

# Now Is the Time to Build the Future Maryland Children Deserve

## Position Statement in Support of House Bill 1300 and Senate Bill 1000 with Amendment

*Given before the House Appropriations, House Ways and Means, Senate Education, Health and Environmental Affairs, and Senate Budget and Taxation Committees*

Great public schools are part of the foundation of a thriving community. They reflect our understanding that every child has something to contribute and embody our commitment to providing the support children need to learn and thrive. The reforms the Commission on Innovation and Excellence in Education has recommended have the potential to make Maryland schools among the best in the world, reduce barriers that hold back Marylanders of color, and strengthen our economy for decades to come. The Maryland Center on Economic Policy supports House Bill 1300 and Senate Bill 1000, with certain amendments.

While Maryland's best schools today demonstrate what is possible when we invest in learning, we have allowed our support for public education to erode over the last decade. As of 2017, only six of the state's 24 school districts were funded at or near the standard lawmakers set in 2002, down from 23 districts that were close to fully funded just before the Great Recession. Scores on state and national assessments improved in the early part of the century, but those improvements stalled as we chipped away at education funding—even as we raised academic expectations. Maryland's underinvestment in schools harms children in every part of our state and hits students of color hardest, with over half of Black students attending a district that is underfunded by 15 percent or more.<sup>1</sup>

We now have a rare opportunity to change course. House Bill 1300 and Senate Bill 1000 are the culmination of more than three years of work by the Kirwan Commission, the Blueprint for Maryland's Future Work Group, and the General Assembly. The funding formula and phase-in schedule in the bills will finish the job that the 2018 and 2019 down payment bills began, enabling the state to:

- Make high-quality prekindergarten available to all children so they can enter school ready to learn
- Bring teacher pay up to the level of comparable professions and increase opportunities for career advancement
- Enable schools in struggling communities to provide the services children need, such as physical and behavioral health care
- Ensure every student leaves high school prepared for college or a well-paying career

These reforms are essential for the success of Maryland's children and our economy. Research shows that strengthening our investments in education can boost children's future earnings, especially for children who grow

up in a low-income family. Once fully phased in, the Kirwan Commission recommendations could increase children's future income by up to \$14,000 per year.<sup>ii</sup>

Enacting House Bill 1300 and Senate Bill 1000 would be an enormous step forward for Maryland's children, our communities, and our economy. The General Assembly should reject any impulse to delay or weaken these reforms. We also request that the committees consider certain improvements to the bills:

- Rectify the calculation of compensatory education enrollment, which we believe does not accurately reflect the commission's intentions as written and would undercount the number of students in low-income families.
- Clarify ambiguous language regarding the calculation of concentrated poverty funding.
- Create a more equitable funding formula by taking steps such as maintaining the current compensatory education weight of 97 percent or updating the way the state and local jurisdictions divide funding responsibilities.

An appendix to this testimony describes the requested amendments in more detail.

There is no question that the Kirwan Commission plan is ambitious and will require Maryland to strengthen our support for public schools. A strong educational foundation is essential to build a healthy economy in the long term. We can afford to make the needed investments if we are willing to make smart reforms to our revenue system, such as closing loopholes that benefit only large, multistate corporations and fixing our upside-down tax code that asks the least of the individuals with the greatest ability to pay.

Ultimately, Maryland cannot afford not to enact the Kirwan Commission recommendations. The General Assembly should act swiftly and boldly to make these recommendations a reality.

**For these reasons, the Maryland Center on Economic Policy respectfully requests that the Committees make favorable reports on House Bill 1300 and Senate Bill 1000 with amendment.**

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## **Equity Impact Analysis: House Bill 1300 and Senate Bill 1000**

### *Bill summary*

House Bill 1300 and Senate Bill 1000 fully implement the recommendations of the Commission on Innovation and Excellence in Education. The bills adopt an updated school funding formula, establish a schedule for transition to the new formula, and enact other provisions necessary to implement the commission recommendations.

### *Background*

The Commission on Innovation and Excellence in Education was established in 2016 to complete the review of Maryland's education funding policies as required under the 2002 Bridge to Excellence in Public Schools Act. The General Assembly enacted legislation in 2018 and 2019 to begin implementation of the commission's recommendations, but has not yet adopted the funding formula or phase-in schedule needed to implement the reforms.

## Equity Implications

Maryland's current education policies pose significant equity concerns:

- As of 2017, only six of the state's 24 school districts were funded at or above 95 percent of the Bridge to Excellence standard, despite higher academic expectations that render that standard inadequate.
- More than half of Black students in Maryland went to school in a district that was funded at least 15 percent below the Bridge to Excellence standard in 2017, as did 37 percent of Latinx students and 13 percent of white students.
- Maryland public schools are among the most racially segregated in the United States.<sup>iii</sup> Segregation is intrinsically harmful and must ultimately be solved by meaningful integration; furthermore, inequitable school funding creates greater racial imbalances in a segregated school system.
- Multiple independent analyses have found that the wealthiest schools in Maryland are better funded than the least wealthy schools.
- Inadequate funding for special education in the current funding formula makes it harder for schools to guarantee students with disabilities the high-quality education they are entitled to under federal law.
- Inequitable access to high-quality pre-K-12 education contributes to inequitable opportunities later in life—to pursue higher education, to build a fulfilling and well-paying career, or to have a safe home in a thriving community.

House Bill 1300 and Senate Bill 1000 would mitigate—though not eliminate—these inequities:

- Strengthening overall state investments in public schools improves all students' access to a great education, and this improvement is most meaningful for students who today face barriers that prevent them from getting the education they deserve.
- The new concentrated poverty program will enable schools that face many of the greatest challenges to deliver the specific services their students need, such as on-site physical and mental health care. Both racial income inequality and residential segregation increase the likelihood that students of color will live in a high-poverty neighborhood.
- A significantly higher funding weight for special education will improve schools' ability to serve students with disabilities.

## Impact

House Bill 1300 and Senate Bill 1000 would likely **improve racial, economic, and disability equity** in Maryland.

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<sup>i</sup> MDCEP analysis of school funding data from the Department of Legislative Services and enrollment data from the National Center for Education Statistics.

<sup>ii</sup> MDCEP analysis of model estimates and data from C. Kirabo Jackson, Rucker Johnson, and Claudia Persico, "The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms," *The Quarterly Journal of Economics* 131(1), 2016, <https://academic.oup.com/qje/article-abstract/131/1/157/2461148?redirectedFrom=fulltext>; the Opportunity Atlas by Opportunity Insights, <https://www.opportunityatlas.org/>; and the Department of Legislative Services.

Jackson, Johnson, and Persico estimate that for a low-income student, a 10 percent increase in per-pupil funding (sustained over 12 years) raises individual annual earnings by 10 percent. The Blueprint formula recommendation would increase state and local funding for Baltimore City schools by 69 percent, implying approximately a 69 percent increase in earnings for a worker who grew up in a low-income family in Baltimore City. Opportunity Atlas data shows that a child who grows up in a low-income family in Baltimore City will typically earn \$21,000 per year in adulthood. A 69 percent increase in such a worker's earnings would amount to \$14,000 per year.

<sup>iii</sup> Gary Orfield, Jongyeun Ee, Erica Frankenberg, and Genevieve Siegel-Hawley, "Brown at 62: School Segregation by Race, Poverty and State," Civil Rights Project / *Proyecto Derechos Civiles*, UCLA, 2016, <https://www.civilrightsproject.ucla.edu/research/k-12-education/integration-and-diversity/brown-at-62-school-segregation-by-race-poverty-and-state/Brown-at-62-final-corrected-2.pdf>

## Appendix: Description of Requested Amendments

### 1. Calculation of compensatory education enrollment

Page 27, lines 12–20 of HB 1300 (p. 27, lines 11–19 of SB 1000) define the long-term calculation of compensatory education enrollment:

(II) FOR FISCAL YEAR 2026 AND EACH FISCAL YEAR THEREAFTER, THE GREATER OF:

1. THE NUMBER OF STUDENTS ELIGIBLE FOR FREE OR REDUCED PRICE MEALS USING THE UNITED STATES DEPARTMENT OF AGRICULTURE COUNT OR THE ALTERNATIVE STATE FORM FOR THE PRIOR FISCAL YEAR; OR
2. THE NUMBER OF DIRECT CERTIFICATION STUDENTS WHO ARE ENROLLED IN A PUBLIC SCHOOL IN THE COUNTY IN THE PRIOR FISCAL YEAR.

If Item (1) is greater, low-income students (those with family income less than 185 percent of the federal poverty line) will not be counted if they attend a community eligibility school and do not submit a state form—*even though the state already has the information necessary to determine these students' income.*

If Item (2) is greater, low-income students will not be counted if they are not directly certified, *even if they submit a form* (either the USDA form or a state form). These students will be undercounted regardless of what school they attend.

We believe that the following revision will avoid this undercount and accurately reflect the commission's intent:

(II) FOR FISCAL YEAR 2026 AND EACH FISCAL YEAR THEREAFTER, THE SUM OF:

1. THE NUMBER OF DIRECT CERTIFICATION STUDENTS WHO ARE ENROLLED IN A PUBLIC SCHOOL IN THE COUNTY IN THE PRIOR FISCAL YEAR; AND
2. THE NUMBER OF STUDENTS WHO IN THE PRIOR FISCAL YEAR:
  - A. ARE ENROLLED IN A PUBLIC SCHOOL IN THE COUNTY;
  - B. ARE ELIGIBLE FOR FREE OR REDUCED PRICE MEALS USING THE UNITED STATES DEPARTMENT OF AGRICULTURE COUNT OR THE ALTERNATIVE STATE FORM; AND
  - C. ARE NOT DIRECT CERTIFICATION STUDENTS.

## **2. Calculation of concentrated poverty funding**

The definitions of “concentrated poverty level” (p. 29 lines 21–23 of HB 1300; p. 29 line 20–22 of SB 1000) and “eligible student” (p. 30 lines 10–13 of both bills) appear to be circular:

(3) ... “CONCENTRATION OF POVERTY LEVEL” MEANS THE AVERAGE PERCENTAGE OF ELIGIBLE STUDENTS OF THE SCHOOL’S ENROLLMENT FOR THE 3 PRIOR FISCAL YEARS ROUNDED TO THE NEAREST WHOLE PERCENT.

(5) “ELIGIBLE STUDENT” MEANS THE PRODUCT OF THE CONCENTRATION OF POVERTY LEVEL AND TOTAL ENROLLMENT IN AN ELIGIBLE SCHOOL IN THE SECOND PRIOR FISCAL YEAR ROUNDED TO THE NEAREST WHOLE NUMBER.

From the context, it appears that “eligible student” should define criteria for a student to be considered eligible for concentrated poverty funding. We are not able to offer alternative language.

Additionally, the calculation of the sliding scale per pupil amount for schools with a concentration of poverty level 5% greater than 55% but less than 80% is unclear and potentially ambiguous (p. 35 lines 4–7 of both bills):

(III) FOR SCHOOLS WITH A CONCENTRATION OF POVERTY LEVEL GREATER THAN 55% BUT LESS THAN 80%, THE PER PUPIL AMOUNT IS EQUAL TO THE PRODUCT OF THE CONCENTRATION OF POVERTY LEVEL AND THE SLIDING SCALE UPPER LIMIT MINUS THE SLIDING SCALE ADJUSTMENT FACTOR.

We believe that the following revision more clearly and unambiguously communicates the same calculation:

(III) FOR SCHOOLS WITH A CONCENTRATION OF POVERTY LEVEL GREATER THAN 55% BUT LESS THAN 80%, THE PER PUPIL AMOUNT IS EQUAL TO THE PRODUCT OF THE SLIDING SCALE UPPER LIMIT AND THE EXCESS OF THE CONCENTRATION OF POVERTY LEVEL OVER 55%.

This revision would also negate the need to define the sliding scale adjustment factor.

## **3. Equity improvements**

While the Kirwan Commission recommendations would significantly improve education funding equity, they also leave significant room for improvement.

The Department of Legislative Services on November 21, 2019, presented to the Kirwan Commission estimates of the progressivity of Maryland state and local school funding under current law and under the Kirwan Commission recommendations.<sup>iv</sup> This analysis emulated a similar methodology used by the Urban Institute to measure school funding progressivity. This methodology produces a summary index, with values less than 1 indicating that the funding distribution is regressive on a dollar basis and values greater than 1 indicating that the funding distribution is progressive on a dollar basis.

The DLS analysis found a progressivity index under current law of 1.011, essentially flat. The analysis found a progressivity index under the Kirwan Commission recommendations of 1.098, or slightly progressive.

However, this analysis did not include any adjustment for students’ needs. Kirwan Commission publications acknowledge overwhelming evidence showing that it costs more to deliver a high-quality education to students who face barriers in the classroom because of low family income, a disability, the legacy of ongoing racial

segregation and discrimination, or other factors, than to students who do not face these barriers. This means that **if education funding is flat or even slightly progressive on a dollar basis, it still leaves significant inequity when considering students' varying needs.**

Further improvements are needed to create a truly equitable school funding system. Examples of such improvements include:

- **Maintaining the current 97 percent compensatory education weight.<sup>v</sup>** House Bill 1300 and Senate Bill 1000 recommend a long-term compensatory education weight of 74 percent, offset by an increase in the foundation funding level. However, the modest improvement in equity found by the DLS analysis indicates that this tradeoff likely does not leave high-poverty schools as well equipped as their wealthier counterparts to provide a world-class education, after adjusting for students' needs. Maintaining the current compensatory education weight or increasing it would produce a greater improvement in equity.
- **Updating the way state and local jurisdictions divide funding responsibilities.** Just as not all students have the same opportunities or face the same barriers, not all local jurisdictions have the same resources. With minor exceptions, the Kirwan Commission maintained the current, inequitable system for dividing state and local funding responsibilities. Improvements such as increasing the match rate used in the guaranteed tax base<sup>vi</sup> or adopting a multiplicative wealth formula would ensure students in every part of Maryland can get the education they deserve.<sup>vii</sup>

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<sup>iv</sup> “Preliminary Fiscal 2030 Progressivity Estimates,” Department of Legislative Services, 2019, [http://dls.maryland.gov/pubs/prod/NoPblTabMtg/CmsnInnovEduc/2019\\_11\\_21\\_Progressivityexhibit.pdf](http://dls.maryland.gov/pubs/prod/NoPblTabMtg/CmsnInnovEduc/2019_11_21_Progressivityexhibit.pdf)

<sup>v</sup> For further discussion, see Christopher Meyer, “Investing in Every Child: The Future of Compensatory Education Aid in Maryland,” Maryland Center on Economic Policy, 2017, [http://www.mdeconomy.org/wp-content/uploads/2017/09/MDCEP\\_InvestEveryChild\\_2017\\_FNLlo.pdf](http://www.mdeconomy.org/wp-content/uploads/2017/09/MDCEP_InvestEveryChild_2017_FNLlo.pdf)

<sup>vi</sup> Most discussion of the guaranteed tax base has focused on the wealth threshold below which school districts are eligible for a grant (“guaranteed wealth per pupil”). Raising this threshold, such as to 90 percent or 100 percent of statewide wealth per pupil, would improve equity. However, a more effective way to target state funding to the districts with the greatest needs would be to increase the rate at which the state matches additional local effort. This could be accomplished by specifying a coefficient greater than 1 on p. 20, line 23 of both bills.

<sup>vii</sup> For further discussion, see Christopher Meyer, “Expanding Educational Opportunity in Maryland: The Role of Funding Formulas in Increasing Equity,” Maryland Center on Economic Policy, 2017, [http://www.mdeconomy.org/wp-content/uploads/2017/03/MDCEP\\_EdFundingMD\\_2017\\_FNL2lo-1.pdf](http://www.mdeconomy.org/wp-content/uploads/2017/03/MDCEP_EdFundingMD_2017_FNL2lo-1.pdf)