

R00A02
Aid to Education
Maryland State Department of Education

Executive Summary

Funding in the Aid to Education budget provides grants managed by the Maryland State Department of Education (MSDE) to support educational programming at the local school district level.

Operating Budget Data

(\$ in Thousands)

	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 19-20</u>	<u>% Change</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$5,881,875	\$6,005,071	\$6,293,667	\$288,596	4.8%
Adjustments	0	-52,896	0	52,896	
Adjusted General Fund	\$5,881,875	\$5,952,176	\$6,293,667	\$341,492	5.7%
Special Fund	480,909	508,299	454,391	-53,908	-10.6%
Adjustments	0	52,896	0	-52,896	
Adjusted Special Fund	\$480,909	\$561,195	\$454,391	-\$106,804	-19.0%
Federal Fund	846,956	943,480	966,993	23,512	2.5%
Adjustments	0	0	0	0	
Adjusted Federal Fund	\$846,956	\$943,480	\$966,993	\$23,512	2.5%
Reimbursable Fund	28	30	90	60	200.0%
Adjustments	0	0	0	0	
Adjusted Reimbursable Fund	\$28	\$30	\$90	\$60	200.0%
Adjusted Grand Total	\$7,209,768	\$7,456,881	\$7,715,141	\$258,260	3.5%

Note: The fiscal 2019 appropriation includes deficiencies.

- Funding increases by \$258.3 million statewide, primarily due to formula funding for programs with increased enrollment and lower wealth in the State.

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

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- The fiscal 2020 allowance includes \$45 million in special funds that have been reserved from the Education Trust Fund to supplement education programs in the State beyond their formula amounts. Of this amount, \$9.25 million has already been allocated to programs.

Key Observations

- ***Slight Improvements in Assessment Results:*** Grade 3 through 8 scores for Partnership for Assessment of Readiness for College and Careers (PARCC) assessments statewide increased from 2017 to 2018 by 1 percentage point for both English/language arts (ELA) and mathematics. PARCC scores for ELA Grade 10 and Algebra I were lower in 2018 than in 2017 but included scores from repeat testers for the first time. Only 5% of repeat testers scored as proficient on ELA for their second attempt, while only 3% scored as proficient on mathematics.
- ***Commission on Innovation and Excellence in Education:*** The Commission on Innovation and Excellence in Education submitted its interim report in January 2019 that details its policy recommendations and related costs, which are estimated to require an additional \$3.8 billion in spending by fiscal 2030. However, the commission has yet to determine State and local shares of these costs and has therefore recommended that a working group continue to develop recommendations on the shares for the commission to consider in fall 2019. In the meantime, the commission has submitted its fiscal 2020 funding priorities, which total \$325 million.
- ***Concerns Over Grant Administration:*** Grantees have reported communication issues with MSDE over funding amounts and distribution for federal 21st Century Community Learning Center funding and State Public School Opportunity Enhancement Program funding. Meanwhile, while the State has recently increased funding for the Autism Waiver, concerns have been raised over whether there is proper provider capacity to serve eligible individuals.

Operating Budget Recommended Actions

1. Add annual 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. Add language making funding for Pathways in Technology Early College High School planning grants contingent on the enactment of legislation ending a moratorium on such planning grants.
3. Adopt narrative requesting the Maryland State Department of Education to report on how local jurisdictions could maximize Medicaid claims for school-based services.

Updates

- Descriptions of the initiatives to make schools in the State safer by enhancing both the security of school buildings and the assessment and training of school staff and students to be better prepared for critical situations can be found in the analysis for the MSDE Center for School Safety (R00A06) and the capital analysis for the Interagency Commission on School Construction (R00A0702).

R00A02
Aid to Education
Maryland State Department of Education

Operating Budget Analysis

Program Description

State and local governments share responsibility for Maryland’s public schools. In 2002, the Commission on Education Finance, Equity, and Excellence (also known as the Thornton Commission) recommended, and the General Assembly 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 and local wealth.

Under the Bridge to Excellence (BTE) in Public Schools Act of 2002, commonly referred to as “Thornton” (based on the name of the chair of the commission), 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. In part to update the determinations for adequate funding levels under Thornton, Chapters 701 and 702 of 2016 created the Commission on Innovation and Excellence in Education, often referred to as the Kirwan Commission after its chairman, Dr. William E. Kirwan. The commission submitted an interim report in January 2019 containing policy recommendations and preliminary cost estimates to make Maryland’s education system world class.

Along with enhanced funding, local jurisdictions received broad flexibility under BTE to determine 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.

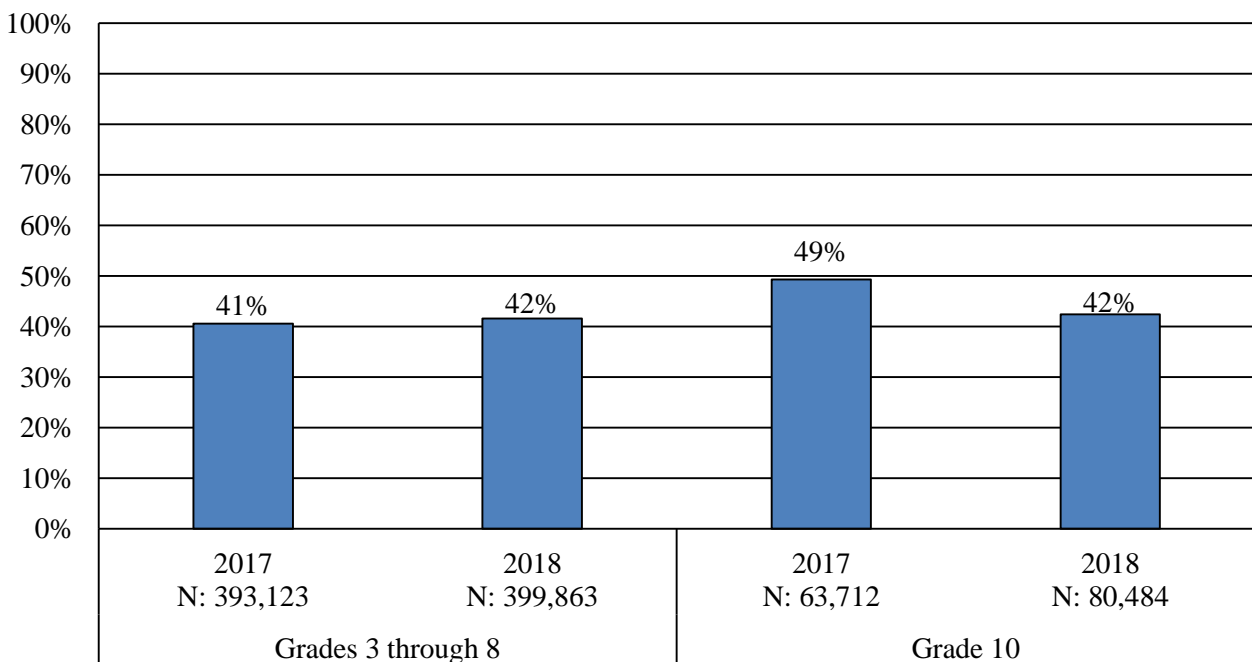
Previously, the Maryland State Department of Education (MSDE) was responsible for the general direction and control of library development in Maryland, and State library aid was budgeted under Aid to Education. However, Chapters 337 and 338 of 2017 created a new Maryland State Library Agency (MSLA), under which these programs are now budgeted. MSLA receives its own budget analysis (R11A).

Performance Analysis: Managing for Results

1. Slight Improvements in Partnership for Assessment of Readiness for College and Careers Results

Partnership for Assessment of Readiness for College and Careers (PARCC) assessments were administered for the fourth time during the 2017-2018 school year. **Exhibit 1** shows the percentage of proficient scores from the test administration for English/language arts (ELA) in 2017 and 2018, while **Exhibit 2** shows the percentage for mathematics.

Exhibit 1
Proficient PARCC Scores
English/Language Arts
Calendar 2017-2018



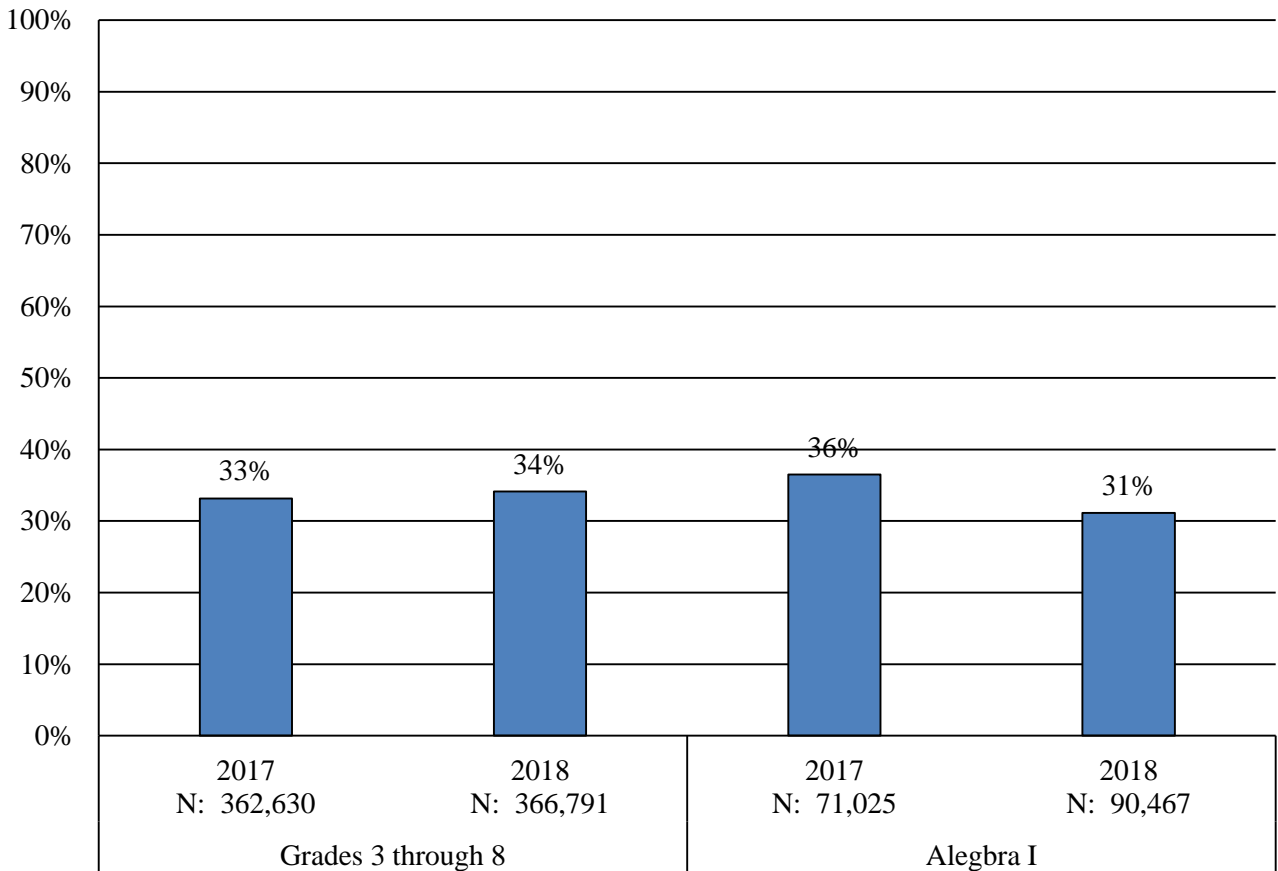
N: number of students assessed

PARCC: Partnership for Assessment of Readiness for College and Careers

Note: 2018 assessments for Grade 10 include repeat testers.

Source: *Partnership for Assessment of Readiness for College and Careers (PARCC) Results 2018*, Maryland State Department of Education

Exhibit 2
Proficient PARCC Scores
Mathematics
Calendar 2017-2018



N: number of students assessed

PARCC: Partnership for Assessment of Readiness for College and Careers

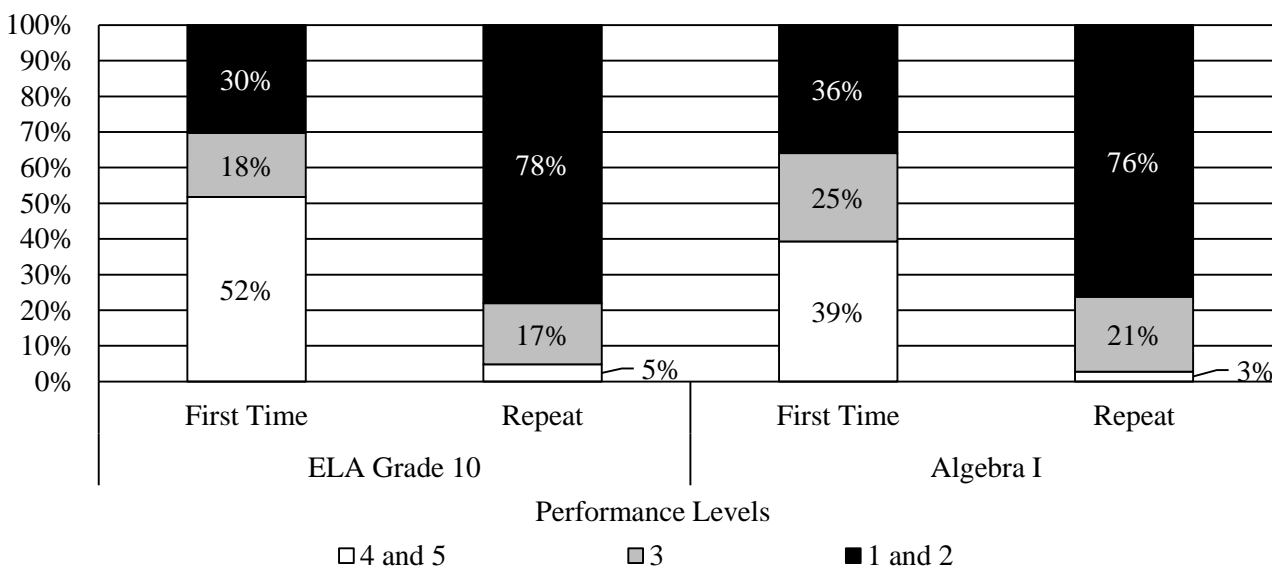
Note: 2018 assessments for Algebra I include repeat testers.

Source: *Partnership for Assessment of Readiness for College and Careers (PARCC) Results 2018*, Maryland State Department of Education

Statewide, scores for students in grades 3 through 8 were slightly higher in 2018 than in 2017. Proficiency rates (*i.e.*, the percent of test takers scoring at level 4 or 5) rose for ELA from 41% in 2017 to 42% in 2018 and rose for mathematics from 33% to 34%. In contrast, scores for students taking high school-level end-of-course assessments did not improve with proficiency rates falling from 49% to 42% for ELA and 36% to 31% for mathematics.

However, it is worth noting that the 2018 testing administration for end-of-course tests differed from 2017 in that it included a substantial number of students who were retesting. The 2018 administration of PARCC is the first year in which students who had previously scored at level 1 or 2 on their first attempt were required to test again after undergoing remedial or transition coursework. This included 15,471 ELA testers and 19,710 mathematics testers. The results comparing performance rates for first-time test takers and repeat testers can be found in **Exhibit 3**. As shown, only 5% of repeat testers for ELA scored as proficient on their second attempt as compared to 52% for first-time testers; only 3% of repeat testers for mathematics scored as proficient on their second attempt as compared to 39% for first-time testers. The low rates of proficiency for repeat testers have a large impact on overall scores for the end-of-course tests. A substantial number of repeat testers did not score better on PARCC in their second attempt than in their first attempt; 78% of ELA repeat testers scored a 1 or 2 again on their second try, while 76% of Algebra I repeat testers scored a 1 or 2. This shows that remedial and transition coursework struggled to assist these students in becoming career and college ready.

Exhibit 3
PARCC Results
First-time and Repeat Tests
Calendar 2018



ELA: English/language arts

PARCC: Partnership for Assessment of Readiness for College and Careers

Note: A score of 4 or 5 on PARCC meets career and college readiness standards in Maryland. Students who score a 1 or 2 are required to retake PARCC before graduating after undergoing remedial or transition coursework.

Source: *Partnership for Assessment of Readiness for College and Careers (PARCC) Results 2018*, Maryland State Department of Education; Department of Legislative Services

2. Graduation Rates for Class of 2018 Not Yet Available

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.

However, these rates have not yet been published by MSDE. **MSDE should report to the budget committees on the statewide graduation rates for the class of 2018 by LEA and how these rates compare to those of the class of 2017.**

Fiscal 2019 Actions

Proposed Deficiency

The fiscal 2020 budget includes a fund swap of \$52.9 million for the fiscal 2019 appropriation that replaces general funds with special funds from the Education Trust Fund (ETF) because of revised video lottery terminal (VLT) revenue projections.

Fiscal 2020 Allowance

Overview of Agency Spending

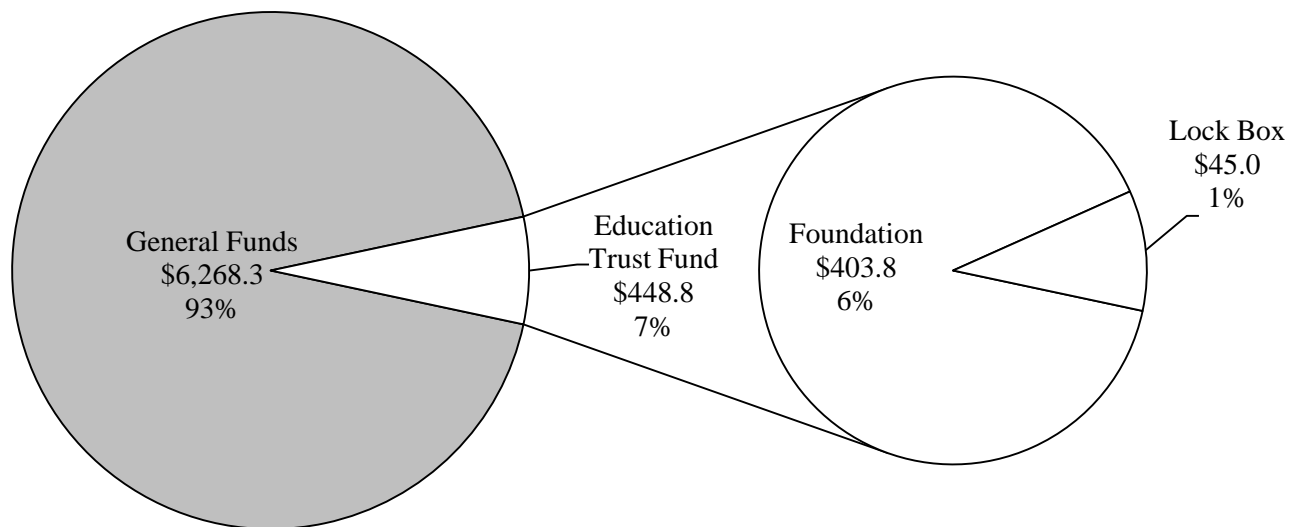
The fiscal 2020 allowance totals approximately \$7.7 billion, all of which is budgeted to be spent as grants. The largest portion of the allowance is \$6.3 billion in general funds, while special funds comprise \$454.4 million, federal funds comprise \$967.0 million, and reimbursable funds comprise \$90,000.

State Aid to Local School Systems

Nearly all of the funding in the fiscal 2020 Aid to Education allowance is budgeted to provide funding to local school systems, totaling \$6.7 billion combined. As shown in **Exhibit 4**, State aid to local governments is paid out of general funds, totaling nearly \$6.3 billion, and funding from the ETF, totaling \$448.8 million. However, funding from the ETF in Aid to Education is comprised of two components: \$403.8 million used for the State's foundation funding obligation, as ETF funding has been used historically; and \$45.0 million for various supplemental programs and initiatives that is reserved by the "lock box" in accordance with the constitutional ballot provision put before voters by Chapter 357 of 2018 and passed by the voters on November 6, 2018. Further discussion of lock box

funding can be found in the Issues section of this analysis. **Exhibit 5** displays the distribution for State aid for local school systems in both fiscal 2019 and 2020 as well as the difference between the two years. As shown, the Foundation program accounts for nearly half of State education aid, totaling \$3.1 billion in fiscal 2020. The Compensatory Education Program is the next highest funded at \$1.3 billion in fiscal 2020.

Exhibit 4
State Aid for Local School Systems
General Funds and Education Trust Fund
Fiscal 2020
(\$ in Millions)



Total: \$6.7 Billion

Source: Governor's Fiscal 2020 Budget Books

The \$448.8 million in funding for local school systems from the ETF reflects a decrease of \$15.8 million in revenue projections due to a State Lottery and Gaming Control Commission (SLGCC) decision effective July 1, 2019, to increase the licensee's share of VLT proceeds for casinos in Anne Arundel and Cecil counties and Baltimore City. Legislation that has been introduced (HB 802) would repeal the authority of SLGCC to make such an increase. If enacted, this legislation would increase available revenues for the ETF in fiscal 2020 by \$15.8 million and would subsequently lower the general funds necessary to support the State's foundation funding obligation by \$15.8 million.

Exhibit 5
State Aid for Local School Systems by Program
Fiscal 2019-2020
(\$ in Thousands)

<u>Program</u>	<u>2019</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Foundation Program	\$3,056,189	\$3,140,367	\$84,177	2.8%
Education Trust Fund Supplemental Grants	0	35,750	35,750	n/a
Net Taxable Income Grant	62,524	65,301	2,777	4.4%
Tax Increment Financing Grant	535	570	35	6.4%
Geographic Cost of Education Index	141,574	145,450	3,877	2.7%
Supplemental Grant	46,620	46,620	0	0.0%
Foundation Special Grant	12,956	11,850	-1,106	-8.5%
Declining Enrollment Supplemental Grant	18,664	18,897	234	1.3%
Compensatory Education Program	1,308,336	1,330,429	22,093	1.7%
Special Education Program	290,813	303,254	12,441	4.3%
Limited English Proficiency	288,041	311,080	23,038	8.0%
Guaranteed Tax Base	48,170	43,685	-4,485	-9.3%
Student Transportation	282,585	303,045	20,459	7.2%
Nonpublic Special Education	123,500	121,470	-2,030	-1.6%
Other Programs	69,930	71,455	1,525	2.2%
<i>Direct Aid Subtotal</i>	<i>\$5,750,436</i>	<i>\$5,949,221</i>	<i>\$198,785</i>	<i>3.5%</i>
Teachers' Retirement	\$732,921	\$767,889	\$34,968	4.8%
Grand Total	\$6,483,357	\$6,717,110	\$233,753	3.6%

Note: Other programs include general and special funds supporting the School for Education Evolution and Development, formulas for specific populations, innovative programs, food service, teacher development, and other programs. State aid to education for school safety and early education are accounted for in analyses R00A06 and R00A99.

Source: Governor's Fiscal 2020 Budget Books

State Retirement Costs Increase, Local Costs Virtually Flat: State retirement costs for public school teachers and other professional personnel total \$767.9 million in fiscal 2020, representing a \$35.0 million (4.8%) increase. This slight increase is attributed to an increase in the State contribution rate and modest salary base growth. In addition to the State’s share of teacher pension costs, local governments will contribute approximately \$306.0 million in fiscal 2020 (slightly below the fiscal 2019 local total): \$288.6 million for the local share of pension contributions, which is the employer “normal cost” for active members of the State Teachers’ Pension or Retirement Systems; as well as \$17.5 million toward State Retirement Agency (SRA) administrative costs, a portion of which will go toward SRA information technology upgrades. Contributions by county are available in **Appendix 2**.

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. MSDE has certified that the school appropriations of all 24 counties have met the fiscal 2019 MOE requirement. In total, 16 counties exceeded MOE by 1.0% or more.

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 wealth, or 2.5%. This provision ensures an increase in the amount that a county provides to the local school board concomitant with an increase in county wealth.

For fiscal 2020, the five-year statewide average education effort that a jurisdiction should not be below is 1.3%. MSDE has reported that 12 jurisdictions fall below this requirement and will therefore have to raise their MOE in fiscal 2020; 4 jurisdictions (Caroline, Dorchester, Garrett, and Worcester counties) will raise the MOE according to their own increase in average wealth per pupil, while 8 jurisdictions (Allegany, Kent, Queen Anne’s, Somerset, Talbot, Washington, and Wicomico counties and Baltimore City) will increase by 2.5%. The methodology for the MOE in fiscal 2020 is available in **Appendix 3**.

Other General, Special, and Reimbursable Funds

Certain amounts of funding in the Aid to Education budget are not counted toward State aid to education. Most significant is the \$25.1 million in general funds for the Autism Waiver that provides funding directly to beneficiaries. The allowance also includes \$250,000 in special funds from the ETF lock box for MSDE to implement a teacher recruitment and outreach program as required under the Commission on Innovation and Excellence in Education Act of 2018 (Chapter 361).

The fiscal 2020 allowance also includes special funds representing revenues collected by MSDE. This includes \$5.3 million in special funds for the School for Education Evolution and Development (SEED), a statewide public boarding school program, which represents the local share

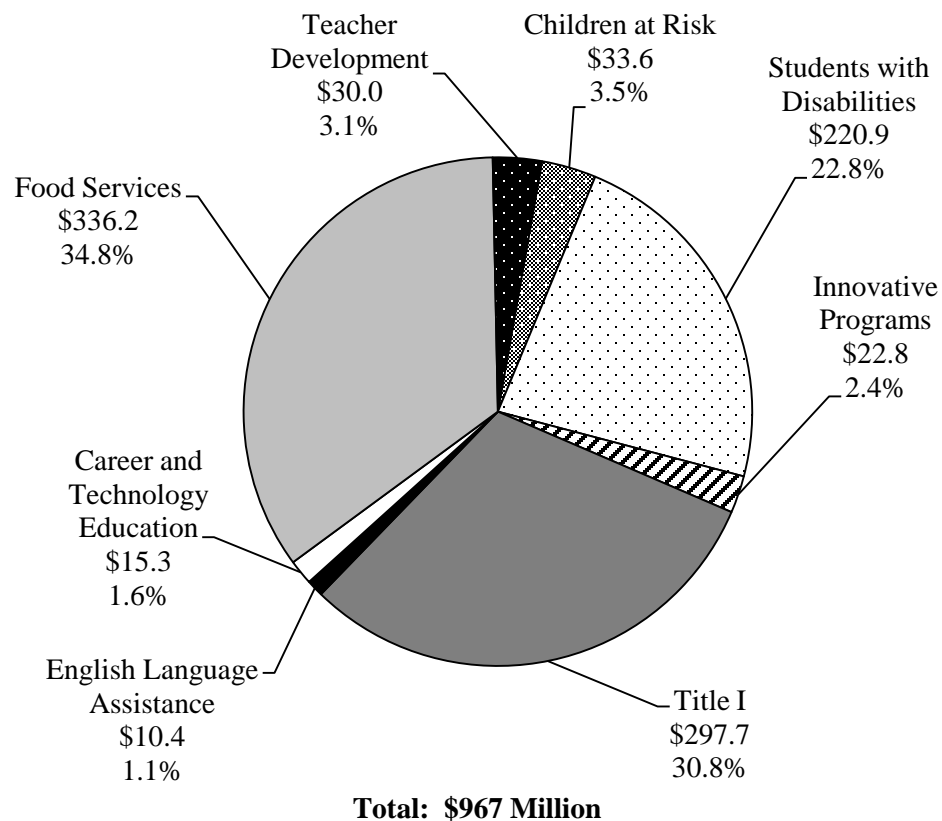
provided by LEAs for their students who attend SEED. Because the LEA local cost of education (LCE) varies from year to year, the SEED special fund budget is an estimate that is adjusted after the fiscal year starts. Once the actual LEA LCE fund amounts are calculated, usually in March, the appropriation is either increased, or a deficiency request or a budget amendment is submitted to cover the shortfall. Additionally, \$300,000 in special funds represent fees received by the State from local school systems for their share for teachers pursuing National Board Certification.

Finally, the fiscal 2020 allowance includes \$90,000 in reimbursable funds that MSDE receives from the Maryland Department of Health (MDH) in accordance with their partnership for its Sexual Abuse Prevention Program.

Federal Funds

The fiscal 2020 allowance includes \$967.0 million in federal funds to be provided to local school systems under various federal grants. **Exhibit 6** displays the amounts and distribution of these federal funds. As shown, funding for food services, which includes the School Breakfast Program and National School Lunch Program (NSLP), among other federal grants, receives the most funding with \$336.2 million, or 34.8%. Programs for educationally deprived children as determined under Title I of the federal Elementary and Secondary Education Act receive \$297.7 million, or 30.8%. Programs for students with disabilities receive \$220.9 million under the federal Individuals with Disabilities Education Act (IDEA). Various federal grants providing funding for after school learning centers, drug and alcohol abuse prevention, and assisting homeless students receive \$33.6 million in total, or 3.5%. The remaining federal funds include \$30.0 million for teacher development, or 3.1%; \$15.3 million for career and technical education (CTE), or 1.6%; \$10.4 million to assist English Language Learners, or 1.1%; and \$22.8 million, or 2.4%, for innovative programs that include grant programs for reading and literacy, charter school start up and expansion, supports for rural schools, and interventions to help low-income students enter and succeed in postsecondary education.

Exhibit 6
Expenditures by Program
Federal Funds
Fiscal 2020
(\$ in Millions)



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

Proposed Budget Change

As shown in **Exhibit 7**, the fiscal 2020 allowance represents a \$258.3 million increase over the fiscal 2019 working appropriation, or 3.5%.

Exhibit 7
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 2018 Actual	\$5,881,875	\$480,909	\$846,956	\$28	\$7,209,768
Fiscal 2019 Working Appropriation	5,952,176	561,195	943,480	30	7,456,881
Fiscal 2020 Allowance	<u>6,293,667</u>	<u>454,391</u>	<u>966,993</u>	<u>90</u>	<u>7,715,141</u>
Fiscal 2019-2020 Amount Change	\$341,492	-\$106,804	\$23,512	\$60	\$258,260
Fiscal 2019-2020 Percent Change	5.7%	-19.0%	2.5%	200.0%	3.5%

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

Foundation formula	\$84,177
Limited English proficiency	23,038
Compensatory education	22,093
Transportation formula	20,459
Special education formula	12,441
Geographic Cost of Education Index	3,877
Net taxable income adjustment	2,777
Guaranteed tax base grant	-4,485

Education Trust Fund – Lock Box

Innovation and Excellence in Education initiatives	35,750
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Other General Fund Changes

Teachers retirement	34,968
Teacher Induction, Retention, and Advancement program	2,000
School breakfast and lunch	1,760
Autism Waiver	731
Pathways in Technology Early College High Schools	300
Next Generation Scholars of Maryland	300
Declining enrollment grants	234
Tax increment financing grant	35
Specific populations	-100
“Hold Harmless Plus” grant	-1,106
Nonpublic placements	-2,030
Opioid prevention	-3,000

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Where It Goes:

Combined General and Special Fund Changes

School for Education Evolution and Development 469

Federal Funds

Title I – educationally deprived children funds and school improvement grants..... 60,411

Special education – Individuals with Disabilities Education Act..... 9,937

Charter schools 2,695

Career and technology education 907

Striving Readers/Comprehensive Literacy Development program..... 450

English language grants..... -48

Rural school enhancement..... -148

Mathematics and Science Partnership -1,543

21st Century Community Learning Centers..... -1,959

Food services program -47,191

Reimbursable Funds

Maryland Department of Health..... 60

Total **\$258,260**

MSDE: Maryland State Department of Education

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

BTE Changes

- ***Foundation Formula (\$84.2 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 net taxable income (NTI), receive more aid per pupil than wealthier school systems. The increase is attributable to statewide enrollment growth of 0.3% and a 2.5% inflationary increase in the per pupil foundation amount, from \$7,065 to \$7,244. The 2.5% increase in the per pupil foundation amount is equivalent to the increase in the Consumer Price Index (CPI) for all urban consumers (commonly known as CPI-U) for the Washington Arlington Alexandria DC-VA-MD-WV (Washington statistical area). Statute provides that the inflationary adjustment is the lesser of CPI-U or the Implicit Price Deflator for State and Local Government (IPD) up to 5.0%. For fiscal 2020, IPD is higher than the Washington CPI-U at 3.9%. Chapter 10 of 2018 charged the Department of Budget and Management, MSDE, and the Department of Legislative Services (DLS) with determining the appropriate regional CPI-U measure to use for fiscal 2020, since the U.S. Bureau of Labor Statistics is no longer reporting data for the combined Washington-Baltimore Metropolitan Area used in statute in the foundation formula and the student transportation formula. The departments jointly determined that the Washington CPI-U more closely tracks the previous combined Washington-Baltimore Metropolitan Area and is also less volatile than the new Baltimore-Columbia-Towson area CPI-U.

- ***LEP (\$23.0 Million Increase):*** The 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% of the per pupil foundation amount. The \$23.0 million increase represents an 8% increase over the fiscal 2019 level and is based on 4,465 more LEP students. Like the compensatory formula, the State pays 50% of the formula costs statewide for LEP with a floor of 40% for each LEA.
- ***Compensatory Education (\$22.1 Million Increase):*** 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% of the per pupil foundation amount. The State share of the formula cost is 50%. Funds are distributed to each LEA based on the enrollment of students eligible for FRPM in the school system and local wealth with the State paying no less than 40% of formula funding for each LEA. The \$22.1 million increase in fiscal 2020 is based primarily on increases in the base per pupil amount. Currently, 42% of students statewide qualify for compensatory education funding.
- ***Transportation Funding (\$20.5 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 CPI for private transportation in the second preceding fiscal year for the base grant. The rate can fluctuate between 1% and 8%. The fiscal 2020 allowance includes funds to support a 7% increase for student transportation.
- ***Special Education (\$12.4 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% of the per pupil foundation amount. The State share of the formula cost is 50% statewide with a floor of 40% for each LEA. The State share increases in the fiscal 2020 allowance by \$12.4 million, or 4.3%, and is due to the increase in the foundation per pupil amount and an increase of 2,048 students.
- ***GCEI (\$3.9 Million Increase):*** The GCEI is a mandated formula that accounts for the differences in the costs of educational resources among LEAs. Thirteen school systems are eligible for GCEI funds in fiscal 2020, receiving a total increase of \$3.9 million, or 2.7%.
- ***NTI (\$2.8 Million Increase):*** The fiscal 2020 allowance includes a \$2.8 million increase for grants to 19 LEAs whose formula aid is higher using November NTI as opposed to September NTI.
- ***Guaranteed Tax Base (\$4.5 Million Decrease):*** The Guaranteed Tax Base grant provides additional funding to LEAs with less than 80% 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 2020, 8 school systems qualify for the grant; this is 2 fewer than in fiscal 2019 as Cecil and Prince George's counties do not qualify for the grant in fiscal 2020.

ETF – Lock Box

- ***Innovation and Excellence in Education Initiatives (\$35.8 Million Increase):*** The fiscal 2020 allowance includes \$35.8 million in special funds that has been allocated out of the necessary funding set aside by the ETF lock box constitutional amendment. This funding has not been specified in purpose and has been left available to implement recommended initiatives of the Commission on Innovation and Excellence in Education in fiscal 2020. More discussion on fiscal 2020 priorities recommended by the commission can be found in the Issues section of this analysis.

General Fund Changes

- ***Teachers' Retirement (\$35.0 Million Increase):*** Funding for K-12 teacher retirement increases by \$35.0 million, primarily due to growth in the salary base.
- ***Teacher Induction, Retention, and Advancement Act Pilot Program (TIRA) (\$2.0 Million Increase):*** Chapter 740 of 2016 established the TIRA program to afford first-year teachers and veteran mentor teachers selected by their LEAs more time for specified professional development activities for fiscal 2018 through 2022. Chapter 740 mandated that \$5 million be appropriated annually for the program; however, this mandate was changed to \$2.1 million for fiscal 2018 by the Budget Reconciliation and Financing Act (BRFA) of 2017 (Chapter 23) and to \$3.0 million for fiscal 2019 by the BRFA of 2018 (Chapter 10). Therefore, the \$2.0 million increase for the TIRA represents an increase to the program's original mandated amount. Only one county, Montgomery, has applied for the TIRA in fiscal 2019, requesting \$500,183. However, due to the mandated funding levels for the TIRA, the General Assembly would have to pass legislation reducing or removing the mandate in order to reduce funding for the program in fiscal 2019 or 2020.
- ***School Breakfast and Lunch (\$1.8 Million Increase):*** Two new mandates increase State funding for nutritional programs in the fiscal 2020 allowance by a total of \$1.8 million. The first is due to the Maryland Cares for Kids Act (Chapter 560 of 2018), which makes the State responsible for the student share of the costs for students at public and nonpublic schools of (1) reduced-price breakfasts provided under the federal School Breakfast Program by fiscal 2022 and (2) reduced-price lunches provided under the NSLP by fiscal 2023; the law phases in these responsibilities beginning in fiscal 2020, providing 10 cents per student per meal, resulting in increased expenditures of \$1.1 million. The second is Chapter 562 of 2018, which allows more schools to remain eligible for the Maryland Meals for Achievement program and also raised the mandated funding for the program from \$6.9 million annually to \$7.6 million, a \$650,000 increase.
- ***Autism Waiver (\$731,000 Increase):*** The Autism Waiver Program provides services to children with autism through the use of Medical Assistance funding. The fiscal 2020 allowance includes a \$731,000 increase over the fiscal 2019 working appropriation. More discussion on the Autism Waiver can be found in the Issues section of this analysis.

- ***Pathways in Technology Early College High (P-TECH) Schools (\$300,000 Increase):*** P-TECH schools are public schools that offer grades 9 through 14 and that integrate high school, college, and the workplace. These schools were first established by Chapter 144 of 2016 with funding specifications made by Chapter 591 of 2017. More discussion on P-TECH schools can be found in the Issues section of this analysis.
- ***Next Generation Scholars of Maryland Program (\$300,000 Increase):*** Chapter 33 of 2016 reestablished the College Readiness Outreach Program as the Next Generation Scholars of Maryland Program (Next Generation Scholars). The program mandates that, from fiscal 2018 through 2023, \$5 million be distributed annually to qualified nonprofit organizations to provide guidance and services, including mentorship, graduation guidance, and an intensive summer bridge program, to cohorts of specified students eligible for the Guaranteed Access scholarship for qualified low-income students to attend an institution of higher education. However, the BRFA of 2018 decreased the mandated level for the program for fiscal 2019. The \$300,000 increase represents Next Generation Scholars receiving its original mandated funding amount in fiscal 2020.
- ***Declining Enrollment Grant (\$234,000 Increase):*** Chapters 6 and 607 of 2017 created grants in fiscal 2018 through 2020 for declining enrollment for LEAs. An LEA is eligible for an enrollment-based supplemental grant if the county's most recent prior three-year average full-time equivalent (FTE) enrollment is greater than the FTE enrollment in the previous school year. Ten LEAs qualify for this grant in fiscal 2020, totaling \$18.9 million. The majority of this funding (\$15.5 million) is for Baltimore City.
- ***Tax Increment Financing Grant (\$35,000 Increase):*** Chapter 258 of 2016 authorized grants in fiscal 2018 and 2019 for counties that establish a tax increment financing development district after May 1, 2016, and qualify for State disparity grant funding. If the amount of State education aid for the county calculated as reduced by the tax increment is greater than the amount of State aid calculated without excluding the tax increment, the difference is provided as a grant to the county board of education. Chapter 387 of 2018 extended the grant for fiscal 2020 and beyond. Baltimore City is the only LEA receiving funding under the grant with \$570,000 in fiscal 2019, an increase of \$35,000 over the previous year.
- ***Specific Populations (\$100,000 Decrease):*** Formulas for Specific Populations provide funding to support the costs for students who have been placed by a court, State agency, or licensed child care placement agency in counties other than where their parents reside or for costs for students enrolled in a school in a different county from where they reside due to their residing in closer proximity to a school in another district. Funding for these programs decreases by \$100,000 in fiscal 2019 due to lower participation.
- ***"Hold Harmless Plus" Grant (\$1.1 Million Decrease):*** The fiscal 2020 allowance includes supplemental funding to ensure that, after calculating all direct education aid through a two-step process that accounts first for all formula funded programs and then State education aid as a whole, LEAs receive grants to ensure that they receive at least an increase of \$100,000 in

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fiscal 2020 over fiscal 2019. This provides \$11.9 million in funding for LEAs in fiscal 2020, \$1.1 million less than what is provided in the same supplemental appropriation in fiscal 2019. Baltimore City and Cecil County receive \$11.1 million and \$761,000, respectively, in fiscal 2020. These LEAs were determined to receive funding under the grant due to a combination of increasing local wealth and declining enrollment resulting in them receiving less in fiscal 2020.

- ***Nonpublic Placement (\$2.0 Million Decrease):*** 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 decreases by \$2.0 million in fiscal 2020.
- ***Opioid Prevention (\$3 Million Decrease):*** The Start Talking Maryland Act (Chapters 573 and 574 of 2017), among other provisions, included a one-time grant to assist LEAs with the purchase of Naloxone kits and the implementation of drug addiction and prevention education instruction related to heroin and opioid addiction. No funding is provided for the grant in fiscal 2020, as the \$3 million was mandated only in fiscal 2019.

Combined General and Special Fund Changes

- ***SEED (\$469,000 Increase):*** SEED of Maryland is a residential education boarding program for at-risk students that opened in August 2008. General funds increase by \$265,435 in the fiscal 2020 allowance, bringing the total State funds for SEED to \$10.7 million. State support for SEED is based annually on growth in the State's base per pupil funding amount, which in fiscal 2020 is 7%. Special funds for SEED increase in the allowance by \$204,000 to \$5.3 million. Special funds are collected from LEAs where SEED students are domiciled.

Federal Fund Changes

- ***Title I – Educationally Deprived Children (\$60.4 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. Funding from Title I increases in fiscal 2020 to provide incentives to Title I schools to make academic progress and raise graduation rates.
- ***Special Education (\$9.9 Million Increase):*** Funding to support special education is provided on a formula basis for LEAs under the federal IDEA. Funding for LEAs increases by \$9.9 million under these grants in the fiscal 2020 allowance with \$8.7 million being provided based on recent year trends and \$1.2 million provided under the Aid to Education budget when it was previously budgeted under MSDE – Headquarters.

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- ***Charter Schools (\$2.7 Million Increase):*** Maryland has been awarded \$17.2 million over five years for the federal Charter Schools Program Grant. This program is for the purpose of starting up new charter schools and the replication and expansion of high-quality charter schools. This funding is to be awarded as subgrants to nonprofit organizations operating or seeking to operate public charter schools in Maryland and will be made on a competitive basis. Maryland receives \$5.9 million in fiscal 2020, its second year as part of the program, a \$2.7 million increase over fiscal 2019.
- ***CTE (\$907,000 Increase):*** Programs for local school systems and community colleges to provide CTE receive an increase of \$907,000 in federal funds.
- ***Striving Readers Grant (\$450,000 Increase):*** Maryland has been awarded a federal grant under the Striving Readers/Comprehensive Literacy Development program. The grant is discretionary and is to advance literacy skills, including pre-literacy skills, reading and writing for students from birth through grade 12, including English learners and students with disabilities. Maryland receives \$45 million over three years with the \$14.7 million in fiscal 2020 being \$450,000 more than fiscal 2019. **MSDE should explain to the budget committees if it anticipates receiving funding under the grant beyond fiscal 2020 or if fiscal 2020 represents the third and final year in which funding will be provided under the grant.**
- ***English Language Grants (\$48,000 Decrease):*** 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 languages or bilingual instruction, in-service training for English to speakers of other languages/bilingual teachers, and curriculum and materials.
- ***Rural School Enhancement (\$148,000 Decrease):*** Maryland is receiving a \$148,000 decrease in its 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.
- ***Mathematics and Science Partnership (\$1.5 Million Decrease):*** Maryland no longer receives funding under the federal Mathematics and Science Partnership program that strengthened science and mathematics programs through activities such as summer sessions for teachers and an equipment incentive funds. This results in a decrease of \$1.5 million.
- ***21st Century Community Learning Centers (21st CCLC) (\$2.0 Million Decrease):*** Federal funding for 21st CCLC seeks to establish or expand activities in community learning centers that provide opportunities for academic enrichment for children. The fiscal 2020 allowance provides \$25.4 million for 21st CCLC, a \$2.0 million decrease for the program. Further discussion on 21st CCLC can be found in the Issues section of this analysis.
- ***Food Services Program (\$47.2 Million Decrease):*** Federal funds budgeted for food services include the School Breakfast Program, the NSLP, and the Child and Adult Care Food Program. MSDE has explained that it anticipates decreased funding under these programs due to a 26% decline in meals served and a decreasing number of schools participating in the Community Eligibility Provision.

Issues

1. Commission on Innovation and Excellence in Education Submits Interim Report Containing Funding Priorities

Chapters 701 and 702 established the Commission on Innovation and Excellence in Education to, among other charges, (1) review the findings of a consultant’s study on adequacy of education funding and its related studies and make recommendations on the funding formula; (2) review and make recommendations on expenditures of LEAs; (3) review and make recommendations on innovative education delivery mechanisms and other strategies to prepare Maryland students for the twenty-first century workforce and global economy; and (4) review and make recommendations on expanding prekindergarten, including special education prekindergarten. The commission members were appointed during summer 2016 with former University System of Maryland Chancellor Dr. William “Brit” Kirwan being appointed to serve as chair of the commission.

The commission submitted an interim report in January 2019 containing recommendations for its five policy areas. These include the following:

- Early Childhood Education;
- High-quality and Diverse Teachers and Leaders;
- College and Career Readiness Pathways;
- More Resources to Ensure All Students are Successful; and
- Governance and Accountability.

Costs under the commission’s recommendations are estimated to require an additional \$3.8 billion by fiscal 2030. However, the commission has yet to determine State and local shares of these costs and has therefore recommended that a working group continue to develop recommendations on the shares for the commission to consider in fall 2019.

In the meantime, the commission has established funding priorities for fiscal 2020. These priorities are shown in **Exhibit 8**.

Exhibit 8
Commission on Innovation and Excellence in Education
Funding Priorities
Fiscal 2020
(\$ in Millions)

<u>Program</u>	<u>State Costs</u>	<u>Use of Funding</u>
Expand Full-day Prekindergarten for Four-year-olds	\$29.0	Expand full-day prekindergarten funding formula to include all four-year-olds being served in a full day setting by public school systems.
Fund Seed Grants for Teacher Collaboratives	2.5	Voluntary collaboratives of school systems, teacher preparation institutions, and others to implement higher teacher standards.
Teacher Salary Increase	75.0	State share of 3% increase – requires local match.
Begin Transitional Supplemental Instruction	23.0	State share (roughly half) of Year 0 estimated cost.
Begin Concentration of Poverty Grants	55.0	Fund community school coordinator and health practitioner for schools with 80% or more concentration of poverty.
Increase Health/Behavioral Health Funding	2.0	Increase school-based health centers and fund LEA mental/behavioral health coordinators.
Special Education Placeholder Weight	137.5	State share (roughly half) of Year 0 recommended funding – about 30% of recommended total State increase.
Oversight Board/Training/Public Outreach	1.0	Start-up funding for the Oversight Board and for training/outreach.
Total	\$325.0	

LEA: local education agency

Note: 2019 legislation should also extend declining enrollment grants and full-day prekindergarten formula through fiscal 2021. Career and Technical Education Innovation Grants are mandated at \$2.0 million annually under current law.

Source: *Interim Report January 2019*, Maryland Commission on Innovation and Excellence in Education

Potential Funding Sources for Fiscal 2020 Priorities

The commission identified two sources of funding that could potentially fund the fiscal 2020 priorities that it identified as it made its recommendations. The first is \$125 million in lock box funding from the ETF, which is supported by gaming revenues and has been used to provide funding for formulas and programs under the BTE in Public Schools Act after it was established during the 2007 special session. Chapter 357, a proposed constitutional amendment approved by the voters at the 2018 general election, requires the Governor to provide supplemental State funding for public education through the use of commercial gaming revenues that are dedicated to public education in the State budget beginning in fiscal 2020. Supplemental funding must total at least \$125 million in fiscal 2020 while growing to 100% of all gaming revenues by fiscal 2023. This funding must be dedicated to public education as supplemental education or school construction funding, which is to be in addition to the State funding provided through the BTE in Public Schools Act. The fiscal 2020 funding priorities of the commission would qualify under this standard.

However, the fiscal 2020 budget does not reserve the full amount for fiscal 2020 commission initiatives. Instead, it distributes the funds among various programs and initiatives, which are displayed in **Exhibit 9**. As shown, \$24.25 million is being used to fund programs that were mandated under Chapter 361, the commission's 2018 legislation. This includes \$15 million for prekindergarten expansion, \$4.5 million for a Learning in Extended Academic Programs initiative, \$2.5 million for an early literacy initiative, \$2.0 million for CTE grants, and \$250,000 for teacher recruitment and outreach. Meanwhile, \$45 million is being dedicated to pay-as-you-go public school construction funding with an additional \$20 million dedicated to a revolving loan fund for public school construction as established under the 21st Century School Facilities Act (Chapter 14 of 2018). This leaves \$35.75 million in lock box ETF funding available, which the fiscal 2020 budget has included as a separate program with no current specification of purpose. It is worth noting that the Governor has stated the intention of using \$125 million from the ETF to pay for debt service payments in support of new school construction initiatives in fiscal 2021 and beyond. This plan is detailed in **Exhibit 10**.

Exhibit 9
Expenditures from the Education Trust Fund Lock Box
Fiscal 2020
(\$ in Thousands)

<u>Program</u>	<u>Funding</u>
Commission on Innovation and Excellence in Education 2018 Legislative Initiatives	
Prekindergarten Expansion	\$15,000
LEAP	4,500
Early Literacy Initiative	2,500
Career and Technical Education Grants	2,000
Teacher Recruitment and Outreach	250
<i>Subtotal</i>	<i>\$24,250</i>
School Construction	
Public School Construction Funding PAYGO	\$45,000
Revolving Loan Fund	20,000
<i>Subtotal</i>	<i>\$65,000</i>
Available for 2019 Commission on Innovation and Excellence in Education Priorities	
Not Currently Specified	\$35,750
Grand Total	\$125,000

LEAP: Learning in Extended Academic Programs

PAYGO: pay-as-you-go

Note: Funding for prekindergarten and school construction are accounted for in analyses R00A99 and R00A0702.

Source: Department of Legislative Services

Exhibit 10
Funding for Education Enhancements from the ETF Lock Box
Governor’s Plan
Fiscal 2020-2024
(\$ in Millions)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Expected ETF Revenues	\$125	\$250	\$375	\$540	\$545
Governor’s Spending Plan					
School Construction PAYGO	\$45	\$0	\$0	\$0	\$0
School Construction Debt Service	0	125	125	125	125
Revolving Loan Fund	20	0	0	0	0
Commission on Innovation and Excellence in Education 2018 Legislative Initiatives	24	24	24	22	22
Unspecified	36	101	226	393	398
Total	\$125	\$250	\$375	\$540	\$545

ETF: Education Trust Fund

PAYGO: pay-as-you-go

Source: Department of Legislative Services

The commission also identified \$200 million from the Commission on Innovation and Excellence in Education Fund. This fund was established by both Chapters 10 and 361 of 2018, which specified that the fund may only be used to provide funding for early childhood and primary and secondary education in accordance with the State budget while reserving \$200 million from an increase in income tax revenue to be spent in a future fiscal year. However, this \$200 million has not been included in the fiscal 2020 budget.

2. P-TECH Schools

Chapter 144 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, 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. **Exhibit 11** shows the current P-TECH schools that are operating in the State as well as their industry partners and current enrollment.

Exhibit 11
P-TECH Schools
Academic Year 2018-2019

<u>County</u>	<u>School</u>	<u>Industry Partners</u>	<u>Start Date</u>	<u>2018-2019 Enrollment</u>
Allegany	Allegany Career and Technology Center	Western Maryland Health Systems	Fall 2017	47
Baltimore City	Paul Laurence Dunbar High School	Johns Hopkins Hospital; Kaiser Permanente; and the University of Maryland, Baltimore Campus	Fall 2016	150
	Carver Vocational Technical High School	IBM	Fall 2016	125
	New Era Academy	Port of Baltimore and the United States Coast Guard	Fall 2018	25
Baltimore County	Dundalk High School	Whiting-Turner Contracting, KCI Technologies, Black and Decker, and Alban CAT	Fall 2018	60
Montgomery	Clarksburg High School	Daly Computers, Inc. and the Information Technology Foundation	Fall 2018	62
Prince George's	Frederick Douglass High School	Medstar Health	Fall 2017	60
	Frederick Douglass High School	Marriott	Fall 2017	58

P-TECH: Pathways in Technology Early College High

Source: *Annual Report to the Governor and General Assembly on Pathways in Technology Early College High School (P-TECH)*, January 15, 2019, Maryland State Department of Education; Department of Legislative Services

Chapter 591 put in place the funding structure for the P-TECH program. This funding is split between K-12 funding provided to LEAs and higher education funding provided to community colleges. For K-12, students are counted normally in their LEA's formula funding in their first four years in the program (*i.e.*, grades 9 through 12). For their fifth year in the program (grade 13), they remain in the LEA's formula but are counted as 50% of an FTE for their LEA, and in their sixth and final year (grade 14), they are counted as 25%. In addition, LEAs receive \$750 from the State per

P-TECH student, which must be matched 100% by the LEA. For community colleges, Chapter 591 establishes a supplemental college grant that is equal to the tuition and fees that would normally be charged for the classes in which a P-TECH student enrolls. 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%. Student credit hours at a community college are also included in the college's FTE student calculation for their funding formulas, providing additional funding. Chapter 591 also specified that the fiscal 2018 planning grants would be the last until the initial P-TECH cohort from the 2016-2017 school year completes its six-year sequence (*i.e.*, after the 2022-2023 school year).

The fiscal 2020 allowance provides \$1.1 million for P-TECH, including \$855,000 for grants to LEAs and community colleges and \$300,000 for planning grants. However, due to Chapter 591, planning grants are not allowed in fiscal 2020. The P-TECH Expansion Act of 2019 (SB 167 or HB 152) would lift the moratorium on P-TECH planning grants. **Therefore, DLS recommends that funding for P-TECH planning grants be made contingent on the enactment of this legislation.**

It is worth noting that predicting costs for P-TECH has proved to be very difficult. As a current year-funded program, budgets have to be made to anticipate how many students will participate in P-TECH in the coming school year. This is unlike most K-12 programs that base funding off of enrollment in the current school year. Predicting how many P-TECH students will be in the program in the coming years is made more difficult by the fact that students sometimes drop out of the program or complete the program at differing rates. Finally, there is no exact way to anticipate how much funding will be required to be paid out of the program for community colleges because there is no way to predict how many community college classes P-TECH students will choose to take in the coming year. These issues could be remedied by making P-TECH funding based on P-TECH enrollment and community college class participation in the year prior to the budget being set, which would require the enactment of legislation.

3. Local School Systems and Claiming Medicaid Funding

In July 2018, the Medical Care Programs Administration (Medicaid) in MDH hired a consulting firm to review its existing business processes and organizational structure and to make recommendations for improvement. The resulting report issued in December 2018 contained a set of wide-ranging options for improvement. One of the recommendations concerned claiming Medicaid for certain school-based services.

Schools can receive Medicaid funding in three ways:

- through school-based health centers that essentially act as providers;
- through services (*e.g.*, speech therapy and counseling) provided as part of an Individualized Education Plan (IEP) that are specific to the needs of an individual child's education; and

- school-based administrative services that support the provision of Medicaid services to children in schools and activities related to outreach and enrollment.

Maryland does claim Medicaid for services delivered through school-based health centers and services that are part of an IEP, although there is concern that jurisdictions may not maximize the potential for claiming Medicaid. However, Maryland currently does not claim it for administrative services (unlike 31 other states and the District of Columbia).

The recommendation of the consultant was that Maryland could:

- implement a statewide administrative claiming process for eligible administrative expenses. By way of comparison, Maryland claimed \$74.4 million in fee-for-service IEP Medicaid services delivered in fiscal 2016. States with similar levels of spending claimed from \$8.9 million to \$31.5 million in administrative claims;
- make participation for administrative claims optional; or
- launch a pilot program to explore school-based administrative claiming.

Maryland Medicaid has indicated that while the recommendation has potential, it is up to MSDE to take the lead as the primary benefit and burden would fall on local education agencies. It should be noted that a recent federal audit has raised questions about the validity of administrative claiming methodologies, which may require significant corrective actions from states involved. However, if those issues can be addressed, this is still an area that is worth exploring. **DLS recommends that MSDE establish a working group to review how local jurisdictions could maximize Medicaid claims for school-based services, including for administrative services.**

A separate audit report was made public by the Office of Legislative Audits in October 2018 that examined the financial management practices of Baltimore City Public Schools (BCPS) as part of the multi-year financial audits for LEAs. The audit report included findings that BCPS did not obtain Social Security numbers for 5,600 students with IEPs to help identify students for whom Medicaid reimbursements could be obtained for eligible services and that BCPS did not have a formal process to review denied Medicaid claims to determine if the claims could be corrected for resubmission. DLS notes that this is potentially not isolated to BCPS and that other local school systems in the State could benefit from increased billing of services to Medicaid. Meanwhile, the Commission on Innovation and Excellence in Education has recommended in its January 2019 interim report that MSDE begin to work with MDH to obtain and use student Medicaid eligibility for its direct certification system in order to identify more low-income students and qualify them for federal nutritional benefits and to include them in counts for the State's compensatory education program. **Therefore, DLS also recommends that this workgroup review opportunities for LEAs to safely and securely receive student Social Security numbers from MSDE's direct certification system in order to claim Medicaid reimbursement.**

4. Grantees Reporting Communication Difficulties with MSDE

MSDE serves as the administrator for a large number of competitive federal and State grants that provide funding to both LEAs and nongovernment entities to support education in Maryland. One such federal grant is for 21st CCLC, which seeks to establish or expand activities in community learning centers through LEA programs or nongovernment organizations that provide opportunities for academic enrichment for children. MSDE reports that this program provided \$15.1 million in grants in fiscal 2018. However, grantees have reported issues in receiving information on their funding amounts, including an instance in May 2017 when MSDE announced at a 21st CCLC network meeting that there would be reductions in grant awards and a lag in payments. Subsequently, MSDE canceled \$9.1 million of its fiscal 2018 federal fund authorization for 21st CCLCs; MSDE has explained that this was due to funding for summer learning programs under the program being held to spend during summer 2019. 21st CCLC grantees also report that notice of funding awards from MSDE have lagged, creating difficulties in programming. **MSDE should explain to the budget committees if it is paying out its full appropriation for 21st CCLC, how it determines grant amounts, and how it schedules grant awards and payment.**

MSDE also administers a number of State grants that award funds on a competitive basis. This includes the Public School Opportunities Enhancement Grant that was established by Chapter 32 of 2016 and is funded annually at \$3.0 million to assist LEAs, public community schools, and nonprofit organizations in the State in expanding or creating extended day and summer programs and to support educational programming during the school day. Grantees have likewise reported communication issues with MSDE over this program. This includes MSDE not making it clear to grantees what expenditures were eligible under the grant until after purchases were already made. Additionally, grantees report that there was not clear communication from MSDE that, under the law, grants are limited to the first-year amounts even though organizations were encouraged to submit proposals for multi-year agreements. This resulted in some grantees planning programs that expected increased funding in the out-years that is now not available.

MSDE should explain to the budget committees how it can improve its communications with current and potential grantees about the amounts of funding available and the requirements under funding agreements.

5. Concerns about Adequate Provider Capacity for Autism Waiver

Maryland's Medicaid Home and Community-Based Services Waiver for Children with Autism Spectrum Disorder, otherwise known as the Autism Waiver, was approved in 2000 by the Centers for Medicare and Medicaid Services, and participants began receiving services in 2001. The Autism Waiver is for children at risk of institutionalization if their needs are not adequately supported in their home and community and is designed to provide long-term, person-centered therapeutic services and supports designed to enable home and community living as an alternative to institutional care. The Autism Waiver offers the following services to eligible participants: adult life planning; environmental accessibility adaptations; family consultation; intensive individual support services; residential habilitation; respite care; and therapeutic integration. The fiscal 2019 budget provided sufficient funding for 1,300 slots to support individuals.

For many years, MSDE has maintained a long waitlist of individuals waiting for Autism Waiver services. However, MSDE has recently changed how its waitlist operates so that students are no longer provided services according to how long they have been on the waitlist but on a case-by-case basis. This may be due in part to the fact that interventions from the Autism Waiver have the greatest efficacy for younger individuals. **MSDE should provide to the budget committees details on how its Autism Waiver waitlist operates and how it is determined when children on the waitlist receive services.**

Due to the waitlist, additional funding has been provided in recent years to support more individuals. However, due to concerns about whether there are enough providers in the State to support these individuals who would then be receiving services, the 2018 *Joint Chairmen's Report* requested that MSDE and MDH report on the number of providers for the program for fiscal 2014 to 2018 and what actions MSDE and MDH will be taking in fiscal 2019 to increase provider capacity. MSDE and MDH reported that the number of providers in the State has decreased in recent years, from 73 in fiscal 2014 to 57 in fiscal 2018. MSDE and MDH reported a number of initiatives to enhance the administration of the Autism Waiver, including providing support and technical assistance to providers through focus groups, onsite monitoring, and workshops and have sought out new providers when services were limited, including the distribution of flyers to local school systems and Autism Waiver service coordinators.

Interestingly, similar concerns have been raised about the underutilization of available slots in other home- and community-based waiver programs operating through Medicaid. Among other things, Medicaid has noted that it has recently been serving more people who are entitled to these services through Medicaid rather than through waivers. If a person is Medicaid-eligible, then they must be served without waiting lists. Medicaid also noted that the provider network utilized by the entitlement and waiver population is the same and that network capacity (personal assistance agency providers, case management, *etc.*) is limited, and available capacity has been taken up by the entitlement programs. This could be a factor for children served through the Autism Waiver also.

MSDE should explain if its efforts have yielded expanded provider capacity for the Autism Waiver in fiscal 2019 and whether competing waiver programs that also bill for Medicaid contribute to limited provider capacity.

Operating Budget 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 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. Add the following language to the general fund appropriation:

. provided that \$300,000 of this appropriation made for the purpose of providing planning grants for Pathways in Technology Early College High Schools is contingent on the enactment of SB 167 or HB 152.

Explanation: This language makes funding for Pathways in Technology Early College High School planning grants contingent on the enactment of legislation ending a moratorium on such planning grants.

3. Adopt the following narrative:

Maximizing Medicaid Claims for School-based Services: Various recent reports have had multiple findings regarding opportunities for local education agencies (LEA) to potentially claim Medical Care Programs Administration (Medicaid) funding. This includes a report from a consulting firm hired to review Medicaid under the Maryland Department of Health that found that LEAs could potentially claim Medicaid for administrative services. Meanwhile, the Office of Legislative Audits found that Baltimore City Public Schools (BCPS) did not obtain Social Security numbers for all of its students or review denied claims in order to maximize Medicaid reimbursement; this issue may not be isolated to BCPS. Therefore, the Maryland State Department of Education (MSDE), in consultation with local boards of education, should convene a workgroup to review and make recommendations on how local jurisdictions could maximize Medicaid claims for school-based services, including for administrative services, and on how LEAs may safely and securely receive student Social Security numbers through the State's direct certification system. MSDE should provide the findings from its review and its recommendations to the budget committees no later than November 1, 2019.

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Information Request	Author	Due Date
Report on maximizing Medicaid claims for school-based services	MSDE	November 1, 2019

Updates

1. Funding for School Safety Initiatives

Following the tragic shootings at Marjory Stoneman Douglas High School in Florida and at Great Mills High School in St. Mary’s County, the Maryland Safe to Learn Act (Chapter 30 of 2018) and the 21st Century School Facilities Act (Chapter 14) were enacted to take a comprehensive approach to make schools in the State safer by enhancing both the security of school buildings and the assessment and training of school staff and students to be better prepared for critical situations as well as ensure that mental health and wraparound services are available to students who display behaviors of concern. Descriptions of the initiatives established under these laws can be found in the analysis for the MSDE Center for School Safety (R00A06) and the capital analysis for the Interagency Commission on School Construction (R00A0702).

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 2018					
Legislative Appropriation	\$5,839,777	\$527,311	\$968,017	\$140	\$7,335,246
Deficiency/Withdrawn Appropriation	46,297	-46,297	0	0	0
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	-375	0	-375
Reversions and Cancellations	-4,199	-105	-120,686	-112	-125,103
Actual					
Expenditures	\$5,881,875	\$480,909	\$846,956	\$28	\$7,209,768
Fiscal 2019					
Legislative Appropriation	\$6,000,321	\$508,299	\$943,480	\$30	\$7,452,131
Budget Amendments	4,750	0	0	0	4,750
Working Appropriation	\$6,005,071	\$508,299	\$943,480	\$30	\$7,456,881

MSDE: Maryland State Department of Education

Note: The fiscal 2019 appropriation does not include deficiencies.

Fiscal 2018

General fund expenditures totaled approximately \$5.9 billion in fiscal 2018, reflecting nearly a \$42.1 million increase when compared to the legislative appropriation.

- Deficiency appropriations increased the legislative appropriation by nearly \$46.3 million. This increase represents a fund swap of \$40.6 million to replace special funds from the Education Trust Fund (ETF) with general funds due to revised video lottery terminal (VLT) revenue projections for fiscal 2018 and a fund swap of \$5.7 million to replace special funds from the ETF with general funds due to a VLT revenue shortfall in fiscal 2017.
- General fund reversions reduced the legislative appropriation by nearly \$4.2 million. This was primarily due to \$3.3 million that was unspent for teacher development, including \$1.9 million for Anne Arundel County Teacher Stipends after the Anne Arundel County Public Schools chose not to participate in the program and did not produce a local match; \$1.0 million for the Teacher Induction, Retention, and Advancement Pilot Program after local education agencies only requested a lower amount of funding than what was appropriated; \$311,000 for Quality Teacher Incentives due to fewer than expected teachers having National Board Certification (NBC); and \$140,000 due to fewer than expected teachers applying for NBC, which resulted in fewer fees having to be paid by the State. The Maryland State Department of Education (MSDE) also reverted \$358,000 due to lower than budgeted participation in out-of-county placement programs, \$250,000 in unspent funds for the Maryland Education Development Collaborative, and \$243,000 due to lower than budgeted costs for Pathways in Technology Early College High Schools.

Special fund expenditures totaled approximately \$480.9 million in fiscal 2018, a decrease of \$46.4 million when compared to the legislative appropriation. This is primarily due to a deficiency reduction of nearly \$46.3 million due to lower than budgeted revenues for the ETF from VLT, which were then replaced with general funds. MSDE also canceled \$105,000 in special funds due to fewer teachers receiving local funds for NBC fees than what was budgeted.

Federal fund expenditures totaled nearly \$847.0 million in fiscal 2018, a decrease of \$121.1 million when compared to the legislative appropriation. This includes a transfer of \$375,000 from the appropriation for the federal Food Service Program to the Library Services Program that is budgeted outside of this analysis. However, the vast majority of this decrease is due to cancellations in federal funds, totaling approximately \$120.7 million. The largest cancellation is for the federal Food Services Program at \$86.3 million due to fewer schools participating in the Community Eligibility Program than what was originally estimated. MSDE also canceled \$17.1 million in funding from Title I of the Elementary and Secondary Education Act due to fewer than anticipated counts for students in poverty, and \$9.1 million due to funding for summer learning programs under the 21st Century Community Learning Centers program being held to spend during summer 2019. The remaining \$8.2 million in canceled funds is primarily due to MSDE receiving less federal grant funding than anticipated for various programs, including \$4.0 million for teacher training, \$1.3 million for mathematics and science programming, \$1.2 million for special education services and personnel development, \$800,000 for Advanced Placement testing fees, \$649,000 for English language assistance, and \$150,000 for career and technical education (CTE).

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Reimbursable funds total \$27,901, representing a decrease of \$112,000 when compared to the legislative appropriation. This entire decrease is due to MSDE receiving less funding than anticipated from the Maryland Department of Health for its School Based Sexual Harassment and Assault Prevention Program.

Fiscal 2019

The fiscal 2019 working appropriation includes \$6.0 billion in general funds. This reflects an approximately \$4.8 million increase over the legislative appropriation. This increase is due to funding that was transferred via budget amendment from the State Reserve Fund for education initiatives as restricted in the fiscal 2019 Budget Bill, including the Maryland Early Literacy Initiative, CTE grants, and teacher recruitment and outreach.

The fiscal 2019 working appropriation also includes \$508.3 million in special funds, \$943.5 million in federal funds, and \$30,000 in reimbursable funds. These amounts represent no change from the legislative appropriation.

Appendix 2
Local Cost Share for Teacher Retirement
Fiscal 2019 and 2020

County	Local Administrative Cost Share for Teacher Retirement			Local Cost Share for Teacher Retirement		
	2019	2020	Difference	2019	2020	Difference
Allegany	\$207,640	\$156,478	-\$51,162	\$2,603,702	\$2,586,615	-\$17,088
Anne Arundel	1,902,035	1,450,687	-451,348	23,850,572	23,980,202	129,630
Baltimore City	1,922,109	1,413,757	-508,352	24,102,293	23,369,744	-732,549
Baltimore	2,690,447	2,089,100	-601,347	33,736,865	34,533,331	796,465
Calvert	400,586	313,411	-87,175	5,023,147	5,180,760	157,613
Caroline	139,467	107,376	-32,091	1,748,847	1,774,954	26,107
Carroll	587,338	457,112	-130,226	7,364,920	7,556,167	191,247
Cecil	396,634	302,678	-93,956	4,973,590	5,003,332	29,742
Charles	646,433	490,284	-156,149	8,105,946	8,104,510	-1,437
Dorchester	113,675	88,687	-24,988	1,425,429	1,466,013	40,584
Frederick	943,338	752,055	-191,283	11,828,994	12,431,646	602,653
Garrett	89,913	65,532	-24,381	1,127,463	1,083,257	-44,206
Harford	826,075	649,037	-177,038	10,358,563	10,728,741	370,177
Howard	1,712,165	1,353,027	-359,138	21,469,703	22,365,863	896,161
Kent	53,101	39,021	-14,080	665,863	645,035	-20,828
Montgomery	4,813,168	3,695,429	-1,117,739	60,354,730	61,086,328	731,598
Prince George's	3,366,082	2,618,452	-747,630	42,208,998	43,283,640	1,074,642
Queen Anne's	180,335	138,061	-42,274	2,261,317	2,282,178	20,861
St. Mary's	397,158	307,863	-89,295	4,980,167	5,089,054	108,887
Somerset	81,421	64,907	-16,514	1,020,976	1,072,925	51,949
Talbot	102,912	78,141	-24,771	1,290,459	1,291,686	1,227
Washington	494,733	385,834	-108,899	6,203,703	6,377,926	174,222
Wicomico	364,223	282,136	-82,087	4,567,171	4,663,780	96,609
Worcester	202,735	158,347	-44,388	2,542,199	2,617,511	75,313
Total	\$22,633,723	\$17,457,410	-\$5,176,313	\$283,815,618	\$288,575,197	\$4,759,579

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. 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 3
Calculations for Fiscal 2020 Maintenance of Effort
Fiscal 2015-2019

<u>Local Education Agency</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Counties Below Five-year Average</u>	<u>Change in Local Wealth Per Pupil*</u>	<u>Required Increase</u>
Allegany	1.19%	1.20%	1.20%	1.20%	1.20%	*	3.4%	2.5%
Anne Arundel	1.29%	1.32%	1.33%	1.32%	1.29%		3.4%	
Baltimore City	1.12%	1.11%	1.06%	1.07%	1.04%	*	5.9%	2.5%
Baltimore	1.39%	1.41%	1.39%	1.42%	1.44%		3.8%	
Calvert	1.58%	1.57%	1.54%	1.57%	1.61%		-2.8%	
Caroline	0.89%	0.91%	0.92%	0.92%	0.92%	*	1.8%	1.8%
Carroll	1.46%	1.50%	1.51%	1.50%	1.51%		3.9%	
Cecil	1.32%	1.39%	1.37%	1.37%	1.35%		5.5%	
Charles	1.64%	1.68%	1.66%	1.66%	1.69%		3.0%	
Dorchester	1.13%	1.17%	1.17%	1.17%	1.17%	*	1.6%	1.6%
Frederick	1.42%	1.43%	1.42%	1.44%	1.45%		4.1%	
Garrett	1.12%	1.18%	1.20%	1.18%	1.18%	*	0.7%	0.7%
Harford	1.34%	1.36%	1.36%	1.34%	1.35%		3.4%	
Howard	1.83%	1.86%	1.82%	1.78%	1.81%		2.7%	
Kent	1.04%	1.09%	1.05%	1.06%	1.07%	*	6.3%	2.5%
Montgomery	1.39%	1.42%	1.45%	1.43%	1.43%		3.5%	
Prince George's	1.38%	1.45%	1.46%	1.46%	1.44%		5.1%	
Queen Anne's	1.19%	1.23%	1.24%	1.23%	1.21%	*	4.4%	2.5%
St. Mary's	1.28%	1.33%	1.37%	1.33%	1.33%		3.0%	
Somerset	1.20%	1.19%	1.21%	1.21%	1.22%	*	3.8%	2.5%
Talbot	0.76%	0.80%	0.81%	0.83%	0.90%	*	2.7%	2.5%
Washington	1.27%	1.26%	1.24%	1.24%	1.25%	*	2.7%	2.5%
Wicomico	1.02%	1.06%	1.06%	1.07%	1.06%	*	3.0%	2.5%
Worcester	1.12%	1.13%	1.15%	1.14%	1.16%	*	1.0%	1.0%
State Average	1.27%	1.29%	1.29%	1.29%	1.30%	1.29%	3.2%	

* Percentage change in Local Wealth per Pupil (using November net taxable income). The required increase for counties below the five-year statewide moving average is the lesser of (1) a county's increase in the local wealth per pupil; (2) the statewide average increase in local wealth per pupil; or (3) 2.5%

Source: Maryland State Department of Education

Appendix 4
Object/Fund Difference Report
MSDE – Aid to Education

<u>Object/Fund</u>	FY 19				
	FY 18	Working	FY 20	FY 19 - FY 20	Percent
	<u>Actual</u>	<u>Appropriation</u>	<u>Allowance</u>	<u>Amount Change</u>	<u>Change</u>
Objects					
08 Contractual Services	\$ 0	\$ 4,750,000	\$ 0	-\$ 4,750,000	-100.0%
12 Grants, Subsidies, and Contributions	7,209,768,010	7,452,130,735	7,715,140,754	263,010,019	3.5%
Total Objects	\$ 7,209,768,010	\$ 7,456,880,735	\$ 7,715,140,754	\$ 258,260,019	3.5%
Funds					
01 General Fund	\$ 5,881,874,571	\$ 6,005,071,468	\$ 6,293,667,389	\$ 288,595,921	4.8%
03 Special Fund	480,909,109	508,299,110	454,390,851	-53,908,259	-10.6%
05 Federal Fund	846,956,429	943,480,157	966,992,514	23,512,357	2.5%
09 Reimbursable Fund	27,901	30,000	90,000	60,000	200.0%
Total Funds	\$ 7,209,768,010	\$ 7,456,880,735	\$ 7,715,140,754	\$ 258,260,019	3.5%

MSDE: Maryland State Department of Education

Note: The fiscal 2019 appropriation does not include deficiencies. The Department of Budget and Management has explained that funding was budgeted under Object 08 Contractual Services in error and that MSDE will still be able to spend those funds out of Object 12 Grants, Subsidies, and Contributions.

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Appendix 5
Fiscal Summary
MSDE – Aid to Education

<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 State Share of Foundation Program	\$ 3,257,832,188	\$ 3,339,061,264	\$ 3,429,054,534	\$ 89,993,270	2.7%
02 Compensatory Education	1,305,545,022	1,308,336,290	1,330,428,825	22,092,535	1.7%
03 Aid for Local Employee Fringe Benefits	734,454,249	732,920,781	767,888,790	34,968,009	4.8%
04 Children at Risk	40,865,502	51,123,511	49,633,886	-1,489,625	-2.9%
05 Formula Programs for Specific Populations	1,841,589	2,000,000	1,900,000	-100,000	-5.0%
07 Students with Disabilities	440,548,463	449,073,658	460,215,532	11,141,874	2.5%
08 State Assistance for Students with Disabilities	211,692,084	210,977,204	220,913,934	9,936,730	4.7%
12 Educationally Deprived Children	226,733,722	237,289,438	297,700,581	60,411,143	25.5%
13 Innovative Programs	33,460,824	49,465,699	50,122,962	657,263	1.3%
15 Language Assistance	9,850,869	10,443,044	10,395,537	-47,507	-0.5%
18 Career and Technology Education	13,527,517	14,429,645	15,337,000	907,355	6.3%
24 Limited English Proficient	248,683,743	288,041,382	311,079,529	23,038,147	8.0%
25 Guaranteed Tax Base	50,304,279	48,169,682	43,684,957	-4,484,725	-9.3%
27 Food Services Program	326,251,430	394,601,284	349,170,491	-45,430,793	-11.5%
39 Transportation	276,340,069	282,585,211	303,044,654	20,459,443	7.2%
52 Science and Mathematics Education Initiative	261,138	1,543,100	0	-1,543,100	-100.0%
55 Teacher Development	31,575,322	36,819,542	38,819,542	2,000,000	5.4%
60 Innovation and Excellence in Education	0	0	35,750,000	35,750,000	0%
Total Expenditures	\$ 7,209,768,010	\$ 7,456,880,735	\$ 7,715,140,754	\$ 258,260,019	3.5%
General Fund	\$ 5,881,874,571	\$ 6,005,071,468	\$ 6,293,667,389	\$ 288,595,921	4.8%
Special Fund	480,909,109	508,299,110	454,390,851	-53,908,259	-10.6%
Federal Fund	846,956,429	943,480,157	966,992,514	23,512,357	2.5%
Total Appropriations	\$ 7,209,740,109	\$ 7,456,850,735	\$ 7,715,050,754	\$ 258,200,019	3.5%
Reimbursable Fund	\$ 27,901	\$ 30,000	\$ 90,000	\$ 60,000	200.0%
Total Funds	\$ 7,209,768,010	\$ 7,456,880,735	\$ 7,715,140,754	\$ 258,260,019	3.5%

MSDE: Maryland State Department of Education

Note: The fiscal 2019 appropriation does not include deficiencies.

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