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Foreword

Education is one of the key functions of government. Providing every citizen with the opportunity to receive a quality education is considered by many the most important function of government. From prekindergarten through college and beyond, education affects everyone. An educated citizenry enables the democratic form of government to flourish through an engaged civic life. An educated workforce that meets the needs of businesses creates jobs, growth, and prosperity.

Over 1.1 million students enroll in public schools, colleges, and universities in Maryland every year. An additional 190,000 students are enrolled in private schools and higher education institutions across the State with varying degrees of government support. Early childhood education serves 54,000 children in publicly funded programs through prekindergarten. In addition, licensed or registered child care providers serve 220,000 children and their parents, primarily through private providers with some government assistance.

State government plays a key role in public education. Providing a free, public education is a constitutional obligation of the State of Maryland. The State provides almost half of the \$13 billion spent annually on preK-12 education. State support for higher education exceeds \$1.4 billion. In total, State funding for education represents approximately 50% of the State budget. Local governments provide substantial operating funding for preK-12 and community colleges, while the federal government provides funding primarily targeted at certain populations or initiatives, such as special education and financial assistance to low-income students.

This is the inaugural edition of this handbook. It provides an overview of the structure, services, and funding of education across the continuum from early childhood to postsecondary education. The responsibilities of local, State, and federal government and data on enrollment, funding, and student performance are provided for each level of education. The handbook also summarizes the policies that shape education.

This is the ninth in a series of nine volumes of the 2010 Legislative Handbook Series prepared prior to the start of the General Assembly term by the staff of the Office of Policy Analysis, Department of Legislative Services. The material for this volume was researched and written by Sara Jean Baker, Caroline Boice, Richard Harris, Monica Kearns, Erika Schissler, Rachel Silberman, Yvette Smallwood, and Dana Tagalicod. Mark Collins and Rachel Hise coordinated and reviewed the volume, with additional review by Susan Russell and John Rohrer. A special thanks to Mya Coover and Nancy Scaggs, who prepared and finalized the manuscript.

The Department of Legislative Services trusts that this volume will be a useful introduction to Education in Maryland.

Karl S. Aro
Executive Director
Department of Legislative Services
Maryland General Assembly

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Chapter 1. Early Childhood Education

With research repeatedly demonstrating the importance of positive early educational experiences, State policy has focused on improving and enhancing early learning initiatives. With oversight from the State and the cooperation of local governments, local school systems, and private child care providers, a variety of early education services are provided to Maryland children and their families. In fiscal 2009, federal and State funding for early education initiatives and the administration of early education and development programs in Maryland totaled an estimated \$254.1 million.

Governance Structure

Prior to 2005, the responsibility for overseeing Maryland's early childhood care and education programs was spread among several State agencies and administrations. With the goals of more closely aligning early childhood programs with primary and secondary education, enhancing school readiness in young children, and providing a single governance structure for early education programs, Chapter 585 of 2005 reorganized the State's child development programs under a new Early Childhood Development Division that was established in the Maryland State Department of Education. Early learning and child care programs that were previously within the Department of Human Resources and the Office for Children, Youth, and Families were transferred into the new division. In February 2006, the Purchase of Care Program, which provides subsidies to qualifying families to help pay for child care and has since been renamed the Child Care Subsidy Program, was transferred by executive order to the Maryland State Department of Education.

Division of Early Childhood Development

Responsible for the overall coordination of early care and education in Maryland, the Division of Early Childhood Development within the Maryland State Department of Education is composed of three subdivisions: the Office of Child Care, the Early Learning Branch, and the Collaboration and Program Improvement Branch. The main mission of the division is to improve early education in Maryland so that young children are well prepared for school.

Office of Child Care

The Office of Child Care regulates child care, monitors compliance with child care licensing requirements, identifies new child care resources, provides technical assistance to child care providers and parents, and encourages the growth of provider professionalism. The office contains three branches: the Licensing Branch, the Child Care Subsidy Branch, and the Credentialing Branch.

The Licensing Branch licenses and monitors child care centers and family day care homes in the State. Its responsibilities include licensing new or existing child care providers, monitoring compliance with child care regulations, investigating complaints of improper or illegal child care, taking enforcement action against programs in violation of child care regulations, and assisting child care programs to achieve and maintain regulatory compliance. The Licensing Branch maintains 13 regional licensing offices in the State. Each regional licensing office is responsible for all child care licensing activities within its geographical area.

The Child Care Subsidy Branch regulates and administers the Child Care Subsidy Program, which provides financial assistance with child care costs for families eligible for temporary cash assistance and other income-eligible working families. Although operation of the program was transferred to the Maryland State Department of Education in 2006, the Department of Human Resources continues to determine eligibility for child care subsidy services and provide case management for participating families.

The Credentialing Branch administers the Maryland Child Care Credential Program. It also handles tiered reimbursement under the Child Care Subsidy Program, child care training approval, training vouchers and reimbursements, and accreditation support awards. The goals of the Credentialing Branch are to ensure that child care providers have access to quality training opportunities and are recognized for achieving quality improvements in child care.

Early Learning Branch

The Early Learning Branch of the Division of Early Childhood Development was formerly within the State Department of Education's Division of Instruction. The branch oversees the following early childhood programs:

- public prekindergarten and kindergarten, including curriculum development and policy and programmatic issues;

- the Judith P. Hoyer Early Child Care and Family Education Centers (also known as Judy Centers), which provide central locations for early childhood education programs and support services for young children and their families who reside in specific low-income school districts;
- the Maryland Model for School Readiness, which is a research-based assessment and instructional system designed to provide teachers, families, and the early childhood community with a common understanding of what children should know and be able to do when they enter kindergarten;
- early childhood accreditation, under which the branch coordinates the application process for early care and education programs and provides support and technical assistance to programs considering the accreditation process; and
- the Early Childhood Curriculum Project, which provides guidance to child care and other nonpublic early childhood programs about curricular resources for four- and five-year-old children that are recommended by the State because they are aligned with the State's prekindergarten and kindergarten curricular frameworks.

Collaboration and Program Improvement Branch

The Collaboration and Program Improvement Branch of the Division of Early Childhood Development, through the administration of federal and State grant funds, is responsible for the development and implementation of efforts to improve the accessibility, availability, and quality of child care programs and services to meet the needs of Maryland's families and children. The branch issues and administers early care contracts and grants, including the Family Child Care Provider Grant and the Quality Improvement Grant. It also houses the projects described below.

- The Head Start State Collaboration Project coordinates early learning and comprehensive services between local Head Start and Early Head Start programs and State and local agencies. Head Start and Early Head Start programs are comprehensive child development programs for low-income families with children from birth to age five, pregnant women, and children with disabilities.
- The Early Childhood Mental Health Project helps to identify and address child behavioral issues in early learning environments.
- The Program Administration Scale Project promotes development of leadership and management skills in early childhood programs.

The Collaboration and Program Improvement Branch also contracts with the Maryland Committee for Children, Inc. to operate and administer the statewide Maryland Child Care Referral and Resource Network. Under the contract, every community in Maryland is served by 1 of 13 regional Child Care Resource Centers that are aligned geographically with the 13 licensing centers operated by the Office of Child Care Licensing Branch.

Although it is not under the Division of Early Childhood Development, the Maryland State Department of Education also coordinates the Maryland Infants and Toddlers Program under its Division of Special Education. The program provides a system of comprehensive community-based intervention services to young children with developmental delays and disabilities. The Maryland State Department of Education oversees local infants and toddlers programs established in the 23 counties and Baltimore City.

Local Governments and School Systems

In order to effectively provide child development services, a significant level of participation and coordination is required at the local level. The largest early education program administered locally is prekindergarten. Chapter 488 of 2002 required every school system to make publicly funded prekindergarten programs available to disadvantaged children in the year before they start kindergarten. Accordingly, all 24 local school systems provide prekindergarten services to a portion of the four-year-olds in their districts. Most prekindergarten programs are provided directly by the local school system, but some systems contract with private providers to serve a portion of their prekindergarten students.

The coordination of services and programs at the local level also includes several other responsibilities discussed briefly below.

- Local departments of social services accept applications and make eligibility determinations for vouchers provided through the Child Care Subsidy Program.
- Local infants and toddlers programs coordinate and ensure the provision of early intervention services for eligible children with developmental delays and disabilities and their families. Administration of these programs is provided by local school systems in some jurisdictions and by local health departments in others.
- All but three local school systems operate at least one Judy Center.

- Early Head Start programs serve pregnant women and children under three years old in 10 counties and Baltimore City, and Head Start programs serve children aged three to five years old in all 23 counties and Baltimore City. In some counties, Head Start and Early Head Start programs are operated by county agencies or local school systems; private providers operate the programs in other counties.

Private Day Care Providers

Private providers have a significant role in early education because they are a primary source of day care for children who are too young to attend elementary school. There are two types of private day care providers licensed by the State: child care centers and family day care homes.

Child Care Centers

A child care center is a facility that provides nonparental care of children for part of a 24-hour day in a group setting, such as a child care center, preschool, child development center, nursery school, before- or after-school program, school age child care, or early learning center. A child care center in the State is required to be licensed by the Maryland State Department of Education unless exempted.

Family Day Care Homes

A family day care provider is an individual who cares for no more than eight children in a registered family day care home. A family day care home may not operate in the State unless it is registered by the Maryland State Department of Education or is exempt from registration.

Collective Bargaining for Family Day Care Providers

An executive order issued in 2007 authorized collective bargaining for registration and registration-exempt family day care providers participating in the State's Child Care Subsidy Program. Chapter 496 of 2010 then established these collective bargaining rights in State law. Chapter 496 required that one appropriate bargaining unit of family day care providers be established in the State and that the election and certification of the exclusive representative be conducted by the State Labor Relations Board.

Collective bargaining must include all matters related to the terms and conditions of participation by family day care providers in the Child Care Subsidy Program, including reimbursement rates, benefits, payment procedures, contract grievance

procedures, training, and member dues deductions. Negotiations must also result in the establishment of a fund for the purpose of protecting family day care providers against extreme hardship or loss of livelihood resulting from late State payments.

Services

A number of early education services are provided to Maryland citizens through the governance structure described above. Although the State does not provide child care or early education services directly, it is responsible for the registration and licensing of private child care providers. The State also runs the Maryland Child Care Credential Program and the Child Care Subsidy Program and contracts for the Maryland Child Care Referral and Resource Network.

Local school systems provide prekindergarten programs to eligible four-year-olds living in their districts with guidance from the State Board of Education and the Maryland State Department of Education. Most local school systems also operate at least one Judy Center. Depending on the jurisdiction, the local school system or the local health department provides services through the Maryland Infants and Toddlers Program. Finally, a combination of local government agencies and private organizations operate Head Start and Early Head Start programs around the State for qualifying families.

Registering and Licensing Private Child Care Providers

The Maryland State Department of Education implements a system of registration for family day care homes and a separate licensing system for child care centers according to regulations adopted by the State Board of Education. Regulations and statutory provisions governing the providers are designed to ensure safe and sanitary conditions; proper care, protection, and supervision of children; and the health of children in family day care homes and child care centers. Providers must meet established staff-to-child ratios, caregivers must be certified in basic first aid and cardiopulmonary resuscitation, and all employees must submit to criminal background checks. Chapters 247 and 248 of 2009 also required family day care homes and child care centers to have written emergency preparedness plans for emergency situations that require the evacuation, sheltering in place, or other protection of children.

As of July 2010, there were 2,752 licensed child care centers in the State, with a capacity to provide care for 160,310 children. In addition, there were 8,292 registered family day care homes, with a capacity to provide care for 61,617 children.

Maryland Child Care Credential Program

The Maryland Child Care Credential Program is a voluntary program that recognizes child care providers who go beyond the requirements of State licensing and registration regulations. There are six credential levels and four administrator levels in the program, each one recognizing a child care provider's achievement of a specified number of training hours, years of experience, and professional activities important for providing quality child care programs. A participant in the credential program must be a registered family day care provider or an operator, director, or staff member in a licensed child care center.

A provider that applies to participate in the credential program must agree to continue working in a child care setting for not less than one year from the date the provider is accepted into the credential program, complete continued training for the applicable credential level, and participate in professional activities related to the child care profession. Participating providers are required to complete training in six Core of Knowledge areas to develop the knowledge and skills they need to provide the highest quality care for the children and families they serve. The Core of Knowledge is defined as theories and practices that are essential for individuals working with children in family day care homes and child care centers.

A credential is issued for a 12-month period and may be renewed each year. Incentives are available to qualifying child care providers participating in the credential program and include achievement bonuses and training vouchers.

In fiscal 2009, 4,472 providers participated in the child care credential program. A total of 3,543 credentials were issued – 3,018 to child care center personnel and 525 to family day care providers.

Child Care Subsidy Program

The Child Care Subsidy Program (formerly the Purchase of Care program) provides financial assistance with child care costs to families that meet applicable State or federal requirements. To be eligible for child care subsidies, a State resident must meet need and income requirements and have a child for whom services are sought and who meets citizenship requirements. The need requirement may be met when the child's parent or guardian is not available to care for the child because the parent or guardian is working, enrolled in public school, enrolled in training, participating in a job search activity, participating in a work activity, or participating in another approved activity. To meet income requirements, an individual must be a recipient of temporary cash assistance or Supplemental Security Income or within child care subsidy income guidelines.

Applications for child care subsidy services are submitted to the local department of social services in a county or Baltimore City, or, in Montgomery County, the Montgomery County Department of Health and Human Services. Once eligibility is determined and an application is approved, the local department issues a voucher to the eligible family and provides access to information and referral services to assist the family in finding appropriate child care.

After receiving the voucher from the local department of social services, the eligible family uses the voucher to purchase child care from a participating provider. A participating provider may be a registered family day care home or a licensed child care center. Under certain circumstances, a voucher may be used for informal child care, such as relative care, in-home care, and babysitting, if approved by the local department. Depending on the income level of the eligible family, a family may be required to contribute a copayment towards the cost of child care.

Providers electing to participate in the program must abide by the rules and regulations of the program, which address reimbursement rates set according to the amount of a family copayment and the family's income, size, and geographic area of the State. Through a tiered reimbursement system, providers that go beyond the State's licensing and registration requirements are eligible to receive greater payments from the Child Care Subsidy Program.

The proportion of eligible families who participated in the Child Care Subsidy Program increased from 11.6% in fiscal 2008 to 24.9% in 2009. Demand for the program has also increased in recent years due to an increase in enrollment in the State's Temporary Cash Assistance welfare program. Federal regulations require the program to serve welfare participants.

Maryland Child Care Referral and Resource Network

The State contracts with the Maryland Committee for Children, Inc. to operate 13 regional Child Care Resource Centers. Counselors in the resource centers help parents to locate and evaluate child care and provide technical assistance and training for current and prospective child care providers. Technical assistance is likewise provided to employers who are concerned about their employees' child care needs.

Child Care Resource Centers also collect data to document the child care needs of families and employers and identify the distinct needs of different regions within the State.

Prekindergarten

Prekindergarten is one of the primary early childhood education services provided in Maryland. The Bridge to Excellence in Public Schools Act (Chapter 288 of 2002) required each local school system to make publicly funded prekindergarten available to economically disadvantaged four-year-old children in the State by the 2007-2008 school year. Prekindergarten programs must be available five days a week for two and a half hours per day consistent with the regular school schedules set by the local boards of education. Classrooms must include an early childhood education teacher who possesses a valid teaching certificate and a paraprofessional and must maintain a staff to student ratio of 1:10 with an average of 20 students per classroom. If vacancies remain after economically disadvantaged children have been enrolled, local school systems may make prekindergarten available to other subpopulations of four-year-old children that exhibit a lack of readiness for school.

As shown in Exhibit 1.1, publicly funded prekindergarten programs in the 24 local school systems served 28,840 students in September 2009.

Exhibit 1.1
Children Served by Early Childhood Education Programs
September 2009

County	Publicly Funded Prekindergarten	Infants and Toddlers	Head Start and Early Head Start
Allegany	460	224	387
Anne Arundel	1,699	1,606	451
Baltimore City	4,709	1,702	4,203
Baltimore	3,571	2,098	644
Calvert	353	189	136
Caroline	327	82	179
Carroll	286	370	145
Cecil	585	240	155
Charles	865	281	282
Dorchester	214	83	178
Frederick	1,023	566	297
Garrett	122	39	294
Harford	902	680	189
Howard	983	604	321
Kent	124	20	34
Montgomery	3,428	3,003	738
Prince George's	6,358	1,494	1,132
Queen Anne's	281	129	60
St. Mary's	743	246	175
Somerset	191	27	182
Talbot	221	76	71
Washington	488	272	506
Wicomico	526	211	330
Worcester	381	59	186
Total	28,840	14,301	11,275

Source: Maryland State Department of Education

Judith P. Hoyer Early Child Care and Family Education Centers

In close collaboration with local agencies, organizations, and businesses, Judy Centers provide early education and family support services in or near schools that enroll large proportions of disadvantaged students. Judy Centers are generally open

year-round and must provide preschool and prekindergarten services. In addition, the centers provide or can arrange for services such as health care, adult education, identification of and early intervention for special needs, child care, parenting classes, and family literacy.

There are 24 Judy Centers around the State: two each in Baltimore City and Charles and Montgomery counties; none in Anne Arundel, Harford, and Somerset counties; and one in every other county.

Infants and Toddlers Program

The Maryland Infants and Toddlers Program provides early intervention services for children with developmental delays and disabilities and their families. Until recently, the program served children from birth through age two; however, Maryland implemented an Extended Individualized Family Service Plan Option in February 2010 that allows families to continue in the program until their children reach kindergarten age. The purpose of the Maryland Infants and Toddlers Program is to provide a statewide, community-based interagency system of comprehensive early intervention services designed to meet the developmental needs of each eligible child and the needs of the family relating to the child's development in order to enhance a child's potential for growth and development before the child reaches school age. The services are selected in collaboration with parents and provided by qualified personnel in conformity with the Individualized Family Service Plan developed for each child.

The program includes early intervention services provided or supervised by the Maryland State Department of Education, the Department of Health and Mental Hygiene, the Department of Human Resources, and the Governor's Office for Children. These services can include assistive technology devices and services, audiology, counseling services, parent counseling and training, health services, medical services for diagnostic or evaluation purposes, nursing services, nutrition services, occupational therapy, physical therapy, psychological services, recreation, social work services, special education, speech pathology, vision services, and transportation.

The Maryland State Department of Education is the lead agency for the State's early intervention system for children with disabilities and their families. The department supervises and monitors the Maryland Infants and Toddlers Program assisted by a State interagency coordinating council appointed by the Governor and provides technical assistance and enforcement of the obligations imposed by the program. In overseeing the program, the department maintains a central directory of information, publishes an annual statewide public awareness plan, provides the Maryland Individualized Family Service Plan process and document for statewide use, develops and implements a comprehensive

system of personnel development, and establishes appropriate professional requirements for personnel providing early intervention services for eligible children and their families.

At the local level, local lead agencies designated by the local governing authority in each county and Baltimore City administer the program in their jurisdictions under the direction of the Maryland State Department of Education. The local lead agencies are advised and assisted in the development and implementation of policies that constitute the local program by local interagency coordinating councils. In addition to the submission of financial and other written reports on the local program to the department, the local lead agencies must identify local public and private early intervention services and resources for inclusion in the central directory maintained by the department; coordinate the development and implementation of local public awareness programs that focus on the early identification of children who may be eligible to receive services; develop written policies and procedures for evaluation and assessment of each child referred for evaluation; ensure development of the initial Maryland Individualized Family Service Plan for each program participant; and ensure that early intervention services are provided in natural or least restrictive environments.

As shown in Exhibit 1.1, the Maryland Infant and Toddlers Program serves more than 14,000 children from birth through age two. With the implementation of the Extended Family Service Plan Option in February 2010, this number is expected to increase in the coming years.

Head Start and Early Head Start

The Head Start and Early Head Start programs are federally funded, comprehensive child development programs for low-income families with children from birth to age five, pregnant women, and children with disabilities. Head Start is designed to help children develop their social and cognitive skills and to prepare them to enter school by providing early childhood education, health services, parent education, nutrition, and other services. Families with incomes at or below the federal poverty level are eligible for services. While Head Start serves families with children from ages three to five years old, Early Head Start serves pregnant women and families with children from birth through age two. Direct services under the programs, including eligibility enrollment, are handled by local Head Start programs.

There are 28 Head Start programs that serve children in all 24 counties of the State, but there are only 14 Early Head Start programs in 10 counties and Baltimore City. As shown in Exhibit 1.1, the programs served more than 11,000 children in 2009.

Measuring Kindergarten Readiness

The services described in this chapter are provided with the goal of preparing all children for entry into kindergarten. To measure progress toward the achievement of this objective, the Maryland State Department of Education uses the Maryland Model for School Readiness assessment, which gauges readiness on seven domains: personal and social development; language and literacy; mathematical thinking; scientific thinking; social studies; the arts; and physical development. Teachers evaluate and rate students during the first eight weeks of kindergarten according to a checklist of 30 indicators. Students rated “fully ready” consistently demonstrate the skills, behaviors, and abilities needed to meet kindergarten expectations. “Approaching readiness” means the necessary skills and behaviors are inconsistently demonstrated. Children who are still “developing readiness” do not demonstrate the necessary skills and behaviors, and considerable instructional support is needed for these children.

Statewide, 78% of kindergarteners were fully ready to learn during the 2009-2010 school year, and an additional 19% of kindergarteners were deemed to be approaching readiness. As shown in Exhibit 1.2., the percent of children rated as fully ready to learn varied from a high of 96% in Carroll County to a low of 64% in Baltimore City. The majority of the students not fully ready to learn were assessed as “approaching readiness;” only 1% to 7% of kindergarteners in each county were categorized as “developing readiness.”

Exhibit 1.2
Composite Readiness Levels of Children Entering School
2009-2010 School Year

County	Fully Ready	Approaching Readiness	Developing Readiness
Allegany	89%	10%	1%
Anne Arundel	84%	15%	1%
Baltimore City	64%	32%	3%
Baltimore	83%	14%	3%
Calvert	81%	16%	3%
Caroline	89%	9%	2%
Carroll	96%	3%	1%
Cecil	80%	18%	2%
Charles	77%	21%	2%
Dorchester	66%	26%	7%
Frederick	87%	11%	2%
Garrett	94%	6%	1%
Harford	82%	16%	3%
Howard	82%	16%	2%
Kent	81%	16%	3%
Montgomery	76%	21%	4%
Prince George's	68%	26%	5%
Queen Anne's	90%	8%	1%
St. Mary's	92%	7%	1%
Somerset	81%	15%	4%
Talbot	78%	17%	4%
Washington	73%	24%	3%
Wicomico	85%	13%	2%
Worcester	81%	17%	2%
State	78%	19%	3%

Note: Percentages may not sum to 100% due to rounding.

Source: Maryland State Department of Education

Funding

The State and federal governments supported \$254.1 million in funding for the Maryland State Department of Education Division of Early Childhood Development and

for specific early education and development programs. This funding includes \$72.5 million in State funds and \$181.7 million in federal funds, as shown in Exhibit 1.3.

Exhibit 1.3
Funding for Early Childhood Education and Development
Fiscal 2009
(\$ in Millions)

	<u>State</u>	<u>Federal</u>	<u>Total</u>
State Department of Education			
Division of Early Childhood Development	\$16.3	\$20.4	\$36.7
Child Care Subsidy Program	32.2	67.4	99.6
Aid for Local Early Education Programs*	24.0	93.8	117.8
Total	\$72.5	\$181.7	\$254.1
Percent of Total	28.5%	71.5%	

*Includes \$84.7 million in federal Head Start funding from federal fiscal 2009.

Note: Numbers may not sum due to rounding.

Source: *Selected Financial Data 2008-2009, Part 1 – Revenue, Wealth, and Effort*, Maryland State Department of Education; *Fiscal 2011 State Budget Books*; Department of Legislative Services

Division of Early Childhood Development

As discussed above, the Division of Early Childhood Development in the Maryland State Department of Education oversees and coordinates early childhood care and education in the State. In fiscal 2009, the division was supported with \$16.3 million in State general funds and \$20.4 million in federal funds, most of which was from the federal Child Care and Development Fund. The \$36.7 million financing the division supported 188.5 positions and \$12.6 million in grants.

Child Care Subsidies

The Child Care Subsidy Program provides vouchers to help with child care costs for eligible low-income working families. There are separate schedules for different regions of the State and for regulated and informal care providers.

In fiscal 2009, the Child Care Subsidy Program was supported with \$32.2 million in general funds and \$67.4 million in federal funds. Of the federal funds, \$57.1 million was from the Child Care and Development Fund and \$10.3 million came from the Temporary Assistance for Needy Families program.

State and Federal Aid for Local Early Education Programs

In addition to the funding provided for State-level services, the federal government and the State help to finance some early education programs that are operated at the local level. Aid for these services (excluding federal Head Start and Early Head Start funding) amounted to \$33.1 million in fiscal 2009, including \$24.0 million in State funding and \$9.1 million in federal funds. The funding is shown by county in Exhibit 1.4.

Exhibit 1.4
State and Federal Funding for Local Early Education Programs by County
Fiscal 2009

County	State Aid	Federal Funding	Total
Allegany	\$556,238	\$263,694	\$819,932
Anne Arundel	1,246,346	1,173,203	2,419,549
Baltimore City	3,376,816	964,892	4,341,708
Baltimore	1,899,066	1,190,090	3,089,156
Calvert	471,988	422,431	894,419
Caroline	392,286	117,801	510,087
Carroll	685,037	400,420	1,085,457
Cecil	555,986	232,944	788,930
Charles	1,040,908	125,660	1,166,568
Dorchester	406,284	110,284	516,568
Frederick	855,084	222,275	1,077,359
Garrett	419,799	62,360	482,159
Harford	511,307	229,297	740,604
Howard	965,876	612,876	1,578,752
Kent	372,596	65,408	438,004
Montgomery	2,981,867	883,428	3,865,295
Prince George's	1,979,201	816,231	2,795,432
Queen Anne's	703,552	305,702	1,009,254
St. Mary's	511,344	122,767	634,111
Somerset	33,037	79,418	112,455

County	State Aid	Federal Funding	Total
Talbot	440,291	117,529	557,820
Washington	711,143	266,520	977,663
Wicomico	482,008	232,213	714,221
Worcester	474,419	105,896	580,315
Unallocated	1,887,389	0	1,887,389
Total	\$23,959,868	\$9,123,338	\$33,083,206

Note: Exhibit does not include federal funding for Head Start and Early Head Start because Head Start grantees often serve students from multiple jurisdictions.

Source: *Selected Financial Data 2008-2009, Part 1 – Revenue, Wealth, and Effort*, Maryland State Department of Education; Department of Budget and Management; Department of Legislative Services

State Aid for Local Early Education Programs

The State supports three early education programs operated at the local level: the Judith P. Hoyer Early Child Care and Education Enhancement Program, the Maryland Infants and Toddlers Program, and Head Start. As shown in Exhibit 1.5, the fiscal 2011 State budget adopted by the General Assembly included a total of \$22.8 million for these programs. A brief description of each State program, including the distribution method and a history of major changes to the program, is provided below.

Exhibit 1.5
State Aid for Local School Systems
Fiscal 2011

County	Judy Hoyer Program	Infants and Toddlers	Head Start	Total
Allegany	\$352,082	\$145,569	\$52,374	\$550,025
Anne Arundel	114,806	1,037,665	76,198	1,228,669
Baltimore City	902,409	1,302,336	646,450	2,851,195
Baltimore	384,334	1,517,965	0	1,902,299
Calvert	566,563	152,575	0	719,138
Caroline	363,082	69,281	0	432,363
Carroll	451,186	288,024	0	739,210
Cecil	365,224	184,491	0	549,715
Charles	740,644	219,521	0	960,165
Dorchester	360,583	71,617	0	432,200
Frederick	498,677	407,904	49,538	956,119
Garrett	381,152	26,467	41,408	449,027
Harford	77,081	438,264	0	515,345
Howard	427,911	516,108	49,916	993,935
Kent	344,419	12,455	0	356,874
Montgomery	790,898	2,163,294	122,521	3,076,713
Prince George's	708,497	1,108,503	164,874	1,981,874
Queen Anne's	389,481	90,299	0	479,780
St. Mary's	459,548	168,144	0	627,692
Somerset	10,944	21,796	0	32,740
Talbot	382,148	56,826	0	438,974
Washington	490,861	200,060	72,605	763,526
Wicomico	445,807	148,683	0	594,490
Worcester	342,702	41,257	0	383,959
Unallocated	223,961	0	524,117	748,078
Total	\$10,575,000	\$10,389,104	\$1,800,000	\$22,764,104

Source: Department of Budget and Management

Judith P. Hoyer Early Child Care and Education Enhancement Program

Chapter 680 of 2000 established the Judith P. Hoyer Early Child Care and Education Enhancement Program to provide grants to local school systems for initiatives that promote school readiness through the development and expansion of high quality, comprehensive, full-day early child care and education programs and family support services. Funding from the program may be awarded for the three purposes described below.

- *Judy Center Grants:* A local school system may apply for a grant to establish a “Judy Center” that provides family support services and comprehensive, full-day early child care and education services. A system that receives a Judy Center Grant must implement the Maryland State Department of Education’s Early Childhood Assessment System.
- *Early Childhood and Education Enhancement Grants:* These grants may be used to purchase family support services or early child care and education services from accredited private providers. The grants may also be distributed to private providers to assist them in obtaining accreditation or to enhance their professional development activities.
- *Funding for Assessments:* The third funding option provides aid to school systems for the purpose of implementing the Maryland State Department of Education’s Early Childhood Assessment System in public schools.

Distribution: The Maryland State Department of Education selects which applications to fund through a competitive grant process. State aid for the program is not mandated but has been steady at \$10.6 million annually.

Legal Reference:

Education Article, Section 5-217

Maryland Infants and Toddlers Program

The State provides aid to local agencies to help support the Maryland Infants and Toddlers Program, a community-based interagency system of comprehensive early intervention services for children who have developmental delays or disabilities. The Maryland State Department of Education coordinates the program on the State level, and each local jurisdiction identifies a lead agency to run the program locally.

Distribution: A discretionary formula for the distribution of infants and toddlers funding was established in 2002; however, the formula has never been fully funded. The annual funding level for the program was increased from \$5.8 million to \$10.4 million in fiscal 2009, and the allocation of the funding among the 24 local lead agencies has been constant since then. The annual budget proposal submitted by the Governor must include at least as much funding for the Maryland Infants and Toddlers Program as was provided the previous fiscal year.

History of Major Changes:

1997 – Chapters 385 and 386 transferred the Maryland Infants and Toddlers Program from the Office for Children, Youth, and Families to the Maryland State Department of Education.

2002 – Chapter 288 dedicated \$4.8 million from an increase in the tobacco tax to the program in fiscal 2003.

2002 – Chapter 312 established a discretionary formula for the distribution of program funding to begin in fiscal 2004.

2006 – Chapter 298 required the Governor to include in the annual budget proposal funding for the infants and toddlers program that is at least equal to the amount provided in the prior fiscal year.

Legal Reference:

Education Article, Section 8-416

Early Intervention Services to Eligible Infants and Toddlers and Their Families – Code of Maryland Regulations, Title 13A, Subtitle 13

Head Start

There are 19 Head Start and Early Head Start grantee offices, and over 250 program sites in the State. Grantees may be local school systems, local governments, nonprofit organizations, or other providers authorized by the federal government. Some grantees provide service coverage for more than 1 local jurisdiction so that programs are provided in all 24 local jurisdictions. The federal government determines the number of children each program site must serve, and the centers must be fully enrolled.

In response to additional Head Start funding from the federal government through the American Recovery and Reinvestment Act of 2009, the General Assembly reduced Head Start funding to \$1.8 million in fiscal 2010 from its historical annual funding level of \$3.0 million. Relative to the federal funding provided for the program (\$84.7 million in federal fiscal 2009), the State contribution of \$1.8 million in fiscal 2011 is small. State funding is generally used to support summer programs and before- and after-school programs for children enrolled in Head Start.

Prekindergarten

State funding for prekindergarten was built into the State education aid structure established in the Bridge to Excellence in Public Schools Act of 2002 (discussed in Chapter 3 of this handbook). The structure was designed to support the wide range of services provided by local school systems, so there is not a separate State aid program that specifically supports prekindergarten. Likewise, local funding for prekindergarten is part of the overall funding that the counties and Baltimore City provide for the boards of education and is not a separate line item within county appropriations. As a result, funding devoted to publicly funded prekindergarten is embedded in the total funding level for local school systems and cannot be isolated within local budgets.

Until fiscal 2008, the State provided aid for the Extended Elementary Education Program, which supported prekindergarten programs for targeted populations of students in all 24 local school systems. The funding for this program was consolidated into State formula aid with the enhancements provided through the Bridge to Excellence in Public Schools Act of 2002. In fiscal 2007, the Extended Elementary Education Program received \$19.3 million in State funding. State aid to local boards of education increased by \$688.2 million in fiscal 2008 despite the elimination of the program.

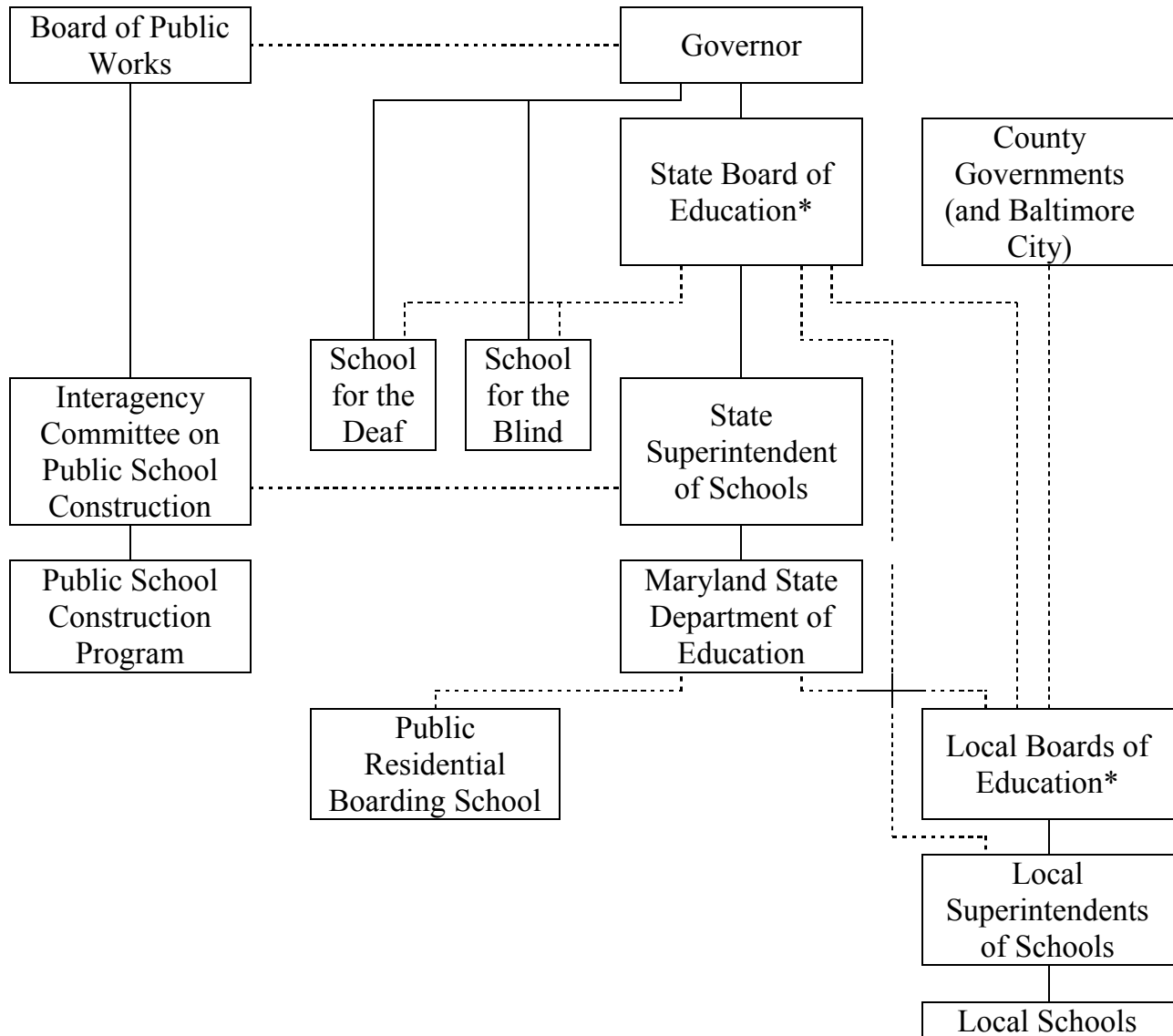
Funding for local school systems, including the funding that supports prekindergarten programs, is detailed in Chapter 3 of this handbook.

Chapter 2. Primary and Secondary Education – Governance Structure and Services

Primary and secondary education is one of the most significant services provided in the State, with approximately 820,000 kindergarten through grade 12 students enrolling in local public school systems each year. The State generally provides coordination, oversight, and monitoring of the education services provided by the 24 local school systems.

The Constitution of Maryland, adopted in 1867, requires the General Assembly to “establish throughout the state a thorough and efficient System of Free Public Schools....” (Article VIII, Section 1). Pursuant to this mandate, the General Assembly established a system governed by the State Board of Education at the State level and by 24 local boards of education, one in each of the 23 counties and Baltimore City. Exhibit 2.1 displays this governance structure.

Exhibit 2.1
Governance Structure of Primary and Secondary Education in Maryland



*Chapters 324 and 325 of 2010 established the Public Schools Labor Relations Board to administer and enforce the labor relations laws for local boards of education and their employees. Previously, the State Board of Education served this function. Chapters 324 and 325 are scheduled to terminate on June 30, 2015, at which time the State Board of Education will resume responsibility for this task.

Source: Department of Legislative Services

State-level Governance

State Board of Education

The State Board of Education has general authority over public elementary and secondary education in Maryland and appoints the State Superintendent of Schools. The Governor, with the advice and consent of the Maryland Senate, appoints the 12-member board. Eleven members serve staggered four-year terms. The twelfth member, a student, serves for one year and has limited voting powers. With the assistance of the State Superintendent, the State board assesses the educational needs of Maryland, recommends appropriate legislation, and prepares an annual State public school budget for consideration by the Governor. The State board may order public and nonpublic schools to correct deficiencies when they fail to meet standards established by the board. Other responsibilities of the board include:

- adopting bylaws, rules, and regulations for the administration of public schools;
- deciding controversies and disputes arising under State laws governing primary and secondary education;
- establishing basic policies and guidelines for instructional programs;
- establishing regulations for the promotion and graduation of students;
- developing, in conjunction with the Professional Standards and Teacher Education Board, rules and regulations for the certification of teachers and other professionals;
- establishing performance standards for students, schools, and school systems; and
- restructuring schools that consistently fail to meet State performance standards.

Maryland State Department of Education

Under the direction of the State board and the State Superintendent, the Maryland State Department of Education is the State agency with the most direct impact on primary and secondary education in Maryland. The department develops the State's overall policies and guidelines for primary and secondary education, directs the State's vocational rehabilitation programs, operates the State's educational program for students held in Department of Juvenile Services facilities, and distributes and accounts for State

grants to local school systems and educational institutions. The department also supervises the State's library system, which includes statewide and regional resource centers as well as county libraries. For further information on Maryland's public libraries, including State aid data, see Chapter 8 of *Volume II – Government Services in Maryland* and Chapter 16 of *Volume VI – Maryland Local Government* of the legislative handbook series.

Interagency Committee on Public School Construction

The Interagency Committee on Public School Construction supports the Board of Public Works in the administration of the Public School Construction Program and coordinates the activities of school construction employees in the Maryland State Department of Education, the Maryland Department of Planning, and the Department of General Services. The committee assists local school systems and local government bodies in planning, designing, and constructing primary and secondary educational facilities. The committee is composed of the State Superintendent of Schools, the Secretary of Planning, the Secretary of General Services, a member of the public appointed by the President of the Senate, and a member of the public appointed by the Speaker of the House.

Statewide Schools

The State also operates or oversees the operations of three statewide schools, each of which has its own managing board. The Maryland School for the Deaf is a State agency and is governed by a 19-member board of trustees appointed by the Governor with the advice and consent of the Maryland Senate. The nonprofit Maryland School for the Blind is governed by a 25-member board of directors. Subject to confirmation by the State Senate, 5 members are appointed jointly by the Governor and the State Superintendent of Schools with recommendations from the Chairman of the State Board of Education. The other 20 members are appointed according to the bylaws of the Maryland School for the Blind. Finally, the Maryland State Department of Education contracts with a private nonprofit provider for a Residential Boarding Education Program governed by a board of trustees. The board consists of five members appointed by the Governor with the advice of the State Superintendent and the advice and consent of the Senate. Twenty members are appointed in accordance with the charter and bylaws for the Residential Boarding Education Program.

Public School Labor Relations Board

In addition, the State monitors collective bargaining between local boards of education and local school employee organizations. Prior to July 1, 2010, the State

Board of Education was responsible for deciding disputes and controversies arising from negotiations, but Chapters 324 and 325 of 2010 established a new Public School Labor Relations Board to oversee local collective bargaining processes. The new board consists of five members appointed by the Governor with the advice and consent of the Senate, including two chosen from a list provided by employee organizations and two chosen from a list provided by the Maryland Association of Boards of Education and the State Superintendents Association of Maryland. The fifth board member represents the public, must have experience in labor relations, and may not be an active member of a labor union. A board member must take an oath of office and may be removed by the Governor for incompetence or misconduct.

Local Governance

The local boards of education in the counties and the Board of School Commissioners for Baltimore City implement the public education laws, regulations, and policies of the State Board of Education. The composition of the local school boards varies by county, with 5 to 12 members serving three- to five-year terms. Eighteen counties have elected school boards, the Governor appoints the members in four counties, and one county has a combined elected and appointed board. The Mayor of Baltimore City and the Governor jointly appoint the city’s board members from a list of names submitted by the State Board of Education. Exhibit 2.2 shows the selection methods, terms of office, and membership of the 24 local school boards.

Exhibit 2.2
Local Boards of Education

School System	Number of Members	Term	Means of Selection¹
Allegany	7	4 years	E 5 from county at large 1 commissioner <i>ex officio</i> (nonvoting) 1 student (nonvoting, one-year term)
Anne Arundel	9	5 years	A 3 from county at large 5 from legislative districts 1 student (one-year term)
Baltimore City	10	3 years	A 9 from city at large 1 student (one-year term)
Baltimore	12	5 years	A 4 from county at large 7 from council districts 1 student (one-year term)

School System	Number of Members	Term		Means of Selection ¹
Calvert	6	4 years	E	2 from county at large 3 from commissioner districts 1 student (nonvoting, one-year term)
Caroline ²	7	4 years	A/E	3 elected from school board districts 2 appointed from county at large 2 students (nonvoting, one-year term)
Carroll	9	4 years	E	5 from county at large 3 commissioners <i>ex officio</i> (nonvoting) 1 student (nonvoting, one-year term)
Cecil	6	4 years	E	5 from commissioner districts 1 student (nonvoting, one-year term)
Charles	8	4 years	E	7 from county at large 1 student (nonvoting, one-year term)
Dorchester	7	4 years	E	5 from council districts 2 students (nonvoting, one-year term)
Frederick	8	4 years	E	7 from county at large 1 student (nonvoting, one year term)
Garrett	7	4 years	E	2 from county at large 3 from commissioner districts 1 commissioner <i>ex officio</i> (nonvoting) 1 student (nonvoting, one-year term)
Harford	11	4 years	A/E	6 elected from council districts 3 appointed 1 superintendent <i>ex officio</i> (nonvoting) 1 student (nonvoting, one-year term)
Howard	8	4 years	E	7 from county at large 1 student (one-year term)
Kent	6	4 years	E	5 from county at large 1 student (nonvoting, one-year term)
Montgomery	8	4 years	E	2 from county at large 5 from school board districts 1 student (one-year term)
Prince George's	10	4 years	E	9 from school board districts 1 student (one-year term)
Queen Anne's	7	4 years	E	1 from county at large 4 from commissioner districts 2 students (nonvoting, one-year term)

School System	Number of Members	Term	Means of Selection ¹
St. Mary's	6	4 years	E 1 from county at large 4 from commissioner districts 1 student (nonvoting, one-year term)
Somerset	5	4 years	E All from commissioner districts
Talbot	8	4 years	E 7 from school board districts 1 student (nonvoting, one-year term)
Washington	8	4 years	E 7 from county at large 1 student (nonvoting, one-year term)
Wicomico	7	5 years	A All from county at large
Worcester	10	4 years	E 7 from commissioner districts 3 students (nonvoting, one-year term)

¹A = Appointed by Governor, except in Baltimore City where board is appointed jointly by the Governor and the Mayor. E = Elected. A/E = Combined appointed and elected board.

²Voters in Caroline County decided at the 2010 general election to change from an appointed board to a combination appointed and elected board beginning with the November 2012 general election. The terms of the five current appointed members will expire December 2, 2012.

Source: Annotated Code of Maryland, Education Article, Sections 3-101 through 3-1405; local board of education websites

In general, the local school boards and the local superintendents appointed by the boards control educational matters and policymaking within the school districts and oversee the day-to-day operation of public schools. The school boards are not agencies or departments of county or State government. While the State Board of Education has the “last word on any matter concerning educational policy or the administration of the system of public education” (*Board of Education of Prince George’s County v. Waeldner*, 298 Md. 354, 360 (1984)), the local school boards have relative autonomy in the management of the schools.

Although local school boards are independent governmental units, they rely on county governments for a significant portion of their funding. School boards must submit their budget requests to the county governing body. The budget submission includes revenues and expenditures by major category, as established by State law and the State Board of Education. The county governing body reviews, modifies, and approves the budget. Any reductions are made by major category. In jurisdictions with a county executive, the executive reviews the budget first and then submits it to the county council. With the exception of Baltimore County, the council may restore any reductions made by the county executive to the proposed school board budget. Once a county has approved its annual appropriation to the local school system, the appropriation may not be reduced mid-year.

After approval of the budget, transfers between major expenditure categories must be submitted in writing and approved by the county. Nonlocal funds received by the school board after the adoption of the budget require notification of and approval by the county government.

Each local superintendent of schools must also provide annual financial reports to the State and the local governing body detailing the financial status of the system. Failure to provide timely financial reports requires the Maryland State Department of Education to withhold 10% of the next installment of State aid to the system.

State-level Services

Public primary and secondary education programs are provided almost exclusively by the 24 local school systems, but the State plays an important role in education by setting uniform standards for schools and students and holding schools and students accountable for the achievement of State standards. In addition, there are three statewide schools and several Department of Juvenile Services facilities where education services are provided directly at the State level rather than by a local school system. The Maryland State Department of Education also runs career readiness programs and certifies professional school personnel.

State Curriculum

The Maryland State Department of Education has developed, and the State Board of Education has approved, a statewide curriculum that defines what students should know and be able to do at each grade, prekindergarten through grade 8, and for selected high school courses. Each curriculum contains content standards with broad, measurable statements. More specific indicator statements are made that narrow the focus for teachers to determine the requirements as well as information about what specific learning should occur. The curriculum was cooperatively developed with the input of educators from public schools, colleges, and universities across the State, including content specialists, supervisors, and administrators, working with national standards. Final review of the curriculum was performed by outside content experts, who benchmarked it against curricula from other states and countries. There is a State curriculum for the following content areas:

- mathematics;
- reading/English language arts;
- English language proficiency;
- world languages;
- fine arts;
- school library media;
- science;
- social studies;

- health;
- physical education;
- technology education; and
- Maryland technology literacy for students.

Recognizing that the economic success of individuals and of the nation depends in part on the strength of the educational system, a multistate movement began the process of creating national common core standards in an effort to eliminate the wide variation in knowledge and skill expectations across the states. Draft standards were developed and released in March 2010, and the State Board of Education adopted the standards in June 2010. Just as with the State curriculum, the common core standards establish the skills and knowledge that students should have achieved at each grade level. Maryland participated in the development of the standards and was one of the first states to adopt the draft standards. The implementation timeline for common core standards is still being determined. Assessments based on the common core standards are also being developed by two multi-state consortiums and are expected to be completed for use in the 2014-2015 school year.

Educational Assessment and Accountability

Assessment of student performance and accountability in the delivery of education has been a major emphasis of national and State policy over the past couple of decades. Maryland has used statewide student assessments to measure the performance of its schools since 1993. In 2002, the federal No Child Left Behind Act established assessment and accountability requirements nationally and necessitated a change in Maryland's accountability system. The No Child Left Behind Act requires states to test students annually in grades 3 through 8 and again in high school to ensure that all students are on pace to meet standards set by the states to meet 100% proficiency by 2014. To accomplish this, schools and school systems must make adequate yearly progress toward this goal each year.

If a school or school system does not make adequate yearly progress for two consecutive years, it is assigned to school improvement status. Only one school system, Prince George's County, is in improvement as of December 2009. As shown in Exhibit 2.3, there were 200 schools in improvement for the 2009-2010 school year, or 9% of 1,459 total public schools. Baltimore City and Prince George's County have the most schools in improvement, with 81 and 56, respectively. Dorchester and Somerset counties each have 3 schools in improvement, but because they are small school systems these schools represent a high proportion of the total (23% and 33%, respectively).

Exhibit 2.3
Schools in Improvement Status
School Year 2009-2010

<u>School System</u>	<u>Comprehensive Pathway</u>	<u>Focused Pathway</u>	<u>Total</u>	<u>% of Schools in Improvement</u>
Allegany	0	0	0	0%
Anne Arundel	3	6	9	7%
Baltimore City	68	13	81	42%
Baltimore	11	5	16	9%
Calvert	0	0	0	0%
Caroline	0	1	1	10%
Carroll	0	0	0	0%
Cecil	1	3	4	14%
Charles	0	1	1	3%
Dorchester	2	1	3	23%
Frederick	0	4	4	6%
Garrett	0	0	0	0%
Harford	1	7	8	15%
Howard	0	1	1	1%
Kent	0	1	1	13%
Montgomery	1	7	8	4%
Prince George's	40	16	56	26%
Queen Anne's	0	0	0	0%
St. Mary's	1	0	1	4%
Somerset	2	1	3	33%
Talbot	0	0	0	0%
Washington	1	0	1	2%
Wicomico	1	1	2	8%
Worcester	0	0	0	0%
Statewide	132	68	200	9%

Source: Maryland State Department of Education; <http://mdreportcard.org>

Schools in improvement take either a comprehensive needs pathway or a focused needs pathway. The comprehensive path is for schools that fail to meet targets in reading and math for three or more subgroups of students. The focused path is for schools that fail to meet targets for two or fewer subgroups, and interventions are tailored to the needs of the low-achieving subgroup or groups. Schools follow a timeline related to improvement status. After a school's first year of failing to make adequate yearly progress, before it enters improvement, the school receives assistance from its school system. If targets still are not met the next year, the first of two improvement stages begins. In the developing school stage, the school and school system pursue a

progression of improvements and corrective actions. If the school does not improve after four years, it enters the priority school stage, which involves restructuring.

To accomplish the requirements of No Child Left Behind, the Maryland State Department of Education developed assessments to use for measuring student, school, and school system performance. The Maryland School Assessment was first used in 2003 and tests student performance in reading and mathematics in grades 3 through 8. The Maryland School Assessment science tests are given to fifth- and eighth-grade students, although the results are not used to determine adequate yearly progress under No Child Left Behind. Modified Maryland School Assessments and Alternate Maryland School Assessments are available for students with disabilities who qualify for the tests due to documented difficulties.

Exhibit 2.4 shows the percentage of students in grades 3, 5, and 8 that scored proficient or advanced on the Maryland School Assessments in spring 2010. The rates range from a low of 38.9% proficient or advanced on the math assessment among Baltimore City eighth-graders to a high of 95.6% proficient or advanced on the reading assessment for Worcester County third-graders. The exhibit also shows that, in most cases, the percent of eighth-grade students scoring at least proficient on the assessments is lower than the percent of third- and fifth-graders.

Exhibit 2.4
Percent of Students Scoring Proficient or Advanced
on Maryland School Assessments
Spring 2010

School System	Third Grade		Fifth Grade		Eighth Grade	
	Math	Reading	Math	Reading	Math	Reading
Allegany	89.1	85.2	85.0	86.6	59.1	80.6
Anne Arundel	91.2	88.9	88.8	92.9	72.1	84.6
Baltimore City	79.5	73.7	74.0	81.1	38.9	61.5
Baltimore	87.2	86.7	84.2	90.4	66.7	81.3
Calvert	91.9	89.1	89.9	95.0	81.3	88.7
Caroline	91.2	86.0	87.4	89.7	80.4	81.0
Carroll	92.7	88.7	92.2	95.2	75.3	90.3
Cecil	82.9	84.5	79.7	91.1	67.2	78.7
Charles	83.1	83.2	82.5	88.4	68.7	80.5
Dorchester	69.5	67.0	78.1	80.8	56.4	73.8
Frederick	90.7	88.8	87.0	93.4	75.1	87.8
Garrett	85.4	84.3	83.5	92.7	80.5	89.8

School System	Third Grade		Fifth Grade		Eighth Grade	
	Math	Reading	Math	Reading	Math	Reading
Harford	86.4	86.5	88.7	93.3	69.8	87.1
Howard	90.9	90.2	90.0	94.8	84.5	90.6
Kent	82.7	77.7	73.3	86.7	65.3	72.1
Montgomery	88.2	87.4	85.9	93.0	75.1	87.9
Prince George's	77.5	74.7	71.6	81.1	41.1	66.9
Queen Anne's	92.8	94.0	93.0	94.7	76.2	86.6
St. Mary's	90.8	87.1	87.2	91.8	78.8	83.1
Somerset	86.0	81.6	79.9	87.1	41.9	70.8
Talbot	83.0	80.4	91.1	92.1	69.1	77.8
Washington	86.8	83.5	86.4	90.0	75.5	79.7
Wicomico	84.9	81.5	80.2	84.8	60.3	71.8
Worcester	95.6	93.3	85.2	90.5	88.5	90.0
Total State	86.0	84.0	83.2	89.4	65.4	80.3

Source: The Maryland 2010 Report Card found at www.mdreportcard.org

High school students take the High School Assessments, which consist of four tests designed to measure school and individual student core academic performance in English, algebra/data analysis, science, and social studies. Students take each test after they complete the course. This includes middle school students taking high school-level courses. By State policy, students entering ninth grade in 2005 or later are required to achieve satisfactory scores on the High School Assessments in order to earn a Maryland high school diploma. A student who is unable to meet this standard can instead qualify to complete a subject-based project under the close supervision of a teacher. A very small number of students, 0.5% of twelfth-graders in 2010, may also qualify for a waiver from the High School Assessment requirements. The English and algebra/data analysis exams are also used to determine whether high schools have made adequate yearly progress under No Child Left Behind.

Exhibit 2.5 shows the High School Assessment pass rates for 2010 and the overall graduation rates for each of the 24 local school systems. The pass rates range from a low of 71.5% in Baltimore City to a high of 98.4% in Calvert County, with a statewide pass rate of 90.7%. Pass rates below 100% do not indicate that students did not graduate since nearly all twelfth-grade students who did not pass the High School Assessments successfully completed subject-based projects instead. Looking specifically at graduation percentages, Baltimore City has the lowest graduation rate at 65.9% and Carroll County has the highest rate at 95.3%. The statewide graduation rate was 86.6%.

Exhibit 2.5
Percentage of Students Passing the High School Assessments
and Graduating from High School
2010

School System	High School Assessment Pass Rate*	Graduation Rate
Allegany	87.9	89.7
Anne Arundel	94.0	88.9
Baltimore City	71.5	65.9
Baltimore	92.3	86.1
Calvert	98.4	92.5
Caroline	89.2	82.7
Carroll	96.8	95.3
Cecil	97.3	83.9
Charles	91.6	89.8
Dorchester	82.7	80.4
Frederick	95.9	94.6
Garrett	95.7	92.8
Harford	95.8	88.4
Howard	97.5	94.3
Kent	81.6	81.0
Montgomery	94.3	90.0
Prince George's	81.3	84.4
Queen Anne's	93.3	88.9
St. Mary's	96.3	88.8
Somerset	89.4	83.3
Talbot	88.4	87.9
Washington	97.5	92.4
Wicomico	84.3	82.7
Worcester	91.4	93.4
Total State	90.7	86.6

*The assessment pass rate is the percent of students taking all four tests (English, algebra, biology, and government) and either passing all four tests or meeting the combined score option.

Source: The Maryland 2010 Report Card found at www.mdreportcard.org

To fulfill federal and State reporting requirements, the Maryland State Department of Education also established a website, www.mdreportcard.org, to report outcome measures for all students and for eight student subgroups: special education students,

limited English-proficient students, students receiving free or reduced price meals, American Indian/Native American students, Asian/Pacific Islander students, African American students, white students, and Hispanic students. No Child Left Behind requires results to be disaggregated into these subgroups in an effort to determine the extent of the variations in performance between different student groups.

In addition to accountability through State assessments, the State also requires local school systems to develop and implement five-year comprehensive master plans. The plans, and subsequent annual updates to the plans, must identify the strategies that will be used to improve the academic performance of all students, methods for measuring progress, and timelines for implementation. The State Superintendent of Schools is required to review each comprehensive master plan to make certain that it includes all of the required components and that the articulated strategies are aligned with the school system's budget and will improve student performance across all student populations. The master plans were required as part of the Bridge to Excellence in Public Schools Act (Chapter 288 of 2002), which restructured and enhanced State funding for local school systems. Under Chapter 406 of 2009, new plans must be submitted by most school systems in 2012, followed by annual updates by all school systems that encompass a rolling five-year period.

Chapter 189 of 2010, the Education Reform Act, enhanced accountability measures for teachers and principals by requiring annual performance evaluations for nontenured certificated teachers and principals that include student growth as a significant component. A Maryland Council for Educator Effectiveness was appointed in summer 2010 to recommend specific policies for implementation of the Act. The law also added a third probationary year before teachers may receive tenure.

Educational Programs Provided at the State Level

Maryland School for the Deaf

The Maryland School for the Deaf is a State agency with campuses in Frederick and Columbia. The school provides a free, comprehensive prekindergarten through grade 12 education to deaf students through a day program and a residential program. The school provides academic education similar to public schools with enhanced communication skills training, vocational education, and rehabilitation programs. Students enroll in one of three main curricular tracks. The Essential Curriculum students follow the Frederick County Public School Essential Curriculum. The Enhanced Program of Services supports students who have multiple disabilities, are medically fragile, or are developmentally disabled. The Family Education/Early Intervention

Program provides services for families of children age five or younger in developing early language skills, including American Sign Language.

A total of 380 students were enrolled at the Maryland School for the Deaf campuses in fiscal 2009.

Maryland School for the Blind

The Maryland School for the Blind is a nonprofit organization that provides educational programs to Maryland students from birth to age 21 who are blind, severely visually impaired, or visually impaired/multi-disabled. Through its Baltimore campus program, the school provides highly specialized services to these students. The Maryland School for the Blind also provides equipment, Braille textbooks, and tutoring services to students with visual impairments who are attending schools across the State.

In fiscal 2009, the school served 188 students, over half of whom were profoundly disabled and many of whom were blind and deaf.

Residential Boarding Education Program (The SEED School of Maryland)

Chapter 397 of 2006 established a public residential boarding school for at-risk youth (for example, economically disadvantaged students, students with disabilities, or students with records of family issues or school difficulties) that is operated under the supervision of the Maryland State Department of Education. The department contracted with a nonprofit organization (The SEED Foundation, which also operates a similar school in Washington, DC) to operate the school. The school must provide at-risk students with a remedial curriculum for middle school students and a college preparatory curriculum for high school students. Students may apply to the program from any school system in the State. Eligible fifth-grade students are selected first by a recommendation from the local superintendent and then by a lottery system. Students selected for participation in the residential program may continue to live at and attend the school through high school graduation.

In September 2009, the second year of program operations, 160 students were enrolled in the SEED School.

Department of Juvenile Services Facilities

The role of the Maryland State Department of Education in educating students in juvenile facilities is being expanded. Chapter 53 of 2003 was enacted to reform the juvenile services system in Maryland and required the department to assume control over

the educational programming at the Charles H. Hickey, Jr. School. Responsibility for the educational programming at facilities operated by the Department of Juvenile Services was expanded under Chapter 535 of 2004, which required the Maryland State Department of Education to provide educational services in all of the residential facilities. By July 1, 2010, the Maryland State Department of Education had assumed control of six educational programs, including the Hickey School, the Lower Eastern Shore Children's Center, the Baltimore City Juvenile Justice Center, the DeWitt Carter Center, the Victor Cullen Center, and the Western Maryland Children's Center. Under State law, the department must assume the educational operations of the remaining eight centers by July 1, 2013.

Career Readiness Services

The Maryland State Department of Education provides post-secondary preparation services in two ways. First, it assists individuals in need of rehabilitation services through the Division of Rehabilitation Services with the goal of readying the program participants for entry or reentry into the workforce. The Division of Rehabilitation Services provides policy direction, administrative support, eligibility determination for federal disability benefits, and rehabilitation services at the Maryland Workforce and Technology Center and 24 offices statewide. Clients, typically ages 16 to 65, who have been referred by schools or health care professionals, receive vocational evaluation, occupational skills training, medical evaluation and treatment, occupational therapy, physical therapy, and rehabilitation technology services. Additional support services include addictions counseling, academic remediation, driver's evaluation and education, job-seeking skills training, and job placement. In fiscal 2009, the division assisted nearly 6,400 individuals. For further information on rehabilitation services see Chapter 14 of *Volume II – Government Services in Maryland* of the legislative handbook series.

The second way the Maryland State Department of Education assists individuals as they prepare for careers is through the Division of Career and College Readiness, which distributes funds for occupational education programs with specific training programs in secondary schools, community colleges, State agencies, and other institutions and businesses. The program serves students who decide on a career for which training is appropriate, such as automotive technology or cosmetology, by exposing them to all aspects of a particular industry.

Prior to fiscal 2010, Maryland's adult education, literacy services, and correctional institutions' education programs were the responsibility of the Maryland State Department of Education. Chapter 134 of 2008 transferred these programs to the Department of Labor, Licensing, and Regulation since it was already responsible for other workforce development programs. Education programs are in all the major

correctional institutions in the adult prison system. Programs include adult basic education, adult secondary education, occupational preparatory programs, and library services. For further information on correctional and workforce development education see Chapter 14 of *Volume II – Government Services in Maryland* of the legislative handbook series.

Certification

The Maryland State Department of Education oversees the certification of teachers, principals, and other school personnel and evaluates and approves higher education programs that educate and prepare teachers and other certified school personnel. The federal No Child Left Behind Act requires that all teachers of core academic subjects be highly qualified. Core academic subjects include English, math, reading or language arts, science, foreign languages, civics and government, economics, arts, history, and geography. To be highly qualified, a teacher must have at least a bachelor's degree, hold a license to teach in the State, have obtained full State certification, and have subject matter expertise.

Schools are required by federal law to annually report on the number of nonhighly qualified teachers. During the 2008-2009 school year, 11.5% of core classes in the State were not taught by highly qualified teachers, the lowest percent since the State began reporting the data in 2004.

In order to ensure teacher quality and that students are being taught by qualified, competent teachers, the Maryland State Department of Education is also responsible for State approval and national accreditation for all professional educator certification programs in Maryland's colleges and universities.

Education Services Provided by Local School Systems

Under State law, every child from age 5 through 15 must attend a public school or receive regular, thorough instruction during the school year in studies usually taught in the public schools to children of the same age. Individuals ages 5 through 20 choosing to attend a Maryland public school must be admitted free of charge. As of September 2009, approximately 820,000 students were enrolled in local public schools (kindergarten through grade 12). Exhibit 2.6 shows that public school enrollments ranged from 2,060 students in Kent County to 138,296 in Montgomery County. In addition to the State's public school students, approximately 115,000 kindergarten through grade 12 students were enrolled in private schools in September 2009.

Exhibit 2.6
Public School Data
2009

County	K-12 Enrollment	Number of Schools	Instructional Personnel*
Allegany	8,693	27	986
Anne Arundel	73,077	125	6,751
Baltimore City	78,154	193	8,157
Baltimore	99,739	172	9,193
Calvert	16,653	26	1,591
Caroline	5,224	10	553
Carroll	27,435	48	2,445
Cecil	15,620	29	1,619
Charles	25,914	37	2,480
Dorchester	4,414	13	431
Frederick	39,164	64	3,719
Garrett	4,189	16	440
Harford	37,734	53	3,817
Howard	49,680	73	5,794
Kent	2,060	8	240
Montgomery	138,296	205	13,467
Prince George's	120,900	206	10,910
Queen Anne's	7,512	14	710
St. Mary's	16,443	28	1,451
Somerset	2,707	9	338
Talbot	4,274	8	378
Washington	21,414	46	1,983
Wicomico	14,052	25	1,614
Worcester	6,278	14	871
Total	819,626	1,450	79,945

*Includes teachers, aides, physical and occupational therapists, librarians, media specialists, guidance counselors, psychologists, staff developers, teacher trainers, athletic coaches, remedial specialists, and other school-level instructional professionals.

Note: Data excludes 160 students and 40 full-time equivalent staff at the SEED School of Maryland.

Source: *Maryland Public School Enrollment by Race/Ethnicity and Gender and Number of Schools* (September 30, 2009), Maryland State Department of Education; *The Fact Book: 2008-2009*, Maryland State Department of Education

As of September 2009, there were 1,450 public schools throughout the State: 792 elementary schools, 405 secondary/middle schools, 90 combined/special education schools, and 163 other nontraditional public schools such as vocational technical schools, charter schools, atypical special education schools, and alternative schools. An additional 1,395 nonpublic schools served 131,315 students in 2008. Public schools must be open at least 180 days over a 10-month period and must provide at least 1,080 hours of instruction.

The 24 local school systems employed 117,221 full-time equivalent personnel during the 2008-2009 school year. As shown in Exhibit 2.7, 72,883 teachers and instructional aides accounted for about 62% of this total. (See Exhibit 2.6 for county-by-county data on instructional staff.)

Exhibit 2.7
Staff Employed by Maryland Public School Systems
2008-2009 School Year

<u>Category</u>	<u>Number of Staff</u>	<u>% of Total Staff</u>
Administrators ¹	5,988	5.1%
Teachers ²	59,924	51.1%
Support Professionals ³	7,063	6.0%
Instructional Aides	12,959	11.1%
Support Staff ⁴	31,286	26.7%
Total	117,221	100.0%

¹Includes superintendents, principals, vice principals, directors, supervisors, and other school administrators.

²Includes therapists.

³Includes staff developers, teacher trainers, athletic coaches, remedial specialists, other school-level instructional professionals, and media, guidance, and psychology personnel.

⁴Includes technicians, service workers, secretaries and clerks, drivers, crafts and trades, laborers, noninstructional aides, nurses, admissions officers, research specialists, etc.

Note: Numbers do not sum to the reported total of 117,221 due to rounding of full-time equivalent positions.

Source: *The Fact Book: 2008-2009*, Maryland State Department of Education

Education of Students with Disabilities

Federal law requires states to provide a free appropriate public education to all students with disabilities through age 20 who are found to be in need of special education services. In order to meet the requirements, the education programs for disabled students must be designed to meet their individual needs and could include specially designed instruction in classrooms, at home, or in private or public settings. Examples of these services include speech, occupational and physical therapy, psychological counseling, and medical diagnostic services that are necessary to a child's education. Teachers of students with disabilities are required to be trained in the instruction of disabled students. Services begin as soon as the child can benefit from them, regardless of whether the child is of school age.

Over 102,000 students were enrolled in special education programs for the 2008-2009 school year. Most of these students attended county or State schools. If required services are not available through the public schools, however, students are placed in appropriate nonpublic programs. Of the students receiving special education services, more than 3,500, or about 3.4%, attended nonpublic schools.

Collective Bargaining

Collective bargaining with local employee organizations is an important function of the local boards of education. The boards and employee organizations *must* negotiate all matters that relate to salaries, wages, hours, and other working conditions and *may* negotiate other matters that are mutually agreed to by the applicable board and employee organization. However, the school calendar, the maximum class size, and any other matter addressed in statute *may not* be the subject of negotiations.

Prior to July 1, 2010, the State Board of Education decided all controversies and disputes regarding public elementary and secondary education, including disputes between local boards of education and the local employee organizations representing school system personnel. Chapters 324 and 325 of 2010, however, moved responsibility for deciding school system labor disputes to a new Public School Labor Relations Board. The legislation also altered the collective bargaining process by setting up a new process for impasse resolution that includes mediation by a neutral mediator and, if necessary, arbitration by the Public School Labor Relations Board. If the county government does not approve sufficient funds to implement a negotiated agreement, the local school board must negotiate with the employee organization before making a fiscal determination in accordance with a timetable and procedures established by the Public School Labor Relations Board. The revamped system also specifically authorizes appeals to circuit courts of any decisions of the new board.

Chapters 324 and 325 are scheduled to terminate after June 30, 2015, at which time the State Board of Education will once again decide labor disputes between local boards of education and local school employee organizations.

Chapter 3. Primary and Secondary Education – Funding

Financial support for public schools is a shared State and local responsibility, with the federal government also playing an important role in funding local school systems. As shown in Exhibit 3.1, funding for primary and secondary education totaled an estimated \$13.1 billion in fiscal 2009, with \$12.9 billion supporting the local school systems. The counties and Baltimore City provided the largest share of education funding, with support of nearly \$6.3 billion or 47.8% of total funding. Other local funds, made up mostly of revenues generated by local school boards, accounted for \$270.6 million or 2.1% of the total. State support for primary and secondary education totaled \$5.8 billion in fiscal 2009, 44.5% of total funding, including \$5.7 billion that supported local school boards. The federal government also contributes a relatively small percentage of total aid for education (an estimated 5.6% in fiscal 2009).

Exhibit 3.1 Funding for Primary and Secondary Education Fiscal 2009 (\$ in Millions)

	<u>County Revenues</u>	<u>Other Local Revenues¹</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
Local School Boards					
Operating Expenses ²	\$5,359.1	\$106.7	\$5,356.0	\$532.3	\$11,354.1
Other ³	925.2	158.3	358.0	153.6	1,595.1
State Department of Education ⁴					
Career Technology			1.3	2.1	3.4
Accountability & Assessment			43.0	8.1	51.1
Juvenile Services Education			7.2	0.2	7.4
Administration & Other Programs			23.7	33.3	57.0
Educational Organizations					
School for the Blind		5.6	20.4	1.0	27.0
Other Organizations			9.5		9.5
School for the Deaf					
IAC Administration			1.5		1.5
School for the Deaf			27.6	0.9	28.6
Total	\$6,284.3	\$270.6	\$5,848.3	\$731.6	\$13,134.8
Percent of Total	47.8%	2.1%	44.5%	5.6%	100.0%

¹Other local funds are generated by the local school systems from tuition, transportation fees, investments, rentals, gifts, charges, and other sources. School for the Blind revenues include private gifts, investment income, and tuition.

²Operating revenues support costs for instruction, administration, transportation, student services, health services, and community services.

³Other county school board revenues support food service, school construction, and debt service costs.

⁴State Department of Education funding includes expenditures for headquarters operations and programs, excluding rehabilitation services, library services, adult learning, and correctional education. In fiscal 2010, adult and correctional education was transferred to the Department of Labor, Licensing, and Regulation. The table also excludes funding for early education administration and programs with the exception of publicly funded prekindergarten programs, which are included with local school board funding.

Note: Numbers may not sum due to rounding.

Source: *Selected Financial Data 2008-2009, Part I – Revenue, Wealth, and Effort*, Maryland State Department of Education; *Fiscal 2011 State Budget Books*; Maryland School for the Blind; Department of Legislative Services

State Administration and Coordination

In addition to funding for local boards of education, \$118.9 million supported statewide administration of primary and secondary education services provided by the Maryland State Department of Education in fiscal 2009. (This does not include funds provided for administration of early education, adult education, correctional education, library services, and rehabilitation services.) Another \$1.5 million supported administration of the Interagency Committee on Public School Construction. Of the \$120.4 million total, 36.8%, or \$43.8 million, was supported with federal funds. The remaining amount, \$76.6 million or 63.6%, was supported with State funds.

The State also funded some organizations and programs that are not State agencies based on their functions and contributions to education in the State. The funding for State-aided educational organizations totaled approximately \$36.5 million in fiscal 2009, with \$5.6 million coming from local contributions to the Maryland School for the Blind. State appropriations for these organizations totaled nearly \$30 million, with most of the funding, \$20.4 million, going to the Maryland School for the Blind. In addition, the Maryland School for the Deaf was appropriated a total of \$28.6 million, including \$0.9 million in federal funds.

Overview of Maryland’s School Finance System

The State’s financing of public schools changed considerably in fiscal 2004 with the implementation of new funding formulas established by Chapter 288 of 2002, the Bridge to Excellence in Public Schools Act. The financing structure that was established by the legislation is based on the concept of “adequacy” – an empirical estimate of the amount of funding that schools and school systems would need in order to obtain the resources they need to reasonably expect that students can meet the State’s academic performance standards. In order to estimate how much funding would constitute adequacy in Maryland, a study was conducted by a private consultant. Using the results of the adequacy study, a model of adequacy was adopted by the Commission on

Education Finance, Equity, and Excellence and was then used to develop the legislation that eventually became the Bridge to Excellence Act.

The adequacy model identified in the study and enacted by Chapter 288 of 2002 assumes that adequacy contains three components. The first is a uniform base cost per pupil that is necessary to provide general education services to students in every school system. The second component of adequacy involves adjustments for the additional costs associated with educating three at-risk student populations: special education students, students eligible for free and reduced price meals, and students with limited English proficiency. The third component of adequacy is an adjustment that accounts for differences in the local costs of educational resources.

As a result of the adjustments for at-risk student populations and cost of education differences, adequate funding measured on a per pupil basis varies among the 24 local school systems. Exhibit 3.2 shows the empirically derived adequacy targets for each local school system and the estimated amount of revenue each received for adequacy-related programs in fiscal 2009. The exhibit shows that 16 school systems reached their funding targets that year. With the ultimate goal of ensuring that all school systems meet State performance standards, the aim of the State’s public school financing system is to provide each school system with a roughly equivalent opportunity to reach its adequate funding objective with a combination of State, local, and federal resources.

Exhibit 3.2
Per Pupil Adequacy Targets and Budgeted Revenues
Fiscal 2009

County	Per Pupil Adequacy Target¹	Estimated Revenues Per Pupil²	Amount Short of Target³
Allegany	\$12,396	\$14,163	\$0
Anne Arundel	10,780	12,156	0
Baltimore City	15,815	15,184	631
Baltimore	12,085	12,334	0
Calvert	10,119	11,510	0
Caroline	12,521	11,149	1,372
Carroll	9,796	11,453	0
Cecil	11,228	11,357	0
Charles	10,624	11,457	0
Dorchester	12,468	12,088	381
Frederick	10,578	11,725	0
Garrett	11,684	11,728	0

County	Per Pupil Adequacy Target ¹	Estimated Revenues Per Pupil ²	Amount Short of Target ³
Harford	10,664	11,301	0
Howard	9,860	13,829	0
Kent	12,728	14,187	0
Montgomery	12,076	14,889	0
Prince George's	13,821	12,752	1,070
Queen Anne's	10,227	10,779	0
St. Mary's	10,801	11,350	0
Somerset	13,765	13,584	181
Talbot	11,080	10,926	154
Washington	11,835	11,413	422
Wicomico	12,413	11,817	596
Worcester	11,173	15,209	0
Statewide	\$12,092	\$12,963	\$254

¹Adequacy does not include costs associated with capital expenditures, debt service, transportation, and food service.

²Budgeted spending for transportation and a few other programs is not included because this funding is not associated with adequacy.

³State total amount short of target excludes revenues in excess of targets and allocates the total shortage across all students in the State.

Source: *Selected Financial Data 2008-2009, Part 1 – Revenue, Wealth, and Effort*, Maryland State Department of Education; Department of Legislative Services State aid estimates; and fiscal 2009 county and school board budgets.

Federal Funding for Local School Systems

Historically, federal education aid has accounted for approximately 5% to 6% of the funding for Maryland's local school systems, although the amounts and the shares vary depending on the local school system. Because most federal support is targeted to disadvantaged and disabled children, school systems with larger proportions of these students generally get more federal aid. Exhibit 3.3 shows federal funds provided through the Individuals with Disabilities Education Act; Title I of the Elementary and Secondary Education Act, which provides additional resources for the education of economically disadvantaged children; and other federal grants and programs. The table also shows federal funds per pupil. Baltimore City, with the largest population of disadvantaged students, receives the largest amount of federal funds, at \$125.2 million for fiscal 2009, followed by Prince George's County at \$83.4 million and Montgomery County at \$70.2 million.

Somerset County receives the highest level of federal funds per pupil, at \$1,879 for fiscal 2009, followed by Baltimore City and Allegany, Dorchester, and Kent counties. All of these localities enroll large proportions of disadvantaged students, which explains the greater federal support. School systems with lower proportions of needy students, such as Calvert, Carroll, Frederick, and Howard counties, receive the least federal aid per pupil.

**Exhibit 3.3
Federal Education Funding
Fiscal 2009**

School System	Individuals with Disabilities Education Act*	Title I	Other Federal Funds	Total Federal Funds	Federal Funds per Pupil
Allegany	\$2,455,348	\$2,648,329	\$3,979,036	\$9,082,713	\$1,010
Anne Arundel	15,377,779	10,358,462	11,035,461	36,771,703	514
Baltimore City	21,104,484	66,698,976	37,371,673	125,175,133	1,620
Baltimore	21,671,935	20,662,394	13,550,409	55,884,737	559
Calvert	3,155,459	1,412,967	1,728,814	6,297,240	371
Caroline	1,344,813	1,036,624	1,545,971	3,927,409	734
Carroll	5,844,479	1,699,803	3,048,399	10,592,681	378
Cecil	3,658,412	2,414,276	2,116,285	8,188,973	519
Charles	5,196,958	2,923,940	4,516,148	12,637,046	489
Dorchester	1,002,209	1,537,003	1,929,365	4,468,577	1,008
Frederick	7,440,321	3,447,492	3,827,426	14,715,240	374
Garrett	1,073,859	1,307,494	1,593,169	3,974,523	904
Harford	7,590,381	4,246,181	4,005,110	15,841,672	415
Howard	8,806,697	2,760,971	4,924,916	16,492,584	340
Kent	680,608	605,823	1,237,957	2,524,388	1,173
Montgomery	27,534,372	21,440,925	21,261,995	70,237,291	522
Prince George's	24,875,068	28,974,587	29,538,923	83,388,577	681
Queen Anne's	1,542,307	1,324,635	1,555,892	4,422,834	594
St. Mary's	3,428,658	2,042,718	5,516,110	10,987,486	686
Somerset	661,889	1,461,154	2,998,518	5,121,561	1,879
Talbot	1,041,855	703,087	487,593	2,232,535	528
Washington	4,392,695	3,580,088	4,091,291	12,064,075	569
Wicomico	2,905,729	3,869,081	4,230,914	11,005,724	794
Worcester	1,407,959	1,439,703	3,427,414	6,275,076	984
Statewide	\$174,194,275	\$188,596,712	\$169,518,790	\$532,309,777	\$653

Note: Federal funds for early childhood education programs and food services are not included.

Source: *Selected Financial Data*, Maryland State Department of Education; Department of Legislative Services

State Aid for Local School Systems

The Bridge to Excellence in Public Schools Act of 2002 increased the State's financial support for public schools significantly, especially during the six-year phase-in of the Act from fiscal 2002 to 2008. State education aid increased from \$2.9 billion in fiscal 2002 to \$5.7 billion in fiscal 2011, as shown in Exhibit 3.4. This represents an increase of 99.6% in State support for public education and an average annual increase of 8.0% over the nine-year period. The average annual increases outpaced the rate of general fund revenue growth, which is expected to average 3.4% over the same nine-year period.

Exhibit 3.4
State Aid for Education
Fiscal 2002 to 2011
(\$ in Millions)

	<u>Fiscal</u>	<u>State Education Aid</u>	<u>\$ Change from Prior Year</u>	<u>% Change from Prior Year</u>
	2002	\$2,853		
Bridge to Excellence Phase-in Years	2003	3,079	\$226	7.9%
	2004	3,292	212	6.9%
	2005	3,606	314	9.6%
	2006	3,990	384	10.6%
	2007	4,456	466	11.7%
	2008	5,144	688	15.4%
	2009	5,356	212	4.1%
	2010*	5,484	128	2.4%
	2011*	5,695	210	3.8%

*State aid figures include federal stimulus funds used to support education aid programs.

Source: Department of Legislative Services

The Bridge to Excellence Act also simplified the State's school financing structure by eliminating a large number of small categorical aid programs. The vast majority of State aid is now distributed to local school systems through formulas that are based primarily on student enrollments (including enrollments of three student populations that are at-risk of falling behind academically) and local wealth. These formulas mimic the adequacy concept by ensuring a minimum per pupil funding level, providing additional

funding based on enrollments of at-risk students, and granting additional aid to school systems with higher educational resource costs.

In addition to State aid programs designed to meet the instructional needs associated with the adequacy concept, another major category of school system expenses supports functional programs such as student transportation, food service, and school construction. These functions, while essential to school system operations, were not addressed in the adequacy study. Therefore, State aid programs that support these noninstructional school system functions continue in tandem with the formulas that address the instructional needs of the general student population and at-risk student populations.

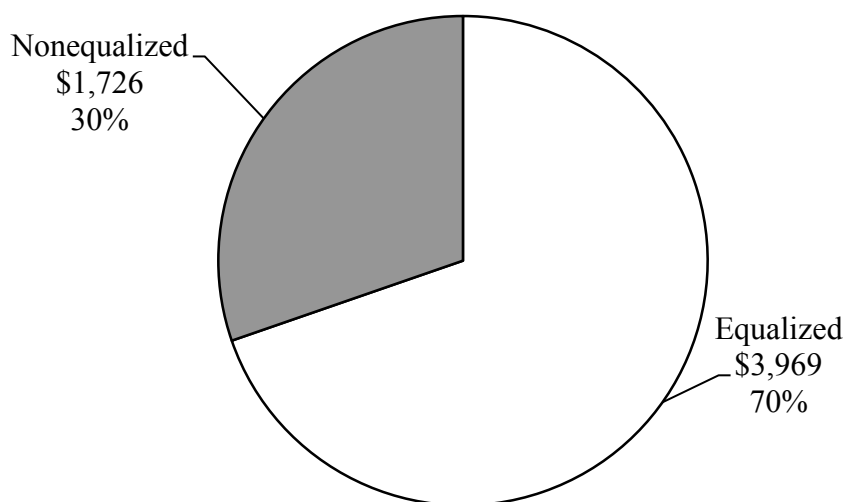
In addition to enhancing and simplifying State support for public education, the Bridge to Excellence Act also modified the focus of education aid. One of the findings of the Commission on Education Finance, Equity, and Excellence was that school systems in the less wealthy areas and school systems with higher proportions of at-risk students would need the most new revenue in order to meet the funding targets identified by the commission. For this reason, the commission recommended increases in the percentages of aid going to less wealthy jurisdictions and school systems that have high enrollments of at-risk students. The Bridge to Excellence Act succeeded in adjusting the distribution of State aid to reflect both of these recommendations.

Wealth Equalization

Because funding public education is a shared State and local responsibility, part of the State's constitutional responsibility to provide a "thorough and efficient system of free public schools" involves offsetting the disparities in taxable wealth among the counties. If all 24 counties made the same education tax effort (*i.e.*, contributed the same proportions of their taxable wealth to public education), local per pupil appropriations would vary due to relatively wide discrepancies in local wealth per pupil. The State aid structure compensates for these differences by providing less aid per pupil to the more wealthy jurisdictions and more aid per pupil to the less wealthy jurisdictions through a number of "wealth-equalized" funding formulas. Although most State aid formulas are designed to have the State pay roughly one-half of program costs, the State's share for the less wealthy jurisdictions is higher than 50%, and the State's share for more wealthy jurisdictions is lower than 50%.

Exhibit 3.5 shows the amount of State aid that is wealth-equalized for fiscal 2011. Equalized aid is \$4.0 billion, or 70% of the total, while nonequalized aid is \$1.7 billion, or 30%.

Exhibit 3.5
Wealth Equalization of State Education Aid
Fiscal 2011
(\$ in Millions)



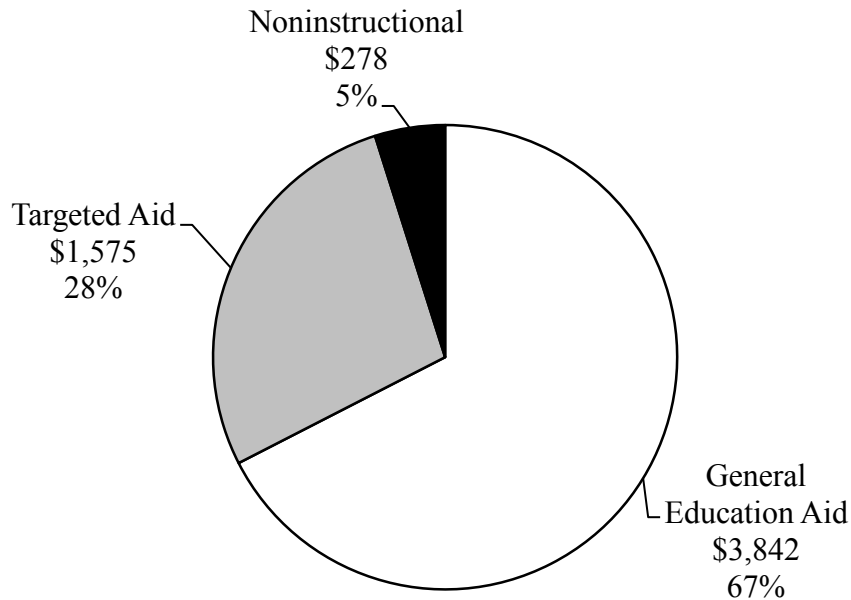
Source: Department of Legislative Services

Targeting of State Aid

One of the longstanding goals of Maryland's education financing structure has been to recognize the additional resource needs associated with serving at-risk students and to provide greater funding to school systems with large percentages of special education, economically disadvantaged, and limited English proficient students. With the completion of the adequacy study for the Commission on Education Finance, Equity, and Excellence, the State had an estimate of the costs of the additional resources for the first time. Using the estimates, the Bridge to Excellence legislation directed a significant portion of the new funds being added to the finance structure to targeted aid programs.

Exhibit 3.6 shows fiscal 2011 State education aid separated into general education aid, targeted aid, and noninstructional aid categories. The majority of State education funding falls into the general education category, comprising 67% of the total in fiscal 2011. Targeted aid was 28% for 2011, as compared to 19% in 2002, which demonstrates the emphasis on targeting added resources to school systems with larger proportions of at-risk students. The smallest category of State aid is devoted to noninstructional programs and comprises 5% of aid in fiscal 2011.

Exhibit 3.6
Categories of State Education Aid
Fiscal 2011
(\$ in Millions)



Source: Department of Legislative Services

Fiscal 2011 funding by category for each local school system is shown in Exhibit 3.7. With the exception of the teachers' retirement program, funding for the general education category is mostly driven by total student enrollment and local wealth; State aid in the targeted category is generally based on local enrollments of at-risk students and local wealth; and State support for noninstructional programming is mostly a function of the number of students in each school system. The three conceptual categories of State education aid are discussed individually in the sections that follow.

Exhibit 3.7
State Education Aid by Category
Fiscal 2011
(\$ in Thousands)

County	General Education	Targeted Aid	Noninstructional	Total Aid
Allegany	\$58,785	\$28,517	\$4,854	\$92,156
Anne Arundel	264,075	78,446	21,988	364,508
Baltimore City	525,347	403,964	21,584	950,895
Baltimore	430,263	157,020	29,154	616,437
Calvert	82,091	15,419	5,715	103,225
Caroline	30,250	14,301	2,537	47,088
Carroll	131,647	24,450	9,619	165,715
Cecil	81,826	27,387	5,264	114,476
Charles	132,351	31,189	10,381	173,921
Dorchester	23,452	9,719	2,548	35,720
Frederick	190,344	42,844	12,058	245,246
Garrett	18,886	6,361	2,969	28,215
Harford	180,946	50,067	12,404	243,418
Howard	216,067	37,114	15,704	268,885
Kent	6,851	3,439	1,665	11,955
Montgomery	466,627	189,917	36,413	692,957
Prince George's	655,249	314,707	39,881	1,009,836
Queen Anne's	27,502	6,429	3,313	37,244
St. Mary's	82,260	20,103	6,725	109,088
Somerset	15,864	8,860	2,031	26,755
Talbot	8,054	4,857	1,602	14,512
Washington	112,070	42,911	7,266	162,248
Wicomico	85,841	37,306	5,480	128,626
Worcester	14,365	8,221	3,067	25,653
Unallocated	567	11,481	13,861	25,908
Statewide	\$3,841,577	\$1,575,028	\$278,083	\$5,694,688

Note: State aid for early childhood education programs is excluded.

Source: Department of Legislative Services

General Education Aid Programs

General education State aid programs are designed to provide a minimum level of operating support for all students. Within the adequacy framework, this funding would be used to provide the basic resources needed to operate any school system, such as central administrators, principals, teachers, textbooks, and classroom equipment. The cornerstone program is the foundation program. The geographic cost of education index (GCEI) provides additional aid to support instructional programs in school systems with above-average educational resource costs and is also discussed in this section. Teachers' retirement payments, which are funded almost exclusively by the State, are also discussed under general education, as is the guaranteed tax base program, which was established by the Bridge to Excellence legislation and provides an incentive for low wealth jurisdictions to support public education with local funds. Exhibit 3.8 shows fiscal 2011 funding for general education programs.

Exhibit 3.8
Funding for General Education Programs
Fiscal 2011
(\$ in Thousands)

County	Foundation Program	Cost of Ed Index	Teachers' Retirement	Guaranteed Tax Base	Other General Education	Total
Allegany	\$42,901	\$0	\$9,036	\$6,753	\$96	\$58,785
Anne Arundel	183,003	8,786	71,593	0	693	264,075
Baltimore City	375,717	21,904	81,671	27,659	18,396	525,347
Baltimore	328,787	5,329	92,498	0	3,648	430,263
Calvert	62,705	2,337	17,042	0	7	82,091
Caroline	24,036	0	4,903	339	973	30,250
Carroll	103,430	2,570	25,655	0	-8	131,647
Cecil	65,114	0	14,838	1,744	131	81,826
Charles	104,218	3,467	24,389	228	49	132,351
Dorchester	17,782	0	4,308	28	1,334	23,452
Frederick	146,856	6,276	37,200	0	12	190,344
Garrett	13,358	0	4,288	0	1,240	18,886
Harford	146,436	0	34,324	0	186	180,946
Howard	150,701	4,984	59,683	0	699	216,067
Kent	3,374	138	2,300	0	1,038	6,851
Montgomery	264,653	31,440	169,926	0	607	466,627
Prince George's	468,253	38,612	127,564	0	20,819	655,249
Queen Anne's	20,248	551	6,591	0	112	27,502
St. Mary's	63,905	219	14,685	0	3,450	82,260
Somerset	12,171	0	3,062	629	2	15,864

County	Foundation Program	Cost of Ed Index	Teachers' Retirement	Guaranteed Tax Base	Other General Education	Total
Talbot	\$4,291	\$0	\$3,757	\$0	\$6	\$8,054
Washington	90,285	0	18,559	3,058	168	112,070
Wicomico	64,967	0	13,893	6,954	26	85,841
Worcester	6,290	0	8,070	0	6	14,365
Unallocated	0	0	0	0	567	567
Statewide	\$2,763,480	\$126,612	\$849,836	\$47,392	\$54,258	\$3,841,577

Source: Department of Legislative Services

Foundation Program

The foundation program is the major State aid program for public schools, accounting for nearly half of State education aid. A formula determines, for each school system, the State and local shares of a minimum per pupil funding level, or “foundation.” For fiscal 2011, the foundation amount is \$6,694 per student.

The total cost of the foundation program, which equals the per pupil foundation amount times the full-time equivalent student enrollment count, is shared equally by the local governments and the State. However, as a wealth equalized formula, the State provides more aid per pupil to school systems in the less wealthy jurisdictions and less aid per pupil to school systems in the more wealthy jurisdictions.

The State has used some type of base funding approach since 1922 to equalize funding and provide a minimum level of support for school systems. With the new emphasis on adequacy under the Bridge to Excellence Act, the per pupil funding level in the foundation program is based on an estimate of the amount of funding that is needed to provide resources sufficient for the “average” student (*i.e.*, one without any supplemental needs) to meet State standards. The adequate per pupil foundation amount is adjusted each year to reflect inflationary increases, although the State has limited inflationary increases in recent years due to budget constraints.

Computing State aid through the foundation program involves two steps. In the first step, a per pupil foundation level is identified. Then, through the wealth equalization formula, the State and local shares of the foundation are calculated. The determination of the foundation level and the distribution of State aid are both specified in statute.

Determining the Per Pupil Foundation Level: The Bridge to Excellence legislation required the target adequate foundation level to be phased in from fiscal 2004 to 2008. During the phase-in period, the target funding level increased with inflation and the actual funding level increased on a set implementation schedule until it reached the

full target funding level in fiscal 2008. Beginning in fiscal 2009, increases in the per pupil foundation amount were scheduled to be tied to inflation.

Distribution: The calculation of the State and local shares of the minimum foundation for each of the 24 school systems is based on public school enrollment and county wealth. For purposes of the formula, the statute defines enrollment and wealth as follows.

- *Full-time equivalent enrollment* equals the total number of students enrolled in kindergarten through grade 12 plus the number of full-time equivalent students enrolled in evening high school programs. Full-time equivalent enrollment is calculated using a September 30 student count from the prior fiscal year.
- *Wealth* equals the sum of 40% of real property assessable base, 50% of personal property assessable base, and 100% of net taxable income. The property bases are determined as of July 1 of the previous fiscal year, and net taxable income is computed from September 1 of the second preceding calendar year.

Once full-time equivalent enrollment and wealth have been determined for each local jurisdiction and summed to produce State totals, a local contribution rate is calculated. The local contribution rate is a statewide “tax” rate representing the counties’ aggregate share of the foundation program divided by total county wealth. Specifically, the *local contribution rate* equals the total cost of the program (full-time equivalent enrollment times the per pupil foundation), multiplied by the overall local share of the foundation program (50%) and divided by total local wealth. Each county’s local share of the foundation program is calculated by multiplying the local contribution rate by the county’s wealth.

The State’s share of the foundation program is calculated by subtracting the local share from the total program cost (full-time equivalent enrollment times the per pupil foundation). The formula for State aid to a specific school system, therefore, is:

$(\text{Per Pupil Foundation} \times \text{Local Enrollment}) - (\text{Local Contribution Rate} \times \text{Local Wealth})$
--

For a very wealthy county, this calculation could result in an aid figure that is less than \$0; however, each school system is guaranteed a minimum State share of 15% of the program cost for the program. Exhibit 3.9 shows the calculation of foundation program variables, and Exhibit 3.10 shows the fiscal 2011 distribution of \$2.8 billion in State aid under the foundation program using the variables from Exhibit 3.9.

Exhibit 3.9
Calculating Foundation Program Variables
Fiscal 2011

Row Per Pupil Foundation Amount

(1) Target per pupil amount **\$6,694**

Minimum State Per Pupil Foundation Amount

(2) Per pupil amount \$6,694 = Row 1

(3) Minimum State share 15% = Constant

(4) Minimum amount **\$1,004** = Row 2 x Row 3

Local Contribution Rate

(5) Per pupil foundation \$6,694 = Row 1

(6) Local share 50% = Constant

(7) FTE enrollment 9/30/09 817,610 = Actual

(8) Wealth base \$424,121,818,816 = Actual

(9) Local contribution rate **0.0064523** = (Row 5 x Row 6 x Row 7) / Row 8

Source: Department of Legislative Services

**Exhibit 3.10
Foundation Program Calculation
Fiscal 2011**

County	FTE Enrollment Sept 30, 2009	Basic Program: \$6,694 Times Enrollment	Wealth Base	Local Share 0.0064523 Times Wealth	Formula State Aid¹	Min. State Aid \$1,004 Times Enrollment	Total State Aid²
Allegany	8,692.00	\$58,184,248	\$2,368,718,561	\$15,283,683	\$42,900,565	\$8,727,637	\$42,900,565
Anne Arundel	72,914.50	488,089,663	47,283,394,662	305,086,647	183,003,016	73,213,449	183,003,016
Baltimore City	77,909.00	521,522,846	22,597,543,301	145,806,129	375,716,717	78,228,427	375,716,717
Baltimore	99,511.75	666,131,655	52,282,847,504	337,344,617	328,787,038	99,919,748	328,787,038
Calvert	16,626.25	111,296,118	7,530,858,697	48,591,360	62,704,758	16,694,418	62,704,758
Caroline	5,224.00	34,969,456	1,694,536,303	10,933,657	24,035,799	5,245,418	24,035,799
Carroll	27,418.00	183,536,092	12,415,094,627	80,105,915	103,430,177	27,530,414	103,430,177
Cecil	15,620.00	104,560,280	6,113,584,940	39,446,684	65,113,596	15,684,042	65,113,596
Charles	25,896.75	173,352,845	10,714,794,139	69,135,066	104,217,778	26,002,927	104,217,778
Dorchester	4,412.00	29,533,928	1,821,329,170	11,751,762	17,782,166	4,430,089	17,782,166
Frederick	39,063.75	261,492,743	17,766,754,495	114,636,430	146,856,312	39,223,911	146,856,312
Garrett	4,182.75	27,999,329	2,269,239,054	14,641,811	13,357,517	4,199,899	13,357,517
Harford	37,697.00	252,343,718	16,413,946,864	105,907,709	146,436,009	37,851,558	146,436,009
Howard	49,635.00	332,256,690	28,138,108,641	181,555,518	150,701,172	49,838,504	150,701,172
Kent	2,060.00	13,789,640	1,614,202,463	10,415,319	3,374,321	2,068,446	3,374,321
Montgomery	138,139.25	924,704,140	102,296,995,910	660,050,907	264,653,233	138,705,621	264,653,233
Prince George's	120,170.75	804,423,001	52,100,739,802	336,169,603	468,253,397	120,663,450	468,253,397
Queen Anne's	7,477.00	50,051,038	4,618,968,485	29,802,970	20,248,068	7,507,656	20,248,068
St. Mary's	16,376.00	109,620,944	7,085,213,781	45,715,925	63,905,019	16,443,142	63,905,019
Somerset	2,702.25	18,088,862	917,190,518	5,917,988	12,170,873	2,713,329	12,170,873
Talbot	4,273.00	28,603,462	4,879,778,685	31,485,796	(2,882,334)	4,290,519	4,290,519
Washington	21,383.25	143,139,476	8,191,648,335	52,854,973	90,284,503	21,470,921	90,284,503
Wicomico	13,962.00	93,461,628	4,416,144,536	28,494,289	64,967,339	14,019,244	64,967,339
Worcester	6,264.00	41,931,216	8,590,185,343	55,426,453	(13,495,237)	6,289,682	6,289,682
Statewide	817,610.25	\$5,473,083,014	\$424,121,818,816	\$2,736,561,212	\$2,736,521,802	\$820,962,452	\$2,763,479,575

¹Formula State aid equals the basic program minus the local share.

²State aid equals the greater of formula State aid and minimum State aid.

Source: Department of Legislative Services

Special Provisions: By statute, in order for local school systems to receive increases in State foundation program aid (combined with funding from the geographic cost of education index and the supplemental grants, discussed below), counties must provide the local school systems with at least the same dollars per pupil as they provided in the previous fiscal year. This is known as the “maintenance of effort” requirement. The State Board of Education may grant a county government experiencing fiscal problems a temporary or partial waiver of the maintenance of effort requirement. In addition, to calculate the prior year’s local appropriation, nonrecurring costs may be excluded if they are documented and approved by the State board.

Also, if a child’s residence is closer to a school in an adjoining county and that child attends school in the neighboring county, the county where the child resides must send the county educating the pupil an amount equal to the lesser of the “sending” or “receiving” county’s local expenditures per student. If the amount paid by the “sending” county is less than the local current expense per student of the “receiving” county, the State pays the difference. The fiscal 2011 State budget includes \$88,100 for these payments.

History of Major Changes:

1973 – Chapter 360 established the per pupil funding level for formula aid and provided for a phase-in to a \$610 per pupil foundation by fiscal 1978. The \$610 was subsequently raised to \$624. The foundation was shared 55% State/45% local.

1978 – Chapter 420 increased the foundation from \$624 to \$690 per pupil and changed the State/local shares to a 50/50% split for amounts above \$624.

1980 – Chapter 531 increased the per pupil foundation amount from \$784 to \$942, established the goal of a basic current expense per pupil foundation amount to equal 75% of the average per pupil expenditures in recent fiscal years, phased 50% of the assessed value of personal property into the wealth base in 10% increments over a five-year period, and set an 8% growth cap on increases in the foundation.

1984 – Chapter 85 provided substantial increases in the per pupil foundation amounts over a five-year period, raising it to \$1,947 by fiscal 1989. By fiscal 1990, the law required the per pupil foundation amount to equal 75% of the average per pupil expenditures in prior years, but the annual increases in the foundation were capped by the lesser of 8% or the change in the consumer price index. The legislation also required the General Assembly to affirm the affordability of these increases if State aid for education exceeded 32.8% of

general fund revenues and prescribed a maintenance of effort requirement for the counties.

1987 – Chapter 277 (APEX) required the per pupil foundation amounts to equal the lesser of \$2,550 or 75% of the two prior years' average per pupil expenditures by fiscal 1992. By fiscal 1993, the per pupil foundation had to equal 75% of the two prior years' average per pupil expenditure. The legislation also required the General Assembly to affirm the affordability of these increases in any year that State aid exceeds 31.5% of general funds.

1996 – Chapter 175 altered the local maintenance of effort requirement by authorizing a county to spend fewer dollars in times of decreasing enrollment and by authorizing the State board to grant a temporary or partial waiver in certain circumstances.

2002 – Chapter 288, the Bridge to Excellence in Public Schools Act, changed the name of the current expense program to the foundation program. The previous method for determining the annual per pupil foundation amount, based on spending in prior fiscal years, was eliminated and a new method, based on reaching a target amount that reflects adequacy, was established for implementation from fiscal 2004 to 2008. The law also included an increase in the full-time equivalent enrollment count for kindergartners from 0.5 to 1.0 to acknowledge the requirement that school systems provide full-day kindergarten to all students by the 2007-2008 school year. The legislation began a phase-down of the State's share of the historical \$624 per pupil "first tier" funding from 55% to 50%, and instituted a higher minimum State share of the per pupil foundation. The law also required the State to adjust its share of the foundation program in fiscal 2004 for four counties to recognize educational resource cost differences that are outside the control of the local jurisdictions. Finally, Chapter 288 required the General Assembly to affirm by joint resolution the State's ability to pay for the aid increases associated with the legislation during the 2004 legislative session and specified an alternative funding schedule that would be implemented if the joint resolution was not passed.

2004 – Chapter 6 repealed the requirement that the General Assembly pass a joint resolution to proceed with full funding for the Bridge to Excellence Act.

2005 – Chapter 444 repealed the requirement that the General Assembly affirm the State's ability to pay for scheduled aid increases in each year that education aid exceeds 31.5% of general funds.

2007 – Chapter 2 of the 2007 special session froze inflation in the per pupil foundation amount for fiscal 2009 and 2010. It also specified that the foundation would increase in subsequent years by the lesser of the increase in the implicit price deflator for State and local government expenditures, the increase in the consumer price index for urban consumers in the Baltimore-Washington area for the second prior fiscal year, or 5%. If there is no increase in inflation indexes, the foundation amount remains the same as the prior fiscal year.

2009 – Chapter 487 limited the per pupil foundation inflation increase for fiscal 2012 to 1%. Chapter 487 also extended the deadline for counties to apply to the State Board of Education for waivers of the maintenance of effort provision and clarified that if a county receives a waiver from the maintenance of effort requirement, the required local appropriation for the fiscal year after the waiver will be based on the greater of the per pupil local appropriation from the prior year or the second prior year.

2010 – Chapter 484 limited inflationary growth in the per pupil foundation amount to 1% through fiscal 2015.

Legal Reference: Education Article, Section 5-202

Geographic Cost of Education Index

The Bridge to Excellence Act included language that required the development of a Maryland-specific geographic cost of education index (GCEI) that would be available to adjust State aid beginning in fiscal 2005. The Act did not, however, provide a specific formula or funding level for the cost adjustments, and as a result, language in the bill did not constitute a legal mandate for GCEI funding. Chapter 430 of 2004 established a formula for the GCEI, but unlike the rest of the major State aid programs, the formula was not mandated. The statutory GCEI formula phased in from fiscal 2006 to 2010, but the phase-in schedule was not followed. Instead, the formula received no funding through fiscal 2008 and was phased in at 30% in fiscal 2009 and 100% in fiscal 2010 and 2011.

Distribution: The goal of the GCEI is to recognize regional differences in the cost of educational resources and to compensate school systems where resources cost more due to factors beyond the control of local jurisdictions. For example, personnel costs might be affected by factors like the local student population, local quality of life, and local cost-of-living. Energy costs could be impacted by different local weather patterns. The original Maryland-specific index that was developed as required by the Bridge to Excellence Act is shown in Exhibit 3.11. The values range from 0.948 in Garrett County

to 1.048 in Prince George’s County, with values above 1.000 representing above-average costs and values below 1.000 reflecting below-average costs.

Exhibit 3.11
Original Maryland-specific Geographic Cost of Education Index

County	GCEI Value	County	GCEI Value
Allegany	0.959	Harford	0.992
Anne Arundel	1.018	Howard	1.015
Baltimore City	1.042	Kent	1.010
Baltimore	1.008	Montgomery	1.034
Calvert	1.021	Prince George's	1.048
Caroline	1.000	Queen Anne's	1.011
Carroll	1.014	St. Mary's	1.002
Cecil	0.989	Somerset	0.973
Charles	1.020	Talbot	0.991
Dorchester	0.978	Washington	0.974
Frederick	1.024	Wicomico	0.971
Garrett	0.948	Worcester	0.959

Source: *Adjusting for Geographic Differences in the Cost of Education Provision in Maryland*

The formula crafted by the General Assembly for the index provides additional funds to local school systems with index values above 1.000 but does not decrease funding for systems with below-average costs. The basic formula for the index is:

$\text{FTE Enrollment} \times \text{Per Pupil Foundation Amount} \times (\text{GCEI value} - 1.000)$
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The calculation of the formula for fiscal 2011 totals \$126.6 million and is shown in Exhibit 3.12. Chapter 2 of the 2007 special session required that the GCEI be updated every three years beginning in September 2009. The index update must use the most current available data and the same methodology used to develop the original Maryland-specific GCEI. Chapter 2 also required that the Maryland State Department of Education recommend legislation to alter the adjustments used in the formula in the legislative session that follows an update of the index. The index was updated as required in 2009, but the newer index was not codified and is not being used to calculate the formula in fiscal 2011.

Exhibit 3.12
Geographic Cost of Education Index Formula Calculation
Fiscal 2011

County	FTE Enrollment Sept 30, 2009	Foundation: \$6,694 Times Enrollment	GCEI Adjustment	Formula
Allegany	8,692.00	\$58,184,248	0.000	\$0
Anne Arundel	72,914.50	488,089,663	0.018	8,785,614
Baltimore City	77,909.00	521,522,846	0.042	21,903,960
Baltimore	99,511.75	666,131,655	0.008	5,329,053
Calvert	16,626.25	111,296,118	0.021	2,337,218
Caroline	5,224.00	34,969,456	0.000	0
Carroll	27,418.00	183,536,092	0.014	2,569,505
Cecil	15,620.00	104,560,280	0.000	0
Charles	25,896.75	173,352,845	0.020	3,467,057
Dorchester	4,412.00	29,533,928	0.000	0
Frederick	39,063.75	261,492,743	0.024	6,275,826
Garrett	4,182.75	27,999,329	0.000	0
Harford	37,697.00	252,343,718	0.000	0
Howard	49,635.00	332,256,690	0.015	4,983,850
Kent	2,060.00	13,789,640	0.010	137,896
Montgomery	138,139.25	924,704,140	0.034	31,439,941
Prince George's	120,170.75	804,423,001	0.048	38,612,304
Queen Anne's	7,477.00	50,051,038	0.011	550,561
St. Mary's	16,376.00	109,620,944	0.002	219,242
Somerset	2,702.25	18,088,862	0.000	0
Talbot	4,273.00	28,603,462	0.000	0
Washington	21,383.25	143,139,476	0.000	0
Wicomico	13,962.00	93,461,628	0.000	0
Worcester	6,264.00	41,931,216	0.000	0
Statewide	817,610.25	\$5,473,083,014	–	\$126,612,027

Source: Department of Legislative Services

History of Major Changes:

2007 – Chapter 2 of the 2007 special session required the Geographic Cost of Education Index to be updated every three years beginning in September 2009.

Supplemental Grants

Chapter 2 of the 2007 special session eliminated inflationary increases in the per pupil foundation amount for fiscal 2009 and 2010. Supplemental grants were established to mitigate the effect of the freeze, ensuring at least a 1% annual increase in State funding for each local school system based on a formula established in the law.

Distribution: Supplemental grants were calculated in fiscal 2009 and 2010 by comparing formula State aid to the aid provided in the previous fiscal year. A school system that received less than a 1% increase in aid through the formulas received a supplemental grant in the amount needed to increase State aid by 1%. In fiscal 2011 and future years, the grants were scheduled to continue at the amounts calculated in fiscal 2010.

History of Major Changes:

2007 – Chapter 2 of the special session established supplemental grants to mitigate the effect of a freeze in the per pupil foundation amount for fiscal 2009 and 2010.

2009 – Chapter 487 reduced the grants for fiscal 2011 and future years to correct a mistake in the fiscal 2009 and 2010 calculations of supplemental grants.

Legal Reference: Education Article, Section 5-202

Teachers' Retirement

Since 1927, virtually all teachers, principals, and certain other public school employees have been required to be members of the State Teachers' Retirement or Pension systems as a condition of their employment. These systems are maintained and operated by the State. Eligible employees include teachers and teacher aides, principals, food service workers, staff psychologists, and registered nurses.

Distribution: Under this statutory program, the State pays on behalf of each local board of education the entire cost of pension/retirement benefits for eligible school personnel. Local school boards, however, are required to reimburse the State for retirement expenses that are accrued for personnel who are paid with federal funds. Unlike the foundation program and many of the other State aid programs, teachers' retirement payments are not wealth equalized.

To determine the funds allocated to the teachers' retirement program each fiscal year, the State Retirement and Pension System makes an estimate of the costs for the current fiscal year. This estimated lump-sum amount is included in the budget of the

Maryland State Department of Education. There is no distribution of funds to the local school boards, but each board's share of the State's retirement appropriation can be estimated based on county-by-county salary data. The estimated fiscal 2011 allocations are shown in Exhibit 3.8.

History of Major Changes:

1924 – Baltimore City established its Employees Retirement System and allowed city teachers to become members.

1927 – The State established the Teachers' Retirement System identical to the city system to provide equivalent benefits for county teachers. All costs were paid by the State, and the city was reimbursed for the costs of the teachers in its system.

1971 – Baltimore City teachers were transferred to the Teachers' Retirement System.

1980 – The Teachers' Retirement System was closed to new members, and the Teachers' Pension System was established for new members and those members of the old system who desired to transfer.

1992-1994 – Due to the fiscal crisis, the State did not make retirement payments associated with general salary increases given to teachers from fiscal 1992 to 1994. Local school boards were responsible for paying these retirement costs. Chapter 1 of the 1992 second special session eliminated State reimbursement of local employee Social Security costs (including teachers) beginning in fiscal 1993.

1995 – The State resumed paying 100% of teachers' retirement costs beginning with fiscal 1996.

1998 – Chapter 530 provided a benefit enhancement for the members of the Employees' Pension System and the Teachers' Pension System.

2002 – Chapter 288 required the State to pay retirement benefits for all teachers who are funded with State aid beginning in fiscal 2004. Previously, local school systems were required to reimburse the State for retirement costs associated with teachers who were paid with funding from many categorical State aid programs.

2006 – Chapter 110 provided a benefit enhancement for the members of the Employees' Pension System and the Teachers' Pension System and increased employee contributions to the systems to help pay for the enhancements.

Legal Reference: Education Article, Section 5-203 and State Personnel and Pensions Article, Section 21-308

Guaranteed Tax Base

The Bridge to Excellence legislation established an 80% guaranteed tax base program and scheduled the phase-in of the program from fiscal 2005 to 2008. The program provides additional State education aid to counties that have less than 80% of the statewide average wealth per pupil and provide local education funding above the minimum local share required by the foundation program. The program uses local education tax effort and wealth to determine State aid amounts for each eligible school system in order to encourage less wealthy jurisdictions to maintain or increase local education tax effort.

Distribution: To determine which counties qualify for State aid under the guaranteed tax base program, wealth and full-time equivalent enrollment, as defined for the foundation program, are used to compute wealth per pupil figures for the State and for each of the 24 jurisdictions. To qualify for the program, a county must have a wealth per pupil figure that is less than 80% of the statewide figure. In addition, the county’s local school board appropriation must be greater than the county’s required local share of the foundation program.

Once qualifying counties have been identified, the distribution of State aid is determined by wealth, full-time equivalent enrollment, and supplemental local education tax effort. A county’s supplemental *local effort* is calculated by subtracting the county’s local share of the foundation program from the county’s overall education appropriation, and dividing the difference by the county’s wealth. State aid for each school system is then calculated as follows:

$\text{Supplemental Local Effort} \times (80\% \text{ of Statewide Wealth Per Pupil} - \text{Local Wealth Per Pupil}) \times \text{Local Enrollment}$

The per pupil State contribution is limited to 20% of the per pupil foundation amount as determined under the foundation program. In effect, the formula provides as much State aid to a local school system as the system would have received from the county government at the county’s actual level of education tax effort if the county had the tax base that is “guaranteed.” Thus, counties with high tax effort and low wealth receive the highest per pupil State aid amounts.

Exhibit 3.13 shows the calculation of the guaranteed tax base allocation for fiscal 2011.

Exhibit 3.13
Guaranteed Tax Base Calculation
Fiscal 2011

County	FY 2011 Wealth Base	FY 2010 Local Education Appropriation	FY 2011 Local Share of Foundation	Supplemental Education Tax Effort¹	FTE Enrollment Sept 30, 2009	Wealth Per Pupil	Full Program²
Allegany	\$2,368,718,561	\$28,200,000	\$15,283,683	0.0054529	8,692.00	\$272,517	\$6,752,547
Anne Arundel	47,283,394,662	554,026,500	305,086,647	0.0052648	72,914.50	648,477	0
Baltimore City	22,597,543,301	210,018,415	145,806,129	0.0028416	77,909.00	290,050	27,659,108
Baltimore	52,282,847,504	670,737,639	337,344,617	0.0063767	99,511.75	525,394	0
Calvert	7,530,858,697	103,615,515	48,591,360	0.0073065	16,626.25	452,950	0
Caroline	1,694,536,303	12,145,724	10,933,657	0.0007153	5,224.00	324,375	338,589
Carroll	12,415,094,627	167,700,000	80,105,915	0.0070555	27,418.00	452,808	0
Cecil	6,113,584,940	68,385,625	39,446,684	0.0047335	15,620.00	391,395	1,744,254
Charles	10,714,794,139	145,414,200	69,135,066	0.0071190	25,896.75	413,751	227,683
Dorchester	1,821,329,170	17,034,817	11,751,762	0.0029007	4,412.00	412,813	27,810
Frederick	17,766,754,495	228,942,398	114,636,430	0.0064337	39,063.75	454,814	0
Garrett	2,269,239,054	23,159,000	14,641,811	0.0037533	4,182.75	542,523	0
Harford	16,413,946,864	210,914,800	105,907,709	0.0063974	37,697.00	435,418	0
Howard	28,138,108,641	457,560,424	181,555,518	0.0098089	49,635.00	566,901	0
Kent	1,614,202,463	17,329,706	10,415,319	0.0042835	2,060.00	783,593	0
Montgomery	102,296,995,910	1,450,017,125	660,050,907	0.0077223	138,139.25	740,535	0
Prince George's	52,100,739,802	597,689,400	336,169,603	0.0050195	120,170.75	433,556	0
Queen Anne's	4,618,968,485	48,215,625	29,802,970	0.0039863	7,477.00	617,757	0
St. Mary's	7,085,213,781	79,945,102	45,715,925	0.0048311	16,376.00	432,658	0
Somerset	917,190,518	8,743,774	5,917,988	0.0030809	2,702.25	339,417	629,139
Talbot	4,879,778,685	34,219,073	31,485,796	0.0005601	4,273.00	1,142,003	0
Washington	8,191,648,335	89,578,480	52,854,973	0.0044830	21,383.25	383,087	3,057,874
Wicomico	4,416,144,536	50,781,711	28,494,289	0.0050468	13,962.00	316,297	6,953,965
Worcester	8,590,185,343	71,954,064	55,426,453	0.0019240	6,264.00	1,371,358	0
Statewide	\$424,121,818,816	\$5,346,329,117	\$2,736,561,212	0.0061533	817,610.25	\$518,733	\$47,390,969
					Guaranteed tax base:	\$414,986	

¹Supplemental education tax effort equals the local appropriation minus the local share of the foundation, divided by local wealth.

²Full program equals guaranteed per pupil tax base minus local per pupil wealth times supplemental education tax effort times FTE enrollment.

Source: Department of Legislative Services

Legal Reference: Education Article, Section 5-210

Other General Education Programs

In addition to the foundation program, the GCEI, supplemental grants, teachers' retirement payments, and the guaranteed tax base formula, the following State aid programs provide additional State support for general education in fiscal 2011.

Out-of-county Living Arrangements (\$6.0 million in fiscal 2011): If a child lives in a foster care home or residential facility and therefore attends school in a county other than the county in which the child's parent or legal guardian resides, the county where the child resides must send the county educating the pupil an amount equal to the lesser of the "sending" or "receiving" county's local spending per student. If the amount paid by the "sending" county is less than the local per pupil spending of the "receiving" county, the State pays the difference through this program.

Science and Math Initiatives (\$1.3 million in fiscal 2011): State aid for this program supports a math, science, engineering, and technology academy, as well as other science and math initiatives.

Teacher Quality Act Grants (\$320,000 in fiscal 2011): Chapter 434 of 2006 established a National Board Certified Teacher Pilot Program and required \$320,000 to be included in the fiscal 2008 to 2010 budgets to support it. The funds were included again in fiscal 2011 as a discretionary expenditure. The pilot program identified five schools to participate that were Title I schools or were identified for school improvement, corrective action, or restructuring under the State's school accountability program. The schools had at least three teachers who agreed to pursue national board certification and agreed to teach at the school for at least three years. The State reimbursed each school up to \$62,000 for the cost of employing a staff development teacher to assist the teachers with pursuing national certification.

Targeted Funding for At-risk Students

The second major category of State aid programs provides additional funding to school systems based on their enrollments of students with special needs. Although the State supported numerous categorical programs that targeted funds to school systems with higher proportions of at-risk students prior to 2002, the adequacy concept and the Bridge to Excellence legislation altered the landscape of targeted funding considerably.

Three groups of at-risk students (special education students, students from economically disadvantaged backgrounds, and students with limited English proficiency)

were identified in the adequacy study conducted for the Commission on Education Finance, Equity, and Excellence, and the additional costs of providing services to these students was estimated through the study. Instead of dollar values, the estimates were expressed as “weights” – the proportion of the general education base per pupil cost that would be needed, over and above the base cost, to reasonably assume that an at-risk student could achieve State standards. Following some empirical adjustments to the initial study results, weights of 1.17 for special education students, 1.10 for students eligible for free and reduced price meals, and 1.00 for limited English proficient students were calculated. The special needs pupil weights computed through the adequacy study were then used to establish funding formulas for each of the three special needs groups. The three formulas make up the majority of State aid for at-risk students.

The programs use three slightly different versions of the same funding formula. State funding levels for the programs are based on the number of at-risk students enrolled in public schools at the end of October of the prior year and the per pupil foundation amount established in the foundation program (because the weights reflect a percentage of the per pupil foundation amount). The State has an overall share of 50% for all three programs, with more wealthy counties receiving lower State shares than less wealthy counties. Unlike the foundation program, however, local governments are not required by law to provide a local share to match the State funding. Each program has a minimum 40% State share of the per pupil amount, regardless of local wealth.

To determine the distribution of State aid through the three at-risk formulas, the following basic formula is used:

$$\frac{(\text{State aid amount}) \text{ Per at-risk pupil} \times \text{Enrollment of at-risk students}}{\text{Local wealth per pupil} / \text{Statewide wealth per pupil}}$$

When the amounts for each school system are summed, however, the total does not equal the intended State contribution. Therefore, another step is taken to proportionally adjust the school system allocations to bring the total back to the calculated funding level. In the final step, each jurisdiction’s per pupil aid, as calculated in the previous steps, is compared to a statutory minimum State contribution. If the formula aid for a school system is less than the minimum aid, the school system receives the minimum rather than the amount computed through the formula. Fiscal 2011 funding levels for targeted aid programs – including the three at-risk formulas, State support for nonpublic special education, and the SEED School of Maryland – are shown in Exhibit 3.14.

Exhibit 3.14
Targeted Education Aid Programs
Fiscal 2011
(\$ in Thousands)

County	Special Ed Formula	Nonpublic Placements	Compensatory Education	LEP Formula¹	SEED School	Total
Allegany	\$5,563	\$1,019	\$21,775	\$160	\$0	\$28,517
Anne Arundel	15,619	8,162	48,050	6,615	0	78,446
Baltimore City	54,310	25,850	312,797	11,007	0	403,964
Baltimore	28,724	14,416	102,676	11,204	0	157,020
Calvert	4,526	1,036	9,188	668	0	15,419
Caroline	1,940	224	11,204	933	0	14,301
Carroll	8,293	3,831	11,680	645	0	24,450
Cecil	6,165	1,407	19,252	563	0	27,387
Charles	6,481	1,128	22,849	731	0	31,189
Dorchester	1,247	43	8,094	335	0	9,719
Frederick	11,391	2,435	23,999	5,020	0	42,844
Garrett	1,112	182	5,058	10	0	6,361
Harford	13,742	4,514	30,023	1,788	0	50,067
Howard	8,844	3,274	18,570	6,425	0	37,114
Kent	682	219	2,382	156	0	3,439
Montgomery	33,485	11,917	100,688	43,827	0	189,917
Prince George's	37,929	25,117	196,457	55,203	0	314,707
Queen Anne's	1,839	269	3,961	360	0	6,429
St. Mary's	5,215	806	13,521	562	0	20,103
Somerset	1,350	0	7,093	417	0	8,860
Talbot	733	21	3,673	429	0	4,857
Washington	7,278	1,337	32,520	1,776	0	42,911
Wicomico	6,130	83	29,107	1,986	0	37,306
Worcester	1,405	0	6,442	374	0	8,221
Unallocated	0	5,481	0	0	6,000	11,481
Total	\$264,002	\$112,770	\$1,041,060	\$151,196	\$6,000	\$1,575,028

¹LEP is the limited English proficiency formula.
Source: Department of Legislative Services

Special Education Programs

Since 1977, Maryland law has required that the State and each county make free educational programs available to students with disabilities who are under the age of 21.

In the adequacy study conducted for Maryland, it was estimated that, in order to provide appropriate special education services, special education students require, on average, funding equal to 1.17 times the per pupil foundation in addition to the base per pupil funding level needed to support all students. The supplemental aid would allow school systems to provide the instructional services that special education students need in order to meet State standards. The costs for special education are supported with federal funding and two State aid programs – one for public schools and one for nonpublic schools that offer specialized services for public school students.

Most students receive special education services in the public schools. Additional resources for these students are supported by the State through a special education formula. If an appropriate program is not available in the public schools, however, the student is placed in a private school offering more specialized services. State support for private schools that serve special education students is provided through aid for nonpublic placements. All special education students, regardless of where they are educated, must have Individualized Education Programs that define the services the students need and outline goals for students. Individualized Education Programs must be updated annually.

Special Education Formula

Since 1976, additional State and local funding has been provided for the “excess” costs associated with educating students with special education needs. The additional aid, which was fully funded at \$100 million in 1981, was intended to be an interim measure until more reliable data on the cost of educating students with disabilities was available. The funding was split 70%/30% between State and local governments, with the State providing \$70 million in aid annually. From fiscal 1981 to 2003, the funding served as a base “first tier” grant, and each county’s share of the \$70 million was frozen at its fiscal 1981 level.

Supplementary State funds for public special education were added in 1988, based on recommendations of the 1986 Task Force to Study the Funding of Special Education. These funds were distributed to the counties based on their proportion of the State’s special education enrollment and were wealth-equalized. These “second tier” funds increased from \$4.25 million in fiscal 1988 to \$11.25 million in fiscal 1990 and remained at that level through fiscal 2003. This formula became the basis for the current special education formula.

The Bridge to Excellence Act implemented a special education funding structure that provides State aid based on the number of special education students enrolled in each public school system. The formula calculates a per special education pupil cost to be

shared by State and local governments that is 0.74 times the per pupil funding level established in the foundation program. This funding level, when coupled with federal special education funding and aid to nonpublic schools, would bring the additional aid per special education student to approximately 1.17 times the per pupil foundation amount.

Distribution: Funding for the special education formula is based on local special education enrollments and wealth, as described under the “Targeted Funding for At-risk Students” heading. Exhibit 3.15 shows the calculation of \$264.0 million in fiscal 2011 State aid for the special education formula.

Exhibit 3.15
Special Education Formula Calculation
Fiscal 2011

County	Oct. 2009 Special Ed Enrollment	Program Level: \$2,477 x Enrollment	Wealth Per Pupil Factor¹	Adjusted Grant²	Minimum Grant: \$1,982 x Enrollment	Total Aid³
Allegany	1,337	\$3,311,749	0.5253512	\$5,562,801	\$2,649,399	\$5,562,801
Anne Arundel	7,882	19,523,714	1.2501171	13,781,536	15,618,971	15,618,971
Baltimore City	13,893	34,412,961	0.5591509	54,309,886	27,530,369	54,309,886
Baltimore	13,310	32,968,870	1.0128409	28,724,251	26,375,096	28,724,251
Calvert	1,808	4,478,416	0.8731852	4,525,889	3,582,733	4,525,889
Caroline	555	1,374,735	0.6253217	1,939,998	1,099,788	1,939,998
Carroll	3,312	8,203,824	0.8729115	8,293,388	6,563,059	8,293,388
Cecil	2,128	5,271,056	0.7545211	6,164,702	4,216,845	6,164,702
Charles	2,365	5,858,105	0.7976184	6,481,087	4,686,484	6,481,087
Dorchester	454	1,124,558	0.7958102	1,246,976	899,646	1,246,976
Frederick	4,569	11,317,413	0.8767786	11,390,508	9,053,930	11,390,508
Garrett	532	1,317,764	1.0458617	1,111,858	1,054,211	1,111,858
Harford	5,277	13,071,129	0.8393875	13,741,574	10,456,903	13,741,574
Howard	4,422	10,953,294	1.0928570	8,844,378	8,762,635	8,844,378
Kent	344	852,088	1.5105902	497,764	681,670	681,670
Montgomery	16,898	41,856,346	1.4275841	25,872,922	33,485,077	33,485,077
Prince George's	14,503	35,923,931	0.8357980	37,928,739	28,739,145	37,928,739
Queen Anne's	928	2,298,656	1.1908959	1,703,280	1,838,925	1,838,925
St. Mary's	1,990	4,929,230	0.8340669	5,215,117	3,943,384	5,215,117
Somerset	404	1,000,708	0.6543193	1,349,595	800,566	1,349,595
Talbot	370	916,490	2.2015237	367,359	733,192	733,192
Washington	2,459	6,090,943	0.7385052	7,278,080	4,872,754	7,278,080
Wicomico	1,710	4,235,670	0.6097491	6,129,948	3,388,536	6,129,948
Worcester	709	1,756,193	2.6436683	586,207	1,404,954	1,404,954
Statewide	102,159	\$253,047,843		\$253,047,843	\$202,438,272	\$264,001,564
		Reducing Factor =	0.8824414			

¹Wealth per pupil factor equals the local wealth per pupil divided by the statewide wealth per pupil.

²The adjusted grant equals the program level divided by the wealth per pupil factor. The outcome is multiplied by the reducing factor, which brings the statewide total back to the calculated State funding level.

³Formula aid for each school system equals the greater of the adjusted grant and the minimum grant.

Source: Department of Legislative Services

History of Major Changes:

1976 – Chapter 240 enacted a \$100 million State/local share program for public school special education placements. The State funded 70% of this cost, \$70 million annually.

1987 – Chapter 121 (budget bill) provided \$4.25 million in additional special education aid allocated among the counties, as recommended by the Governor’s Task Force to Study the Funding of Special Education. By fiscal 1990, this amount had increased to \$11.25 million.

2000 – Chapter 617 extended education for children with disabilities from birth through the end of the school year during which the children turn 21.

2002 – Chapter 288 established a new funding structure for special education based on special education enrollment and local wealth. The new formula was fully phased in as of fiscal 2008.

Legal Reference: Education Article, Sections 5-209 and 8-401 to 8-417

Nonpublic Placements

The State and local governments share in the costs of nonpublic placements for special education. For those children in nonpublic placements approved by the Maryland State Department of Education, the county contributes an amount equal to the local share of the basic cost of educating a child without disabilities plus two times the total basic cost. Any costs above this base amount are split on a 70% State/30% local basis. An example follows:

1. The nonpublic placement cost for a student with disabilities from County Z is \$64,000 per year.
2. The basic cost (State plus local) of educating a student without disabilities in County Z is \$10,000 per year.
3. The local share of the basic cost is \$4,000 per year.

Calculation:

County Z calculations:	\$4,000	+	2 x \$10,000	=	\$24,000
	\$64,000	-	\$24,000	=	\$40,000
	30%	x	\$40,000	=	\$12,000
County Z contributes:	\$24,000	+	\$12,000	=	\$36,000
State contributes:	\$64,000	-	\$36,000	=	\$28,000

For fiscal 2009, State contributions totaled \$98.0 million for 4,972 day placement students in nonpublic institutions. This amounted to an average of \$19,708 per student. For the 358 residential students, the State contributed \$13.4 million, or, on average, \$37,444 per student. The estimated distribution of fiscal 2011 State funding for nonpublic placements is shown in Exhibit 3.14 and is based on a State share of 70% of costs above the initial local contribution.

History of Major Changes:

1988 – The Systems Reform Initiative, an effort to restructure the human services delivery system on an interagency basis through the development of community-based resources, began in July 1988. The initiative was designed to help counties develop more specialized services that would enable students in out-of-state programs to return to the State.

1991 – Budget language began allowing flexible spending of funds appropriated for nonpublic placements on a broad range of services to assist in returning special needs out-of-state placements to Maryland.

1992 – Chapters 264 and 192 were aimed at curtailing the escalating cost of special education nonpublic placements by developing plans for returning out-of-state placements to Maryland. Chapter 2 of the first 1992 special session increased the local share of funding for nonpublic placements by decreasing the State share of funding from 100 to 80% of the costs exceeding the base local contribution.

2000 – Chapter 617 extended education for children with disabilities from birth through the end of the school year during which the children turn 21.

2004 and 2005 – Chapters 430 and 444 reduced from 80% to 75%, respectively, the State share of nonpublic placement costs in excess of the base local contribution for fiscal 2005 and 2006 only. Chapter 430 also required local school systems to pay educational costs for students placed in the Regional Institutes for Children and Adolescents; Chapter 444 repealed this requirement.

2009 – Chapter 487 decreased the State share of funding for nonpublic placements from 80% to 70% of the costs exceeding the base local contribution. Chapter 487 also limited fiscal 2010 increases in the rates paid to providers of nonpublic placements to 1%.

2010 – Chapter 484 prohibited any increases in the fiscal 2011 rates paid to providers of nonpublic placements.

Legal Reference: Education Article, Sections 8-401 to 8-417

Programs for Students At Risk of Failing to Meet State Standards

Maryland also provides supplemental funding to school systems to ensure that students receive additional support services if they are struggling to meet State standards. One of the most consistent predictors of lower test scores for schools and school systems is the proportion of economically disadvantaged students. Therefore, the adequacy study conducted for Maryland estimated the costs of providing remediation and additional educational services to struggling students using eligibility for free and reduced price meals as a proxy for the number of these students. The study estimated that schools and school systems require additional funding equal to 1.10 times the per pupil foundation amount for each student eligible for free or reduced price meals. Theoretically, the additional aid would allow school systems to provide the instructional services that struggling students need in order to meet State standards. The costs for these students are supported with federal funding and several State aid programs, most significantly the compensatory education aid formula.

Since 1998, all school systems have developed comprehensive master plans for the use of State aid that is devoted to providing services to disadvantaged student populations. The Bridge to Excellence legislation required local school systems to produce more detailed comprehensive master plans that define the strategies that will be used to improve academic performance in all student groups, including struggling and disadvantaged students.

Compensatory Education Formula

The State has distributed compensatory aid to local school boards since 1980 to fund programs for students with special educational needs resulting from educationally or economically disadvantaged environments. From 1980 to 1985, counties received \$45 in State aid for each student eligible for benefits from the federal Title I program, which provides categorical grants to help the State meet the special needs of educationally disadvantaged children in areas with high concentrations of poverty. In fiscal 1985, the compensatory aid program was substantially revised to replace the \$45 per student program with a wealth-equalized formula that provided 25% of the per pupil foundation amount times the number of Title I-eligible students.

The formula was further enhanced by the Bridge to Excellence Act. Since fiscal 2004, the formula has used the number of students eligible for free and reduced price meals instead of the number of Title I-eligible students, resulting in a higher student count. In addition, the formula uses a per pupil cost to be shared by State and local governments that is 0.97 times the per pupil funding level established in the foundation program. This funding level, when coupled with federal funding for impoverished student populations and other State aid programs targeting struggling or disadvantaged students, brings the total aid per student who is eligible for free and reduced price meals to approximately 1.1 times the per pupil foundation amount.

Distribution: Funding for the compensatory education formula is based on local enrollments of students eligible for free and reduced priced meals and local wealth, as discussed under the “Targeted Funding for At-risk Students” heading. The calculation of \$1.0 billion in fiscal 2011 State aid for the compensatory education formula is shown in Exhibit 3.16.

Exhibit 3.16
Compensatory Education Formula Calculation
Fiscal 2011

County	Oct. 2009 FRPM Enrollment	Program Level: \$3,247 x Enrollment	Wealth Per Pupil Factor¹	Adjusted Grant²	Minimum Grant: \$2,598 x Enrollment	Total Aid³
Allegany	4,296	\$13,949,112	0.5253512	\$21,775,060	\$11,159,290	\$21,775,060
Anne Arundel	18,498	60,063,006	1.2501171	39,402,057	48,050,405	48,050,405
Baltimore City	65,682	213,269,454	0.5591509	312,796,692	170,615,563	312,796,692
Baltimore	39,054	126,808,338	1.0128409	102,676,038	101,446,670	102,676,038
Calvert	3,013	9,783,211	0.8731852	9,188,351	7,826,569	9,188,351
Caroline	2,631	8,542,857	0.6253217	11,203,718	6,834,286	11,203,718
Carroll	3,829	12,432,763	0.8729115	11,680,460	9,946,210	11,680,460
Cecil	5,455	17,712,385	0.7545211	19,251,660	14,169,908	19,251,660
Charles	6,844	22,222,468	0.7976184	22,848,603	17,777,974	22,848,603
Dorchester	2,419	7,854,493	0.7958102	8,094,149	6,283,594	8,094,149
Frederick	7,902	25,657,794	0.8767786	23,998,931	20,526,235	23,998,931
Garrett	1,947	6,321,909	1.0458617	4,957,201	5,057,527	5,057,527
Harford	9,464	30,729,608	0.8393875	30,023,205	24,583,686	30,023,205
Howard	7,149	23,212,803	1.0928570	17,419,142	18,570,242	18,570,242
Kent	917	2,977,499	1.5105902	1,616,469	2,381,999	2,381,999
Montgomery	38,762	125,860,214	1.4275841	72,301,829	100,688,171	100,688,171
Prince George's	61,663	200,219,761	0.8357980	196,457,283	160,175,809	196,457,283
Queen Anne's	1,525	4,951,675	1.1908959	3,409,894	3,961,340	3,961,340
St. Mary's	4,235	13,751,045	0.8340669	13,520,643	11,000,836	13,520,643
Somerset	1,743	5,659,521	0.6543193	7,093,368	4,527,617	7,093,368
Talbot	1,414	4,591,258	2.2015237	1,710,294	3,673,006	3,673,006
Washington	9,019	29,284,693	0.7385052	32,519,933	23,427,754	32,519,933
Wicomico	6,665	21,641,255	0.6097491	29,106,755	17,313,004	29,106,755
Worcester	2,480	8,052,560	2.6436683	2,497,983	6,442,048	6,442,048
Statewide	306,606	\$995,549,682		\$995,549,718	\$796,439,743	\$1,041,059,587
		Reducing Factor =	0.8200919			

¹Wealth per pupil factor equals the local wealth per pupil divided by the statewide wealth per pupil.

²The adjusted grant equals the program level divided by the wealth per pupil factor. The outcome is multiplied by the reducing factor, which brings the statewide total back to the calculated State funding level.

³Formula aid for each school system equals the greater of the adjusted grant and the minimum grant.

Source: Department of Legislative Services

History of Major Changes:

1979 – Chapter 407 created the compensatory education program, based on \$45 per Title I-eligible student.

1984 – Chapter 85 established the current compensatory aid program based on Title I-eligible student counts and local wealth. This new program replaced the 1979 compensatory aid program, targeted aid, and density aid. Density aid, a compensatory program allocating funds to Baltimore City, was phased out over four years. Chapter 85 tied increases in compensatory aid to current expense formula funding but capped these increases beginning in fiscal 1990.

1987 – Chapter 277 repealed the fiscal 1990 cap on compensatory aid and continued to base the aid on 25% of the current expense formula's per pupil foundation for all subsequent years.

1994 – Chapter 606 instituted an 85% hold harmless for counties from the previous year's funding level.

2002 – Chapter 288 established an enhanced funding structure for compensatory education based on local enrollments of students eligible for free and reduced price meals and local wealth. The new formula was fully phased in by fiscal 2008.

Legal Reference: Education Article, Section 5-207

Limited English Proficiency Formula

Funding for limited English proficient students was initially provided in the fiscal 1994 State budget; the program was first established in statute in 1994. Prior to fiscal 1999, \$500 grants were provided to school systems for each limited English proficient student they enrolled. The number of limited English proficient students in each county was determined by a count as of May 15 of the second preceding school year, and no student could be included in the enrollment count for more than two years. The Baltimore City Schools legislation, enacted in 1997, provided an additional \$1.9 million for limited English proficiency programs in the State. In 1998, the School Accountability Funding for Excellence legislation increased the per student grant to \$1,350, and the two-year limit on inclusion in the enrollment count was removed.

The Bridge to Excellence Act established a new formula for limited English proficiency funding based on the same adequacy study that informed the special education and compensatory education formulas. The study estimated that school

systems need an additional 1.00 times the per pupil foundation amount for each student with limited English proficiency.

Distribution: Funding for the limited English proficiency formula is based on local enrollments of limited English proficient students and local wealth, as described under the “Targeted Funding for At-risk Students” heading. The calculation of \$151.2 million in fiscal 2011 State aid for the limited English proficiency formula is shown in Exhibit 3.17.

Exhibit 3.17
Limited English Proficiency Formula Calculation
Fiscal 2011

County	Oct. 2009 LEP Enrollment	Program Level: \$3,314 x Enrollment	Wealth Per Pupil Factor¹	Adjusted Grant²	Minimum Grant: \$2,651 x Enrollment	Total Aid³
Allegany	25	\$82,850	0.5253512	\$160,487	\$66,280	\$160,487
Anne Arundel	2,452	8,125,928	1.2501171	6,614,821	6,500,742	6,614,821
Baltimore City	1,825	6,048,050	0.5591509	11,007,334	4,838,440	11,007,334
Baltimore	3,365	11,151,610	1.0128409	11,204,491	8,921,288	11,204,491
Calvert	173	573,322	0.8731852	668,172	458,658	668,172
Caroline	173	573,322	0.6253217	933,020	458,658	933,020
Carroll	167	553,438	0.8729115	645,200	442,750	645,200
Cecil	126	417,564	0.7545211	563,180	334,051	563,180
Charles	173	573,322	0.7976184	731,475	458,658	731,475
Dorchester	79	261,806	0.7958102	334,785	209,445	334,785
Frederick	1,305	4,324,770	0.8767786	5,019,597	3,459,816	5,019,597
Garrett	3	9,942	1.0458617	9,674	7,954	9,674
Harford	445	1,474,730	0.8393875	1,787,911	1,179,784	1,787,911
Howard	2,082	6,899,748	1.0928570	6,424,890	5,519,798	6,424,890
Kent	59	195,526	1.5105902	131,721	156,421	156,421
Montgomery	16,531	54,783,734	1.4275841	39,052,219	43,826,987	43,826,987
Prince George's	13,681	45,338,834	0.8357980	55,203,271	36,271,067	55,203,271
Queen Anne's	127	420,878	1.1908959	359,648	336,702	359,648
St. Mary's	139	460,646	0.8340669	562,034	368,517	562,034
Somerset	81	268,434	0.6543193	417,488	214,747	417,488
Talbot	162	536,868	2.2015237	248,165	429,494	429,494
Washington	389	1,289,146	0.7385052	1,776,415	1,031,317	1,776,415
Wicomico	359	1,189,726	0.6097491	1,985,599	951,781	1,985,599
Worcester	141	467,274	2.6436683	179,871	373,819	373,819
Statewide	44,062	\$146,021,468		\$146,021,468	\$116,817,174	\$151,196,213
		Adjustment Factor =	1.0176438			

¹Wealth per pupil factor equals the local wealth per pupil divided by the statewide wealth per pupil.

²The adjusted grant equals the program level divided by the wealth per pupil factor. The outcome is multiplied by the adjustment factor, which brings the statewide total back to the calculated State funding level.

³Formula aid for each school system equals the greater of the adjusted grant and the minimum grant.

Source: Department of Legislative Services

History of Major Changes:

1993 – State aid for limited English proficient students was funded at \$5.9 million in the fiscal 1994 State budget.

1994 – Chapter 510 established a limited English proficiency program in statute, and \$4.0 million was appropriated in the fiscal 1995 State budget. In fiscal 1996, the grant became \$500 per eligible student.

1997 – Chapter 105 enhanced funding for limited English proficient students as part of the Baltimore City Schools legislation.

1998 – Chapter 565 (the School Accountability for Funding Excellence legislation) increased the grant from \$500 to \$1,350 per limited English proficient student and repealed the two-year restriction on the number of years a student could be included in the enrollment count.

2002 – Chapter 288 established an enhanced funding structure for the limited English proficiency formula. The formula is based on local enrollments of students with limited English proficiency and local wealth. Full funding of the formula was phased in from fiscal 2004 to 2008.

Legal Reference: Education Article, Section 5-208

The SEED School of Maryland (Residential Boarding Education Program)

A public residential education boarding program for at-risk youth was established in Maryland in 2006. The program accepts students from across the State and is operated by the SEED School of Maryland at a location in Baltimore City. Students must fall within household income limits and must be identified as at-risk to qualify for entrance. The school opened in August 2008 with a class of 80 sixth-graders. A maximum of 80 new sixth-graders will be added each year until enrollment reaches 400 students, which is expected to occur in fiscal 2014.

The State provides funds to the SEED School for transportation, boarding, and program administration. In fiscal 2009, the first year of the program, these funds were required to total at least \$2 million to support the first class of 80 students. For each additional 10 students enrolled in subsequent years, the Governor is required to appropriate an additional \$250,000. The maximum level of \$10 million in State funds is expected to be reached in fiscal 2014 when the school reaches its target enrollment. In addition to State funding, each local board of education provides its share of per pupil

formula funding for each student at the school who has permanent residence in the county.

History of Major Changes

2006 – Chapter 397 established a public residential education boarding program for at-risk youth and authorized the Maryland State Department of Education to contract with a private entity to operate the program. A contract was awarded to an organization that operated a similar program in Washington, DC.

2010 – Chapter 484 required the SEED School and the Maryland State Department of Education to negotiate a modification to their contract to extend from five to six years the time by which the SEED School reaches the State supported maximum of 400 students so that the appropriation is less than \$8 million in fiscal 2012 and less than \$10 million in 2013.

Legal Reference

Education Article, Sections 8-701 through 8-710

Noninstructional Education Aid Programs

Several State aid programs support important school activities that are not directly related to instruction, such as student transportation, school construction, and food service. These programs were not addressed in the adequacy study conducted for the Commission on Education Finance, Equity, and Excellence because the study focused exclusively on the resources needed to provide adequate instructional services to students in prekindergarten through grade 12. Fiscal 2011 funding for noninstructional operating aid programs is shown in Exhibit 3.18, and descriptions of the major noninstructional aid programs follow.

Exhibit 3.18
State Operating Aid for Noninstructional Programs
Fiscal 2011
(\$ in Thousands)

County	Student Transportation	Aging Schools Program	Food Services	Other Noninstructional	Total
Allegany	\$4,374	\$98	\$194	\$188	\$4,854
Anne Arundel	20,628	506	451	403	21,988
Baltimore City	18,251	1,388	809	1,136	21,584
Baltimore	26,649	874	835	795	29,154
Calvert	5,441	38	35	200	5,715
Caroline	2,441	50	46	0	2,537
Carroll	9,370	137	61	50	9,619
Cecil	4,822	96	242	104	5,264
Charles	9,814	50	182	335	10,381
Dorchester	2,263	38	100	148	2,548
Frederick	11,408	183	157	310	12,058
Garrett	2,803	38	89	39	2,969
Harford	11,734	217	281	172	12,404
Howard	15,077	88	102	438	15,704
Kent	1,485	38	63	79	1,665
Montgomery	34,336	603	1,010	465	36,413
Prince George's	36,613	1,209	1,288	771	39,881
Queen Anne's	3,134	50	42	88	3,313
St. Mary's	6,294	50	200	181	6,725
Somerset	1,743	38	82	167	2,031
Talbot	1,475	38	88	0	1,602
Washington	6,537	135	442	152	7,266
Wicomico	4,904	107	192	277	5,480
Worcester	2,822	38	117	90	3,067
Unallocated	0	0	50	13,811	13,861
Statewide	\$244,418	\$6,109	\$7,157	\$20,399	\$278,083

Note: School construction aid is not included in this table because it is considered capital, not operating, aid.

Source: Department of Legislative Services

Student Transportation

All school systems are required to provide transportation to and from school for regular and disabled public school students. Prior to fiscal 1982, a State school bus funding committee operated under the State Board of Education and determined the amounts that local school boards were reimbursed for transportation services. Since 1982, aid has been distributed according to a formula, although the formula has been adjusted several times. The funding consists of two parts: a base grant that is adjusted annually and a per pupil grant based on the number of students with special transportation needs.

Distribution: Each county's base transportation grant equals its base grant in the prior year, increased by the lesser of 8% or the change in the transportation category of the Consumer Price Index for the Baltimore-Washington metropolitan area from the second preceding fiscal year. However, each jurisdiction is guaranteed a minimum 1% annual increase in its base grant. In addition, school systems experiencing increases in enrollment receive an additional grant amount equal to the district's student enrollment increase over the previous year multiplied by total per pupil transportation aid from the prior year. The sum of the base grant and the enrollment adjustment becomes the subsequent year's base grant.

Chapter 288 of 2002 enhanced the base student transportation grants for 15 school systems that experienced aggregate enrollment increases between 1980 and 1995, a time period when the transportation formula did not adjust for increases in enrollment. The increased base grants were used to compute transportation funding in fiscal 2004, and annual grants have increased in each subsequent year from the higher base amounts.

Chapter 288 also enhanced funding for the transportation of students with disabilities. In fiscal 2003, distributions for handicapped student transportation equaled \$500 times the number of disabled students transported in excess of the number transported in the 1980-1981 school year. From fiscal 2004 to 2008, however, the per pupil amount increased by \$100 annually and reached the scheduled full funding level of \$1,000 per pupil in fiscal 2008. In addition, the "offset" for disabled students transported in the 1980-1981 school year was removed in fiscal 2004 so that school systems receive per pupil funding for every student in need of special transportation services.

Finally, Somerset County has received a grant of \$35,000 annually since fiscal 1996 to support the operating costs of the Smith Island boat, which transports students from Smith Island to mainland Somerset County.

The fiscal 2011 distribution of student transportation formula aid is shown in Exhibit 3.19.

Exhibit 3.19
Student Transportation Formula Calculation
Fiscal 2011

County	FY 2010 Base Grant	CPI Adjustment 1.0%	Sept. 08-09 Enrollment Increase	Enrollment Increase x \$266.61	FY 2011 Base Grant ¹	Disabled Riders Oct. 2009	Times \$1,000 Per Student	Total Aid ²
Allegany	\$4,110,669	\$4,151,776	0.00	\$0	\$4,151,776	222	\$222,000	\$4,373,776
Anne Arundel	18,552,443	18,737,967	1,080.50	288,073	19,026,040	1,602	1,602,000	20,628,040
Baltimore City	15,060,176	15,210,778	38.00	10,131	15,220,909	3,030	3,030,000	18,250,909
Baltimore	23,330,722	23,564,029	217.50	57,988	23,622,017	3,027	3,027,000	26,649,017
Calvert	5,069,229	5,119,921	0.00	0	5,119,921	321	321,000	5,440,921
Caroline	2,350,663	2,374,170	0.00	0	2,374,170	67	67,000	2,441,170
Carroll	8,676,609	8,763,375	0.00	0	8,763,375	607	607,000	9,370,375
Cecil	4,550,464	4,595,969	0.00	0	4,595,969	226	226,000	4,821,969
Charles	9,231,968	9,324,288	36.25	9,665	9,333,953	480	480,000	9,813,953
Dorchester	2,143,329	2,164,762	90.00	23,995	2,188,757	74	74,000	2,262,757
Frederick	10,431,840	10,536,158	0.00	0	10,536,158	872	872,000	11,408,158
Garrett	2,729,824	2,757,122	0.00	0	2,757,122	46	46,000	2,803,122
Harford	10,866,026	10,974,686	27.25	7,265	10,981,951	752	752,000	11,733,951
Howard	13,386,349	13,520,212	802.75	214,022	13,734,234	1,343	1,343,000	15,077,234
Kent	1,425,642	1,439,898	0.00	0	1,439,898	45	45,000	1,484,898
Montgomery	28,746,092	29,033,553	2,169.25	578,346	29,611,899	4,724	4,724,000	34,335,899
Prince George's	31,281,084	31,593,895	0.00	0	31,593,895	5,019	5,019,000	36,612,895
Queen Anne's	3,016,780	3,046,948	0.00	0	3,046,948	87	87,000	3,133,948
St. Mary's	5,748,497	5,805,982	394.50	105,178	5,911,160	383	383,000	6,294,160
Somerset	1,663,579	1,680,215	0.00	0	1,680,215	63	63,000	1,743,215
Talbot	1,445,063	1,459,514	13.75	3,666	1,463,180	12	12,000	1,475,180
Washington	6,070,054	6,130,755	145.00	38,659	6,169,414	368	368,000	6,537,414
Wicomico	4,578,022	4,623,802	0.00	0	4,623,802	280	280,000	4,903,802
Worcester	2,718,459	2,745,644	0.00	0	2,745,644	76	76,000	2,821,644
Total	\$217,183,583	\$219,355,419	5,014.75	\$1,336,988	\$220,692,407	23,726	\$23,726,000	\$244,418,407
Per Pupil ³	\$266.61							

¹Fiscal 2011 base grants equal the fiscal 2010 base grant with the 1.0% CPI adjustment plus the enrollment adjustments.

²Total aid equals the fiscal 2011 base grant plus the grant for disabled students.

³Per pupil grant equals the fiscal 2010 base grant divided by the September 2008 FTE enrollment (814,609).

Source: Department of Legislative Services

History of Major Changes:

1981 – Chapter 507 established the basis for the current school bus transportation grant formula using the fiscal 1982 distribution of transportation aid.

1988 – Chapter 784 established the disabled student transportation grant and set a minimum annual increase in student transportation aid of 3%.

1992 – Chapter 2 of the 1992 special session reduced the fiscal 1993 base grant by \$55 million; the grant for disabled students was not affected.

1996 – Chapter 681 established a new distribution formula, effective for fiscal 1998, providing a base grant plus additional aid to counties with increasing enrollments.

2002 – Chapter 288 enhanced the base student transportation grant for 15 school systems that experienced enrollment increases from 1980 to 1995. In addition, funding for students with special transportation needs was increased from \$500 to \$1,000 per pupil over a fiscal 2004 to 2008 phase-in period.

2009 – Chapter 487 limited the inflation increase in the student transportation formula for fiscal 2012 to 1%.

2010 – Chapter 484 set the inflationary increase in student transportation aid at 1% for fiscal 2011 and for fiscal 2013 through 2015, a reduction from the 3% minimum increase that would have been required. In addition, the minimum inflationary increase for student transportation was permanently reduced from 3% to 1%.

Legal Reference: Education Article, Section 5-205

School Construction Program

The State gradually assumed local school construction costs prior to 1971. The pre-1971 program provided direct payment to local governments for principal and interest on State general public school construction loan bonds and local public school construction bonds issued or obligated prior to June 30, 1967.

In 1971, the State adopted a new program whereby the State reimbursed the counties for (1) the full approved cost of all construction of public elementary and secondary schools for which contracts were let after July 1, 1971; (2) the full cost of debt

service obligations incurred for contracts signed between February and June 1971; and (3) debt service requirements for obligations outstanding as of June 30, 1967.

From 1971 to 1986, various changes were made to the program that increased the local share of school construction costs. These included reducing State participation in school renovation projects, eliminating State funding for administrative office construction, establishing a maximum State construction allocation, and requiring local governments to assume any project costs exceeding the State's maximum construction allocation.

In fiscal 1989, upon approval by the Board of Public Works, which is composed of the Governor, Treasurer, and Comptroller, the State adopted a State and local shared school construction program based on the recommendations of the 1987 Task Force on School Construction. The task force recommended that the State's share for each county relate to the county's wealth: the higher the county's wealth, the lower the State's share of costs.

The 1993 Governor's Task Force on School Construction expressed support for many of the existing practices and policies, while recommending an update of the State/local cost shares adopted in 1989. Other recommendations made by the task force included funding small systemic renovations costing between \$50,000 and \$100,000; reducing the elementary school class size used in the State-rated capacity formula; including space for prekindergarten students in projects eligible for State funding; and increasing overall school construction funding over the next five years to at least \$100 million annually.

The Bridge to Excellence in Public Schools Act of 2002 established the Task Force to Study Public School Facilities to review the adequacy and equity of the State's public school construction program. The task force assessed the condition of public schools across the State and evaluated State construction funding in light of the educational programs required by the Act. Upon completion of its work, the task force recommended extensive changes to the public school construction program, which were implemented in the Public School Facilities Act of 2004 (Chapters 306 and 307).

One of the most significant provisions of the 2004 legislation was a statement of intent by the Governor and General Assembly to fund a minimum of \$3.85 billion over eight years for public school construction (\$2.0 billion by the State and \$1.85 billion by local governments), requiring a State commitment of \$250 million annually from fiscal 2006 to 2013. Since fiscal 2006, State funding for school construction has exceeded this goal. The fiscal 2008 total of \$401.8 million was the highest one-year funding amount for public school construction since the program began in 1971. The

fiscal 2007 to 2011 State total is \$1.6 billion. The county-by-county distribution of this funding is shown in Exhibit 3.20.

Exhibit 3.20
Public School Construction Funding
Fiscal 2007 to 2011 Capital Funding Authorized by the General Assembly
(\$ in Thousands)

<u>County</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>5-year Total</u>
Allegany	\$18,650	\$412	\$0	\$0	\$842	\$19,904
Anne Arundel	22,675	27,827	27,420	25,020	26,200	129,142
Baltimore City	39,436	52,665	41,000	27,733	28,559	189,393
Baltimore	35,053	52,250	40,985	28,000	29,000	185,288
Calvert	2,723	12,644	7,824	8,181	8,450	39,822
Caroline	2,935	2,426	8,100	6,000	3,767	23,228
Carroll	8,282	8,219	11,741	10,520	8,444	47,206
Cecil	8,271	9,533	2,674	1,538	1,744	23,760
Charles	10,200	13,170	11,704	8,898	8,335	52,307
Dorchester	872	6,137	10,400	6,469	5,436	29,314
Frederick	17,942	18,728	14,759	16,226	14,000	81,655
Garrett	1,235	6,243	3,020	666	0	11,164
Harford	11,096	16,238	14,751	16,253	13,835	72,173
Howard	17,808	23,206	18,265	18,262	18,290	95,831
Kent	3,479	1,335	0	388	0	5,202
Montgomery	40,040	52,297	53,312	28,350	30,183	204,183
Prince George's	37,425	52,250	41,000	28,200	29,500	188,375
Queen Anne's	3,000	3,925	4,951	3,947	5,750	21,573
St. Mary's	5,495	9,806	7,266	4,028	6,600	33,195
Somerset	12,022	5,153	0	6,000	6,000	29,175
Talbot	2,405	2,038	0	436	344	5,223
Washington	4,478	8,970	9,368	7,965	7,970	38,751
Wicomico	4,178	8,143	12,960	13,170	9,975	48,426
Worcester	6,872	8,213	5,483	403	0	20,971
Bond Premium	6,100					6,100
Unallocated					500	500
Total	\$322,672	\$401,828	\$346,983	\$266,653	\$263,724	\$1,601,860

Note: Includes new bond and Paygo funds and re-allocated funds that were previously authorized. Fiscal 2007 total includes \$16 million in bond premium funds. Fiscal 2008 total includes \$1.8 million reserved in the contingency fund for Baltimore City.

Source: Public School Construction Program, Department of Legislative Services

The Public School Facilities Act also directed the Board of Public Works to adopt a new State and local cost-share formula recommended by the task force (discussed below). Other provisions of the Act clarified the procedures used by the Interagency Committee on School Construction for allocating funding and reverting unused funds to the statewide contingency fund; established an emergency repair fund; made the interagency committee subject to the Administrative Procedures Act; and required the Board of Public Works to adopt regulations by July 2005 implementing various provisions of the law, including reducing the State-rated classroom capacity for grades one through five to 23 students per classroom.

Some school construction costs or projects are exclusively the responsibility of the local jurisdiction. They include site acquisition; architectural and engineering fees; utility connections; regional or central administrative offices; permits; and movable furniture and equipment.

The State funds its share of school construction primarily through the issuance of general obligation (GO) bonds. In some years, funds for school construction are included in the State's operating budget as pay-as-you-go (PAYGO) funding. The fiscal 2011 funding of \$262.2 million authorized by the General Assembly includes GO bonds and unexpended amounts in the contingency fund from prior years.

Distribution: The Interagency Committee on School Construction oversees the school construction program and operates under the authority of the Board of Public Works. The State Superintendent of Schools chairs the committee, which also includes the Secretary of General Services, the Secretary of Planning, and two public members appointed by the Presiding Officers of the General Assembly. Each October, the Governor announces the proposed amount of funding for public school construction for the upcoming fiscal year. The interagency committee then transmits this information to the local jurisdictions and requests their annual and five-year Capital Improvement Program.

Each October and November, interagency committee staff recommend to the committee which projects should be funded based on certain criteria. Only projects designated as A (funded) or B (ready to go) on the Public School Construction Program's ABC list are eligible for funding. In December, the interagency committee decides which of those projects should be recommended to the Board of Public Works for approval.

The interagency committee must recommend an initial allocation of 75% of the Governor's preliminary allocation for school construction before December 31 of each year. In January, the Board of Public Works hears appeals from the local jurisdictions

and votes on interagency committee recommendations. The list of projects approved by the Board of Public Works becomes part of the State's proposed capital budget submitted to the General Assembly for approval. Beginning in 2008, the interagency committee was required to submit recommendations by March 1 equal to 90% of the school construction allocation submitted by the Governor in the capital budget. In May, the Board of Public Works allocates any remaining school construction funds to school construction projects based on recommendations from the interagency committee. Prior to 2005, the Board of Public Works had the sole authority to make final decisions.

The Public School Facilities Act of 2004 established the State and local cost-share formula to be used for public school construction beginning in fiscal 2006. The new provisions replaced a cost-share formula that had been established in 1993 to allocate funding, with the exception of special adjustments made for Baltimore City and Prince George's County. The new cost-share formula takes multiple factors into account, including local wealth, student populations, enrollment growth, age of school facilities, and local effort for school construction. No county receives less than a 50% share from the State. The formula is updated every three years for incremental changes in local wealth and other factors. Any jurisdiction in which the State share is reduced by more than 5% has a phased-in implementation of the new allocation over two or three years. The fiscal 2011 State share of eligible school construction costs is shown in Exhibit 3.21.

Exhibit 3.21
State Share of Eligible Costs for School Construction
Fiscal 2011

<u>50%</u>	<u>55-69%</u>	<u>70-74%</u>	<u>75-89%</u>	<u>90+%</u>
Anne Arundel	Howard (61)	Dorchester (71)	Cecil (75)	Allegany (91)
Baltimore	Carroll (61)	Frederick (72)	St. Mary's (75)	Baltimore City (94)
Kent	Harford (59)	Washington (73)	Charles (77)	
Montgomery	Calvert (61)	Prince George's (73)	Caroline (86)	
Talbot	Garrett (60)		Wicomico (87)	
Worcester	Queen Anne's (60)		Somerset (88)	

Source: Public School Construction Program; Department of Legislative Services

History of Major Changes:

1947 – Incentive Aid for School Construction was created to provide a grant equal to the difference between \$10 per pupil and a local property tax levy of 5 cents per \$100 of assessed valuation. By 1961 the incentive amount was \$22 per pupil.

1949 – A Public School Construction Loan program was established to provide low-interest loans to local governments for which they assumed all debt service obligations.

1967 – The State assumed support for 80% of \$1,500 per pupil construction costs and 80% of debt obligations outstanding as of June 30, 1967.

1971 – The State assumed responsibility for the debt service on all local school construction debt outstanding as of June 30, 1967, and adopted a State fully funded school construction program for approved projects.

1988 – The State/local shared school construction program was adopted by the Board of Public Works, based on the recommendations of the 1987 Task Force on School Construction Finance.

1993 – New funding shares for State and local governments were recommended by the Governor’s Task Force on School Construction and adopted by the Board of Public Works.

1996 – The State entered into a consent decree with the plaintiffs in the case of *Bradford et al. v. Maryland State Board of Education et al.* that required the State to provide a 90% share of the first \$10 million in public school construction funding allocated to Baltimore City in fiscal 1998 through 2002.

1998 – Chapter 704 required the State to provide Prince George’s County with \$35 million each year in school construction funding for fiscal 1999 through 2002, contingent on future economic conditions. The State share of the first \$35 million allocated by the State was set at 75%, with 60% of any excess. Chapter 289 of 2002 changed the State’s share of funds in excess of \$35 million to 65% through fiscal 2007.

2000 – Chapter 559 permitted the Baltimore City Board of School Commissioners to issue up to \$25 million in bonds for financing or refinancing the purchase, construction, or improvement of any Baltimore City public school facility. Later legislation increased the maximum amount of the bonds.

2001 – Chapter 280 required the State in fiscal 2002 and 2003 to fund 90% of Baltimore City’s eligible school construction costs for the first \$20 million provided by the State and 75% of any amount the State provided above \$20 million. Chapter 280 also required Baltimore City to allocate at least \$12.4 million for school construction in fiscal 2002 and 2003.

2002 and 2003 – The Baltimore City requirement was extended through fiscal 2004 by Chapter 288 of 2002 and through 2005 by Chapter 388 of 2003. Chapter 388 of 2003 increased the amount that Baltimore City must allocate to \$16.0 million.

2004 – Chapters 306 and 307 implemented the recommendations of the Task Force to Study Public School Facilities. Major provisions include establishing a new State and local cost-share formula beginning in fiscal 2006 that would be updated every three years; establishing an emergency repair fund (at least \$2 million in fiscal 2005); authorizing alternative financing methods for counties; expanding eligible costs to include relocatable classrooms for fiscal 2006 through 2008; requiring the Interagency Committee on School Construction to survey the condition of school buildings every four years; requiring the reversion of unused construction funds to the statewide contingency fund; and stating the intent of the Governor and General Assembly that \$3.85 billion (\$2 billion State and \$1.85 billion local) be provided for school facilities by fiscal 2013.

2005 – Chapter 340 expanded the membership of the Interagency Committee on School Construction to include two legislative appointees. The committee’s meetings are deemed subject to the State Open Meetings Law. Board of Public Works’ approval of projects prior to May 1 is limited to 75% of the Governor’s preliminary allocation for school construction. County-by-county allocations are specified for fiscal 2006. The interagency committee is required to make final project allocations after May 1.

2006 – Chapter 46 amended earlier language to clarify that the Board of Public Works’ approval of 75% of the Governor’s preliminary allocation does not include amendments to the original amount. County-by-county allocations are specified for fiscal 2007. The interagency committee is required to make final project allocations after May 1.

2007 – Chapter 488 specified county-by-county allocations for fiscal 2008. If funds are allocated to an eligible project but can no longer be used for that project, Chapter 488 allows the funds to be applied at the county’s option to another eligible project in the county, returned to the contingency fund reserved for the

county, or applied to county projects in the Aging Schools program. Funds not encumbered within two years are returned to the statewide contingency fund.

2008 – Chapter 336 required the interagency committee to submit funding recommendations by December 31 equal to 75% of the Governor’s school construction allocation. The interagency committee must submit recommendations by March 1 that comprise 90% of the allocation. The remaining 10% may be allocated by the Board of Public Works.

2009 – Chapter 485 allows funds that are allocated to an eligible project but can no longer be used for that project to be applied at the county’s option to another eligible project or returned to the contingency fund for allocation to another county project within two years. After two years, unused funds revert to the statewide contingency fund. Contingency funds will be allocated the next fiscal year in addition to new funds.

Legal Reference: Education Article, Title 5, Subtitle 3

Aging Schools Program

This program provides funds to local school systems for improvements, repairs, ongoing maintenance, and deferred maintenance of public school buildings exceeding 15 years of age. No local match is required. Eligible program expenditures include asbestos and lead paint abatement; fire protection systems and equipment; painting; plumbing; roofing; heating, ventilation, and air conditioning systems; site redevelopment; wiring schools for technology; prekindergarten facilities; and renovation projects related to education programs and services. The Board of Public Works adopted regulations to guide the program, and the Interagency Committee on Public School Construction administers the program as part of the Public School Construction Program.

A five-year commitment to fund this program was incorporated into the Baltimore City-State Partnership legislation in 1997. The original funding level was \$4.4 million, which was increased to \$10.4 million in mandatory statutory grants by the School Accountability Funding for Excellence Act of 1998. The Bridge to Excellence in Public Schools Act of 2002 extended the program until a task force studying public school facilities could complete its work. The program’s termination date was repealed in 2003, based on the task force’s recommendation, making the program permanent, and in 2004, the task force recommended a revised allocation of program funding.

The fiscal 2005 capital budget contained General Assembly intent language to add “hold harmless” grants in fiscal 2006 through 2008 for six counties that received less

funding under the revised allocation. The statutory grants were adjusted for inflation in fiscal 2008 and 2009. For fiscal 2010, the grants were rebased at \$6.1 million, and 2010 budget reconciliation legislation eliminated future inflationary increases for the program.

Distribution: The allocation of program funding is set in statute. Effective in fiscal 2006, the Public School Facilities Act of 2004 revised the allocation by basing each school system's share of total funding on the percentage of school building square footage constructed prior to 1970 in each system (funds were previously allocated based on pre-1960 square footage). Minimum allocations of \$65,000 and \$85,000 were maintained under the revised allocation. Exhibit 3.18 shows the fiscal 2011 funding for each school system.

History of Major Changes:

1997 – Chapter 105 provided \$4.35 million annually for the Aging Schools Program through fiscal 2002.

1998 – Chapter 565 provided \$6.02 million in additional funding for the program.

2002 – Chapter 288 extended the termination date of the program through fiscal 2004.

2003 – Chapter 388 repealed the termination date of the program and extended the \$10.37 million funding level.

2004 – Chapters 306 and 307 revised the allocation of funds in the program beginning in fiscal 2006 by basing funding on the percentage of pre-1970 public school square footage and maintaining the \$65,000 and \$85,000 minimum allocations.

2006 – Chapter 216 added \$3.7 million in PAYGO funds to the program. Projects receiving the funds were subject to the local participation requirements applicable to other school construction projects.

2006 – Chapter 252 required that the \$10.37 million in statutory grants be adjusted annually for inflation beginning in fiscal 2008.

2009 – Chapter 487 rebased the grants at \$6.1 million in general funds for fiscal 2010 and 2011 and scheduled a return to the \$10.37 million base amount in fiscal 2012. The inflation adjustment was suspended for fiscal 2010 through 2012.

and was set to resume in fiscal 2013. Chapter 487 also authorized \$6.1 million in bond proceeds to be used in place of general funds in fiscal 2010.

2010 – Chapter 482 authorized \$6.1 million in bond proceeds to be used in place of general funds for the program for fiscal 2011. The legislation also rebased the grants at \$6.1 million annually with no increase for inflation.

Legal Reference: Education Article, Section 5-206

Food Service Programs

In addition to federal funds provided under the School Lunch Act of 1946, the State provides matching funds to support food and nutrition programs for low-income children. The programs provide free and reduced price breakfasts, lunches, and snacks to public or private nonprofit school students. All public schools in the State are required to provide subsidized or free nutrition programs for eligible students.

Distribution: Eligibility for food services programs is determined by households completing an application for student meal benefits. The applications are reviewed and compared with federal poverty and income eligibility guidelines. State matching funds are allocated to school districts as a percentage of total federal funds earned for the second prior fiscal year. Exhibit 3.18 shows the estimated fiscal 2011 distribution of \$7.2 million in State funding for food services programs.

The Maryland Meals for Achievement In-classroom Breakfast Program, established in 1999, provides a free in-class breakfast to all students enrolled in schools in which 40% or more of the students qualify for free or reduced priced meals. Schools must be eligible and are selected to participate in the program. Fiscal 2011 funding for the program totals \$2.8 million, which supports 206 schools.

Certain public elementary schools may be exempted from the required free and subsidized breakfast program if participation is less than 25% of the number of students eligible for free and reduced price meals in the past three months, the school system approves an alternative nutrition program, or the school has less than 15% of its enrollment approved for free and reduced price meals. The State free and subsidized breakfast program may be suspended if the federal reimbursement falls below a certain level.

History of Major Changes:

1980 – Chapter 836 established the free and reduced price breakfast program in public elementary schools.

1990 – Chapter 488 provided that a school could be exempted from the free and reduced price breakfast program under certain conditions.

1999 – The General Assembly established the Maryland Meals for Achievement In-classroom Breakfast Program.

Legal Reference: Education Article, Sections 7-601 through 7-704

Adult Education

Since 1945, the State has authorized local jurisdictions to provide day and evening classes for adults to acquire their high school diplomas or equivalent, engage in vocational training, and develop general life skills. The local boards of education provide these services in many jurisdictions, but local community colleges and community-based organizations are also used to deliver adult education services.

Distribution: The State budget includes an annual general fund appropriation for adult education, including funds for Adult General Education (\$161,703 in fiscal 2011), the External Diploma Program (\$281,070), the Literacy Works Program (\$6.4 million), and the Center for Art and Technology (\$80,000). Grants are competitively awarded based on the number of people who have not completed high school in the jurisdiction, demonstrated program effectiveness, and the ability to meet the required 25% local match.

History of Major Changes:

1945 – Chapter 545 required local school boards to provide adult education programs.

1978 – Chapter 343 authorized full-time students to enroll in adult education programs at their own expense.

1989 – Chapter 14 (budget bill) authorized \$685,000 for an adult literacy program to augment State grants for adult education.

1997 – Chapter 542 required the Governor to include in the annual budget bills for fiscal 1998 through 2001 a general fund appropriation for the Maryland Adult External High School Program in an amount not less than the appropriation for fiscal 1996.

2002 – Chapter 185 required the Maryland State Department of Education to develop a funding formula based on need and cost of instruction. Chapter 288 provided \$1.1 million in tobacco tax funding to be used for adult education and literacy services as provided in Chapter 185.

2005 – Chapter 305 required the fiscal 2007 and 2008 State budgets to include an increase of at least \$1.5 million over the fiscal 2005 funding level for Literacy Works grants in order to reduce the waiting list for adult education and literacy services. In addition, Chapter 305 required the Maryland State Department of Education to develop an ongoing method of funding for adult education and literacy services.

2006 – Chapter 380 required the fiscal 2008 State budget to include an increase of at least \$1.5 million over the fiscal 2007 funding level for Literacy Works grants in order to reduce the waiting list for adult education and literacy services.

2008 – Chapter 134 transferred adult correctional education and adult education services from the State Department of Education to the Department of Labor, Licensing, and Regulation.

Legal Reference: Education Article, Sections 4-110 and 5-218

Quality Teacher Incentives

Stipends and bonuses for eligible classroom teachers were established in 1999 as a means of attracting and retaining quality teachers in Maryland's public schools. The types of stipends that qualifying school-based employees may receive, as of fiscal 2011, are described below.

- Teachers holding certification from the National Board for Professional Teaching Standards receive a stipend from the State. The stipend is \$2,000 for those in schools with comprehensive needs, and \$1,000 for those in schools not identified as having comprehensive needs. In 2005, eligibility for this stipend was extended to other school-based personnel in addition to classroom teachers.

- A teacher with an advanced professional certificate who teaches in a challenge school, a school in corrective action, or a school in restructuring status receives an annual stipend of \$1,500. A qualifying teacher must perform satisfactorily to receive the stipend.

Distribution: The distribution of Quality Teacher Incentives is determined by the number of teachers and school-based personnel in each school system who qualify for stipends and bonuses. The fiscal 2011 budget includes \$4.2 million for the program.

History of Major Changes:

1999 – Chapter 600 established Quality Teacher Incentives.

2002 – Chapter 345 of 2002 changed eligibility for the new teacher signing bonus from graduation in the top 10% of a class to a grade point average of at least 3.5 on a 4.0 scale.

2005 – Chapter 368 extended eligibility for the national certification stipend to other school-based personnel. Previously, only classroom teachers were eligible for the stipends.

2009 – Chapter 487 scaled the program back by limiting the number of qualifying teachers, reducing stipends, and eliminating signing bonuses for teachers who graduated with college grade point averages of 3.5 or better.

Legal Reference: Education Article, Section 6-306

Other Noninstructional Programs

School Wiring (\$4.6 million in fiscal 2011): Under the Technology in Maryland Schools program, the State entered into a Master Lease Purchase Financing Agreement in 2001 to finance the wiring of all public schools for Internet access. The payments are estimated to total \$50.9 million over the full term of the lease. Payments are in the final years, with \$4.6 million budgeted for fiscal 2011.

School-based Health Centers (\$2.7 million in fiscal 2011): School-based health centers were transferred from the Office for Children, Youth, and Families to the Maryland State Department of Education by Chapter 585 of 2005. The centers provide primary medical care as well as social, mental health, and health education services for students and their families.

Fine Arts Grants (\$732,000 in fiscal 2011): Fine arts grants are provided to school systems to help teachers and administrators integrate arts education throughout the curriculum.

County Funding of Local School Systems

Unlike many other states, Maryland's school systems do not have independent taxing authority. Instead, they rely on the counties and Baltimore City for a significant share of their funding. Historically, counties have accounted for more than half of total funding for Maryland school systems. One of the goals of the Bridge to Excellence in Public Schools Act of 2002 was to move toward a school finance system in which the State and counties are more equal partners in their contributions to schools.

Maintenance of Effort Requirement

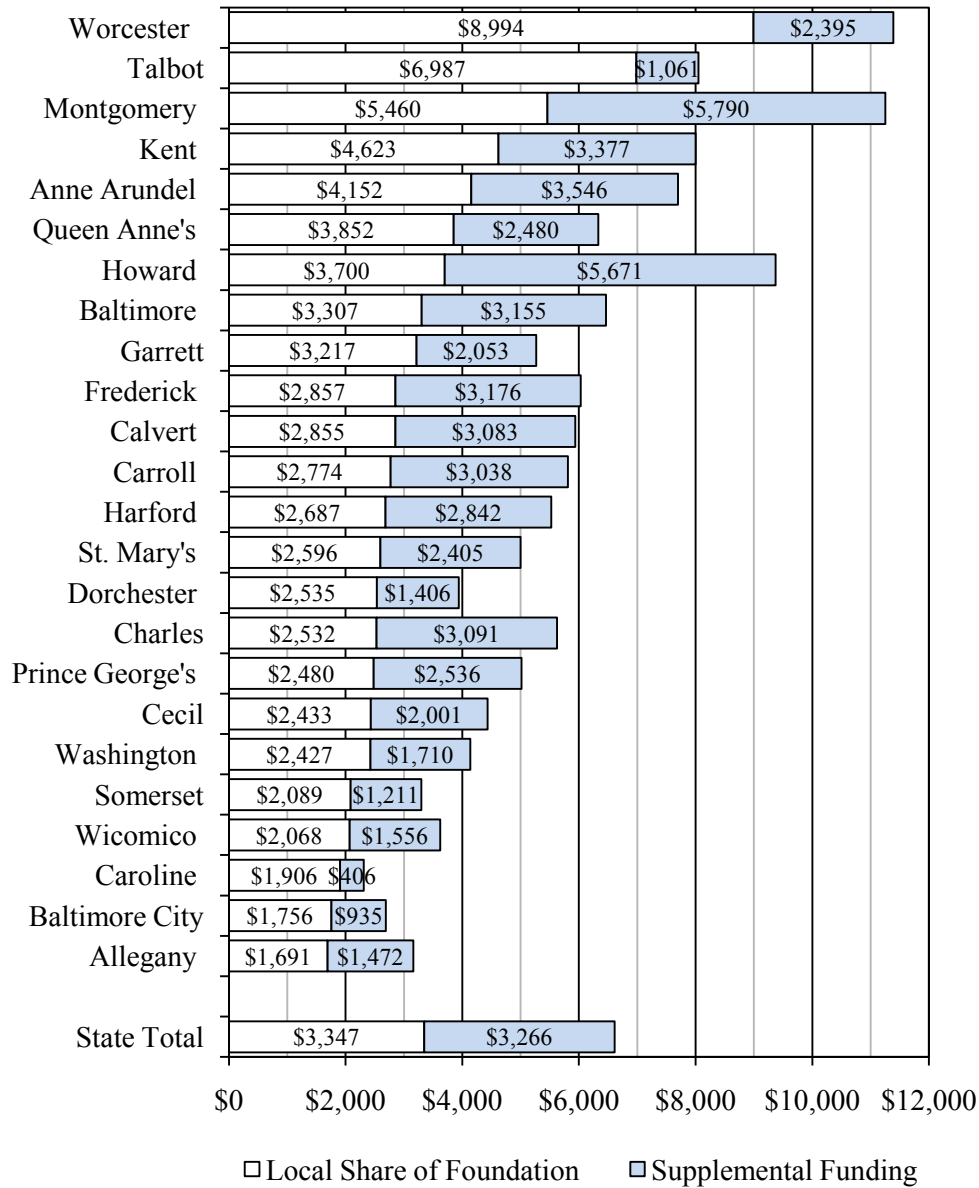
Minimum annual appropriations from each county (including Baltimore City) to the local school system are governed by a maintenance of effort provision under State law. This provision requires each county to provide, at a minimum, the greater of (1) the local share of the foundation amount, which is a uniform percentage of the local wealth base applicable to all counties; or (2) the per pupil amount provided by the county in the previous year. A county that does not meet this requirement may be penalized by having State aid for the local board of education reduced. Historically, county contributions to local school boards have easily exceeded the local share of the foundation, so providing at least as much funding per pupil as was provided in the previous fiscal year has been the higher threshold for counties to meet. Counties also have the option of appropriating more than the minimum requirement, which they often do. From fiscal 2003 to 2009, county appropriations were an average of 3.8% higher than the required maintenance of effort level, although there was a wide range in the level of increases provided by the 24 localities.

In 1996, the State enacted legislation to allow county governments to apply to the State Board of Education for a one-year waiver from the maintenance of effort requirement. To approve a waiver, the State board must find that the county showed, by a preponderance of evidence, that its "fiscal condition significantly impedes the county's ability to fund the maintenance of effort requirement." No county had applied for a waiver until 2009, when three counties applied for waivers from their fiscal 2010 maintenance of effort levels. The State board denied all three fiscal 2010 applications. Two counties applied for fiscal 2011 waivers, and approval of both applications represented the first time the waiver process was used to successfully reduce maintenance of effort funding levels without the threat of a penalty.

Another avenue for suspending the maintenance of effort requirement is through legislative action. During the fiscal crisis of the early 1990s, before the State board waiver process had been established, the State enacted legislation for two consecutive years waiving the maintenance of effort requirement for all counties in fiscal 1992 and again in fiscal 1993. In 1996, legislation waived the requirement for Wicomico County only. More recently, Chapters 73 and 74 of 2010 prohibited the imposition of any penalty for not meeting maintenance of effort in fiscal 2010.

Exhibit 3.22 shows per pupil county appropriations in fiscal 2009 and indicates the amounts attributable to the local share of the foundation and to funding above the local share of the foundation. Counties are sorted by local wealth per pupil in the chart (from highest to lowest wealth). The chart demonstrates the relationship between wealth and the local share of the foundation and also shows that the amounts counties provide in excess of the local share of the foundation vary and are not as closely related to local wealth. For example, the per pupil local share of the foundation program for Dorchester and Charles counties is nearly identical (because wealth per pupil in the two counties is nearly identical); however, Charles County provides more than twice as much supplemental funding as Dorchester County. As a result, Charles County provides more than \$5,600 per student to the local school system, and Dorchester County provides less than \$4,000 per student. Statewide, just over half of the \$6,600 per pupil that counties contributed to schools in fiscal 2009 was attributable to the local share of the foundation program.

Exhibit 3.22
Per Pupil Local Appropriations to Boards of Education
Fiscal 2009



Local Education Effort

Ultimately, the amount of funding that counties provide is based on two factors: local tax capacity and the extent to which this capacity is used to support education. As discussed above, all counties are required to contribute a uniform percentage of their

local wealth bases to public education as the local share of the foundation. The local share of the foundation represents a specific effort level (0.73% of local wealth in fiscal 2009). Counties then determine how much funding they provide over the amount required for the local share of the foundation. All counties provide some funding over the local share of the foundation, but the amount of supplemental funding each county provides is a local decision that is made over a number of years (since the maintenance of effort provision requires per pupil funding levels to remain at least equivalent from one year to the next). Exhibit 3.23 compares per pupil county appropriations to per pupil county wealth and shows the proportion of each county's wealth base used to support education. The exhibit shows that fiscal 2009 local effort levels ranged from 0.84% of local wealth in Talbot County to 1.84% in Howard County. As a result of this variance, Howard County provided more per pupil funding for the local school system than Talbot County despite higher per pupil wealth in Talbot County.

Exhibit 3.23
Per Pupil Wealth and Appropriations
Fiscal 2009

County	Wealth per Pupil	Per Pupil Appropriation	Local Effort (Appropriation/ Wealth)
Allegany	\$232,669	\$3,164	1.36%
Anne Arundel	571,232	7,698	1.35%
Baltimore City	241,651	2,692	1.11%
Baltimore	454,919	6,461	1.42%
Calvert	392,845	5,938	1.51%
Caroline	262,215	2,312	0.88%
Carroll	381,712	5,812	1.52%
Cecil	334,682	4,434	1.32%
Charles	348,341	5,623	1.61%
Dorchester	348,786	3,941	1.13%
Frederick	393,024	6,032	1.53%
Garrett	442,553	5,270	1.19%
Harford	369,649	5,528	1.50%
Howard	509,009	9,371	1.84%
Kent	636,064	8,000	1.26%
Montgomery	751,154	11,249	1.50%
Prince George's	341,193	5,016	1.47%
Queen Anne's	529,890	6,332	1.19%
St. Mary's	357,219	5,002	1.40%
Somerset	287,438	3,301	1.15%

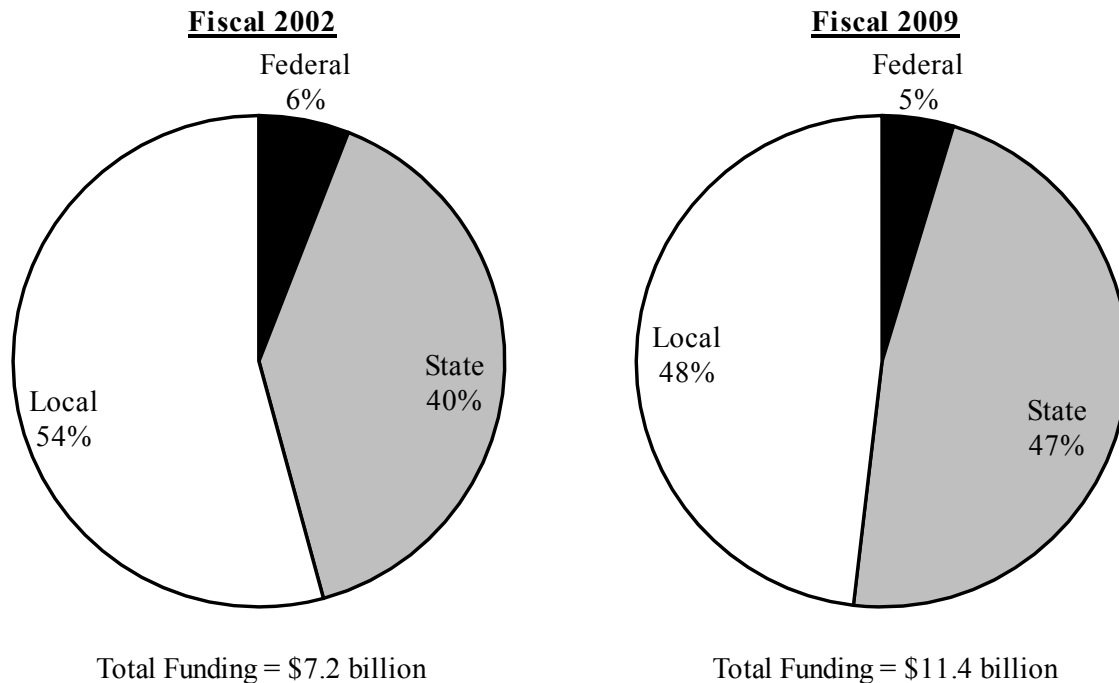
County	Wealth per Pupil	Per Pupil Appropriation	Local Effort (Appropriation/ Wealth)
Talbot	961,272	8,048	0.84%
Washington	333,898	4,137	1.24%
Wicomico	284,459	3,623	1.27%
Worcester	1,237,416	11,389	0.92%
Statewide	\$460,482	\$6,613	1.44%
<i>Simple Average of Local Effort:</i>			<i>1.31%</i>

Source: Department of Legislative Services

Federal, State, and Local Shares of Local Education Funding

Fiscal 2002 and 2009 shares of federal, State, and local funding for Maryland public schools are shown in Exhibit 3.24. The exhibit displays total funding for education, which increased from \$7.2 billion in fiscal 2002 to \$11.4 billion in fiscal 2009, and illustrates the change in funding patterns over the seven-year period. In fiscal 2002, local funding (including county appropriations and revenues generated by local boards of education) made up 54% of total education funding, with the State providing 40% and the federal government 6%. As intended with the enactment of the Bridge to Excellence legislation in 2002, State and local sources made up roughly equivalent proportions of school funding by fiscal 2009.

Exhibit 3.24
Sources of Funding for Public Education
Fiscal 2002 and 2009



Note: Figures include funding for early education programs operated by local school systems.
 Source: *Selected Financial Data*, Maryland State Department of Education; Department of Legislative Services

Although State and local shares of funding are nearly equal for the State as a whole, with federal contributions making up a relatively small share of total school funding, there is significant variation in funding shares among the 24 local school systems. Exhibit 3.25 shows total per pupil funding for each school system and the share provided by each of the three funding sources. The exhibit shows a wide range of funding patterns, with schools in Montgomery and Worcester counties getting more than 70% of their funding from local sources and schools in Baltimore City and Allegany, Caroline, and Somerset counties getting more than 75% of their funding from intergovernmental sources. The different patterns are driven by the factors discussed earlier in this chapter. The majority of federal funding is provided according to the needs of each local school system, as measured by disadvantaged and disabled student counts. Most State funding is provided inverse to local wealth, and school systems with greater needs and higher costs also get additional State aid. Local funding is a function of local

wealth and local effort. Together, the sources provided Maryland public school systems with an average of nearly \$14,000 per student in fiscal 2009, ranging from \$11,825 per student in Queen Anne’s County to \$16,263 per student in Baltimore City.

Exhibit 3.25
Per Pupil Funding and Sources of Funding
Fiscal 2009

County	Per Pupil Funding	Federal	State	Local
Allegany	\$14,705	7.1%	70.9%	22.1%
Anne Arundel	12,897	4.1%	35.8%	60.1%
Baltimore City	16,263	10.0%	72.0%	18.0%
Baltimore	12,993	4.4%	45.5%	50.1%
Calvert	12,368	3.2%	47.3%	49.5%
Caroline	11,947	6.3%	73.1%	20.6%
Carroll	12,181	3.2%	47.9%	48.8%
Cecil	12,061	4.4%	57.7%	37.9%
Charles	12,617	3.9%	51.9%	44.2%
Dorchester	12,816	8.1%	59.7%	32.3%
Frederick	12,426	3.1%	47.5%	49.4%
Garrett	12,704	7.2%	51.5%	41.3%
Harford	12,150	3.5%	51.2%	45.3%
Howard	14,881	2.4%	33.1%	64.6%
Kent	15,111	8.0%	38.1%	54.0%
Montgomery	16,012	3.3%	25.8%	70.9%
Prince George’s	13,917	4.9%	59.1%	35.9%
Queen Anne’s	11,825	5.4%	40.3%	54.3%
St. Mary’s	12,379	5.6%	53.4%	41.0%
Somerset	14,817	12.9%	64.0%	23.2%
Talbot	11,873	4.7%	26.7%	68.7%
Washington	12,058	4.8%	60.3%	34.9%
Wicomico	13,341	6.1%	65.2%	28.7%
Worcester	16,111	6.2%	22.3%	71.5%
State	\$13,959	4.8%	47.2%	48.0%

Note: Figures include funding for early education programs operated by local school systems.

Source: *Selected Financial Data*, Maryland State Department of Education; Department of Legislative Services

Local School System Expenditures

Local school systems are dependent on federal, State, and local governments for revenues, but they have a great deal of discretion in how the revenues are spent. Although some funding is restricted (particularly federal aid), the vast majority of funding for local boards of education is unrestricted. Local boards of education adopt budgets each fiscal year using the revenues available to them.

Expenditure Categories

Primary and secondary education operating and capital expenditures totaled \$12.7 billion in fiscal 2009. Exhibit 3.26 shows that operating spending accounts for \$11.3 billion or 88.9% of total expenditures. As would be expected, instructional outlays were the single largest component of operating budgets, accounting for \$5.7 billion or 50.3% of operating spending. Special education expenditures amounted to more than \$1.7 billion, or another 15.3% of operating spending. Taken together, these two instructional expenditure categories account for nearly two-thirds of local board of education operating budgets.

Exhibit 3.26 Education Expenditures Fiscal 2009

<u>Expenditure Category</u>	<u>Amount (\$ in Millions)</u>	<u>% of Operating Expenses</u>
Instruction	\$5,679.0	50.3%
Special Education*	1,732.1	15.3%
Administration	370.9	3.3%
Mid-level Administration	939.8	8.3%
Plant Operations/Maintenance	1,117.5	9.9%
Transportation	588.7	5.2%
Other	236.5	2.1%
State-paid Retirement	621.8	5.5%
Total Operating Expenses	\$11,286.3	100.0%
Food Services	\$315.0	
School Construction	950.6	
Interest on Debt	149.5	
Total Expenditures	\$12,701.4	

Notes: Fringe benefit costs, other than State-paid teachers' retirement for which allocation is not available, are apportioned to the other expenditure categories. Expenditures do not match revenues due to fund balances and transfers to revolving funds. Numbers may not sum to the total due to rounding.

*Includes public and nonpublic special education.

Source: *Selected Financial Data, 2008-2009, Part 2 – Expenditures*, Maryland State Department of Education.

Administration and mid-level administration categories accounted for \$1.3 billion combined, or 11.6% of fiscal 2009 operating expenditures. Although it was actually expended by the State on behalf of local school systems, retirement costs accounted for 5.5% of operating expenses for local school systems, or \$621.8 million.

Of the 11.1% of nonoperating school system expenditures, 77.7% goes toward school construction and associated debt service interest payments. The remaining 22.3% is spent on food services.

Per Pupil Expenditures

Exhibit 3.27 shows that per pupil spending statewide rose from \$8,371 in fiscal 2005 to \$13,331 in fiscal 2009. This represents average annual growth of 6.9% statewide, although the average annual rate of growth varied from a low of 5.3% in Queen Anne’s and Talbot counties to a high of 8.1% in Worcester County. The exhibit also shows that the ratio of per pupil spending in the highest spending district to per pupil spending in the lowest spending district was 1.38 to 1 in fiscal 2009. In other words, per pupil spending in Montgomery County was 38% higher than it was in Queen Anne’s County. This ratio has remained fairly stable since fiscal 2002, when the ratio was 1.39 to 1.

Exhibit 3.27
Education Operating Expenditures per Pupil*
Fiscal 2002 and 2009

County	FY 2002	FY 2009	Average Annual Growth FY 2002-2009
Allegany	\$8,007	\$13,571	7.8%
Anne Arundel	8,022	12,438	6.5%
Baltimore City	9,374	14,969	6.9%
Baltimore	8,419	12,591	5.9%
Calvert	7,467	12,133	7.2%
Caroline	7,073	11,230	6.8%
Carroll	7,304	12,077	7.4%
Cecil	7,222	11,548	6.9%
Charles	7,266	11,852	7.2%
Dorchester	7,872	12,302	6.6%
Frederick	7,350	12,028	7.3%
Garrett	8,063	12,326	6.3%
Harford	7,109	11,891	7.6%

Howard	8,749	14,274	7.2%
Kent	9,441	14,164	6.0%
Montgomery	9,833	15,287	6.5%
Prince George's	7,961	13,628	8.0%
Queen Anne's	7,745	11,117	5.3%
St. Mary's	7,499	11,544	6.4%
Somerset	8,594	14,061	7.3%
Talbot	7,827	11,269	5.3%
Washington	7,474	11,635	6.5%
Wicomico	7,428	11,830	6.9%
Worcester	8,816	15,164	8.1%
Total	\$8,371	\$13,331	6.9%

*Use same notes as Exhibit 6.7 from 2006 Government Services Handbook (page 106)

Source: *Selected Financial Data, 2001-2002 and 2008-2009, Part 2 – Expenditures*, Maryland State Department of Education.

Although some attempt to minimize spending disparities is necessary, disparities are expected and in some cases desirable. For example, school systems with large proportions of at-risk students can be expected to spend more in order to achieve the same results as reflected in the State's adequacy model and the adequacy targets for each school system. State and federal aid programs provide additional funding based on enrollments of at-risk students, and therefore contribute to some spending disparities. In addition, school systems that are subject to higher educational resource costs can be expected to spend more just to acquire the same resources as low-cost systems.

Wealth equalization of State aid helps to mitigate disparities resulting from differences in local tax capacity, but it does not eliminate these disparities entirely. Another factor related to local wealth that contributes to spending disparities is local education tax effort. A school system that receives a lower level of county support can expect to spend less than a system in a county that provides a greater level of funding relative to its capacity.

Chapter 4. Higher Education – Governance Structure and Services

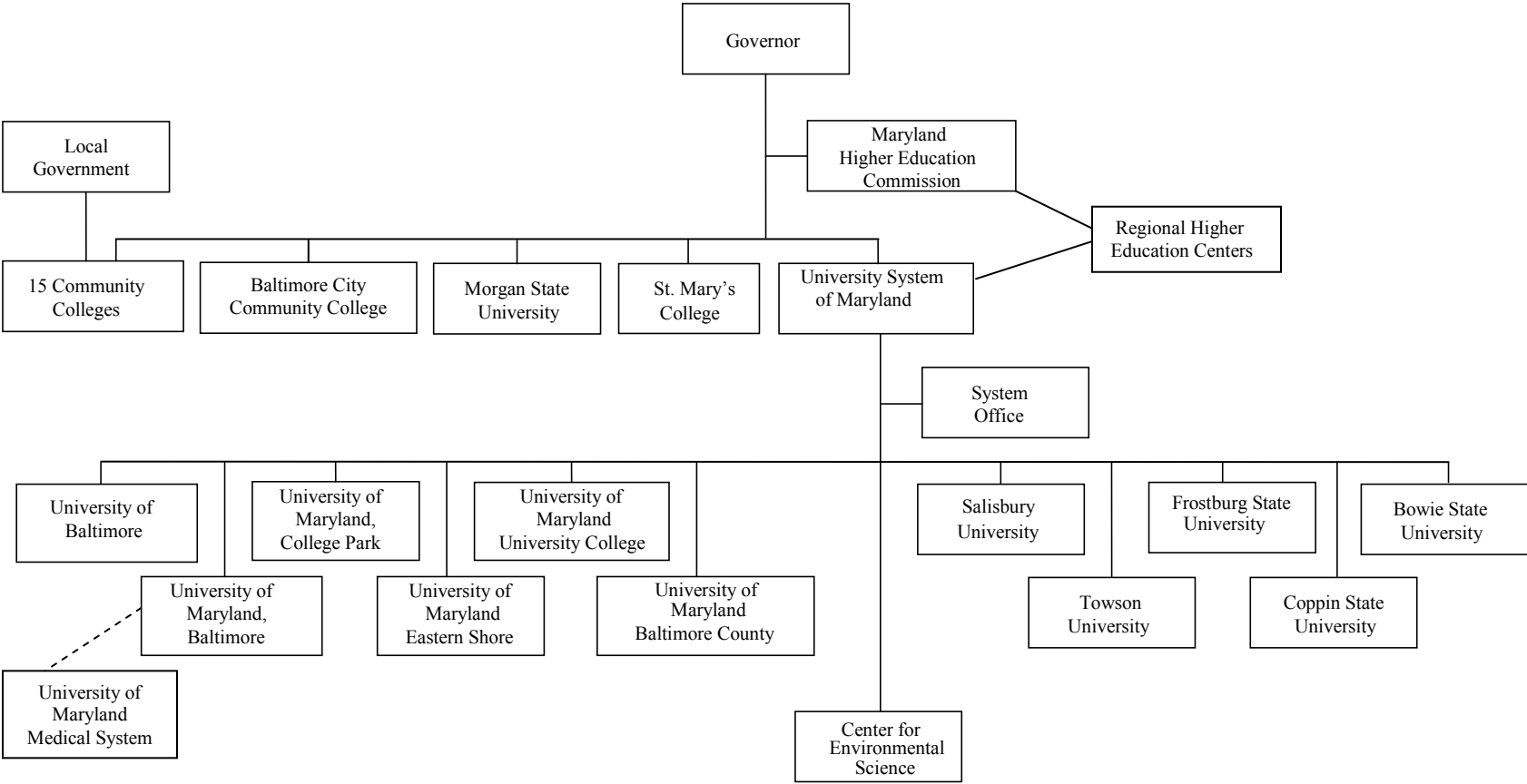
Maryland’s higher education system consists of the Maryland Higher Education Commission, which is the State’s postsecondary coordinating body; the University System of Maryland; 2 public four-year institutions independent of the University System of Maryland, Morgan State University and St. Mary’s College of Maryland; 8 regional higher education centers; 16 community colleges; and a multitude of private colleges and universities.

Higher education and postsecondary education are terms that are used interchangeably and encompass all of the educational programs and institutions serving students who are at least 16 years old and have graduated from or left elementary or secondary school. However, higher education and postsecondary education do not include adult education, evening high school, or high school equivalency programs conducted by a State public school system or apprenticeship and on-the-job training programs subject to approval by the Apprenticeship and Training Council.

Operation of Maryland’s public higher education system is primarily a State function. Oversight of public four-year institutions and community colleges is generally the responsibility of the State, with the Governor appointing the governing boards and the Maryland Higher Education Commission.

Responsibility for the delivery of public higher education services lies primarily with the State, as shown in Exhibit 4.1. However, the organizational structure varies somewhat depending on the segment of higher education, *i.e.*, whether the institution is part of the University System of Maryland, a four-year institution independent of the university system, a regional higher education center, or a community college. Additionally, each agency or institution has a unique role in serving the State, the higher education community, and the public.

Exhibit 4.1 Maryland Public Higher Education System



Source: Department of Legislative Services

Maryland Higher Education Commission

The Maryland Higher Education Commission is the State's higher education planning and coordinating body and oversees various aspects of the public and private higher education system. While the Governor and the General Assembly are required by statute to establish broad policy regarding higher education, the Maryland Higher Education Commission is required to advise the Governor and the General Assembly on statewide higher education policy and to conduct statewide planning for higher education.

The commission is governed by 12 members and the Secretary of Higher Education, who are appointed by the Governor with the advice and consent of the Senate. Eleven commissioners serve five-year terms and one, a student member, is appointed for a one-year term. The Secretary of Higher Education is a member of the Governor's Executive Council and serves at the pleasure of the commission.

The Maryland Higher Education Commission is responsible for coordinating the overall growth and development of postsecondary education in Maryland. The commission provides statewide oversight by establishing and updating the State Plan for Postsecondary Education every four years and approving new academic programs, regional higher education centers, and two-year and four-year public and private institutions to operate in the State. For each public campus, the commission approves mission statements and recommends funding levels and priorities among institutions, in keeping with the State plan. This authority was affirmed by Chapter 515 of 1999. The commission also oversees academic matters, administers the programs of State support for the community colleges and private institutions, administers State student financial aid programs, and upon request from a local government, makes a recommendation to the Governor concerning the establishment of a new community college.

Academic Program Approval

One of the main systemwide oversight responsibilities of the commission is the authority to approve or deny requests for new academic programs at institutions of higher education. Legislation enacted in 1999 temporarily revised the academic approval processes for the University System of Maryland by establishing two processes for implementing new academic programs, one for new programs that can be implemented with existing resources and another for new programs that will require additional resources. Subsequent legislation expanded these two processes to the other institutions of higher education in Maryland and made the two processes permanent.

Institutions of higher education seeking to implement new programs with new resources must submit proposals for the new programs to the commission, and the commission must approve or disapprove the programs or, in the case of nonpublic institutions, recommend that the programs be implemented or not implemented. If the commission fails to act within 60 days of the date of submission of a completed proposal, the proposal is automatically deemed approved.

When an institution of higher education determines that it can implement a new program with existing resources, the president of the institution must submit the proposal to the institution's governing board and to the commission, and the commission must distribute the proposal to other institutions. The commission or another institution may file an objection to the proposal based on (1) inconsistency with the mission of the institution proposing the program; (2) a lack of need for the program; (3) unreasonable program duplication that could cause harm to another institution; or (4) violation of the State's equal educational opportunity obligations. Based on those factors, the commission must determine if an institution's objection is justified. If the commission determines that an objection is justified, it must negotiate with the institution's governing board and president to modify the proposal. If the objection cannot be resolved within 30 days of receipt of an objection, the commission must make a final determination about the approval of the proposed program. The commission's decision is final and is not subject to judicial review or administrative appeal.

The commission may review an existing program at a public institution if it has reason to believe that the academic program is unreasonably duplicative or inconsistent with the institution's adopted mission. The commission may make a determination that unreasonable duplication exists on its own initiative or after receiving a request from a public institution affected by the program duplication. If the commission determines that there is unreasonable duplication that would cause demonstrable harm to another institution, it may require the institutions with duplicative programs to submit a plan to resolve the duplication. If the plan does not adequately address the duplication, the commission may revoke an institution's authority to offer a duplicative program. The commission must offer the institution an opportunity to present an objection to its decision, but the commission's decision is final and is not subject to judicial review or administrative appeal.

Maryland State Plan for Postsecondary Education

One of the primary responsibilities of the Maryland Higher Education Commission is to develop and periodically update the State Plan for Postsecondary Education. In the *2004 Maryland State Plan for Postsecondary Education (2004 State Plan)*, the commission called for the development of an effective statewide model for

postsecondary education and included five goals for Maryland's postsecondary education system. The *2004 State Plan* also included an overarching recommendation for Maryland to develop a postsecondary education model linking tuition policy, State support to institutions, and State and institutional financial aid to address issues such as student access and the particular needs of the State.

Although the next State plan was due to be released in 2008, the Maryland Higher Education Commission was granted an extension until 2009 so that the recommendations of the Commission to Develop the Maryland Model for Funding Higher Education, which released its recommendations in December 2008, could be considered as part of the development of the next State plan. The funding commission was established by 2006 legislation (Chapters 57 and 58) to review proposed funding models and make recommendations regarding a stable and predictable funding model for Maryland's postsecondary education. The *2009 Maryland State Plan for Postsecondary Education (2009 State Plan)* was released in June 2009, and because the goals that were established in the *2004 State Plan* were still found to be relevant, the *2009 State Plan* included the same five goals: quality and effectiveness; access and affordability; diversity; student-centered learning; and economic growth and vitality.

The *2009 State Plan* also included an overarching recommendation to implement the Higher Education Funding Model for Maryland that was recommended by the funding commission. The model balances quality, affordability, and access to higher education and is to be implemented over a 10-year period. The four primary tenets of the model are:

- (1) Maryland should set the per student investment in the State's four-year public institutions to match the seventy-fifth percentile of comparable institutions in the 10 states with which Maryland principally competes to attract employers (competitor states);
- (2) Maryland should set tuition and fees at the State's various public higher education institutions at or below the fiftieth percentile of comparable institutions in the competitor states;
- (3) Maryland should set investment in need-based financial aid per student to match the seventy-fifth percentile of such funding provided by the competitor states; and
- (4) Maryland should carefully track results of the investments to ensure that enhanced funding is producing enhanced results, and the progress should be measured on a template entitled Maryland's Higher Education Return on Investment.

Since the Maryland Higher Education Commission is responsible for assessing the extent to which progress is being made toward achieving the goals for the State plan, the commission will use the Return on Investment template developed by the funding commission to annually report on the State's progress toward realizing the goals outlined in the *2009 State Plan*.

State Financial Aid Programs

The Office of Student Financial Assistance, within the Maryland Higher Education Commission, is responsible for the administration of State financial assistance programs. Financial aid comes in the form of grants, work study, student loans, private loans, scholarships, and other awards from federal, State, private, and institutional resources. Grants and scholarships are aid that students do not have to pay back. Grants are usually given because a student has financial need, while scholarships are usually given to recognize the student's academic achievement, athletic ability, or other talent. Loans must be repaid, usually with interest.

The office administers approximately 12 different State financial assistance programs. These programs are designed to improve access to higher education for needy students; encourage students to major in workforce shortage areas; and encourage Maryland's brightest students to attend college within the State. Maryland students use the assistance from these programs at the State's public four-year campuses and community colleges; private colleges and universities; and private career schools in the State.

State financial aid programs fall into five categories (1) need-based aid; (2) merit-based aid; (3) career-based aid; (4) assistance for unique populations; and (5) legislative scholarships, as shown in Exhibit 4.2. Although many scholarship funds have criteria in two or more of these categories, each scholarship is grouped according to its most prominent requirement. The programs provide funds directly to institutions of higher education to cover qualified college expenses; funds directly to students as reimbursement for the payment of tuition and mandatory fees; and assistance for the repayment of student loans. Institutions and the federal government also provide financial aid to students.

Exhibit 4.2
State Financial Aid Programs

Need-based

Delegate Howard P. Rawlings
Educational Excellence Awards

Guaranteed Access Grants

Need- and merit-based grants intended to meet 100% of financial need for full-time undergraduates from low-income households. Qualified applicants must have a cumulative high school grade point average of at least 2.5 on a 4.0 scale. The commission extended the income limits for renewals to 150% of the federal poverty level to prevent a student who may work in the summertime from exceeding the original 130% income cap.

Educational Assistance Grants

Need-based grants intended to meet 40% of financial need at four-year institutions and 60% at community colleges for full-time undergraduates from low- to middle-income families. The maximum award amount authorized by statute is \$3,000. The current maximum amount awarded is \$3,000.

Campus-based

Need-based grants for full-time undergraduates from low-income families who for extenuating circumstances miss the application filing deadline. Funds for the campus-based grants are allocated to eligible institutions that then select recipients.

Part-time Grant Program

Need-based grants provided to institutions to award to qualified part-time undergraduate students.

Graduate and Professional Scholarship Program

Need-based grants for those pursuing certain graduate and professional degrees at certain Maryland institutions of higher education.

Early College Access Grant Program

Need-based grants for students dually enrolled in a Maryland high school and a Maryland college or university.

Merit-based

Distinguished Scholar Program

Talent- or merit-based scholarship awarded to full-time undergraduates. Three hundred and fifty scholarships must be awarded annually.

Career-based

Charles W. Riley and Emergency Medical Services Tuition Reimbursement Program	Tuition reimbursement for fire, ambulance, and rescue squad workers pursuing a degree in fire services or emergency medical technology.
Workforce Shortage Student Assistance Grants	Merit- and need-based scholarships for Maryland students pursuing degrees in teaching, nursing, human services, physical/or occupational therapy, public service, and other areas to address workforce and regional needs.

Janet L. Hoffman Loan Assistance Repayment Program

Employees of Government and Nonprofit Sector	Need-based loan repayment assistance for graduates of an institution of higher education in Maryland who work full-time for the government or the nonprofit sector in a priority field as determined by the commission. Priority is given to recent graduates who are State residents and employed full-time principally providing legal services to low-income residents, nursing services in nursing shortage areas in the State, or other employment fields where there is a shortage of qualified practitioners for low-income or underserved residents.
Primary Care Physicians	Loan repayment assistance for those who currently serve or who pledge to serve as primary care physicians.
Maryland Dent-Care	Loan repayment assistance designed to increase access to oral health services for Maryland Medical Assistance Program recipients.

Assistance for Unique Populations

Jack F. Tolbert Memorial	Provides grants to private career schools to award to full-time students based on financial need.
Edward T. Conroy Memorial	Scholarships for children and surviving spouses of certain veterans or certain public safety personnel.
Veterans of the Afghanistan and Iraq Conflicts Scholarship Program	Scholarships for United States Armed Forces personnel who served in the Afghanistan or Iraq conflicts and their sons, daughters, or spouses attending a Maryland postsecondary institution.

Legislative Scholarships

Senatorial Scholarships	Senators select recipients from within their legislative district. Students may be pursuing undergraduate, graduate, or professional degrees.
Delegate Scholarships	Delegates select recipients pursuing undergraduate, graduate, or professional degrees.

Source: Education Article, Title 18, Annotated Code of Maryland; Maryland Higher Education Commission; Department of Legislative Services

Enrollment

The Maryland Higher Education Commission maintains data on enrollment in higher education and prepares the official enrollment projections for the State. In fiscal 2010, 286,849 full-time equivalent students enrolled in a public or private nonprofit college or university in Maryland. As shown in Exhibit 4.3, the largest portion of the students (43%) attended public four-year institutions, while 42% enrolled at community colleges, and 15% enrolled at private nonprofit institutions.

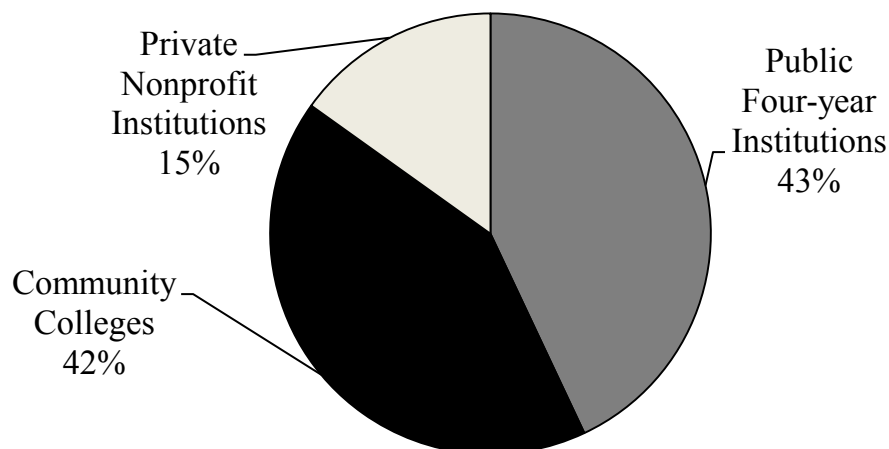
Like many other states in the nation, Maryland experienced continuous growth in its production of high school graduates from 1991 to 2008 because of the baby boom echo; however, the high school class of 2008 marked the end of the baby boom echo, and the number of Maryland high school graduates is projected to decline beginning in 2008. According to the National Center for Education Statistics, from 2000 to 2006, the number of Maryland high school graduates increased 12.8%; from 2006 to 2019, the number of high school graduates is projected to decline 6.9%.

However, even though the overall number of high school graduates is projected to decline, certain populations will experience increases. According to the Maryland Higher Education Commission, from 2008 to 2012, minority students are projected to comprise a larger share of Maryland's high school graduates than white students. During this four-year period, the number of white high school graduates is expected to decline by almost 7% while the number of African American graduates will remain about the same, and the number of Hispanic graduates is projected to increase by 15%.

The changing demographics in Maryland's population will continue to affect the State's higher education system. For example, closing the persistent retention and graduation rate gaps between African American and Hispanic students compared to white and Asian students becomes critically important.

Although the overall number of Maryland high school graduates is projected to decline through 2019, the Maryland Higher Education Commission is projecting an increase in the number of students that will enroll in the State's public higher education institutions in the future. In June 2010, the commission released its projections for the next 10 years. From fall 2010 through fall 2019, the commission projects that total full-time equivalent student enrollment at the State's *public* institutions of higher education will increase 17%. The commission does not forecast enrollments at private institutions.

Exhibit 4.3
Full-time Equivalent Student Enrollment by Segment
Fiscal 2010 Actual



Note: Community colleges includes credit and State-funded noncredit enrollment.

Source: Maryland Higher Education Commission

Remediation

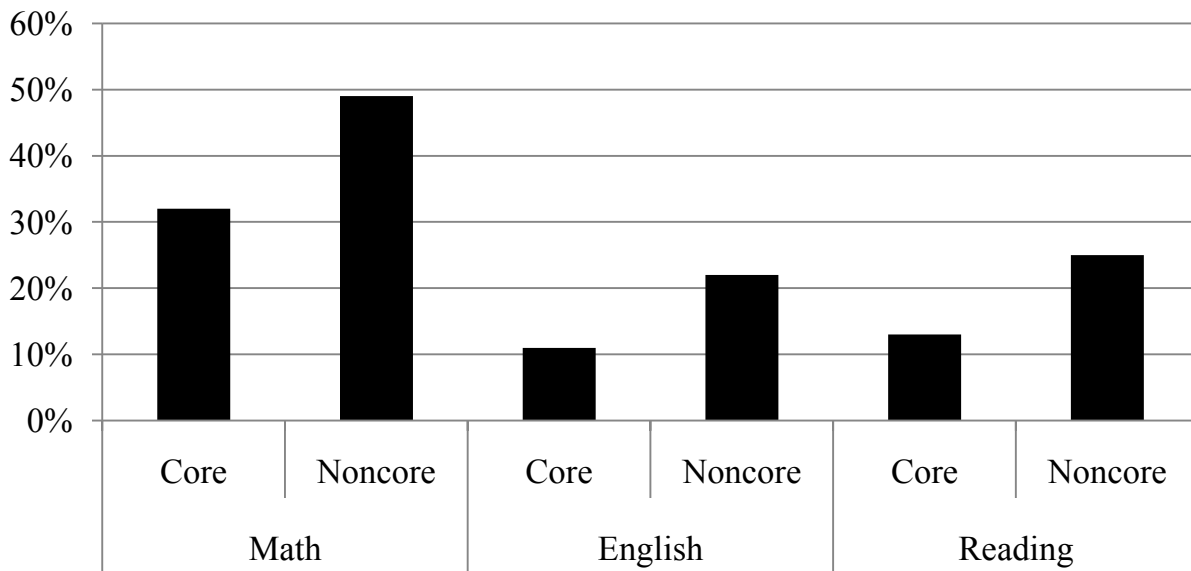
In some instances, students can enter college without the reading, writing, or math skills that are necessary to succeed in college level work. The percentage of students who enter college without the necessary reading, writing, or math skills to study alongside their peers is called the remediation rate. If students enter college without the proper skills, they are unlikely to succeed unless they participate in remedial education, also known as developmental education or basic skills training, in order to develop the skills they are lacking. Remediation can take several forms – from testing to determine where the gaps are, to modifying curriculum, to providing tutoring and other support services, and evaluating success upon completion of remedial work. Remedial education at the college level is considered an inefficient use of college and student resources since the skills being developed should have been learned earlier in the educational process. Remedial courses are noncredit, *i.e.*, they do not count toward required credits to receive a certificate or degree. However, students are required to pay tuition for the courses.

The Maryland Higher Education Commission biennially publishes the Student Outcome and Achievement Report, which examines the academic performance of recent Maryland high school graduates during their first year of study at a Maryland higher education institution. The report compares the students who completed a college preparatory course of study in high school (“core”) to the students who did not complete

a college preparatory curriculum (“noncore”). With few exceptions, the core students performed better than the noncore students regardless of race, gender, the county in which they attended high school, or the specific higher education institution they attended.

The report provides remediation rates for students in three key subject areas: math, English, and reading. As shown in Exhibit 4.4, of the students who graduated from a Maryland high school in the 2005-2006 academic year and who also enrolled at a Maryland college during the 2006-2007 academic year, the highest percentage of remediation was for noncore students in math and the lowest percentage of remediation was for core students in English.

Exhibit 4.4
Percent of Core and Noncore Curriculum Students
Needing Remediation in College
2006-2007 Academic Year



Note: Exhibit only includes students who graduated from a Maryland high school in the 2005-2006 academic year and who also enrolled at a Maryland college during the 2006-2007 academic year.

Source: *Student Outcome and Achievement Report, March 2009*, Maryland Higher Education Commission

United States Office for Civil Rights

The Maryland Higher Education Commission is also responsible for the State's compliance with federal equal opportunity laws. In its 1954 decision in *Brown v. Board of Education*, the Supreme Court declared segregation in public education a violation of the Equal Protection Clause of the Fourteenth Amendment of the U.S. Constitution. Although this decision spurred changes within primary and secondary education systems, institutions of higher education did not immediately comply.

In 1969, the U.S. Office for Civil Rights required Maryland and nine other states to submit a plan for approval by the office to remove vestiges of its segregated system of higher education. The office asserted that Maryland had a responsibility to "adopt measures necessary to overcome the effect of past segregation" and that it was not enough "that an institution maintain a nondiscriminatory admissions policy if the student population continues to reflect the formerly de jure racial identification of that institution."

Over the next 20 years, Maryland submitted various plans to the Office for Civil Rights to enhance its four historically black institutions: Bowie State University, Coppin State University, Morgan State University, and University of Maryland Eastern Shore. In 1991, Maryland reported full or substantial compliance with all elements of its previous plans. Nearly 10 years passed before a response was received from the office.

In December 2000, the Maryland Higher Education Commission on behalf of the State and the Office for Civil Rights entered into a partnership agreement that included a commitment from the State to further enhance its four historically black institutions and to improve higher education opportunities for African American students. This partnership agreement expired on December 31, 2005, and on June 19, 2006, the commission submitted to the Office for Civil Rights a final report on the Partnership Agreement Commitments. In early summer 2008, the office acknowledged receipt of the report. Since then, Office for Civil Rights staff has visited four Baltimore area institutions (Coppin State University, Morgan State University, Towson University, and University of Maryland Baltimore County) and two Eastern Shore institutions (Salisbury University and University of Maryland Eastern Shore).

Additionally, the Office for Civil Rights was interested in the findings and recommendations of the Commission to Develop the Maryland Model for Funding Higher Education and its Panel on the Comparability and Competitiveness of Historically Black Institutions. The Commission to Develop the Maryland Model for Funding Higher Education was charged with making recommendations relating to the appropriate level of funding for the State's historically black institutions to ensure that they are comparable

and competitive with other public institutions. The commission contracted with a team of national experts to study the programs, resources, and facilities at both traditionally white institutions and historically black institutions. The commission's final report was submitted in December 2008.

Office for Civil Rights staff requested and received facilities inventory reports for all public four-year institutions and copies of the final reports from the Commission to Develop the Maryland Model for Funding Higher Education and the Panel on the Comparability and Competitiveness of Historically Black Institutions in 2009.

Meanwhile, although institutions of higher education cannot sue the State or other institutions regarding program approval or unnecessary duplication, a group of current and prospective students and alumni of several Maryland historically black institutions called the Coalition for Equity and Excellence in Maryland Higher Education, Inc. is suing the State for failure to comply with federal civil rights laws and constitutional obligations, including elimination of unnecessary program duplication. The suit seeks the elimination of several new academic programs at traditionally white institutions. As of fall 2010, the case was in the discovery phase in the United States District Court and trial was scheduled to begin in summer 2011.

Public Four-year Institutions

Maryland has a total of 13 public four-year institutions. There are three major public research institutions, one public academic health center, four public historically black institutions (one of which also falls under the category of a research institution), and six other public four-year institutions with varying missions. More detailed information on each of the public four-year institutions is provided in Exhibit 4.5.

Exhibit 4.5
Summary of Public Four-year Institutions

Institution	Location	Carnegie Classification	Description/ Mission Statement	Combined SAT Score¹
Bowie State University	Bowie, Prince George's County	Master's Colleges and Universities (larger programs)	First historically black institution in Maryland; regional comprehensive university; committed to becoming the "premier teacher of teachers."	880
Coppin State University	Baltimore City	Master's Colleges and Universities (medium programs)	Regional comprehensive university; historically black institution; urban four-year liberal arts university; committed to helping students become critical, creative, and compassionate citizens of the community and leaders of the world.	875
Frostburg State University	Frostburg, Allegany County	Master's Colleges and Universities (larger programs)	Regional comprehensive university; only four-year public institution west of the Baltimore-Washington metropolitan area; serves as the premier educational and cultural center for Western Maryland.	963
Salisbury University	Salisbury, Wicomico County	Master's Colleges and Universities (larger programs)	Regional comprehensive university providing undergraduate liberal arts, sciences, and professional programs and select, mostly applied, graduate programs.	1,129
Towson University	Towson, Baltimore County	Master's Colleges and Universities (larger programs)	Largest regional comprehensive university providing undergraduate programs in arts and sciences, applied professional fields, applied master's and doctoral level programs; the State's metropolitan university.	1,080

Exhibit 4.5 (continued)
Summary of Public Four-year Institutions

Institution	Location	Carnegie Classification	Description/ Mission Statement	Combined SAT Score¹
University of Baltimore	Baltimore City	Master's Colleges and Universities (larger programs)	Undergraduate and professional institution providing career-oriented education with an emphasis on applied and professional degrees in law, business, and liberal arts.	958
University of Maryland, Baltimore	Baltimore City	Special Focus Institutions – Medical Schools and Medical Centers	Research institution; only public academic health center in the State; primarily offers graduate degrees in law, nursing, medicine, pharmacy, and social work.	n/a
University of Maryland Baltimore County	Catonsville, Baltimore County	Research Universities (high research activity)	Research institution; an honor's research university; offers undergraduate, master's, and doctoral programs in the arts and sciences and engineering.	1,184
University of Maryland Center for Environmental Science	Three locations: Appalachian Laboratory at Frostburg State University; Chesapeake Biological Laboratory at Solomon's Island; and Horn Point Laboratory at Cambridge	n/a	Nondegree-granting research institute within University System of Maryland for environmental and natural sciences studies; administers Maryland sea grant college program; advises policymakers on greater Chesapeake Bay region.	n/a
University of Maryland, College Park	College Park, Prince George's County	Research Universities (very high research activity)	Research institution; original State land-grant institution; legislatively mandated flagship institution; State's primary center for graduate study and research.	1,285

Exhibit 4.5 (continued)
Summary of Public Four-year Institutions

Institution	Location	Carnegie Classification	Description/ Mission Statement	Combined SAT Score¹
University of Maryland Eastern Shore	Princess Anne, Somerset County	Master's Colleges and Universities (smaller programs)	Historically black institution; 1890 land-grant institution: offers selected baccalaureate programs in the liberal arts, sciences, and career fields with particular relevance to the Eastern Shore and the land-grant mandate; also offers programs at the master's and doctoral levels.	847
University of Maryland University College	Adelphi, Prince George's County	Master's Colleges and Universities (larger programs)	Global university providing both online and face-to-face education.	n/a
Morgan State University	Baltimore City	Doctoral/ Research Universities	Research and historically black institution; legislatively mandated public urban university; offers a comprehensive range of academic programs, awarding baccalaureate degrees emphasizing the arts and sciences and specialized master's and doctoral degrees.	904
St. Mary's College of Maryland	St. Mary's City, St. Mary's County	Baccalaureate Colleges – Arts & Sciences	Co-educational, liberal arts honors college; offers an array of baccalaureate degrees in the arts and sciences and provides Master of Arts of Teaching; known for capstone St. Mary's project.	1,229

¹ Combined SAT score is the average score on reading and mathematics for entering freshmen for fall 2009 out of a maximum score of 1,600.

n/a: Not applicable.

Source: Carnegie Foundation for the Advancement of Teaching (Carnegie Classifications Data File, February 17, 2010); Maryland Higher Education Commission; Department of Legislative Services

Maryland’s public four-year higher education institutions enrolled 123,324 full-time equivalent students in fiscal 2010, as shown in Exhibit 4.6. In June 2010, the Maryland Higher Education Commission released its projections for the next 10 years, from fall 2010 through fall 2019, and the commission projects that the total number of full-time equivalent students at the State’s public four-year institutions will increase 13% from fiscal 2010 enrollment to 139,231 in fall 2019.

The 13 public four-year institutions in Maryland can be grouped into two main categories: institutions within the University System of Maryland; and institutions that are independent of the University System of Maryland, namely Morgan State University and St. Mary’s College of Maryland.

Exhibit 4.6
Enrollment at Public Four-year Institutions
Full-time Equivalent Students
Fiscal 2010 Estimate

<u>Institution</u>	<u>Fiscal 2010</u>
Bowie State University	4,532
Coppin State University	3,159
Frostburg State University	4,646
Salisbury University	7,423
Towson University	17,590
University of Baltimore	4,629
University of Maryland, Baltimore	6,381
University of Maryland Baltimore County	10,232
University of Maryland, College Park	31,328
University of Maryland Eastern Shore	3,981
University of Maryland University College	20,602
Morgan State University	6,631
St. Mary’s College of Maryland	2,190
Total	123,324

Note: University of Maryland University College enrollment excludes non-Maryland online students.

Source: Maryland Higher Education Commission; Department of Legislative Services

University System of Maryland

The University System of Maryland encompasses 11 degree-granting institutions and 1 research institute. The system is governed by a 17-member Board of Regents. The Governor, with the advice and consent of the Senate, appoints 16 of the board's members. Fifteen serve five-year terms and one, a student member, is appointed for a one-year term. The Secretary of Agriculture serves as an *ex-officio* voting member.

The Board of Regents is responsible for overseeing the operations of the university system, setting tuition and fees, and selecting a chancellor for the system. The chancellor acts as the system's chief executive officer and assists the Board of Regents in selecting a president for each of the institutions. In addition, the chancellor heads the University System of Maryland Office, which provides leadership, planning, and resource management for the university system. The university system has greater autonomy than other State agencies in areas such as management of capital projects, creation of debt, development of a personnel system, and procurement, as provided in 1999 legislation (Chapter 515) based on recommendations of the Task Force to Study the Governance, Coordination, and Funding of the University System of Maryland. University System of Maryland presidents have the authority to create certain new academic programs on their campuses (with approval of the Board of Regents and, in some cases, the Maryland Higher Education Commission) and to make and implement policies promoting the missions of their respective campuses.

Degree-granting Institutions

The University System of Maryland has two major public research institutions: the University of Maryland Baltimore County and the University of Maryland, College Park. The university system also has one public academic health center: the University of Maryland, Baltimore. There are three public historically black institutions in the university system: Bowie State University, Coppin State University, and the University of Maryland Eastern Shore. The University System of Maryland also has five other public four-year institutions with varying missions: Frostburg State University, Salisbury University, Towson University, the University of Baltimore; and the University of Maryland University College. Exhibit 4.5 provides more detailed information on each institution.

Research Institutes – University of Maryland Biotechnology Institute

Prior to 2009, the University System of Maryland had two research institutes: the University of Maryland Biotechnology Institute and the University of Maryland Center for Environmental Science. In 2009, the University of Maryland Biotechnology Institute was merged with other University System of Maryland institutions.

Prior to fiscal 2007, the University of Maryland Biotechnology Institute consisted of five interdisciplinary research centers at locations throughout the State; however, in fiscal 2007, one of the centers was transferred to the University of Maryland, Baltimore. In 2009, after discussion of whether administrative efficiencies would be achieved by relocating the biotechnology institute's four research centers to University System of Maryland academic institutions, an *ad hoc* review committee of the system's Board of Regents reviewed the mission and organization of the University of Maryland Biotechnology Institute and recommended the reallocation and reorganization of the institute's research centers to other University System of Maryland institutions. In June 2009, the Board of Regents approved the reallocation and reorganization of the research centers. For more information on the reorganization of the University of Maryland Biotechnology Institute, see Chapter 5.

Research Institutes – University of Maryland Center for Environmental Science

The University of Maryland Center for Environmental Science is a research institute for environmental and natural sciences studies. Its mission is to develop a comprehensive program of environmental research, education, and service. Research focuses on the watersheds, estuaries, and coastal areas of the State of Maryland and the greater Chesapeake Bay region, applying knowledge to help predict conditions in Maryland's ecology. While the center does not grant degrees, its faculty members contribute to graduate education by advising, teaching, and supervising the research of undergraduate and graduate students within University System of Maryland degree-granting institutions.

University of Maryland Cooperative Extension

As the State's two land grant universities, the University of Maryland, College Park and the University of Maryland Eastern Shore are required by the federal Smith-Lever Act of 1914 to provide information about current developments in agriculture, home economics, and related subjects to the citizens of the State through the Maryland Cooperative Extension and Maryland Agricultural Experimental Station. The Maryland Cooperative Extension applies practical research based knowledge to issues facing

individuals, families, communities, and the State with offices in every county and the City of Baltimore. The Maryland Agricultural Experimental Station, comprised of five experimental stations located throughout the State, ensures agriculture research geared to a specific geographic location will be conducted and that results are disseminated to the State's citizens.

University of Maryland Medical System

The mission of the University of Maryland Medical System is to provide comprehensive care to the local community and serve as the primary site for health care education and research for the University System of Maryland. The title of the University of Maryland Medical System leads many people to believe that the medical system is part of the University System of Maryland; however, the medical system is not a formal part of the university system and, instead, is a private, nonprofit corporation that was created by legislation in 1984 to provide governance and management over the operation of the formerly State-run University of Maryland Hospital.

Although the University of Maryland Medical System is not a formal part of the University System of Maryland, one connection between the medical system and the university system is that many of the doctors and other medical professionals are also on the faculty of the University of Maryland, Baltimore because the medical system is a teaching hospital. The board of directors for the medical system is appointed by the Governor and must include members of the University System of Maryland Board of Regents and the General Assembly.

Morgan State University and St. Mary's College of Maryland

Morgan State University and St. Mary's College are public four-year institutions that are independent from the University System of Maryland. Each institution has its own governing board appointed by the Governor with the advice and consent of the Senate: a 15-member Board of Regents at Morgan State; and a 26-member Board of Trustees at St. Mary's College. At both institutions, the boards have responsibility for selecting the president, setting tuition and fees, and providing general operational oversight. General operational oversight functions include the establishment of a personnel and procurement system, preparation of the budget, and, through legislation enacted in 2006, management of all capital projects.

Morgan State University is a historically black institution and is Maryland's public urban university. As part of this mission, Morgan State University gives priority to addressing the needs of the population of urban areas in general, and of Baltimore City in particular, through its academic, research, and service programs. Morgan State

University offers a comprehensive range of academic programs, awarding baccalaureate degrees emphasizing the arts and sciences and specialized master's and doctoral degrees. The university is committed to educating a culturally diverse and multi-racial population with a particular obligation to increase the educational attainment of the African American population in fields and at degree levels in which it is underrepresented. Morgan State University aims to establish itself as a premier moderately sized doctoral granting institution.

St. Mary's College of Maryland is a co-educational, liberal arts honors college that offers an array of baccalaureate degrees in the arts and sciences. The mission of St. Mary's College of Maryland is to provide an excellent undergraduate liberal arts education and small-college experience and to have a faculty of gifted teachers and distinguished scholars and a talented and diverse student body. St. Mary's College of Maryland aims for high academic standards, a challenging curriculum rooted in the traditional liberal arts, and many opportunities for intellectual enrichment. St. Mary's College of Maryland includes civic responsibility as a cornerstone of its academic and extra-curricular programs, and its capstone experience is the St. Mary's Project.

Tuition and Fees

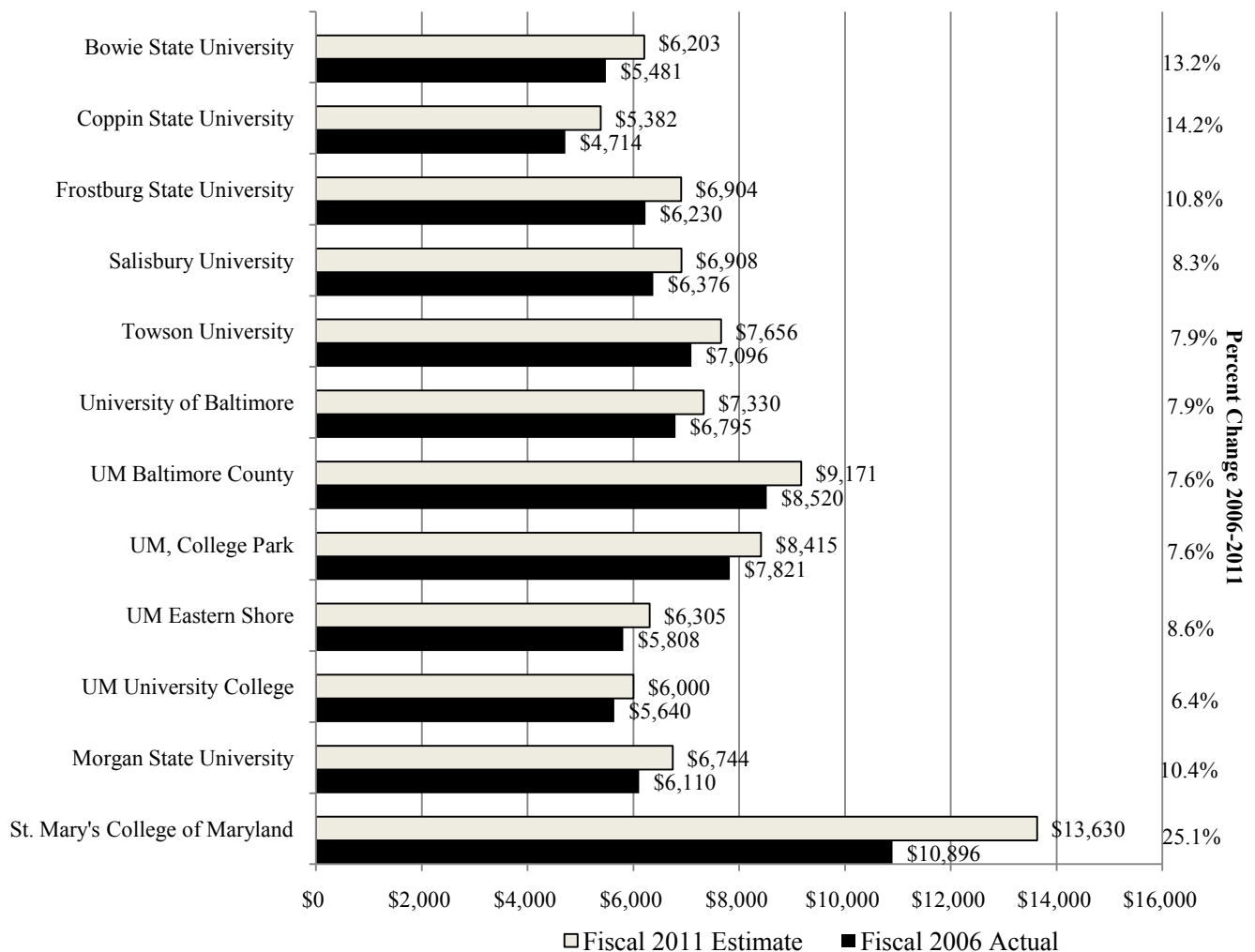
The average cost of tuition and fees for the 2010-2011 academic year for a full-time undergraduate student was \$7,554 for an in-state student and \$17,523 for an out-of-state student. Exhibits 4.7 and 4.8 show both the tuition and the mandatory fees for in-state and out-of-state undergraduate students.

In response to rising tuition rates in fiscal 2002 through 2005, legislation was passed in the 2006 session to freeze tuition for the 2006-2007 academic year at the fall 2005 rates for in-state undergraduates at University System of Maryland institutions and Morgan State University. The legislation also limited tuition increases at St. Mary's College to 4.8%. Legislation was passed in the 2007 session that continued the tuition freeze for the 2007-2008 academic year at the University System of Maryland and Morgan State University. While the tuition freeze was not mandated in fiscal 2009 and 2010, the University System of Maryland and Morgan State University continued to hold tuition at the fall 2005 rates. In fiscal 2011, the tuition freeze was lifted. Institutions were allowed to increase tuition rates by 3% for the 2010-2011 academic year.

At the start of the tuition freeze, based on the average tuition and fees at public four-year institutions, Maryland was ranked as the seventh most expensive among the 50 states, according to the College Board. Maryland's ranking steadily improved to seventeenth by the 2009-2010 academic year. Exhibit 4.9 shows only the tuition rates for

full-time in-state undergraduate students for the year the tuition freeze began (fiscal 2006) compared to the year that the tuition freeze was lifted (fiscal 2011).

Exhibit 4.7
Tuition and Fees for Full-time In-state Undergraduate Students
Fiscal 2006 and 2011

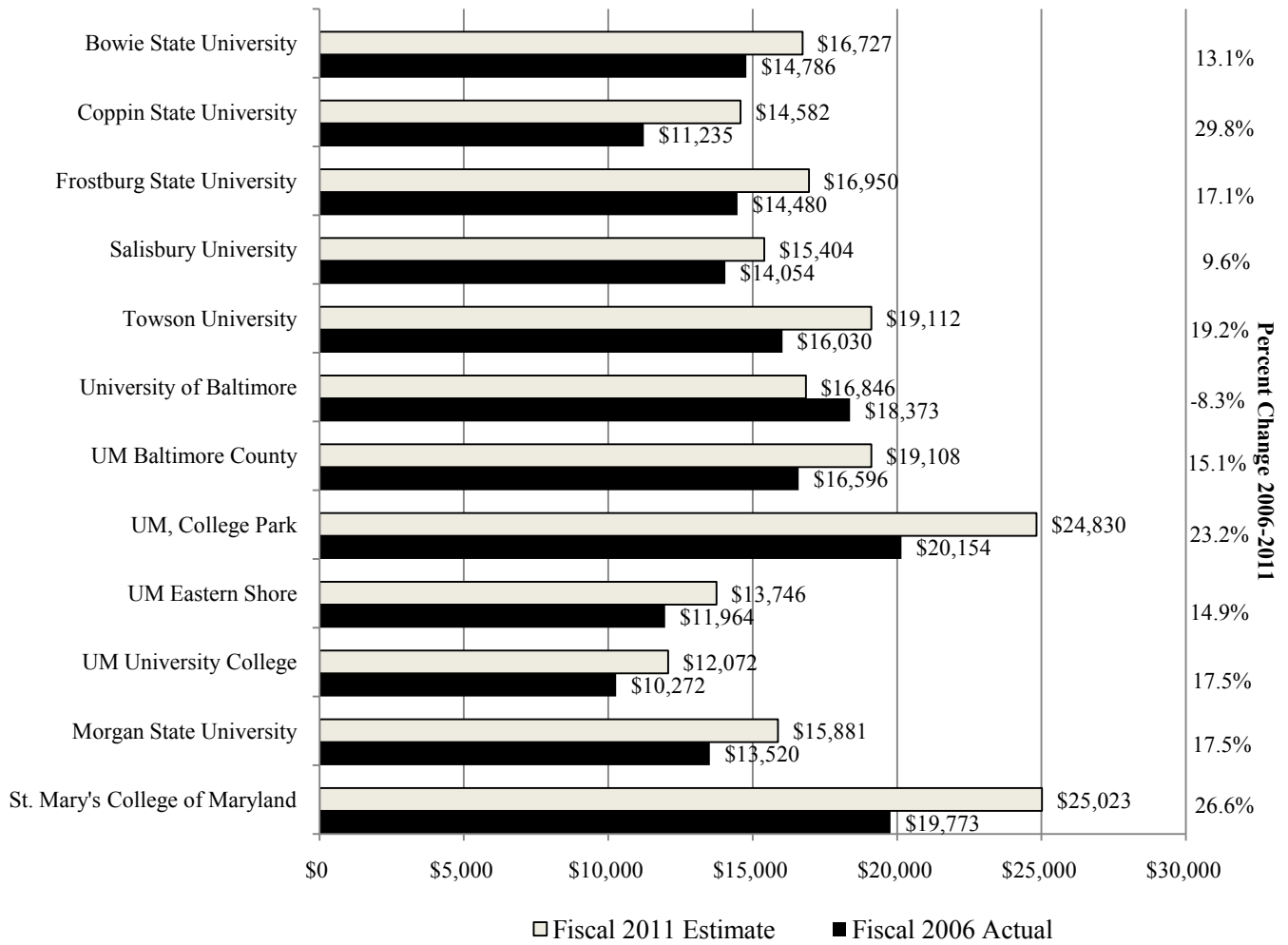


UM: University of Maryland

Note: Data excludes University of Maryland, Baltimore. Data for University of Maryland University College is based on 24 credit hours.

Source: *Fiscal 2010 State Budget Books*; *Fiscal 2011 State Budget Books*; University System of Maryland; St. Mary's College of Maryland; Morgan State University

**Exhibit 4.8
Tuition and Fees for Full-time Out-of-state Undergraduate Students
Fiscal 2006 and 2011**

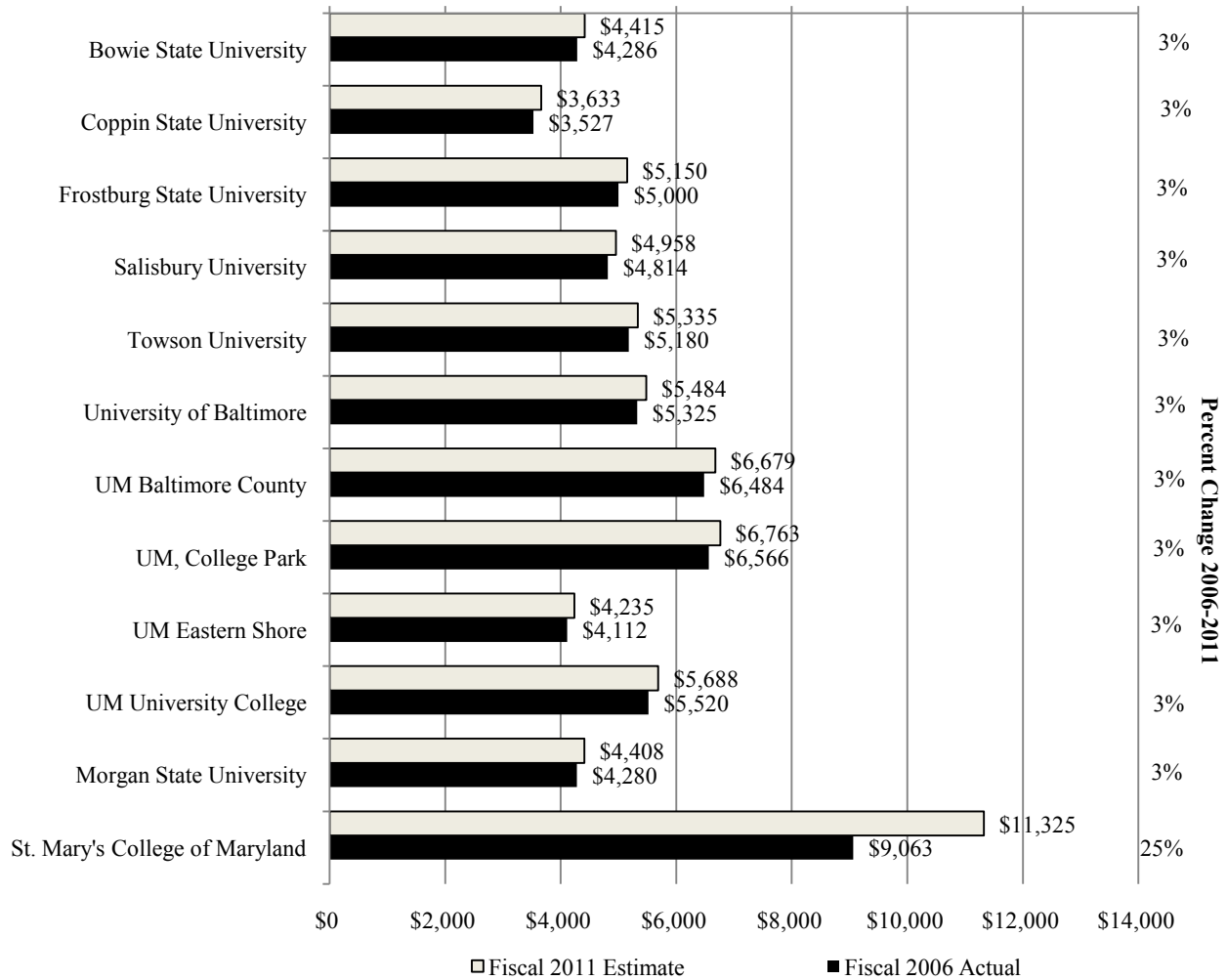


UM: University of Maryland

Note: Data excludes University of Maryland, Baltimore. Data for University of Maryland University College is based on 24 credit hours.

Source: *Fiscal 2010 State Budget Books; Fiscal 2011 State Budget Books*; University System of Maryland; St. Mary's College of Maryland; Morgan State University

**Exhibit 4.9
Tuition Rates for Full-time In-state Undergraduate Students
Fiscal 2006 and 2011**



UM: University of Maryland

Note: Data excludes University of Maryland, Baltimore. Data for University of Maryland University College is based on 24 credit hours.

Source: *Fiscal 2010 State Budget Books; Fiscal 2011 State Budget Books; University System of Maryland; St. Mary's College of Maryland; Morgan State University*

Graduation Rates

Graduation rates are one of the primary outcome indicators used to measure student success. Graduating within four years of matriculation (first enrolling at an institution) is considered “on-time” graduation; graduating within six years is a standard metric used in higher education. For the public four-year institutions, six-year graduation rates have been flat and four-year graduation rates have been declining.

The State’s six-year graduation rate increased from 55.4% for the 1993 cohort to 64.3% for the 2002 cohort. (A cohort is a group of full-time students who first enrolled in the fall of that year.) However, the increase from the 2000 to 2002 cohorts was 0.3 percentage points, essentially making the State’s six-year graduation rate flat since the 2000 cohort. Exhibit 4.10 shows four- and six-year graduation rates for the 2002 cohort (*i.e.*, students who first enrolled in fall 2002 and graduated by spring 2006 or 2008) and includes students who transfer and complete a degree at any Maryland public four-year institution.

While the State’s six-year graduation rate has leveled out, there are some notable differences among the institutions. University of Maryland, College Park has the State’s highest rate for the first time at 82.1%. At the other end of the spectrum, Coppin State University’s comparatively low rate of 22.0% for the 2001 cohort fell 3.7 percentage points to a statewide low of 18.3% for the 2002 cohort.

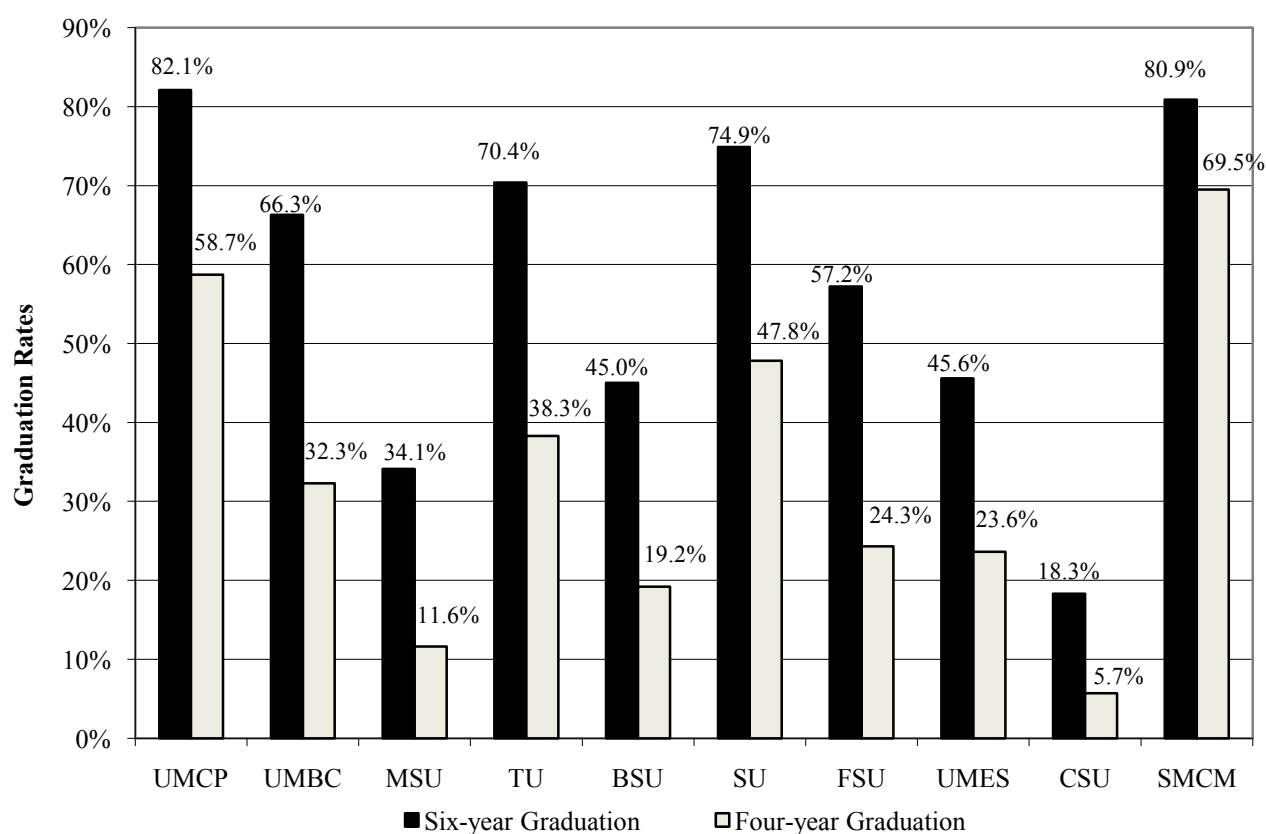
Four-year graduation rates are significantly lower for all institutions but are a predictor of six-year graduation rates because institutions with higher four-year graduation rates tend to have high six-year graduation rates. Four-year rates for the 2002 cohort are also shown in Exhibit 4.10 and averaged 38.3% for the State’s public four-year institutions. However, the statewide average for the 2004 cohort, the most recently graduated cohort, declined 0.3 percentage points for an average of 38.7%. This is the first decline since 1998.

Retention Rates

An even earlier predictor of graduation rates is the second-year retention rate, or the percentage of students who enter college and return to the same institution the following fall. The 2007 cohort’s freshman retention rates are shown in Exhibit 4.11. On average, 81% of the 2007 cohort returned in fall 2008, an increase of 2.5 percentage points from fall 2007. This increase reverses five years of flat or negative growth, although several more years of data are needed to know if this is an anomaly or a positive trend.

Like graduation rates, there is significant variation in retention rates among institutions, but the institutions with the highest and lowest rates are the same. University of Maryland, College Park had the State's highest second-year retention rate, at 93.7%. The institution with the State's lowest graduation rates, Coppin State University, also has the lowest retention rate, 58.4%.

Exhibit 4.10
Four- and Six-year Graduation Rates for Public Four-year Institutions
2002 Cohort

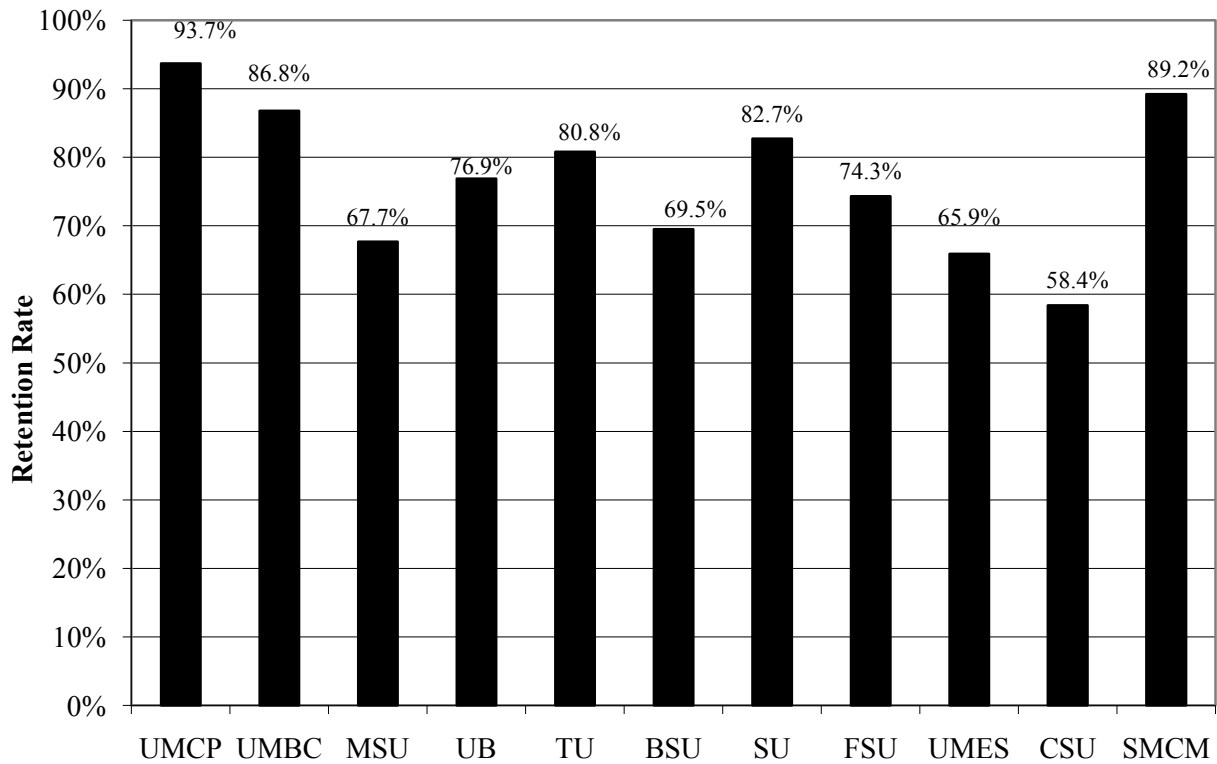


UMCP: University of Maryland College Park
 UMBC: University of Maryland Baltimore County
 MSU: Morgan State University
 TU: Towson University
 BSU: Bowie State University

SU: Salisbury University
 FSU: Frostburg State University
 UMES: University of Maryland Eastern Shore
 CSU: Coppin State University
 SMCM: Saint Mary's College of Maryland

Source: Maryland Higher Education Commission *Retention and Graduation Rates at Maryland Public Four-Year Institutions*, June 2009

Exhibit 4.11
Second-year Retention Rate for Public Four-year Institutions
2007 Cohort



UMCP: University of Maryland College Park
 UMBC: University of Maryland Baltimore County
 MSU: Morgan State University
 TU: Towson University
 BSU: Bowie State University

SU: Salisbury University
 FSU: Frostburg State University
 UMES: University of Maryland Eastern Shore
 CSU: Coppin State University
 SMCM: Saint Mary's College of Maryland

Source: Maryland Higher Education Commission *Retention and Graduation Rates and Maryland Public Four Year Institutions*, June 2009

Remediation Rates

One of the factors that can negatively impact retention and graduation rates is the remediation rate, or the percentage of students who enter college without the necessary reading, writing, or math skills to study alongside their peers. As discussed above, if students enter college without the proper skills, they are unlikely to succeed unless they

participate in remedial education, also known as developmental education or basic skills training, in order to develop the skills they are lacking.

Practices and instances of remedial education vary widely among public four-year institutions. Each public four-year institution sets its own standards for placing students in remedial courses and not all of the institutions offer remedial coursework.

Exhibit 4.12 shows the percent of students who graduated from a Maryland high school in 2006 and required remediation at public four-year institutions that offered remedial courses in the fall of 2006. The remediation rates range from a high of 85% at Coppin State University to a low of 4% at University of Maryland, College Park.

Exhibit 4.12
Remediation Rates for Students Attending Public Four-year Institutions
Fall 2006

<u>Institution</u>	<u>Percent of Students Needing Remediation</u>
Bowie State University	82%
Coppin State University	85%
Frostburg State University	18%
Towson University	27%
University of Maryland Baltimore County	8%
University of Maryland, College Park	4%
University of Maryland Eastern Shore	75%
Morgan State University	44%

Note: Exhibit only includes public four-year institutions that offer remedial courses in 2006-2007 and only includes students that graduated from a Maryland high school in 2006. Unduplicated count of students needing remediation in math, English, or reading.

Source: Maryland Higher Education Commission, High School Graduate System

Private Institutions

In addition to providing oversight of Maryland's public higher education institutions, the Maryland Higher Education Commission also has oversight over the private college and universities in the State, including both nonprofit and for-profit private institutions. The commission is responsible for administering the Joseph A. Sellinger program, which provides State financial assistance to eligible private

nonprofit colleges and universities located in Maryland. Of the 31 private nonprofit institutions located in Maryland, 16 institutions are eligible for funding through the Sellinger program. In fiscal 2010, 43,376 full-time equivalent students were enrolled in a private nonprofit institution that was eligible for Sellinger program funding. For more information on the Sellinger program, see Chapter 5.

Additionally, the Maryland higher education system consists of private for-profit institutions and private career schools. In order for these institutions to operate in the State, the institutions must obtain a certificate of approval from the commission. Currently, 11 private for-profit institutions and 175 private career schools have been approved by the commission to operate in Maryland. Of the 11 private for-profit institutions, 4 are in-state institutions and 7 are out-of-state institutions. In fiscal 2010, approximately 15,000 students (headcount) were enrolled in these institutions. Private career schools enrolled approximately 29,125 students (headcount) in fiscal 2009.

Community Colleges

Maryland has a locally controlled community college system consisting of 15 community colleges that are governed by 15 boards of trustees appointed by the Governor. There are 12 county boards of community colleges and 3 regional boards. There is also a board for Baltimore City Community College, which has been operated as a State agency since fiscal 1991. One regional college, Chesapeake, serves five counties (Caroline, Dorchester, Kent, Queen Anne's, and Talbot) and another, Wor-Wic, includes Worcester and Wicomico counties but also provides services to Somerset County. A third, the College of Southern Maryland, was established in 1999 in place of Charles County Community College. The College of Southern Maryland serves Charles, St. Mary's, and Calvert counties.

State law generally provides that the community college boards have seven members serving staggered six-year terms. There are, however, variations in the number and terms of board members. Exhibit 4.13 shows characteristics of the various boards, as well as college service areas and establishment dates. With one exception, the boards are appointed by the Governor with the advice and consent of the Maryland Senate. For Chesapeake College, the board is appointed by the Governor with the advice and consent of the Maryland House of Delegates.

Each board of community college trustees has responsibility for the general control of the community college. The board appoints the president of the college; determines the salaries and tenure of the president, faculty, and other employees; establishes student tuition and fees; and acquires and disposes of property. Subject to the

minimum standards and approval of the Maryland Higher Education Commission, each board may determine entrance requirements and approve course offerings.

Under Maryland law, the governing body of any county that does not have a community college may request permission from the Maryland Higher Education Commission to establish a college. Upon recommendations from the local governing body and the commission, the Governor appoints a board for the new college. In addition to establishing community colleges, the Maryland Higher Education Commission has the statewide responsibility for coordinating the community colleges and for developing general policies for their operation.

The county role with regard to community colleges is similar to that for the public schools. Each community college submits its operating and capital budgets to the county governing body, or in the case of regional colleges, to each of the counties in the region. The budget submission includes revenues by source and expenditures by major function, as established by the Maryland Higher Education Commission. The county governing body reviews and approves or reduces the budget. For a regional college, approval of its budget by a majority of the counties in the region constitutes approval and binds all the region's counties. After approval of the budget, transfers between major expenditure categories must be submitted in writing and approved by the county. If the county fails to act on transfer requests within 30 days, they are considered approved.

The State's community colleges provide diverse education services, with particular emphasis on community-centered programs that afford open access to individuals. The community colleges are a flexible, lower-cost higher education alternative accommodating the needs of a wide variety of students. Community colleges offer undergraduate courses, technical and career education programs, skills training for businesses, continuing education programs, and remedial education. Students may receive a certificate or associate's degree.

Students enrolled in transfer programs constitute the largest share of credit enrollment. These programs are designed for the continuation of education in a four-year college or university. Coursework can lead to certificates and associate degrees and, in accordance with guidelines established by the Maryland Higher Education Commission and the institutions, be transferred to four-year colleges and universities.

Technical and career programs are another major component of a community college's mission. These credit programs are designed primarily for immediate job entry or for upgrading skills. Data processing, technical art, hospital management, medical and health technologies, and criminal justice are examples of technical and career programs

leading to a certificate or associate degree. Some colleges are designated statewide providers of special career programs.

Continuing education courses are those regularly scheduled courses designed to meet the needs of part-time and returning students. They are not offered for academic credit. These courses may provide job training and retraining, satisfy professional requirements for certification, offer cultural enrichment, and address contemporary problems. Every community college in Maryland, for example, offers custom designed programs to businesses, government agencies, and professional and labor organizations in their regions. Continuing education courses may be offered in nontraditional settings such as business centers, the workplace, and public facilities.

Exhibit 4.13
Community Colleges in Maryland

<u>College</u>	<u>Est.</u>	<u>Main Location (Satellite Locations)</u>	<u>County Service Area</u>	<u>Board Members</u>	<u>Board Terms (Years)</u>	<u>Term Limits</u>
Allegany	1961	Cumberland (Bedford and Somerset counties in PA)	Allegany	7	6	No Limit
Anne Arundel	1962	Arnold (Arundel Mills and Glen Burnie)	Anne Arundel	8 ¹	6	No Limit
Baltimore City	1947 ²	Baltimore City – Liberty Heights (Harbor and Reisterstown campuses)	Baltimore City	9 ¹	6	2
Baltimore	1956 ³	Catonsville, Essex, Dundalk (Hunt Valley and Owings Mills campuses)	Baltimore	15 ⁴	5	2
Carroll	1993	Westminster (Sykesville)	Carroll	7	6	No Limit

Exhibit 4.13 (continued)
Community Colleges in Maryland

<u>College</u>	<u>Est.</u>	<u>Main Location (Satellite Locations)</u>	<u>County Service Area</u>	<u>Board Members</u>	<u>Board Terms (Years)</u>	<u>Term Limits</u>
Cecil	1968	North East (Elkton and Port Deposit)	Cecil	7	6	No Limit
Chesapeake	1965	Wye Mills (Easton and Cambridge)	Caroline, Dorchester, Kent, Queen Anne's, Talbot	10 ⁵	5	3
Frederick	1957	Frederick	Frederick	7	5	3
Garrett	1966	McHenry	Garrett	7	6	No Limit
Hagerstown	1946	Hagerstown	Washington	7	6	No Limit
Harford	1957	Bel Air (Aberdeen)	Harford	9 ⁶	5	2
Howard	1966	Columbia (Elkridge and Laurel)	Howard	7	6	No Limit
Montgomery	1946	Rockville, Takoma Park, Germantown	Montgomery	10 ¹	6	No Limit
Prince George's	1958	Largo (Camp Springs, Hyattsville, Joint Base Andrews, and Laurel)	Prince George's	9 ¹	5	2
Southern Maryland	1958 ⁷	La Plata, Leonardtown, Prince Frederick, Waldorf (Lexington Park)	Charles, Calvert, St. Mary's	9	5	2

Exhibit 4.13 (continued)
Community Colleges in Maryland

<u>College</u>	<u>Est.</u>	<u>Main Location (Satellite Locations)</u>	<u>County Service Area</u>	<u>Board Members</u>	<u>Board Terms (Years)</u>	<u>Term Limits</u>
Wor-Wic	1975	Salisbury	Somerset, Wicomico, Worcester	7	6	No Limit

¹The board includes a student member serving a one-year term. The student body elects the student board member in Prince George's County.

²Legislation enacted in 1990 created the New Community College of Baltimore (now Baltimore City Community College) as a State institution. The former Community College of Baltimore was established in 1947.

³The three campuses of the current Community College of Baltimore County were established separately: Catonsville in 1956, Essex in 1957, and Dundalk in 1970. As of October 1, 1998, the Baltimore County system was restructured as one college with three campuses.

⁴The Baltimore County board includes one at-large member and two from each of the seven council districts.

⁵The Governor appoints two members from each of the five counties in the region.

⁶The Harford County board includes three at-large members and one from each of the six council districts.

⁷Legislation enacted in 1999 created the regional College of Southern Maryland in place of the Charles County Community College, which was established in 1958.

Source: Department of Legislative Services; Maryland Association of Community Colleges – *Directory of Maryland Community Colleges 2010-2011* <http://www.mdacc.org/PDFs/Directory.pdf>

Enrollment

Maryland's community colleges enrolled 120,149 full-time equivalent students in fiscal 2010 for State aid purposes as shown in Exhibit 4.14. For calculating State aid to community colleges, students enrolled in credit and eligible noncredit courses in the second prior fiscal year are counted (*i.e.*, fiscal 2010 enrollment will be used to calculate fiscal 2012 State aid). For more information on State aid, see Chapter 5.

Although the number of Maryland high school graduates is projected to decline through 2019, the Maryland Higher Education Commission is projecting an increase in the number of students that will enroll in the State's community colleges in the future. In

June 2010, the commission released its projections for the next 10 years, from fall 2010 through fall 2019, and the commission projects that the total number of full-time equivalent students enrolled in credit courses at the State's community colleges will increase 22% over fiscal 2010 to 111,633 in fall 2019 (fiscal 2020).

Exhibit 4.14
Community College Enrollment
Full-time Equivalent Students Eligible for State Aid
Fiscal 2010 Actual

<u>Institution</u>	<u>Credit</u> <u>Enrollments</u>	<u>Noncredit</u> <u>Enrollments</u>	<u>Total</u> <u>Credit & Noncredit</u> <u>Enrollments</u>
Allegany	2,721	588	3,309
Anne Arundel	10,664	4,002	14,666
Baltimore City	4,840	2,417	7,258
Baltimore	14,970	5,167	20,137
Carroll	2,726	620	3,346
Cecil	1,642	761	2,402
Chesapeake	1,779	856	2,635
Frederick	4,201	413	4,614
Garrett	682	211	893
Hagerstown	2,999	810	3,809
Harford	4,494	1,104	5,598
Howard	5,662	1,873	7,535
Montgomery	17,737	4,129	21,866
Southern Maryland	8,748	4,254	13,002
Prince George's	5,205	646	5,851
Wor-Wic	2,569	659	3,228
Total	91,639	28,510	120,149

Note: Includes actual full-time equivalent (FTE) credit and noncredit FTE enrollment in fiscal 2010 for State aid purposes for all community colleges except Baltimore City, which is an estimate.

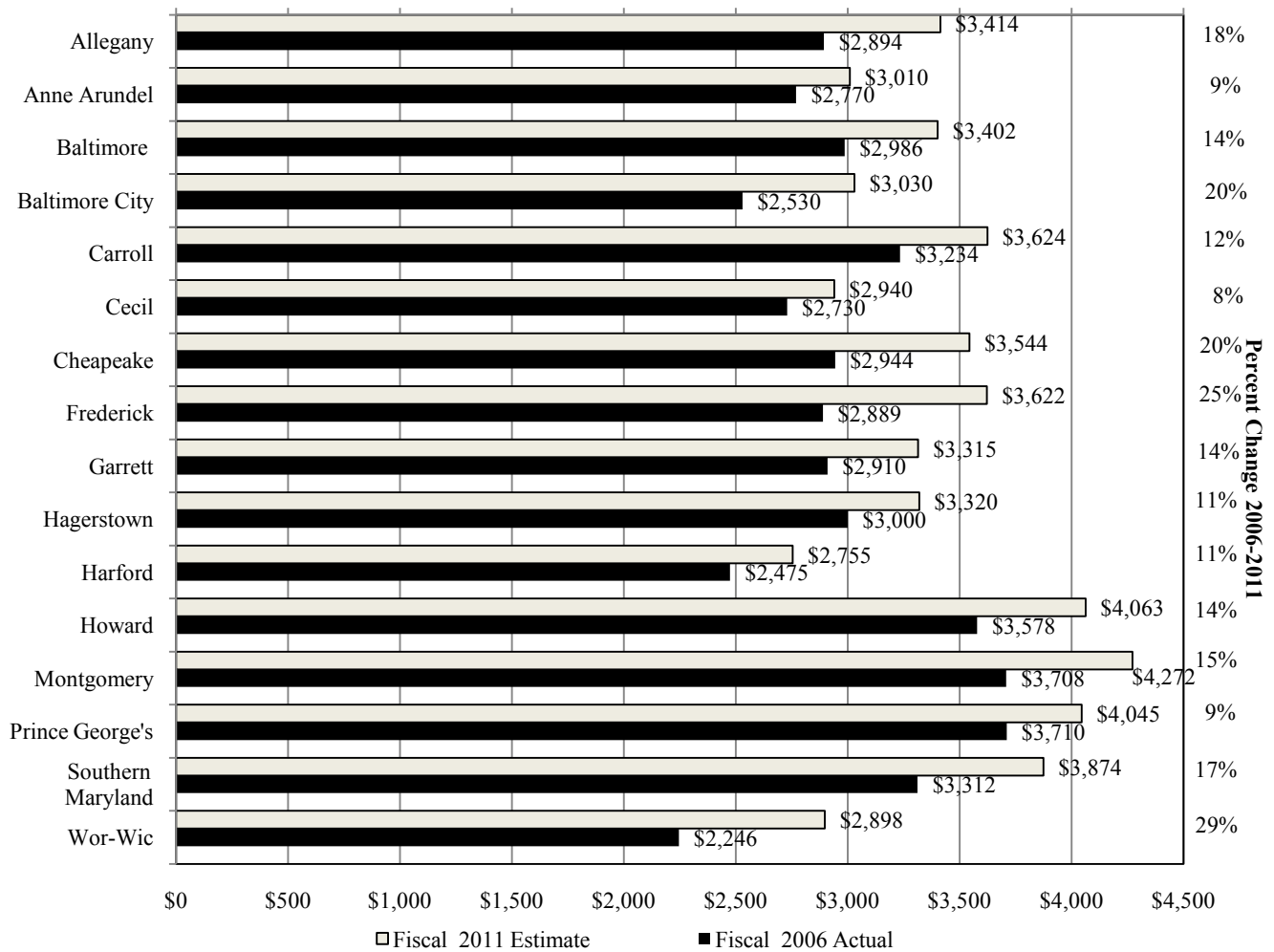
Source: Maryland Higher Education Commission; Department of Legislative Services

Tuition and Fees

The average cost of tuition and fees for the 2010-2011 academic year for a full-time undergraduate student was \$3,539 for a resident of the service area. Exhibit 4.15 shows annual tuition and mandatory fees for full-time students who are residents of the service area for each of the community colleges.

Although the tuition freeze did not apply to the State’s community colleges, community college tuition has become more affordable relative to other states over the last few years. During the 2005-2006 academic year, Maryland’s community colleges averaged the twelfth most expensive in the country according to the College Board; however, by the 2009-2010 academic year their ranking had improved to sixteenth. Exhibit 4.16 also shows tuition rates for full-time students who are residents of the service area for each of the community colleges for the year the four-year college tuition freeze began (fiscal 2006) compared to the year that the tuition freeze was lifted (fiscal 2011).

Exhibit 4.15
Full-time Tuition and Fees for Community Colleges
Fiscal 2006 and 2011



Note: The data shows annual tuition and mandatory fees for full-time students who are residents of the county or service area.

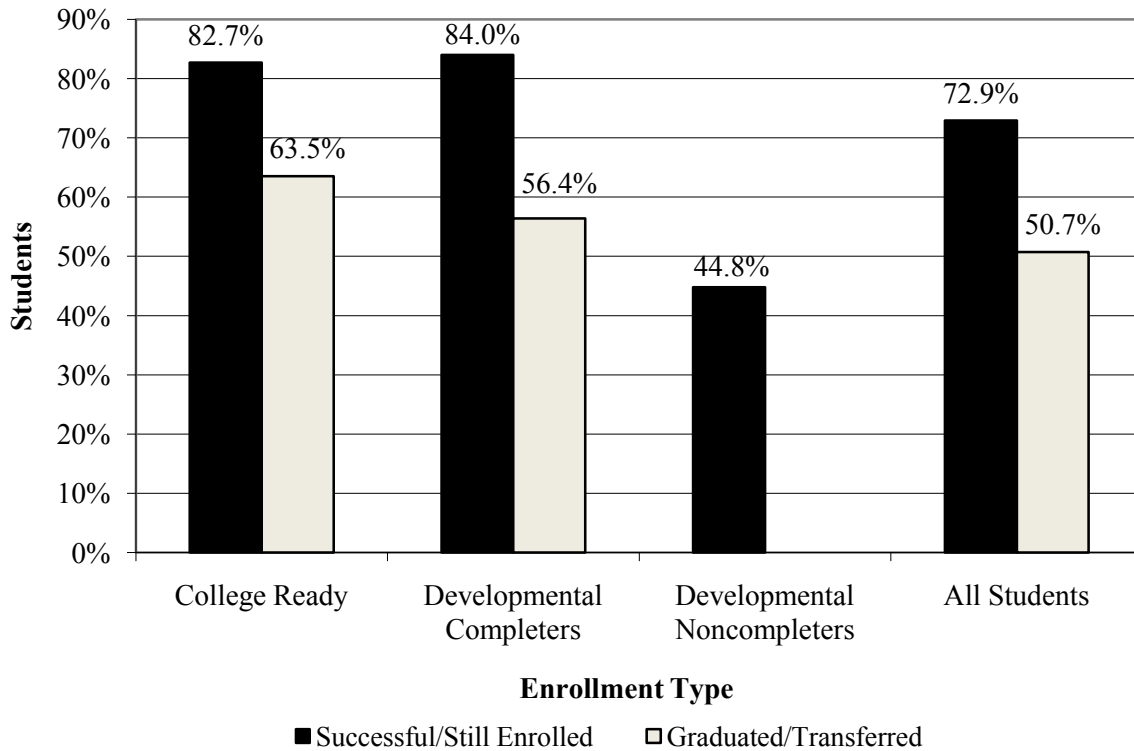
Source: Maryland Association of Community Colleges; Maryland Higher Education Commission *2007 Trend Book*; Maryland Higher Education Commission

Successful Persister Rates

Students enrolling at community colleges may have different goals than those who enroll at a traditional four-year institution. Community college students often have greater needs for remedial or developmental coursework, and obtaining an associate's or bachelor's degree may not be the top priority. As such, it is difficult to directly compare the outcomes of students in both segments. For community college performance, instead of graduation rates, successful persister rates are used. A successful persister is a student who attempted 18 or more credits in the first two years of study and who after four years is still enrolled, has graduated, or has transferred.

Successful persister rates of three subgroups of students are measured: college ready, developmental completers (those who need developmental coursework and complete needed courses within four years), and developmental noncompleters (those who need developmental work and have not completed recommended coursework in four years). Exhibit 4.16 shows the successful persister rate for all three subgroups and also that for all students in the 2004 cohort. Successful persister rates are highest for developmental completers, while graduation/transfer rates are highest for college ready students. Overall, 72.9% of students first enrolled in fall 2004 were still enrolled and 50.7% had graduated or transferred in spring 2008.

Exhibit 4.16
Persistence Four Years After Initial Enrollment in Community College
2004 Cohort



Note: Graduation/transfer data for developmental noncompleters was not reported.

Source: Maryland Association of Community Colleges

Remediation Rates

As mentioned above, some students enter college without the necessary reading, writing, or math skills to study alongside their peers; consequently, they must participate in remedial education, also known as developmental education or basic skills training, if they hope to succeed in college. Remediation can take several forms – from testing to determine where the gaps are, to modifying curriculum, to providing tutoring and other support services, and evaluating success upon completion of remedial work. Remedial education at the college level is considered an inefficient use of college and student resources since the skills being developed should have been learned earlier in the educational process. Remedial courses are noncredit bearing and do not count toward a certificate or degree.

Although practices and instances of remedial education vary widely among public four-year institutions, every community college in the State offers remedial courses, programs, and other remedial activities, such as skills labs, learning centers, and tutoring, and since 1998 every community college uses the same placement exams and methods. Exhibit 4.17 shows the percent of students who graduated from a Maryland high school in 2006 and required remediation at a Maryland community college in the fall of 2006. The remediation rates range from a high of 93% at Baltimore City Community College to a low of 50% at the College of Southern Maryland. The number of students requiring remediation has remained consistent over the last several years with the average being 68% since fall 1999.

Exhibit 4.17
Remediation Rates for Students Attending Community Colleges
Fall 2006

<u>Institution</u>	<u>Percent of Students Needing Remediation</u>
Allegany	65%
Anne Arundel	65%
Baltimore City	93%
Baltimore	80%
Carroll	83%
Cecil	76%
Chesapeake	70%
Frederick	67%
Garrett	73%
Hagerstown	70%
Harford	78%
Howard	67%
Montgomery	63%
Prince George's	71%
Southern Maryland	50%
Wor-Wic	88%

Note: Exhibit only includes students that graduated from a Maryland high school in 2006. Unduplicated count of students needing remediation in math, English, or reading.

Source: Maryland Higher Education Commission, High School Graduate System

Regional Higher Education Centers

A regional higher education center is a facility that has the participation of two or more institutions of higher education, consists of a variety of program offerings, and offers multiple degree levels. Regional higher education centers are designed to ensure access to higher education in underserved areas of the State. The centers provide baccalaureate and graduate programs in places where students do not have access due to geographical distance, commute time, or the limited capacity of local four-year institutions. The centers offer the State an opportunity to address workforce needs in high-demand areas, particularly for nontraditional students, and to support State, regional, and local economic development goals. There are eight regional higher education centers located throughout Maryland.

Since 2000, the Maryland Higher Education Commission has been responsible for the coordination of the eight regional higher education centers. The University System of Maryland operates two of the centers and the other six are independent centers that exist in areas not served by comprehensive four-year institutions. The Maryland Higher Education Commission is responsible for approving the mission statements of all eight of the centers, ensuring that the programs and courses offered are within the scope of the approved mission statements, and making recommendations for State funding for the centers to the Governor and the General Assembly. For the six centers independent of the University System of Maryland, the commission is also responsible for administering operating funding to the centers. The University System of Maryland administers operating funding for the Shady Grove and Hagerstown centers.

Each of the eight regional higher education centers has its own system of governance. As mentioned previously, the University System of Maryland operates two of the centers: the Universities at Shady Grove and the University System of Maryland at Hagerstown. The other six centers each have their own governance and organization structure: Anne Arundel Community College Regional Higher Education Center at Arundel Mills; Eastern Shore Higher Education Center; Higher Education and Conference Center at the Higher Education and Applied Technology (HEAT) Center; Laurel College Center; Southern Maryland Higher Education Center; and Waldorf Center for Higher Education.

The Southern Maryland Higher Education Center is the only regional higher education center in the State established in statute. Chapter 282 of 1994 created the center to serve the higher education and professional training needs of the Southern Maryland region. The impetus for the center was the tremendous growth at Patuxent River Naval Air Station from the Base Realignment and Closure decisions in the 1990s. Many of the new jobs at the Naval Air Station were highly skilled positions that required

advanced degrees or other professional training. The Governor appoints 13 voting members to the center's Board of Governors, which oversees the center and selects its executive director.

The governance structure of a regional higher education center directly impacts institutional participation and the academic offerings at each center. Some centers permit participation from all types of institutions whether they are in-state, out-of-state, or for-profit or not-for-profit. Other centers are limited by their governance structure to work only with certain types or specific institutions. For example, the centers governed by the University System of Maryland have adopted a policy that requires university system institutions to have a right of first refusal to provide programs at those centers. An institution outside the university system can provide a program at these centers only if a university system institution cannot or will not provide the necessary program. Currently, there are no nonuniversity system programs being offered at the university system centers.

The State's eight regional higher education centers offer a variety of lower- and upper-level undergraduate degree programs, as well as graduate and professional degree programs through participating institutions. For example, the largest regional higher education center, the Universities at Shady Grove, offers over 60 degree programs ranging from a bachelor's degree in respiratory therapy to a master's degree in social work to a doctoral degree program in pharmacy. On the other hand, one of the smallest regional higher education centers, the Eastern Shore Higher Education Center, offers eight degree programs, four of which are bachelor's degree programs and four are master's degree programs. Exhibit 4.18 describes the characteristics of each center. Associate's degree programs are only shown for those programs that enroll "two plus two" program participants, which means two years of study for an associate's degree plus two years of study for a bachelor's degree program that is offered at the center.

Exhibit 4.18
Summary of Regional Higher Education Centers in Maryland

<u>Center (Fiscal Year Established)</u>	<u>FTES (Budgeted FY 2011)¹</u>	<u>Degree Programs²</u>	<u>Number of Participating Institutions</u>
USM Centers			
Shady Grove (1996)	2,257.0	32 Bachelor's 22 Master's 4 Doctoral	9
Hagerstown (2005)	286.0	13 Bachelor's 7 Master's 1 Doctorate	5
Non-USM Centers			
Higher Education and Applied Technology Center (1995)	267.8	6 Bachelor's 16 Master's 1 Doctorate	6
Southern Maryland Higher Education Center (1995)	434.2	12 Bachelor's 44 Master's 5 Doctorate	14
Waldorf Center for Higher Education (1997)	450.5	5 Associate's 6 Bachelor's	3
Eastern Shore Regional Higher Education Center (2002)	148.5	4 Bachelor's 4 Master's	5
Laurel College Center (2004)	590.6	5 Associate's 6 Bachelor's 2 Master's 1 Doctorate	7
Anne Arundel Community College Regional Higher Education Center at Arundel Mills (2005)	1,445.7	27 Associate's 8 Bachelor's 4 Master's	5

USM: University System of Maryland

FTES: Full-time equivalent student

¹Full-time equivalent students reported include lower division undergraduates who plan to articulate (continue) to baccalaureate programs offered at the regional higher education center (also known as “two plus two” program participants); upper division undergraduates; and graduate students.

²The number of degree programs shown includes only those programs enrolling “two plus two” lower division and upper division (undergraduate and graduate) students at the regional higher education center. Degree programs for associate's degree full-time equivalent students who continue their education elsewhere are not included.

Source: Maryland Higher Education Commission; Regional Higher Education Centers; Department of Legislative Services

Collective Bargaining

Certain State higher education employees at 16 public higher education institutions have been granted certain collective bargaining rights. Twelve of the institutions are required to create bargaining units for exempt employees, nonexempt employees, and sworn police officers; however, four institutions (University of Maryland, Baltimore; University of Maryland Center for Environmental Science; University of Maryland University College; and University System of Maryland Office) are only required to create bargaining units for exempt employees and nonexempt employees. The potential exists for the establishment of up to 44 bargaining units (12 institutions times three units each and four institutions times two units each), but institutions of the University System of Maryland are allowed to cooperate with each other for the purposes of collective bargaining. Similar to the system established for State employees, the affected higher education parties may bargain over wages, hours, and other terms and conditions of employment. The employer's representative and the employees' exclusive representative have the authority to "meet and confer" and execute a memorandum of understanding incorporating all matters of agreement reached. As with regular State employees, there is a provision for nonbinding fact-finding. To the extent that the matters of agreement require legislative approval, these matters must be recommended to the General Assembly, which is not bound by the agreement.

To oversee the process and resolve collective bargaining disputes, an independent Higher Education Labor Relations Board oversees collective bargaining for State institutions of higher education. Prior to the establishment of collective bargaining for State higher education employees, there was a statutory requirement that these employees receive the same compensation and benefits package as State employees. This requirement no longer exists, and each group of State employees must negotiate their own compensation and benefits independently.

Since enactment in 2001, most of the bargaining units for State higher education employees have elected an exclusive representative. There are currently 33 bargaining units from 15 public higher education institutions certified as "eligible for exclusive representative election" by the board. Exhibit 4.20 contains a list of the institutions, bargaining units, and exclusive representatives. In order to be certified, an employee organization must submit a petition showing that at least 30% of the eligible employees in a bargaining unit wish to be represented by the petitioning organization. Other employee organizations may participate in the election if they prove that 10% of the eligible employees in the bargaining unit wish to be represented by them. Once the board certifies a petition, an election by secret ballot must be held within 90 days.

Negotiations between the system institution designees and exclusive bargaining representatives are ongoing, and, in at least one instance collective bargaining resulted in legislation that was introduced and passed by the General Assembly. Chapter 113 of 2005 moved all of Baltimore City Community College employees into the college's independent personnel system. Prior to 2005, some Baltimore City Community College employees were in the college's personnel system while others were State employees.

There is no statewide authority for local community colleges to collectively bargain. In order for community colleges to have collective bargaining rights, individual legislation by college is required. Chapter 539 of 2001 granted Prince George's Community College collective bargaining rights and, as of fall 2010, it is the only local community college that has collective bargaining rights.

Exhibit 4.19
Unions Certified for Exclusive Representative Election by the
State Higher Education Labor Relations Board and Number of Employees in
Each Bargaining Unit
2010

<u>Institution</u>	<u>Exempt Employees</u>	<u>No. of Employees</u>	<u>Nonexempt Employees</u>	<u>No. of Employees</u>	<u>Sworn Police Officers</u>	<u>No. of Employees</u>
Bowie State University	AFSCME	49	AFSCME	85	MCEA	11
Coppin State College	AFSCME	44	AFSCME	68	AFSCME	11
Frostburg State Univ.	AFSCME	96	AFSCME	229	MCEA	15
Salisbury University			MCEA	272	MCEA	13
University of Baltimore			AFSCME	139	AFSCME	8
UM, College Park	UPU/AFSCME	1,606	AFSCME	1,443	FOP	71
UM Baltimore County			AFSCME	353	FOP	19
UM University College			AFSCME	107		
UM Ctr. for Env. Sci.			MCEA	58		
UM Eastern Shore	AFSCME	53	AFSCME	195	AFSCME	5
Morgan State University			AFSCME	188	MCEA	32
St. Mary's College	AFSCME	27	AFSCME	80	AFSCME	0
Baltimore City CC	AFSCME	84	AFSCME	89	AFSCME	7
UM Baltimore			AFSCME	841		
Towson University					FOP	37

MCEA: Maryland Classified Employees Association, Inc.

AFSCME: American Federation of State, County, and Municipal Employees

Source: State Higher Education Labor Relations Board

UPU: University Professionals Union (AFSCME subset)

FOP: Fraternal Order of Police

UM: University of Maryland

College Savings Plans of Maryland

Established in 1997, the College Savings Plans of Maryland is an independent agency with a mission to provide simple, convenient ways for Maryland families to save in advance for college and reduce future reliance on loans. College Savings Plans of Maryland currently offers two savings plans for higher education: a defined benefit plan called the Maryland Prepaid College Trust and an investment plan called the Maryland College Investment Plan. A 10-member board administers the trust and oversees the administration of the plan. Five board members serve by virtue of the State office they hold, including the State Treasurer, the State Comptroller, the Secretary of the Maryland Higher Education Commission, the State Superintendent of Schools, and the Chancellor of the University System of Maryland. The Governor appoints the five remaining members.

Both plans are also known as 529 plans after the section in the Internal Revenue Code that permits states to establish and administer tax-deferred college savings plans. Both plans offer federal and State tax benefits including federal and State taxes deferred on growth; federal and State tax-free earnings, provided funds are used for eligible college expenses; and State income deduction of contributions to one or both plans up to \$2,500 annually per account or beneficiary. Excess annual contributions over \$2,500 may be carried forward and deducted in future years.

Maryland Prepaid College Trust

The Maryland Prepaid College Trust allows interested persons, on behalf of a child, to prepay the cost of higher education tuition and mandatory fees in Maryland by purchasing a contract based on current tuition and mandatory fee amounts, and the number of years until the child enters college. Investments are not backed by the full faith and credit of the State but do carry a statutory guarantee, which states that the Governor must include funds in the budget to meet the full benefits associated with the investments. However, the legislature has final approval of the budget.

Participation in the trust began in spring 1998 and is open to Maryland and District of Columbia residents. Additionally, people living out-of-state but applying for a child residing in Maryland or the District of Columbia are eligible to participate in the trust. Enrollment is open to children from newborns through twelfth grade, but an account must be open for at least three years before payment of benefits. The enrollment period is generally from December to April, but newborns may be enrolled year round until their first birthday.

Each account holder enters into a contract with the trust for prepayment of tuition and mandatory fees for a specified number of years of community college and/or semesters or years of university tuition. Payments may be made in single, monthly, or annual installments. For a child enrolled in a Maryland public college, the trust will pay full in-state tuition and mandatory fees to the college. If a child attends an eligible private or out-of-state college, the trust will pay the weighted average tuition of Maryland public colleges.

Maryland College Investment Plan

The Maryland College Investment Plan allows contributions to an investment account established to provide for tuition, fees, books, supplies, equipment, and room and board for a designated beneficiary. Under the plan, participants take on greater risk in exchange for the possibility of greater returns. Benefits of the investment plan are based solely on investment performance and are not guaranteed by the State.

The plan began in December 2001 and is open to children or adults of any age. Enrollment is open year round and investors may choose how much and how often they wish to contribute. Contributions and investment earnings are available for eligible higher education expenses including tuition, fees, room and board, and other expenses defined by Section 529 of the Internal Revenue Code.

Maryland Broker-Dealer College Investment Plan

Chapter 548 of 2008 allowed the College Savings Plans of Maryland Board to establish and administer a Maryland Broker-Dealer College Investment Plan. When established, the plan will allow Maryland families who invest through private investment advisors to participate in one of Maryland's college savings plans. Prior to the enactment of Chapter 548, brokers did not have an incentive to direct clients to invest in one of the existing college savings plans because participants enroll themselves directly in the program; therefore the broker would not receive a commission. In 2009, the College Savings Plans of Maryland Board met to discuss implementation of a broker-dealer plan, including regulatory issues, models used in other states, financial and legal implications of advisor plans, and a proposed timeline for implementation; however, a broker-dealer plan had not been implemented as of fall 2010.

Governor's P-20 Leadership Council of Maryland

Maryland was one of the first states to link reform efforts in primary and secondary education with higher education through the Maryland Partnership for Teaching and Learning K-16, a voluntary alliance of the Maryland State Department of

Education, Maryland Higher Education Commission, and University System of Maryland since at least 1998. Chapters 315 and 420 of 2002 (College Readiness for Disadvantaged and Capable Students Act) required the three agencies to enter into a memorandum of understanding to formalize the partnership and its governing council, the K-16 Leadership Council.

As a next step in linking primary and secondary education with higher education, the Governor's P-20 Leadership Council of Maryland was created by Executive Order 01.01.2007.20 in October 2007 as a partnership between State educators and the business community and was codified by Chapter 191 of 2010. The council is primarily charged with aligning pre-kindergarten through postsecondary education and ensuring that Maryland will produce and maintain a competitive workforce. The council's mission is to better prepare Maryland students for the jobs of the twenty-first century while enhancing the State's economic competitiveness by creating a workforce with twenty-first century skills.

The council is chaired by the Governor or the Governor's designee. An executive committee directs the work of the council and consists of the Governor; the Secretary of Higher Education; the Secretary of Labor, Licensing, and Regulation; the Secretary of Business and Economic Development; the Chancellor of the University System of Maryland; and the State Superintendent of Schools.

The council must meet at least quarterly and other committees or task forces may be established by the council as necessary. One example of the P-20 council's recent efforts is the College Success Task Force, which was appointed by the council in 2009 to develop a definition and implementation plan for college readiness in Maryland. The task force was charged with identifying gaps between standards for high school exit and for entrance to college, identifying national benchmarks for educational achievement standards, and making recommendations to the appropriate governing boards to ensure a smooth transition for students from twelfth grade to the first year of college. The College Success Task Force held meetings from May 2009 to March 2010 and submitted a final report to the P-20 council in April 2010 that included eight recommendations to improve college readiness in Maryland. Examples of some of the recommendations are change curricula and high school graduation requirements to meet higher standards; identify and adopt college/career-readiness assessments to be used statewide; and make high schools and colleges accountable for college/career-ready graduates by developing an accountability model with a growth component so improvement can be rewarded.

Chapter 5. Higher Education – Funding

Higher education funding totaled \$5.9 billion in fiscal 2009. The State provided approximately \$1.6 billion, or about one-quarter of the total funding, to support higher education in fiscal 2009. Tuition and fees provided roughly the same amount, with local and federal funds, grants and contracts, and other revenues supporting a little less than half of the total. The Maryland Higher Education Commission’s operations and most of the State’s financial aid programs are financed almost entirely with State general funds. Direct government funding for the operations of Maryland’s public four-year higher education institutions is provided by the State. Baltimore City Community College also receives most of its direct government funding from the State while the rest of the community colleges are supported with both State and county dollars. The State also provides some funding to eligible private nonprofit four-year institutions that meet statutory criteria. Additional public monies flow to the institutions in the form of contracts or grants for research and other services and for student financial aid through the Pell Grant Program. Tuition, student fees, dormitory fees, endowment earnings, private gifts and contracts, and a variety of miscellaneous sources are also revenue producers for Maryland’s higher education institutions. Exhibit 5.1 summarizes funding for higher education in fiscal 2009, the most recent actual data available for all funding sources.

Exhibit 5.1
Higher Education Funding – Fiscal 2009
(\$ in Millions)

	<u>County</u>	<u>State</u>	<u>Federal¹</u>	<u>Tuition and Fees</u>	<u>Grants and Contracts²</u>	<u>Other³</u>	<u>Total</u>
Public Four-year Institutions		\$1,149.4 ⁴	\$743.2	\$1,229.6	\$381.8	\$940.5	\$4,444.5
Community Colleges	\$328.7	254.7 ⁵	109.3	335.3	6.5	111.6	1,146.1
Baltimore City Community College	1.1	40.4	17.3	17.3	0.0	8.2	84.3
Maryland Higher Education Commission		22.8 ⁶	3.7			0.1	26.7
Scholarships		107.0 ⁷	1.5				108.5
Nonpublic Institutions		50.4					50.4
Total	\$329.8	\$1,624.7	\$875.0	\$1,582.3	\$388.3	\$1,060.4	\$5,860.5

¹Federal funds include current unrestricted and current restricted funds for: grants and contracts, including student Pell Grants; federal funds reimbursed through other State agencies; and federal funding of agency programs.

²Grants and contracts include State, local, and private grants/contracts for services (unrestricted and restricted).

³Other includes the following unrestricted and restricted revenues: sales and services of educational activities and auxiliary enterprises, endowment, investment income, income from day care, rental income (community colleges); and special funds from the Guaranteed Student Tuition Fund (Maryland Higher Education Commission).

⁴State funding includes \$17.7 million for University of Maryland Center for Environmental Science and \$39.4 million for University System of Maryland Office, which includes funds for the University of Maryland Biotechnology Institute that was merged into other system institutions after fiscal 2009. State funds also include \$55.9 million in Higher Education Investment Funds, of which \$16 million was available fund balance.

⁵State funding includes formula aid, State-paid retirement costs, Aid to Small Community Colleges, statewide and regional programs, Garrett County and West Virginia reciprocity, English for Speakers of Other Languages grants, Somerset Reciprocity Grant, and Innovative Partnerships for Technology program.

⁶State revenue includes funds for the Private Donation Incentive Program, educational grants, College Prep/Intervention program, Physician Assistant-Nurse Practitioner Training Program, Nurse Support Program II, Heath Personnel Shortage Incentive Grant Program, and general administration; State revenue includes \$2.4 million Higher Education Investment Funds and excludes \$1.1 million in funds reimbursed by other State agencies for services provided.

⁷State funding includes general and special funds including \$0.9 million in Higher Education Investment Funds.

Note: Numbers may not sum to total due to rounding.

Source: *2008 Data Book*, Maryland Higher Education Commission; *2009 Data Book*, Maryland Association of Community Colleges; *Fiscal 2011 State Budget Books*; Department of Legislative Services

State Funding

Despite the fiscal downturn beginning in 2008, State funding for all higher education increased over the four-year period ending in fiscal 2011. Exhibit 5.2 shows State support for higher education institutions from fiscal 2007 through 2011. Major increases in fiscal 2008 and 2009 helped to mitigate the impact of budget reductions, which resulted in a year-over-year decrease of 0.7% in fiscal 2010. The decline in fiscal 2010 is mainly due to a 23.8% reduction in the funding of independent (private nonprofit) institutions. Fiscal 2010 State funding for the University System of Maryland and Baltimore City Community College declined 0.5% and 0.4%, respectively, while funding for Morgan State University, the community colleges, and St. Mary's College of Maryland increased slightly. In addition, a total of \$144.2 million was transferred from the fund balances of the University System of Maryland, Morgan State University, and Baltimore City Community College in fiscal 2009 and 2010. (This does not include transfers related to employee furloughs.)

Exhibit 5.2 includes special funds from the Higher Education Investment Fund beginning in fiscal 2009, discussed later in this chapter. Except for St. Mary's College of Maryland, all public four-year institutions received special funds from the Higher Education Investment Fund. Over the period shown in the exhibit, community colleges received the highest percent increase in State support of 24%. State funding for Baltimore City Community College grew at the next highest rate of 17%, followed by Morgan State University at 15%, the University System of Maryland at 13%, and St. Mary's College of Maryland at 10%. Independent institutions were the only segment for which State operating funding declined over the five-year period at -23%.

Exhibit 5.2
State Support for Maryland Institutions of Higher Education
Fiscal 2007-2011
(\$ in Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>% Change 2007-2011</u>
University System of Maryland ¹	\$939,519	\$1,010,007	\$1,064,953	\$1,063,478	\$1,060,504	13%
Morgan State University	64,685	68,948	74,080	75,067	74,334	15%
St. Mary's College	15,906	16,367	16,925	17,215	17,518	10%
Community Colleges ²	205,883	241,701	254,713	256,174	256,115	24%
Baltimore City Community College	35,025	40,448	40,367	40,203	40,902	17%
Independents	49,965	56,051	50,446	38,446	38,446	-23%
Total	\$1,310,982	\$1,433,521	\$1,501,485	\$1,490,583	\$1,487,818	13%
Dollar Change from Prior Year		\$122,539	\$67,964	(\$10,902)	-\$2,765	
% Change from Prior Year		9.3%	4.7%	-0.7%	-0.2%	

¹Includes funding for cooperative and agricultural extension programs at University of Maryland, College Park and University of Maryland Eastern Shore.

²Community Colleges funds include the Senator John A. Cade formula, other programs, and retirement benefits.

Note: Includes general funds and Higher Education Investment Funds. Reflects statewide cost-of-living adjustments and across-the-board furlough and health insurance savings. Data for the University System of Maryland and Morgan State University include funding for State grant programs that pass through the Maryland Higher Education Commission to the institutions.

Source: Maryland State Budget Books, Fiscal 2007-2011; Department of Legislative Services

Maryland Higher Education Commission

As the State's postsecondary coordinating body, the Maryland Higher Education Commission administers State funding for local community colleges, the State's private nonprofit four-year colleges and universities, educational grants, and the State's financial aid programs, including aid to students attending private career schools. The Maryland Higher Education Commission's operations and most of the State's scholarship programs are financed almost entirely with State general funds.

The administrative offices of the Maryland Higher Education Commission are funded primarily by general funds; \$5.1 million of its \$6.3 million budget for fiscal 2011 were general funds. The commission also received almost \$560,000 in federal funds to administer three federal programs; approximately \$370,000 in special funds from the guaranteed student tuition fund; and approximately \$270,000 in reimbursable funds from the Department of Labor, Licensing, and Regulation for expenses related to Base Realignment and Closure and Work Force Investment activities.

Financial Aid Programs

The Office of Student Financial Assistance within the Maryland Higher Education Commission is responsible for the administration of over 20 different State financial assistance programs that distributed \$110.5 million during fiscal 2011 as shown in Exhibit 5.3. Financial assistance programs include the following categories: need-based aid, merit-based aid, legislative, career/occupational, and unique populations. Although many scholarship funds have criteria in two or more of these categories, each scholarship is grouped according to its most outstanding requirement.

State financial aid programs are primarily funded with general funds. Approximately \$450,000 in special funds generated from health occupation fees and \$250,000 in federal funds support the Loan Assistance Repayment Program for Primary Care Physicians. Federal funds of about \$1 million annually support need-based aid. The federal government also provides substantial need-based grants and loans directly to students, primarily through the Pell Grant Program.

The largest scholarship program, the need-based Delegate Howard P. Rawlings Educational Excellence Award program, accounts for 70% of all the funding. Educational Excellence Award dollars are used to provide low- and moderate-income households with grants of \$400 to \$3,000 (Educational Assistance Grants) and the neediest families with grants of up to \$14,300 (Guaranteed Access Grants) to cover the costs of college attendance. Over two-thirds of award recipients received need-based grants in fiscal 2010, with an average award of approximately \$1,900, as shown in Exhibit 5.4.

Exhibit 5.3
State Financial Aid Funding
Fiscal 2011

<u>Program</u>	<u>FY 2011¹</u> <u>Working</u> <u>Appropriation</u>	<u>Percent of</u> <u>Total</u>
Need-based		
Educational Excellence Awards	\$77,328,411	
<i>Educational Assistance Grant</i>	64,293,887	
<i>Guaranteed Access Grant</i>	13,034,524	
Graduate and Professional Scholarship	1,178,303	
Part-time Grant	5,087,780	
Subtotal	\$83,594,494	75.6%
Legislative		
Delegate	5,562,496	
Senatorial	11,885,378	
Subtotal	\$17,447,874	15.8%
Merit and Career		
Distinguished Scholar Programs	4,008,950	
Fire Rescue Tuition Reimbursement	343,280	
Janet L. Hoffman Loan Assistance Repayment Program	2,234,575	
<i>LARP (general)</i>	1,155,588	
<i>LARP Primary Care Services</i>	650,000	
<i>LARP Dent-Care</i>	428,987	
Workforce Shortage Student Assistance Grants	1,254,775	
Subtotal	\$7,841,580	7.1%
Unique Populations		
Edward T. Conroy	589,455	
Tolbert Memorial Grant	200,000	
Veterans of Afghanistan and Iraq Conflicts	835,267	
Subtotal	\$1,624,722	1.5%
Total	\$110,508,670	100.0%

LARP: Loan Assistance Repayment Program

¹Includes carry-forward funds.

Source: Maryland Higher Education Commission

Exhibit 5.4
Recipients of Student Financial Assistance
Fiscal 2010 Actual

<u>Program</u>	<u>Recipients</u>	<u>Avg. Award</u>
Need-based Awards		
Educational Assistance (EA)	28,683	\$2,097
Campus-based EA	1,966	1,876
Guaranteed Access	1,380	8,893
Part-time Grant	11,221	527
Graduate and Professional School	543	2,717
Subtotal	43,793	\$1,907
Excluding Guaranteed Access	42,413	\$1,679
Legislative Scholarships	13,773	\$785
Merit and Career-based Awards	2,532	3,593
Assistance for Unique Populations	271	5,304
Total	60,369	\$1,737

Source: Maryland Higher Education Commission

Since fiscal 2006, the proportion of State financial aid dedicated to need-based aid increased from 69% in fiscal 2006 to 76% of the total financial aid in fiscal 2011. During that same period the proportion of State financial aid for merit and career based scholarships decreased.

Legislative scholarships are funded differently for Senatorial and Delegate Scholarships, as provided in Subtitles 4 and 5, respectively, of Title 18 of the Education Article. Each senator may award \$138,000 in scholarship funds each year. During a term in office, each delegate may award the equivalent of four four-year full-time scholarships or two part-time scholarships for each full-time scholarship available. Thus, the amount increases annually due to tuition and fee increases. In fiscal 2011, each delegate awarded approximately \$34,400 in scholarships.

Unused funds may be carried over from one fiscal year to the next in many State financial aid programs, but they must be used for need-based awards in subsequent years, except for legislative scholarships, which are retained in those programs. For more information on individual State financial aid programs, see Chapter 4.

Educational Grants

Educational grants provide miscellaneous financial assistance to State, local, and private entities. Grants are intended to enrich the quality of higher education within the goals set by the *2009 State Plan for Postsecondary Education*. Exhibit 5.5 shows educational grant appropriations in fiscal 2009 to 2011. Since fiscal 2009, the general fund appropriation has declined 29.6%, or \$4.1 million.

Exhibit 5.5
Educational Grants
Fiscal 2009-2011

<u>Program</u>	<u>2009</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>	<u>2011</u> <u>Appropriation</u>
Improving Teacher Quality	\$1,849,310	\$962,953	\$1,693,077
Henry C. Welcome Grants	150,000	0	0
Office for Civil Rights Enhancement Fund*	4,900,000	2,450,000	4,900,000
Doctoral Scholars Program	\$62,900	0	0
Washington Center for Internships & Academic Seminars	0	\$25,000	\$25,000
Interstate Educational Compacts in Optometry	165,500	165,500	124,125
Regional Higher Education Centers	1,250,000	1,750,000	1,500,000
University of Maryland Biotechnology Institute, Maryland – Israeli Partnership	250,000	0	0
Institute for Museum, Preservation, and Archaeology Research & Training	127,100	0	0
University of Maryland, Baltimore – Wellmobile	570,500	285,250	285,250
Academy of Leadership	500,000	100,000	100,000
Maryland <i>Go for It!</i> Outreach Grant	100,000	110,950	0
Community College Learning Disabilities Initiative	199,000	0	0
Maryland Industrial Partnerships	1,000,000	0	0
Harry Hughes Center for Agro-Ecology	381,809	200,000	200,000
Higher Education Investment Workforce Initiatives	2,000,000	663,639	864,706
College Access Challenge Grant	270,475	793,965	0
Total	\$13,776,594	\$7,507,256	\$9,692,158
General Funds	\$9,256,809	\$4,586,700	\$7,999,081
Special Funds	2,400,000	1,163,639	0
Federal Funds	2,119,785	1,756,917	1,693,077
Total	\$13,776,594	\$7,507,256	\$9,692,158

*A deficiency appropriation for fiscal 2010 transfers \$2.45 million to the historically black institutions. The fiscal 2011 appropriation includes the full \$4.9 million in the Maryland Higher Education Commission's budget.

Source: Governor's Budget Books, Fiscal 2010 and Fiscal 2011; Maryland Higher Education Commission

Partnership Agreement with the Office for Civil Rights

As part of the Partnership Agreement between the State and the Office for Civil Rights signed in December 2000, the State has provided enhancement funds to the historically black institutions since fiscal 2002. Although the partnership agreement officially expired on December 31, 2005, the State has continued to provide enhancement funds to the historically black institutions. Most of these funds are distributed through the Maryland Higher Education Commission as special grants, including Office for Civil Rights enhancement grants, Access and Success grants to support retention and graduation efforts (which have been included in the institutions' base budgets since fiscal 2007), and special grants for specific purposes, such as funding for the Master Plan Development at Bowie State University.

In total, the State has provided more than \$112.0 million in enhancement funds to the historically black institutions from fiscal 2002 to 2011, as shown in Exhibit 5.6. The State also agreed to enhance its capital investment in historically black institutions, especially at Coppin State University. Since fiscal 2002, the State has provided \$713.0 million in capital funds to the historically black institutions, including \$292.6 million to Coppin State University.

Exhibit 5.6
Office for Civil Rights Enhancement Funds Distribution
Fiscal 2002-2011
(\$ in Thousands)

<u>Institution</u>	<u>OCR Enhancement FY 2002-11</u>	<u>Access & Success FY 2002-11</u>	<u>Other FY 2002-11</u>	<u>Total FY 2002-11</u>
Bowie State University	\$9,601	\$14,625	\$2,126	\$26,351
Coppin State University	12,159	14,625	2,598	29,382
UM Eastern Shore	11,364	14,625	1,900	27,889
Morgan State University	11,877	14,625	1,900	28,402
Total	\$45,000	\$58,500	\$8,524	\$112,024

UM: University of Maryland

Source: Maryland Higher Education Commission; Department of Legislative Services

In addition, the State agreed to increase its support to the historically black institutions under the Private Donation Incentive Program, which was created by the legislature in 1990 and reestablished in 1999 in order to increase the level of gifts and donations to higher education institution endowments. Under the Private Donation Incentive Program, there is a State matching ratio for the four historically black institutions and a separate matching ratio for the other higher education institutions. Starting in fiscal 2002, as part of the Office for Civil Rights agreement, the State provided historically black institutions a 2:1 match (State funds: donation funds) for the first \$250,000 and a 1:1 match for the next \$1.0 million. For other higher education institutions, the State provided a 1:1 match (State funds: donation funds) up to the first \$250,000, 1:2 for the next \$1.0 million, and 1:3 for the next \$1.25 million. The maximum State matching funds are divided into the following categories: community colleges (\$250,000); historically black institutions (\$1.5 million); research universities (\$1.25 million); and four-year institutions (\$750,000).

The deadline for historically black institutions to raise matching funds was January 2010 while the deadline for other higher education institutions was July 2004. Maryland higher education institutions have claimed \$19.5 million in eligible State matching funds between fiscal 2000 and 2011. As a subcategory of all higher education institutions, Maryland's historically black institutions have received \$5.5 million in State matching funds through fiscal 2011.

Budget Process

State support for higher education institutions is determined annually during the legislative session. The governing boards of the University System of Maryland, Morgan State University, St. Mary's College of Maryland, the Baltimore City Community College, and the regional higher education centers submit annual operating budget requests to the Maryland Higher Education Commission. Commission staff reviews these requests and provides recommendations to the commission. Under § 11-105(i) of the Education Article, the commission is required to comment on the overall level of funding for higher education in order to achieve the goals established in the State Plan for Higher Education, and authorized to comment regarding funding priorities among segments of higher education, and, within public four-year institutions, among institutions. The full commission presents a consolidated operating budget request to the Governor and the General Assembly. This consolidated budget is to include a recommendation regarding the appropriate level of funding for higher education in order to achieve the goals established in the State Plan for Higher Education.

Public Four-year Institutions

The public four-year institutions consist of 11 degree-granting institutions and 1 research institute managed by the University System of Maryland; Morgan State University; and St. Mary's College of Maryland. In fiscal 2009, State support for the operations of four-year institutions accounted for 26% of total revenues for the institutions, as shown in Exhibit 5.7. Tuition and student fees accounted for another 28% with grants and contracts, sales by auxiliary enterprises (*e.g.*, dormitory fees, athletic fees, etc.), and other sources accounting for the remainder of the unrestricted and restricted revenues. Auxiliary enterprises are university functions such as dormitories that must be self-supporting, usually through student fees. Restricted revenues are revenues that are restricted to a particular grant, contract, or purpose. For example, federal Pell grants are restricted revenues that can only be used for student financial aid.

For most of the institutions in the Master's Carnegie classification, also known as comprehensive universities, revenues from the State and tuition and fees provide proportionally more funding, on average, than grants and contracts. Research institutions, on the other hand, receive a higher portion of their revenues from grants and contracts, and State and tuition and fee revenues are proportionally lower than average. Institutions that enroll high proportions of low-income students also tend to have higher revenues from grants and contracts, which includes federal Pell grants for student financial aid. The proportion of funding from other revenues, mainly auxiliary, varies primarily based on the size of the institution.

The proportion of funding an institution receives from each revenue source is partly determined by the characteristics of each institution. University of Maryland University College, which specializes in providing access to higher education for Maryland's adult learners, receives 78% of its revenue from tuition and fees. University of Maryland, Baltimore, which primarily offers graduate and professional programs and operates a teaching hospital, receives only 10% of its revenue from tuition and fees, but receives a higher than average proportion of funding, 44%, from grants and contracts.

The University of Maryland Center for Environmental Science receives almost half of its funding, \$17.7 million in fiscal 2009, from the State. Since the center does not directly enroll students, it receives no revenues from tuition and fees. Grants and contracts accounted for most of the other half of funding.

Exhibit 5.7
Operating Funding for Public Four-year Institutions
Fiscal 2009
(\$ in Thousands)

<u>Institution</u>	<u>Tuition & Fees</u>	<u>% Tuition and Fees</u>	<u>State</u>	<u>% State</u>	<u>Grants and Contracts¹</u>	<u>% Grants and Contracts</u>	<u>Other</u>	<u>% Other</u>	<u>Total</u>
UM, Baltimore	\$92,885	10%	\$180,965	20%	\$403,254	44%	\$247,546	27%	\$924,650
UM, College Park	399,434	26%	410,036	27%	408,013	27%	313,945	21%	1,531,427
Bowie State University	31,467	32%	35,143	36%	16,080	16%	15,418	16%	98,108
Towson University	143,866	39%	89,152	24%	32,303	9%	99,555	27%	364,875
UM Eastern Shore	22,400	20%	32,357	29%	28,848	26%	28,083	25%	111,688
Frostburg State University	30,101	32%	32,765	35%	8,758	9%	22,913	24%	94,538
Coppin State University	16,980	21%	34,669	43%	18,202	23%	9,952	12%	79,802
University of Baltimore	52,930	50%	30,490	29%	12,266	12%	9,723	9%	105,408
Salisbury University	49,614	37%	38,667	29%	8,372	6%	38,599	29%	135,251
UM University College	230,668	78%	28,291	10%	11,504	4%	25,949	9%	296,413
UM Baltimore County	87,831	26%	89,412	26%	97,118	28%	67,441	20%	341,802
UM Center for Env. Science		0%	17,721	46%	18,402	48%	2,578	7%	38,701
Univ. System of Maryland Office		0%	39,979	56%	22,560	31%	9,450	13%	71,990
University System of Maryland Total	\$1,158,177	28%	\$1,059,646	25%	\$1,085,679	26%	\$891,152	21%	\$4,194,654
St. Mary's College of Maryland	27,149	45%	16,925	28%	1,872	3%	14,788	24%	60,734
Morgan State University	44,293	23%	72,784	38%	37,501	20%	34,535	18%	189,114
Total²	\$1,229,619	28%	\$1,149,356	26%	\$1,125,052	25%	\$940,475	21%	\$4,444,502

¹Grants and contracts includes unrestricted and restricted government (federal, State, or local) grants and contracts, as well as private gifts, grants, and contracts.

²Funding does not reflect transfers to or from fund balance.

Note: University System of Maryland Office includes funding for the University of Maryland Biotechnology Institute, which was merged into other system institutions after fiscal 2009, and for the Shady Grove and Hagerstown regional higher education centers operated by the system. University of Maryland, College Park and University of Maryland Eastern Shore include \$37 million and \$2.2 million in State general funds, respectively, and other restricted funds, mostly federal, for cooperative and agricultural extension programs.

UM: University of Maryland

Source: Department of Budget and Management; Department of Legislative Services

Higher Education Investment Fund

Beginning in fiscal 2009, State funding for higher education includes special funds from the Higher Education Investment Fund. The Higher Education Investment Fund was established by Chapter 3 of the 2007 special session, which increased the corporate income tax rate from 7.0% to 8.25% permanently and dedicated 6.0% of corporate tax revenues (or one-half of the rate increase) to higher education for two years. The Budget Reconciliation and Financing Act of 2009 continued the fund for fiscal 2010. Chapters 192 and 193 of 2010 subsequently made the 6.0% distribution of corporate tax revenues to the Higher Education Investment Fund permanent. The special fund may only be used to supplement general fund appropriations to public four-year institutions of higher education except St. Mary's College of Maryland; for capital projects at public four-year institutions of higher education except St. Mary's College of Maryland; for workforce development initiatives administered by the Maryland Higher Education Commission; and for higher education needs related to the Base Realignment and Closure process. In addition, fund expenditures may only be made in accordance with an approved appropriation in the annual State budget.

Higher Education Investment Funds were included in the budget each year since fiscal 2009 and were used to backfill tuition revenues due to the tuition freeze, discussed below, as well as for other State supported expenses at the University System of Maryland institutions and Morgan State University. Funds were also used to support higher education needs due to the Base Realignment and Closure process in fiscal 2009 only. The 2010 legislation also established a Tuition Stabilization Trust Account within the fund to retain funds for stabilizing tuition costs for resident undergraduate students in response to the end of the tuition freeze. In years of increasing corporate income tax revenues, funds must be deposited into the trust account. Additionally, a goal was established that any increase in resident undergraduate tuition and academic fees at public four-year higher education institutions in any given year should be limited to a percent not to exceed the increase in the three-year rolling average of the State's median family income. In fiscal 2011, this equated to a 4.4% cap on any increase in tuition and academic fees, which was greater than the planned average increase of 3.3% at the University System of Maryland institutions and Morgan State University. Finally, St. Mary's College of Maryland was exempted from the legislation; therefore, the institution is not eligible to receive funds from the Higher Education Investment Fund, and the goal of limiting tuition increases also does not apply.

Tuition Freeze

In response to rising tuition rates in fiscal 2002 through 2005, in 2006 the State enacted legislation that froze tuition for the 2006-2007 academic year at the fall 2005 rates for resident undergraduates at University System of Maryland institutions and Morgan State University and limited any tuition increase at St. Mary's College of Maryland to 4.8%. Legislation enacted in 2007 continued the tuition freeze for the University System of Maryland and Morgan State University for the 2007-2008 academic year. While the tuition freeze was not mandated in fiscal 2009 and 2010, the University System of Maryland institutions and Morgan State University continued to hold tuition at the fall 2005 rates. State funds were included in the budgets of the University System of Maryland institutions and Morgan State University to offset the loss of tuition revenue for each year of the tuition freeze, with offsetting budget reductions for employee furloughs and other cost containment in both years.

In fiscal 2011, the tuition freeze was lifted. Institutions were allowed to increase tuition rates by 3% for the 2010-2011 academic year. In addition, State appropriations equivalent to an additional 2% tuition increase were provided to the University System of Maryland institutions and Morgan State University, again with offsetting budget reductions. St. Mary's College of Maryland, which is formula-funded and not included in the tuition limit agreement, also increased tuition by 3% but did not receive additional State funds. For more information on tuition and fees, see Chapter 4.

Education and General Revenues

Exhibit 5.8 shows education and general revenues per full-time equivalent student by public four-year institution in fiscal 2011. Education and general revenues are essentially the funds that a university has available for operations and instruction. Looking at these revenues on a per student basis allows for comparisons across institutions, although the institutions have varying missions, academic program offerings, and student profiles that affect both revenues and costs.

Education and general revenue is made up of unrestricted revenues from tuition and fees, State funds, grants, and other education-related revenues. Not included is auxiliary income from sources such as dining halls, bookstores, athletics, and dormitories. All restricted revenues are excluded, including hospital-related funds. Also excluded are agricultural and cooperative extension programs at the State's two land grant institutions, the University of Maryland, College Park and the University of Maryland Eastern Shore. Education and general funding per student averages \$22,611 statewide, but ranges from \$12,444 per student at Salisbury University to \$73,938 at the

University of Maryland, Baltimore. The University of Maryland, Baltimore is an outlier due to its medical school, however, which receives a large amount of unrestricted grants and contracts.

Exhibit 5.8 also shows State funds and tuition and fee revenues. State funds, which include general funds and revenues from the Higher Education Investment Fund, average \$9,628 per student, ranging from \$1,557 at the University of Maryland University College to \$30,215 at the University of Maryland, Baltimore. The University of Maryland, Baltimore also receives the highest amount of tuition and fee revenue per student due to the fact that most enrollments are in expensive graduate programs such as law, medicine, pharmacy, and dentistry. Tuition averages \$16,891 per student, compared with \$6,015 at Coppin State University, where tuition rates are the lowest. The State average is \$9,876 per student, \$248 higher than State funds per student.

Exhibit 5.8
Fiscal 2011 Revenues Per Full-time Equivalent Student
By Revenue Source
Public Four-year Institutions

<u>Institution</u>	<u>E&G¹</u> <u>Revenues</u>	<u>State</u> <u>Funds²</u>	<u>Tuition and</u> <u>Fees</u>	<u>FTES</u>	<u>E&G¹</u> <u>Revenues</u> <u>Per FTES</u>	<u>State</u> <u>Funds</u> <u>Per FTES</u>	<u>Tuition</u> <u>and Fees</u> <u>Per FTES</u>	<u>ST</u> <u>as %</u> <u>of</u> <u>E&G</u>	<u>T&F</u> <u>as %</u> <u>of E&G</u>
UM, Baltimore	\$451,389,283	\$184,459,935	\$103,122,128	6,105	\$73,938	\$30,215	\$16,891	41%	23%
UM, College Park	925,017,179	374,462,903	403,459,059	30,800	30,033	12,158	13,099	40%	44%
Bowie State University	67,534,225	34,921,359	32,196,851	4,525	14,925	7,717	7,115	52%	48%
Towson University	255,483,065	89,944,941	155,733,707	17,532	14,572	5,130	8,883	35%	61%
UM Eastern Shore	57,132,732	29,669,826	22,870,419	3,821	14,952	7,765	5,985	52%	40%
Frostburg State University	66,812,759	32,851,678	30,274,887	4,614	14,480	7,120	6,562	49%	45%
Coppin State University	56,476,500	37,774,962	18,086,538	3,007	18,782	12,562	6,015	67%	32%
University of Baltimore	94,236,148	30,123,847	61,407,301	4,468	21,091	6,742	13,744	32%	65%
Salisbury University	91,640,060	39,049,439	51,282,334	7,364	12,444	5,303	6,964	43%	56%
UM University College	288,008,953	31,429,876	236,251,659	20,189	14,266	1,557	11,702	11%	82%
UM Baltimore County	217,988,362	94,499,725	92,432,932	10,155	21,466	9,306	9,102	43%	42%
Morgan State University	128,118,016	72,946,259	50,028,652	6,605	19,397	11,044	7,574	57%	39%
St. Mary's College of Maryland	48,380,725	17,517,752	30,249,107	2,050	23,600	8,545	14,756	36%	63%
Total Higher Education	\$2,748,218,007	\$1,069,652,502	\$1,287,395,574	121,235	\$22,611	\$9,628	\$9,876	39%	47%

¹Figure represents educational and general revenues, which include unrestricted revenue from tuition and fees, general funds, noncapital Higher Education Investment Funds, grants and contracts (federal, State, and local), and sales and services of education activities less auxiliary program enterprise revenue. For the University of Maryland, Baltimore, hospital expenditures are excluded from educational and general revenue.

²For the University System of Maryland, the Center for Environmental Science and agricultural and cooperative extension programs at University of Maryland, College Park and University of Maryland Eastern Shore are excluded. System office is also excluded, except that funds for UM Biotechnology Institute are reallocated to the appropriate system institutions.

E&G: Education and general

T&F: Tuition and fees

ST: State

Source: Maryland State Budget, Fiscal 2011

FTES: Full-time equivalent student

UM: University of Maryland

Funding Guidelines

“Funding guidelines” were used beginning in fiscal 2001 to assess how Maryland four-year institutions are funded relative to their peers. The Maryland Higher Education Commission established annual funding guidelines for University System of Maryland institutions and, in fiscal 2002, Morgan State University. The funding guidelines are just that, guidelines, and are not mandated in law. (St. Mary’s College of Maryland is funded through a statutory formula, discussed below.) Funding guidelines consider the resources, students, facilities, and other relevant factors for universities of similar size, program mix, and location. A university funded at its proposed funding guideline level would be receiving more State support than 75% of its identified peer institutions. Overall, funding guideline attainment for Maryland institutions dropped from a high of 90% in fiscal 2002 to 64% in fiscal 2011. Exhibit 5.9 shows the estimated funding guideline attainment for fiscal 2011.

Exhibit 5.9 Fiscal 2011 Operating Funding Guideline Estimate

<u>Institution</u>	<u>FY 2011 Funding Guideline</u>	<u>FY 2011 State Support³</u>	<u>Funding Guideline Attainment</u>
UM, Baltimore	\$325,509,782	\$178,589,273	55%
UM, College Park	572,572,471	403,866,640	71%
Bowie State University ¹	55,592,735	34,921,359	63%
Towson University	140,464,247	89,569,941	64%
UM Eastern Shore	51,184,266	31,867,298	62%
Frostburg State University	48,640,855	32,851,678	68%
Coppin State University	37,139,786	37,774,962	102%
University of Baltimore	67,409,797	30,123,847	45%
Salisbury University	61,179,163	39,049,439	64%
UM University College ²	73,582,610	31,429,876	43%
UM Baltimore County	147,476,146	89,306,609	61%
UM Center for Env. Science	25,257,953	17,924,773	71%
USM Total⁴	\$1,606,009,811	\$1,056,405,873	66%
Morgan State University	\$92,797,857	\$72,946,259	79%
Total	\$1,698,807,668	\$1,129,352,132	66%

¹Tuition revenue for Bowie State does not include tuition revenue for European Operations.

²University College’s guideline calculation excludes non-Maryland online enrollments and tuition revenue.

³State support includes Higher Education Investment Funds and University of Maryland Cooperative Extension programs; special funds for the Maryland Fire and Research Institute are excluded.

⁴USM total includes State support for system office.

UM: University of Maryland

Source: Maryland State Operating Budget Books; Maryland Higher Education Commission; University System of Maryland; NCES IPEDS Peer Analysis System

The Commission to Develop the Maryland Model for Funding Higher Education, established in 2006, examined the funding guidelines as one element of developing an effective statewide framework for higher education funding. In its final report submitted in December 2008, the commission recommended that Maryland's funding of higher education be based on the funding level of peer institutions in 10 states that Maryland competes with for business and jobs (competitor states), as determined by the Maryland Department of Business and Economic Development: Pennsylvania, Virginia, Massachusetts, North Carolina, New Jersey, New York, California, Minnesota, Ohio, and Washington. The commission recommended that the funding model be phased in over a 10-year period. These revised funding guidelines have yet to be adopted, but it is anticipated that they will be adopted in the future when it is fiscally prudent to do so, as stated in the Budget Reconciliation and Financing Act of 2009.

University System of Maryland

In consultation with the presidents of the University System of Maryland institutions and the Chancellor, the Board of Regents establishes standards for funding based on differences in the size and mission of the constituent institutions. Budget requests are developed by the constituent institutions, and then reviewed, modified, as necessary, and approved by the board. Then the board submits these requests for appropriations to the Maryland Higher Education Commission, the Governor, and the General Assembly.

After the Board of Regents submits the requests for appropriations to the commission, Governor, and General Assembly, as provided in State law, the President of the University of Maryland, College Park has an opportunity to meet with the Governor to present the institution's annual budget request and proposals for capital projects for the next fiscal year and to discuss how the requests for appropriations submitted by the board impact the mission of the University of Maryland, College Park as the State's flagship institution.

University of Maryland Cooperative Extension

Jointly, the Maryland Cooperative Extension and the Maryland Agricultural Experimental Station programs employ approximately 200 faculty and approximately 200 support staff and contractual employees located at the University of Maryland, College Park; University of Maryland Eastern Shore; 23 counties; Baltimore City; and 4 research and education centers. As required by the Smith-Lever Act, the Cooperative Extension is funded by federal, State, and local governments. The fiscal 2011 State appropriations to the two programs totaled \$39.2 million, \$37.0 million at the University of Maryland, College Park; and \$2.2 million at the University of Maryland Eastern Shore.

University of Maryland Biotechnology Institute

In June 2009, the Board of Regents approved the relocation and reorganization of the University of Maryland Biotechnology Institute's five research centers and education unit among five University System of Maryland institutions (University of Maryland, College Park; University of Maryland, Baltimore; University of Maryland Baltimore County; University of Maryland Center for Environmental Studies; and Towson University). The resources were transferred to the institutions at the beginning of fiscal 2011; however, to facilitate the transfer, the University System of Maryland Office's budget includes the institute's assets of approximately \$39 million in State funds and \$20 million in revenues from grants and contracts beginning in fiscal 2009.

Morgan State University

The budget development and submission process for Morgan State University is similar to that of the University System of Maryland. The president develops the budget and the university's Board of Regents approves the budget, including the request for State support. The State funding request is then submitted to the Maryland Higher Education Commission, the Governor, and the General Assembly.

St. Mary's College of Maryland

St. Mary's College of Maryland is the only public four-year institution with a statutory funding formula. Since 1991, the minimum general fund increase for St. Mary's College of Maryland has been specified in § 14-405 (b) (ii) of the Education Article, which requires that the prior year's appropriation be increased to offset inflation. This involves multiplying the prior year appropriation by the implicit price deflator for State and local governments. However, during periods of fiscal constraint, the grant to St. Mary's College of Maryland has been reduced below the amount required by statute. When the State's fiscal outlook is more favorable, St. Mary's College of Maryland has received more than the formula requires. St. Mary's College of Maryland has received its full formula funding since fiscal 2004 but has participated in statewide cost containment through employee furloughs and other across-the-board reductions.

Statutory Formulas Linked to State Funding for Public Four-year Institutions

Community colleges, Baltimore City Community College, and independent private colleges receive State funding through mandated statutory formulas based on a percent of State funding per full-time equivalent student at selected public four-year institutions. The selected institutions are all of the public four-year institutions except

University of Maryland, Baltimore; University of Baltimore; University of Maryland University College; and University of Maryland Center for Environmental Science. As detailed below, the specified percentage of State funding per full-time equivalent student has changed over the years due to both enhancements to the formulas and delaying the planned enhancements to mitigate cost increases to the State. Due to budget constraints, the formula percentages have been revised, most recently in the Budget Reconciliation and Financing Act of 2010 (Chapter 484). Exhibit 5.10 shows the planned percent of State support per full-time equivalent student at the public four-year institutions to be used in each of the statutory formulas through 2021 as of the 2010 session. The specific formulas are discussed further below.

For each of the formulas, the percent of State support is multiplied by the State funding per full-time equivalent student at the four-year institutions to arrive at a per student amount. This amount is then multiplied by the audited enrollment from the second prior fiscal year for either the community colleges, Baltimore City Community College, or the private colleges to yield the total formula funding. Prior to the 2009 session, the three formulas were based on a specified percent of the previous year's State aid per full-time equivalent student at selected public four year institutions. The Budget Reconciliation and Financing Act of 2009 changed the calculation to use current year funding per full-time equivalent student.

Exhibit 5.10
Percent of State Support per Student Used in Statutory Formulas
Fiscal 2011-2021

<u>Segment</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>
CC	21.8	20.0	21.0	22.0	23.0	24.0	25.0	26.0	27.0	28.0	29.0
Independents	9.8	9.2	10.0	10.5	11.0	11.5	12.0	13.0	14.0	15.0	15.5
BCCC	66.6	63.0	63.5	64.0	64.5	65.0	65.5	66.0	66.5	67.5	68.5

BCCC: Baltimore City Community College

CC: Community Colleges

Source: Department of Legislative Services

Aid to Independent Colleges and Universities

Recognizing their importance as an educational resource, the State provides private colleges and universities with financial assistance through the Joseph A. Sellinger funding formula (§ 17-101 of the Education Article). The Sellinger formula was established in 1973 to improve the financial position of independent institutions in Maryland in an era in which a number faced significant financial challenges. During this period, four independent institutions in Maryland discontinued operations and a fifth, the

University of Baltimore, requested a public takeover to remain open due to financial difficulties. The Pear Commission, established to study these issues and ways in which the State could assist, found evidence indicating that most independent institutions would experience increasing gaps between operating revenues and expenditures without additional State assistance and recommended what today is known as the Sellinger formula. The Sellinger formula is designed to provide financial assistance to all eligible institutions, regardless of financial stability.

To qualify for the Sellinger program, an institution of higher education must meet one of the following conditions: (1) be a nonprofit private college or university that was established in the State before July 1, 1970; (2) be a nonprofit private institution of higher education that formerly received State aid as a component of a private college or university that was established in the State prior to July 1, 1970; or (3) be a private nonprofit institution of higher education that is established in the State and grants an associate of arts degree. In addition, an institution must be approved by both the Maryland Higher Education Commission and accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools. An institution must also have awarded the associate of arts or baccalaureate degrees to at least one graduating class, and maintain one or more earned degree programs, other than seminarian or theological programs, leading to an associate of arts or baccalaureate degree. Finally, an institution must submit each new program and each major modification of an existing program to the Maryland Higher Education Commission for its review and recommendation as to the initiation of the new or modified program.

Sixteen institutions met the statutory criteria to receive funding in fiscal 2011. Funds are distributed to each institution based on each institution's proportion of the total full-time equivalent enrollment at eligible institutions. In fiscal 2011 \$38.4 million was distributed to the private colleges and universities as shown in Exhibit 5.11.

Exhibit 5.11
Joseph A. Sellinger Program of State Aid to Nonpublic Institutions

<u>Eligible Private Institution</u>	<u>Fall 2009 FTES</u>	<u>FY 2011 Appropriation</u>
Baltimore International College	465.00	\$427,123
Capitol College	404.40	371,459
College of Notre Dame	1,366.80	1,255,466
National Labor College	206.77	189,927
Goucher College	1,737.90	1,596,338
Hood College	1,630.13	1,497,347
Johns Hopkins University	18,074.87	16,602,569
Loyola University	4,859.70	4,463,850

<u>Eligible Private Institution</u>	<u>Fall 2009 FTES</u>	<u>FY 2011 Appropriation</u>
Maryland Institute College of Art	1,941.63	1,783,473
McDaniel College	2,387.70	2,193,208
Mount St. Mary's University	1,682.43	1,545,387
St. John's College	629.67	578,380
Sojourner-Douglass College	1,129.07	1,037,101
Stevenson University	3,040.17	2,792,531
Washington Adventist University	865.47	794,973
Washington College	1,433.60	1,316,825
Total	41,855.31	\$38,445,958
Grant Per FTES		918.54

FTES: Full-time equivalent student

Source: Maryland Higher Education Commission

Due to budget constraints, funding was reduced below statutory levels in every year from fiscal 2003 to 2011 except fiscal 2007. The formula percentages were most recently revised in the 2009 and 2010 legislative sessions (Chapter 487 of 2009 and Chapter 484 of 2010). The fiscal 2011 and 2012 formula amounts were also set in statute at \$38.4 million. The percentage used in the formulas is scheduled to phase up to 15.5% by fiscal 2021.

Community Colleges

Maryland's community colleges are mainly locally operated institutions, with oversight provided by the Maryland Higher Education Commission. Local community college boards of trustees oversee policy and operations with funding provided by State and local governments and generated through student tuition and fees. Baltimore City's local community college is operated by the State as a comprehensive urban community college.

In fiscal 2009, Baltimore City Community College and the local community colleges received a total of \$1.2 billion in restricted and unrestricted financial support: 24.0% from the State; 26.8% from county governments; 10.8% from grants and contracts (mostly federal funds for student Pell grants); and 9.7% from auxiliary enterprises and other miscellaneous revenue sources. Student tuition and fee payments comprised the remaining 28.7% of community college funding. Exhibit 5.12 shows fiscal 2009 operating funding for each college and the shares provided by the different funding sources. Because they have different financing structures, Baltimore City Community College and the local community colleges are discussed separately below.

Exhibit 5.12
Operating Funding for Community Colleges
Fiscal 2009
(\$ in Thousands)

<u>College</u>	<u>State</u>	<u>% State</u>	<u>County</u>	<u>% County</u>	<u>Tuition and Fees</u>	<u>% Tuition</u>	<u>Grants and Contracts¹</u>	<u>% Grants/Contracts</u>	<u>Other</u>	<u>% Other</u>	<u>Total</u>
Allegany	\$6,951	17.6%	\$7,425	18.8%	\$14,297	36.1%	\$5,288	13.4%	\$5,618	14.2%	\$39,578
Anne Arundel	32,469	24.9%	33,823	26.0%	33,020	25.3%	9,618	7.4%	21,341	16.4%	130,270
Baltimore City	40,367	47.9%	1,118	1.3%	17,293	20.5%	17,305	20.5%	8,191	9.7%	84,274
Baltimore	42,498	24.0%	38,772	21.9%	54,838	30.9%	27,839	15.7%	13,266	7.5%	177,214
Carroll	7,976	29.0%	7,901	28.7%	9,609	34.9%	1,632	5.9%	415	1.5%	27,533
Cecil	5,491	22.0%	8,385	33.5%	6,495	26.0%	3,256	13.0%	1,388	5.6%	25,016
Chesapeake	6,910	27.1%	5,917	23.2%	6,208	24.4%	4,453	17.5%	2,002	7.9%	25,489
Frederick	9,476	19.3%	14,625	29.8%	14,411	29.3%	4,546	9.3%	6,076	12.4%	49,134
Garrett	3,661	24.6%	4,696	31.6%	2,974	20.0%	2,618	17.6%	919	6.2%	14,867
Hagerstown	8,522	22.9%	8,762	23.5%	12,403	33.3%	4,024	10.8%	3,537	9.5%	37,248
Harford	11,788	21.1%	16,096	28.8%	14,452	25.9%	4,946	8.9%	8,603	15.4%	55,885
Howard	15,227	18.5%	25,322	30.8%	27,154	33.0%	5,263	6.4%	9,306	11.3%	82,273
Montgomery	49,410	18.0%	105,055	38.3%	75,375	27.5%	17,384	6.3%	26,742	9.8%	273,966
Prince George's	26,554	24.5%	31,370	29.0%	33,323	30.8%	12,994	12.0%	4,066	3.8%	108,307
Southern Maryland	12,912	20.3%	14,500	22.8%	21,840	34.3%	7,237	11.4%	7,202	11.3%	63,691
Wor-Wic	8,250	28.4%	6,076	20.9%	8,948	30.8%	4,671	16.1%	1,091	3.8%	29,035
Unallocated	6,618	100.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	6,618
Subtotal²	\$295,080	24.0%	\$329,841	26.8%	\$352,640	28.7%	\$133,074	10.8%	\$119,763	9.7%	\$1,230,399

¹Grants and contracts includes unrestricted and restricted government (federal, State, or local) grants and contracts, as well as private gifts, grants, and contracts.

²Funding does not reflect transfers to or from fund balance.

Source: Maryland Higher Education Commission; Maryland Association of Community Colleges

Baltimore City Community College

Baltimore City Community College became a State agency July 1, 1990, when the State assumed full funding for the institution. This occurred primarily due to management inefficiencies and ineffectiveness at the college and to assist Baltimore City with its financial difficulties. Because it is a State agency, the financing of Baltimore City Community College is different from the funding structures supporting the other 15 community colleges.

State Funding

Annual State funding for Baltimore City Community College is determined by a formula that bases per pupil funding for the college on a set statutory percentage of current-year State appropriations per full-time equivalent student at selected public four-year institutions of higher education. The resulting per student amount is multiplied by the number of full-time equivalent students enrolled at the college in the second preceding fiscal year to calculate a total formula amount.

Due to budget constraints, the formula percentages were revised in the 2009 and 2010 legislative sessions (Chapter 487 of 2009 and Chapter 484 of 2010). In addition, fiscal 2011 and 2012 funding levels were set in statute at \$40.2 million per year. The percentage used in the formula is scheduled to phase up to 68.5% by fiscal 2021.

In addition to formula funding, Baltimore City Community College also qualifies for additional State funding to provide instruction and services to students enrolled in an English for speakers of other languages program. The college receives an additional \$800 for each full-time equivalent student qualifying for the program, up to a maximum of \$1.0 million per year. In fiscal 2011, funding for the program added \$714,400 to the State formula amount for Baltimore City Community College, bringing the fiscal 2011 appropriation to \$40.9 million. This is an increase of 16.8% over the fiscal 2007 State appropriation of \$35.0 million.

Other Funding

Outside of State funding, the largest source of unrestricted funding for Baltimore City Community College is student tuition and fees. The fiscal 2011 State budget estimated \$19.3 million in tuition and fee revenues for the college, as well as \$7.1 million in auxiliary enterprises and other unrestricted revenues. The fiscal 2011 budget also included \$25.4 million in restricted revenues: \$19.4 million in federal grants and contracts and another \$6.0 million from other sources. Total fiscal 2011 funding for the college was estimated at \$92.7 million, up 20.1% from the fiscal 2007 funding level of \$77.1 million.

State law requires Baltimore City to provide \$1.0 million annually for Baltimore City Community College. Of this amount, at least \$400,000 must be used each year to support tuition reimbursement or scholarships for students at the college. The remaining amount must be spent in a manner consistent with the mission of the college.

Local Community Colleges

Unlike Baltimore City Community College, the 15 local community colleges are operated locally and receive State aid and local appropriations from county governments. In fiscal 2009, the most recent year for which complete local funding data is available, State aid for the boards of community college trustees was \$254.7 million, and county appropriations totaled \$328.7 million.

State Aid

Exhibit 5.13 shows the major community college State aid programs and compares the amounts appropriated for the programs in fiscal 2007 and 2011. State funding for community colleges increased by \$50.2 million or 24.4% over the four-year period. This includes an increase of \$29.6 million in the Senator John A. Cade formula, the largest community college aid program, and an overall increase of \$19.9 million in the two retirement programs for community college employees. Exhibit 5.14 shows fiscal 2011 funding allocations by county, including funding per county for the three colleges that serve multiple counties. Descriptions of individual community college aid programs follow the exhibits.

Exhibit 5.13
Community College Aid Programs – Funding Trend
(\$ in Millions)

<u>Aid Program</u>	<u>FY 2007</u>	<u>FY 2011</u>	<u>Percent Change</u>
Cade Funding Formula	\$164.8	\$194.4	17.9%
Small College Grants	3.2	3.9	21.8%
Statewide Programs ¹	4.8	6.5	34.0%
Innovative Partnerships	2.9	0.0	-100.0%
ESOL Grants ²	2.5	3.8	52.5%
Regular Retirement Plan	17.6	33.7	91.7%
Optional Retirement Plan	10.0	13.8	38.1%
Total	\$205.9	\$256.1	24.4%

¹Funding includes the West Virginia/Garrett Reciprocity Grant and the Somerset Grant.

²ESOL: English for Speakers of Other Languages

Source: Department of Legislative Services

Exhibit 5.14
Community College Aid Programs
Fiscal 2011
(\$ in Thousands)

County	Cade Formula	Small Colleges	ESOL	Retirement	Total Aid
Allegany	\$4,702.1	\$1,019.3	\$1.1	\$1,613.8	\$7,336.2
Anne Arundel	26,648.9	0.0	290.4	5,375.0	32,314.3
Baltimore	33,670.3	0.0	552.6	7,340.7	41,563.7
Carroll	6,697.3	329.6	38.3	1,128.1	8,193.4
Cecil	4,554.0	329.6	9.7	844.4	5,737.7
Frederick	7,892.2	0.0	98.7	1,868.8	9,859.8
Garrett	2,217.3	899.3	0.0	502.7	3,761.9
Hagerstown	6,812.0	659.3	59.0	1,353.8	8,884.1
Harford	9,719.2	0.0	65.1	2,140.9	11,925.2
Howard	12,290.1	0.0	503.8	3,065.8	15,859.7
Montgomery	34,982.5	0.0	1,906.1	12,502.2	49,390.8
Prince George's	21,484.3	0.0	220.3	4,716.7	26,421.3
Chesapeake					
Caroline	1,265.0	74.9	13.2	285.1	1,638.3
Dorchester	1,141.0	67.6	11.9	257.2	1,477.7
Kent	519.9	30.8	5.4	117.2	673.4
Queen Anne's	1,484.3	87.9	15.5	334.5	1,922.3
Talbot	1,154.4	68.4	12.1	260.2	1,495.1
<i>Subtotal</i>	<i>5,564.7</i>	<i>329.6</i>	<i>58.2</i>	<i>1,254.2</i>	<i>7,206.7</i>
Southern Maryland					
Calvert	2,019.9	0.0	0.3	501.8	2,522.0
Charles	6,447.1	0.0	1.0	1,601.6	8,049.7
St. Mary's	2,114.8	0.0	0.3	525.4	2,640.5
<i>Subtotal</i>	<i>10,581.8</i>	<i>0.0</i>	<i>1.6</i>	<i>2,628.8</i>	<i>13,212.2</i>
Wor-Wic					
Somerset	735.3	36.8	0.8	133.9	1,279.9
Wicomico	4,173.2	208.7	4.5	760.1	5,146.6
Worcester	1,682.3	84.1	1.8	306.4	2,074.7
<i>Subtotal</i>	<i>6,590.9</i>	<i>329.6</i>	<i>7.2</i>	<i>1,200.5</i>	<i>8,501.2</i>
Statewide Programs	0.0	0.0	0.0	0.0	5,947.1
Total	\$194,407.4	\$3,896.4	\$3,812.1	\$47,536.5	\$256,115.2

Note: Estimates for regional colleges are based on each county's share of the college's enrollment.

Source: Department of Legislative Services

Senator John A. Cade Funding Formula

The Senator John A. Cade Funding Formula, the largest community college aid program, was established in 1996 and was named for former Senator Cade in 1997. The State's annual contribution to the formula is determined by enrollment at community colleges and the level of funding received by public four-year institutions.

Determining the Funding Level: The Cade formula bases per pupil funding on a set statutory percentage of current year State appropriations per full-time equivalent student at selected public four-year institutions of higher education. The resulting community college per student amount is multiplied by the number of full-time equivalent students enrolled in the colleges in the second preceding fiscal year to identify a total formula amount.

Due to budget constraints, funding was reduced below statutory levels in every year from fiscal 2008 to 2011, and the formula percentages were revised in the 2009 and 2010 legislative sessions (Chapter 487 of 2009 and Chapter 484 of 2010). In addition, fiscal 2011 and 2012 funding levels were set in statute at \$194.4 million per year. The percentage used in the formula is scheduled to phase up to 29% by fiscal 2021.

Distribution: There are three parts to the Cade formula that together set the level of funding each community college receives under the grant. The three components are discussed below.

- *Fixed Costs* – The fixed costs component, which accounts for 38% of formula funding, distributes aid to the colleges in the same proportion as the full formula provided aid in the previous fiscal year.
- *Marginal Costs* – Accounting for 60% of the formula allocation, funds are distributed in the same proportion as the distribution of full-time equivalent students across community colleges.
- *Size Factor* – This component distributes the remaining 2% of Cade funding to small colleges, defined as those with enrollments below 80% of the statewide median enrollment. The formula also provides for a phase-out of size factor funding for colleges that outgrow the “small size” category.

Finally, if the sum of a college's fixed costs, marginal costs, and size factor are lower than the previous year's funding level, a “hold harmless” component is added to the other components to bring the total State contribution up to the previous year's level.

Exhibit 5.15 shows the distribution of \$194.4 million in fiscal 2011 formula funding. State aid through the Cade formula grew 17.9% from fiscal 2007 to 2011.

Exhibit 5.15
Senator John A. Cade Formula for Community Colleges
Fiscal 2011

College	FTE Students FY 2009	Fixed Costs¹ 38%	Marginal Costs² 60%	Size Factor³ 2%	Total Direct Grants
Allegany	1,948.37	\$1,750,681	\$2,395,932	\$555,450	\$4,702,063
Anne Arundel	13,401.25	10,169,200	16,479,665	0	26,648,864
Baltimore	17,000.28	12,764,916	20,905,431	0	33,670,348
Carroll	2,921.07	2,549,769	3,592,072	555,450	6,697,291
Cecil	1,888.30	1,676,492	2,322,063	555,450	4,554,005
Chesapeake	2,434.84	2,015,102	2,994,150	555,450	5,564,701
Frederick	4,041.76	2,922,000	4,970,197	0	7,892,197
Garrett	656.17	854,905	806,899	555,450	2,217,255
Hagerstown	3,027.55	2,533,553	3,723,012	555,450	6,812,015
Harford	4,885.03	3,711,993	6,007,175	0	9,719,168
Howard	6,262.86	4,588,575	7,701,508	0	12,290,083
Montgomery	17,423.46	13,556,651	21,425,821	0	34,982,472
Prince George's	10,616.16	8,429,470	13,054,809	0	21,484,279
Southern Maryland	5,423.66	3,912,278	6,669,534	0	10,581,813
Wor-Wic	2,924.42	2,439,236	3,596,191	555,450	6,590,878
Total	94,855.18	\$73,874,824	\$116,644,459	\$3,888,149	\$194,407,432

¹Based on formula distribution from the prior fiscal year.

²Based on the distribution of full-time equivalent students in the second prior fiscal year.

³Distributed equally among the colleges with less than 80% of the median full-time equivalent students in the second prior fiscal year. For fiscal 2011, 80% of the median equaled 3,233.4 full-time equivalent students.

Source: Department of Legislative Services

Special Provisions: In order to receive increases in State aid under the Cade formula, each county (or group of counties for the regional colleges) is required to contribute no less than an amount equal to the amount provided in the previous fiscal year for the local community college.

History of Major Changes:

1992 – Chapter 464 of 1991 abolished the State Board for Community Colleges and placed responsibility for guiding and regulating community colleges with the Maryland Higher Education Commission.

1992-1994 – Due to the State’s fiscal crisis, local maintenance of effort requirements were waived from fiscal 1992 to 1994.

1996 – Chapters 6 and 7 created a new funding and distribution formula for community college aid. The formula established a phase-in of per pupil State funding for community colleges that would reach 25% of the per student State appropriations to selected four-year institutions of higher education by fiscal 2002.

1997 – Chapters 330 and 331 renamed the formula established in 1996 the Senator John A. Cade Funding Formula.

1997 – Chapter 105 added “hold harmless” grants to compensate seven small community colleges that would have received less State funding under the Cade funding formula.

2002 – The Budget Reconciliation and Financing Act of 2002 (Chapter 440) reduced total State aid provided under the John A. Cade Funding Formula. Full funding, at 25% of the per pupil State funding for public four-year institutions of higher education, was set to be restored by fiscal 2006.

2006 – Chapter 333 phased in higher funding levels for community colleges. From fiscal 2008 to 2013, the funding formula was scheduled to increase from 25.5% to 30% of per pupil funding at selected four-year institutions. In addition, Chapter 330 provided a five-year phase-out of the size factor component for community colleges that outgrow the small college designation.

2009 – Chapter 487 required the funding formula calculation to use current year appropriations to public four-year institutions as opposed to prior year appropriations. The formula percentages for community colleges were adjusted to account for the change.

2010 – Chapter 484 set funding levels in fiscal 2011 and 2012 at \$194.4 million and delayed full Cade formula funding until fiscal 2021.

Legal Reference: Education Article, Sections 16-305 and 16-308

Community College Retirement

Qualifying local community college employees are eligible to be members of one of two defined benefit plans. The first plan, available to employees hired before 1980, is the State Teachers' Retirement System. The second is the State Teachers' Pension System, for employees hired since 1980. Both systems are maintained and paid for by the State and guarantee a monthly retirement allowance based on a predetermined formula.

The State also offers a defined contribution plan, the Optional Retirement System. Employees who are eligible for either the teachers' retirement or pension systems are also eligible for the Optional Retirement System. Under this program, the employee and employer both make contributions toward investment products whose performance determines the amount available to the employee upon retirement.

In fiscal 2011, the State spent \$33.7 million on the regular retirement programs and \$13.8 million on the optional retirement program. Since fiscal 2007, the cost of these programs grew by 72.2%, with costs for the State retirement and pension systems increasing 97.1% and costs for the optional retirement program increasing 38.1%. Exhibit 5.16 shows the distribution of fiscal 2011 payments for the regular and optional retirement plans.

Exhibit 5.16
Community College Teachers' Retirement
Fiscal 2011
(\$ in Thousands)

College	Regular Plan	Optional Plan	Total
Allegany	\$1,437.9	\$175.9	\$1,613.8
Anne Arundel	3,619.7	1,755.4	5,375.0
Baltimore	5,228.4	2,112.3	7,340.7
Carroll	784.0	344.2	1,128.1
Cecil	485.9	358.5	844.4
Chesapeake	899.4	354.8	1,254.2
Frederick	1,192.4	676.4	1,868.8
Garrett	276.0	226.6	502.7
Hagerstown	1,027.2	326.6	1,353.8
Harford	1,685.4	455.5	2,140.9
Howard	1,959.0	1,106.8	3,065.8
Montgomery	8,569.8	3,932.4	12,502.2

College	Regular Plan	Optional Plan	Total
Prince George's	4,008.8	707.9	4,716.7
Southern Maryland	1,654.5	974.3	2,628.8
Wor-Wic	884.1	316.4	1,200.5
Total	\$33,712.5	\$13,824.0	\$47,536.5

Note: Estimates by college are based on each college's projected salary base as a share of the total salary base for all colleges.

Source: Department of Legislative Services

History of Major Changes:

1927 – The State established the State Teachers' Retirement System.

1975 – The optional retirement program was established.

1980 – The Teachers' Retirement System was closed to new members, and the State Teachers' Pension System was established for new members and those members of the old system who chose to transfer.

1992-1994 – Due to the fiscal crisis, the State did not make retirement payments associated with general salary increases given to teachers from fiscal 1992 to 1994. Community colleges were responsible for these retirement costs.

1993 – The optional retirement program was expanded beyond the single vendor (TIAA/CREF) that was in place.

1995 – The State resumed paying 100% of community college teachers' retirement costs beginning with fiscal 1996.

1998 – Chapter 530 provided a benefit enhancement for members of the Employees' Pension System and Teachers' Pension System.

2006 – Chapter 110 provided a benefit enhancement for the members of the Employees' Pension System and the Teachers' Pension System and increased employee contributions to the systems to help pay for the enhancements.

2009 – Chapter 354 of 2009 formally established that the community colleges administer the optional retirement program for their employees who participate in the program.

Legal Reference: Education Article, Section 16-306 and State Personnel and Pensions Article, Section 21-308

Other Community College State Aid Programs

Community colleges receive additional State support from several smaller grant programs summarized in Exhibit 5.17. In fiscal 2011, the miscellaneous grant programs totaled \$14.2 million, a 5.3% increase from fiscal 2007.

Unrestricted Small College Grants: When the Cade Funding Formula began, it put a greater emphasis on enrollment as the basis for distributing funds and less of a focus on prior year funding. As a result, State funding to the smaller community colleges decreased. To account for this reduction, Chapter 105 of 1997 provided additional grants to seven small community colleges. In 1998, Chapter 570 required funding to equal \$2.0 million from fiscal 1999 to 2002.

Chapter 584 of 2000 increased the small college grants to \$2.5 million in fiscal 2003 and provided for annual inflationary adjustments after fiscal 2003. The annual increase is tied to the percentage increase in funding to public four-year institutions. In fiscal 2011, three colleges received \$659,270 and four colleges received \$329,635 through the grants.

In addition, Chapter 350 of 2002 provided Allegany College and Garrett College annual unrestricted grants of \$360,000 and \$240,000, respectively, which are not increased for inflation. Small college aid totaled \$3.9 million in fiscal 2011.

Tuition Programs: For certain students, the State pays some or all of the difference between in-county and out-of-county or out-of-state tuition rates:

- Statewide Programs (\$6.0 million in fiscal 2011) pays the difference between in-county and out-of-county or out-of-state tuition rates for students enrolled in health manpower shortage programs.
- The West Virginia/Garrett Agreement (\$142,661) allows students from West Virginia to attend Garrett College at in-county rates, with the State paying Garrett College an amount equal to full formula support for each full-time equivalent West Virginia student enrolled under the agreement.
- The Somerset Grant program (\$373,065) allows students from Somerset County to attend Wor-Wic Community College at in-county rates, with the State paying half of the difference between in-county and out-of-county rates and Somerset County paying the other half.

Innovative Partnerships for Technology Programs: Initially established by Chapter 601 of 1998, the State provided matching funds for technology donations made to community colleges between 1999 and 2002. Chapter 413 of 2002 extended the program through fiscal 2006. Final funding for the program was appropriated in fiscal 2010, and the program has since concluded.

English for Speakers of Other Languages: This program provides added State funding to community colleges based on enrollments of students in English for speakers of other languages programs at the community colleges. Each college receives \$800 per qualified full-time equivalent student. Chapter 262 of 2006 increased the annual State limit on program funding to \$6.0 million, and fiscal 2011 State aid for the program totaled \$3.8 million.

Exhibit 5.17
Funding for Other Community College Grant Programs
Fiscal 2011

College	Small College Grants ¹	Statewide Programs ²	West Virginia/Garrett Reciprocity Grant	Somerset Grant	English for Speakers of Other Languages
Allegany	\$1,019,270	\$0	\$0	\$0	\$1,091
Anne Arundel	0	0	0	0	290,432
Baltimore	0	0	0	0	552,616
Carroll	329,635	0	0	0	38,344
Cecil	329,635	0	0	0	9,664
Chesapeake	329,635	0	0	0	58,200
Frederick	0	0	0	0	98,744
Garrett	899,270	0	142,661	0	0
Hagerstown	659,270	0	0	0	59,016
Harford	0	0	0	0	65,112
Howard	0	0	0	0	503,752
Montgomery	0	0	0	0	1,906,056
Prince George's	0	0	0	0	220,320
Southern Maryland	0	0	0	0	1,632
Wor-Wic	329,635	0	0	373,065	7,168
Total	\$3,896,350	\$5,947,050	\$142,661	\$373,065	\$3,812,147

¹Includes additional small college grants of \$360,000 for Allegany College and \$240,000 for Garrett College.

²A portion of the funding is allocated to all community colleges.

Source: Department of Legislative Services

County Appropriations

County appropriations to the 15 locally operated community colleges totaled \$328.7 million in fiscal 2009 and represented 26.8% of total funding for the colleges. The amount provided by each county government is governed by the maintenance of effort provision, which requires counties to provide at least as much funding for community colleges as they provided in the previous fiscal year. Counties must adhere to the maintenance of effort requirement in order to receive aid increases under the Senator John A. Cade formula, the largest component of State aid for community colleges. If the local appropriation for a college is reduced from one fiscal year to the next, the college receives no more than the amount of Cade funding it received in the previous year. For regional colleges with more than one supporting county, local support in the aggregate must be greater than it was in the previous year. The maintenance of effort requirement does not apply, however, when State funding does not increase or declines from one fiscal year to the next.

Maintenance of effort sets a minimum local contribution for each college, but the amount, if any, provided above the minimum is a local decision influenced by certain factors. Counties with larger tax bases, for example, are able to provide more funding for their colleges, and counties where greater numbers of citizens attend the colleges may also decide to provide additional support. Exhibit 5.18 displays total local appropriations and local appropriations per pupil and also shows the relationship between the two primary county tax bases (taxable income and assessable real property) and local appropriations. The table shows that fiscal 2009 county appropriations varied from \$2,078 per student for Wor-Wic Community College to \$7,157 for Garrett College, averaging nearly \$3,500 per full-time equivalent student statewide. The table also shows a range of support for community colleges relative to local tax bases. In particular, Allegany and Garrett counties utilize higher percentages of their local tax bases in support of their local colleges than other jurisdictions.

Exhibit 5.18
County Appropriations to Community Colleges
Fiscal 2009

College	Community College Funding as a Percent of Local Tax Bases			
	County Appropriation	Per Pupil Appropriation	Net Taxable Income	Real Property Tax Base
Allegany	\$7,425,000	\$3,811	0.902%	0.260%
Anne Arundel	33,822,700	2,524	0.285%	0.049%
Baltimore	38,772,003	2,281	0.237%	0.056%
Carroll	7,900,903	2,705	0.229%	0.045%
Cecil	8,384,784	4,440	0.546%	0.095%
Chesapeake	5,916,790	2,430	0.196%	0.026%
Frederick	14,625,180	3,619	0.304%	0.056%
Garrett	4,696,004	7,157	1.275%	0.123%
Hagerstown	8,761,794	2,894	0.394%	0.077%
Harford	16,096,055	3,295	0.338%	0.073%
Howard	25,322,154	4,043	0.327%	0.062%
Montgomery	105,054,553	6,029	0.390%	0.064%
Prince George's	31,370,242	2,955	0.266%	0.044%
Southern Maryland	14,499,709	2,673	0.235%	0.041%
Wor-Wic	6,075,641	2,078	0.244%	0.025%
Subtotal	\$328,723,512	\$3,466	0.315%	0.056%

Source: Maryland Higher Education Commission; Department of Legislative Services

Other Funding

In addition to State and local governmental support, community colleges generated an additional \$562.7 million in revenues in fiscal 2009. The majority of this amount, \$335.3 million, was from student tuition and fees, which accounted for 29.3% of total support for local colleges. Another \$109.3 million was supplied by the federal government, mostly through federal Pell grants to community college students. Colleges also generated \$118.1 million through auxiliary enterprises, gifts and grants, and other own-source revenues.

Regional Higher Education Centers

The two University System of Maryland regional higher education centers are funded as line items in the University System of Maryland, while the other six are funded by grants through the Maryland Higher Education Commission's operating budget. In 2005, the General Assembly charged the Maryland Higher Education Commission with developing an equitable, consistent, and ongoing funding strategy for the non-University System of Maryland regional higher education centers. The resulting strategy contains the following components:

- base allocation for each center (\$200,000);
- incentive funding for full-time equivalent students (2+2 lower division, upper division, and graduate) tied to the inflation-adjusted fiscal 2005 general fund appropriation per full-time equivalent student at the Universities at Shady Grove;
- lease funding for centers that lease space; and
- special funding for one-time projects or startup costs.

Non-University System of Maryland regional centers first received State operating funding in fiscal 2006, although as the only center established by State law, the Southern Maryland Center has generally received annual State operating support since fiscal 1995. The funding strategy was first partially funded in fiscal 2009. Exhibit 5.19 shows the State appropriation for each center in fiscal 2008 through 2011. The fiscal 2009 budget increased the non-University System of Maryland centers' appropriation from \$800,000 to \$1.65 million, though \$133,500 was subsequently reduced through cost containment. Each center except Southern Maryland was given a base allocation of \$50,000, while the remaining funds were distributed as incentive funding for full-time equivalent students. In fiscal 2010, the non-University System of Maryland regional higher education centers were appropriated \$1.75 million and intent language was added by the General Assembly to the 2009 budget bill that \$1.75 million be the base funding for the regional higher education centers in future years. The fiscal 2010 appropriation was distributed using the funding strategy, including the full \$200,000 base funding appropriation. The remaining \$550,000 was allocated on a per student basis. In fiscal 2011, \$1.5 million was appropriated, and again the full base appropriation was distributed, though less per student funding was available.

Exhibit 5.19
Regional Higher Education Centers State Funding
Fiscal 2008-2011

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
AACC RHEC at Arundel Mills	\$100,000	\$162,563	\$234,477	\$225,424
Eastern Shore Higher Ed Center	100,000	153,850	220,877	215,396
Higher Ed Center at the HEAT Ctr.	100,000	177,464	327,844	271,758
Laurel College Center	100,000	156,392	219,517	211,024
Southern Maryland Higher Ed. Ctr.	350,000	419,461	449,363	326,221
Waldorf Center for Higher Ed.	100,000	180,270	297,923	250,176
Total All Non-USM RHECs*	\$850,000	\$1,250,000	\$1,750,000	\$1,500,000
Universities at Shady Grove	\$7,221,599	\$11,690,000	\$11,622,000	\$11,678,000
Hagerstown Center	2,016,418	1,865,492	1,884,905	1,891,653
Total USM RHECs	\$9,238,017	\$13,555,492	\$13,506,905	\$13,569,653
Total All RHECs	\$10,088,017	\$14,805,492	\$15,256,905	\$15,069,653

AACC: Anne Arundel Community College
 HEAT: Higher Education and Applied
 Technology

RHEC: Regional Higher Education Center
 USM: University System of Maryland

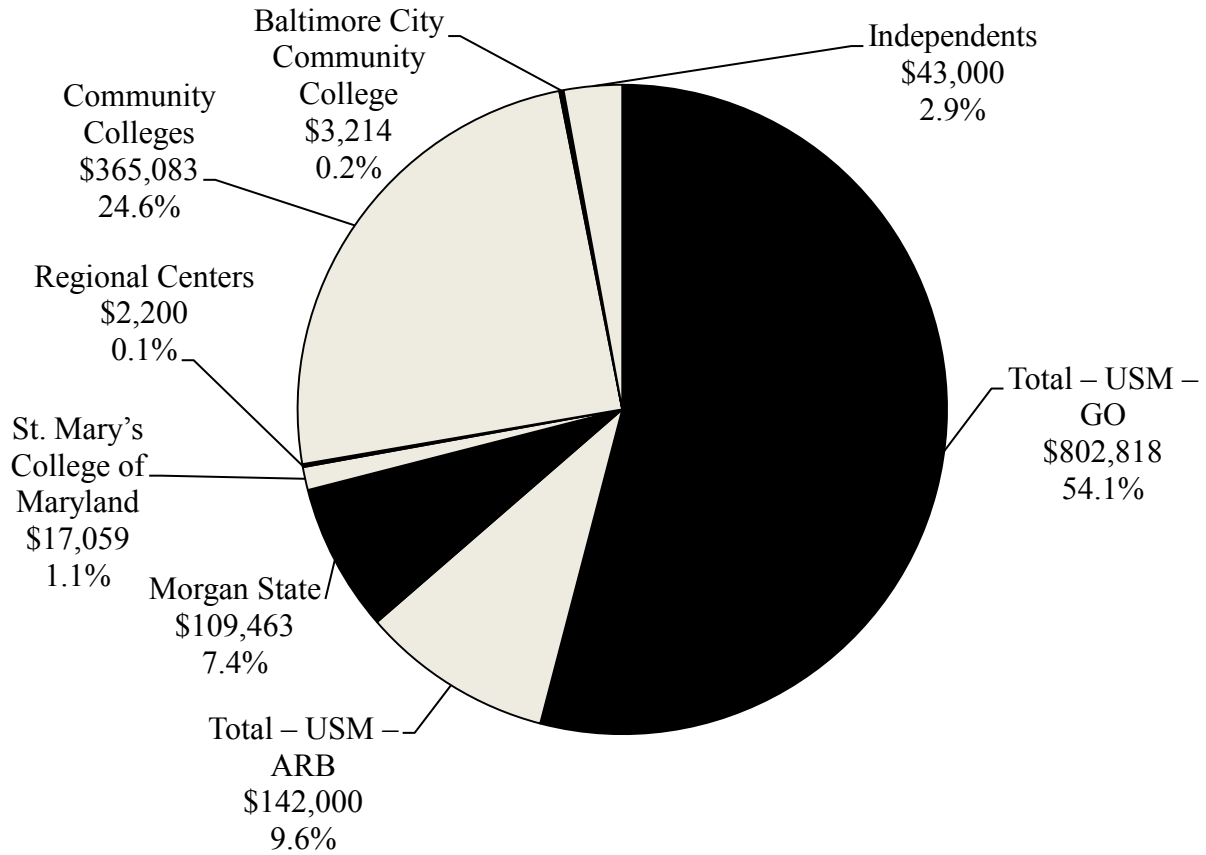
*Fiscal 2009 data does not include \$266,500 in funding provided through Base Realignment and Closure Higher Education Investment Funds.

Source: Maryland Higher Education Commission

Capital Funding

Capital funding for higher education institutions from fiscal 2007 through 2011 totaled \$1.4 billion. The majority of State supported capital funds (72%) went to public four-year institutions with community colleges receiving the next largest share (25%), as shown in Exhibit 5.20. Of the \$1.0 billion that public-four year institutions received, \$944.8 million went to University System of Maryland institutions. This figure includes \$142.0 million of system-issued academic revenue bonds, which are issued directly by the University System of Maryland and authorized by the General Assembly annually through legislation apart from the State's capital budget. Morgan State University and St. Mary's College of Maryland may also issue academic revenue bonds with legislative approval, although neither issued such bonds during this five-year period. Baltimore City Community College was granted this authority in 2009 (Chapter 213) but has not used it. Exhibit 5.21 shows funding by institution or segment of higher education. More information is provided below for each segment.

**Exhibit 5.20
Total State Capital Funding
Fiscal 2007-2011**



ARB: Academic revenue bonds

GO: General obligation bonds

USM: University System of Maryland

Source: Department of Budget and Management; Department of Legislative Services

Exhibit 5.21
Capital Funding by Type of Institution
Fiscal 2007-2011

<u>Institution</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
UM Baltimore	\$9,200	\$0	\$62,227	\$13,756	\$2,606
UM College Park	22,915	28,800	22,100	17,318	46,531
Bowie State University	2,725	0	0	28,265	33,253
Towson University	45,235	13,505	27,613	34,725	38,650
UM Eastern Shore	0	0	0	0	3,000
Frostburg State University	2,200	0	0	0	2,681
Coppin State University	21,328	87,064	56,172	12,116	6,497
University of Baltimore		1,211	4,033	5,416	37,300
Salisbury University	51,289	12,509	0	28,000	9,869
UM University College	13,815	1,185	0	0	0
UM Baltimore County	4,950	2,725	0	0	37,400
UM Center for Env. Science	391	9,200	1,343	0	0
USM Office	15,000	15,000	17,000	17,000	17,000
Total – USM – GO	\$166,748	\$141,199	\$157,488	\$129,596	\$207,787
Total – USM – ARB	\$25,000	\$30,000	\$33,000	\$27,000	\$27,000
Morgan State	13,555	8,740	11,873	44,846	30,450
St. Mary's College of Maryland	9,650	1,077	4,647	1,685	0
Regional Centers	1,000	1,200	0	0	0
Community Colleges	55,588	61,390	81,028	88,332	78,745
Baltimore City Community College	0	0	0	3,214	0
Independents	9,000	8,000	9,000	9,000	8,000
Total	\$280,541	\$251,606	\$297,036	\$303,673	\$351,982

Notes: Community colleges includes projects funded outside of the Community College Capital Grant Program: \$3.0 million for the Anne Arundel Community College Turf Field in fiscal 2010 and \$1.0 million for Garrett College Athletic and Community Recreation Center in fiscal 2010.

Includes general obligation bonds and academic revenue bonds. Does not include university-funded projects financed through auxiliary revenues or other financing. Figures include State and University System of Maryland debt authorized by the General Assembly. Capital spending in fiscal 2007 also included \$19,070,000 in general funds to: University of Maryland, College Park (\$10,000,000); Coppin State University (\$6,370,000); and Frostburg State University (\$2,700,000).

ARB: Academic revenue bonds

GO: General obligation bonds

UM: University of Maryland

USM: University System of Maryland

Source: Department of Budget and Management; Department of Legislative Services

Public Four-year Institutions

The University System of Maryland, Morgan State University, and St. Mary's College of Maryland all have five-year capital improvement plans. The plans prioritize capital improvements including new facilities and facilities renewal. Projects funded by the State must go through the State's capital budget process. The State also prepares a five-year capital improvement plan known as the *Capital Improvement Program*, which reflects projects proposed to be funded by the State in the upcoming capital budget and in the next four years.

The State capital budget authorizations for all segments of higher education totaled \$374.5 million in fiscal 2011. Of that, \$317.9 million is comprised of general obligation bonds and \$27.0 million is academic revenue bonds from the University System of Maryland. For fiscal 2011, four-year institutions accounted for 76.4% of the capital budget, including both general obligation bonds and academic revenue bonds. General obligation bonds are issued by the State, while academic revenue bonds are issued directly by the University System of Maryland, Morgan State University, and St. Mary's College of Maryland and authorized by annual legislation.

A significant number of projects are funded independently of the State's capital budget using auxiliary revenue bonds, cash, or external sources. University System of Maryland projects that will be funded outside the State's capital budget in fiscal 2011 totaled \$84.7 million. Most are auxiliary expenses and are not eligible for general obligation bonds, such as dormitory renovations. Occasionally, a project will appear on the list that qualifies for State support. The reason the University System of Maryland funds planning, construction, renovation, and equipment eligible for State support outside of the State's capital budget is because of the length of time it can take for a project to first appear in the State's *Capital Improvement Program* list and then receive funding. For projects deemed most important, using auxiliary revenue bonds, cash, and external sources of revenue allow it to proceed at an accelerated rate.

Baltimore City Community College

As Maryland's only State-operated community college, Baltimore City Community College has a five-year plan for capital improvements similar to the public four-year institutions. Projects funded by the State must go through the State's capital budget process.

Community Colleges

Community colleges receive State grant assistance for construction or improvement of facilities through the Community College Construction Grant Program

administered by the Maryland Higher Education Commission. The level of State assistance is determined by two criteria: the proportion of a project that meets the eligibility requirements for State support; and the State/local cost sharing formula prescribed by Section 11-105(j) of the Education Article. For regional colleges, State support may total up to 75% of project costs, while other community colleges may receive between 50% and 70%, depending on the wealth of the jurisdiction. Grants are funded through general obligation bonds issued by the State.

Community colleges eligible for funding through the State grant program received \$78.7 million in fiscal 2011. Exhibit 5.22 shows the distribution of funding to the colleges.

Exhibit 5.22
Authorized Capital Funding for Community Colleges
Fiscal 2011
(\$ in Thousands)

College	Total	Percent of State Total
Allegany	\$790	1.0%
Anne Arundel	4,935	6.0%
Baltimore	2,452	3.0%
Carroll	0	0.0%
Cecil	0	0.0%
Chesapeake	268	0.3%
Frederick	593	0.7%
Garrett	0	0.0%
Hagerstown	11,125	13.6%
Harford	7,904	9.7%
Howard	9,465	11.6%
Montgomery	20,326	24.9%
Prince George's	9,097	11.1%
Southern Maryland	5,329	6.5%
Wor-Wic	9,375	11.5%
Subtotal	\$81,659	100.0%
Program Fund Balance	-2,914	
Total	\$78,745	

Source: Department of Legislative Services

Funding for the program increased from \$32.4 million to \$61.4 million between fiscal 2002 and 2008, and fiscal 2011 was the third year funding was at a level above or approaching \$80.0 million. In recent years it has been possible for a grant to be funded over multiple fiscal years; this is known as split-funding. Split-funding recognizes that construction projects may take several years and allows more projects to receive funding during a fiscal year. Community colleges may use local or other funding to pay for construction projects that are ineligible for State support or if the institution does not want to wait for the project to be funded.

At the request of the General Assembly, community colleges began to submit their capital budget request in priority order in the 2008 session. The community colleges developed a priority formula with which to rate and rank capital projects, which allows the budget committees to better understand the State's most pressing needs. The formula takes into account current and projected space needs, type of project, project phase, and individual campus priorities.

Independent Colleges and Universities

Funds are provided for grants to assist the State's private colleges and universities with the cost of constructing and renovating academic facilities and infrastructure through the Private Higher Education Facilities Grant Program that was established in 1976. The grants leverage institutional resources and private donations, which must at least match the State appropriation for each project. Grants are funded through general obligation bonds issued by the State.

The capital grant requests of the private colleges and universities are prioritized by the Maryland Independent College and University Association and submitted to the Secretary of Higher Education and the Secretary of Budget and Management. From fiscal 2007 through 2011 the State has authorized \$8.0 to \$9.0 million in grants for this program annually.

College Savings Plans of Maryland

The College Savings Plans of Maryland is an independent State agency that administers Maryland's 529 plans, which is a program set up under the authority of § 529 of the Internal Revenue Code to allow an individual to either prepay or contribute to an account established for paying a student's qualified education expenses at an eligible educational institution. A qualified educational institution includes any college, university, vocational school, or other postsecondary educational institute eligible to participate in a U.S. Department of Education student aid program. There are two types of 529 plans: prepaid tuition plans; and college savings plans.

The College Savings Plans of Maryland is self-funded through fees and does not receive funding from the State. The prepaid trust was provided interest-free loans in fiscal 1998, 1999, and 2000 totaling \$650,000 from the Maryland Higher Education Commission to subsidize its start-up operations until it became self-funding. The loans were fully paid off in fiscal 2006. The agency's budget must be approved by the College Savings Plans of Maryland Board annually.

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