**School Funding: This Is How We Do It**

Posted by Michael Sanderson on May 22, 2019

The Kirwan Commission is taking one more year to finish formulas. There's a lot at stake. Here, we start a review of how things work today, setting up an ongoing analysis of the issues the Commission will be dealing with in 2019, preparing its final proposals.

The Commission on Innovation and Excellence in Education will continue its work into 2019, eyeing a 2020 introduction of its final recommendations. The general ambitions of the Commission have been reported. But, the means to get there – formula changes affecting county-by-county distributions and the overall state/county funding responsibilities – remain unsolved.

In its January 2019 Interim Report, the Commission laid out its plans for 2019:

*Due to the extensive time devoted to finalizing policy recommendations and the complexities of the cost estimating process, as well as correspondence from the General Assembly's Presiding Officers indicating it would be very difficult for the Legislature to consider both policy recommendations and funding formulas in the 2019 legislative session, the Commission's charge will be extended in order to complete its work in 2019. The Commission will resume its work after the 2019 legislative session and task a small group to work over the summer to review and develop formula recommendations to distribute the costs of implementing the policy recommendations between the State and local governments. These recommendations will be considered by the full Commission in fall 2019.*

*Conduit Street* remains committed to serving the county community and other stakeholders, and will publish some analysis of school funding issues as they sit before this "work group." To be fair, the deepest analysis of these issues is embedded within the materials from the Commission meetings themselves – the legislative and Department of Education staff guiding that process, along with outside experts, have assembled an impressive tableau of information to help inform the Commission's work.

In this article, we lay the groundwork by encapsulating the current system of state school funding: how each system receives state funds today. We will heavily rely on material from a DLS presentation from October 2018 to help illustrate the facets of our current system. You may visit the General Assembly website to watch and hear the full Commission meeting from that day for a deeper walk-through of these issues.

Maryland's current funding system is largely driven by the Thornton Commission, which issued wide-ranging recommendations in 2001, driving 2002 legislation. The DLS report reviews this history – here, we will focus just on "how it works today." The two main components of school funding being centrally debated by the Commission are generally known as Foundation and Targeted funding.

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# Exhibit L-1
## State Aid for Education
### Fiscal 2019 and 2020
### ($ in Thousands)

| Program | 2019 | 2020 | $ Change | % Change |
|---|---|---|---|---|
| Foundation Program | $3,056,189 | $3,140,367 | $84,177 | 2.8% |
| Net Taxable Income Grant | 62,524 | 65,301 | 2,777 | 4.4% |
| Tax Increment Financing Grant[1] | 535 | 3,251 | 2,715 | 507.4% |
| Geographic Cost of Education Index | 141,574 | 145,450 | 3,877 | 2.7% |
| Supplemental Grant | 46,620 | 46,620 | 0 | 0.0% |
| Foundation Special Grant | 12,956 | 12,237 | -718 | -5.5% |
| Declining Enrollment Supplemental Grant | 18,664 | 18,890 | 226 | 1.2% |
| Compensatory Education Program | 1,308,336 | 1,330,429 | 22,093 | 1.7% |
| Special Education Program | 290,813 | 303,250 | 12,438 | 4.3% |
| Limited English Proficiency | 288,041 | 311,080 | 23,038 | 8.0% |
| Guaranteed Tax Base | 48,170 | 43,685 | -4,485 | -9.3% |
| Student Transportation | 282,585 | 303,045 | 20,459 | 7.2% |
| Nonpublic Special Education | 123,500 | 121,470 | -2,030 | -1.6% |
| Prekindergarten Expansion | 11,644 | 26,644 | 15,000 | 128.8% |
| Prekindergarten Supplemental Grant | 16,039 | 21,131 | 5,092 | 31.7% |
| School Safety Grants | 13,100 | 10,600 | -2,500 | -19.1% |
| The Blueprint for Maryland's Future[2] | 0 | 251,641 | 251,641 | n/a |
| Other Programs | 80,305 | 80,930 | 625 | 0.8% |
| **Direct Aid Subtotal** | **$5,801,594** | **$6,236,020** | **$434,425** | **7.5%** |
| **Teachers' Retirement** | **$732,921** | **$767,889** | **$34,968** | **4.8%** |
| **Grand Total** | **$6,534,515** | **$7,003,909** | **$469,393** | **7.2%** |

This is the year-end summary written after the 2019 legislative session… the latest set of numbers available. With the Governor's agreement to fund the FY 2020 funds, the footnotes offering caveats about some funding have been rendered moot.

# Foundation Program
## General Education Aid

- The foundation program is the main program in general education aid and accounts for almost half of State education aid

- The foundation program ensures a base level of funding per pupil
  - per pupil foundation amount x local enrollment

- At the statewide level, the foundation formula is designed to have the State pay roughly 50% of program costs; however, the State's share for the less wealthy jurisdictions is higher than 50% and the State's share for more wealthy jurisdictions is lower than 50% (wealth equalization)

- The amount of State aid that a jurisdiction receives is based on FTE student enrollment and local wealth

- No jurisdiction may receive less than 15% of the base per pupil amount from the State

This is the workhorse program. Developed through a combination of "successful schools" and "professional judgment" models (more thoroughly discussed by DLS in its report) the result is an overall amount of funding per pupil, generally associated with the funding level required to offer a successful school.

This figure is then "wealth-adjusted" to develop a state share of these funds for each public school student. (The wealth formulas, where they come from and how they work, will be the subject of a future analysis here) Based on each jurisdiction's conceptual "ability to pay," the state contributes a certain share of these foundation costs to each school system – with a statewide split of essentially 50/50 state/county.

On the summary table above, the Foundation Program represents about $3.1 billion in state funds for the coming year's budget, just about half the entire school funding total.

**Targeted Funding**

# Targeted Education Aid

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- The targeted formulas recognize the additional costs associated with educating certain student populations:
  - Special education (0.74 X base level of funding per pupil)
  - Compensatory education (based on free and reduced-price meal status) (0.97 X base level of funding per pupil)
    - Prekindergarten funding is accounted for in the compensatory education formula
  - Limited English proficiency (0.99 X base level of funding per pupil)

- Although the State provides approximately 50% of the total estimated cost of each program, local governments are not required to provide the other half

- Funding amounts and distributions are based on local wealth and enrollments of the three targeted student populations, however, no jurisdiction may receive less than 40% of the full per pupil amount from the State

Taken together, these three separate (but conceptually similar) funding formulas represent the other major tier of state funds.

In essence, Maryland recognizes that certain classes of students drive real costs beyond the basics incorporated into the foundation formula. Students with special needs, students from economic disadvantage, and students with limited English proficiency all represent an additional funding modifier to drive needed resources to those systems. In essence, a special education student triggers additional expected funding of 74% of the foundation amount for other students.

These funds are then, just like the foundation funds, adjusted based on local wealth, and the state share is calculated and distributed to the school systems for each county.

Taken together, these three components represent about $1.9 billion in the coming year's state budget, the second largest driver of state funding to school systems. The Commission has spent extensive time and energy assessing and considering these additional categorical funds, and is making its most substantial recommendations in those fields.

In addition, the targeted populations driving this additional level of funds has been growing, relative to the statewide school enrollment – making these components even more central to the state's school funding approach than at the time of the Thornton Commission's research.

# Low-income and Limited English Proficient Students Account for Increasing Share of Total Enrollment



Total FTE enrollment has increased 3.9%
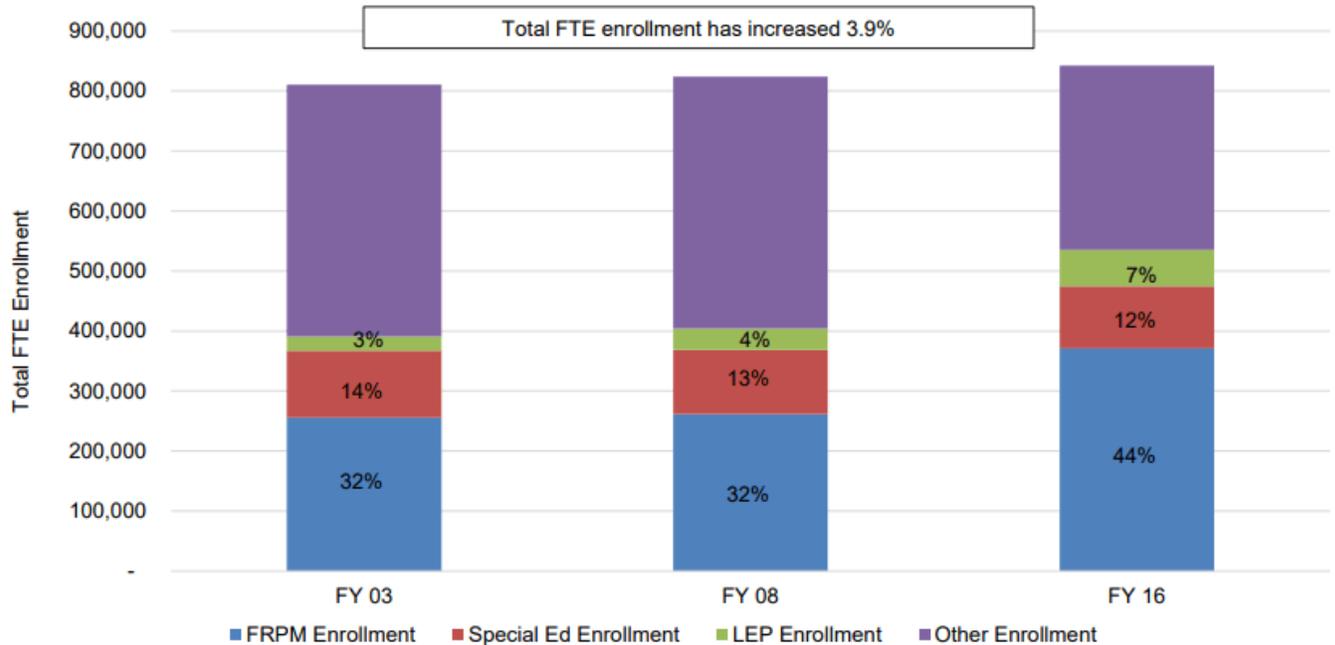
FRPM: free and reduced-price meals
LEP: limited English proficiency
FTE: full-time equivalent

## Summary

The state relies on a foundation funding amount per student as the centerpiece of its school funding approach. Certain classes of students add to this amount, based on their own selected weights, to reflect funding realities for those education needs. The resulting funding level is then implicitly apportioned between the state and each county based on each county's relative wealth, to promote overall funding equity.

In subsequent analyses, *Conduit Street* will look more closely at the components of this system that are most closely under review: the wealth calculation, the effects of concentrated poverty on education costs, the needs for special education services, and other matters relevant in the year-by-year funding calculations.

**School Funding, Part 2: Money Changes Everything (The Wealth Formula)**

Posted by Michael Sanderson on May 30, 2019

**An important element in Maryland's school funding formula is determining county "wealth." Here, we review how that's currently done, and what changes could be in store as the State considers far-reaching formula changes.**

*This article is number two in a series on Conduit Street, featuring elements of Maryland's current school funding debate. For more general information on school funding formulas today, see "School Funding: This is How We Do It" from 22 May 2019.*

The basics of Maryland's funding formulas are, in essence:

**Your "Too Long, Didn't Read" Summary in Two Bullets**

- Maryland wealth-equalizes school funding - wealthier areas receive a lower share of state funds toward their costs, this is likely obligated by the state constitution

- The Kirwan Comission is considering changes to this model, but they appear most likely to pursue modest, incremental changes rather than sweeping, drastic ones

- determine a funding amount needed to offer a successful school;

- assess the county's ability to pay toward that via local wealth; and

- back out the state share toward those costs

Then, the determination of "county wealth" is central to determining the state funding levels for schools in each jurisdiction.

**Why Does Maryland Wealth-Equalize?**

Maryland is like most states in using wealth-adjustment as a means to promote funding equity. Overall, the policy goal is to ensure that all students receive appropriate school funding, regardless of the local "ability to pay" of their county tax bases. So, the state role reduces funding disparities.

In addition to serving a noble purpose, this funding mechanism has been judged as an essential role for state that, like Maryland, guarantee public education as a state constitutional right. In Maryland's constitution, the key phrase is:

**Maryland Constitution, Article VIII, Education**
**Section 1.** *The General Assembly, at its First Session after the adoption of this Constitution, shall by Law establish throughout the State a thorough and efficient System of Free Public Schools; and shall provide by taxation, or otherwise, for their maintenance.*

Maryland has, in the past, been sued over its effort to promote "equity" in school funding — on the grounds that the state was not doing enough to provide the "thorough and efficient" education enshrined in the Constitution. Numerous other states have been similarly sued, and in some cases have had massive judicial-enforced revisions of school funding approaches.

School funding equity is an essential goal, and wealth-adjusted formulas are the principal means to effect it.

**The Kirwan Commission, So Far**

Right now, issues with the wealth formulas are "on hold." They are wrapped up in the formula changes, which were separated from the 2019 policy-focused legislation, and carved out for further deliberation this year.

However, we can dial back to the brief presentation the Commission heard in October of 2018. For a portion of the back half of one day of their two-year-plus efforts, the Commission heard a staff review of current funding formulas and how they work. (See *Conduit Street*'s full coverage from that time)

So, here are the absolute basics, for the last two fiscal years:

## Per Pupil Wealth Amount Used to Allocate State Education Aid

| County | Per Pupil Property Wealth | | | | | Per Pupil Income Wealth | | | | |
| | Fiscal 2018 | Fiscal 2019 | % Change | % Ch. Rank | Wealth Rank | Fiscal 2018 | Fiscal 2019 | % Change | % Ch. Rank | Wealth Rank |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Allegany | $196,161 | $196,967 | 0.4% | 20 | 22 | $114,893 | $114,174 | -0.6% | 16 | 20 |
| Anne Arundel | 428,712 | 436,342 | 1.8% | 14 | 6 | 221,335 | 226,607 | 2.4% | 8 | 4 |
| Baltimore City | 218,376 | 227,274 | 4.1% | 2 | 20 | 122,403 | 129,374 | 5.7% | 1 | 17 |
| Baltimore | 306,619 | 313,744 | 2.3% | 7 | 11 | 209,005 | 204,808 | -2.0% | 21 | 6 |
| Calvert | 333,847 | 341,508 | 2.3% | 8 | 9 | 162,671 | 166,857 | 2.6% | 6 | 12 |
| Caroline | 195,397 | 193,473 | -1.0% | 23 | 23 | 89,848 | 92,080 | 2.5% | 7 | 23 |
| Carroll | 309,176 | 315,740 | 2.1% | 11 | 10 | 191,185 | 195,558 | 2.3% | 9 | 7 |
| Cecil | 264,947 | 274,019 | 3.4% | 3 | 16 | 133,793 | 138,270 | 3.3% | 4 | 15 |
| Charles | 272,539 | 271,087 | -0.5% | 22 | 17 | 141,510 | 142,349 | 0.6% | 15 | 14 |
| Dorchester | 256,384 | 257,378 | 0.4% | 21 | 18 | 102,912 | 106,029 | 3.0% | 5 | 22 |
| Frederick | 283,797 | 290,171 | 2.2% | 9 | 14 | 169,313 | 172,020 | 1.6% | 13 | 11 |
| Garrett | 511,256 | 515,338 | 0.8% | 19 | 4 | 127,341 | 124,332 | -2.4% | 22 | 18 |
| Harford | 307,002 | 312,990 | 2.0% | 13 | 12 | 178,297 | 181,912 | 2.0% | 10 | 10 |
| Howard | 366,368 | 374,574 | 2.2% | 10 | 8 | 227,569 | 224,701 | -1.3% | 20 | 5 |
| Kent | 624,690 | 635,563 | 1.7% | 15 | 3 | 231,412 | 228,998 | -1.0% | 19 | 3 |
| Montgomery | 475,904 | 485,536 | 2.0% | 12 | 5 | 276,550 | 274,405 | -0.8% | 17 | 1 |
| Prince George's | 274,108 | 287,730 | 5.0% | 1 | 15 | 131,317 | 130,241 | -0.8% | 18 | 16 |
| Queen Anne's | 421,486 | 426,647 | 1.2% | 18 | 7 | 184,898 | 195,089 | 5.5% | 2 | 8 |
| St. Mary's | 289,796 | 294,007 | 1.5% | 17 | 13 | 158,779 | 161,888 | 2.0% | 11 | 13 |
| Somerset | 210,398 | 215,377 | 2.4% | 5 | 21 | 81,244 | 84,618 | 4.2% | 3 | 24 |
| Talbot | 782,150 | 765,485 | -2.1% | 24 | 2 | 272,559 | 257,752 | -5.4% | 24 | 2 |
| Washington | 234,485 | 238,210 | 1.6% | 16 | 19 | 122,316 | 123,090 | 0.6% | 14 | 19 |
| Wicomico | 174,385 | 178,724 | 2.5% | 4 | 24 | 109,394 | 111,371 | 1.8% | 12 | 21 |
| Worcester | 969,320 | 992,100 | 2.4% | 6 | 1 | 200,398 | 193,205 | -3.6% | 23 | 9 |
| **Total** | **$340,608** | **$349,286** | **2.5%** | | | **$188,737** | **$189,586** | **0.4%** | | |

The state uses two factors to determine each county's "wealth" – a blended value of the county's property assessments, and the total net taxable income for county residents.

Details on the property tax blending are visible in this DLS exhibit. For practical purposes, it reasonably represents the value of property available to be taxed – with the arguable exception that property assessed but excluded from taxation (owned by tax-exempt institutions, or subject to special conditions

such as tax increment financing) creates a skew in these figures – making jurisdictions with such property appear more wealthy than it is in actual practice.

Notice that the relevant figures are per-pupil, so they are already scaled to the size of the county, or at least its public school population.

**Why Revisit the Wealth Formula?**

However – the specifics of the current wealth formula have come under scrutiny. A longstanding concern has been that the combination of property and income tax bases represents some jurisdictions unfairly – especially those where there is a wide disparity between the relative wealth bases.

Consider Garrett County. In the table shown above, Garrett rates as the 19th most wealthy county in terms of taxable income. This is no surprise, the cost of living is lower in more rural parts of the state, and there is a lower density of large employers, high technology, and other high-paying jobs in the Appalachian region than, say, the metropolitan center of Maryland.
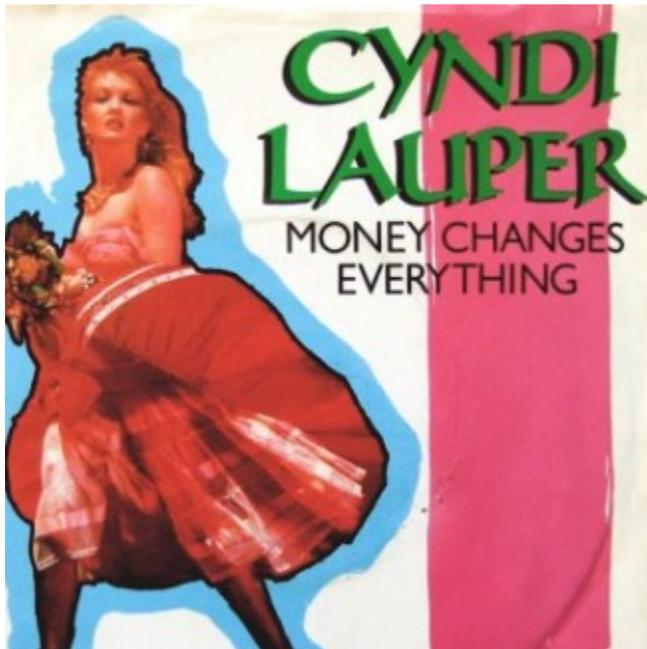


However, Garrett is home to Deep Creek Lake, and a substantial share of vacation-related real estate and leisure properties. Many of these are not principal residences, but they do contribute to the county's property tax base – raising it to the 4th highest in the state. This, despite the fact that the median home value in the county is a mere $165,200, according to the online real estate site Zillow.

Officials from jurisdictions like Garrett County routinely argue that measuring "ability to pay" based on static value of property, rather than transactional income, overstates the practical capacity of the jurisdiction and its residents to support public services.

apologies to Ms. Lauper for the article title…

Further, there's an intuitive argument that the cost of providing education – especially employee salaries – is far more closely connected to the local income level than to the property tax base potentially altered by non-residential property. (For Garrett, it's the $165,000 home that matters for hiring a teacher, not the vacation chalet on the lake)

This argument carried weight, and has driven some analytical work in advance of the Kirwan Commission's formation.

**Policy Recommendation, Take One – APA (Consultants)**

The first attempt to pursue a change in the wealth formula came through a process even earlier than the beginning of the Kirwan Commission. The "Study of Adequacy of Funding for Education in the State Of Maryland" was created to pursue long-term recommendations from the Thornton Commission of 2001, and was widely seen as engaging in the preliminary work leading up to the Kirwan Commission.

The state-hired consultants, Augenblick Palaich, and Associates (see their MD Proposal) were retained to lead the quantitative assessment of Maryland's current funding adequacy. Along the way, they coordinated with a set of stakeholders (including MACo) with various presentations – each of which are available on the Adequacy Study website.

Following that thorough process, APA issued a final report featuring a wide range of policy recommendations – including one to dramatically alter the wealth formula. The APA proposal was to change the current "additive" wealth formula to a "multiplicative" one – where each jurisdiction's income and property base, per pupil, would be normalized into an index, and then multiplied together to create a composite wealth factor.

By mathematical necessity, shifting to a two-part multiplicative factor means:

- the two factors, property and income, would be weighted as equally important; and

- jurisdictions farthest from the mean in both tax bases would have that difference exaggerated by the formula

To take a simple calculation… a jurisdiction with 20% more of both property and income wealth per student would currently receive an indexed wealth of 1.20 x the state average. If multiplies, that number would elevate to 1.20 x 1.20 = 1.44x, meaning that jurisdiction would receive dramatically reduced state funding. The reverse example would boost state funding to lowest-wealth jurisdictions.

Our take here at *Conduit Street*: the multiplicative proposal seems to have lost steam. None of the discussion about it since its initial publication has been particularly favorable – it seems unlikely to get incorporated into any final proposal.

**Policy Recommendation, Take-Two – DLS (Maryland Legislative Staff)**

The policy recommendations from APA, including the discussion of the wealth formula mentioned above, were largely shelved during the first year or more of the Kirwan Commission. The Commission directed its energy and time on other school funding matters, and left formula changes until far later in their discussions – and matters lie the wealth calculation were taken up only in the fall of 2018.

During that presentation, a general review of current formulas and policy considerations was presented, but not deeply debated by Commission members. However, the Department of Legislative Services staff did prepare and suggest a modification to the current wealth formula: *recalibrate the relative weights of property and income to more closely reflect the actual statewide use of those two revenue sources in supporting county budgets:*

- **DLS recommends** – if there is interest in modifying the wealth calculation – to use the current additive method and reweight the proportion of income and wealth to reflect the proportion of actual revenues collected by the counties
  - This weights property wealth *less* than current law

The DLS analysis continued, with a clearer illustration of how this would alter distributions, county-by-county, using FY 2019 figures:

## Impact of Rebalancing Wealth on Foundation Program
### Fiscal 2019

| County | Current | Rebalanced | Diff. | % Diff. | Ranking by Percent Diff. | |
|---|---|---|---|---|---|---|
| Allegany | $41,038,226 | $40,989,540 | -$48,686 | -0.1% | 1. Kent | 7.5% |
| Anne Arundel | 218,480,785 | 219,297,236 | 816,451 | 0.4% | 2. Garrett | 4.5% |
| Baltimore City | 353,832,527 | 353,334,393 | -498,134 | -0.1% | 3. Queen Anne's | 1.1% |
| Baltimore | 400,815,059 | 397,409,745 | -3,405,314 | -0.8% | 4. Dorchester | 0.7% |
| Calvert | 57,608,692 | 57,758,348 | 149,656 | 0.3% | 5. Somerset | 0.6% |
| Caroline | 28,400,980 | 28,463,561 | 62,581 | 0.2% | 6. Prince George's | 0.6% |
| Carroll | 92,588,678 | 92,054,334 | -534,344 | -0.6% | 7. Anne Arundel | 0.4% |
| Cecil | 64,484,265 | 64,624,665 | 140,400 | 0.2% | 8. Calvert | 0.3% |
| Charles | 113,593,989 | 113,685,682 | 91,693 | 0.1% | 9. Caroline | 0.2% |
| Dorchester | 21,193,987 | 21,334,994 | 141,007 | 0.7% | 10. Cecil | 0.2% |
| Frederick | 164,440,399 | 163,882,863 | -557,536 | -0.3% | 11. Washington | 0.1% |
| Garrett | 10,478,139 | 10,949,524 | 471,385 | 4.5% | 12. Charles | 0.1% |
| Harford | 140,894,854 | 140,502,185 | -392,669 | -0.3% | 13. Talbot | 0.0% |
| Howard | 173,674,099 | 172,635,209 | -1,038,890 | -0.6% | 14. Worcester | 0.0% |
| Kent | 2,607,661 | 2,803,494 | 195,833 | 7.5% | 15. St. Mary's | 0.0% |
| Montgomery | 327,065,470 | 325,577,082 | -1,488,388 | -0.5% | 16. Allegany | -0.1% |
| Prince George's | 549,334,441 | 552,390,547 | 3,056,106 | 0.6% | 17. Baltimore City | -0.1% |
| Queen Anne's | 22,527,161 | 22,774,559 | 247,398 | 1.1% | 18. Wicomico | -0.3% |
| St. Mary's | 69,930,089 | 69,900,444 | -29,645 | 0.0% | 19. Harford | -0.3% |
| Somerset | 13,750,416 | 13,831,484 | 81,068 | 0.6% | 20. Frederick | -0.3% |
| Talbot | 4,668,729 | 4,668,729 | 0 | 0.0% | 21. Montgomery | -0.5% |
| Washington | 102,858,760 | 102,993,478 | 134,718 | 0.1% | 22. Carroll | -0.6% |
| Wicomico | 74,048,257 | 73,856,815 | -191,442 | -0.3% | 23. Howard | -0.6% |
| Worcester | 6,680,664 | 6,680,664 | 0 | 0.0% | 24. Baltimore | -0.8% |
| **Statewide** | **$3,054,996,327** | **$3,052,399,575** | **-$2,596,752** | **-0.1%** | **State** | **-0.1%** |

Note: Results from using November net taxable income-based wealth

So – Garrett is (unsurprisingly) among the counties who would benefit from this revised calculation- as noted earlier, their property base is far higher than their income base, and this realignment would lessen the weight of the property tax base.

However- for the vast majority of counties, this modest shift from weighing the property base at about 65% to 60% is a trifling change of less than 1% in total. Even Worcester and Talbot Counties, frequently cited as aberrations for the wealth formula, do not see a dramatic compensation for their perceived imbalance in tax bases.

If the DLS recommendation represents the likely tenor of the considerations for the Kirwan Commission workgroup… *most counties are advised that alterations in the wealth formula are unlikely to salve over grievances with the share of funding provided by the State*. Only a very dramatic shift in the wealth formula – say, to a fully income-based model – would present dramatic changes for many jurisdictions (creating material "winners and losers" among counties).


**School Funding, Part 3: She Works Hard For The Money (Cost of Education)**

Posted by [Michael Sanderson](#), June 13, 2019

**Funding schools may not work as one-size-fits all. Maryland currently uses separate, targeted funding to recognize the "cost of education" for different regions. Consultants recommended broad changes to this approach. Maryland's next steps are not very clear.**

*This article is number three in a series on Conduit Street, featuring elements of Maryland's current school funding debate. For more general information on school funding formulas today, see [“School Funding: This is How We Do It”](#) from 22 May 2019, and for more information on the county wealth formula, see [“Money Changes Everything (The Wealth Formula)”](#) from May 30.*

Maryland school funding rests on a foundation funding formula – a certain amount of per-pupil funds needed for successful schools, with a modifier for special classes of students.

However – this model, as far as it goes, implicitly suggests that the cost of delivering a quality of education is a constant in all parts of the state. Economic data, however, contradicts this – most obviously in labor markets. If the required wage to hire a quality, experienced classroom teacher varies from place to place within the state, how should school funding address this?

**Maryland's Current System – the GCEI**

Since 2002 and the passage of legislation formulated by the Thornton Commission, Maryland has used a system known locally as the Geographic Cost of Education Index (or GCEI) as a tool to recognize disparate costs of providing educational services. This simple summary [from the Maryland State Education Association](#) offers the basics:

*Geographic Cost of Education Index (GCEI): Since the cost of education is different across the state, the state provides additional funding through the GCEI to make up the difference for counties where delivering education is more expensive. Using an index that values each jurisdiction's cost of education, the GCEI formula multiplies the per pupil foundation amount for each county by the county's predetermined adjustment factor. Thanks to the work of the General Assembly in the 2015 legislative session, GCEI is now mandatory funding.*

In short, the GCEI uses multiple factors to determine not only the cost of living, *but also the cost of education*, in each county. Here's a more thorough summary from the APA consultants hired by the State of Maryland for its [Adequacy Study](#).

**Table 1: Variables Included in the Maryland GCEI Sub-Indices**

|  | Professional Cost Index (PPCI) | Non-Professional Cost Index (NPCI) | Energy Cost Index (ECI) |
|---|---|---|---|
| **Dependent Variable** | Employee salary | Employee salary | District total energy expenditures |
| **Location Cost Factors** | • Measure of violent crime<br>• Proportion of working population that commutes > 60 minutes<br>• Constructed regional average house value** | • Unemployment rate<br>• Constructed regional average house value | • Heating degree days (cold days)<br>• Cooling degree days (hot days) |
| **District Cost Factors** | Percent of students receiving Free and Reduced-Price Lunch | Percent of students receiving Free and Reduced-Price Lunch | Enrollment |
| **Employee Control Variables*** | • Race (indicators for Native American, African American, Asian)<br>• Gender<br>• Education<br>• Years of Experience<br>• Licensure status<br>• Licensure test performance (NTE, Praxis)<br>• Non-teaching position (indicators for principal, vice principal, counselor, library media specialist) | • Race (indicators for Native American, African American, Hispanic)<br>• Gender<br>• Age<br>• Position (indicators for technical personnel, crafts and trade personnel, manual laborer, service worker) | NA |
| **Other Time, District, and/or Area Control Variables*** | • Year indicators<br>• Per capita income<br>• Percent of designated commercial land | • Year indicators<br>• District wealth | • District wealth<br>• Percent of cost in electric/gas<br>• Average square foot per pupil<br>• School building size (indicators for under 10,000 square feet; over 190,000 square feet)<br>• Adjusted age of school (indicators for over 70 years old; between 50 and 70 years) |

*Held constant to calculate index.
**Duncombe and Goldhaber first estimated a hedonic model of housing prices, controlling for house characteristics such as age, size, construction type, and condition, then calculated an average housing price for each county.

The essential defining element of Maryland's GCEI is that it is a one-direction add-on funding grant. In essence, this means:

- High cost counties receive a calculated amount of extra state-only funding to help account for the cost differential;

- Low or average cost counties receive no adjustment (i.e. no reduction in funds);

- These costs are treated separately, and funded as a separate category, rather then embedded into the main formulas.

the GCEI was funded (by formula) at $145 million – representing only about 2.3% of state direct education support. It's meaningful funding to the affected jurisdictions, but it's a relatively small share of overall school funding.

**Proposals To Change, Take 1**

The Adequacy Study included an evaluation of each component of the current Maryland funding model, with consultant recommendations issued after their assessments. APA offered their view on how the localized cost of education should be better incorporated into the county-by-county funding models. From a component report (in advance of the final recommendations) comes this discussion:

*Recommendations*

*Given the discussion and analysis outlined in previous sections, the study team has three specific recommendations for modifying and updating the GCEI.*

*1.The current wage indices within the GCEI should be replaced with indices estimated using comparable wage methodology.*

*2.The ECI and the other expenditures (which do not vary significantly) should be removed so that the GCEI cleanly isolates the wage costs associated with geographic location. The wage costs could still consist of a combination of professional and non-professional wages, weighted for budget shares.*

*3.The GCEI should not be truncated, and should also be integrated into the base foundation formula rather than treated as a separate add-on program.*

In short, APA's view was: Maryland is thinking too small. An extra, relatively small, layer of funding to select jurisdictions is an insufficient way to reflect true cost variability. Rather, they preferred an approach that would use and adjustment factor (based on local wages – a topic discussed very thoroughly in that linked document) to multiply through every component of the entire funding scheme.

In the final December 2016 consultant report (incorporating the many facets of school funding together, and detailing only the collective effect of them when taken as a bundled package), here's what APA shared about regional cost adjustments:

*Note: the term CWI is a comparable wage index, a measure of employee wages from non-education jobs in each area of the state*

*As a result, the study team is recommending using the CWI figure to adjust for regional cost differences. The study team recommends all formula funds be adjusted by the CWI, which is a further change from the current funding system. Currently, only foundation funding is adjusted by the GCEI. However, regional differences in costs impact all program areas, not only programs supported by foundation funding. Additionally, the study team also recommends that adjustments be made for districts with CWI figures above and below the statewide average. Currently, adjustments are made only for those districts with GCEI figures above the state average, providing for additional funding for districts in regions with higher than average costs. By not applying GCEI figures below the state average, funding for districts in lower cost regions is not reduced, resulting in a financial advantage for these districts in the competition for attracting and retaining qualify staff. Finally, the study team recommends that the CWI adjustment be*

*applied prior to determining the state and local shares. Currently, the GCEI adjustment is made after the local share has been calculated and the entire cost of the GCEI adjustment is included in state foundation aid. However, under this recommendation the full range of the CWI will be applied (both above and below the state average), therefore local jurisdictions should share in any savings as well as extra costs resulting from the application of the CWI.*

APA suggested a far, far broader incorporation of local costs (especially labor costs) in determining target funding levels for each jurisdiction.

**The Kirwan Commission – No Signs**



We owe our article title to Donna Summer, she worked hard for the money, and so do Maryland's educators – but reflecting that in funding formulas is tricky

During its extended time spent evaluating educational funding and programs, the Kirwan Commission has not delved into the regional cost of education. Not even any staff reports have presented this topic in sufficient detail to glean a potential direction or preferene from the group. Unlike the wealth formula, the latest thinking on this remains a nearly complete unknown as formula work has been relegated to a special working group.

**Multiple Goals, Conflicting Outcomes**

Among the criticisms inherent in a very broad use of any education cost index i that it may serve to frustrate the policy goals of funding equity. See our last article, "Money Changes Everything (The Wealth Formula)" for more context on funding equity goals.

Overall, Maryland strives to promote equitable and adequate funding in each school system. If there is a correlation between the costs of education (as discussed in this section, or as measured by area wage levels) and the tax base (measured by some combination of property assessments and residents' taxable income) — then using a multiplier will necessarily counteract some, or much, of the wealth-equalization efforts sought by the state's workhorse formula approach.

While the consultant report does not isolate these effects in any digestible presentation (and did not provide any such detailed information to stakeholders even upon request), the aggregate effects of their recommendations were startling in many ways. Their total effect is shown here:

Table 6.7a

Comparison of Proposed and Current State Shares, Proposed Required Local Share, and Current Total Local Appropriation for Major State Aid Programs, *Fiscal Year 2015*

| Local Unit | Total State Share | | | | Total Local Share | | | |
|---|---|---|---|---|---|---|---|---|
| | Proposed[1] | Current[2] | Change | Percent Change | Proposed Total Required Local Share[3] | Current Total Local Appropriation[4] | Change | Percent Change |
| Allegany | $84,760,301 | $69,402,465 | $15,357,836 | 22% | $21,433,643 | $27,803,239 | ($6,369,596) | (23%) |
| Anne Arundel | $338,187,597 | $298,243,340 | $39,944,257 | 13% | $823,749,394 | $574,019,440 | $249,729,954 | 44% |
| Baltimore City | $1,255,260,400 | $868,410,977 | $386,849,423 | 45% | $193,849,309 | $222,668,278 | ($28,818,969) | (13%) |
| Baltimore | $805,808,718 | $543,936,097 | $261,872,621 | 48% | $830,550,082 | $702,043,465 | $128,506,617 | 18% |
| Calvert | $132,316,345 | $74,239,921 | $58,076,424 | 78% | $92,978,632 | $107,464,664 | ($14,486,032) | (13%) |
| Caroline | $62,256,061 | $44,843,482 | $17,412,579 | 39% | $11,617,526 | $12,165,081 | ($547,555) | (5%) |
| Carroll | $182,371,694 | $120,768,400 | $61,603,294 | 51% | $155,824,465 | $160,009,414 | ($4,184,949) | (3%) |
| Cecil | $160,424,468 | $93,494,559 | $66,929,909 | 72% | $59,973,786 | $71,200,935 | ($11,227,149) | (16%) |
| Charles | $263,859,425 | $148,176,358 | $115,683,067 | 78% | $107,119,210 | $147,990,646 | ($40,871,436) | (28%) |
| Dorchester | $48,221,525 | $33,872,151 | $14,349,374 | 42% | $14,934,638 | $17,283,492 | ($2,348,854) | (14%) |
| Frederick | $358,044,072 | $214,292,242 | $143,751,830 | 67% | $201,994,834 | $226,057,530 | ($24,062,696) | (11%) |
| Garrett | $17,831,996 | $16,372,428 | $1,459,568 | 9% | $27,257,534 | $25,648,414 | $1,609,119 | 6% |
| Harford | $329,614,473 | $183,761,510 | $145,852,963 | 79% | $220,394,097 | $205,619,903 | $14,774,194 | 7% |
| Howard | $284,723,521 | $200,955,246 | $83,768,275 | 42% | $481,750,910 | $509,476,046 | ($27,725,136) | (5%) |
| Kent | $0 | $7,038,633 | ($7,038,633) | (100%) | $28,665,436 | $17,083,590 | $11,581,846 | 68% |
| Montgomery | $210,685,890 | $564,924,312 | ($354,238,422) | (63%) | $2,256,483,667 | $1,414,198,324 | $842,285,342 | 60% |
| Prince George's | $1,616,734,015 | $938,783,546 | $677,950,469 | 72% | $493,937,436 | $571,471,671 | ($77,534,235) | (14%) |
| Queen Anne's | $31,948,463 | $29,340,617 | $2,607,846 | 9% | $63,224,504 | $48,258,017 | $14,966,487 | 31% |
| St. Mary's | $162,528,290 | $89,393,070 | $73,135,220 | 82% | $90,337,468 | $85,808,913 | $4,528,555 | 5% |
| Somerset | $37,756,339 | $25,425,381 | $12,330,958 | 48% | $5,802,736 | $8,546,617 | ($2,743,880) | (32%) |
| Talbot | $0 | $10,595,400 | ($10,595,400) | (100%) | $58,485,958 | $34,608,537 | $23,877,421 | 69% |
| Washington | $228,453,419 | $155,626,289 | $72,827,130 | 47% | $71,893,179 | $90,022,201 | ($18,129,022) | (20%) |
| Wicomico | $170,557,795 | $121,959,193 | $48,598,602 | 40% | $32,754,966 | $37,385,077 | ($4,630,111) | (12%) |
| Worcester | $0 | $15,774,211 | ($15,774,211) | (100%) | $89,045,641 | $74,211,757 | $14,833,884 | 20% |
| Total State | $6,782,344,808 | $4,869,629,829 | $1,912,714,978 | 39% | $6,434,059,051 | $5,391,045,250 | $1,043,013,801 | 19% |

[1]Proposed state share is the amount for the foundation, compensatory education, LEP, and special education programs.

[2]Current state share includes the foundation, compensatory education, LEP, special education, GCEI, guaranteed tax base, supplemental grant, NTI adjustment, and declining enrollment state aid programs. It excludes student transportation grants and the State share of teachers' retirement costs.

[3]Proposed total required local share includes local share for foundation, compensatory education, LEP, and special education programs.

The overall effect of these cost estimates (admittedly incorporating far more than just the cost of education changes were dramatic. Proposals of massive swings in funding to various school districts… some massive winners, some massive losers. The shift between state and county responsibility in many cases dramatic and transformational.

**Projecting Next Steps**

The funding work group has several months ahead to develop its recommendations on funding formulas. Presumably, the current GCEI, potential changes to the way local employee costs or other components will be considered in that debate.

But counties and other stakeholders have little certainty where this debate might land. The Kirwan Commission's scant attention to the matter, and the limited (at best) response to the consultant recommendations from 2016 have left this element highly undefined.