's	3,055,001	220	220,000	3,275,001	3,085,501	189,500
Somerset	1,025,116	78	78,000	1,103,116	1,041,616	61,500
Talbot	839,297	46	46,000	885,297	846,297	39,000
Washington	3,370,116	459	459,000	3,829,116	3,463,616	365,500
Wicomico	2,479,720	294	294,000	2,773,720	2,577,720	196,000
Worcester	1,522,491	90	90,000	1,612,491	1,540,991	71,500
<b>Total State</b>	<b>\$117,001,261</b>	<b>27,552</b>	<b>\$27,552,000</b>	<b>\$144,553,261</b>	<b>\$122,588,261</b>	<b>\$21,965,000</b>
<b>Source:</b>	<b>Total FY 2001 Formula Grant</b>	<b>Total FY 2001 Disabled Grant</b>	<b>Col (2) x \$1,000</b>	<b>Cols (1) + (3)</b>	<b>Total FY 2001 Current Grants</b>	<b>Col (4) - (5)</b>

<sup>1</sup>Estimates are based on data used to prepare FY 2001 grants. FY 2002 program would be based on more recent data.

<sup>2</sup>Grant is \$1,000 per disabled student receiving special transportation services. Current law grant is \$500 per student and only applies to additional students since 1980.

### 3.4 Fiscal 2002 Programmatic Budget Enhancements

On September 7, the Commission held a briefing on the fiscal 2002 budget enhancements proposed by the State Board.<sup>33</sup> After reviewing these proposals, which include recommendations for new initiatives that would cost \$116 million in fiscal 2002, the Commission asked the State Superintendent to prioritize the State Board's proposals based on the needs that had been identified by the public at the Commission's four public hearings in July 2000 and the issues that had been discussed by the Commission during its review of the current education funding programs in August 2000. The Commission also asked the State Superintendent and DLS to help clarify: (1) how the State Board's recommendations related to the equity analysis of the State's school finance system that had been presented to the Commission by Dr. Augenblick in August 2000; and (2) how the State's Board's recommendations related to the issues that the Commission had been charged to study.

On September 14, the State Superintendent discussed a proposal that prioritized the State Board's recommendations based on the needs that had been identified at public hearings and the issues that had been discussed by the Commission during its review of the current education funding programs. (See **Appendix 13**.) On October 5, the Commission received a briefing from DLS on these prioritized items. (See **Appendices 15-16**.) After discussing each of the prioritized items in detail, the Commission decided to recommend that an additional \$69.1 million be included in the fiscal 2002 State budget to fund all of the items, including: (1) the Maryland Academic Intervention and Support Program; (2) teacher mentoring; (3) full-day kindergarten programs; (4) the Judith P. Hoyer Early Child Care and Education Enhancement Program; (5) reconstitution-eligible schools; (6) positive behavioral intervention enhancements; and (7) instructional leadership development training for school principals. After the second round of public hearings in November 2000, the Commission further refined its recommendation regarding full-day kindergarten.

The Commission believes that its final recommendations regarding programmatic enhancements address special needs identified by the State Board and the State Superintendent and are consistent with the Commission's charge to make recommendations that promote excellence in the State's public schools. For the most part, the proposals are also consistent with the principles of equity that were used by Dr. Augenblick to analyze the equity of the State's current school financing system.

#### **Maryland Academic Intervention and Support Program**

The goal of the Maryland Academic Intervention and Support Program is to improve the performance of students with documented academic deficiencies; in

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<sup>33</sup>See Documents 20-21 in the Technical Supplement.

particular, to prepare students for the high school assessments that students will have to pass in order to graduate beginning with the class of 2007 (i.e., students entering high school in the fall of 2003). The State Board recommended that \$45 million be included in the State budget to fund this program in fiscal 2001. However, the program received only \$12 million in funding for fiscal 2001. Under legislation enacted in 2000, the Governor is required to include in the State budget an appropriation of \$19.5 million to fund this program in fiscal 2002.<sup>34</sup> Under current law, funding for this program is distributed to an individual county based on the percentage of students scoring less than 70% on the reading or math portion of the MSPAP tests who reside in that county.<sup>35</sup> This distribution method is not sensitive to the intensity of intervention and support services that may be required to bring a student to the satisfactory performance level. The greater the gap between a student's performance level and the satisfactory performance level, the more it may cost to provide the necessary intervention and support services.

The Commission recommends that an additional \$26 million be budgeted for this program in fiscal 2002, bringing total funding for this program to the level that was originally proposed by the State Board for fiscal 2001 (\$45.5 million). MSDE estimates that this funding will allow the State to provide intervention and support services to 50% of the students requiring services. The Commission also recommends that an intensity-driven distribution methodology be used to allocate this funding based on the distance students are from the State standard on the grade 8 composite (reading and math) MSPAP score. This new distribution methodology will require a modification of the current statutory distribution formula that is set forth in §7-208 of the Education Article. For estimates of individual county allocations under this proposal in fiscal 2002, see **Exhibit 5**.

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<sup>34</sup> The legislation that enacted the Governor's Teacher Salary Program in 2000 (Chs. 492 and 493) provides that "it is the intent of the General Assembly that the Governor include in the State budget for fiscal year 2001 an appropriation of at least \$19.5 million to fund the Maryland Academic Intervention and Support Program established under § 7-208 of the Education Article as enacted by this Act." However, the final State Budget for fiscal 2001 included only \$12 million for this program. The legislation that enacted the Governor's Teacher Salary Program also provides that "[i]n fiscal year 2002, the Governor shall include in the State budget an appropriation of \$19.5 million to fund the Program."

<sup>35</sup> For fiscal 2001 only, each county receives a \$70,000 grant to cover start-up costs associated with implementing the program. The remainder of the funding is then allocated based on the number of students in the county who scored less than 70% on the reading or math portions of the MSPAP tests. See § 7-208(g) of the Education Article.

## Exhibit 5

**Estimates of the Fiscal 2002  
Costs of the Commission's Recommendation for  
Additional Funding for Academic Intervention and Support Services**

**Additional \$25.9 Million Plus \$7.5 Million in MSDE's Base Budget (Mandated by SB 810/HB 1247 of 2000)**

**Based on Composite Scores - Grade 8 - Intensity of Need <sup>1</sup>**

<u>Local Unit</u>	(1) <u>Enrollment Grade 8 (9/30/98)</u>	(2) <u>Composite Score Grade 8 1999 MSPAP</u>	(3) <u>Enrollment Weighted by Distance from State Standard</u>	(4) <u>Academic Intervention Funding \$282.50</u>
Allegany	837	48.5%	1,208	\$341,257
Anne Arundel	5,678	44.1%	9,013	2,546,152
Baltimore City	7,381	15.3%	33,769	9,539,666
Baltimore	7,891	48.7%	11,342	3,204,089
Calvert	1,216	56.0%	1,520	429,397
Caroline	470	37.2%	884	249,728
Carroll	2,063	57.0%	2,534	715,849
Cecil	1,141	47.3%	1,689	477,139
Charles	1,684	50.1%	2,353	664,717
Dorchester	415	33.3%	872	246,338
Frederick	2,736	53.5%	3,580	1,011,342
Garrett	374	47.8%	548	154,809
Harford	2,943	57.8%	3,564	1,006,822
Howard	3,150	57.0%	3,868	1,092,701
Kent	234	53.8%	304	85,879
Montgomery	9,571	55.9%	11,985	3,385,735
Prince George's	9,107	30.2%	21,109	5,963,245
Queen Anne's	518	48.2%	752	212,438
St. Mary's	1,097	44.0%	1,745	492,959
Somerset	231	34.5%	469	132,491
Talbot	337	42.2%	559	157,916
Washington	1,507	51.2%	2,060	581,945
Wicomico	1,023	37.1%	1,930	545,221
Worcester	570	45.9%	869	245,491
<b>Subtotal</b>	<b>62,174</b>	<b>Standard = 70%</b>	<b>118,526</b>	<b>\$33,483,326</b>
<b>Base Budget</b>				<b>(\$7,500,000)</b>
<b>TOTAL REQUEST</b>				<b>\$25,983,326</b>

Source: MSDE Enrollment Data      MSPAP Results 1999 MSPP Report      Col. (1) divided by the ratio of column (2) and the State Standard      Per Weighted Pupil Amount is total div. by total of Col. (3)

<sup>1</sup>This distribution method would require a change to § 7-208 of the Education Article.

Prepared by: Maryland Department of Education, Division of Business Services, September 20, 2000



**Teacher Mentoring**

This program provides mentors to help newly hired teachers and teachers with less than five years experience with classroom management, pedagogy, curriculum, and school agendas. This program received \$15.4 million in funding for fiscal 2001 (\$5 million statewide, \$500,000 for Anne Arundel County, \$7.9 million for Baltimore County, and \$2 million for Prince George's County). The Commission recommends that an additional \$12.9 million be budgeted for this program in fiscal 2002. According to MSDE, this enhanced funding will be used to provide 152 mentors for 2,280 teachers. Each county will receive a base grant of \$100,000 to cover basic operating expenses associated with this program (a total of \$2.4 million). The remainder of the funds (\$10.5 million) will be distributed to each county based on the number of new hires in each county with an adjustment for local wealth. These enhanced teacher mentoring funds will be distributed to local school systems only after MSDE receives plans regarding the use of the funds. For individual county allocations under this proposal in fiscal 2002, see **Exhibit 6**.

**Full-Day Kindergarten**

Under current law, local boards of education are required to implement kindergarten programs. However, full-day programs are not currently required. State education aid under the basic current expense formula is distributed on the basis of enrollment and wealth. The student enrollment count includes one-half of the number of students enrolled in kindergarten programs, except in Garrett County, where the student enrollment count includes the full number.

Approximately 57,000 children currently attend public school kindergarten programs in Maryland. Most local school systems operate half-day kindergarten programs. However, about 30 percent of elementary schools in the State offer full-day kindergarten programs. For the 1999-2000 school year, an estimated 14,200 students attended full-day kindergarten programs. Most of these students were in Baltimore City and Allegany, Baltimore, Caroline, Garrett, Montgomery, and Prince George's Counties. All kindergarten students in Allegany, Caroline, and Garrett Counties attend a full-day program. Several other local school systems, such as Baltimore City and Prince George's County, are planning to implement or considering implementation of full-day kindergarten on a systemwide basis.

On September 7, 2000, MSDE advised the Commission that the State Board had approved a recommendation to phase in mandatory full-day kindergarten over a three-year period. After listening to testimony on this issue during the Commission's second round of hearings in November 2000, the Commission decided to recommend that the State provide \$15.8 million in fiscal 2002 to support voluntary full-day kindergarten initiatives. This recommendation reflects the Commission's support for the goal of full-

## Exhibit 6

### Estimates of the Fiscal 2002 Costs of the Commission's Recommendation for Additional Funding for Teacher Mentoring<sup>1</sup>

**\$22.5 Million Program - State Equalized with a \$100K Base Grant  
Based on New Hires with No Teaching Experience - November 98 to October 99 - Staffing Report**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>Local Unit</u>	<u>Number of New Hires No Experience</u>	<u># New Hires x Per New Hire Rate \$5,159.00</u>	<u>2001 Basic Current Expenses Total</u>	<u>State Share</u>	<u>Percent State Sh.</u>	<u>State Equalized Mentoring Program</u>	<u>Base County Grant</u>	<u>Total State Grant</u>
Allegany	9	\$46,431	40,307,321	28,230,403	70.0%	\$32,519	\$100,000	\$132,519
Anne Arundel	228	1,176,252	285,034,849	120,741,102	42.4%	498,262	100,000	598,262
Baltimore City	626	3,229,534	382,769,865	284,153,407	74.2%	2,397,480	100,000	2,497,480
Baltimore	464	2,393,776	399,782,104	175,778,824	44.0%	1,052,511	100,000	1,152,511
Calvert	45	232,155	59,842,710	32,378,542	54.1%	125,610	100,000	225,610
Caroline	19	98,021	20,881,069	15,140,273	72.5%	71,072	100,000	171,072
Carroll	77	397,243	105,765,041	62,773,050	59.4%	235,769	100,000	335,769
Cecil	61	314,699	58,681,260	37,251,551	63.5%	199,775	100,000	299,775
Charles	93	479,787	85,538,790	50,648,211	59.2%	284,086	100,000	384,086
Dorchester	26	134,134	18,843,525	12,066,341	64.0%	85,892	100,000	185,892
Frederick	136	701,624	136,435,331	78,413,944	57.5%	403,247	100,000	503,247
Garrett	24	123,816	19,268,055	11,782,392	61.1%	75,713	100,000	175,713
Harford	175	902,825	148,381,245	87,624,292	59.1%	533,150	100,000	633,150
Howard	228	1,176,252	166,601,993	69,815,007	41.9%	492,912	100,000	592,912
Kent	11	56,749	10,601,235	4,749,831	44.8%	25,426	100,000	125,426
Montgomery	580	2,992,220	495,948,161	108,596,891	21.9%	655,201	100,000	755,201
Prince George's	747	3,853,773	494,095,849	302,602,014	61.2%	2,360,189	100,000	2,460,189
Queen Anne's	31	159,929	26,138,633	12,424,107	47.5%	76,017	100,000	176,017
St. Mary's	55	283,745	55,806,671	33,218,650	59.5%	168,898	100,000	268,898
Somerset	13	67,067	11,421,259	8,079,136	70.7%	47,442	100,000	147,442
Talbot	35	180,565	16,855,043	2,222,170	13.2%	23,806	100,000	123,806
Washington	101	521,059	75,018,656	44,578,409	59.4%	309,629	100,000	409,629
Wicomico	92	474,628	52,815,938	34,853,832	66.0%	313,212	100,000	413,212
Worcester	20	103,180	26,072,550	3,204,771	12.3%	12,683	100,000	112,683
<b>Total State</b>	<b>3,896</b>	<b>\$20,099,464</b>	<b>3,192,907,153</b>	<b>1,621,327,150</b>	<b>50.8%</b>	<b>\$10,480,501</b>	<b>\$2,400,000</b>	<b>\$12,880,501</b>
	<b>MSDE Data</b>	<b>Rate= \$22.5M Program less \$2.4 million base div. by New Hires</b>	<b>Total Current Exp from FY 2001</b>	<b>Total State Share from FY 2001</b>	<b>Col (4) / (3)</b>	<b>Col. (2) times Col. (5)</b>	<b>Base Grant Amount of \$100,000 per School System</b>	<b>Col. (6) plus Col. (7)</b>

<sup>1</sup>Estimates are based on data used to prepare FY 2001 grants. FY 2002 program would be based upon more recent data.

day kindergarten. It also reflects the Commission's concern about issues relating to implementation of mandatory full-day kindergarten -- particularly, the cost to local governments. The Commission plans to continue to study issues relating to full-day kindergarten, including mandatory full-day kindergarten, during the 2001 interim.

The Commission's recommendation for additional funding in the amount of \$15.8 million in fiscal 2002 is an estimate of the cost of providing: (1) increased funding under the basic current expense formula as a result of using an enrollment count that assumes, for the purpose of calculating aid, that one-fourth of the total number of kindergarten students are counted as full-day kindergarten students; and (2) reallocations under four other State aid programs that would be affected by the use of the new enrollment count in calculating aid under the basic current expense formula. This method of distribution is simply illustrative of one way in which the \$15.8 million could be distributed to individual counties to support voluntary full-day kindergarten initiatives. For estimates of individual county allocations under this proposal in fiscal 2002, see **Exhibit 7**.

### **Judith P. Hoyer Early Child Care and Education Enhancement Program**

This program provides financial support for the creation of centers that provide full-day, comprehensive, early education programs and family support services that will assist in preparing children to enter school ready to learn. This program also provides funding to support voluntary accreditation of early child care centers, professional development of early childhood educators, and statewide implementation of an early childhood assessment system. Funding for this program in fiscal 2001 is \$7 million.

The Commission recommends that an additional \$8.0 million be budgeted for this program in fiscal 2002. The Commission proposes that this enhanced funding be used to: (1) establish an additional eight to ten school-based centers (\$4,000,000); (2) establish 90 pre-kindergarten, kindergarten, child care, and Head Start programs and expand early child care and education services (\$2,900,000); (3) develop pilot projects for improving skills and qualifications of early childhood educators (\$1,000,000); and (4) cover departmental costs associated with administering the program (\$100,000). A portion of these funds will be distributed to local school systems only after the systems have submitted plans regarding the use of the funds (\$2.8 million). A portion of these funds will be distributed as competitive grants (\$5.1 million).

### **Reconstitution-Eligible Schools**

This program assists low-performing schools in meeting State performance standards by providing extended-day academic instruction, implementing student assessments and professional teacher development, providing additional teachers, and instituting exemplary curricula. This program received \$9.8 million in funding in fiscal 2001. The Commission recommends that an additional \$5.0 million be budgeted for this

## Exhibit 7

**Estimate of State Cost for Full Day Kindergarten - Fiscal 2002 <sup>1</sup>  
of Funded through Current Expenses Formula <sup>2</sup>**

<u>Local Unit</u>	<u>Current Expense Program</u>	<u>Transportation Program</u>	<u>Compensatory Education</u>	<u>Special Education Program</u>	<u>Targeted Improvement Grants</u>	<u>Total Grants</u>
Allegany County	\$264,328	\$13,267	(\$1,700)	(\$98)	(\$244)	\$275,553
Anne Arundel County	1,061,207	91,967	(1,049)	(154)	(169)	1,151,802
Baltimore City	2,715,781	-	18,320	1,174	2,996	2,738,271
Baltimore County	1,302,522	119,007	(6,469)	(861)	(1,556)	1,412,643
Calvert County	298,010	19,761	(211)	(30)	(31)	317,499
Caroline County	144,832	2,884	215	35	66	148,032
Carroll County	543,930	33,608	(494)	(122)	(67)	576,855
Cecil County	341,392	19,262	(337)	(27)	(45)	360,245
Charles County	362,460	24,421	(2,308)	(348)	(480)	383,745
Dorchester County	100,319	-	(572)	(31)	(100)	99,616
Frederick County	805,736	48,049	761	214	160	854,920
Garrett County <sup>3</sup>	(69,150)	-	(10,645)	(732)	(1,690)	(82,217)
Harford County	884,477	51,681	997	282	202	937,639
Howard County	608,519	53,861	(525)	(111)	(95)	661,649
Kent County	37,311	536	(139)	(13)	(33)	37,662
Montgomery County	1,249,686	171,107	1,010	293	341	1,422,437
Prince George's	2,884,072	164,444	(322)	111	94	3,048,399
Queen Anne's	125,333	9,011	142	34	24	134,544
St. Mary's County	335,398	19,446	726	104	113	355,787
Somerset County	89,380	-	1,352	81	255	91,068
Talbot County	3,701	4,916	(294)	(23)	(50)	8,250
Washington County	449,847	26,013	1,067	155	195	477,277
Wicomico County	332,305	10,677	309	45	80	343,416
Worcester County	45,136	9,011	169	21	37	54,374
<b>Total State</b>	<b>\$14,916,532</b>	<b>\$892,929</b>	<b>\$3</b>	<b>(\$1)</b>	<b>\$3</b>	<b>\$15,809,466</b>

<sup>1</sup>Estimates based on data used to prepare FY 2001 grants. FY 2002 program would be based on more recent data.

<sup>2</sup>These are estimated allocations for increased funding under the basic current expense formula as a result of using an enrollment count that assumes, for the purpose of calculating aid, that one-fourth of the total number of kindergarten students in each jurisdiction are counted as full-day kindergarten students. These allocations include reallocations under the four other state aid programs that would be affected by the use of the new enrollment count in calculating aid under the basic current expense formula.

<sup>3</sup>Note: In accordance with statute, Garrett Co. currently receives 1.0 FTE for enrolled Kindergarten Students. Therefore, this proposal would not provide additional money to Garrett Co. However, in accordance with the "Hold Harmless Component" provision of HB 1247, no jurisdiction will receive less funding for the State Share of Basic Current Expenses in FY 2002 than its FY 2001 grant.

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program in fiscal 2002. According to MSDE, this enhanced funding would be used to provide: (1) coaches and technical assistance teams to schools; and (2) grants to school systems to increase instructional capacity at reconstitution-eligible schools.

### **Student Support -- Positive Behavioral Interventions**

This program trains school personnel how to teach behavioral expectations and positive social behaviors with the goal of reducing the number of students referred for discipline because of behavioral problems. The program addresses Maryland's continuing problem with suspension and expulsion rates. While the rates have dropped for the past two years, many students continue to be excluded from school for discipline related reasons. These students interfere with other students' learning and lose time from instruction during their exclusion. The program was originally funded as a pilot project through a partnership agreement with Sheppard Pratt Health System. As a part of the initial partnership agreement, personnel at 15 elementary schools participated in initial training and follow-up programs. During the 2000 summer, personnel at 24 additional schools participated in initial training programs. The Commission recommends that \$712,090 be budgeted for this program in fiscal 2002.

### **Instructional Leadership Development for School Principals**

This is a new program that would create and deliver instructional leadership programs for school principals. The Commission recommends that \$750,000 be included in the fiscal 2002 State budget to fund this program. These funds would be used to cover the costs of providing ongoing professional development for school leaders using a model that includes bringing cohorts of school principals together to participate in four days of intensive training and three additional days of follow-up training.

## **3.5 Baltimore City Remedy**

In the course of conducting a review of the current education funding programs in Maryland during August 2000, the Commission reviewed State funding that relates to the Baltimore City-State Partnership. This review included a discussion of the status of the consent decree that forms the basis of the partnership -- i.e., the consent decree entered in the case of Bradford et. al. v. Maryland State Board of Ed. et. al. in the Circuit Court for Baltimore City on November 26, 1996 ("Bradford case"). On October 5, the Commission received an additional briefing from a representative of the Office of the Attorney General on: (1) the holdings and rationale set forth in an order issued by Judge Kaplan on June 30, 2000, in the Bradford case;<sup>36</sup> and (2) the procedures and time line governing the State's appeal of this order to the Maryland Court of Appeals. The

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<sup>36</sup>See Document 29 in the Technical Supplement.

Commission also asked MSDE to advise the Commission as to how the Commission's recommendations align with the Baltimore City Remedy Plan.<sup>37</sup>

Although the Commission does not believe it is appropriate to take a position on the merits of the legal issues involved in the Bradford case, it does believe that it is in the best interests of the children of Baltimore City for the State to resolve these issues as expeditiously as possible. The Commission also believes that it is in the best interest of the State for the executive and legislative branches of government to resolve the complex issues that relate to adequacy, equity, and accountability in the State's school finance system, so as to minimize the need for judicial intervention. This is true for issues that relate to the Baltimore City school system, as well as for issues that relate to the other local school systems in the State. In a letter dated November 3, 2000, the Commission shared its perspective on this issue with the Governor, the Board of School Commissioners of Baltimore City, and the other parties involved in the Bradford case. (See **Appendix 20**.) In its letter, the Commission urged all of the parties to reopen settlement negotiations and to work jointly with the General Assembly to insure that the underlying issues are resolved as soon as possible.

MSDE advised the Commission that the Baltimore City Remedy Plan assesses the needs of the Baltimore City Public School System and identifies supportive improvement strategies. The remedy plan maintains an emphasis on ten key priority areas identified by the school system as critical to the success of students. Each of the ten priorities includes a defined strategy for improvement, a rationale, and a fiscal 2002 funding request. The remedy plan identifies a total of \$101.5 million in funding requests that are needed to implement the identified strategies. The remedy plan was endorsed by the State Board at its August 2000 public meeting. According to MSDE, the initiatives identified in the remedy plan are aligned with several of the Commission's recommendations. **Exhibit 8** illustrates this alignment.

### 3.6 Funding that Expires after Fiscal 2002

As noted in Section 2.5 of this report, the Commission has been charged with making recommendations that will allow for a smooth transition when a variety of categorical funding programs terminate at the end of fiscal 2002. In the course of conducting its work during the 2000 interim, the Commission determined that a final decision on whether to extend, repeal, or modify these programs could not be made until after the completion of an adequacy study. Since the adequacy study is not expected to be completed until the spring of 2001, the Commission decided that the best course of action would be to extend the sunset on all of these programs for one year -- i.e., until the

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<sup>37</sup>This document is entitled "Building on Success: A Remedy Plan to Address Continuing Funding Needs of the Baltimore City Public School System FY 2002" (August 2000). See Document 28 in the Technical Supplement.

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**Exhibit 8**
**Alignment of the Commission's Fiscal 2002 Recommendations with the  
Baltimore City Remedy Plan (BCRP)**

<b><u>BCRP Initiative</u></b>	<b><u>BCRP Request</u></b>	<b><u>Commission's Recommendations</u></b>	<b><u>Estimated Allocation to Baltimore City<sup>1</sup></u></b>
Professional Development	\$2,170,000	Teacher Mentoring	\$2,497,480
Academic Intervention	13,333,000	Academic Intervention	9,539,666
Ready to Learn	22,318,000	Full-Day Kindergarten	2,738,271
		Judith Hoyer Early Childhood	Unknown <sup>2</sup>
Student Support Services	2,796,000	Positive Behavioral Intervention	Unknown <sup>2</sup>
All Other Initiatives	60,921,000	Special Education Funding <sup>3</sup>	11,670,847
		Transportation Funding <sup>3</sup>	4,466,000
<b>Total (All Initiatives)</b>	<b>\$101,538,000</b>		<b>\$30,912,264</b>

<sup>1</sup> This chart was prepared by MSDE in October 2000. It provides an estimate of fiscal 2002 allocations to the Baltimore City Public School System based on preliminary data. Actual allocations will be based on more recent data.

<sup>2</sup> Allocation to the Baltimore City Public School System is unknown at this time. Grants will be competitively awarded.

<sup>3</sup> The Commission's recommended enhancements for special education and transportation funding do not include "non-supplantation" provisions. Therefore, these enhancement funds may be used to free up local funds to pay for other education initiatives. However, Baltimore City must comply with the maintenance of effort requirement established in § 5-202 of the Education Article.

end of fiscal 2003. To accomplish this goal, the Commission recommends that legislation be introduced during the 2001 session. However, the Commission also notes that it is possible that the Commission will make recommendations next year that include proposals for the 2002 session that would become effective in fiscal 2003 and would, therefore, alleviate the need to continue some or all of the sunset programs in fiscal 2003. For a list of all of the programs that sunset at the end of fiscal 2002 and the estimated costs of funding these programs in fiscal 2003, see **Exhibit 9**.

With regard to the Governor's Teacher Salary Challenge Program, the Commission recommends that the program be extended to the end of fiscal 2003 without increasing the State match beyond the fiscal 2002 level. With regard to the legislation relating to the State and local cost share for the Prince George's County school construction program (HB 657 of 1998), the Commission notes that this legislation is similar to a provision of the 1996 consent decree entered in the Bradford case that pertains to the State and local cost share for the Baltimore City school construction program. The applicable provision of the consent decree is currently set forth in the rules adopted by the Board of Public Works to govern the Public School Construction Program. For consistency, the Commission recommends that the Board of Public Works extend the applicable rule until the end of fiscal 2003.

### **3.7 Issues and Proposals Deferred for Further Consideration in 2001 Interim**

As discussed in Sections 2.3, 2.4, 2.7, and 3.1 through 3.4 of this report, the Commission will continue to study issues relating to the State's accountability system, adequacy of funding for public schools, local tax restrictions/effort, special education, student transportation, and full-day kindergarten during the 2001 interim. The Commission also intends to study the trend in State education aid as a percentage of the State budget and consider whether the State should mandate by statute that a certain percentage of the State budget be used to fund primary and secondary education. In connection with this issue, the Commission will review the current statutory provision that requires the General Assembly to affirm the affordability of increases in current expense formula aid if total education aid exceeds 31.5% of general fund revenues.<sup>38</sup>

As noted in the introduction to this chapter, the Commission believes that several policy options that it explored this interim should be studied further during the 2001 interim after completion of the adequacy study. These policy options relate to: (1) changes in the basic current expense formula; (2) funding for and consolidation of targeted poverty programs and the compensatory education program; (3) funding for limited English proficiency (LEP) students; and (4) "second tier" funding for less wealthy jurisdictions based on local effort. (See **Appendices 10-12** and **14**.) The Commission also remains open to studying proposals for alternative school financing mechanisms that were not considered by the Commission during the 2000 interim.

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<sup>38</sup>See §5-202(b) of the Education Article.



**Exhibit 9**

**State Education Funding That Expires After Fiscal 2002 - Estimated Cost in Fiscal 2003**

	<u>Fiscal 1998</u>	<u>Fiscal 1999</u>	<u>Fiscal 2000</u>	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
<b>Teacher Salary Challenge Program (SB 810/HB 1247)</b>	\$0	\$0	\$0	\$35,038,002	\$82,088,000	\$73,088,000
<b>Baltimore City - State Partnership Grant</b>						
SB 795	30,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
SB 810/HB 1247	0	0	0	8,000,000	8,000,000	8,000,000
<b>Academic Intervention (SB 810/HB 1247)</b>	0	0	0	12,000,000	19,500,000	19,500,000
<b>Additional Poverty Grants - SB 795</b>	16,563,360	16,563,360	16,563,360	16,563,360	16,563,360	16,563,360
<b>Limited English Proficiency Grant</b>						
SB 795	1,903,500	1,903,500	1,903,500	1,903,500	1,903,500	1,903,500
SAFE	0	15,327,250	16,500,000	16,800,000	17,900,000	18,800,000
<b>Targeted Improvement Grant (SAFE)</b>	0	20,645,706	21,400,456	21,813,198	21,991,422	22,453,000
<b>Extended Elementary Education Program</b>						
SB 795	3,290,000	3,290,000	3,290,000	3,290,000	3,290,000	3,290,000
SAFE	0	4,365,761	4,365,761	4,365,761	4,365,761	4,365,761
<b>Teacher Development/Mentoring Grants</b>						
Teacher Development Grant (SAFE)	0	5,488,000	5,616,000	5,712,000	5,896,000	6,038,000
Baltimore County Teacher Mentoring Grant (SB 795)	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Baltimore County Teacher Development Grant (SAFE)	0	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Prince George's County Teacher Development Grant (SAFE)	0	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Prince George's County Teacher Certification Grant (SAFE)	0	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Statewide Teacher Certification/Development Initiatives (SAFE)	0	500,000	500,000	500,000	500,000	500,000
<b>Aging Schools Program</b>						
SB 795	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000
SAFE	0	6,020,000	6,020,000	6,020,000	6,020,000	6,020,000
<b>School Libraries Grant (SAFE)</b>	0	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
<b>Other Grants</b>						
Montgomery County Gifted and Talented Grant (SB 795)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Prince George's County Magnet Schools Grant (SB 795)	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Prince George's County Effective Schools Grant (SAFE)	0	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Prince George's County Pilot I.S.S.S. Grant (SAFE)	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
<b>Total</b>	<b>\$61,606,860</b>	<b>\$149,453,577</b>	<b>\$151,509,077</b>	<b>\$207,355,821</b>	<b>\$263,368,043</b>	<b>\$255,871,621</b>
<b>City School Legislation (SB 795)</b>	\$61,606,860	\$81,606,860	\$81,606,860	\$81,606,860	\$81,606,860	\$81,606,860
<b>SAFE Legislation (HB 1)</b>	\$0	\$67,846,717	\$69,902,217	\$70,710,959	\$72,173,183	\$73,676,761
<b>Teacher Salary Challenge Program (SB 810/HB 1247)</b>	\$0	\$0	\$0	\$55,038,002	\$109,588,000	\$100,588,000

**State/Local Cost Share Amounts for School Construction**

Baltimore City (Fiscal 1998 through 2002) 10% on first \$10 million/25% on remainder. (Rule adopted by Board of Public Works)  
 Prince George's County (Fiscal 1999 through 2002) 25% on first \$35 million/40% on remainder (\$20 million must be spent on neighborhood schools) (HB 657 of 1998)