

# MARYLAND

Jennifer King Rice  
University of Maryland

Stephen A. Brooks & Carroll E. Kozlowski  
Maryland State Department of Education

## I. GENERAL BACKGROUND

### State

The state and county governments share responsibility for providing education and related services in Maryland. Statewide educational policy determination is the responsibility of the State Board of Education, with the State Superintendent of Schools and the Maryland State Department of Education overseeing implementation of policies and providing administrative support. The 23 local boards of education and the new Baltimore City Board of School Commissioners, together with each local school superintendent, govern educational matters and policy making within the school district, overseeing the daily operation of the local school system.

In fiscal 1999 state aid to local governments totals over \$2.8 billion, representing a 7.6% increase over the prior year. More than \$2.1 billion, or 74%, of this direct aid was earmarked for the public schools. Total state aid for education is over \$2.5 billion in fiscal 1999. The state share of state-local revenues for elementary and secondary education is around 40%. The state share of state-local revenues for current expenses reached a high of 43% in 1986–87 and 1987–88. Several changes, such as a 1993–94 discontinuation of state reimbursement for the employer share of social security costs, resulted in a modest decline in the state share during subsequent years.

Maryland provides a foundation funding program (APEX) intended to guarantee a set minimum or foundation level of per-pupil expenditures to children in all school systems of the state through a combination of state aid and local revenue. The general fund formula has been basically the same since 1922 when a per-pupil amount for the foundation program was established. The dollar amount has been periodically increased. In 1958, state taxable personal income was added to the measure of local ability. The "maintenance of local effort" has been in the foundation formula since 1987. In 1996 the local maintenance of effort

requirement was altered by authorizing counties to spend fewer dollars in times of decreasing enrollment and by authorizing the state board to grant a temporary or partial waiver in certain circumstances.

The formula for the foundation level is 75% of the average of the amount spent in the third and fourth preceding fiscal years. For 1997–98, the per-pupil foundation level was \$3,720, of which the state provides 50.8%. The formula establishes a foundation level of \$3,829 for 1998–1999, and a foundation level of \$3,901 for 1999–2000.

State school funds are derived annually from state appropriations. Since 1987, state funding for elementary and secondary education has been limited to a maximum of 31.5% of general revenue. State funding was 30.8% of general fund revenues in 1997–98 and 31.45% in 1998–99.

In 1998, the Maryland General Assembly established the School Accountability Funding for Excellence (SAFE) program, which provides additional targeted state funding for programs serving at-risk students (see section XII on Categorical K–12 Programs for a more detailed description). To receive funding for these programs, each local school system must submit to the Maryland State Department of Education for approval a comprehensive plan on ways to increase the performance of at-risk students. The plan must integrate funding from different programs targeting at-risk students with the goal of providing a more comprehensive and coordinated program. The plan must also describe the measures that will be used to monitor change in educational outcomes.

### **Local**

In Maryland, the 24 school systems are fiscally dependent. Education is a function of the City of Baltimore and the 23 counties. In home rule counties, school boards are elected; otherwise their members are appointed by the Governor. Cooperative agreements exist among the smaller counties for joint operation of special education programs and data processing.

Financial support from local sources for the operation of public elementary and secondary schools is derived mainly from general fund revenues of the 24 political subdivisions. In addition to the property tax, all subdivisions can levy an income tax surtax on the amount of the Maryland State income tax liability. Subdivisions can levy surtaxes of any percentage from 20% to 60%. Most subdivisions rely heavily on this source.

## **Funding Summary 1998-99**

Total State School Aid (All Programs)		\$ 2,610 million
Grants in aid	2,194 million	
Teacher Retirement Contributions	416 million	
FICA	0 million	
Total Local School Revenue*		\$ 3,138 million
Property Tax	Included	
Other local source tax revenue	Included	
Local source non-tax revenue	Included	
Total Combined State and Local School Revenue		\$ 5,748 million
State Financed Property Tax Credits		
Attributable to School Taxes		0

\*Property and income taxes for schools cannot be distinguished, as all are appropriations by local county governments.

## **II. LOCAL SCHOOL REVENUE**

Local governments derive their tax revenues from two primary sources - the property tax and the income tax. Each LEA is fiscally dependent upon the government unit in which it is located. There is a single school district in each of the 23 counties and the City of Baltimore. All school funds are thus local appropriations. Statewide, schools account for slightly less than 50% of all local appropriations with most subdivisions using more than 40% of local funds for schools.

### **Property Tax**

Tax levies are on the valuation of property, which is assessed under the supervision of the state. The State Department of Assessments and Taxation values one-third of all real property in each of the subdivisions on a physical inspection prior to the January 1st date for valuation. Any increase in full cash value (market value) is phased in equally over the next three years to adjust for sudden fluctuation in value. The assessment for each taxable year is 40% of the

phased-in full cash value. Agricultural property is assessed at 50% of new phased-in market value, the value set by constitutional amendment. The taxable value can differ for the state, the municipality, and the county. Property that is a primary personal residence cannot have its taxable assessment increased by more than 10% annually for state purposes (with percentages less than 10 permitted to counties and municipalities). Taxable assessed valuations can be below the actual assessed valuation.

### **Income Tax**

Counties are allowed to levy an income tax surcharge between 20% and 60% of the state income tax liability. Eleven counties set the tax rate for 1999 at 50%, with all but two between 50% and 60%, inclusively. These monies are collected by the state on the state income tax returns. A percentage of the income tax receipts received by the county must be shared with the municipalities within the county. The county surcharge on income taxes was first permitted in 1958 when personal income was added to the fiscal capacity measure for current expense state aid for local schools. The counties do not need to designate the purpose of the tax for school or non-school purposes. However, most counties indicate the share of property taxes raised for schools in property tax bills and the share of income taxes in budget or public hearings even though the schools receive local county appropriation with no indication of tax source.

### **Tax Credits and Exemptions**

The taxable value differs for state, county, and municipality because of the "Homestead Tax Credit." Property that is a primary residence has its assessment increase limited to 10% annually for the state property tax. Counties and municipalities must set an assessment cap of 10% or less each year.

The homeowner's property tax credit is available on homes with \$60,000 assessed evaluation or less (\$150,000 full market value or less) on a sliding scale when property taxes are more than 6.26% of gross household income at \$30,000, 4.9% of gross household income at \$20,000, 2% of gross household income at \$10,000, and 0.5% of gross household income at \$5,000. In addition, there is a renters' tax credit program of up to \$600 a year for renters aged 60 years or older, totally disabled, or under age 60 if one has a dependent child and meets income qualifications.

### **III. TAX AND SPENDING LIMITS**

Since 1987, state funding for elementary and secondary education has been limited to a maximum of 31.5% of general revenue. If total state aid for education for the previous fiscal year exceeds 31.5% of total general fund revenues, the per pupil foundation amount for basic current expenses in the state budget being considered by the General Assembly may not be implemented unless the General Assembly affirms by joint resolution that the additional state aid is within the state=s fiscal resources. If a joint resolution is not enacted, basic current expense aid per pupil for that year is capped at 8% over the prior year=s amount.

#### **Tax Limits**

Although some local governments have self-imposed property tax limitations, the state does not limit the amount of property tax a local government may levy. Other local taxes, when authorized by the state, are usually subject to limitations set forth in state law. For instance, the rate for the local income tax on state income tax liability must be between 20% and 60%. Of the amount so collected by the local government, 8.5% must be shared with municipalities and special taxing districts.

#### **Spending Limits**

Several localities have tax or spending limitation laws that apply to all county purposes. Only in Talbot County has this affected the amount of money available to schools - falling below the local contribution required by state current expense law (see section V describing the Basic Support Program).

#### **Voter Approval of Budgets and Bond Issues**

Tax rates require the approval of the board of county commissioners for the counties and of the city council for the City of Baltimore. There is no provision for the approval of tax rates by the electorate. Several counties, such as Prince George=s and Talbot, have adopted local tax limitation laws on property taxes for all purposes. There are no state laws limiting tax rates for either current operation or debt service.

### **IV. STATE/PROVINCIAL EARMARKED TAX REVENUE**

None for schools.

## V. BASIC SUPPORT PROGRAM

### Action Plan for Education Excellence

**Funding in 1998–99:** \$1,518.7 million.

**Percentage of Total State Aid:** 58.2%.

**Nature of Program:** The state's basic support program for education is a foundation formula, known generally as basic current expense aid, or since 1987, the Action Plan for Education Excellence (APEX), (MD. EDUC. ART. §§ 4-121 to 4-122, §§ 5-202 to 5-204, §§ 5-401 to 5-402). The formula determines for each school district the state and local shares of a minimum per pupil funding level, or foundation. The state's contribution is linked inversely with the wealth of the county.

**Allocation Units:** Full-time equivalent enrollment. The formula is based on the number of students enrolled in grades 1 through 12 and one-half the number of students in kindergarten programs as of September 30 of the previous school year, plus the number of full-time equivalent students enrolled in evening high school programs during the previous school year. For fiscal 1999, the relevant date is September 30, 1997.

**Local Fiscal Capacity:** The calculation of taxable capacity for a subdivision is the sum of real property assessable tax base, 50% of personal property assessable tax base, and net taxable income. The property bases are determined as of July 1 of the previous fiscal year. Net taxable income is determined by using tax data for residents taken from state income tax returns from the second preceding calendar year.

**How Formula Operates:** The formula recognizes the disparities in local abilities to raise revenue from local sources. It provides less wealthy counties, as measured by property assessable base and net taxable income, relatively more aid than wealthier counties. More precisely, aid is distributed inversely to wealth per student. Overall, the state and counties each provide about 50% of the minimum foundation. The state/local shares of the minimum foundation, however, vary from county to county depending on local wealth. Computing each county's share of current expense aid involves two steps. First, the state establishes an overall funding level or a per pupil foundation amount for the program. Second, the

formula determines for each school system the state and local shares of this minimum foundation. Both the determination of the funding level and the distribution of aid are specified in statute.

The per pupil minimum foundation guaranteed each school system is based upon actual spending. More specifically, the foundation level for each child is to equal 75% of the statewide average per-pupil expenditures in the third and fourth preceding years. The following expenditures are included in the calculation: administration, instruction, special education (public schools), student personnel services, health services, operation of plant, and maintenance of plant. Federal and state aid, except state current expense aid, are deducted from the expenditures to arrive at those costs supported by local appropriations and state current expense formula funds. The costs are converted to a per pupil basis and averaged over the two years. Seventy-five percent of the average per pupil cost becomes the minimum foundation. For fiscal 1999, the minimum foundation is \$3,829. The total cost of the APEX program is determined by multiplying the foundation level, \$3,829 per pupil in fiscal 1999, by the number of students enrolled as of September 30 of the previous school year.

Using local wealth and enrollment, a school system's state aid for basic current expenses is calculated as follows:

State Aid = Basic Program - Local Share,

where

Basic Program = per Pupil Foundation x County Enrollment (FTE);

and

Local Share = Local Contribution Rate x County Wealth,

where

Local Contribution Rate = [Overall Local Share (about 50%) x Minimum Foundation x County Enrollment] / County Wealth.

The current maintenance of effort law requires a local government to appropriate a certain amount of funding to the local boards of education as a condition of receiving any increase in state current expense and compensatory formula aid over the prior year.

**State Share:** The state's share of the total cost of APEX is the total cost minus the calculated statewide local share. The statewide local share is determined by multiplying \$1,883.30 times the September 30 enrollment of the preceding year. The \$1,883.30 per-pupil local contribution is the sum of two amounts: (1)

\$280.80 (45% of \$624), and (2) \$1,602.50 (50% of \$3,205 or \$3,829 - \$624). This calculation of the local share is used solely to determine state aid. Each local subdivision's share of this total is based on the subdivision's percentage of the state total taxable capacity. The state's share for each subdivision is the total program for that subdivision minus the local share based on local fiscal capacity. The total state payment for APEX is the sum of the state's share in each district plus payments to counties for pupils crossing county lines to attend the closest school, and for foster care children. The state pays the difference if the local cost in the receiving county is greater than that in the county of residence.

**Local Share:** The calculation of the local share is described in the formula above. To be eligible to receive the state share of basic current expenses, the county governing body must: (1) levy an annual tax sufficient to provide an amount of revenue for elementary and secondary public education equal to the product of the wealth of the county and a local contribution rate determined for each fiscal year; and (2) appropriate local funds to the school operating budget in an amount no less than the product of the enrollment for the current fiscal year and the local appropriation on a per pupil basis for the prior fiscal year (maintenance of effort).

**Weighting Procedures:** Kindergarten enrollment is counted at one-half except in one jurisdiction.

**Adjustments for Special Factors:** Two special factors exist regarding the distribution of basic current expense aid. First, \$3.9 million of additional state aid is set aside annually for career and technology education. Second, the state reimburses counties for pupils attending schools outside of the county where the pupil resides.

**Aid Distribution Schedule:** The amount due each county is distributed in equal amounts on a bimonthly basis (every two months) upon certification of the State Superintendent of Schools to the Comptroller. This certification is received within ten days before the end of July, September, November, January, March, and May. Within five days before the end of these months, the Comptroller requests the State Treasurer to issue a check (or electronic fund transfer) for payment to each County and the new Baltimore City Board of School Commissioners.

**Districts Off Formula:** None.

## VI. TRANSPORTATION

**Funding in 1998–99:** \$112.2 million.

**Percentage of Total State Aid:** 4.3%.

**Description:** All school systems are required to provide transportation to and from school for regular and handicapped students. Prior to fiscal 1982, a state committee on the school bus formula, established under the State Board of Education, determined the amounts that local school boards were reimbursed for transportation services. Since 1982 aid has been distributed by formula, with the most recent formula change enacted in 1996. Prior to the passage of Chapter 681 in 1996, each county's allocation equaled the previous year's allocation increased annually by the lesser of 8% or the change in the Consumer Price Index for private transportation in the Baltimore area for the second preceding year. However, each LEA was guaranteed a minimum 3% increase.

Chapter 681 changed the regular student transportation formula beginning in fiscal 1998. Each jurisdiction receives the base grant calculated as described above. In addition, school districts experiencing increases in enrollment receive an additional grant amount equal to the district's student enrollment increase over the previous year multiplied by the total transportation aid per pupil in the prior year. If the allocation received by the LEA exceeds its actual transportation costs, the LEA may apply the funds to the costs of pupil transportation in subsequent years (MD. EDUC. ART. § 5-205 and 8-410).

In addition to this total, \$4.8 million is provided for transporting disabled students based on a formula allocating \$500 per disabled student in need of special transportation in excess of the number transported in 1980–81.

**State and Local Shares:** There is no mandated local share. State share can exceed expenditures in a given year.

**Extent of Participation:** 24 LEAs (100%).

## VII. SPECIAL EDUCATION

**Funding in 1998–99:** \$151.2 million.

**Percentage of Total State Aid:** 5.8%.

**Description:** The state supports two separate programs for special education (MD. EDUC. ART. §§ 8-401 to 8-416). The first program, established in 1978–79, serves students in public schools. This program is funded at \$100 million with a state share of \$81.3 million. The second program provides funding for non-public school placements (\$69.9 million of the state total in 1998–99). (See section VI on Transportation for a description of special education transportation funds.)

**State Share:** For the first program, the total state share is fixed at \$81.3 million. The first \$70 million is fixed at the amount provided each LEA in 1980–81. The remaining \$11.25 million is distributed based on wealth per student and total enrollment of special education pupils. For non-public placements, the state pays any costs above the local share.

**Local Share:** For the first program, the local share is equal to all expenditures above the state share. For non-public school placements, the local share is limited and the state pays all costs above local share. The local share is equal to the sum of: (1) the local share of the basic cost of educating a non-handicapped student, (2) an additional amount equal to 200% of the total basic cost, and (3) an additional amount equal to 20% of the approved cost or reimbursement in excess of the sum of (1) and (2).

**Extent of Participation:** 24 LEAs (100%).

## VIII. COMPENSATORY EDUCATION

**Funding in 1998–99:** \$101.7 million.

**Percentage of Total State Aid:** 3.9%.

**Description:** (See section XII on the School Accountability Funding for Excellence (SAFE) program.) The statewide total for Compensatory Education (MD. EDUC. ART. § 5-202, 8-101 through 8-107) is determined by multiplying the number of Title I eligibles by 25% of the current expense formula per pupil foundation.

The amount provided to each LEA is determined by first multiplying 25% of the current expense formula per pupil foundation by the number of Title I eligibles in the LEA. This product is then divided by the ratio of county wealth per student to total state wealth per student. After the wealth adjustment, the sum of the

counties' allocations will not equal the statutorily-required total appropriation for compensatory aid; therefore, each county's allocation is multiplied by a ratio equal to the total required appropriation divided by the sum of the wealth-adjusted allocations. As a result, the sum of the final allocations will equal the statutorily-required appropriation.

Legislation enacted in 1994 provides that, beginning with fiscal 1996, no school board may receive less than 85% of the amount it received in the prior year. This 85% hold harmless provision was considered necessary due to significant changes in certain counties' Title I enrollment counts, as determined by the 1990 census.

All compensatory funds must be used for instructional programs. Only a portion of the funds are dedicated for disadvantaged pupils. The dedicated amount is equal to \$70 per Title I eligible pupil in the prior fiscal year plus 25% of any increase in compensatory aid over the 1985 fiscal year level. This provision reflects the fact that prior to 1985 the program was a flat grant per Title I eligible child and not an amount inversely related to the wealth of the LEA. This provision also reflects the fact that poorer LEAs with either a large number of Title I eligibles or a large percentage of all students as Title I eligible might want to use the funds to improve the instructional program for all students. These funds are coordinated with the School Accountability Funding for Excellence (SAFE) program and are part of the comprehensive plans submitted by the school districts.

**State Share:** To amount budgeted.

**Local Share:** Costs in excess of state and federal aid.

**Extent of Participation:** 24 LEAs (100%).

## **IX. GIFTED AND TALENTED EDUCATION**

**Funding in 1998–99:** \$4.9 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** An Excellence in Education Incentive Grants Program was established in 1997 for eligible local boards of education to develop instructional programs and services for gifted and talented students. In fiscal 1999 a priority for the grants is the early identification of young gifted and talented students,

especially those most at risk because of socioeconomic factors, and/or ethnic and cultural differences.

In addition, all school systems receive Governor=s Gifted and Talented Program Improvement Grants for improving local services available for gifted and talented students in grades K through 12. Finally, the Maryland Summer Centers Program for Gifted and Talented Students provides instructional options and differentiated services for gifted and talented students that are not available through their local school systems. The program traditionally services approximately 1,500 students in grades 4 through 11.

In fiscal year 1997 the Maryland State Department of Education secured one of six grants (of over 200 proposals) awarded nationally through the Jacob K. Javits Gifted and Talented Education Program in the U.S. Department of Education. The grant is funded for three years and focuses on improving the academic success of at-risk, middle school gifted and talented students from selected public schools in Baltimore City.

The fiscal 1999 budget includes \$1.9 million for gifted and talented programs, plus a \$1 million grant for Baltimore City and a \$2 million grant for Montgomery County. The Excellence in Education Program is funded at about \$1 million and the Governor=s grants and the summer program are each funded at about \$500,000.

**State Share:** To the extent of appropriation for the program specified.

**Local Share:** Any funds needed beyond state appropriation.

**Extent of Participation:** 24 LEAs (100%).

## **X. BILINGUAL EDUCATION**

**Funding in 1998–99:** \$23.6 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** (Also, see section XII on the School Accountability Funding for Excellence (SAFE) program.) Non-and limited-English proficiency grants were initially funded in the fiscal 1994 state budget in response to legislation passed that year. Prior to fiscal 1999, a \$500 grant was provided to counties for each non-

and limited-English proficient student (LEP) in a county. The number of LEP students in each county was determined by a count as of May 15 of the second preceding school year, and no student could qualify as LEP in the county for more than two years.

As a result of the School Accountability Funding for Excellence (SAFE) legislation in 1998, the non- and limited-English proficiency grants were increased to \$1,350 per student and the two-year cap was removed. The Baltimore City Schools legislation enacted in 1997 provides an additional \$1.9 million for limited English proficiency programs. The SAFE and Baltimore City Schools legislation sunset June 30, 2002 (MD. EDUC. ART. § 5.206).

**State Share:** Limited to the \$1,350 per pupil appropriated.

**Local Share:** Cost of program beyond \$1,350 of state appropriations.

**Extent of Participation:** 24 LEAs (100%).

## **XI. EARLY CHILDHOOD EDUCATION**

**Funding in 1998–99:** \$19.3 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** (Also, see section XII on the School Accountability Funding for Excellence (SAFE) program.) The Extended Elementary Education Program supports public school pre-kindergarten programs for four-year-old children who may be at risk of failure. The program is based on the theory that early intervention: (1) increases students' opportunity to realize their educational potential; and (2) reduces future educational and societal costs. This program is coordinated through the School Accountability Funding for Excellence (SAFE) program (see section XII).

**State Share:** The amount approved.

**Local Share:** Any funds needed beyond state appropriation.

**Extent of Participation:** 24 LEAs (100%).

## XII. OTHER CATEGORICAL PROGRAMS

### Innovative Programs

**Funding in 1998–99:** \$39.5 million.

**Percentage of Total State Aid:** 1.5%.

**Description:** Innovative Programs include School Reconstitution, School Performance Recognition Awards, Education Modernization Initiative, Rural Schools Program, Magnet Schools, Rural School Nurse Project, Maryland Student Service Alliance/Connector Corps, and Schools for Success Challenge Grants. Each of these is described below.

School Reconstitution. (\$9.8 million in 1998–99.) Under the Maryland School Performance Program, the state may mandate changes in the management of poorly performing schools. Since 1995, the state has identified 90 schools as eligible for reconstitution: 79 in Baltimore City, 9 in Prince George’s County, 1 in Anne Arundel County, and 1 in Somerset County. The state has provided funding to assist these schools.

School Performance Recognition Awards. (\$2.75 million in 1998–99.) Established in 1996, these awards are for schools that show substantial improvement toward meeting the standards of the Maryland School Performance Program.

Education Modernization Initiative. (\$5.4 million in 1998–99.) Initially funded in fiscal 1997, this initiative provides schools access to on-line computer resources and capacity for data, voice, and video equipment.

Rural Schools Program. (\$45,000 in 1998–99.) This program focuses on the low-wealth subdivisions of Allegany, Caroline, Dorchester, Garrett, St. Mary’s, and Somerset counties. The goal is to examine the school systems and develop plans to improve attendance, reduce dropout rates, and raise student achievement levels.

Magnet Schools. (\$14.1 million in 1998–99.) Originally proposed in 1988 to address issues raised by a court desegregation order, this grant is provided to Prince George’s County to support its magnet schools.

Rural School Nurse Project. (\$296,000 in 1998–99.) These funds support additional nurses in the rural, and generally less wealthy, school jurisdictions. The nurses provide general health care, as well as support for early intervention and prevention programs for drug and alcohol abuse.

Maryland Student Service Alliance/Connector Corps. (\$346,250 in 1998–99.) Initiated in 1991, this initiative funds the development of community service programs. In the fiscal 1999 budget, \$246,250 is included plus an additional \$100,000 for Connector Corps. Beginning with the class of 1997, service learning is a high school graduation requirement.

Schools for Success Challenge Grants. (\$5.6 million in 1998–99.) These grants target individual public schools that have failed to meet acceptable standards of performance. Schools eligible to receive challenge grants have certain characteristics such as low average daily attendance, a high percentage of dropouts, or poor standardized test scores. The sunset for this program has been extended until June 30, 2001.

**State Share:** To the extent of appropriation for programs specified.

**Local Share:** Any funds needed beyond state appropriation for operation.

**Extent of Participation:** Not reported.

### **Children-At-Risk**

**Funding in 1998–99:** \$10.0 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** Created in fiscal 1989, the Dropout Prevention Program is designed to identify at-risk youth enrolled in public schools and provide them with individualized educational, training, and support services to prevent school dropouts.

**State Share:** To the extent of appropriation for program specified.

**Local Share:** None.

**Extent of Participation:** 24 LEAs (100%).

## **School Accountability Funding for Excellence (SAFE)**

**Funding in 1998–99:** \$215.7 million. Including Compensatory Education (see section VIII), Limited English Proficiency programs (see section X), and the Extended Elementary Education program (see section XI).

**Percentage of Total State Aid:** 8.3%.

**Description:** In 1998, the General Assembly established the School Accountability Funding for Excellence (SAFE) program, which provides additional targeted state funding for education programs serving at-risk students. Specifically, these programs (1) establish a new targeted improvement grant, elementary school library grant, and teacher development program; (2) enhance state funding for non- and limited-English proficiency programs, aging schools, and extended elementary education programs; and (3) provide Prince George's County with additional funding for effective schools programs, a pilot integrated student support services project, and teacher development initiatives. The programs are described below.

Targeted Improvement Grants. (\$20.6 million in 1998–99.) This program establishes new categorical grants for students living in poverty. Targeted improvement grant funding is based on 85% of the number of children eligible for free and reduced price meals for the second prior fiscal year multiplied by 2.5% of the per pupil foundation under the basic current expense program.

School Library Programs. (\$3 million in 1998–99.) This allocation provides grants for the purpose of enhancing elementary school library programs.

Teacher Development Programs. (\$15.9 million in 1998–99.) This program provides funds to enhance the ability of teachers to deal with at-risk students in schools with a free or reduced price meal count of 25% or more of their student population. Each eligible school will receive an \$8,000 grant for this purpose. Baltimore County will receive an additional \$5 million to enhance its teacher mentoring program, which is a pilot program for mentoring at-risk students, and Prince George's County will receive \$2 million to fund a teacher mentoring program that will be based on the Baltimore County program. This program also provides \$500,000 for statewide provisional teacher certification and teacher development initiatives.

Non- and Limited-English Proficiency Grants. (\$23.6 million in 1998-99.) See section X describing Bilingual Education for a description of these grants.

Aging School Program. (\$10.4 million in 1998–99.) The Board of Public Works adopted regulations to guide this program, and the Interagency Committee on Public School Construction administers the program as part of the Public School Construction Program. This program is funded through the Interagency Committee on Public School Construction, and is not included in the Maryland State Department of Education budget.

Extended Elementary Education Program. (\$19.3 million in 1998–99.) See section XI describing Early Childhood Education for an overview of this program.

Prince George’s County Initiatives. (\$5.5 million in 1998–99.) These initiatives provide additional state funding for specific programs in Prince George’s County. This includes \$2 million for the effective schools program, \$1 million for a pilot integrated student support services project, and \$2.5 million for provisional teacher certification and teacher development initiatives.

Comprehensive plans developed through the SAFE program also include funding for Compensatory Education (\$101.7 million in 1998–99, see section VIII) and two Targeted Poverty Programs (\$26.1 million in 1998–99).

**State Share:** To the extent of appropriation for the program specified.

**Local Share:** Any funds needed beyond state appropriation.

**Extent of Participation:** 24 LEAs (100%).

### **Food Services**

**Funding in 1998–99:** \$4.3 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** Through the Subsidized and Free Feeding Program, the state supplements federal funds provided to support free and reduced priced breakfasts and lunches. Eligibility for the program is based on family reports of family size, income, and participation in social services or welfare programs. All public elementary schools must provide the school breakfast program with three

exceptions: (1) the participation rate for the preceding three months falls below 25% of the number of eligible students, (2) the school offers an approved alternative nutrition program, or (3) the school has less than 15% of its enrollment approved for free or reduced price meals. All public schools must provide the national school lunch program.

**State Share:** For eligible students the state reimburses local school systems for the difference between the costs of subsidized and free food service and the funds available from other sources, including the federal government and students. The fiscal 1999 state reimbursement rates established by the State Department of Education for free or reduced price breakfasts and lunches, on average, are 11.5 cents and 13.25 cents, respectively.

**Local Share:** None. Students receiving meals in the paid category are charged the locally established price. Students eligible for reduced price meals pay 30 cents for each breakfast and 40 cents for lunch. Other local revenues provide funds to offset any difference in federal and state funds, student payments, and actual costs.

**Extent of Participation:** 24 LEAs (100%). The program is also available to nonprofit private schools and residential child care institutions. The schools receive state funds, but the institutions do not.

### **XIII. TEACHER RETIREMENT PROGRAMS**

**Funding in 1998–99:** \$415.7 million.

**Percentage of Total State Aid:** 15.9%.

**Description:** To improve pension benefits for members of the Employee's Pension System (EPS) and the Teachers' Pension System (TPS), House Bill 987 increases the benefit formula for both systems and provides an enhanced cost-of-living adjustment (COLA). The bill took effect July 1, 1998.

All active EPS and TPS members (except employees of participating local governments and members who transfer from the old retirement systems after April 1, 1998) receive 1.4% of average final compensation for each year of service earned after July 1, 1998. This represents an increase in future service benefits for all members earning less than \$200,000 per year. For employees earning less than \$29,300 per year (the current Social Security Integration Level) who receive a

0.8% multiplier under the current pension system formula, the new multiplier represents a 75% increase.

All of the TPS and EPS members described above are now required to contribute 2% of earnable compensation to help offset the costs of the enhanced multiplier. Highly-compensated employees are no longer required to contribute 5% of compensation above the Social Security Wage Base.

For the TPS and EPS members described above, service earned prior to July 1, 1998 is now calculated as the greater of: 1.2% of average final compensation for each year of service, or the previous two-tiered 0.8%/1.5% benefit formula. This is the enhanced past service benefit. The new formula increases past service benefits for all employees who earn less than \$68,000. Employees who earn more than that are held harmless. No “vesting” period is required for employees to take advantage of the enhancements.

All TPS and EPS members, except employees of current or withdrawn participating local governments, will now receive a compound COLA up to a maximum of 3%, versus the 3% maximum simple COLA. A compound COLA is an increase based on the previous year’s benefit and hence takes into account the compounding effect, while the simple COLA is based on the amount of the original benefit.

Deferred vested members B those who vested in one of the pension systems but who have since left state service prior to full retirement B receive benefits under the old pension system formula if they separated from employment on or before June 30, 1998. Those who leave after that date receive the enhanced past service benefit for their service credit. All deferred vested members, however, receive the 3% compound COLA.

It is estimated that the defined benefit enhancements will increase the liabilities of the Maryland State Retirement and Pension System by \$2.3 billion. These liabilities will be funded over 20 years beginning July 1, 1999.

**State Share:** The state pays the entire cost of pension/retirement benefits for eligible school personnel on behalf of each county board of education. The State Retirement and Pension System makes an estimate of the employer retirement costs for the current fiscal year. This estimated lump-sum amount is included in the budget of the State Department of Education for the subsequent fiscal year. There is no distribution of funds to the local school boards, but each board’s share

of the state's retirement appropriation can be estimated based on county-by-county salary data. Because the state's contributions relate to employee salaries, this program directs more aid to wealthier counties (who generally pay higher salaries to their school personnel) than to less wealthy counties.

**Local Share:** The only exception to state coverage of teacher pension/retirement benefits is if a position is funded through federal sources. In such cases, the local school board is required to reimburse the state for that employee's retirement costs.

**Extent of Participation:** 24 LEAs (100%)

### **Social Security**

The state no longer provides funds for payment of the local employer share of Social Security.

## **XIV. TECHNOLOGY**

**Funding in 1998–99:** \$5.4 million

**Percentage of Total State Aid:** less than 1%.

**Description of Program:** (Also included under Innovative Programs, above in section XII.) The Education Modernization Initiative is an Innovative Program initially funded in fiscal 1997 that provides schools access to online computer resources and capacity for data, voice, and video equipment.

**State Share:** To the extent of appropriation for the program specified.

**Local Share:** Any funds needed beyond state appropriation.

**Extent of Participation:** Not reported.

## **XV. CAPITAL OUTLAY AND DEBT SERVICE**

### **Capital Outlay B School Construction**

**Funding in 1998–99:** \$79.3 million.

**Percentage of Total State Aid:** 3.0%.

**Description of Program:** Since 1971, the state has funded school construction costs except for site acquisition, architectural and engineering fees, utility connections, regional or central administrative offices, permits, and movable furniture and equipment. The Interagency Committee approves projects based on annual submissions by local education agencies of master plans for school construction (MD. EDUC. ART. § 5-301).

In connection with stadium legislation passed in 1996, a Public School Construction Fund was established (MD. EDUC. ART. Chapter 327 of 1996). The fund is slated to receive a \$2.4 million transfer annually from the Maryland Stadium Authority beginning in fiscal 2001 and ending in fiscal 2010, for a total of \$24 million. The funds are restricted to public school construction and capital improvement projects. The legislation specifically states the Generally Assembly's intent that the funds be in addition to, not a substitution of, any funds provided by the Governor's allowance for school construction. Since no provision was made for their distribution, these funds are expected to be distributed in a manner similar to other school construction funds.

**State Share:** Currently, the state's share for construction costs for a county is based on the state share of the per pupil minimum foundation for the county under the current expense formula. With two exceptions, there are seven levels of state sharing based on the average state shares of the minimum foundation for fiscal 1992 through 1994. Because the state share of the minimum foundation is higher for less wealthy counties, the school construction cost-sharing formula also provides a greater share of construction funding for less wealthy school systems. No county, however, receives less than a 50% share from the state for the construction of schools.

**Local Share:** Costs in excess of state share.

**Extent of Participation:** 24 LEAs (100%).

### **Local Capital Project Financing**

Except for construction that the LEA wishes to have state assistance for, there are no special capital requirements. Bonds for school construction typically are issues of the state and not the localities. County commissioners may issue bonds when so authorized by the state legislature.

## XVI. STANDARDS/ACCOUNTABILITY MEASURES

**Description:** The Maryland State Department of Education monitors the performance of schools and school systems through the Maryland School Performance Program (MSPP). The performances of school systems and individual schools are judged against their own growth from year to year, not against the growth in other school systems or in other schools. Since 1991, the annual Maryland School Performance Report has been published in two parts: (1) the state and school system level report contains information in Maryland and its 24 school systems, and (2) the school system and school level reports includes school level information.

The reports present data along a number of performance-relevant dimensions. First, two types of test scores are presented. The Maryland School Performance Assessment Program (MSPAP) involves annual tests that require students in grades 3, 5, and 8 to apply what they know about reading, writing, language usage, mathematics, science, and social studies. Unlike functional tests, which measure basic knowledge, the MSPAP tests set high expectations and demand high performance. In each content area, MSPAP results are reported through five proficiency levels, with level one being the most proficient. Proposed performance standards for school and local school systems to meet include: ASatisfactory@ where 70% of students score at proficiency level three or above; and AExcellent@ where 70% of students score at level three or above, with at least 25% of students at level two or higher.

A second test reported in the MSPP are the Maryland Functional Tests. In order to graduate from a Maryland high school, a student must achieve basic competencies in reading, mathematics, writing, and citizenship. Functional tests assess whether a student has attained these competencies. Functional tests are reported for students at the end of grades 9 and 10.

In addition to test scores, the MSPP reports information on attendance rate, dropout rate, high school program completion, and grade 12 documented decisions about next steps. These are also measures of a school's performance.

Finally, the reports include a variety of background variables including the number of students receiving special services, the number of gifted and talented students, student mobility rates, wealth per pupil, per pupil expenditures, staffing per 1,000 pupils, average length of the school day, and length of the school year.

Information from the MSPP is used to monitor school performance over time. State intervention policies such as School Reconstitution (see section XVII) rely heavily on data from the MSPP.

In addition to the current MSPP and MSPAP, Maryland state is currently developing a new set of high school assessments that will replace the current functional tests as a requirement for high school graduation. The high school assessments are tests of a student's knowledge of core learning goals contained in certain course content areas. The tests will be given after the student completes a course containing the core learning goals. Students entering grade 9 in the fall of 2001 will be required to pass tests in English I, government, and algebra or geometry. Students will be required to pass the biology test if their local school system chooses to include biology as a requirement. Students who do not pass a test the first time they take it will receive assistance from the local school system and may retake the test when local administrators agree the student is ready.

## **XVII. REWARDS/SANCTIONS**

**Funding in 1998–99:** \$18.2 million.

**Percentage of Total State Aid:** less than 1%.

**Description:** (Also included under Innovative Programs, above in section XII.) Under the state standards for achievement testing, schools with low-performing scores are given Challenge grants (\$5.6 million in 1998–99) to undertake significant restructuring of their educational programs. If such schools continue to underperform for several years, they may be identified as eligible for reconstitution by the state. State funds allocated to support School Reconstitution are \$9.8 million in 1998–99.

In addition, the School Performance Recognition Awards (\$2.75 million in 1998–99), established in 1996, reward schools that show substantial improvement toward meeting the standards of the Maryland School Performance Program.

**Extent of Participation:** Not reported.

## **XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS**

No state aid provided.

**XIX. AID TO PRIVATE SCHOOLS**

No state aid provided.

**XX. RECENT/PENDING LITIGATION**

None reported.

**XXI. SPECIAL TOPICS**

None reported.