

R00A01
Headquarters
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$93,258	\$87,266	\$97,942	\$10,676	12.2%
Deficiencies and Reductions	0	11,488	-109	-11,597	
Adjusted General Fund	\$93,258	\$98,754	\$97,833	-\$921	-0.9%
Special Fund	5,487	7,203	7,457	254	3.5%
Deficiencies and Reductions	0	0	-8	-8	
Adjusted Special Fund	\$5,487	\$7,203	\$7,449	\$247	3.4%
Federal Fund	180,835	144,164	138,691	-5,473	-3.8%
Deficiencies and Reductions	0	-3,600	-248	3,352	
Adjusted Federal Fund	\$180,835	\$140,564	\$138,443	-\$2,121	-1.5%
Reimbursable Fund	2,053	2,965	2,936	-29	-1.0%
Adjusted Reimbursable Fund	\$2,053	\$2,965	\$2,936	-\$29	-1.0%
Adjusted Grand Total	\$281,633	\$249,487	\$246,662	-\$2,825	-1.1%

- Fiscal 2016 deficiency appropriations total approximately \$11.7 million in general funds. This includes \$8.1 million to support the development and scoring of State assessments. Also included in the general fund deficiency appropriation is \$3.6 million to enable the Maryland State Department of Education (MSDE) to revert federal indirect costs to the General Fund per Statewide Cost Allocation Plan requirements. Therefore, there is an accompanying \$3.6 million deficiency reduction for federal funds.
- The adjusted fiscal 2016 working appropriation reflects a targeted reversion of \$227,716 in general funds for the Library for the Blind and Physically Handicapped (LBPH) to correct the funding for LBPH to match its mandated amount after it was overfunded during the 2015 session.

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

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- The adjusted fiscal 2017 allowance reflects a decrease of \$2.8 million when compared to the adjusted fiscal 2016 working appropriation. This is primarily due to decreases in contractual and grant spending. After accounting for the \$8.1 million deficiency appropriation, assessment contract spending decreases by \$4.3 million in general funds. There is also a net \$1.8 million decrease in federal fund spending across the rest of the agency. However, these decreases are offset by \$4.7 million in new spending for personnel.

Personnel Data

	<u>FY 15 Actual</u>	<u>FY 16 Working</u>	<u>FY 17 Allowance</u>	<u>FY 16-17 Change</u>
Regular Positions	1,245.90	1,245.90	1,278.90	33.00
Contractual FTEs	<u>139.70</u>	<u>132.79</u>	<u>131.84</u>	<u>-0.95</u>
Total Personnel	1,385.60	1,378.69	1,410.74	32.05

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	80.23	6.45%
Positions and Percentage Vacant as of 12/31/15	43.80	3.52%

- The Juvenile Services Education Program (JSE) receives 20 new positions, which are meant to assist in providing appropriate educational services to students in the State’s detention centers and residential facilities. These include special education teachers, counselors, and instructional assistants for individualized learning, as well as information technology (IT) and budgeting personnel. These positions are part of a \$2.0 million enhancement across JSE.
- The fiscal 2017 allowance includes 14 new regular positions for the LBPH, created to expand customer access to LBPH materials and services. The funding to create these positions is part of the \$2.5 million mandated for LBPH under legislation passed during the 2014 session. If these positions are filled, they will use a significant portion of the LBPH mandated funding in fiscal 2017 and beyond. **Therefore, the Department of Legislative Services (DLS) recommends language to restrict funding until the submission of a report to the budget committees on the ways that LBPH plans to utilize the new positions to expand its outreach programs, increase access to its materials, and enhance the services it provides. This will give the budget committees the opportunity to review and determine if new personnel is the most effective use of the mandated LBPH funding to support its mission in fiscal 2017 and subsequent years.**
- The allowance transfers an IT specialist from the MSDE Office of Information Technology into the Maryland Longitudinal Data System Center (MLDSC), after abolishing the current vacant

IT regular position within the MLDSC, generating savings from the loss of 1 regular position between the two programs.

Analysis in Brief

Major Trends

Employment and Retention Rates among Rehabilitation Clients Hold Steady: The Division of Rehabilitation Services (DORS) provides vocational rehabilitation services and determines eligibility for federal disability benefits. The goal of the client services program is to provide vocational rehabilitation to disabled individuals so they may achieve economic self-sufficiency through employment. The employment success rate for DORS historically has fluctuated from year to year but has held steady at approximately 60% over the past four years. For those who obtain employment, approximately 89% retain employment for at least one year.

Library for the Blind and Physically Handicapped Maintains High Attendance for Outreach Programs: In order to increase access to its materials and services, LBPH provides outreach programs. There has been a decline in outreach programs, including a drop from 114 to 34 programs between fiscal 2014 and 2015. The Department of Budget and Management notes that the Reference/Outreach Librarian position, as well as several other key positions, were vacant during fiscal 2015, contributing to the drop. However, LBPH maintained relatively level total attendance for its programs for fiscal 2015, with over 3,200 individuals attending outreach programs in both years, by strategically offering programs where high attendance was expected.

Issues

Partnership for Assessment of Readiness for College and Careers Testing Undergoes Its First Implementation in Maryland: During the academic 2014-2015 administration of the Partnership for Assessment of Readiness for College and Careers (PARCC), more than 575,000 students completed a PARCC assessment, of which 81% took the assessment online. MSDE reports that this generated \$2.7 million in savings in fiscal 2015. **MSDE should comment on how the \$2.7 million in fiscal 2015 savings was recognized in the budget and how the estimated \$379,000 in fiscal 2016 savings will be utilized. MSDE should also comment on what savings can be estimated for fiscal 2018, the final year of the contract, considering the increases in the number of PARCC exams expected to be administered online in fiscal 2016 and 2017.** The PARCC results indicate a larger number of students who are not college and career ready than had been anticipated. However, these results are consistent with the remediation rates at community colleges, and the first year that assessments are administered often yields lower scores (as was true of the first administration of the High School Assessments). Concerns remain over the amount of testing that students are undergoing and the implementation of transition courses for students who are not deemed college and career ready. **MSDE should comment on the status of implementing transition courses as informed by the most recent implementation of the PARCC.**

Elementary and Secondary Education Act Reauthorization: The federal programs that comprise the Elementary and Secondary Education Act had been unauthorized since the No Child Left Behind Act expired after fiscal 2007. The Every Student Succeeds Act (ESSA) was signed into law in December 2015, authorizing these programs for fiscal 2017 through 2020. Title I remains the primary source of federal K-12 education funding under the ESSA, which increases from fiscal 2015, while also including a “sense of Congress” that authorization levels should be adjusted in the event that any future budget agreements increase discretionary spending caps. Title II Part A grants, known as Improving Teacher Quality State Grants, have been renamed Supporting Effective Instruction grants under the ESSA, and gradually eliminate the program’s 2001 hold-harmless base allotment over fiscal 2017 through 2023. Between fiscal 2015 and 2023, Maryland is estimated to have Title II Part A funding decrease by \$6.8 million under the ESSA. The ESSA also eliminates more than 40 programs, most of which have not been funded in recent years, while creating a number of new grants. This includes consolidating several programs into a new block grant, called Student Support and Academic Enrichment. It is estimated that Maryland would receive \$21.9 million under this grant. Many of the other new grants under the ESSA are competitive among the states. **MSDE should comment on how much federal funding it believes Maryland may receive through these new ESSA grants and how Maryland will utilize additional flexibility in the ESSA.**

Findings from the Ongoing Adequacy Study: The Bridge to Excellence in Public Schools Act (Chapter 288 of 2002), which established new primary State education aid formulas based on adequacy cost studies and other education finance analyses, required the State to contract with a consultant to conduct a follow-up study of the adequacy of education funding in the State. The final report must be submitted to the Governor and the General Assembly by December 1, 2016. The ongoing study has made several key findings. **MSDE should provide an update to the budget committees on the progress of the study thus far and the timeline for completing the study.**

Juvenile Services Education Needs Improvement: As a result of legislation enacted by the General Assembly in 2003, MSDE began the process of assuming responsibility for the provision of education services to all State-operated Department of Juvenile Services (DJS) detention and committed care facilities in fiscal 2005. The last of 14 facilities was transferred in fiscal 2013. The assumption, at the time the legislation was enacted, was that MSDE, being the overseer of education services for the State, was better positioned to ensure the provision of adequate education services to the population of youth under the care of DJS. With the takeover of each facility, MSDE repeatedly indicated that additional resources were needed to improve the delivery of education services to DJS youth. In most instances, however, the department received the equivalent of the resources previously budgeted in DJS with no increase. Concerns have again been raised questioning whether MSDE is providing the appropriate level of services to students in DJS facilities. **DLS recommends budget language requiring MSDE and DJS to submit biannual monitoring reports to the budget committees on the advancements made toward addressing the concerns raised in this issue, the level of communication between the agencies and with local school systems (LSS), and how the additional resources provided in the fiscal 2017 allowance will be utilized. In addition, DLS recommends MSDE and DJS develop measures evaluating the performance of the program, in addition to student performance.**

Education Data Systems and Evaluation: Increasingly complex and interrelated policy questions required the State to invest considerable time and resources into building MLDSC to collect statewide

data on K-12 and higher education students and the workforce. Over the course of calendar 2015, MLDSC made enormous progress as it finished loading and sorting over 6.5 million student and worker records covering fiscal 2008 through 2014. Now, nearly 90% of all students in grade 12 from public high schools in a given year can be linked to higher education or workforce records, and MLDSC believes that it can raise that to perhaps as high as 95%. However, many issues of data being incomplete due to the inability to track certain student populations persist. MLDSC has also failed to provide robust web-based data dashboards and research studies. **MSDE should provide information on the support that MLDSC currently receives to collect and present statewide data and what resources are necessary so that MLDSC may make content available for policymakers and the general public in a more efficient manner.**

Recommended Actions

	<u>Funds</u>
1. Add annual language expressing legislative intent that no loaned educator be engaged for more than six years and requesting a report.	
2. Add budget bill language making the addition of new positions for the Library for the Blind and Physically Handicapped contingent upon the submission of a report on how those positions will be utilized.	
3. Reduce funding for the Library for the Blind and Physically Handicapped to fund it at its mandated amount.	\$ 48,470
Total Reductions	\$ 48,470

Updates

All Race to the Top Programs Have Been Completed: Although the Race to the Top Programs (RTTT) grant was scheduled to conclude at the end of fiscal 2014, MSDE was granted approval of no-cost extensions on 21 projects for up to one year. MSDE reports that all 21 projects that were approved for no-cost extensions through fiscal 2016, have been completed. Seventeen were completed on June 30, 2015; 3 on July 31, 2015; and 1 on August 15, 2015. MSDE reports that in order to sustain projects implemented with RTTT funding, it received \$1.8 million in general funds in fiscal 2014 (\$1.1 million for technology contracts and \$700,000 for software licenses), and \$1.75 million in fiscal 2015 (\$1.01 million to support 7 new positions and \$740,000 for software licenses). No additional general funds were appropriated to MSDE in fiscal 2016 to sustain RTTT projects.

Loaned Educator Program: 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. The number of loaned educators has declined from 79 in fiscal 2006 to 4 in fiscal 2016 through a combination of budget reductions, educators returning to counties, and conversions of educators to regular positions among other actions.

Automated External Defibrillator Availability: As directed by the budget committees, MSDE surveyed the LSS school health services coordinators and directors of student services who provided information regarding the total number of automated external defibrillators (AED) currently in elementary schools, the fiscal impact of having an AED available in all public elementary schools in Maryland, and the cost for the maintenance of an AED in elementary schools. Among the 24 LSS, one jurisdiction reported having an AED in some elementary schools, four jurisdictions reported having no AEDs in the elementary school setting, and one jurisdiction was not sure about its elementary schools. Eighteen jurisdictions reported having an AED available in all elementary schools.

MSDE Search for New Superintendent: Maryland State Superintendent Dr. Lillian M. Lowery resigned from her position in August 2015, approximately one year before her term expired. Since then, she has been replaced by Interim State Superintendent Dr. Jack R. Smith, who had been serving as the MSDE chief academic officer. In January 2016, the State Board of Education chose the search firm of Hazard, Young, Attea & Associates to assist in its search for a full-time replacement. This is the same firm that has been working with Montgomery County Public Schools in its search for a new superintendent.

Federal Grant Fund Expenditures: MSDE is the recipient of multiple grant awards every year. At times, it can be difficult to reconcile those grant awards with actual expenditures within the State's fiscal year. Due to this concern, the budget committees adopted language in the fiscal 2016 budget bill restricting funds to MSDE until the submission of a report detailing federal awards MSDE received, the amount of the awards that remain unexpended at the end of the State's fiscal year, and when each grant awards are expected to expire. MSDE submitted its report on August 31, 2015. The details requested, as broken down by the federal agency issuing the grant and the grant title, are available in the report.

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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; and the Division of Rehabilitation Services (DORS). Note that a separate analysis on Early Childhood Development (R00A99) discusses the Division of Early Childhood Development.

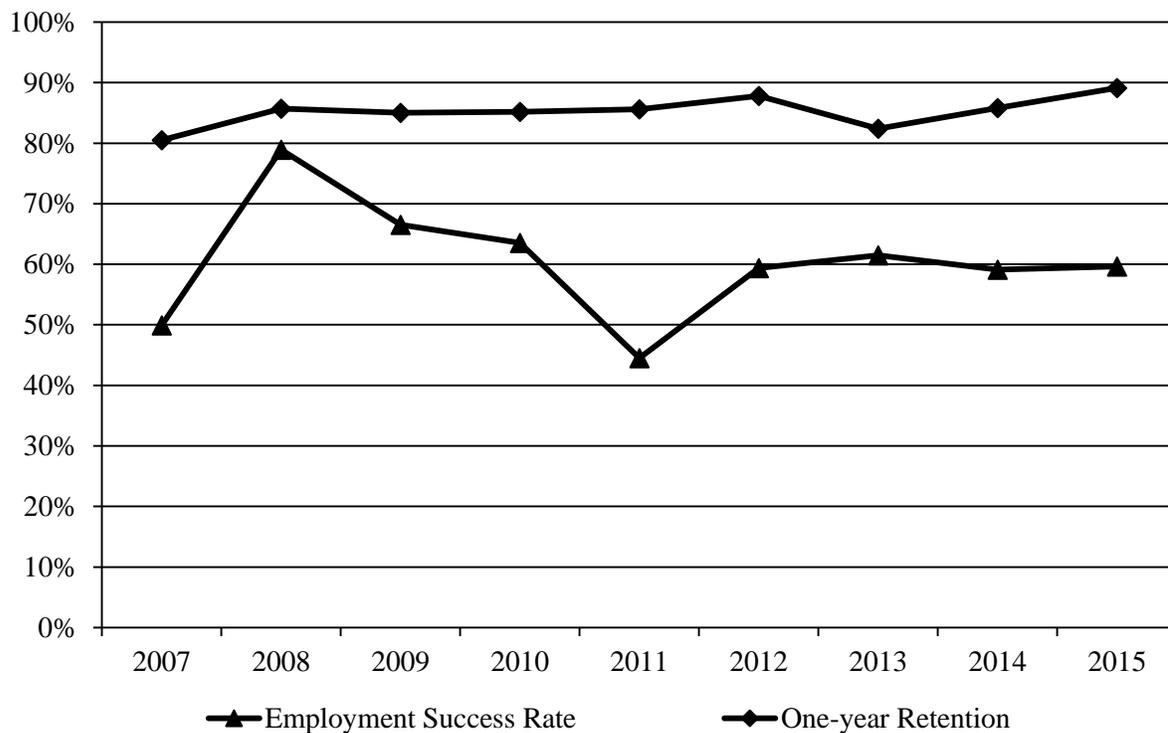
Performance Analysis: Managing for Results

1. Employment and Retention Rates among Rehabilitation Clients Hold Steady

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, and Blindness and Vision Services.

The goal of the client services program is to provide vocational rehabilitation to disabled individuals so that 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 1**, the employment success rate historically has fluctuated from year to year, but has held steady at approximately 60% over the past four years. For those who obtain employment, Exhibit 1 also reveals that approximately 89% of them retain that employment for at least one year.

Exhibit 1
DORS Employment Success and One-year Retention Rates
Fiscal 2007-2015



DORS: Department of Rehabilitation Services

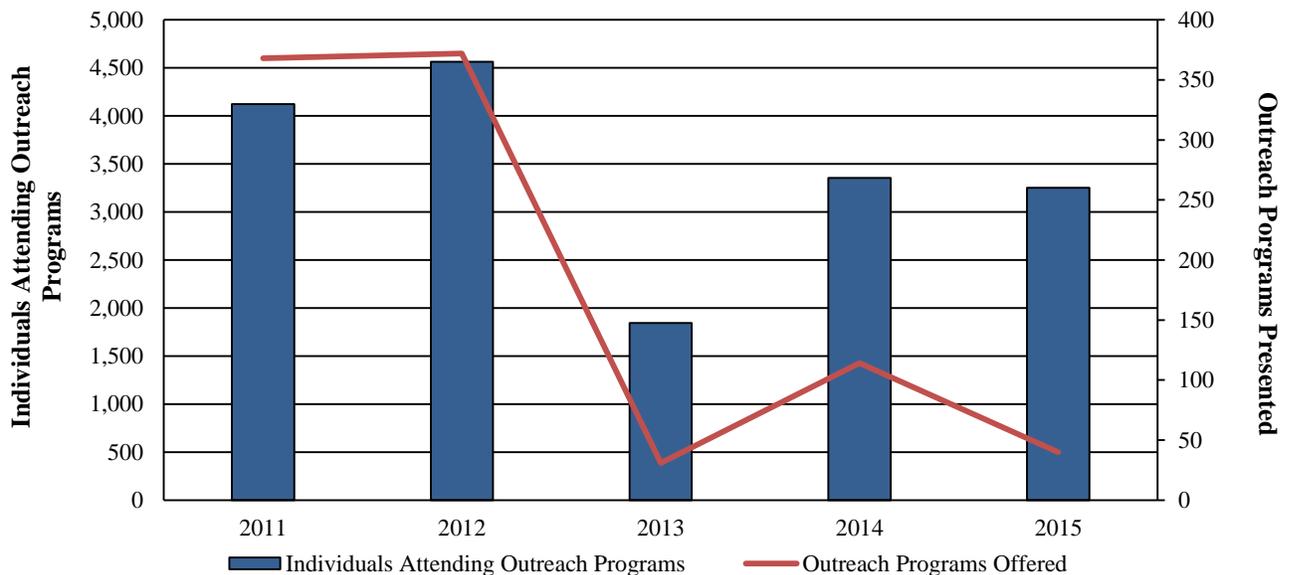
Source: Maryland State Department of Education; Governor's Budget Books, Fiscal 2009-2016; Department of Budget and Management, Fiscal 2017

2. Library for the Blind and Physically Handicapped Maintains High Attendance for Outreach Programs

The Library for the Blind and Physically Handicapped (LBPH) is a statewide library program serving 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.

In order to increase access to its materials and services, LBPH provides outreach programs. The number of outreach programs provided by LBPH between fiscal 2011 and 2015 is illustrated in **Exhibit 2**, as well as the number of participants for those programs. There has been a decline in outreach programs over this period, including a drop from 114 to 34 programs between fiscal 2014 and 2015. The Department of Budget and Management (DBM) notes that the Reference/Outreach Librarian position, as well as several other key positions, were vacant during fiscal 2015, contributing to the drop. However, LBPH maintained a relatively level total attendance for its programs for fiscal 2015, with over 3,200 individuals attending outreach programs in both years, by strategically offering programs where high attendance was expected.

Exhibit 2
Library for the Blind and Physically Handicapped Outreach Results
Fiscal 2011-2015



Source: Department of Budget and Management

Fiscal 2016 Actions

Proposed Deficiency

Fiscal 2016 deficiency appropriations total \$11.7 million in general funds. This includes \$8.1 million to support the development and scoring of State assessments.

Also included in the general fund deficiency appropriation is \$3.6 million to enable MSDE to revert federal indirect costs to the General Fund per Statewide Cost Allocation Plan requirements. Therefore, there is an accompanying \$3.6 million deficiency reduction for federal funds.

Targeted Reversion

The LBPH has a targeted reversion of \$227,716 in general funds for fiscal 2016. A new funding formula was established for LBPH during the 2014 session, mandating the Governor to fund it equivalent to at least 25% of the funding received by the State Library Resource Center (SLRC) beginning in fiscal 2016. The fiscal 2016 allowance funded LBPH above this mandate by \$227,716 in general funds. This targeted reversion corrects the fiscal 2016 working appropriation to fund LBPH at the mandated amount. MSDE reports that the reversion should not impact LBPH operations.

Proposed Budget

The fiscal 2017 allowance is \$2.8 million, or 1.1%, less than the fiscal 2016 working appropriation. **Exhibit 3** shows the changes by fund as well as key increases and decreases.

Exhibit 3
Proposed Budget
Maryland State Department of Education – Headquarters
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2015 Actual	\$93,258	\$5,487	\$180,835	\$2,053	\$281,633
Fiscal 2016 Working Appropriation	98,754	7,203	140,564	2,965	249,487
Fiscal 2017 Allowance	<u>97,833</u>	<u>7,449</u>	<u>138,443</u>	<u>2,936</u>	<u>246,662</u>
Fiscal 2016-2017 Amount Change	-\$921	\$247	-\$2,121	-\$29	-\$2,825
Fiscal 2016-2017 Percent Change	-0.9%	3.4%	-1.5%	-1.0%	-1.1%

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Where It Goes:

Personnel Expenses

New positions for LBPH and JSE.....	\$2,021
Abolished/transferred positions for MLDSC.....	-171
Salaries and other compensation.....	-1,357
Employee and retiree health insurance	1,814
Employee retirement system.....	2,509
Workers' compensation premium assessment	96
Turnover adjustments	-104
Other fringe benefit adjustments.....	-91

Other Changes

Assessment contracts	-4,280
Division of Rehabilitation Services contractual and grant spending	-3,253
End of federal special education grant to Worcester County Public Schools.....	-1,400
Travel, equipment, and other expenses.....	-836
LBPH contractual spending	-735
End of eCCATS contract	-300
Federal funding for MLDSC academic and research data processing contracts.....	585
Federal funding for nutritional system software development	2,678

Total **-\$2,825**

eCCATS: Enhanced Child Care Administration and Tracking System

JSE: Juvenile Services Education

LBPH: Library for the Blind and Physically Handicapped

MLDSC: Maryland Longitudinal Data System Center

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

Across-the-board Reductions

The fiscal 2017 budget bill includes an across-the-board reduction for employee health insurance, based on a revised estimate of the amount of funding needed. This agency's share of these reductions is \$109,010 in general funds, \$7,596 in special funds, and \$248,123 in federal funds. There is an additional across-the-board reduction to abolish vacant positions statewide, but the amounts have not been allocated by agency.

Funding for the Library for the Blind and Physically Handicapped

A new funding formula was established for LBPH during the 2014 session, mandating the Governor to fund it equivalent to at least 25% of the funding received by SLRC beginning in fiscal 2016. The fiscal 2017 allowance provides \$2,573,502 in general funds, which is \$48,470 more

than the mandated amount. The fiscal 2017 allowance represents an increase of \$98,222 over the fiscal 2016 working appropriation after the targeted reversion for LBPH is taken into account.

The fiscal 2017 allowance includes 14 new regular positions for LBPH, created to expand customer access to LBPH materials and services. The funding to create these positions is part of the mandated funding for LBPH. If these positions are filled, they will use a significant portion of the LBPH mandated funding in fiscal 2017 and beyond. **Therefore, the Department of Legislative Services (DLS) recommends language to restrict funding until the submission of a report to the budget committees on the ways that LBPH plans to utilize the new positions to expand its outreach programs, increase access to its materials, and enhance the services that it provides. This will give the budget committees the opportunity to review and determine if new personnel is the most effective use of the mandated LBPH funding to support its mission in fiscal 2017 and subsequent years. DLS also recommends decreasing the budget for LBPH by \$48,470 to reduce funding to fund LBPH at its mandated amount. This reduction should not affect operations for LBPH, as the new positions provided for the fiscal 2017 allowance currently include a 7.23% turnover rate, as opposed to the 25.0% turnover rate that is standard for new positions.**

Other Personnel Changes

The fiscal 2017 allowance provides 20 new positions for JSE, which are meant to assist in providing appropriate educational services to students in the State's detention centers and residential facilities. These include special education teachers, counselors, and instructional assistants for individualized learning, as well as IT and budgeting personnel. These positions are part of a \$2 million enhancement across JSE; the new JSE positions represent \$1 million. The remaining \$1 million will allow JSE to hire 20 teachers through providing turnover relief, provide substitutes through a vendor, and provide new vehicles.

The allowance also transfers an IT specialist from the MSDE Office of Information Technology into the Maryland Longitudinal Data System Center (MLDSC), after abolishing the current vacant IT regular position within MLDSC, generating savings from the loss of 1 regular position between the two programs.

It is worth noting that funding for employee increments is not included in the MSDE – Headquarters budget, and is instead budgeted under DBM. This funding will be distributed later in fiscal 2017 via budget amendment, totaling \$1,920,164, consisting of \$649,133 in general funds, \$38,102 in special funds, \$2,281 in federal funds, and \$1,230,648 in reimbursable funds.

Issues

1. Partnership for Assessment of Readiness for College and Careers Testing Undergoes Its First Implementation in Maryland

In 2010, Maryland joined the Partnership for Assessment of Readiness for College and Careers (PARCC), a consortium of states working to develop a common set of assessments in English language arts and mathematics aligned to the Common Core State Standards (CCSS) and, in turn, to MCCRS as determined by the College and Career Readiness and College Completion Act (CCRCCA). The PARCC assessments must be administered fully online by the 2017-2018 school year. During the academic 2014-2015 administration of PARCC, more than 575,000 students completed a PARCC assessment, of which 81% took the assessment online. Passing the PARCC assessment in English 10 and Algebra I will not be a graduation requirement until the 2016-2017 school year in order to allow students, teachers, parents, schools, and others to adapt to the new curriculum and the new assessment. Local school systems (LSS) will continue to offer alternative pathways to graduation for those students who fail to pass a PARCC assessment.

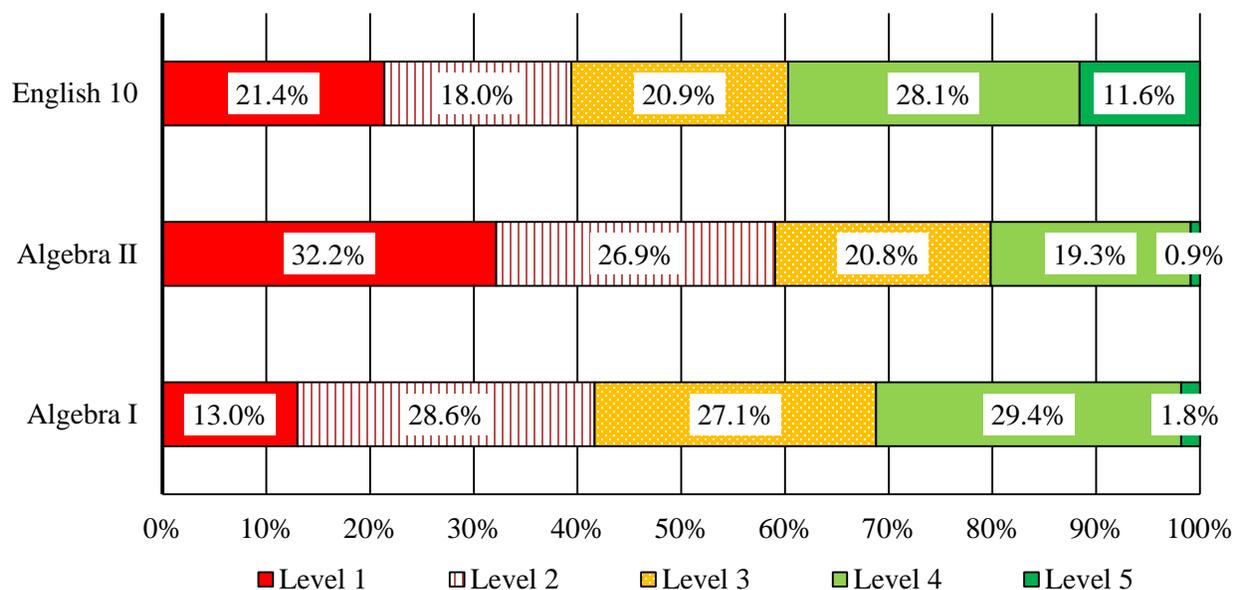
Using PARCC to Assess College and Career Readiness

Beginning with the 2015-2016 academic year, all Maryland students are required to be assessed using acceptable college placement cut scores no later than grade 11 to determine whether they are ready for college-level credit-bearing coursework in English language arts, literacy, and mathematics. If a student is determined not to be college and career ready by the end of grade 11, beginning in the 2016-2017 academic year, MSDE in collaboration with LSS and community colleges, is required to develop and implement transition courses or other instructional opportunities to be delivered to those students during grade 12.

The PARCC assessments in English language arts and mathematics will likely be used by the majority of LSS in determining college and career readiness, including for purposes of determining placement in transition courses or other instructional opportunities. However, the use of PARCC is not required. Other assessments such as the Scholastic Aptitude Test (SAT), the American College Testing (ACT), Accuplacer, or advanced placement may be used instead. MSDE continues to work with LSS and community colleges to determine how cross-cut scores for other exams would be set.

Although expected to be released during summer 2015, MSDE did not release the PARCC college and career readiness cut scores until October 27, 2015. Of the five possible PARCC performance levels, a numerical score within Level 4 or Level 5 indicates college and career readiness. A Level 3 score indicates a student is approaching expectations for college and career readiness. **Exhibit 4** shows the statewide results at each level on the Algebra I, Algebra II, and English 10 assessments.

Exhibit 4
2014-2015 High School PARCC Assessment Results



Note: Level 4 and Level 5 denote college and career ready.

Source: Maryland State Department of Education

The PARCC results indicate a larger number of students who are not college and career ready than many had anticipated. However, these results are consistent with the remediation rates at community colleges, and the first year that an assessment is administered often yields lower scores (as was true of the first administration of the High School Assessments). Further, students who took the PARCC assessments were aware that the results would not impact their grades or graduation, and in some parts of the State, full implementation of MCCRS continues to present challenges.

Administering PARCC Online and Costs

MSDE reported that while preparing for the first administration, districts expressed concerns through surveys and feedback about administering the test online, primarily due to the number of devices needed to test students. With 75% of districts reporting needing paper tests, MSDE altered its preparations and schedules, and structured the PARCC contract to phase in online testing over a four-year period, assuming 25% would take the test online in fiscal 2015 (*i.e.*, 2014-15 school year). However, 82% of students took the test online, generating \$2.7 million in savings in fiscal 2015. For fiscal 2016 and 2017, the PARCC contract assumes that 50% of students will take the test online. MSDE has revised those assumptions to 85% and 90% in fiscal 2016 and 2017, respectively. As shown in **Exhibit 5**, comparing the cost estimates provided by MSDE during the 2015 session and currently

yields an estimated \$379,000 in savings in fiscal 2016 from what was originally budgeted due to more students taking PARCC online than anticipated and more phased in end of course tests being administered. **MSDE should comment on how the \$2.7 million in fiscal 2015 savings was recognized in the budget and how the estimated \$379,000 in fiscal 2016 savings will be utilized. MSDE should also comment on what savings can be estimated for fiscal 2018, the final year of the contract, considering the increases in the number of PARCC exams expected to be administered online in fiscal 2016 and 2017.**

**Exhibit 5
PARCC Costs
Fiscal 2015-2017**

<u>PARCC Expense Sources</u>	<u>Actual 2015</u>	<u>Working 2016</u>	<u>Estimated 2017</u>
Estimated percentage of online test takers included within operational contract	82% CBT 18% PBT	85% CBT 15% PBT	90% CBT 10% PBT
PARCC Operational Assessments	\$12,861,815	\$12,899,506	\$12,685,827
Phased in additional high school end of course tests	-	\$2,850,000	\$2,813,500
Program Management and Support Contractor Agreement	\$498,735	\$498,979	\$501,402
Total Cost	\$13,360,550	\$16,248,485	\$16,000,728
<u>Difference from 2015 Session Estimates</u>	<u>Actual 2015</u>	<u>Working 2016</u>	<u>Estimated 2017</u>
Estimated percentage of online test takers included within operational contract (by percentage points)	57% more CBT 57% fewer PBT	35% more CBT 35% fewer PBT	40% more CBT 40% fewer PBT
PARCC Operational Assessments	-\$2,771,588	-\$2,316,030	-\$2,557,182
Phased-in additional high school end of course tests	-	\$1,936,800	-\$78,300
Program Management and Support Contractor Agreement	\$0	\$0	\$0
Total Cost Difference	-\$2,771,588	-\$379,230	-\$2,635,483

CBT: computer-based test

PARCC: Partnership for Assessment of Readiness for College and Careers

PBT: paper-based test

Source: Maryland State Department of Education

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It is worth noting that there were differences in online testing participation across LSS. MSDE reported that 4 LSS (Allegany, Caroline, Somerset, and Talbot), as well as the School for Education Evolution and Development (known as SEED), managed to administer 100% of their PARCC assessments online. An additional 13 LSS (Cecil, Charles, Dorchester, Garrett, Howard, Kent, Montgomery, Prince George’s, Queen Anne’s, St. Mary’s, Washington, Wicomico, and Worcester) administered less than 1% of their exams on paper, with the rest being online. Harford County was an outlier, in that it did not administer a single PARCC assessment online, instead using only paper assessments. Over 40,000 students took the PARCC exams in Harford County.

Exhibit 5 also details the amount of spending required to administer PARCC in fiscal 2015 through 2017, as influenced by rising numbers of online administered examinations, and the cost of the phased-in end of course tests that are being administered for the first time in fiscal 2016. It also compared these amounts to what was estimated during the 2015 session. The fiscal 2016 amount of \$2.85 million for end of course assessments represents a \$1.9 million increase over what had previously been anticipated during the 2015 session. The new estimate is based on the assumption that all LSS will use the PARCC Algebra 2 and English 11 end-of-course tests (approximately 130,000 tests). Although some districts may choose to use alternate tests to identify college and career readiness (*i.e.*, SAT, ACT, and Accuplacer), others are electing to administer additional optional tests – such as Geometry and English 9 – using PARCC tests. The phase-in estimates also include retests for students who have taken Algebra 2 and/or English 11 and did not achieve a Performance Level of 4 or 5.

Exhibit 6 provides a summary for all assessment costs in Maryland, providing context for the cost to administer PARCC among other Maryland assessments.

Exhibit 6
Assessment Cost Estimates
Assessments Shown by Test Type
All Funds
Fiscal 2012-2017

<u>Assessment Costs</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
MSA Reading and Mathematics	\$16,140,905	\$14,140,268	\$14,134,984	\$526,116	n/a	n/a
PARCC Operational Assessments	n/a	n/a	500,000	12,861,815	\$15,750,000	\$15,500,000
PARCC Support and Maintenance	n/a	n/a	n/a	498,000	498,000	500,000
MSA Science	4,464,243	4,274,205	4,307,055	4,971,867	4,520,389	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
Alt-Science	n/a	n/a	n/a	n/a	1,942,148	<u>1,500,000</u>
Alt-NCSC (Reading and Mathematics)	n/a	n/a	n/a	n/a	<u>2,500,000</u>	<u>2,500,000</u>
English Language Learners	633,765	n/a	n/a	n/a	n/a	n/a

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<u>Assessment Costs</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
English Language Learners	n/a	1,454,880	1,467,265	1,444,143	1,600,000	<u>1,600,000</u>
High School Assessment	14,510,028	16,473,492	16,707,104	17,127,987	14,336,855	<u>12,000,000</u>
High School Assessment Scoring	n/a	51,150	886,580	1,775,871	<u>1,700,000</u>	<u>1,700,000</u>
Technology Bundle	n/a	n/a	n/a	n/a	<u>150,000</u>	<u>575,000</u>
Total	\$40,084,433	\$40,814,612	\$42,583,550	\$43,484,502	\$43,309,942	\$40,300,482

MSA: Maryland School Assessments

NCSC: National Center State Collaborative

PARCC: Partnership for Assessment of Readiness of College and Careers

Note: Values in **BOLD** are under contract; however, estimated due to changing enrollment figures. Values underlined represent a new contract period where values are estimated based on history.

Source: Maryland State Department of Education

Concerns Over Testing Time

Concerns over testing time by stakeholders led the PARCC Consortium to collapse the performance-based assessment and end of year assessment administration windows into one testing window. Starting in spring 2016, the single window will occur when students have completed 80% of the school year and/or the course. The length of the test was also reduced by an average of 90 minutes in both English/Language Arts and Mathematics.

Concerns have also been raised regarding the amount of testing that Maryland students are undergoing in total. The subject of overtesting was addressed during the 2015 legislative session with the establishment of the Commission to Review Maryland’s Use of Assessments and Testing in Public Schools. The General Assembly tasked MSDE with surveying, assessing, and reporting to the General Assembly on how much time is spent in each grade and in each LSS on administering local, State, and federally mandated assessments. The General Assembly also required the commission to make recommendations on, or before, July 1, 2016, on how LSS and the State can improve the process by which assessments are administered.

Implementation of Transition Courses

The CCRCCA encourages greater collaboration between elementary and secondary education and higher education systems. At the primary and secondary education level, the CCRCCA requires assessment of college and career readiness of all students no later than grade 11 and implementation of transition courses or other instructional opportunities in grade 12 for students determined not to be college and career ready.

Beginning in summer 2014, two discipline-specific committees composed of representatives from secondary education and community colleges began developing frameworks of the content necessary for students to be college and career ready that could be used for transition courses and other instructional opportunities. The committees recommended that there be multiple pathways for students and schools to meet the statutory requirements, including use of instructional modules to directly address a student’s identified gaps, taking developmental courses offered by community colleges, or enrollment in the next credit-bearing high school mathematics or English language arts class.

A consequence of the delay in the release of the college and career ready cut scores is that local school systems have experienced a delay in determining how many students will require transition courses in the 2016-2017 academic year. This delay may impact a local school system’s ability to implement transition courses for all of the students who have not achieved a Level 4 or Level 5 score on PARCC. Also, similar to the challenges associated with determining an assessment tool, as discussed earlier, a reassessment tool required under the CCRCCA that measures the success of a transition course has yet to be identified. **MSDE should comment on the status of implementing transition courses as informed by the most recent implementation of PARCC.**

2. Elementary and Secondary Education Act Reauthorization

The federal programs that comprise the Elementary and Secondary Education Act (ESEA) had been unauthorized since the No Child Left Behind Act (NCLB) expired after fiscal 2007. The Every Student Succeeds Act (ESSA) was signed into law in December 2015, authorizing these programs for fiscal 2017 through 2020. The following details the effects that amendments to the ESEA under the ESSA will have on federal funding for the State.

Title I and II Changes

Title I remains the primary source of federal K-12 education funding under the ESSA, which increases from fiscal 2015, while also including a “sense of Congress” that authorization levels should be adjusted in the event that any future budget agreements increase discretionary spending caps. The increase in the authorization of Title I grants to LSS reflects elimination of School Improvement Grants as a distinct program under Title I.

Title II Part A grants, known as Improving Teacher Quality State Grants, have been renamed Supporting Effective Instruction grants under the ESSA, and gradually eliminate the program’s 2001 hold-harmless base allotment over fiscal 2017 through 2023. It also changes the weight of the formula factors over four years. Between fiscal 2015 and 2023, Maryland is estimated to have Title II Part A funding decrease by \$6.8 million under the ESSA. **Exhibit 7** details the estimated impact on the State by Title I funding, and **Exhibit 8** details estimates for the impact on the State by Title II funding.

Exhibit 7
Title I Funding for Maryland under
The Every Student Succeeds Act
Fiscal 2015-2020
(\$ in Thousands)

NCLB		<u>Title I</u>		ESSA	
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$195,845	\$195,433	\$204,034	\$210,084	\$216,063	\$219,936

ESSA: Every Student Succeeds Act

NCLB: No Child Left Behind Act

Source: Federal Funds Information for States, *The Every Student Succeeds Act Becomes Law*

Exhibit 8
Title II Funding for Maryland under
The Every Student Succeeds Act
Fiscal 2015, 2017, and 2023
(\$ in Thousands)

<u>Title II</u>	
NCLB	ESSA
<u>2015</u>	<u>2017</u> <u>2023</u>
\$33,221	\$32,478 \$26,384

ESSA: Every Student Succeeds Act

NCLB: No Child Left Behind Act

Source: Federal Funds Information for States, *The Every Student Succeeds Act Becomes Law*

Program Modifications

ESSA makes the following modifications to other ESEA grant programs:

- **General ESEA Maintenance of Effort:** (1) 90% of the previous fiscal year’s level (either per student or total expenditures), as in NCLB; (2) if an LSS fails to meet the Maintenance of Effort (MOE), it can avoid a penalty if it met the requirement in each of the five preceding years; and (3) an MOE waiver permitted under certain circumstances, including “exceptional or uncontrollable circumstances” or a precipitous decline in State resources.
- **Funding Flexibility:** Enhances transferability among ESEA titles for State education agencies and LSS.
- **Impact Aid:** Alters formula and other changes.
- **21st Century Community Learning Centers:** Reservation for State activities increases from 3% to 5%; reservation for subawards decreases from 95% to 93%.
- **English Language Learners:** Amends State activities and reduces portion for direct administrative costs.
- **Rural Education Initiative:** Amends eligibility criteria; includes hold-harmless provision for newly ineligible LSS.

The ESSA also eliminates more than 40 programs, most of which have not been funded in recent years, while creating a number of new grants. This includes consolidating several programs into a new block grant, called Student Support and Academic Enrichment. It is estimated that Maryland would receive \$21.9 million under this grant. Many of the other new grants under the ESSA are competitive among the states. **MSDE should comment on how much federal funding it believes Maryland may receive through these new ESSA grants and how Maryland will utilize additional flexibility in the ESSA.**

3. Findings from the Ongoing Adequacy Study

The Bridge to Excellence in Public Schools Act (Chapter 288 of 2002), which established new primary State education aid formulas based on adequacy cost studies and other education finance analyses, required the State to contract with a consultant to conduct a follow-up study of the adequacy of education funding in the State approximately 10 years after its enactment. The concept of adequacy is based on determining the level of resources that is adequate for all public school students to have the opportunity to achieve academic proficiency standards. After legislation delayed the beginning of the study, work on the adequacy study began in June 2014, when a contract was awarded to Augenblick, Palaich, and Associates (APA) and its team of researchers that includes Picus Odden and Associates

and the Maryland Equity Project. The final report must be submitted to the Governor and General Assembly by December 1, 2016. Key findings from reports submitted by APA are described below.

Geographic Cost of Education Index

The goal of the Geographic Cost of Education Index (GCEI) is to recognize regional differences in the cost of educational resources and to compensate school systems where resources cost more due to factors beyond their control. Under State law, the GCEI must be updated every three years. The preliminary report examined the current methodology used in Maryland and other methods that could be used to account for geographic differences in cost.

The study recommends that Maryland use a Comparable Wage Index (CWI) rather than the existing index. A more reliable data source, less complexity, and more accuracy led the study team to recommend the CWI. The CWI measures the variation in wages of workers similar to teachers and includes wages paid, worker preferences, and local amenities (*e.g.*, desirability of a particular area). The CWI would exclude student characteristic variables and energy costs from the calculation (which are included in the current State methodology) and focus solely on wages, which make up the majority of school systems' costs, and isolates the impact of geographic location. Using a CWI also takes out the subjectivity in deciding what variables to use, providing a more accurate index.

The next step for this study is to calculate the fiscal impact of using a CWI so that it can be compared to the current GCEI. The final report is due by June 30, 2016.

Economically Disadvantaged Students Proxy

Since fiscal 2004, the State compensatory aid formula for students with educational needs resulting from educationally or economically disadvantaged environments has been calculated using free and reduced-price meals (FRPM) eligibility as a proxy for identifying economically disadvantaged students. The adequacy report has evaluated this methodology, particularly in the context of the new federal Community Eligibility Provision (CEP) program, which allows schools and school systems to provide free meals to every student.

The study concluded that FRPM eligibility or the use of direct certification are still the best proxies for identifying economically disadvantaged students in Maryland. Using FRPM eligibility maintains the *status quo* for calculating compensatory aid but would require school systems participating in CEP to collect FRPM eligibility information. MSDE, DBM, and DLS were required by Chapter 291 of 2015 to recommend a proxy to the General Assembly by December 1, 2015. While direct certification may be the best option, MSDE, DBM, and DLS recommended waiting to make any changes to the FRPM proxy until the adequacy study is completed.

Increasing and Declining Enrollment

The study assessed the impact of enrollment changes on district finances and included an analysis of enrollment trends and their relationship to local school system characteristics and

operational and transportation costs. The study examined how fixed and variable costs are impacted differently by enrollment changes and described options and limitations that districts face when experiencing enrollment changes.

The study found that as of December 2014, 16 states, including Maryland, have no provisions in their funding formulas to accommodate declining enrollment. The states that do address the funding consequences of school enrollment declines take a number of different approaches and, for Maryland, the study team recommended changing the student count used in the foundation formula calculations to a multi-year rolling average of the full-time equivalent (FTE) enrollment count currently used. The rolling average, which would average a district's FTE enrollment count over two to four years, would temporarily reduce the funding impact of declining enrollment. Using the higher of the two numbers prevents districts experiencing enrollment growth from being penalized.

The study found that Maryland's transportation costs vary widely in school districts based on certain geographic factors. Maryland's funding formula does not incorporate some of the features that other states commonly use to promote efficiency, such as decreasing transportation funding when total enrollment declines. The study recommends that Maryland modernize its transportation funding formula in an effort to equalize the allocation process.

School Finance Equity and Local Wealth Measures

The study analyzed fiscal neutrality and equity of school funding in Maryland and addressed a series of issues pertaining to the measurement of wealth or fiscal capacity of Maryland school districts. The study looked at measures of the fiscal neutrality of the system (*i.e.*, the degree to which revenues and expenditures are related to local measures of fiscal capacity and measures of the equality or equity of per pupil revenues and expenditures across school districts in the State). The analysis showed a relationship between wealth and funding in Maryland, but that the relationship has decreased over time. Thus, the system has become more fiscally neutral since 2002 when the Bridge to Excellence in Public Schools Act was enacted.

In looking at local wealth, the study considered combining property values and net taxable income (NTI) to determine local fiscal capacity. Maryland's three-year reappraisal process for assessing property wealth was found to be reasonable. The study recommended that, similar to 10 other states, a portion of the assessed value effectively lost through tax increment financing should be subtracted from the calculation of local wealth so that districts' equalization funding is more closely related to what is actually raised through property taxes. The study team also suggested that the State move incrementally from measuring NTI in both September and November 2015, with districts receiving the larger amount of aid generated by the two measures, to only using the November 2015 measure. Finally the study recommended that the State consider replacing its current approach of adding income and property components to determine local wealth, an approach multiplying indices of property and income wealth. However, no state in the country uses the recommended method.

MSDE should provide an update to the budget committees on the progress of the study thus far and the timeline for completing the study.

4. Juvenile Services Education Needs Improvement

As a result of legislation enacted by the General Assembly in 2003, MSDE began the process of assuming responsibility for the provision of education services to all State-operated Department of Juvenile Services (DJS) detention and committed care facilities in fiscal 2005. The last of 14 facilities was transferred in fiscal 2013. The assumption, at the time that the legislation was enacted, was that MSDE, being the overseer of education services for the State, was better positioned to ensure the provision of adequate education services to the population of youth under the care of DJS. With the takeover of each facility, MSDE repeatedly indicated that additional resources were needed to improve the delivery of education services to DJS youth. In most instances, however, the department received the equivalent of the resources previously budgeted in DJS with no increase. Concerns have again been raised questioning whether MSDE is providing the appropriate level of services to students in DJS facilities.

Concerns

Evaluation of whether services have improved under MSDE has been an ongoing issue throughout the decade of transition. Past attempts at analysis have focused on student performance outcomes as a means of evaluation. This has proven difficult, however, as both MSDE and DJS are unable to provide comparable data measures. The recent concerns focus more on program operation and whether students are getting the proper services and educational support. Specific concerns raised repeatedly by the Juvenile Justice Monitoring Unit, within the Attorney General's Office, and other sources include:

- lack of postsecondary, vocational, and work opportunities;
- grouping classes by living unit as opposed to skill level;
- high vacancy rates and turnover for facility staff and a lack of substitute system;
- space limitations due to the physical plant and age of the DJS facilities;
- adherence to students' Individualized Education Programs (IEP); and
- recordkeeping and transition services between DJS facility schools and LSS.

MSDE has acknowledged the validity of these concerns, although the department does note improvements have been made since the assumption of DJS education programs was complete. For example, all 14 DJS facilities have Internet access and provide at least 3 Career Technology Education programs leading toward an industry recognized certification. Youth at the Backbone Mountain Youth Center have long had the opportunity to complete postsecondary education coursework through Garrett Community College, and MSDE is looking to expand those opportunities to other community colleges.

Additional Resources Provided

Addressing some of these concerns may ultimately prove difficult due to the nature of the population. Security concerns for the students and staff, the short length of stay for some students, and having a State agency operate the equivalent of a local school system are a few of the obstacles acknowledged by both departments as impeding the delivery of education services. The fiscal 2017 allowance does, however, provide additional resources in both the MSDE and DJS budgets to address the concerns.

DJS receives an additional \$457,000 to improve the educational facilities. An additional \$2 million in general funds is provided to enhance staffing within the MSDE JSE unit to address the identified concerns. The increased funding will provide 20 new positions and turnover relief, allowing MSDE to hire 40 staff in total. MSDE anticipates that the additional staff and resources will allow it to:

- double the number of IT staff dedicated to JSE schools;
- eliminate turnover expectancy for all teacher positions to allow for improved hiring;
- provide 4 new special education teachers;
- provide every school with at least 1 counselor;
- hire 12 instructional assistants to help teachers provide individualized instruction as students are coming from different grades, schools, and classrooms;
- hire substitutes so that classes are not canceled due to teacher leave/illness;
- provide JSE administration with 1 budget position to manage the finances of 14 schools; and
- replace two vehicles and buy one new vehicle to transport students.

The goal is to utilize the additional IT staff to improve communications regarding student records. Filling existing vacancies and enhancing teaching staff through additional special education teachers and instructional assistants will improve adherence to IEPs. Retaining substitute teachers will ensure better continuation of coursework without lost class time for students. Addressing these facility and staffing issues is a key first step to improving the other areas of concern and ultimately improving student performance and the level of services provided. In addition, better communication between MSDE and DJS and LSS is a necessity.

DLS recommends budget language requiring MSDE and DJS to submit biannual monitoring reports to the budget committees on the advancements made toward addressing the concerns raised in this issue, the level of communication between the agencies and with LSS, and

how the additional resources provided in the fiscal 2017 allowance will be utilized. In addition, DLS recommends MSDE and DJS develop measures evaluating the performance of the program, in addition to student performance. Example measures could include average length of time to transition student records between a JSE school and a local school; teacher vacancy rates and length of tenure; contacts with local school system liaisons to support student transition into the community; students participating in postsecondary opportunities, etc.

Although MSDE is responsible for the provision of services, the care and custody of the youth ultimately falls to DJS. Both agencies should have a vested interest in resolving this issue. The recommendation, therefore, is for both departments to contribute in the reporting requirements. The specific language associated with the DLS recommendations will be included in the DJS fiscal 2017 operating analysis.

5. Education Data Systems and Evaluation

The 2013 Maryland State Plan for Postsecondary Education added a new goal for the State on Data Use and Distribution, calling for the “deliberate use and distribution of quality data related to postsecondary education.” Increasingly complex and interrelated policy questions required the State to invest considerable time and resources into building MLDSC to collect statewide data on K-12 and higher education students and the workforce (Chapter 190 of 2010).

By statute, MLDSC must produce an annual report on the status of MLDSC and a report on the dual enrollment of high school students at institutions of higher education in Maryland, an issue of great interest for the Maryland General Assembly. An important takeaway from the first two reports from calendar 2013 and 2014 was that available vetted data was in short supply. Over the course of calendar 2015, MLDSC made enormous progress on this issue as it finished loading and sorting over 6.5 million student and worker records covering fiscal 2008 through 2014. Now, nearly 90% of all students in grade 12 from public high schools in a given year can be linked to higher education or workforce records, and MLDSC believes that it can raise that to perhaps as high as 95%. This loading and matching process took longer than anticipated, but with assistance from the Motor Vehicle Administration to verify records, it now places MLDSC in a position where it can begin making serious progress on its research agenda.

Of students who leave the State after high school graduation, only those who enroll in postsecondary education can be tracked by MLDSC using National Student Clearinghouse data. If students leave for any other reason, such as enlisting in any of the uniformed services, the student effectively disappears from MLDSC. Due to these limitations, a critical step for the MLDSC Governing Board was passing data reporting standards in April 2015 to address the many complications arising with reporting using known incomplete data. However, the MLDSC Governing Board has made limited progress since then as it has been without a chair since July 2015.

Many limitations currently exist with MLDSC for reasons of statutory scope and privacy. For example, there has been a recent push at the federal and State level to provide higher education experiences to prison inmates, but there is currently no way to flag incarcerated students, so MLDSC

cannot track outcomes of these programs. Similarly, MLDSC does not track children in foster care or any records from DJS. Expanding data collection to include or flag certain new populations would require statutory change. Online education outcomes are also absent from MLDSC. It is worth noting that an early test of MLDSC will be its collaboration with Baltimore’s Promise to use data to improve the outcomes of Baltimore City’s youth.

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, its website content is not as robust as envisioned. As DLS noted in fiscal 2015, the website contained little more than the dual enrollment reports. Today, the web page for Published Research is empty; there is only one dashboard series on initial postsecondary enrollment, and there are two snapshots on dual enrollment and charter schools (dashboards are updated over time and may interact with the user, whereas snapshots are static). This level of content lags behind the output of some states, like Virginia or Washington.

MSDE should provide information on the support that MLDSC currently receives to collect and present statewide data and what resources are necessary so that MLDSC may make content available for policymakers and the general public in a more efficient manner.

Recommended Actions

1. 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, 2016, 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.

Information Request	Author	Due Date
Report on loaned educator contracts	MSDE	December 15, 2016, and annually thereafter

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

, provided that \$400,000 of this appropriation made for the purpose of hiring new positions for the Maryland State Library for the Blind and Physically Handicapped (LBPH) may not be expended until the Maryland State Department of Education submits a report to the budget committees on the ways LBPH plans to leverage its new positions to expand its outreach programs, increase access to its materials, and utilize the services it provides. This report will be submitted by September 1, 2016, and the budget committees shall have 45 days to review and comment from the date of receipt of the report. Funds restricted pending a 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: Legislation from the 2014 session established a minimum State funding amount for LBPH, making it at least 25% of the amount received by the State Library Resource Center beginning in fiscal 2016. The mandated amount for fiscal 2017 is \$2.5 million. The Governor’s allowance uses much of this funding to create new positions for LBPH to enhance services. This report would allow the General Assembly to determine that these new positions are the best use for the new money, considering they would require funding in the out-years that could be directed to different purposes.

Information Request	Author	Due Date
Report on personnel use for increased outreach, material access, and service enhancement	MSDE	September 1, 2016

		<u>Amount Reduction</u>
3.	Reduce funding to fund the Library for the Blind and Physically Handicapped (LBPH) at its mandated amount of 25.0% of the amount received by the State Library Resource Center. This reduction should not affect operations for LBPH, as new positions provided in the fiscal 2017 allowance currently include a 7.23% turnover rate, as opposed to the 25.0% turnover rate that is standard for new positions.	\$ 48,470 GF
Total General Fund Reductions		\$ 48,470

Updates

1. All Race to the Top Programs Have Been Completed

Maryland was awarded \$250 million over four years through the federal Race to the Top (RTTT) program, with \$125 million going to participating LSS and \$125 million administered by MSDE Headquarters for statewide reform efforts through 54 projects to (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.

Although the RTTT grant was scheduled to conclude at the end of fiscal 2014, MSDE was granted approval of no-cost extensions on 21 projects for up to one year. MSDE reports that all 21 projects that were approved for no-cost extensions through fiscal 2016 have been completed. Seventeen were completed on June 30, 2015; 3 on July 31, 2015; and 1 on August 15, 2015.

MSDE reports that in order to sustain projects implemented with RTTT funding, it received \$1.8 million in general funds in fiscal 2014 (\$1.1 million for technology contracts and \$700,000 for software licenses) and \$1.75 million in fiscal 2015 (\$1.01 million to support 7 new positions and \$740,000 for software licenses). No additional general funds were appropriated to MSDE in fiscal 2016 to sustain RTTT projects.

2. Loaned Educator Program

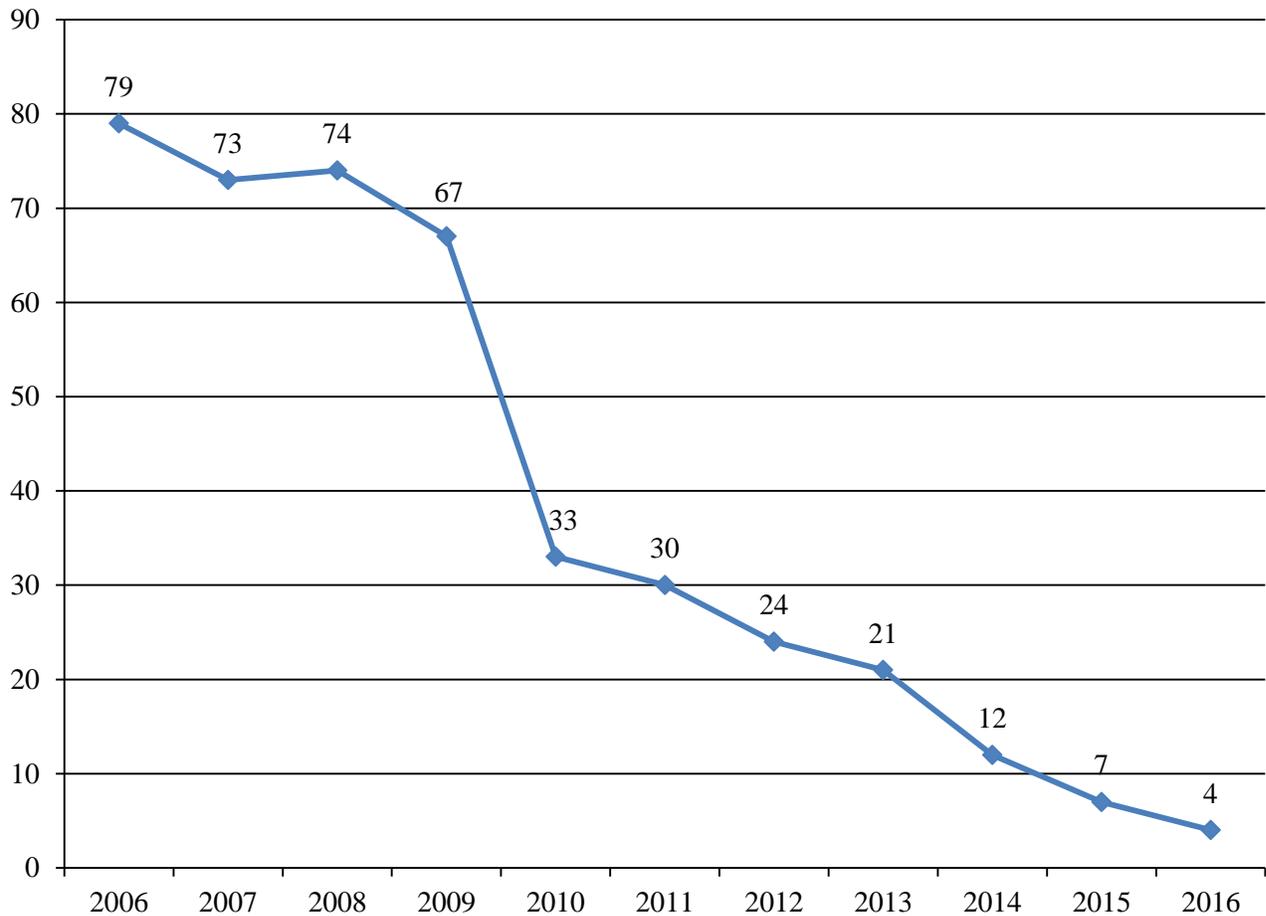
The loaned educator program at MSDE allows an LSS to enter into a contract with the State so that a local school system employee may work for MSDE for a finite period of time. The benefit to the State is that these employees bring local knowledge to special projects, and school systems benefit when their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

To use loaned educators, MSDE executes annual contracts with LSS, 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 9 shows the number of loaned educators since fiscal 2006. The number has declined from 79 in fiscal 2006 to 4 in fiscal 2016 through a combination of budget reductions, educators returning to counties, and conversions of educators to regular positions, among other actions.

Exhibit 9
Loaned Educators
Fiscal 2006-2016



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

3. Automated External Defibrillator Availability

An automated external defibrillator (AED) is a portable electronic device, designed for use by a layperson, which automatically diagnosis certain life-threatening cardiac conditions and is able to treat them through defibrillation. Maryland law requires that each county board develop and implement an AED program for each high school and middle school in the county. However, the decision to implement an AED program in elementary schools is left to the county board.

As directed by the budget committees, MSDE surveyed LSS school health services coordinators and directors of student services who provided information regarding the total number of AEDs currently in elementary schools, the fiscal impact of having an AED available in all public elementary schools in Maryland, and the cost for the maintenance of AEDs in elementary schools.

Among the 24 LSS, one jurisdiction reported having AEDs in some elementary schools, and four jurisdictions reported having no AEDs in the elementary school setting. Eighteen jurisdictions reported having an AED available in all elementary schools. One LSS, Baltimore City Public School System, stated that it was unsure of the number of elementary schools with AEDs. In total, Maryland has 744 elementary schools, not including those in Baltimore City. According to survey responses, 606 (81%) of those 744 elementary schools currently have AEDs. The reported average cost per AED was approximately \$1,700, while the cost of maintenance and replacement equipment ranged from \$106 and \$325. The average maintenance and replacement cost was approximately \$240. The range in cost may be caused by the rise in price for new models versus the cost paid for older models. Also, the range may be based on prices negotiated for bulk purchases or prices negotiated to include the cost of maintenance, training, and/or installation.

4. MSDE Search for New Superintendent

Maryland State Superintendent Dr. Lillian M. Lowery resigned from her position in August 2015, approximately one year before her term expired on June 30, 2016. Since then, she has been replaced by Interim State Superintendent Dr. Jack R. Smith, who had been serving as MSDE's chief academic officer. In January 2016, the State Board of Education chose the search firm of Hazard, Young, Attea & Associates to assist in their search for a full-time replacement. This is the same firm that has been working with Montgomery County Public Schools in its search for a new superintendent.

According to Title 2 of the State Education Article, the State Superintendent of Schools must meet the following qualifications:

- be an experienced and competent educator;
- be a graduate of an accredited college or university;
- have at least two years of special academic and professional graduate preparation in an accredited college or university; and

- have at least seven years of experience in teaching and administration.

5. Federal Grant Fund Expenditures

MSDE is the recipient of multiple grant awards every year. At times, it can be difficult to reconcile those grant awards with actual expenditures within the State's fiscal year. Due to this concern, the budget committees provided language in the fiscal 2016 budget bill restricting funds to MSDE until the submission of a report detailing federal awards MSDE received, the amount of the awards that remain unexpended at the end of the State's fiscal year, and when each grant is expected to expire. MSDE submitted its report on August 31, 2015. The details requested, as broken down by the federal agency issuing the grant and the grant title, are available in the report.

MSDE also noted challenges in presenting a consolidated picture of federal grants at any given time in the MSDE budget, due to the State budget being structured to show funding by agency program, while federal grants may be allocated across programs. Further challenges are presented from possible differences between budgeted amounts and actual awards and expenditures because of the difference in timing of the State and federal fiscal years, the lead time required in developing budget estimates, and the fact that federal formula funds are available for 27 months, which means that they span three State fiscal years.

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 2015					
Legislative Appropriation	\$79,363	\$7,371	\$146,612	\$2,452	\$235,798
Deficiency Appropriation	16,465	0	0	0	16,465
Cost Containment	-1,921	0	0	0	-1,921
Budget Amendments	-386	197	46,435	0	46,246
Reversions and Cancellations	-264	-2,081	-12,211	-399	-14,955
Actual Expenditures	\$93,258	\$5,487	\$180,835	\$2,053	\$281,633
Fiscal 2016					
Legislative Appropriation	\$85,318	\$7,165	\$143,083	\$2,865	\$238,431
Budget Amendments	1,949	38	1,082	100	3,168
Working Appropriation	\$87,266	\$7,203	\$144,164	\$2,965	\$241,599

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

General fund expenditures totaled approximately \$93.3 million in fiscal 2015, reflecting an increase of approximately \$13.9 million when compared to the legislative appropriation.

- Deficiency appropriations increased the legislative appropriation by nearly \$16.5 million. The agency received \$16.8 million to provide funds to develop and score State assessments. This was offset by a deficiency appropriation to reduce the appropriation for the MLDSC by \$304,000 to implement cost containment reductions related to personnel turnover, contractual turnover, and indirect expenditures.
- Measures from the Board of Public Works (BPW) cost containment reduction, approved in January 2015, decreased the legislative appropriation by approximately \$1.9 million across divisions.
- Budget amendments decreased the legislative appropriation by approximately \$386,000. Decreases from the funding reduction due to the State Employee Voluntary Separation Program totaled \$642,000, split between the Division of Accountability and Assessment and the Division of Rehabilitation Services – Client Services. Funding was also decreased by \$135,000 due to a reallocation in the Headquarters and Aid Budgets for the January 2015 reduction approved by BPW that reduced the current appropriation 2% across the board, resulting in reductions in contractual services and employee turnover. The remaining budget amendment decreases, totaling \$211,000, were made due to transfers between divisions and programs in the Headquarters and Early Childhood Development budgets to cover costs of accrued leave payments, technical and special fees, contractual services, fuel and utilities, and educational equipment. These decreases were offset by funding for the cost-of-living adjustment (COLA), which provided an increase of nearly \$581,000, and a realignment between State agencies based on telecommunication expenditures that provided an increase of nearly \$22,000.
- General fund reversions at the close of fiscal 2015 totaled \$264,000. Over \$61,000 was attributed to unexpended telecommunications funds, over \$60,000 was attributed to position vacancies, and nearly \$28,000 was unexpended for a loaned educator contract. The remainder of actual expenditures below budgeted levels were between employee retirement, instructional supplies, and travel expenses.

Special fund expenditures totaled approximately \$5.5 million in fiscal 2015, a decrease of approximately \$1.9 million from the legislative appropriation. The department received a net \$197,000 increase via budget amendments. \$153,000 was increased for the Division of Special Education/Early Intervention Services and \$25,000 for the Division of Accountability, Assessment, and Data Systems to recognize revenue anticipated through the collection of administrative fees charged to participating Medicaid providers. The remaining \$19,000 was due to personnel expense increases from the COLA. At the close of fiscal 2015, approximately \$2.1 million in special funds were canceled by the department. \$835,000 of these funds were canceled from within the Division of Rehabilitation Services due to lower than budgeted revenue attainment and subsequent commission payments from vending

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machines at federal buildings. An additional \$411,000 was attributed to regular and contractual vacancies. The remainder of the reversions were due to lower than expected expenditures distributed between educational grants, software/computer maintenance contracts, supplies, and travel.

Federal fund expenditures totaled \$180.8 million in fiscal 2015, an increase of \$34.2 million when compared to the legislative appropriation. The department received approximately \$46.4 million in additional federal funding via budget amendment. Of this funding, \$23.8 million came from the State Fiscal Stabilization Fund – RTTT Incentive Grants. An additional \$20.3 million was received recognizing a grant awarded through the RTTT Assessment Program for PARCC Consortium, of which Maryland is a member. Funding for the COLA increased by \$584,000. The department received federal grants of \$450,000 for Child Nutrition Programs, \$581,000 to support the development and administration of State assessments and standards required by the ESEA, \$641,000 for the development and implementation of longitudinal data systems, and \$333,000 to provide educational continuity for neglected and delinquent youth in State-run institutions and in adult correctional facilities. These increases were offset by a decrease in funds of \$270,000 as part of a transfer of funds between the Headquarters, Aid to Education, and Early Childhood Development budgets to align federal funds with spending objectives. At the close of fiscal 2015, the department canceled \$12.2 million in federal funds. Approximately \$3.8 million was canceled due to regular position and contractual FTE vacancies among programs within the department. Cancellations of \$1.7 million pertain to funds received from the Statewide Data Systems program and will be expended for MLDSC in fiscal 2016. The remainder of canceled funds were due to unrealized grant revenue or operating expenses being lower than anticipated.

Reimbursable fund expenditures totaled nearly \$2.1 million at the close of fiscal 2015, a decrease of \$399,000 below the legislative appropriation. This \$399,000 was due to cancellations by the department. Of the appropriation, \$307,000 was unexpended due to regular and contractual employee vacancies, with the rest occurring due to the procurement for the requisition of contractual services not being finalized until after the close of fiscal 2015, and due to grant revenue that exceeded estimates.

Fiscal 2016

The fiscal 2016 general fund working appropriation is nearly \$87.3 million, reflecting an increase of \$1.9 million over the legislative appropriation. Of this increase, \$1.2 million is from the 2% State salary adjustment, which restored the funding reduced in Section 20 of the fiscal 2016 budget bill. An additional \$544,000 of the increase is due to realignment from the 2% cost containment reductions in Section 19 of the budget bill. The remaining \$250,000 was increased in support of a charter school funding study in accord with Section 48 of the budget bill.

The fiscal 2016 special fund working appropriation is approximately \$7.2 million, which reflects an increase of \$38,000 over the legislative appropriation for the 2% salary adjustment.

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The fiscal 2016 federal fund working appropriation is nearly \$144.2 million, which reflects an increase of \$1.1 million over the legislative appropriation. This includes an increase of nearly \$1.2 million for the 2% salary adjustment, which is offset by a decrease of approximately \$83,000 due to a budget amendment that transferred funds to the Early Childhood Development budget as part of an agencywide reorganization.

The fiscal 2016 reimbursable fund working appropriation is approximately \$3.0 million, which reflects an increase of \$100,000 over the legislative appropriation. These funds are received for the Division of Special Education/Early Intervention Services from the Department of Health and Mental Hygiene as part of the System Development for Children with Special Health Care Needs initiative.

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

<u>Object/Fund</u>	<u>FY 15 Actual</u>	<u>FY 16 Working Appropriation</u>	<u>FY 17 Allowance</u>	<u>FY 2016-17 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,245.90	1,245.90	1,278.90	33.00	2.6%
02 Contractual	139.70	132.79	131.84	-0.95	-0.7%
Total Positions	1,385.60	1,378.69	1,410.74	32.05	2.3%
Objects					
01 Salaries and Wages	\$ 107,197,826	\$ 112,018,042	\$ 117,099,829	\$ 5,081,787	4.5%
02 Technical and Spec. Fees	36,267,872	45,500,287	41,683,752	-3,816,535	-8.4%
03 Communication	2,020,272	1,919,829	1,826,537	-93,292	-4.9%
04 Travel	1,127,839	1,071,299	1,254,193	182,894	17.1%
06 Fuel and Utilities	1,088,521	759,940	1,101,119	341,179	44.9%
07 Motor Vehicles	726,673	772,362	645,373	-126,989	-16.4%
08 Contractual Services	98,490,269	60,500,072	67,042,609	6,542,537	10.8%
09 Supplies and Materials	1,536,837	2,107,105	1,911,522	-195,583	-9.3%
10 Equipment – Replacement	1,266,134	946,481	687,852	-258,629	-27.3%
11 Equipment – Additional	710,373	589,952	500,816	-89,136	-15.1%
12 Grants, Subsidies, and Contributions	25,817,492	9,790,727	7,493,546	-2,297,181	-23.5%
13 Fixed Charges	4,985,862	5,450,132	5,513,382	63,250	1.2%
14 Land and Structures	397,296	173,000	266,000	93,000	53.8%
Total Objects	\$ 281,633,266	\$ 241,599,228	\$ 247,026,530	\$ 5,427,302	2.2%
Funds					
01 General Fund	\$ 93,257,916	\$ 87,266,496	\$ 97,942,270	\$ 10,675,774	12.2%
03 Special Fund	5,486,795	7,202,900	7,457,025	254,125	3.5%
05 Federal Fund	180,835,357	144,164,360	138,691,252	-5,473,108	-3.8%
09 Reimbursable Fund	2,053,198	2,965,472	2,935,983	-29,489	-1.0%
Total Funds	\$ 281,633,266	\$ 241,599,228	\$ 247,026,530	\$ 5,427,302	2.2%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

**Fiscal Summary
MSDE – Headquarters**

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Wrk Approp</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16-17 % Change</u>
01 Office of the State Superintendent	\$ 43,350,143	\$ 11,501,312	\$ 12,070,013	\$ 568,701	4.9%
02 Division of Business Services	27,677,904	7,619,669	7,838,662	218,993	2.9%
03 Division of Academic Reform and Innovation	471,344	1,102,104	1,123,110	21,006	1.9%
04 Division of Accountability, Assessment, and Data Systems	50,445,750	42,437,683	46,822,012	4,384,329	10.3%
05 Office of Information Technology	5,857,244	6,053,730	6,671,804	618,074	10.2%
06 Major Information Technology Development Projects	2,167,718	300,000	0	-300,000	-100.0%
07 Office of School and Community Nutrition Programs	6,293,509	8,197,130	9,908,459	1,711,329	20.9%
11 Division of Instruction	5,055,686	6,056,366	6,700,569	644,203	10.6%
12 Division of Student, Family and School Support	5,352,707	6,960,892	5,302,965	-1,657,927	-23.8%
13 Div. of Special Education/Early Intervention Services	11,927,871	12,978,074	11,773,186	-1,204,888	-9.3%
14 Division of Career and College Readiness	3,248,689	3,062,489	3,103,712	41,223	1.3%
15 Juvenile Services Education Program	16,494,042	17,269,947	20,201,065	2,931,118	17.0%
17 Division of Library Development and Services	2,537,840	5,188,740	4,710,579	-478,161	-9.2%
18 Division of Certification and Accreditation	2,506,300	2,800,655	2,702,355	-98,300	-3.5%
20 Div. of Rehabilitation Services – Headquarters	11,275,827	10,950,588	11,450,853	500,265	4.6%
21 Div. of Rehabilitation Services – Client Services	35,565,023	32,334,452	33,909,846	1,575,394	4.9%
22 Div. of Rehabilitation Services – Workforce and Tech. Center	9,141,215	9,374,072	9,440,635	66,563	0.7%
23 Div. of Rehabilitation Services – Disability Determination Services	32,564,914	46,434,046	42,256,014	-4,178,032	-9.0%
24 Div. of Rehabilitation Services – Blindness and Vision Services	7,794,638	8,848,309	8,272,759	-575,550	-6.5%
01 Maryland Longitudinal Data Systems Center	1,904,902	2,128,970	2,767,932	638,962	30.0%
Total Expenditures	\$ 281,633,266	\$ 241,599,228	\$ 247,026,530	\$ 5,427,302	2.2%
General Fund	\$ 93,257,916	\$ 87,266,496	\$ 97,942,270	\$ 10,675,774	12.2%
Special Fund	5,486,795	7,202,900	7,457,025	254,125	3.5%
Federal Fund	180,835,357	144,164,360	138,691,252	-5,473,108	-3.8%
Total Appropriations	\$ 279,580,068	\$ 238,633,756	\$ 244,090,547	\$ 5,456,791	2.3%
Reimbursable Fund	\$ 2,053,198	\$ 2,965,472	\$ 2,935,983	-\$ 29,489	-1.0%
Total Funds	\$ 281,633,266	\$ 241,599,228	\$ 247,026,530	\$ 5,427,302	2.2%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.