



AUGENBLICK,  
PALAICH AND  
ASSOCIATES

# Overview of the Study of Adequacy of Funding for Education in the State of Maryland

APA Consulting and Picus Odden Associates

Presentation to the House Ways and Means Committee  
Annapolis, MD  
January 21, 2016



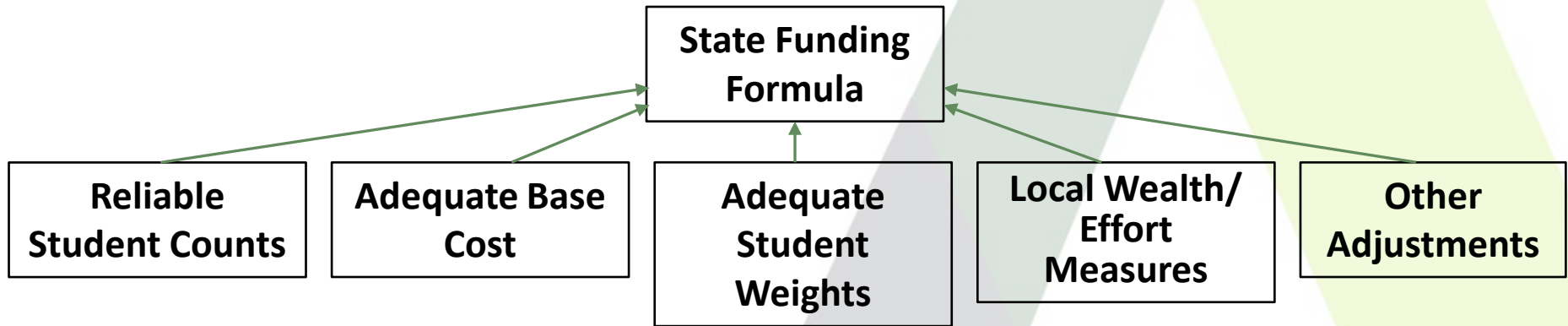
# The Study Team: Lead Contractor

- Augenblick, Palaich and Associates (APA): Lead contractor. Denver-based education finance and policy consulting firm
  - Established in 1983
  - Has worked in all 50 states
  - Experts in areas of school finance, teacher compensation, early childhood policy and finance, program evaluation
  - Leading practitioner of successful schools and professional judgment adequacy approaches
  - Conducted finance study for Thornton Commission in 2000-01
- APA has assembled a strong team of nationally recognized experts in school finance, facilities and operations, and early childhood education

# The Study Team: Partners

- **Picus, Odden & Associates:** independent school finance consulting group
  - Principals combine for more than 70 years of finance experience
  - Developed evidence-based adequacy approach
  - Evidence-based approach is basis of finance systems in Arkansas, Wyoming, North Dakota, and Ohio
- **Maryland Equity Project:** An independent, non-partisan research and policy center located in the College of Education at the University of Maryland
  - Draws on faculty and staff expertise to improve education through research and policy analysis
  - Works to increase the impact of research on education policy in the state

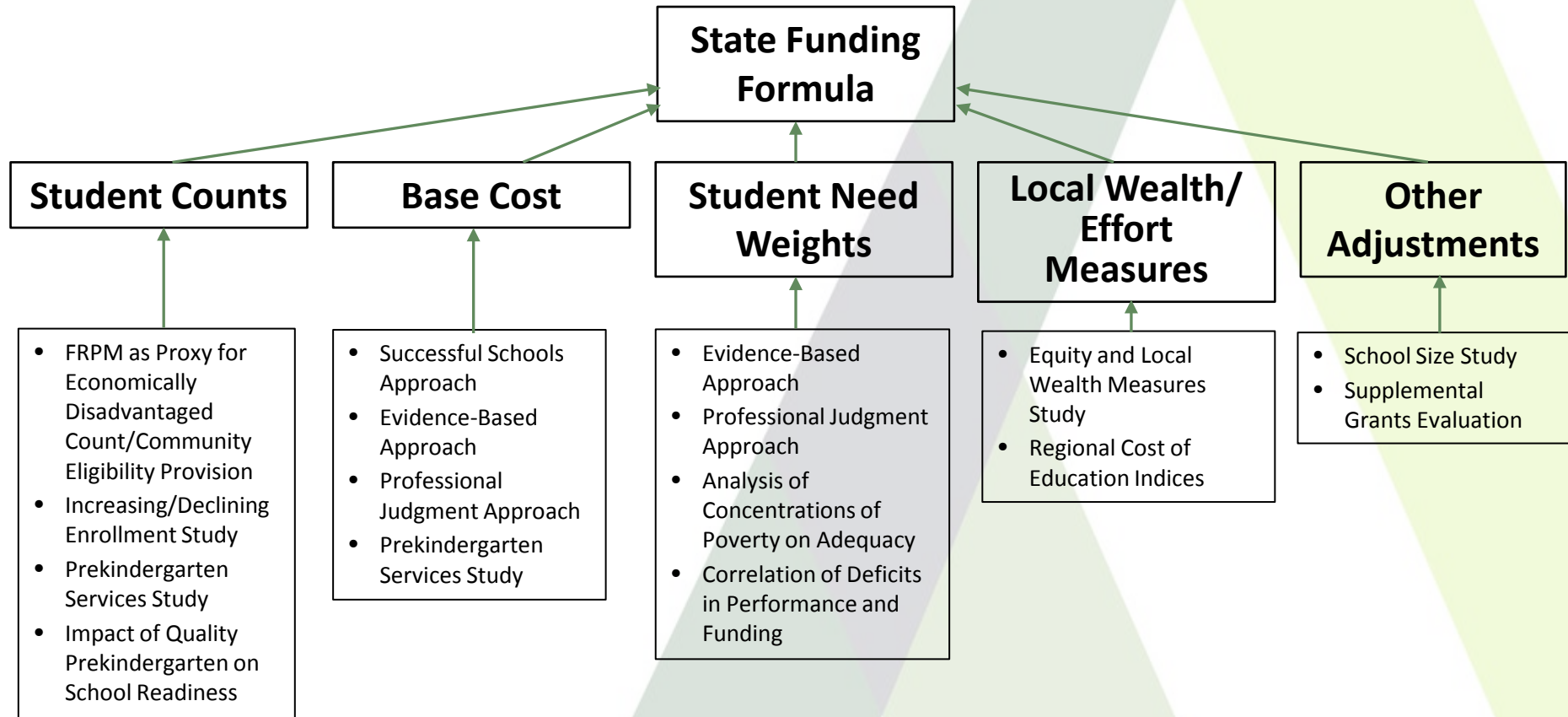
# Building Blocks of a Good State Funding Formula



# Adequacy Studies

Preliminary Studies	Adequacy and Associated Studies	School Size Study	Other Requested Studies	
Review of State Adequacy Studies Due August 2014	Evidence-Based Approach Due October 2016	School Size Study Final Report Due June 2015	FRPM as Proxy for Economically Disadvantaged Count/Community Eligibility Provision – Due June 2015	
Case Studies of Improving Schools Due October 2016	Successful Schools Approach Due October 2016		Increasing/Declining Enrollment Study Due June 2015	
Literature Reviews Multiple Reports and Due Dates	Professional Judgment Approach Due October 2016		Equity and Local Wealth Measures Study – Due September 2015	
	Analysis of Concentrations of Poverty on Adequacy Targets Literature Review Due June 2015 Final Report Due October 2016		Prekindergarten Services Study Due September 2015	
	Gaps in Growth and Achievement Among Student Groups Due October 2016		Regional Cost of Education Indices Final Report Due June 2016	
	Correlation of Deficits in Student Performance and Funding Due October 2016		Supplemental Grants Evaluation Due October 2016	
	Impact of Quality Prekindergarten on School Readiness Due October 2016			
	Other Factors in Adequacy Cost Study Due October 2016			
Technical Assistance			5	

# How Studies Contribute to Maryland State Formula Update



**Background Studies:** Review of State Adequacy Studies, Case Studies of Improving Schools, Literature Reviews, Gaps in Growth and Achievement Among Student Groups, Other Factors Affecting Adequacy

# Study of Adequacy Funding for Education in Maryland

- This evaluation of the Bridge to Excellence in Public Schools Act was mandated as part of the Act's enacting legislation (Chapter 288, Acts of 2002)
- Focus is on reassessing the adequacy of the current foundation formula - per student base funding amount and weights for special needs students (compensatory, ELL, and special education)
- Adequacy considerations:
  - New State standards and assessments
  - Effects of concentrations of poverty
  - Achievement gaps
  - Impact of quality prekindergarten
- Three different approaches are used – successful schools approach, evidence-based approach and the professional judgment approach (details below)
- Interim report submitted June 2015
- Draft final report due Sept. 2016; final report due Oct. 2016

# Adequacy Study

Utilizing three approaches for estimating adequacy:

## 1. Successful Schools:

- Used for estimating a per student base cost
- Measures spending levels of existing successful schools in State
- Conducting at school level due to small number of districts. Includes 111 schools. School-level expenditure survey will be administered in January

## 2. Evidence-Based:

- Adequacy estimated by costing out research-based strategies and programs
- Used for estimating a per student base cost and special needs weights
- State context incorporated through professional judgment panels and case studies of high performing schools

## 3. Professional Judgment:

- Adequacy estimated via expertise of education professionals
- Used for estimating a per student base cost and special needs weights
- Employed total of 9 professional panels (school level (4), special needs (2), district level, CFO, and state level)



# Adequacy Study

- Carried out a review of previous adequacy studies to confirm method and identify best practices
  - Identified 39 studies from 24 states since 2003 (plus 2001 Thornton Commission study)
  - APA and Picus Odden Associates conducted 26 of the 39 studies
  - Identified the following seven best practices:
    - Clear focus on improvement of student performance
    - The potential value of case studies in future work
    - Importance of state policy makers and local stakeholders in the process
    - Combining multiple methods in each state study
    - Selection of professional judgment panels
    - Number of professional judgment panels
    - Accurately representing compensation in the analysis
  - Incorporated into method used for current study

# Successful Schools Approach

- Used to identify a per student base funding amount
- Because of few Maryland school districts, study is being conducted at school level
  - Conducting expenditure survey of selected schools in January and February 2016
- Identified 111 successful schools using criteria for high overall achievement and growth
- Used MSA data for initial selections, will review selections when PARCC data becomes available in 2015 and 2016

# Evidence-Based Approach

- Uses results of research, best practices, and case studies to identify elements of prototypical schools at each level (Elementary, MS, HS) and district central office functions
- Used to estimate a per student base funding amount and student weights
- Base model modified by input from evidence-based professional judgment panels and school case studies
- Convened 4 panels across the state to review prototypes and recommend adjustments for Maryland standards and context

# Professional Judgment Approach

- Estimates adequacy resources through the professional knowledge of effective educators
- Used to estimate a per student base funding amount and student weights
- Assembled 5 progressive levels of panels to identify the resources needed in schools and districts in Maryland
  - 4 school level panels (PreK, EL, MS, HS)
  - 2 special needs panels (Focus on ELL and special education)
  - 1 district central office panel
  - 1 district chief financial officer panel
  - 1 statewide panel

# Adequacy Studies: Progress

- **Successful Schools:**
  - Final school selection completed January 2016
  - School level expenditure collection tool piloted January, will be distributed to all participating districts in late January, due back in February
- **Evidence-Based:**
  - Case studies completed in March
  - EB panels held in June
  - Preliminary report drafted, Excel model draft ready
- **Professional Judgment:**
  - School level panels held in October, district panel in November, CFO and state-level panel in January 2016

# School Size Study

- Activities:
  - Summarized current district policies on school sizes. Interviews with district facilities directors, document review
  - Reviewed states' role in establishing school size policies
  - Summarized school size policies in other states – reviewed websites and state policy documents and reports
  - Conducted literature review on the impact of school size on student performance, the factors influencing school size, and alternative small school models
- Initial report submitted August 2014, preliminary report November 2014, final report June 2015

# School Size Study

- Recommendations
  - Establish policy on maximum school size by school level that maximizes efficiency and student performance (approximately 700 for ES, 900 for MS, and 1,700 for HS)
  - Establish competitive grant program to incentivize construction of smaller schools and smaller learning environments targeted at the State's largest low-performing schools

# Prekindergarten Services/Funding Study

- Activities:
  - Conducted literature review on the benefits of prekindergarten, the variables impacting those benefits, and the potential fadeout of benefits
  - Assessed capacity, enrollment, and quality levels of public and private prekindergarten services offered in Maryland
  - Reviewed funding sources supporting prekindergarten
  - Made comparisons to peer states – enrollment and cost
  - Estimated the costs and benefits of providing high-quality prekindergarten in different settings
  - Estimated the ROI of providing high-quality prekindergarten services at different participation rates for four-year-olds
  - Offered alternative funding structures for prekindergarten
- Final report submitted January 2016



# Prekindergarten Services/Funding Study

- Recommendations:
  - Continue to invest in early childhood data systems
  - Encourage providers to participate in EXCELS and encourage parents to enroll children in high-quality programs; Provide supports for private providers to improve their EXCELS quality level
  - Provide funding for 80 percent of Maryland's four-year-olds to attend either a public prekindergarten program or a private program that has received a rating of Level 5 in Maryland EXCELS or has national or state accreditation

# Effects of Concentrations of Poverty on Adequacy Estimates Study

- Activities:
  - Conducted extensive literature review on effects of concentrated poverty on cognitive development, student performance, and school performance
- Literature review submitted June 2015
- Final report on its implications for funding will be part of overall adequacy final report due in October 2016

# Free and Reduced Meals Proxies

- Activities:
  - Researched proxies for identifying low-income students
    - Conducted a literature review
    - Reviewed other states' policies and practices
    - Reviewed available data in Maryland
  - Estimated cost to school finance formulas of Community Eligibility Provision (CEP)
    - Identified schools already implementing CEP
    - Identified schools eligible for CEP
    - Estimated impact of state formula costs, researched cost impacts in other states, conducted sensitivity analysis
    - Projected future direct and indirect costs based on projections of FARMs enrollments in MD
- Final report submitted June 2015

# Free and Reduced Meals Proxies

- Recommendations:
  - Preferred option: Adopt an alternative, State-administered form for continuing to count FARMs-eligible students in non-CEP and CEP schools
    - Provides a individual indicator of income for purpose of accountability and qualification for programs
    - Traditional indicator - Preserves status quo
  - Alternative option: Adopt a direct certification method of counting economically disadvantaged students in both non-CEP and CEP schools using administrative program data on family eligibility for public assistance programs such as SNAP, TANF, and Medicaid

# Equity and Local Wealth Measures Study

- Activities:
  - Conducted school finance equity study to determine status of horizontal and vertical equity and fiscal neutrality in state
  - Reviewed literature and other state's policies on wealth measurement, including:
    - Frequency of property reassessments
    - Policies on how TIF district values are recognized in district wealth calculations
    - Methods for combining property and income wealth measures and the timing of income measure used
- Final report submitted September 2015

# Equity and Local Wealth Measures Study

- Recommendations:
  - Retain current 3-year property reassessment cycle
  - Address TIF valuation issue in a way similar to the Ohio system, which allows districts, municipalities, and the State to share both the costs and the potential benefits over time
  - Consider using the multiplicative approach to combining property and NTI wealth to improve equity for low income districts
  - Move to a November-only NTI collection
  - Phase-in both of the NTI-related items to ease the transition for impacted counties

# Increasing/Declining Enrollment Study

- Activities:
  - Analyzed enrollment trends and relationship to operating, transportation, and capital revenues and expenditures over 10 years to assess impact on operating revenues and costs
  - Analyzed enrollment in special programs (e.g. compensatory, ELL, special education) to assess impact on program revenues and costs
  - Analyzed changes in the number of schools and school programs by district
  - Identified key factors influencing transportation costs
  - Reviewed other state's policies on fiscal effects of changing enrollment
- Final report submitted June 2015

# Increasing/Declining Enrollment Study

- Recommendations:
  - Develop enhanced information systems to assist districts with capacity planning
  - Increase State's capacity to provide technical assistance
  - Fund pilot projects supporting shared services models and other innovative efficiency practices
  - Replace current transportation funding formula with a statistical model using multiple cost factors
  - Adopt a multi-year rolling average for funded FTE to smooth the impact of declining enrollment



# Maryland Geographic Cost of Education Index

- Activities:
  - Reviewed current index methodology and funding impacts
  - Reviewed alternative geographic cost index methods
- Submitted preliminary report in September 2015, final report due June 2016
- Recommendations:
  - Replace the current GCEI with a Comparable Wage Index (CWI) approach

# Case Studies of High Performing Schools

- Activities:
  - Identified 12 high-performing schools that are 1) overall high-performing; 2) produced large improvements; 3) reduced achievement gaps; or 4) improved outcomes of special needs students
  - Conducted site visits and interviewed staff between October 2014 and March 2015
  - Provided in-depth descriptions of effective strategies and programs
  - Completed individual case reports and a cross-case analysis to inform evidence-based approach and other studies.
- School reports submitted in October, cross case analysis paper in November

# Remaining Work

- Complete GCEI study using Comparable Wage Index methodology. Final report due June 2016
- Evaluate need for supplemental grants in context of new adequacy estimates – report part of final adequacy study report
- Cost out each of the three adequacy approaches and develop a recommendation for a per student base cost amount and weights for students with special needs.
- Draft final report due September 2016, final report due October 2016