

Maryland Policy Reports

Analysis from the Maryland Budget and Tax Policy Institute

Back to the Basics on Thornton: Why It Was Needed and What It Does

Summary

C In 2002, the Maryland General Assembly passed legislation that is projected to increase state spending on kindergarten to 12th grade education by \$1.3 billion per year, phased in over a six-year period.

C This increase in funding was a response to poor student performance on standardized tests and a concern that the state was not meeting its constitutional requirement to provide a thorough and efficient education.

In 2001, prior to enactment of the Thornton law, student performance statewide failed to meet state standards for writing, language usage, mathematics, science and social studies. No local jurisdiction came close to meeting state standards for reading among 8th grade students, to cite one area.

C Maryland's ongoing revenue shortfall threatens full-implementation of this new commitment to achieving educational adequacy.

For FY 2005, policymakers approved a substantial increase in state education spending, but the increase was approximately \$80 million less than the \$365 million increase that had been expected through Thornton and other spending formulas.

State support for k-12 education is scheduled to increase by \$1 billion per year within the next three years. It is unlikely that this increase can be achieved without a major revenue increase or additional substantial cuts in other areas of state services (such as health, higher education, public safety and environmental protections).

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Introduction

In 2002, the Maryland General Assembly enacted “The Bridge to Excellence in Public Schools Act.” This law obligated the state to increase funding for kindergarten through 12th grade education by an estimated \$1.3 billion per year by FY 2008.¹ The purpose is to help local school districts provide an adequate education as defined by state standards.

The law also replaced numerous targeted education funding programs with a comprehensive financing plan that gives jurisdictions greater flexibility to meet local education needs.

This legislation was motivated in part by a court decision that found that the state needed to increase aid for the Baltimore City public schools (because the state was not meeting its constitutional responsibility to provide all students with a thorough and efficient education). In response to the court decision and to forestall similar lawsuits in other

Much of the current debate on the Thornton law focuses on the question of whether the state can afford the mandated increases in spending. Less attention has been given to the law's primary purpose: to ensure that all students receive an adequate education, independent of the jurisdiction in which they live.

This Maryland Policy Report explains the context for the Thornton legislation. It explains the school performance and financing circumstances that led policymakers to commit to increasing funding for public schools. It shows how the increase will be phased-in, and shows estimated amounts that will be received by each jurisdiction. Finally, it discusses how this major increase in funding for k-12 education impacts Maryland's ongoing revenue shortfall.

jurisdictions, in 1999 the General Assembly established the Commission on Education Finance, Equity, and Excellence to study the state's school financing system. The panel, commonly referred to as the “Thornton Commission” after it's chair Dr. Alvin Thornton, also considered how to replace several education aid programs that were set to expire by 2002.

The recommendations of this commission provided the framework of the Bridge to Excellence law (commonly referred to as the “Thornton law.”)

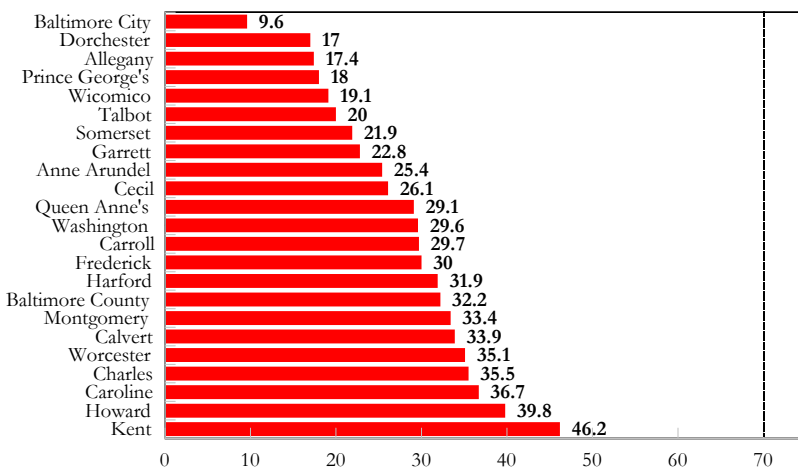
Why Maryland Needed Thornton

The Thornton law addressed two elements of Maryland's education system:

C the failure to meet state standards

Chart 1

Percentage of 8th Grade Students Achieving "Satisfactory" Reading Scores By Jurisdiction, 2001



Source: Maryland State Department of Education
Note: Dotted line is the state achievement standard of 70 percent

What is the Bridge to Excellence in Public Schools Act (Thornton law)?

The Bridge to Excellence in Public Schools Act restructured Maryland's school finance system. Under the law the state's share of k-12 education costs is expected to increase to 50 percent of total costs (up from 39 percent before enactment). This increase in state support for education seeks to ensure that *all children* receive an adequate education.

The basic structure of the new finance system contains several elements:

- It modifies the state aid formula by establishing a "base cost" per student that is considered to be adequate for the average child to reach high standards.
- It provides additional funding to jurisdictions based on the number of students with special education needs, limited English language proficiency, and who receive free or reduced-price school lunches.
- It creates a "Geographical Cost of Education Index" (GCEI) to provide additional funding for jurisdictions that have higher educational costs due to factors outside of their control. These funds are to be phased in from FY 2005 to FY 2009 (though the FY 2005 adjustment was not funded).
- It replaces restricted state aid with unrestricted funding; approximately 50 funding programs will be phased out and combined into four programs.

To promote accountability, the law requires the state to establish student achievement standards and hold school systems accountable for student performance. In turn, the law requires local school systems to develop five-year comprehensive plans for meeting state educational standards. There are also sanctions for poor school performance.

for educational performance in jurisdictions statewide; and,

C the difference in educational quality that existed across jurisdictions, caused in part by the wide variation in local funding for education.

Failure to Achieve Educational Adequacy

Chart 1 illustrates both the extent of poor performance of students statewide and the differences in educational achievement that existed from jurisdiction to jurisdiction before passage of the Thornton law.

Prior to enactment of the Thornton law the state goal was to have 70 percent of students achieve satisfactory performance on the

various elements of the Maryland Student Performance Assessment Program (MSPAP).

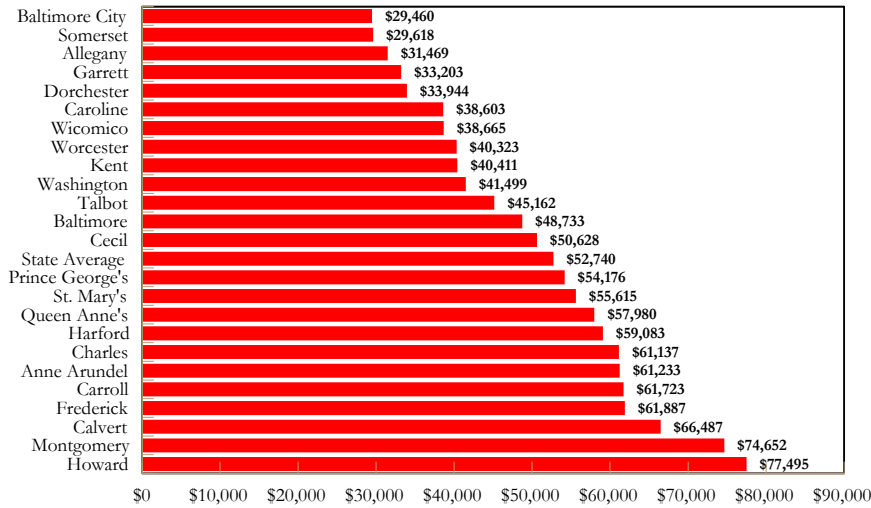
However, as shown in the chart, *no Maryland jurisdiction even approached that standard for 8th grade reading levels:*

C in Maryland's best-performing jurisdiction (Kent County) only 46 percent of students achieved a satisfactory reading score.

C less than 20 percent of students achieved a satisfactory reading level in Baltimore City and Dorchester, Allegany, Prince George's and Wicomico counties.

Chart 2

Median Household Income
By Jurisdiction, in 2000



Source: U.S. Bureau of the Census, Housing and Household Economic Statistics Division, Small Area Estimates Branch

While only 8th grade reading scores are shown, state performance standards were not met for any of the academic areas tested (writing, language usage, mathematics, science and social studies) at the 8th grade level.²

These and other results from the MSPAP test made clear that Maryland schools were not providing an adequate education to students.

Disparities in Local Ability to Pay for Education

Maryland relies on local governments to pay the largest share of the cost for k-12 education. Prior to enactment of the Thornton law, local governments provided 53 percent of the revenue needed for k-12 education. The state provided 39 percent of education funding, and the

federal government provided 7 percent.³

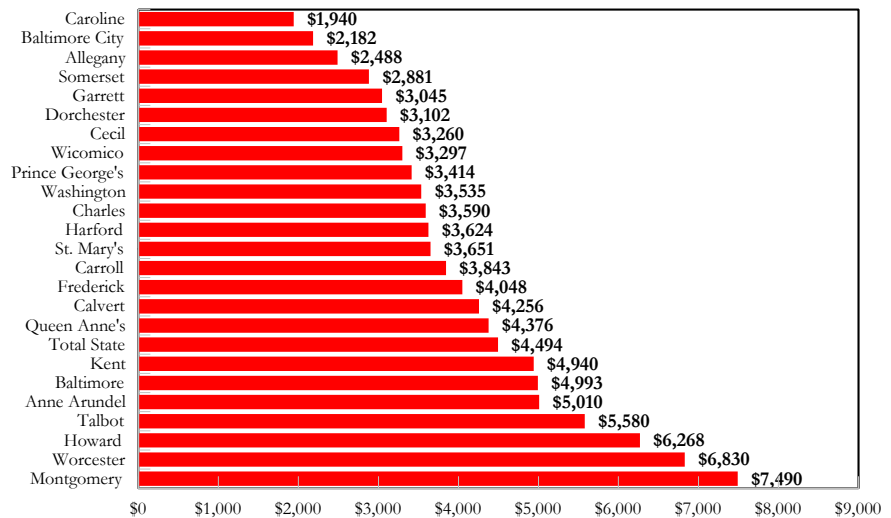
State funding partially offset the differences in funding for education provided by local governments, with lower-income and higher need jurisdictions generally getting larger amounts of state aid. Increasingly, however, instead of providing unrestricted funding to local school districts to meet a wide array of needs, state funding was targeted for specific categorical uses.

This increase in categorical funding created two problems:

- C it resulted in a complicated system of more than 50 different funding categories; and,
- C it lessened the impact of state aid as a mechanism for ensuring that students

Chart 3

Per Pupil Local Funding for Education
by Jurisdiction 2001-2002



Source: Maryland State Department of Education

in every jurisdiction received an adequate education.

Charts 2 and 3 illustrate some of the factors that contributed to the need for change in how local schools were financed.

Chart 2 illustrates the substantial differences in income that existed from county to county. As mentioned, Maryland's local jurisdictions provided the majority of funding for k-12 education. However, there was a wide range in ability to pay across jurisdictions. For example, the median household income in Maryland's two richest jurisdictions (Howard and Montgomery Counties) was more than two and a half times the median household income in Maryland's two poorest jurisdictions (Baltimore City and Somerset County).

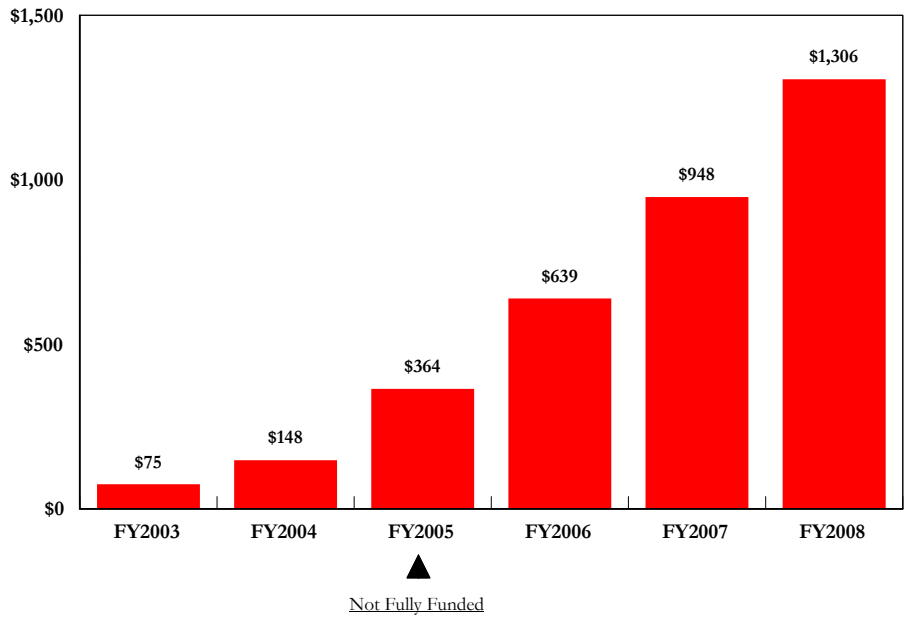
More broadly, the median household income in many suburban counties was more than 50 percent higher than incomes in Baltimore City and the jurisdictions in Western Maryland and the lower Eastern Shore.

These differences in income levels contributed to wide variations in the amount of local funding that was dedicated for k-12 education.

Chart 3 shows local spending on education prior to enactment of the Thornton bill. Per pupil spending in Montgomery County was nearly four times that of Caroline County, and at least twice as high as spending in more than half of Maryland's local jurisdictions.⁴

Chart 4

Estimated Increases in State Education Aid Resulting from the Thornton Law (\$ in Millions)



Source: Maryland Department of Legislative Services

Even though state aid offset much of the disparity in local funding, wide variation in education outcomes persisted. This variation in funding and outcomes suggested that the quality of education received by students was largely dependent on the local jurisdiction in which they lived.

Providing Adequate Funding

The Bridge to Excellence in Public Schools Act addresses some of the problems that existed with Maryland's school financing system and which contributed to the disparity in quality of education across jurisdictions. While there are many facets to the Thornton law, perhaps the most significant component is the substantial increase in unrestricted state funding that local governments will receive for

Was Thornton Fully Funded?

The Ehrlich Administration's FY 2005 budget proposal to the General Assembly in 2004 included approximately \$315 million in increased funding for k-12 education. With this increase, the administration claimed that it had met its obligation to "fully fund Thornton."

While the Administration's budget may have met the legal requirements for funding, several factors indicate that the "spirit" of the legislation may not have been fully addressed:

The Geographic Cost of Education Index This component of the Thornton law would have provided nearly \$50 million in FY 2005 to jurisdictions that have higher costs of education for reasons that are beyond their control.

Through a legal technicality the Administration claimed that funding for this portion of the Thornton legislation was not mandatory and was therefore not included in the budget. Failure to provide this funding resulted in lower than expected aid for 13 jurisdictions: Baltimore City, and Anne Arundel, Baltimore, Calvert, Carroll, Charles, Frederick, Howard, Kent, Montgomery, Prince George's, Queen Anne's and St. Mary's counties.

Cuts to Educational Grant Programs The Thornton law phased out many targeted education grants at the same time that the new funding was being phased in. However, in each of the last two years aid to education was cut by prematurely reducing or eliminating these other grant programs. For example, policymakers eliminated a \$21 million program for local governments to increase teacher salaries. For FY 2005 policymakers cut approximately \$37 million in local education funding that existed outside of the Thornton funding stream.

Other Cuts to Local Governments At the same time that Thornton funding is being phased in to increase the state share, the state is reducing other forms of aid to local governments. This fiscal sleight of hand allows state policymakers to take credit for fully funding Thornton, but makes it more challenging for local elected officials to meet their budgetary needs (including providing local funding for education). For example, in FYs 2004 and 2005, the state cut approximately \$150 million in aid to local governments that is generally targeted for transportation. The state has also cut funding for community colleges and some aspects of public safety.

Cuts to Other Types of Family Supports The state has also cut funding for other programs that promote child and family well-being. For example, in FY 2004 the state cut child care and after school program funding by approximately \$30 million, and sustained these cuts through FY 2005. The state also made cuts to its child health insurance program. While these and other cuts are not directly related to k-12 education, they likely impact student achievement and health.

k-12 education.

The Thornton legislation will increase state aid to public schools by an estimated \$1.3 billion per year when fully phased-in by FY 2008.

When phased-in, the state's share of k-12 education funding is projected to increase to 50 percent of overall costs, up from 39 percent prior to enactment. In addition, the disparity

in funding between jurisdictions will be reduced substantially.

Chart 4 shows how the new funding is projected to increase over the six year phase-in period. Of note, the first three years of the phase-in resulted in an FY 2005 increase of approximately \$315 million after Governor Ehrlich did not include approximately \$50 million to fund one component of the Thornton increase.⁵ Between FY 2005 and FY 2008, annual funding will increase by nearly \$1 billion, meaning that the most substantial increases in funding are yet to be realized.

Chart 5 shows how the funding increase will be phased in for Maryland's four largest jurisdictions: Baltimore City and Baltimore, Montgomery and Prince George's Counties. Together, these jurisdictions will receive two-thirds of the increase in funding.⁶ By FY 2008, the remaining jurisdictions are projected to receive increases as follows:

Allegany, \$25.1 million; Anne Arundel, \$60.4; Calvert, \$18.3; Caroline, \$13.6; Carroll, \$23.9; Cecil, \$21.9; Charles, \$30.4; Dorchester, \$6.7;

Frederick, \$42.6; Harford, \$38.3; Howard, \$39.2; Kent, \$2.2; Queen Anne's \$5.0; St. Mary's, \$12.8; Somerset, \$10.2; Talbot, \$7.2; Washington, \$23.1; Wicomico, \$37.7; and, Worcester, \$7.4.

The amounts listed are estimates; the actual amounts will vary based on enrollment and student characteristics. Further, the estimates include preliminary adjustments for the Geographic Cost of Education Index, which the governor did not fund for FY 2005.

Focusing on Educational Achievement

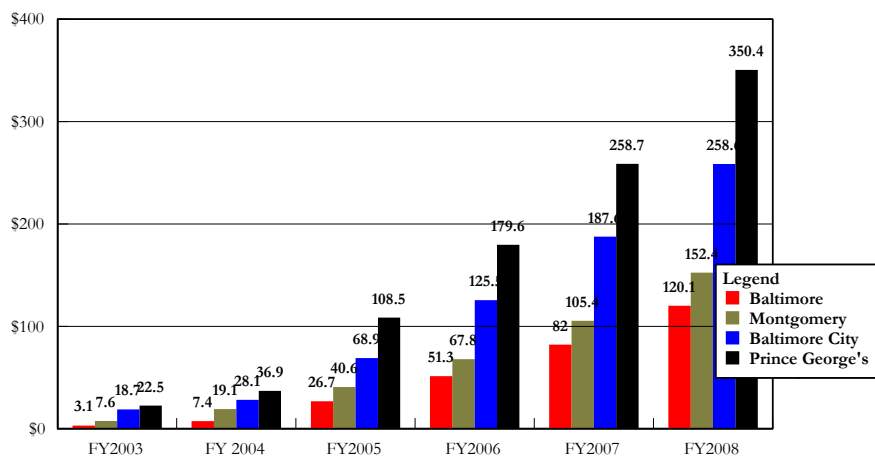
Before the Thornton law, state spending on education was driven in large measure by a base funding formula that allocated state funds on a per-pupil basis to the 24 jurisdictions. However, the funding formula began with a base spending level that was well-below per-pupil costs.⁷

Under that approach, funding levels were not based on meaningful measures of how much money was needed to provide students with an adequate education. Rather, the formula simply allocated limited state funds to local governments to partially support their education costs.

The Thornton law moved Maryland to a "standards based" approach to financing education and ensuring student achievement. Instead of starting with available resources and then "doing the best job possible with

Chart 5

Estimated Increases in Education Aid, Selected Jurisdictions (\$ in Millions)



Source: Maryland Department of Legislative Service

How Are Thornton Funds Being Used?

Prior to passage of Senate Bill 894 in 2004 there was no required reporting on how the Thornton funds were being used. However, the Maryland Department of Legislative Services reviewed local education budgets and interviewed local school system personnel to identify educational enhancements being implemented.

Of note, the changes aren't directly linked to Thornton funds, but result from overall (state and local) education funding.

C Several school districts focused on meeting the mandated expansions to full-day kindergarten and added personnel to reduce class sizes.

For example, Baltimore County planned to hire 13 full-time staff members for full-day kindergarten in 10 additional schools. Similar expansions were planned in Frederick, St. Mary's and Washington Counties.

At least 10 school systems planned to reduce class sizes. For example, Baltimore County budgeted 18.5 employees to reduce class sizes in kindergarten and grades 1 and 2. Calvert, Carroll, Washington and Worcester Counties planned similar class-size reductions.

C School systems were also improving gifted and talented programs, expanding tutoring and improving student transportation.

C At least 20 out of 24 school boards provided general salary increases. In every case but two the salary increase was 4 percent or less. In addition, 20 out of 24 jurisdictions increased pay-scale "steps" for some employees.

More detailed information should be available in the future.

A link to the Department of Legislative Services Report is available online at www.marylandpolicy.org

the money available," the standards based approach focuses on student achievement, and includes the following elements:

C clearly establish goals for student performance; then

C determine what level of resources are needed to achieve those goals.

The standards-based approach in Thornton also provides for ongoing testing to see if student performance goals are being met, and accountability measures for schools that fail to make progress toward achieving those goals.

While Maryland still has a standards-based approach to funding, in many respects the performance goals have been changed to reflect the federal No Child Left Behind Act. That law's goal is to have 100 percent of students performing at the proficient level by the 2013-2014 school year, with yearly progress goals between now and 2014.⁸

Promoting Accountability

The increase in state funding for education is connected to the state's overall goals for improving educational achievement. Several measures are in place to ensure that schools

are using funds to make appropriate progress toward the performance goals.

C Comprehensive Five-Year Master Plans School districts were required to submit comprehensive plans on how they will achieve improvements in student performance. These plans generally emphasized early childhood education and moving to offer full-day kindergarten.

C Reports on the Use of Increased State Funds Under SB 894 (2004), local school districts must report to the state on how increased education funds were used. (See box on the previous page.)

C Sanctions for Failing to Make Adequate Progress To encourage and reward progress, schools that close achievement gaps or exceed goals can receive special recognition or monetary awards.⁹

Alternatively, the state can require a series of steps to improve performance at schools that fail to make adequate progress for two or more years. The first step is the development of school improvement plans. Ultimately, corrective actions may include allowing students to transfer to better-performing schools, replacing school staff, adopting a new curriculum, or contracting with a private company to operate the school.

Entire school systems that fail to meet performance standards may be subject to corrective actions that include reduction in state funds, removal of local school board control, or

reorganization of specific schools under a state-approved executive officer.

Can Maryland Afford Thornton?

Maryland has a long-term revenue shortfall. Now and into the foreseeable future, the costs of existing state services are greater than the revenues that will be collected. The forthcoming increases in education spending exacerbate the revenue shortfall.

Policymakers have balanced recent budgets by a combination of cuts in services, fund transfers and modest revenue increases.¹⁰ Among the spending cuts enacted so far:

C Approximately \$122 million has been cut from funding for higher education. In response, average tuition and fees at Maryland's public colleges and universities has increased by 30 percent in the last two years.

C For FY 2004, the state reduced funding for child care by 20 percent (\$25 million) and began placing new applicants for child care services on waiting lists. By January 2004, more than 12,000 children with low-income working parents were on a waiting list to receive child care assistance. This cut was continued in FY 2005.

C Numerous reductions have been made in the Medicaid program. In July 2003, the state began denying eligibility for children in families with income above 200 percent of the poverty guidelines, and also imposed premiums for children from families with slightly lower incomes.

In August 2003, the state reduced payments to nursing homes and managed care organizations. The state also cut \$40 million by limiting payments for hospital stays for some Medicaid recipients who have the greatest health care needs.

Cuts in state Medicaid spending result in a dollar for dollar loss in federal health funds to the state. Further, the increased in unreimbursed health services likely results in higher health insurance premiums.

Other programs and services, such as public safety, mental health and developmental disability services have components that are severely underfunded.

Maryland's ongoing revenue shortfall, the dramatic cuts that already have been made, and the prospect of additional cuts have raised questions about Thornton's affordability. Under Maryland's current revenue structure, it is unlikely that the increases in education funding can happen without substantial cuts in other critical services.

Alternatively, policymakers could pay for an adequate education system and meet the other service needs by increasing revenues. Several options for raising revenues have been discussed in other Maryland Policy Reports.

Conclusion

The Thornton law was created to ensure that local governments had the resources necessary to provide every Maryland student with an adequate education.

Under the law, Maryland moved to a standards-based system for education financing. It set standards for student achievement, and then calculated how much money was needed to reach those standards.

Local schools are required to articulate how they plan to use the increased funds to achieve the new performance goals, and in turn the state can sanction schools that fail to make progress toward achieving those standards.

It is unlikely that the improvements in education can be financed under Maryland's current revenue structure. Fully funding Thornton will require a significant increase in revenues, or additional cuts in other critical services such as higher education, health care, human services and public safety. **MBTPI**

For additional information and resources on the Thornton law, visit our webpage at www.marylandpolicy.org

1. The \$1.3 billion figure is an estimate of the additional amount of state aid that will be provided by FY 2008. Several factors--such as student enrollments and the number of students who receive free and reduced prices meals--will determine the actual increase in state aid.
2. Maryland State Department of Education, *The Fact Book, 2002-2003*.
3. Maryland State Department of Education, *The Fact Book 2002-2003*.
4. The Thornton law retains "maintenance of effort" requirements for local governments. Local per pupil spending cannot be less than per pupil spending in the prior year, and local spending on education cannot decrease.
5. In addition to Gov. Ehrlich's exclusion of nearly \$50 million in Thornton funding, the General Assembly reduced other aid to education by approximately \$37 million. These cuts were made by prematurely reducing or eliminating some education aid programs that are scheduled to be replaced by the new Thornton funding formula.
6. The share of additional state funding received by these jurisdictions is slightly higher than the 57 percent share of the state's population. This is due in part to these jurisdictions having a disproportionate share of students with greater education needs--student, for example, who have limited English language proficiency or who require special education services.
7. The state's "benchmark" spending level was 75 percent of per pupil costs from three and four years earlier. In 2001, the benchmark spending level was \$4,005 per student. The benchmark figure was assumed to be equally funded by the state and local jurisdictions, so the starting point for state spending was \$2,002 per pupil. This amount was adjusted based on a jurisdiction's wealth status, with some jurisdictions getting more money per pupil and others receiving less. Jurisdictions received additional funding from the nearly 50 state educational programs.
8. For more information on state performance standards, see Maryland State Department of Education, *Understanding Adequate Yearly Progress*. This publication is available online at http://www.mdk12.org/mspp/ayp/understanding_ayp.pdf.
9. The sanctions that are discussed in this section result from the federal No Child Left Behind law.
10. Several Maryland Policy Reports and issue briefs discuss recent budget actions. See: *Piling On--General Assembly Enacts \$178.5 Million in Spending Cuts on Top of Those Previously Enacted; Balanced on a Precipice? Temporarily Balanced Maryland Budget Ignores Long-Term Revenue Shortfalls; and, What is the Governor Cutting from This Year's Balanced Budget?* These and other reports are available online at www.marylandpolicy.org

About the Maryland Budget and Tax Policy Institute

The Maryland Budget and Tax Policy Institute is a nonpartisan research organization that provides timely, accurate and accessible analysis of state budget and tax issues. In addition to general budget and tax research and analyses, the Institute examines issues affecting vulnerable populations and the important community programs that serve them. For additional information on the Institute or to be added to our email or publications mailing lists, contact us at 301-565-0505 or visit our webpage at www.marylandpolicy.org. This analysis was written by Ji Hyun Shin and Steve Hill.

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