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TO: Members of the State Board of Education
FROM: Jack R. Smith, Ph.D. 
DATE: February 23, 2016
SUBJECT: Update: Study of Adequacy of Education Funding in Maryland

PURPOSE:

The purpose of this agenda item is to provide the State Board of Education an update on the progress of the Adequacy Study.

HISTORY:

The Bridge to Excellence Act of 2002 resulted from the work of the Thornton Commission, an adequacy cost study and other education finance analyses that were conducted in 2000 and 2001. The Bridge to Excellence Act required a follow up study to be undertaken approximately ten years later to ensure that funding for K-12 education continues to be adequate for all students to meet State standards. The Maryland State Department of Education (MSDE), in collaboration with the Department of Legislative Services (DLS) and the Department of Budget and Management (DBM), as required by law, issued a request for proposals (RFP) in early 2014. Augenblick, Palaich & Associates (APA) was awarded the contract in June of 2014. APA is working with education finance experts across the county, including the Maryland Equity Project at the University of Maryland, College Park, to complete the required studies, which include other smaller studies in addition to the overall adequacy study.

SUMMARY:

The follow-up study of the adequacy of education funding in the State is to be conducted in two phases with a series of analyses and reports required in 2015 and a final report and recommendations due in 2016. The study must include, at a minimum, an adequacy cost study that identifies a base funding level for all students and per pupil weights for students with special needs to be applied to the base funding level. The study must also include an analysis of the effects of concentrations of poverty on adequacy targets.

Several additional components must also be included in the study: the elements of school size and its impact on educational delivery; the role of “supplemental grants”, and their impact on the integrity of the State’s education finance structure; a review of the Geographic Cost of Education Index (GCEI); an evaluation of the equity of the State’s funding structure; an analysis and

recommendations for a new proxy for identifying economically disadvantaged students in State education aid formulas; an evaluation of the impact of increasing and declining enrollment on local school systems; and a cost benefit analysis of providing universal pre-kindergarten in Maryland.

Adequacy Study

APA will use three different methodologies – Professional Judgment, Evidence-Based and Successful Schools – to estimate an adequate level of education funding so that all Maryland students can meet State Standards. The Evidence-Based approach identifies research-based strategies and programs known to improve student achievement and uses these programs and resources as reviewed by panels of Maryland educators, administrators and central office staff to develop Maryland-specific prototype schools (elementary, middle and high) and estimate a base per pupil amount and weights for special populations. The Professional Judgment approach works directly with Maryland educators, administrators and central office staff to identify effective school wide strategies and the resources (staffing, materials, programs, etc.) needed to implement them. As with the Evidence-Based approach, the Professional Judgment approach will result in prototype elementary, middle and high schools using the identified programs and resources to estimate both a base per pupil amount and weights for special populations. Finally, the Successful Schools approach analyzes the actual expenditures and resource allocations of schools currently meeting or exceeding State standards and develops cost models based on the findings. This model will only produce a base per pupil amount, and will not produce weights for special populations. The results of all three approaches along with the results of Case Studies of 12 schools will be analyzed and ultimately APA, in consultation with MSDE and its partner agencies, will recommend a single base per pupil funding amount along with weights for students with special needs.

Case Studies

APA, with their partner organizations, conducted case studies of 12 high performing and improving elementary, middle and high schools. Schools were selected based on student performance with a focus on schools with concentrations of economically disadvantaged, limited English proficient and special education students. The data collected from the case studies will inform several aspects of the adequacy study, and the in-depth descriptions of effective strategies and programs employed at these schools can be shared as potential best practices.

The research team identified several common practices across all 12 schools included in the Case Study analysis. Each school has specific goals for improving student performance and for reducing achievement gaps. The schools view these goals as a shared responsibility and the school culture reflects this point. Teachers have multiple opportunities weekly to work collaboratively and engage in data-driven decision processes, students and teachers have access to multiple interventions, and school leaders focused on recruiting and retaining only high quality teachers.

Accompanying Studies

1. **School Size Study** - Chapter 709, Acts of 2012 requires the adequacy study to include an analysis of school size on educational delivery. The final School Size report was submitted in June 2015 and shared with the Board at its July 2015 meeting. In summary, the APA found that small schools are not a panacea for improving student performance. However, small schools may provide an environment that is more conducive for implementing effective strategies to improve student performance. The research team recommends that Maryland may want to consider adopting a maximum school size policy and implement a state-funded small school incentive grant program to support the replacement of the State's largest, low-performing schools with new, smaller schools, or to renovate these larger school buildings to accommodate smaller learning communities.
2. **Proxy for Economically Disadvantaged Students** – The study must evaluate whether the number of students eligible for free and reduced price meals (FRPM) should continue to be used as a proxy for identifying economically disadvantaged students in several State education aid formulas, primarily the compensatory education formula. The report will identify other potential proxies for economic disadvantage. This is particularly critical as more schools and school systems decide to participate in the Community Eligibility Program (CEP) offered by the United States Department of Agriculture. Under CEP, all students in participating schools qualify for free meals and schools are no longer required to collect income verification forms. Consequently, FRPM eligibility is no longer the optimal proxy for economic disadvantage to be used in the compensatory education formula. The final Proxy for Economic Disadvantage Report was submitted in June 2015 and shared with the Board at its July 2015 meeting. The research team provided several options identifying economically disadvantaged students, including other poverty indicators and some hybrid models using enrollment and eligibility for federal assistance programs.
3. **Study on Increasing and Declining Enrollment** – The RFP requires an evaluation of the impact of increasing and declining enrollment on local school systems, including transportation costs, particularly for local jurisdictions with large geographic areas but small populations. The final report was accepted in September 2015 and includes suggestions for providing capacity planning technical assistance to local schools systems and two recommendations; revise the current transportation funding formula to include a statistical model using multiple cost factors, and adopt a multi-year rolling average FTE to smooth the impact of enrollment changes.

4. Wealth Study – The RFP requires an evaluation of the equity of the State’s education finance structure and the current calculation of local wealth used for education aid formulas. Specifically, APA will examine whether the State aid formulas should use income tax data collected in September or November, as well as whether the local wealth definition impacts local jurisdictions that derive a greater proportion of their wealth from property assessment than income compared to other jurisdictions in Maryland. The Final report was accepted in September 2015 and recommends a November-only Net Taxable Income (NTI) calculation, considering a multiplicative approach to combining property and NTI wealth, and phasing in both recommendations. The report also recommends that the State consider Ohio’s shared approach to Tax Increment Financing (TIF) valuation.

5. Update GCEI –The RFP requires an evaluation of Maryland’s current GCEI methodology and recommendations for changes to the methodology. APA conducted the evaluation and submitted a preliminary report in September 2015, recommending a Comparable Wage Index (CWI) approach to calculate a GCEI for Maryland. MSDE, in conjunction with its partners at DLS and DBM, determined that any final decision required an analysis of the results of both methodologies. As such, APA is developing a Maryland GCEI using the CWI approach. MSDE, DLS and DBM will review both the CWI GCEI and the 2009 iteration of the current GCEI prior to making a final determination. The CWI-based GCEI is due in June 2016.

6. Prekindergarten Study – The RFP requires an evaluation of funding for prekindergarten as well as the prekindergarten services provided by LEAs and private providers in the State, including the costs and benefits of providing universal access to quality prekindergarten programs. The final report, submitted in January 2016, includes an evaluation of the current prekindergarten opportunities in the State, Return on Investment (ROI) estimates for different quality levels and participation rates and alternative funding structures for providing high quality prekindergarten to at least 80% of Maryland’s four-year-old children.

The research indicates high quality prekindergarten opportunities provide the most benefit to children. Therefore, the analysis utilizes the State’s tiered quality rating and improvement system known as EXCELS – Excellence Counts in Early Learning and School-Age Care to identify the availability of high quality private programs; those at level four and level five. Local school system prekindergarten programs and private providers with national accreditation were also identified as high quality. The ROI estimates and funding structure analysis focus on high-quality programs. The research team recommends the State continue to invest in EXCELS, which will, in-turn, increase the number of high quality prekindergarten programs and the ROI to the State. The research team offered two options for funding the cost of high quality prekindergarten; the first option is a shared, wealth-equalized program between the State and local school systems; and, the second option adds a family contribution for those above 300% of the federal poverty level.

7. Concentrations of poverty – APA will analyze the effect of concentrations of poverty on the adequacy targets that result from the base funding and per pupil weights, and determine if additional adjustments are necessary to provide adequate funding for LEAs with high concentrations of poverty. As a preliminary step, APA conducted a literature review and the findings were submitted in June 2015 and shared with the Board at its July 2015 meeting.
8. Supplemental Grants – APA will use the results of the adequacy study to evaluate the current Supplemental Grants program to make a recommendation as to whether the program should continue to be funded.

Summary of Report Due Dates

Final Report – Geographic Cost of Education Index – June, 2016

Final Report – Adequacy Study – October, 2016

Stakeholder Advisory Group

MSDE continues to host regular meetings with stakeholders to update interested parties on the progress of the study and provide the opportunity for input on the research. The group includes representatives from local school systems, higher education, the business community, a parent, the Maryland Association of Counties, the Maryland State Education Association, the Baltimore Teachers Union, the Maryland Disability Law Center, the ACLU, and Advocates for Children and Youth.

ACTION:

No action required, for discussion only.

Maryland State Department of Education

Study of Adequacy of Funding for Education
Maryland State Board of Education

February 23, 2016

Kristy Michel, Chief Operating Officer

Study of Adequacy of Education Funding in Maryland

□ Background

- Bridge to Excellence Act required the State to conduct a follow-up adequacy study 10 years later.
- Law requires an adequacy study that identifies a base funding level for all students and per pupil weights for students with special needs to be applied to the base funding level, as well as several additional studies.
- MSDE, in collaboration with DLS and DBM, issued an RFP for this work in early 2014 and awarded the contract to Augenblick, Palaich & Associates in June of 2014.

Study of Adequacy of Education Funding in Maryland

□ Study Plan

- Three methodologies along with case studies of improving schools will be used to determine an adequate level of education funding so that all Maryland students can meet State Standards.
 - Evidence-Based
 - Professional Judgment
 - Successful Schools
- Results of three methodologies will be used to develop base cost and the additional weights necessary for special needs students.

Study of Adequacy of Education Funding in Maryland

□ Study Progress

■ Adequacy Study – Evidence-Based Approach

- The Evidence-Based approach uses research-based strategies and programs known to improve student achievement and estimates the cost of prototype schools (elementary, middle and high) using these programs and resources.
- 4 Panels and 76 Maryland educators, administrators and central office staff reviewed strategies, programs and services June 2015 to create a Maryland-specific model.
- The Maryland-specific model will estimate a base funding amount and specific weights for special needs students.

Study of Adequacy of Education Funding in Maryland

□ Study Progress, continued

- Adequacy Study – Professional Judgment Approach
 - The Professional Judgment approach allows educators to identify the programming and resources needed for all students, including those with special needs.
 - In October, November of 2015 and January of 2016, 9 panels and 76 Maryland educators, administrators and central office staff identified specific programs, services and resources needed for all Maryland students to meet State standards.
 - The programs, services and resources are used to estimate the necessary level of funding based on prototype schools. The model will produce a base cost and additional weights for special needs students.

Study of Adequacy of Education Funding in Maryland

□ Study Progress, continued

■ Adequacy Study – Successful Schools Approach

- The Successful Schools approach uses the actual expenditures and resource allocations of schools currently meeting standards and develops cost models.
- 111 Consistently high performing, high growth schools have been selected.
- Local School System staff currently completing data collection.
- Actual costs will be used to estimate the necessary level of funding. The model will produce a base cost only.

Study of Adequacy of Education Funding in Maryland

□ Study Progress, continued

■ Adequacy Study – Case Studies

- 12 improving schools were selected based on four categories - overall high performing, producing large gains in student performance, reducing the achievement gap, or improving the performance of one or more subgroups of students.
- Researchers conducted site visits to review school-specific programs and staffing.
- Common practices include shared responsibility for student achievement, collaborative approach to instruction, and a focus on high-quality teachers.

Study of Adequacy of Education Funding in Maryland

□ Other Studies

■ School Size Study

- Utilized a literature review, document research, district interviews, and select district case studies to develop a method for establishing an ideal school size and to identify opportunities for creating smaller schools.
- Recommends the State consider adopting maximum school size policy and implement a state-funded small school incentive grant program to support renovating or replacing largest low-performing schools

Study of Adequacy of Education Funding in Maryland

- Other Studies, continued
 - Proxy for Economically Disadvantaged Students
 - The study evaluated whether free and reduced price meal (FRPM) eligibility should continue to be a proxy for identifying economically disadvantaged students in several State Aid formulas, particularly as new federal Community Eligibility Provision is implemented.
 - Recommend Two Options: 1. Continue use of FRPM eligibility and collaboratively work with local school systems to improve response rates on alternate forms; 2. Use direct certification counts, but phase in this change over time.

Study of Adequacy of Education Funding in Maryland

- Other Studies, continued
 - Study of Increasing and Declining Enrollment
 - The study evaluated the impact of increasing and declining enrollment, including transportation costs, particularly for districts with large geographic areas, but small populations.
 - Two recommendations: Revise the current transportation funding formula to include a statistical model using multiple cost factors, and adopt a multi-year rolling average FTE to smooth the impact of enrollment changes.

Study of Adequacy of Education Funding in Maryland

- Other Studies, continued
 - Equity and Local Wealth
 - The study evaluated the equity of the State's finance structure and the current calculation of local wealth used for education aid formulas.
 - Recommendations: Use only the November Net Taxable Income data, and consider a multiplicative approach to combining property and NTI wealth.
 - Research team also suggests reviewing Ohio's shared approach to Tax Increment Financing (TIF) valuation.
 - Any options should be phased in over time.

Study of Adequacy of Education Funding in Maryland

□ Other Studies, continued

■ Prekindergarten

- The study evaluated current prekindergarten services and program funding and estimated the cost and benefit of providing universal access to high-quality prekindergarten.
- The Report provides Return on Investment estimates for different levels of quality and participation rates, noting high-quality programs provide the highest benefit.
- High-quality prekindergarten is defined as a public school program, nationally accredited private program, or private providers with EXCEL Rating of 5.

Study of Adequacy of Education Funding in Maryland

□ Other Studies, continued

■ Prekindergarten, continued.

- The report includes several recommendations:
 - The State should offer access to prekindergarten to at least 80% of the State's four-year-old children.
 - The State should continue to invest in EXCELS which will increase the number of high-quality prekindergarten programs and the ROI to the State.
 - Two options for funding prekindergarten:
 - Wealth-equalized shared program between the State and local school systems
 - Wealth-equalized shared program plus a family contribution for those above 300% of the federal poverty level.

Study of Adequacy of Education Funding in Maryland

- Other Studies, continued
 - Geographic Cost of Education Index (GCEI)
 - The study evaluated the current GCEI methodology and recommended using a Comparable Wage Index (CWI).
 - CWI approach, due to the relative simplicity of the model and the availability of data, is more appropriate than the statistically complex hedonic model current used in Maryland.
 - MSDE, in conjunction with DLS and DBM, will compare a CWI-based Maryland Index with the 2009 version of current index before making recommendation.

Study of Adequacy of Education Funding in Maryland

□ Other Studies, continued

■ Concentrations of Poverty

- The research team conducted a literature review to inform their analysis of the effect of concentrations of poverty on the adequacy targets (base cost and weights for students with special needs).

■ Supplemental Grants

- The research team will consider the current Supplemental Grants program as the adequacy targets are developed and make a recommendation regarding their continued use.

Study of Adequacy of Education Funding in Maryland

□ Time Frame

- Final Report – Update GCEI – June, 2016
- Final Report – Adequacy Study – October, 2016

□ Questions