

R00A01
Headquarters
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$98,709	\$79,944	\$90,262	\$10,318	12.9%
Deficiencies and Reductions	0	14,223	-6,624	-20,847	
Adjusted General Fund	\$98,709	\$94,167	\$83,638	-\$10,528	-11.2%
Special Fund	6,476	7,390	7,258	-132	-1.8%
Deficiencies and Reductions	0	0	-77	-77	
Adjusted Special Fund	\$6,476	\$7,390	\$7,181	-\$209	-2.8%
Federal Fund	237,023	171,045	146,033	-25,012	-14.6%
Deficiencies and Reductions	0	0	-2,244	-2,244	
Adjusted Federal Fund	\$237,023	\$171,045	\$143,789	-\$27,256	-15.9%
Reimbursable Fund	1,764	2,452	2,865	413	16.8%
Adjusted Reimbursable Fund	\$1,764	\$2,452	\$2,865	\$413	16.8%
Adjusted Grand Total	\$343,972	\$275,054	\$237,474	-\$37,580	-13.7%

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- Fiscal 2015 deficiency appropriations total approximately \$16.5 million in general funds. Approximately \$16.8 million is provided to support the development and scoring of State assessments. This increases total expenditures for assessments to \$45.9 million. Offsetting this increase is a \$304,153 withdrawn appropriation for the Maryland Longitudinal Data System Center (MLDSC) to implement cost containment reductions for turnover expectancy and operating expenses.

Note: Numbers may not sum to total due to rounding.

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- The adjusted fiscal 2016 allowance reflects a decrease of \$37.6 million when compared to the adjusted fiscal 2015 working appropriation. Nearly three-quarters of the reduction is attributable to the loss of federal fund revenues, primarily from the end of the Race to the Top (RTTT) grant. General funds decline by approximately \$10.5 million. After accounting for the fiscal 2015 deficiency appropriation, funding for State assessments decreases by \$8.9 million. It is expected that this will result in the need for a future deficiency appropriation of approximately \$6.6 million.
- Cost containment actions within the Maryland State Department of Education (MSDE) Headquarters reduce the fiscal 2016 allowance by \$8.9 million. This includes a \$2.2 million contingent general fund reduction to phase in a funding increase for the Maryland Library for the Blind and Physically Handicapped (LBPH) and to delay the implementation of a Deaf Culture Digital Library. In addition, the Administration has implemented several across-the-board reductions impacting the fiscal 2016 allowance. This includes a general 2% reduction, elimination of employee increments, and a revision to the salary plan, which reflects the abolition of the 2% general salary increase provided on January 1, 2015. This agency’s share of those across-the-board reductions is \$6.8 million.

Personnel Data

	FY 14 <u>Actual</u>	FY 15 <u>Working</u>	FY 16 <u>Allowance</u>	FY 15-16 <u>Change</u>
Regular Positions	1,271.40	1,282.90	1,283.90	1.00
Contractual FTEs	<u>147.37</u>	<u>181.30</u>	<u>133.29</u>	<u>-48.01</u>
Total Personnel	1,418.77	1,464.20	1,417.19	-47.01

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	78.26	6.10%
Positions and Percentage Vacant as of 11/01/14	136.60	10.65%

- The fiscal 2016 allowance provides one new regular position for the Juvenile Services Education (JSE) program. This position is needed to support special education services provided to youth in Department of Juvenile Services’ (DJS) facilities. JSE schools serve an unusually high number of students with disabilities, and lack of compliance in administering special education services has attracted increased scrutiny from the advocacy and legal communities.
- MSDE Headquarters loses 48.01 contractual full-time equivalents in the fiscal 2016 allowance, largely due to the loss of federal funding from RTTT grants.

Analysis in Brief

Major Trends

Overall Student Outcomes for Youth in Juvenile Services’ Facilities Show Marginal Improvement in 2014: Fiscal 2014 was the first year that MSDE provided education services for all DJS-operated facilities. The agency served nearly 5,500 youth in academic year 2014. Between academic year 2013 and 2014, the percentage of students obtaining a certification in a career technology module increased from 23% to 28%. Additionally, more students demonstrated improved math skills, growing by 3 percentage points to 60% of tested students. In terms of improved reading skills and earning a general education diploma (GED), however, the percentage of students achieving positive outcomes declined in 2014. **MSDE should comment on what factors cause student outcomes to fluctuate year to year for students in DJS facilities and what measures are being taken to increase the GED pass rate and the percentage of students demonstrating improvement in their reading skills.**

Library for the Blind and Physically Handicapped Experiences Decline in Patrons and Outreach Programs: The LBPH is a statewide library program serving over 8,000 blind, visually impaired, physically disabled, and reading disabled Maryland residents. LBPH, which is operated by MSDE and located in Baltimore City, is the primary source of books, periodicals, and other information in formats such as Braille, large print, and recorded books. After experiencing significant increases between fiscal 2008 and 2011, both the library’s outreach programs and volume of users have been in decline. This is largely due to budgetary and staffing constraints. In fiscal 2014, the library provided 114 outreach programs and served just over 8,100 patrons.

Employment and Retention Rates among Rehabilitation Clients Fluctuate: The Department of Rehabilitation Services provides vocational rehabilitation services and determines eligibility for federal disability benefits. The goal of the department’s client services program is to provide vocational rehabilitation to disabled individuals so they may achieve economic self-sufficiency through employment. The employment success rate fluctuates from year to year, but has generally trended upward in the past three years. Since fiscal 2007, the employment success rate has averaged approximately 60%. Of those who obtain employment, approximately 85% of those individuals retain that employment for at least one year.

Issues

Transition to the New Model for State Assessments Has Begun; Total Cost Estimates Reflect Minimal Savings Despite Transition to the Partnership for Assessment of Readiness of College and Careers: As a result of the new Maryland College- and Career-Ready Standards (MCCRS) and related curriculum, the State required a new assessment system. The transition to the Partnership for Assessment of Readiness of College and Careers (PARCC) will replace the Maryland School Assessments (MSA) in reading and math for grades 3 through 8 and the High School Assessments for English 10 and Algebra I. Beginning in the 2014-2015 school year, high school students taking the relevant course will also be tested in Algebra II to determine college and career readiness. The PARCC contract includes the potential to phase-in additional tests for English 9, English 11, and Geometry between fiscal 2016 and 2018. These three additional assessment have yet to be approved by the State

Board of Education. PARCC does provide significant economies of scale, testing reading and math in grades 3 through 8 and offering up to six separate exams in high school for less than the cost of the MSAs alone. Additional savings are also realized by administering the PARCC exams online; however, most of those savings will be negated by offering more tests than the previous accountability system. **MSDE should discuss the extent to which the department has maintained communication with local education agencies (LEA) and the public regarding the increased amount of testing that will be implemented with the transition to PARCC. The department should comment on the process and timeline for deciding whether or not to implement the additional testing and what factors will guide that decision.**

Assessment of Local Education Agency Readiness for Digital Learning: PARCC field tests were given statewide for the first time in spring 2014. The operational tests will be implemented in all schools in the 2014-2015 school year. The field tests were administered in all but seven schools, with approximately half of the schools administering the tests online. All but one of Maryland's LEAs are committed to delivering the PARCC 2015 spring operational assessments 75% to 100% online. While MSDE is on track to meet the goal of testing PARCC 100% online by the 2016-2017 school year, many schools will still have to make concessions in order to assess large numbers of students online. This means that for many schools during the two testing windows, devices will not be available for digital learning because they will be used to support the online assessments. An even greater challenge is identifying the resources needed to support the increased technological demands associated with implementing PARCC and MCCRS. For the 16 jurisdictions responding to an MSDE survey of funding needs to close technology gaps, the identified year one costs were estimated to be \$467.5 million. **MSDE should provide an update on the identified technological issues with implementing PARCC and administering the assessments online. The agency should also comment on the status of providing online assessment for special needs population, such as students at the Maryland School for the Deaf. Finally, the department should discuss potential next steps for closing the identified gaps in technological infrastructure. The Department of Legislative Services recommends adding budget language requiring a report on the continued progress made toward implementing PARCC online.**

Race to the Top Wraps Up in 2015: Maryland was awarded \$250 million in federal funding to support education reforms through the RTTT grant in 2010. Of the 54 projects implemented with RTTT funding, 22 were granted one-year no-cost extensions. Fiscal 2015 is the final year for the grant. Significant progress has been made regarding new assessments, implementation of teacher and principal evaluations, and establishment of the Breakthrough Center. One area that continues to be of concern is the implementation of new data systems, including P-12 data dashboards; science, technology, engineering, and mathematics (STEM) online courses; and the MLDSC. Issues with project delays and staffing have been noted from the outset of the RTTT implementation. **MSDE should comment on the RTTT progress made since the release of the U.S. Department of Education year three progress report and identify any potential concerns that might be raised in the year four report. In addition, MSDE should discuss the status of the P-12 data dashboards, STEM online courses, and other outstanding information technology-related projects, particularly speaking to efforts made to accelerate project timelines and address staffing deficiencies. The executive director of the MLDSC should address when the MLDSC website may have new content available to either legislators or the general public.**

2014 Educator Effectiveness Ratings Report That 41% of Teachers Were Deemed Highly Effective in the First Iteration of the New Teacher-Principal Evaluation Model: The redesign of teacher and principal evaluations was one of the primary reforms identified in Maryland’s RTTT application and continues to be a focus. It was also a key component of the State’s request for a one-year extension of the Flexibility Waiver for No Child Left Behind, which was approved in July 2014 by the U.S. Department of Education (USDE). On October 28, 2014, MSDE released a full report on teacher evaluations based on data from the participating counties for the 2013-2014 school year. A total of 40.8% of all teachers were rated highly effective, 56.4% of teachers were rated effective, and 2.8% of total teachers were rated ineffective. Educator effectiveness ratings for principals showed that 48.3% of all principals rated were rated highly effective, 50.3% were deemed to be effective, and only 1.4% were identified as ineffective. The number of highly effective educators varied significantly for schools with high poverty and minority student populations. A new request for a Flexibility Waiver must be submitted in spring 2015. Chapter 630 of 2014 requires MSDE to submit proposed waiver requests to the Legislative Policy Committee at least 30 days prior to submitting the waiver application to USDE. **MSDE should be prepared to discuss its evaluation of the 2014 Educator Effectiveness Ratings, the next steps to be taken to improve the evaluation process going forward, and the role the ratings are anticipated to play in terms of making personnel decisions at the local level. The department should also comment on the status and content of its proposed Flexibility Waiver request.**

Recommended Actions

Funds

1. Add language restricting funds for the sole purpose of funding State assessment contracts.
2. Add annual language expressing legislative intent that no loaned educator be engaged for more than six years and requesting a report.
3. Add language to delete vacant positions within MSDE Headquarters to align vacancies with budgeted turnover.
4. Add language restricting funds pending receipt of report on unexpended federal grant funds.
5. Add language restricting funds until a report is submitted on progress made toward implementing online assessments.
6. Strike contingent language reducing funds for the Division of Library Development and Services.
7. Reduce funds by delaying implementation of a Deaf Culture Digital Library. \$ 232,672

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8. Phase in the funding increase for the Maryland Library for the Blind over 10 years.	1,940,983
Total Reductions	\$ 2,173,655

Updates

Loaned Educators Decline to 7 in Fiscal 2015: In the 2010 legislative session and each year thereafter, the General Assembly has added budget language expressing intent that no individual loaned educator be engaged for more than six years and that certain loaned educators submit annual financial disclosure statements. The number has declined from 79 in fiscal 2006 to 7 in fiscal 2015 through a combination of budget reductions, educators returning to counties, and conversions of educators to regular positions, among other actions. MSDE has not engaged a new loaned educator since prior to fiscal 2010. As such, fiscal 2016 is the sixth and final year for all 7 existing loaned educators.

2014 Bridge to Excellence Adequacy Study: A follow up study to Maryland’s Bridge to Excellence in Public Schools Act began in June 2014 and will be completed by December 1, 2016. The study will re-examine the adequate level of funding needed for public school students to meet the State’s academic standards. To date, information has been provided on the proposed methodology for the study, a preliminary evaluation of the role that school size can play in student achievement, and a proposal for determining alternative measures for identifying economically disadvantaged youth for the purpose of calculating State aid formulas.

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Headquarters
Maryland State Department of Education

Operating Budget Analysis

Program Description

Providing a free, public education is a constitutional obligation of the State. The Maryland State Department of Education (MSDE) strives to provide leadership, support, and accountability for effective public education systems, including juvenile correctional education and career readiness. The agency also oversees rehabilitation services and library services for all Marylanders.

The State plays an important role in public education by setting uniform standards for schools and students. The State Board of Education (State board) adopted the Maryland College- and Career-Ready Standards (MCCRS) in English language arts/literacy and mathematics in June 2010, which form the foundation for Maryland's new State curriculum. The new State curriculum was fully implemented in all Maryland schools beginning in the 2013-2014 school year. The agency uses assessments to hold schools and students accountable for achievement of the State standards.

MSDE helps ensure that educators have the skills necessary to improve student achievement. The agency handles certification of teachers, principals, and other professional school personnel. Training programs are offered to principals, and the agency evaluates and approves higher education programs that educate and prepare teachers and other certified school personnel.

MSDE includes the Office of the State Superintendent; the Division of Business Services; the Division of Academic Policy and Innovation; the Division of Accountability and Assessment; the Office of Information Technology (IT); Major IT Development Projects; the Office of School and Community Nutrition Programs; the Division of Early Childhood Development; the Division of Curriculum, Assessment, and Accountability; the Division of Student, Family, and School Support; the Division of Special Education/Early Intervention Services; the Division of Career and College Readiness; the Juvenile Services Education Program (JSE); the Division of Certification and Accreditation; the Division of Library Development and Services (DLDS); and the Division of Rehabilitation Services (DORS). Funding for the Home and Community Based Waiver for Children with Autism Spectrum Disorder is no longer part of the MSDE Headquarters budget and has moved to the Aid to Education budget. Note that a separate analysis on Early Childhood Development (R00A99) discusses the Division of Early Childhood Development.

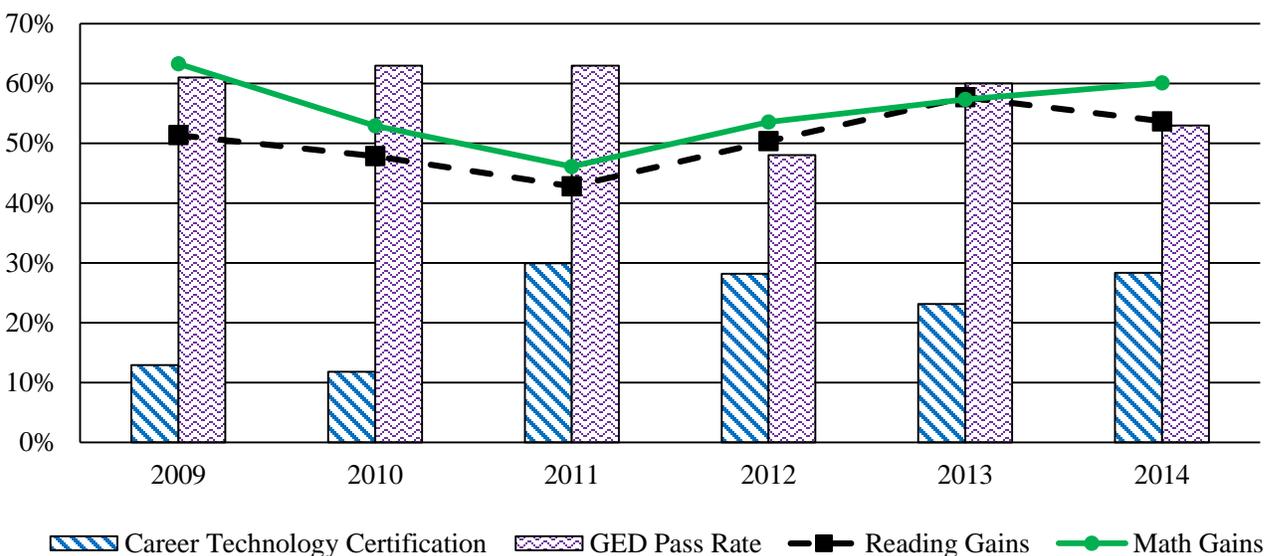
Performance Analysis: Managing for Results

1. Overall Student Outcomes for Youth in Juvenile Services’ Facilities Show Marginal Improvement in 2014

In fiscal 2005, MSDE began to operate educational programs for youth in Department of Juvenile Services (DJS) facilities. Fiscal 2014 was the first year that MSDE provided education services for all DJS operated facilities. The agency served nearly 5,500 youth in academic year 2014 (*i.e.*, 2013-2014 school year). Of the 14 sites, half are for committed youth, while the others are detention centers. The average length of stay is generally shorter in detention centers, meaning that MSDE has relatively less time to improve educational outcomes for most of the programs it offers.

Overall, as seen in **Exhibit 1**, outcomes for students receiving education services in DJS facilities demonstrated marginal improvement between 2013 and 2014. The percent of students demonstrating math gains increased for the third consecutive year, with approximately 60% of tested students showing improvement. Also, after two years of decline, the percent of students receiving certification in a career technology module increased in 2014, from 23% to 28%.

Exhibit 1
Juvenile Services Education
Student Outcomes
Academic Year 2009-2014



GED: general education diploma

Source: Maryland State Department of Education; Governor’s Budget Books, Fiscal 2009-2016

Not showing improvement in 2014 was the percentage of students demonstrating gains in reading skills and those who earned a general education diploma (GED). After reaching an all-time high in 2013, with 58% of students tested showing improvement in reading skills, that number declined slightly to 54% in 2014. The GED pass rate also declined between 2013 and 2014, falling from 60% to 53% of tested students passing the exam. This could potentially be the result of implementing a new GED test in fiscal 2014 that better aligns with MCCRS. **The State Superintendent should comment on what factors cause student outcomes to fluctuate year to year for students in DJS facilities and what measures are being taken to increase the GED pass rate and the percentage of students demonstrating improvement in their reading skills.**

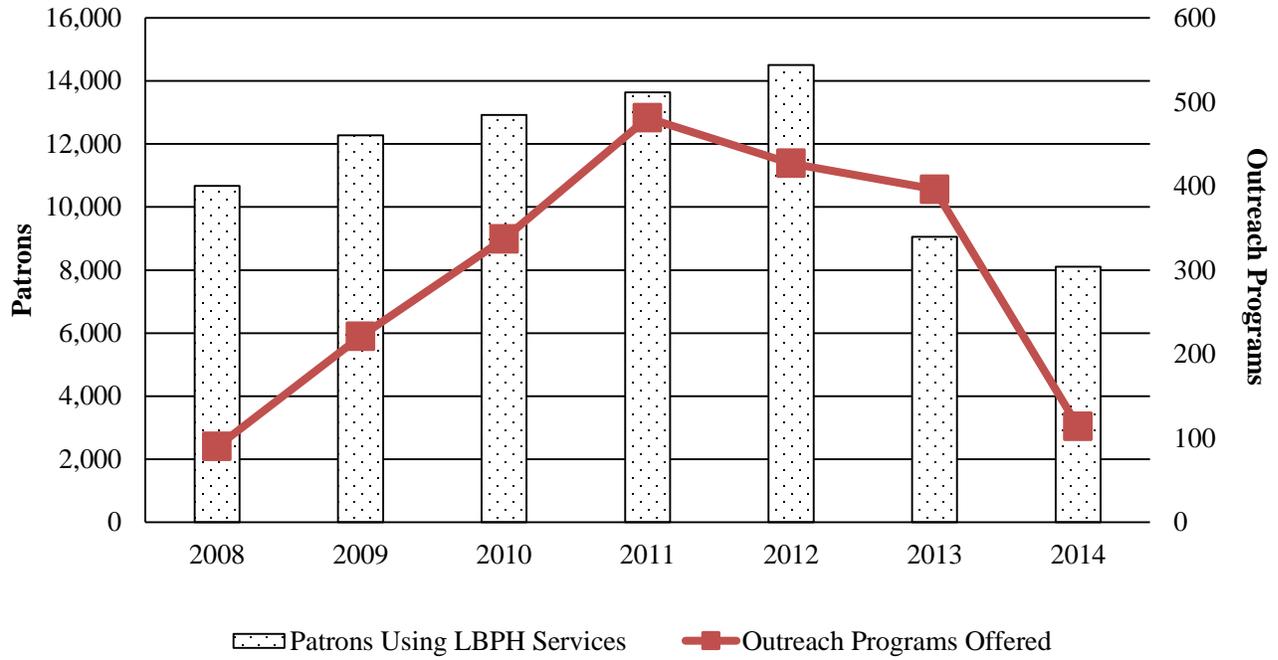
2. Library for the Blind and Physically Handicapped Experiences Decline in Patrons and Outreach Programs

The Library for the Blind and Physically Handicapped (LBPH) is a statewide library program serving over 8,000 blind, visually impaired, physically disabled, and reading disabled Maryland residents. LBPH is operated by MSDE, located in Baltimore City, and is a component of the National Library Service for the Blind and Physically Handicapped at the Library of Congress. The library is the primary source of books, periodicals, and other information in formats such as Braille, large print, and recorded books.

LBPH has a goal to increase access to materials in appropriate formats for registered readers and institutions. In measuring progress toward that goal, the library reports the number of patrons using LBPH services and the number of outreach programs offered. **Exhibit 2** illustrates this data for fiscal 2008 through 2014.

As illustrated in the exhibit, LBPH patronage has largely mirrored the library's outreach efforts over the past seven years. When LBPH increased hiring in fiscal 2008 to expand the outreach programs offered, the number of patrons using library services subsequently increased. Between fiscal 2008 and 2011, the number of outreach programs increased by 434%, or 391 programs. Likewise, the number of patrons increased by 165%, which is over 3,500 individuals. Since fiscal 2011, budget constraints and staffing reductions have forced the library to limit its outreach activities and interactions with the community. In fiscal 2014, LBPH provided 114 outreach programs, reflecting a 76% decline since the peak of 481 programs in fiscal 2011. Between fiscal 2012 and 2014, the number of patrons using LBPH services declined by 44% to slightly more than 8,100 individuals. The library does acknowledge that the decline in outreach efforts has contributed to fewer patrons but also notes that a new process to annually remove nonactive patrons from the records database was also undertaken starting in fiscal 2013 and has at least partially contributed to fewer patrons utilizing LBPH services. Although fewer outreach programs are being offered in fiscal 2014, the number of attendees per program did increase.

**Exhibit 2
Access to the Library for the Blind and Physically Handicapped
Fiscal 2008-2014**



LBPH: Library for the Blind and Physically Handicapped

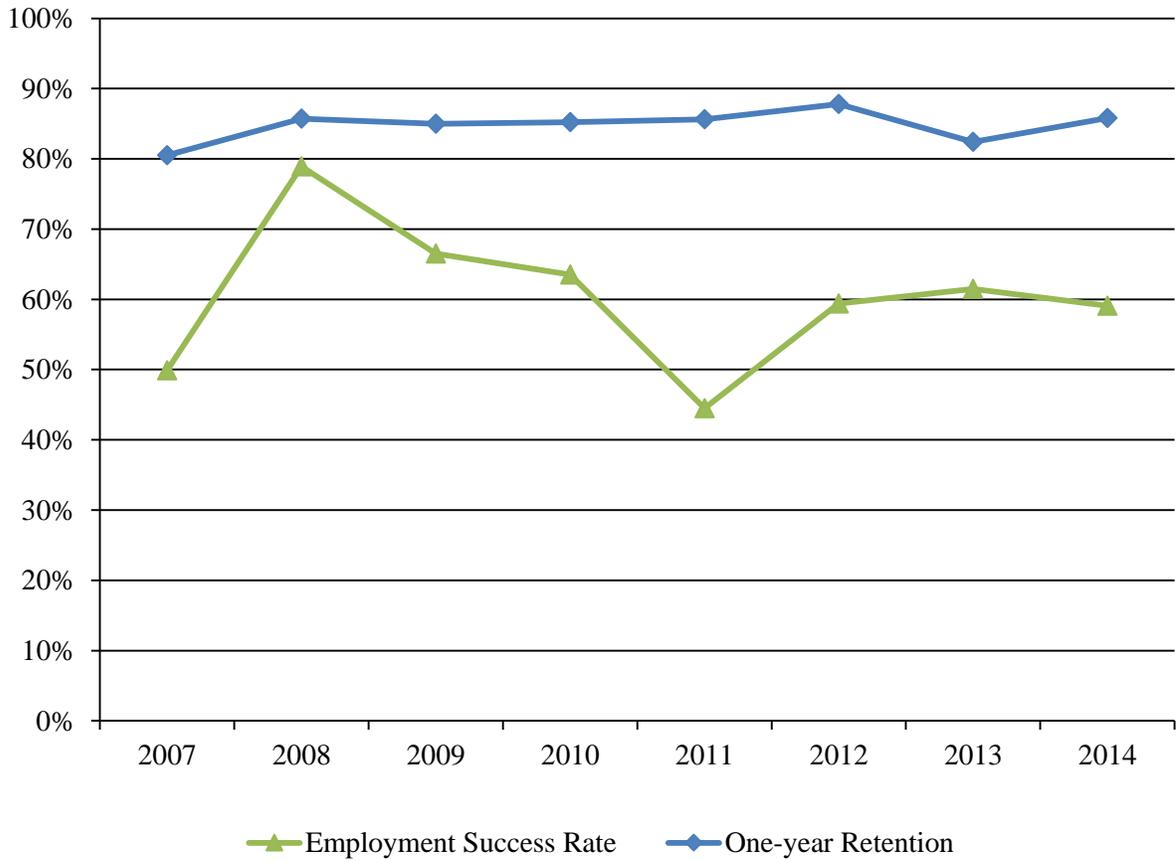
Source: Maryland State Department of Education; Governor’s Budget Books, Fiscal 2009-2016

3. Employment and Retention Rates among Rehabilitation Clients Fluctuate

DORS provides vocational rehabilitation services and determines eligibility for federal disability benefits. The division includes Headquarters, Client Services, the Workforce and Technology Center, Disability Determination Services (DDS), and Blindness and Vision Services.

The goal of the client services program is to provide vocational rehabilitation to disabled individuals so they may achieve economic self-sufficiency through employment. Clients can access services at over 20 field offices throughout the State or at the Workforce and Technology Center in Baltimore, which offers a wide range of job skills training and academic courses beyond what is offered at the field offices. As shown in **Exhibit 3**, the employment success rate fluctuates from year to year but has generally trended upward in the past three years. Since fiscal 2007, the employment success rate has averaged approximately 60%. Of those who obtain employment, Exhibit 3 also reveals that approximately 85% of those individuals retain that employment for at least one year.

Exhibit 3
DORS Employment Success and One-year Retention Rates
Fiscal 2007-2014



DORS: Division of Rehabilitation Services

Source: Maryland State Department of Education; Governor’s Budget Books, Fiscal 2009-2016

Fiscal 2015 Actions

As seen in **Exhibit 4**, cost containment actions and fiscal 2015 deficiency appropriations provide a net increase of \$14.2 million to the fiscal 2015 working appropriation.

Exhibit 4 Fiscal 2015 Reconciliation

<u>Action</u>	<u>Description</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Legislative Appropriation with Budget Amendments		\$79,944	\$7,390	\$171,045	\$2,452	\$260,831
July BPW		0	0	0	0	0
Working Appropriation		\$79,944	\$7,390	\$171,045	\$2,452	\$260,831
January BPW	Increase turnover expectancy to be more in line with actual vacancies.	-441	0	0	0	-441
January BPW Across the Board	2% across-the-board reduction.	-1,801	0	0	0	-1,801
Deficiency Appropriations		16,465	0	0	0	16,465
Total Actions Since January 2015		\$14,223	\$0	\$0	\$0	\$14,223
Adjusted Working Appropriation		\$94,167	\$7,390	\$171,045	\$2,452	\$275,054

BPW: Board of Public Works

Source: Department of Legislative Services

Cost Containment

Cost containment actions adopted by the Board of Public Works in January 2015 reduce the fiscal 2015 working appropriation by \$2.2 million in general funds. This includes a one-time \$441,000 reduction to increase turnover expectancy for the agency to be more in line with actual vacancies. MSDE must also identify approximately \$1.8 million in additional reductions as part of the general 2% reduction in agency operating expenses, but it is not yet known how that will be implemented.

MSDE should be prepared to discuss how the general 2% reduction will be implemented within the department and the impact that will have on operations.

Proposed Deficiency

Fiscal 2015 deficiency appropriations total approximately \$16.5 million in general funds. Approximately \$16.8 million is provided to support the development and scoring of State assessments. This increases total expenditures for assessments to \$45.9 million, an increase of \$4.4 million above fiscal 2014 actual expenditures. Offsetting this increase is a \$304,153 withdrawn appropriation for the Maryland Longitudinal Data System Center (MLDSC) to implement cost containment reductions for turnover expectancy and operating expenses.

Proposed Budget

The fiscal 2016 allowance is \$37.6 million, or 13.7%, less than the fiscal 2015 working appropriation. **Exhibit 5** shows the changes by fund as well as key increases and decreases.

Exhibit 5
Proposed Budget
Maryland State Department of Education – Headquarters
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2014 Actual	\$98,709	\$6,476	\$237,023	\$1,764	\$343,972
Fiscal 2015 Working Appropriation	94,167	7,390	171,045	2,452	275,054
Fiscal 2016 Allowance	<u>83,638</u>	<u>7,181</u>	<u>143,789</u>	<u>2,865</u>	<u>237,474</u>
Fiscal 2015-2016 Amt. Change	-\$10,528	-\$209	-\$27,256	\$413	-\$37,580
Fiscal 2015-2016 Percent Change	-11.2%	-2.8%	-15.9%	16.8%	-13.7%

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Where It Goes:

Personnel Expenses

New positions	\$102
Increments and general salary increase annualization (prior to cost containment)	611
Section 20: abolition of prior year 2% general salary increase	-2,361
Section 21: abolition of employee increments.....	-1,624
Accrued leave payout	752
Reclassification.....	-298
Employee and retiree health insurance	2,990
Employee retirement system	1,391
Workers' compensation premium assessment.....	-259
Turnover adjustments	1,482
Other fringe benefit adjustments	-382

Changes to Major Federal Revenues

End of Race to the Top grant.....	-30,439
Federal funding for the Div. of Special Education/Early Intervention Services	-3,600
End of Statewide Data Systems federal grant.....	-1,487
Major IT – eCCATS funding.....	-1,025
State administrative expenses for Child Nutrition programs	1,890
Federal funding for the Div. of Rehabilitation Services.....	4,510

Other Changes

Assessment contracts.....	-8,935
Reduction in funding for loaned educators.....	-469
Funding for Bridge to Excellence Adequacy Study	-400
End of grants within the Div. of College and Career Readiness	-225
Maryland Longitudinal Data Center (partial restoration of fiscal 2015 withdrawn appropriation).....	191
Increased grant funding in the Div. of Student, Family, and School Support	634
Increase in mandated funding within the Div. of Library Development and Services.....	3,016

Contingent Reductions and Other Cost Containmentment

Contingent reduction to phase-in funding increase for the Library for the Blind and Physically Handicapped.....	-1,941
Section 19: net impact of 2% across-the-board reduction	-984
Contingent reduction to delay implementation of Deaf Culture Digital Library mandate	-233
Other	-487

Total **-\$37,580**

eCCATS: Enhanced Child Care Administration and Tracking System
 IT: information technology

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

Personnel

Funding for personnel expenses provides a net increase of approximately \$2.9 million in fiscal 2016. The JSE program receives 1 additional position in the fiscal 2016 allowance at the cost of \$102,000. This position is needed to assist the program's special education coordinator in ensuring compliance with administration of special education services for youth in DJS facilities. On any given day, over 50% of the JSE student population has a disability, which is an unusually high percentage. According to MSDE, over the past year, the advocacy and legal communities have heightened their engagement and scrutiny with the program's delivery of special education and related services, leading to verified complaints from the Office of the Public Defender. The additional position is provided as part of the corrective action plan implemented by JSE to improve compliance with special education requirements.

Funding for employee and retiree health insurance and retirement costs increases by \$4.2 million, accounting for the majority of the increase in personnel expenses in fiscal 2016. Approximately \$2.1 million is provided in the allowance for employee increments, the annualization of the prior year's general salary increase, and an improved turnover rate. This funding is offset, however, by back of the bill actions to reduce employee salaries by 2% and to abolish employee increments and merit increases in fiscal 2016. The net impact of these actions is a nearly \$1.9 million reduction to funding for employee salaries.

Major Changes to Federal Revenue

Maryland was 1 of 11 states and the District of Columbia to be awarded funds from the competitive Race to the Top (RTTT) federal grant program in 2010. The State won \$250.0 million, distributed over four years, with half going to participating local education agencies (LEA) and half to be administered by MSDE to achieve statewide goals. A total of 54 projects were funded with the RTTT grant, 21 of which received no cost extensions through fiscal 2015. All grant funds must be expended by June 30, 2015. As such, the fiscal 2016 allowance reflects a decrease of \$30.4 million in federal revenues from the RTTT grants. This also accounts for the majority of the 48 full-time equivalents that are eliminated from the fiscal 2016 budget. A review of how the RTTT grant has impacted education in Maryland is provided in the Issues section of this analysis.

Aside from the loss of RTTT revenue, federal funding within the Division of Special Education/Early Intervention Services declines by \$3.6 million. This funding is used to support the administration of various State and federal programs for infants, toddlers, and students with disabilities, in addition to reviewing all residential placements of special education students in out-of-state private schools. The reduction in federal funding for fiscal 2016 is in part reflective of the maximum allocation amounts set by the federal grant formulas but also reflects a budget that was constructed based on prior year award amounts during federal sequestration.

Federal funding for data systems within MSDE Headquarters also declines by \$2.5 million, as multiple projects have ended or are coming to a close. Implementation of the Enhanced Child Care Administration Tracking System is in its final year of funding, although the project itself is only in the development and implementation phases. The fiscal 2016 allowance includes \$300,000 in federal

revenue for the project; projected expenditures through fiscal 2016 total \$2.3 of the \$9.4 million appropriated for the project. The federal Statewide Data Systems grant, which provided funding to MSDE, the MLDSC, and other State agencies to implement longitudinal data systems, is coming to a close in fiscal 2015. For the past three years, the MLDSC budget included a reduction in State appropriations equal to the federal funds received from this grant. The fiscal 2016 allowance for the MLDSC includes a slight increase in general funds to offset the lost grant revenue. MSDE Headquarters used its funding to implement a student information systems for JSE. According to the department, sustainability plans are in place for maintaining the new system without the need for additional general funds.

Offsetting these declines in federal revenue is an additional \$1.9 million to support State administrative expenses within the Office of School and Community Nutrition Programs. The majority of the increase, approximately \$1.2 million, is needed to cover maintenance costs for the program's new IT system. An additional \$535,000 is provided as part of a one-time grant extension to support Culinary Boot Camps in fiscal 2016. The remainder of the increase is based on growth in the federal grant formula. A net increase of \$4.5 million is also provided to DORS. This reflects a \$10.4 million increase for disability determination services based on an anticipated increase in workload, offset by a \$5.9 million reduction in funding for client services. In the past, Maryland has benefited from the reallocation of federal funding as a result of other states who were unable to meet their maintenance of effort requirements. That same reallocation is not anticipated in the fiscal 2016 budget.

Fiscal 2016 Continues to Underfund State Assessment Contracts

The fiscal 2016 allowance includes \$36.9 million for the contracts associated with the development, administration, and scoring of State assessments. This reflects an increase of \$7.8 million over the fiscal 2015 working appropriation. Once the \$16.8 million deficiency appropriation is taken into account, however, the fiscal 2015 appropriation for assessments increases to \$45.9 million. This means the fiscal 2016 allowance actually declines by \$8.9 million in comparison to what is required for assessment expenditures in fiscal 2015, as illustrated in **Exhibit 6**. This alone, along with a review of the recent expenditure history for State assessments, would suggest that the fiscal 2016 allowance is underfunded. This assumption is confirmed by estimates provided by MSDE, illustrated later in this analysis, showing the anticipated contract costs through fiscal 2018. According to those estimates, fiscal 2016 expenditures are actually expected to total \$43.6 million, which will require a future deficiency appropriation of at least \$6.7 million.

Underfunding for assessments has been an ongoing issue for several years. Although the general fund increase provided in the fiscal 2016 allowance does reflect some effort to more appropriately budget for assessments, the allowance is still well below the identified anticipated expenditures. Without knowing the fiscal situation that may be before the General Assembly during the 2016 session, it would be prudent to more closely align funding in the fiscal 2016 budget with the expenditure estimates, rather than ensure the need for a future deficiency by underfunding the fiscal 2016 allowance.

Exhibit 6
Funding Shortfall for State Assessment Contracts
Fiscal 2014-2016

	<u>2014</u> <u>Actual</u>	<u>2015</u> <u>Wrk. Approp.</u>	<u>2016</u> <u>Allowance</u>	<u>2015-2016</u> <u>Change</u>
Budgeted Appropriation	\$41,420,607	\$29,098,027	\$36,932,191	\$7,834,164
Deficiency		16,769,449		-16,769,449
Adjusted Appropriation	\$41,420,607	\$45,867,476	\$36,932,191	-\$8,935,285

Source: Department of Legislative Services

The Department of Legislative Services (DLS) recommends budget bill language to restrict \$43.5 million in general funds for the sole purpose of properly funding State assessment contract costs.

Contingent Reductions

The fiscal 2016 allowance includes a \$2.2 million contingent reduction to delay implementation of a new Deaf Culture Digital Library (DCDL) and to phase in a mandated funding increase for the LBPH consistent with the delayed increase in funding for other library aid programs. Chapter 606 of 2014 requires DLDS to establish the DCDL as the primary information center on deaf resources for library customers and staff in the State. Implementation of the legislation was to occur on October 1, 2014, and was to include a gap analysis of library services for deaf patrons, creation of sensitivity training programs for library staff, development of a website to disseminate information, and acquisition of deaf-related materials to share with other libraries. According to the fiscal note, the estimated start-up costs if the legislation was implemented in fiscal 2015 was approximately \$234,600. This included funding to hire 2 full-time positions to coordinate and monitor the program, as well as contractual and other operating expenses to acquire and maintain library materials, databases, and the interactive website to assist deaf individuals. Additional funding for the implementation of the DCDL was not provided in fiscal 2015. The contingent action reduces the general fund appropriation for DLDS by \$232,672 based on an action in the Budget Reconciliation and Financing Act of 2015 (BRFA) delaying the required implementation of the DCDL to on or after October 1, 2015 (fiscal 2016). This essentially creates an indefinite date for establishing the new DCDL. It is assumed that DLDS will delay implementation until additional resources for establishing the DCDL are provided.

Chapter 498 of 2014 established a minimum State funding amount for the LBPH beginning in fiscal 2016. The legislation requires LBPH to receive a general fund appropriation equivalent to at least 25% of the State funding received by the State Library Resource Center (SLRC). The fiscal 2016 allowance for the SLRC is approximately \$9.9 million. As such, the allowance for DLDS includes a

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\$2.4 million increase to provide additional funding for the LBPH. Funding for the SLRC is based on a per capita grant that was also modified during the 2014 session to increase the per capita amount over the course of five years. Contingent reductions to the library aid formulas within MSDE Aid to Education, however, extend the phase-in of per capita increases for library aid over a 10-year period. Similarly, the newly mandated formula for LBPH funding is also modified to be phased in over a 10-year period. In fiscal 2016, the BRFA limits the mandated funding to 2.5% of the amount received by the SLRC. Mandated funding for LBPH will reach 25% of the amount received by the SPRC in fiscal 2025. The fiscal 2016 budget includes a contingent reduction of \$1.9 million associated with this BRFA provision. **However, both of these reductions can be made in the budget bill without contingency language. Therefore, DLS recommends striking the contingent language in the budget bill and reducing the fiscal 2016 allowance for DCDL and LBPH by \$232,672 and \$1.9 million, respectively.**

Issues

1. Transition to the New Model for State Assessments Has Begun; Total Cost Estimates Reflect Minimal Savings Despite Transition to the Partnership for Assessment of Readiness of College and Careers

The Common Core State Standards (CCSS) were developed through a state-level initiative coordinated by the National Governors Association and the Council of Chief State School Officers in collaboration with education stakeholders from across the country to eliminate the wide variation in knowledge and skill expectations in English language arts and mathematics across the states. Maryland was one of the first states to adopt these standards in June 2010 and has since worked to design a new State curriculum, the MCCRS. The MCCRS align with the CCSS and reflect college and workplace expectations. Beginning with the 2013-2014 school year, the MCCRS was fully implemented in Maryland schools.

As a result of the new curriculum, Maryland also required a new assessment system. In 2010, Maryland joined the Partnership for Assessment of Readiness of College and Careers (PARCC), a consortium of 12 states (as of February 2015) working to develop a common set of assessments in English language arts and mathematics aligned to CCSS and, in turn, to MCCRS. PARCC measures student progress and tracks status on a trajectory toward college and career readiness. PARCC is intended to be entirely computer-based in order to provide more timely feedback to educators to be used to target or improve instruction during the school year. PARCC was field tested in spring 2014, and the State will replace the Maryland School Assessments (MSA) in English language arts/literacy and mathematics with the PARCC assessments in the 2014-2015 school year. The State Board of Education recently voted on a transition plan to replace the High School Assessments (HSA) in English and Algebra with the PARCC assessments, which is discussed further below. The PARCC assessments must be administered fully online by the 2017-2018 school year, although MSDE has set a goal to administer the PARCC assessments fully online by the 2016-2017 school year.¹ The State Board of Education also recently adopted new science standards known as the Next Generation Science Standards. Maryland is part of a consortium that is developing new science assessments aligned to the standards.

Exhibit 7 provides a comparison of the assessments offered prior to and after the implementation of PARCC.

¹ The PARCC assessments will be available in paper form for students with certain accommodations.

Exhibit 7
Transition to New Statewide Assessment System

MSA in reading/math for grades 3 through 8	PARCC assessment in reading/math for grades 3 through 8
MSA in science for grades 5 and 8	MSA in science for grades 5 and 8
Alternative MSA in reading/math/science for the lowest performing 1% of the special education population	National Center and State Collaborative assessment in reading/math for lowest performing 1% of the special education population*
English Language Learners assessment	English Language Learners assessment
HSA English 10	PARCC assessment for English 10
HSA Algebra I	PARCC assessment for Algebra I
HSA Government	HSA Government
HSA Biology	HSA Biology
	Yet-to-be-determined alternative assessment for science in grades 5 and 8*
	PARCC assessment for Algebra II
	<i>PARCC assessment for Geometry</i>
	<i>PARCC assessment for English 11</i>
	<i>PARCC assessment for English 9</i>

*Accommodations for the Next Generation Science Standards will be fully incorporated into the existing science assessments by fiscal 2018.

Note: Italicized items indicate tests that are not currently offered, but are under consideration for addition in future years.

Source: Maryland State Department of Education

State Assessments for High School Students Could Double under PARCC

Chapter 533 of 2013, the College and Career Readiness and College Completion Act of 2013, requires students to be assessed no later than at the end of the 11th grade to determine whether they are ready for college-level, credit-bearing coursework in English literacy and mathematics. In addition, it sets a goal for the State that all students achieve math competency in Algebra II, although there is no requirement that students take such a course in the law. It does require students beginning in the 9th grade in 2014 and thereafter to take a math course for all four years of high school. According to MSDE, while additional tests in high school were being considered prior to its enactment, Chapter 533 justifies the need to increase the number of tests offered as a part of PARCC. It is not clear to what extent the LEAs or other stakeholders have provided input on the issue to date; however, MSDE has indicated that additional tests are necessary to properly evaluate college and career readiness and could be helpful in familiarizing students with the rigor of the new MCCRS curriculum and what is required for the PARCC assessments prior to being tested in the subjects needed to meet graduation requirements.

The department suggests that because students must be tested by the end of 11th grade, and in order to accurately determine whether students are meeting the State goal of being competent in Algebra II, standardized statewide assessments are needed in English 11 and Algebra II. English 10 and Algebra I remain necessary because they are the specified graduation requirements. Graduation requirements are different from achieving a determination of being college and career ready, although the goal is for there to be alignment in the future. The addition of English 9 and Geometry will assist in monitoring the progress made by students in anticipation of taking the tests necessary to meet graduation requirements.

According to MSDE, if after the first full year of administering the new PARCC assessments (2014-2015 school year), LEAs express concern about the increased level of testing, the department will consider scaling back or not implementing all of the additional tests. In addition, MSDE is considering the potential for using other existing methods for evaluating competency in determining college and career readiness, *e.g.*, Scholastic Aptitude Tests (SAT) or advanced placement scores. The current PARCC contract does reflect the assumed phase-in of the additional four tests. In the current school year (fiscal 2015), PARCC assessments include testing in reading and math for grades 3 through 8, English 10, Algebra I, and Algebra II for all students taking those respective courses. If approved by the State Board of Education during summer 2015, English 11 will be added in fiscal 2016 (2015-2016 school year). English 9 and Geometry could be offered as soon as fiscal 2017 (2016-2017 school year).

PARCC Impact on Assessment Cost Estimates

Exhibit 8 provides detail on prior year expenditures and out-year cost estimates by assessment type for fiscal 2012 through 2018. Language included in the fiscal 2015 budget bill had restricted funds within MSDE until the department provided information on the total cost associated with the administration of the new PARCC assessments. The expectation was that transitioning to PARCC would result in a noticeable decrease in statewide assessment costs.

Exhibit 8
Assessment Cost Estimates
Assessments Shown by Test Type
All Funds
Fiscal 2012-2018

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assessment Costs							
MSA Reading and Math	\$18,283,589	\$14,023,885	\$13,577,600	n/a	n/a	n/a	n/a
PARCC Operational Assessment	n/a	n/a	500,000	\$15,633,403	\$16,128,736	\$18,134,809	\$16,114,176
PARCC Support and Maintenance	n/a	n/a	n/a	498,735	498,979	501,402	505,219
MSA Science	4,464,243	4,274,205	4,307,055	4,267,293	4,425,482	4,425,482	4,425,482
Alt-MSA (Reading, Mathematics, and Science)	4,335,492	4,420,617	4,580,562	4,278,703	312,550	n/a	n/a
Alt-Science	n/a	n/a	n/a	n/a	1,500,000	1,500,000	1,500,000
Alt-NCSC (Reading and Mathematics)	n/a	n/a	n/a	n/a	2,500,000	2,500,000	2,500,000
English Language Learners	633,765	1,454,880	1,467,265	1,762,002	1,600,000	1,600,000	1,600,000
High School Assessment through Fiscal 2018	14,510,028	16,473,492	16,707,104	16,612,112	14,336,855	12,000,000	12,000,000
High School Assessment Scoring	n/a	51,150	886,580	1,775,871	1,700,000	1,700,000	1,700,000
Technology Bundle	n/a	n/a	n/a	n/a	575,000	575,000	575,000
Total	\$42,227,117	\$40,698,229	\$42,026,166	\$44,828,119	\$43,577,602	\$42,936,693	\$40,919,877

MSA: Maryland School Assessments

NCSC: National Center and State Collaborative

PARCC: Partnership for Assessment of Readiness of College and Careers

Note: Items in **bold italics** reflect contracts not yet in place.

Source: Maryland State Department of Education

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According to MSDE, the estimated cost to administer PARCC tests in fiscal 2015 is approximately \$16.1 million. This covers the development, administration, scoring, and reporting of the assessments, as well as program management and support functions. On its own, PARCC assessments are a less costly alternative to the State developing, administering, and scoring its own assessment, as had been done under the previous model. As an example, in fiscal 2012, the cost of administering reading and math MSAs to students in grades 3 through 8 totaled nearly \$18.3 million; in comparison, the \$16.1 million estimate for fiscal 2015 includes testing for grades 3 through 8, English 10, Algebra I, and Algebra II. The savings result from the economies of scale generated from being a part of the PARCC consortium. **Exhibit 9** provides detail on the estimated total cost for PARCC assessments for fiscal 2015 through 2018, including the fiscal impact of doubling the number of assessments administered to high school students by fiscal 2017.

Exhibit 9
Estimated Total PARCC Costs
Fiscal 2015-2018

<u>PARCC Expense Sources</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Estimated Percentage of Online Test Takers Included within the Operational Contract	25% CBT 75% PBT	50% CBT 50% PBT	50% CBT 50% PBT	75% CBT 25% PBT
PARCC Operational Assessments	\$15,633,403	\$15,215,536	\$15,243,009	\$13,482,676
Phased-in Additional High School End of Course Tests	-	913,200	2,891,800	2,631,500
Program Management and Support Contract Agreement	498,735	498,979	501,402	505,219
Total Cost	\$16,132,138	\$16,627,715	\$18,636,211	\$16,619,395

CBT: computer-based test

PARCC: Partnership for Assessment of Readiness for College and Careers

PBT: paper-based test

Source: Maryland State Department of Education

Participation in PARCC not only provides economy of scale but should also provide for more reliable cost estimates. The operational contract is a combination of an indefinite quantities contract and a fixed-rate contract. The price per student for each test is a fixed cost in the contract and already includes costs associated with development, scoring, and administration. The total price per year should only vary based on the actual number of tests administered and the method used for administration. For fiscal 2015, MSDE anticipates administering 375,994 tests to students in grades 3 through 8, and 202,803 tests to high school students. There is a not-to-exceed amount assigned to the contract of \$59.9 million over a four-year period (through fiscal 2018).

The base contract amount assumes that 25% of tests will be administered by computer in fiscal 2015, and 75% will be paper-based. Fiscal 2016 and 2017 both assume a transition to 50% computer-based and 50% paper-based. By fiscal 2018, the fourth and final year of the contract, it is assumed that 75% of students will be administered the assessments online. With the price per student for the computer-based tests approximately 30% less than the paper-based administration, it is expected that the increase in online testing would reduce the annual cost over the four-year period. The phase-in of additional tests in fiscal 2015 through 2017, however, negate any savings achieved by offering the assessments online in those years. Savings resulting from online administration of assessments is not evident in PARCC cost estimates until fiscal 2018, when the estimated cost decreases from \$18.1 million to \$16.1 million.

Overall, between fiscal 2015 and 2018, the transition to PARCC results in a projected savings of nearly \$4 million, which is relatively negligible given that assessment costs will continue to exceed \$40 million. However, it is worth noting that the \$41 million spent in fiscal 2018 is purchasing considerably more than the \$42 million spent in fiscal 2014, primarily four additional subject tests for high school students. Administration of Algebra II for all students enrolled in that course is already incorporated into the fiscal 2015 cost estimate. If the State opted to not phase in administration of standardized tests for Geometry, English 9, and English 11, assessment costs would decline by nearly \$1 million in fiscal 2016 and nearly \$3 million in the out-years.

MSDE should discuss the extent to which the department has maintained communication with LEAs and the public regarding the increased amount of testing that will be implemented with the transition to PARCC. The department should comment on the process and timeline for deciding whether or not to implement the additional testing and what factors will guide that decision.

2. Assessment of Local Education Agency Readiness for Digital Learning

Language included in the fiscal 2015 budget bill restricted funds until MSDE provided information on the PARCC field tests and the technological readiness of each LEA to administer the PARCC assessments online.

Implementation

PARCC field tests were given statewide for the first time in spring 2014. The operational tests will be implemented in all schools in the 2014-2015 school year. PARCC assessments are offered in two parts, the Performance Based Assessment (PBA) and the end of year (EOY) assessment. The field tests were administered in all but seven schools, with approximately half of the schools administering the tests online. A total of 65,122 tests were administered online and 33,154 via paper. The schools administering the PARCC field tests online were chosen via a random sampling. MSDE has a goal for all LEAs to administer PARCC online by the 2016-2017 school year. The deadline for PARCC to be administered fully online is the 2017-2018 school year. To date, over 1,000 of Maryland's 1,447 schools have administered a high-stakes assessment online.

Of the 24 LEAs, 19 reported issues during the PBA and 7 reported issues during the EOY assessment. Most of the technology issues related to the use of Internet Explorer versus another browser, older operating systems still running Microsoft's XP, challenges with running Oracle's Java, and connectivity issues on the vendor's side. In addition to technology issues, concerns were raised regarding the unsustainable workload created for local IT departments because of the need to reconfigure devices to support digital learning or online assessments; most devices cannot be configured to accommodate both needs. Finally, MSDE notes that some of the struggles experienced during implementation were simply the result of the assessments being new items, administered on a new testing platform with new tools and devices that were not necessarily familiar to all students and staff.

According to MSDE, the decrease in technology issues between the PBA and EOY assessments suggests that a number of the issues were resolved prior to the EOY assessments. For example, issues with using Internet Explorer to administer the tests were largely resolved by switching to Google Chrome. The confusion created by the new test items and tools should be alleviated over time as the implementation of PARCC continues, tutorials are improved, and familiarity increases.

Other issues are slightly more concerning and difficult to resolve immediately. Although only 9.8% of assessments were delivered using Microsoft XP, schools using that operating system will encounter difficulty after the 2014-2015 school year. PARCC will not support this operating system beyond year one. Additionally, Oracle's Java created multiple difficulties for schools because of continuous mandatory updates and some systems experiencing incompatibility between certain versions of Oracle Java and the vendor's online testing systems. There were also multiple instances of connectivity issues that had nothing to do with local school connectivity. The vendor is still investigating those issues.

In addition to the already discussed technology issues, schools in general are encountering problems resulting from the increased demand for technology utilization in the classroom for both digital learning *and* online assessment. Online testing systems require device configurations that do not conform with configurations used for digital learning. This requires an excessive amount of human labor to prepare devices for online testing and to deliver secure online assessments. One potential solution to this issue is to create a virtual testing environment. MSDE is exploring the opportunity to partner with the Maryland Research and Education Network to create a virtual desktop infrastructure, where students can access online assessments via a cloud, for example, without having to configure and manage each device for testing. This would greatly reduce the amount of labor involved in online test administration.

Technological Readiness

In terms of the technological readiness of LEAs, **Exhibit 10** provides information on district readiness to administer PARCC online in 2014-2015.

**Exhibit 10
District Readiness to Administer PARCC Online in 2014-2015**

<u>100% Online</u>	<u>75% Online</u>	<u>25% or Below Online</u>
Caroline	Allegany	Harford
Cecil	Anne Arundel	
Howard	Baltimore City	
Kent	Baltimore County	
Montgomery	Calvert	
Prince George’s	Carroll	
St. Mary’s	Charles	
Talbot	Dorchester	
Washington	Frederick	
Wicomico	Garrett	
Worcester	Queen Anne’s	
	Somerset	
Total: 11	Total: 12	Total: 1

PARCC: Partnership for Assessment of Readiness for College and Careers

Source: Maryland State Department of Education

LEA resource needs extend well beyond those required to deliver online assessments. The implementation of the MCCRS and RTTT programs have also greatly increased the need for 1:1 student access to technology. One recurring theme from LEAs is the lack of available resources to support technology readiness, not only in terms of purchasing equipment and devices, but also adequate staff and IT support resources.

Student-to-device ratios are a primary indicator of the LEAs’ ability to support digital learning and online testing. Presently, not one of Maryland’s school districts are able to support a 1:1 student-to-device ratio in all schools; however, more than 65% of counties support a 1:3 ratio or better. Only three counties have a ratio of 1:10 or higher. Establishing a 1:1 ratio can provide limitless access to learning opportunities and materials online; increase the ease with which teachers and students can collaborate; and provide more personalized instruction. It also affords increased opportunity for remote learning; however, it does raise concerns in terms of equality by needing to ensure access to the Internet both inside and outside of school and equal access to a device. To resolve both of these equity issues would require significant resources from the LEAs.

According to the report, there is interest in establishing Bring Your Own Device (BYOD) programs in school; however, very few counties actually have BYOD programs. Less than 40% of counties have one or more schools within its district with a BYOD program. The primary barriers to establishing BYOD programs are:

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- creating and implementing policies relating to BYOD programs and the appropriate dissemination of that information to parents and students;
- needing to create a separate network in each school for students to access the Internet and ensuring appropriate protections are in place;
- ensuring adequate devices are made available to students whose families cannot afford them, including the provision of up-to-date hardware and software;
- licensing challenges created from the need to share applications with multiple personal devices;
- funding costs to students and families for maintaining the devices and costs to LEAs for maintaining the networks, powering the devices, and providing devices to students who do not have them; and
- needing to expand bandwidth so that Internet connectivity is available in all classrooms; although this issue is not limited to BYOD programs.

A final barrier to technological readiness for digital learning and online assessments is the lack of sustainable capacity to support digital learning environments. Resource needs extend beyond funding devices and Internet connectivity. A common theme among LEAs was the lack of highly skilled IT professionals to support the new technology. Retaining IT staff is an ongoing challenge largely due to low pay. As a result, only seven counties have 50% or more of their schools with a full-time technology staff member. Remote management and monitoring is one alternative solution; however, these services are still expensive to setup and maintain. Currently, only nine LEAs have the ability to manage computers remotely.

Technology Infrastructure Funding Gaps

To identify the estimated funding needed to close the gaps in technological infrastructure and establish a BYOD or 1:1 student-to-device ratio, MSDE surveyed individual LEAs and local superintendents. The survey results were collected in December 2014 and responses were received from 16 of the 24 LEAs. The 7 LEAs that did not provide any information were Allegany, Dorchester, Frederick, Prince George's, St. Mary's, Talbot, and Worcester. Baltimore City Public Schools did provide an informational response but was unable to estimate a funding gap due to lack of capacity for undertaking such an extensive needs assessment. Of the counties that did provide fiscal estimates, the year one costs ranged from \$1.1 million for Kent County to \$113.2 million for Anne Arundel County. The total identified cost was \$467.5 million. It is important to note that MSDE did not analyze, standardize, or make recommendations on the information submitted by the LEAs.

Conclusion

All but one of Maryland's LEAs are committed to delivering the PARCC 2015 spring operational assessments 75% to 100% online. While MSDE is on track to meet the goal of testing

PARCC 100% online by 2016-2017 school year, many schools will still have to make concessions in order to assess large numbers of students online. This means that for many schools during the two testing windows, devices will not be available for digital learning because they will be used to support the online assessments. An even greater challenge is identifying the resources needed to support the increased technological demands associated with implementing PARCC and MCCRS.

MSDE should provide an update on the identified technological issues with implementing PARCC and administering the assessments online. The agency should also comment on the status of providing online assessment for special needs populations, such as students at the Maryland School for the Deaf. Finally, the department should discuss potential next steps for closing the identified gaps in technological infrastructure.

DLS recommends the addition of budget bill language restricting funds pending the receipt of a report on the progress made toward implementing PARCC online.

3. Race to the Top Wraps Up in 2015

Maryland was awarded \$250 million over four years through the federal RTTT program, with \$125 million going to participating LEAs and \$125 million to be administered by MSDE Headquarters for statewide reform efforts through 54 projects that will (1) revise the preK-12 Maryland State Curriculum, assessments, and accountability system based on the new CCSS to assure that all graduates are college- and career-ready; (2) build a statewide technology infrastructure to link data with analytic and instructional tools to monitor and promote student achievement; (3) redesign the model for preparation, development, retention, and evaluation of teachers and principals; and (4) fully implement the Breakthrough Center approach for transforming low-performing schools and districts.

Project Progress Report

The U.S. Department of Education (USDE) produces annual performance reports on state RTTT progress. USDE's year one evaluation of Maryland's RTTT progress found that while the State had made progress in implementing its initiatives, difficulty in hiring staff to support major IT projects and a six-month delay in and subsequent shortening of seven LEAs educator evaluation system pilots had impeded grant progress during the 2010-2011 school year. In USDE's year two performance report covering the 2011-2012 school year, Maryland was one of three states flagged for significant project delays. The year three report, released in March 2014, noted that the State had made progress in a number of areas but continued to identify three key areas of concern. USDE found that:

- the State was not equipped to assess the quality of Common Core programs that districts were implementing and, therefore, could not provide additional support that might be needed;
- challenges existed in field testing new teacher and principal evaluations, including the role of assessment data as part of a quantitative measure of educator performance; and

- ongoing and significant delays in building new data systems persist as a result of staffing issues and technological challenges.

The report did note that the implementation of the Breakthrough Center continues to be a highlight in improving low-performing schools and districts.

Although the year four progress report will not be released until spring 2015, significant progress has been made to address at least two of the three areas of concern identified by USDE. The MCCRS are being implemented statewide, and the PARCC assessments were field tested in all but seven schools in spring 2014. MSDE has conducted educator and district surveys to receive feedback on the implementation of both the new standards and assessments. The new teacher and principal evaluations were also implemented in all 22 RTTT participating jurisdictions. MSDE has analyzed the data from those evaluations and made recommendations for how the State and LEAs can utilize the data to improve the evaluation process going forward. Teacher and principal evaluations are discussed in further detail in the next issue.

One area that continues to be of concern is the implementation of new data systems, including P-12 data dashboards; science, technology, engineering, and mathematics (STEM) online courses; and the MLDSC. Issues with project delays and staffing have been noted from the outset of the RTTT implementation and are of particular concern given the fact that Maryland dedicated a higher portion of RTTT funding to IT projects than most other states. A number of projects receiving no cost extensions through fiscal 2015 have an online or IT component, meaning these unresolved issues likely contributed to the need for MSDE to request the extensions.

With regard to the MLDSC, in fiscal 2016, the operating funding for the center is supported solely by general funds. MLDSC currently has 15 authorized positions, but as of January 2015, only 9 are filled by full-time workers and an additional 3 by contractors. One of the primary goals of MLDSC is to provide web-based data dashboards and research studies. Although MLDSC technically met its statutory deadline of December 31, 2014, to become fully developed and operational, the second annual report from December 2014 acknowledges that “delays during system development prevented the center from achieving the research and analysis output originally desired.” Part of this delay stems from the painstaking work of matching up massive datasets, ensuring data security and privacy, and being comfortable in interpreting the results of research. For example, one lingering concern is how to deal with students who share Social Security numbers or how to work with school systems that are uncomfortable with sharing the amount of detailed data that MLDSC requests.

MSDE should comment on the RTTT progress made since the release of the USDE year three progress report and identify any potential concerns that might be raised in the year four report. In addition, MSDE should discuss the status of the P-12 data dashboards, STEM online courses, and other outstanding IT-related projects, particularly speaking to efforts made to accelerate project timelines and address staffing deficiencies. The executive director of the MLDSC should address when the MLDSC website may have new content available to either legislators or the general public.

RTTT Grant Expenditures

Although the RTTT grant was scheduled to conclude at the end of fiscal 2014, MSDE was granted approval of no-cost extensions on 22 projects for up to one year. These projects will continue to expend funds for a fifth project year, through the end of fiscal 2015. All grant funds must be expended by June 30, 2015.

In terms of how the federal funds have been expended over the entire life of the grant, the award required at least \$125 million to be passed-through to participating LEAs. MSDE also provided an additional \$36 million of the \$125 million retained by the department as supplemental funding to the LEAs to support implementation of various projects. The majority of this funding, approximately 53%, went to support implementation of projects designed to develop great teachers and leaders. An additional 31% was allocated to local implementation of Data Systems to Support Instruction. Of the remaining \$89 million retained by MSDE, approximately \$15 million was spent on personnel expenditures, \$67 million on contractual services, and \$7 million on miscellaneous expenditures (*i.e.*, office supplies, equipment, travel, *etc.*).

Exhibit 11 provides expenditure detail for the \$125 million retained by MSDE by project type and year. It is important to note that grant year does not align with fiscal year. Over one-third of the funding, approximately 37%, was dedicated to implementing data systems to support instruction. This primarily included development of P-12 dashboards, launching the MLDSC, implementing online instructional improvement support systems, and the creation of online courses and support information for STEM education. Funding to support great teachers and leaders, *i.e.*, implementation of new teacher and principal evaluations and methods for disseminating educator information, accounted for approximately 35% of total funding.

Exhibit 11
State Race to the Top Funds by Project Type
Converting Grant Management to State Fiscal Year
(\$ in Thousands)

			12 Months	9 Months	12 Months	15 Months	15 Months	
	<u>Projects</u>	<u>FTE Staff</u>	<u>Grant Year 1 (Fiscal 2011) Actual</u>	<u>Grant Year 2 (Fiscal 2012) Actual</u>	<u>Grant Year 3 (Fiscal 2013) Actual</u>	<u>Grant Year 4 (Fiscal 2014) Working</u>	<u>Grant Year 5 (Fiscal 2015) Budgeted</u>	<u>Total Funding</u>
Data Systems to Support Instruction	20	6.0	\$3,474	\$6,674	\$16,937	\$12,217	\$7,327	\$46,628
Great Teachers and Leaders	16	9.4	3,107	4,030	9,298	20,832	6,425	43,692
Development of Standards and Assessments	5	22.0	685	1,548	2,466	8,916	2,971	16,587
Turning Around the Lowest-achieving Schools	9	20.0	803	1,400	1,881	3,386	1,219	8,689
Program Evaluation and Administration	2	7.0	226	911	1,537	2,081	1,187	5,943
Charter Schools	1	1.0	89	212	659	1,304	1,031	3,295
Statewide Centralized Student Transcript System	1	0.0	0	50	102	12	0	165
Total January 2015	54	65.4	\$8,384	\$14,825	\$32,881	\$48,749	\$20,161	\$125,000

FTE: full-time equivalent

Source: Maryland State Department of Education

4. 2014 Educator Effectiveness Ratings Report That 41% of Teachers Were Deemed Highly Effective in the First Iteration of the New Teacher-Principal Evaluation Model

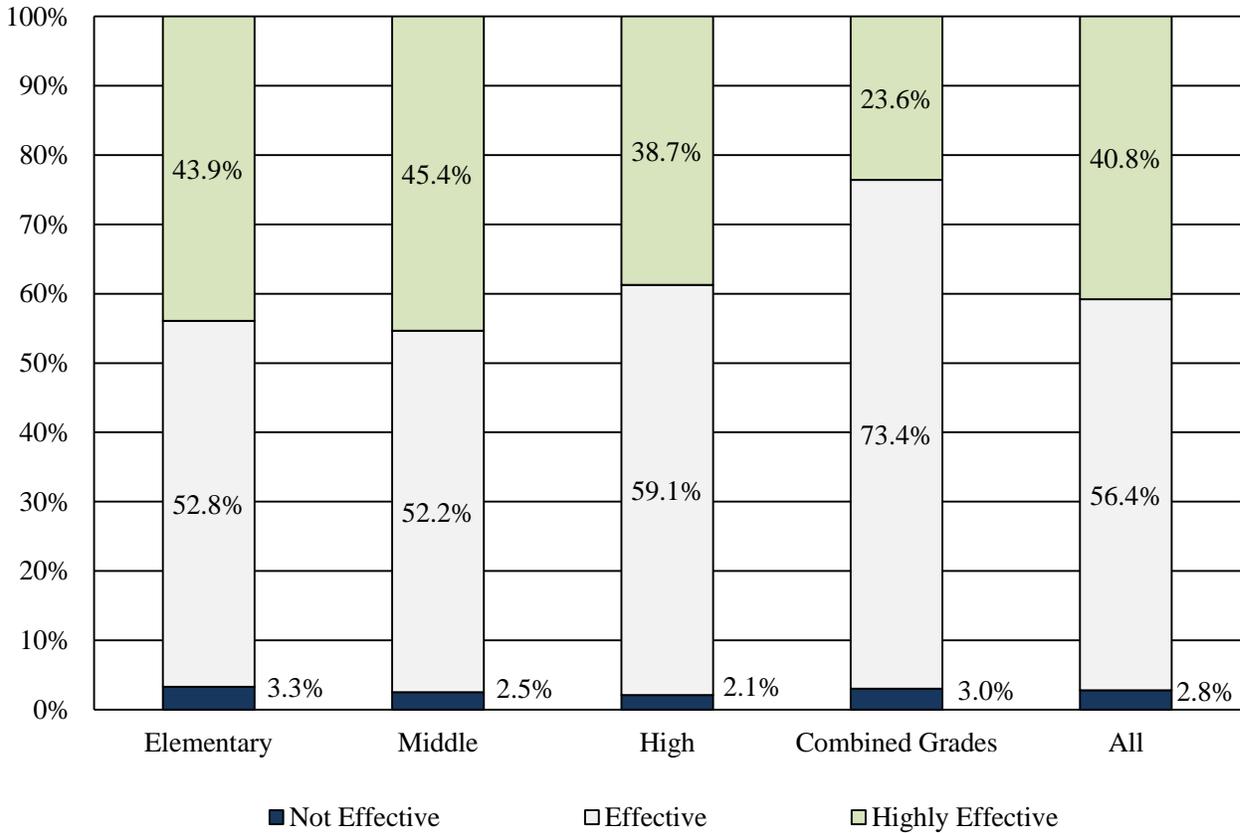
The Education Reform Act of 2010, spurred by competition for RTTT funding, required the State Board of Education to adopt regulations establishing general standards for performance evaluations of certified teachers and principals and required student growth to be a significant component in the evaluations. The redesign of teacher and principal evaluations was one of the primary reforms identified in Maryland’s RTTT application and continues to be a focus of reform. All 22 jurisdictions that signed the RTTT application (Frederick and Montgomery counties did not sign) were required to count performance evaluation criteria for student growth as 50% of an evaluation, among other requirements. Frederick and Montgomery counties are required to submit their evaluation models no later than June 2015.

The default model developed by MSDE, in general, requires the student growth component to be 50% of the teacher or principal’s total evaluation score, 20% of which is based on student learning objectives (SLO) that are based on and informed by data obtained by State assessments and 30% on other SLOs or other locally determined measures. While using State assessment data to make personnel decisions is prohibited before the 2016-2017 school year, LEA-developed models should use SLOs *informed by* the data resulting from State assessments for the 2014-2015 and 2015-2016 school years.

State Teacher Ratings

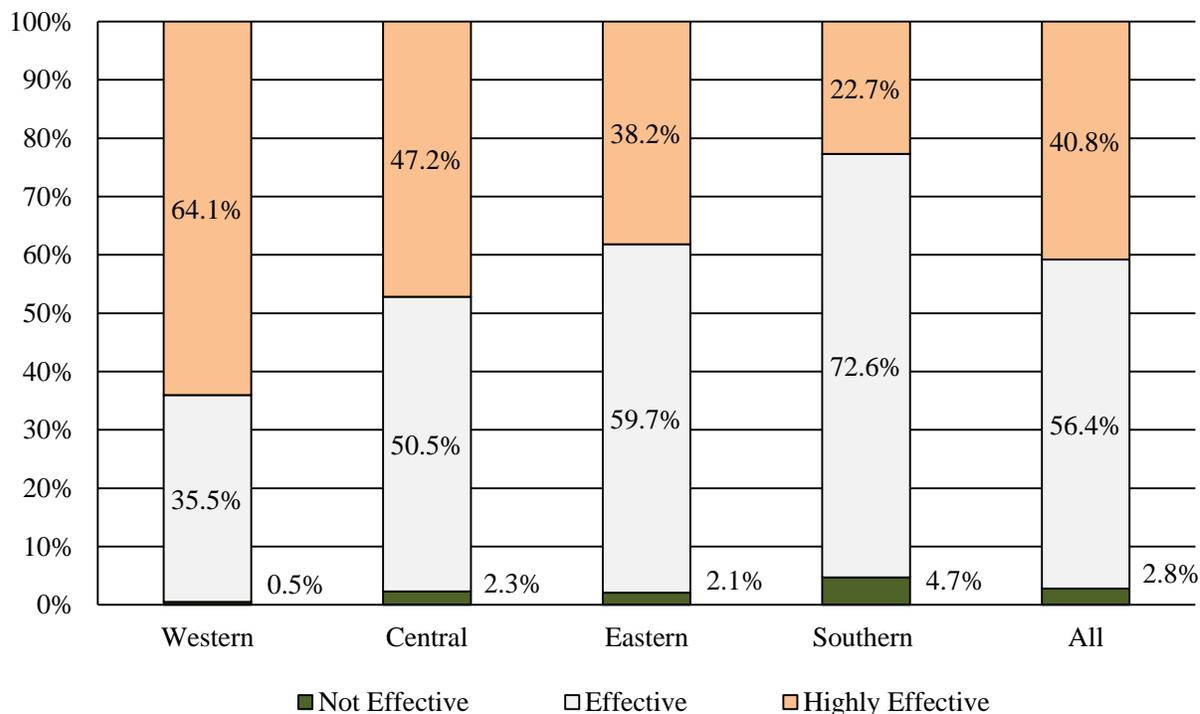
On October 28, 2014, MSDE released a full report on teacher evaluations based on data from the participating counties for the 2013-2014 school year. The 22 local jurisdictions that signed onto the RTTT grant application participated and provided data for this report. The remaining counties, Frederick and Montgomery, will begin providing data for the 2014-2015 school year. According to MSDE, 43,805 teachers and 1,112 principals were rated using the new evaluation program. A total of 40.8% of all teachers were rated highly effective, 56.4% of teachers were rated effective, and 2.8% of total teachers were rated ineffective. **Exhibits 12 and 13** provide the breakdown of educator effectiveness ratings by grade span and geographical location.

Exhibit 12
Statewide Distribution of Teacher Ratings by Grade Span Configuration



Source: Maryland State Department of Education, *Spring 2014 Teacher and Principal Evaluation Ratings Report to the Maryland State Board of Education*

Exhibit 13
Statewide Distribution of Teacher Ratings by Geographic Region



LEA: local education agency

Central LEAs: Anne Arundel, Baltimore City, Baltimore County, Harford, and Howard

Eastern LEAs: Caroline, Cecil, Dorchester, Kent, Queen Anne’s, Somerset, Talbot, Wicomico, and Worcester

Southern LEAs: Calvert, Charles, Prince George’s, and St. Mary’s

Western LEAs: Allegany, Carroll, Garrett, and Washington

Source: Maryland State Department of Education, *Spring 2014 Teacher and Principal Evaluation Ratings Report to the Maryland State Board of Education*

The distribution of teacher ratings by grade span shows that approximately 45% of teachers at the elementary and middle school levels were found to be highly effective. The majority of teachers at all levels were identified as “effective.” Combined grade schools had the smallest proportion of highly effective teachers; however, these schools do not fall into standard grade configurations and often have special programs and populations. Geographically speaking, the LEAs in Western Maryland have the highest proportion of effective and highly effective teacher ratings, with LEAs in Southern Maryland having the smallest proportion of highly effective and largest proportion of ineffective teacher ratings.

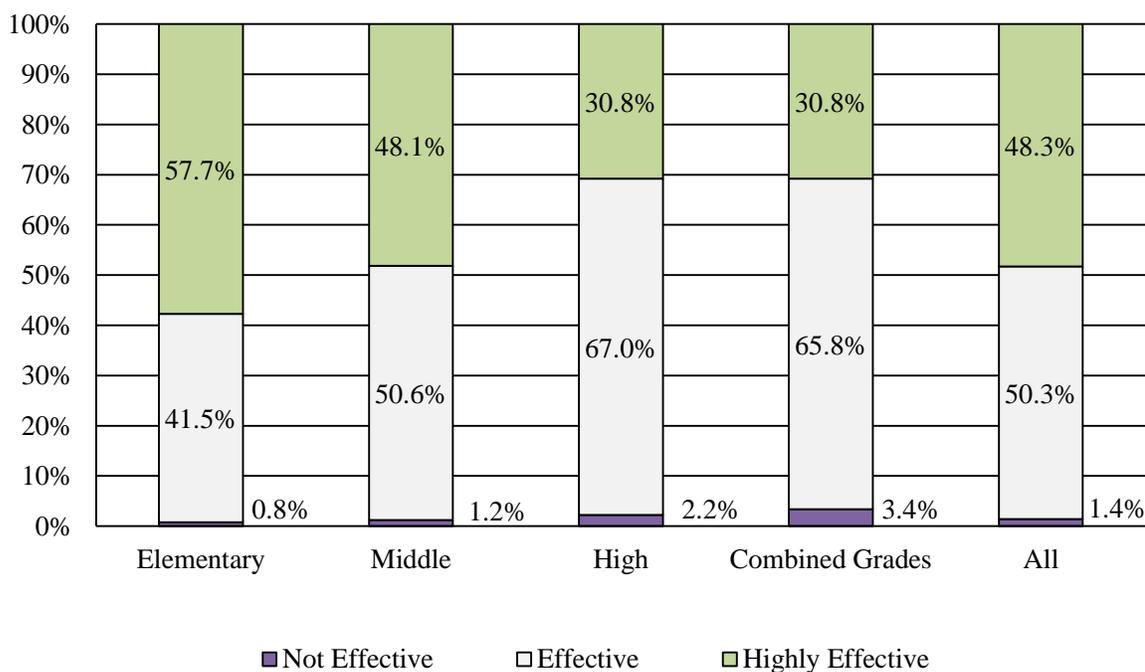
The data was also analyzed in terms of the proportion of the student population identified as in poverty or as a minority. Not surprisingly, schools in the highest quartile for poverty have more ineffective and fewer highly effective teachers than do schools in the lowest quartile for poverty.

Similarly, schools with the highest concentration of minority students also have more ineffective and fewer highly effective teachers.

State Principal Ratings

Educator effectiveness ratings for principals showed that 48.3% of all principals rated were rated highly effective, 50.3% were deemed to be effective, and only 1.4% were identified as ineffective. **Exhibit 14** provides the breakdown of this data by grade span; an analysis by geographic region was not provided. MSDE’s analysis suggests that the presence of fewer highly effective principals in the secondary and combined grade programs could be reflective of structural challenges associated with larger, more complex programs. In analyzing the principal ratings data by concentrations of poverty and minority student populations, the data is similar to the teacher ratings. Only 28.3% of principals at high-poverty schools were deemed highly effective, compared to 73.5% at low-poverty schools. Likewise, 26.9% of principals at schools with high-minority student populations were identified as highly effective versus 49.5% at schools with low-minority populations.

Exhibit 14
Statewide Distribution of Principal Ratings by Grade Span Configuration



Source: Maryland State Department of Education, *Spring 2014 Teacher and Principal Evaluation Ratings Report to the Maryland State Board of Education*

Conclusions and Next Steps

With 2014 being the first year of Educator Effectiveness Ratings under the new model, the reported results should be viewed with caution. While MSDE does note that the data suggests significant differences in the ability of staff, the results could also be impacted by models functioning differently across the jurisdictions and variances in how cut scores are distinguished among the rating levels.

Additional evaluation and tweaking of the new system for teacher-principal evaluations is needed at both the State and local level. To that end, MSDE recommends that each LEA replicate the statewide analysis conducted by the department to develop an understanding of differences among the schools within their own districts. An independent analysis of the performance of the evaluation models and their component parts is being conducted by the MidAtlantic Center at WestEd. The final report is expected in February 2015. The analysis will determine how differing local models can show comparable data. Also, as required by USDE, local school systems calculated their model evaluation scores using MSA scores to preliminarily determine the effect the data would have on future ratings. According to MSDE, the addition of this data has only a minimal effect on the ratings of teachers and principals.

MSDE also encourages LEAs to closely examine the caliber of staff assigned to schools with high concentrations of poverty and minority student populations to determine whether the results are real or artifacts of perception and expectation. The fiscal 2016 allowance includes over \$23.6 million in State aid to local jurisdictions in support of improving the quality of teachers at the lowest performing schools, which is often those schools with high concentrations of poverty and minority students. These programs have been in place for several years, yet the data would suggest that they have had minimal impact on addressing the imbalance of educator effectiveness for these schools. Issues and concerns regarding these programs will be further addressed in the MSDE – Aid to Education analysis.

Title I of the Elementary and Secondary Education Act, which was most recently authorized in 2001 as the No Child Left Behind Act (NCLB), focuses on accountability, improving standards, and eliminating achievement gaps. During implementation of the federal RTTT reforms, USDE began offering states Flexibility Waivers from specified provisions of NCLB and their associated regulatory, administrative, and reporting requirements. Maryland requested and received approval for a Flexibility Waiver in January 2013 based on the State's development of a new system for local teacher and principal evaluations that included the use of quantitative assessment data as a measure of the student growth component of the evaluation systems. In March 2014, the State requested and received approval for a one-year extension of its Flexibility Waiver to be effective through the end of the 2014-2015 school year. The approval was conditionally granted subject to the State's "commitment to continue working with USDE on Maryland's requested amendments to its teacher and principal evaluation and support systems, which may require additional flexibility." USDE issued guidance in November 2014 directing states to apply for new or four-year Flexibility Waivers. New applications are due March 31, 2015. MSDE intends to bring a draft of the proposed waiver request to the State Board of Education (SBE) at the February 2015 meeting, with a request for final approval from SBE on March 24, 2015. Chapter 630 of 2014 requires MSDE to submit proposed waiver requests to the

Legislative Policy Committee for review and comment at least 30 days prior to submitting the waiver application to USDE.

MSDE should be prepared to discuss its evaluation of the 2014 Educator Effectiveness Ratings, the next steps to be taken to improve the evaluation process going forward, and the role the ratings are anticipated to play in terms of making personnel decisions at the local level. The department should also comment on the status and content of its proposed Flexibility Waiver request.

Recommended Actions

1. Add the following language:

Further provided that at least \$43,500,000 of the appropriation made for the Maryland State Department of Education shall be expended on State assessment contracts.

Explanation: State assessment contracts are habitually underfunded. The fiscal 2016 allowance includes a \$16.8 million general fund deficiency to cover an identified shortfall in fiscal 2015. Although a \$7.0 million increase is provided for State assessments in fiscal 2016, the appropriation is still estimated to be underfunded by at least \$6.7 million. This action restricts \$43.5 million for the sole purpose of fully funding State assessment contracts in fiscal 2016.

2. Add the following language:

Provided that it is the intent of the General Assembly that no individual loaned educator be engaged by the Maryland State Department of Education (MSDE) for more than six years. For loaned educators engaged in fiscal 2010, the time already served at MSDE may not be counted toward the six-year limit.

Further provided that it is the intent of the General Assembly that all loaned educators submit annual financial disclosure statements, as is required by State employees in similar positions.

Further provided that MSDE shall provide an annual census report on the number of loaned educator contracts and any conversion of these personnel to regular positions to the General Assembly by December 15, 2015, and every year thereafter. The annual report shall include job function, title, salary, fund source(s) for the contract, the first year of the contract, the number of years that the loaned educator has been employed by the State, and whether the educator files a financial disclosure statement. MSDE shall also provide a report to the budget committees prior to entering into any new loaned educator contract to provide temporary assistance to the State. The budget committees shall have 45 days to review and comment from the date of receipt of any report on new contracts.

Explanation: This annual language on loaned educators expresses legislative intent that loaned educators should not be engaged for more than six years, educators should submit annual financial disclosure statements as appropriate, and reports on the loaned educator program should be submitted. The loaned educator program at MSDE allows local employees to work for MSDE on special projects.

R00A01 – MSDE – Headquarters

Information Request	Author	Due Date
Report on loaned educator contracts	MSDE	December 15, 2015, and annually thereafter

3. Add the following language:

Provided that 50 vacant positions shall be abolished within the Headquarters of the Maryland State Department of Education as of July 1, 2015.

Explanation: This action deletes 50 vacant positions within the Headquarters of the Maryland State Department of Education (MSDE) as of July 1, 2015. The department currently has over 130 vacancies; however, only 79 vacancies are required to meet fiscal 2016 budgeted turnover. This action will better align actual vacant positions with the department's turnover requirements. The language only abolishes the positions. The funding for the positions remains in the budget for use toward fulfilling cost containment reductions or underfunded state assessment contracts.

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

, provided that \$500,000 of this appropriation may not be expended until the Maryland State Department of Education submits a report to the budget committees on all federal grants appropriated in programs R00A01.01 through R00A01.18 in fiscal 2015, the amount of each grant that is unexpended at the end of the State fiscal year, and anticipated expiration date for each award. The report shall be submitted by September 1, 2015, and the budget committees shall have 45 days 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: The Maryland State Department of Education (MSDE) is the recipient of multiple federal grant awards every year. At times, it can be difficult to reconcile those grant awards with actual expenditures within the State's fiscal year. This action restricts funds until MSDE provides detail on federal awards received, the amount of the awards that remain unexpended at the end of the State's fiscal year, and when each of the grant awards are expected to expire.

Information Request	Authors	Due Date
Federal Grant Fund Expenditures	MSDE	September 1, 2015

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

, provided that \$500,000 of this appropriation made for the purpose of accountability and assessments may not be expended until the Maryland State Department of Education (MSDE)

R00A01 – MSDE – Headquarters

submits a report to the budget committees on the progress made toward administering the Partnership for Assessment of Readiness for College and Careers (PARCC) assessments online. The report shall specifically include:

- (1) the number of students and percent of the total tested population taking the PARCC exams in the online versus paper-based format;
- (2) any technological problems encountered by MSDE or the local education agencies (LEAs) in the preparation, administration, and evaluation of the PARCC exams;
- (3) the progress made by the LEAs in addressing previously identified technological issues regarding the implementation of PARCC and digital learning; and
- (4) any outstanding or newly identified issues related to the implementation of PARCC and the advancement of digital learning.

The report shall be submitted no later than December 1, 2015, and the budget committees shall have 45 days to review and comment. Funds restricted pending 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: Maryland has a goal of fully administering the PARCC exams online by the 2016-2017 school year. During administration of the PARCC field tests in spring 2014, a number of technological issues were identified with the online administration of the tests. Furthermore, the General Assembly has expressed interest in advancing the general implementation of digital learning in the classroom. This report restricts funding with the MSDE Headquarters until a report is provided on the progress made toward online implementation of PARCC assessments and closing the gaps in digital learning.

Information Request	Author	Due Date
Progress report on PARCC and digital learning	MSDE	December 1, 2015

6. Strike the following language from the general fund appropriation:

~~, provided that this appropriation shall be reduced by \$2,173,655 contingent upon the enactment of legislation delaying the requirement to establish a Deaf Culture Digital Library and phasing in the increased funding provided for the Maryland Library for the Blind per Chapter 498 of 2014 over ten years.~~

Explanation: The fiscal 2016 budget bill as introduced includes a \$2,173,655 reduction within the Division of Library Development and Services contingent upon the enactment of a provision in the Budget Reconciliation and Financing Act of 2015 that would delay

R00A01 – MSDE – Headquarters

implementation of the Deaf Culture Digital Library and phase in increased funding for the Maryland Library for the Blind and Physically Handicapped over 10 years. This action strikes the contingent language so that the reduction may be taken directly.

	<u>Amount Reduction</u>	
7. Reduce funds by delaying implementation of a Deaf Culture Digital Library until October 1, 2015.	\$ 232,672	GF
8. Extend the phase-in of the newly mandated funding formula for the Maryland Library for the Blind and Physically Handicapped over a 10-year period to be consistent with other changes to library aid formulas.	1,940,983	GF
Total General Fund Reductions	\$ 2,173,655	

Updates

1. Loaned Educators Decline to 7 in Fiscal 2015

The Loaned Educator program at MSDE allows local school systems to enter into a contract with the State so that a local school system employee may work for MSDE for a finite period of time. The benefit to the State is that these employees bring local knowledge to special projects, and school systems benefit when their employees return with in-depth knowledge of State-level policies and processes.

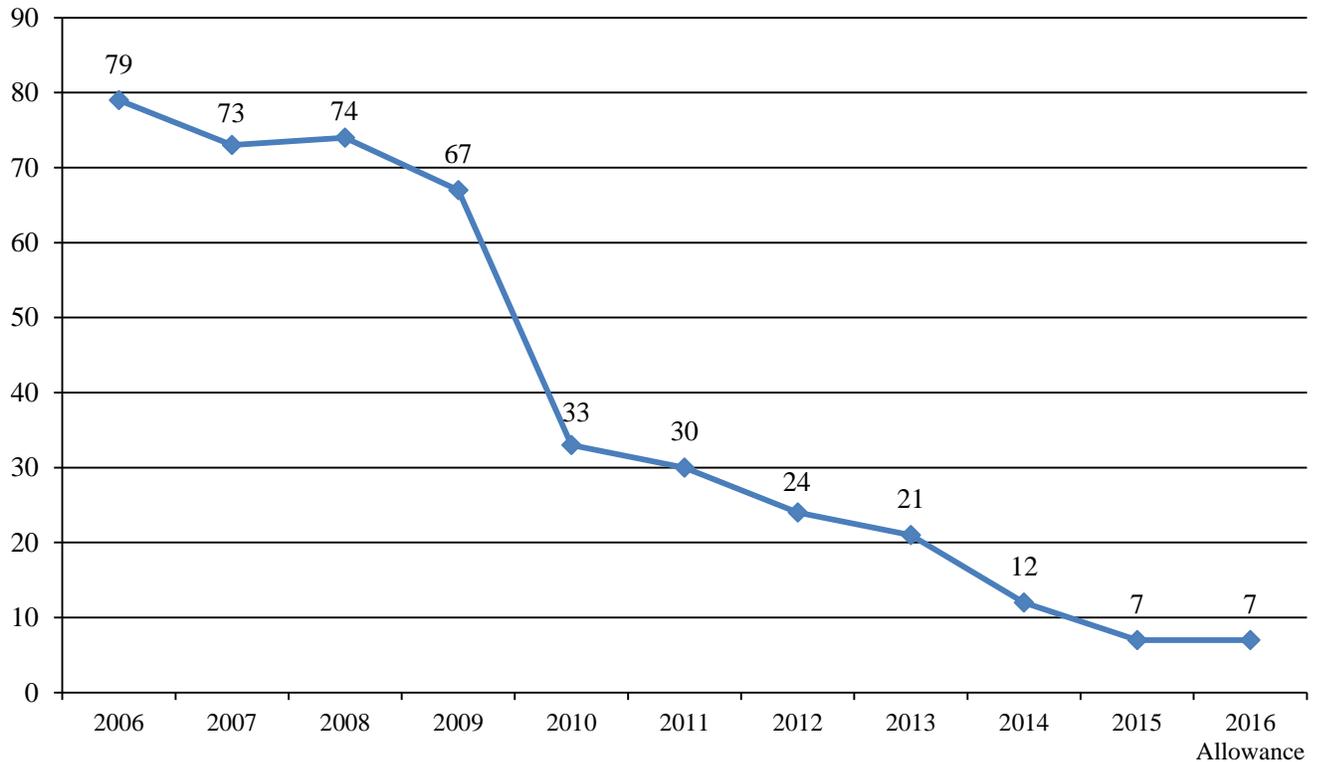
To use loaned educators, MSDE executes annual contracts with local school systems, and the department reimburses the system for the educators' salaries and certain fringe benefits. MSDE has long used loaned educators, but an August 2009 report by legislative auditors articulated a number of concerns about the program, including the practice of contracting with educators for many years rather than using them for short-term projects, paying them more than State employees in similar positions, and not requiring certain educators to complete annual financial disclosure statements.

In the 2010 legislative session and each year thereafter, the General Assembly has added budget language expressing intent that no individual loaned educator be engaged for more than six years and that certain loaned educators submit annual financial disclosure statements. The budget language also requires that an annual report be submitted on the loaned educator program and that a report be submitted to the committees before hiring a new loaned educator.

Exhibit 15 shows the number of loaned educators since fiscal 2006. The number has declined from 79 in fiscal 2006 to 7 in fiscal 2015 through a combination of budget reductions, educators returning to counties, and conversions of educators to regular positions, among other actions. Expenditures on loaned educator contracts have declined from \$9.3 million in fiscal 2008 to \$976,000 in the 2016 allowance.

The language included in the budget bill specifies that for loaned educators engaged in fiscal 2010, the time already served at MSDE may not be counted toward the six-year limit. MSDE has not engaged a new loaned educator since prior to fiscal 2010. As such, fiscal 2016 is the sixth and final year for all seven existing loaned educators.

**Exhibit 15
Loaned Educators
Fiscal 2006-2016**



Source: Maryland State Department of Education; Governor’s Budget Books, Fiscal 2016

2. 2014 Bridge to Excellence Adequacy Study

Maryland’s first adequacy of education funding study was completed in 2001 and resulted in enactment of the Bridge to Excellence in Public Schools Act and an increase of an estimated \$1.8 billion in State funding and \$3.3 billion in total State and local funding for prekindergarten through grade 12 education. A follow-up study, which began in June 2014 and has a statutory completion date of December 1, 2016, is reexamining the adequate level of funding needed for public school students to meet the State’s academic standards.

Components of the 2014 Study

In June 2014, MSDE hired an independent consultant, Augenblick, Palaich, and Associates (APA), to develop and conduct the adequacy study. APA is working with a team of researchers that includes Picus, Odden, and Associates and the Maryland Equity Project, which is based at the University of Maryland, College Park.

The study must include, at a minimum:

- adequacy cost studies that identify a base funding level for students without special needs using at least two different methods;
- per pupil weights for students with special needs to be applied to the base funding level; and
- an analysis of the effects of concentrations of poverty on adequacy targets.

The MCCRS, adopted by the State Board of Education, serve as a framework for the required academic standards. In addition, two years of results from the new State assessments aligned with the standards must be considered. The new assessments are scheduled to be administered beginning in the 2014-2015 school year. The study must also include science and high school assessment requirements.

There are several additional components mandated to be included in the study. These components include evaluations of the impact of school size, the Supplemental Grants program, the use of free and reduced-price meal (FRPM) eligibility as the proxy for identifying economically disadvantaged students, expansion of prekindergarten services and funding, the equity of the State education finance structure and the local wealth calculation, and the impact of increasing and decreasing enrollments on local school systems. The study must also include an update and analysis of the Maryland Geographic Cost of Education Index.

Timeline for Completion

The final report is due by October 31, 2016; however, with the study including multiple components, a number of interim reports are also expected. Key submission dates are spread throughout the 28-month period needed to complete the study. **Exhibit 16** provides a list of the final reports and the anticipated due dates.

Exhibit 16
Bridge to Excellence Adequacy Study
Final Reports and Due Dates

<u>Anticipated Due Date</u>	<u>Final Report</u>
June 30, 2015	School Size Study Analysis of Supplemental Grants Analysis of the Impact of Concentrations of Poverty Report on a Proxy for Economically Disadvantaged Students Evaluation of the Impact of Increasing and Declining Enrollment
September 30, 2015	Evaluation of Maryland’s Education Finance Structure and the Local Wealth Calculation Prekindergarten Services and Funding
June 30, 2016	Update of the Geographic Cost of Education Index
October 31, 2016	Final Report on the Adequacy of Education Funding in the State

Source: Maryland State Department of Education

Work Completed To Date

To date, the consultant team has reported on three topics: the methodology developed for conducting the adequacy study, the preliminary impact of school size on achievement and funding, and preliminary research on alternative methods for identifying economically disadvantaged students for State education aid formulas. Three public presentations have been given to the Adequacy Study Stakeholder Advisory Group on these issues. The Stakeholder Advisory Group includes representatives from State and local government, local school boards and school systems, the business community, and other key stakeholders to keep them informed and to receive input and feedback as the study progresses. These presentations provided interested parties with an overview of the components of the adequacy study, a detailed review of the proposed methodology for each component, summaries of submitted reports, and a status update on the research.

Methodology for the Adequacy Study

After evaluating 39 adequacy studies in 24 states plus the District of Columbia, including two Maryland studies, the consultant team’s evaluation found that most adequacy studies use some combination of the following three methodologies, all of which will be utilized in Maryland’s 2014 Adequacy Study:

- ***Professional Judgment Approach:*** assembles panels of various levels of school and system personnel to identify resources needed at the school and district level;
- ***Evidence-based Approach:*** uses educator panels to review the results of research, best practices, and case studies to identify elements of a prototypical school at each level and at the district office and then recommend adjustments for Maryland standards and contexts; and
- ***Successful Schools Approach:*** identifies schools that are currently high performing and assesses how much they spend per pupil.

Other best practices identified by the researchers emphasized the need to focus on the improvement of student performance, the importance of including State policymakers and other stakeholders in the process, and ensuring that compensation is accurately represented in the final analysis. As a means of informing the three primary methods for conducting the adequacy study, the Maryland Equity Project will also be conducting 12 case studies of Maryland schools that have been identified as either high performing, have significant improvements in achievement, have reduced achievement gaps, or have improved performance for minority, low-income, and limited English proficiency students.

Impact of School Size on Achievement and Funding

In terms of the impact of school size on student achievement and funding, the research team found 10 districts in Maryland to have stated school size policies, with recommended school sizes ranging from 550 to 750 students at the elementary level, 700 to 1,200 students at the middle school level, and 1,200 to 1,695 students at the high school level. Only two states, Arizona and North Carolina, were found to currently have guidelines pertaining to overall school size.

An extensive body of research exists with regard to school size. Smaller schools were consistently found to have a positive effect on school climate by providing more personal and informal relationships between staff, students, and parents; teacher and student satisfaction via increased collaboration; and student discipline with higher attendance rates and lower dropout rates. With regard to economic efficiency and academic achievement, the research was more inconclusive. Conventional wisdom would suggest that larger schools are more economically efficient to operate; however, the research indicated that some larger schools' efficiency is neutralized by increasing administrative and facilities costs. Some research suggests that smaller schools have higher academic achievement, particularly for low-income students; however, other studies have suggested that larger schools offer students a performance advantage and that there is little difference in attending smaller or larger schools.

Alternative Measures for Identifying Economically Disadvantaged Students

In conducting an evaluation of alternative measures of identifying economically disadvantaged students for the purpose of calculating State education aid formulas, the research team is assessing the potential costs of the Community Eligibility Provision (CEP) of the Healthy, Hunger-Free Kids Act

and exploring alternative measures to the use of the FRPM program counts as a proxy for economic disadvantage. Under CEP, schools use alternative indicators to identify who qualifies to participate in the federal meal programs. Schools qualify for CEP if 40% or more of their students are homeless, are migrant, live in foster care, participate in Head Start, or live in households that participate in specified entitlement programs. Schools or school systems that participate in CEP do not provide a direct count of FRPM students, which is used in the State's compensatory education funding formula. Preliminary review of Maryland specific data shows that, although 371 schools in Maryland were eligible to participate in CEP, only 6 schools actually participated. Within the 1,067 schools that were not eligible for CEP, nearly 260,000 students still received FRPM benefits.

Next Steps

The final reports on the school size study and potential alternatives for identifying economically disadvantaged students are due by June 30, 2015. As research on those topics moves forward, the final reports are expected to include recommendations for optimal school sizes in Maryland and specific alternative measures to using FRPM counts in State aid formulas, along with an assessment of the strengths and weaknesses for each alternative.

With regard to the larger study of the adequacy of education funding in the State, the researchers are in the process of selecting individuals to participate in the professional judgment and evidence-based educator panels, in addition to creating a list of schools to use as case studies in the successful schools analysis. During spring 2015, the panels for the professional judgment and evidence-based methods will begin meeting, and the preliminary list of successful schools will be determined, subject to change once data from the 2014-2015 State assessments, and later the 2015-2016 assessments, are available. The Stakeholder Advisory Group is scheduled to meet quarterly during 2015, with the next meeting scheduled for March 9, 2015. In total, seven final reports and two preliminary reports are due in 2015, including an interim report on the progress of the adequacy cost study.

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland State Department of Education – Headquarters (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2014					
Legislative Appropriation	\$87,654	\$7,242	\$161,119	\$1,604	\$257,619
Deficiency Appropriation	12,209	-36	-1,327	0	10,845
Budget Amendments	478	100	117,486	1,567	119,632
Reversions and Cancellations	-1,631	-830	-40,255	-1,407	-44,124
Actual Expenditures	\$98,709	\$6,476	\$237,023	\$1,764	\$343,972
Fiscal 2015					
Legislative Appropriation	\$79,363	\$7,371	\$146,612	\$2,452	\$235,798
Cost Containment	0	0	0	0	0
Budget Amendments	581	19	24,433	0	25,033
Working Appropriation	\$79,944	\$7,390	\$171,045	\$2,452	\$260,831

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

Fiscal 2014

General fund expenditures totaled \$98.7 million in fiscal 2014, reflecting an increase of approximately \$11.1 million when compared to the legislative appropriation.

- Deficiency appropriations increased the legislative appropriation by a net \$12.2 million. The agency received an additional \$14.5 million to fund assessment contracts and \$400,000 for the consultant leading the Bridge to Excellence Adequacy Study mandated in statute to begin June 30, 2014. This was offset by \$1.3 million in cost containment reductions for contractual services, grants and other agency operating expenses. In addition, across-the-board reductions for retirement contributions, employee health care, and the statewide personnel system totaled \$1.4 million.
- Budget amendments further increased the legislative appropriation by approximately \$478,000. Funding for personnel expenses, such as the cost-of-living adjustments (COLA) and increments, provided an approximate increase of \$590,000 to the department. This was slightly offset by amendments realigning funds throughout the programs within MSDE based on actual expenditures.
- General fund reversions at the close of fiscal 2014 totaled \$1.6 million. The majority of the reversion, over \$700,000, was unexpended salary funds due to vacancies. The remainder of the reversion was unspent funding for contractual services, primarily within the Office of Information Technology and the MLDSC.

Special fund expenditures totaled nearly \$6.5 million in fiscal 2014, a decrease of approximately \$766,000 from the legislative appropriation. Across-the-board reductions for retirement and health care contributions, implemented via deficiency appropriation, totaled \$36,000. The department received a net \$100,000 increase via budget amendments. A transfer of \$800,000 was received from the Dedicated Purpose Account to fund services provided by DORS impacted by federal sequestration. This increase was offset by the reallocation of special funds among other programs within MSDE based on actual expenditures, primarily to support the Judy Centers and the SEED School. At the close of fiscal 2014, approximately \$830,000 in special funds was cancelled by the department. Over half of these funds (\$453,554) were cancelled from within DORS because of delays in equipment purchases and lower than anticipated revenue attainment from vending machine and concessions at federal buildings and highway rest stops. The remainder of the reversion was primarily due to contractual FTE vacancies among multiple programs within MSDE Headquarters.

Federal fund expenditures totaled \$237.0 million in fiscal 2014, an increase of \$75.9 million when compared with the legislative appropriation. Approximately \$1.5 million in reductions to employee retirement and health care, implemented via deficiency appropriation, were offset by a net \$203,000 increase to recognize grant funding for 2 positions within DORS. The department received nearly \$117.5 million in additional federal funding via budget amendment, of which more than \$112.6 million was carry forward RTTT funding for various projects. An additional \$3.4 million in grant funding was provided to support the longitudinal data systems and library services. Funding for

personnel costs, such as the employee COLA and increments, also provided an increase of nearly \$1.3 million. At the close of fiscal 2014, the department cancelled approximately \$40.3 million. The majority of the cancellation, approximately \$19.5 million, was RTTT funding that was unable to be expended and is carried forward into the next fiscal year. The department also cancelled approximately \$6.5 million in other unexpended grant funds due to vacancies or project delays. These funds are also carried forward into fiscal 2015. More than \$4.6 million was cancelled due to regular position and contractual FTE vacancies among various programs within the department. The remainder of the funds were cancelled primarily due to unrealized grant revenue or operating expenses being lower than anticipated.

Reimbursable fund expenditures totaled nearly \$1.8 million at the close of fiscal 2014, an increase of \$160,000 over the legislative appropriation. The department received approximately \$1.6 million in reimbursable funds via budget amendments, including \$1.5 million in anticipated revenue from LEAs, collected by DJS, for youth receiving education services while in a DJS facility. The additional \$108,000 received was grant funding to support college access for low-income students and to increase sexual assault awareness. Approximately \$1.4 million in the anticipated revenue from DJS was cancelled at the close of fiscal 2014 due to delays in collections and population declines.

Fiscal 2015

The fiscal 2015 general fund working appropriation is approximately \$79.9 million, reflecting an increase of \$581,000 over the legislative appropriation for the 2% COLA for State employees.

The fiscal 2015 special fund working appropriation is nearly \$7.4 million. This reflects an increase of approximately \$19,000 for the 2% employee COLA.

The fiscal 2015 federal fund working appropriation of \$171.0 million reflects an increase of \$24.4 million above the legislative appropriation. Approximately \$23.8 million of the increase is the RTTT funding carried forward from the previous fiscal year. The funds were not expended in fiscal 2014 due to project delays and slower than anticipated implementation. MSDE received no-cost extensions through June 30, 2015, for 20 projects. The remainder of the increase, approximately \$584,000 reflects the department's share of the 2% COLA initially budgeted within the Department of Budget and Management.

**Object/Fund Difference Report
MSDE – Headquarters**

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,271.40	1,282.90	1,283.90	1.00	0.1%
02 Contractual	147.37	181.30	133.29	-48.01	-26.5%
Total Positions	1,418.77	1,464.20	1,417.19	-47.01	-3.2%
Objects					
01 Salaries and Wages	\$ 99,298,490	\$ 109,372,965	\$ 115,864,667	\$ 6,491,702	5.9%
02 Technical and Spec. Fees	37,465,377	46,459,273	45,573,892	-885,381	-1.9%
03 Communication	1,622,828	1,976,612	1,919,829	-56,783	-2.9%
04 Travel	1,019,432	1,528,531	1,071,299	-457,232	-29.9%
06 Fuel and Utilities	711,540	787,962	759,940	-28,022	-3.6%
07 Motor Vehicles	657,704	733,745	772,362	38,617	5.3%
08 Contractual Services	165,107,679	67,693,532	61,339,679	-6,353,853	-9.4%
09 Supplies and Materials	1,664,978	2,126,395	2,121,208	-5,187	-0.2%
10 Equipment – Replacement	612,277	1,097,060	946,481	-150,579	-13.7%
11 Equipment – Additional	491,784	860,031	589,952	-270,079	-31.4%
12 Grants, Subsidies, and Contributions	30,469,057	22,853,639	9,835,727	-13,017,912	-57.0%
13 Fixed Charges	4,773,358	5,128,206	5,450,132	321,926	6.3%
14 Land and Structures	77,446	213,000	173,000	-40,000	-18.8%
Total Objects	\$ 343,971,950	\$ 260,830,951	\$ 246,418,168	-\$ 14,412,783	-5.5%
Funds					
01 General Fund	\$ 98,709,093	\$ 79,943,602	\$ 90,261,763	\$ 10,318,161	12.9%
03 Special Fund	6,476,060	7,390,089	7,258,066	-132,023	-1.8%
05 Federal Fund	237,022,628	171,044,883	146,032,867	-25,012,016	-14.6%
09 Reimbursable Fund	1,764,169	2,452,377	2,865,472	413,095	16.8%
Total Funds	\$ 343,971,950	\$ 260,830,951	\$ 246,418,168	-\$ 14,412,783	-5.5%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

**Fiscal Summary
MSDE – Headquarters**

	FY 14	FY 15	FY 16	FY 15 - FY 16	
<u>Program/Unit</u>	<u>Actual</u>	<u>Wrk Approp</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
01 Office of the State Superintendent	\$ 33,996,662	\$ 40,980,618	\$ 12,118,096	-\$ 28,862,522	-70.4%
02 Division of Business Services	98,183,271	8,008,013	8,024,758	16,745	0.2%
03 Division of Academic Reform and Innovation	915,593	843,360	567,106	-276,254	-32.8%
04 Division of Accountability, Assessment and Data Systems	52,005,988	37,388,411	43,627,550	6,239,139	16.7%
05 Office of Information Technology	3,794,757	6,068,862	6,304,382	235,520	3.9%
06 Major Information Technology Development Projects	2,498,886	2,097,564	300,000	-1,797,564	-85.7%
07 Office of School and Community Nutrition Programs	3,813,250	6,436,927	8,348,664	1,911,737	29.7%
11 Division of Instruction	5,307,928	6,039,067	6,164,620	125,553	2.1%
12 Division of Student, Family and School Support	4,922,337	6,346,590	6,921,508	574,918	9.1%
13 Div. of Special Educ./Early Intervention Services	9,043,433	16,252,237	13,050,768	-3,201,469	-19.7%
14 Division of Career and College Readiness	3,149,529	3,298,031	3,144,023	-154,008	-4.7%
15 Juvenile Services Education Program	15,143,725	16,275,967	17,698,398	1,422,431	8.7%
17 Division of Library Development and Services	2,262,361	2,413,269	5,429,174	3,015,905	125.0%
18 Division of Certification and Accreditation	2,496,651	2,884,275	2,969,446	85,171	3.0%
19 Home and Comm. Based Waiver for Children with Autism	12,044,080	0	0	0	0%
20 Div. of Rehab. Services – Headquarters	9,907,464	10,380,366	11,361,355	980,989	9.5%
21 Div. of Rehab. Services – Client Services	35,146,821	38,694,050	32,518,545	-6,175,505	-16.0%
22 Div. of Rehab. Services – Workforce and Tech. Ctr.	8,627,277	9,305,032	9,732,914	427,882	4.6%
23 Div. of Rehab. Services – Disability Determination Services	31,545,919	36,641,279	46,997,186	10,355,907	28.3%
24 Div. of Rehab. Services – Blindness and Vision Services	7,463,935	8,152,638	8,928,601	775,963	9.5%
01 Maryland Longitudinal Data Systems Center	1,702,083	2,324,395	2,211,074	-113,321	-4.9%
Total Expenditures	\$ 343,971,950	\$ 260,830,951	\$ 246,418,168	-\$ 14,412,783	-5.5%
General Fund	\$ 98,709,093	\$ 79,943,602	\$ 90,261,763	\$ 10,318,161	12.9%
Special Fund	6,476,060	7,390,089	7,258,066	-132,023	-1.8%
Federal Fund	237,022,628	171,044,883	146,032,867	-25,012,016	-14.6%
Total Appropriations	\$ 342,207,781	\$ 258,378,574	\$ 243,552,696	-\$ 14,825,878	-5.7%
Reimbursable Fund	\$ 1,764,169	\$ 2,452,377	\$ 2,865,472	\$ 413,095	16.8%
Total Funds	\$ 343,971,950	\$ 260,830,951	\$ 246,418,168	-\$ 14,412,783	-5.5%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.