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Aid to Education

Maryland State Department of Education

Response to the Analyst's Review and Recommendations
February 25, 2004

OPERATING BUDGET ANALYSIS

1. MSDE should comment on efforts to work with local school systems to ensure that all students, especially those in subgroups that did not meet AYP targets, achieve at the levels required by NCLB.

The Maryland State Department of Education (MSDE) has taken the lead with local school systems to accelerate the achievement of all students while eliminating achievement gaps among subgroups. Meeting the Adequate Yearly Progress (AYP) targets of No Child Left Behind (NCLB) are the key measures of performance. To help achieve this goal, the MSDE has developed a comprehensive strategic plan, *Achievement Matters Most, Maryland's Plan for Every Student.* There are five goals in the Plan and they form the guiding framework that defines the work of the MSDE as it relates to the principle school improvement initiative statewide. The State goals are:

1. High Achievement for All Students
2. Effective Instruction in Every School
3. Outstanding Teachers and Principals in Every School
4. Safe Schools for All Students
5. Involved Parents In Each School

The Plan integrates the major recommendations of the Visionary Panel for Better Schools, the requirements of NCLB and the standards of the Bridge to Excellence in Public Schools Act.

The major strategy for working with school systems is the Master Plan process contained in the Bridge to Excellence legislation. In developing the Master Plan requirements, the Department required Local Education Agencies (LEA) to align all federal, State and local financial resources to support school improvement activities specifically to achieve AYP for all subgroups. The Master Plan evaluation process at the State level included an in-depth analysis of school performance data and peer reviews by teams of educators to help ensure that programs being identified in the plans were properly researched and scientifically based. The annual Master Plan updates will continue to function as the major strategy for improving school performance in Maryland.

Supplementing the Master Plan strategy for school improvement, the MSDE wishes to highlight a number of new and ongoing initiatives that are paying dividends in achieving the priority of accelerating achievement and eliminating gaps among subgroups of students.

Maryland School Assessment (MSA) provides student specific school and school system performance information for reading and mathematics in grades 3 through 8 and 10th grade. The level of information available through the test will help teachers identify students' achievement difficulties and assist them to design individual student plans to accelerate achievement and meet AYP.

Maryland Model for School Readiness is a framework for teachers to help instruct and assess young children in the skills needed to be ready for school. The most recent readiness information for the 2003-04 school year continues to show important gains statewide and for subgroups of kindergarten students.

Maryland's Reading First initiative will help improve reading and literacy skills for grade K-3 students grades in schools with high levels of economically disadvantaged students experiencing early reading development difficulties. The initial scale of the program includes nine school systems and about 40 schools. The program will include intensive professional development that will be offered for all 24 school systems as the program develops during the next school year.

Maryland's Voluntary State Curriculum (VSC) is now available for PreK-8th grade. The Curriculum has been developed by over 400 teachers and content specialists in Maryland and provides solid curriculum and instructional guides for teachers in reading, mathematics, science and social studies. In addition to the instate review, the curriculum has been successfully evaluated by Achieve, Inc., a national organization with specific expertise in school improvement programs and curriculum design and quality standards.

Professional development is a major program initiative for the State and the 24 school systems. The focus of the Department's efforts is directly aligned to the VSC and includes specific skills in using formative assessments in the classroom along with strategies to meet the needs of unique learners.

Formative assessments are being developed by MSDE that will help teachers understand student performance expectations while directly aligning with the assessed content in the MSA.

The Institute for Leadership Development, a comprehensive program designed to improve the knowledge and skills of new, experienced, or aspiring school principals has been developed by MSDE. The program is statewide in scope and places significant emphasis on assisting school principals to become effective instructional leaders able to improve school performance.

Direct assistance to low performing schools is provided by the MSDE through highly experienced staff assigned to work with school systems that are in corrective action and with schools designated as "in need of corrective action". In addition, the State has identified 77 schools to be restructured. These schools are to submit school wide restructuring plans to the MSDE this spring. The plans will be evaluated and are subject to Maryland State Board of Education (MSBOE) review and approval.

The AIMMS (Achievement Initiative for Maryland's Minority Students) Council is comprised of leaders from across Maryland in business, education, medicine, and law, and organizations with major interests in accelerating

achievement for all students. The AIMMS Council provides recommendations and consultation to the MSBOE, MSDE, and local school systems regarding the improvement of academic achievement for all students.

A Task Force on the Education of African-American Males has been appointed to review past and present performance information concerning minority students. The Task Force will report its findings to the State Board of Education and the Department later this spring. The report is expected to offer important findings and recommendations for the Department and local school systems.

2. MSDE should comment on its efforts to ensure that all teachers are fully certified and meet the highly qualified standards of NCLB by the 2006 deadline.

NCLB requires all states to accelerate teacher recruitment and retention efforts, as well as professional development initiatives, to ensure that all core academic subjects are taught by "highly qualified" teachers by the end of the 2005-06 school year. The MSBOE adopted *High Objective Uniform State Standard of Evaluation* (HOUSSE) in October 2003 providing expanded pathways veteran teachers can use to achieve "highly qualified" status. MSDE is currently working with LEA partners to develop and implement procedures that will facilitate teacher utilization of HOUSSE. Additionally, the *Quality Teacher Incentive Act of 1999* contains provisions that provide a good start to a comprehensive, competitive effort to attract and retain quality teachers. These provisions are codified in Education Article § 6-306 and Tax Article § 10-717.

Maryland must expand the use of alternative certification using the Resident Teacher Certificate (RTC). Maryland colleges and universities do not produce enough teacher candidates to meet LEA demand. The RTC is an excellent way to bring career changers, military veterans, and other degreed individuals into the teaching profession. Proposed regulatory revisions to COMAR 13A.12.01.07, designed to expand alternative routes to certification options with the RTC, was recently presented to the Professional Standards and Teacher Education Board and will be shared in the near future with the MSBOE. MSDE continues to work with LEAs and institutions of higher education to foster and develop programs to provide certification routes for career changers and assist veteran teachers in attaining "highly qualified" status.

MSDE is actively engaged in addressing the need for high quality professional development for all of Maryland's teachers. At the appointment of the State Superintendent, a twenty-five member Professional Development Advisory Council has developed standards and indicators defining the key elements of high quality professional development. These standards will guide the professional development designed and implemented by the MSDE, as well as professional development efforts by the 24 LEAs and institutions of higher education that provide teacher professional development. These standards are designed to assist key policy makers and professional development providers with a tool to reallocate existing resources to most effectively assist teachers in content knowledge and pedagogy needed to meet Maryland's goals for highly qualified teachers.

The State of Maryland may need new financial incentives and efforts to improve teacher quality. Increased funding for school administrator support, peer support, and professional development programs will help retain beginning teachers. Veteran teachers need school administrator support, differential pay, leadership responsibility, and career growth opportunities.

Each year LEAs must apply to MSDE for Class Size Reduction Funds and explain what steps they are taking to reduce their numbers of conditionally certificated teachers. In their grant applications, local school systems have described a number of activities that demonstrate a significant effort at reducing the percentage of conditionally certified teachers. These include:

1. raising minimum salaries for new and existing teachers at the entry levels, offering extended contracts to new teachers;
2. improving efforts to monitor and support teachers as they complete their certification;
3. expanding alternative certification programs using the RTC,
4. rehiring retired teachers who hold valid professional teacher certificates;
5. significantly increasing funding for and in other ways enhancing recruitment programs, providing additional mentoring support for new teachers; and,
6. establishing special teacher certification programs in cooperation with Maryland colleges and universities.

3. MSDE should comment on how it develops expenditure projections in this program (Nonpublic Placement) and why it expects fiscal 2004 expenditures to decrease.

Annually MSDE develops an expenditure projection approximately 14 months prior to the beginning of the next fiscal year. This projection is based on historical trends from information provided by the LEAs and the Governor's Office for Children, Youth and Families (OCYF). This information is submitted to the Department of Budget and Management (DBM), and becomes part of the Governor's Budget submitted to the General Assembly.

MSDE is dependent on the accuracy of LEA projections and the OCYF to provide timely and accurate information. For example, for FY 2004 MSDE received projection information of anticipated increases in Nonpublic Placements from 16 LEAs on February 10, 2004. The approximate number of new students for FY 2004 is 335 students. The table below outlines increases in nonpublic placements requiring State assistance from FY 2000-2004. In accordance with federal and State statutes only LEAs may make placements in nonpublic schools. Under State statute, MSDE is responsible for funding these placements. Therefore, based upon the most recent available information, MSDE does not expect expenditures to decrease.

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Placements Requiring State Assistance	3,846	4,088	4,542	4,741	5,076

Because this program is funded on a current year basis, the budgetary impact of the actual number of placements is not known until after the close of the fiscal year.

LEAs are given their first opportunity to verify their number of placements based on applications received by MSDE by December 31. This initial verification is completed by February and the final reconciliation of expenditures will be completed by September 30.

Despite the freeze on provider rates in FY 04, there is an appeal process for the nonpublic special education programs that may result in additional costs to LEAs and MSDE if the programs can demonstrate extreme financial hardship. In FY 2004, seven providers received rate increases under the extreme financial hardship provision of the Budget Reconciliation and Financing Act (BRFA) of 2003.

The increase in the LEAs' 300% contribution as a result of the increased funding in the Bridge to Excellence Act is expected to decrease the State share and partially offset the increased costs associated with the number of student placements in nonpublic schools.

4. MSDE should comment on the future of the program (Juvenile Justice Alternative Education Program).

The Juvenile Justice Alternative Education Program has been operational since February 2003 and is currently under the operation of the Prince George's County Public Schools (PGCPS). Due to FY 03 cost containments, the opening of the school was delayed until February and accommodated only 110 students last year, instead of its planned capacity of 120 students. The purpose of the program is to serve students who are suspended and/or expelled or candidates for these actions or who are required to attend as a condition of probation as established by a judge. All of the students served by this program are either currently enrolled in the PGCPS or have recently attended a PGCPS school.

Prior to the implementation of this program, PGCPS had several regional programs for expelled students. These programs were eliminated when the Juvenile Justice Alternative Education Program was implemented and some of the students were admitted to the new program. It is anticipated that the PGCPS will have to once again create or identify appropriate educational programs for these populations as they have the responsibility to provide an education for these students. Only PGCPS students attend the Juvenile Justice Alternative Education Program, so no other school systems will be impacted by this change.

ISSUES

1. *Proposed Changes to Nonpublic Placement Program Would Shift Significant Costs to Local School Systems*

DLS recommends accepting the cost share change proposed by the budget reconciliation act, but rejecting the associated contingent reduction.

MSDE supports the change in the State-local cost share arrangement and understands that the additional general funds are part of the Governor's overall plan to balance the budget. If these savings are retained in the Nonpublic Placement Fund, offsetting adjustments will be needed elsewhere in the budget.

MSDE should comment on whether it expects dramatic provider rate increases for fiscal 2005 and whether these were factored into cost projections for fiscal 2005.

Program budgets for FY 2005 have not been received to date. However, MSDE is aware that, due to the rate freeze in FY 2004, the potential exists for the programs to request significant rate increases. Through the application of its rate setting process, MSDE anticipates that the State can avoid dramatic provider rate increases for FY 2005. MSDE anticipates utilizing the federal calendar year 2003 CPI of 1.9 % as the base for approving rate increases. In addition, MSDE estimates an average increase of 4% limited to teacher salaries as necessary to match increases in LEA. This is essential in order to implement NCLB teacher qualification requirements.

MSDE factored 6% into the cost projections submitted.

MSDE should comment on the impact of the proposed change to the nonpublic placement formula on jurisdictions, especially those with large numbers of nonpublic placements.

MSDE acknowledges that the proposed change would increase the LEA contribution by 5% for FY 2005. However, the total FY 2005 projection of State and local dollars remains the same. The change to a 25% local/75% State share will result in the LEA being fiscally responsible for approximately an additional $6 million (State share will decrease from $115 million to $109 million).

The proposed change to the nonpublic placement formula could potentially serve as an incentive for LEAs to develop programs for children with more severe disabilities within the LEA. This will result in a cost saving to the LEA in the area of transportation costs. This could result in increased services to students with disabilities with their non-disabled peers in less segregated environments. The U.S. Department of Education, Office of Special Education Programs has cited Maryland as in need of increasing more inclusive placements.

MSDE has developed a chart (Exhibit A) projecting the graduated decreases in the State share for NPP from FY 05-08. The information in this chart takes into consideration Bridge

to Excellence Act funding, annual student placements and projected student expenditure increases including the CPI and teacher salaries.

Five LEAs would be most affected by this formula change. They include Anne Arundel, Baltimore City, Baltimore County, Montgomery, and Prince George's. These five jurisdictions account for approximately 80% of the total impact.

2. ***State Superintendent Submits Recommendation for Implementing Geographic Cost of Education Index. MSDE should comment on how it developed this recommendation, and provide the estimated fiscal impact of this recommendation on future year foundation grant estimates.***

In developing an implementation recommendation for the Maryland GCEI, MSDE relied heavily on the opinions of the consultants, the reports of the Thornton Commission, and the most current estimates of fiscal year 2005 State Aid, dated January 22, 2004. This information was evaluated in light of several over-arching objectives: to remain as true as possible to the research embodied in the consultants' report; to ensure a statewide perspective; to be fiscally responsible with limited State resources; and to be fair to all jurisdictions. MSDE recognizes that some of these objectives may conflict; on the whole, MSDE believes the recommendation is sound and fair.

The Thornton Commission, as part of its deliberations, evaluated several studies to determine an adequate amount of funding needed for a non-special needs student to meet State performance standards. This analysis was done for elementary, middle and high schools resulting in a statewide adequacy amount that became the basis for the Foundation Program target per pupil amount.

The Executive Summary of the Augenblick & Meyers, Inc. (A & M) study, in discussing the gaps between district adequacy targets and funding levels, states, "… to the extent that there are cost differences between jurisdictions, the adequacy goals of a local school system cannot be measured using the same dollar values for all school systems."

In their report, A & M acknowledged that the adequacy target developed for Maryland represented a statewide adequacy target and that individual district adequacy targets would need to be adjusted based on that district's ability to purchase education resources. Conceptually, a GCEI would be used to make upward and downward adjustments to adequacy targets, resulting in individual district per pupil figures.

In chapter six of their report, Dr. Dan Goldhaber and Dr. William Duncombe, the consultants who created Maryland's index, outlined several options for implementing the index into Maryland's finance structure for public education. The consultants were adamant about several implementation issues: the index should not be artificially truncated at 1.0 as this limits the full range of the index; resetting the index to 1.0 for the lowest cost jurisdiction maintains the full range of the index, but calls into question the original adequacy studies conducted by the Thornton Commission; using a simple average is more intuitive in that 1.0 represents the mid-point of the index; and, no adjustments should be

made to the minimum guarantee as districts eligible for this component are already "off the formula".

MSDE considered these opinions in creating its recommendation. With the desire to maintain the premise and intention of geographic cost adjustments and be fiscally responsible, MSDE presented their recommendation to the General Assembly on February 13, 2004.

The recommendation calls for full fluctuation of the index with upward and downward adjustments; separate phase-in periods for districts with index values above or below 1.0; a hold harmless provision ensuring that no district will lose foundation aid over prior year funding; and updating the variable components of the index annually to more accurately reflect the current circumstances in each school district.

Exhibit B depicts the effects of the GCEI on foundation funding through fiscal year 2008. Districts with index values above 1.0 are phased in at 60%, 80% and 100%. Those with index values below 1.0 are phased in over five years; 20%, 40%, 60%, 80% and 100%.

The net fiscal impact of MSDE's recommendation (over current funding projections) is an additional:

- $26.4 million in year one,
- $46.3 million in year two,
- $65.6 million in year three, and
- $79.3 million in year four.
- Projections for year five are not available.

Several implementation alternatives would have a far greater fiscal impact.

- Artificially truncating the index at 1.0 – only adjusting those districts with an index value above 1.0 – would require a projected $48.4 million in additional State Aid.
- Resetting the lowest cost district to 1.0 and adjusting all others upward would require a projected $159 million in additional State Aid.
- Adjusting the foundation per pupil amount for each district and allowing full fluctuation of the index would require a projected $87 million in additional State Aid.
- Adjusting the per pupil amounts for the foundation program as well as the three special needs programs and allowing full fluctuation of the index would require a projected $102.7 million in additional State Aid.

MSDE feels its recommendation is a reasonable starting point for legislative discussion.

3. Comprehensive Master Plans Submitted – How Local Education Agencies Plan to Use Bridge to Excellence Funding Enhancements.

MSDE should comment on how it will evaluate the effectiveness of the strategies outlined in the master plans to ensure that additional resources are targeted to areas proven to improve student achievement. MSDE should also comment on whether LEAs should be required to document each year how increases in State and county funding align with their master plans.

Local school systems will submit an annual update to their master plans each year by August 15.[1] The August 15 due date is in concert with each school system's annual review of student and school progress that is required under *COMAR 13A.01.04.08* and *Section 1116 of the No Child Left Behind Act of 2001 (NCLB).*

The results of this review must be available to parents by the start of the school year. Local school systems use the annual review of school progress primarily to determine:

(1) if a school has made adequate progress toward all students meeting or exceeding Maryland's student academic achievement standards by 2013-2014, and

(2) if a school has narrowed the achievement gap. The results of the annual review also provide school systems with detailed, useful information to refine and improve the strategies outlined in their master plans to meet the needs of all students and specific student groups, including students with disabilities, English language learners, low-income students, and students at risk of failing school.

This annual review of student and school progress will serve as the foundation of each school system's annual update to the master plan. As part of the annual master plan update, school systems will provide a reflective analysis of their student assessment data to determine the effectiveness of the strategies outlined in their master plans. This analysis will include a review of policies and practices regarding the allocation of <u>all</u> resources, including additional resources to support strategies with the greatest likelihood of ensuring that all students achieve.

Because school systems integrated into their master plans *programs* and *performance goals* under NCLB, the annual review also includes other factors that are crucial to improved student performance. These factors include qualified teachers, high quality and job-embedded professional development, and school safety.

MSDE will review each school system's annual update to determine the effectiveness of actions and strategies to improve student achievement. An emphasis of the review will focus on how all resources, including additional resources, are reinforcing the use of effective research-based strategies and practices. In cases where local school system's fail to document in the annual update the effectiveness of the strategies outlined in their plans, MSDE may require the school system to make changes to the master plan or submit a

[1] HB155 replaces, with amendments, Sections 4-309 and 5-401 of the Annotated Code of Maryland to extend from July 1 to August 15 of each year the deadline for county boards of education to update and submit to the State Board and the State Superintendent the county board's comprehensive master plan.

revised plan that demonstrates it will have the effect of improving student achievement and increasing progress toward achieving Maryland's student academic achievement standards.

As part of the review of each school system's master plan annual update, MSDE will identify practices, strategies, and interventions across school systems that consistently produce positive results in improving student achievement and school performance. MSDE will disseminate this information to local school systems.

Finally, when reviewing annual master plan updates, MSDE will review each school system's current year approved budget and the final prior year actual revenue and expenditures to make determinations about how school systems are aligning State, federal, and local funds with their master plans. As part of the annual master plan update, local school systems will include a budget narrative that explains how the budgeted revenues will be used to support strategies designed to meet Maryland's student academic achievement standards by 2013-2014. MSDE has developed a template that all school systems will use to complete a budget narrative aligned to the goals, objectives, and strategies of the master plan. Using the template, school systems must document *all increases and decreases in revenue* each year, not merely additional resources, and describe how these increases and decreases impact the implementation of their master plans. This template is organized around the following sections:

- **Overview –** The school system's vision statement and the percentage of the total revenue increase/decrease compared to the prior year budget.

- **Revenues –** The amount of dollars included, by total revenue source, including any increases/decreases from the prior year, expected increases/decreases in future years and any legislation that may affect the current or future years' funding.

- **Expenditures –** General overview statements and expanded comments in the following areas:

    - **Mandatory Increases** – Mandatory cost increases, such as payments for social security, retirement, employee health insurance programs, salary increases and/or utilities that are necessary to sustain the operation of the school system.

    - **New Initiatives** – Any new initiatives that the school system will fund in the current fiscal year and a description of how the new initiative aligns with the master plan.

    - **Additional Positions –** The number of new positions, a justification for adding the positions, and a description of how the new positions align with the master plan.

- **Revised Bridge to Excellence Strategies –** As a result of the annual review of student and school progress, a description of any new or revised strategies to ensure that State,

federal, and local resources are targeted to areas proven to improve student achievement.

- **Restricted Funding/Budget Reductions –** Identify and discuss any reductions made in staffing, elimination of programs, hiring freezes and /or across the board reductions for supplies, equipment, training, travel, technology and school maintenance. Discuss how the school system will continue to meet the goals, objectives, and strategies detailed in the master plan as a result of these reductions.

4. Continued Implementation of Bridge to Excellence Major Factor in Ongoing Structural Deficit

MSDE should discuss, as specifically as possible, the impact implementing these extension strategies would have on local education agency plans to improve student achievement.

It would not be appropriate to extend the Bridge to Excellence (BTE) provisions beyond their current five-year implementation period. The BTE legislation is a landmark restructuring of Maryland's education aid in accordance with the findings of the Thornton Commission. It is quite remarkable in that it addresses multiple funding issues within one package. Among the changes being made are:

- Increasing the overall level of basic State Aid funding
- Increasing State funding as a percentage of local budgets
- Targeting additional funds to three "special needs" categories
  - Compensatory Education (for economically disadvantaged students)
  - Special Education
  - Limited-English Proficient
- Increasing the portion of funding that is equalized on the basis of local wealth
- Decreasing the number of State Aid programs targeted to the same populations

Given the considerable price tag of such an ambitious change, the BTE statute was established as a five-year phase-in. To ease transition from the current funding structure, many of the existing programs and provisions were designed to simultaneously phase-out over the same period. Extending this implementation period beyond five years, will further delay the recognition of much needed funding and wealth equalization provisions.

For example, the Special Education and Limited-English Proficient programs both contain a Tier 1 component that is not equalized. This component is based on the previous funding formula, and is slated to phase-out over the five-year implementation. By FY 2008, the entire amount of each program will be wealth equalized.

Further, while the Foundation Program (designed for basic funding purposes) gets phased-in through FY 2008, the Special Needs programs are also phased-in. However, these programs started in FY 2004 based upon a small percentage of the Foundation (40%) and, again are not based on the 100% level until FY 2008.

Therefore, the State share of these special needs programs, as a portion of the Foundation is not fully realized until the end of the five years. Postponing full implementation beyond FY 2008 will delay the targeting of additional State funding for special needs students, and for less-wealthy jurisdictions.

The five-year Master Plans submitted by LEAs put many strategies in place, which are predicated upon the planned funding increases. Any extension of the full phase-in will require systems to make difficult choices about program priorities and strategies details in their master plans. School systems will face the prospect of having to make adjustments to key initiatives such as class size reduction, sustained high quality professional development, summer school and other extended learning opportunities, adoption of the VSC, and interventions to support success on MSAs and HSAs.

Finally, any extension of Bridge to Excellence funding must recognize the rising costs of education at the local school system level, especially, in such areas as transportation and contract-mandated pay and benefits (including the rising costs of health benefits). In order to provide additional intervention programs needed to close the achievement gap, funding increases must exceed these fixed cost increases.

5. ***Baltimore City Public School System Facing $58 Million Deficit – Advance of Future State Aid Proposed***

On February 24, 2004, the Governor announced that the materials submitted by the Baltimore City Public School System (BCPSS) did not constitute a financial accountability plan and was not sufficient to pursue an emergency deficiency appropriation. In the coming days and weeks, the Governor, Legislative Leaders and the State Superintendent will work together on a proposal to implement appropriate measures to ensure academic and fiscal accountability in the BCPSS.

RECOMMENDED ACTIONS

1. ***Amend budget bill language to delete funds for the Governor's Teacher Salary Challenge Program. - OPPOSE***

Elimination of this funding would:

a. remove much needed funding from the very lowest wealth school systems, and
b. remove the protection from a year-to-year reduction in the Foundation Grant.

The landmark Bridge to Excellence in Public Schools Act (BTE) was a complete overhaul of Maryland's education funding structure. The act included multiple phase-ins of new funding and formula percentages and phase-outs of many existing programs. The Governor's Teacher Salary Challenge Program (GTSCP) was a multi-faceted program, containing a Percentage

Component, a Wealth Adjusted Component, a Targeted Component, a one-year Transitional Component and a Hold Harmless Component. The program was designed to help all school systems remain competitive in their teacher recruitment and retention abilities.

As the analyst correctly indicates, the BRA would eliminate the statutory basis for the program. After the contingent reduction, discretionary funding would remain in the Budget Bill that would be sufficient to fully fund the Hold Harmless Component and to fund the Targeted Component at the FY 2004 level (50%).

a. <u>Targeted Component</u> Two portions of the GTSCP provided additional funding to low-wealth school systems (the Wealth Adjusted Component and the Targeted Component). The Targeted Component provides funding to the very lowest wealth school systems in Maryland (those school systems which in FY 2002 had a wealth per pupil of less than 75% of the statewide wealth per pupil). Exhibit C reflects the Statutory and Adjusted funding level of this program as compared with local wealth per pupil. Although called for in the BTE legislation, the Wealth-Adjusted Component was not funded in FY 2004 and is scheduled per the BRA and contingent Budget Bill language to be removed in FY 2005. Therefore, it is neither curious nor inappropriate to fund the Targeted Component at the FY 2004 level – 50% as opposed to 25% in FY 2005, inasmuch as the original legislation called for a Wealth-Adjusted Component through FY 2005. Many of the wealth-equalization portions of BTE are phased-in over the five-year span, realizing full wealth equalization by the end of the phase-in period. Given another pending elimination of the Wealth-Adjusted Component, early elimination of, or even cutting back funding to the Targeted Component would not be appropriate before more of the wealth-equalization can be realized within the BTE structure.

<u>b. Hold Harmless Component</u> The Hold Harmless Component protects school systems from reductions in the Foundation Program from year to year. As mentioned by the analyst, in FY 2005 this component would provide approximately $3 million to Montgomery County Public Schools. The most easily identifiable reason for the need for this funding is the effect of the Geographic Cost of Education Index (GCEI) adjustment in fiscal year 2004. Montgomery County's FY 2004 Foundation program included a geographic adjustment of approximately $6.3 million (four percent) as calculated in accordance with the BTE legislation. No GCEI is funded in the FY 2005 Allowance, resulting in the need for a hold harmless grant.

Therefore, the Department respectfully requests that these programs not be further reduced.

2. *Add budget bill language to reduce funds for the Extended Elementary Education Program. - OPPOSE*

Elimination of this funding would cause a disproportionate hardship to the smallest of Maryland's counties.

As noted in the prior response, the BTE was a complete overhaul of Maryland's education funding structure. One of the programs scheduled to phase-out (remaining 100% funded through FY 2007) is the Extended Elementary Education Program (EEEP). This program was established to provide funding for programs for four year olds. Though the program

restrictions have been removed, the funding levels continue as part of the structural overhaul, allowing less wealthy school systems to continue to provide these programs while waiting for the full impact of phased-in special needs funding through the BTE.

This program is unique in that it contained a minimum local school system amount as well as funding for program sites. Unlike other programs that operate on simply a per pupil grant, this one acknowledged the diseconomies of the smaller sized school systems. It recognized that a base level of funding is necessary regardless of the size of the system.

Early reductions in the State's assistance to small systems should not be taken lightly. For example, despite some Hold Harmless funding, Kent County, the smallest of Maryland's school systems, experienced an overall ***decrease*** of more than $200,000 in its grants under the Major State Aid programs from FY 2003 to FY 2004.

As can be seen in Exhibit D, there is a very strong correlation between the EEEP grant per pupil and school system's enrollment. Until the BTE programs are fully phased-in, this program provides more assistance on a per pupil basis to the smaller jurisdictions. Early elimination or reduction of this program will disproportionately hurt those school systems.

Therefore, the MSDE respectfully requests that this program remain fully funded.

3. *Add budget bill language to prohibit the expenditure of nonpublic placement funds for students at the Charles H. Hickey, Jr. School. -OPPOSE*

House Bill 860 (2003) State Government - Department of Juvenile Services - Charles H. Hickey, Jr. School Program Education states that the State Department of Education may use nonpublic special education funds under § 8-415 of the Education Article for contractual services as necessary to deliver special education and related services to identified students with disabilities placed at the Charles H. Hickey, Jr. School.

These funds are necessary in order to fully comply with the entitlement to special education and related services under federal and State statutes. Without using these additional dollars, the Hickey School special education program would continue to experience non-compliance with federal regulations.

In recent years, the Department has spent considerable time in resolving IDEA complaints related to students in the Hickey School. Specifically, MSDE investigated complaints concerning two individual students and initiated a focused review of implementation of IDEA requirements by the Hickey School.

As a result of that review, areas of systemic noncompliance were identified, including implementation of student IEPs, maintenance of student records, and adequacy of staffing and instructional materials. MSDE staff continues to devote extensive time to provide technical assistance and training activities in these areas.

4. *Reduce funds for Quality Teacher incentives contingent upon passage of legislation altering eligibility for stipends. -OPPOSE*

The recommended action is predicated on a reduction in the number of teachers eligible for stipends currently granted to teachers holding advanced professional certification employed in reconstitution, reconstitution-eligible, and challenge schools. Under proposed changes, eligibility is expanded to include all professionally certificated teachers (standard professional in addition to advanced professional certification) and teachers holding resident teacher certificates.

Proposed changes also include the types of schools whose teachers are eligible for stipends, altering these to *schools in need of improvement, under corrective action, or restructured schools*. Additionally, eligibility is predicated on two years of adequate yearly progress (AYP) by schools in these categories.

There are 144 schools currently in school improvement status; of these, 28 can achieve two years of AYP in June 2004. At the conclusion of the 2002-03 school year, 400 schools were added to the category of schools in school improvement status. Thus, there are 516 schools for which the current school year represents the first year in which AYP can be achieved. It is difficult to predict how many of these schools will actually achieve AYP, since there are no comparable historical data.

Last year, 28 of 144 schools in the delineated categories achieved AYP, so it could be anticipated that 20% or more of schools in need of improvement, under corrective action, or restructured schools will do so annually. This translates to a potential for as many as 100 schools each year, although it is difficult to parse this into a number of schools achieving AYP for two consecutive years.

An increasing number of such schools are middle and high schools; thus, many more than 30 teachers per school might be eligible for stipends. If 75% of the potential pool of 100 schools achieve two consecutive years of AYP, using a conservative 30 teachers per school would result in stipend costs of $9 million beginning in fiscal 2006.

For FY 2005, it is possible that 28 schools will achieve a second year of AYP. Expanding teacher eligibility to all those holding professional certificates (instead of exclusively advanced professional certificates) or resident teacher certificates expands the pool of eligible teachers to 40-plus per school. This makes it very possible that stipend costs for fiscal 2005 will be in excess of $5 million and could be as high as the $5.7 million more than equivalent stipends in fiscal 2003.

In summary, as was indicated in the fiscal note submitted by MSDE for House Bill 162, it is not anticipated that FY 2005 costs for stipends associated with the Quality Teacher Incentive program will require funding beyond current levels; however, the number of variables associated with this program makes it eminently possible that current funding levels will be required.

Beyond the question of stipends described above, signing bonuses and National Board for Professional Teacher Standards (NBPTS) stipends also affect program funding. The number of NBPTS-certified teachers is increasing, and many local school systems are attracting increasing numbers of candidates with requisite grade point averages for signing bonus eligibility. This potential increase, when coupled with the substantial number of unknowns regarding what are now most accurately referred to as AYP stipends, cause concern with what appears to be an overly optimistic projection of funding reduction.

5. *Delete Funds for the Maryland's Tomorrow Program. - OPPOSE*

Maryland's Tomorrow Program was MSDE's major initiative for dropout prevention for many years. Beginning five years ago, the program transitioned from a pullout, stand alone program into a locally designed K-12 continuum of prevention and intervention strategies. LEAs designed their strategies to meet the specific needs of their system and to integrate with other existing programs, initiatives, and strategies. Funding for the past five years has been used to implement strategies and initiatives to complete each LEAs' continuum of services.

Goal 5 of *NCLB* is that all students will graduate from high school by 2014. Currently, approximately 25% of ninth grade students statewide fail to graduate from high school four years later. Additionally, the MSBOE is pondering whether to make the High School Assessments (HSAs) a requirement of graduation. There is some concern that if students need to pass all four HSAs, more students will drop out because they cannot pass the tests and a diploma will appear unobtainable.

Regardless of funding, LEAs have a mandate to have all students graduate. Students who are in danger of dropping out are some of Maryland's most at-risk students who need many different types of support services. Programs to help these students typically are very expensive because of the individualized nature of the strategies. This small amount of dedicated funds signals a strong State commitment to our at-risk students.

Exhibit A

Nonpublic Placement Projections
Graduate Decreases in State Share from FY05-08

	PLACE-MENTS	FY 02 FINAL	PLACE-MENTS	FY 03 FINAL	FY 2004 PROJECTIONS	FY 2005 PROJECTIONS 75/25	FY 2006 PROJECTIONS 70/30	FY 2007 PROJECTIONS 60/40	FY 2008 PROJECTIONS 50/50
APPROPRIATION-ORIGINAL		104,380,655		100,191,230	103,967,833				
DEFICIENCY/STATE AID TRANSFER		(9,521,964)		4,363,198					
AVAILABLE		94,858,691		104,554,428	103,967,833	-	-	-	-
ALLEGANY	20	305,164	18	401,107	400,000	397,500	393,259	357,286	315,601
ANNE ARUNDEL	301	6,539,092	282	6,953,586	6,950,000	6,906,563	6,832,868	6,207,838	5,483,569
BALTIMORE CITY	993	24,919,452	882	22,023,545	22,020,000	21,882,375	21,648,886	19,668,576	17,373,839
BALTIMORE CO	504	11,395,643	605	13,850,423	13,847,000	13,760,456	13,613,629	12,368,336	10,925,320
CALVERT	41	1,050,523	50	1,152,967	1,150,000	1,142,813	1,130,618	1,027,196	907,353
CAROLINE	4	123,958	3	118,213	115,000	114,281	113,062	102,720	90,735
CARROLL	101	2,700,002	100	2,620,142	2,620,000	2,603,625	2,575,844	2,340,221	2,067,187
CECIL	49	899,854	48	1,041,759	1,040,000	1,033,500	1,022,472	928,943	820,563
CHARLES	58	1,242,770	59	1,213,675	1,210,000	1,202,438	1,189,607	1,080,789	954,693
DORCHESTER	1	3,438	1	15,605	15,000	14,906	14,747	13,398	11,835
FREDERICK	49	915,682	70	1,220,842	1,220,000	1,212,375	1,199,439	1,089,721	962,583
GARRETT	2	37,874	4	41,640	40,000	39,750	39,326	35,729	31,560
HARFORD	96	2,396,654	103	2,787,385	2,785,000	2,767,594	2,738,063	2,487,601	2,197,372
HOWARD	98	2,318,755	118	3,067,068	3,065,000	3,045,844	3,013,344	2,737,701	2,418,293
KENT	1	9,862	2	13,786	12,000	11,925	11,798	10,719	9,468
MONTGOMERY	577	8,752,126	552	10,158,010	10,155,000	10,091,531	9,983,853	9,070,590	8,012,322
PRINCE GEORGE'S	1,062	21,686,543	1,082	22,590,634	22,590,000	22,448,813	22,209,279	20,177,708	17,823,570
QUEEN ANNE'S	13	184,073	12	220,927	220,000	218,625	216,292	196,507	173,581
ST MARY'S	19	505,929	31	798,530	795,000	790,031	781,601	710,105	627,257
SOMERSET	6	56,240	3	45,616	45,000	44,719	44,242	40,195	35,505
TALBOT	-	-	1	35,532	34,000	33,788	33,427	30,369	26,826
WASHINGTON	101	1,269,632	112	1,415,972	1,412,000	1,403,175	1,388,203	1,261,218	1,114,072
WICOMICO	12	276,171	9	261,926	260,000	258,375	255,618	232,236	205,141
WORCESTER	-	-	-	-	-	-	-	-	-
PENDING CASES				-	-	-	-	-	-
SUB TOTAL	4,108	87,589,437	4,147	92,048,890	92,000,000	91,425,000	90,449,477	82,175,702	72,588,246
MSB ENHANCEMENT	24	824,334	27	980,015	1,220,618	1,269,443	1,320,220	1,373,029	1,427,950
MSD ENHANCEMENT	27	1,047,728	30	1,060,096	1,243,193	1,292,921	1,344,638	1,398,423	1,454,360
MONTG SRI PARTNERSHIP		591,779				-	-	-	-
PARTNERSHIPS- HOWARD	55	617,573	11	102,893	106,128	105,465	104,339	94,795	83,735
PARTNERSHIPS- ANNE ARUNDEL	142	3,762,701	135	3,659,873	2,069,656	2,056,721	2,034,775	1,848,646	1,632,964
PARTNERSHIPS- HARFORD	18	438,838	14	349,408	516,421	513,193	507,717	461,275	407,458
*PARTNERSHIPS- CITY - EDISON	100	2,190,499	86	2,449,178	2,492,787	2,592,498	2,696,198	2,804,046	2,916,208
*PARTNERSHIPS- CITY - VICTORY	43	936,981	43	949,679	1,169,763	1,216,554	1,265,216	1,315,824	1,368,457
*PARTNERSHIPS- CITY - MURRAY					1,071,798	1,114,670	1,159,257	1,205,627	1,253,852
PARTNERSHIPS -BALTIMORE CITY			87	2,280,075	2,164,910	2,151,379	2,128,424	1,933,728	1,708,120
PARTNERSHIPS- ALLEGANY	15	385,236	15	412,024		-	-	-	-
PARTNERSHIPS- WICOMICO						-	-	-	-
PARTNERSHIPS- WASHINGTON	10	112,408	10	113,996	83,848	83,324	82,435	74,894	66,156
PARTNERSHIPS- MONTGOMERY			86	1,404,613	355,028	352,809	349,045	317,116	280,118
PARTNERSHIPS-CARROLL			10	289,797	274,184	272,470	269,563	244,905	216,332
PARTNERSHIPS-PRINCE GEORGE'S			40	943,968	920,608	914,854	905,093	822,300	726,362
SCHOOL HEALTH READINESS									
WRAPAROUND - HB 1221				33,636					
AUTISM WAIVER				225,210	750,000	795,000	842,700	893,262	946,858
CHARLES HICKEY						2,500,000	2,650,000	2,809,000	2,977,540
OTHER/RESERVE		724,375		(128,679)	100,000	106,000	112,360	119,102	126,248
PRIOR YR DEFICIT				4,363,198					
TOTAL	4,542	99,221,889	4,741	111,537,870	106,538,942	108,762,301	108,221,456	99,891,674	90,180,964
DIFFERENCE		(4,363,198)		(6,983,442)	(2,571,109)	(108,762,301)	(108,221,456)	(99,891,674)	(90,180,964)

FY 2005-08 LSS/Partnership Growth:	6.00%
FY 2005-08 City Special Part(*)/Enhance:	4.00%
FY 2005-08 Autism Waiver:	6.00%

MSDE Recommendation - Implementing the Geographic Cost of Education Index

Projected Foundation Program Adjustments

	FY 04	Year 1		Year 2		Year 3		Year 4	
Local Unit	Foundation	GCEI	Foundation	GCEI	Foundation	GCEI	Foundation	GCEI	Foundation
Allegany	31,758,083	0.992	32,080,920	0.982	34,181,205	0.971	35,885,982	0.959	37,705,454
Anne Arundel	136,874,915	1.011	140,180,086	1.017	148,224,049	1.025	153,275,824	1.029	163,793,397
Baltimore City	326,131,543	1.025	335,968,337	1.037	366,210,868	1.049	392,469,471	1.052	422,753,806
Baltimore	221,237,877	1.005	242,794,225	1.005	268,461,379	1.005	292,186,377	1.004	320,974,946
Calvert	44,656,733	1.013	47,928,911	1.025	53,187,728	1.037	57,699,421	1.042	62,726,794
Caroline	17,484,972	1	17,963,092	0.998	19,453,116	0.993	20,681,424	0.986	22,152,394
Carroll	75,077,571	1.008	81,518,772	1.014	89,542,871	1.019	96,237,144	1.021	104,440,662
Cecil	45,748,277	0.998	49,309,758	0.994	53,847,308	0.989	56,836,605	0.984	61,712,354
Charles	66,827,559	1.012	74,632,490	1.022	82,992,237	1.032	90,938,245	1.036	100,060,709
Dorchester	13,210,650	0.996	13,748,564	0.988	14,653,255	0.978	15,040,747	0.966	15,847,943
Frederick	98,508,318	1.014	107,003,821	1.024	119,266,447	1.034	131,067,390	1.039	146,169,415
Garrett	12,763,557	0.99	12,795,644	0.976	13,240,609	0.961	13,260,803	0.944	13,454,214
Harford	105,582,222	0.998	111,449,789	0.997	120,798,625	0.995	127,687,679	0.994	138,287,816
Howard	93,010,906	1.009	98,493,538	1.013	109,875,780	1.017	120,209,639	1.019	133,387,582
Kent	4,594,380	1.006	4,622,565	1.009	4,945,805	1.013	5,191,772	1.016	5,191,772
Montgomery	164,336,284	1.02	164,601,998	1.03	183,309,573	1.04	199,792,618	1.044	222,756,849
Prince George's	380,370,335	1.029	424,089,191	1.041	473,741,214	1.055	517,691,375	1.059	566,556,410
Queen Anne's	15,359,682	1.007	15,604,576	1.01	17,050,330	1.015	18,216,480	1.017	19,108,449
St. Mary's	42,592,349	1.000	45,473,504	1.000	50,959,789	0.998	53,802,935	0.995	58,102,514
Somerset	9,181,549	0.995	9,448,359	0.988	10,287,542	0.98	11,005,509	0.97	11,817,197
Talbot	5,025,330	0.998	5,092,647	0.997	5,092,647	0.996	5,092,647	0.995	5,092,647
Washington	53,533,372	0.995	57,079,770	0.989	60,613,133	0.981	62,845,904	0.974	67,050,063
Wicomico	41,873,029	0.994	44,316,468	0.987	47,893,731	0.98	51,035,746	0.971	55,119,024
Worcester	7,691,609	0.992	7,748,563	0.983	7,840,914	0.974	7,840,914	0.964	7,840,914
Total State	2,013,431,102		2,143,945,588		2,355,664,751		2,534,968,594		2,759,302,216

Notes
1. For estimating purposes, Year 1 is based on fiscal 2005 Foundation Program projections
2. For estimating purposes, index values for Years 2-4 are projected based on a 4-year trend (1999-2002)
3. Index values are phased in according to the following schedule:
   For index values above 1.0: Year 1 - 60%, Year 2 - 80%, Year 3 and beyond - 100%
   For Index values below 1.0: Year 1 - 20%, Year 2 - 40%, Year 3 - 60%, Year 4 - 80%, Year 5 and beyond - 100%

Exhibit C

Governor's Teacher Salary Challenge - Targeted Component
Fiscal Year 2005
This Component was Targeted to the Poorest Maryland School Systems.

Local Unit	FY 2005 Statutory Amount	FY 2005 Allowance (adjusted) *	Wealth Per Pupil (WPP)**	Rank	Percent of Statewide WPP
Baltimore City	$ 1,774,648	$ 3,549,296	$ 157,323	24	53%
Caroline	98,587	197,174	178,037	23	60%
Somerset	53,565	107,130	185,077	22	62%
Allegany	187,937	375,874	189,473	21	64%
Wicomico	251,030	502,061	205,134	20	69%
Prince George's	-	-	221,943	19	75% ***
Cecil	284,234	568,467	223,332	18	75%
Dorchester	-	-	234,992	17	79%
Charles	-	-	239,243	16	81%
St. Mary's	-	-	243,399	15	82%
Washington	-	-	248,212	14	84%
Harford	-	-	253,036	13	85%
Carroll	-	-	255,156	12	86%
Calvert	-	-	262,301	11	88%
Frederick	-	-	263,118	10	89%
Garrett	-	-	267,812	9	90%
Baltimore	-	-	319,715	8	108%
Queen Anne's	-	-	336,796	7	113%
Howard	-	-	347,557	6	117%
Anne Arundel	-	-	369,098	5	124%
Kent	-	-	370,552	4	125%
Montgomery	-	-	454,845	3	153%
Talbot	-	-	584,503	2	197%
Worcester	-	-	640,844	1	216%
Total State	$ 2,650,001	$ 5,300,002	$ 297,097		100%

* Although not explicitly presented, the funding remaining subsequent to the contingent cut would be exactly sufficient to fully fund the Hold Harmless Component and to fund the Targeted Component at the 50% level (the FY 2004 level).

** Wealth Per Pupil as defined in the Bridge to Excellence Statute

*** The Targeted Component portion of this program was designed to provide funding for school systems with less than 75% of the statewide wealth per pupil. In FY 2002, the base year for this program, Prince George's County was at 76.8% of the statewide figure.

Extended Elementary Education Program Exhibit D
Fiscal Year 2005
Early Elimination or Reduction of this Program will Disproportionately Hurt the Smallest Maryland Jurisdictions

Local Unit	FY 2005	FTE Enroll	Rank*	Grant per FTE Pupil	Rank**
Kent	$ 279,652	2,398.00	1	$ 116.62	1
Somerset	309,652	2,733.20	2	113.29	2
Dorchester	411,978	4,518.50	4	91.18	3
Talbot	314,652	4,219.40	3	74.57	4
Caroline	351,484	5,083.80	6	69.14	5
Garrett	311,484	4,650.50	5	66.98	6
Wicomico	790,293	13,486.70	10	58.60	7
St. Mary's	873,288	15,237.45	11	57.31	8
Cecil	809,625	15,670.85	12	51.66	9
Queen Anne's	350,815	7,044.50	8	49.80	10
Baltimore City	4,134,779	88,410.55	21	46.77	11
Worcester	282,152	6,419.90	7	43.95	12
Charles	1,069,945	24,425.85	15	43.80	13
Allegany	348,315	9,408.35	9	37.02	14
Washington	598,636	19,486.65	14	30.72	15
Calvert	453,810	16,745.05	13	27.10	16
Harford	850,293	38,463.30	18	22.11	17
Frederick	812,125	37,438.30	17	21.69	18
Anne Arundel	1,295,265	71,901.80	20	18.01	19
Prince George's	1,731,575	130,234.90	23	13.30	20
Baltimore	1,189,770	103,099.60	22	11.54	21
Montgomery	1,265,933	133,580.15	24	9.48	22
Carroll	171,658	28,026.35	16	6.12	23
Howard	255,321	46,277.30	19	5.52	24
Total State	$ 19,262,500	828,960.95		$ 23.24	

Rank by 9/30/03 FTE Enrollment, smallest to largest
Rank by FY 05 Grant per FTE, largest to smallest