

RA.02
Aid to Education
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

	FY 00	FY 01	FY 02		% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$2,734,234	\$2,796,908	\$2,955,709	\$158,801	5.7%
Special Fund	627	64,458	79,883	15,426	23.9%
Federal Fund	440,087	466,477	510,978	44,500	9.5%
Reimbursable Fund	<u>1,722</u>	<u>1,794</u>	<u>473</u>	<u>(1,321)</u>	<u>(73.6%)</u>
Total Funds	\$3,176,670	\$3,329,637	\$3,547,044	\$217,407	6.5%

- The Maryland State Department of Education (MSDE) is requesting a \$5.5 million fiscal 2001 deficiency appropriation to supplement the \$60.8 million provided in fiscal 2001 for the Baltimore City-State Partnership.
- MSDE also is requesting a \$4.8 million fiscal 2001 deficiency appropriation to cover the costs of children in nonpublic special education placements.
- The allowance includes an additional \$50.2 million for the second year of the Governor's Teacher Salary Challenge.
- The \$1.7 billion current expense formula which distributes aid inversely to local wealth increases by a modest \$60.3 million, or 3.7%.
- State paid teachers' retirement costs decrease by \$38.8 million, or 10.3%, due to a lower contribution rate resulting primarily from the retirement systems' investment returns.
- The Governor's allowance includes \$19.0 million for local jurisdictions to use on any early grades initiatives in kindergarten through third grade to help bring students up to the State's third grade achievement standards.
- The Governor's allowance also includes \$1.0 million for early identification of gifted and talented students and an additional \$4.0 million for Judy Hoyer Centers.
- Federal aid increases are primarily for special education (\$27.5 million) and programs for educationally disadvantaged children (\$7.6 million).

Note: Issues and recommendations concerning the Even Start Program, the Extended Elementary Education Program, the Judith P. Hoyer Centers, the East Coast Migrant Head Start Program, the Infant and Toddlers Program, the Maryland Model for School Readiness, the Voluntary Program Accreditation, the Purchase by Local School Systems of Child Care, and the Preschool Special Education Program are not included in this document as the programs will be discussed in the Children Entering School Ready to Learn analysis. The funding for these programs, however, is included in the exhibits and appendices for this analysis.

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

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Analysis in Brief

Issues

State Appeal of Court Decision Holding That More State Dollars Are Needed to Educate Baltimore City School Children Is Dropped While Remedy Plan Proposals Emerge: The State appealed the Circuit Court for Baltimore City's contention that more State dollars are needed to educate Baltimore City school children adequately. The State later dropped this appeal. Meanwhile, the Baltimore City Public School System and the State offered proposals for meeting the educational needs of Baltimore City school children. How the State arrived at the point of dropping its appeal, what each of the proposals contains, and whether they are adequate to improve the academic performance of the city's school children is explored. **The Department of Legislative Services (DLS) recommends that MSDE be prepared to comment on the remedy plan and the impact it will have on student performance.**

Prince George's County Management Oversight Panel Recommends Greater Control over the Prince George's County School Board: The Prince George's County Management Oversight Panel has recommended that it be granted greater authority over the Prince George's County School Board. How the panel reached this recommendation and what may emerge for the board in the future is examined. **DLS recommends that MSDE be prepared to discuss whether providing the Prince George's Management Oversight Panel with additional authority is in the best interests of Prince George's County public school students.**

MSDE Looks to Edison Schools, Inc., to Overhaul Three State Reconstitution Schools and May Approve Additional Privatization Proposals for Other Local Reconstitution Schools: The 2000-2001 school year marks the inaugural venture of Edison Schools in operating three Baltimore City State reconstitution schools. Baltimore City has raised concerns that the payment it must make to Edison Schools for the takeover was calculated incorrectly. Furthermore, as additional schools join the list of local reconstitution schools, the chief of the Baltimore City Public School System proposes another privatization effort to improve local reconstitution schools. How well Edison has performed and how other privatization efforts may impact local reconstitution schools is reviewed. **DLS recommends committee narrative on performance measures. DLS also recommends that MSDE be prepared to address whether it is leaning toward contracting out additional State reconstitution schools to private companies in the future.**

New Federal Law Expands Choice for Students in "Low-Performing" Title I Schools: Federal fiscal 2001 budget language requires schools that can receive Title I funds and are designated as "low-performing" to offer students the option of transferring to another public school or a public charter school. The language notes that if a local education agency (LEA) cannot provide the transfer option to all students, then the LEA is to equitably accommodate the transfer requests of as many students as possible. How this federal requirement may impact low-performing schools is assessed. **DLS recommends that MSDE be prepared to discuss the potential number of students who may accept this transfer option and the potential impact on low-performing schools. Any comments should include whether some**

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schools may lose significant numbers of students and how this may affect the schools' overall performance. Additionally, MSDE should comment on how it will accommodate those transfer requests that cannot be fulfilled (whether a waiting list will be formed, a lottery system instituted, or other alternatives adopted).

Governor's Early Grades Education Initiative Hopscotches over MSDE, Leaving Decision of Full-day Kindergarten to Local School Systems: The Governor provides \$19.0 million in the fiscal 2002 allowance to LEAs to implement methods to improve the academic achievement of students in kindergarten through third grade. One of the methods that may be implemented is full-day kindergarten. The Maryland State Board of Education and the Commission on Education Finance, Equity, and Excellence have proposed phasing in full-day kindergarten for all children, with the board proposing mandatory full-day kindergarten and the commission endorsing voluntary full-day kindergarten. How the \$19.0 million would be distributed and whether allowing LEAs to use the funding for any methods for improving the State's kindergarten through third grades is preferable to full-day kindergarten is evaluated. **DLS recommends reducing the funding for the early grades initiative by \$4.0 million to curb the growth in State spending and to assist the General Assembly in meeting Spending Affordability Committee guidelines.**

Fiscal 2002 Funding May Eliminate Ongoing Nonpublic Placement Deficiencies for Special Education Students: MSDE is requesting a fiscal 2001 deficiency appropriation and increased funding in fiscal 2002 for nonpublic placements of special education students. The increased funding will eliminate any request for a fiscal 2002 deficiency appropriation if MSDE's fiscal 2001 and 2002 actual cost projections are accurate. **DLS recommends that MSDE be prepared to comment on whether it believes \$112.8 million will cover nonpublic placement costs in fiscal 2002, given that nonpublic placement costs are estimated to increase by 22.2% between fiscal 2000 and 2001.**

Education Commission Recommends Funding Changes for Special Education Students and Others, and Extended Sunsets for Certain Programs: The Commission on Education Finance, Equity, and Excellence, which is reviewing the State's education financing formulas and accountability measures, recommends increasing funding for special education students and others, and extending sunset provisions on various programs. How these recommendations would affect students, school systems, and State funding, as well as what the commission will undertake in the coming months is explored. **DLS recommends that MSDE be prepared to discuss the impact of these recommendations.**

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Recommended Actions

	<u>Funds</u>
1. Reduce funds for basic current expense due to a recalculation of the per pupil foundation amount and the full-time equivalent enrollment count.	\$ 177,294
2. Reduce funding for nonpublic placements.	3,000,000
3. Reduce funds for Early Grades Initiative.	4,000,000
4. Reduce funding for teacher incentives.	3,124,000
5. Report on first-year performance of three State reconstitution schools.	
Total Reductions	\$ 10,301,294

Updates

Paying for the Second Year of the Governor’s Teacher Salary Challenge: In fiscal 2001 and 2002, the Governor’s Teacher Salary Challenge Program guarantees that the State will provide a 1% annual salary increase for any local school system that provides its teachers with at least a 4% annual salary increase as a way to improve teacher recruitment and retention. The program has been funded out of the Transitional Education Fund, consisting of local reimbursements for State teachers’ retirement contributions, and out of the Cigarette Restitution Fund. The Governor’s plan for paying for the second year of this program is highlighted.

Update on the Commission on Funding and Services for Gifted and Talented Student Education: Chapter 618, Acts of 2000 established the Commission on Funding and Services for Gifted and Talented Student Education. An update on the commission’s activities is provided.

The Task Force to Study College Readiness for Disadvantaged and Capable Students Issues Interim Report: The Task Force to Study College Readiness for Disadvantaged and Capable Students issued its interim report on December 21, 2000. The recommendations contained within this interim report are cited.

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Operating Budget Analysis

Program Description

The State and local governments share responsibility for Maryland's public schools. Aid to education is distributed to local school systems by the Maryland State Department of Education (MSDE) through about 50 different programs. The majority of funds are appropriated under statutory mandates for basic current expenses, teachers' retirement costs, pupil transportation, and special education. The State Board of Education also has responsibility for the general direction and control of library development in Maryland. The State provides assistance to Maryland's public libraries through a funding formula. The State also provides support for the State Library Resource Center and several regional resource centers. This State library aid is budgeted under this program.

Proposed Deficiency

MSDE is requesting three fiscal 2001 deficiency appropriations in its Aid to Education budget. MSDE is asking for a \$5.5 million deficiency appropriation to supplement the funding provided for the Baltimore City Public School System Remedy Plan. This funding is included in the Governor's \$55.0 million remedy plan proposal.

MSDE also is requesting a \$4.8 million fiscal 2001 deficiency appropriation to cover the fiscal 2000 costs of children in nonpublic special education placements. This program has repeatedly requested deficiency appropriations to meet the costs of nonpublic special education placements.

A third deficiency request totals \$61,488 for additional costs related to the library formula. The formula is wealth-based and relies on tax assessment. A recalculation of the formula based on updated assessment data required additional funds.

Governor's Proposed Budget

The Governor's fiscal 2002 allowance for aid to education totals \$3.5 billion, an increase of \$217.4 million, or 6.5%. **Exhibit 1** shows how this increase is distributed among mandated general fund programs, new initiatives, and other programs. State aid for schools and libraries from general and special funds totals over \$3 billion in the fiscal 2002 budget. Of that amount \$436.5 million, or 14.4%, is for teachers' retirement payments and debt service on bonds for school construction. The State pays these costs on behalf of the school and library boards. The remaining aid goes directly to the boards.

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Exhibit 1

**Governor's Proposed Budget
Aid to Education
(\$ in Thousands)**

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimbursable Fund</u>	<u>Total</u>
2001 Working Appropriation	\$2,796,908	\$64,458	\$466,477	\$1,794	\$3,329,637
2002 Governor's Allowance	2,955,709	79,883	510,978	473	3,547,044
Amount Change	\$158,801	\$15,426	\$44,500	(\$1,321)	\$217,407
Percent Change	5.7%	23.9%	9.5%	(73.6%)	6.5%

Where It Goes:

Mandated Changes

Current expense formula	\$60,329
Governor's Teacher Salary Challenge	50,206
Nonpublic special education placements	20,817
Student transportation	10,711
Compensatory aid formula	3,575
Class Size Initiative	5,653
Quality teacher incentives	3,124
State Library Network	2,593
Debt service on school construction	2,231
Library formula	1,223
Out-of-county living arrangements and schools near county lines	460
Limited English proficiency grants	4,437
Academic intervention (Cigarette Restitution Funds)	7,500
Teachers' retirement	(38,779)
Other	226

New Initiatives

Local flexible funding for kindergarten through third grade	19,000
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Where It Goes:

Early identification of gifted and talented students	1,000
Other General Fund Changes	
Baltimore City Partnership	9,698
Education Modernization Initiative	2,935
Judy Hoyer Centers (\$4.0 million new, \$4.0 million in Cigarette Restitution Funds budgeted in MSDE Headquarters in fiscal 2001)	8,000
Breakfast Pilot Program (Maryland Meals for Achievement)	964
Anne Arundel County mentoring grant (budgeted in MSDE Headquarters in Fiscal 2001)	500
Infants and Toddlers funds previously budgeted under subcabinet	433
One-time Limited English Proficiency grants	(2,769)
Other Special Funds	
Technology Innovative Challenge Grant	120
East Coast Migrant Head Start	38
Reimbursable Funds	
School Quality monies from the Interagency Committee on School Construction	(1,266)
Federal Funds	
Net federal fund changes	44,500
Other Changes	
	(52)
Total	\$217,407

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

Exhibit 2 shows how the \$2.6 billion in direct State aid to education is distributed among the 24 jurisdictions.

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Exhibit 2

Direct State Aid for Education
(\$ in Thousands)

<u>Jurisdiction</u>	<u>Fiscal 2001 Working Appropriation</u>	<u>Fiscal 2002 Allowance</u>	<u>\$ Change</u>	<u>% Change</u>
Allegany	\$41,048,146	\$43,534,607	\$2,486,461	6.1%
Anne Arundel	164,223,636	174,699,433	10,475,797	6.4%
Baltimore City	520,193,163	550,846,118	30,652,955	5.9%
Baltimore County	246,800,339	264,467,788	17,667,449	7.2%
Calvert	38,728,008	43,202,864	4,474,856	11.6%
Caroline	21,415,437	22,428,027	1,012,590	4.7%
Carroll	76,008,629	79,506,009	3,497,380	4.6%
Cecil	47,431,432	51,428,764	3,997,332	8.4%
Charles	66,219,076	73,235,784	7,016,708	10.6%
Dorchester	17,890,744	18,210,337	319,593	1.8%
Frederick	94,183,169	101,229,434	7,046,265	7.5%
Garrett	17,103,992	17,933,075	829,083	4.8%
Harford	107,454,183	114,280,355	6,826,172	6.4%
Howard	88,958,975	97,553,931	8,594,956	9.7%
Kent	7,779,454	8,004,716	225,262	2.9%
Montgomery	180,542,251	208,539,017	27,996,766	15.5%
Prince George's	433,281,508	471,514,288	38,232,780	8.8%
Queen Anne's	17,315,396	18,690,413	1,375,017	7.9%
St. Mary's	43,823,029	46,891,678	3,068,649	7.0%
Somerset	12,147,780	12,771,432	623,652	5.1%
Talbot	5,071,294	5,408,309	337,015	6.6%
Washington	59,094,294	62,591,167	3,496,873	5.9%
Wicomico	45,995,724	48,615,660	2,619,936	5.7%
Worcester	7,294,802	7,903,370	608,568	8.3%
Unallocated	16,579,607	32,532,517	15,952,980	96.2%
Total	\$2,376,584,068	\$2,576,019,093	\$199,435,095	8.4%

Note: Detail may not add to total due to rounding. Does not include payments for teachers' retirement and school construction debt service. Includes funds for Aging School program budgeted under Interagency Committee for School Construction (\$10.4 million in fiscal 2001 and \$10.4 million in fiscal 2002).

Source: Department of Legislative Services; Maryland State Budget, fiscal 2002

Mandated Education Aid

Most State aid for the public schools and libraries is mandated by statute. The Governor must include this aid in the budget submitted to the General Assembly. To reduce mandated education aid programs the General Assembly must enact legislation authorizing the reduction. A discussion of this year's major changes in mandated aid follows:

- ***Current Expense Formula (\$60,328,836 Increase)***: The current expense formula guarantees a minimum funding level per pupil and requires the counties to provide a local match. All counties currently appropriate amounts considerably above the required local match. The minimum funding level is based on prior years' actual spending. For fiscal 2002, the fiscal 1998 and 1999 per pupil costs are used. The formula recognizes the disparities in local abilities to raise revenues from local sources by providing less wealthy counties relatively more aid than more wealthy counties: the formula "equalizes" education spending.

The \$60.3 million increase in the current expense formula reflects growth in student enrollment and an increase in the minimum per pupil funding level. The student count used for the fiscal 2002 formula computation is the actual full-time equivalent (FTE) enrollment on September 30, 2000. Student enrollment increased by 5,884, or 0.7%; from 797,230 in 1999 to 803,114 in 2000. The allowance reflects a foundation increase from \$4,005 per FTE in fiscal 2001 to \$4,126 per FTE in fiscal 2002, based on average growth in spending for fiscal 1998 and 1999.

MSDE is required to compute the per student foundation increase by July 1 each year. Due to a change in computer systems the compilation of financial data for fiscal 1999 upon which the foundation calculation is based was delayed. **The foundation for fiscal 2002 was recently revised downward by \$2 per pupil after the submission of the Governor's budget. Based on the revision in the foundation the Department of Legislative Services (DLS) recommends a \$177,294 reduction in fiscal 2002 current expense formula aid. The \$1.7 billion current expense formula is easily the largest and most important education aid program and represents 15% of the State's general fund budget. It is important that the foundation computation driving this formula aid be completed in a timely manner. MSDE should be prepared to discuss whether the new computer system issues have been resolved and whether there will be an impact on the timeliness of the foundation computation for fiscal 2003.**

- ***Students with Disabilities (\$20,817,332 Nonpublic Placement Increase)***: The State provides funds (\$112.4 million is included in the allowance) for special education students placed in non-public day and residential programs. The counties are responsible for the local share of the basic costs of educating a non-handicapped child plus 200% of the total basic costs. Any costs above the base amount are shared between the State and local school boards on a 80% State/20% local basis. The fiscal 2002 allowance for nonpublic placements increases by 22.7% compared with the fiscal 2001 working appropriation and a \$4.8 million fiscal 2001 deficiency is proposed to cover fiscal 2000 cost (see Issue 6).
- ***Limited English Proficiency (\$4,437,450 Increase)***: Under this program, the State has provided grants since fiscal 1994 to support programs for non- and limited-English proficient (LEP) students using a definition that is consistent with federal guidelines. The grant per student is \$1,350. The total

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amount for this program in fiscal 2002 is \$30.1 million a 17.3% increase over fiscal 2001. The significant change results from a 18.7% or 3,287 increase in the number of LEP students served as of May 15, 2000.

The fiscal 2001 appropriation for LEP grants also reflected a significant increase in LEP enrollment (25%); however, after the 2000 legislative session MSDE determined that the count was overstated. This change resulted in decreasing the LEP grants by \$5.5 million. Normally this money would have reverted, but concerns were expressed that the school systems had built their budgets based on the higher grant amounts. As a result, the Governor approved a budget amendment for a one-time LEP grant of \$2.7 million. The remaining \$2.7 million was transferred to the Baltimore City Partnership to support the city's remedy plan. **The State Superintendent should be prepared to comment on this year's large increase in the LEP count and her confidence that this year's count is accurate.**

- ***School Bus Transportation Grants (\$10,710,851 Increase):*** Each county receives a student transportation grant based on the county's fiscal 2001 grant amount, adjusted by the greater of the transportation consumer price index (CPI) for the Washington-Baltimore area, or 3%. The increase cannot exceed 8%. School districts experiencing increases in enrollment receive an additional amount equal to the student enrollment increase over the previous year, multiplied by the total transportation aid per pupil in the prior year. The basic transportation grant in fiscal 2002 is \$127.7 million -- a \$10.7 million or 9.2% increase, reflecting higher transportation costs. The State also provides a grant for transporting handicapped students. Each school receives \$500 per special education student in excess of the number transported in fiscal 1981. The fiscal 2002 allowance is \$5.6 million.
- ***State Library Resource Center/Regional Libraries (\$2,593,470 Increase):*** Due to the enactment of legislation in 1999, State funding of the State Library Resource Center, which is located at the Enoch Pratt Central Library in Baltimore, is based on a per capita grant of \$1.55 in fiscal 2002. It will increase to \$1.70 for fiscal 2003. Chapter 547, Acts of 2000 increased the regional resource centers per capita grant from \$1.70 to \$3.50 for fiscal 2002 and \$0.50 per year through fiscal 2004.
- ***Library Formula (\$1,222,760 Increase):*** The State provides assistance to public libraries through a formula that determines the State and local shares of a minimum per capita library program. For fiscal 2002, the minimum program is \$12.00, an increase from \$11.50 in fiscal 2001.
- ***Compensatory Aid Formula (\$3,575,227 Increase):*** The compensatory aid formula bases aid on the student counts used for the distribution of federal Title I aid. The formula recognizes local fiscal disparities by adjusting the grants per Title I student by local wealth. The overall funding level rises with growth in the per pupil minimum foundation under the current expense formula. Before adjusting for local wealth, a county's grant per Title I student equals 25% of the minimum foundation. In fiscal 2002 compensatory aid formula funding increases by a modest 3.1%, after decreasing by 5.3% in fiscal 2001. This year there was essentially no change to the Title I student counts and current expense foundation increases by 3.0%.
- ***Class Size Reduction (\$5,653,382 Increase):*** Chapters 513 and 514, Acts of 1999 created the Maryland Learning Success Program which is designed to reduce the size of first and second grade classes for reading instruction to a maximum of 20 students. Before a local board receives a grant from the State, the local board must expend its federal class size reduction initiative grant.

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Expenditures increase by 48% to \$17.3 million in fiscal 2002. When fully phased-in by fiscal 2005 it is estimated that the aid will exceed \$40 million.

- ***Quality Teacher Incentive Act (\$3,124,000 Increase)***: The Quality Teacher Incentive Act of 1999, Chapter 600, Acts of 1999, includes provisions to enhance the State's ability to recruit and retain public school teachers, such as a tuition tax credit of up to \$1,500 for teachers to maintain certification, a \$2,000 stipend for teachers in reconstitution-eligible or challenge schools, salary enhancements for teachers achieving national certification, a \$1,000 signing bonus for teachers graduating in the top of their class, \$5 million in grants for teacher mentoring, and the extension of the probationary period to three years for teachers not approved for tenure after the second year.
- ***Teachers' and Librarians' Retirement (\$38,779,205 Decrease)***: The State pays 100% of the employer's share of retirement costs for school system and library employees in the Teachers' Retirement and Pension Systems maintained by the State. Rather than distributing the aid to the school and library boards and billing them for the retirement contributions, the State appropriates a lump-sum payment to the retirement system "on behalf of" the local school boards. The appropriation is computed by increasing the second prior year's salary base by 5%. For fiscal 2002 teacher and library retirement costs continue to decrease, due to a 14.6% decrease in the contribution rate that results, in part, from the excellent investment returns realized by the retirement system.

Local school systems are required to pay the retirement costs associated with employees funded under federal and certain State programs. Based on legislation enacted in fiscal 2000 (Chapters 492/493, Acts of 2000) these payments are credited to the Transitional Education Fund to support the State costs associated with the Governor's Teacher Salary Challenge Program.

- ***Governor's Teacher Salary Challenge Program (\$50,206,663 Increase)***: Legislation enacted last year (Chapters 492/493 Acts of 2000) established this program. Under the program the State will provide a 1% annual salary increase for any school system that provides its teachers with at least a 4% salary increase. The \$50.2 million increase is the projected amount needed for the second year of this two year program (see Update 1 for further discussion).
- ***Academic Intervention Program (\$7,500,000 Increase)***: Chapters 492/493, Acts of 2000 also established this program. Under the program State grants are provided to local school systems to support intervention programs for students with demonstrated deficiencies in reading and mathematics. The fiscal 2001 budget includes \$11.6 million for grants. The legislation requires that the additional \$7.5 million be provided in fiscal 2002. The program is funded from the Cigarette Restitution Fund.

Under the legislation the grants are to be distributed based on student performance on the reading or mathematics portion of the Maryland School Performance Assessment Program (MSPAP) tests. MSDE based the fiscal 2001 distributions on composite scores covering all six testing areas. Based on DLS computations the differences between the two approaches are minor. DLS also notes that the Commission on Education Finance, Equity, and Excellence has recommended a change in the distribution of funds to better reflect the intensity of intervention services that may be needed. **MSDE should be prepared to discuss various approaches for distributing academic intervention grants and whether the department plans to submit legislation clarifying the statute governing the distribution of the grants.**

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Initiatives/Other Changes

A discussion of several initiatives and changes to non-mandated education aid programs follows:

- ***Breakfast Pilot (\$964,000 Increase)***: Chapter 384 and 395, Acts of 1999 established the Maryland Meals for Achievement, a three-year pilot school breakfast program to provide funding for public and nonpublic schools that make an in-classroom breakfast available to all students in the school. To receive funds under the pilot program, at least 40% of the school's students must be eligible for the federal free or reduced-price meal program. The allowance doubles the fiscal 2001 appropriation for this pilot program.
- ***Baltimore City Partnership (\$9,697,579 Increase)***: The fiscal 2002 allowance includes an additional \$9.7 million over the fiscal 2001 working appropriation for the Baltimore City Partnership to support the city's remedy plan. The budget also includes a \$5.5 fiscal 2001 deficiency to supplement fiscal 2001 funding for the remedy plan (for further discussion of this program see Issue 1).
- ***Early Grades Initiative (\$19,000,000)***: The most significant non-mandated increase in the Governor's fiscal 2002 allowance is \$19.0 million for programs for kindergarten through third grade. The Governor would distribute this \$19.0 million to local school systems to use on any efforts to improve academic achievement in these early grades (see Issue 5).
- ***Gifted and Talented (\$1,000,000 Increase)***: The Governor's fiscal 2002 allowance also contains \$1.0 million in new funding to identify gifted and talented children at an early age. This \$1.0 million is part of the Governor's \$11.0 million Early Childhood Initiative.

Issues

1. State Appeal of Court Holding That More State Dollars Are Needed to Educate Baltimore City School Children Is Dropped While Remedy Plan Proposals Emerge

The State appealed the Circuit Court for Baltimore City's contention that more State dollars are needed to educate Baltimore City school children adequately. The State later dropped this appeal. Meanwhile, the Baltimore City Public School System and the State offered proposals for meeting the educational needs of Baltimore City school children.

Partnership Created to Improve Academic Achievement, Management, and Accountability

Chapter 105, Acts of 1997 created the Baltimore City-State Partnership that restructured Baltimore City Public Schools (BCPS). The State was required to provide \$30 million in fiscal 1998, and \$50 million in each of fiscal 1999 through 2002, to improve academic achievement of Baltimore City school children and to improve the management and accountability of the Baltimore City School System. The legislation also requires the State to provide \$30.5 million in additional aid for all of Maryland's school systems through several specific programs. If the General Assembly fails to appropriate the partnership funds in any year, the education and management reforms of BCPS in the law are abrogated beginning in the fiscal year for which the funds are not appropriated. Furthermore, the entire act is contingent on the General Assembly appropriating the additional aid.

The partnership evolved from *Bradford et. al. v. Maryland State Board of Education et. al.* In that case, parents of Baltimore City public school students and representatives of Baltimore City filed two separate complaints in the Baltimore City Circuit Court. The parents and representatives alleged that the State was failing to provide the students with a "thorough and efficient education" as required under Article VIII, Section 1, of the Maryland Constitution. The defendants in the case (the Maryland State Board of Education and the State Superintendent) filed a counterclaim in both suits alleging that the BCPS had failed to effectively manage its existing resources. The board and the Superintendent also sought reform in the management of the BCPS before the State devoted any more funds to the BCPS.

In October 1996, the circuit court held that the Maryland Constitution requires that the State provide all students in Maryland's public schools with an education that is adequate when measured by contemporary educational standards. The circuit court held that the students in the BCPS were not being provided with an education that is adequate when measured by contemporary educational standards. The court did not resolve the dispute over the cause of the inadequate education or the appropriate remedy.

In November 1996 all of the parties to the litigation signed a consent decree, and the 1997 legislation created the partnership to satisfy most, but not all of the consent decree's provisions. The 1997 legislation required BCPS to develop a Master Plan to guide education and management reforms. The law required the Master Plan to address 16 specific items, including the reorganization of the central office of BCPS; a citywide curriculum framework reflecting State education standards; development and implementation of a systemwide performance evaluation system for teachers, principals, and administrators; and effective

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management information systems and financial management and budgeting systems.

Interim Evaluation Finds Improved Management, but Mixed Results on Academic Achievement

The 1997 legislation also required an interim evaluation of BCPS reforms by February 1, 2000, and a final comprehensive evaluation by December 1, 2001. The interim evaluation, completed by Metis Associates and the Council of Great City Schools in February 2000, found that BCPS improved its management, made progress in recruitment and retention and professional development initiatives, and made progress in implementing instructional initiatives at the elementary grade levels but said insufficient attention had been given to middle and high school initiatives. Metis also found some design and implementation flaws in the Master Plan, including insufficient alignment with the system's budget and expenditures and insufficient integration of special education within the Master Plan.

With respect to student achievement, Metis found mixed results on standardized assessments but said that it was reasonable at such an early stage in a multi-year reform effort. Metis found that average performance on the Maryland School Performance Assessment Program in 1998-99 exceeded performance in the prior year for most grade levels and subject areas. Metis also found small declines in reading and math in grades 2-6 on the Comprehensive Test of Basic Skills.

The Council of Great City Schools found that an additional \$2,698 per pupil, increasing total per pupil expenditure to \$10,274, was necessary for adequacy (a total increase of approximately \$265 million). Metis also identified specific strategies in the Master Plan that required additional funding.

Back to Court and Back to Funding

The 1996 consent decree authorizes BCPS to request additional funding from the State for its reform efforts. One provision of the consent decree allows BCPS to seek additional funds after completion of the interim evaluation, and requires the State to use "best efforts to satisfy any such request, subject to the availability of funds." BCPS is authorized to return to court if the State and BCPS do not reach an agreement before June 1, 2000. Based on the Council of Great City Schools' calculation of adequacy, BCPS developed a Remedy Plan in 1999 seeking a total of \$265 million in additional State operating funds. In December 1999 BCPS submitted a remedy plan to the Governor seeking \$49.7 million in additional operating funds in fiscal 2001 for ten key priorities, most of which addressed the strategies identified by Metis. During the 2000 session, the General Assembly passed Senate Bill 810 (Chapter 493 -- Governor's Teacher Salary Challenge) which provided an additional \$8 million for BCPS reform efforts in fiscal 2001 and 2002. Other fiscal 2001 funding such as the Teacher Salary Challenge Program also supported elements of the remedy plan.

At the conclusion of the 2000 session, the plaintiffs in the State case returned to court arguing that the State had not made "best efforts" to satisfy the city's request for additional funding. In June 2000 the Baltimore City Circuit Court agreed, concluding that: "the State is not fulfilling its obligations under Article VIII of the Maryland Constitution, as well as under the Consent Decree" and included a declaratory statement that "the court trusts that the State will act to bring itself into compliance with its

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constitutional and contractual obligations.” The State appealed the circuit court’s ruling.

For fiscal 2002 BCPS requested \$101.5 million in funds for the remedy plan, as shown in **Exhibit 3**.

Exhibit 3

BCPS Remedy Plan August 2000

1. Recruiting and retaining outstanding teachers	\$21,189,000
2. Professional development	2,170,000
3. Student academic intervention	13,333,000
4. Ready to learn	22,318,000
5. High school reform	7,996,000
6. Middle school reform	2,088,000
7. Student support services	2,796,000
8. Instructional leadership	1,685,000
9. Enriched instructional curriculum	20,757,000
10. Instructional technology	7,206,000
Total	\$101,538,000

Source: Baltimore City Public Schools Remedy Plan, August 2000

The Fiscal 2002 State Budget Provides \$55 Million That Supports the Baltimore City Remedy Plan

As **Exhibit 4** shows, the fiscal 2002 budget includes \$55.0 million that aligns with the remedy plan. In addition, there is \$33.8 million in the fiscal 2001 budget that supports the remedy plan which includes a proposed \$5.5 million deficiency appropriation. The remedy plan funding includes BCPS’ portion of the Governor's Teacher Salary Challenge, academic intervention monies, Technology in Maryland Schools Program (TIMS), training to assist teachers in using new technology, Maryland Technology Academy, and the Governor's new Early Education Initiative.

Exhibit 4

**State Expenditures Toward Baltimore City School Remedy Plan
Fiscal 2001 and 2002**

	<u>FY 2001</u>	<u>FY 2002</u>	<u>Difference</u>
Statewide Programs			
Governor's Teacher Salary Challenge	\$7,989,804	\$18,328,905	\$10,339,101
Academic Intervention Program	1,993,659	3,298,081	1,304,422
TIMS Program	3,150,000	3,150,000	0
Accelerated Wiring -- Training	603,900	603,900	0
Maryland Technology Academy	240,000	240,000	0
Governor's Early Education Initiative	0	4,945,055	4,945,055
Subtotal	\$13,977,363	\$30,565,941	\$16,588,578
Targeted Programs			
City Partnership for Remedy Plan	\$16,232,417	\$20,465,079	\$4,232,662
Working Appropriation*	10,767,500		
Proposed Deficiency	5,464,917		
Summer/After School Programs -- At Risk Students**	2,500,000	2,500,000	0
Teacher Certification/Quality Initiatives (BCCC)***	90,220	468,980	378,760
Mass Transit Administration Discount	1,000,000	1,000,000	0
Subtotal	\$19,822,637	\$24,434,059	\$4,611,422
Total	\$33,800,000	\$55,000,000	\$21,200,000

*Includes transfer of \$2,767,500 Limited English Proficiency funds not needed because of enrollment overestimate.

**Federal Temporary Assistance to Needy Families (TANF) dollars budgeted in Child Care Administration

***Baltimore City Community College partnership with Baltimore City Schools

Source: Department of Legislative Services

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The \$55 million in fiscal 2002 funding can be aligned with the remedy plan (see **Exhibit 5**). A January 2001 report by the Maryland Business Roundtable for Education found that while the State is significantly reducing student-to-computer ratios and improving classroom access to the Internet, ongoing professional development and training of teachers is needed to improve student use of technology in the classroom. The roundtable notes that recent research has linked improved student learning with applications of technology.

The Department of Legislative Services (DLS) recommends that MSDE be prepared to comment on whether the amount of training provided to teachers under the Governor's Baltimore City Remedy Plan is sufficient to have teachers adequately incorporate computers into their curricula. DLS also recommends MSDE be prepared to comment on the Baltimore City Remedy Plan and the impact it will have on student performance.

Exhibit 5

Alignment of Fiscal 2002 Funding with Baltimore City School Remedy Plan

Baltimore City Remedy Plan Submitted by Baltimore City		Funding Provided Toward Baltimore Remedy Plan	
<u>Initiative</u>	<u>Amount</u>	<u>Initiative</u>	<u>Amount</u>
Recruiting and retaining outstanding teachers	\$21,189,000	Recruiting and retaining outstanding teachers -- Governor's Teacher Salary Challenge (\$18.3 million) and Teacher Certification/Quality Initiatives (\$468,980)	\$18,797,885
Professional development	2,170,000	Professional development	0
Academic intervention	13,333,000	Academic Intervention	3,298,081
Ready to Learn	22,318,000	Ready to Learn -- Governor's Early Education Initiative	4,945,055
Student support services	2,796,000	Student support services	0
Instructional technology	7,206,000	Instructional technology -- TIMS (\$3.2 million), accelerated wiring training (\$0.6 million), and Maryland Technology Academy (\$0.2 million)	3,993,900
Other initiatives -- high school reform (\$8.0 million), middle school reform (\$2.1 million), instructional leadership (\$1.7 million), and enriched instructional curriculum (\$20.8 million)	32,526,000	Other initiatives -- City Partnership (\$20.5), summer and after-school programs (\$2.5 million), and Mass Transit Administration discount (\$1.0 million)	23,965,079
Total	\$101,538,000		\$55,000,000

Source: Department of Legislative Services

2. Prince George's County Management Oversight Panel Recommends Greater Control over the Prince George's County School Board

The Prince George's County Management Oversight Panel has recommended that it be granted greater authority over the Prince George's County School Board.

Background

The Maryland General Assembly created the Prince George's County Public Schools Management Oversight Panel in the 1998 legislative session. Through 2002 the panel will monitor the school system's implementation of 297 recommendations stemming from a legislatively-mandated 1998 performance audit by the consulting firm, MGT of America, Inc. (MGT). The recommendations cover various areas, including personnel management, system organization and management, educational services, purchasing, technology, and transportation. MGT identified 75 recommendations with fiscal implications and estimated the potential net savings at \$115 million over five years. In its review of the audit, the panel pinpointed 106 recommendations that it believes are central to the county's efforts to establish a more effective and efficient public school system.

Panel Finds Nearly Half of Priorities Addressed

In October 1999 the Prince George's County Superintendent of Schools submitted a strategic plan approved by the Prince George's County Board of Education for implementing MGT's audit recommendations. In the plan, the superintendent placed the majority of the audit recommendations, including all of the 106 key recommendations identified by the panel, into 40 priority categories. The superintendent and the Board of Education asked the panel to recognize 20 of the 40 school system priorities as addressed and implemented. The panel agreed that 15 of the 20 priorities have been substantively addressed and noted that additional information is needed for the remaining five priorities.

As implementation plans are established and executed by the Prince George's County Public School System, the panel and the system continue to investigate the level of fiscal savings that the system can expect to realize through the implementation of the strategic plan. In calculating the five-year \$115 million savings estimate, the MGT audit did not account for the costs associated with the implementation of its recommendations. Many of the recommendations suggest a greater reliance on technology, a strategy that has cost implications. The Board of Education reexamined the recommendations to identify a "net savings" level that the system could realistically hope to achieve. The board's savings estimate totaled about \$14 million, a substantial departure from the MGT projection. The panel has agreed that the five-year net savings that the public school system can expect is far below the level estimated by MGT, but has not identified a specific amount.

Audit of Board Expenditures Yields Promises of Reform

In April 2000 the Board of Education enlisted Thompson, Cobb, Bazilio and Associates, P.C. to conduct an audit of expenditures by board members, the board office, and senior management personnel between July 1, 1996, and April 30, 2000. The goal of the audit was to strengthen the board's fiscal accountability and was in response to allegations of misuse of public funds by board members. The audit report, submitted to the board in September 2000, made over 30 recommendations, including:

- fully implementing a prohibition on the use of board funds for the purchase of alcoholic beverages (amended in the board's bylaws on April 13, 2000);
- the development of guidelines for personal use of credit cards to clarify that personal use is prohibited;
- the establishment of procedures for expense reimbursement, including the requirement of receipts for all claimed expenses;
- the reimbursement of board funds by several board members related to improper use of the funds;
- definitions of prohibited uses of funds for campaign activities, travel expenses, recreational activities, and donations;
- and the establishment of financial, budgetary, and administrative guidelines for board members.

The board resolved to implement these recommendations and to prohibit the use of individually issued credit cards by board members.

The oversight panel emphasized three areas in commenting on the audit. First, the panel recommended that the board update its policies and procedures to those of modern business practices. The panel also stressed the need for strong, consistent internal controls. Finally, the panel emphasized the importance of trust and communication between the board and the superintendent and among individual board members. The panel recommended that the board accept all of the audit's recommendations and also suggested that the board strengthen its code of ethics.

Communication Problems within School System Persist

The panel has continuously stressed the need for more open communication between the superintendent and the Board of Education, among individual board members, and between the school system and the oversight panel. In the system's strategic plan, the first of the 40 priorities is to restore trust and understanding between system leaders through mediation and training, which is also the first recommendation of the MGT audit. The panel has stated its belief that the potential for substantive improvements is diminishing due to communication problems in the school system.

Panel Requests More Information and Input into Personnel Decisions

Among other concerns about personnel decisions, the panel did not have input in developing a job description for a Chief Information Officer (CIO) position, which was vacated in September 2000 by the acting CIO amid allegations of inaccuracies in her resume. At its meeting on October 4, 2000, the panel stated that the qualifications listed in the CIO job announcement were insufficient. The panel noted that if the job description listed qualifications more extensive than a bachelor's degree, the school system would eliminate unnecessary screening of resumes and would attract needed leadership qualities.

State Superintendent Requests Audit of Board Members' Expense Accounts

In January 2001 the State Superintendent of Schools requested Pricewaterhouse Coopers to audit the expense accounts of school board members, the Prince George's County Superintendent, and her staff. The audit found that the school system had adopted the following procedures for board member and senior management expenditures:

- Reimbursement for nonmileage expenditures are to be paid only in cash or with a personal credit card.
- Reimbursement for mileage expenditures are for travel while on office school system business.
- Buying items of generally a higher value requires a purchase order.
- Any costs for purchases which have an invoice will be paid directly to the vendor.
- Any non-local travel is only for official school system business.

All of these new procedures satisfied the Bazilio audit report recommendations except for the non-local travel form. This form did not provide for estimated expenditures as the Bazilio audit recommended. Also, the non-local travel form should, but is not being submitted with any other travel expenses.

Panel Voices Its Frustrations with Board

In February 2001 individuals representing the panel spoke before the House Committee on Appropriations. Despite making several requests, the panel told the committee that it has not received information from the school system on how the \$14.0 million in savings will be redirected. Additionally, the panel believes that its recommendations on helping the school system hire a new CIO have been ignored. The panel also noted that it believes the school system is not regularly informing the panel on its efforts to hire a CIO.

The panel said that it sees little evidence that the board is more focused on enhancing school performance. Additionally, the panel said that the board is not being as cooperative as it could be. Finally, the panel thinks that the board has had enough time to address all issues noted in the audit.

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The panel concluded that, if the board and the school system do not significantly change their attitude and performance or if there is no consequence for the school system's failure to promptly involve the panel in the decision-making process, then the panel will be unable to fulfill its legislative mandate.

DLS recommends that MSDE be prepared to discuss whether providing the Prince George's Management Oversight Panel with additional authority is in the best interests of Prince George's County public school students.

3. MSDE Looks to Edison Schools, Inc., to Overhaul Three State Reconstitution Schools and May Approve Additional Privatization Proposals for Other Local Reconstitution Schools

The 2000-2001 school year marks the inaugural venture of Edison Schools, Inc., in operating three Baltimore City State reconstitution schools. Baltimore City has raised concerns that the payment it must make to Edison Schools for the takeover was calculated incorrectly. Furthermore, as additional schools join the list of local reconstitution schools, the chief of the Baltimore City Public School System proposes another privatization effort to improve local reconstitution schools.

Three Baltimore City Elementary Schools Placed under State Reconstitution

Under State regulations, if a local reconstitution school fails to make sustained and substantial progress in achieving the State's performance goals, the State Board of Education is authorized to reconstitute the school and determine the program and management of the school. The board also is authorized to contract with a third party to operate the school.

The board decided on February 1, 2000, to place three public schools under State reconstitution because of sustained underachievement. Approximately 1,600 students at Gilmor, Montebello, and Furman L. Templeton now attend schools under State reconstitution. After examining several proposals for the privatization of the reconstituted schools, MSDE chose Edison Schools, Inc., the nation's largest private operator of schools. In March 2000, MSDE and Edison signed a five-year contract that turned the schools' operations over to Edison beginning with the 2000-2001 school year. The contract includes specific reporting requirements and performance benchmarks that Edison is expected to meet during its administration of the schools.

Concern Arises over Fairness of Edison Contract Price

If a third-party provider operates a reconstituted school, local school systems must pay the contractor the higher of: (1) the systemwide average per pupil cost times the number of students attending the reconstituted school; or (2) the total current cost of operating the school. Based on fiscal 1999 expenditures, MSDE determined that the per pupil cost in Baltimore City was \$7,462. This roughly

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equates to the city's average spending per pupil in fiscal 2000. MSDE estimated that enrollment at the schools was 1,446, making the contract worth approximately \$10.8 million. The contract amount will be adjusted upward for the 2000-2001 school year due to greater-than-anticipated enrollment at the schools.

The Baltimore City Public School System (BCPSS) disagrees with MSDE's calculation of the amount owed to Edison. BCPSS believes that MSDE should have excluded some of the school system's centrally controlled costs from the per pupil cost computation. BCPSS estimated that under the city's school funding formula, the schools would only have received \$5,000 to \$6,500 per pupil, with the remaining expenses controlled through the central office. This criticism has led to allegations that MSDE has provided more funds for the Edison schools than BCPSS would have contributed. BCPSS has further asserted that its administrative costs and some other centrally controlled costs cannot be reduced substantially by removing just three schools from a system of 183 schools.

MSDE has countered the arguments from BCPSS, saying that it interpreted the regulations fairly and accurately. Edison Schools, like any other school system, incurs administrative costs for the operation of its schools and should therefore be paid for performing this function.

Because the per student payment to the Edison schools was based on the citywide average spending per pupil, the Edison schools may be receiving more funding under Edison than they would have received from the city. However, a DLS analysis has found that the students in the Edison schools may actually be receiving less funding than other elementary schools in the city. DLS notes that elementary schools typically receive more funding per student than students in middle or high schools. Additionally, the contract does not provide for any increase in funding between fiscal 2000 and 2001. Furthermore, Edison does not receive State funding for teachers' retirement costs.

Additional Schools Placed under Local Reconstitution While BCPS Education Chief Calls for Another Company to Operate Another School

The State has 102 schools under local reconstitution, one in Anne Arundel County, one in Baltimore County, 85 in Baltimore City, and 15 in Prince George's County. At the January 2001 State Board of Education meeting, the board named 12 additional schools for local reconstitution. Seven of the 12 schools are in Baltimore City, one is in Baltimore County, and four are in Prince George's County.

The board also found that Westport Elementary School in Baltimore City, a local reconstitution school, had not made sufficient progress toward improving student performance. Baltimore City Education Chief Carmen V. Russo has proposed placing Westport under Victory Schools, another for-profit company that operates schools that need improvement. Victory Schools is a small company that is in its third year of improving low-performing schools. If the State board approves Russo's proposal, Victory Schools will report directly to Russo rather than the State board. The board will vote on whether to accept Russo's proposal at the February 2001 board meeting.

Where Is the State Going on the Reconstituted Path?

The State board turned over operation of three reconstituted schools to a private company. Since this is the first school year that Edison Schools have been operating in the State, a history of how well Edison is performing in the three State reconstitution schools is not yet available. However, the State board is now considering turning over a fourth school to a private company.

DLS recommends that the committees adopt the following committee narrative:

Report on First-year Performance of the Three State Reconstitution Schools: The committees are concerned over whether the three State reconstitution elementary schools under Edison Schools management are reaching the performance benchmarks set out in Edison's contract. The committees request a report on the first-year performance of Edison Schools' State reconstitution elementary schools.

DLS also recommends that MSDE be prepared to address whether it is leaning toward contracting out additional State reconstitution schools to private companies in the future.

4. New Federal Law Expands Choice for Students in "Low-Performing" Title I Schools

Federal fiscal 2001 budget language requires schools that can receive Title I funds and are designated as "low-performing" to offer students the option of transferring to another public school or a public charter school. The language notes that if a school system cannot provide the transfer option to all students, then the school system is to equitably accommodate the transfer requests of as many students as possible.

A school is designated by the federal government as "low performing" if it has either had a negative change for two consecutive years on its School Performance Index or its School Performance Index is below 40. The School Performance Index measures the weighted average of a school's relative distance from satisfactory standards. The index includes Maryland School Performance Assessment Program results.

For the 2000-2001 school year, only those low-performing schools that were eligible and accepted Title I funds were required to provide this transfer option. Only two school systems -- Baltimore City and Prince George's County -- were required to provide the transfer option.

For the 2001-2002 school year, the low-performing schools must provide the transfer option if they receive Title I funds, even if they do not accept the new school accountability funds. MSDE anticipates that school systems will be affected by this legislation.

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MSDE is currently reviewing guidance from the U.S. Department of Education and the State's plan to establish guidelines for the transfer option. MSDE has noted that it will establish certain parameters. For example, students cannot transfer to schools which are at capacity; they are limited to schools within their current school systems; and they are prohibited from transferring to a private school under this option.

DLS recommends that MSDE be prepared to discuss the potential number of students who may accept this transfer option and the potential impact on low-performing schools. Any comments should include whether some schools may lose significant numbers of students and how this might affects the schools' overall performance. Additionally, MSDE should comment on how it will accommodate those transfer requests that cannot be fulfilled (whether a waiting list will be formed, a lottery system instituted, or other alternatives adopted).

5. Governor's Early Grades Initiative Hopscotches over MSDE, Leaving Decision of Full-day Kindergarten to Local School Systems

The Governor provides \$19.0 million in the fiscal 2002 allowance to school systems to implement methods to improve the academic achievement of students in kindergarten through third grade. One of the methods that may be implemented is full-day kindergarten. The Maryland State Board of Education and the Commission on Education Finance, Equity, and Excellence have proposed phasing in full-day kindergarten for all children, with the board proposing mandatory full-day kindergarten and the commission endorsing voluntary full-day kindergarten.

The Governor has noted that the school systems can use the funding for any efforts as long as the efforts help children improve their third grade achievement standards. The Governor has cited class size reductions, early reading programs, full-day kindergarten, libraries or resource materials, and early intervention programs as some of the areas that could be funded with the \$19.0 million. **Exhibit 6** shows how the Governor intends to distribute the funding. The distribution is based on the number of special education students and local wealth. The same approach that has been used to distribute \$11.25 million in special education aid since fiscal 1990.

State Board of Education and Commission Support Full-day Kindergarten

The State Board of Education proposed phasing in mandatory full-day kindergarten. The Commission on Education Finance, Equity, and Excellence endorsed full-day kindergarten. However, unlike the State Board of Education, the commission proposed that full-day kindergarten be voluntary. The commission recommended voluntary full-day kindergarten after attending several public hearings throughout the State this past summer and fall. While much of the public testimony supported full-day kindergarten, there were a number of concerns raised regarding making it mandatory. The commission recommended phasing in support for full-day kindergarten over five years and that \$15.8 million be included in the fiscal 2002 budget to support full-day kindergarten efforts.

Exhibit 6

Proposed Distribution of Governor's Early Grades Initiative

<u>Jurisdiction</u>	<u>Amount</u>
Allegany	\$440,372
Anne Arundel	1,306,668
Baltimore City	4,945,055
Baltimore County	1,670,733
Calvert	354,039
Caroline	201,367
Carroll	665,297
Cecil	489,633
Charles	521,304
Dorchester	124,667
Frederick	754,967
Garrett	140,471
Harford	1,026,767
Howard	552,060
Kent	44,040
Montgomery	1,537,698
Prince George's	2,615,767
Queen Anne's	148,179
St. Mary's	369,571
Somerset	98,844
Talbot	38,719
Washington	526,167
Wicomico	353,261
Worcester	74,354
Total	\$19,000,000

Source: Department of Budget and Management

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Options

A number of options are available to the General Assembly with respect to the \$19 million:

- **Defining the Services which can be Funded:** The budget bill language gives local school systems considerable flexibility in the use of the additional funds. Such an approach allows the school systems to address local priorities relating to kindergarten through third grade issues. Through adding language, the General Assembly could narrow the purposes for which the funds can be used. For example, the funds could be restricted for the sole purpose of funding all-day kindergarten or providing early academic intervention.
- **Early Childhood Education:** Recent research indicates that the most critical point in child development is from ages zero to five. If the State's goal is to improve the academic performance of young children, it may be wiser to target the \$19 million to programs for children ages zero to five. The General Assembly could add budget language restricting the funds to the sole purpose of serving children under the age of six. Further discussion of the option will be provided in the Children Entering School Ready to Learn budget analysis which will be presented on February 26th.
- **Establishing an Allocation Formula:** Language in the budget bill does not include an allocation formula. MSDE advises the funds will be distributed using the special education formula which does not necessarily relate to Kindergarten through third grade needs. The General Assembly could add language requiring a different method of distributing funds. Alternatives include distributing the funds based on third grade MSPAP scores or the number of children in kindergarten.
- **Performance Measures:** While the \$19 million is requested to improve third grade performance, there is no specific level of improvement identified. DLS recommends that specific accountability measures be developed for each school system which receives funding. **MSDE should discuss what requirements it plans to place on recipients of the funds.**

DLS recommends reducing funding for the early grades initiative by \$4.0 million to curb the growth in State spending and to assist in meeting Spending Affordability Committee guidelines.

6. Fiscal 2002 Funding May Eliminate Ongoing Nonpublic Placement Deficiencies for Special Education Students

MSDE is requesting a fiscal 2001 deficiency appropriation and increased funding in fiscal 2002 for nonpublic placements of special education students. The increased funding will eliminate any request for a fiscal 2002 deficiency appropriation if MSDE's fiscal 2001 and 2002 actual cost projections are accurate. **Exhibit 7** shows how MSDE has met the costs of nonpublic placements.

Exhibit 7

**Nonpublic Placement Appropriations vs. Actual Costs
Fiscal 1999 through 2002
(\$ in Millions)**

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001 Projections</u>	<u>FY 2002 Allowance</u>
Appropriation	\$63.1	\$76.8	\$91.6	\$112.8
Actual Costs	(76.1)	(81.5)	(99.6)	(104.5)
Subtotal	(13.0)	(4.7)	(8.0)	8.3
Prior Year Deficits	(6.8)	(13.0)	(4.8)	(8.0)
Deficiency Appropriation/State Aid Transfer	6.8	12.9	4.8	
Total	(13.0)	(4.8)	(8.0)	0.3

Source: Maryland State Department of Education

The costs for the nonpublic placement program have increased by 7.1% between fiscal 1999 and 2000 and are expected to rise by 22.2% between fiscal 2000 and 2001. However, MSDE only anticipates a 4.9% increase between fiscal 2001 and 2002. If the fiscal 2002 costs are accurate, then MSDE will have \$8.3 million remaining in fiscal 2002. MSDE can then apply this \$8.3 million to the \$8.0 million deficit from fiscal 2001. MSDE will have a \$300,000 surplus remaining at the end of fiscal 2002.

Exhibit 8 shows the growth in actual costs for the State share of nonpublic placements and partnerships.

Exhibit 8

**Growth in Nonpublic Placements and Partnerships
Fiscal 1999 through 2002**

	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>% Change between FY 01 - FY 02</u>
State Share	\$72.8	\$74.7	\$89.2	\$93.7	5.0%
Partnerships	3.3	6.8	10.4	10.8	3.8%
Total	\$76.1	\$81.5	\$99.6	\$104.5	4.9%

Source: Maryland State Department of Education

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DLS recommends MSDE be prepared to comment on:

- **why it believes the fiscal 2001 State share of nonpublic placement expenses will rise by more than 19% when fiscal 2000 costs exceeded the prior year by only 2.6%;**
- **why fiscal 2002 costs are expected to increase by only 5% given the 22% overall increase anticipated in fiscal 2002; and**
- **what the partnerships are and why spending on partnerships is expected to triple from fiscal 1999 to fiscal 2001, and whether the local share for the partnerships is the same as for nonpublic placements?**

DLS recommends a \$3 million reduction as the fiscal 2001 estimate of spending appears to overstate the actual costs which will be incurred. As a result, the fiscal 2001 deficit, which will be paid with fiscal 2002 dollars, will be lower than assumed in the allowance.

7. Education Commission Recommends Funding Changes for Special Education Students and Others, and Extended Sunsets for Certain Programs

The Commission on Education Finance, Equity, and Excellence, which is reviewing the State's education financing formulas and accountability measures, recommends increasing funding for special education students and others, and extending sunset provisions on various programs. Legislation has been introduced to implement the commission's interim recommendations.

Commission Works at Fulfilling Its Charge

The 27-member commission was established in 1999 and is charged with reviewing current education financing formulas and accountability measures. The commission plans to submit a final report by October 25, 2001. The report will contain the commission's recommendations for:

- ensuring the adequacy of and the equity in funding for public school students;
- ensuring excellence in school systems and student performance; and
- providing for a smooth transition when current educational funding initiatives sunset.

The commission also must analyze whether it is more effective to provide additional State aid in the form of targeted grants or to increase funding through the base formula, and ensure that local property tax policies do not affect the equitable allocation of funding for public school students.

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Recommendations Would Benefit Special Education Students, At-risk Students, and Others

In its 2000 interim report, the commission recommended that the fiscal 2002 State budget include additional funding for education totaling \$133.4 million. As **Exhibit 9** shows, these recommendations include funding for special education (\$42.3 million) and transportation of disabled students (\$22.0 million), as well as for the following programs:

- the Maryland Academic Intervention and Support Program (\$26.0 million); teacher mentoring (\$12.9 million);
- full-day kindergarten programs (\$15.8 million);
- the Judith P. Hoyer Early Child Care and Education Enhancement Program (\$8.0 million);
- reconstitution-eligible schools (\$5.0 million);
- positive behavioral intervention enhancements (\$700,000);
- and instructional leadership development training for school principals (\$750,000).

The commission's recommendation to increase funding for special education by \$42.3 million is based on a five-year plan in which special education funding would be increased annually until the funding reaches 2.3 times the State's share of the fiscal 2001 per pupil foundation amount. The commission recommended the increased funding because it believes the State's current level of special education funding -- a \$70 million base grant plus an \$11.25 million additional grant -- is insufficient. The local school systems bear the bulk of special education costs. Furthermore, there is concern that the current level of funding encourages systems to send students to more costly nonpublic schools because appropriate services that could otherwise be provided in public schools cannot be funded adequately.

The commission recommended increasing the transportation grant for special education students from \$500 to \$1,000 per student to relieve school systems of some of what the commission believes is a disproportionate share of transportation costs. The commission's recommendation also would eliminate the current offset for transportation of students with disabilities during the 1980-81 school year.

Funding that Expires after Fiscal 2002

The commission recommends that a final decision on whether to extend, repeal, or modify a variety of categorical funding programs that are currently scheduled to terminate at the end of fiscal 2002 should not be made until after the completion of an adequacy study in the spring of 2001. The commission recommends that the sunset on all of these programs be extended for one year, until the end of fiscal 2003. However, the commission also notes that it is possible that it will make recommendations next year that include proposals for the 2002 session that would become effective in fiscal 2003 and would, therefore, alleviate the need to continue some or all of the sunset programs in fiscal 2003.

Exhibit 9

**Estimates for the Fiscal 2002 Costs of the Commission's Recommended Budget Enhancements
Summary by Local School System**

Local Unit	Special Education Enhancement	Transportation Enhancement	Academic Intervention	Judith Hoyer Early Child Care Education	Full-Day KG Four-year Phase In ²	Reconstitution Eligible Schools	Teacher Mentoring	Positive Behavior Intervention	Instructional Leadership Development Principals	Estimated Increase by LSS
Allegheny	\$980,406	\$185,000	\$376,307		\$275,553		\$132,734			\$1,950,000
Anne Arundel	2,909,054	1,526,500	2,761,195		1,151,802		592,093			8,940,644
Baltimore City	11,009,273	4,587,500	8,405,636		2,738,271		2,481,642			29,222,322
Baltimore	3,719,576	2,865,500	3,381,018		1,412,643		1,148,552			12,527,289
Calvert	788,201	116,000	421,581		317,499		229,697			1,872,978
Caroline	448,308	74,500	168,876		148,032		170,359			1,010,076
Carroll	1,481,161	364,000	793,025		576,855		331,698			3,546,739
Cecil	1,090,076	229,500	499,772		360,245		299,526			2,479,119
Charles	1,160,590	215,500	741,018		383,745		389,866			2,890,719
Dorchester	277,549	44,500	216,694		99,616		184,014			822,373
Frederick	1,680,791	442,000	1,113,582		854,920		499,340			4,590,633
Garrett	312,734	46,500	137,624		(82,217)		174,922			589,564
Harford	2,285,907	373,000	1,109,250		937,639		629,387			5,335,184
Howard	1,229,059	670,500	1,154,012		661,649		590,525			4,305,744
Kent	98,047	31,500	75,902		37,662		124,832			367,943
Montgomery	3,423,403	5,515,000	3,577,479		1,422,437		792,848			14,731,167
Prince George's	5,823,511	3,721,000	6,224,050		3,048,399		2,492,711			21,309,671
Queen Anne's	329,893	39,500	226,258		134,544		176,340			906,535
St. Mary's	822,781	187,000	492,772		355,787		268,800			2,127,140
Somerset	220,056	72,000	133,323		91,068		147,221			663,669
Talbot	86,202	43,000	154,440		8,250		113,844			405,735
Washington	1,171,414	327,000	576,069		477,277		408,273			2,960,033
Wicomico	786,470	186,000	560,966		343,416		410,151			2,287,003
Worcester	165,536	72,500	199,150		54,374		110,625			602,185
Total Grants to LSS	\$42,300,000	\$21,935,000	\$33,500,000		\$15,809,466		\$12,900,000			\$126,444,466
Competitive Grants Unallocated									\$5,100,000	\$5,662,090
MSDE Headquarters									2,800,000	5,800,000
Funded in Base Budget									100,000	2,250,000
										(7,500,000)
Total	\$42,300,000	\$21,935,000	\$26,000,000		\$8,000,000		\$12,900,000			\$132,656,556

¹ The special education, transportation, academic intervention, and mentoring allocations updated based on more recent data.
² These are estimated allocations for increased funding under the basic current expense formula as a result of using an enrollment count that assumes, for the purpose of calculating aid, that one-fourth of the total number of kindergarten students in each jurisdiction are counted as full-day kindergarten students. These allocations include reallocations under the four other State aid programs that would be affected by the use of the new enrollment count in calculating aid under the basic current expense formula.
Prepared by the Department of Legislative Services, Jan. 24, 2001

RA.02 - MSDE - Aid to Education

Issues and Proposals Deferred for Further Consideration in 2001 Interim

The commission will continue to study issues relating to the adequacy of funding for public schools, local tax restrictions/effort, special education, student transportation, and full-day kindergarten during the 2001 interim. In addition, the commission will continue to explore several policy options discussed this interim, including:

- changes in the basic current expense formula;
- funding for and consolidation of targeted poverty programs and the compensatory education program;
- funding for limited English proficiency students;
- and “second tier” funding for less wealthy jurisdictions based on local effort.

DLS recommends that MSDE be prepared to discuss the impact of the commission's recommendations.

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce funds for basic current expense due to a recalculation of the per pupil foundation amount and the full-time equivalent enrollment count. The Maryland State Department of Education recalculated the per pupil foundation amount, reducing the amount from \$4,126 to \$4,124. The \$641,399 reduction for basic current expense is offset by a \$443,446 increase in funding under the Teacher Salary Challenge Program and a \$20,656 increase in student transportation grants. The net reduction in funds totals \$177,294. This recalculation reduced the amount needed in fiscal 2002 from \$1,681,871,977 to \$1,681,230,578.	\$ 177,294	GF
2. Reduce funding for nonpublic placements. The allowance includes \$8 million to pay bills from prior years. The Maryland State Department of Education's fiscal 2001 forecast assumes that costs will rise 22% including partnerships. Fiscal 2000 costs rose only 7% over fiscal 1999 and MSDE expects a mere 5% increase in fiscal 2002. Thus, the fiscal 2001 budget appears to overstate expenditures and the deficit which will need to be covered in fiscal 2002.	3,000,000	GF
3. Reduce funds for Early Grades Initiative. This reduction will help to curb growth in State expenditures and to assist in meeting Spending Affordability Committee guidelines.	4,000,000	GF
4. Reduce funding for teacher incentives to return funding to fiscal 2001 levels. Since the Maryland State Department of Education has only spent \$81,000 of the \$480,000 it received in fiscal 2001 for signing bonuses, \$3.7 million of the \$6.1 million it received for Advanced Professional Certificate stipends, and \$43,500 out of the \$206,000 for National Board Certification stipends, any increased funding in fiscal 2002 for teacher incentives is not justified.	3,124,000	GF

RA.02 - MSDE - Aid to Education

5. Adopt the following narrative:

Report on First-year Performance of the Three State Reconstitution Schools: The committees are concerned over whether the three State reconstitution elementary schools under Edison Schools management are reaching the performance benchmarks set out in Edison's contract. The committees request a report on the first-year performance of Edison Schools' State reconstitution elementary schools.

Information Request	Author	Due Date
Report on the first-year performance of Edison Schools' State reconstitution schools	MSDE	November 1, 2001
Total General Fund Reductions		\$ 10,301,294

Updates

1. Paying for the Second Year of the Governor's Teacher Salary Challenge

In fiscal 2001 and 2002, the Governor's Teacher Salary Challenge Program guarantees that the State will provide a 1% annual salary increase for any local school system that provides its teachers with at least a 4% annual salary increase as a way to improve teacher recruitment and retention. In fiscal 2002 the program will be funded out of the Transitional Education Fund, consisting of local reimbursements for State teachers' retirement contributions and the general fund. In fiscal 2001 the program was funded through the Cigarette Restitution Fund and the Transitional Education Fund.

Governor's Challenge Program Provides Incentives for Increasing Teachers' Salaries

By November 2000, 21 counties and Baltimore City had qualified for the grant. Caroline County chose not to participate in the first year of the challenge, citing an inability to afford the local match requirement. Calvert County applied but did not qualify for the program because it only supplied a 2.5% cost-of-living increase. The State cost of the salary challenge program is approximately \$34.4 million in fiscal 2001 and \$85.2 million in fiscal 2002. The legislation sunsets after fiscal 2002 although the Commission on Education Finance, Equity, and Excellence has recommended extending the funding through fiscal 2003. **Exhibit 10** shows how the fiscal 2002 funding for the program will be distributed among the 24 jurisdictions. The Governor has proposed using \$39.1 million in general funds, \$46.1 million in teacher retirement reimbursement funds, and no Cigarette Restitution Fund monies to pay for the program in fiscal 2002.

2. Update on the Commission on Funding and Services for Gifted and Talented Student Education

Chapter 618, Acts of 2000 established the Commission on Funding and Services for Gifted and Talented Student Education. The commission is developing a definition of gifted and will be dividing into three subcommittees: identification, services, and professional development. The subcommittees will look at best practices, accountability, obstacles, and funding.

3. The Task Force to Study College Readiness for Disadvantaged and Capable Students Issues Interim Report

The Task Force to Study College Readiness for Disadvantaged and Capable Students issued its interim report on December 21, 2000. The task force was created under Chapter 664, Acts of 2000 to ensure that disadvantaged students have adequate opportunities to successfully graduate from institutions of higher education. The task force reviewed the Southern Education Foundation's *Miles to Go: Maryland*, the foundation's response to the recommendations in the foundation's 1998 document, *Miles to Go: A Report on Black Students and Postsecondary Education in the South*, and *The Road Taken*:

Exhibit 10

Funding of Governor's Teacher Salary Challenge by Jurisdiction

Jurisdiction	Percentage		Wealth-Adjusted		Targeted		Hold Harmless		Transitional		Total	
	FY 01	FY 02	FY 01	FY 02	FY 01	FY 02	FY 01	FY 02	FY 01	FY 02	FY 01	FY 02
Allegheny	\$302,302	\$634,835	\$121,150	\$260,972	\$364,728	\$751,447	\$0	\$0	\$161,730	\$788,180	\$1,808,984	
Anne Arundel	2,120,721	4,461,998	0	0	0	0	0	0	556,041	2,120,721	5,018,039	
Baltimore City	3,048,542	6,475,104	1,477,695	3,082,328	3,463,567	7,100,270	0	1,367,688	1,671,203	7,989,804	19,696,593	
Baltimore	3,243,393	6,856,533	0	0	0	0	0	0	1,373,719	3,243,393	8,230,252	
Calvert**	0	463,926	0	54,825	0	0	0	0	98,698	0	617,449	
Caroline**	0	151,182	0	66,018	188,946	394,149	0	0	91,264	188,946	702,613	
Carroll	753,722	1,582,817	140,967	264,978	0	0	0	0	100,118	894,689	1,947,913	
Cecil	421,958	897,926	113,770	241,540	530,988	1,136,364	0	0	166,939	1,066,716	2,442,769	
Charles	632,708	1,328,687	116,555	277,991	0	0	0	0	164,626	749,263	1,771,304	
Dorchester	151,932	320,272	42,646	81,231	170,509	0	0	0	87,284	365,087	836,236	
Frederick	1,044,318	2,234,841	156,091	311,071	0	0	0	0	133,913	1,200,409	2,679,825	
Garrett	134,126	281,664	29,910	59,469	0	0	0	0	78,906	164,036	420,039	
Harford	1,083,251	2,296,492	196,144	398,717	0	0	0	0	270,051	1,279,395	2,965,260	
Howard	1,486,097	3,153,498	0	0	0	0	0	0	170,688	1,486,097	3,324,186	
Kent	78,332	165,751	0	0	0	0	0	63,889	47,742	78,332	277,382	
Montgomery	5,264,887	11,214,209	0	0	0	0	0	0	1,382,150	5,264,887	12,596,359	
Prince George's	3,735,218	8,000,837	839,945	1,941,703	0	0	0	0	1,611,376	4,575,163	11,553,916	
Queen Annes	195,184	410,278	0	0	0	0	0	0	57,219	195,184	467,497	
St. Mary's	428,270	921,638	81,581	175,756	0	0	0	0	131,650	509,851	1,229,044	
Somerset	79,419	166,938	32,939	68,319	103,347	214,153	0	0	78,676	215,705	528,086	
Talbot	124,386	263,698	0	0	0	0	0	895,790	62,812	124,386	1,222,300	
Washington	556,730	1,169,134	104,922	215,295	0	0	0	0	228,550	661,652	1,612,979	
Wicomico	395,524	835,348	126,497	257,213	477,915	1,003,618	0	0	178,323	999,936	2,274,502	
Worcester	208,422	441,437	0	0	0	0	0	459,896	96,322	208,422	997,655	
Total State Funding	\$25,489,442	\$54,729,043	\$3,580,812	\$7,757,426	\$5,300,000	\$10,600,001	\$0	\$3,134,712	\$0	\$9,000,000	\$34,370,254	\$85,221,182

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*The hold harmless and transitional components were not funded in fiscal 2001.

**Calvert and Caroline counties did not meet the local match requirement.

Source: Maryland State Department of Education and Department of Legislative Services

RA.02 - MSDE - Aid to Education

An Action Plan Agenda for Achieving the Recommendations in Miles to Go: Maryland. The task force split into three subcommittees based upon *Miles to Go* overall recommendations for improving college readiness, teacher preparation, and financial aid. **Exhibit 11** shows the recommendations made by each of the three subcommittees in the task force's interim report.

Exhibit 11

**Interim Recommendations of the Task Force to Study College Readiness for
Disadvantaged and Capable Students
December 21, 2000**

College Readiness Subcommittee Recommendations

Encourage the Maryland Partnership for Teaching and Learning K-16 to explore ways to be more effective in developing a seamless system of education between all educational entities.

Recommend the K-16 Leadership Council make working with school districts and higher education institutions for ensuring that K-12 content standards align with the admission standards of two- and four-year institutions a priority so students will be prepared for college-level curriculum.

Provide computer-literate teachers with incentives to help other teachers increase the use of instruction-based technology in the classroom.

Expand the Technology Academies statewide to train K-12 teachers and administrators in integrating instruction and technology.

Continue and expand programs such as GEAR UP which offer longitudinal assistance to students.

Help students to become more discerning of information from the Internet.

Ensure that all students are meeting grade-level educational standards and support those students who are not meeting those standards.

Report mathematics courses between Algebra I and College Level Algebra on the Student Outcome and Achievement Report as transitional rather than remedial courses.

Act to fill the gap between high school and college requirements.

Encourage high school students to take more rigorous course work and electives such as Advanced Placement and honors courses.

Advise high school students on the fundamental courses and time frame needed to be on the path toward college.

Ensure students, parents, and the community have a clear understanding of academic achievement and student performance standards.

Fund with State monies the cost of providing the PSAT to every tenth grader.

Increase participation and enrollment in Advanced Placement courses.

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Set as a goal for all students, including those in career technology education, the attainment of academic rigor in college preparatory classes and conduct a quality review of all career technology education to ensure these high academic standards.

Provide MSDE with the resources to permit the sharing with schools of curriculum development and portfolios of excellence and best practices.

Fund with State monies the transfer scholarship program to provide grants for community college students who transfer to four-year institutions.

Identify incentives for four-year institutions to develop 2+2 programs.

Provide clear, articulated programs between two- and four-year institutions.

Teacher Preparation Subcommittee Recommendations

The teacher preparation subcommittee is not ready to make specific recommendations beyond supporting the commitments and recommendations from previous studies and reports. However, the subcommittee has identified topics that will be explored later through formal hearings, surveys, and research.

Financial Aid Subcommittee Recommendations

Short-term Recommendations

Continue State efforts to increase need-based financial aid so that the Educational Assistance Grant Program will meet 40% of student need and achieve the statutory maximum award of \$3,000.

Explore ways to distribute multi-lingual information via the postal service to students and parents before the students' junior year outlining the full range of educational opportunities available at two- and four-year higher education institutions.

Continue the Maryland Higher Education Commission's (MHEC) implementation of the planned outreach activities discussed in the *Joint Chairmen's Report* Outreach Plan for Guaranteed Access Grant Program to reach all students and promote financial aid opportunities.

Affirm the following recommendations and commitments of the Office of Civil Rights' Partnership Agreement to improve educational opportunities of the State's African American population in higher institutions of education and ensure compliance with federal law:

- MHEC should work to heighten awareness among African American students about the availability of financial aid.
- The State will expand the current \$44 million in funds available for need-based financial assistance for part-time, full-time, and transfer students.
- The State will explore creating a first-professional and graduate scholarship program for high-achieving students at Historically Black Colleges and Universities.
- Enhance the student financial aid administration at the State's Historically Black Colleges and Universities.

RA.02 - MSDE - Aid to Education

Long-term Recommendations for Affordability and Access

Identify students who could be better served by State financial aid.

Establish equity and predictability in State financial aid.

Addressing needs of part-time students.

Examining the relationship between the cost of tuition and the college attendance rate of disadvantaged students.

Examine undergraduate versus graduate and professional financial aid.

Study existing outreach activities.

Identify barriers to accessing financial aid.

Examine current levels of State financial aid.

Source: *Task Force to Study College Readiness for Disadvantaged and Capable Students*, Interim Report, December 21, 2000

The subcommittees will continue throughout 2001 to meet and study needs for preparing disadvantaged and capable students for college and provide a final report of its findings and recommendations by December 1, 2001.

Current and Prior Year Budgets

**Current and Prior Year Budgets
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 2000					
Legislative Appropriation	\$2,734,999	\$100	\$411,092	\$1,419	\$3,147,610
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	627	84,665	460	85,752
Reversions and Cancellations	(765)	(100)	(55,670)	(156)	(56,691)
Actual Expenditures	\$2,734,234	\$627	\$440,087	\$1,722	\$3,176,670
Fiscal 2001					
Legislative Appropriation	\$2,796,908	\$64,458	\$466,478	\$528	\$3,328,371
Budget Amendments	0	0	0	1,266	1,266
Working Appropriation	\$2,796,908	\$64,458	\$466,478	\$1,794	\$3,329,637

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

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The fiscal 2000 general fund legislative appropriation was reduced by a \$764,887 general fund reversion. The majority of this reversion consists of:

- \$278,585 from the failure of seven school districts to meet the local match for School Library Media Incentive Program funds;
- \$262,025 in decreased State payments for Montgomery County librarians' retirement due to overestimation;
- \$95,132 for audits of the number of disabled students and enrollment; and
- \$81,562 in unspent funds from a fiscal 1999 deficiency appropriation for the Baltimore Partnership for Vocational Education.

The fiscal 2000 special fund legislative appropriation increased by:

- \$627,167, including \$200,000 from Montgomery County Technology Program funds to implement technology programs;
- \$182,167 from the East Coast Migrant Head Start Project to provide Head Start activities for families of Eastern Shore summer migratory workers;
- \$125,000 from a transfer of funds from the Information Technology Investment Fund to provide low-cost web-hosting and email services to nonprofit organizations;
- and \$120,000 from the Technology Innovation Challenge program funded through the Montgomery County Public School System to promote technology among students and teachers.

The fiscal 2000 federal fund legislative appropriation increased by almost \$29.0 million reflecting additional federal funding for programs ranging from class size reduction to child nutrition programs.

The fiscal 2000 reimbursable fund legislative appropriation increased by \$459,533. This increase consists primarily of employment and training under the JTPA Education Coordination and Grants Program, and funds from the Department of Human Resources and MDE for the library program, SAILOR.

Only the fiscal 2001 reimbursable fund legislative appropriation has been amended. The Interagency Committee for Public School Construction transferred almost \$1.3 million to MSDE for capital improvements to the three schools managed by Edison Schools, Inc.

**Object/Fund Difference Report
MSDE - Aid to Education**

Objects	<u>Object/Fund</u>	FY01		FY02 <u>Allowance</u>	FY01 - FY02 <u>Amount Change</u>	Percent <u>Change</u>
		FY00 <u>Actual</u>	Working <u>Appropriation</u>			
02	Technical & Spec Fees	(\$ 35)	\$ 0	\$ 0	\$ 0	0.0%
04	Travel	(74)	0	0	0	0.0%
08	Contractual Services	(32,494)	0	0	0	0.0%
09	Supplies & Materials	(7,940)	0	0	0	0.0%
12	Grants, Subsidies, Contributions	3,176,711,041	3,329,637,290	3,547,043,796	217,406,506	6.5%
	Total Objects	\$ 3,176,670,498	\$ 3,329,637,290	\$ 3,547,043,796	\$ 217,406,506	6.5%
	Funds					
01	General Fund	\$ 2,734,234,066	\$ 2,796,907,973	\$ 2,955,709,447	\$ 158,801,474	5.7%
03	Special Fund	627,167	64,457,959	79,883,496	15,425,537	23.9%
05	Federal Fund	440,086,767	466,477,458	510,977,853	44,500,395	9.5%
09	Reimbursable Fund	1,722,498	1,793,900	473,000	(1,320,900)	(73.6%)
	Total Funds	\$ 3,176,670,498	\$ 3,329,637,290	\$ 3,547,043,796	\$ 217,406,506	6.5%

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**Fiscal Summary
MSDE - Aid to Education**

<u>Unit/Program</u>	FY01		FY01		FY00 - FY01 <u>% Change</u>	FY02 <u>Allowance</u>	FY01 - FY02 <u>% Change</u>
	FY00 <u>Actual</u>	Legislative <u>Appropriation</u>	Working <u>Appropriation</u>	FY01 <u>Working Appropriation</u>			
01 State Share of Basic Current Expenses	\$ 1,567,596,433	\$ 1,621,543,141	\$ 1,621,543,141	\$ 1,621,543,141	3.4%	\$ 1,681,871,977	3.7%
03 Aid for Local Employees Fringe Benefits	403,589,988	374,787,157	374,787,157	374,787,157	(7.1%)	336,007,952	(10.3%)
04 Children at Risk	10,484,689	10,368,547	10,368,547	10,368,547	(1.1%)	15,275,056	47.3%
05 Formula Programs for Specific Populations	4,767,623	5,603,043	5,603,043	5,603,043	17.5%	6,063,043	8.2%
07 Students With Disabilities	170,945,574	172,816,668	172,816,668	172,816,668	1.1%	194,067,250	12.3%
08 Assistance to State for Educating Students with Disabilities	141,026,219	133,305,767	133,305,767	133,305,767	(5.5%)	160,843,829	20.7%
09 Gifted and Talented	4,954,124	5,243,684	5,243,684	5,243,684	5.8%	6,506,504	24.1%
10 Environmental Education	68,057	68,057	68,057	68,057	0%	68,057	0%
11 Disruptive Youth	1,601,655	1,601,655	1,601,655	1,601,655	0%	1,601,655	0%
12 Educationally Deprived Children	105,554,655	102,411,499	102,411,499	102,411,499	(3.0%)	110,065,416	7.5%
13 Innovative Programs	34,559,232	41,879,504	44,648,354	44,648,354	29.2%	62,840,310	40.7%
14 Adult Continuing Education	6,233,660	6,053,372	6,053,372	6,053,372	(2.9%)	7,614,315	25.8%
15 Language Assistance	1,749,292	1,970,468	1,970,468	1,970,468	12.6%	1,970,468	0%
18 Career and Technology Education	18,127,668	14,076,855	14,076,855	14,076,855	(22.3%)	14,236,867	1.1%
19 Job Training Partnership Act	1,075,984	0	0	0	(100.0%)	0	0%
20 Baltimore City Partnership Funding	50,000,000	58,000,000	60,767,500	60,767,500	21.5%	70,465,079	16.0%
22 Compensatory Education and SAFE Funding	236,181,042	236,556,141	231,019,791	231,019,791	(2.2%)	239,758,690	3.8%
23 Class Size Initiative	13,166,734	30,617,000	30,617,000	30,617,000	132.5%	36,320,382	18.6%
27 Food Services Program	123,053,419	148,415,166	148,415,166	148,415,166	20.6%	149,832,653	1.0%
31 Public Libraries	25,337,226	26,782,276	26,782,276	26,782,276	5.7%	27,941,828	4.3%
32 State Library Network	5,374,239	8,418,299	8,418,299	8,418,299	56.6%	11,011,769	30.8%
39 Transportation	117,430,079	122,592,447	122,592,447	122,592,447	4.4%	133,303,298	8.7%
45 School Building Construction Aid	94,076,188	98,291,560	98,291,560	98,291,560	4.5%	100,522,850	2.3%
52 Science And Mathematics Education Initiative	4,726,272	4,883,139	4,883,139	4,883,139	3.3%	4,883,139	0%
53 School Technology	13,617,181	17,791,000	17,791,000	17,791,000	30.7%	20,846,000	17.2%
54 School Quality, Accountability and Recognition	18,336,827	18,856,227	20,122,227	20,122,227	9.7%	18,856,227	(6.3%)
55 Teacher Development	3,036,438	14,824,000	14,824,000	14,824,000	388.2%	17,948,000	21.1%
56 Governor's Teacher Salary Challenge Program	0	35,014,618	35,014,618	35,014,618		85,221,182	143.4%
57 Transitional Education Funding Program	0	15,600,000	15,600,000	15,600,000		31,100,000	99.4%
Total Expenditures	\$ 3,176,670,498	\$ 3,328,371,290	\$ 3,329,637,290	\$ 3,329,637,290	4.8%	\$ 3,547,043,796	6.5%

Fiscal Summary
MSDE - Aid to Education

<u>Unit/Program</u>	FY00	FY01	FY01	FY00 - FY01	FY02	FY01 - FY02
	<u>Actual</u>	<u>Legislative Appropriation</u>	<u>Working Appropriation</u>	<u>% Change</u>	<u>Allowance</u>	<u>% Change</u>
General Fund	\$ 2,734,234,066	\$ 2,796,907,973	\$ 2,796,907,973	2.3%	\$ 2,955,709,447	5.7%
Special Fund	627,167	64,457,959	64,457,959	10177.6%	79,883,496	23.9%
Federal Fund	440,086,767	466,477,458	466,477,458	6.0%	510,977,853	9.5%
Total Appropriations	\$ 3,174,948,000	\$ 3,327,843,390	\$ 3,327,843,390	4.8%	\$ 3,546,570,796	6.6%
Reimbursable Fund	\$ 1,722,498	\$ 527,900	\$ 1,793,900	4.1%	\$ 473,000	(73.6%)
Total Funds	\$ 3,176,670,498	\$ 3,328,371,290	\$ 3,329,637,290	4.8%	\$ 3,547,043,796	6.5%

RA.02 - MSDE - Aid to Education

Appendix 3 (Cont.)