

R00A02
Aid to Education
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$5,826,786	\$5,919,173	\$5,928,544	\$9,372	0.2%
Adjustments	0	-28,284	-59,897	-31,613	
Adjusted General Fund	\$5,826,786	\$5,890,889	\$5,868,648	-\$22,241	-0.4%
Special Fund	387,082	463,944	551,871	87,927	19.0%
Adjustments	0	23,692	0	-23,692	
Adjusted Special Fund	\$387,082	\$487,636	\$551,871	\$64,235	13.2%
Federal Fund	806,103	914,608	969,067	54,460	6.0%
Adjusted Federal Fund	\$806,103	\$914,608	\$969,067	\$54,460	6.0%
Reimbursable Fund	46	140	140	0	
Adjusted Reimbursable Fund	\$46	\$140	\$140	\$0	0.0%
Adjusted Grand Total	\$7,020,016	\$7,293,273	\$7,389,727	\$96,454	1.3%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- Fiscal 2017 deficiencies and specific reversions result in a \$4.6 million decrease (all funds). This includes a \$5.0 million specific reversion for nonpublic placements and a \$200,000 specific reversion for out-of-county placements, both of which are for general funds. The decreases from these specific reversions are offset by a \$230,000 general fund deficiency appropriation for the Montgomery County Optional Library Retirement program, and a \$378,350 general fund deficiency appropriation for the shortfall in the Autism Waiver program. These changes are accompanied by a fund swap of \$23.7 million that replaces general funds with special funds from the Education Trust Fund (ETF) due to revised video lottery terminal revenue.

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

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- The fiscal 2018 allowance is \$96.5 million (all funds) above the adjusted fiscal 2017 working appropriation. General funds decrease by \$22.2 million, primarily due to contingent reductions connected with the Budget Reconciliation and Financing Act (BRFA) of 2017 that reduce funding for teacher and librarian pensions and newly mandated programs by \$59.9 million, though these are offset by increased funding for Bridge to Excellence programs according to their formulas. Special funds increase by \$64.2 million based on ETF revenue projections. Federal funds increase by \$54.5 million, primarily due to Title I funding and funding for special education services.

Analysis in Brief

Major Trends

Maryland School Science Scores Decrease: Maryland administers a number of assessments annually, including the Maryland School Assessment for science. Scores for the 2016 assessment were down by 3 percentage points for both grade 5 and grade 8 students. Additional assessment scores for the Partnership for Assessment of Readiness for College and Careers exams can be found in the Maryland State Department of Education (MSDE) Headquarters analysis.

Statewide Graduation Rate Increases: Cohort graduation rates indicate that an increasing number of Maryland students are graduating on time each year. The four-year adjusted cohort graduation rate for the class of 2016 was 87.6%, which amounts to a 0.6 percentage point increase over the class of 2015 rate. Twelve districts and the School for Education Evolution and Development performed above 90.0%. MSDE reports that Maryland continues to perform above the national average and that dropout rates for the State are at an all-time low. The lowest graduation rate in the State, at 70.6%, was in Baltimore City, though this was a 1.1 percentage point increase over the 2015 cohort. **MSDE should comment on the impact of raising the compulsory attendance age on graduation and dropout rates.**

Issues

State Aid for Education: Under current law, public schools are expected to receive approximately \$6.4 billion in fiscal 2018, representing a \$103.5 million (1.6%) increase over the prior fiscal year. Proposed contingent reductions reduce State education aid by \$56.3 million. The majority of the reduction comes from a \$35.6 reduction in pensions for teachers, while the rest comes from repealing mandates that are funding programs for the first time in fiscal 2018. **MSDE should comment on whether there will be any revisions in enrollments or formula aid for fiscal 2018.**

Adequacy Report: The consultant who studied the amount of funds necessary to provide an “adequate” education to all students in Maryland has submitted a final report. The report concluded that total education aid should increase by \$2.9 billion, with \$1.9 billion from the State and \$1.0 billion in local aid. The Commission on Innovation and Excellence in Education has been established to recommend

funding changes as well as to study other aspects of K-12 education. The commission will make recommendations to the Governor and the General Assembly by December 2017.

Pathways in Technology Early College High School Program: Maryland is implementing a new early college high school program with an emphasis on connecting students to in-demand career fields through industry partners. This issue will explore the expansion of these schools and how they are to be funded. **MSDE should comment on whether any funding for Pathways in Technology Early College High (P-TECH) planning grants has been provided to Prince George’s County and, if so, from what source. The Department of Legislative Services (DLS) recommends budget bill language to specify where new P-TECH schools should be located in the 2017-2018 school year, as well as a transfer of \$0.2 million from the MSDE Headquarters budget to provide planning grant funding for P-TECH schools in Prince George’s County as specified in fiscal 2017 budget language. SB 319/HB 413 establish new P-TECH funding mechanisms and planning grants for new P-TECH schools, in addition to the six planning grants funded in fiscal 2016. MSDE should comment on potential locations and industry partners for the six new P-TECH schools to receive planning grants in fiscal 2018. DLS recommends that funding for the new funding mechanism and for planning grants for the new schools should be contingent on the enactment of SB 319 or HB 413.**

Baltimore City Public Schools Cost Efficiencies: Language in the fiscal 2017 budget bill required Baltimore City to appropriate an additional \$10 million to Baltimore City Public Schools (BCPS) for the 2016-2017 school year as a condition of receiving \$10 million in disparity grant funding. Baltimore City has made this additional appropriation. Baltimore City and BCPS jointly submitted a report on efficiencies of shared costs, in which they discussed areas of concern such as retiree health and other post employment benefit liabilities, active BCPS employee health care, pension and employee retirement system, and teacher pensions. They also proposed a joint task force to explore and analyze further potential opportunities for cooperation. **Baltimore City and BCPS should comment on the specific risks and rewards to reforming retiree and current employee health care plans for BCPS and how a joint task force between Baltimore City and BCPS may be implemented to analyze further opportunities for savings. DLS recommends adopting committee narrative requiring that the joint task force reports to the budget committees by December 2017 on arrangements that have been finalized and will be implemented between Baltimore City and BCPS.**

Teacher Preparation and Retention: Improving teacher preparation and retention, through updating the allocation of Quality Teacher Incentive stipends and beyond, has been a topic of much discussion in Maryland. MSDE has convened a group of stakeholders to determine effective policies in these areas. This workgroup is in discussion about four different teacher compensation systems: merit pay, knowledge- and skills-based pay, performance pay, and school-based performance pay. **MSDE should comment on the timeline for the delivery of the workgroup’s final report and how its recommendations might be affected if funding for programs established under the Teacher Induction, Retention, and Advancement Act is reduced. MSDE should also comment on best practices for teacher preparation programs in Maryland and how it will provide assistance to the commission as it addresses teacher preparation and retention.**

Nonpublic Placements: The number of students with disabilities in nonpublic placements (NPP) decreased from fiscal 2016 to 2017, though average costs per student paid for by both the State and local school systems has increased. **MSDE should comment on whether the basic cost calculation will lead to savings in fiscal 2017, and whether it believes the allocation after the \$5 million reversion to be an accurate reflection of its fiscal 2017 costs based on enrollment trends and anticipated costs per student. DLS recommends reducing the fiscal 2018 allowance for NPP by \$5 million due to lower expected costs for NPP based on declining enrollment in the program. NPP is currently budgeted in fiscal 2018 with a 1.6% increase for provider rates. DLS recommends adding language reducing funding for NPP by \$733,821 to reduce the provider increase to 1%. This language would be contingent on a provision in the BRFA of 2017 limiting the maximum amount that the Interagency Rates Committee may increase provider rates to 1%.**

Recommended Actions

	<u>Funds</u>
1. Add language requiring the Maryland State Department of Education to notify the budget committees of fund transfers from R00A02 Aid to Education to any other budgetary unit.	
2. Adopt narrative requiring a joint task force between Baltimore City and Baltimore City Public Schools to report to the budget committees on agreements resulting in savings.	
3. Add language reducing funding for Non-Public Placements by \$733,821 to provide 1% provider rate increases.	
4. Reduce funding for the Nonpublic Placement Program due to declining enrollment.	\$ 5,000,000
5. Add language making funding for new Pathways in Technology Early College High Schools planning grants and new funding rates contingent upon the enactment of legislation.	
6. Add language specifying locations for Pathways in Technology Early College High Schools to be opened in the 2017-2018 school year.	
7. Delete general funding for innovative schools.	1,000,000
8. Delete general funding for Linking Youth to New eXperiences School.	336,599
Total Reductions	\$ 6,336,599

Updates

Policing in Baltimore City Public Schools: Due to concerns raised about policing in BCPS, the General Assembly requested in the 2016 *Joint Chairmen’s Report* (JCR) that BCPS certify in writing that it has an integrated data system in place to track arrests, referrals, and other relevant policing data and that BCPS certify that it has created a committee to address school discipline issues. BCPS submitted a letter with these certifications on October 28, 2016.

College and Career Counseling: In the 2016 JCR, the General Assembly expressed concerns over students in the State’s public middle schools and high schools having access to school counselors for the purpose of college and career counseling, and requested that MSDE examine how certifications for college and career counselors could be implemented in Maryland. MSDE has provided a report on the status of college and career counseling in the State and does not recommend that such certifications be implemented.

R00A02
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Operating Budget Analysis

Program Description

State and local governments share responsibility for Maryland's public schools. In 2002, the State's Commission on Education Finance, Equity, and Excellence (a.k.a. the Thornton Commission) recommended, and the legislature approved, altering and enhancing the distribution of State aid to education. The new distribution system was phased in from fiscal 2003 through 2008. Since fiscal 2009, funding adjustments have been determined primarily by changes in enrollment.

Under the Bridge to Excellence (BTE) in the Public Schools Act of 2002, commonly referred to as "Thornton," school systems receive a basic per pupil funding amount through the Foundation program. Additional formulas provide supplemental aid based on students with special needs including students with disabilities, students eligible for free and reduced-price meals (FRPM), and students with limited English proficiency (LEP). The Geographic Cost of Education Index (GCEI) is a mandated formula to account for differences in the costs of educational resources among school systems. State aid for student transportation also increased under Thornton.

Along with enhanced funding, local jurisdictions received broad flexibility in determining how to meet State goals for student achievement. At the same time, each school system is held accountable for achieving the goals and student outcome measurements outlined in its Comprehensive Master Plan, which is updated annually. Local education agencies (LEA) submitted new five-year master plans in fall 2015, as required by Chapter 466 of 2012, which will be updated annually to encompass a rolling five-year period.

In addition to funding for public education, the Maryland State Department of Education (MSDE) is responsible for the general direction and control of library development in Maryland. The State provides support for local libraries, the State Library Resource Center, and several regional resource centers. State library aid is budgeted under Aid to Education.

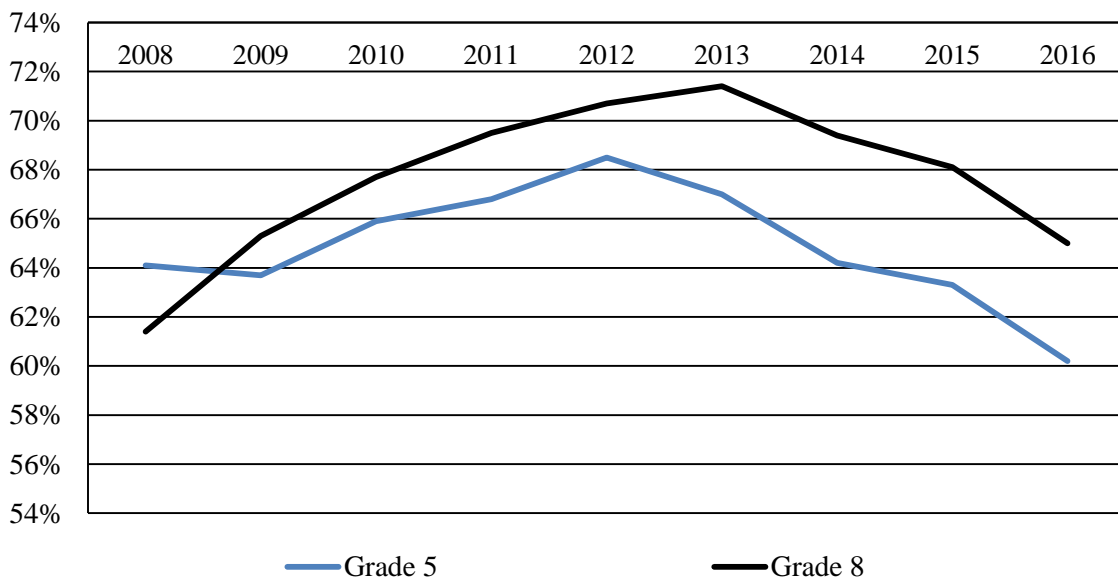
Performance Analysis: Managing for Results

1. Maryland School Science Scores Decrease

Maryland administers a number of assessments annually, including Partnership for Assessment of Readiness for College and Careers (PARCC) in English Language Arts and Mathematics; the High School Assessment (HSA) for Algebra/Data Analysis, Biology, Government, and English; and the Maryland School Assessment for science. PARCC scores for the 2015-2016 administration of those

exams, as well as an analysis on the administration of PARCC, are provided in the MSDE Headquarters analysis. School year 2015-2016 HSA scores will be available on the Maryland Report Card website after February 28, 2017. Results for the Maryland School Assessment for assessment years 2008 through 2016 for science are shown in **Exhibit 1**. As shown scores have generally fallen in recent years, with a decrease from 63% to 60% of 5th graders scoring proficient or advanced for the 2016 assessment, with a similar decrease from 68% to 65% for 8th graders.

Exhibit 1
Maryland School Assessment for Science
Percentage Scoring Advanced or Proficient
Assessment Years 2008-2016



Note: Assessment year corresponds with the second year in a school year. Example: Assessment year 2016 is school year 2015-2016.

Source: 2016 Maryland Report Card, Maryland State Department of Education

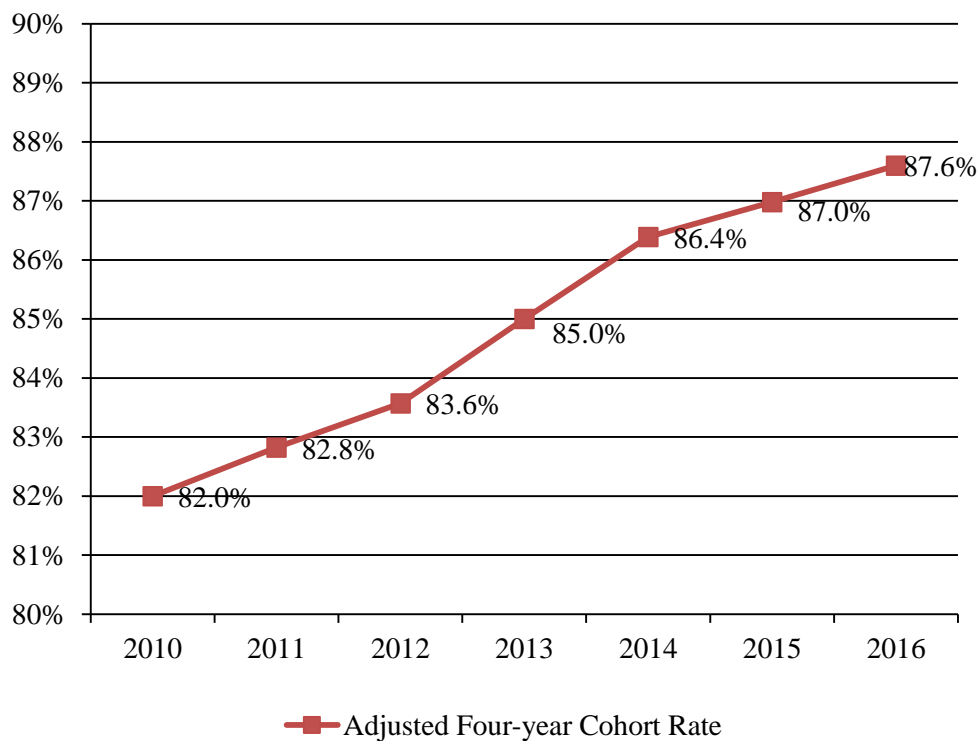
2. Statewide Graduation Rate Increases

The four-year adjusted cohort rate follows the cohort of students who entered high school. From the beginning of grade 9, students who transfer into the cohort later during grade 9 and the next three years are added, and students who transfer out, emigrate to another country, or die during that same period are subtracted. The four-year cohort graduation rate is calculated by dividing the number

of students who graduate in four years or less with a regular high school diploma by the number of students who form the adjusted cohort for that graduating class. Students who drop out remain in the adjusted cohort in the denominator of the calculation. MSDE also reports three- and five-year adjusted cohort rates.

Cohort graduation rates indicate that an increasing number of Maryland students are graduating on-time each year. The four-year adjusted cohort graduation rate for the class of 2016 was 87.6%, as shown in **Exhibit 2**, which amounts to a 0.6 percentage point increase over the class of 2015 rate. Graduation rates by districts are shown in **Exhibit 3**, with 12 districts and the School for Education Evolution and Development (SEED) performing above 90.0%. MSDE reports that Maryland continues to perform above the national average, and that dropout rates for the State are at an all-time low. This is partly due to the increase in the age of compulsory attendance from under the age of 16 to 17 effective July 1, 2015. The age increases to 18 on July 1, 2017. The lowest graduation rate in the State at 70.6% was in Baltimore City, though this was a 1.1 percentage point increase over the 2015 cohort. **MSDE should comment on the impact of raising the compulsory attendance age on graduation and dropout rates.**

Exhibit 2
State Graduation Rates
2010-2016 School Years



Source: *The Maryland Report Card*, Maryland State Department of Education

Exhibit 3
Graduation Rate by County
2016 Cohort

<u>School System</u>	<u>Students Graduating</u>	<u>Adjusted Cohort</u>	<u>Rate</u>	<u>Percentage Point Difference from Prior Year Rate</u>
Allegany	601	666	90.2%	-1.8
Anne Arundel	5,101	5,726	89.1%	1.1
Baltimore City	3,625	5,131	70.6%	1.1
Baltimore County	7,050	7,906	89.2%	1.4
Calvert	1,249	1,322	94.5%	0.3
Caroline	314	353	89.0%	0.2
Carroll	*	2,238	≥95.0%	n/a
Cecil	1,115	1,230	90.7%	2.9
Charles	2,012	2,183	92.2%	-0.2
Dorchester	256	296	86.5%	0.3
Frederick	2,828	3,072	92.1%	-1.4
Garrett	274	299	91.6%	-1.8
Harford	2,573	2,888	89.1%	-0.8
Howard	3,954	4,242	93.2%	-0.3
Kent	124	140	88.6%	-2.2
Montgomery	10,114	11,259	89.8%	0.5
Prince George's	7,342	9,015	81.4%	2.7
Queen Anne's	*	543	≥95.0%	n/a
St. Mary's	1,141	1,218	93.7%	-0.6
Somerset	147	178	82.6%	-5.4
Talbot	301	352	85.5%	-7.7
Washington	1,508	1,656	91.1%	-0.1
Wicomico	811	995	81.5%	-2.0
Worcester	461	503	91.7%	-1.5
SEED	*	35	≥95.0%	n/a
State	55,586	63,446	87.6%	0.6

SEED: School for Education Evolution and Development

* Specific number not reported to ensure student data privacy.

Source: *The Maryland Report Card*, Maryland State Department of Education

Fiscal 2017 Actions

Proposed Deficiency

The fiscal 2018 allowance provides a total \$608,350 in deficiency funds for Aid to Education. This includes a \$230,000 general fund deficiency appropriation for the Montgomery County Optional Library Retirement program, and a \$378,350 general fund deficiency appropriation for a shortfall in the Autism Waiver program. These changes are accompanied by a fund swap of \$23.7 million that replaces general funds with special funds from the Education Trust Fund due to additional video lottery terminal (VLT) revenue.

The fiscal 2018 budget includes a deficiency appropriation of \$19.7 million for grants to local jurisdictions to fully offset their fiscal 2017 administrative fee payments to the State Retirement Agency. This temporary relief from retirement agency administrative fees totals \$16.9 million for LEAs. This deficiency is not included in the cover page of this analysis or in **Exhibit 4** as it is normally outside of the funding that is budgeted for Aid to Education.

Specific Reversions

The budget includes \$5.2 million in assumed general fund reversions for fiscal 2017 from programs budgeted within Aid to Education. This includes a \$5.0 million specific reversion for nonpublic placements and a \$200,000 specific reversion for out-of-county placements, both of which have been overfunded.

Proposed Budget

The proposed fiscal 2018 allowance is \$7.4 billion, a \$96.5 million increase over the fiscal 2017 working appropriation, as shown in Exhibit 4. General funds decrease by \$22.2 million, due to contingent reductions and no grants being provided to school systems with declining enrollment, which is partially offset primarily by formula funding for programs. BTE formulas increase \$79.7 million in fiscal 2018. The fiscal 2018 allowance includes \$551.9 million in special funds primarily budgeted from VLT and table game proceeds and special funds for SEED.

Exhibit 4
Proposed Budget
MSDE – Aid to Education
(\$ 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 2016 Actual	\$5,826,786	\$387,082	\$806,103	\$46	\$7,020,016
Fiscal 2017 Working Appropriation	5,890,889	487,636	914,608	140	7,293,273
Fiscal 2018 Allowance	<u>5,868,648</u>	<u>551,871</u>	<u>969,067</u>	<u>140</u>	<u>7,389,727</u>
Fiscal 2017-2018 Amount Change	-\$22,241	\$64,235	\$54,460	\$0	\$96,454
Fiscal 2017-2018 Percent Change	-0.4%	13.2%	6.0%		1.3%

Where It Goes:**Bridge to Excellence Changes**

Foundation formula.....	\$42,950
Limited English proficiency.....	21,506
Net taxable income adjustment	9,498
Transportation funding.....	5,392
Special education formula.....	5,257
Geographic Cost of Education Index	2,229
Compensatory education.....	-2,814
Guaranteed Tax Base	-4,262

Contingent Reduction Affected Programs

TIRA Act Funding (includes QTI and Anne Arundel stipend).....	8,000
Contingent reduction with repealing mandate for TIRA Act funding	-8,000
Public School Opportunities Enhancement Program	7,500
Contingent reduction with repealing mandate for the Public School Opportunities Enhancement Program.....	-7,500
Next Generation Scholars Program.....	5,000
Contingent reduction with repealing mandate for the Next Generation Scholars Program.....	-5,000

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Where It Goes:

Enoch Pratt Free Library extended hours funding	3,000
Contingent reduction with repealing the mandate for Enoch Pratt Free Library extended hours funding.....	-3,000
Teacher and librarian retirement	2,737
Teacher and librarian retirement pension sweeper reduction.....	-36,147
Robotics Grant Program.....	250
Contingent reduction with repealing mandate for the Robotics Grant Program	-250

Other General Fund Changes

Nonpublic placements	7,000
Autism waiver	3,049
Public libraries funding formula	1,318
Innovative Schools	1,000
Quality Teacher Incentives grants.....	1,000
P-TECH.....	751
State library network	690
LYNX School	337
Local library retirement administrative charge	65
Early college high school	-300
Additional grants to counties with declining enrollments.....	-19,430

Combined General and Special Fund Changes

SEED.....	168
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Federal Fund Changes

Title I – educationally deprived children funds and school improvement grants	26,264
Special education – IDEA and Medical Assistance	11,567
Food services program	10,494
Children at risk.....	5,354
Career and technology education	621
English language grants	423

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Where It Goes:

GEAR-UP	99
Rural school enhancement	-58
Science and Mathematics Education Initiative	-104
Teacher development – Improving Teacher Quality.....	-200
Total	\$96,454

GEAR-UP: Gaining Early Awareness and Readiness for Undergraduate Programs

IDEA: Individuals with Disabilities Education Act

LYNX: Linking Youth to New eXperiences

MSDE: Maryland State Department of Education

P-TECH: Pathways in Technology Early College High Schools

QTI: Quality Teacher Incentives

SEED: School for Education Evolution and Development

TIRA: Teacher Induction, Retention, and Advancement

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

Across-the-board Reduction

The fiscal 2018 budget bill includes a \$54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. The share of these reductions from the Aid to Education budget, taken from the State's funding for local school systems (LSS) and library employees in the Teachers' Retirement and Pension Systems maintained by the State, is \$36,146,627 in general funds.

Contingent Reductions

Reductions in the allowance for Aid to Education contingent on the removal of mandates through the Budget and Financing Reconciliation Act (BRFA) of 2017 total \$59.9 million. They are outlined in Exhibit 4 and are detailed below in nonbold italics.

BTE Changes

- ***Foundation Formula (\$43.0 Million Increase):*** The Foundation formula ensures a minimum funding level per pupil and requires the LEA to provide a local match. The formula is calculated based on a per pupil amount and student enrollment. Less wealthy school systems, as measured by the assessable base and the net taxable income (NTI), receive more aid per pupil than wealthier school systems. A detailed discussion on the increase for foundation funding is located in the Issues section of this analysis.

- ***Limited English Proficiency: (\$21.5 Million Increase):*** The Limited English Proficiency (LEP) formula provides additional funds based on the number of students for whom English is a second language. The formula is calculated based on the enrollment of LEP students and 99.0% of the per pupil foundation amount. The \$21.5 million increase represents a 9.5% increase over the fiscal 2016 level and is based on 5,684 more LEP students. Like the compensatory formula, the State pays 50.0% of the formula costs statewide for LEP with a floor of 40.0% for each LEA.
- ***NTI (\$9.5 Million Increase):*** The fiscal 2018 allowance includes a \$9.5 million increase for the fifth of a six-year phased change to the NTI amount used to calculate wealth-based education formulas enacted by Chapter 4 of 2013. A detailed discussion on changes in NTI funding is located in the Issues section of this analysis.
- ***Transportation Funding (\$5.4 Million Increase):*** The State provides grants to assist LEAs with the cost of transporting students to school. The grant includes a separate component for the transportation of disabled students, which equals \$1,000 per student requiring special transportation enrolled in the school system in the prior fiscal year. Section 5-205 of the Education Article requires an inflationary increase based on the Consumer Price Index for private transportation in the second preceding fiscal year for the base grant. The rate can fluctuate between 1.0% and 8.0%. The fiscal 2018 allowance includes funds to support a 1.0% increase for student transportation.
- ***Special Education (\$5.3 Million Increase):*** The special education formula provides additional aid based on the number of students with disabilities. The formula is calculated using special education enrollment and 74.0% of the per pupil foundation amount. The State share of the formula cost is 50.0% statewide with a floor of 40.0% for each LEA. The State share increases in the fiscal 2018 allowance by \$5.3 million, or 1.9%, and is due to the 0.7% increase in the foundation per pupil amount and an increase of 1,440 students.
- ***GCEI (\$2.2 Million Increase):*** The GCEI is a mandated formula applied to the foundation amount calculated for LEAs that accounts for their differences in the costs of educational resources. Funding for the GCEI was mandated for fiscal 2017 after being funded at 50.0% the prior year. Thirteen school systems are eligible for GCEI funds in fiscal 2018.
- ***Compensatory Education (\$2.8 Million Decrease):*** The compensatory education formula provides additional funding based on the number of students eligible for FRPM. The formula is calculated using the number of eligible students and 97.0% of the per pupil foundation amount. The State share of the formula cost is 50.0%, with the State paying no less than 40.0% of formula funding for each LEA. Funds are distributed to each LEA based on the enrollment of students eligible for FRPM in the school system and local wealth. The \$2.8 million decrease in fiscal 2018 reflects a decrease of 2,763 FRPM students. Currently, 43.3% of students statewide qualify for FRPM.

- ***Guaranteed Tax Base (\$4.3 Million Decrease):*** The Guaranteed Tax Base (GTB) provides additional funding to LEAs with less than 80.0% of statewide wealth per pupil and with a contribution of more than the minimum required local share under the Foundation program in the prior fiscal year compared to the LEA's wealth (*i.e.*, education effort). In fiscal 2018, nine school systems qualify for the grant. Seven school systems receive increased funding under the grant, while two (Prince George's County and Baltimore City) experience a combined decrease of \$7.3 million. Charles County received \$220,000 in GTB funding in fiscal 2017, but does not qualify in fiscal 2018.

Other General Fund Changes

- ***Public School Opportunities Enhancement Program (\$7.5 Million Increase):*** Chapter 32 of 2016 established the Public School Opportunities Enhancement Program, which is a grant program to assist LSS, public community schools, and nonprofit organizations in the State in expanding or creating extended day and summer enhancement programs and to assist nonprofit organizations in the State and community schools in expanding or supporting existing educational programming during the school day. Chapter 32 mandates \$7.5 million annually for the program from fiscal 2018 through 2021. *All \$7.5 million is reduced for this program contingent on repealing its mandate through the BRFA.*
- ***Nonpublic Placement (\$7.0 Million Increase):*** The State funds a share of the cost of placing students with special needs in nonpublic school facilities. The costs vary depending on the number of students and the cost of the services provided for students placed in the program. Funding for nonpublic placements (NPP) increases by \$7.0 million from the working appropriation, taking into account the \$5.0 million targeted reversion for the program in fiscal 2017. Funding for NPP is further discussed in the Issues section of this analysis.
- ***Next Generation Scholars Program (\$5.0 Million Increase):*** Chapter 33 of 2016 reestablished the College Readiness Outreach Program as the Next Generation Scholars of Maryland Program. The program mandates that \$5.0 million be distributed to qualified nonprofit organizations to provide guidance and services, including mentorship, graduation guidance, and an intensive summer bridge program to specified students eligible for the Guaranteed Access scholarship for qualified low-income students to attend an institution of higher education. *All \$5.0 million for the program is reduced contingent on repealing its mandate through the BRFA.*
- ***Teacher Induction, Retention, and Advancement Program (\$5.0 Million Increase):*** Chapter 740 of 2016 established the Teacher Induction, Retention, and Advancement Pilot Program (TIRA) to afford first-year teachers and veteran mentor teachers selected by their LSSs more time on specified professional development activities. Further description of the program is located in the Issues section of this analysis. *All \$5.0 million for the program is reduced contingent on repealing its mandate through the BRFA.*

- ***Autism Waiver (\$3.0 Million Increase):*** The Autism Waiver Program provides services to children with autism through the use of Medical Assistance funding. The fiscal 2018 allowance includes a \$3.0 million increase over the fiscal 2017 adjusted working appropriation. This new funding includes the estimated cost to decrease the Autism Waiver waitlist by 100 individuals and account for increased expenditures.
- ***Enoch Pratt Extended Hours (\$3.0 Million Increase):*** Chapters 714 and 715 of 2016 requires that the Governor provide \$3.0 million in the State budget for fiscal 2018 through 2022 to support additional operating expenses for branches of the Enoch Pratt Free Library to increase its operating hours. *This \$3.0 million is reduced contingent on repealing the mandate for this funding through the BRFA.*
- ***Teachers' and Librarians' Retirement (\$2.8 Million Increase):*** Increased costs increase funding for K-12 teacher and local library retirement by \$2.8 million. *As discussed prior, contingent reductions from the retirement pension sweeper decrease funding for this program by \$36.1 million. The net decrease for teacher and library retirement is \$33.4 million.*
- ***Quality Teacher Incentives (\$2.1 Million Increase):*** Funds for Quality Teacher Incentives (QTI) are used to recruit and retain quality teachers by providing stipends to teachers achieving the National Board of Certification (NBC). The QTI program, including increased funding for the program under Chapter 740, is discussed in detail in the Issues section of this analysis. *Reductions contingent on the BRFA repealing the mandated funding from Chapter 740 reduce QTI funding by \$1.1 million, leaving a net increase of \$1.0 million (although this increase would no longer be mandated per the BRFA repealing the current law QTI mandate).*
- ***Anne Arundel County Teaching Stipends (\$1.9 Million Increase):*** Chapter 740 established stipends for teachers in Anne Arundel County schools with more that 30.0% of students receiving FRPM. The fiscal 2018 allowance includes \$1.9 million for theses stipends. Further description of these stipends is located in the Issues section of this analysis. *The \$1.9 million for these stipends is reduced contingent on repealing its mandate through the BRFA.*
- ***Public Library Aid (\$1.3 Million Increase):*** Chapter 481 of 2005 provided funding increases for county public libraries based on an increase in the per capita formula funding level. Budget reconciliation legislation enacted between 2007 and 2011 slowed enhancements and reduced the target per resident amount to \$14.00 from \$16.00. Chapter 489 of 2015 (the BRFA) altered a multi-year plan to phase in an increase in the per capita amount, from \$14.47 per resident in fiscal 2016 to \$16.70 per resident by fiscal 2025. The fiscal 2017 per capita amount is \$14.54. Chapter 549 of 2016 expedited the phase in to reach a per capita amount of \$16.70 by fiscal 2022. The fiscal 2018 per capital amount is \$15.00.
- ***Innovative Schools (\$1.0 Million Increase):*** The fiscal 2018 allowance includes \$1.0 million in new funding unspecified in purpose to be used for innovative schools. **The Department of Legislative Services (DLS) recommends deleting this new funding.**

- ***Pathways in Technology High Schools (\$751,000 Increase):*** Chapter 144 of 2016 established Pathways in Technology High (P-TECH) schools and mandated funding for the program for two schools in Baltimore City based on those schools' enrollment. Further discussion on P-TECH, including proposed legislation to establish more P-TECH schools in Maryland and alter funding rates for existing schools, is located in the Issues section of this analysis.
- ***Linking Youth to New eXperiences School (\$337,000 Increase):*** The fiscal 2018 allowance includes approximately \$337,000 to enable a pilot Linking Youth to New eXperiences school in Frederick County, as established by Chapter 470 of 2016. **As general funding is not mandated for this school, DLS recommends deleting this funding.**
- ***Robotics Grant (\$250,000 Increase):*** Chapters 681 and 682 of 2016 established a Robotics Grant Program to provide grants to public schools and nonprofit robotics clubs to support existing robotics programs in the State and increase the number of robotics programs in the State, with \$250,000 mandated annually for the program beginning in fiscal 2018. *The \$250,000 for this program is reduced contingent on repealing its mandate through the BRFA.*
- ***Early College High School (\$300,000 Decrease):*** The General Assembly restricted \$300,000 in the fiscal 2017 budget for early college high schools that allow students to earn an associate's degree or credential alongside a high school diploma, which the Governor subsequently released. This funding has not been renewed in the fiscal 2018 allowance.
- ***Small and Declining Enrollment Grants (\$19.4 Million Decrease):*** Chapters 515 and 516 of 2014 required the State to provide grants in fiscal 2015 through 2017 to local boards of education, which receive a decrease of more than 1.0% in total direct education aid from the current fiscal year *and* that have a total enrollment count of less than 5,000 students that have declined from the previous fiscal year. Further discussion on declining enrollment grants, is located in the Issue on State Aid for Education in this analysis.

Combined General and Special Fund Changes

- ***SEED (\$168,000 Increase):*** SEED of Maryland is a residential education boarding program for at-risk students that opened in August 2008. General funds increase by \$72,000 in the allowance, bringing the total State funds for SEED to \$10.4 million. Beginning in fiscal 2014, minimum funding per student is the prior year funding amount as altered by the annual change in the per pupil foundation amount that is used to determine State aid for public primary and secondary education. The inflationary factor used in the Foundation program, under current law, is 0.7% in fiscal 2018. Special funds for SEED increase by \$96,000, to \$4.8 million, in the allowance. Special funds are collected from LEAs where SEED students are domiciled. Because the LEA local cost of education (LCE) varies from year-to-year, the SEED special fund budget is an estimate, which is adjusted after the fiscal year starts. Once the actual LEA LCE fund amounts are calculated, usually in March, the appropriation is either increased or a deficiency request or a budget amendment is submitted to cover the shortfall.

Federal Fund Changes

- ***Title I – Educationally Deprived Children (\$26.3 Million Increase):*** Federal Title I grants are allocated to states under the Elementary and Secondary Education Act to provide additional resources for low-income children. This increase includes new funding for school improvement grants under the federal Every Student Succeeds Act (ESSA) of 2015.
- ***Special Education (\$11.6 Million Increase):*** Federal special education funds include special education grants to states, preschool grants, and grants for infants and families with disabilities.
- ***Food Services Program (\$10.5 Million Increase):*** Federal funds budgeted for food services include the School Breakfast Program, the National School Lunch Program, and the Child and Adult Care Food Program.
- ***Children at Risk (\$5.4 Million Increase):*** Programs for at-risk youth experience an increase of \$5.4 million in federal funds. This is primarily due to increased funding for after-school learning centers.
- ***Career and Technology Education (\$621,000 Increase):*** Programs to provide LSS and community colleges for career and technical education receive an increase of \$621,000 in federal funds.
- ***English Language Grants (\$423,000 Increase):*** The Language Assistance Program supports instruction in public and nonpublic schools for students whose native language is not English. Funds are provided to LEAs for speakers of other language or bilingual instruction, in-service training for English to Speakers of Other Languages/bilingual teachers, and curriculum and materials.
- ***Gaining Early Awareness and Readiness for Undergraduate Programs (\$99,000 Increase):*** Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) provide multi-year U.S. Department of Education (ED) grants to provide support and maintain a commitment to a cohort of low-income students to obtain a diploma and prepare for postsecondary education. The 2018 allowance includes \$2.1 million for GEAR-UP grants.
- ***Rural School Enhancement (\$58,000 Decrease):*** Maryland is receiving \$58,000 less in formula funding to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools.
- ***Science and Mathematics Education Initiative (\$104,000 Decrease):*** Funding for the Science and Mathematics Education Initiative includes programs such as summer sessions for teachers and an equipment incentive fund. This contains federal funding through the ED Mathematics and Science Partnership grants, which decreases in fiscal 2018.

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- ***Improving Teacher Quality (\$200,000 Decrease):*** Federal funds for improving teacher quality are distributed to states based on a two-part formula: a base allocation and a formula that accounts for each state's share of the population ages 5 to 17 and relative share of poor children in that age range. Funds are used for professional development, class-size reduction, and other activities that improve teacher quality.

Issues

1. State Aid for Education

Under current law, public schools are expected to receive approximately \$6.4 billion from the State in fiscal 2018, representing a \$103.5 (1.6%) increase over the prior fiscal year. The increase is comprised of aid that flows directly to local school boards, which grows by \$100.7 million (1.8%) along with an increase of \$2.8 million (0.4%) in retirement aid. The increase in direct aid is driven by a rise in the per pupil foundation amount, enrollment increases, continued phase-in of NTI education grants, and new programs. Contingent actions would reduce State aid for education by \$56.3 million (library aid decreases \$3.6 million). The majority of this reduction comes from a \$35.6 million reduction for teachers in the State maintained pension system, while the rest comes from repealing new fiscal 2018 mandates.

Foundation and Most Other Direct Aid Programs Increase Slightly

The Foundation program is the major State aid program for public schools, accounting for nearly half of State education aid. For each school system, a formula determines the State and local shares of a minimum per pupil funding level, or “foundation.” The Foundation program totals \$3 billion in fiscal 2018, an increase of \$43 million (1.5%) over fiscal 2017, as shown in **Exhibit 5**. The increase is attributable to the statewide enrollment growth of 0.78% (6,575 full-time equivalent students (FTES)) and a 0.7% inflationary increase in the per pupil foundation amount, from \$6,964 to \$7,012. The 0.7% increase in the per pupil foundation amount in fiscal 2018 is equivalent to the estimated change in the Implicit Price Deflator for State and Local Government Purchases.

Although enrollment grows statewide, it varies by LSS, from an increase of 1.9% to a decline of 1.8%. The fiscal 2017 budget included \$19.4 million in additional funds for LSS that have experienced declining enrollment in recent years. This entailed \$12.7 million for Baltimore City, \$1.1 million for Calvert County, \$4.0 million for Carroll County, \$1.3 million for Garrett County, and \$365,000 for Kent County. Kent County’s figure included \$65,000 in mandated funding for counties with small and declining enrollment populations. The fiscal 2018 allowance does not contain any similar funding, as it is no longer required under current law. Funding for districts with declining enrollment will be a topic of discussion for the Commission on Innovation and Excellence in Education.

Of the formulas for at-risk students, LEP has an increase of \$21.5 million in fiscal 2018, and special education has an increase of \$5.3 million due to enrollment growth in those areas and the increase in the per pupil foundation amount. Compensatory education receives a decrease in funding of \$2.8 million due to a decrease of 2,763 FRPM students according to enrollments counts.

Approximately 75% of State aid to public schools is distributed inversely to local wealth, whereby the less affluent school systems receive relatively more State aid. NTI is one component of calculating local wealth for purposes of State aid for education. Chapter 4 provides additional education grants in counties whose formula aid is higher using November NTI as compared to September NTI. Chapter 489 delayed the scheduled phase-in of the grants by one year, with funding

fully phased in by fiscal 2019. NTI education grants increase to \$49.2 million in fiscal 2018 to be distributed to 18 school systems. **MSDE should comment on whether there will be any revisions in enrollments or formula aid for fiscal 2018.**

Exhibit 5
State Aid for Education
Fiscal 2017 and 2018
(\$ in Thousands)

<u>Program</u>	<u>Working 2017</u>	<u>Allowance 2018</u>	<u>Current Law Change</u>	<u>% Change</u>	<u>Contingent Reductions</u>	<u>Proposed Change</u>	<u>% Change</u>
Foundation Program	\$2,961,988	\$3,004,938	42,950	1.5%	0	42,950	1.5%
Geographic Cost Adjustment	136,898	139,127	2,229	1.6%	0	2,229	1.6%
Declining Enrollment Grants	19,430	0	-19,430	-100.0%	0	-19,430	-100.0%
Supplemental Grant	46,620	46,620	0	0.0%	0	0	0.0%
Net Taxable Income Grants	39,702	49,200	9,498	23.9%	0	9,498	23.9%
Compensatory Education Program	1,309,111	1,306,297	-2,814	-0.2%	0	-2,814	-0.2%
Special Education Formula	279,608	284,865	5,257	1.9%	0	5,257	1.9%
Nonpublic Placements	121,618	128,618	7,000	5.8%	0	7,000	5.8%
Limited English Proficiency	227,201	248,707	21,506	9.5%	0	21,506	9.5%
Guaranteed Tax Base	54,511	50,249	-4,262	-7.8%	0	-4,262	-7.8%
Student Transportation	270,858	276,251	5,393	2.0%	0	5,393	2.0%
Aging Schools	0	6,109	6,109	n/a	0	6,109	n/a
Other	70,410	97,691	27,281	38.7%	-20,750	6,531	9.3%
<i>Direct Aid Subtotal</i>	<i>\$5,537,955</i>	<i>\$5,638,672</i>	<i>\$100,717</i>	<i>1.8%</i>	<i>-20,750</i>	<i>79,967</i>	<i>1.4%</i>
Teachers' Retirement	767,255	770,033	2,778	0.4%	-35,579	-32,801	-4.3%
Total	\$6,305,210	\$6,408,705	\$103,495	1.6%	-56,329	47,166	0.7%

Note: Other includes the School for Education Evolution and Development, Specific Populations, Prekindergarten Expansion, Infants and Toddlers, Innovative Programs, Food Service, Quality Teacher Incentives, Judy Centers, Head Start, and Adult Education. Aging Schools receives funding from general obligation bonds. Adult Education is budgeted under the Department of Labor, Licensing, and Regulation.

Source: Department of Legislative Services

Aging Schools and New Programs in Fiscal 2018

Fiscal 2018 reflects a \$6.1 million increase in funding for the Aging Schools Program, after the program received no funding in fiscal 2017. During the 2016 session, the General Assembly allocated funding for the program as pay-as-you-go through the State Reserve Fund in the fiscal 2017 budget, provided that the Governor chose to release it. However, the Governor announced that he will not be releasing any funds fenced off through the State Reserve Fund in fiscal 2017. Fiscal 2018 funding is being provided as general obligation bonds in the capital budget, as has been the case in most recent years.

The fiscal 2018 allowance also includes State aid education funding for the Public School Opportunities Enhancement Program, the Next Generation Scholars Program, the Robotics Grant Program, and new funding for QTIs, Anne Arundel County teaching stipends, and TIRA. This funding, totaling \$20.8 million, as shown in Exhibit 5, is proposed to be reduced by the Governor contingent on actions to reduce or repeal these programs in the BRFA of 2017.

State Retirement Costs Decline; Local Costs Increase Slightly

State retirement costs for public school teachers under current law totals \$770.0 million in fiscal 2018, representing a \$2.8 million (0.4%) increase. This increase is attributed to an increase in the salary base for teachers, though it is offset by a decrease in the State contribution rate and a slight increase in local government contributions. However, as discussed above, contingent reductions propose to decrease this funding by \$35.6 million resulting in a \$32.8 million (-4.3%) decrease. These changes are detailed by county in **Appendix 2**.

Local school boards will contribute \$3.3 million (1.1%) more in fiscal 2018 for the local share of retirement costs than in fiscal 2017. Total local funding for teacher retirement totals approximately \$298.0 million in fiscal 2018. This includes \$280.5 million for the local share of pension contributions as well as \$17.5 million toward the State Retirement Agency administrative costs though the Governor's proposed budget does include a fiscal 2017 deficiency that would relieve local governments of these administrative costs. This deficiency is budgeted outside of Aid to Education. Changes in local cost for teacher retirement are detailed by county in **Appendix 3**.

Chapter 1 of the first special session of 2012 phased in over four years (fiscal 2012 to 2016) the requirement that local employers pay the employer "normal cost" for active members of the State Teachers' Pension or Retirement Systems. Fiscal 2018 is the second year in which the *actual* normal cost will be used to determine local contributions; the estimated normal cost was set in statute for each county during the fiscal 2012 to 2016 period. The normal cost for fiscal 2018 is 4.47% of salary base as compared to 4.56% in fiscal 2017; however, salary base increases in several counties result in a net increase in retirement costs for eight school systems. In addition, Chapter 1 repealed the requirement that school systems reimburse the State for the full retirement costs of federally funded positions beginning in fiscal 2015 to help offset the impact of pension cost sharing.

Hunger-free Schools

The federal Healthy, Hunger-Free Kids Act of 2010 amended the federal National School Lunch Act to provide an alternative for high-poverty school systems and schools to provide FRPM to all students in a school or system. This alternative, referred to as the Community Eligibility Provision (CEP), does not require participating school systems to collect forms certifying students' FRPM eligibility. Several schools and school systems in Maryland, including Baltimore City Public Schools, (BCPS) are participating in CEP. Chapter 291 of 2015 – the Hunger-Free Schools Act – altered the enrollment count used to calculate State compensatory education aid for school systems that participate, in whole or in part, in CEP by providing a floor for the FRPM count (and therefore a floor for compensatory aid) for participating school systems, but for fiscal 2017 and 2018 only. The bill also required the adequacy of education funding study to include suggested alternatives to FRPM as a proxy for identifying students requiring compensatory funding. The FRPM proxy report was completed in December 2015, but the commission that has been appointed to review school funding adequacy will not make recommendations until December 2017. In order to continue to hold school systems that are participating in CEP harmless from potential losses in compensatory education aid until the commission completes its work and subsequent legislation is considered, the sunset date for Chapter 291 must be extended beyond fiscal 2018 during the upcoming session. Due to the timing of CEP applications, legislation must be enacted prior to the beginning of fiscal 2018. Legislation has been introduced (SB 361/HB 287) to extend the sunset date through fiscal 2022.

Maintenance of Effort

The Maintenance of Effort (MOE) law requires each county government (including Baltimore City) to provide as much per pupil funding for the local school board as was provided in the prior fiscal year. Beginning in fiscal 2017, the local retirement contribution for the normal cost is included in the highest local appropriation for purposes of calculating the per pupil MOE amount. As of November 2016, MSDE has certified that the school appropriations of all 24 counties have met the fiscal 2017 MOE requirement. In total, 17 counties significantly exceeded MOE, including Baltimore City.

The fiscal 2017 State budget restricted \$10 million in disparity grant funding for Baltimore City contingent on Baltimore City appropriating an additional \$10 million for BCPS over the fiscal 2016 local appropriation for fiscal 2017; these funds were subsequently appropriated by Baltimore City. More discussion on funding provided to BCPS by Baltimore City can be found in a separate Issue of this analysis.

Chapter 6 of 2012 made several changes to the MOE law and waiver processes. Under the law, beginning in fiscal 2015, a county that has an education effort below the five-year statewide average education effort must increase its MOE payment to the local school board in years when its local wealth base is increasing. The required increase is the lesser of the increase in a county's per pupil wealth, the average statewide increase in per pupil local wealth, or 2.5%. This provision ensures an increase in the amount a county provides to the local school board concomitant with an increase in county wealth.

Statewide per pupil local wealth increases 2.4% from fiscal 2017 to 2018. As shown in **Exhibit 6**, nine jurisdictions will be required to increase their MOE appropriations in fiscal 2018 under this provision, three according to the change in their local per pupil wealth and six by the average statewide per pupil wealth.

Exhibit 6
Projections of Required Increases in Per Pupil MOE Amounts
Fiscal 2018

	Estimated Percent Change in Per Pupil Wealth	Estimated Required Increase in Per Pupil MOE
Allegany	2.1%	2.1%
Anne Arundel	3.9%	0.0%
Baltimore City	6.1%	2.4%
Baltimore	1.6%	0.0%
Calvert	3.5%	0.0%
Caroline	-0.3%	0.0%
Carroll	4.3%	0.0%
Cecil	2.4%	0.0%
Charles	2.4%	0.0%
Dorchester	-0.3%	0.0%
Frederick	2.9%	0.0%
Garrett	2.5%	2.4%
Harford	3.3%	0.0%
Howard	2.7%	0.0%
Kent	0.5%	0.5%
Montgomery	2.3%	0.0%
Prince George's	4.3%	0.0%
Queen Anne's	3.2%	2.4%
St. Mary's	1.2%	0.0%
Somerset	-1.9%	0.0%
Talbot	2.7%	2.4%
Washington	1.4%	1.4%
Wicomico	2.6%	2.4%
Worcester	3.8%	2.4%

MOE: Maintenance of Effort

Source: Maryland State Department of Education

2. Adequacy Report

Chapters 701 and 702 of 2016 established a 25-member Commission on Innovation and Excellence in Education that, among other charges, must (1) review the findings of the consultant's study on adequacy of education funding and its related studies and make recommendations on the funding formula; (2) review and make recommendations on expenditures of LSS; (3) review and make recommendations on innovative education delivery mechanisms and other strategies to prepare Maryland students for the twenty-first century workforce and global economy; and (4) review and make recommendations on expanding prekindergarten, including special education prekindergarten. The commission members were appointed this summer with former University System of Maryland Chancellor Dr. William "Brit" Kirwan being appointed to serve as chair of the commission. The commission has so far held four meetings, having discussed topics such as K-12 outcomes for students in the United States compared with other countries, funding for K-12 education in Maryland, and the adequacy report as described further in this analysis. The commission will continue to meet during the 2017 interim before delivering final recommendations.

Adequacy Study by Consultant is Complete

The Bridge to Excellence in Public Schools Act (Chapter 288 of 2002), which established State education aid formulas for public schools based on the concept of adequacy (the level of resources that are necessary for all public school students to have the opportunity to achieve academic proficiency standards), required the State to contract with a consultant to conduct a follow-up study of the adequacy of education funding in the State. The consultant, Augenblick, Palaich, and Associates (APA), was hired and began work in June 2014. APA submitted its final report to the Governor and General Assembly on November 30, 2016.

While APA makes recommendations for changes within each of the factors, it does not recommend abandoning Maryland's basic formula structure. Overall, the APA report recommends that, in order to provide adequate funding, a total increase of \$2.9 billion over fiscal 2015 is needed, with \$1.9 billion from the State and \$1.0 billion from counties (including Baltimore City). This amount does not include State teacher retirement costs.

APA also made the following recommendations in regard to distribution of State aid to LSS.

- **NTI:** APA recommends using November 1 to calculate a county's NTI, which is a component of calculating the wealth of a county. Currently, NTI is measured on both September 1 and November 1 and the greater amount of State aid that results from these two calculations is provided.
- **Multiplicative Calculation of Wealth:** Currently, a county's wealth includes both the income of county residents (NTI) and a proportion of the assessed value of the property in the county. These two amounts are added together to calculate the overall wealth of a county. APA recommends switching to a multiplication calculation whereby each county's percent of the State average income is multiplied by each county's property wealth (the reverse calculation

also yields the same result). The overall effect of this approach will exaggerate the disparities in wealth between all 24 counties and significantly alters the distribution of State aid.

- ***Minimum State Funding Amounts:*** Because the amount of State aid provided to a particular LSS is dependent on the relative wealth of that jurisdiction, a county that is relatively wealthy receives less education aid from the State and more from the county. Currently, the formulas have a mechanism that guarantees that every LSS, regardless of a county's wealth, will receive a minimum of 15% of the total foundation aid from the State and a minimum of 40% of the aid for special needs students from the State. The APA report is recommending that each of these minimums, referred to as "funding floors," be eliminated.

3. Pathways in Technology Early College High School Program

Chapter 144 of 2016 established P-TECH schools in Maryland, which are public schools that offer grades 9 through 14 and that integrate high school, college, and the workplace. The result is intended to be a seamless pathway that enables students to graduate in six years or less with a high school diploma, an associate's degree or certificate, and relevant professional experience. One of the goals of P-TECH schools, which distinguishes them from other early college programs, is for students to earn a credential and workplace skills that are aligned with industry needs and expectations. P-TECH students are required to receive at least one paid summer internship of at least six weeks duration with an industry partner. The P-TECH program is open admission and has no cost to students who are considered dually enrolled.

The first P-TECH schools in Maryland opened for students in Baltimore City in the 2016-2017 school year with 50 9th grade students at Paul Laurence Dunbar High School and 50 9th grade students at Carver Vocational-Technical High School. P-TECH at Dunbar is in a partnership with The Johns Hopkins Hospital; the University of Maryland, Baltimore Campus; and Kaiser Permanente. P-TECH at Carver is in a partnership with IBM. Four additional P-TECH schools are projected to open with approximately 20 to 25 9th grade students in each school in the 2017-2018 school year, with one school in Allegany County, one school on the Upper Eastern Shore, and two schools in Prince George's County. While planning grants totaling \$0.6 million were budgeted for all six schools in fiscal 2016, Prince George's County did not receive its share, \$0.2 million, in P-TECH planning grant funding. **MSDE should comment on whether any funding for P-TECH planning grants has been provided to Prince George's County as specified in fiscal 2017 budget language and, if so, from what source. DLS recommends adding budget bill language to specify where P-TECH schools should be located in the 2017-2018 school year, as well as a transfer of \$0.2 million from the MSDE Headquarters budget to provide planning grant funding for P-TECH schools in Prince George's County.**

The estimated number of P-TECH students in each P-TECH school according to the P-TECH report and the fiscal 2018 Governor's Budget Book are shown in **Exhibit 7**. Chapter 144 only authorized the first two schools opening in the 2016-2017 school year to receive additional State aid, and the fiscal 2017 appropriation only included additional operating funds for the two P-TECH schools in Baltimore City (although it was overbudgeted by \$78,000 based on estimated enrollment). The

fiscal 2018 allowance includes \$0.9 million for the P-TECH program, which includes \$0.6 million in planning grants for an additional six P-TECH schools. It is assumed that all six planning grants will be awarded in fiscal 2018, and six additional P-TECH schools with 50 students each will open in fall 2018 (fiscal 2019).

Exhibit 7
Location and Estimated Number of P-TECH Students

<u>LEA/Community College</u>	<u>First Cohort</u>	<u>Ninth Grade Cohort</u>
Baltimore City Public Schools	Fall 2016	100 Students
Baltimore City Community College		(50 Students Each School)
Allegany County Public Schools	Fall 2017	20 Students
Allegany College		
Caroline, Queen Anne's, and Talbot Public Schools	Fall 2017	20 Students
Chesapeake College		
Prince George's County Public Schools	Fall 2017	50 Students
Prince George's Community College		(25 Students Each School)
Six New Schools	Fall 2018	300 Students
		(50 Students Each School) ¹

LEA: local education agencies

P-TECH: Pathways in Technology Early College High

¹Estimated number of students based on number of students for current P-TECH schools.

Source: *P-TECH Workgroup Report*; Governor's Budget Book Fiscal 2018, Volume 2

P-TECH Stakeholders Workgroup Report

Chapter 144 also established a P-TECH stakeholders workgroup charged with determining the optimal structure and funding strategy for P-TECH schools in Maryland and required a report to be submitted by December 2016. The report recommended two options for funding P-TECH schools, both of which include FTES funding through the community college funding formulas for all six years of the program based on the number of college credits a P-TECH student enrolls in each year. The first option includes full per pupil funding through the State K-12 education aid formulas for all six years of the program, regardless of the number of K-12 classes in which a student is enrolled. The second option includes full per pupil funding through the State K-12 education aid formulas for years one through four. However, for the fifth and sixth years of the program, the report recommends partial

per pupil funding based on the number of high school credits in which the P-TECH student is enrolled (that is, 0.5 FTES in year five and 0.25 FTES in year six).

P-TECH Funding Mechanisms

SB 319 and HB 413 of the 2017 session establish funding mechanisms for the program that implements the second option as discussed prior and results in no cost to the student. The P-TECH funding mechanisms established in SB 319 and HB 413 provide for (1) inclusion of P-TECH students in the K-12 Foundation Program funding formula for public schools; (2) P-TECH planning grants; (3) P-TECH supplemental college grants; (4) P-TECH supplemental school grants; and (5) inclusion of P-TECH students in the Senator John A. Cade Funding Formula for local community colleges and Baltimore City Community College. Under the bills, P-TECH students in the fifth and sixth years of the program must be added to the public school enrollment count, which is used to calculate the K-12 Foundation program funding. Fifth-year students count as 0.5 of a FTES and sixth-year students count as 0.25 of a FTES. The P-TECH supplemental college grant is equal to tuition and fees that normally would have been charged to the students. For counties that received a disparity grant in the prior fiscal year, the State share is 50% and the local share is 50%. For counties that did not receive a disparity grant in the prior fiscal year, the State share is 25% and the local share is 75%. **MSDE should comment on potential locations and industry partners for the six new P-TECH schools to receive planning grants in fiscal 2018. DLS recommends that funding for the new funding mechanism and for planning grants for the new schools should be contingent on the enactment of SB 319 or HB 413.**

4. Baltimore City Public Schools Cost Efficiencies

The fiscal 2017 budget bill included language that withheld \$10 million in general funds within the Payments to Civil Divisions of the State budget for Baltimore City, pending certification that Baltimore City appropriated \$10 million for BCPS above the fiscal 2016 appropriation, along with requiring a report from Baltimore City and BCPS on the potential for cost efficiencies in shared costs and other financial arrangements between Baltimore City and BCPS. The required joint report from Baltimore City and BCPS, as well as certification that Baltimore City has appropriated all of the additional \$10 million for BCPS above the fiscal 2016 appropriation was submitted to the budget committees. Therefore, the withheld disparity grant money for Baltimore City has been released. Under State law, the required fiscal 2017 increase in Baltimore City per pupil appropriation for BCPS was 2.3%, though due to the \$10 million amount described above, plus an additional \$435,600, Baltimore City increased per pupil appropriations for BCPS by 6.49% in fiscal 2017.

State direct aid to BCPS decreases by \$38.7 million compared to the fiscal 2017 working appropriation, a 4.4% decline. This is influenced primarily by a decline in enrollment for BCPS with a decrease of 954 FTES (-1.2%) and 913 FRPM students (-2.2%), while wealth per pupil has grown by 6.1%. Despite this growth in wealth, Baltimore City's required increase in aid per pupil for BCPS in fiscal 2018 under current law is only 2.4%. Aid to BCPS also decreases due to a one-time declining enrollment grant of \$12.7 million that was received in fiscal 2017 but is not funded in fiscal 2018.

Budget deficits have been a persistent problem for BCPS in recent years, as it has faced decreases in mandated State aid due to increases in local wealth and decreases in enrollment. BCPS has announced that it is facing a \$129 million deficit for fiscal 2018 and that it is prepared to lay off over 1,000 individuals, including teachers, and increase class sizes to overcome its deficit.

Cost Efficiencies in Shared Costs

Potential costs savings for BCPS exist in cost sharing with Baltimore City and other financial arrangements. In its report, BCPS and Baltimore City provide information on current areas of collaboration and opportunities for increased collaboration, including risk management, crossing guards, school health services, school-site recreation centers and pools, child care centers, procurement services, transportation services, and fleet management.

Retiree Health Care

One area of costs that BCPS and Baltimore City include in its report as an area of disagreement/concern is retiree health and Other Post Employment Benefit (OPEB) liabilities. Baltimore City covers the costs and liability of health insurance benefits for BCPS retirees, budgeting \$29.8 million for medical and prescription drug costs in fiscal 2017. Baltimore City pays 20% of the health plan premium cost for retirees with 10 to 14 years of service and 50% for retirees with 15 years of service or more. For prescription drug coverage, Baltimore City pays 80% of the premium for all employees with over 10 years of service. (For comparison, State employees must have 25 years of service to get this benefit.) This arrangement was made due to BCPS and Baltimore City separating in calendar 1997, so until recently most BCPS retirees were hired when BCPS and Baltimore City were still one entity.

Baltimore City has proposed that reasonable terms be negotiated between itself and BCPS to transfer the responsibility for post-1997 hires to Baltimore City schools. This would align Baltimore City schools' ability to control its staffing with its ability to control the health benefits for its employees when they retire. Baltimore City has made a proposal to transfer these costs with assets from its OPEB Trust, a subsidized phase in for normal costs, and an additional MOE to not put an undue burden on BCPS. BCPS did not agree to such a plan in its report to avoid the risk of taking on liabilities or financial obligations of Baltimore City.

Current Employee Health Care

Baltimore City has also proposed that BCPS make reforms to how it funds health benefit plans for its active employees, which are separate from Baltimore City's plans. Baltimore City reports that its employees pay on average 175% more for medical and prescription drug coverage than BCPS employees, and 318% more for office visit co-pays. This is due to Baltimore City employees paying a blended premium rate, which subsidizes health benefits for retirees (including BCPS retirees, as explained above). Currently, Baltimore City employees pay 27% of their health care costs, while BCPS employees pay between 13% and 16%. Baltimore City believes that BCPS adopting rates more similar

to Baltimore City could save BCPS between \$15 million to \$20 million annually, while reducing fiscal risk for both BCPS and Baltimore City.

Baltimore City and BCPS should comment on the specific risks and rewards to reforming retiree and current employee health care plans for BCPS, and how a joint task force between Baltimore City and BCPS may be implemented to analyze further opportunities for savings. DLS recommends adopting committee narrative requiring that the joint task force reports to the budget committees by December 2017 on arrangements that have been finalized and will be implemented between Baltimore City and BCPS.

5. Teacher Preparation and Retention

Best practices for preparing and retaining teachers have been a topic of ongoing discussion in Maryland. Currently, the State employs the use of QTI to provide grants for teachers that gain certifications, particularly those in “comprehensive needs” schools, *i.e.*, low-performing schools. Under current law, only teachers with NBC receive this benefit, with teachers receiving from the State a stipend in an amount equal to the local grant for national certification.

The TIRA Act of 2016 (Chapter 740) altered teaching incentives in Maryland, increasing the maximum stipend for qualified teachers teaching in comprehensive needs schools from \$2,000 per year to \$4,000. The fiscal 2018 allowance includes \$1.1 million to provide this increase to 550 teachers in comprehensive needs schools. (NBC teachers teaching in noncomprehensive needs schools receive \$1,000 stipends, which is unchanged from the prior year under the new law.)

Chapter 740 also mandated that through fiscal 2019, an Anne Arundel County classroom teacher who meets specified conditions receives a stipend from the State equal to a specified Anne Arundel County grant up to a maximum of \$1,500. Specifically, the teacher must (1) teach in a public middle or high school in which at least 30% of the students as a percentage of FTES qualify for FRPM under the National School Lunch Program; (2) hold a standard or advanced professional certificate; and (3) be employed by the Anne Arundel County Board of Education. During the fiscal 2015-2016 school year, there were an estimated 1,242 Anne Arundel County classroom teachers who met these criteria. The fiscal 2018 allowance includes \$1.9 million according to the mandate.

Finally, Chapter 740 establishes a TIRA Program. Local boards of education may choose to participate in the program and select first-year teachers to participate, with priority given to teachers in Title I schools. These teachers are to be afforded at least 20% more time than other teachers to be spent on mentoring, peer observation, assistance with planning, or other preparation activities. Any costs incurred must be borne 80% by the State and 20% by the local boards of education that choose to participate in the pilot program. Chapter 740 mandates \$5 million annually for the program through fiscal 2022.

As discussed earlier in this analysis, contingent reductions in the fiscal 2018 budget bill reduce the increased funding for these programs contingent on the mandates being repealed by the BRFA.

Workgroup and Reports

Chapter 740 also required that MSDE convene a workgroup of stakeholders to include representatives of primary and secondary education, higher education, and education policy experts to determine effective recruitment, retention, and promotion of quality educators at all levels. The workgroup delivered an interim report to the Governor and General Assembly in November 2016, and will deliver a final report in November 2017. The following are interim recommendations and updates that the workgroup included in its report.

- Though teacher preparation programs should include the tenets/principles of NBC, the workgroup does not recommend that NBC should be a requirement of educator preparation or a requirement for Maryland certification.
- The workgroup recommends that loan forgiveness programs should be tailored for teachers as opposed to all employees, and should be clearly communicated to collegiate students during both their program of study and recruitment.
- The workgroup is discussing alternative teacher compensation systems, including merit pay, knowledge- and skills-based pay, performance pay, and school-based performance pay. MSDE believes that it would be premature to deliver recommendations regarding comprehensive needs schools in relation to QTIs until it has finished developing a new accountability system under the ESSA.
- The workgroup does not recommend that induction best practices be incorporated into professional eligibility certificates (PEC), as PECs do not offer a candidate access to students in the classroom, a necessary part of the induction practice.
- The workgroup recommended that language be added to the *Code of Maryland Regulations* (COMAR) to reflect the qualifications for mentor teachers.
- The workgroup is discussing career structures that fit Maryland's urban, rural, and suburban districts, the benefits and limitations of NBC in that structure, and the value of additional planning time for beginning teachers.
- The workgroup recommends that the requirements for institutions of higher education to offer graduate and undergraduate programs in teacher preparation that result in teacher certification be altered to have two pathways for approval (national accreditation or MSDE approval), along with other specified changes.

MSDE should comment on the timeline for the delivery of the workgroup's final report and how its recommendations might be affected if funding for programs established under the TIRA Act is reduced.

In a letter dated January 19, 2017, the budget committees accepted the workgroup's interim report as MSDE's official response to committee narrative in the 2016 *Joint Chairmen's Report* (JCR) on teacher development. In the letter, the committees stated their belief that the workgroup report did not adequately address all issues requested in the JCR, particularly in regard to teacher preparation programs, but stated its expectation that these issues will be addressed by the Commission on Innovation and Excellence in Education as it continues to meet in calendar 2017. **MSDE should comment on best practices for teacher preparation programs in Maryland and how it will provide assistance to the commission as it addresses teacher preparation and retention.**

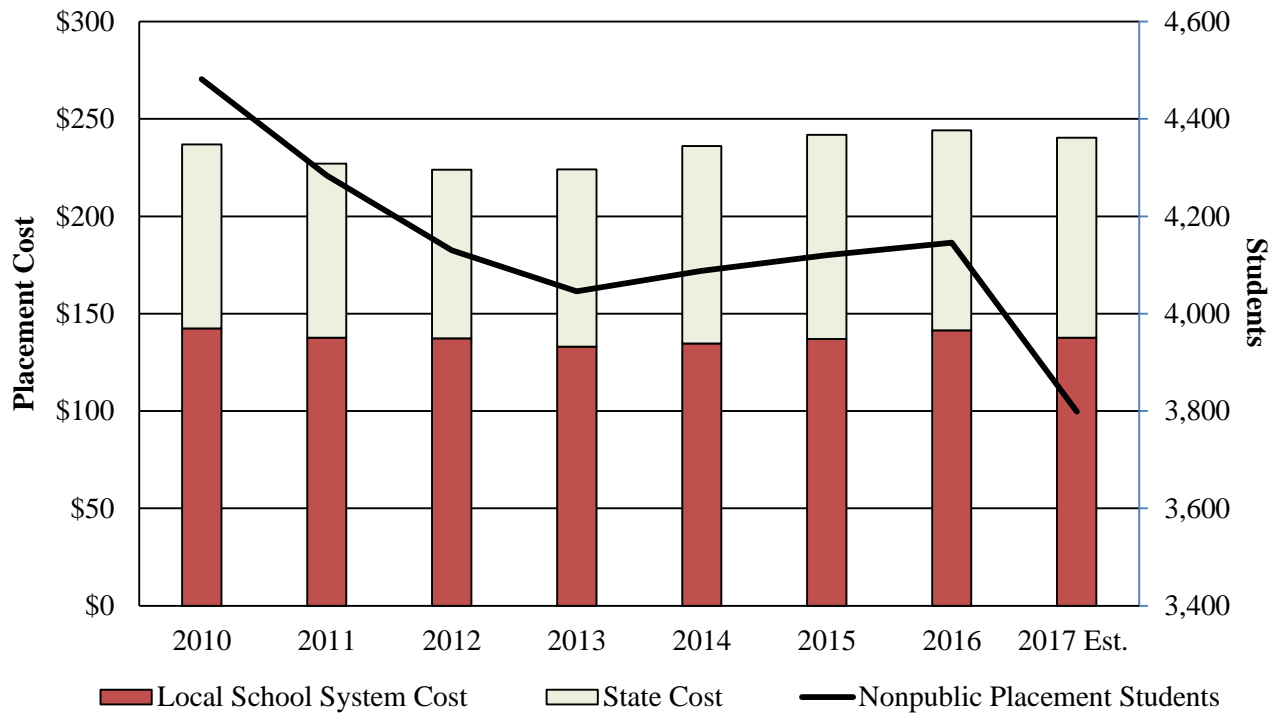
6. Nonpublic Placements

Most students with disabilities receive special education services in public schools. However, if an appropriate program is not available in public schools, a student may be placed in a private school offering more specialized services. The costs for these students, who are placed in nonpublic day or residential facilities, are shared by the LSS and the State. The school system contributes an amount equal to the local share of the basic cost of educating a child without disabilities plus two times the total basic cost. Any costs above this are split 70% State/30% local.

The fiscal 2018 allowance is the first in a number of years that has not contained a large deficiency appropriation to cover costs in the working appropriation or to reconcile costs for a fiscal year that has come to a close. Instead, the budget assumes a targeted reversion of \$5 million due to anticipated overfunding for the program, after increasing funding for the program by \$4 million in the fiscal 2017 budget. Generally, total students served by the program has decreased over the years, including an MSDE estimated decrease of 347 between fiscal 2016 and 2017. Yet, costs per student have increased, including an expected increase of \$4,372 combined local and State funds per student served by the program between fiscal 2016 and 2017. Costs for the program in fiscal 2017, as well as total students served, is shown in **Exhibit 8**. The Department of Budget and Management is anticipating that State funding for the program will be lower than what was budgeted based on these trends, though it does acknowledge that costs for the program are highly variable due to the high cost per student served by the program. MSDE has also recently corrected flaws in calculating the basic cost to determine the State and local share of funding for nonpublic placements. **MSDE should comment if the basic cost calculation will lead to savings in fiscal 2017 and whether it believes the allocation, after the \$5.0 million reversion, to be an accurate reflection of its fiscal 2017 costs based on enrollment trends and anticipated costs per student. DLS recommends reducing the fiscal 2018 allowance for NPP by \$5.0 million due to lower expected costs for NPP based on declining enrollment in the program.**

The fiscal 2018 allowance includes a \$2 million increase over the fiscal 2017 pre-reversion allowance to provide an anticipated 1.6% increase to providers for NPP. Rates will not be finalized by the Interagency Rates Committee (IRC) for NPP until July 2017. **DLS recommends adopting language reducing funding for NPP by \$733,821, to reduce the provider increase to 1.0%. This language would be contingent on a provision in the BRFA of 2017 limiting the maximum amount that IRC may increase provider rates to 1.0%.**

Exhibit 8
Nonpublic Placement Costs and Students Served
Fiscal 2010-2017 Est.
(\$ in Millions)



Note: Costs for fiscal 2017 are projected. Costs for the Nonpublic Placements Program can be highly variable.

Source: Maryland State Department of Education

Recommended Actions

1. Add the following language:

Provided that the Maryland State Department of Education shall notify the budget committees of any intent to transfer the funds from program R00A02 Aid to Education to any other budgetary unit. The budget committees shall have 45 days to review and comment on the planned transfer prior to its effect.

Explanation: The Maryland State Department of Education (MSDE) should not transfer any funds from Aid to Education until the transfer is reviewed by the budget committees.

Information Request	Author	Due Date
Report on any transfer of funds from R00A02	MSDE	45 days prior to transfer

2. Adopt the following narrative:

Baltimore City Public Schools Savings: The budget committees direct Baltimore City and Baltimore City Public Schools (BCPS) to convene a joint task force to determine arrangements between the two that will result in savings, including but not exclusive to, retiree and current employee health care arrangements for BCPS employees. The joint task force shall report to the committees by December 15, 2017, on what arrangements have been finalized and will be implemented by Baltimore City and BCPS.

Information Request	Authors	Due Date
Report on arrangements for savings between Baltimore City and BCPS	Baltimore City BCPS	December 15, 2017

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

, provided that this appropriation made for the purpose of the Non-Public Placement program shall be reduced by \$733,821 contingent on the enactment of HB 152 or SB 172 that would require that for fiscal 2018, payments to providers with rates set by the Interagency Rates Committee under § 8–417 of the Education Article may not increase by more than 1% over the rates in effect on June 30, 2017.

Explanation: This action reduces rate increases for providers for nonpublic placements to 1% contingent on rate increases being limited to that amount through the Budget Reconciliation and Financing Act of 2017.

- | | <u>Amount
Reduction</u> | |
|---|------------------------------------|---|
| 4. | \$ 5,000,000 | GF |
| Reduce general funding for the Nonpublic Placement Program due to a declining enrollment in the program, carrying forward savings from the anticipated reversion for the program in fiscal 2017. This can help address the State's out-year structural shortfall. | | |
| 5. | | Add the following language to the general fund appropriation: |
| <u>Further provided that \$803,000 of this appropriation made for the purpose of providing Pathways in Technology Early College High Schools grants shall be contingent upon the enactment of SB 319 or HB 413.</u> | | |

Explanation: This action adds language making fiscal 2018 general funding to provide grants for the planning of new Pathways in Technology Early College High (P-TECH) Schools and new operating funding for students attending existing P-TECH Schools contingent on legislation establishing such planning grants and rates.

6. Add the following language to the general fund appropriation:
- Further provided that funds for new Pathways in Technology Early College High (P-TECH) schools during the 2017-2018 school year may only be used for one P-TECH school for Allegany County Public Schools; one P-TECH school serving Queen Anne's, Talbot, and Caroline County Public Schools; and two P-TECH schools for Prince George's County Public Schools.

Explanation: This language specifies that funding used to operate new P-TECH schools during the 2017-2018 school year may only be used for one school in Allegany County, one school serving the Upper Eastern Shore, and two schools for Prince George's County.

R00A02 – MSDE – Aid to Education

	<u>Amount Reduction</u>	
7. Delete new funding for an unspecified purpose under current law provided in the budget for innovative schools.	1,000,000	GF
8. Delete new funding provided for a Linking Youth to New eXperiences School in Frederick County, as funding for the school is not mandated. This can only help address the State's out-year structural shortfall.	336,599	GF
Total General Fund Reductions	\$ 6,336,599	

Updates

1. Policing in Baltimore City Public Schools

Due to concerns raised about policing in BCPS, the General Assembly requested in the 2016 JCR that BCPS certify in writing that it has an integrated data system in place to track arrests, referrals, and other relevant policing data. BCPS submitted a letter certifying its compliance with these matters on October 28, 2016. The letter states that BCPS has an integrated data system in place collecting data in collaboration with the MSDE Student Arrest Data Collection as mandated in COMAR 13A.08.01.12.

The 2016 JCR also requested that BCPS certify that it has created a committee to address school discipline issues. This certification was to provide details on membership, goals, tasks, and identified best practices as specified by the committee. BCPS's certification letter also stated that a School Safety Advisory Board had been created to address school police training and school disciplinary issues, with monthly meetings that began on October 5, 2016. Membership has been invited from the State Attorney's Office, Office of the Public Defender, Maryland Center for School Safety, Parent and Community Advisory Board, local unions, and local community leaders including from the University of Maryland School of Social Work, Our Legacy Inc., and New Psalmist Church. Internal stakeholders are also represented from school police, the Office of Climate and Suspension, the Office of Specialized Services, and school-based leadership. The goal of the committee is to support the broader implementation of the Baltimore City school's school safety efforts in conjunction with the Baltimore City schools police. The goal of the committee is to support the broader implementation of the Baltimore City school's safety efforts in conjunction with the BCPS police.

In school year 2015-2016, discussions began around the National Institute of Justice Coping Power in the City grant that included some funding for school police training. This past summer, additional trainings were provided for BCPS police including National Association of School Resource Officers training as well as training on peer mediation, conflict resolution, youth mental health first aid, de-escalation, implicit bias, institutional racism, trauma informed care, and student rights and protections. In school year 2016-2017, the first task identified by the committee is to assist BCPS police with developing guidelines for school leadership on which duties school police officers may or may not be assigned at a school. Based on police best practices, this will include a statement that school police may not be involved in school-level discipline. Future topics and tasks planned for this advisory board include developing messaging to assist school administrators with implementing school discipline procedures, developing climate training where BCPS police and school principals can attend together to clarify roles based on best practice, and looking into ways to hold parents accountable through an increased lens on family engagement and empowerment through restorative practices and community policing.

2. College and Career Counseling

In the 2016 JCR, the General Assembly expressed concerns over students in the State's public middle schools and high schools having access to school counselors for the purpose of college and career counseling. The General Assembly also expressed that one potential way to provide more targeted assistance to students would be to implement specific certification for college and career counseling specialists, with requirements informed by the Southern Regional Education Board's Go Alliance Academy. Therefore, the committees requested that MSDE, in consultation with LSS, examine how such certification could be implemented, and that MSDE should report on its findings and recommendations.

In its findings, MSDE found that institutions of higher learning in Maryland do not currently offer an Associate of Arts degree with a certification in college and career counseling, though such a certification is often offered as a post master's program for students who hold a master's degree in counseling. Some school systems currently hire college and career advisors, though there are no current State of Maryland certifications in this area, and such certifications could assist them in seeking out highly qualified individuals. However, due to fiscal constraints, many schools are not adding staff at this time; and these schools have expressed that adding college and career counselors, while reducing teaching and other counseling staff, would have the desired results for students. These schools did however claim that removing administrative and clerical tasks assigned to school counselors could allow them to provide more direct services to students, including college and career counseling. MSDE expresses in its report the crucial and evolving role school counselors play with increasing ability to encourage students to seek postsecondary education. However, MSDE does not recommend a new certification for college and career counseling, as it does not believe it is evident that such a certification would improve college and career outcomes for students.

MSDE details in its report the process through which new certifications in Maryland are created. MSDE has determined that developing a certification in college and career counseling would incur no cost to the State. However, MSDE does estimate that hiring a paraprofessional staff member trained in college and career counseling, with an estimated cost of \$23,745 per staff member per year, would incur \$9.4 million in expenses statewide. MSDE does state in its report that this cost could be revised downward by schools sharing staffing between middle and high schools.

The Go Alliance Academy is an online learning community open to principals, teachers, graduation coaches, financial aid advisors, and staff of college advising programs to participate in credit- and noncredit-bearing courses. The curriculum is focused on topics that a professional educator charged with disseminating career and college information would need to be informed, with specific sessions for advisors of special populations of students, such as special education, immigrant, or homeless students. Statewide access for the curriculum costs \$17,000 a year. No degree or certification is awarded upon completion of the program. MSDE does not recommend the adoption of this resource as no new certification need has been identified.

Appendix 1
Current and Prior Year Budgets
MSDE – Aid to Education
(\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2016					
Legislative Appropriation	\$5,816,605	\$399,107	\$825,423	\$140	\$7,041,274
Deficiency Appropriation	33,953	-11,589	0	0	22,364
Budget Amendments	1,700	0	13,735	0	15,435
Reversions and Cancellations	-25,472	-436	-33,055	-94	-59,057
Actual Expenditures	\$5,826,785	\$387,082	\$806,103	\$46	\$7,020,015
Fiscal 2017					
Legislative Appropriation	\$5,918,873	\$463,944	\$914,608	\$140	\$7,297,564
Cost Containment	0	0	0	0	0
Budget Amendments	300	0	0	0	300
Working Appropriation	\$5,919,173	\$463,944	\$914,608	\$140	\$7,297,864

MSDE: Maryland State Department of Education

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

General fund expenditures totaled approximately \$5.8 billion in fiscal 2016, reflecting an increase of approximately \$10.2 million when compared to the legislative appropriation.

- Deficiency appropriations increased the legislative appropriation by nearly \$34.0 million. This included \$20.3 million in supplements for the Nonpublic Placements (NPP) program to cover fiscal 2015 expenses and anticipated expenditures, a fund swap of nearly \$11.6 million to replace Education Trust Fund (ETF) revenues with general funds due to revised video lottery terminal (VLT) revenue projections, \$600,000 to supplement anticipated expenditures for Montgomery County Optional Library Retirement, \$600,000 to provide planning grants for Pathways in Technology Early College High (P-TECH) schools, \$443,000 to cover fiscal 2015 expenses for the Maryland Meals for Achievement program, and \$414,000 to cover projected shortfalls within the Autism Waiver Program.
- A budget amendment increased the legislative appropriation by \$1.7 million, reflecting rate increases to NPP providers in accords with Section 48 of the fiscal 2016 budget bill.
- General fund reversions reduced the legislative appropriation by nearly \$25.5 million. Approximately \$13.1 million was reverted due to overstated enrollment counts for Baltimore City and Frederick County in State aid calculations. Approximately \$6.9 million was reverted due to updated NPP expenditures, including lower State funding after the State's share of NPP costs for fiscal 2016 was reduced. Nearly \$3.6 million was reverted due to updated criteria for the Quality Teacher Incentive program qualification for teachers. Nearly \$458,000 was reverted due to variable costs in the Autism Waiver program, though \$200,000 of this amount should have been encumbered and will have to be covered by fiscal 2017 funds. MSDE mistakenly reverted \$200,000 for the P-TECH program and will need to be covered by fiscal 2017 funds. The remainder of the reversions were due to costs that were lower than budgeted estimates, particularly for the Montgomery County Librarian Retirement program, the Student Transportation program following an audit adjustment, compensatory education following an audit adjustment, and the Science and Mathematics Education Initiative.

Special fund expenditures totaled nearly \$387.1 million in fiscal 2016, a decrease of \$12.0 million when compared to the legislative appropriation. This included a withdrawn deficiency appropriation of \$11.6 million as part of the fund swap to reflect replaced funds in the ETF with general funds, due to revised VLT revenue projections. Special fund cancellations totaled \$436,000, which occurred due to \$300,000 being canceled due to Maryland being able to pay for National Board of Certification test fees with surplus funds paid to the board in prior years and \$136,000 being canceled due to updated enrollment counts at the School for Education Evolution and Development.

Federal fund expenditures totaled \$806.1 million in fiscal 2016, a decrease of \$19.3 million when compared to the legislative appropriation. Budget amendments increased funding by approximately \$13.7 million. This included \$11.0 million for 21st Century Learning Centers within the Children at Risk program to issue grants supported with prior year funds, \$1.0 million for public

libraries to expend prior year carryover funds available through the Library Services and Technology Act, \$797,000 transferred to the Public Libraries program after being unexpended by the Division of Library Development in the Headquarters budget, \$793,000 for the Science and Mathematics Education Initiative due to new funds awarded by the U.S. Department of Education, \$369,000 for the Career and Technology Education program available from the Career and Technical Education Act, and \$303,000 for the Assistance for Students with Disabilities program available through the Individuals with Disabilities Education Act. This was offset by a decrease of \$585,000 in the Innovative Programs budget for the Gaining Early Awareness and Readiness for Undergraduate Programs and rural and low-income school programs due to grants that were unable to be awarded. Nearly \$33.1 million was canceled for fiscal 2016. Nearly \$27.5 million was canceled for the Food Services Program due to not all local education agencies participating in the Community Eligibility Program. Nearly \$3.9 million was canceled for School Improvement Grants, specifically for Prince George's County and Baltimore City. An extension has been granted for these funds and they are expected to be expended or encumbered in fiscal 2017. Nearly \$1.1 million was canceled for Project Maryland Aware after expenditures were lower than expected. The remainder of the cancellations were due to costs that were lower than budgeted, particularly funding from the Carl D. Perkins Career and Technical Education Act of 2006 for career and technology education, funding for Advanced Placement Test fees, funding for the Science and Mathematics Education Initiative, and funding from Title II, Part A Teacher Improvement Grants.

Reimbursable fund expenditures totaled \$46,000 at the close of fiscal 2016, \$94,000 less than the legislative appropriation. This \$94,000 was canceled due to the Department of Health and Mental Hygiene not receiving the whole amount from a Memorandum of Understanding with the Maryland State Department of Education for a School-Based Sexual Harassment and Assault Prevention Program.

Fiscal 2017

The fiscal 2017 general fund working appropriation is \$5.9 billion, reflecting an increase of \$300,000 above the legislative appropriation due to funding reallocated by budget amendment for early college high schools.

Appendix 2
State Costs for Teacher Retirement (Excluding Libraries)
Fiscal 2017-2018

<u>County</u>	<u>Working</u>	<u>Before Contingent Reductions</u>		<u>After Contingent Reductions</u>		<u>Contingent Reductions</u>
		<u>Allowance</u>	<u>Difference</u>	<u>Allowance</u>	<u>Difference</u>	
Allegany	\$7,578,562	\$7,336,465	-\$242,097	\$6,997,492	-\$581,070	-\$338,973
Anne Arundel	65,142,096	64,968,370	-173,726	61,966,574	-3,175,522	-3,001,796
Baltimore City	68,455,139	68,067,524	-387,615	64,922,535	-3,532,604	-3,144,989
Baltimore	86,667,320	89,830,249	3,162,929	85,679,736	-987,584	-4,150,513
Calvert	14,607,280	13,710,564	-896,716	13,077,082	-1,530,198	-633,482
Caroline	4,510,633	4,557,158	46,525	4,346,599	-164,034	-210,559
Carroll	20,460,549	19,932,704	-527,845	19,011,734	-1,448,815	-920,970
Cecil	13,343,449	13,320,108	-23,341	12,704,667	-638,782	-615,441
Charles	21,862,512	22,254,744	392,232	21,226,487	-636,025	-1,028,257
Dorchester	3,802,779	3,935,203	132,424	3,753,381	-49,398	-181,822
Frederick	33,220,992	32,862,715	-358,277	31,344,328	-1,876,664	-1,518,387
Garrett	3,228,137	3,177,142	-50,995	3,030,345	-197,792	-146,797
Harford	27,894,866	27,803,255	-91,611	26,518,635	-1,376,231	-1,284,620
Howard	58,405,111	57,660,351	-744,760	54,996,215	-3,408,896	-2,664,136
Kent	1,803,435	1,724,389	-79,046	1,644,715	-158,720	-79,674
Montgomery	160,917,687	160,763,084	-154,603	153,335,194	-7,582,493	-7,427,890
Prince George's	112,984,110	115,384,800	2,400,690	110,053,566	-2,930,544	-5,331,234
Queen Anne's	6,245,359	6,253,492	8,133	5,964,556	-280,803	-288,936
St. Mary's	13,112,714	13,573,277	460,563	12,946,138	-166,576	-627,139
Somerset	2,731,160	2,711,326	-19,834	2,586,052	-145,108	-125,274
Talbot	3,509,275	3,498,223	-11,052	3,336,591	-172,684	-161,632
Washington	17,374,067	17,235,294	-138,773	16,438,955	-935,112	-796,339
Wicomico	12,460,182	12,457,419	-2,763	11,881,837	-578,345	-575,582
Worcester	6,937,420	7,014,960	77,540	6,690,841	-246,579	-324,119
Total	\$767,254,834	\$770,032,816	\$2,777,982	\$734,454,255	-\$32,800,579	-\$35,578,561

Source: Department of Legislative Services

Appendix 3
Local Cost Share for Teacher Retirement
Fiscal 2017 and 2018

County	Local Administrative Cost Share for Teacher Retirement ¹			Local Cost Share for Teacher Retirement		
	<u>2017</u>	<u>2018</u>	<u>Difference</u>	<u>2017</u>	<u>2018</u>	<u>Difference</u>
Allegany	\$156,320	\$182,971	\$26,651	\$2,763,242	\$2,672,424	-\$90,818
Anne Arundel	1,295,994	1,516,950	220,956	23,751,648	23,665,762	-85,886
Baltimore City	1,233,186	1,443,434	210,248	24,959,627	24,794,678	-164,948
Baltimore	1,774,567	2,077,115	302,548	31,600,022	32,722,097	1,122,074
Calvert	271,543	317,839	46,296	5,326,003	4,994,291	-331,712
Caroline	105,298	123,251	17,952	1,644,635	1,660,017	15,382
Carroll	467,097	546,733	79,636	7,460,180	7,260,805	-199,375
Cecil	276,815	324,010	47,195	4,865,193	4,852,061	-13,132
Charles	452,986	530,216	77,230	7,971,354	8,106,644	135,291
Dorchester	90,256	105,644	15,388	1,386,542	1,433,460	46,918
Frederick	729,491	853,863	124,372	12,112,802	11,970,766	-142,036
Garrett	69,785	81,683	11,898	1,177,020	1,157,325	-19,696
Harford	664,357	777,624	113,267	10,170,828	10,127,778	-43,050
Howard	1,099,664	1,287,147	187,483	21,295,257	21,003,700	-291,557
Kent	41,561	48,647	7,086	657,556	628,136	-29,419
Montgomery	2,757,766	3,227,942	470,175	58,672,664	58,560,510	-112,154
Prince George's	2,102,868	2,461,389	358,521	41,195,463	42,030,749	835,285
Queen Anne's	141,432	165,545	24,113	2,277,138	2,277,934	796
St. Mary's	265,495	310,759	45,265	4,781,065	4,944,282	163,217
Somerset	62,031	72,607	10,576	995,816	987,644	-8,173
Talbot	73,972	86,584	12,612	1,279,527	1,274,283	-5,244
Washington	373,274	436,915	63,640	6,334,809	6,278,230	-56,579
Wicomico	294,650	344,885	50,235	4,543,143	4,537,813	-5,330
Worcester	143,292	167,722	24,430	2,529,473	2,555,311	25,838
Total	\$14,943,703	\$17,491,475	\$2,547,772	\$279,751,007	\$280,496,700	\$745,693

¹ The Governor's proposed budget for the 2017 legislative session would relieve local governments of these administrative costs in fiscal 2017. Fiscal 2018 allocations are estimates.

Note: Chapter 1 of the 2012 special session shifted teachers' retirement costs to the local boards of education and required county governments to provide equivalent funds to the local boards above the required maintenance of effort. Beginning in fiscal 2017, the additional local retirement cost in fiscal 2016 was added to the per student Maintenance of Effort requirement. Other legislation passed at the special session enhanced county income and recordation tax revenues, in part, to offset these additional costs.

Source: Department of Legislative Services

Appendix 4
Fiscal Summary
Maryland State Department of Education – Aid to Education

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Wrk Approp</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
01 State Share of Foundation Program	\$ 3,084,093,460	\$ 3,204,637,991	\$ 3,239,884,847	\$ 35,246,856	1.1%
02 Compensatory Education	1,305,076,278	1,309,111,285	1,306,296,887	-2,814,398	-0.2%
03 Aid for Local Employee Fringe Benefits	749,303,387	787,908,173	790,939,826	3,031,653	0.4%
04 Children at Risk	43,030,925	32,140,317	37,662,042	5,521,725	17.2%
05 Formula Programs for Specific Populations	2,037,661	2,400,000	2,200,000	-200,000	-8.3%
07 Students with Disabilities	440,570,566	434,858,582	445,543,707	10,685,125	2.5%
08 State Assistance for Students with Disabilities	202,801,001	201,294,786	212,861,789	11,567,003	5.7%
09 Gifted and Talented	654,894	800,000	800,000	0	0%
12 Educationally Deprived Children	196,956,951	217,608,134	243,871,885	26,263,751	12.1%
13 Innovative Programs	10,457,365	10,767,215	25,346,108	14,578,893	135.4%
15 Language Assistance	10,528,676	10,076,648	10,500,000	423,352	4.2%
18 Career and Technology Education	13,264,601	13,056,307	13,677,310	621,003	4.8%
24 Limited English Proficient	217,180,270	227,201,204	248,707,292	21,506,088	9.5%
25 Guaranteed Tax Base	53,762,142	54,511,367	50,249,443	-4,261,924	-7.8%
27 Food Services Program	327,739,725	429,340,672	439,834,323	10,493,651	2.4%
31 Public Libraries	37,841,923	37,429,660	41,747,196	4,317,536	11.5%
32 State Library Network	16,612,968	17,016,786	17,707,258	690,472	4.1%
39 Transportation	266,174,207	270,858,167	276,250,611	5,392,444	2.0%
52 Science and Mathematics Education Initiative	3,835,501	1,647,200	1,543,100	-104,100	-6.3%
55 Teacher Development	38,093,636	35,200,000	43,999,522	8,799,522	25.0%
Total Expenditures	\$ 7,020,016,137	\$ 7,297,864,494	\$ 7,449,623,146	\$ 151,758,652	2.1%
General Fund	\$ 5,826,786,136	\$ 5,919,172,562	\$ 5,928,544,431	\$ 9,371,869	0.2%
Special Fund	387,081,648	463,944,212	551,871,313	87,927,101	19.0%
Federal Fund	806,102,731	914,607,720	969,067,402	54,459,682	6.0%
Total Appropriations	\$ 7,019,970,515	\$ 7,297,724,494	\$ 7,449,483,146	\$ 151,758,652	2.1%
Reimbursable Fund	\$ 45,622	\$ 140,000	\$ 140,000	\$ 0	0%
Total Funds	\$ 7,020,016,137	\$ 7,297,864,494	\$ 7,449,623,146	\$ 151,758,652	2.1%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

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