



## **BACKGROUND**

### **Prince George's Business-Education Alliance**

#### **2008 Legislative Agenda**

The following backgrounder is designed to offer historical context and useful information regarding each of the items on the Alliance's legislative agenda for the 2008 session of the Maryland General Assembly.

- **Provide full funding for the Bridge to Excellence in Public Schools Act**

During its special session in November 2007, the Maryland General Assembly repealed provisions in the Bridge to Excellence in Public Schools Act (Thornton) mandating that state aid be adjusted annually to reflect increases in the implicit price deflator, a measure of the cost to local governments of providing goods and services. Instead, the Budget Reconciliation Act froze the per pupil spending amounts used in the education aid formulas at 2008 levels for fiscal 2009 and 2010. Beginning in fiscal 2011, the education aid formulas will be adjusted using the lesser of the implicit price deflator, the Consumer Price Index for the Washington-Baltimore metropolitan area, or 5 percent. In addition, to protect some of the state's smallest jurisdictions, the Budget Reconciliation Act established a system of supplemental grants guaranteeing at least 1 percent annual increases in state aid for each school system during the two years of the freeze. However, the formula for distributing the grants subtracts a portion of the state contribution to the teacher retirement system and anticipated funding for the Geographic Cost of Education Index (GCEI), so that most school systems, including Prince George's, are disqualified. The inflation freeze will cost the Prince George's County Public Schools (PGCPS) more than \$41.2 million in anticipated aid in fiscal 2009 and even more in subsequent years.

In keeping with the intent of the Budget Reconciliation Act, Governor Martin O'Malley identified just over \$550 million in savings in the fiscal 2009 state budget he submitted on January 16. However, if the state's financial condition continues to deteriorate, due to lost revenues resulting from problems in the housing market and other factors, pressure could mount for additional cuts to balance the budget. Having now breached the previously unassailable wall that protected state education aid, the legislature might well look to education as a potential source of further savings.

The Prince George's Business-Education Alliance opposes any additional cuts in education aid and calls on the General Assembly to fully fund the Bridge to Excellence Act at levels established in the Budget Reconciliation Act.

- **Begin phasing in funding for the Geographic Cost of Education Index at a minimum of 60 percent of its authorized level**

The GCEI was included in the Bridge to Excellence Act in 2002 to adjust state education aid to reflect regional differences in the cost of providing educational services that are outside the control of local jurisdictions. A total of 13 school systems, including Prince George's, would receive extra assistance under this provision. However, except for a small amount of aid distributed in fiscal 2004, the GCEI, which was ruled not to be mandatory, has never been funded. The Budget Reconciliation Act anticipated phasing in the GCEI in fiscal 2009 at 30 percent of full funding, but in his budget, Governor O'Malley, consistent with his earlier pledge, requested a 60 percent phase-in at a cost of \$75.8 million. If approved, this would provide almost \$24 million in extra aid to PGCPs. However, GCEI funding is not automatic and still must survive the appropriations process.

The Alliance calls on the General Assembly to appropriate at least enough money for the Geographic Cost of Education Index to meet the 60 percent target.

- **Amend the Net Taxable Income provision of the Bridge to Excellence Act so that the funding formula reflects the true wealth of each jurisdiction**

To ensure that local jurisdictions do their fair share in funding their schools, the Bridge to Excellence Act established a system wherein the amount of state education aid they receive is inversely proportional to their wealth, as determined by a formula that includes the jurisdiction's assessable property base and its residents' net taxable income (NTI) on federal tax returns. In drafting the legislation, though, the General Assembly made a small but significant error, specifying that NTI be calculated as of September 1 each year, after what was then the August 15 federal late tax filing deadline. Returns filed subsequent to that date are not included, and the net taxable income they report is not counted in a jurisdiction's wealth. In 2005, however, Congress changed the automatic income tax filing extension to October 15. Consequently, Maryland taxpayers who filed close to the new deadline were not included in the 2006 wealth measurement, which was used to determine how state education aid was allocated this year. Because upper income taxpayers are far more likely than those with moderate or low incomes to utilize the tax filing extension, 19 of the state's 24 school systems lost state dollars to which they would have been entitled, while three will gain additional funds. Montgomery County alone received an extra \$27.7 million; Prince George's County lost more than \$23 million. NTI also is used to determine the distribution of another state grant program. Previous attempts to correct this inequity have died in the House Ways and Means Committee, which is chaired by Delegate Sheila E. Hixson of Montgomery County.

The Alliance calls on Governor O'Malley and the General Assembly to restore the integrity of Maryland's education aid formula and affirm the intent of the Thornton Commission by adjusting the date on which NTI is calculated to conform to federal law.

- **Fully fund the scheduled increase in the state’s contribution to community college operating budgets under the Cade formula**

State aid to local community colleges is based on a formula (named after former Senator John A. Cade) pegged to the amount of state support per full-time equivalent (FTE) student allocated to the University of Maryland. In 2006, the General Assembly approved legislation that will increase the calculation in the formula from 25 percent to 30 percent of the prior year’s UM FTE support over a six-year period. The 26.25 percent contribution scheduled for fiscal 2009 would result in an increase of \$2,888,831 for Prince George’s Community College, a boost of 13.3 percent over the current year’s allocation.

Governor O’Malley’s proposed budget includes funding to cover this increase, and the Alliance supports his request.

- **Provide at least \$400 million in the state capital budget for school construction and renovation**

In 2003, a state Task Force to Study Public School Facilities recommended that the state government adopt an eight-year, \$2 billion program to eliminate a backlog of school construction, renovation, and modernization needs. This proposal was embodied in the Public School Facilities Act of 2004. By that time, however, construction costs were rising rapidly, rendering the projected \$250 million annual cost of the program obsolete. In 2005, the General Assembly began to increase the school construction budget significantly. The allocation for the current fiscal year stands at \$401.8 million, of which PGCCPS will receive \$52.25 million. Governor O’Malley has requested \$327.4 million in new money for school construction in his capital budget, plus another \$6 million recycled from prior year appropriations.

The Alliance calls on the General Assembly to essentially match the current year capital construction budget so that school systems can make continued progress in providing appropriate learning environments for Maryland students.

- **Provide funding in the capital budget for construction of the Center for Health Studies at Prince George’s Community College**

The consolidated Maryland Community College Fiscal 2009 Capital Improvement Program (CIP) needs request is \$134.2 million for 34 projects across 16 community colleges. The Maryland Community Colleges Association has submitted a 2009 Capital Fund request of a minimum of \$104 million. If fulfilled, this would allow each community college to receive funding for its top priority project, including Prince George’s Community College’s Center for Health Studies, which was deferred in the 2008 request. However, the Center for Health Studies, at a cost of \$23 million, ranks 14<sup>th</sup> and last on the list. Governor O’Malley has requested \$81 million for capital construction at community colleges, which would exclude the Center for Health Studies.

The Alliance calls on the General Assembly to allocate \$104 million in the capital budget for community college projects, and for the Prince George’s delegation to ensure that the PGCC Center for Health Studies receives funding.

- **Restore the full state contribution of \$11 million to the Aging School Program**

The Aging School Program provides funds to local districts for capital improvements, repairs, and deferred maintenance work at existing public school buildings and sites serving students. In 2007, the General Assembly reduced operating funds for the program by \$5.5 million, specifying that they be replaced by money from Maryland's allocation from the federal Qualified Zone Academy Bond (QZAB) program. The result was a net cut in the number of dollars available to school systems to arrest the deterioration of older schools. In addition, QZAB imposes requirements that many schools serving low-income populations have difficulty meeting. PGCPs, which has numerous antiquated buildings, currently receives just over \$2 million in base funding from the Aging School Program, prior to inflation adjustments and discretionary enhancements.

- **Take appropriate steps to mitigate the impact of the Maryland State Board of Education's decision to require students to pass the High School Assessments, or complete an equivalent project, to graduate in 2009, even if they have met all other graduation requirements**

Last year, amid reports that large numbers of students, including many in Prince George's, might not be allowed to graduate in 2009 because they failed one or more parts of the High School Assessments (HSAs), the General Assembly approved legislation requiring the Maryland State Board of Education to conduct regional hearings to solicit feedback on the HSAs and to report on its findings before the opening of the current session. The Board conducted the hearings in September. Numerous witnesses criticized the plan to make the HSAs a "stand-alone" requirement for graduation and called for a delay in imposing the requirement. Nonetheless, in November, on an 8-4 vote, the Board affirmed its intention to require high school students to pass the HSAs to receive a diploma, beginning with the class of 2009. Proposals to delay the requirement until 2010 and to postpone the vote until this year both failed. All four of Governor O'Malley's appointees to the Board voted against imposing the requirement in 2009.

The Board made two substantial changes designed to help students pass the HSAs. One was to eliminate the minimum, or "cut," score students must achieve on each of the four tests. Previously, students were required to receive either a passing score on all four tests—in English, algebra, government, and biology—or meet a standard minimum score on each and a combined minimum. Now, students who do not pass all four tests still will be required to reach a combined minimum, but high scores on some tests may offset low scores on others. The Board also approved a "Bridge Plan" proposed by state school Superintendent Nancy S. Grasmick, which will allow seniors who fail the tests repeatedly despite remediation to complete a project approved by the State Department of Education and overseen by a review panel from their school system to demonstrate that they possess knowledge equivalent to that required by the HSAs.

The Alliance calls on the General Assembly to conduct hearings on the HSA report (which had not been submitted as of the opening of the session) and on the Board's actions, and to determine what steps are needed to ensure that students who otherwise meet all graduation requirements are not denied diplomas based solely on the HSAs.

- **Create programs and incentives to ensure that every Maryland student is taught by highly qualified teachers**

Maryland's colleges of education produce far fewer graduates than are needed to fill vacancies in the state's teacher corps each year, forcing local school systems to recruit heavily from other states and foreign countries. The Prince George's County Public Schools historically have had great difficulty with high levels of turnover resulting from teachers leaving the profession, moving to other school systems, or retiring. PGCPS each year has had to fill as many as 1,600 positions, and typically has begun the school year with numerous vacancies and classrooms led by teachers who are not fully certified. Although the picture has improved somewhat in the past two years, the system continues to lose too many teachers. The teacher shortage is especially significant in schools with large numbers of at-risk students; these schools, which are considered "difficult to staff," are the ones most in need of highly qualified teachers, not simply those who have met the basic requirements for entry into the profession. In addition, the federal No Child Left Behind law requires every classroom to be led by a highly qualified teacher—a provision that PGCPS, and the state as a whole, are far from satisfying.

The Alliance calls on Governor O'Malley and the General Assembly to begin developing and implementing strategies to increase the supply of highly qualified teachers, and to target their efforts at those schools and students with the greatest need.

- **Oppose any attempt to shift current state obligations, such as teacher retirement contributions, to local governments**

The idea of shifting a portion of retirement contributions for teachers and some other public employees from the state to the counties has arisen repeatedly in recent years as legislators and legislative staff have sought to narrow the difference between projected revenues and expenditures. The Office of Legislative Services, in the "Doomsday" budget it presented last June, estimated that requiring local jurisdictions to cover 50 percent of retirement contributions would save the state government \$324 million a year. During the special session last November, such a plan was introduced as House Bill 50; had it been enacted, it would have cost Prince George's County more than \$37 million, most of it for school system personnel. The bill was rejected, but similar legislation could be introduced in the current session. Governor O'Malley's budget request pegs the total cost of state contributions to the retirement system next year at almost \$634.7 million, but does not anticipate shifting any of this expense to local governments.