
Report of the Commission on Education Finance, Equity, and Excellence

Draft

Annapolis, Maryland

November 9, 2001

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I. Introduction

After two years of extensive work, the Commission on Education Finance, Equity, and Excellence has concluded that there is a need to enhance Maryland's school finance system to ensure that: (1) the funding necessary to allow students and schools to meet the State's rigorous and nationally recognized performance standards is available to all local school systems; and (2) State aid is distributed in an equitable manner, such that the per pupil amount of State aid received by a local jurisdiction is inversely related to the wealth of the jurisdiction and positively related to the special needs of students in the jurisdiction. The Commission has also concluded that there is a need to consolidate a variety of existing State aid programs to create a more rationally structured school finance system that provides flexibility and predictability for local school systems.

This draft report provides a brief summary of the guiding principles that are reflected in the Commission's conclusions regarding the best way to enhance Maryland's school finance system and includes specific information regarding the distribution of State funds under the Commission's proposal. The draft report also identifies several potential sources of revenues that could be used to enhance the level of State funding for education and asks members of the public to consider and comment on these proposals. The draft report is being released to the public on November 9, 2001, for the purpose of receiving input from the public prior to the issuance of the Commission's final report in December 2001. The Commission looks forward to receiving testimony from the public at a hearing that will be held on Monday, November 19, 2001, at 7:00 p.m. in the Joint Hearing Room, Legislative Services Building, Annapolis, Maryland.

After the hearing on November 19, the Commission will prepare a more expansive final report that includes important background information relating to the Commission's findings and recommendations. The final report will also address a number of issues that are still being considered by the Commission. These issues include: (1) whether any State funding should be restricted for specific purposes; (2) whether local tax restrictions impede a local jurisdiction's ability to provide adequate education funding; (3) how to link the State's accountability system to the school finance model recommended by the Commission; and (4) whether local jurisdictions should be required to provide a local match for State categorical aid.

II. Principles Reflected in the Commission's Proposal to Enhance Maryland's School Finance System

Currently, State aid for education is distributed through approximately 50 separate funding programs. The Commission believes that this current array of programs is unnecessarily complex and administratively burdensome. The Commission also believes that many of these program have

overlapping goals, are unnecessarily restrictive, are distributed in an inequitable manner, and are unrelated to the special needs of students in particular jurisdictions. The school finance model recommended by the Commission consolidates many of these programs, provides greater flexibility to local jurisdictions, and increases the percentage of State aid that is wealth equalized and/or directly related to the needs of particular student populations.

Exhibit 1 identifies the 50 State aid programs that exist under current law and shows how these programs would be treated under the proposed model. Ten general education programs are rolled into the State's foundation program -- i.e., the Basic Current Expense formula. Another ten general education programs, including the teachers' retirement program, continue as separate programs. Three new categorical programs are established for the purpose of providing funding for students who need special education services, are from economically disadvantaged backgrounds, or have limited English proficiency (LEP). Eighteen categorical programs are rolled into the new categorical program that will provide funding for students from economically disadvantaged backgrounds, and six categorical programs continue as separate programs. The existing funding program for special education, both the first and second tiers, are rolled into a new categorical program that will provide funding for students who need special education services. A new program for LEP funding replaces the existing LEP program. The following is a brief summary of the guiding principles that are reflected in the Commission's recommended model.

(1) Base Cost

The Commission believes that there is an inadequate link between the current method of establishing the level of funding distributed under the State's foundation program and the goal of providing funding that is necessary to allow students, schools, and school systems to meet the State's performance standards. The Commission believes that the amount of funding distributed under the State's foundation program should be enhanced to reflect the base cost figure of \$5,969 derived from the Successful Schools Study conducted by Augenblick & Myers, Inc. This figure is adjusted downwards in the school finance model recommended by the Commission to reflect: (1) the costs associated with the teachers' retirement program and nine other general education programs that continue outside the foundation program; and (2) the existence of four general education programs that are federally funded. For fiscal 2002, the adjusted foundation amount is \$5,443. Under the Commission's proposal, this figure would be adjusted each year by the Implicit Price Deflator for State and Local Government Expenditures.

(2) Students with Special Needs

Under the adequacy theory adopted by the Commission, the base cost figure established by the Successful Schools Study is the cost to provide educational services to students *without* special needs. The Commission believes that additional funds are needed to adequately educate three groups of students with special needs: special education students, economically disadvantaged students (as measured by eligibility for free and reduced price meals), and students with limited English

proficiency. The Commission also believes that there should be a rational link between the funding needed to adequately educate special needs students and the distribution of State aid. The Professional Judgement Study conducted by Augenblick & Myers, Inc. calculated pupil weights for students with special needs. The weights relate the cost of adequately educating special needs students to the base cost required to educate students without special needs. The Professional Judgement Study calculated weights of 1.17 for special education students, 1.39 for students eligible for free and reduced price meals, and 1.00 for LEP students.¹

However, an analysis by the Maryland State Department of Education revealed substantial overlap between groups of special needs students, indicating that the amount of funding required for a school system to meet adequacy would be overstated due to the duplication of weights for students who fall into more than one special needs category. The same analysis revealed that 99% of the overlap could be accounted for if the weight for economically disadvantaged students was reduced by 21% to 1.10. The analysis also suggested that it makes the most sense to reduce the weight for economically disadvantaged students because this designation is just a proxy (albeit a good one) for students at-risk of academic failure. Conversely, special education and limited English proficiency are formally diagnosed needs. Thus, the Commission endorsed the adjusted weight of 1.10 for students eligible for free and reduced meals.

The model recommended by the Commission uses three separate categorical programs to fund the three populations of special needs students. The amount of funding for these programs is based on the accepted pupil weights -- i.e., 1.17 for special education students, 1.10 for students from low-income backgrounds, and 1.00 for students with limited English proficiency. To determine the funding level for the three special population categorical programs, these weights are adjusted downward to reflect State and federal aid programs that continue under the Commission's proposal and contribute to adequacy funding. The adjusted weights are 0.74 for special education students, 0.97 for low-income students, and 0.99 for LEP students. For each of these categorical programs, the Commission's proposal assumes an overall State share of 50%.

(3) State/Local Share

In Maryland, total spending for public schools is currently divided between the State, local, and federal governments as follows: 41% State; 54% local; and 5% federal. Since a significant share of State and federal spending is targeted on the basis of local wealth or the number of special needs students, these percentages vary significantly among jurisdictions. For example, the State share of funding in particular jurisdictions varies from a low of 17% to a high of 63%. The Commission believes that the State should move toward providing a higher overall State share of education funding. Under the model recommended by the Commission, initial projections indicate

¹ These weights are in addition to the base funding level that every student receives. Thus, for example, the amount needed to adequately educate a special education student would include the base cost plus 1.17 times the base cost, for a total cost that is equal to 2.17 times the base cost.

that the State share of education funding would increase substantially, from 41% to 49%. For the purpose of calculating these projections, growth in local aid was estimated by increasing the fiscal 2002 per pupil local appropriations by the average annual increase in local per pupil aid from fiscal 1997 to 2000, multiplied by projected local enrollments. Growth in federal aid was estimated by increasing budgeted fiscal 2002 federal revenues by the projected Implicit Price Deflator for State and Local Government Expenditures.

(4) Phase-in Period

The Commission recognizes that the funding enhancements provided under the school finance model recommended by the Commission must be phased in over several years. The Commission recommends that the enhancements be phased in over a five-year period, beginning in fiscal 2003. Under the model recommended by the Commission, every local school system receives additional State funds in each year of the phase-in.

(5) Wealth Equalization of Categorical Funding

In order to ensure that all jurisdictions receive adequate education funding, the Commission believes that most State funding should be distributed in a way that is inversely related to the wealth of a jurisdiction -- i.e., wealth equalized. With three exceptions, the Commission's funding proposal requires that all State funding be wealth equalized. The first exception relates to retirement funding. The model maintains retirement funding as a separate, State-funded, categorical program that is not wealth equalized. The second exception relates to funding for students with limited English proficiency. The model maintains unequalized funding for the current per pupil LEP funding level (i.e., \$1,350 per pupil) but equalizes State funding above this level. The third exception relates to 16 existing State aid programs that continue under the Commission's proposal.

(6) Full-day Kindergarten

In recognition of the developing body of research that shows that early educational experiences have a dramatic and long-term impact on a child's cognitive development, the school finance model recommended by the Commission counts all students enrolled in kindergarten as 1.0 full-time equivalent for the purpose of calculating the amount of funding to be provided to each jurisdiction under the Basic Current Expense formula. This aspect of the model is intended to provide all jurisdictions with additional funding to support full-day kindergarten for all students.

(7) Gifted and Talented Students

The Commission believes that additional funding should be available to support programs that serve gifted and talented students. The funding to support this population is present in the foundation amount proposed by the Commission. The Commission supports the idea that local jurisdictions should fund gifted and talented programs at a level necessary to meet standards developed by the Maryland State Department of Education.

(8) Cost of Education

The Commission believes that education funding should be adjusted to reflect differences in the cost of education among local jurisdictions that are due to factors outside the control of the local jurisdictions. The school finance model recommended by the Commission would use a cost of education index beginning in fiscal 2005 to adjust the State share of Basic Current Expense aid. The Commission recommends that the State contract with a private entity to conduct a study to: (1) develop a Maryland-specific geographic cost of education index to be implemented no later than fiscal 2005; and (2) provide recommendations as to how the index should be used to adjust education funding (e.g., upward and downward adjustments or only upward adjustments). In this report, the GCEI developed by the National Center for Education Statistics is used to estimate the impact of a cost of education index on the distribution of State aid. For the purpose of calculating aid projections, the model recommended by the Commission assumes that the GCEI would only be used to make upward adjustments to education funding. However, the Commission believes that a final decision on this issue should be delayed until the study recommended by the Commission is completed.

(9) Guaranteed Tax Base

The Commission believes that Maryland's school finance system should include a component that recognizes and rewards the education funding effort made by jurisdictions with below-average wealth. The Commission's proposal, therefore, includes a "Guaranteed Tax Base" (GTB) program that provides additional State aid based on local wealth and education effort. Under the GTB, each school system would receive funds equivalent to the jurisdiction's supplemental education effort (local education funding above the match required by the Basic Current Expense formula divided by the local wealth base) multiplied by the guaranteed tax base level, which is 80% of the statewide wealth per pupil. Thus, a jurisdiction with less than 80% of the statewide wealth per pupil that appropriates more for education than is required by the Basic Current Expense formula would receive funding under the GTB program proposed by the Commission. The amount of additional State aid equals the difference between the jurisdiction's actual supplemental education funding and what the supplemental education funding would be if the county made the same effort and had the guaranteed tax base. The Commission's proposal limits the State aid that a jurisdiction may receive under the GTB program to no more than 20% of the per pupil foundation level.

(10) Transportation

The Commission believes that the State should increase funding for student transportation. A report presented to the Commission during the 2000 interim indicated that between fiscal 1981 and 1998 total expenditures for student transportation increased by 180%. During this same period, State expenditures for student transportation increased by only 35%. The percentage of total student transportation costs funded by the State peaked at about 90% in 1984 and declined gradually in each subsequent year. In fiscal 1998, the State funded about 36% of total student transportation costs. Transportation of students with special needs is particularly costly, as evidenced by the differences in miles traveled by regular students and disabled students who need special transportation services. Statewide, the average number of miles traveled per disabled student (1,318) is more than ten times the average number of miles traveled per regular student (127). Disabled students who need special transportation services make up only 4% of the total number of students who are eligible for transportation services but account for 33% of the total miles that students are transported. As a means of addressing this problem, the Commission recommends that the method of calculating the State's supplemental aid for transporting disabled students be modified to provide a \$1,000 grant for each disabled student who requires special transportation services. Under this proposal, the current \$500 per student grant amount is increased to \$1,000, and the current offset for disabled students transported during the 1980-81 school year is eliminated.

(11) Revenue Sources

Based on initial projections, the school finance model recommended by the Commission requires that State funding increase by approximately \$1.1 billion more, between fiscal 2002 and 2007, than State funding would be required to increase under current law. The Commission recognizes that the declining economy is having an adverse impact on the State's fiscal condition and that the fiscal outlook for the near future is not positive. However, the Commission believes that implementing the proposed recommendations to achieve adequate funding of Maryland's public schools is of critical importance and must be undertaken regardless of the fiscal condition of the State. Other than debt service on its bonds, public education is the only service that the State has a Constitutional obligation to provide. Therefore, the Commission urges the Governor and General Assembly to re-prioritize existing funds in the State budget, as necessary, to begin implementing the Commission's recommendations in fiscal 2003. In future years, the Commission realizes that it is unlikely that existing revenue sources can support the increasing cost of implementing its recommendations. Therefore, the Commission recommends that the Governor and General Assembly consider establishing new revenue sources to provide additional funds to assist in implementing the Commission's recommendations in subsequent years.

During the 2000 interim, the Commission received a briefing on a variety of potential revenue sources that could be used to help fund increases in education spending. At that briefing, the Department of Legislative Services outlined potential revenues that might be derived from: (1) repealing previously enacted tax reductions yet to take effect; (2) tax changes; and (3) new non-tax revenues. In order to obtain public input on the issue of how to fund increases in education spending, the Commission asked individuals who testified at five regional hearings held on

September 10, 2001, to make specific recommendations as to preferred sources of revenue for new education funding. At these hearings, the Commission received the following suggestions: (1) adjust priorities within the State budget in order to provide more State support for education; (2) increase the sales tax; (3) broaden the sales tax to include the services sector of the economy; (4) increase the State income tax; (5) increase taxes on alcohol and tobacco; (6) legalize gambling and impose a high tax on the proceeds; and (7) impose a \$1 fee on individuals who attend events at PSINet Stadium. With regard to item (1), some individuals suggested that a portion of State lottery revenues be dedicated to education funding. With regard to item (5), some individuals suggested that the State establish a more graduated income tax that imposes higher taxes on higher income tax payers.

The Commission has scheduled a briefing for November 15, 2001, for the purpose of reviewing updated information on potential sources of revenue for enhanced education funding. However, the Commission continues to believe that it is essential that the public participate in the process of determining how to generate revenues for the substantial increase in education funding that is necessary to ensure that students, schools, and school systems have the resources that will allow them to meet the State's performance standards. Toward this end, the Commission requests that individuals who testify at the hearing on November 19, 2001, state whether they support any of the seven revenue sources listed above or have other preferences regarding sources of revenue for increases in education funding.

III. Implementation of the School Finance Model Recommended by the Commission

To test the feasibility and ramifications of certain school finance models, it was necessary for the Commission to use estimates and projections of future enrollments, wealth bases, inflation rates, and State education aid under current law. The estimates are based on data culled from a number of sources, including the Department of Planning, the Department of Legislative Services, and the Maryland State Department of Education. Many of the projections are based on recent trends extended outwards through the five-year implementation period proposed by the Commission. It is important to note that, although the State aid estimates shown in the exhibits discussed below are based on the best available trend data, *they are only forecasts of actual State aid* under the Commission's proposal. For example, final enrollment and wealth data used to determine fiscal 2003 State aid will not be available until December 2001. The estimates shown in the exhibits discussed below will be updated when this data becomes available.

Major changes in current trends, such as sudden departures from projected trends for local wealth bases or proportions of students with special needs, would result in different State aid amounts and distributions. However, the Commission strongly believes that, as local demographics change, the State's education finance system should naturally adjust itself to account for the changes. For example, one trend used to estimate future State aid is a continued reduction in student enrollment in some school systems. If enrollment stabilizes in one of these schools systems during implementation of the Commission's proposal, the school system would receive more funding under the proposal than estimated in the exhibits discussed below. The Commission is confident that,

despite the problems inherent in making decisions based on future projections, its proposal can effectively meet the demands of a changing landscape while strengthening all school systems.

(1) Total Education Funding

Exhibit 2 provides an overview of the characteristics of the school finance model recommended by the Commission. This exhibit also shows estimates of total State funding for fiscal 2002 through 2007 and estimated increases in State education funding between fiscal 2003 and 2007, above those that would occur if current law were not changed. Under the model, State funding increases by \$1.8 billion between fiscal 2002 and 2007, from a total of \$2.9 billion in fiscal 2002 to a total of \$4.7 billion in fiscal 2007. Approximately \$700 million of this \$1.8 billion increase would occur even if current law governing Maryland's school finance system did not change. Thus, the new model calls for an increase in funding of about \$1.1 billion by fiscal 2007.

Exhibit 2 also shows that, by fiscal 2007: (1) 28% of State aid would be targeted to special populations, 67% would be allocated for general education aid, and 5% would be allocated for other functions (e.g., food services, transportation, school performance recognition awards, quality teacher incentives, and the education modernization initiative); (2) 80% of State aid would be wealth equalized; and (3) the State would provide 49% of total education funding. These figures can be compared to analogous figures regarding current education funding, which are reflected in **Exhibit 3**. The figures in **Exhibit 4** reflect the total estimated State aid that would be provided under the model in fiscal 2003 through 2007 for general education, special education, low-income students, students with limited English proficiency, and other functions.

(2) State Aid Provided to Each Local School System

Exhibit 5 shows "total estimated State aid" that would be provided to each local school system under the model. This exhibit also shows "change from current law," which reflects the amount of State aid that each local jurisdiction would receive under the model in fiscal 2003 through 2007, above the amount of State aid the school system would receive under current law. Finally, this chart shows "change from prior year," which reflects the annual increases in total State aid for each local jurisdiction between fiscal 2003 and 2007. A review of these figures shows that the school finance model recommended by the Commission is "back-loaded" because increases in total funding grow larger each year. On a statewide level, the annual increase in total funding grows from a low of \$248 million in fiscal 2003 to a high of \$421 million in fiscal 2007.

Exhibit 6 shows "estimated total per pupil State education aid" that would be provided to each local school system under the model. Comparing the figures in this exhibit to the figures in Exhibit 5 shows that some school systems that would receive relatively small increases in total funding under the model would receive significant increases in per pupil funding. For example, Exhibit 5 shows that, in fiscal 2007, Caroline County would receive \$14.1 million more under the model than under current law. In contrast, in fiscal 2007, Prince George's County would receive \$306.1 million more under the model than under current law. However, Exhibit 6 shows that

Caroline County's per pupil increase of \$2,545 is higher than Prince George's County's per pupil increase of \$2,285.

(3) Adequacy Analyses

Exhibit 7A estimates Maryland's adequacy needs in fiscal 2007 under the Commission's proposal. The table compares local revenues in fiscal 2002² to local revenues that would be needed in fiscal 2007 to meet the estimated adequacy needs of each school system. The exhibit shows that there is a statewide gap of \$2.1 billion between current funding and the amount of funding needed to reach adequacy in fiscal 2007. On a county level, the exhibit shows that all school systems will require some additional resources to reach adequacy by fiscal 2007. However, the needs vary significantly by school system, from a low of \$6.4 million in Kent County to a high of \$561 million in Prince George's County. When estimated growth in State aid under the Commission's proposal is added to estimated growth in federal aid and local appropriations, the remaining statewide gap shrinks to \$115 million and eight school systems have a fiscal 2007 adequacy gap. The local gaps range from \$300,000 in Cecil County to \$80 million in Prince George's County.

Exhibit 7B repeats the same analysis, but adjusts the estimated fiscal 2007 adequacy costs by the Geographical Cost of Education Index developed by the National Center for Education Statistics. This analysis assumes that educational costs are not the same in every school system and adjusts adequacy costs to account for the differences. As demonstrated in the exhibit, only five local school systems (Caroline, Garrett, Harford, Prince George's, and Talbot counties) will have an adequacy gap by fiscal 2007 using adjusted adequacy costs. Despite the reduction in the number of school systems with gaps, the statewide gap increases to \$133 million.

² The costs that were measured in the adequacy studies did not include the costs associated with the following functions: transportation, debt service, food services, teacher quality incentives, school performance recognition awards, and the education modernization initiative. Therefore, when determining whether the State, or particular school systems, have reached adequacy, funding designated for these programs must be deducted from total funding. In Exhibits 7A and 7B, the figures reflect the adjusted estimate of education funding after deducting the funds associated with these functions.

Exhibit 1
Status of State and Federal Aid Programs Under Commission Proposal, Based on Fiscal 2002 Funding Levels
(Dollars in Thousands)

PROGRAM	AID CATEGORY														
	GENERAL ED			SPECIAL ED			LOW INCOME			LEP			FUNCTIONAL		
	Folded In	Outside the Model		Folded In	Outside the Model		Folded In	Outside the Model		Folded In	Outside the Model		Outside the Model		
State Aid	State Aid	Federal Aid	State Aid	State Aid	Federal Aid	State Aid	State Aid	Federal Aid	State Aid	State Aid	Federal Aid	State Aid	Federal Aid		
Current Expenses / Foundation	\$1,681,695														
Teachers' Ret/Pens		\$328,222													
Cancer Initiative		323													
Out-of-County Living		6,000													
Schools Near County Lines		63													
Gifted & Talented	6,135														
Destination ImagiNation		75													
Advanced Placement Test Fees			\$297												
Environmental Education	68														
Md Student Serv Alliance	246														
Serve America			330												
Ctr. Ed. Progress (Caroline)		210													
Pre K to 3rd Grade Program	19,000														
Allegany Co. Resource Def	1,000														
Career and Technology Education			10,237												
Teacher Mentoring	15,900														
School Libr. Media Incent.	3,000														
Class Size Initiative	17,320		19,000												
Math Science Initiatives		883													
MD Technology Academy		1,930													
Tech Literacy Challenge		120													
Staff Development Center		668													
High School Assessments	350														
Gov Teacher Salary Challenge	85,221														
Special Education Formula				\$81,253											
Non-Public Placements					\$104,381										
Federal Special Education Funding						\$160,844									
Dropout Prevention														\$9,847	
Homeless Children and Youth														299	
Safe and Drug Free Schools														4,806	
Foster Care Assessment							\$500								
Disruptive Youth (ARMS)									\$1,602					182	
East Coast Migrant Head Start														109,883	
Educationally Deprived Children														5,200	
Title 6															
Rural Schools Performance							45								
Rural School Nurses							296								
Magnet Schools							14,100								
Goals 2000														6,500	
Comprehensive School Reform														840	
Potomac H.S. (PG County)							100								
Reading Excellence														13,489	
Gear Up														1,600	
Md. Fwd Summer Prog									150						
Baltimore City P'shp Funding							70,465								
Targeted Impr. Grants							21,991								
Comp. Ed. / At Risk Formula							117,124								
Targeted Poverty I Grants							8,000								
Add'l Poverty Gts - TPII							18,163								
Effective Schools Program							2,000								
Integrated Student Sup Serv							1,000								
Provisional / Teach. Devel.							3,000								
Teacher Develop. Grants							5,760								
Extended Elementary Ed. Pg.							19,263								
Eisenhower Math/Science														4,000	
Technology Literacy Challenge														5,510	
Challenge Grants									6,789						
Reconstitution									9,797						
Pilot Summer Program							520								
Balto. City Teacher Cert.							2,000								
Judy Hoyer Early C C& Ed Enh									11,625						
Academic Intervention							19,100								
Language Assistance														\$1,970	
Limited English Proficiency Grants										\$30,058					
R.C. Byrd Scholarship														\$699	
Career and Technology Education														4,000	
Food Services Program													\$6,265	143,568	
Student Transportation													133,338		
Education Modernization Initiative													13,286		
School Performance Recognition													2,750		
Quality Teacher Incentives													7,830		
TOTAL	\$1,829,935	\$338,494	\$29,864	\$81,253	\$104,381	\$160,844	\$303,427	\$30,145	\$161,974	\$30,058	\$0	\$1,970	\$163,469	\$148,267	

Prepared by the Department of Legislative Services, November 2001

Exhibit 2 The Commission Recommendation (Five-year Phase-in)

Current Expense

Adjusted successful schools foundation level phased-in
 50% State share for first \$4,124
 45% State share for growth in foundation level
 1.0 FTE for kindergarten students phased-in

Retirement

Separate State-paid program

Special Student Populations

Spec Ed: 1.17 overall weight
 50% State share of adjusted weight phased-in
 Wealth equalized

FRPMS: 1.10 overall weight
 50% State share of adjusted weight phased-in
 Wealth equalized

LEP: 1.00 overall weight
 50% State share of adjusted weight phased-in
 Per pupil funding increases wealth equalized

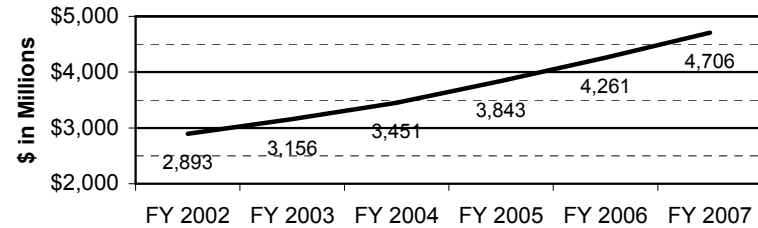
Additional Programs and Adjustments

Cost of education adjustment beginning in fiscal 2005
 80% guaranteed tax base phased-in

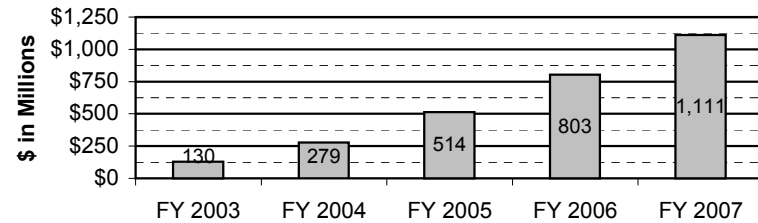
Transportation

\$1,000 per disabled rider phased-in

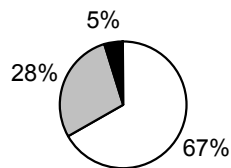
Estimated State Education Aid



Estimated Increases Over Current Law

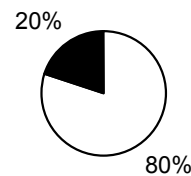


State Aid Targeting
FY 2007 Estimate



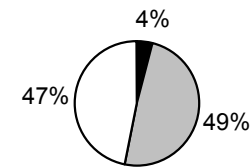
□ General Ed □ Special Populations ■ Other

State Aid Wealth Equalization
FY 2007 Estimate



□ Equalized ■ Not Equalized

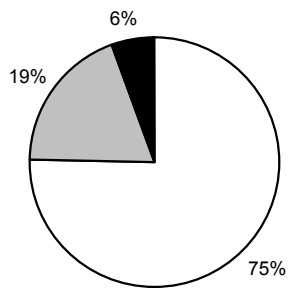
Federal-State-Local Shares
FY 2007 Estimate



■ Federal □ State □ Local

Exhibit 3 Current Education Funding Characteristics

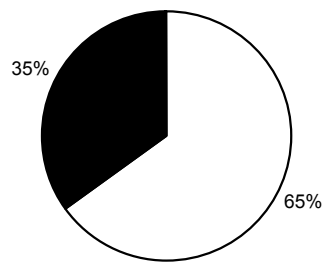
State Aid Targeting



□ General Ed □ Special Populations ■ Functions

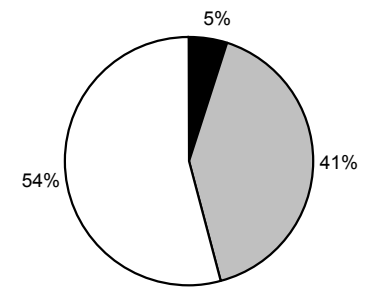
(State Aid = 2.9 billion)

State Aid Wealth Equalization Federal¹-State-Local Shares



□ Equalized ■ Not Equalized

(State Aid = 2.9 billion)



■ Federal □ State □ Local

(Total Education Aid = 7.1 billion)

¹ Not including federal food service funding.

Exhibit 4
The Commission Recommendation (Five-year Phase-in)
Estimated State Aid by Aid Category
(Dollars in Millions)
FY 2003 to FY 2007

Aid Category	Actual		Estimated Under Model				Change
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY02-FY07
General Education	\$2,168.1	\$2,290.9	\$2,455.8	\$2,700.8	\$2,913.9	\$3,140.7	\$972.6
Foundation	1,681.2	1,849.4	2,000.9	2,226.4	2,419.9	2,599.8	918.6
Retirement	328.2	351.5	369.8	394.7	421.5	454.2	125.9
Other Programs	158.6	90.0	85.1	79.8	72.4	86.7	-71.9
Special Education	\$185.6	\$209.5	\$271.0	\$320.9	\$378.2	\$439.0	\$253.3
Formula	81.3	92.5	140.1	174.2	214.0	255.0	173.8
Nonpublic Placements	104.4	116.9	130.9	146.6	164.2	184.0	79.6
At-Risk	\$332.8	\$429.4	\$481.4	\$556.6	\$679.7	\$809.4	\$476.6
Formula	0.0	368.8	424.3	527.7	650.7	780.5	780.5
Other Programs	332.8	60.7	57.1	28.9	28.9	28.9	-303.9
Limited English Proficient	\$30.1	\$32.9	\$40.3	\$53.4	\$70.1	\$89.4	\$59.3
Other Functions	\$176.1	\$193.7	\$202.3	\$210.9	\$219.3	\$228.1	\$52.0
Transportation	133.3	149.7	158.3	166.7	175.0	183.6	50.3
Other Programs	42.8	44.0	44.0	44.2	44.3	44.5	1.7
TOTAL	\$2,892.7	\$3,156.4	\$3,450.9	\$3,842.6	\$4,261.2	\$4,706.5	\$1,813.8
Current Law	2,892.7	3,026.5	3,172.0	3,328.9	3,458.5	3,595.6	702.9
Difference	\$0.0	\$129.9	\$278.8	\$513.7	\$802.7	\$1,110.9	

Percent of State Aid	Actual		Estimated Under Model			
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
General Ed	75%	73%	71%	70%	68%	67%
Special Populations	19%	21%	23%	24%	26%	28%
Special Education	6%	7%	8%	8%	9%	9%
At Risk	12%	14%	14%	14%	16%	17%
LEP	1%	1%	1%	1%	2%	2%
Other Functions	6%	6%	6%	5%	5%	5%

Prepared by the Department of Legislative Services, November 2001

Exhibit 5
The Commission Recommendation (Five-year Phase-in)
Estimated Total State Education Aid¹
(Dollars in Millions)
FY 2003 to FY 2007

County	Total Estimated State Aid						Change from Current Law					Change from Prior Year					Change from FY02
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	
Allegany	\$48.1	\$53.4	\$59.3	\$66.6	\$74.9	\$83.8	\$3.7	\$7.5	\$12.7	\$19.3	\$26.3	\$5.2	\$5.9	\$7.3	\$8.4	\$8.9	\$35.7
Anne Arundel	202.5	212.9	226.4	246.7	266.6	285.2	3.8	10.1	21.8	33.4	44.6	10.4	13.5	20.3	19.9	18.5	82.6
Baltimore City	587.0	639.3	690.6	758.1	850.6	957.7	37.1	72.7	118.4	192.1	273.9	52.2	51.3	67.5	92.5	107.1	370.7
Baltimore	306.3	329.0	357.2	395.2	433.7	472.7	8.0	20.4	41.7	66.0	91.3	22.7	28.2	38.1	38.4	39.0	166.4
Calvert	48.9	53.4	58.5	64.4	69.2	73.5	1.7	4.2	7.4	11.0	14.1	4.5	5.2	5.9	4.8	4.3	24.6
Caroline	24.4	28.2	31.1	34.3	38.3	42.3	2.9	4.8	7.2	10.3	13.5	3.7	2.9	3.3	3.9	4.0	17.9
Carroll	88.7	95.5	103.5	112.9	122.4	131.5	2.8	6.7	11.1	17.3	23.2	6.8	8.0	9.3	9.6	9.1	42.8
Cecil	56.9	61.6	67.3	73.7	81.1	88.4	2.3	5.4	9.0	14.1	19.2	4.7	5.7	6.4	7.4	7.3	31.4
Charles	81.1	89.3	98.6	109.3	121.2	134.6	3.7	7.7	13.0	20.4	28.4	8.2	9.3	10.7	11.8	13.5	53.5
Dorchester	20.1	21.6	23.8	25.9	27.7	30.2	0.9	1.9	3.4	5.0	6.8	1.5	2.1	2.1	1.8	2.5	10.1
Frederick	113.7	123.9	136.2	151.6	167.5	184.2	4.5	9.9	17.8	27.6	37.7	10.3	12.3	15.4	15.9	16.7	70.5
Garrett	19.8	20.9	22.4	24.3	26.6	28.7	0.6	1.4	2.5	4.0	5.5	1.1	1.5	1.9	2.2	2.2	8.9
Harford	127.6	138.1	149.8	164.9	179.4	193.7	5.3	11.5	20.1	30.4	40.3	10.6	11.7	15.1	14.4	14.3	66.1
Howard	115.9	125.9	137.4	154.3	168.4	182.5	2.6	6.3	15.8	23.3	31.0	9.9	11.6	16.9	14.1	14.0	66.5
Kent	9.1	9.3	9.9	10.4	11.3	12.0	0.1	0.3	0.6	1.2	1.7	0.2	0.6	0.5	0.9	0.7	2.9
Montgomery	271.4	292.6	320.5	362.1	398.3	437.7	2.2	9.8	30.7	49.0	70.5	21.2	27.9	41.6	36.2	39.5	166.4
Prince George's	516.9	591.5	665.2	768.8	873.4	982.7	41.5	80.6	148.5	225.0	305.7	74.6	73.7	103.6	104.6	109.2	465.7
Queen Anne's	21.2	22.0	24.0	25.9	27.9	30.4	0.0	0.9	1.7	3.0	4.4	0.9	2.0	1.8	2.0	2.5	9.2
St. Mary's	52.1	54.8	59.1	63.7	69.5	74.1	0.9	3.0	5.5	9.2	12.5	2.8	4.3	4.6	5.8	4.6	22.1
Somerset	14.0	15.8	17.7	19.9	22.5	25.4	1.4	2.7	4.4	6.6	9.0	1.8	1.9	2.2	2.6	2.9	11.4
Talbot	7.2	8.1	8.3	8.7	9.2	10.0	0.8	1.2	1.8	2.6	3.3	0.9	0.2	0.4	0.4	0.9	2.9
Washington	69.9	75.6	82.0	90.1	98.8	107.8	3.4	6.8	11.3	17.4	23.5	5.7	6.4	8.0	8.8	9.0	38.0
Wicomico	54.1	60.0	66.7	74.4	84.4	97.0	3.9	7.8	13.1	20.5	29.8	5.9	6.7	7.7	10.0	12.5	42.9
Worcester	10.8	12.2	13.0	14.0	15.3	16.8	1.0	1.1	1.6	1.7	2.5	1.4	0.8	1.0	1.3	1.5	6.1
Unallocated	25.0	21.5	22.2	22.3	22.9	23.5	(5.2)	(5.9)	(7.4)	(7.7)	(8.0)	(3.5)	0.7	0.2	0.6	0.6	(1.5)
Total	\$2,892.7	\$3,156.4	\$3,450.9	\$3,842.6	\$4,261.2	\$4,706.5	\$129.9	\$278.8	\$513.7	\$802.7	\$1,110.9	\$263.7	\$294.5	\$391.8	\$418.5	\$445.3	\$1,813.8

¹ Figures in this chart are based on Department of Legislative Services estimates of enrollment and wealth. Enrollment and wealth base data used to calculate fiscal 2003 aid will not be available until December 2001.

Exhibit 6
The Commission Recommendation (Five-year Phase-in)
Estimated Total Per Pupil State Education Aid¹
FY 2003 to FY 2007

County	Total Estimated Per Pupil State Aid						Change from Current Law					Change from Prior Year					Change from FY02
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	
Allegany	\$4,738	\$5,306	\$5,960	\$6,779	\$7,727	\$8,731	\$363	\$756	\$1,293	\$1,988	\$2,743	568	654	819	948	1,004	\$3,993
Anne Arundel	2,757	2,899	3,096	3,377	3,644	3,897	51	138	299	456	609	142	197	281	267	253	1,140
Baltimore City	6,111	6,850	7,653	8,604	9,879	11,229	397	805	1,344	2,231	3,212	739	803	952	1,275	1,350	5,117
Baltimore	2,957	3,169	3,445	3,818	4,205	4,598	77	197	403	640	888	211	276	373	387	393	1,641
Calvert	3,086	3,294	3,564	3,879	4,176	4,433	107	253	443	662	851	208	269	315	298	257	1,347
Caroline	4,568	5,257	5,806	6,486	7,238	8,003	537	893	1,369	1,947	2,545	689	549	680	752	764	3,435
Carroll	3,246	3,461	3,741	4,051	4,393	4,715	103	244	399	622	831	215	280	310	343	321	1,469
Cecil	3,694	3,968	4,317	4,711	5,166	5,613	149	346	578	899	1,222	273	350	393	455	447	1,919
Charles	3,573	3,875	4,215	4,618	5,076	5,549	161	329	549	854	1,171	303	340	403	458	473	1,977
Dorchester	4,322	4,684	5,113	5,645	6,211	6,818	196	419	735	1,118	1,544	362	430	532	566	607	2,496
Frederick	3,143	3,368	3,644	3,989	4,351	4,705	122	266	469	718	962	225	276	346	362	354	1,562
Garrett	4,123	4,392	4,726	5,145	5,631	6,100	128	290	524	855	1,178	269	334	419	486	469	1,977
Harford	3,306	3,547	3,836	4,196	4,566	4,919	135	294	511	773	1,024	241	289	360	369	353	1,613
Howard	2,614	2,775	2,976	3,295	3,550	3,797	58	137	337	491	646	161	201	320	255	247	1,183
Kent	3,417	3,524	3,745	3,987	4,310	4,613	21	118	247	455	665	108	221	242	323	302	1,196
Montgomery	2,063	2,198	2,385	2,671	2,923	3,192	17	73	226	360	514	135	187	287	252	269	1,129
Prince George's	3,977	4,483	4,999	5,743	6,529	7,344	314	606	1,110	1,682	2,285	506	516	744	786	815	3,367
Queen Anne's	3,062	3,156	3,391	3,629	3,900	4,179	5	121	243	425	602	94	235	238	271	278	1,117
St. Mary's	3,573	3,747	4,024	4,332	4,697	5,024	64	206	373	620	850	173	277	308	365	327	1,451
Somerset	4,818	5,554	6,218	7,109	8,126	9,239	506	936	1,572	2,369	3,269	736	664	891	1,017	1,113	4,421
Talbot	1,648	1,852	1,940	2,055	2,199	2,392	173	290	427	622	795	205	88	115	144	193	745
Washington	3,597	3,899	4,232	4,633	5,090	5,540	176	351	580	895	1,207	302	332	401	457	450	1,943
Wicomico	3,988	4,436	4,920	5,526	6,259	7,104	288	573	971	1,523	2,183	449	483	606	733	845	3,116
Worcester	1,614	1,835	1,952	2,112	2,274	2,493	145	167	241	249	373	221	117	160	162	219	879
Unallocated	30	26	27	27	27	28	(6)	(7)	(9)	(9)	(10)	(4)	1	0	1	1	(2)
Total	\$3,481	\$3,780	\$4,127	\$4,588	\$5,091	\$5,611	\$156	\$334	\$613	\$959	\$1,325	\$300	\$347	\$461	\$503	\$520	\$2,131

¹ Figures in this chart are based on Department of Legislative Services estimates of enrollment and wealth. Enrollment and wealth base data used to calculate fiscal 2003 aid will not be available until December 2001.

Exhibit 7A
Fiscal 2007 Adequacy Analysis
The Commission Recommendation (Five-year Phase-in)

School System	Dollars in Millions								
	Adjusted FY 2002 Revenue	Estimated FY 2007 Adequacy Cost ¹	Estimated Additional Need	Estimated Aid Increases ²			Estimated Revenue Increase	Remaining Gap	Gap Per Pupil
				State ³	Federal ⁴	Local ⁵			
Allegany	\$74.7	\$111.9	\$37.1	\$34.7	\$0.9	\$4.2	\$39.8	\$0.0	\$0
Anne Arundel	552.8	684.7	131.9	78.1	2.6	77.4	158.1	0.0	0
Baltimore City	862.6	1,181.7	319.1	363.4	14.8	0.3	378.6	0.0	0
Baltimore	852.9	1,054.0	201.1	157.6	5.9	79.8	243.3	0.0	0
Calvert	116.8	145.4	28.5	23.8	0.9	14.8	39.5	0.0	0
Caroline	35.2	61.5	26.4	17.5	0.4	0.8	18.7	7.6	1,458
Carroll	187.0	238.2	51.2	41.0	1.0	18.2	60.2	0.0	0
Cecil	107.4	155.1	47.6	30.2	0.8	16.3	47.4	0.3	17
Charles	162.2	232.7	70.5	51.9	1.0	26.0	78.9	0.0	0
Dorchester	36.4	50.3	14.0	9.7	0.6	2.6	12.9	1.0	238
Frederick	251.4	352.1	100.7	68.3	1.0	38.8	108.2	0.0	0
Garrett	35.1	54.2	19.1	8.5	0.5	5.1	14.1	5.0	1,066
Harford	259.1	361.1	102.0	63.9	1.3	23.8	89.0	13.0	330
Howard	381.4	422.9	41.6	63.7	1.4	73.4	138.6	0.0	0
Kent	21.9	28.3	6.4	2.6	0.2	1.6	4.4	2.0	808
Montgomery	1,275.1	1,411.1	136.0	154.9	4.6	201.3	360.8	0.0	0
Prince George's	967.2	1,528.1	561.0	456.0	7.3	17.5	480.8	80.2	604
Queen Anne's	51.7	65.9	14.2	8.7	0.5	7.8	16.9	0.0	0
St. Mary's	104.6	136.0	31.3	21.1	1.2	12.8	35.2	0.0	0
Somerset	23.8	35.0	11.2	11.0	0.4	3.8	15.3	0.0	0
Talbot	33.0	45.1	12.1	2.5	0.4	3.5	6.5	5.6	1,330
Washington	141.3	194.2	52.9	36.7	1.3	29.0	67.0	0.0	0
Wicomico	99.9	157.7	57.8	41.8	1.1	20.1	63.0	0.0	0
Worcester	55.8	70.9	15.0	5.6	0.7	13.9	20.1	0.0	0
Total	\$6,689.2	\$8,777.9	\$2,088.7	\$1,753.4	\$51.0	\$693.0	\$2,497.4	\$114.7	\$137

¹ FY 2007 adequacy costs are based on projected FY 2007 enrollments and the successful schools base increased annually beginning in FY 2003 by the projected Implicit Price Deflator and enhanced by weights for special student populations from the professional judgement study. The FY 2007 base cost per pupil is estimated at \$6,852.

² Revenue increases do not include projected increases to student transportation and other costs not covered under the adequacy analyses.

³ The figures in this chart are based on Department of Legislative Services estimates of enrollment and wealth.

⁴ Budgeted FY 2002 federal revenues were increased annually by the projected Implicit Price Deflator.

⁵ FY 2002 per pupil local appropriations were increased annually by the average annual percent increase in per pupil aid from FY 1997 to FY 2000 and multiplied by projected current law FTE enrollment for FY 2003 to FY 2007.

Exhibit 7B
Fiscal 2007 Adequacy Analysis
With Geographic Cost of Education Index Applied to Adequacy Cost
The Commission Recommendation (Five-year Phase-in)

School System	Dollars in Millions									
	Adjusted FY 2002 Revenue	GCEI	Estimated FY 2007 Adequacy Cost ¹	Estimated Additional Need	Estimated Aid Increases ²			Estimated Revenue Increase	Remaining Gap	Gap Per Pupil
					State ³	Federal ⁴	Local ⁵			
Allegany	\$74.7	0.92	\$102.9	\$28.2	\$34.7	\$0.9	\$4.2	\$39.8	\$0.0	\$0
Anne Arundel	552.8	1.03	705.2	152.5	78.1	2.6	77.4	158.1	0.0	0
Baltimore City	862.6	1.05	1,240.8	378.2	363.4	14.8	0.3	378.6	0.0	0
Baltimore	852.9	1.02	1,075.1	222.2	157.6	5.9	79.8	243.3	0.0	0
Calvert	116.8	1.01	146.8	30.0	23.8	0.9	14.8	39.5	0.0	0
Caroline	35.2	0.91	56.0	20.8	17.5	0.4	0.8	18.7	2.1	402
Carroll	187.0	1.00	238.2	51.2	41.0	1.0	18.2	60.2	0.0	0
Cecil	107.4	0.96	148.9	41.4	30.2	0.8	16.3	47.4	0.0	0
Charles	162.2	0.99	230.3	68.2	51.9	1.0	26.0	78.9	0.0	0
Dorchester	36.4	0.92	46.3	9.9	9.7	0.6	2.6	12.9	0.0	0
Frederick	251.4	1.01	355.6	104.2	68.3	1.0	38.8	108.2	0.0	0
Garrett	35.1	0.92	49.9	14.8	8.5	0.5	5.1	14.1	0.7	139
Harford	259.1	1.01	364.7	105.6	63.9	1.3	23.8	89.0	16.6	422
Howard	381.4	1.05	444.1	62.7	63.7	1.4	73.4	138.6	0.0	0
Kent	21.9	0.91	25.7	3.9	2.6	0.2	1.6	4.4	0.0	0
Montgomery	1,275.1	1.06	1,495.7	220.6	154.9	4.6	201.3	360.8	0.0	0
Prince George's	967.2	1.02	1,558.7	591.5	456.0	7.3	17.5	480.8	110.7	834
Queen Anne's	51.7	0.98	64.6	12.9	8.7	0.5	7.8	16.9	0.0	0
St. Mary's	104.6	0.90	122.4	17.7	21.1	1.2	12.8	35.2	0.0	0
Somerset	23.8	0.95	33.2	9.4	11.0	0.4	3.8	15.3	0.0	0
Talbot	33.0	0.95	42.8	9.8	2.5	0.4	3.5	6.5	3.3	792
Washington	141.3	0.99	192.2	50.9	36.7	1.3	29.0	67.0	0.0	0
Wicomico	99.9	0.94	148.2	48.3	41.8	1.1	20.1	63.0	0.0	0
Worcester	55.8	0.94	66.6	10.8	5.6	0.7	13.9	20.1	0.0	0
Total	\$6,689.2	1.00	\$8,955.1	\$2,265.9	\$1,753.4	\$51.0	\$693.0	\$2,497.4	\$133.4	\$160

¹ FY 2007 adequacy costs are based on projected FY 2007 enrollments and the successful schools base increased annually beginning in FY 2003 by the projected Implicit Price Deflator and enhanced by weights for special student populations from the professional judgement study. The FY 2007 base cost per pupil is estimated at \$6,852.

² Revenue increases do not include projected increases to student transportation and other costs not covered under the adequacy analyses.

³ Figures in this chart are based on Department of Legislative Services estimates of enrollment and wealth.

⁴ Budgeted FY 2002 federal revenues were increased annually by the projected Implicit Price Deflator.

⁵ FY 2002 per pupil local appropriations were increased annually by the average annual percent increase in per pupil aid from FY 1997 to FY 2000 and multiplied by projected current law FTE enrollment for FY 2003 to FY 2007.