

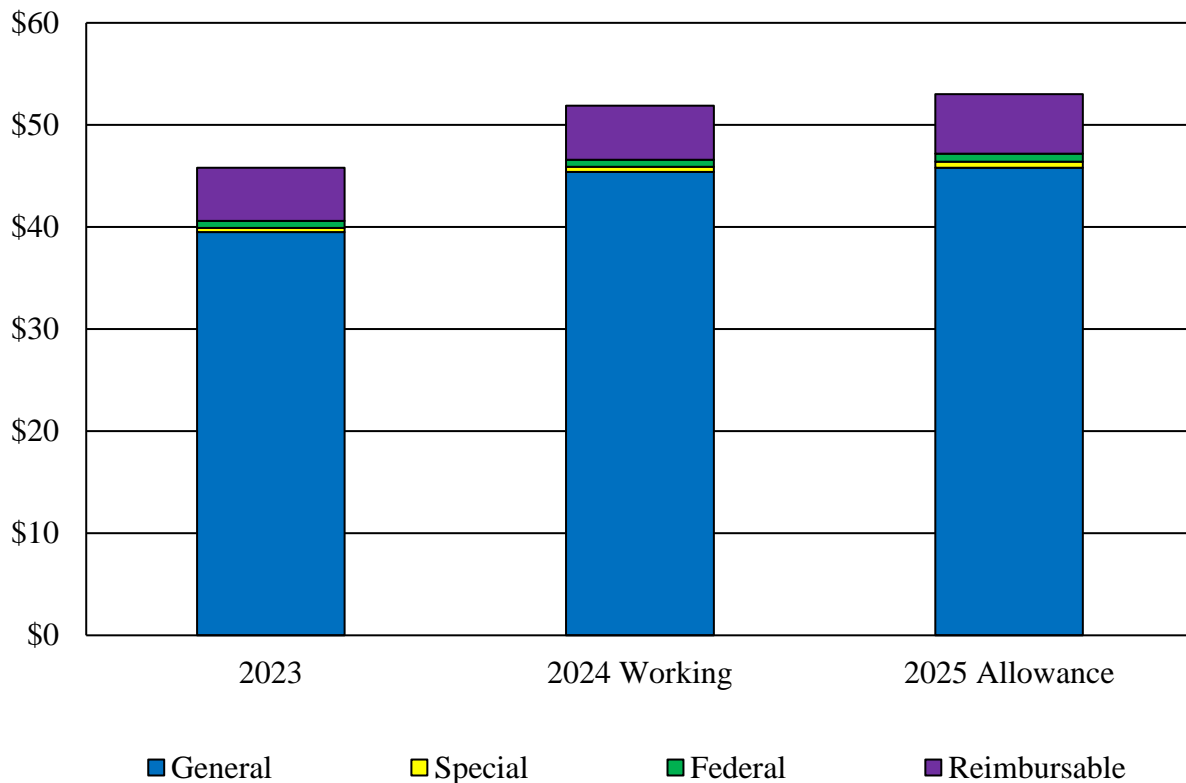
R99E Maryland School for the Deaf

Program Description

The Maryland School for the Deaf (MSD) is a public school that educates deaf and hard of hearing students from across the State at its two campuses in Frederick and Columbia. Students range in age from prekindergarten through age 21. MSD also serves the families of its students through early intervention and enhanced services programs, which provide education, early childhood programs, and American Sign Language classes.

Operating Budget Summary

**Fiscal 2025 Budget Increases \$1.1 Million, or 2.1%, to \$53.0 Million
(\$ in Millions)**



Note: The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

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Fiscal 2023 and 2024

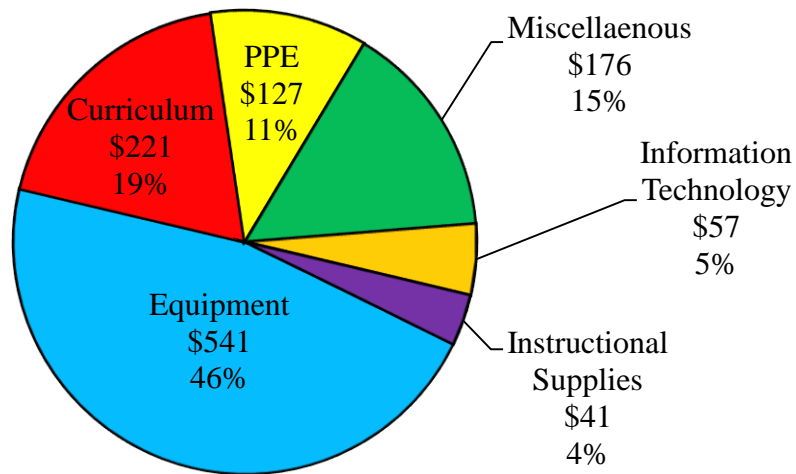
Implementation of Legislative Priorities

Through Section 19 of the fiscal 2024 Budget Bill (Chapter 101), MSD received a total of \$335,000 in general funds for a \$500 bonus for education support professionals to be paid in fiscal 2023 and 2024, which included bonuses for residential personnel, teacher and classroom aides, administrative staff, maintenance workers, and other support professionals.

Federal Stimulus Funds

In fiscal 2020 and 2021, MSD received \$1.2 million in various federal COVID-19 relief funds based on enrollment. MSD spent all funds from fiscal 2021 through 2024 by the required deadline of September 2023. **Exhibit 1** shows federal stimulus fund grant distributions and expenditures.

Exhibit 1
Federal Stimulus Fund Expenditures
Fiscal 2021-2023
(\$ in Thousands)



Total Funds: \$1,163,774

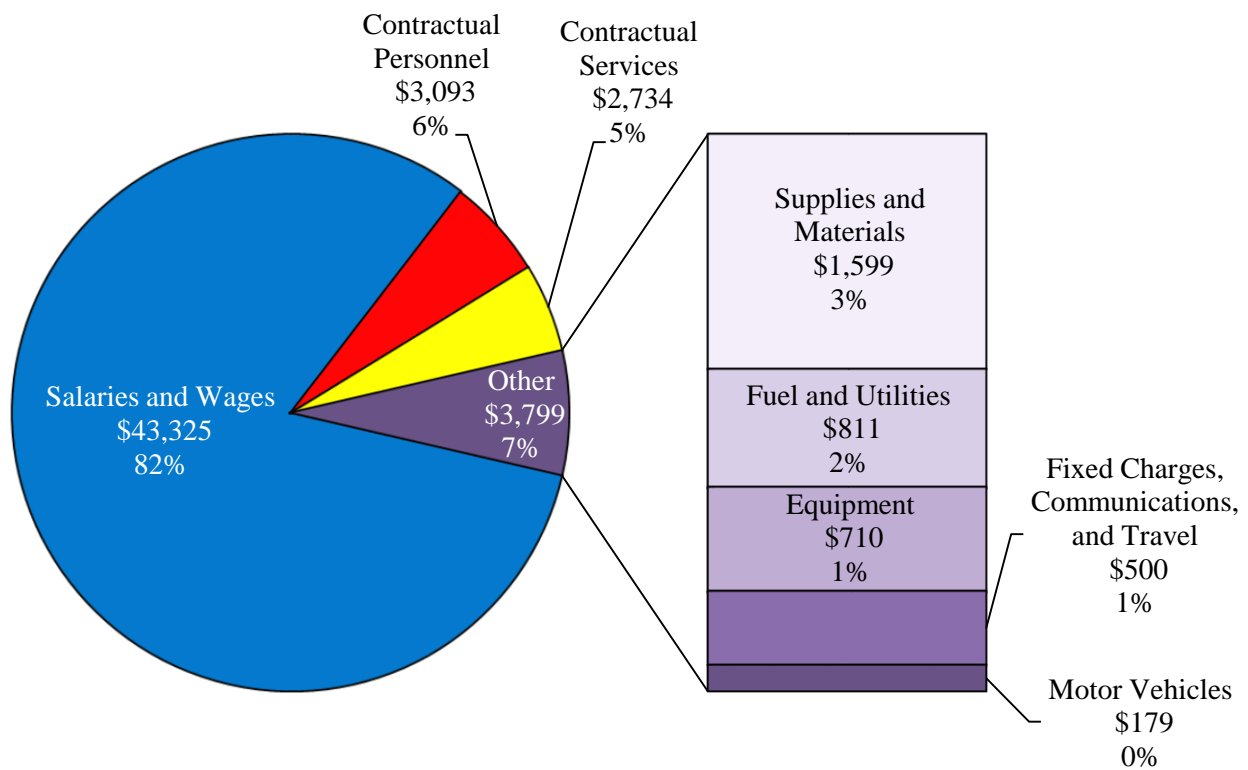
PPE: personal protective equipment

Source: Maryland School for the Deaf

Fiscal 2025 Overview of Agency Spending

The fiscal 2025 proposed budget for MSD totals \$53.0 million. **Exhibit 2** displays an overview of agency spending by object. In the fiscal 2025 proposed budget, salaries and wages total \$43.3 million, or 82%, of MSD’s total allowance. Contractual employment accounts for \$3.0 million, or 6%. Contractual services total \$2.7 million, or 5%, which includes approximately \$1.5 million for building equipment, maintenance, and services; \$500,000 for miscellaneous expenses; \$380,000 for computer software, maintenance, and supplies, including Department of Information Technology (DoIT) services; and \$320,000 for education and training contracts and services.

Exhibit 2
Overview of Agency Spending
 Fiscal 2025 Allowance
 (\$ in Thousands)



Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Governor’s Fiscal 2025 Budget Books

Enrollment

Exhibit 3 shows MSD’s recent actual enrollment history in fiscal 2021 through 2023 and assumptions for fiscal 2024 and 2025. An enrollment formula in Section 8-3A-09 of the Education Article determines MSD’s annual enrollment count, which uses a four-year average to mitigate sharp increases and decreases in the student population. For the purposes of calculating MSD’s enrollment for formula funding, early intervention students are counted at 50% of enrollment, and school-age students are counted at 100% of enrollment (enhanced services students are not included in this count, because those services are provided off campus).

Exhibit 3
Maryland School for the Deaf Enrollment
Fiscal 2021-2025 Est.

<u>Fiscal Year</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024 Est.</u>	<u>2025 Est.</u>
School Year	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Early Intervention Students	67	57	67	66	66
School-age Students	517	505	496	493	497
Total	584	562	563	559	563
<i>Enrollment for Formula Funding</i>	<i>551</i>	<i>534</i>	<i>530</i>	<i>526</i>	<i>530</i>

Source: Department of Budget and Management; Maryland School for the Deaf

Proposed Budget Change

MSD’s fiscal 2025 general fund allowance is formula-based and calculated using (1) a per pupil allocation in Section 5-201 of the Education Article and (2) the enrollment formula mentioned previously. Due to an increase in the per pupil amount mandated in Chapter 55 of 2021, MSD’s per pupil funding increases by \$147 per student, or 2%, from \$8,642 in fiscal 2024 to \$8,789 in fiscal 2025. When combined with changes to other fund sources, MSD’s proposed budget increase is \$1.1 million compared to the fiscal 2024 working appropriation. **Exhibit 4** shows these proposed changes.

Exhibit 4
Proposed Budget
Maryland School for the Deaf
(\$ in Thousands)

How Much It Grows:	General <u>Fund</u>	Special <u>Fund</u>	Federal <u>Fund</u>	Reimb. <u>Fund</u>	<u>Total</u>
Fiscal 2023 Actual	\$39,512	\$393	\$726	\$5,241	\$45,871
Fiscal 2024 Working Appropriation	45,431	531	652	5,258	51,873
Fiscal 2025 Allowance	<u>45,743</u>	<u>587</u>	<u>778</u>	<u>5,842</u>	<u>52,950</u>
Fiscal 2024-2025 Amount Change	\$312	\$56	\$126	\$584	\$1,077
Fiscal 2024-2025 Percent Change	0.7%	10.5%	19.3%	11.1%	2.1%
Where It Goes:					<u>Change</u>
Personnel Expenses					
Salary increases and associated fringe benefits including fiscal 2024 COLA and increments					\$2,551
22.0 new positions including 20 contractual conversions					2,026
Other fringe benefit adjustments					62
Turnover change from 1.1% to 1.0%					36
Overtime					29
Reclassifications					-431
Workers' compensation premium assessment					-1,721
Other Changes					
Instructional, medical, office supplies, and materials					189
Contract for interpreters					107
Building and vehicle maintenance, equipment, utilities, and insurance					78
Purchase of two vehicles for transporting students					77
Food, dietary expenses, and equipment					76
Computer hardware, software, and maintenance including DoIT services					56
Legal services and administrative hearings					23
Postage and printing					7
Conferences and training					5
Miscellaneous expenses					-1
Fees, dues, and subscriptions					-15
Other contractual services					-34
Educational training and consulting					-150
General, special, and federal funds for contractual FTEs, including a decrease of -55.2 FTEs and savings from 20 contractual conversions					-1,892
Total					\$1,077

COLA: cost-of-living adjustment

FTE: full-time equivalent

DoIT: Department of Information Technology

Note: Numbers may not sum to total due to rounding. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

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MSD’s largest overall increase is for regular personnel expenses, which grows by a net \$2.5 million. These increases include \$2.6 million for regular position salaries, associated fringe benefits, fiscal 2024 cost-of-living adjustments, and increments; \$2.0 million for 22.5 new positions; \$501,000 for miscellaneous adjustments; and \$29,000 for overtime. Increases are offset by decreases, including \$1.7 million in workers’ compensation premiums; \$439,000 for fringe benefits; \$431,000 for reclassifications; and \$36,000 to reduce budgeted turnover from 1.1% in fiscal 2024 to 1.0% in fiscal 2025.

MSD’s other increases total approximately \$618,000 for a variety of operating expenses. These increases are offset by a \$1.9 million decrease for the reduction of 55.2 contractual full-time equivalent (FTE) personnel; and \$150,000 for educational training and consulting.

Personnel Data

	<u>FY 23</u> <u>Actual</u>	<u>FY 24</u> <u>Working</u>	<u>FY 25</u> <u>Allowance</u>	<u>FY 24-25</u> <u>Change</u>
Regular Positions	334.50	340.00	362.50	22.50
Contractual FTEs	<u>89.75</u>	<u>94.50</u>	<u>39.30</u>	<u>-55.20</u>
Total Personnel	424.25	434.50	401.80	-32.70

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	3.40	1.00%
Positions and Percentage Vacant as of 12/31/23	22.00	6.47%
Vacancies Above Turnover	18.60	

- MSD is authorized 362.5 regular positions and 39.30 contractual positions in the fiscal 2025 allowance, which is an increase of 22.5 regular positions and a decrease of 55.2 contractual FTE positions. Of the 22.5 regular positions, 20 positions are contractual conversions, and 2.5 are new positions, which include 1 procurement specialist, 1 computer network specialist, and a 0.5 position for an assistant Attorney General. The fiscal 2024 working appropriation has a 0.5 position authorized for the assistant Attorney General, but with this addition, this position will be a full-time, 1.0 position in fiscal 2025.
- Converted contractual positions include teachers, teacher aides, dormitory staff, and 1 cook.
- MSD has 22.00 vacant positions as of January 2024, with 18.60 vacancies above the budgeted turnover. MSD’s vacancy rate of almost 6.5% exceeds the fiscal 2024 budgeted turnover rate of 1.1%, providing the agency with \$331,000 in potential vacancy savings. **MSD should comment on how it plans to spend the vacancy savings in fiscal 2024.**

Key Observations

1. Recent Audit Documents Concerns Regarding Maryland School for the Deaf Procurement and Purchasing Practices

An audit published on January 15, 2024, by the Office of Legislative Audits (OLA) documented concerns regarding MSD procurement and purchasing practices. OLA found four issues that warrant agency action, including one repeat finding regarding procurement and vendors for sign language interpreters. Specific findings include that MSD did not always follow State procurement regulations; failed to obtain Department of General Services and Board of Public Works approvals for contracts; did not publish contract awards on *eMaryland Marketplace Advantage* (eMMA); and artificially split certain purchases into smaller transactions, circumventing competitive procurement requirements and the single transaction spending limit. **Exhibit 5** provides details of these findings.

Exhibit 5
MSD Audit Findings
Calendar 2024

<u>Finding</u>	<u>Summary of Concerns</u>	<u>Recommendations</u>
Procurement did not always comply with State regulations.	<ul style="list-style-type: none">● MSD increased a contract without proper justification and did not receive deliverables.● MSD did not competitively procure services.● MSD did not obtain DGS and BPW approvals for a multi-year sole-source contract.● MSD did not use eMMA to obtain bids and did not safeguard electronically submitted bids as required by State procurement regulations.	<ul style="list-style-type: none">● Ensure that contract deliverables are received before approving invoices for payment.● Obtain missing deliverables from or pursue recovery of payments if the deliverables are not provided.● Document contract modifications and obtain required approvals.● Execute written contracts that include all relevant contract provisions.● Obtain DGS and BPW approval as required, including retroactive approval for the previously awarded sole-source contract.● Publish contract solicitations and awards in eMMA.● Solicit competitive bids when required and ensure contract bids are submitted via eMMA or are adequately secured prior to being opened.

Finding

Summary of Concerns

Recommendations

Procurement and use of vendors for sign language interpreting services did not comply with State procurement regulations and did not ensure that services were received at the lowest price (repeat finding).

- MSD could not provide the technical proposals for 16 of the 17 vendors.
- MSD did not obtain DGS and BPW approvals or publish the contract award on eMMA as required by State procurement regulations.
- A supervisory review of vendor invoices did not always detect billing errors.
- One of the 17 vendors assigned certain sign language services to the other vendors and itself without documenting or approving the methodology.

- Ensure that the supervisory review of invoices is effectively conducted and determine if amounts were improperly paid, recouping any overpayments.
- Develop a methodology to independently ensure that services are obtained at the lowest cost.

Certain corporate purchasing card transactions were artificially split, circumventing competitive procurement requirements and/or cardholder single transaction limits.

- MSD artificially split certain purchases into smaller transactions, circumventing competitive procurement requirements and/or the cardholder's single transaction spending limit

- Corporate purchasing card transactions are not artificially split to circumvent established controls and competitive procurement requirements.

MSD could not document that it used available detailed purchasing data to ensure the propriety of purchases.

- Supervisory reviews of monthly activity logs did not use available detailed purchasing data to ensure the propriety of the purchases as required.

- Supervisors use available detailed purchasing data as a part of a documented monthly review to aid in the assessment of the propriety of purchases and payments.

Finding

An MOA with an affiliated foundation was not sufficiently comprehensive, and reports of the foundation’s financial activity were not submitted to MSD as required.

Summary of Concerns

- The MOA did not address controls over collected funds, including proper collateralization of funds, the use of interest-bearing accounts, and procedures for the accounting and reporting of fund balances.
- The MOA did not include guidelines for the distribution of student scholarships and grants.
- The MOA did not require the foundation to maintain a conflict-of-interest policy for board members and foundation employees.
- The foundation has not submitted required financial reports to MSD’s Board of Trustees since 2019.

Recommendations

- Revise the MOA to include details to ensure that funds collected on behalf of MSD are properly safeguarded and used for the intended purpose and are distributed properly, and that conflicts of interest are disclosed.
- Obtain and review the required annual report of reimbursements and expenditures.

BPW: Board of Public Works
DGS: Department of General Services
eMMA: *eMaryland Marketplace Advantage*
MOA: memorandum of agreement
MSD: Maryland School of the Deaf

Source: Office of Legislative Audits

MSD responded to concerns that were identified in the audit as follows:

- for Recommendation 1, MSD is requiring agency procurement staff to take courses from the Office of State Procurement (OSP), training contract monitors in approving invoices and monitoring deliverables to ensure that they arrive before payment, hiring additional staff, and publishing contract awards and securing bids through eMMA;
- for Recommendation 2, MSD is working with OSP on sign language contracts and retroactive procurement, and with the help of an independent reviewer, correcting and requesting that overpayments be returned to the agency;

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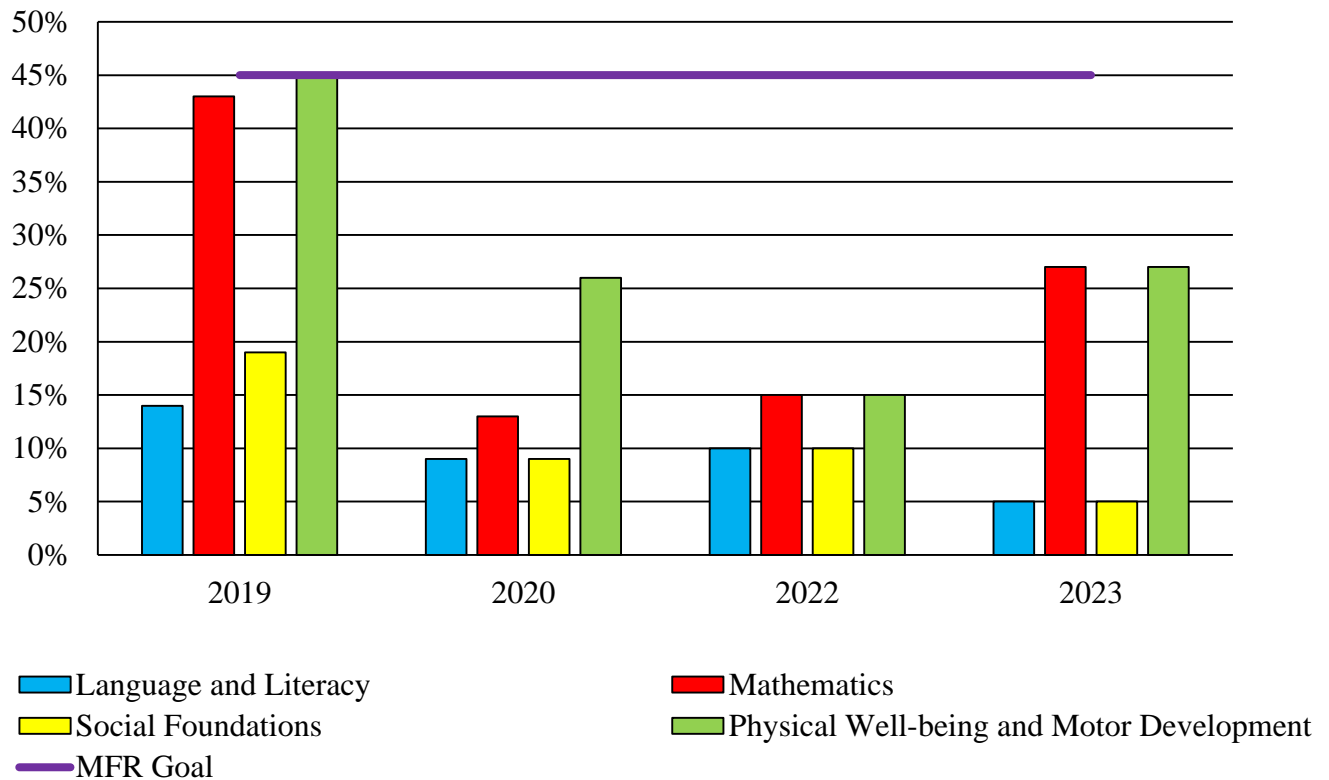
- for Recommendation 3, MSD is now complying with all corporate purchasing card regulations and reviewing and documenting detailed purchase data; and
- for Recommendation 4, MSD is working on a revised memorandum of agreement (MOA) with the affiliate organization, ensuring that funds are properly collecting and distributed, requiring conflicts-of-interest disclosures, and working on the receipt of financial statements from the affiliate organization.

MSD should discuss what corrective actions have been implemented to remedy the identified concerns. The Department of Legislative Services (DLS) recommends language restricting funds pending a report to continue to monitor progress toward the resolution of these audit findings.

2. Kindergarten Readiness Assessment Scores Continue Post-pandemic Lag

Exhibit 6 shows MSD students' assessment scores on the Kindergarten Readiness Assessment (KRA). Kindergarten students entering MSD take the KRA in four component areas: language and literacy; mathematics; social foundations; and physical well-being and motor development. MSD's goal for these measures is that 45% of kindergarteners will demonstrate readiness in these four areas. Prior to the COVID-19 pandemic, in fiscal 2019 (fall 2018), kindergarten students scored above 40% in mathematics and physical well-being but below 20% in social foundations and language and literacy. Four years later in fiscal 2023 (fall 2022), students have not returned to prepandemic achievement levels, scoring 30% or below in all tested areas. Of particular note, in fiscal 2023, both language and literacy scores and social foundation scores dropped to 5% from 10% in fiscal 2022. Due to pandemic school closures, students did not take the KRA in fiscal 2021.

Exhibit 6
Kindergarten Assessment Readiness Scores
Fiscal 2019-2023



MFR: Managing for Results

Note: Entering kindergarteners without audiological access do not receive a score on the language and literacy component. Due to pandemic school closures, students did not take the assessment in fiscal 2021.

Source: Department of Budget and Management; Maryland School for the Deaf

MSD should discuss the reasons that KRA scores have not returned to prepandemic levels and describe the efforts that it is taking to improve scores, particularly in language and literacy and social foundations. DLS recommends adopting committee narrative requesting a report on KRA scores.

Operating Budget Recommended Actions

1. Add the following language to the general fund appropriation:

, provided that \$100,000 of this appropriation made for the purpose of administration may not be expended until the Maryland School for the Deaf submits a report addressing concerns from a January 2024 audit conducted by the Office of Legislative Audits. This report shall provide details on actions taken by the agency to resolve all four audit findings. The report shall be submitted by November 1, 2024, and the budget committees shall have 45 days from the date of the receipt of the report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: In a recent audit by the Office of Legislative Audits (OLA), the Maryland School for the Deaf (MSD) had four findings, including one repeat finding. These findings involved procurement procedures, Department of General Services and Board of Public Works approvals, bids on *eMaryland Marketplace Advantage*, and a memorandum of understanding with an affiliated foundation. This language directs MSD to submit a report regarding actions taken to resolve these findings.

Information Request	Author	Due Date
Report on OLA findings	MSD	November 1, 2024

2. Adopt the following narrative:

Report on Kindergarten Readiness Assessment (KRA) Scores: The KRA is a standardized test used by the Maryland School for the Deaf (MSD) as a Managing for Results (MFR) measure to assess students entering kindergarten in four areas: language and literacy; mathematics; social foundations; and physical well-being and motor development. Prior to the COVID-19 pandemic in fiscal 2019, students scored above 40% proficiency in mathematics and physical well-being and below 20% proficiency in language and literacy and social foundations. Due to pandemic-related school closures, in fiscal 2020 through 2023, students scored below 30% proficiency in all measures, with student language and literacy and social foundations scores at or below 10% proficiency. The MFR goal for this measure is for 45% of entering kindergartners to be proficient in each tested area. Due to concerns with continued lags in KRA scores, the committees request that MSD report by December 1, 2024, on actions taken by MSD, including local education agencies and organizations that work with kindergarten students entering MSD, to improve KRA scores for entering kindergartners in all tested areas.

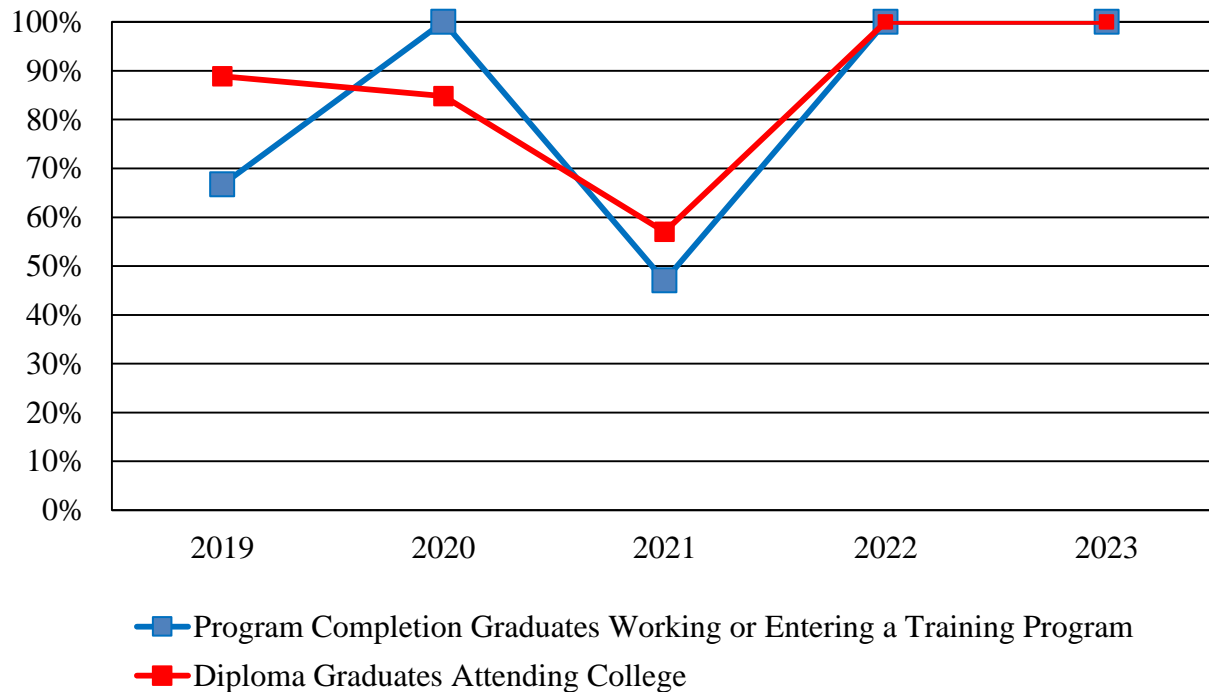
Information Request	Author	Due Date
Report on KRA scores	MSD	December 1, 2024

Updates

1. MSD Student Graduation Outcomes Sustained For Second Year

Exhibit 7 shows that in MSD’s 2023 graduating class, 100% of students plan to attend college, work, or enter a training program. For students attending college, this percentage is the same as in fiscal 2022 and exceeds graduating classes from calendar 2019 through 2021. For students working or entering a training program, this percentage is the same as fiscal 2020 and 2022, with 100% placement levels.

Exhibit 7
Students Headed to College, Training, and Work
Fiscal 2019-2023



Source: Department of Budget and Management; Maryland School for the Deaf

Appendix 1
Audit Findings
Maryland School for the Deaf

Audit Period for Last Audit:	November 30, 2018 – January 31, 2023
Issue Date:	January 2024
Number of Findings:	4
Number of Repeat Findings:	1
% of Repeat Findings:	25%
Rating: (if applicable)	n/a

Finding 1: MSD did not always comply with State procurement regulations.

Finding 2: **MSD’s procurement and use of vendors for sign language interpreting services did not comply with State procurement regulations and did not ensure that the services were received at the lowest price.**

Finding 3: MSD artificially split certain corporate purchasing card transactions, circumventing competitive procurement requirements and/or cardholder single transaction limits. MSD could not document that it used available Level-3 detailed purchasing data to ensure the propriety of purchases.

Finding 4: MSD’s MOA with its affiliated foundation was not sufficiently comprehensive, and reports of the foundation’s financial activity were not submitted to MSD as required.

* Bold denotes item repeated in full or part from preceding audit report.

**Appendix 2
Object/Fund Difference Report
Maryland School for the Deaf**

<u>Object/Fund</u>	<u>FY 23 Actual</u>	<u>FY 24 Working Appropriation</u>	<u>FY 25 Allowance</u>	<u>FY 24 - FY 25 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	334.50	340.00	362.50	22.50	6.6%
02 Contractual	89.75	94.50	39.30	-55.20	-58.4%
Total Positions	424.25	434.50	401.80	-32.70	-7.5%
Objects					
01 Salaries and Wages	\$ 33,668,476	\$ 40,773,265	\$ 43,324,626	\$ 2,551,361	6.3%
02 Technical and Special Fees	5,929,212	4,985,063	3,092,622	-1,892,441	-38.0%
03 Communication	141,286	123,469	141,310	17,841	14.4%
04 Travel	53,224	13,700	18,425	4,725	34.5%
06 Fuel and Utilities	747,103	938,147	810,569	-127,578	-13.6%
07 Motor Vehicles	138,765	100,103	179,411	79,308	79.2%
08 Contractual Services	2,823,563	2,737,292	2,734,023	-3,269	-0.1%
09 Supplies and Materials	1,399,590	1,410,667	1,598,637	187,970	13.3%
10 Equipment – Replacement	734,706	521,824	710,039	188,215	36.1%
13 Fixed Charges	235,114	269,226	340,134	70,908	26.3%
Total Objects	\$ 45,871,039	\$ 51,872,756	\$ 52,949,796	\$ 1,077,040	2.1%
Funds					
01 General Fund	\$ 39,511,930	\$ 45,431,054	\$ 45,743,016	\$ 311,962	0.7%
03 Special Fund	392,757	530,967	586,542	55,575	10.5%
05 Federal Fund	725,829	652,429	778,122	125,693	19.3%
09 Reimbursable Fund	5,240,523	5,258,306	5,842,116	583,810	11.1%
Total Funds	\$ 45,871,039	\$ 51,872,756	\$ 52,949,796	\$ 1,077,040	2.1%

Note: The fiscal 2024 appropriation does not include across-the-board reductions. The fiscal 2025 allowance does not include cost-of-living adjustments.