

R00A01
Headquarters
Maryland State Department of Education

Executive Summary

The Maryland State Department of Education (MSDE) develops and implements standards and policy for education programs across the State. MSDE serves under the State Board of Education who appoints the State Superintendent of Schools as the head of the agency.

Operating Budget Data

(\$ in Thousands)

	<u>FY 18</u> <u>Actual</u>	<u>FY 19</u> <u>Working</u>	<u>FY 20</u> <u>Allowance</u>	<u>FY 19-20</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$91,179	\$93,767	\$99,008	\$5,240	5.6%
Adjustments	0	258	1,191	933	
Adjusted General Fund	\$91,179	\$94,026	\$100,199	\$6,174	6.6%
Special Fund	7,391	9,777	10,119	342	3.5%
Adjustments	0	18	85	67	
Adjusted Special Fund	\$7,391	\$9,795	\$10,205	\$409	4.2%
Federal Fund	131,398	168,430	174,094	5,664	3.4%
Adjustments	0	498	1,923	1,425	
Adjusted Federal Fund	\$131,398	\$168,928	\$176,017	\$7,089	4.2%
Reimbursable Fund	2,275	3,870	3,344	-526	-13.6%
Adjustments	0	0	0	0	
Adjusted Reimbursable Fund	\$2,275	\$3,870	\$3,344	-\$526	-13.6%
Adjusted Grand Total	\$232,243	\$276,619	\$289,765	\$13,145	4.8%

Note: The fiscal 2019 appropriation includes deficiencies, a one-time \$500 bonus, and general salary increases. The fiscal 2020 allowance includes general salary increases.

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

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- Funding in the fiscal 2020 allowance increases by \$13.1 million, primarily for personnel, information technology under a new fee-for-service plan with the Department of Information Technology, and initiatives under various federal grants.

Personnel Data

	<u>FY 18</u> <u>Actual</u>	<u>FY 19</u> <u>Working</u>	<u>FY 20</u> <u>Allowance</u>	<u>FY 19-20</u> <u>Change</u>
Regular Positions	1,211.90	1,210.90	1,218.90	8.00
Contractual FTEs	<u>82.07</u>	<u>115.79</u>	<u>124.19</u>	<u>8.40</u>
Total Personnel	1,293.97	1,326.69	1,343.09	16.40

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	91.13	7.76%
Positions and Percentage Vacant as of 12/31/18	124.00	10.24%

- The fiscal 2020 allowance creates an Office of Compliance and Monitoring by transferring 3 positions from the Department of Public Safety and Correctional Services in fiscal 2019 and adding 8 positions in fiscal 2020. The Department of Legislative Services recommends that funding for this office be made contingent on legislation.

Key Observations

- ***New Initiatives Showing Positive Early Results:*** After initial years of struggling to attract users, the Maryland Longitudinal Data System has begun to serve more individuals through its available data dashboards, reports, and research capabilities. In fiscal 2018, it experienced an increase of 17,000 new views to its website and served 53 stakeholder requests, up from 2 in fiscal 2015. Meanwhile, in the Juvenile Services Education System, new funding to lower teacher vacancies and contracts with substitute teachers has led to a 38% reduction in canceled classroom hours.
- ***MSDE Restructuring and Implementing New Initiatives:*** MSDE is changing the administrative functions of many of its divisions, opening four new offices across the agency and transferring many of its staff into new positions. MSDE should provide an overview to the budget committees on how and why it has restructured its offices, including which of its staff have changing job descriptions under the restructuring. MSDE is also changing its statewide assessment system, implementing a new direct certification system to qualify students for free and reduced-price meals, and contracting with an outside entity for a special education study. MSDE should update the committees on the status of these initiatives.

- **Department of Rehabilitation Services:** Anticipated fiscal 2020 funding from Social Security billing by the Department of Rehabilitation Services (DORS) – Disability Determination Services (DDS) decreases by \$1.3 million in the allowance due to lower projected cases to be adjudicated. MSDE should explain to the budget committees why it is projecting a lower caseload for DDS in fiscal 2020 and how much smaller it anticipates its caseload to be. Meanwhile, the number of DORS clients achieving successful employment decreased by 26% in fiscal 2018.

Operating Budget Recommended Actions

	<u>Funds</u>
1. Add language making funding for the Education Monitoring Unit and the Office of Compliance and Oversight contingent on legislation.	
2. Reduce funding for the general salary increase for the State Superintendent of Schools.	\$ 4,720
3. Amend the salary for the State Superintendent of Schools in the executive pay plan.	
Total Reductions	\$ 4,720

Updates

- **U.S. Department of Education Grants Mathematics Assessment Waiver:** MSDE requested permission to allow all middle school students to take end-of-course mathematics assessments required under the federal Every Student Succeeds Act that are aligned with the course that they are taking regardless of grade level, which was previously only available to grade 8 students. The U.S. Department of Education has accepted this request.
- **Opportunities to Expand Agricultural Education Report:** MSDE and the Maryland Department of Agriculture have submitted a report on various initiatives to expand agricultural education in the State. An update on this report can be found in the Department of Agriculture analysis (L00A).

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Maryland State Department of Education

Operating Budget Analysis

Program Description

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

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

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

MSDE includes the Office of the State Superintendent, who oversees three organizational offices. The first is the Office of the Deputy for Finance and Administration that includes the Division of Business Services. The second is the Office of the Deputy for Teaching and Learning that includes the Division of Accountability and Assessment Data Systems; the Office of Information Technology; the Division of Early Childhood; the Division of Curriculum, Instructional Improvement and Professional Learning (formerly the Division of Curriculum, Assessment and Accountability); the Division of Special Education/Early Intervention Services; and the Division of Career and College Readiness. The third is the Office of the Deputy for School Effectiveness that includes the Office of School and Community Nutrition Programs; the Division of Student, Family, and School Support; the Juvenile Services Education Program (JSEP); the Division of Certification and Accreditation; and the Division of Rehabilitation Services (DORS). Note that there is a separate analysis on Early Childhood Development (R00A99). The Maryland Longitudinal Data System (MLDS) operates independently from the administration of MSDE but is included in the MSDE – Headquarters analysis.

Performance Analysis: Managing for Results

1. Decline in Employment Success for DORS Clients

DORS provides vocational rehabilitation services and determines eligibility for federal disability benefits. The division includes Headquarters, Client Services, the Workforce and Technology Center, Disability Determination Services, and Blindness and Vision Services. The goal of the Client Services program is to provide vocational rehabilitation to disabled individuals so that they may achieve economic self-sufficiency through employment. Clients can access services at over 20 field offices throughout the State or at the Workforce and Technology Center in Baltimore, which offers a wide range of job skills training and academic courses beyond what is offered at the field offices.

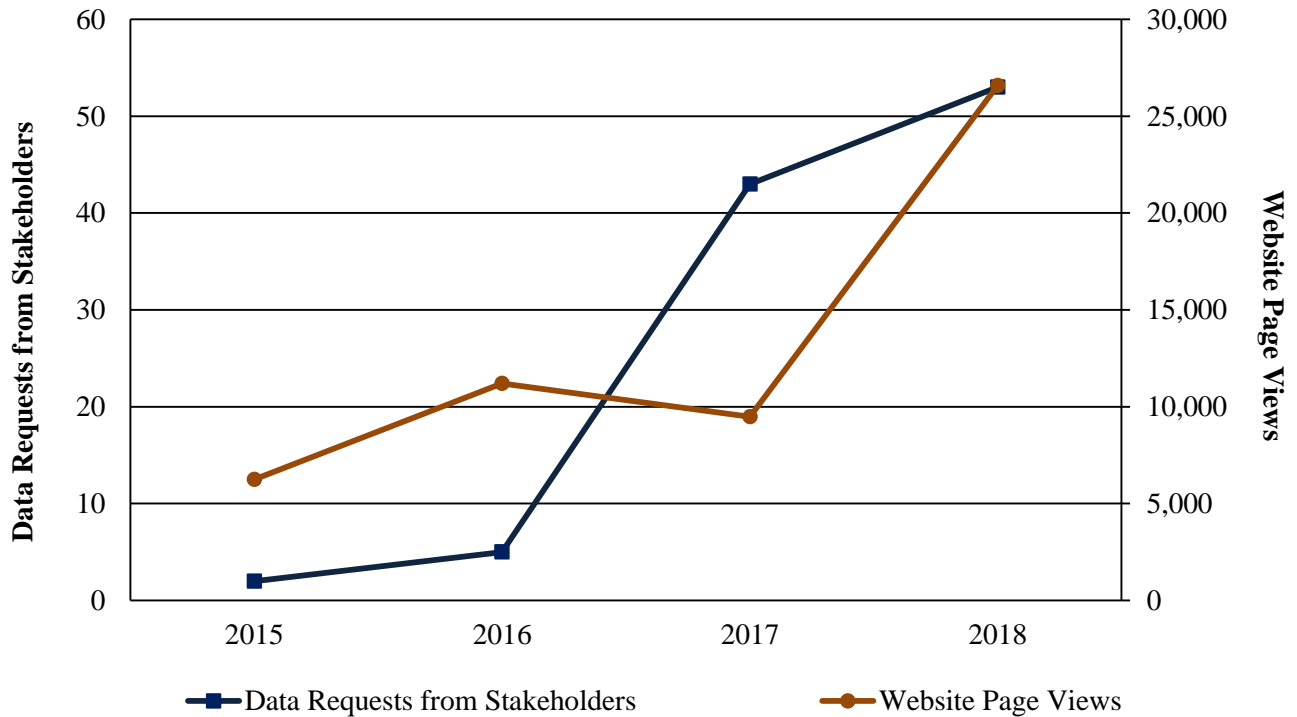
For fiscal 2017, the federal Workforce Innovation and Opportunity Act (WIOA) changed the standard as to what was considered a successful employment outcome for individuals with disabilities, deciding that the employment must have competitive earnings, be in an integrated location, and have opportunities for advancement. This disqualified settings established for the purpose of employing individuals with employees. Furthermore, the WIOA specified that a higher percentage of federal rehabilitation grant funds must be used to support students ages 14 to 21, redirecting funds away from initiatives for employment. This resulted in DORS only having 1,853 clients achieving successful employment in fiscal 2017, a 28% decline compared to the previous year. In fiscal 2018, employment rates continued to decline for DORS under the new standard, as it had 1,365 clients achieve successful employment, a 26% decline. DORS is also reporting on a new Managing for Results (MFR) measure for fiscal 2018, which is the percentage of its clients who become employed within the second quarter of the year after they exit the program. It experienced a rate of 41% for fiscal 2018.

2. More Individuals Using MLDS as a Resource

Increasingly complex and interrelated policy questions have required the State to invest considerable time and resources into building MLDS to collect statewide data on K-12 and higher education students and the workforce (Chapter 190 of 2010). MLDS has been fully developed and operational since 2014, though in its initial years, MLDS had limited ability to respond to requests and struggled to bring public attention to its data. Recently, MLDS has worked to make its website more robust, publishing an average of 20 reports and data dashboards annually to its website since fiscal 2016.

Exhibit 1 displays the growth that MLDS has experienced in people using it as a resource. As its website continues to provide more resources, more people have visited it, growing from approximately 9,500 page views in fiscal 2017 to 26,500 in fiscal 2018. Meanwhile, increasing numbers of stakeholders continue to request data from MLDS: 53 in fiscal 2018, up from 43 in fiscal 2017.

Exhibit 1
Maryland Longitudinal Data System Usage
Fiscal 2015-2018

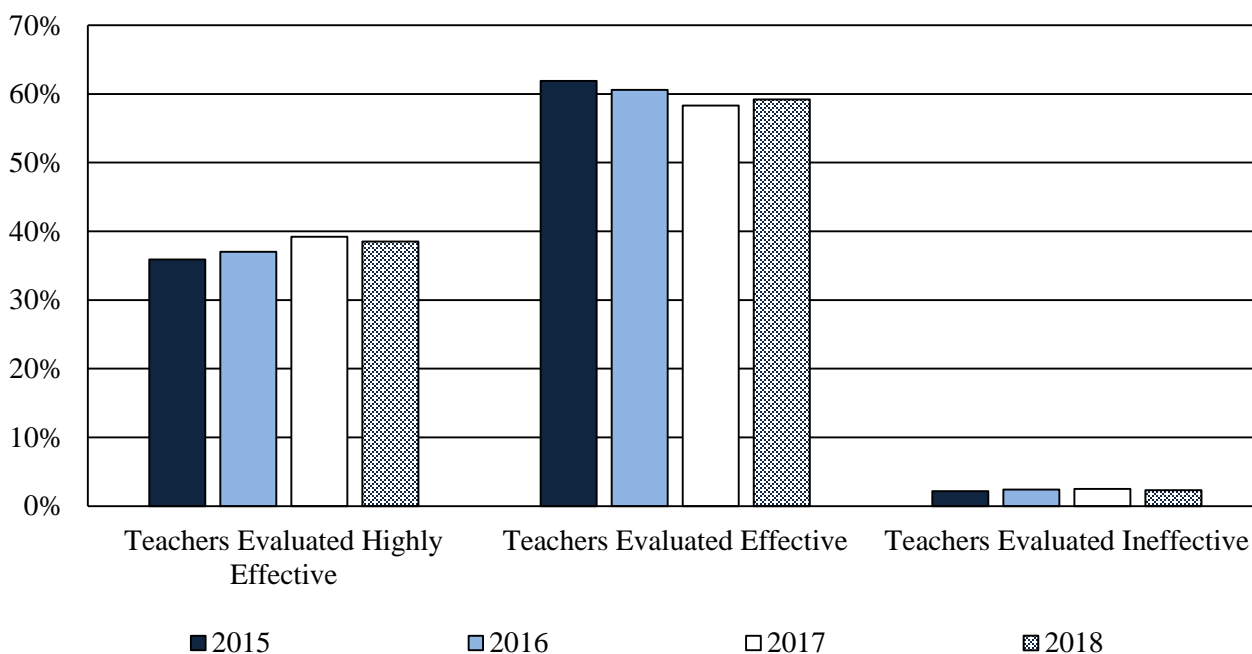


Source: Governor’s Fiscal 2020 Budget Books; Department of Budget and Management

3. Slight Decline in Teacher Effectiveness Ratings

MSDE has a goal of making sure that all educators have the skills necessary to be highly qualified teachers. Associated with this goal is the objective to increase the percentage of teachers across the State who are rated as highly effective by their local school systems. **Exhibit 2** shows the results for those evaluations for fiscal 2015 through 2018. The percentage of teachers in the State rated as highly effective has decreased in the most recent evaluation from 39.2% to 38.5%.

Exhibit 2
Teacher Effectiveness as Rated by Local School Systems
Fiscal 2015-2018



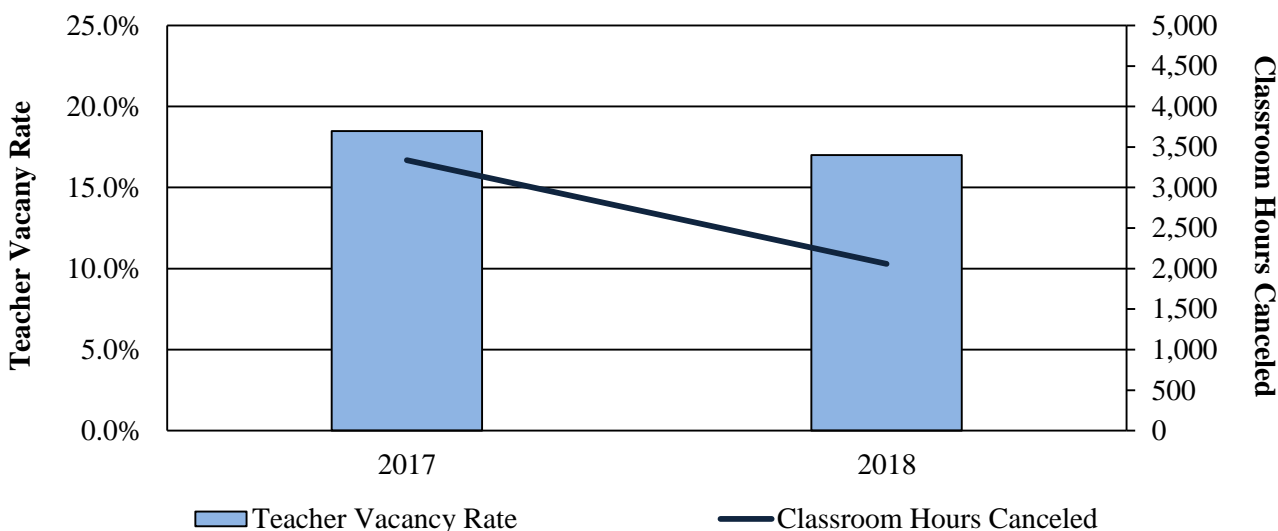
Source: Governor's Fiscal 2020 Budget Books

4. Lower Vacancy Rate and Fewer Classroom Hours Canceled for JSEP

MSDE is responsible for educating students in Department of Juvenile Services facilities through JSEP. Since it began this role in fiscal 2005, MSDE has had high vacancy rates for JSEP teachers and has also experienced issues with contracting for substitute teacher services. Therefore, funding support has been provided in recent years to provide JSEP with proper staffing as well as educational equipment and materials.

In order to better monitor the results from the increased funding, MFR reporting requirements are in place on the vacancy rates for JSEP teachers and the amount of classroom hours that were canceled due to teachers or substitutes being absent. MSDE has reported on these rates for its MFR since fiscal 2017, the results for which are displayed in **Exhibit 3**. As shown, MSDE has been able to hire JSEP teachers to bring its vacancy rate down from 18.5% in fiscal 2017 to 17.0% in fiscal 2018. Meanwhile, JSEP was able to lower its number of canceled hours from 3,339 hours in fiscal 2017 to 2,057 hours in fiscal 2018, a 38% decline, primarily through contracting with 3 new substitute teachers and an expedited hiring process.

**Exhibit 3
 Juvenile Services Education Program
 Teacher Vacancies and Classroom Hours Canceled
 Fiscal 2017-2018**



Source: Governor’s Fiscal 2020 Budget Books

Fiscal 2019 Actions

Proposed Deficiency

MSDE receives funding in fiscal 2019 to provide for \$500 bonuses for its staff. This funding includes \$212,414 in general funds, \$14,723 in special funds, and \$424,999 in federal funds in fiscal 2019. MSDE also receives \$45,745 in general funds, \$3,275 in special funds, and \$73,413 in federal funds in fiscal 2019 to provide a 0.5% general salary increase. However, these increases are centrally budgeted in the Department of Budget and Management (DBM) and will be allocated by budget amendment.

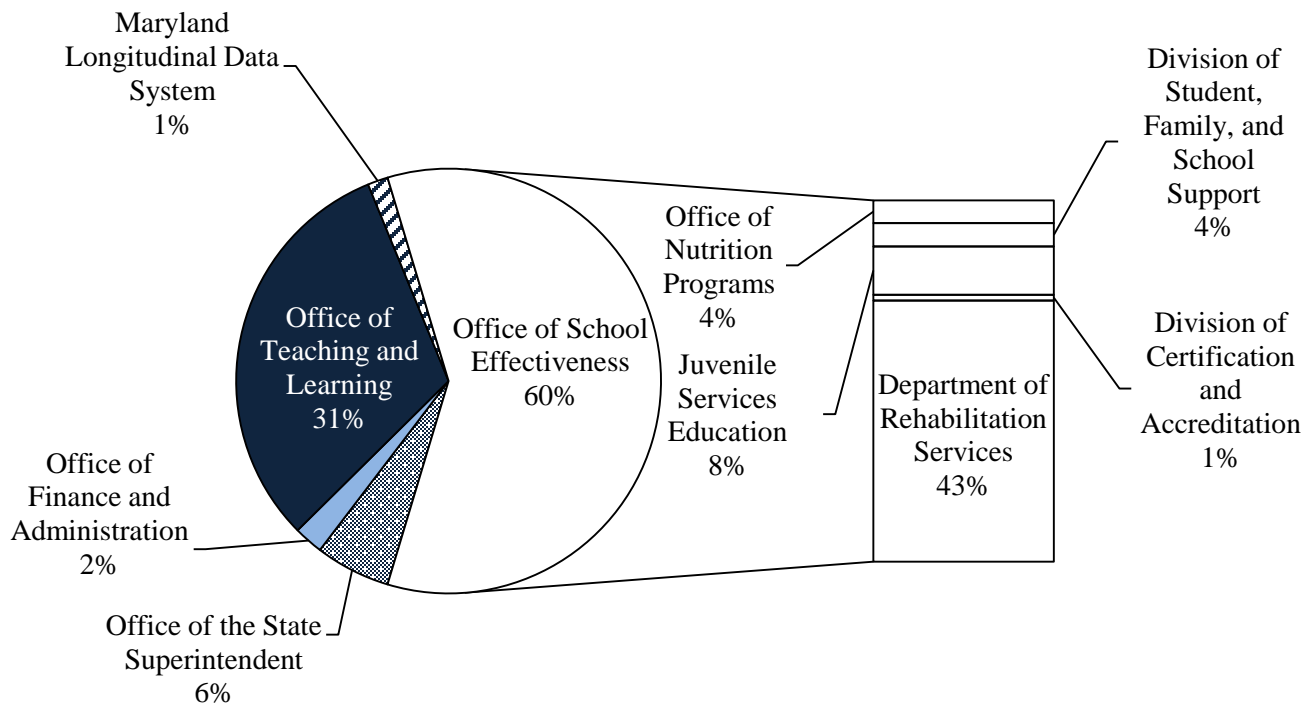
Fiscal 2020 Allowance

Overview of Agency Spending

MSDE’s fiscal 2020 allowance totals \$289.8 million. Of this amount, \$3.2 million is for general salary increases budgeted in DBM, which will be allocated by budget amendment. Within the

remaining \$286.6 million, MSDE’s Office of the State Superintendent receives \$16.4 million of the allowance, or 6%. Under the State Superintendent, MSDE maintains three offices under which its various divisions are organized. **Exhibit 4** displays funding for the allowance according to these offices. The largest office in terms of funding is the Office of School Effectiveness, which receives \$169.9 million, or 60%, of the overall allowance. The distribution of funding for the divisions overseen by that office are broken out in Exhibit 4. As shown, DORS receives the largest amount of funding with \$122.8 million, or 43%, of the allowance. The Office of Teaching and Learning receives \$89.5 million, or 31%, of the allowance (though this does not include the funding that it receives for its Division of Early Childhood). The Office of Finance and Administration receives \$6.4 million, or 2%, of the allowance. MLDS receives \$4.4 million, or 1%, of the allowance.

Exhibit 4
Maryland State Department of Education
Expenditures by Office – All Funds
Fiscal 2020



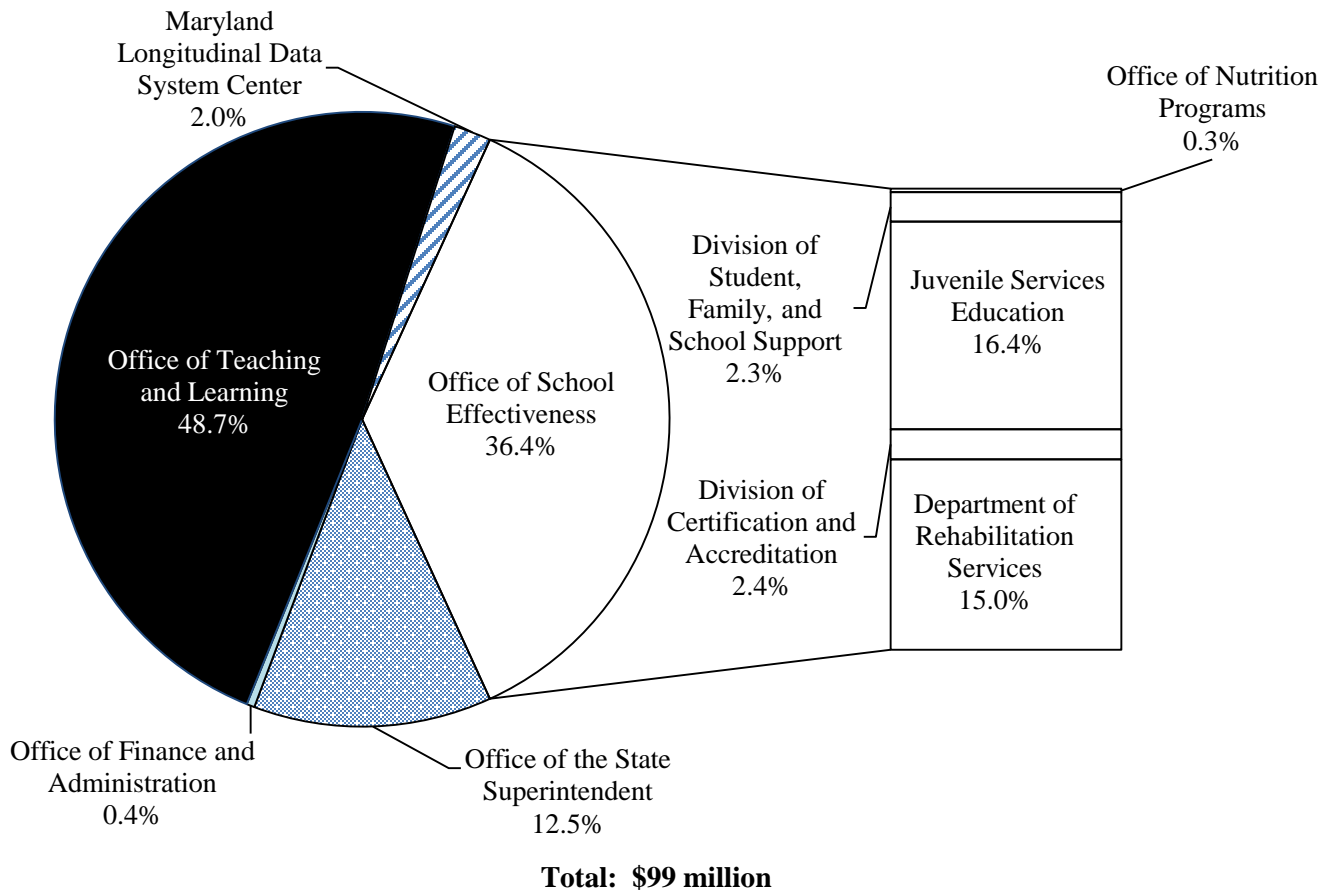
Total: \$286.6 Million

Note: The amounts above do not include \$3.2 million in funding for the Maryland State Department of Education that is budgeted in the Department of Budget and Management that will be allocated by budget amendment.

Source: Governor’s Fiscal 2020 Budget Books; Department of Legislative Services

Exhibit 5 shows the distribution according to office for only the \$99.0 million in general funds budgeted for MSDE in fiscal 2020. The Office of the State Superintendent receives \$12.4 million, or 13%; the Office of School Effectiveness receives \$36.0 million, or 36%; the Office of Teaching and Learning receives \$48.3 million, or 49%; the Office of Finance and Administration receives \$0.4 million, or less than 1%; and MLDS receives \$1.9 million, or 2%. The percentage for the Office of School Effectiveness is lower for general funds than for all funds due to its programs using larger portions of federal funds. DORS in particular is budgeted for \$106.4 million in federal funds in the fiscal 2020 allowance, which accounts for 84% of all of its funding.

Exhibit 5
Maryland State Department of Education
Expenditures by Office – General Funds
Fiscal 2020



Note: The amounts above do not include \$1.2 million in general funds for the Maryland State Department of Education that are budgeted in the Department of Budget and Management that will be allocated by budget amendment.

Source: Governor’s Fiscal 2020 Budget Books; Department of Legislative Services

Proposed Budget Change

As shown in **Exhibit 6**, the fiscal 2020 allowance is \$13.1 million larger than the fiscal 2019 working appropriation. This increase is adjusted for general salary increases and bonuses budgeted outside of the agency.

Exhibit 6
Proposed Budget
MSDE – Headquarters
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2018 Actual	\$91,179	\$7,391	\$131,398	\$2,275	\$232,243
Fiscal 2019 Working Appropriation	94,026	9,795	168,928	3,870	276,619
Fiscal 2020 Allowance	<u>100,199</u>	<u>10,205</u>	<u>176,017</u>	<u>3,344</u>	<u>289,765</u>
Fiscal 2019-2020 Amount Change	\$6,174	\$409	\$7,089	-\$526	\$13,145
Fiscal 2019-2020 Percent Change	6.6%	4.2%	4.2%	-13.6%	4.8%

Where It Goes:

Personnel Expenses

General salary increase	\$3,077
Salaries.....	1,332
New positions	1,283
Employee retirement system.....	1,187
Employee and retiree health insurance	448
Other fringe benefit adjustments.....	169
Workers' compensation premium assessment	69
Reclassified and transferred positions	-25
Bonuses.....	-652
Turnover adjustments	-666

Department of Rehabilitation Services

Way2Work program	1,168
Consultative exams and medical records contracts.....	-1,268

Other Changes

Information technology.....	4,434
Comprehensive Support Improvement School grants	2,470
Net testing data system contracts.....	1,995
Direct certification system consulting	1,154

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Where It Goes:

I-SMART grant.....	885
Other operating expenditures.....	-588
Public Education Partnership Fund contracts	-448
Special education grant funding transferred to Aid to Education.....	-1,227
Special education consultant funding	-1,652
Total	\$13,145

I-SMART: Innovations in Science Map, Assessments and Report Technologies

MSDE: Maryland State Department of Education

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

Personnel and New Offices

Personnel expenditures increase in the fiscal 2020 allowance by \$6.2 million. The largest component of the increase is \$3.1 million due to general salary increases, which are larger in fiscal 2020 (3%) than in fiscal 2019 (0.5%). In the allowance, the Office of the State Superintendent of Schools receives a general salary increase of \$4,720. However, according to statute, the State superintendent has a fixed salary that is set by contract with the State board for his or her entire term. The current State superintendent’s term is scheduled to end July 2020, after the close of fiscal 2020. **Therefore, the Department of Legislative Services (DLS) recommends deleting the funding for the State superintendent’s general salary increase.**

MSDE has restructured many of its administrative functions, which has created new offices. Three of the new offices are directly under the Office of the State Superintendent: the Office of Policy Analysis, the Office of Compliance and Monitoring, and the Office of Research. Additionally, MSDE has created a new office within the Division of Curriculum, Instructional Improvement and Professional Learning to administer federal Title I funds. For the most part, these offices will be staffed with existing MSDE personnel in fiscal 2020 who have been transferred from other offices or divisions. **MSDE should provide an overview to the budget committees on how and why it has restructured its offices, including which of its staff have changing job descriptions under the restructuring.**

Unlike the other new offices, the Office of Compliance and Monitoring has been authorized to begin work in fiscal 2019 and will be staffed by 11 positions, including 8 new positions and 3 positions transferred to MSDE from the Department of Public Safety and Correctional Services in fiscal 2019, though no additional funding has been provided to MSDE to support these transferred positions. This office is meant to manage the audit and investigation of policy adherences for local education agencies (LEA) – reviewing grading and graduation data and recommending draft regulations, procedures, and controls for issues and problems that it finds. It also contains the funding for an Educational Monitoring Unit (EMU), an independent unit headed by an inspector general to investigate complaints of unethical, unprofessional, or illegal conduct of individuals or entities associated with the provision of public educational facilities, products, or services to MSDE; local boards of education; or public schools. The

Accountability in Education Act of 2019 (SB 92 and HB 45) has been introduced to establish an EMU. Altogether, the Office of Compliance and Monitoring receives approximately \$1.4 million in general funds in the allowance with nearly \$1.3 million for personnel and \$88,000 for other operating expenditures. **DLS recommends that all funding and positions for the Office of Compliance and Monitoring be made contingent on the enactment of the Accountability in Education Act.**

DORS

DORS funding from Social Security billing by Disability Determination Services (DDS) decreases by \$1.3 million due to lower projected cases to be adjudicated, thereby resulting in fewer consultative exams and ordered medical records. **MSDE should explain to the budget committees why it is projecting a lower caseload for DDS in fiscal 2020 and how much smaller it anticipates its caseload to be.** Meanwhile, DORS is anticipating increased federal funding of \$1.2 million to implement a Way2Work program, which will examine the impact of giving students with disabilities work-based learning experiences prior to their graduation from school.

Other Changes

Information technology (IT) expenses for MSDE increase by \$4.4 million as the agency transitions to a fee-for-service model with the Department of Information Technology (DoIT). This means that funding for IT projects is now budgeted in MSDE, which will then provide funding to DoIT as reimbursable funds for IT services, when previously these funds would have originated in DoIT.

The Division of Accountability and Assessment Data Systems receives authorization for a net increase of \$2.0 million. This consists of \$3.3 million to be used for testing data systems contracts, including development of an item bank database, a test security system, and a testing monitoring and compliance system. These funds are available as anticipated carryover funding from fiscal 2019. There is an offsetting \$1.3 million decrease in the Division of Accountability and Assessment Data Systems funding for statewide assessment contracts. This decrease is due to renegotiated statewide assessment contracts.

MSDE is anticipating an increase of \$2.5 million in grant expenditures due to federal funding from Title I Part A of the Elementary and Secondary Education Act. This funding will be used to support an additional 40 comprehensive needs schools that have made academic progress and have increased their graduation rate above 67% for the 2019-2020 school year.

MSDE anticipates an increase of \$1.2 million in contractual expenditures from federal funds for the continued maintenance of its new direct certification system. More information on the direct certification system can be found in the Issues section of this analysis.

MSDE receives \$885,000 in federal funds for a pass-through grant for the Innovations in Science Map, Assessments and Report Technologies (I-SMART) project. I-SMART is a five-state collaborative effort that Maryland is participating in with the University of Kansas to facilitate rigorous science assessments to students with significant cognitive disabilities and other students who are not meeting grade-level standards.

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Decreases in funding occur in MSDE due to lower federal funding for consultants in the Division of Special Education/Early Intervention. Additionally, \$1.2 million in federal funds for special education grants have been transferred out of the Division of Special Education/Early Intervention and into the Aid to Education budget. Finally, MSDE is anticipating a decrease in special funds for contracts to benefit LEAs due to lower anticipated corporate contributions for the Public Education Partnership Fund.

Issues

1. Implementation of the Maryland Comprehensive Assessment Program

The federal Every Student Succeeds Act (ESSA) is the most recent reauthorization of the Elementary and Secondary Education Act. It requires annual assessments of all students in grades 3 through 8 and assessments at least once in high school in English/language arts and mathematics; the law also requires students to be tested in science at least once in grades 3 through 5, 6 through 8, and 9 through 12. As of the fall 2018 assessment administration, the Partnership for Assessment of Readiness for College and Careers (PARCC) is used for these requirements in English/language arts and math.

However, MSDE announced in spring 2018 that the State will transition to a new Maryland-specific assessment system called the Maryland Comprehensive Assessment Program (MCAP), which includes Maryland statewide assessments for all subject areas and grade levels. MSDE reports that spring 2019 will be the last administration of PARCC in the State. According to MSDE, MCAP will be different than PARCC as the assessments will have aligned unit times, shorter assessments, and will be more computer adaptive. MCCRS for English/language arts and mathematics will stay the same under MCAP, meaning that results will still be comparable to PARCC. **MSDE should explain to the budget committees what its timeline is so that MCAP will be ready to be administered for students in spring 2020. It should also explain to the budget committees if PARCC will be used for students who require retesting in fall 2019. Finally, MSDE should provide to the budget committees details on the contract for the new middle school social studies assessment under MCAP, which has been renegotiated.**

2. Determining a Proxy Count for Students with Educational Disadvantages

Recent developments have created difficulties in using free and reduced-price meal (FRPM) counts for the compensatory aid formula that provides funding to school systems to support students with educational disadvantages. Most significant has been the implementation of the Community Eligibility Provision (CEP) of the Healthy, Hunger-Free Kids Act under which entire schools or school districts may provide free meals to all students regardless of income level. This means that the individual counts that are required for the compensatory aid formula are no longer available for participating schools and school districts. The Hunger-Free Schools Act (Chapter 665 of 2017) established a methodology to determine the compensatory enrollment count for schools and school districts participating in CEP for fiscal 2017 through 2022. Currently, Baltimore City and Dorchester and Somerset counties participate in CEP districtwide.

Therefore, a new method to determine a count for the educationally disadvantaged proxy is needed. The Commission on Innovation and Excellence in Education – referred to as the Kirwan Commission after its chair William E. Kirwan – has been meeting since September 2016 to review and recommend any needed changes to update the current education funding formulas. In its January 2019 interim report, the Kirwan Commission recommended that Maryland transition to using counts of students whose families qualify for certain thresholds of Medicaid while also including

students identified through Maryland’s direct certification system. The Kirwan Commission has determined that Medicaid is a suitable replacement because one of its eligibility thresholds is at 185% of the federal poverty level (FPL) that matches the maximum FPL threshold for FRPM families qualifying for reduced-priced meals.

Direct Certification

Maryland will complete implementation of a new direct certification system in fiscal 2020, which will identify students who receive federal benefits – such as foster care, the Supplemental Nutrition Assistance Program, or Temporary Assistance for Needy Families – in order to qualify them for FRPM and subsequently include them in the count to calculate compensatory aid. Under its current contract, Maryland’s direct certification system is scheduled to be fully operational for the 2019-2020 school year.

However, should Maryland choose to adopt the Kirwan Commission’s recommendation and use counts from Medicaid enrollment for its proxy, Maryland will have to modify its new direct certification system so that it can receive and process Medicaid data while not double counting students who appear in Medicaid counts and counts for other categories. Additionally, the State will need to ensure that MSDE and the Maryland Department of Health (MDH) can safely and securely exchange student level data. Therefore, the Kirwan Commission has recommended that MSDE and MDH enter into a Memorandum of Understanding on how and when student data will be exchanged so that this data may be used in a safe and secure way to determine enrollment counts. **MSDE should describe to the budget committees the steps that are necessary for it to include matching counts for Medicaid in its direct certification system and what, if anything, it is currently working on to do so.**

3. Contractor Requesting Extension to Complete Special Education Study

State and federal law require school systems to identify, locate, and evaluate all students who have or are suspected of having disabilities and are in need of special education and related services. Furthermore, federal law requires that schools provide a free appropriate public education to students identified as having a disability that must be tailored to the unique needs of a particular student and that the school system must offer an Individualized Education Program (IEP) that is reasonably calculated to enable a student to make progress appropriate in light of the student’s circumstances.

Chapter 715 of 2017 required MSDE to contract with an outside entity to conduct a study of the IEP process in the State and report the findings and recommendations of the consultant to the General Assembly by July 1, 2019. Chapter 361 of 2018, the Commission on Innovation and Excellence in Education Act, expanded the scope of the required study to include a review and assessment of (1) available national and international data and studies on current costs of special education across the spectrum of disabilities and severity; (2) methodologies used by top-performing countries to estimate costs of providing adequate education to students in special education; and (3) methodologies used and considered in other states for the use of a special education weight for estimating the cost of an adequate education for special education students. Recommendations must be

made for the adequate level of funding and on any use of weights in public school funding formulas for special education.

Chapter 361 required that MSDE contract for the study by September 1, 2018, and report on the findings and recommendations of the study by September 1, 2019. In fall 2018, MSDE, in consultation with DBM and DLS, selected WestEd to conduct the study. However, the contract was not completed until December 2018. According to MSDE, the delay was due to staff changes at MSDE and DBM. Due to the delay, WestEd has requested more time to complete the study, which involves the collection and analysis of a significant amount of data, and make recommendations. WestEd has therefore requested an extension to the end of November 2019. DLS notes that the original timeline provided a full year for the study to be completed and submitted by MSDE to the Governor and General Assembly.

It is worth noting that in its 2019 interim report, the Kirwan Commission has recommended the use of a single placeholder weight for special education funding until the special education study is complete. The Kirwan Commission expects that the special education study will propose differentiated weights and anticipates that the placeholder weight may be in place for up to three years while the completed study is being reviewed and incorporated into State law.

MSDE should update the budget committees on the current status of the special education study and its recommendation for a reasonable extension of time for the study to be completed.

Operating Budget Recommended Actions

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

. provided that \$1,370,983 of this appropriation in general funds and 11 positions made for the purpose of an Education Monitoring Unit and an Office of Compliance and Oversight within the Maryland State Department of Education is contingent on the enactment of SB 92 or HB 45.

Explanation: This language makes all funding and positions for the new Office of Compliance and Oversight within the Maryland State Department of Education, which includes funding and positions for an Education Monitoring Unit (EMU), contingent on the Accountability in Education Act of 2019 (SB 92 or HB 45) that would establish an EMU.

- | | <u>Amount
Reduction</u> |
|---|------------------------------------|
| 2. This reduction removes the general salary increase received by the State Superintendent of Schools as this position operates under a fixed salary for his or her entire term in accordance with the contract with the Maryland State Board of Education. | \$ 4,720 GF |

3. Amend the following language:

State Superintendent of Schools 1 ~~240,720~~ 236,000

Explanation: This action changes the State Superintendent’s salary in the executive pay plan to reflect the reduction of a general salary increase in the Maryland State Department of Education – Headquarters (R00A01).

Total General Fund Reductions	\$ 4,720
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Updates

1. Mathematics Waiver under the ESSA

Language added to the fiscal 2019 MSDE budget restricted \$500,000 of the operating appropriation for the Office of the State Superintendent until MSDE submitted a waiver request to the U.S. Department of Education (ED) to amend the State’s Consolidated State Plan under the federal ESSA to alter the State’s end-of-course mathematics assessment requirement for certain students. In Maryland, this assessment is the Algebra I High School Assessment. Some students who take a high school-level math course (such as Algebra I) while they are in middle school take an end-of-course math assessment at the completion of the course.

During the 2018 session, concerns were raised that students who take these end-of-course assessments in middle school would then have to go on to take an additional ESSA-required High School Assessment when they are in high school, such as Geometry or Algebra II, when they could instead meet their federal accountability requirement for their end-of-course mathematics assessment by taking an alternative assessment option such as the SAT. Due to these concerns, the General Assembly restricted funding until MSDE submitted a waiver to ED to allow students the flexibility to fulfill requirements with alternative assessments.

MSDE submitted its waiver request to ED on March 7, 2018. In the request, MSDE asked for permission to allow all middle school students to take end-of-course assessments aligned with the course that they are taking regardless of grade level, as previously this was only available to grade 8 students. MSDE expressed that middle school students who take High School Assessments for mathematics will still be required to take an additional advanced high-level mathematics assessment when they are in high school to meet federal accountability purposes. MSDE has determined that for this purpose, LEAs will have the option to use the SAT or the Geometry and Algebra II High School Assessments, if these students did not already take those assessments in middle school. MSDE has stated that the SAT was selected as it has undergone necessary peer review. In a letter dated June 14, 2018, ED approved MSDE’s waiver request.

2. Opportunities to Expand Agricultural Education Report

The 2018 *Joint Chairmen’s Report* included a request for a report from MSDE and the Maryland Department of Agriculture (MDA) on the opportunities to expand agricultural education. The report was requested to include information on homogenizing the agricultural education opportunities across the State through Teacher Extended Duty Contract availability; creating equal opportunity for every student enrolled in an agricultural education class to participate in all three components of an agricultural education program by establishing Maryland as a Future Farmers of America-affiliated state; and promoting proper teacher development and training through a summer agricultural teacher conference, staff development, and update. An update on this report can be found in the MDA analysis (L00A).

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**Appendix 1
Current and Prior Year Budgets
MSDE – Headquarters
(\$ in Thousands)**

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2018					
Legislative Appropriation	\$95,025	\$9,274	\$163,802	\$2,678	\$270,778
Deficiency/Withdrawn Appropriation	-511	-35	-1,029	0	-1,575
Cost Containment	0	0	0	0	0
Budget Amendments	-192	620	-10,000	700	-8,872
Reversions and Cancellations	-3,142	-2,468	-21,375	-1,103	-28,088
Actual Expenditures	\$91,179	\$7,391	\$131,398	\$2,275	\$232,243
Fiscal 2019					
Legislative Appropriation	\$93,319	\$9,753	\$167,878	\$3,870	\$274,820
Budget Amendments	449	24	552	0	1,024
Working Appropriation	\$93,767	\$9,777	\$168,430	\$3,870	\$275,845

MSDE: Maryland State Department of Education

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. Numbers may not sum to total due to rounding.

Fiscal 2018

General fund expenditures for the Maryland State Department of Education (MSDE) totaled approximately \$91.2 million in fiscal 2018, reflecting a decrease of \$3.8 million when compared to the legislative appropriation.

- There was a decrease of \$511,000 due to Section 19 of the fiscal 2019 Budget Bill that occurred due to two additional payroll health deduction holidays.
- A budget amendment aligned \$220,000 for operating expenditures into the Division of Early Childhood Development and the Division of Library Development, which are outside of this budget. Finally, a budget amendment decreased the appropriation by \$28,000 to realign expenditures for telecommunications.
- General fund reversions at the close of fiscal 2018 totaled approximately \$3.1 million. The most significant reversion is \$1.3 million due to a delay in the administration of a new middle school social studies assessment as well as procurement delays for assessment psychometric consultants and a delay in finalizing a Memorandum of Understanding (MOU) for standard setting. MSDE also reverted approximately \$508,000 in general funds due to delayed information technology projects and not renewing programmer contracts for its data center. The remaining reversions were primarily due to vacancies and lower than budgeted contractual expenditures.

Special fund expenditures totaled approximately \$7.4 million in fiscal 2018, reflecting a decrease of \$1.9 million when compared to the legislative appropriation.

- There was a decrease of \$35,000 in special funds due to Section 19.
- Budget amendments increased MSDE's special fund appropriation by approximately \$620,000. This was due to funding for emergency audits for Baltimore City Public Schools and Prince George's County Public Schools for which MSDE was able to invoice the local education agencies (LEA).
- MSDE canceled nearly \$2.5 million in special funds for fiscal 2018, primarily due to approximately \$825,000 in lower than anticipated revenues from corporate donations for the Public Education Partnership Fund, resulting in less funding for programs to support services to LEAs and public agencies. MSDE also canceled approximately \$687,000 for its blind vendors program due to lower than anticipated revenues from the program. The remaining cancellations occurred primarily due to lower than budgeted revenues from various fee-supported programs.

Federal fund expenditures totaled approximately \$131.4 million in fiscal 2018, reflecting a decrease of \$32.4 million when compared to the legislative appropriation.

- There was a decrease of \$1.0 million due to Section 19.

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- A budget amendment decreased MSDE’s federal funds appropriation by \$10.0 million, which transferred the authorization to spend \$10.0 million from the available appropriation for the Division of Rehabilitation Services (DORS) – Disability Determination Services (DDS) to the Division of Early Childhood Development, which is outside of this budget.
- MSDE canceled nearly \$21.4 million in federal funds for fiscal 2018. Across all of its functions, DORS canceled nearly \$6.5 million, primarily due to the use of carryover funds from a previous fiscal year being used for pre-employment training services, lower than budgeted costs for utilities to repair the roof at DORS’s Workforce and Technology Center, staff turnover, and a delay in moving DORS – DDS to a new location. Approximately \$3.5 million was canceled from the Department of Business Services due to lower than budgeted expenditures for statewide cost allocation plans. Approximately \$3.3 million was canceled for the Office of School and Community Nutrition Programs due to federal grants that MSDE was expected to be awarded but was not and the closure of the federal Fresh Fruit and Vegetable Program. Approximately \$2.2 million was canceled due to a renegotiation of costs for statewide assessments, delayed assessments due to the development of the Maryland Comprehensive Assessment Program, and a delay in the procurement of a new middle school social studies assessment as well as procurement delays for assessment psychometric consultants and MOU delays for standard setting. Approximately \$1.7 million was canceled due to a delay in issuing sub-awards for School Improvement Grants. The remaining cancellations occurred primarily due to vacancies within MSDE and delays in procuring contracts.

Reimbursable fund expenditures totaled nearly \$2.3 million in fiscal 2018, reflecting a decrease of approximately \$403,000 compared to the working appropriation.

- Budget amendments increased MSDE’s reimbursable fund appropriation by \$700,000. This includes \$500,000 for the Division of Special Education/Early Intervention Services from the Maryland Department of Disabilities (MDOD) for MSDE to work with MDOD’s Maryland Promoting the Readiness of Minors in Supplemental Security Income program to achieve better post-school outcomes for students with disabilities. This also includes \$200,000 for the Division of Student, Family, and School Support from the Maryland Department of Health under an interagency agreement to allow grant funding for Montgomery County Public Schools to expand its substance use counseling and recovery support.
- MSDE canceled approximately \$1.1 million in reimbursable funds in fiscal 2018, all from the Department of Juvenile Services. The Juvenile Services Education Program canceled approximately \$768,000 due to vacancies, and the Division of Accountability and Assessment Data Systems canceled nearly \$229,000 due to covering costs through indirect cost attainment.

Fiscal 2019

The fiscal 2019 working appropriation consists of \$93.8 million in general funds, \$9.8 million in special funds, \$168.4 million in federal funds, and \$3.9 million in reimbursable funds, representing an increase of \$499,000 in general funds, \$24,000 in special funds, and \$552,000 in federal funds due to the fiscal 2019 general salary increase and the State Law Enforcement Officers Labor Alliance collective bargaining agreements.

Appendix 2
Major Information Technology Projects
Maryland State Department of Education
Maryland Direct Certification System

Project Status	Implementation.	New/Ongoing Project:	Ongoing.					
Project Description:	This project is to improve the direct certification (DC) matching process through an upgrade of the Maryland Direct Certification System. Maryland has been awarded a DC Improvement Grant by the U.S. Department of Agriculture (USDA) for this project. This project will centralize and host the DC matching process at the Maryland State Department of Education (MSDE) with an updated web portal and will allow local education agency enrollment files to be matched against data from the Department of Human Services (DHS).							
Project Business Goals:	The goals of the project are to meet or exceed the USDA national goal of a 95% DC match rate, provide a standardized matching process across all participants, update the database nightly with data from DHS, provide the ability to match students and household data across districts, and provide consolidated oversight of the DC process.							
Estimated Total Project Cost:	\$1,251,408	Estimated Planning Project Cost:	\$0					
Project Start Date:	Fiscal 2018.	Projected Completion Date:	Fiscal 2020.					
Schedule Status:	MSDE reports that this project will complete development in fiscal 2019, though full implementation will not begin until the start of the school year in September 2019.							
Cost Status:	Costs have increased as the schedule has been extended.							
Scope Status:	Project to affect school systems statewide.							
Project Management Oversight Status:	MSDE's Office of School and Community Nutrition Programs is overseeing the project.							
Identifiable Risks:	Risk concerns are due to resource availability, in that key sources may be missed by the communication plan to provide resources, or the timeliness of resource turnover may disrupt the project. There is also some risk that interface files are not properly formatted to upload enrollment information.							
Additional Comments:	The work of the Commission on Innovation and Excellence in Education may extend the scope of this project, requiring MSDE to work with the Maryland Department of Health to incorporate matching for Medicaid into the DC system.							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Balance to Complete	Total
Personnel Services	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Professional and Outside Services	1,026.4	225.0	0.0	0.0	0.0	0.0	0.0	1,251.4
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$1,026.4	\$225.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,251.4

**Appendix 3
Object/Fund Difference Report
MSDE – Headquarters**

<u>Object/Fund</u>	<u>FY 18 Actual</u>	<u>FY 19 Working Appropriation</u>	<u>FY 20 Allowance</u>	<u>FY 19 - FY 20 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,211.90	1,210.90	1,218.90	8.00	0.7%
02 Contractual	82.07	115.79	124.19	8.40	7.3%
Total Positions	1,293.97	1,326.69	1,343.09	16.40	1.2%
Objects					
01 Salaries and Wages	\$ 107,826,840	\$ 110,297,130	\$ 114,094,573	\$ 3,797,443	3.4%
02 Technical and Special Fees	38,465,557	52,178,485	52,009,406	-169,079	-0.3%
03 Communication	1,972,189	2,647,055	1,808,016	-839,039	-31.7%
04 Travel	804,597	1,553,258	2,164,480	611,222	39.4%
06 Fuel and Utilities	690,309	1,031,387	1,038,726	7,339	0.7%
07 Motor Vehicles	741,432	794,291	1,231,253	436,962	55.0%
08 Contractual Services	58,144,830	72,090,361	80,372,298	8,281,937	11.5%
09 Supplies and Materials	1,871,560	3,158,528	4,012,289	853,761	27.0%
10 Equipment – Replacement	1,387,601	1,328,629	1,414,955	86,326	6.5%
11 Equipment – Additional	359,844	3,551,789	4,665,496	1,113,707	31.4%
12 Grants, Subsidies, and Contributions	14,378,445	20,020,499	17,265,187	-2,755,312	-13.8%
13 Fixed Charges	5,234,427	6,488,430	5,597,409	-891,021	-13.7%
14 Land and Structures	365,397	705,000	891,000	186,000	26.4%
Total Objects	\$ 232,243,028	\$ 275,844,842	\$ 286,565,088	\$ 10,720,246	3.9%
Funds					
01 General Fund	\$ 91,178,834	\$ 93,767,428	\$ 99,007,895	\$ 5,240,467	5.6%
03 Special Fund	7,390,978	9,777,183	10,119,323	342,140	3.5%
05 Federal Fund	131,398,176	168,429,924	174,093,998	5,664,074	3.4%
09 Reimbursable Fund	2,275,040	3,870,307	3,343,872	-526,435	-13.6%
Total Funds	\$ 232,243,028	\$ 275,844,842	\$ 286,565,088	\$ 10,720,246	3.9%

MSDE: Maryland State Department of Education

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases.

**Appendix 4
Fiscal Summary
MSDE – Headquarters**

<u>Program/Unit</u>	<u>FY 18 Actual</u>	<u>FY 19 Wrk Approp</u>	<u>FY 20 Allowance</u>	<u>Change</u>	<u>FY 19 - FY 20 % Change</u>
01 Office of the State Superintendent	\$ 12,007,944	\$ 13,754,270	\$ 16,391,292	\$ 2,637,022	19.2%
02 Division of Business Services	7,752,848	11,809,961	6,389,906	-5,420,055	-45.9%
03 Division of Academic Reform and Innovation	1,003,823	0	0	0	0%
04 Division of Accountability and Assessment Data Systems	43,646,706	49,870,554	53,090,090	3,219,536	6.5%
05 Office of Information Technology	6,339,508	7,086,397	12,060,122	4,973,725	70.2%
06 Major Information Technology Development Projects	0	769,208	213,750	-555,458	-72.2%
07 Office of School and Community Nutrition Programs	8,056,011	7,743,137	10,380,843	2,637,706	34.1%
11 Division of Instruction	5,523,999	6,908,623	8,417,258	1,508,635	21.8%
12 Division of Student, Family, and School Support	4,736,783	8,698,765	11,109,978	2,411,213	27.7%
13 Division of Special Education/Early Intervention Services	13,018,105	14,247,796	12,251,971	-1,995,825	-14.0%
14 Division of Career and College Readiness	2,749,535	3,391,176	3,655,542	264,366	7.8%
15 Juvenile Services Education Program	19,731,555	21,013,418	22,595,017	1,581,599	7.5%
18 Division of Certification and Accreditation	2,765,531	2,747,944	2,784,536	36,592	1.3%
20 Division of Rehabilitation Services – Headquarters	12,056,370	14,397,838	15,630,935	1,233,097	8.6%
21 Division of Rehabilitation Services – Client Services	40,029,864	43,902,024	43,762,049	-139,975	-0.3%
22 Division of Rehabilitation Services – Workforce and Technology Center	8,938,940	9,730,451	9,594,491	-135,960	-1.4%
23 Division of Rehabilitation Services – Disability Determination Services	32,557,739	45,014,949	43,838,311	-1,176,638	-2.6%
24 Division of Rehabilitation Services – Blindness and Vision Services	8,738,663	10,259,805	9,965,946	-293,859	-2.9%
01 Maryland Longitudinal Data Systems Center	2,589,104	4,498,526	4,433,051	-65,475	-1.5%
Total Expenditures	\$ 232,243,028	\$ 275,844,842	\$ 286,565,088	\$ 10,720,246	3.9%
General Fund	\$ 91,178,834	\$ 93,767,428	\$ 99,007,895	\$ 5,240,467	5.6%
Special Fund	7,390,978	9,777,183	10,119,323	342,140	3.5%
Federal Fund	131,398,176	168,429,924	174,093,998	5,664,074	3.4%
Total Appropriations	\$ 229,967,988	\$ 271,974,535	\$ 283,221,216	\$ 11,246,681	4.1%
Reimbursable Fund	\$ 2,275,040	\$ 3,870,307	\$ 3,343,872	-\$ 526,435	-13.6%
Total Funds	\$ 232,243,028	\$ 275,844,842	\$ 286,565,088	\$ 10,720,246	3.9%

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MSDE: Maryland State Department of Education

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases.