

R99E
Maryland School for the Deaf

Executive Summary

The Maryland School for the Deaf (MSD) is a State-run school operating with campuses in both Frederick and Columbia that serve to educate deaf and hard-of-hearing children from prekindergarten through grade 12. MSD also serves families with infants who are deaf or hard of hearing through an early intervention program.

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	\$30,140	\$31,688	\$33,080	\$1,392	4.4%
Adjustments	0	181	698	517	
Adjusted General Fund	\$30,140	\$31,868	\$33,778	\$1,910	6.0%
Special Fund	339	304	352	48	15.6%
Adjustments	0	0	0	0	
Adjusted Special Fund	\$339	\$304	\$352	\$48	15.6%
Federal Fund	486	586	656	70	11.9%
Adjustments	0	4	14	10	
Adjusted Federal Fund	\$486	\$590	\$670	\$79	13.5%
Reimbursable Fund	4,140	3,739	4,064	325	8.7%
Adjustments	0	0	0	0	
Adjusted Reimbursable Fund	\$4,140	\$3,739	\$4,064	\$325	8.7%
Adjusted Grand Total	\$35,105	\$36,502	\$38,864	\$2,362	6.5%

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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- MSD receives an increase of approximately \$807,000 in general funds under its statutory funding formula, after adjusting for general funds budgeted outside of MSD for bonuses and general salary increases in fiscal 2019.
- MSD receives an additional increase of \$1.1 million general funds beyond its funding formula. Approximately \$400,000 of this increase is budgeted within MSD, including funding for anticipated increased expenditures for workers compensation, and funding to hire school resource officers (SRO) and sign language interpreters to work alongside those SROs. Additionally, MSD receives \$698,000 in funding for bonuses, annualization of the 0.5% increase in fiscal 2019, and 3% general salary increases that is budgeted centrally.

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	330.50	330.50	334.50	4.00
Contractual FTEs	<u>80.00</u>	<u>83.40</u>	<u>83.40</u>	<u>0.00</u>
Total Personnel	410.50	413.90	417.90	4.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	1.45	0.46%
Positions and Percentage Vacant as of 12/31/18	2.00	0.60%

- MSD receives 4 new positions in fiscal 2020 to provide 2 SROs, one for each of its campuses, and 2 interpreters to work beside the SROs.

Key Observations

- ***Outcomes for Students Not Meeting MSD's Goals:*** MSD maintains goals that 80% of its students who graduate with a high school diploma go on to attend college but only achieved a rate of 77% in fiscal 2018. MSD also has a goal that 75% of its kindergartners will demonstrate readiness in mathematics, social foundations, and physical well-being and motor development but experienced rates that were significantly below this level in fiscal 2018, particularly in mathematics.
- ***MSD Budgeted for Supplemental Funding:*** MSD receives supplemental general funds in the fiscal 2020 allowance, which are beyond its mandated appropriation. This includes funding for new positions, workers' compensation claims, and salary increases. This funding will be built

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into MSD’s base for funding calculations for fiscal 2021 and beyond. MSD should provide details on the necessity of this supplemental funding to the budget committees.

- ***MSD Adjusting to Changes in Student Population:*** MSD is adjusting to changes in its formula funding from enrollment growth as it experiences a period of fluctuating enrollment. Meanwhile, MSD is undertaking plans to update its facilities at its Frederick campus.

Operating Budget Recommended Actions

	<u>Funds</u>
1. Reduce general funds for workers’ compensation to provide funding according to the three-year average.	\$ 173,000
Total Reductions	\$ 173,000

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Operating Budget Analysis

Program Description

The Maryland School for the Deaf (MSD) provides comprehensive prekindergarten through grade 12 (preK-12) education to deaf students through day and residential programs. The school utilizes the Maryland College and Career-Ready Standards. All students follow one of two levels of curriculum, either pursuing a Maryland high school diploma or undertaking Life-Based Education (LBE) curriculum in pursuit of a certificate of completion. Each curriculum has different goal levels and requires different levels of student support services, which are directed by the students' individual education plan. MSD also operates an Enhanced Services program that supports students who have multiple disabilities, are medically fragile, and/or are developmentally disabled. Finally, MSD operates a Family Education/Early Intervention Program that provides services for families of children age five or younger in developing early language skills, including American Sign Language and English, for the child and family.

MSD has two campuses. The Frederick location serves students in preK-12, while the Columbia location serves students through grade 8. The Frederick campus supported 325 students and 27 Family Education/Early Intervention Program children in fiscal 2018, while the Columbia campus supported 101 students and 55 Family Education/Early Intervention Program children. Students graduating from the Frederick campus are eligible for the Maryland State High School Diploma or a Certificate of Program Completion.

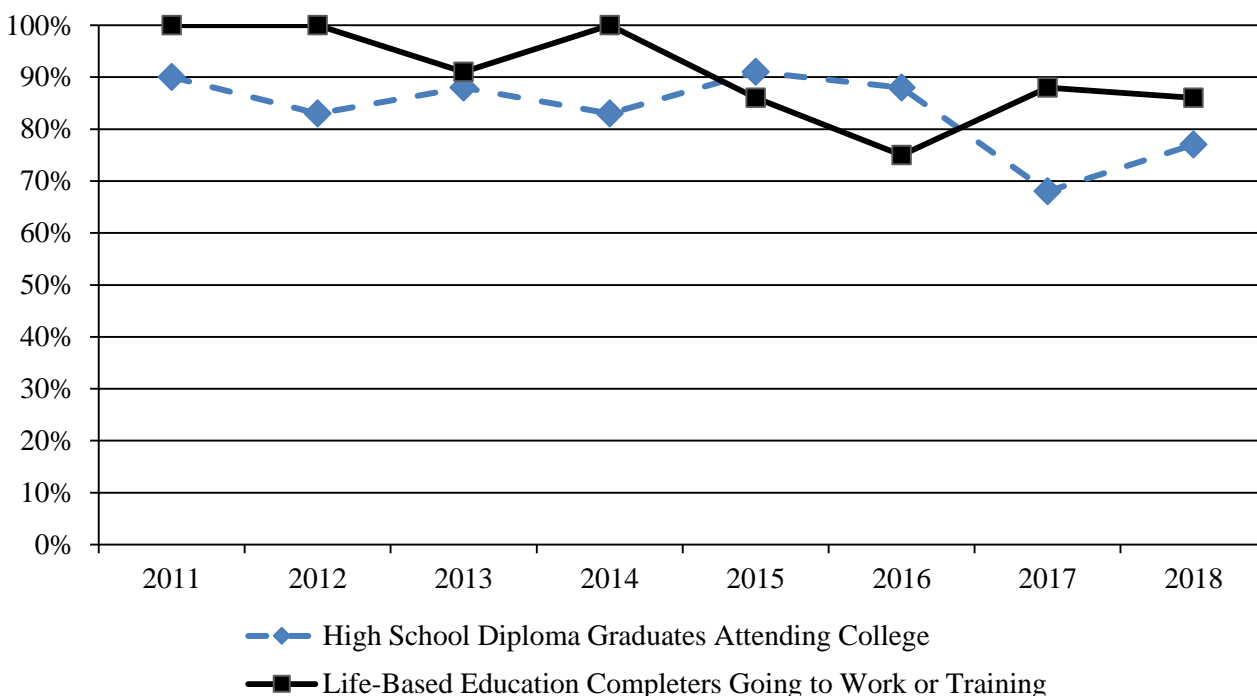
MSD has one overarching goal: to enable students in preK-12 to achieve their developmental potential.

Performance Analysis: Managing for Results

1. Graduates Attending College or Training

MSD has several objectives that guide its measurement of success. The first is that 80% of its students that earn a diploma will go on to attend college. As shown in **Exhibit 1**, though MSD has historically exceeded this target, it was below this rate in fiscal 2017 with a rate of 68% and in fiscal 2018 with a rate of 77%. MSD also has a goal that 80% of its students completing its LBE program and receiving a Maryland State Certificate of Program Completion go on to work or to attend a training program. In fiscal 2018, MSD's rate was 86%.

Exhibit 1
Students Going to College, Work, or Training
Fiscal 2011-2018



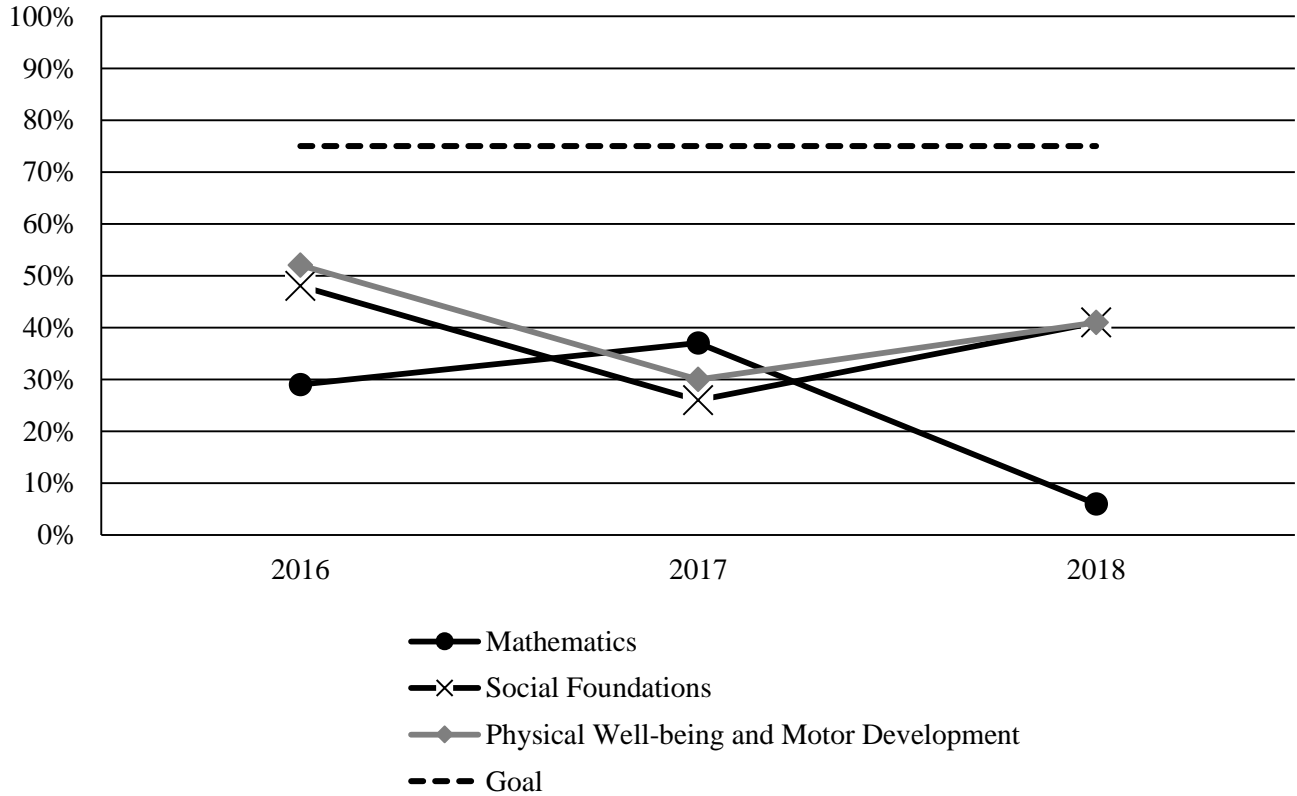
Note: Maryland School for the Deaf has averaged 29 high school diploma graduates and 7 Life-Based Education completers each year since fiscal 2011.

Source: Governor’s Fiscal 2020 Budget Books

2. Kindergarten Readiness Below 75%

MSD began reporting the results from the Kindergarten Readiness Assessment (KRA) for the first time as part of its Managing for Results submission following its administration in fiscal 2016. KRA is the cornerstone of the Ready for Kindergarten: Maryland’s Early Childhood Comprehensive System program and has replaced the previously used Maryland Model for School Readiness. MSD has a goal that 75% of its kindergartners will demonstrate readiness in mathematics, social foundations, and physical well-being and motor development. (MSD does not report for the language and literacy component of KRA, as it is nonscorable for MSD’s kindergartners due to them not having audiological access.) As shown in **Exhibit 2**, kindergarten readiness has been below the 75% goal for all three assessments in all three years. Of particular note is mathematics in which only 6% of kindergartners were assessed as ready in fiscal 2018, a 31 percentage point drop compared to the previous fiscal year.

Exhibit 2
Kindergarten Readiness Assessment
Maryland School for the Deaf
Fiscal 2016-2018



Source: Governors Fiscal 2020 Budget Books

Fiscal 2019 Actions

Proposed Deficiency

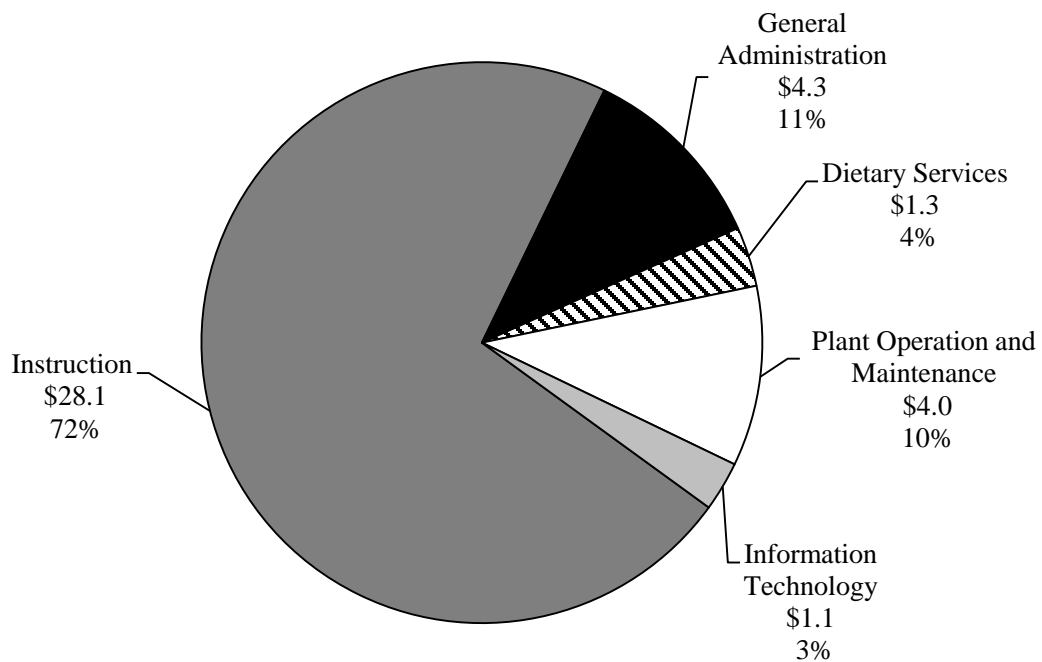
The fiscal 2019 working appropriation includes \$180,548 that is budgeted centrally in the Department of Budget and Management (DBM) and will be allocated by budget amendment to MSD. This includes \$154,656 in general funds and \$3,222 in federal funds to provide \$500 bonuses for its employees in fiscal 2019 as well as \$25,892 in general funds and \$508 in federal funds for a general salary increases of 0.5% in fiscal 2019.

Fiscal 2020 Allowance

Overview of Agency Spending

MSD’s operations are split into five programs: general administration; instruction; information technology (IT); plant operation and maintenance; and dietary services. Funding for the fiscal 2020 allowance for these programs is shown under **Exhibit 3**. Funding for the allowance in the fiscal 2020 budget totals \$38.9 million with most funding going to instruction – \$28.1 million, or 72%. MSD’s budget consists primarily of general funds, comprising \$33.8 million of its budgeted fiscal 2020 appropriation, or 87%. MSD receives \$4.1 million, or 10%, in reimbursable funds that it receives from the Maryland State Department of Education (MSDE) through which MSD recoups funding that its students are supported by under MSDE-administered programs. MSD receives \$670,000, or 2%, from federal grants, particularly funding from the Individuals with Disabilities Education Act. And finally, MSD receives \$352,000, or 1%, in special funds, primarily due to revenues from local education agency contributions for students in MSD’s Enhanced Services program and from auxiliary revenues.

Exhibit 3
Expenditures by Program
Fiscal 2020
(\$ in Millions)



Total: \$38.9

Source: Governor’s Fiscal 2020 Budget Books

Proposed Budget Change

As shown in **Exhibit 4**, funding for MSD increases in fiscal 2020 by \$2.4 million, or 6.5%, accounting for all funds.

Exhibit 4
Proposed Budget
Maryland School for the Deaf
(\$ 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	\$30,140	\$339	\$486	\$4,140	\$35,105
Fiscal 2019 Working Appropriation	31,868	304	590	3,739	36,502
Fiscal 2020 Allowance	<u>33,778</u>	<u>352</u>	<u>670</u>	<u>4,064</u>	<u>38,864</u>
Fiscal 2019-2020 Amount Change	\$1,910	\$48	\$79	\$325	\$2,362
Fiscal 2019-2020 Percent Change	6.0%	15.6%	13.5%	8.7%	6.5%

Where It Goes:

Personnel Expenses

General salary increase	\$685
Salaries	518
New positions.....	397
Employee and retiree health insurance	194
Workers' compensation	191
Employee retirement system.....	157
Reclassification	103
Turnover.....	1
Bonuses	-158
Other fringe benefit adjustments.....	-191

Other Changes

Supplies and equipment	491
Contractual interpreters.....	42
Other operating expenditures	57
Information technology.....	22
Electricity, water, and gas	-147

Total **\$2,362**

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

Formula and Supplemental Funding

Formula funding for MSD is based on enrollment growth and growth in State per pupil funding provided to local school systems. The formula has an adjustment that reflects the four-year moving average of student enrollment and 50% of enrollment in the Family Education/Early Intervention Program, which softens the effect of enrollment increases and decreases. There is no adjusted enrollment growth for the fiscal 2020 allowance. The per pupil foundation amount has increased to \$7,244, based on an inflationary increase of 2.5%. The impact from this per pupil increase provides a statutory increase over the fiscal 2019 working appropriation of \$807,211 in general funds. (This increase is built off of a calculation that includes fiscal 2019 funds for bonuses and general salary increases in MSD's base amount.)

Various types of supplemental funding from general funds have been included in the fiscal 2020 allowance that increase funding beyond MSD's mandated amount. This funding is as follows:

- \$213,000 available to assist in hiring 4 new positions: 2 school resource officers (SRO)(1 for each of MSD's campuses); and 2 sign language interpreters to work alongside these SROs. These SROs have been provided in the spirit of the Maryland Safe to Learn Act of 2018 (Chapter 30) which, among other provisions, requires public schools in Maryland to report on the number of SROs that are assigned to the school and, if none are assigned, the adequate local law enforcement coverage that will be provided to the school. Chapter 30 also established provisions for grants to be administered by a newly created Maryland Center for School Safety (MCSS) to local school systems and local law enforcement agencies to provide adequate law enforcement coverage. It is worth noting that MCSS has reported that MSD does not qualify for grants under the law as it is not a local school system. **MSD should explain to the budget committees what role new SROs would fulfill on its campuses and if it has existing relationships with law enforcement in both Frederick and Columbia to provide law enforcement coverage. MSD should also explain if supplemental funding will be necessary to hire 2 SROs and 2 interpreters or if these positions could be supported under existing resources.**
- A \$191,000 increase in funding for workers compensation, which provides a 256% increase in funding for workers compensation in fiscal 2020 than what is budgeted in fiscal 2019. MSD states that this increased funding for workers compensation is necessary following an increase in claims at the end of fiscal 2018 and beginning of fiscal 2019. **MSD should explain to the budget committees how many workers compensation claims it received in both fiscal 2018 and so far in fiscal 2019, and why they are increasing over former expectations. The Department of Legislative Services recommends reducing general funds for workers compensation to provide funding according to the three-year average that has been necessary for employees at MSD, thereby requiring that MSD control workers compensation expenditures by reducing workers compensation claims.**
- \$685,000 to provide general salary increases to MSD employees in fiscal 2020. This funding is budgeted centrally in DBM and will be allocated to MSD via budget amendment.

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Altogether, this supplemental funding totals \$1.1 million. All of this funding will be built into MSD's general fund base for calculating its mandated State funding for fiscal 2021 and beyond.

Operating Expenditures

Personnel expenditures from all funds increase for MSD by \$1.9 million in fiscal 2020. The largest increase is \$685,000 for the statewide general salary increases as the 3% increase in fiscal 2020 and annualization of the 0.5% increase from fiscal 2019 are larger than the 0.5% being provided for three months in fiscal 2019. Other significant increases include \$518,000 for salaries and \$397,000 for the 4 new positions previously described (\$213,000 for these positions is budgeted out of supplemental funding, while the rest is budgeted out of MSD's regular formula funding).

Nonpersonnel operating expenditures at MSD increase in fiscal 2020 by approximately \$465,000. MSD receives \$491,000 in additional funds for supplies and equipment and \$42,000 for contractual interpreters. Funding for IT expenditures also increases by \$22,000, as MSD begins to operate under the new fee-for-services model with the Department of Information Technology (DoIT) in which DoIT bills State agencies for services provided and receives funding through reimbursable funds, when previously these funds would have originated in DoIT. Funding for gas, water, and electricity decrease by \$147,000 to bring funding in line with actual expenditures. Operating expenditures elsewhere across MSD increase by a net \$57,000.

Issues

1. MSD Adjusting to Changes in Student Population

Because MSD experiences large swings in enrollment year to year, its mandated budget funding accommodates a four-year rolling average when calculating enrollment growth, which deters large increases or declines in funding in any given year. The enrollment from fiscal 2014 to 2018 is shown in **Exhibit 5**. It is worth noting that enrollment declined significantly for fiscal 2018 after MSDE graduated a large senior class of 49 students in the class of 2017. These lower enrollment numbers will continue to impact MSD’s formula in years to come.

Exhibit 5
Annual Enrollment Counts
Maryland School for the Deaf
Fiscal 2014-2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Frederick Campus					
School Age	324	348	338	361	325
Early Intervention	28	23	27	30	27
Subtotal	352	371	365	391	352
Columbia Campus					
School Age	113	107	95	93	101
Early Intervention	42	38	60	48	55
Subtotal	155	145	155	141	156
Total	507	516	520	532	508
Formula Total	472	486	477	493	467

Note: Early Intervention counts are reduced by 50% when calculating enrollment growth in the Maryland School for the Deaf’s funding formula.

Source: Department of Budget and Management

MSD’s *Capital Improvement Program* (CIP) adjusts for the change to its population by replacing its older, larger dormitories at its Frederick campus with newer, smaller, residence-style dormitories by fiscal 2024. MSD also has plans in its CIP to renovate the Veditz Building at its Frederick campus, which houses MSD’s career and technical education program by fiscal 2021 to bring

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more diverse programming to students at that campus. Meanwhile, the facilities at its Columbia campus do not have plans for updates, save for plans to replace an emergency notification system in fiscal 2020. Approximately 76% of MSD's school-age students attend the Frederick campus, while 24% attend the Columbia campus.

Operating Budget Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce general funds for workers' compensation to provide funding according to the three-year average that has been necessary for employees at the Maryland School for the Deaf (MSD), thereby requiring that MSD control workers' compensation expenditures by reducing workers' compensation claims.	\$ 173,000	GF
Total General Fund Reductions	\$ 173,000	

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**Appendix 1
Current and Prior Year Budgets
Maryland School for the Deaf
(\$ 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	\$31,475	\$304	\$583	\$3,460	\$35,822
Deficiency/Withdrawn Appropriation	-407	0	-8	0	-415
Cost Containment	0	0	0	0	0
Budget Amendments	-89	35	0	681	627
Reversions and Cancellations	-839	0	-88	-1	-928
Actual Expenditures	\$30,140	\$339	\$486	\$4,140	\$35,105
Fiscal 2019					
Legislative Appropriation	\$31,486	\$304	\$583	\$3,739	\$36,112
Budget Amendments	202	0	3	0	205
Working Appropriation	\$31,688	\$304	\$586	\$3,739	\$36,317

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 totaled \$30.1 million in fiscal 2018, representing a \$1.3 million decrease when compared to the legislative appropriation. This includes a decrease of \$407,000 due to Section 19 of the fiscal 2019 Budget Bill that occurred due to two additional payroll health deduction holidays. A budget amendment decreased general funds by \$89,000 to realign expenditures for telecommunications. Finally, \$839,000 was reverted due to lower than budgeted expenditures for health insurance, which is restricted for that purpose in the Maryland School for the Deaf's (MSD) budget and therefore cannot be transferred elsewhere.

Special fund expenditures totaled \$339,000 in fiscal 2018, representing a \$35,000 increase over the legislative appropriation due to increased participation from local education agencies in MSD's Enhanced Services program.

Federal fund expenditures totaled approximately \$486,000 in fiscal 2018, representing a \$97,000 decrease below the legislative appropriation. This is due to a decrease of approximately \$8,000 due to the reduction in health insurance and a decrease of approximately \$88,000 due to funds that were canceled due to Medicaid funding that was not received.

Reimbursable funds expenditures totaled \$4.1 million in fiscal 2018, representing a \$680,000 increase over the legislative appropriation. This was due to \$681,000 in funding that MSD receives from the Maryland State Department of Education (MSDE) for enhanced services and for students enrolled in the Work to Learn program under MSDE's Department of Rehabilitation Services, which was offset by approximately \$1,000 in canceled federal funds for operating expenditures.

Fiscal 2019

General funds for the fiscal 2019 working appropriation total approximately \$31.7 million, representing an increase of approximately \$202,000 over the legislative appropriation. This increase is due to funding for the fiscal 2019 general salary increase.

Special funds of approximately \$304,000 for the fiscal 2019 working appropriation are unchanged from the legislative appropriation.

Federal funds for the fiscal 2019 working appropriation total approximately \$586,000, representing an increase of \$3,000 for the fiscal 2019 general salary increase.

Reimbursable funds of approximately \$3.7 million for the fiscal 2019 working appropriation are unchanged from the legislative appropriation.

**Appendix 2
Object/Fund Difference Report
Maryland School for the Deaf**

<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	330.50	330.50	334.50	4.00	1.2%
02 Contractual	80.00	83.40	83.40	0.00	0%
Total Positions	410.50	413.90	417.90	4.00	1.0%
Objects					
01 Salaries and Wages	\$ 27,800,654	\$ 29,151,458	\$ 30,521,092	\$ 1,369,634	4.7%
02 Technical and Special Fees	3,465,780	3,660,326	3,527,635	-132,691	-3.6%
03 Communication	158,424	224,788	119,880	-104,908	-46.7%
04 Travel	24,503	14,368	19,349	4,981	34.7%
06 Fuel and Utilities	795,508	947,863	800,285	-147,578	-15.6%
07 Motor Vehicles	76,234	142,051	72,552	-69,499	-48.9%
08 Contractual Services	1,271,050	1,034,355	1,646,648	612,293	59.2%
09 Supplies and Materials	1,022,507	858,766	1,039,915	181,149	21.1%
10 Equipment – Replacement	397,458	218,828	294,088	75,260	34.4%
13 Fixed Charges	93,134	64,810	110,800	45,990	71.0%
Total Objects	\$ 35,105,252	\$ 36,317,613	\$ 38,152,244	\$ 1,834,631	5.1%
Funds					
01 General Fund	\$ 30,140,314	\$ 31,687,917	\$ 33,080,254	\$ 1,392,337	4.4%
03 Special Fund	338,744	304,143	351,721	47,578	15.6%
05 Federal Fund	486,028	586,455	656,033	69,578	11.9%
09 Reimbursable Fund	4,140,166	3,739,098	4,064,236	325,138	8.7%
Total Funds	\$ 35,105,252	\$ 36,317,613	\$ 38,152,244	\$ 1,834,631	5.1%

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.