

RA.02
Aid to Education
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

	FY 01	FY 02	FY 03		% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$2,806,018	\$2,948,017	\$3,151,708	\$203,691	6.9%
Special Fund	66,709	78,833	41,880	(36,954)	(46.9%)
Federal Fund	475,629	510,978	588,253	77,275	15.1%
Reimbursable Fund	<u>1,984</u>	<u>473</u>	<u>480</u>	<u>7</u>	<u>1.5%</u>
Total Funds	\$3,350,339	\$3,538,302	\$3,782,320	\$244,019	6.9%

- The Maryland State Department of Education (MSDE) is requesting a \$9.5 million fiscal 2002 negative deficiency appropriation reflecting revised estimates of special education nonpublic placements.
- The Governor's fiscal 2003 allowance contains an \$82.8 million, or 4.9% increase over the fiscal 2002 working appropriation for current expense, which is distributed inversely to local wealth.
- State paid teachers' and librarians' retirement costs increase by \$46.4 million, or 13.8%, reflecting a higher contribution rate due to lower investment returns.
- Funding for compensatory aid rises by \$24.8 million, a 21.2% increase, attributable to a higher Title I student count.
- The allowance replaces \$24.2 million in Cigarette Restitution Funds (CRF) with general funds for the Transitional Education Fund (\$21.0 million) and the Baltimore City Remedy Plan (\$3.2 million).
- Funding for class size reduction increases by \$8.8 million, or 50.8%, attributable to the continued phase-in of the grants and higher teacher salaries.
- Special education nonpublic placement costs decrease by \$4.2 million, or 4.4%, attributable to more timely submission of nonpublic placement estimates by the local education agencies (LEAs).
- The transfer of the Head Start Program from the Subcabinet Fund to MSDE increases MSDE's allowance by \$2.9 million.
- Federal fund increases consist mostly of \$67.8 million, or 42.2% more for special education due to federal efforts to bring federal contributions closer to the 40% federal authorization level for special education. Additionally, the allowance contains \$22.3 million, or 20.3% more for educationally deprived children, partly offset by a \$13.8 million, or 68.8% decrease due to less reading excellence funds and elimination of the Goals 2000 program.

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

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Analysis in Brief

Issues

Governor's Allowance Fails to Fund Recommendations of the Commission on Education Finance, Equity, and Excellence: The Governor's fiscal 2003 allowance does not fund the recommendations of the Commission on Education Finance, Equity, and Excellence, commonly referred to as the Thornton Commission. What the Thornton Commission's recommendations are and how they may have affected education in the State are discussed. **The Department of Legislative Services (DLS) recommends MSDE be prepared to discuss how the lack of additional funding in fiscal 2003, as recommended by the Thornton Commission, may affect public school education. Additionally, DLS recommends MSDE be prepared to discuss how the recommendations could be prioritized if funding for all of the recommendations is not available.**

The State Board of Education Places Nine More Schools Under Local Reconstitution: The State Board of Education recently placed nine more schools under local reconstitution while removing one school from local reconstitution, increasing the total number of schools under local reconstitution to 107. Which schools were placed under local reconstitution and how much State funding is allocated toward local reconstitution is explored. **DLS recommends MSDE be prepared to comment on what type of technical assistance the Johns Hopkins University is providing for local reconstitution schools.**

Commission Recommends a Significant Funding Increase and Other Changes for Gifted and Talented Education: The Commission on Funding and Services for Gifted and Talented Student Education issued its final report on October 31, 2001. What the commission recommended in its final report and how the recommendations may impact the State's gifted and talented education is examined. **DLS recommends MSDE be prepared to comment on (1) how it can improve its identification of the number of gifted and talented students in the State; and (2) what steps, if any, have been taken to develop standards for gifted and talented education.**

Edison Meets Almost All of Its Contract Requirements in First Year of Managing Three State Reconstitution Schools: The budget committees requested a report on whether the three State reconstitution schools under management of Edison Schools, Inc., are reaching the performance benchmarks established in Edison's contract. How well the three schools are performing after their first year of operation is analyzed. **MSDE should be prepared to comment on (1) why Edison has not met its contract requirement for professional staff; (2) whether MSDE believes 75% of the professional staff will be certified by September 30, 2002; and (3) why the MSPAP scores for two out of the three Edison Schools fell between 2000 and 2001.**

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Evaluation of the New Baltimore City Board of School Commissioners and the City-State Partnership Reveals Substantial Academic Achievement: Chapter 105, Acts of 1997 required an evaluation of the New Baltimore City Board of School Commissioners and the City-State Partnership be completed by December 1, 2001. What the evaluation reveals and how the evaluation findings may affect the partnership is discussed. Arguably, the effects of the partnership and its accompanying increase in funding will continue to improve test scores as the students in today's third and fifth grades continue through the school system. If test scores capture student ability to perform well in the workforce and in higher education, then the students in these lower grades should be much better off than students who were in the school system before the partnership. For those students who were in the school system when the partnership began, but were past the early grades where more funding was focused, the test scores for students in today's higher grades, as noted above, do not seem to show much improvement. However, these students will soon be entering the workforce or higher education and will be the students most in need of skills. **DLS recommends that MSDE address how partnership funding could be better focused to help Baltimore City Public School System (BCPSS) students in higher grades gain the skills they need to succeed in the workforce and in higher education.**

Penalty May Have A Substantial Impact on Class Size Reduction Funding: The Maryland Learning Success Program, commonly referred to as the State's class size reduction program, is entering its third year of awarding grants to local education agencies for class size reduction. LEAs must use the grants to reduce their first and second grade class sizes for reading instruction. Twenty of the 24 LEAs may incur a penalty for retaining a high number of provisionally certified teachers. Which LEAs may be penalized and by how much is examined. **DLS recommends that the penalty provision not be enforced this year and that the class size reduction program be suspended at fiscal 2002 levels.**

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Delete federal funds for children at risk.	\$ 9,731,335	
2. Reduce funds for basic current expense.	295,112	
3. Reduce funds for transportation grants.	7,475	
4. Reduce funds for the Governor's Teacher Salary Challenge Program.	4,048	
5. Reduce disabled transportation grant for Montgomery County per audit.	3,000	
6. Reduce class size reduction initiative to fiscal 2002 levels.		
7. Restrict funding for the State Library Resource Center.		
Total Reductions	\$ 10,040,970	

Updates

Almost Half of Prekindergarten Through Third Grade Initiative Funding Devoted to Full-day Kindergarten: The legislature appropriated \$19.0 million in fiscal 2002 for prekindergarten through third grade initiatives to strengthen student performance on the Maryland State Performance Assessment Program (MSPAP). How local jurisdictions have been using their allocation of the \$19.0 million is examined.

Prince George's County Board of Education Faces a Possible Restructuring: Following a vote to fire Prince George's County Schools Superintendent Iris T. Metts, State and Prince George's County leaders have submitted proposals to restructure the board. What proposals have been submitted and how they may affect the composition of the school board is reviewed.

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Operating Budget Analysis

Program Description

The State and local governments share responsibility for Maryland's public schools. Aid to education is distributed to local school systems by the Maryland State Department of Education (MSDE) through almost 60 different programs. The majority of funds are appropriated under statutory mandates for basic current expenses, teachers' retirement costs, pupil transportation, and special education. The State Board of Education also has responsibility for the general direction and control of library development in Maryland. The State provides assistance to Maryland's public libraries through a funding formula. The State also provides support for the State Library Resource Center and several regional resource centers. State library aid is budgeted under this program.

Fiscal 2002 Actions

Deficiency

MSDE is requesting a \$9.5 million fiscal 2002 negative deficiency appropriation. Due to revised estimates of the costs of special education nonpublic placements, MSDE will need only \$94.9 million of its \$104.4 million fiscal 2002 legislative appropriation.

Budget Reconciliation Act

The Budget Reconciliation Act of 2002 proposed by the Administration would reduce the State contribution to the Teachers' and Librarians' Retirement and Pension Systems by \$46.7 million in fiscal 2003. Although the reduction would not affect current retiree payments, the State will have to contribute more funds to the systems in future years to make up for this reduction.

Governor's Proposed Budget

The Governor's fiscal 2003 allowance for aid to education contains \$3.8 billion, an increase of \$244.0 million, or 6.9% over the fiscal 2002 working appropriation. **Exhibit 1** shows how this increase is distributed among mandated general fund programs, and other general, special, reimbursable, and federal fund changes. Changes include a \$24.2 million substitution of CRF for general funds for part of the Transitional Education Fund (\$21.0 million) and the Baltimore City Remedy Plan (\$3.2 million). State aid for schools and libraries from general and special funds totals almost \$3.2 billion in the fiscal 2003 budget. Teachers' and librarians' retirement payments and debt service on bonds for school construction account for \$486.3 million, or 15.4% of the \$3.2 billion. The State pays these costs on behalf of the school and library boards. The remaining aid goes directly to the school boards.

Exhibit 1

**Governor's Proposed Budget
Aid to Education
(\$ in Thousands)**

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2002 Working Appropriation	\$2,948,017	\$78,833	\$510,978	\$473	\$3,538,302
2003 Governor's Allowance	3,151,708	41,880	588,253	480	3,782,320
Amount Change	\$203,691	(\$36,954)	\$77,275	\$7	\$244,019
Percent Change	6.9%	(46.9)%	15.1%	1.5%	6.9%

Where It Goes:

Mandated Changes

Current expense formula	\$82,831
Teachers' and librarians' retirement	46,395
Compensatory aid formula	24,822
Class size initiative	8,802
Student transportation	5,606
Limited English proficiency grants	4,131
Debt service on school construction	3,339
Head Start Program, reflecting a transfer of funds from the Subcabinet Fund to MSDE	2,950
Challenge, reconstitution, and school recognition awards	2,038
State Library Network	1,546
Targeted improvement grants	1,284
Public libraries	1,018
Out-of-county living arrangements	400
Technology Innovative Challenge Grant	80
Quality teacher incentives	(621)
Allegany County resource deficiency funding	(1,000)
Special education nonpublic placements	(4,189)

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Where It Goes:

Governor's Teacher Salary Challenge	(12,705)
Tobacco survey in conjunction with Department of Health and Mental Hygiene (reimbursable funds)	27
Federal Funds	
Net federal fund changes including a \$67.8 million increase for special education	77,275
Other Changes	(10)
Total	\$244,019

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

Exhibit 2 shows how the \$2.7 billion in direct State aid to education is distributed among the 24 jurisdictions.

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Exhibit 2

**Direct State Aid for Education
(\$ in Thousands)**

<u>Jurisdiction</u>	<u>Fiscal 2002 Working Appropriation</u>	<u>Fiscal 2003 Allowance</u>	<u>\$ Change</u>	<u>% Change</u>
Allegany	\$44,231,858	\$43,438,638	(\$793,220)	(1.8)%
Anne Arundel	173,813,841	180,299,472	6,485,631	3.7%
Baltimore City	546,187,250	553,846,424	7,659,174	1.4%
Baltimore County	264,682,641	281,188,032	16,505,391	6.2%
Calvert	43,643,182	48,436,862	4,793,680	11.0%
Caroline	22,547,820	24,167,597	1,619,777	7.2%
Carroll	79,855,177	85,287,654	5,432,477	6.8%
Cecil	52,084,200	55,352,128	3,267,928	6.3%
Charles	72,644,579	76,963,652	4,319,073	5.9%
Dorchester	17,957,096	18,091,250	134,154	0.7%
Frederick	100,547,589	108,493,376	7,945,787	7.9%
Garrett	18,332,277	18,711,302	379,025	2.1%
Harford	114,471,681	120,475,749	6,004,068	5.2%
Howard	97,695,088	102,431,650	4,736,562	4.8%
Kent	7,973,344	8,107,330	133,986	1.7%
Montgomery	208,616,798	221,181,303	12,564,505	6.0%
Prince George's	464,809,016	499,006,593	34,197,577	7.4%
Queen Anne's	18,598,310	19,110,444	512,134	2.8%
St. Mary's	47,050,331	49,758,175	2,707,844	5.8%
Somerset	12,739,931	13,412,275	672,344	5.3%
Talbot	5,410,260	4,715,923	(694,337)	(12.8)%
Washington	62,428,076	64,389,339	1,961,263	3.1%
Wicomico	48,991,631	51,235,432	2,243,801	4.6%
Worcester	8,160,535	7,811,676	(348,859)	(4.3)%
Unallocated	20,982,768	24,053,319	3,070,551	14.6%
Total	\$2,554,455,279	\$2,679,965,595	\$125,510,316	4.9%

Note: Direct State aid excludes teacher retirement payments and debt service on school construction but includes funding for the Aging Schools Program and the Technology in Maryland Schools Program.

Source: Department of Legislative Services

Mandated Education Aid

Most State aid for the public schools and libraries is mandated by statute. The Governor must include this aid in the budget submitted to the General Assembly. To reduce mandated education aid programs the General Assembly must enact legislation authorizing the reduction. A discussion of fiscal 2003's major changes in mandated aid follows:

- ***Current Expense Formula (\$82,831,242 Increase)***: The current expense formula ensures a minimum funding level per pupil and requires the counties to provide a local match. All counties currently appropriate amounts considerably above the required local match. The minimum funding level is based on prior years' actual spending. For fiscal 2003, the fiscal 1999 and 2000 per pupil costs are used. The formula recognizes the disparities in local abilities to raise revenues from local sources by providing less wealthy counties relatively more aid than more wealthy counties. Essentially, the formula "equalizes" education spending.

The \$82.8 million increase in the current expense formula reflects growth in student enrollment and an increase in the minimum per pupil funding level. The student count used for the fiscal 2003 formula computation is the actual full-time equivalent student (FTES) enrollment as of September 30, 2001. Student enrollment increased by 7,462, or 0.9%, from 803,184 in 2000 to 810,646 in 2001. The allowance reflects a foundation increase from \$4,124 per FTES in fiscal 2002 to \$4,291 per FTES in fiscal 2003, based on average growth in spending for fiscal 1999 and 2000.

- ***Teachers' and Librarians' Retirement (\$46,394,781 Increase)***: The State pays 100% of the employer's share of retirement costs for school system and library employees in the Teachers' Retirement and Pension Systems maintained by the State. Rather than distributing the aid to the school and library boards and billing them for the retirement contributions, the State appropriates a lump-sum payment to the retirement system "on behalf of" the local school boards. The appropriation is computed by increasing the second prior year's salary base by 5% and applying the contribution rate established by the retirement system's actuary. Teacher and library retirement costs increase by 13.8% in fiscal 2003 over the fiscal 2002 working appropriation due to a 5.6% increase in the contribution rate and an 8% increase in the teachers' salary base. The increase in the teachers' salary base reflects, in part, the first year of the Teacher Salary Challenge Program under which the State provided a 1% match to those school systems that increase teachers' salaries at least 4%.

The Budget Reconciliation Act of 2002 proposed by the Administration would reduce the allowance for the retirement system by \$46,674,967. The reduction would result in \$280,186, or 0.1% less than the fiscal 2002 working appropriation.

- ***Compensatory Aid Formula (\$24,822,006 Increase)***: The compensatory aid formula bases aid on the student counts used for the distribution of federal Title I aid. The formula recognizes local fiscal disparities by adjusting the grants per Title I student by local wealth. The overall funding level rises with growth in the per pupil minimum foundation under the current expense formula. Before adjusting for local wealth, a county's grant per Title I student equals 25% of the minimum foundation. In fiscal 2003, compensatory aid formula funding increases 21.2%, significantly higher than the 3.1% increase between fiscal 2001 and 2002. The increase is attributable to 18,810 more Title I-eligible students anticipated in fiscal 2003 than in fiscal 2002. MSDE notes that the U.S. Department of Education calculated how many

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students would be Title I-eligible in fiscal 2003 based on the 1995 census and the biennial update of poverty rates for counties and LEAs.

- ***Class Size Initiative (\$8,801,734 Increase)***: Chapters 513 and 514, Acts of 1999 created the Maryland Learning Success Program which is designed to reduce the size of first and second grade classes for reading instruction to a maximum of 20 students. Before a local board receives a grant from the State, the local board must expend its federal class size reduction initiative grant. Expenditures increase by 50.8% to \$26,122,116 in fiscal 2003. The increase is attributable to the continued phase-in of the grants and to the class size reduction formula's reliance on teachers' salaries. As teachers' salaries rise under the Governor's Teacher Salary Challenge, the amount of funding provided for class size reduction also rises. (See Issue 6.)
- ***School Bus Transportation Grants (\$5,606,361 Increase)***: Each county receives a regular student transportation grant based on the county's fiscal 2002 grant amount, adjusted by the greater of the transportation consumer price index (CPI) for the Washington-Baltimore area, or 3%. The increase cannot exceed 8%. School districts experiencing increases in enrollment receive additional transportation aid equal to the student enrollment increase over the previous year multiplied by the total transportation aid per pupil in the prior year. The basic transportation grant in fiscal 2003 is \$133.2 million, which is a \$5.4 million or 4.2% increase over the fiscal 2002 working appropriation, reflecting higher transportation costs. The State also provides a grant for transporting special education students. Each school receives \$500 per special education student in excess of the number of special education students transported in fiscal 1981. The fiscal 2003 allowance is \$5.7 million, a \$188,500 or 3.4% increase.
- ***Limited English Proficiency (\$4,131,000 Increase)***: The State provides grants to support programs for non- and limited-English proficient (LEP) students using a definition consistent with federal guidelines. The grant per student is \$1,350. The total from amount for this program in fiscal 2003 is \$34.2 million, a 13.7% increase over fiscal 2002. The LEP grant is based on the student count from the second prior school year. For fiscal 2003 there is a 3,060 or 14.7% increase in the number of LEP students anticipated between fiscal 2002 and 2003.
- ***Head Start (\$2,949,664 Increase)***: The General Assembly requested the Governor transfer Head Start general funds from the Subcabinet Fund to MSDE beginning in fiscal 2003 to improve coordination with other early childhood services and the Maryland Model for School Readiness principles, and strengthen program outcomes and accountability. While the entire \$3,000,000 was used for grants to programs in fiscal 2002, MSDE will spend \$50,356 on administrative costs in fiscal 2003.
- ***Challenge, Reconstitution, and School Recognition Awards (\$2,038,200 Increase)***: Funds in this program provide additional financial support to low-performing schools. The majority of the increase in this program is attributable to additional funds for an anticipated increase in the number of newly named local reconstitution schools in Prince George's County, Baltimore City, and Baltimore County.
- ***State Library Resource Center/Regional Libraries (\$1,546,075 Increase)***: Due to the enactment of legislation in 1999, State funding of the State Library Resource Center, which is located at the Enoch Pratt Central Library in Baltimore, is based on a \$1.70 per capita grant in fiscal 2003. Chapter 547, Acts of 2000 increases the regional resource centers per capita grant from \$1.70 to \$3.50 for fiscal 2002 and \$0.50 per year through fiscal 2004.

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- **Library Formula (\$1,018,251 Increase):** The State provides assistance to public libraries through a formula that determines the State and local shares of a minimum per capita library program. For fiscal 2003, the minimum State per capita share is \$12.00.
- **Students with Disabilities (\$4,189,425 Nonpublic Placement Decrease):** The State provides funds (\$100.2 million is included in the allowance) for special education students placed in nonpublic day and residential programs. The counties are responsible for the local share of the basic costs of educating a non-handicapped child plus 200% of the total basic costs. Any costs above the base amount are shared between the State and local school boards on an 80% State/20% local basis. The fiscal 2003 allowance for nonpublic placements is 4.0% less than the fiscal 2002 working appropriation. However, after accounting for the \$9.5 million fiscal 2002 negative deficiency requested by MSDE reflecting revised lower cost estimates for nonpublic placements, the allowance is actually 5.6% higher than fiscal 2002.
- **Governor's Teacher Salary Challenge Program (\$12,705,025 Decrease):** Chapters 492 and 493, Acts of 2000 established this program which provided up to a 10.0% total increase in the State's teacher salaries in fiscal 2001 and 2002. Chapter 420, Acts of 2001 extended the program through fiscal 2003. The allowance for the program is 14.9% less than the fiscal 2002 working appropriation. The decrease is attributable to the lack of funding for the transitional component of the program for which funding is not required under Chapter 420 and lower hold harmless grants.

Issues

1. Governor's Allowance Fails to Fund Recommendations of the Commission on Education Finance, Equity, and Excellence

The Governor's fiscal 2003 allowance does not fund the recommendations of the Commission on Education Finance, Equity, and Excellence, commonly referred to as the Thornton Commission. After two years of study, the Thornton Commission recommended \$1.1 billion in additional State education aid by fiscal 2007.

General Assembly Directs Commission to Review and Recommend Changes to the State's School Finance System and Accountability Measures

The commission was responsible for reviewing the State's school finance system. In its review, the commission was charged with making recommendations that would achieve:

- adequate and equitable funding for all public school students;
- excellence in all school systems and student performance;
- an effective transition of education funding when current initiatives sunset in July 2002;
- an examination of whether providing additional State aid through targeted grants or the base funding formula is preferable; and
- A guarantee that local property tax policies will not hinder equitable allocation of education funding.

Commission Recommends \$1.1 Billion in Additional State Aid for Education

After analyzing findings from a study of what successful schools across the State expended in educating their students, the commission proposed approximately \$1.1 billion in new State aid. The commission recommended the \$1.1 billion be phased in from fiscal 2003 through 2007, as shown in **Exhibit 3**.

Exhibit 3

**Estimated Annual Increase in State Education Aid
Fiscal 2003 to 2007
(\$ in Millions)**

<u>Jurisdiction</u>	<u>Funding</u>		<u>Increase Over Prior Year Funding</u>				<u>Change FY 02 - FY 07</u>	
	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>Dollars</u>	<u>Percent</u>
Allegany	\$48.1	\$5.2	\$5.9	\$7.3	\$8.4	\$8.9	\$35.7	74.1
Anne Arundel	202.5	10.4	13.6	20.3	19.9	18.6	82.7	40.8
Baltimore City	587.0	52.2	51.3	67.5	92.5	107.1	370.7	63.1
Baltimore	306.3	22.7	28.2	38.1	38.4	39.0	166.5	54.3
Calvert	48.9	5.3	5.2	6.0	4.9	4.3	25.6	52.4
Caroline	24.4	3.8	2.9	3.3	3.9	4.0	18.0	73.6
Carroll	88.7	7.6	8.1	9.4	9.6	9.1	43.8	49.3
Cecil	56.9	4.9	5.7	6.4	7.4	7.3	31.7	55.7
Charles	81.1	8.6	9.3	10.8	11.9	13.5	54.1	66.6
Dorchester	20.1	1.5	2.1	2.1	1.8	2.5	10.1	50.1
Frederick	113.7	11.6	12.3	15.6	15.9	16.7	72.1	63.5
Garrett	19.8	1.1	1.5	1.9	2.2	2.2	8.9	45.1
Harford	127.6	11.3	11.7	15.2	14.5	14.4	67.1	52.6
Howard	115.9	11.7	11.6	17.1	14.2	14.1	68.8	59.3
Kent	9.1	0.2	0.6	0.5	0.9	0.7	2.9	31.4
Montgomery	271.4	24.0	28.0	41.9	36.3	39.6	169.9	62.6
Prince George's	516.9	74.6	73.8	103.6	104.7	109.3	465.8	90.1
Queen Anne's	21.2	1.1	2.0	1.9	2.1	2.5	9.4	44.6
St. Mary's	52.1	3.0	4.3	4.6	5.8	4.6	22.3	42.9
Somerset	14.0	1.8	1.9	2.2	2.6	2.9	11.4	81.3
Talbot	7.2	1.0	0.2	0.4	0.4	0.9	2.9	40.8
Washington	69.9	5.7	6.4	8.0	8.8	9.0	38.0	54.4
Wicomico	54.1	6.1	6.7	7.8	10.0	12.6	43.2	79.9
Worcester	10.8	1.6	0.8	1.0	1.3	1.5	6.3	58.1

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Jurisdiction	Funding		Increase Over Prior Year Funding				Change FY 02 - FY 07	
	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	Dollars	Percent
Unallocated	25.0	-3.5	0.7	0.2	0.6	0.6	(1.5)	(6.0)
Total	\$2,892.7	\$273.5	\$294.9	\$393.0	\$419.0	\$445.8	\$1,826.2	63.1
Increase Over Current Law		\$139.7	\$289.1	\$525.2	\$814.6	\$1,123.3		

Source: Commission on Education Finance, Equity, and Excellence

The \$1.1 billion in Exhibit 3 would increase the amount spent per pupil from approximately \$3,500 in fiscal 2002 to over \$5,600 in fiscal 2007.

Students with Special Needs

The commission recommended applying pupil weights to students with special needs. The commission suggested applying a 1.17 weight to special education students, a 1.39 weight to students eligible for free and reduced price meals, and a 1.00 weight for LEP students. The commission later amended a 1.39 weight to students eligible for free and reduced price meals to 1.10 to eliminate any overlap generated by students who qualify for one or more special needs categories.

State/Local Share

Currently, the State provides an estimated 41% of public school spending with the local governments providing an estimated 54%, and the federal government providing the remaining 5%. The commission recommended the State increase its share of total public school spending from 41% to 49%.

Consolidation

The State's current education finance system has over 50 separate programs. The commission recommended consolidating the number of programs. The commission noted that consolidation would reduce the administrative burden on MSDE, give local jurisdictions greater flexibility in spending their State education funding, and increase the percentage of State aid that is wealth equalized.

Wealth Equalization of Categorical Funding

The commission recommended that almost all State education funding be wealth equalized.

Full-day Kindergarten

The commission recommended instituting full-day kindergarten by fiscal 2007. The commission also recommended increasing the kindergarten FTE count used for funding from 0.5 to 1.0 over a five-year period.

Gifted and Talented Students

The commission recommended supporting gifted and talented student programs across the State but did not specifically address how much funding should be provided to gifted and talented education. Instead, the commission noted that sufficient funding for gifted and talented student programs would be available in the \$1.1 billion of additional State aid under the commission's proposal.

Cost of Education

The commission also recommended that the State develop a Maryland-specific geographic cost of education index and apply the index no later than fiscal 2005 to adjust the State share of basic current expense aid.

Guaranteed Tax Base

The commission proposal includes additional State aid based on local wealth and education effort.

Transportation of Disabled Students

The commission recommended increasing the disabled students transportation grant from \$500 to \$1,000 per student and removing the provision limiting the grant to the number of students in excess of the number transported in 1981.

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Revenue Sources

The commission also recommended the State reprioritize its existing funds to implement the funding recommendations. The commission also asked the Governor and General Assembly to examine new revenue sources for funding educational needs.

Montgomery County Assails Commission's Recommendation for Special Student Populations

The commission voted 22 to 2 with one abstention to adopt the recommendations. The two dissenting votes represented Montgomery County. Montgomery County sent a letter to the Governor on December 20, 2001 asserting that wealth equalizing aid for special student populations could leave these students without needed services because Montgomery County and other similarly wealthier counties would have to pay for these services. Montgomery County proposed the following alternative:

- each special needs student would receive a minimum State grant of 50% of the commission's recommended per pupil education cost; or
- low-wealth jurisdiction students would receive a higher grant but not at the cost of reducing another wealthier jurisdiction's grant.

Montgomery County also recommended an additional \$10,000 per kindergartener in capital funding to build the facilities to support the commission's recommendation of full-day kindergarten. Based on figures provided by Montgomery County, the kindergarten facilities grant would cost an additional \$563.0 million.

DLS recommends MSDE be prepared to discuss how the lack of additional funding in fiscal 2003, as recommended by the Thornton Commission, may affect public school education. Additionally, DLS recommends MSDE be prepared to discuss how the recommendations could be prioritized if funding for all of the recommendations is not available.

2. The State Board of Education Places Nine More Schools Under Local Reconstitution

The State Board of Education recently placed nine more schools under local reconstitution while removing one school from local reconstitution, increasing the total number of schools under local reconstitution to 107. The State Board of Education may place a school under local reconstitution if the school's academic performance is below satisfactory or declining and if the school is not making progress through its school improvement plan. In the 2001-2002 school year, 82 schools in Baltimore City are under local reconstitution and four are under State reconstitution (see Issue 4). Another 15 were under local reconstitution in Prince George's County, one in Anne Arundel County, and one in Baltimore County. The board removed City Springs Elementary in Baltimore City from the list of local reconstitution schools. **Exhibit 4** identifies the nine new schools under local reconstitution.

Exhibit 4

Schools Recently Placed Under Local Reconstitution

<u>County</u>	<u>School</u>
Baltimore City	Dickey Hill Elementary
	Harlem Park Community Center (Middle)
	Canton Middle
	Robert Poole Middle
Prince George's County	Arrowhead Elementary
	Concord Elementary
	John Eager Howard Elementary
	Riverdale Elementary
	Andrew Jackson Middle

Source: Maryland State Department of Education

State Costs of Local Reconstitution Continue to Climb

With increases in the number of local reconstitution schools, the State costs for local reconstitution have grown, although not at a steady pace. As **Exhibit 5** shows, overall growth in State costs is estimated to climb by 20.8% between fiscal 2000 and 2003. However, the growth has fluctuated between \$9.8 million and \$11.8 million. The fluctuation reflects a \$2.1 million budget amendment in fiscal 2001 which was used to pay for the costs of newly named fiscal 2001 local reconstitution schools. Therefore, although the fiscal 2003 costs for local reconstitution appear to be increasing by \$2.0 million, from the fiscal 2002 working appropriation, fiscal 2003 costs actually reflect the continued need for the \$2.1 million, an additional \$375,550 for the newly named Baltimore City and Prince George's County local reconstitution schools, offset by a \$437,350 decrease for technical assistance from the Johns Hopkins University.

Exhibit 5

State Costs of Local Reconstitution
(\$ in 000s)

	<u>Fiscal 2000</u>	<u>Fiscal 2001</u> <u>Actual</u>	<u>Fiscal 2002</u> <u>Estimated</u>	<u>Fiscal 2003</u> <u>Estimated</u>	<u>% Change</u>
Local reconstitution	\$9,797	\$11,757	\$9,797	\$11,836	20.8%
Number of schools	91	99	107	117	28.6%

Source: Governor's Fiscal 2003 Budget Book

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DLS recommends MSDE be prepared to comment on what type of technical assistance the Johns Hopkins University is providing for local reconstitution schools.

3. Commission Recommends a Significant Funding Increase and Other Changes for Gifted and Talented Education

The Commission on Funding and Services for Gifted and Talented Student Education issued its final report on October 31, 2001. The report contained the following 10 recommendations:

- requested the State Board of Education adopt the federal definition of “gifted and talented students” through regulations;
- requested the State Board of Education adopt nationally accepted standards for gifted and talented student education through regulations;
- request LEAs identify gifted and talented students based on clearly delineated and research-based principles;
- request LEAs create gifted and talented student education programs founded on the nationally accepted standards;
- increase professional development and support, including providing annual and ongoing training in identifying and providing programs for gifted and talented students, requiring new staff members to complete 12 hours of staff development in gifted and talented student education; have teachers of gifted and talented students earn a Teacher of Gifted and Talented Students endorsement; have supervisors and coordinators who work with educators of gifted and talented students or advise administrators or board personnel earn a Specialist in Education of the Gifted and Talented endorsement, and give adequate resources and support to school system personnel who are responsible for gifted and talented students;
- require that MSDE, with assistance from the LEAs, establish gifted and talented education programmatic and student performance accountability benchmarks;
- continue the State Superintendent's Advisory Committee on Gifted and Talented Education;
- develop data collection instruments on the State's gifted and talented education services;
- provide additional funding to MSDE's Gifted and Talented Education Office to provide more technical assistance to LEAs in operating their gifted and talented education services; and

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- increase State funding for gifted and talented education to \$36.7 million annually. The increase would provide a \$30.5 million, or 494.8% general fund increase over both the fiscal 2002 working appropriation and the fiscal 2003 allowance. The commission recommends that increasing gifted and talented education funding to \$36.7 million not occur until the LEAs adopt nationally accepted standards for gifted and talented education.

Currently, the State is not certain how many students are in the gifted and talented program. MSDE notes that some LEAs identify the number of students in gifted and talented education programs whereas other LEAs identify the number of services provided to students in a gifted and talented education program. Additionally, the Managing for Results (MFR) data does not provide any measures that show how the \$6.2 million provided in the fiscal 2003 allowance is improving the academic performance of the State's gifted and talented students.

DLS recommends MSDE be prepared to comment on (1) how it can improve its identification of the number of gifted and talented students in the State; and (2) what steps, if any, have been taken to develop standards for gifted and talented education.

4. Edison Meets Almost All of Its Contract Requirements in First Year of Managing Three State Reconstitution Schools

The budget committees requested a report on whether the three State reconstitution schools under management of Edison Schools, Inc., are reaching the performance benchmarks established in Edison's contract. MSDE submitted the report on December 31, 2001, showing that Edison has met 48 of its 51 performance benchmarks.

The State placed Montebello, Gilmor, and Furman L. Templeton Elementary Schools under State reconstitution. Edison Schools, Inc., took over the management of the three schools on July 1, 2000, and opened the schools on September 5, 2000.

The contract contains 14 start-up benchmarks, and requires monthly and quarterly performance measures on student achievement (monthly benchmark assessments on reading, writing, language usage, and math for second through fifth grade students), school environment, finance, parent/community outreach, and other progress indicators.

Start-Up Measures Show Teacher Certification Level Not Met

Exhibit 6 shows the 14 start-up measures included in the contract and whether Edison met these measures.

Exhibit 6

Start-Up Measures Required Under First Year of Edison Contract

<u>Start-Up Measure</u>	<u>Date Required for Meeting Measure</u>	<u>Status</u>
1. The school shall open on time.	09/05/00	Met
2. The facility shall be ready for instruction.	09/05/00	Met
3. A qualified principal shall be hired and in place.	07/01/00	Met
4. The staff for the school shall be hired, trained by the contractor, and in place.	08/20/00	Met
5. Sixty-five percent of professional staff shall be professionally certified.	09/05/00	Not Met
6. Extensive parent and community engagement requiring, at a minimum, parent orientations, distribution of literature on the school program, and other agreed upon outreach measures.	As agreed.	Met
7. Transportation shall be provided to all eligible students.	09/05/00	Met
8. Lunch shall be provided to all eligible students.	09/05/00	Met
9. A well-defined Discipline Code and Student Handbook shall be distributed to parents, teachers, and other school stakeholders.	09/05/00	Met
10. Key staff shall be designated to deal with parents regarding school policies, start-up, and resolution of issues.	07/15/00	Met
11. Curriculum according to the contractor's design. Curriculum shall be aligned with Maryland Learning Outcomes and presented to MSDE.	07/15/00	Fully Met After Start-Up
12. Textbooks for each content area and for each student (as per contractor's design) shall be in each classroom.	08/15/00	Met
13. Technology shall be operational, including a student Management Information System. This measure can be deferred if agreed upon as an exception.	08/15/00	Agreed upon as an exception due to the Verizon strike. Edison notes that this measure has since been met.
14. Decisions made with MSDE regarding provision of summer school.	After award of contract.	Met

Source: Maryland State Department of Education

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Edison met 12 of the 14 start-up measures by the first day of school. Edison has since satisfied the start-up measure requiring operational technology. The only start-up measure that still has not been met is the contract requirement that 65% of the professional staff averaged across the three schools be professionally certified in the State in the first year of the contract.

The Edison contract also requires that 75% be certified by September 30, 2002, and 80% be certified by September 30, 2003. In a December 4-5, 2001 report submitted to the Maryland State Board of Education, MSDE found that currently 61% of the staff is professionally certified. Edison projects that 73% of the professional staff will be certified by June 2002.

Although Edison was very successful in meeting its start-up measures, the 2001 MSPAP composite indices for two out of the three Edison schools did not improve over the 2002 indices, as shown in **Exhibit 7**. While the composite indices for Furman L. Templeton and Gilmor Elementary Schools fell by 47.7% and 28.7%, respectively, Montebello Elementary School raised its composite index by 212.3%

Exhibit 7

MSPAP Composite Indices for Edison Schools

<u>School</u>	<u>2000</u>	<u>2001</u>	<u>% Change</u>
Furman L. Templeton	4.4	2.3	-47.7%
Gilmor	12.9	9.2	-28.7%
Montebello	10.6	33.1	212.3%

Source: Maryland State Department of Education

MSDE should be prepared to comment on: (1) why Edison has not met its contract requirement for professional staff; (2) whether MSDE believes 75% of the professional staff will be certified by September 30, 2002; and (3) why the MSPAP scores for two out of the three Edison schools fell between fiscal 2000 and 2001.

5. Evaluation of the New Baltimore City Board of School Commissioners and the City-State Partnership Reveals Substantial Academic Achievement

Chapter 105, Acts of 1997, required an evaluation of the New Baltimore City Board of School Commissioners and the City-State Partnership by December 1, 2001. The evaluation, conducted by Westat, Inc., found that the partnership between the Baltimore City Public School System (BCPSS) and the State has improved the operation and academic achievement of Baltimore City public schools.

Improved Academic Achievement, Management and Accountability Are Goals of Partnership

Chapter 105 created the partnership following a 1996 consent decree approved by the Baltimore City Circuit Court regarding BCPSS. At the time, BCPSS was struggling with the poor academic performance of its students and questions about the system's administration and accountability. The partnership was created to improve the system through increased oversight. Chapter 105 required the State to provide \$30 million in fiscal 1998, and \$50 million in each of fiscal 1999 through 2002, for a total of \$230 million to improve academic achievement of Baltimore City school children and to improve the management and accountability of the BCPSS.

BCPSS Continues to Enter Requests for Remedy Plan Funding

The 1996 consent decree authorizes BCPSS to request additional funding from the State for its reform efforts. One provision of the consent decree allows BCPSS to seek additional funds after completion of an interim evaluation in February 2000, and requires the State to use its "best efforts to satisfy any such request, subject to the availability of funds." The interim evaluation, completed by Metis Associates and the Council of Great City Schools in February 2000, found that BCPSS improved its management, made progress in recruitment and retention and professional development initiatives, and made progress in implementing instructional initiatives at the elementary grade levels but said insufficient attention had been given to middle and high school initiatives. Metis also found some design and implementation flaws in the Master Plan, including insufficient alignment with the system's budget and expenditures and insufficient integration of special education within the Master plan. Based on the findings of the Council of Great City Schools, BCPSS requested \$49.7 million in fiscal 2000 additional remedy plan funding. During the 2000 legislative session, the General Assembly provided an additional \$8.0 million specifically for the partnership through the Governor's Teacher Salary Challenge legislation. Other fiscal 2001 funding totaling about \$14 million supported elements of the remedy plan.

At the conclusion of the 2000 session, the plaintiffs in the State case returned to court arguing that the State had not made "best efforts" to satisfy the city's request for additional funding. In June 2000 the Baltimore City Circuit Court agreed, concluding that "the State is not fulfilling its obligations under Article VIII of the Maryland Constitution, as well as under the Consent Decree" and included a declaratory statement that "the court trusts that the State will act to bring itself into compliance with its constitutional and contractual obligations."

The BCPSS then requested \$101.5 million in additional remedy plan funding for fiscal 2002. The fiscal 2002 allowance included \$55.0 million aligned with BCPSS's remedy plan request. Additionally, \$33.8 million in the fiscal 2001 budget supported the remedy plan, including a \$5.5 million deficiency appropriation. In addition to \$20.5 million earmarked specifically for the remedy plan, there was funding for BCPSS' portion of the Governor's Teacher Salary Challenge, academic intervention monies, Technology in Maryland Schools, training to assist teachers in using new technology, the Maryland Technology Academy, and the Governor's Early Education Initiative.

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Senate Bill 719 of 2001 (Chapter 420) extended the fiscal 2002 termination of partnership funding through fiscal 2003. In fiscal 2003, BCPSS has requested \$362.9 million in additional remedy plan funding, as shown in **Exhibit 8**.

Exhibit 8

BCPSS Proposed Remedy Plan for Fiscal 2003

<u>Effort</u>	<u>Fiscal 2003 Funding Request</u>
Teacher recruitment and retention	\$43.3
Overall reform efforts	1.7
Elementary school reform efforts	126.2
Middle school reform efforts	40.5
High school reform efforts	37.1
Career and technical education	14.7
Alternative education	7.8
Professional development and instructional leadership	14.1
Instructional technology	25.5
Information resources	22.3
Student support services	19.1
Parent and community involvement	1.0
Health and safety	9.6
Total	\$362.9

Source: The Baltimore City Public School System Remedy Plan for FY 2003

The fiscal 2003 allowance contains \$50.0 million in partnership funding and \$20.5 million specifically for the remedy plan funding, the same amount as provided in fiscal 2002.

Evaluation Finds Overall Significant Improvement in Academic Achievement and Management

In conducting the final evaluation, Westat evaluated whether achievement has improved; whether management and the use of management tools has improved; whether governance of the school system is effective; and whether funding is sufficient. Westat found significant gains in student academic achievement. Westat also cited overall improvement in management and the use of management tools, but noted that BCPSS has had difficulty in monitoring itself and evaluating its progress. However, Westat noted that the BCPSS new Master Plan targets are addressing this issue. Westat also said governance of the school system is effective and did not see any reason for returning control of BCPSS to the City of Baltimore. Westat found a funding shortfall, particularly in the lack of funding for raising school staff to quality standards. Westat noted that teachers feel they are not consulted for their input.

Partnership Shows Signs of Progress on MSPAP

Exhibit 9 shows the MSPAP composite index scores for the State and Baltimore City between 1993 and 2001 and the 1998 - 2001 Baltimore City scores for the Comprehensive Test of Basic Skills (CTBS/5). While the State MSPAP scores have shown an average annual increase of 4.1% since 1993, Baltimore City MSPAP scores have shown an average annual increase of 10.1% since 1993.

Baltimore City's average annual rate of improvement on MSPAP before the partnership was almost identical to the statewide rate of improvement. Only after the partnership was initiated did the city's outcomes begin to improve more rapidly than the State as a whole. If the Baltimore City composite index is disaggregated into Grades 3, 5, and 8, the average annual increase before and after the partnership began shows significant gains for Grade 3 – from 4.4% before the partnership began to 14.6% after the partnership began – and Grade 5 – from 7.9% before the partnership began to 14.9% after the partnership began. However, the average annual increase between 1993 and 1997 for Grade 8, before the partnership began, was 12.2%. The average annual increase between 1998 and 2001 for Grade 8, after the partnership began, is 8.3%. Additionally, as **Exhibit 10** shows, the Maryland Functional Test results also have not been as impressive among the older students. One factor may be, as the final evaluation indicated, that more funding is focused on the students in lower grades.

Exhibit 9

**Improvements in Baltimore City MSPAP Composite Scores
1993 through 2001**

<u>Subject</u>	<u>Before Partnership</u>					<u>After Partnership</u>			<u>Average Annual % Change Bet. 1993 & 2001</u>	
	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>		<u>2001</u>
Statewide Composite Index	31.7	35.3	39.6	40.7	41.8	44.1	43.8	45.3	43.7	4.1%
Baltimore City Composite Index	10.4	11.7	13.8	13.5	13.9	16.1	17.0	20.5	22.5	10.1%
Average Annual Percent Change Before and After Partnership -- State					7.2%				1.1%	
Average Annual Percent Change Before and After Partnership -- Baltimore City					7.5%				12.8%	
Baltimore City Grade 3 Composite Index	11.3	12.7	14.9	11.9	13.4	17.2	17.1	20.4	23.1	
Average Annual Percent Change Before and After Partnership					4.4%				14.6%	
Baltimore City Grade 5 Composite Index	10.7	12.0	13.1	15.0	14.5	16.3	18.3	22.5	25.3	
Average Annual Percent Change Before and After Partnership					7.9%				14.9%	
Baltimore City Grade 8 Composite Index	8.7	10.3	13.2	13.9	13.8	14.3	15.3	18.3	19.0	
Average Annual Percent Change Before and After Partnership					12.2%				8.3%	

Baltimore City CTBS/5 Scores*
After Partnership Began
% of Students Testing Above CTBS Average
1998 through 2001

<u>Grade</u>	<u>Reading Scores</u>				<u>Math Scores</u>			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
1	32.1%	38.5%	49.0%	55.1%	28.5%	28.0%	40.8%	50.4%
2	28.6%	31.4%	36.2%	42.7%	23.4%	23.7%	34.3%	43.6%
3	28.7%	29.2%	36.9%	41.8%	23.1%	21.7%	33.8%	41.0%
4	27.6%	26.7%	28.0%	33.8%	18.0%	18.6%	29.1%	34.6%
5	19.7%	19.9%	35.9%	42.4%	17.0%	17.9%	30.2%	36.8%
6	n/a	22.6%	25.9%	28.0%	n/a	20.5%	25.7%	26.8%
7	n/a	n/a	30.7%	32.7%	n/a	n/a	26.5%	26.5%

Note: BCPSS began administering the CTBS/5 in 1998.

Source: Department of Legislative Services

Exhibit 10

Maryland Functional Test Results - Percent Passing

<u>Grade 9 Status</u>	<u>SY 1996-1997</u>	<u>SY 1997-1998</u>	<u>SY 1998 - 1999</u>	<u>SY 1999 - 2000</u>	<u>Percent Change</u>
Reading	90.3	91.2	89.1	89.2	(1.2)%
Mathematics	49.2	49.4	54.9	60.6	23.2%
Writing	64.3	65.6	71.6	76.3	18.7%
<u>Grade 11 Status</u>	<u>SY 1996-1997</u>	<u>SY 1997-1998</u>	<u>SY 1998-1999</u>	<u>SY 1999-2000</u>	
Reading	98.4	97.8	97.9	98.3	(0.1)%
Mathematics	79.5	77.3	78.9	83.2	4.7%
Writing	89.7	88.9	91.0	92.7	3.3%

Source: The Baltimore City Public School System Remedy Plan for FY 2003 and Department of Legislative Services

Arguably, the effects of the partnership and its accompanying increase in funding will continue to improve test scores as the students in today’s third and fifth grades continue through the school system. If test scores capture student ability to perform well in the workforce and in higher education, then the students in these lower grades should be much better off than students who were in the school system before the partnership. For those students who were in the school system when the partnership began, but were past the early grades where more funding was focused, test scores as noted above, do not seem to show much improvement. However, these students will soon be entering the workforce or higher education and will be the students most in need of skills.

DLS recommends that MSDE address how partnership funding could be better focused to help BCPSS students in higher grades gain the skills they need to succeed in the workforce and in higher education.

6. Penalties May Have a Substantial Impact on Class Size Reduction Funding

The Maryland Learning Success Program, commonly referred to as the State’s class size reduction program, is entering its third year of awarding grants to local education agencies for class size reduction. LEAs must use the grants to reduce their first and second grade class sizes for reading instruction. Under Section 5-212 of the Education Article, the State must reduce the amount of the grant by 5% for every 1% by which the percentage of an LEA’s teachers who are provisionally certified teachers exceeds 2%, unless the State Superintendent grants a waiver. As **Exhibit 11** shows, 20 out of the 24 LEAs could incur a penalty.

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Exhibit 11

**Potential Class Size Reduction Penalty
Fiscal 2003 Estimate**

<u>LEA</u>	<u>Estimated % of Provisional Teachers</u>	<u>% of Provisional Teachers > 2%</u>	<u>% in Excess of 2%</u>	<u>% Penalty (x5)</u>	<u>Amount of Penalty</u>	<u>Amount of Grant Before Penalty</u>	<u>Amount of Grant After Penalty</u>
Allegany	0.5%	0.0%	0.0%	0.0%	\$0	\$202,956	\$202,956
Anne Arundel	3.4%	3.4%	1.4%	7.0%	130,307	1,861,530	1,731,223
Baltimore City	23.1%	23.1%	21.1%	105.0%	2,726,713	2,726,713	0
Baltimore	4.9%	4.9%	2.9%	15.0%	390,000	2,600,003	2,210,003
Calvert	4.0%	4.0%	2.0%	10.0%	40,867	408,673	367,806
Caroline	2.1%	2.1%	0.1%	0.0%	0	126,658	126,658
Carroll	2.1%	2.1%	0.1%	1.0%	6,797	679,702	672,905
Cecil	3.4%	3.4%	1.4%	7.0%	26,971	385,305	358,334
Charles	9.5%	9.5%	7.5%	38.0%	218,347	574,597	356,250
Dorchester	4.1%	4.1%	2.1%	11.0%	10,456	95,050	84,594
Frederick	3.2%	3.2%	1.2%	6.0%	55,763	929,387	873,624
Garrett	0.8%	0.0%	0.0%	0.0%	0	112,164	112,164
Harford	3.6%	3.6%	1.6%	8.0%	78,319	978,989	900,670
Howard	4.8%	4.8%	2.8%	14.0%	168,851	1,206,077	1,037,226
Kent	3.8%	3.8%	1.8%	9.0%	5,556	61,728	56,172
Montgomery	4.8%	4.8%	2.8%	14.0%	707,240	5,051,712	4,344,472
Prince George's	18.0%	18.0%	16.0%	80.0%	2,742,348	3,427,935	685,587
Queen Anne's	8.1%	8.1%	6.1%	31.0%	56,062	180,844	124,782
St. Mary's	6.2%	6.2%	4.2%	21.0%	80,170	381,763	301,593
Somerset	3.7%	3.7%	1.7%	8.0%	5,579	69,732	64,153
Talbot	7.5%	7.5%	5.5%	27.0%	28,223	104,530	76,307
Washington	1.1%	0.0%	0.0%	0.0%	0	470,903	470,903
Wicomico	2.6%	2.6%	0.6%	3.0%	10,019	333,978	323,959
Worcester	3.5%	3.5%	1.5%	8.0%	12,095	151,187	139,092
Unallocated						3,000,000	3,000,000
Total					\$7,500,683	\$26,122,116	\$18,621,433

Source: Maryland State Department of Education

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The State Superintendent may waive or modify the reduction if an LEA has made:

- substantial efforts to reduce its number of provisionally certified teachers;
- significant attempts to recruit and hire certified teachers;
- significant attempts to assist provisionally certified teachers in becoming certified in the State; and
- significant attempts to rehire retired certified teachers.

As **Exhibit 12** shows, only Garrett and Kent Counties have reduced the percentage of provisionally certified teachers since fiscal 1999.

Exhibit 12

Change in Provisionally Certified Teachers

<u>LEA</u>	<u>% of Provisionally Certified Teachers as of February 5, 1999</u>	<u>Estimated % of Current Provisionally Certified Teachers</u>	<u>Difference in Percentage Points</u>
Allegany	0.3%	0.5%	0.2%
Anne Arundel	1.0%	3.4%	2.4%
Baltimore City	17.4%	23.1%	5.7%
Baltimore	2.7%	4.9%	2.2%
Calvert	0.6%	4.0%	3.4%
Caroline	0.9%	2.1%	1.2%
Carroll	1.6%	2.1%	0.5%
Cecil	1.6%	3.4%	1.8%
Charles	3.4%	9.5%	6.1%
Dorchester	2.2%	4.1%	1.9%
Frederick	2.5%	3.2%	0.7%
Garrett	0.9%	0.8%	-0.1%
Harford	3.5%	3.6%	0.1%
Howard	2.2%	4.8%	2.6%
Kent	4.4%	3.8%	-0.6%
Montgomery	1.9%	4.8%	2.9%
Prince George's	15.5%	18.0%	2.5%
Queen Anne's	2.3%	8.1%	5.8%
St. Mary's	4.7%	6.2%	1.5%
Somerset	1.9%	3.7%	1.8%
Talbot	5.9%	7.5%	1.6%
Washington	0.7%	1.1%	0.4%
Wicomico	0.9%	2.6%	1.7%
Worcester	1.3%	3.5%	2.2%

Source: Maryland State Department of Education and Department of Legislative Services

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Since fiscal 1999 only two school systems have reduced their percentage of provisionally certified teachers. All but four counties would be subject to the penalty provisions of the class size reduction program. **DLS recommends that the penalty provision not be enforced this year and that the class size reduction program be suspended at fiscal 2002 levels.** The class size reduction grants provide funds to hire additional teachers, but the number of provisionally certified teachers continues to increase. Local efforts should be focused on reducing the number of provisionally certified teachers before reducing class sizes by hiring additional teachers. Funding the class size reduction program at fiscal 2002 levels would result in a \$7.3 million reduction in aid for fiscal 2003. With this reduction direct local aid for the public schools will still be increasing by \$118.2 million or 4.6% in a year total general fund revenues are forecasted to be less than fiscal 2001 attainments. In addition, federal revenues for fiscal 2003 are projected to increase \$77.3 million or 15.1%, before taking into account the recently enacted enhancements to federal grant programs.

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Recommended Actions

	<u>Amount Reduction</u>	<u>Position Reduction</u>
1. Delete federal dropout prevention funding for children at risk. Sufficient funding exists in the 4.9% increase in direct State education aid to local jurisdictions between the fiscal 2002 working appropriation and the fiscal 2003 allowance to allow the jurisdictions to continue their dropout prevention efforts. Additionally, deletion of this funding, which consists of Temporary Assistance to Needy Families (TANF) funding, would free up funding for higher priority TANF purposes.	\$ 9,731,335	FF
2. Reduce funds for basic current expense. The Maryland State Department of Education has adjusted the full-time equivalent enrollment count since submission of the fiscal 2003 allowance. The adjustment reduces the amount of basic current expense needed in fiscal 2003 from \$1,764,525,925 to \$1,764,230,813.	295,112	GF
3. Reduce funds for transportation grants. The Maryland State Department of Education has adjusted the full-time equivalent enrollment count since submission of the fiscal 2003 allowance. The adjustment reduces the amount of transportation funding needed in fiscal 2003 from \$138,909,659 to \$138,902,184.	7,475	GF
4. Reduce funds for the Governor's Teacher Salary Challenge Program. The Maryland State Department of Education has adjusted the full-time equivalent enrollment count since submission of the fiscal 2003 allowance. The adjustment reduces the amount of funding needed for the hold harmless component of the program from \$72,516,157 to \$72,512,109.	4,048	GF
5. Reduce disabled transportation grant for Montgomery County per audit. A fiscal 2000 audit of State Aid Programs found that Montgomery County had provided a disabled student ridership count of 7,332 disabled students. However, the audit found that Montgomery County had overstated the ridership by six students and recommended fiscal 2003 State transportation funding of \$1,739,000 for disabled students. This reduction	3,000	GF

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complies with the audit recommendations.

6. Add the following language:

, provided that this appropriation shall be reduced by \$7,336,912 contingent upon the enactment of legislation altering the Maryland Learning Success Program

Explanation: Funding for this class size reduction program should be frozen at fiscal 2002 formula levels. Local efforts should be focused on reducing the number of provisionally certified teachers before reducing class sizes by hiring additional teachers. With this reduction direct local aid for the public schools will still be increasing by \$118.2 million or 4.6% in a year total general fund revenues are forcecasted to be less than fiscal 2001 attainments.

7. Add the following language:

Restrict funding for the State Library Resource Center (SLRC) until SLRC operates the State Publications Depository and Distribution Program in compliance with the law.

Explanation: The State Library Resource Center (SLRC) is required to operate the State Publications Depository and Distribution Program. The program requires the SLRC to collect and distribute State publications to depository libraries. Until the SLRC operates the program in compliance with the law, funding for the SLRC shall be withheld.

Total Reductions	\$ 10,040,970
Total General Fund Reductions	\$ 309,635
Total Federal Fund Reductions	\$ 9,731,335

Updates

1. Almost Half of Prekindergarten Through Third Grade Initiative Funding Devoted to Full-day Kindergarten

The legislature appropriated \$19.0 million in fiscal 2002 for prekindergarten through third grade initiatives to strengthen student performance on the MSPAP. As **Exhibit 12** shows, the local jurisdictions collectively devoted almost half of the funding to full-day kindergarten.

Exhibit 12

Distribution of Governor’s Prekindergarten through Grade 3 Initiative

<u>Program</u>	<u>Amount of \$19.0 Million Spent Per Program</u>	<u>Percentage of \$19.0 Million Used Per Program</u>
Full-Day Kindergarten	8,678,434	45.7%
Class Size Reduction	2,758,749	14.5%
Staff Development	2,645,063	13.9%
Curricular Activities	2,524,151	13.3%
Prekindergarten	574,612	3.0%
Other*	1,818,991	9.6%
Total	\$19,000,000	100%

* Includes activities such as the purchase of relocatable classrooms, physical education staff, after-school enrichment, and reading mentors.

Source: Maryland State Department of Education

The 13 LEAs who used \$8.7 million of the funding for full-day kindergarten spent the funds on personnel and material costs to support moving from half-day to full-day kindergarten. The ten LEAs who used \$2.8 million for class size reduction spent the funds on related personnel costs. The seven LEAs who used \$2.6 million on staff development spent the funds on projects such as in-service programs for early intervention, early childhood arts programs, and reading instruction. The nine LEAs that spent \$2.5 million on curricular initiatives devoted the funds primarily to reading instruction and early intervention. Six LEAs spent \$574,612 on offsetting operating costs for the Extended Elementary Education Program prekindergarten component. The remaining \$1.8 million was spent on purchasing relocatable classrooms, staff for physical education, after-school enrichment, reading mentors, and other activities.

2. Prince George's County School Board Faces Possible Restructuring

Following a vote to fire Prince George's County Schools Superintendent Iris T. Metts, State and Prince George's County leaders have submitted proposals to restructure the board.

Prince George's County School Board and County Superintendent Continue to Disagree

On February 2, 2002, the Prince George's County school board voted to fire Superintendent Metts. The board contends that academic performance on standardized tests during Metts' two-and-a-half year tenure has fallen. Indeed, the Grade 3 composite score for Prince George's County students on the MSPAP has fallen from 31.2 in 1999 to 26.0 in 2001; the Grade 5 composite score has fallen from 31.9 in 1999 to 28.5 in 2001; and the Grade 8 composite score increased from 30.2 in 1999 to 31.0 in 2000 and then decreased to 30.5 in 2001.

Superintendent Metts appealed the board's decision to fire her to the Maryland State Board of Education. On February 11, 2001, the State board voted unanimously to reject the firing. The State board said the Prince George's County School Board does not have authority to fire its superintendent.

The firing represents the latest dispute between the board and Metts. State and local leaders argue that the ongoing disputes between the board and Metts are harming the children in Prince George's County schools. Emergency legislation (HB 780) has been introduced to appoint a crisis management board. Other emergency legislation would permanently restructure the school board, which currently consists of nine elected members. These proposals for restructuring the board include:

- HB 949 which would recreate the board to consist of one member elected from each of five proposed school board districts, four members elected at large by county voters, and one student member; and
- HB 955 which would recreate the board to consist of six elected members, three members jointly appointed by the Prince George's County Executive and the Governor, and one student member. The County Executive and the Governor would select the appointed members from a list of qualified individuals provided by the Maryland State Board of Education.

Current and Prior Year Budgets

**Current and Prior Year Budgets
Aid to Education
(\$ in Thousands)**

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2001					
Legislative Appropriation	\$2,796,908	\$64,458	\$466,477	\$528	\$3,328,371
Deficiency Appropriation	10,305	0	0	0	10,305
Budget Amendments	425	3,371	67,826	1,640	73,262
Reversions and Cancellations	(1,620)	(1,120)	(58,675)	(184)	(61,600)
Actual Expenditures	\$2,806,018	\$66,709	\$475,629	\$1,984	\$3,350,339
Fiscal 2002					
Legislative Appropriation	\$2,948,057	\$79,883	\$510,978	\$473	\$3,539,392
Budget Amendments	(40)	(1,050)	0	0	(1,090)
Working Appropriation	\$2,948,017	\$78,833	\$510,978	\$473	\$3,538,302

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

The fiscal 2001 general fund legislative appropriation increased by \$10.3 million from three deficiency appropriations and \$425,000 from budget amendments. The first deficiency appropriation provided \$4.8 million to cover additional nonpublic special education costs. The second deficiency appropriation provided \$5.5 million for additional BCPSS remedy plan costs. The third deficiency appropriation provided \$61,488

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to adjust for the effect of a delayed release of ratio data from the Department of Assessments and Taxation for library funding.

The \$425,000 increase in budget amendments reflects the net gain from the following transfers:

- \$2.1 million from formula and audit adjustments made to current expense (\$95,500) and transportation (\$144,500), and overestimates of local optional libraries retirement benefits (\$400,000), out-of-county living arrangements (\$424,000), and teacher bonuses and stipends (\$1.0 million), to provide funds for newly identified Prince George's County local reconstitution schools;
- \$5.5 million from limited English proficiency formula funds due to a student count error offset by grants to local school systems for their one-half portion of the overstatement (\$2.8 million) and to the Baltimore City remedy plan (\$2.8 million); and
- \$75,000 transferred to MSDE Headquarters to conduct an adequacy study for the Commission on Education Finance, Equity, and Excellence (Thornton Commission).

MSDE reverted \$1.6 million in fiscal 2001 general funds primarily due to \$1.0 million appropriated for emergency education assistance for Allegany County, which was later rejected by the Allegany County Board of Education; \$293,283 for class size reduction, which was not used based on a lower number of students than anticipated; and \$139,984 allocated to Somerset County for local reconstitution, which was not used.

The fiscal 2001 special fund legislative appropriation increased by \$3.4 million in budget amendments consisting of \$3.0 million transferred from MSDE Headquarters to Aid to Education for Judy Hoyer Centers; \$200,000 from the Montgomery County Technology Innovative Challenge for technology programs; \$196,179 for the East Coast Migrant Head Start Project; and \$25,000 from the WorldCom Foundation to raise awareness of Internet opportunities for school staff.

MSDE reverted \$1.1 million in special funds primarily due to \$922,575 from the Governor's Teacher Salary Challenge Program. The legislative appropriation for this program was based on estimated salary bases which differed from actual salary bases and assumed all school systems would satisfy the local match requirement which Caroline and Calvert counties did not satisfy.

The fiscal 2001 federal fund legislative appropriation increased by \$67.8 million in budget amendments primarily from federal programs for special education, adult education, teacher quality enhancement, reading excellence, child nutrition, and class size reduction. Federal fund cancellations totaled \$58.7 million.

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The fiscal 2001 reimbursable fund legislative appropriation increased by \$1.6 million in budget amendments consisting primarily of a \$1.3 million transfer from the Interagency Committee for Public School Construction to MSDE for capital improvements to the three Edison schools and a \$331,450 transfer from Department of Health and Mental Hygiene for sexual assault prevention and awareness funding. MSDE reverted \$183,897 in unused sexual abuse funds.

The primary change in the fiscal 2002 legislative appropriation is a \$1.1 million decrease in the special fund legislative appropriation reflecting a transfer of school readiness funding to MSDE Headquarters.

Object/Fund Difference Report
MSDE - Aid to Education

Object/Fund	FY02		FY03 Allowance	FY02 - FY03 Amount Change	Percent Change
	FY01 Actual	Working Appropriation			
Objects					
02 Technical & Spec Fees	\$ 230	\$ 0	\$ 0	\$ 0	0.0%
03 Communication	25	0	0	0	0.0%
08 Contractual Services	100,000	0	0	0	0.0%
11 Equip - Additional	203,181	0	0	0	0.0%
12 Grants, Subsidies, Contr	3,349,785,896	3,538,301,502	3,782,320,351	244,018,849	6.9%
14 Land & Structures	250,000	0	0	0	0.0%
Total Objects	\$ 3,350,339,332	\$ 3,538,301,502	\$ 3,782,320,351	\$ 244,018,849	6.9%
Funds					
01 General Fund	\$ 2,806,018,368	\$ 2,948,017,153	\$ 3,151,707,730	\$ 203,690,577	6.9%
03 Special Fund	66,708,798	78,833,496	41,879,938	(36,953,558)	(46.9%)
05 Federal Fund	475,628,513	510,977,853	588,252,683	77,274,830	15.1%
09 Reimbursable Fund	1,983,653	473,000	480,000	7,000	1.5%
Total Funds	\$ 3,350,339,332	\$ 3,538,301,502	\$ 3,782,320,351	\$ 244,018,849	6.9%

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Appendix 3

Fiscal Summary
MSDE - Aid to Education

<u>Unit/Program</u>	<u>FY01</u>	<u>FY02</u>	<u>FY02</u>	<u>FY02</u>	<u>FY01 - FY02</u>	<u>FY03</u>	<u>FY02 - FY03</u>
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>Appropriation</u>	<u>% Change</u>	<u>Allowance</u>	<u>% Change</u>
01 State Share of Basic Current Expenses	\$ 1,621,434,571	\$ 1,681,694,683	\$ 1,681,694,683	\$ 1,681,694,683	3.7%	\$ 1,764,525,925	4.9%
03 Aid for Local Employees Fringe Benefits	374,309,816	336,007,952	336,007,952	336,007,952	(10.2%)	382,402,733	13.8%
04 Children at Risk	10,374,441	15,275,056	15,275,056	15,275,056	47.2%	16,835,155	10.2%
05 Formula Programs for Specific Populations	5,176,124	6,063,043	6,063,043	6,063,043	17.1%	6,463,043	6.6%
07 Students With Disabilities	177,595,697	186,567,250	186,567,250	186,567,250	5.1%	182,377,825	(2.2%)
08 Assist State Educating Students with Disabilities	145,429,999	160,843,829	160,843,829	160,843,829	10.6%	228,640,000	42.2%
09 Gifted and Talented	5,443,729	6,506,504	6,466,504	6,466,504	18.8%	6,169,829	(4.6%)
10 Environmental Education	68,057	68,057	68,057	68,057	0%	68,057	0%
11 Disruptive Youth	1,601,655	1,601,655	1,601,655	1,601,655	0%	1,601,655	0%
12 Educationally Deprived Children	107,319,730	110,065,416	110,065,416	110,065,416	2.6%	132,368,591	20.3%
13 Innovative Programs	41,292,440	63,840,310	63,840,310	63,840,310	54.6%	48,188,117	(24.5%)
14 Adult Continuing Education	7,507,348	7,614,315	7,614,315	7,614,315	1.4%	8,048,774	5.7%
15 Language Assistance	1,664,641	1,970,468	1,970,468	1,970,468	18.4%	1,500,423	(23.9%)
18 Career and Technology Education	14,709,132	14,236,867	14,236,867	14,236,867	(3.2%)	14,306,179	0.5%
20 Baltimore City Partnership Funding	66,232,417	70,465,079	70,465,079	70,465,079	6.4%	70,465,079	0%
22 Compensatory Education and SAFE Funding	231,004,052	239,758,690	239,258,690	239,258,690	3.6%	269,503,554	12.6%
23 Class Size Initiative	29,821,210	36,320,382	36,320,382	36,320,382	21.8%	46,851,641	29.0%
27 Food Services Program	143,516,195	149,832,653	149,832,653	149,832,653	4.4%	153,070,201	2.2%
31 Public Libraries	26,568,818	27,941,828	27,941,828	27,941,828	5.2%	29,027,762	3.9%
32 State Library Network	8,478,299	11,011,769	11,011,769	11,011,769	29.9%	12,557,844	14.0%
39 Transportation	122,439,503	133,303,298	133,303,298	133,303,298	8.9%	138,909,659	4.2%
45 School Building Construction Aid	98,291,560	100,522,850	100,522,850	100,522,850	2.3%	103,862,347	3.3%
52 Science And Mathematics Education Initiative	4,728,937	4,883,139	4,883,139	4,883,139	3.3%	5,897,710	20.8%
53 School Technology	17,363,708	20,846,000	20,846,000	20,846,000	20.1%	15,416,000	(26.0%)
54 School Quality, Accountability, and Recognition	22,082,279	19,856,227	19,856,227	19,856,227	(10.1%)	21,894,427	10.3%
55 Teacher Development	14,243,000	16,348,000	16,848,000	16,848,000	18.3%	16,227,000	(3.7%)
56 Governor's Teacher Salary Challenge Program	34,092,043	85,221,182	85,221,182	85,221,182	150.0%	72,516,157	(14.9%)
57 Transitional Education Funding Program	17,549,931	30,725,000	29,675,000	29,675,000	69.1%	29,675,000	0%
58 Head Start	0	0	0	0	0%	2,949,664	
Total Expenditures	\$ 3,350,339,332	\$ 3,539,391,502	\$ 3,538,301,502	\$ 3,538,301,502	5.6%	\$ 3,782,320,351	6.9%
General Fund	\$ 2,806,018,368	\$ 2,948,057,153	\$ 2,948,017,153	\$ 2,948,017,153	5.1%	\$ 3,151,707,730	6.9%
Special Fund	66,708,798	79,883,496	78,833,496	78,833,496	18.2%	41,879,938	(46.9%)
Federal Fund	475,628,513	510,977,853	510,977,853	510,977,853	7.4%	588,252,683	15.1%

Fiscal Summary						
MSDE - Aid to Education						
<u>Unit/Program</u>	<u>FY01 Actual</u>	<u>FY02 Legislative Appropriation</u>	<u>FY02 Working Appropriation</u>	<u>FY01 - FY02 % Change</u>	<u>FY03 Allowance</u>	<u>FY02 - FY03 % Change</u>
Total Appropriations	\$ 3,348,355,679	\$ 3,538,918,502	\$ 3,537,828,502	5.7%	\$ 3,781,840,351	6.9%
Reimbursable Fund	\$ 1,983,653	\$ 473,000	\$ 473,000	(76.2%)	\$ 480,000	1.5%
Total Funds	\$ 3,350,339,332	\$ 3,539,391,502	\$ 3,538,301,502	5.6%	\$ 3,782,320,351	6.9%