

R00A02
Aid to Education
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 16-17</u>	<u>% Change</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$5,751,551	\$5,818,305	\$5,905,108	\$86,803	1.5%
Deficiencies and Reductions	0	2,508	0	-2,508	
Adjusted General Fund	\$5,751,551	\$5,820,813	\$5,905,108	\$84,295	1.4%
Special Fund	391,187	399,107	463,944	64,838	16.2%
Deficiencies and Reductions	0	-6,123	0	6,123	
Adjusted Special Fund	\$391,187	\$392,984	\$463,944	\$70,960	18.1%
Federal Fund	785,932	825,423	914,608	89,185	10.8%
Adjusted Federal Fund	\$785,932	\$825,423	\$914,608	\$89,185	10.8%
Reimbursable Fund	10	140	140	0	
Adjusted Reimbursable Fund	\$10	\$140	\$140	\$0	0.0%
Adjusted Grand Total	\$6,928,681	\$7,039,359	\$7,283,800	\$244,440	3.5%

- Fiscal 2016 deficiency appropriations provide a total of \$33.5 million increase in general funds. This is offset by \$11.6 million decrease in special funds due to Video Lottery Terminal (VLT) revenue shortfalls. These deficiencies are for fiscal 2016 costs and prior year costs.
- Deficiencies for fiscal 2016 costs impact several programs. Proposed fiscal 2016 deficiency appropriations for the Foundation program provide an increase of \$6.1 million in general funds and a corresponding decrease in special funds due to revised VLT revenue projections for fiscal 2016. A \$7.9 million increase in general funds is provided to the Nonpublic Placements program (NPP) due to anticipated actual expenditures in fiscal 2016. An increase of \$600,000 is provided for anticipated expenditures for Montgomery County Optional Library Retirement and \$600,000 is also provided for funds for planning grants to establish four Pathways in Technology Early College High Schools, or P-TECH schools, in Maryland.

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

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- Deficiency appropriations also occur in fiscal 2016 to cover prior costs in fiscal 2015. This includes \$12.4 million for NPP expenses, \$5.5 million to replace Education Trust Fund (ETF) special fund revenues with general funds due to VLT revenue shortfall, and \$443,238 for Maryland Meals for Achievement program expenses. These amounts are not reflected in the table.
- Two reversions, one due to Section 48 of the fiscal 2016 budget bill, and one due to over budgeting the Out-of-county Placements program, decrease funding for fiscal 2016 by a combined \$12.7 million.
- The fiscal 2017 allowance is \$244.4 million above the adjusted fiscal 2016 working appropriation, considering all funds. General funds increase by \$84.3 million, or 1.4%, primarily due to the Geographic Cost of Education Index (GCEI) being restored to full funding. Special funds increase by \$71.0 million, or 18.1%, based on ETF revenue projections to cover required Foundation program formulas. Federal funds increase by 10.8%, primarily due to food services programs and increased Title I funding.

Analysis in Brief

Major Trends

Reading and Math Scores Decrease: The National Assessment of Educational Progress (NAEP) is an assessment performed by the National Center for Education Statistics (NCES). Though reading and math scores rose for the State for much of calendar 2007 through 2013, from 2013 to 2015, as the State has been transitioning to the Maryland College and Career-Ready Standards (MCCRS), the percentage of students scoring at or above the NAEP basic level for math dropped by 3 percentage points for both fourth graders and eighth graders, while the percentage of students scoring at the basic level or above for reading dropped 9 percentage points for fourth graders and 6 percentage points for eighth graders. According to NCES, Maryland is not scoring higher than public schools nationally in any of these categories. These declines in math and reading scores follow the same trends that were occurring in the Maryland School Assessment before it was phased out after school year 2013-2014.

High School Assessment Percent Passing Decreases in Three of Four Subject Areas: The Maryland High School Assessments (HSA) measure school and individual student performance in high school English, Algebra I, Biology, and Government. Beginning with the class of 2009, the assessments have been a graduation requirement. The percent of State students passing the Biology HSA has held level at 87.6% from the previous school year. This was the only subject area that did not decrease in pass rates from the prior year. The percent passing the English HSA decreased to 83.9% in the 2014-2015 school year from 85.9% the previous year. The percent passing the Algebra HSA decreased slightly, from 88.2% to 87.4%. The percent passing the Government HSA also decreased from 80.9% to 75.7%.

Statewide Graduation Rate Increases: The four-year cohort graduation rate is calculated by dividing the number of students who graduate in four years or less with a regular high school diploma by the

number of students who form the adjusted cohort for that graduating class. Cohort graduation rates indicate that an increasing number of Maryland students are graduating on-time each year. The four-year adjusted cohort graduation rate for the class of 2015 was 87.0%, which amounts to a 0.6 percentage point increase over the class of 2014 rate. Graduation rates improved for 19 school districts from the class of 2014-2015. The Maryland State Department of Education (MSDE) reports that Maryland continues to perform above the national average, and that dropout rates for the State are at an all-time low.

Issues

State Aid to Education to Increase by \$152.5 Million: Under current law, public schools are expected to receive approximately \$6.3 billion in fiscal 2017, representing a \$152.5 million (2.5%) increase over the prior fiscal year. The increase is comprised of aid that flows directly to local school boards, which grows by \$114.5 million (2.1%), along with an increase of \$38.0 million (5.2%) in retirement aid. The increase in direct aid is driven by a slight rise in the per pupil foundation amount and enrollment increases, full funding of the GCEI, and the continued phase-in of Net Taxable Income education grants.

Addressing Basic Cost and Local Share of Basic Cost Concerns for Nonpublic Placements: Due to the NPP being a current year funded program, there have been ongoing needs to reconcile costs at the close of the fiscal year. In the case of deficiency appropriations for fiscal 2015 and 2016, this has included funds necessary to cover expenses in fiscal 2014 and 2015 following their close. MSDE and the Department of Legislative Services (DLS) discovered flaws in the methodology used for calculating basic cost and the local share of basic cost during the 2014 session. MSDE has developed new methodologies for basic cost and the local share of basic cost calculations, which it has implemented for fiscal 2016. DLS has questions about aspects of this new methodology and has suggested simplifying the calculation. **MSDE should comment on the progress of its work to simplify the calculation of basic cost. MSDE should also comment on whether the appropriation for fiscal 2016 and 2017 will be sufficient to cover costs, and on progress it has made in predicting costs for the NPP.**

Cost of Quality Teaching Incentives Continues to Be Addressed: To better inform recommendations for the allocation of Quality Teacher Incentive (QTI) grants, MSDE has requested an additional year to analyze new assessment data, given that Maryland has recently transitioned to the MCCRS and to the Partnership for Assessment of Readiness for College and Careers (PARCC) assessments aligned with MCCRS. This would allow for PARCC assessment data to be used to review the status and progress of low-performing schools. Additionally, given that the accountability system related to the PARCC assessments is not fully developed, it is not presently possible to utilize the data from the 2015 administration for use with the administration of the QTI grants for the 2015-2016 school year. MSDE states that the opportunity for additional review could ultimately lead to recommendations for revisions in statutory language that would allow for increased flexibility in allocating the QTI grants. In addition to utilizing new data, MSDE wants to work with a diverse group of stakeholders to further develop options that may include other models for teacher support beyond the current focus on stipends. **DLS recommends the adoption of committee narrative directing MSDE to use new assessment**

data and evidence-based research to make recommendations to enhance teaching as a profession and improve teacher preparation and retention.

Funding for Jurisdictions with Declining Enrollment and Decreasing State Aid: The fiscal 2017 allowance includes \$5.6 million to provide aid to jurisdictions that have declining enrollment. This includes \$4.0 million for Carroll County, \$1.3 million for Garrett County, and \$300,000 for Kent County. This aid is separate from the mandated funding in the allowance for Jurisdictions with Small and Declining Enrollment Populations under Section 5-202 of the Education Article. In fiscal 2017, Kent County is the only county that qualifies for the grant and receives \$65,000 in the allowance. Carroll, Garrett, and Kent counties are only 3 of the 13 counties experiencing a decline in enrollment to impact their fiscal 2017 foundation aid, and only 2 counties – Kent and Baltimore City – also have a decrease in State direct aid. Of particular note, Baltimore City experiences a 2.4% decline in student enrollment for fiscal 2017, as well as a 2.7% decline in direct education aid. **DLS recommends deleting the additional \$5.6 million from the fiscal 2017 allowance since the counties receiving the grants do not qualify for them under current law.** Kent County would still receive \$65,000.

Recommended Actions

	<u>Funds</u>
1. Add language requiring the Maryland State Department of Education to notify the budget committees of fund transfers from R00A02 Aid to Education to any other budgetary unit.	
2. Add language making funding for Pathways in Technology Early College High Schools grants contingent upon the enactment of legislation.	
3. Delete funding for declining enrollment aid for Carroll, Garrett, and Kent counties.	\$ 5,600,000
4. Adopt narrative requesting a report on improving teacher preparation and retention.	
5. Add language making deficiency appropriation for Pathways in Technology Early College High Schools grants contingent upon the enactment of legislation.	
Total Reductions	\$ 5,600,000

Updates

Baltimore City Public Schools Deficit: Pursuant to a request from the 2015 *Joint Chairmen’s Report*, the Baltimore City Board of Commissioners and Baltimore City Public Schools (BCPS) provided responses to questions regarding the structural deficit for BCPS in fiscal 2016. BCPS reports that it had originally projected a \$73.0 million budget gap for fiscal 2016 due to matching flat or reduced revenues against expenditures with built-in escalators, such as contractual labor obligations and vendor contracts. Budget reductions increased the budget gap to \$94.9 million, taking into account some restorations of funding. In addition, BCPS identified \$23.0 million in priority areas and initiative spending, resulting in a combined deficit of \$117.9 million. This deficit was resolved through a combination of cost saving measures implemented in the third quarter of fiscal 2015, and in the fiscal 2016 budget. Additionally, the State allowed BCPS and Baltimore City to defer \$20.0 million in contributions for 21st Century Schools until fiscal 2017. Altogether, these savings total \$117.9 million.

R00A02 – MSDE – Aid to Education

R00A02
Aid to Education
Maryland State Department of Education

Operating Budget Analysis

Program Description

State and local governments share responsibility for Maryland's public schools. In 2002, the State's Commission on Education Finance, Equity, and Excellence (a.k.a. the Thornton Commission) recommended, and the legislature approved, altering and enhancing the distribution of State aid to education. The new distribution system was phased in from fiscal 2003 through 2008. Since fiscal 2009, funding adjustments have been determined primarily by changes in enrollment.

Under the Bridge to Excellence (BTE) in Public Schools Act of 2002, commonly referred to as "Thornton," school systems receive a basic per pupil funding amount through the Foundation program. Additional formulas provide supplemental aid based on students with special needs including students with disabilities, students eligible for free and reduced-price meals (FRPM), and students with limited English proficiency (LEP). The Geographic Cost of Education Index (GCEI) is a mandated formula to account for differences in the costs of educational resources among school systems. State aid for student transportation also increased under Thornton.

Along with enhanced funding, local jurisdictions received broad flexibility in determining how to meet State goals for student achievement. At the same time, each school system is held accountable for achieving the goals and student outcome measurements outlined in its Comprehensive Master Plan, which is updated annually. Local education agencies (LEA) submitted new five-year master plans in fall 2015, as required by Chapter 466 of 2012, which will be updated annually to encompass a rolling five-year period. **The Maryland State Department of Education (MSDE) should comment on the status of the master plan review and approval process.**

In addition to funding for public education, MSDE is responsible for the general direction and control of library development in Maryland. The State provides support for local libraries, the State Library Resource Center, and several regional resource centers. State library aid is budgeted under Aid to Education.

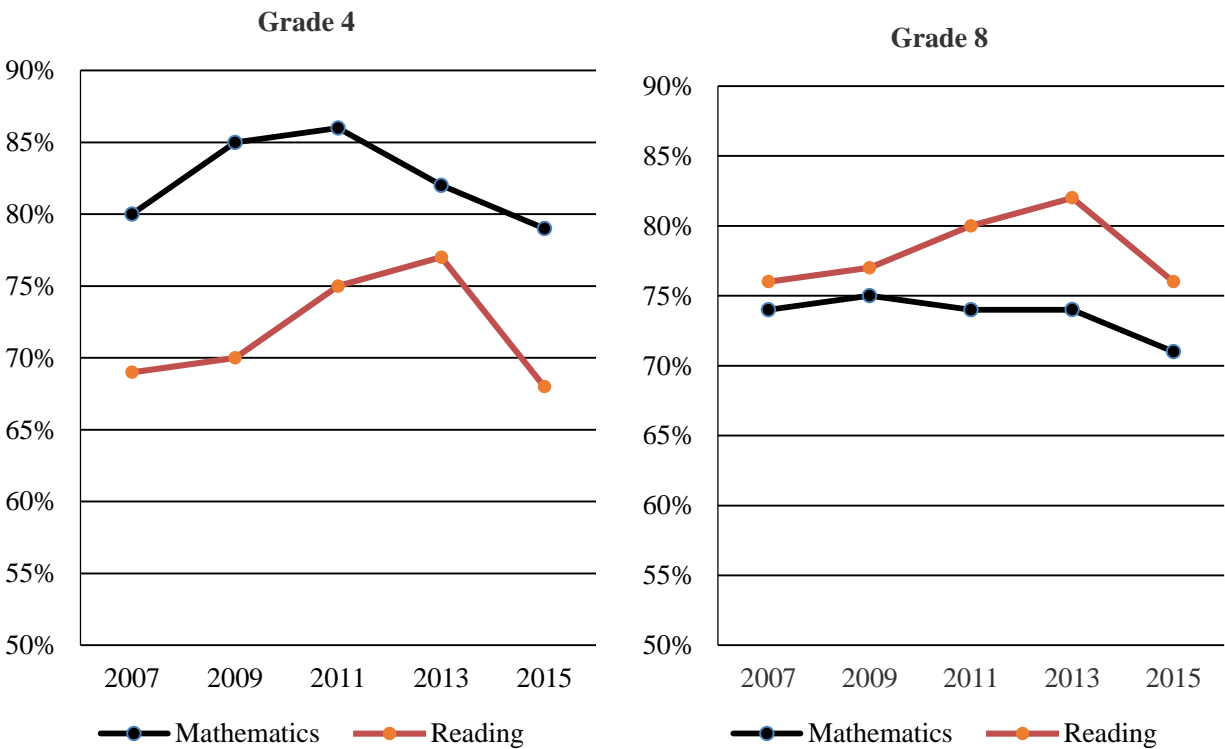
Performance Analysis: Managing for Results

1. Reading and Math Scores Decrease

The National Assessment of Educational Progress (NAEP) is an assessment performed by the National Center for Education Statistics (NCES). NAEP provides results on subject-matter achievement, instructional experiences, and school environment for populations of students and is administered uniformly nationwide. **Exhibit 1** shows the NAEP results in reading and mathematics

for Maryland fourth graders and eighth graders from calendar 2007 through 2015. Though scores rose for much of this time period, from 2013 to 2015, as the State has been transitioning to the Maryland College and Career-Ready Standards (MCCRS), the percentage of students scoring at or above the NAEP basic level for math dropped by 3 percentage points for both fourth graders and eighth graders respectively, while the percentage of students scoring at the basic level or above for reading dropped 9 percentage points for fourth graders and 6 percentage points for eighth graders. According to NCES, Maryland is not scoring higher than public schools nationally in any of these categories. These declines in math and reading scores follow the same trends that were occurring in the Maryland School Assessment (MSA) before they were phased out after the school year 2013-2014. The MSA declines have been attributed by MSDE to the misalignment between the MCCRS curriculum and the MSAs.

Exhibit 1
National Assessment of Educational Progress Scores
Students Performing At or Above Basic
Calendar 2007-2015

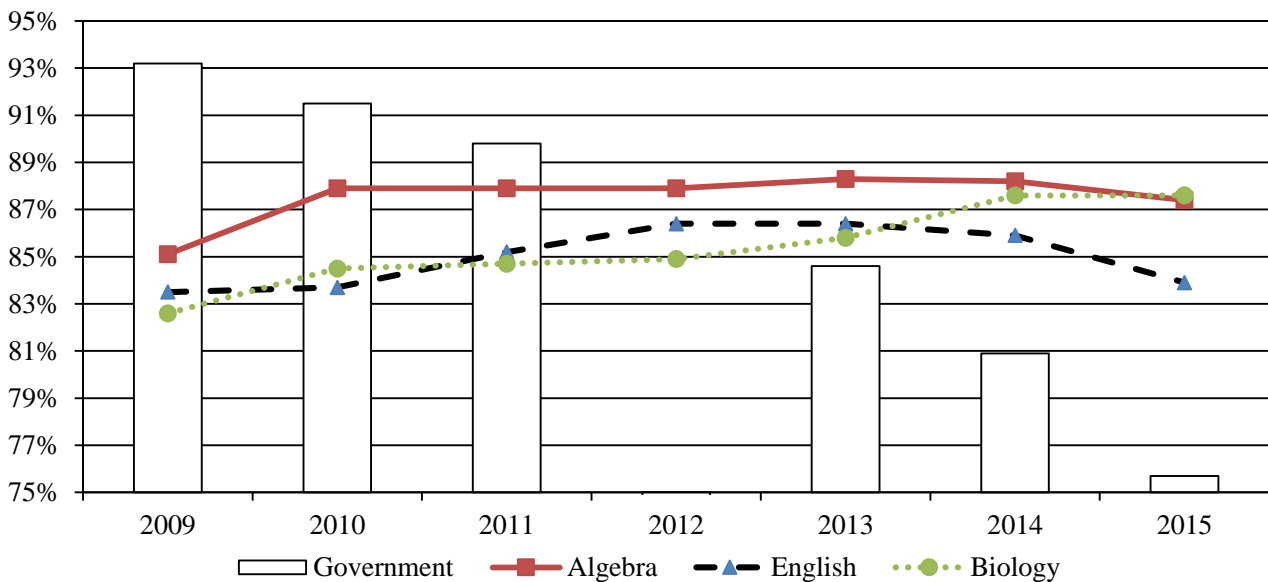


Source: National Center for Education Statistics, *State Profiles*

2. High School Assessment Percent Passing Decreases in Three of Four Subject Areas

The Maryland High School Assessments (HSA) measure school and individual student performance in high school English, Algebra I, Biology, and Government. The assessments are administered at the end of courses and are offered four times per year. Beginning with the class of 2009, the assessments have been a graduation requirement. As shown in **Exhibit 2**, the percent passing the Biology HSA held level at 87.6% from the previous school year. This was the only subject area that did not decrease in pass rates from the prior year. The percent passing the English HSA decreased to 83.9% in the 2014-2015 school year from 85.9% the previous year. The percent passing the Algebra HSA decreased slightly, from 88.2% to 87.4%. The percent passing the Government HSA decreased significantly from 80.9% to 75.7%. In fiscal 2012, the Government HSA was eliminated to recognize cost savings, although Chapter 476 of 2012 required MSDE to reinstate the Government HSA. Due to the elimination and subsequent reinstatement of the Government exam, passing the Government exam is a graduation requirement beginning with students entering grade 9 in the 2013-2014 school year. With the transition to Partnership for Assessment of Readiness for College and Careers (PARCC), passing the English and Algebra HSAs is not a graduation requirement for students taking the assessments in the 2014-2015 and 2015-2016 school years.

Exhibit 2
High School Assessments – Percent Passing
School Year 2008-2009 to 2014-2015



Notes: Pass rates shown are for twelfth-grade students.

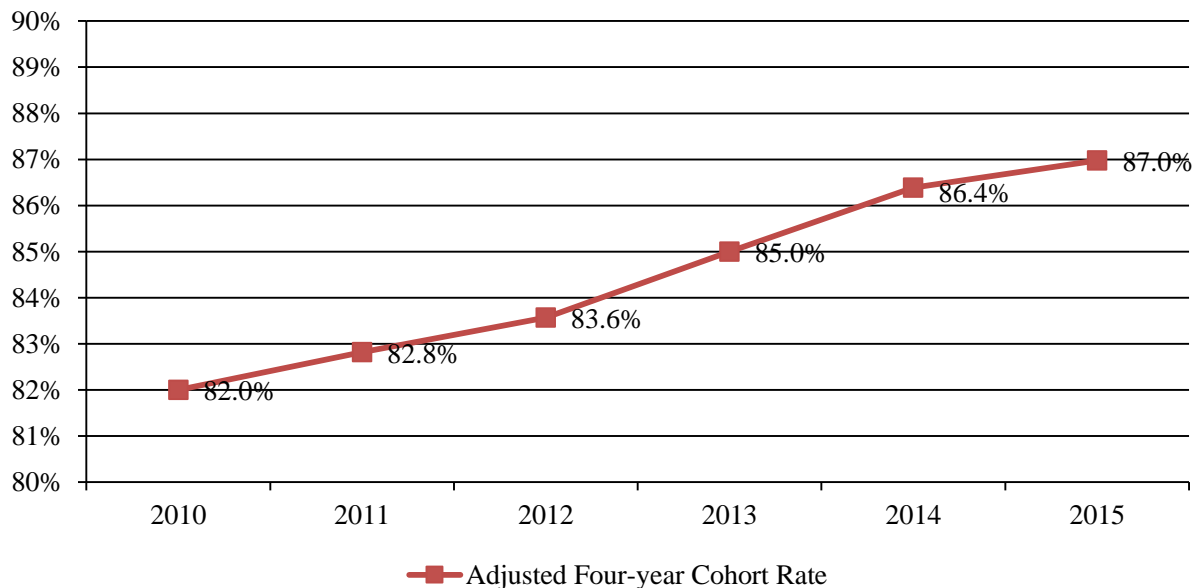
Source: *The Maryland Report Card*, Maryland State Department of Education

3. Statewide Graduation Rate Increases

The four-year adjusted cohort rate follows the cohort of students who entered high school. From the beginning of grade 9, students who transfer into the cohort later during grade 9 and the next three years are added, and students who transfer out, emigrate to another country, or die during that same period are subtracted. The four-year cohort graduation rate is calculated by dividing the number of students who graduate in four years or less with a regular high school diploma by the number of students who form the adjusted cohort for that graduating class. Students who drop out remain in the adjusted cohort in the denominator of the calculation. MSDE also reports three- and five-year adjusted cohort rates.

Cohort graduation rates indicate that an increasing number of Maryland students are graduating on-time each year. The four-year adjusted cohort graduation rate for the class of 2015 was 87.0%, as shown in **Exhibit 3**, which amounts to a 0.6 percentage point increase over the class of 2014 rate. Graduation rates improved for 19 school districts from the class of 2014 to 2015, as shown in **Exhibit 4**. MSDE reports that Maryland continues to perform above the national average, and that dropout rates for the State are at an all-time low. The lowest graduation rate in the State at 69.5% was in Baltimore City, which was a slight decline from the 2014 cohort.

Exhibit 3
State Graduation Rates
2010-2015 School Years



Source: *The Maryland Report Card*, Maryland State Department of Education

Exhibit 4
Graduation Rate by County
2015 Cohort

<u>School System</u>	<u>Students Graduating</u>	<u>Adjusted Cohort</u>	<u>Rate</u>	<u>Difference from Prior Year Rate</u>
Allegany	638	693	92.1%	0.6%
Anne Arundel	5,025	5,710	88.0%	0.3%
Baltimore City	3,540	5,092	69.5%	-0.1%
Baltimore County	6,882	7,840	87.8%	0.2%
Calvert	1,264	1,342	94.2%	0.1%
Caroline	354	399	88.7%	6.8%
Carroll	-	-	≥ 95.0%	≥ 0.0%
Cecil	1,060	1,208	87.7%	-0.9%
Charles	2,127	2,303	92.4%	0.9%
Dorchester	306	355	86.2%	-1.7%
Frederick	2,861	3,061	93.5%	0.9%
Garrett	243	260	93.5%	0.3%
Harford	2,602	2,893	89.9%	0.1%
Howard	3,839	4,107	93.5%	0.6%
Kent	158	174	90.8%	1.1%
Montgomery	9,940	11,124	89.4%	-0.3%
Prince George's	7,321	9,297	78.7%	2.2%
Queen Anne's	571	602	94.9%	0.9%
Saint Mary's	1,231	1,306	94.3%	0.8%
Somerset	161	183	88.0%	2.4%
Talbot	290	311	93.2%	1.5%
Washington	1,599	1,754	91.2%	0.1%
Wicomico	857	1,026	83.5%	-0.9%
Worcester	486	522	93.1%	2.0%
SEED	29	34	85.3%	n/a
State	55,473	63,775	87.0%	0.6%

SEED: School for Education Evolution and Development

Source: *The Maryland Report Card*, Maryland State Department of Education

Fiscal 2016 Actions

Proposed Deficiency

The fiscal 2017 allowance provides a total of \$22.0 million in deficiency funds for Aid to Education. This includes a \$33.5 million increase in general funds, which is offset by a decrease of \$11.6 million in special funds due to video lottery terminal (VLT) and table game revenue shortfalls. These deficiencies are for fiscal 2016 costs and for prior year costs.

Deficiencies for fiscal 2016 costs are provided for several programs. Proposed fiscal 2016 deficiency appropriations for the Foundation program provide an increase of \$6.1 million in general funds and a corresponding decrease in special funds due to revised VLT and table game revenue projections for fiscal 2016. A \$7.9 million increase in general funds is provided to the Nonpublic Placements program (NPP) due to anticipated actual expenditures. An increase of \$600,000 is provided for anticipated expenditures for Montgomery County Optional Library Retirement. In addition, \$600,000 is provided for funds for planning grants to establish four Pathways in Technology Early College High Schools (P-TECH) in Maryland. This deficiency is to be used for planning grants, with additional funding provided in fiscal 2017 for operations. MSDE disseminated a Request for Proposals (RFP) on January 15, 2016, for the fiscal 2016 grants to support the planning phase of the P-TECH schools (April 15, 2016, through September 30, 2016), stating that these grants are available through fiscal 2016 State Budget Appropriation, contingent on the availability of funds. **MSDE should comment on why this RFP was issued prior to approval of planning grant funding and whether the deficiency funds can be fully spent in fiscal 2016.**

Deficiency appropriations are also budgeted in fiscal 2016 to cover prior costs in fiscal 2015, totaling \$18.3 million in general funds. This includes \$12.4 million for NPP expenses, \$5.5 million to replace Education Trust Fund (ETF) revenues with general funds due to a VLT revenue shortfall, and \$443,238 for Maryland Meals for Achievement program expenses.

Assumed General Fund Reversions

The Governor's fiscal 2017 allowance includes \$12.7 million in assumed general fund reversions from programs budgeted within Aid to Education. Of this reversion, \$11.9 million is due to Section 48 of the fiscal 2016 budget bill, which restricted those funds from foundation spending for other programs, and \$800,000 is due to over budgeting for the Out-of-county Placements program. The fiscal 2017 allowance for the Out-of-county Placement program reduces its funding by \$600,000.

Proposed Budget

The proposed fiscal 2017 allowance is \$7.3 billion, a \$244.4 million increase over the fiscal 2016 working appropriation across all funds, as shown in **Exhibit 5**. The changes by program are shown in **Appendix 4**. General funds increase by \$84.3 million. BTE formulas increase \$110.6 million in fiscal 2017. The fiscal 2017 allowance includes \$463.9 million in special funds

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primarily budgeted from VLT and table game proceeds and funding for the School for Education Evolution and Development (SEED).

**Exhibit 5
Proposed Budget
MSDE – Aid to Education
(\$ in Thousands)**

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2015 Actual	\$5,751,551	\$391,187	\$785,932	\$10	\$6,928,681
Fiscal 2016 Working Appropriation	5,820,813	392,984	825,423	140	7,039,359
Fiscal 2017 Allowance	<u>5,905,108</u>	<u>463,944</u>	<u>914,608</u>	<u>140</u>	<u>7,283,800</u>
Fiscal 2016-2017 Amount Change	\$84,295	\$70,960	\$89,185	\$0	\$244,440
Fiscal 2016-2017 Percent Change	1.4%	18.1%	10.8%		3.5%

Where It Goes:

Bridge to Excellence Changes

Geographic Cost of Education Index restore to 100%	\$68,798
Net taxable income adjustment phase in from 40% to 60 %	15,880
Foundation formula	14,906
Limited English proficiency	10,021
Transportation funding	4,611
Compensatory education	3,978
Special education formula	3,610
Guaranteed Tax Base	749
Small and declining enrollment grant	-21

General Fund Changes

Teacher and librarian retirement	38,884
Declining enrollment aid for Carroll, Garrett, and Kent counties	5,600
Public libraries funding formula	974
State library network	404
Out-of-county Placements program	200
Local library retirement administration charge	38
SEED School	15
P-TECH Schools	-496
Nonpublic placements	-3,896

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Where It Goes:

Quality Teacher Incentives grants.....	-7,000
Combined Fund Changes	
Science and mathematics education initiative.....	-1,558
Federal Fund Changes	
Food services program	74,394
Title I – educationally deprived children funds and school improvement grants	12,768
GEAR-UP program.....	1,648
Gifted and talented	800
English language grants	713
Museum and Library Services Act.....	450
Teacher development – Improving Teacher Quality.....	150
Rural School Enhancement	-7
Special education – grants to states, preschool, and infant/family grants	-1,071
Children at risk	-1,103
Total	\$244,440

GEAR-UP: Gaining Early Awareness and Readiness for Undergraduate Programs
P-TECH: Pathways in Technology Early College High Schools
SEED: School for Education Evolution and Development

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

Bridge to Excellence Changes

- ***GCEI (\$68.8 Million Increase):*** The GCEI is a mandated formula that accounts for differences in the costs of educational resources among the local school systems. A detailed discussion on the increase for GCEI is located in the Issues section of this analysis.

- ***Net Taxable Income (\$15.9 Million Increase):*** The fiscal 2017 allowance includes a \$15.9 million increase for the fourth of a six-year phased change to the Net Taxable Income (NTI) amount used to calculate wealth-based education formulas enacted by Chapter 4 of 2013. A detailed discussion on changes in NTI funding is located in the Issues section of this analysis.

- ***Foundation Formula (\$14.9 Million Increase):*** The Foundation formula ensures a minimum funding level per pupil and requires the LEA to provide a local match. The formula is calculated based on a per pupil amount and student enrollment. Less wealthy school systems, as measured by the assessable base and the NTI, receive more aid per pupil than wealthier school systems. A detailed discussion on the increase for Foundation funding is located in the Issues section of this analysis.

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- ***LEP (\$10.0 Million Increase):*** The LEP formula provides additional funds based on the number of students for whom English is a second language. The formula is calculated based on the enrollment of LEP students and 99.0% of the per pupil foundation amount. The \$10.0 million increase represents a 9.9% increase over the fiscal 2016 level and is based on 2,700 more LEP students. Like the compensatory formula, the State pays 50.0% of the formula costs statewide for LEP with a floor of 40.0% for each LEA.
- ***Transportation Funding (\$4.6 Million Increase):*** The State provides grants to assist LEAs with the cost of transporting students to school. The grant includes a separate component for the transportation of disabled students, which equals \$1,000 per student requiring special transportation enrolled in the school system in the prior fiscal year. Section 5-205 of the Education Article requires an inflationary increase based on the Consumer Price Index for private transportation in the second preceding fiscal year for the base grant. The rate can fluctuate between 1.0% and 8.0%. The fiscal 2017 allowance includes funds to support a 1.0% increase for student transportation.
- ***Compensatory Education (\$4.0 Million Increase):*** The compensatory education formula provides additional funding based on the number of students eligible for FRPM. The formula is calculated using the number of eligible students and 97.0% of the per pupil foundation amount. The State share of the formula cost is 50.0%, with the State paying no less than 40.0% of formula funding for each LEA. Funds are distributed to each LEA based on the enrollment of students eligible for FRPM in the school system and local wealth. The \$4.0 million increase in fiscal 2017, reflects an increase of 1,045 FRPM students. Currently, 44.0% of students statewide qualify for FRPM.
- ***Special Education (\$3.6 Million Increase):*** The special education formula provides additional aid based on the number of students with disabilities. The formula is calculated using special education enrollment and 74.0% of the per pupil foundation amount. The State share of the formula cost is 50.0% statewide with a floor of 40.0% for each LEA. The State share increases by \$3.6 million, or 1.3%, in the fiscal 2017 allowance, due to the 0.1% increase in the foundation per pupil amount and an increase of 1,365 students.
- ***Guaranteed Tax Base (\$749,000 Increase):*** The Guaranteed Tax Base provides additional funding to LEAs with less than 80.0% of statewide wealth per pupil and with a contribution of more than the minimum required local share under the Foundation program in the prior fiscal year compared to the LEA's wealth (*i.e.*, education effort). In fiscal 2017, 10 school systems qualify for the grant.
- ***Small and Declining Enrollment Grants (\$21,000 Decrease):*** As required by Chapters 515 and 516 of 2014, the State is required to provide grants in fiscal 2015 through 2017 to local boards of education, which receive a decrease of more than 1.0% in total direct education aid from the current fiscal year *and* that have a total enrollment count of less than 5,000 students that have declined from the previous fiscal year. The grant must equal 50.0% of the decrease in total direct education aid. The fiscal 2016 working appropriation provided \$86,321 for

Kent County, while the 2017 allowance decreases that amount to \$64,973. The allowance also includes \$5.6 million in grants of additional aid for Carroll, Garrett, and Kent counties due to their declining enrollments that are not included in the foundation amount here. Grants to jurisdictions with declining enrollment is discussed in the Issues section of this analysis.

Other General Fund Changes

- ***Teachers' and Librarians' Retirement (\$38.9 Million Increase):*** The increase in teacher and librarian retirement is due to \$47.4 million added in the allowance for K-12 education and local library pensions, including money added in accordance with the Budget Reconciliation and Financing Act (BRFA) of 2015, and increased retirement costs. These increases are offset due to Chapter 1 of the first special session of 2012 (the BRFA), which requires school boards to pay the actual normal cost for their eligible employees beginning in fiscal 2017. More detail on retirement contributions is in the Issues section of this analysis.
- ***Public Library Aid (\$974,000 Increase):*** Chapter 481 of 2005 provided funding increases for county public libraries based on an increase in the per capita formula funding level. Budget reconciliation legislation enacted between 2007 and 2011 slowed enhancements and reduced the target per resident amount to \$14.00 from \$16.00. Chapter 489 of 2015 (the BRFA) altered a multi-year plan to phase in an increase in the per capita amount, from \$14.47 per resident in fiscal 2016 to \$16.70 per resident by fiscal 2025. The fiscal 2017 per capita amount is \$14.54.
- ***State Library Network (\$404,000 Increase):*** The State provides funds in addition to the local library formula to libraries designated as resource centers, including the State Library Resource Center in Baltimore City, the Eastern Resource Center in Salisbury, the Southern Resource Center in Charlotte Hall, and the Western Resource Center in Hagerstown.

State funding for the State Library Resource Center had been steady at \$1.85 per Maryland resident, but Chapter 487 of 2009 reduced the amount to \$1.67 per resident in fiscal 2010 and 2011. Chapter 397 of 2011 (the BRFA) held funding at \$1.67 per resident for fiscal 2012 through 2016, before a phase-in to \$1.85 per resident in 2019 and in subsequent years. Chapter 397 also set funding for regional resource centers at \$6.75 per resident of each region for fiscal 2012 through 2016, before phasing up to \$7.50 per resident in 2019 and in subsequent years. Chapter 500 of 2014 accelerated the per capita increase to \$7.50 and established a multi-year plan to phase in an increase up to \$8.75 per resident by fiscal 2019. Chapter 489 extended the phase-in from 5 to 10 years. The per capita amount in fiscal 2017, under current law, is \$7.15 per resident.

- ***Out-of-county Placements and Schools Near County Lines (\$200,000 Increase):*** The State provides a contribution to counties for educating students who are not permanent residents of the county but may be attending the local school. This includes students who live near county lines and the closest school is not in their county of residence, and students in State-supervised or foster care who are not in the county where their legal guardian resides. The State contribution is a statutory mandate and depends on the number of children in these

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circumstances. Fiscal 2015 actual expenditures totaled \$2.2 million. The fiscal 2017 allowance is \$2.4 million. The Out-of-county Placements program, receives a \$200,000 increase over the working appropriation, taking into account the \$800,000 targeted reversion for the program in fiscal 2016.

- ***At-risk Youth – School for Disadvantaged Youth (\$15,000 Increase):*** SEED of Maryland is a residential education boarding program for at-risk students that opened in August 2008 (fiscal 2009) with a grade 6 class of 80. SEED graduated its first grade 12 class of 29 students at the end of the 2014-2015 school year.

General funds increase by \$15,000 in the allowance, bringing the total State funds for SEED to \$10.3 million. Beginning in fiscal 2014, minimum funding per student is the prior year funding amount as altered by the annual change in the per pupil foundation amount that is used to determine State aid for public primary and secondary education. The inflationary factor used in the Foundation program, under current law, is 0.1% in fiscal 2017.

Special funds for SEED are level funded at \$4.8 million in fiscal 2016. Special funds are collected from LEAs where SEED students are domiciled. Because the LEA local cost of education (LCE) varies from year to year, the SEED special fund budget is an estimate, which is adjusted after the fiscal year starts. Once actual LEA LCE fund amounts are calculated, usually in March, the appropriation is either increased or a deficiency request or budget amendment is submitted to cover the shortfall.

- ***P-TECH Schools (\$496,000 Decrease):*** The Governor’s allowance includes funding to establish P-TECH schools. Students attending P-TECH schools would have the opportunity to graduate from the six-year program with a high school diploma and a two-year degree at a community college in science, technology, engineering, or mathematics disciplines. The allowance includes a \$600,000 deficiency appropriation in fiscal 2016 for planning grants, with \$104,000 included in fiscal 2017 for the first year of P-TECH operations. According to the proposal, two P-TECH schools will be in Baltimore City, and two will be in rural Maryland. **The Department of Legislative Services (DLS) recommends that this funding be made contingent upon the enactment of HB 464 or SB 376, which establishes P-TECH schools in the State.**
- ***NPPs (\$3.9 Million Decrease):*** The State funds a share of the cost of placing students with special needs in nonpublic school facilities. The costs vary depending on the number of students and the cost of the services provided for students placed in the program. Funding for NPP decreases by \$3.9 million from the working appropriation, taking into account the \$7.9 million deficiency to cover fiscal 2016 expenses. Funding for NPP is further discussed in the Issues section of this analysis.
- ***QTI and NBC Fees (\$7.0 Million Decrease):*** Funds for Quality Teacher Incentives (QTI) are used to recruit and retain quality teachers by providing stipends to teachers achieving the National Board of Certification (NBC). Shortfalls in funding for the program existed beginning

in fiscal 2013. The fiscal 2017 allowance is decreased by \$7.0 million due to the BRFA of 2015 eliminating the stipend for Advanced Professional Certificate (APC) teachers who teach in comprehensive needs schools and who have not also achieved the NBC. The QTI program is further discussed in the Issues section of this analysis.

NBC fees provide funds to reimburse teachers for the cost of attaining the NBC. The fiscal 2017 allowance, which includes \$600,000 in general funds and \$300,000 in special funds, is level funded at the fiscal 2016 amount. Chapter 581 of 2013 repealed the termination date for the program, which provides State reimbursement for NBC fees for up to 1,000 teachers. The State pays two-thirds of the fee, and the counties pay one-third.

Combined Fund Changes

- ***Science and Mathematics Education Initiative (\$1.6 Million Decrease):*** Funding for the Science and Mathematics Education Initiative includes programs such as summer sessions for teachers and an equipment incentive fund. This includes federal funding through the Mathematics and Science Partnership grants by the U.S. Department of Education (USDE). Though USDE grants for the partnership increase by \$442,000 for fiscal 2017, the allowance eliminates all \$2.0 million in general funds for the initiative.

Federal Fund Changes

- ***Food Services Program (\$74.4 Million Increase):*** Federal funds budgeted for food services include the School Breakfast Program, the National School Lunch Program, and the Child and Adult Care Food Program.
- ***Title I – Educationally Deprived Children (\$12.8 Million Increase):*** Federal Title I grants are allocated to states under the Elementary and Secondary Education Act to provide additional resources for low-income children.
- ***Gaining Early Awareness and Readiness for Undergraduate Programs (\$1.6 Million Increase):*** Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) provides multi-year USDE grants to provide support, and maintain a commitment, to a cohort of low-income students to obtain a diploma and prepare for postsecondary education. The 2017 allowance includes \$2.0 million for GEAR-UP grants.
- ***Gifted and Talented (\$800,000 Increase):*** MSDE provides technical assistance and funding for programs serving gifted and talented children in all 24 jurisdictions. Federal fund support has been provided through the Advanced Placement Test Fee Payment Program.
- ***English Language Grants (\$713,000 Increase):*** The Language Assistance Program supports instruction in public and nonpublic schools for students whose native language is not English. Funds are provided to LEAs for speakers of other language or bilingual instruction, in-service

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training for English to Speakers of Other Languages/bilingual teachers, and curriculum and materials.

- ***Improving Teacher Quality (\$150,000 Increase):*** Federal funds for Improving Teacher Quality are distributed to states based on a two-part formula: a base allocation; and a formula that accounts for each state's share of the population ages 5 to 17 and relative share of poor children in that age range. Funds are used for professional development, class-size reduction, and other activities that improve teacher quality.
- ***Special Education (\$1.1 Million Decrease):*** Federal special education funds include special education grants to states, preschool grants, and grants for infants and families with disabilities.
- ***Children at Risk (\$1.1 Million Decrease):*** Programs for at-risk youth experience a decrease of \$1.1 million in federal funds. This is due to decreased funding for safe and drug free schools and communities.

Issues

1. State Aid to Education to Increase by \$152.5 Million

Under current law, public schools are expected to receive approximately \$6.3 billion in fiscal 2017, representing a \$152.5 million (2.5%) increase over the prior fiscal year. The increase is comprised of aid that flows directly to local school boards, which grows by \$114.5 million (2.1%), along with an increase of \$38.0 million (5.2%) in retirement aid. The increase in direct aid is driven by a slight rise in the per pupil foundation amount and enrollment increases, full funding of the GCEI, and the continued phase-in of NTI education grants.

Foundation and Most Other Direct Aid Programs Will Increase Slightly

The Foundation program is the major State aid program for public schools, accounting for nearly half of State education aid. For each school system, a formula determines the State and local shares of a minimum per pupil funding level, or “foundation.” The foundation program is projected to total nearly \$3.0 billion in fiscal 2017, an increase of \$14.9 million (0.5%), over fiscal 2016, as shown in **Exhibit 6**. The increase is attributable to enrollment growth of 0.43% (3,632 full-time equivalent students (FTES)) and a 0.15% increase in the per pupil foundation amount. The 0.15% increase in the per pupil foundation amount in fiscal 2017 is equivalent to the estimated change in the Implicit Price Deflator for State and Local Government Purchases.

Of the at-risk formulas, LEP has the largest dollar increases of \$10.0 million in fiscal 2017. A portion of the increase in the program is due to projected enrollment growth in English language learners and the rest of the increase can be attributed to the slight increase in the per pupil foundation amount. Compensatory education and special education both increase a very modest \$4.0 million and \$3.6 million, respectively.

GCEI

GCEI is a formula established in 2005 that accounts for differences in the costs of educational resources among local school systems and provides additional funding to school systems where educational resource costs are above the State average. The Governor’s fiscal 2016 State budget included 50% funding for the GCEI formula. The fiscal 2016 budget adopted by the General Assembly provided for 100% funding of the GCEI (\$136.2 million); however, restoration of half the GCEI funding was at the discretion of the Governor. Chapter 477 of 2015 makes funding of the program mandatory rather than discretionary, contingent upon full funding *not* being provided in the fiscal 2016 operating budget; since the Governor did not release funds set aside by the General Assembly (\$68.1 million) to fund the GCEI at 100% in fiscal 2016, full funding is mandatory beginning in fiscal 2017. Prior to fiscal 2016, the GCEI was partially funded in fiscal 2009 and was fully funded in fiscal 2010 to 2015. The formula applies a cost index to the foundation amount calculated for a school system; each eligible school system receives additional funds equal to the product of the foundation amount and the cost index. Thirteen local school systems are eligible for the GCEI funds in fiscal 2017. Full funding in fiscal 2017 results in \$136.9 million in grants, an increase of \$68.8 million.

Exhibit 6
State Aid for Education
Fiscal 2016 and 2017
(\$ in Thousands)

<u>Program</u>	<u>2016</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Foundation Program	\$2,947,083	\$2,961,988	\$14,906	0.5%
Net Taxable Income	23,821	39,702	15,880	66.7%
Geographic Cost Adjustment	68,100	136,898	68,798	101.0%
Supplemental Grant	46,620	46,620	0	0.0%
Small and Declining Enrollment Grant	86	5,665	5,579	6462.7%
Compensatory Ed Program	1,305,133	1,309,111	3,978	0.3%
Special Ed Program	275,997	279,608	3,610	1.3%
Nonpublic Placements	130,514	126,618	-3,896	-3.0%
Limited English Proficiency	217,180	227,201	10,021	4.6%
Guaranteed Tax Base	53,762	54,511	749	1.4%
Student Transportation	266,247	270,858	4,611	1.7%
Other	55,346	45,623	-9,724	-17.6%
Direct Aid Subtotal	\$5,389,891	\$5,504,403	\$114,512	2.1%
Teachers Retirement	729,286	767,255	37,969	5.2%
Total	\$6,119,176	\$6,271,658	\$152,482	2.5%

SEED: School for Education Evolution and Development

STEM: science, technology, engineering, and mathematics

Note: Other includes general and special funds supporting SEED, formulas for specific populations, Infants and Toddlers, Innovative Programs, Food Service, STEM, and Teacher Development. Excludes State Retirement Agency administrative fee for teachers' retirement.

Source: Department of Legislative Services

NTI Education Grants

The fiscal 2017 allowance includes a \$15.9 million increase for the fourth of a six-year phased change to the NTI amount used to calculate wealth-based education formulas enacted by Chapter 4 of 2013. The majority of State education aid is distributed through formulas that allocate funding to the local school boards inverse to local wealth per pupil. Local wealth includes the NTI and the assessable property tax base. Under the law, the NTI measure is based either on returns filed on or before September 1 of each year or tax returns filed through November 1, aligning the date with the automatic income tax extension deadline of October 15. Using the November NTI data results in a reallocation of State education aid, in which most counties receive more aid and some receive less.

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However, under Chapter 4, jurisdictions that would otherwise be adversely impacted are held harmless, and the NTI adjustment is phased in over six years (per the BRFA of 2015, the phase in was frozen at 40% in fiscal 2016), so local school boards that will receive an increase in State aid based on the November NTI realize 40% of the additional amount in fiscal 2016, 60% in fiscal 2017, and increasing incrementally to 100% in fiscal 2019.

State and Local Retirement Contributions Increase

State retirement costs for public school teachers and other professional personnel will total an estimated \$767.3 million in fiscal 2017, representing a \$38.0 million (5.2%) increase. This increase is attributed to approximately \$47.0 million added by the Governor for teacher pensions, including a portion of the fiscal 2015 surplus in accordance with the BRFA of 2015, offset by a decrease in State teacher retirement costs due to the local school boards paying the *actual* normal cost starting in fiscal 2017. Local school boards will contribute approximately \$279.8 million in fiscal 2017, not including State Retirement Agency administrative costs. The comparison of the local share of retirement as compared to the State share by jurisdiction for fiscal 2017 is available in **Exhibit 7**. Overall, the State is paying 73.0% of total costs and the locals are paying 27.0%

Exhibit 7
Cost Share for Teacher Retirement
Fiscal 2017

	<u>Local Share</u>	<u>State Share</u>
Allegany	\$2,763,242	\$7,578,562
Anne Arundel	23,751,648	65,142,096
Baltimore City	24,959,627	68,455,139
Baltimore County	31,600,022	86,667,321
Calvert	5,326,003	14,607,280
Caroline	1,644,635	4,510,633
Carroll	7,460,180	20,460,549
Cecil	4,865,193	13,343,449
Charles	7,971,354	21,862,512
Dorchester	1,386,542	3,802,780
Frederick	12,112,802	33,220,992
Garrett	1,177,020	3,228,138
Harford	10,170,828	27,894,865
Howard	21,295,257	58,405,111
Kent	657,556	1,803,434
Montgomery	58,672,664	160,917,685
Prince George's	41,195,463	112,984,111
Queen Anne's	2,277,138	6,245,360
St. Mary's	4,781,065	13,112,714
Somerset	995,816	2,731,161
Talbot	1,279,527	3,509,275
Washington	6,334,809	17,374,066
Wicomico	4,543,143	12,460,183
Worcester	2,529,473	6,937,419
Total	\$279,751,007	\$767,254,835

Source: Department of Legislative Services

Chapter 1 of the first special session of 2012, the BRFA, phased in over four years (fiscal 2013 to 2016) the requirement that local employers pay the employer “normal cost” for active members of the State Teachers’ Pension or Retirement Systems. Chapter 1 also initiated annual teacher retirement supplemental grants totaling \$27.7 million to lower-wealth counties (including Baltimore City) to help offset the impact of sharing teachers’ retirement costs with the counties, beginning in fiscal 2013. Counties were required to increase their appropriations to the local school boards to fund these teacher retirement costs during the four-year phase-in. Fiscal 2017 is the first year that the *actual* normal cost

will be used to determine local contributions; the estimated normal cost was set in statute for each county during the fiscal 2013 to 2016 period. Local contributions increase by \$25.0 million or 9.8% in fiscal 2017, as shown in **Exhibit 8**. While the required fiscal 2017 contribution is higher than fiscal 2016, it is about 9.0% lower than the estimate for fiscal 2017 at the same time last year. During the phase-in period normal costs were higher than initially projected in 2012. The State paid the difference in the estimated and actual normal cost rates at a total cost of \$159.9 million in fiscal 2014 to 2016. Current estimates project that normal costs will decrease modestly over the next three years. Chapter 1 also repealed the requirement that school systems reimburse the State for the full retirement costs of federally funded positions beginning in fiscal 2015 to help offset the impact of pension cost sharing.

Exhibit 8
Local Cost Share for Teacher Retirement
Fiscal 2016 and 2017

<u>County</u>	<u>2016</u>	<u>2017</u>	<u>Difference</u>
Allegany	\$2,773,677	\$2,763,242	-\$10,435
Anne Arundel	21,428,297	23,751,648	2,323,351
Baltimore City	24,092,793	24,959,627	866,834
Baltimore	29,374,395	31,600,022	2,225,627
Calvert	5,287,193	5,326,003	38,810
Caroline	1,480,175	1,644,635	164,460
Carroll	7,468,196	7,460,180	-8,016
Cecil	4,585,973	4,865,193	279,220
Charles	7,339,061	7,971,354	632,293
Dorchester	1,224,028	1,386,542	162,514
Frederick	10,987,499	12,112,802	1,125,303
Garrett	1,239,262	1,177,020	-62,242
Harford	10,309,396	10,170,828	-138,568
Howard	18,309,945	21,295,257	2,985,312
Kent	682,628	657,556	-25,072
Montgomery	50,761,802	58,672,664	7,910,862
Prince George's	36,456,662	41,195,463	4,738,801
Queen Anne's	2,061,093	2,277,138	216,045
St. Mary's	4,634,220	4,781,065	146,845
Somerset	895,121	995,816	100,695
Talbot	1,171,665	1,279,527	107,862
Washington	5,768,522	6,334,809	566,287
Wicomico	4,052,348	4,543,143	490,795
Worcester	2,370,640	2,529,473	158,833
Total	\$254,754,591	\$279,751,007	\$24,996,416

Note: Chapter 1 of the 2012 special session shifted teachers retirement costs to the local boards of education and required county governments to provide equivalent funds to the local boards above the required maintenance of effort. Other legislation passed at the special session enhanced county income and recordation tax revenues, in part, to offset these additional costs.

Source: Department of Legislative Services

Fiscal 2017 is the first year that the required local contribution for retirement costs will be incorporated into the per pupil Maintenance of Effort (MOE) amount. During the phase-in period, counties were required to fund the retirement cost in addition to the per pupil MOE amount. Beginning in fiscal 2017, the highest local appropriation in fiscal 2016 will include the pension contribution for purposes of calculating the per pupil MOE amount for fiscal 2017. Based on the 2012 projections, fiscal 2016 was expected to be the highest local pension contribution since normal cost was projected to decrease in the out-years. Although the normal cost is expected to decline, due to the higher than projected normal cost in fiscal 2017, for many counties the highest local pension contribution is in fiscal 2017 rather than fiscal 2016. One way to address this unexpected increase for the school systems would be to require the counties to include the additional fiscal 2017 contribution in the highest appropriation used to calculate the per pupil MOE amount for fiscal 2017. This would require separate legislation.

Maintenance of Effort

The MOE law requires each county government (including Baltimore City) to provide as much per pupil funding for the local school board as was provided in the prior fiscal year. The State Board of Education (SBE) has certified that the school appropriations of all counties have met the fiscal 2015 MOE requirement. In total, 14 counties exceeded the MOE by an average of 1.4% more than the required appropriation. In response to Montgomery County's appeal of the State Superintendent's finding that the county underfunded the school board by \$1.5 million (or by 0.1% of the \$1.5 billion appropriation) based on advice from MSDE, SBE declined to order the county to appropriate the \$1.5 million for fiscal 2016. However, the county may choose to appropriate the additional \$1.5 million in fiscal 2016, and SBE has directed the county to include the \$1.5 million within its fiscal 2016 highest local appropriation calculation when determining its fiscal 2017 MOE base amount.

Chapter 6 of 2012 made several changes to the MOE law and waiver processes. Under the law, beginning in fiscal 2015, a county that has an education effort below the five-year statewide average education effort must increase its MOE payment to the local school board in years when its local wealth base is increasing. The required increase is the lesser of the increase in a county's per pupil wealth, the average statewide increase in per pupil local wealth, or 2.5%. This provision ensures an increase in the amount a county provides to the local school board concomitant with an increase in county wealth.

Statewide per pupil local wealth increases 2.3% from fiscal 2016 to 2017. Ten jurisdictions will be required to increase their MOE appropriations in fiscal 2017 under this provision, 6 according to the change in their local per pupil wealth and 4 by the average statewide per pupil wealth. This is detailed in **Exhibit 9**.

The provision did not affect any counties in fiscal 2015 or 2016 due to declines in statewide per pupil local wealth from fiscal 2014 to 2015 and again from fiscal 2015 to 2016.

Exhibit 9
Projections of Required Increases in Per Pupil MOE Amounts
Fiscal 2017

	Estimated Percent Change in Per Pupil <u>Wealth</u>	Estimated Required Increase in Per Pupil <u>MOE</u>
Allegany	1.7%	1.7%
Anne Arundel	2.3%	0.0%
Baltimore City	7.7%	2.3%
Baltimore	2.1%	0.0%
Calvert	2.0%	0.0%
Caroline	0.2%	0.2%
Carroll	3.7%	0.0%
Cecil	1.0%	0.0%
Charles	2.0%	0.0%
Dorchester	1.5%	1.5%
Frederick	4.9%	0.0%
Garrett	2.6%	2.3%
Harford	2.4%	0.0%
Howard	2.9%	0.0%
Kent	3.8%	2.3%
Montgomery	3.2%	0.0%
Prince George's	2.6%	0.0%
Queen Anne's	1.9%	0.0%
St. Mary's	1.8%	0.0%
Somerset	2.6%	2.3%
Talbot	-0.1%	0.0%
Washington	1.8%	0.0%
Wicomico	0.2%	0.2%
Worcester	1.0%	1.0%

MOE: Maintenance of Effort

Source: Department of Legislative Services

2. Addressing Basic Cost and Local Share of Basic Cost Concerns for Nonpublic Placements

Most students with disabilities receive special education services in the public schools. However, if an appropriate program is not available in the public schools, a student may be placed in a private school offering more specialized services. The costs for these students, who are placed in nonpublic day or residential facilities, are shared by the local school systems and the State. The school

system 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 are split 70% State/30% local.

Due to NPP being a current year funded program, there have been ongoing needs to reconcile costs at the close of the fiscal year. In the case of deficiency appropriations for fiscal 2015 and 2016, this has included funds necessary to cover expenses from the prior year. **Exhibit 10** details the appropriation for the NPP by fiscal year showing the deficiency appropriations in the year the expenses were incurred. Expenditures for the NPP are difficult to predict due to variables such as the number of students in the program, the services they require, the local appropriation to the school system, and changes in State K-12 aid. Costs for the NPP have been trending upward, though MSDE has expressed confidence that the fiscal 2016 working appropriation should cover all costs after accounting for the deficiency appropriation. Due to the decrease in funding for fiscal 2017, NPP may be underfunded. Approximately \$500,000 should be available to apply toward fiscal 2017 expenses but that is still less than the projected total NPP appropriation for fiscal 2016. However, as discussed next, errors in the basic cost calculations have contributed to increased costs and correcting these errors may stabilize NPP funding at or below the fiscal 2016 level.

Exhibit 10
Funding for Nonpublic Placements
Fiscal 2013-2017
(\$ in Millions)

	<u>Actual</u> <u>2013</u>	<u>Actual</u> <u>2014</u>	<u>Actual</u> <u>2015</u>	<u>Working</u> <u>2016</u>	<u>Allowance</u> <u>2017</u>
Budget Appropriation	\$109.6	\$109.9	\$110.9	\$122.6	\$126.6
Fiscal 2014 Shortfall Covered by Fiscal 2015 Deficiency		10.4			
Excess Fiscal 2015 Deficiency Funds Used For Fiscal 2015 Shortfall			0.4		
Fiscal 2016 Deficiency Appropriations			12.4	7.9	
Adjusted Appropriation	\$109.6	\$120.3	\$123.7	\$130.5	\$126.6

Note: The \$12.4 million fiscal 2016 deficiency appropriation to cover fiscal 2015 expenses was based on the shortfall before the \$400,000 excess funds from the fiscal 2015 deficiency appropriation were applied. The shortfall in fiscal 2015 was only \$11.9 million. Therefore, the amount provided in the fiscal 2016 deficiency is \$500,000 more than needed.

Source: Department of Legislative Services

Addressing Errors in Basic Cost and Local Share of Basic Cost Calculation

The basic cost of education is defined in § 8-415 of the Education Article as “the average amount spent by the county from county, State, and federal sources for the public education of a

nonhandicapped child. Basic cost does not include amounts specifically allocated and spent for identifiable compensatory programs for disadvantaged children.” The definition and methodology for calculating basic cost are not defined or outlined in statute. The calculation for basic cost is detailed in **Exhibit 11**.

Exhibit 11 Calculating Basic Cost

$$\text{Basic Cost} = \frac{\text{Total Expenditures} - \text{Special Education Expenditures} - (\text{Total Federal Revenue} - (\text{IDEA} + \text{Title I} + \text{McKinney-Vento}))}{\text{FTE Enrollment}}$$

FTE: full-time equivalent

IDEA: Individuals with Disabilities Education Act

Source: Department of Legislative Services

MSDE and DLS discovered flaws in the methodology being used for calculating basic cost and local share of basic cost during the 2014 session. These flaws included double counting the amount of special education expenditures excluded from the calculation, using different definitions of basic cost at different points in the calculation, and overstating the anticipated change in the local share of basic cost when trying to forecast for budget development purposes. To some extent, the issues with the methodology may be complicated by the State’s implementation of BTE, which made State funding unrestricted to specific purposes, making it more difficult to calculate State aid and expenditures on special education in the calculation. Due to the basic cost and local share of basic cost errors, MSDE froze the fiscal 2015 rates at the fiscal 2014 rates.

New rates were developed and implemented by MSDE for fiscal 2016, and are discussed below. Some questions about aspects of the new methodology remain. These questions are discussed in greater detail later in this issue.

Local Share of Basic Cost

Since implementation of the BTE, most State and county aid to school systems is unrestricted. It is not possible to identify the local share of any given expenditure with absolute accuracy, therefore, making it difficult to follow funding streams specifically for special education. It is possible, and very likely, that many LEAs use revenue from other State Aid formulas (Foundation, Compensatory Education, LEP, *etc.*) to pay for special education services. Conversely, LEAs may choose not to use the entire amount provided through the State Special Education formula for special education services. The lack of transparency in the amount of State and local funds spent on special education may have contributed to a number of compounding missteps over the years. Flaws in calculations for basic cost and the local share of basic cost have understated the fiscal commitment of jurisdictions for funding nonpublic placements, which may have contributed to the large increases in State funding needed to support the program.

The new methodology used by MSDE for fiscal 2016 is to use the local and State revenue that is tracked and reported through Selected Financial Data. The local share of total revenue to each LEA could serve as a proxy for the local share of expenditures, including basic cost. As such, MSDE will determine the percent of total revenue, for each LEA, from local sources and then multiply the percent of revenue from local sources by the basic cost of education to estimate the local share of basic cost. The old calculation for local share of basic cost is detailed in **Exhibit 12**, while the methodology implemented for fiscal 2016 is detailed in **Exhibit 13**.

Exhibit 12
Old Methodology for Calculating Local Share of Basic Cost

$$\text{Local Share of Basic Cost} = (\text{Basic Cost} - (\text{State Aid} - \text{State Aid for Special Education}))$$

Source: Department of Legislative Services

Exhibit 13
New Methodology for Calculating Fiscal 2016 Local Share of Basic Cost

$$\text{Local Share of Basic Cost} = \% \text{ of Revenue from Local Sources} \times \text{Basic Cost}$$

Source: Maryland State Department of Education

Projecting Basic Cost

The most recent year of actual expenditure data is used as the basis for calculating the local share of basic cost. The data is from three years prior to the year for which the rates are being calculated. Because the old methodology compounded flawed rates by using year-over-year changes in prior rates, anomalies and outliers would impact the rates for multiple years. MSDE has proposed to apply inflation factors used in the Foundation formula to project current year rates, which would allow consistency among formulas. The old methodology, as it would have pertained to calculating the fiscal 2016 local share of basic cost, is detailed in **Exhibit 14**, while the new methodology implemented for fiscal 2016 is detailed in **Exhibit 15**.

Exhibit 14
Old Methodology for Projecting Fiscal 2016 Local Share of Basic Cost

Amount of Change = FY13 Local Share of Basic Cost – FY11 Local Share of Basic Cost

Average Amount of Change = Amount of Change x 0.5

Average Annual Change Percentage = $\frac{\text{Average Amount of Change}}{\text{FY11 Local Share of Basic Cost Per Pupil}}$

Note: Local share of basic cost is adjusted based on the average annual change in the local share of basic cost for the fiscal years five and three years preceding the year for which the rate is being calculated. For fiscal 2016 the rates would be adjusted based on the average annual change between fiscal 2011 and 2013.

Source: Maryland State Department of Education

Exhibit 15
**New Methodology Implemented Calculations for Projecting
Fiscal 2016 Local Share of Basic Cost**

FY14 Estimate = FY13 Local Share of Basic Cost x FY14 Inflation Factor

FY15 Estimate = FY14 Local Share of Basic Cost x FY15 Inflation Factor

FY16 Local Share of Basic Cost = FY15 Estimate x FY16 Inflation Factor

Note: The inflation factors used in the Foundation formula are applied to the local basic cost per pupil from the base year used in the calculation.

Source: Maryland State Department of Education

Local Contribution Toward Nonpublic Basic Cost

Flaws also have existed in the local contribution toward NPP basic costs, also referred to as the 300% calculation. This refers to the formula for each NPP that requires the respective student's LEA to contribute the sum of local share of basic cost and two times basic cost per pupil. As mentioned previously, any costs incurred over the 300% calculation is covered 70% by the State and 30% by the LEA.

In their review, MSDE noted that the local share of basic cost calculation and the 300% calculation used different methodologies for identifying the basic cost per pupil. The old methodology

found basic cost for the local share calculation by subtracting special education expenditures and certain federal programs for compensatory education from total expenditures. All expenditures in this calculation are from three years prior to the fiscal year for which the rate is being calculated. Meanwhile, the 300% calculation calculated basic cost by adding State Aid for K-12 under the BTE to the local share of basic cost. Moving forward, both will use the same basic cost per pupil methodology, calculated in the same fashion as the local share of basic cost, as shown in Exhibit 13. Because the rate is calculated using actual expenditures from three years prior, the inflation factors used in the Foundation formula will also be applied to the base rate to estimate current year rates. **Exhibit 16** details the effect that applying this change had on the 300% calculation for local jurisdictions for fiscal 2016.

Exhibit 16
Effect of New Basic Cost Methodology on 300% Calculation
Costs Per Student
Fiscal 2016

	<u>Old Methodology</u>	<u>New Methodology</u>	<u>Difference</u>
Allegany	\$31,539	\$22,136	-\$9,404
Anne Arundel	24,699	24,831	132
Baltimore	23,604	23,855	251
Baltimore City	20,339	23,387	3,048
Calvert	25,893	23,817	-2,076
Caroline	18,613	20,074	1,461
Carroll	26,139	23,630	-2,510
Cecil	22,420	21,066	-1,354
Charles	22,579	23,134	555
Dorchester	21,258	22,756	1,498
Frederick	20,898	23,955	3,057
Garrett	28,563	23,879	-4,684
Harford	22,158	22,150	-8
Howard	28,370	28,329	-41
Kent	23,979	27,259	3,281
Montgomery	23,782	29,425	5,643
Prince George's	19,951	23,814	3,863
Queen Anne's	21,354	21,480	125
Saint Mary's	24,529	21,539	-2,990
Somerset	20,721	22,354	1,633
Talbot	27,436	25,596	-1,840
Washington	21,168	22,551	1,383
Wicomico	17,247	20,684	3,438
Worcester	37,718	33,536	-4,183

Source: Maryland State Department of Education

Exhibit 17 details the State share of contributions for the NPP, including the fiscal 2015 actual amount as it was calculated under the old methodology and the fiscal 2016 working appropriation amount that was calculated by using the new methodology.

Exhibit 17
State Share of Nonpublic Placements
Fiscal 2015-2016

	(Old Methodology) <u>2015 Actual</u>	(New Methodology) <u>2016 Working</u>	<u>Difference</u>
Allegany	\$2,225,644	\$2,055,660	-\$169,983
Anne Arundel	8,247,830	8,003,298	-244,532
Baltimore	14,618,392	16,486,800	1,868,408
Baltimore City	16,355,527	14,356,530	-1,998,997
Calvert	851,400	849,283	-2,117
Caroline	201,766	204,237	2,472
Carroll	2,550,480	2,542,569	-7,911
Cecil	914,322	877,574	-36,747
Charles	1,174,832	1,183,016	8,184
Dorchester	102,829	99,056	-3,773
Frederick	4,349,709	4,185,378	-164,331
Garrett	160,614	158,137	-2,477
Harford	6,865,639	6,663,890	-201,749
Howard	4,212,925	4,069,368	-143,558
Kent	256,271	251,160	-5,112
Montgomery	16,651,066	15,449,755	-1,201,310
Prince George's	23,134,910	22,163,425	-971,485
Queen Anne's	118,721	119,819	1,098
Saint Mary's	810,364	810,521	157
Somerset	25,187	27,209	2,022
Talbot	16,788	17,886	1,098
Washington	892,227	908,999	16,771
Wicomico	118,103	118,941	838
Worcester	254	0	-254
Total	\$104,855,800	\$101,602,511	-\$3,253,289

Source: Maryland State Department of Education

Ongoing Conversation Regarding Basic Cost and Local Share of Basic Cost

DLS notes that though the new methodology for fiscal 2016 does address many of the issues with the calculation of basic cost and local share of basic cost, some questions still remain. This includes questions on how the indirect costs for educating a special education student are determined, which is a complicated calculation that does not use readily available data. DLS has suggested simplifying the calculation and using published or available data. MSDE and DLS are continuing to work together to resolve these questions so that a final new methodology can be used to calculate fiscal 2017 rates. **MSDE should comment on the status of its work to address the issue of simplifying the calculation of basic cost. MSDE should also comment on whether the appropriation for fiscal 2016 and 2017 will be sufficient to cover costs, and on progress it has made in predicting costs for the NPP.**

3. Cost of Quality Teaching Incentives Continues to Be Addressed

The Quality Teacher Incentive Act of 1999 was enacted to assist in attracting and retaining quality teachers particularly in “comprehensive needs” schools, *i.e.*, low-performing schools. However, it did not take into account the variability in the identification of these schools based on changes to statewide assessment requirements or the introduction of new college and career-ready standards. As such, the funding for the QTI grants has substantially increased over the past five years, with the program reaching its highest point yet in fiscal 2015 at \$21.9 million. In an effort to rein in costs, the BRFA of 2015 capped fiscal 2016 stipends at fiscal 2014 eligibility and eliminated the stipend for APC teachers who teach in a comprehensive needs school and do *not* have NBC beginning in fiscal 2017.

The fiscal 2016 working appropriation for QTI is \$9.5 million and the fiscal 2017 allowance is \$2.5 million, which reflects full funding of the remaining NBC incentives. The fiscal 2016 *Joint Chairmen’s Report* requested a report on best practices for teacher incentives, an evaluation of the QTI program, and proposals to improve the quality of teaching at the lowest performing schools.

MSDE has requested an additional year to analyze new assessment data, given that Maryland has recently transitioned to the MCCRS and to the PARCC tests aligned with MCCRS. This would allow for PARCC assessment data to be used to review the status and progress of low-performing schools. Additionally, given that the accountability system related to the PARCC assessments is not fully developed, it is not presently possible to utilize the data from the 2015 administration for use with the administration of the QTI grants for the 2015-2016 school year. MSDE states that the opportunity for additional review could ultimately lead to recommendations for revisions in statutory language that would allow for increased flexibility in allocating the QTI grants. In addition to utilizing new data, MSDE wants to work with a diverse group of stakeholders to further develop options that may include other models for teacher support beyond the current focus on stipends.

Given that the accountability system for PARCC data is in the process of development, for fiscal 2017, MSDE recommended that the same criteria used for the incentives in fiscal 2016 (reverting back to fiscal 2014 eligibility) be applied. However, DLS notes that the repeal of the APC stipends

beginning in fiscal 2017 has reduced mandated QTI funding by \$7.0 million, allocating \$2.5 million for QTI; thus, further limiting the remaining NBC stipends is not necessary.

MSDE has made the following recommendations for consideration for fiscal 2018 and beyond:

- continuing the current QTI model but adopting more relevant criteria for performance-based stipends to any English/Language Arts and Math teachers in a comprehensive needs school, provided that the school shows progress; or
- creating a new set of alternatives for the QTI funds, based on a comprehensive study to determine teacher impact for school year 2016-2017. A broad-based stakeholder group would be charged with developing a comprehensive plan with recommendations for implementation in fiscal 2018. These recommendations could include a range of high Return on Investment programs for teachers, including loan forgiveness, induction support, career ladders, collaboratively developed professional development opportunities with higher education and industries, school or local education agency-based stipends, and other evidence-based options suggested in the P-20 Teacher Education Task Force Report.

Legislation has also been introduced in the 2016 session (SB 493) that would increase NBC stipends, create a teacher induction program, and establish an MSDE workgroup to study and report on teacher preparation and certification requirements.

DLS recommends the adoption of committee narrative directing MSDE to use new assessment data and evidence-based research to make recommendations to enhance teaching as a profession and improve teacher preparation and retention.

4. Funding for Jurisdictions with Declining Enrollment and Decreasing State Aid

The fiscal 2017 allowance includes \$5.6 million to provide aid to jurisdictions that have declining enrollment. This includes \$4.0 million for Carroll County, \$1.3 million for Garrett County, and \$300,000 for Kent County. This aid is separate from the mandated funding in the allowance for Jurisdictions with Small and Declining Enrollment Populations under Section 5-202 of the Education Article. The statutory criteria to receive a grant has varied over the years, but in every year a county had to have both declining enrollment and a decrease in State direct education aid in order to receive funding, and only a portion of the decrease in direct aid was provided as the grant. Funding that has been provided through those grants since fiscal 2012, including funding for Kent County in the fiscal 2017 allowance, is detailed in **Exhibit 18**. In total, Allegany, Garrett, and Kent counties have received over \$3.3 million in grants.

Exhibit 18
Foundation Grants Made to Jurisdictions with Declining Enrollments
Fiscal 2012-2017

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Allegany	\$779,282	\$0	\$0	\$0	\$0	\$0
Garrett	640,578	1,161,009	0	464,103	0	0
Kent	0	0	0	128,952	86,321	64,973
Total	\$1,419,860	\$1,161,009	\$0	\$593,055	\$86,321	\$64,973

Source: Department of Legislative Services

Carroll, Garrett, and Kent counties, are only 3 of the 13 counties experiencing a decline in enrollment for fiscal 2017, as shown in **Exhibit 19**. The exhibit also shows that only 2 counties – Kent County and Baltimore City – have declining enrollment *and* a decrease in direct aid. Of particular note, Baltimore City experiences a 2.4% decline in student enrollment for fiscal 2017, as well as a 2.7% decrease in direct education aid. The fiscal 2017 allowance includes \$64,973 for Kent County, which restores half of the county’s 1.5% decrease in direct education aid. Under current law, Baltimore City does not qualify for a grant because the grant has been limited to small school systems with 5,000 or fewer FTES since fiscal 2015. Additional counties would have qualified for the grant without the 5,000 FTES cap in prior years, including Carroll County (in fiscal 2015-2017), Calvert County (in fiscal 2016), and Baltimore City (in fiscal 2017). The statutory grant sunsets after fiscal 2017, although legislation has been introduced to alter the grant and extend it through fiscal 2018.

Exhibit 19 also shows the impact of including the \$5.6 million in direct education aid for Carroll, Garrett, and Kent counties. Garrett receives an increase of 6.4% over fiscal 2016 when the additional \$1.3 million is included in direct aid, compared to an increase of 0.1% under the direct aid formulas in current law. The pattern is similar for Carroll and Kent counties. **DLS recommends deleting the additional \$5.6 million from the fiscal 2017 allowance since the counties receiving the grants do not qualify for them under current law.** Kent County would still receive the \$64,973 grant in the fiscal 2017 allowance.

Declining enrollment has been a major issue for several school systems, and it will continue to be an issue in the future. **Exhibit 20** shows the change in actual FTES from fiscal 2012 through 2017 and projections through fiscal 2021. Ten counties have had declining enrollment over the past five years. The largest decreases have been in Garrett, Kent, and Carroll counties, as well as Calvert County. Enrollment projections through fiscal 2021 estimate that Allegany, Carroll, Calvert, Garrett, and Harford counties will continue to decline, although at lower rates than in prior years, and Kent will increase slightly. In total, 19 counties are projected to have increasing enrollment over the next four years, with enrollment statewide growing 3%. **Appendix 2** shows FTES beginning in fiscal 2012 through estimated enrollment for fiscal 2021, and **Appendix 3** shows the annual change in FTES.

Exhibit 19
Student Enrollment Growth and Local Wealth Impact Local Education Aid
Annual Percent Change – Fiscal 2017

<u>Student Enrollment</u>		<u>Direct Education Aid</u>		<u>Direct Education Aid Excluding Special Foundation Grants</u>	
1. Howard	2.0%	1. Garrett	6.4%	1. Cecil	6.3%
2. Wicomico	1.3%	2. Cecil	6.3%	2. Wicomico	5.1%
3. Montgomery	1.2%	3. Wicomico	5.1%	3. Howard	4.9%
4. Baltimore	1.1%	4. Howard	4.9%	4. Prince George's	4.7%
5. Cecil	1.1%	5. Prince George's	4.7%	5. Montgomery	4.3%
6. Prince George's	1.1%	6. Montgomery	4.3%	6. Anne Arundel	3.9%
7. Anne Arundel	1.0%	7. Anne Arundel	3.9%	7. Charles	3.5%
8. Talbot	0.7%	8. Charles	3.5%	8. Caroline	3.5%
9. Charles	0.2%	9. Caroline	3.5%	9. Calvert	2.8%
10. Caroline	0.2%	10. Carroll	3.2%	10. Baltimore	2.7%
11. Worcester	0.0%	11. Calvert	2.8%	11. Allegany	2.3%
12. St. Mary's	-0.1%	12. Baltimore	2.7%	12. Somerset	2.3%
13. Calvert	-0.2%	13. Allegany	2.3%	13. Dorchester	1.7%
14. Queen Anne's	-0.2%	14. Kent	2.3%	14. Queen Anne's	1.6%
15. Washington	-0.2%	15. Somerset	2.3%	15. Talbot	1.6%
16. Harford	-0.3%	16. Dorchester	1.7%	16. St. Mary's	1.6%
17. Somerset	-0.5%	17. Queen Anne's	1.6%	17. Washington	1.6%
18. Allegany	-0.6%	18. Talbot	1.6%	18. Harford	1.3%
19. Frederick	-0.7%	19. St. Mary's	1.6%	19. Frederick	0.9%
20. Garrett	-0.8%	20. Washington	1.6%	20. Carroll	0.2%
21. Carroll	-1.3%	21. Harford	1.3%	21. Garrett	0.1%
22. Dorchester	-1.6%	22. Frederick	0.9%	22. Worcester	-0.4%
23. Baltimore City	-2.4%	23. Worcester	-0.4%	23. Kent	-1.5%
24. Kent	-3.0%	24. Baltimore City	-2.7%	24. Baltimore City	-2.7%
Statewide	0.4%	Statewide	2.1%	Statewide	2.1%

Note: Three local school systems receive special grants under the Foundation program in fiscal 2017: Carroll County (\$4.0 million), Garrett County (\$1.3 million), and Kent County (\$300,000).

Source: Department of Legislative Services

Exhibit 20
Full-time Enrollment Actuals and Projections
Fiscal 2012-2021

<u>County</u>	<u>Actual</u> <u>2012-2017</u>	<u>Estimate</u> <u>2017-2021</u>
Allegany	-3%	-1%
Anne Arundel	6%	4%
Baltimore City	-1%	3%
Baltimore	7%	5%
Calvert	-5%	-2%
Caroline	3%	4%
Carroll	-7%	-5%
Cecil	-2%	0%
Charles	-2%	6%
Dorchester	3%	7%
Frederick	1%	0%
Garrett	-10%	-3%
Harford	-3%	-1%
Howard	7%	7%
Kent	-6%	1%
Montgomery	8%	3%
Prince George's	3%	3%
Queen Anne's	0%	4%
St. Mary's	3%	8%
Somerset	0%	3%
Talbot	3%	2%
Washington	0%	2%
Wicomico	3%	2%
Worcester	-1%	1%
Statewide	3%	3%

Note: Enrollment estimates for fiscal 2017 through 2021 are based on adjusted projections by the Maryland Department of Planning.

Source: Maryland Department of Planning; Department of Legislative Services

Baltimore City Enrollment Irregularities

Outstanding issues are related to declining enrollment in Baltimore City. First, reports have recently been released stating that irregularities have been found in Baltimore City Public Schools'

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(BCPS) enrollment counts, with about 200 students having been kept on rolls when they should have been removed. The removal of these students from BCPS' roll contributes to its 2.7% decline in direct State education aid. Investigations into how these errors occurred are ongoing. Altogether, enrollment for BCPS has decreased by 1,920 for fiscal 2017.

A second issue for Baltimore City are changes in the enrollment count for FRPM, as informed by the Hunger Free Schools Act of 2015. This legislation altered the enrollment count used to calculate State compensatory education aid in fiscal 2017 and 2018 for local boards of education that participate, in whole or in part, in the U.S. Department of Agriculture Community Eligibility Provision, which allows school districts with high enrollments of FRPM students to provide free breakfast and lunch to all students. Under the new law, BCPS calculates its FRPM count as a percentage of its total enrollment, meaning that it loses compensatory education aid as a result of its overall decline in enrollment.

Commission on Innovation and Excellence in Education

The adequacy study that is currently underway as required by State law includes a report on declining and increasing enrollment. Legislation has been introduced in the 2016 session to establish the Commission on Innovation and Excellence in Education. This commission would be tasked with reviewing the adequacy reports, including the final report due by December 1, 2016, and the State's education finance formulas, among many other things. In addition to reviewing the previously discussed issues regarding enrollment, the commission would also address issues of calculating wealth, as wealth increases due to local efforts to stimulate economic development, such as the use of tax increment financing, have had some impact on the allocation of State education aid.

Recommended Actions

1. Add the following language:

Provided that the Maryland State Department of Education shall notify the budget committees of any intent to transfer the funds from program R00A02 Aid to Education to any other budgetary unit. The budget committees shall have 45 days to review and comment on the planned transfer prior to its effect.

Explanation: The Maryland State Department of Education (MSDE) should not transfer any funds from Aid to Education until the transfer is reviewed by the budget committees.

Information Request	Author	Due Date
Report on any transfer of funds from R00A02	MSDE	45 days prior to transfer

2. Add the following language to the general fund appropriation:

. provided that \$104,000 of this appropriation made for the purpose of providing Pathways in Technology Early College High Schools grants shall be contingent upon the enactment of HB 464 or SB 376.

Explanation: This action adds language making fiscal 2017 general funding to provide grants for the operation of Pathways in Technology Early College High Schools, or P-TECH schools, contingent on the enactment of legislation establishing such schools.

	<u>Amount Reduction</u>
3. Delete funding for declining enrollment aid for Carroll, Garrett, and Kent counties.	\$ 5,600,000 GF

4. Adopt the following narrative:

High Quality Teaching: The budget committees direct the Maryland State Department of Education to submit a report on its recommendations for improving teacher preparation and retention, including any statutory changes that would allow for increased flexibility in allocating the Quality Teacher Incentive grants and models for teacher support beyond the use of grants. These recommendations shall be informed by the use of new assessment data to review the status and progress of comprehensive needs schools, as well as the inclusion of

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stakeholders in the recommendation process. The report shall be submitted to the budget committees no later than December 1, 2016.

Information Request	Author	Due Date
Recommendations for improving teacher preparation and retention	MSDE	December 1, 2016

5. Add the following language to the general fund appropriation:

, provided that this appropriation be contingent upon the enactment of HB 464 or SB 376.

Explanation: This action adds language making the fiscal 2016 deficiency appropriation to provide \$600,000 in general funding for planning grants to establish Pathways in Technology Early College High Schools, or P-TECH schools, contingent on the enactment of legislation establishing such schools.

Total General Fund Reductions **\$ 5,600,000**

Updates

1. Baltimore City Public Schools Deficit

Pursuant to a request from the 2015 *Joint Chairmen's Report*, the Baltimore City Board of Commissioners and BCPS provided responses to questions regarding the structural deficit for BCPS in fiscal 2016.

Deficit Amount and Costs

BCPS reports that it had originally projected a \$73.0 million budget gap for fiscal 2016 due to matching flat or reduced revenues against expenditures with built-in escalators, such as contractual labor obligations and vendor contracts. Budget reductions increased the budget gap to \$94.9 million, taking into account some restorations of funding. Details for the budget gap are available in **Exhibit 21**. In addition, BCPS identified \$23.0 million in priority areas and initiative spending, resulting in a combined deficit of \$117.9 million.

Exhibit 21 Baltimore City Schools Budget Gap Fiscal 2016

<u>Adjusted State Revenue</u>	<u>Amount</u>	<u>Cost Drivers</u>	<u>Amount</u>
Foundation	\$903,324	Direct School Support	-\$24,357,710
GCEI	-11,252,757	21st Century Buildings and Maintenance	-13,000,000
Compensatory	-5,468,498	Nonrecurring Revenue (Fund Balance)	-27,526,157
Limited English Proficient	2,123,102	Fixed Cost Increases (Fringe)	-3,827,274
Special Education	-2,411,074	Continuation of Full Day Pre-K	-4,014,611
Transportation	336,788		
Guaranteed Tax Base	-8,006,454		
Net Taxable Income Adjustment	-1,832,136		
Other (Stipends)	453,884		
Other Revenues	2,977,578		
Total	-\$22,176,243	Total	-\$72,725,752
Combined Total	-\$94,901,995		

GCEI: Geographic Cost of Education Index

Source: Baltimore City Public Schools

Resolving the Deficit

During the third quarter of fiscal 2015, BCPS implemented cost savings and other measures resulting in \$25 million in savings. Those savings of \$23 million are used as follows:

- \$21 million – to increase the projected fund balance and become another financing source to offset expenditures; and
- \$2 million – to increase the projected unassigned fund balance as part of a two-year plan to meet the Baltimore City Board of Commissioners policy requiring at least 3% of general fund budgeted expenditures be available in unassigned fund balance.

In addition, BCPS identified \$92.9 million in savings in the fiscal 2016 budget. These savings include the following:

- implementing employee reductions;
- reorganizing and reducing contractual positions;
- maintaining level per pupil funding;
- closing six schools;
- eliminating double funding for students who moved to charter schools;
- reducing contractual services;
- removing ineligible dependents from health benefit plans; and
- prioritizing spending in fiscal 2015.

Additionally, the State allowed BCPS and Baltimore City to defer the \$20.0 million in contributions for 21st Century Schools until fiscal 2017. Altogether, these savings total \$117.9 million.

Avoiding Future Deficits

BCPS reports that actions to address the fiscal 2016 budget gap, such as cost savings in salaries and benefits, will reduce costs for future years as well. It also notes, that the fiscal 2016 budget contains \$6 million in one-time expenditures that will not carry into future years, and that it is analyzing components of employee benefit expenditures where cost savings might be realized.

Current and Prior Year Budgets

Current and Prior Year Budgets MSDE – 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 2015					
Legislative Appropriation	\$5,716,230	\$412,012	\$794,567	\$130	\$6,922,940
Deficiency Appropriation	41,900	-20,500	0	0	21,400
Cost Containment	0	0	0	0	0
Budget Amendments	-3,886	208	28,639	0	24,961
Reversions and Cancellations	-2,693	-533	-37,275	-120	-40,620
Actual Expenditures	\$5,751,551	\$391,187	\$785,932	\$10	\$6,928,681
Fiscal 2016					
Legislative Appropriation	\$5,816,605	\$399,107	\$825,423	\$140	\$7,041,274
Budget Amendments	1,700	0	0	0	1,700
Working Appropriation	\$5,818,305	\$399,107	\$825,423	\$140	\$7,042,974

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

General fund expenditures totaled nearly \$5.8 billion in fiscal 2015, reflecting an increase of approximately \$35.3 million when compared to the legislative appropriation.

- **Deficiency appropriations increased the legislative appropriation by a net \$41.9 million.** This included a fund swap of \$20.5 million to replace ETF revenues with general funds due to revised VLT revenue projections, a \$10.8 million supplement to fund anticipated expenditures in the NPP program, and \$10.6 million to provide stipends for teachers in comprehensive needs schools that have obtained NBC or APC, as required in statute.
- **Budget amendments decreased the legislative appropriation by approximately \$3.9 million.** This included \$3.7 million attributed to the BRFA of 2015, reverting the \$2.8 million unexpended for the Autism Waiver and the \$900,000 for out-of-county special education placements back to the General Fund. An additional \$186,000 was reduced from MSDE's Innovative Programs allocation by amendment as part of the re-allocation in general funds in the Headquarters and Aid budgets, and a 2% across-the-board reduction approved by the Board of Public Works in January of 2015.
- **General fund reversions further reduced the legislative appropriation by nearly \$2.7 million.** Approximately \$1.1 million was reverted due to the actual count of educators qualifying for APC stipends by fiscal 2015 year-end being lower than the projected count. After the \$443,000 was incorrectly reverted for the Maryland Meals for Achievement Program, the accrual for fiscal 2015 expenditures were inadvertently canceled in June 2015. The 2015 fiscal year closed before the error was corrected. As directed by language in the fiscal 2015 budget bill, \$280,000 of the appropriation was reverted in satisfaction of a judgement and settlement agreement between the Worcester County Board of Education and BEKA Industries, Inc., providing a payment of \$280,000 to BEKA Industries, Inc., and an accompanying reversion of MSDE funds. The remainder of the reversions were due to costs that were lower than the budgeted estimate.

Special fund expenditures totaled \$391.2 million in fiscal 2015, a decrease of \$20.8 million from the legislative appropriation. This includes a withdrawn deficiency appropriation of \$20.5 million as part of the fund swap to reflect replaced funds in the ETF with general funds due to revised VLT revenue projections. The lone budget amendment for special funds increased the appropriation to SEED by \$208,000, based on actual enrollment and increased revenue from LEAs. Special fund cancellations totaled \$533,000. Due to one-third cost of NBC fees contributed by LEAs mistakenly not being forwarded to the national board and instead \$300,000 being canceled. National board fees were instead supported with the State's General Fund payment for two-thirds the cost for that year. Based on the increased appropriation for SEED, \$208,000 was canceled as the LEAs disputed the enrollment counts and revenues were therefore not collected. Resolution of the billings is in process and if revenues are collected from the LEAs they will be applied to the current fiscal year. The remaining \$25,000 in cancellations were due to MSDE not having to use the appropriation to accommodate revenues from fees paid by LEAs to attend certain MSDE nutritional meetings.

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Federal fund expenditures totaled \$785.9 million in fiscal 2015, a decrease of \$8.6 million when compared to the legislative appropriation. Budget amendments created increases of approximately \$28.6 million. This includes an increase in the Food Service Program in the amount of \$26.0 million to recognize a new grant award from the National School Lunch Program, and the carryover and realignment of \$3.0 million fiscal 2014 fund balances remaining for fiscal 2015 from the Carl D. Perkins Career and Technical Education Act of 2006. This was offset by a decrease of nearly \$333,000 reflecting a transfer of federal funds from the Educationally Deprived Children program in Aid to Education to programs within the Headquarters and Early Childhood Development budgets. Increases in the federal fund appropriation were further offset by cancellations of nearly \$37.3 million. About \$11.0 million of the cancellation is from the Food Services Program due to weather-related late openings and closings of schools that were not made up and resulted in fewer meals served. Cancellation of \$1.7 million was for Career and Technology Education due to costs that did not occur as expected, including grants to the Department of Labor, Licensing, and Regulation and grants for secondary and post-secondary programs. Due to actual expenditures being lower than budgeted estimates, \$305,000 of grant funding for MSDE to implement projects that improve math and science education were canceled. The remaining \$24.3 million is carried forward into the next fiscal year. The largest programs with canceled funds carrying over into fiscal 2016 include \$18.3 million for the Food Services Program, \$2.8 million for Title 1 grants, \$1.8 million for the Division of Special Education's issuing of Individuals with Disabilities Education Act grants, and \$908,000 for public libraries.

Reimbursable fund expenditures totaled \$10,000 at the close of fiscal 2015, \$120,000 less than the legislative appropriation. This \$120,000 reflects canceled funds due to delays in the implementation of the approved grant activities between MSDE and Department of Health and Mental Hygiene for the purpose of a School-Based Sexual Harassment and Assault Prevention Program. The Memorandum of Understanding between the departments was extended to January 31, 2016.

Fiscal 2016

The fiscal 2016 general fund working appropriation is \$5.8 billion, reflecting an increase of \$1.7 million over the legislative appropriation from rate increases to NPP providers in accords with Section 48 of the fiscal 2016 budget bill.

**Full-time Enrollment
Fiscal 2012-2021**

<u>County</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Allegany	8,515.3	8,414.0	8,408.0	8,313.5	8,332.8	8,284.8	<i>8,245.0</i>	<i>8,314.5</i>	<i>8,245.0</i>	<i>8,215.3</i>
Anne Arundel	73,654.8	74,305.3	75,446.3	76,181.0	77,280.0	78,051.5	<i>78,838.0</i>	<i>79,744.0</i>	<i>80,530.5</i>	<i>81,327.0</i>
Baltimore City	78,618.0	78,871.0	79,268.0	79,352.0	79,503.0	77,583.0	<i>78,228.5</i>	<i>78,903.0</i>	<i>79,635.3</i>	<i>79,962.8</i>
Baltimore	100,329.3	101,281.8	103,015.5	104,357.8	105,904.3	107,104.0	<i>108,636.5</i>	<i>110,139.0</i>	<i>111,402.8</i>	<i>112,796.0</i>
Calvert	16,375.0	16,136.3	15,885.8	15,822.8	15,594.0	15,569.3	<i>15,488.5</i>	<i>15,407.8</i>	<i>15,327.0</i>	<i>15,226.3</i>
Caroline	5,173.5	5,221.0	5,220.0	5,235.0	5,293.0	5,303.0	<i>5,362.5</i>	<i>5,451.8</i>	<i>5,471.5</i>	<i>5,501.3</i>
Carroll	27,060.8	26,785.8	26,318.0	25,948.5	25,504.5	25,162.5	<i>24,704.0</i>	<i>24,554.5</i>	<i>24,245.5</i>	<i>23,986.3</i>
Cecil	15,347.0	15,236.0	15,007.0	15,100.0	14,936.0	15,094.8	<i>15,064.5</i>	<i>15,094.8</i>	<i>15,115.0</i>	<i>15,105.0</i>
Charles	25,954.5	25,869.5	25,717.0	25,523.8	25,413.0	25,470.8	<i>25,651.3</i>	<i>26,192.5</i>	<i>26,443.0</i>	<i>26,894.0</i>
Dorchester	4,372.0	4,391.0	4,447.0	4,505.0	4,574.8	4,501.3	<i>4,569.3</i>	<i>4,705.3</i>	<i>4,783.0</i>	<i>4,822.0</i>
Frederick	39,163.0	39,316.3	39,357.0	39,471.5	39,654.5	39,391.3	<i>39,490.0</i>	<i>39,569.0</i>	<i>39,509.8</i>	<i>39,579.0</i>
Garrett	4,084.0	3,942.8	3,918.0	3,785.5	3,710.0	3,682.0	<i>3,632.0</i>	<i>3,612.0</i>	<i>3,592.0</i>	<i>3,562.0</i>
Harford	37,590.0	37,426.0	37,085.0	37,055.0	36,740.3	36,634.5	<i>36,574.3</i>	<i>36,584.3</i>	<i>36,343.3</i>	<i>36,413.5</i>
Howard	49,946.3	50,481.5	50,953.3	51,629.8	52,474.5	53,535.8	<i>54,307.0</i>	<i>55,388.8</i>	<i>56,300.3</i>	<i>57,071.5</i>
Kent	2,035.0	2,041.0	2,009.3	1,995.0	1,970.0	1,911.0	<i>1,901.3</i>	<i>1,891.5</i>	<i>1,940.3</i>	<i>1,920.8</i>
Montgomery	140,401.5	142,670.8	144,869.0	147,462.3	150,097.0	151,944.8	<i>154,053.5</i>	<i>155,306.8</i>	<i>155,903.5</i>	<i>157,206.5</i>
Prince George's	119,805.8	117,995.3	117,789.3	119,280.8	121,619.3	122,905.8	<i>123,303.3</i>	<i>124,436.3</i>	<i>125,529.5</i>	<i>126,493.5</i>
Queen Anne's	7,489.0	7,508.0	7,503.5	7,471.5	7,477.8	7,461.3	<i>7,570.5</i>	<i>7,660.0</i>	<i>7,699.8</i>	<i>7,739.5</i>
St. Mary's	16,441.8	16,732.3	16,687.0	16,890.3	16,959.0	16,935.0	<i>17,300.3</i>	<i>17,596.3</i>	<i>17,951.5</i>	<i>18,267.3</i>
Somerset	2,700.5	2,677.0	2,725.0	2,727.0	2,726.0	2,711.5	<i>2,750.8</i>	<i>2,741.0</i>	<i>2,819.5</i>	<i>2,799.8</i>
Talbot	4,257.3	4,273.3	4,277.0	4,298.5	4,371.0	4,400.5	<i>4,410.3</i>	<i>4,469.3</i>	<i>4,469.3</i>	<i>4,479.0</i>
Washington	21,642.5	21,724.5	21,887.5	21,939.3	21,759.5	21,705.3	<i>21,804.8</i>	<i>21,973.8</i>	<i>21,973.8</i>	<i>22,172.8</i>
Wicomico	13,832.3	13,911.0	13,962.3	13,929.5	14,074.0	14,259.0	<i>14,401.5</i>	<i>14,513.5</i>	<i>14,513.5</i>	<i>14,584.8</i>
Worcester	6,316.8	6,241.0	6,243.0	6,249.0	6,261.0	6,259.0	<i>6,318.8</i>	<i>6,328.8</i>	<i>6,368.5</i>	<i>6,318.8</i>
Total	821,105.5	823,452.0	827,998.5	834,524.0	842,229.0	845,861.3	852,606.0	860,578.0	866,112.8	872,444.3

Note: Italicized enrollment for fiscal 2018-2021 are projections based on adjusted projections by the Maryland Department of Planning.

**Full-time Enrollment Changes
Fiscal 2012-2018**

<u>County</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Allegany	-2.0%	-1.2%	-0.1%	-1.1%	0.2%	-0.6%	<i>-0.5%</i>	<i>0.8%</i>	<i>-0.8%</i>	<i>-0.4%</i>
Anne Arundel	1.0%	0.9%	1.5%	1.0%	1.4%	1.0%	<i>1.0%</i>	<i>1.1%</i>	<i>1.0%</i>	<i>1.0%</i>
Baltimore City	0.9%	0.3%	0.5%	0.1%	0.2%	-2.4%	<i>0.8%</i>	<i>0.9%</i>	<i>0.9%</i>	<i>0.4%</i>
Baltimore	0.8%	0.9%	1.7%	1.3%	1.5%	1.1%	<i>1.4%</i>	<i>1.4%</i>	<i>1.1%</i>	<i>1.3%</i>
Calvert	-1.5%	-1.5%	-1.6%	-0.4%	-1.4%	-0.2%	<i>-0.5%</i>	<i>-0.5%</i>	<i>-0.5%</i>	<i>-0.7%</i>
Caroline	-1.0%	0.9%	0.0%	0.3%	1.1%	0.2%	<i>1.1%</i>	<i>1.7%</i>	<i>0.4%</i>	<i>0.5%</i>
Carroll	-1.3%	-1.0%	-1.7%	-1.4%	-1.7%	-1.3%	<i>-1.8%</i>	<i>-0.6%</i>	<i>-1.3%</i>	<i>-1.1%</i>
Cecil	-1.7%	-0.7%	-1.5%	0.6%	-1.1%	1.1%	<i>-0.2%</i>	<i>0.2%</i>	<i>0.1%</i>	<i>-0.1%</i>
Charles	0.2%	-0.3%	-0.6%	-0.8%	-0.4%	0.2%	<i>0.7%</i>	<i>2.1%</i>	<i>1.0%</i>	<i>1.7%</i>
Dorchester	-0.9%	0.4%	1.3%	1.3%	1.5%	-1.6%	<i>1.5%</i>	<i>3.0%</i>	<i>1.7%</i>	<i>0.8%</i>
Frederick	0.3%	0.4%	0.1%	0.3%	0.5%	-0.7%	<i>0.3%</i>	<i>0.2%</i>	<i>-0.1%</i>	<i>0.2%</i>
Garrett	-2.4%	-3.5%	-0.6%	-3.4%	-2.0%	-0.8%	<i>-1.4%</i>	<i>-0.6%</i>	<i>-0.6%</i>	<i>-0.8%</i>
Harford	-0.3%	-0.4%	-0.9%	-0.1%	-0.8%	-0.3%	<i>-0.2%</i>	<i>0.0%</i>	<i>-0.7%</i>	<i>0.2%</i>
Howard	0.6%	1.1%	0.9%	1.3%	1.6%	2.0%	<i>1.4%</i>	<i>2.0%</i>	<i>1.6%</i>	<i>1.4%</i>
Kent	-1.2%	0.3%	-1.6%	-0.7%	-1.3%	-3.0%	<i>-0.5%</i>	<i>-0.5%</i>	<i>2.6%</i>	<i>-1.0%</i>
Montgomery	1.6%	1.6%	1.5%	1.8%	1.8%	1.2%	<i>1.4%</i>	<i>0.8%</i>	<i>0.4%</i>	<i>0.8%</i>
Prince George's	-0.3%	-1.5%	-0.2%	1.3%	2.0%	1.1%	<i>0.3%</i>	<i>0.9%</i>	<i>0.9%</i>	<i>0.8%</i>
Queen Anne's	0.2%	0.3%	-0.1%	-0.4%	0.1%	-0.2%	<i>1.5%</i>	<i>1.2%</i>	<i>0.5%</i>	<i>0.5%</i>
St. Mary's	0.4%	1.8%	-0.3%	1.2%	0.4%	-0.1%	<i>2.2%</i>	<i>1.7%</i>	<i>2.0%</i>	<i>1.8%</i>
Somerset	-0.1%	-0.9%	1.8%	0.1%	0.0%	-0.5%	<i>1.4%</i>	<i>-0.4%</i>	<i>2.9%</i>	<i>-0.7%</i>
Talbot	-0.4%	0.4%	0.1%	0.5%	1.7%	0.7%	<i>0.2%</i>	<i>1.3%</i>	<i>0.0%</i>	<i>0.2%</i>
Washington	1.2%	0.4%	0.8%	0.2%	-0.8%	-0.2%	<i>0.5%</i>	<i>0.8%</i>	<i>0.0%</i>	<i>0.9%</i>
Wicomico	-0.9%	0.6%	0.4%	-0.2%	1.0%	1.3%	<i>1.0%</i>	<i>0.8%</i>	<i>0.0%</i>	<i>0.5%</i>
Worcester	0.8%	-1.2%	0.0%	0.1%	0.2%	0.0%	<i>1.0%</i>	<i>0.2%</i>	<i>0.6%</i>	<i>-0.8%</i>
Statewide	0.4%	0.3%	0.6%	0.8%	0.9%	0.4%	0.8%	0.9%	0.6%	0.7%

Note: Italicized enrollment for fiscal 2018-2021 are projections based on adjusted projections by the Maryland Department of Planning.

**Fiscal Summary
MSDE – Aid to Education**

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Wrk Approp</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17 % Change</u>
01 State Share of Foundation Program	\$ 3,088,916,185	\$ 3,097,621,351	\$ 3,190,873,106	\$ 93,251,755	3.0%
02 Compensatory Education	1,251,675,638	1,305,132,944	1,309,111,285	3,978,341	0.3%
03 Aid for Local Employee Fringe Benefits	757,672,688	748,386,037	787,908,173	39,522,136	5.3%
04 Children at Risk	33,842,979	33,227,967	32,140,317	-1,087,650	-3.3%
05 Formula Programs for Specific Populations	2,182,848	3,000,000	2,400,000	-600,000	-20.0%
07 Students with Disabilities	413,053,967	427,248,409	434,858,582	7,610,173	1.8%
08 State Assistance for Students with Disabilities	200,070,886	202,365,484	201,294,786	-1,070,698	-0.5%
09 Gifted and Talented	564,687	0	800,000	800,000	0%
12 Educationally Deprived Children	201,174,639	204,840,000	217,608,134	12,768,134	6.2%
13 Innovative Programs	14,722,262	8,722,000	10,467,215	1,745,215	20.0%
15 Language Assistance	9,343,356	9,363,356	10,076,648	713,292	7.6%
18 Career and Technology Education	14,074,309	13,056,307	13,056,307	0	0%
24 Limited English Proficient	197,653,373	217,180,270	227,201,204	10,020,934	4.6%
25 Guaranteed Tax Base	59,390,154	53,762,142	54,511,367	749,225	1.4%
27 Food Services Program	316,105,098	354,946,344	429,340,672	74,394,328	21.0%
31 Public Libraries	35,059,456	36,005,977	37,429,660	1,423,683	4.0%
32 State Library Network	16,323,271	16,612,968	17,016,786	403,818	2.4%
39 Transportation	258,379,692	266,246,924	270,858,167	4,611,243	1.7%
52 Science and Mathematics Education Initiative	4,367,004	3,205,247	1,647,200	-1,558,047	-48.6%
55 Teacher Development	54,108,251	42,050,000	35,200,000	-6,850,000	-16.3%
Total Expenditures	\$ 6,928,680,743	\$ 7,042,973,727	\$ 7,283,799,609	\$ 240,825,882	3.4%
General Fund	\$ 5,751,550,980	\$ 5,818,304,553	\$ 5,905,107,677	\$ 86,803,124	1.5%
Special Fund	391,187,482	399,106,600	463,944,212	64,837,612	16.2%
Federal Fund	785,932,016	825,422,574	914,607,720	89,185,146	10.8%
Total Appropriations	\$ 6,928,670,478	\$ 7,042,833,727	\$ 7,283,659,609	\$ 240,825,882	3.4%
Reimbursable Fund	\$ 10,265	\$ 140,000	\$ 140,000	\$ 0	0%
Total Funds	\$ 6,928,680,743	\$ 7,042,973,727	\$ 7,283,799,609	\$ 240,825,882	3.4%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.