

Department of Legislative Services  
 Maryland General Assembly  
 2018 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1415 (The Speaker, *et al.*) (By Request - Commission on Innovation and Excellence in Education)

Ways and Means and Appropriations

Education - Commission on Innovation and Excellence in Education

This bill extends the deadline for the Commission on Innovation and Excellence in Education to complete its work by one year. It also establishes or alters several programs and mandates funding for them beginning in fiscal 2019, including (1) a comprehensive teacher recruitment and outreach program; (2) the Maryland Early Literacy Initiative; (3) the Learning in Extended Academic Programs (LEAP) grant program; (4) the Public School Opportunities Enhancement Program (PSOEP); (5) the Teaching Fellows for Maryland scholarship program; and (6) the Career and Technology Education (CTE) Innovation grant program. Beginning in fiscal 2020, the Governor must annually appropriate to the Prekindergarten Expansion Fund an amount that is at least equal to *all* revenues received in prior fiscal year. Finally, the scope of a study of the individualized education program (IEP) process in Maryland is expanded and the due date for the study is extended. **The bill takes effect June 1, 2018.**

Fiscal Summary

**State Effect:** General fund expenditures increase by \$6.9 million in FY 2019 and by \$36.6 million annually by FY 2022, as discussed below. The increase in FY 2019 expenditures is at the discretion of the Governor. **This bill establishes mandated appropriations beginning in FY 2020.**

(\$ in millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	6.9	29.3	29.1	36.6	36.6
Net Effect	(\$6.9)	(\$29.3)	(\$29.1)	(\$36.6)	(\$36.6)

Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

**Local Effect:** Grant funding for local schools systems increases by \$4.3 million in fiscal 2019, increasing to approximately \$34.1 million annually by fiscal 2022.

**Small Business Effect:** Nonprofit organizations that implement literacy programs benefit.

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## Analysis

**Bill Summary:** The due date for the Commission on Innovation and Excellence in Education final report is extended to December 31, 2018, and the term of the commission is extended to May 31, 2019.

### *Comprehensive Teacher Recruitment and Outreach Program*

This recruitment and outreach program is intended to encourage the top 25% of high school graduates from each local school system to consider pursuit of a Maryland professional teacher's certificate; improve the public perception of the teaching profession; and increase awareness of available financial aid programs for teaching candidates, including the Teaching Fellows for Maryland scholarship program. The program must focus recruitment efforts on (1) ethnic, racial, and other demographic groups that are underrepresented in the teaching profession and (2) teacher shortage fields identified by the Maryland State Department of Education (MSDE). The Governor must appropriate at least \$250,000 annually for the program.

### *Maryland Early Literacy Initiative*

This initiative, to be developed and administered by MSDE, is intended to assist up to 50 Title I schools in at least three counties to implement an evidence-based literacy program to work with specified students to meet literacy targets. Beginning in the 2018-2019 school year, qualifying schools, in collaboration with a nonprofit organization, may apply for a grant to develop a literacy program. MSDE must distribute up to 50 grants, not to exceed \$50,000 each per year, for a two-year period. Grants must be renewed if the qualifying school presents evidence that the school is compliant with program requirements and meets identified targets and benchmarks. The initiative is primarily intended to serve students in prekindergarten through eighth grade. Grantee programs must be implemented by staff hired and supervised by the collaborating nonprofit organizations. Beginning in fiscal 2019, the Governor must appropriate at least \$2.5 million annually for the initiative. MSDE may use up to 3% of this appropriation (\$75,000) to administer the initiative.

### *Learning in Extended Academic Programs Grant Program*

This program is intended to provide a grant to schools in which at least 90% of students qualify for free and reduced-price meals to provide extended academic programming that has a positive measurable impact on the academic performance and overall well-being of students who are at risk of falling behind academic requirements. An extended academic program must include before and after school or summer programs. To qualify, summer programs must provide at least four hours of daily programming for at least 30 days and before and after school programs must provide at least eight hours of academic programming each week that school is in session. Beginning in fiscal 2019, the Governor must appropriate at least \$5.0 million annually for the program, which is redirected from PSOEP under current law. MSDE may use up to 3% of this appropriation (\$150,000) to administer the program. MSDE must develop regulations for the Maryland Early Literacy Initiative and must meet specified reporting requirements for the Maryland Early Literacy Initiative and for the LEAP grant program.

### *Career and Technology Education Innovation Grant Program*

MSDE must administer this grant program to enable local boards of education to partner with community colleges and business and industry to develop and implement an innovative CTE curriculum framework that includes the United States and international best practices. To be eligible for a grant, the local board must ensure that the program is of high quality, is aligned with skills needed by employers, will lead to an industry-recognized license or certificate, creates internship or apprenticeship opportunities, and prepares students to successfully compete in a global economy. The Governor must appropriate at least \$2.0 million annually for the program. MSDE may use up to 3% of this appropriation (\$60,000) to administer the program.

### *Public School Opportunities Enhancement Program*

Beginning in fiscal 2019, and for each year thereafter, the Governor must appropriate at least as much as in the prior fiscal year. Required funding is extended to all future years, as opposed to ending after fiscal 2021 under current law. Also, a grantee that remains eligible for the program must receive as much grant funding as in the prior fiscal year.

### *Teaching Fellows for Maryland Scholarship Program*

The Governor must include at least \$2.0 million in the annual State budget for the Teaching Fellows for Maryland scholarship, which was created by Chapter 542 of 2014 but has never been funded. Eligibility for the program is altered such that scholarship recipients must have (1) a specified level for GPA, GRE, SAT, or ACT and (2) demonstrated an exceptional dedication to or aptitude for teaching.

Also, a scholarship may be received by an individual who is enrolled, or intends to enroll, at an institution of higher education in order to attain a teaching certificate, who either changes majors or seeks to change careers to pursue teaching certificate. Graduate students receiving a scholarship must, as their service obligation, teach for two years in a public school or prekindergarten program with at least 50% of its students being eligible for free and reduced-price meals.

### *Special Education Study*

The scope of the required study under Chapter 715 of 2017 is expanded to include a review and assessment of (1) available national and international data and studies on current costs of special education across the spectrum of disabilities and severity; (2) methodologies used by top-performing countries to estimate costs of providing adequate education to students in special education; and (3) methodologies used and considered in other states the use a special education weight for estimating the cost of an adequate education for special education students. Recommendations must be made for the adequate level of funding, and on any use of weights, in public school funding formulas for special education. The study must begin by September 1, 2018, and must be completed by September 1, 2019.

### **Current Law/Background:**

#### *Commission on Innovation and Excellence in Education*

Chapters 701 and 702 of 2016 established the Commission on Innovation and Excellence in Education to, among other charges, (1) review the findings of a consultant's study on adequacy of education funding and its related studies and make recommendations on the funding formula; (2) review and make recommendations on expenditures of local education agencies; (3) review and make recommendations on innovative education delivery mechanisms and other strategies to prepare Maryland students for the twenty-first century workforce and global economy; and (4) review and make recommendations on expanding prekindergarten, including special education prekindergarten. The commission members were appointed during summer 2016, with former University System of Maryland Chancellor Dr. William "Brit" Kirwan being appointed to serve as chair of the commission. To date, the commission has held 17 all-day meetings, as well as 4 public hearings in Stevensville, Frederick, Upper Marlboro, and Baltimore City.

In order to develop appropriate policy recommendations, in January 2017, the commission asked the National Center on Education and the Economy (NCEE) to perform a gap analysis to help the commission compare Maryland's education system to systems in top-performing countries and states. The gap analysis was designed to help the commission identify policy priorities and implementation strategies to be considered in

conjunction with changes to the State education aid formulas. NCEE presented the *9 Building Blocks for World-Class Education Systems* to the commission. The commission has arranged the nine building blocks into five policy areas around which it has organized its policy recommendations.

The commission has requested an additional year in order to fully respond to its charge. In a [preliminary report](#) completed in January 2018, the commission submitted its preliminary policy recommendations (59 in total). It also stated its intention to work during the 2018 interim to develop greater specificity for each recommendation in order to “cost out” their fiscal impact, thereby allowing the commission to make recommendations for adequate funding in its final 2018 report. Many of the bill’s provisions align with several of the commission’s 59 preliminary policy recommendations, specifically those related to teacher recruitment and diversity, early childhood education, and providing additional and adequate supports for low-income and special education students. For more information on the commission see the [commission’s web page](#).

#### *Public School Opportunities Enhancement Program*

Chapter 32 of 2016 established PSOEP and required MSDE to develop and administer the grant program to assist local school systems, public community schools, and nonprofit organizations in the State in expanding or creating extended day and summer enhancement programs and to assist nonprofit organizations in the State and community schools in expanding or supporting existing educational programming during the school day.

Specified counties are eligible to participate in the program. If the grantee is a local school system, the local school system must provide at least an equal match to State grant funding. Chapter 32 required the Governor to include \$7.5 million annually in the State budget for the program for fiscal 2018 through 2021. However, the Budget Reconciliation and Financing Act (BRFA) of 2017 (Chapter 23) reduced the mandated appropriation for PSOEP for fiscal 2018 from \$7.5 million to \$2.5 million. Also, the Governor’s proposed BRFA of 2018 (Senate Bill 187 and House Bill 161) removes the funding mandate for the program, authorizes \$2.5 million for the program in fiscal 2019, and leaves funding for the program in fiscal 2020 and 2021 at the Governor’s discretion.

#### *Teaching Fellows for Maryland Scholarship Program*

The Maryland Teacher Scholarship was established in 1999 as part of the HOPE Scholarship Program. A phase out of the HOPE scholarships began in fiscal 2005 and, although award renewals were maintained for those already receiving the scholarships, no HOPE scholarships have been awarded to new recipients since fiscal 2004. Chapters 542 and 543 renamed the defunct Maryland Teacher Scholarship to be the Teaching Fellows for Maryland scholarship and altered the eligibility criteria, the service

obligation requirements, and the amount of the award. The scholarship may only be used at a public senior (*i.e.*, four-year) higher education institution with a department, school, or college of education *or* at a private nonprofit institution of higher education with a certificate of approval from the Maryland Higher Education Commission that has a department, school, or college of education that agrees to provide recipients with a specified matching grant. Scholarship recipients must fulfill a service obligation. Statute indicates that the Governor must include in the annual State budget funds to award scholarships, however a minimum funding level is not specified and the program has never been funded.

### *Publicly Funded Prekindergarten*

Chapter 288 of 2002, the Bridge to Excellence in Public Schools Act, required each local school system to make publicly funded prekindergarten available to economically disadvantaged four-year-old children in the State. To qualify as economically disadvantaged, a child must be from a family whose income is at or below 185% of federal poverty guidelines. If vacancies remain after economically disadvantaged children have been enrolled, local school systems may make prekindergarten available to other children that exhibit a lack of readiness for school. The State provides funding to school systems to support the program through the State compensatory education formula.

Chapter 2 of 2014 expanded prekindergarten services to additional eligible four-year-old children from families whose income is at or below 300% of federal poverty guidelines by establishing a competitive grant program to provide funding to qualified public and private prekindergarten providers.

The State budget has included \$4.3 million for the expansion program in fiscal 2015 through 2017. In 2014, Maryland was also awarded a federal grant that provides \$15.0 million annually through fiscal 2019 to continue the expansion of public prekindergarten. In its grant application, the State committed to matching funds of \$3.7 million in fiscal 2018 and \$7.3 million in fiscal 2019 to provide access to high-quality prekindergarten to families with incomes between 200% and 300% of federal poverty guidelines. Pursuant to Chapters 683 and 684 of 2016, the Governor must include an appropriation in the budget for the amount that the State committed to fund as the State match to the federal grant in addition to the amount required under preexisting law for the State Prekindergarten Expansion Grant Program. Thus, State funding totaled \$8.0 million in fiscal 2018 and totals \$11.6 million in the proposed fiscal 2019 budget.

### *Individualized Education Program Process Study*

Chapter 715 of 2017 requires MSDE to, by July 1, 2018, contract with an outside entity to conduct a study of the IEP process in the State. MSDE must report the findings and

recommendations of the consultant to the General Assembly by July 1, 2019. In addition, MSDE, in consultation with each local school system, must review and assess staff allocations and resources that are available to assist the parents and guardians of children with disabilities to participate in the IEP process, as well as current population densities of children with IEPs and of special education teachers. The findings and recommendations from MSDE’s review and assessment must be submitted to the General Assembly by December 31, 2018.

**State Expenditures:**

*Program Funding*

General fund expenditures increase by \$6.9 million in fiscal 2019, by \$29.3 million in fiscal 2020, by \$29.1 million in fiscal 2021, and by \$36.6 million annually beginning in fiscal 2022. **Exhibit 1** shows the net impact on State expenditures under the bill for fiscal 2019 to 2023, based on the assumptions and analysis described below.

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**Exhibit 1**  
**Change in State Expenditures Under the Bill**  
**(\$ in Thousands)**

	<b><u>FY 2019</u></b>	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>	<b><u>FY 2022</u></b>	<b><u>FY 2023</u></b>
Teacher Recruitment/Outreach	\$250	\$250	\$250	\$250	\$250
Maryland Early Literacy Initiative	2,500	2,500	2,500	2,500	2,500
Prekindergarten Expansion	0	22,344	22,344	22,344	22,344
PSOEP	(5,000)	(5,000)	(5,000)	2,500	2,500
LEAP Grant Program	5,000	5,000	5,000	5,000	5,000
Teaching Fellows for Maryland	2,000	2,000	2,000	2,000	2,000
CTE Innovation	2,000	2,000	2,000	2,000	2,000
Special Education Study	121	229	0	0	0
<b>Total</b>	<b>\$6,871</b>	<b>\$29,323</b>	<b>\$29,094</b>	<b>\$36,594</b>	<b>\$36,594</b>

PSEOP: Public School Opportunities Enhancement Program

LEAP: Learning in Extended Academic Programs

CTE: Career and Technical Education

Note: Amounts include MSDE’s administrative costs.

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PSOEP funding totals \$2.5 million in fiscal 2018. The bill requires that beginning in fiscal 2019, funding for the program must total at least as much as the amount of grant awards in the prior fiscal year. Therefore, annual funding is assumed to remain at \$2.5 million annually. This results in a \$5.0 million reduction in PSOEP expenditures in fiscal 2019 through 2021 and, by extending mandated appropriations beyond fiscal 2021, results in increased expenditures of \$2.5 million annually beginning in fiscal 2022. The LEAP grant program receives \$5.0 million annually beginning in fiscal 2019, which offsets the reduced funding for PSOEP.

Beginning in fiscal 2020, the Governor must annually appropriate to the Prekindergarten Expansion Fund an amount that is at least equal to *all* revenues received in prior fiscal year. Fiscal 2019 revenues include \$11.6 million in State funding plus \$15.0 million in federal revenues, for a total of \$26.6 million. Current law requires \$4.3 million in State money annually for the fund, thus State funding increases by \$22.3 million annually as shown in Exhibit 1.

**Exhibit 2** shows annual State and federal revenues for the prekindergarten expansion grants for fiscal 2018 and 2019, as well as fiscal 2020 under the bill. In fiscal 2020 the State covers the prior year amount provided by both the State and the federal government, resulting in a \$15 million increase in State funding for the program and no net increase in total funding.

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**Exhibit 2**  
**Prekindergarten Expansion Grant Revenues**

	<b>Working FY 2018</b>	<b>Allowance FY 2019</b>	<b>Under Bill FY 2020</b>	<b>Difference FY 19-20</b>
State Revenues	\$7,972,000	\$11,644,000	\$26,644,000	\$15,000,000
Federal Revenues	15,000,000	15,000,000	0	(15,000,000)
<b>Total</b>	<b>\$22,972,000</b>	<b>\$26,644,000</b>	<b>\$26,644,000</b>	<b>\$0</b>

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Beginning in fiscal 2019, annual expenditures also include \$250,000 for the teacher recruitment and outreach program, \$2.0 million each for the Teaching Fellows in Maryland scholarship program and the CTE Innovation grant program, and \$2.5 million for the Maryland Early Literacy Initiative.



### Administrative Costs

MSDE expenditures increase by \$424,300 in fiscal 2019 to cover costs associated with hiring three additional education program specialists to administer grant programs and one specialist for the outreach and recruitment program, and to pay for increased consulting expenses associated with the required special education study. All of these costs are covered by and are *not in addition* to the expenditures shown in Exhibit 1. Future year expenditures reflect elimination of one-time costs, annual increases and employee turnover, and ongoing operating expenses.

Positions	4
Salaries and Fringe Benefits	\$280,513
Consultant for Special Education Study	120,833
Operating Expenses	<u>22,935</u>
<b>Total FY 2019 State Expenditures</b>	<b>\$424,281</b>

Altering the timeframe for the special education study under Chapter 715 of 2017 reduces already anticipated consulting costs in fiscal 2019 by \$81,300 and increases fiscal 2020 costs by an equivalent amount. An additional \$350,000 in consulting costs is anticipated under the bill, including \$204,200 in fiscal 2019 and \$145,800 in fiscal 2020. The net result is an increase in consulting costs for MSDE of \$120,800 in fiscal 2019 and \$229,200 in fiscal 2020, as reflected above.

The Department of Legislative Services can continue to staff the Commission on Innovation and Excellence in Education for an additional year using existing resources.

**Local Fiscal Effect:** State funding for grant programs described above that benefit local public school systems increases by a net amount of \$4.3 million in fiscal 2019, by \$26.6 million in fiscal 2020 and 2021, and by \$34.1 million by fiscal 2022 and thereafter. These estimates reflect minimum funding for the programs established by the bill, the changes to PSOEP reflected in Exhibit 1, and costs to MSDE to administer these programs (*i.e.*, costs associated with the three education program specialists hired to administer them). Assuming annual increases to these administrative costs, but also given administrative cost limits established by the bill, State funding to local school systems diminishes only slightly in fiscal 2023 and beyond, as compared to the \$34.1 million provided in fiscal 2022. A portion of the prekindergarten expansion funds are currently allocated to private providers; to the extent that continues in the future, the amount received by local school systems is less than shown below.

**Exhibit 3** shows the net impact on State funding to public schools for fiscal 2019 to 2023.

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**Exhibit 3**  
**State Grant Funding Under the Bill**  
(\$ in Thousands)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Maryland Early Literacy Initiative	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Prekindergarten Expansion*	0	22,344	22,344	22,344	22,344
PSOEP	(5,000)	(5,000)	(5,000)	2,500	2,500
LEAP Grant Program	5,000	5,000	5,000	5,000	5,000
CTE Innovation	2,000	2,000	2,000	2,000	2,000
MSDE Administrative Costs	(215)	(268)	(276)	(286)	(296)
<b>Total</b>	<b>\$4,285</b>	<b>\$26,576</b>	<b>\$26,568</b>	<b>\$34,058</b>	<b>\$34,048</b>

PSEOP: Public School Opportunities Enhancement Program  
LEAP: Learning in Extended Academic Programs  
CTE: career and technical education  
MSDE: Maryland State Department of Education

\*A portion of these funds may be allocated to private providers.

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**Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 1092 (The President, *et al.*) (By Request - Commission on Innovation and Excellence in Education) - Education, Health, and Environmental Affairs and Budget and Taxation.

**Information Source(s):** Baltimore City; Montgomery County; Maryland State Department of Education; Department of Legislative Services

**Fiscal Note History:** First Reader - March 6, 2018  
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Analysis by: Scott P. Gates

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510