

Eastern Shore Superintendents

Position Paper #2: **State Funding and Fiscal Accountability**

State support for education continues to be of paramount importance to the citizens of Maryland. Local school systems are continually improving schools and raising the measured achievement of all students. The federal requirements of the No Child Left Behind Act, as well as the more rigorous state accountability requirements, must be met by all schools and school systems, regardless of funding.

Eastern Shore superintendents support greater accountability when it is directly linked to school improvement and higher student achievement. However, the Comprehensive Master Plan requirement included in the Bridge to Excellence Act, and the subsequent state reviews and audits of every activity and expenditure at the local level, impose a disproportionate burden on smaller school districts. Fiscal accountability is extremely important to assure the general public that public schools are spending public dollars efficiently and effectively; but what may be necessary to hold large, multi-layered school districts accountable often creates unnecessary requirements on smaller districts. Fiscal accountability now includes the Master Plan and Annual Updates, annual independent audits of school system fiscal matters, state reviews of those audits, annual federal program audits, and state audits of social security, retirement, transportation, student accounting, school maintenance and food service programs. In addition to the review and approval of instructional programs required by the Master Plan process, there are state instructional program evaluations of special education, career and technology education, library and media programs, service learning, etc. This crushing array of accountability requirements far exceeds what is necessary to oversee small school districts on Maryland's Eastern Shore. In some small districts, it is not unusual for all audits and reviews to be administered by one or two persons.

While the State Legislature expects the increases in state funding from the Bridge to Excellence Act to solve many problems faced by school districts, the competing demands of state and federal requirements have greatly reduced the actual new dollars that school systems control. For example, the requirement for all-day kindergarten and half-day pre-kindergarten programs created a funding priority that must be met. The state requirement that school districts enter into collective bargaining with all employees, and do so "in good faith", necessarily results in allocating many new dollars to personnel costs. The No Child Left Behind Act has mandated expensive transportation and supplemental services without additional funding. The state High School Assessment Testing Program, and the resulting remediation of students who fail the required tests, is an unfunded mandate of significant proportions. The funding that resulted from the work of the Thornton Commission did not include support for reforming high schools and re-teaching thousands of students. Overall funding is not keeping pace with these and other requirements. In many school systems the combined revenues from federal, state and local sources continue to be insufficient to meet the educational needs of the student population, let alone meet the mandates of state and federal government.

There is reason to believe that adequate funding of public schools, as recommended by the Thornton Commission, is unlikely to occur unless local funding returns to prior support levels. Without adequate funding, less wealthy counties, in particular, cannot provide the course offerings and support programs that are usual fare in wealthy, metropolitan areas and at the same time pay competitive salaries and benefits. Yet, children in all school systems have to meet the same state requirements for student performance. All children should have access to highly qualified teachers. Maryland cannot permit children from less wealthy communities to receive fewer educational opportunities than those received by the children in better funded school districts. There is still a significant student performance gap between high and low wealth districts when ranked by per-pupil expenditures. Providing a "level playing field" for all children must be continually reviewed by the State Board of Education and the State Legislature. The review of progress toward "adequate funding" should begin now. If the review shows insufficient progress, the State Legislature should act to assure that the recommended funding is forthcoming from both state and local sources. The State of Maryland can ill afford the extraordinary ramifications should the funding to meet the constitutionally guaranteed "adequacy" amounts not be provided. Given that the ratio of local funding to state funding has declined in many counties, it may be necessary to enhance the current local Maintenance of Effort requirement, perhaps by adding the same inflation cost adjuster that is used to increase state funding each year. The current requirement has not resulted in prior levels of local support, as promised by some county government representatives during the Thornton Commission hearings.

Specific funding recommendations include:

1. **Transportation:** State school transportation aid was reduced by nearly a third in FY 1993 due to a State fiscal crisis. State support for school transportation was \$40.2 million less by FY 1997. Expenditures for school transportation increased during the same period by more than \$50 million. Subsequent increases have been driven primarily by gasoline prices. It is recommended that the state transportation block grant be returned to the previous level of support. This expensive, State mandated program has not been adequately addressed.
2. **Pre-school Programs:** Continued expansion of pre-school programs to serve all four year old children is an excellent "up stream" strategy for improving children's ability to benefit from school. It is recommended that pre-kindergarten students be included in the student enrollment calculation for the current expense formula on the same basis as other full-time students. In addition, state support for other early childhood programs and services is critical if all children are to arrive at school prepared to learn.
3. **Pension Benefits:** The Maryland State Pension and Retirement Program benefit structure was recently improved to make benefits more competitive. However, efforts to attract and retain teachers and administrators continue to be adversely affected by comparisons to surrounding states. One example of significance to teachers is the income tax treatment of pension benefits. It is recommended that the Legislature correct this disparity as soon as possible by making pension payments tax free.

4. **School Construction:** The State is encouraged to continue to support capital school construction costs and the growing cost of technology. One way to approach this issue is for the State to establish educational technology standards and include funding in the school construction program to meet these standards. Replacement cost of technology must also be addressed, given the short life cycle of modern technology. In addition, the State formula for construction funding should include all significant costs associated with school construction. The per-square foot allocation for construction should be more equitable when compared to the per square foot allocation at the college level and for government buildings. The State Legislature must address the backlog of school construction projects without further delay. The available dollars must be sufficient to meet the adequacy requirements identified by the recent State Task Force on School Construction, adjusted by inflation from year to year.
5. **Collaborative Services:** The State is encouraged to approve financing of multi-school system collaborative efforts as a significant strategy for improving efficiency and effectiveness. One example is the once state funded Eastern Shore Regional Staff Development Network and the recently proposed Eastern Shore Teacher Recruitment / Retention Framework. The Eastern Shore has a history of such collaborative efforts and has often been praised for the resulting benefits to students. The state legislature should provide funding that will promote and sustain collaborative efforts, especially for expenditures not considered in the calculation of the funding made available through the Bridge to Excellence Act.
6. **Attendance:** The State recently explored the use of average daily membership (ADM) as an alternative method of calculating State aid through the current expense formula. Average daily membership should not be the basis for funding. If an alternative is considered, the overall impact of any new calculation must not exacerbate the existing funding inequity among the State's school systems. In addition, whatever the formula used, it must not result in a decrease in State funding of education. Major adjustments to funding should be implemented gradually to avoid creating a financial crises in any given school system.
7. **Local Funding:** The Maintenance of Effort provision must be addressed. Some taxpayer groups and elected officials around the State are pointing to this State requirement as the State approved appropriate level for local funding increases. Unless a school system's enrollment increases, there may be little new support from some county governments, regardless of inflation or the county's ability to fund education. The partnership between the State and local government to support the cost of education is being slowly replaced by a "We only have to meet the State requirement!" mentality. Maintenance of Effort should require local governments to increase school system funding commensurate with increases in the cost of living and/or increased revenues from local taxes. The State should not permit local governments to reduce the benefit of new State funding by reducing local effort. It is strongly recommended that the State Board and Legislature review changes in local aid to education to assure that local appropriations approximate the projected levels of local aid on which reaching "adequacy" is dependent.

8. **Unfunded Mandates:** School systems are struggling to meet the requirements of the federal No Child Left Behind Act, the state Bridge to Excellence Act, and the High School Improvement Program. The Legislature and State Board of Education should avoid mandating any new activities, programs, or requirements that cost money unless additional funding is provided above the Bridge to Excellence Act funding. If the funding levels required for “adequacy” continue to be consumed by new mandates, no one should be surprised that the new dollars have not led to the expected levels of student achievement.