

R00A02 – MSDE – Aid to Education

4. Delete Fine Arts grants.	1,163,060
Total Reductions	\$ 1,763,060

Budget Reconciliation and Financing Act Recommended Actions

1. Reduce general funds for Aid to Education formulas by \$60 million either by reducing the State's contribution to retirement funds or eliminating the minimum per pupil floors in at-risk formulas.
2. Freeze library aid formulas at fiscal 2011 levels in fiscal 2012.
3. Add language specifying that any transfer from the local income tax reserve goes to the general fund.

Updates

SEED School Memorandum of Understanding Aims to Ensure Consistent Enrollment: In the 2009 legislative session, the budget committees adopted narrative that directed MSDE and the SEED School of Maryland to develop a memorandum of understanding (MOU) that outlines a policy for the school to maintain a consistent enrollment. The MOU was submitted in October 2009 and will help ensure that actual enrollment corresponds to enrollment estimates used to justify State funding.

GCEI Updated in September 2009: Chapter 2 of the 2007 special session (BRFA) requires that the GCEI is updated every three years beginning in September 2009. The major value in the GCEI formula is housing prices, and the most current available data includes prices at record-high levels before the recession brought them down.

Exhibit 8
Bridge to Excellence State Aid
Revised to Account for Calculation Adjustments and Enrollment Changes
(\$ in Thousands)

County	Adjusted Working FY 2010 ¹	Allowance FY 2011	Adjusted FY 2011 ²	Change from FY 2010 to Adjusted FY 2011	Change from FY 2011 Allowance to FY 2011 Adjusted ³
Allegany	\$83,886	\$81,832	\$81,506	-\$2,380	-\$326
Anne Arundel	264,705	282,375	281,641	16,936	-734
Baltimore City	808,629	812,075	838,159	29,530	26,083
Baltimore	488,277	504,113	502,196	13,918	-1,917
Calvert	84,346	85,094	84,870	524	-223
Caroline	41,743	42,053	41,905	161	-149
Carroll	136,636	136,119	135,776	-861	-343
Cecil	94,846	97,989	97,611	2,765	-379
Charles	146,914	148,284	147,697	783	-587
Dorchester	29,480	31,121	31,002	1,522	-119
Frederick	200,592	204,830	204,276	3,684	-554
Garrett	24,530	23,591	23,550	-980	-42
Harford	201,781	204,440	203,842	2,061	-599
Howard	192,225	204,769	204,278	12,053	-491
Kent	9,371	9,214	9,189	-182	-25
Montgomery	455,901	508,287	506,712	50,811	-1,575
Prince George's	878,870	855,509	849,499	-29,371	-6,010
Queen Anne's	29,704	30,221	30,150	445	-71
St. Mary's	91,363	93,076	92,818	1,455	-258
Somerset	23,357	23,620	23,524	168	-96
Talbot	10,341	10,623	10,623	282	0
Washington	137,857	142,063	141,501	3,644	-561
Wicomico	113,642	115,006	114,552	910	-454
Worcester	16,767	17,412	17,412	644	0
Unallocated	0	0	0	0	0
Total	\$4,565,764	\$4,663,717	\$4,674,287	\$108,523	\$10,570

Note: Figures include State funds and federal State Fiscal Stabilization Funds and assume the proposed \$4.3 million fiscal 2011 reduction to student transportation.

¹ Includes slight adjustments to the aid formulas made after the budget was adopted last year.

² Adjusted to reflect updated enrollment figures. Assumes full funding for the geographic cost of education index (GCEI).

³ These figures show the effect of the changes in enrollment.

Source: Department of Legislative Services

Exhibit 9
Effect of Recommended GCEI Reduction
(\$ in Millions)

School System	Reduction	FY 2010-2011 Change in Total Aid with Reduction
Allegany	\$0	-\$1,283
Anne Arundel	-733	25,549
Baltimore City	-1,829	35,894
Baltimore	-445	20,512
Calvert	-195	2,309
Caroline	0	662
Carroll	-215	1,349
Cecil	0	4,442
Charles	-289	3,523
Dorchester	0	1,933
Frederick	-524	7,552
Garrett	0	-495
Harford	0	5,028
Howard	-416	20,043
Kent	-12	14
Montgomery	-2,625	68,718
Prince George's	-3,224	-18,299
Queen Anne's	-46	1,273
St. Mary's	-18	3,205
Somerset	0	519
Talbot	0	758
Washington	0	5,744
Wicomico	0	2,579
Worcester	0	1,650
Unallocated	0	1,123
Total	-\$10,570	\$194,300

GCEI: Geographic Cost of Education Index

Source: Department of Legislative Services

■ enhancing statewide data systems to track improvements in student learning, teacher performance, and college and career readiness.

States apply for funding from SFSF in two phases. Approximately 74% of the funds were made available in Phase I. Maryland submitted its Phase II application in January 2010 for the remaining 26%. The Phase I application required states to track progress, baseline data, and expenditure information for the four key areas of education reform. Phase II applications must indicate strategies for addressing the four areas of education reform. Specifically, states must provide data or comprehensive plans for 33 descriptors and indicators specified by USDE, with each indicator relating to one of the four reform areas.

SFSF is a one-time fund available for use in state and local budgets to help minimize reductions in essential services. The ARRA included \$48.6 billion for the fund, which is allocated to the states based on relative shares of school-aged and total population. States must direct 81.8% of the funds toward early childhood, elementary, secondary, and higher education and the remaining 18.2% to public safety and other government services. Maryland received \$990.8 million for education and \$160.1 million for government services.

Not Enough SFSF Remains to Cover Fiscal 2011 Aid Increases

The ARRA required states to use SFSF to fund primary and secondary and higher education beyond the amounts provided in fiscal 2008 and 2009. Maryland already met these two requirements, and so the State used the education stabilization funds for a third option: to finance programmed increases to its major State education aid formulas in fiscal 2010 and 2011. In fiscal 2010, \$295.9 million in education stabilization funds has been appropriated in support of the formulas, as shown in **Exhibit 10**. The largest shares go to the teacher retirement program (\$137.3 million) and the State share of the Foundation formula (\$110.3 million).

Another \$422.3 million in SFSF is budgeted for the formulas in 2011. However, State Aid formulas and teachers' retirement increase \$197.5 million, resulting in State funds increasing \$71.5 million to cover the statutory required funding levels. **Exhibit 11** shows the changes by fund source.

State Faces a Funding Cliff in 2012; Reductions Now Will Mitigate Effect

The ARRA funds are budgeted to provide more support for Aid to Education formulas in fiscal 2011 than in 2010, so the drop-off will be significant in 2012. To mitigate this effect, the State can reduce formula increases in 2011 to the extent that increases are not funded by SFSF. Accounting for the transportation reduction of \$4.3 million and other DLS recommended reductions, a reduction of at least \$60 million from Aid to Education is possible. This reduction amount would not affect the maintenance of effort requirements of the ARRA. **Therefore, DLS recommends that general funds be reduced by \$60 million.**