

RA.03
Funding for Educational Organizations
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	\$20,657	\$21,161	\$21,670	\$509	2.4%
Special Fund	<u>0</u>	<u>6,000</u>	<u>8,000</u>	<u>2,000</u>	<u>33.3%</u>
Total Funds	\$20,657	\$27,161	\$29,670	\$2,509	9.2%

- The Governor's allowance provides an additional \$2.0 million over the fiscal 2001 working appropriation for the Nonpublic Student Textbook Program.
- The remainder of the increase in the allowance resides in a Maryland School for the Blind formula increase and a transfer of the State's Best Buddies International Program from the Maryland State Department of Education's headquarters.

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

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Analysis in Brief

Issues

Governor Requests a Second Chapter for Nonpublic Student Textbooks: The Governor's fiscal 2002 allowance provides \$8.0 million in Cigarette Restitution Funds to continue the Nonpublic Student Textbook Program. The Maryland General Assembly provided \$6.0 million in fiscal 2001 to create the program. As of January 10, 2001, the Maryland State Department of Education had allocated \$4,945,920 to provide 76,085 students in 250 schools with textbooks. Whether funding for this program, which provides secular textbooks to students in eligible nonpublic schools, should be continued is discussed. **The Department of Legislative Services (DLS) recommends the deletion of the \$8.0 million from the fiscal 2002 allowance for the Nonpublic Student Textbook Program.**

BISM May Not Be Achieving Self-Sufficiency as Required by Budget Bill Language: The Governor's fiscal 2002 allowance allocates \$1.1 million to the Blind Industries and Services of Maryland (BISM). Fiscal 1998 budget bill language requires the State to reduce BISM's appropriation beginning in fiscal 2000 to help BISM move toward self-sufficiency. Why this reduction has not occurred is examined. **The DLS recommends the director of BISM be prepared to discuss the actions BISM has taken since fiscal 2000 to move toward self-sufficiency.**

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Delete funding for the Nonpublic Student Textbook Program.	\$ 8,000,000	
Total Reductions	\$ 8,000,000	

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Operating Budget Analysis

Program Description

The State provides grants to institutions that provide a range of educational services. Fiscal 1999 budget bill language requires the Governor to separately account for State assistance to the Maryland School for the Blind (MSB) and the Blind Industries and Services of Maryland (BISM). The other institutions are categorized under the heading “State Aided Educational Institutions.” The mission of the MSB, BISM, and 28 State Aided Educational Institutions is as follows:

- ***MSB*** educates children who are blind or suffer from functional vision problems. Approximately 70.0% of MSB’s revenues are from State aid;
- ***BISM*** provides for the employment and training of Maryland’s blind citizens;
- ***Alice Ferguson Foundation*** provides environmental education programs through hands-on experiences on a working farm, in wetlands, on the Potomac River, and through the Internet;
- ***Alliance of Southern Prince George’s Communities, Inc.***, provides Scholastic Aptitude Test (SAT) study courses in partnership with community organizations;
- ***American Visionary Art Museum*** provides teachers throughout the State with materials regarding works of self-taught artists and conducts museum visits;
- ***Arts Excel*** brings the Baltimore Symphony into 11 schools in Baltimore City and Baltimore County to use the arts to enrich the learning environment and educational outcomes;
- ***Baltimore Museum of Industry*** provides interactive workshops that help students apply mathematics, science, and technology to work and industry;
- ***Baltimore Zoo Foundation*** provides animal-related programs for students and teachers;
- ***Best Buddies International*** provides employment and social opportunities for individuals with mental retardation;
- ***Charles Village Foundation*** provides instruction and hands-on activities involving reading and the preservation and management of natural areas;
- ***Chesapeake Bay Foundation*** provides instruction in the preservation and management of the Chesapeake Bay and its inhabitants;

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- ***Citizenship Law-Related Education*** provides programs to enhance knowledge and understanding of citizenship and the legal system;
- ***CollegeBound Foundation*** encourages and enables Baltimore City public school students to continue their education beyond high school;
- ***Dyslexia Tutoring Program*** provides evaluations and tutoring for those in Maryland with dyslexia who have an average or higher basic intelligence and cannot afford private help;
- ***Echo Hill Outdoor School*** provides environmental education programs in an outdoor setting;
- ***Living Classrooms Foundation*** provides educational and vocational programs featuring experience-based outdoor learning in subjects such as math, science, and navigation;
- ***Maryland Academy of Sciences*** provides scientific information to students to increase their appreciation of scientific research through working exhibits and lectures;
- ***Maryland Historical Society*** provides tours, living history performances, teacher workshops, traveling trunks, slide packets, primary source kits, and living history presentations;
- ***Maryland Leadership Workshops*** provides middle school and high school programs to strengthen individual and group leadership skills;
- ***Maryland Mathematics, Engineering, and Science Achievement Program*** provides a pre-college program to increase awareness among students, particularly women and African-American, Hispanic, and Native American youth, of career options in engineering and related fields;
- ***National Aquarium in Baltimore*** provides science and aquatic education programs;
- ***National Museum of Ceramic Art and Glass*** provides in-school ceramic arts programs at the middle school level, which incorporate language arts, social studies, science, and math;
- ***Olney Theater Center*** offers 20 performances in regional educational settings for students statewide focused on classical theater, skills workshops, study guides, and student discussions;
- ***Outward Bound*** provides all students with a safe, challenging educational experience in a natural outdoor setting, carefully structured to enhance self-esteem, self-reliance, concern for others, service to the community, and care for the environment;
- ***Port Discovery*** helps students use their minds and bodies to think creatively, solve problems, and work together to effectively apply knowledge of real life situations in performance-based activities;
- ***Salisbury Zoological Park*** provides free visits to the zoo, outreach programs, and supportive curricula;
- ***South Baltimore Learning Center*** provides adult literacy training in South Baltimore and the surrounding area;

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- **State Mentoring Resource Center** supports a diverse range of mentoring programs that connect adults with disadvantaged public school students;
- **Supercamp** provides intensive reading instruction and enrichment experiences to Baltimore students during the summer months; and
- **Ward Museum** provides seminars and outreach programs on the preservation and promotion of wildfowl carving.

Governor’s Proposed Budget

Exhibit 1 shows that the Governor's allowance is \$2,508,675, or 9.2% greater than the fiscal 2001 working appropriation. The majority of this increase consists of providing funds for a second year of the Nonpublic School Textbook Program. The remainder of the increase is attributable to an increase in the School for the Blind formula and the transfer of a program from the Maryland State Department of Education (MSDE) Headquarters budget to the Funding for Educational Organizations budget.

Exhibit 1

Governor's Proposed Budget			
Funding for Educational Organizations			
(\$ in Thousands)			
How Much It Grows:	General Fund	Special Fund	Total
2001 Working Appropriation	\$21,161	\$6,000	\$27,161
2002 Governor's Allowance	21,670	8,000	29,670
Amount Change	\$509	\$2,000	\$2,509
Percent Change	2.4%	33.3%	9.2%
Where It Goes:			
Expenses			
Additional funding for the second year of the Nonpublic School Student Textbook Program			\$2,000
Increased formula funding for the Maryland School for the Blind			269
Transfer of the State's Best Buddies International Program from the MSDE Headquarters budget			240
Total			\$2,509

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

Second-Year Funding for Nonpublic Textbooks

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The Governor has provided \$8.0 million in Cigarette Restitution Fund (CRF) monies for a second year of funding for the Nonpublic School Textbook Program. The program began in fiscal 2001 with \$6.0 million in CRF monies.

Maryland School for the Blind Formula Increase

The fiscal 2002 Governor's allowance also increases the appropriation for the MSB by \$268,675, or 2.2%, to \$12,294,111. Chapter 617, Acts of 1998 bases MSB's appropriations for fiscal 2000 and beyond upon the school's enrollment growth and growth in basic current expense.

State Aided Educational Institutions

MSDE transferred the State's Best Buddies International Program from its headquarters budget to its Funding for Educational Organizations budget in fiscal 2002. This transfer increased the Governor's allowance over the fiscal 2001 working appropriation by \$240,000. The allowance for the remaining State Aided Educational Institutions equals the fiscal 2001 appropriation (see **Appendix 4** for the allowance for each State Aided Educational Institution.)

Performance Analysis: Managing for Results

Managing for Results (MFR) is the Governor's plan to increase accountability within State government. The Governor has stated that MFR shows Maryland citizens how public funds are being used. The analysis for MSDE Funding for Educational Organizations has not required MFR indicators. However, Chapter 657, Acts of 1998 requires State aided educational institutions that request State funding to provide certain criteria. MSDE could convert some of these criteria into MFR indicators.

For instance, Chapter 657 requires each State aided institution to submit a detailed operating budget that shows that less than 50% of the budget is derived from State grants. Chapter 657 also mandates that the educational organization show how it will directly assist Maryland school groups or individuals with disabilities. Furthermore, the State aided institutions must attach data on the ages of the students who will be served, data on the estimated number of students and teachers to be served both statewide and by local jurisdiction, and plans of the State aided institution to support the goals of the Maryland Schools for Success Program and the Maryland School Performance Program. If a State aided institution wants funding in the following fiscal year, it must submit a request detailing who will be served, the objectives of the educational program, and the anticipated outcomes.

The Superintendent reviews and comments on the criteria and submits her list of which organizations qualify for funding to the State Board of Education. The State Board of Education then reviews and comments on her list and submits the list and all comments to the Governor.

Since the legislature makes the final determination of how public funds will be spent, the legislature should have ready access to these criteria. This could be facilitated by incorporating the requirements of

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Chapter 657, Acts of 1998 into an annual MFR submission for State aided educational institutions. The Department of Legislative Services (DLS) could analyze: (1) whether the goals and objectives of each organization are sensible; (2) whether the organization has achieved its objectives in past years; (3) the reasons why the objectives were or were not achieved in the past; (4) whether the goals and objectives for fiscal 2002 are reasonable given past performance and the funding provided in the allowance; (5) whether the funds for these organizations are allocated in the most efficient manner; and (6) whether the allowance contains funding that supports the goals of the Maryland Schools for Success Program and the Maryland School Performance Program. Incorporating the criteria into the MFR process would facilitate an additional level of oversight to ensure that general funds are being spent appropriately. **DLS recommends the following committee narrative:**

Inclusion of Educational Organizations' Data in MFR Process: The committees recommend whether to fund programs, in part, by examining the goals, objectives, and performance measurement data provided under Managing for Results (MFR). MSDE should incorporate the goals, objectives, and performance measurement data for the State aided educational institutions into the MFR process beginning with the fiscal 2003 budget.

Exhibit 2 shows MSB's day and residential student enrollment, outreach program participation, and the cost per day and resident student.

One of the most significant increases in the program measurement data is the average annual increase in the cost per day student and the cost per residential student between fiscal 1998 and 2000. MSB attributes this increase to mandated increases in health insurance, cost of living adjustments, and other fringe benefits for personnel as well as higher costs for the services of physical, occupational, and other specialized therapists. Estimates show the cost per student increasing significantly in fiscal 2001 and then declining in fiscal 2002. **The MSB should be prepared to discuss this trend.**

Exhibit 2

**Program Measurement Data
Maryland School for the Blind
Fiscal Years**

	<u>Actual 1998</u>	<u>Actual 1999</u>	<u>Est. 2000</u>	<u>Actual 2000</u>	<u>Est. 2001</u>	<u>Est. 2002</u>	<u>Ann. Chg. 98-00</u>	<u>Ann. Chg. 00-02</u>
Maryland School for the Blind								
Enrollment								
# of Day Students	38	38	50	71	62	61	36.7%	-7.3%
# of Residential Students	140	141	143	120	120	119	-7.4%	-0.4%
Students and Clients in Outreach Program	190	156	195	253	260	275	15.4%	4.3%
Cost per Student								
Day Student	\$60,193	\$65,851	\$68,399	\$86,316	\$100,048	\$96,921	19.7%	6.0%
Residential Student	\$72,786	\$78,395	\$81,030	\$105,198	\$118,854	\$116,838	20.2%	5.4%

Source: Maryland School for the Blind; Governor's Fiscal 2001 Budget Book

Issues

1. Governor Requests a Second Chapter for Nonpublic Student Textbooks

The Governor's fiscal 2002 allowance provides \$8.0 million in Cigarette Restitution Funds to continue the Nonpublic Student Textbook Program. The fiscal 2001 budget includes \$6.0 million for the program. Budget bill language established criteria for participating in the program and guidelines for implementing the program. As of January 10, 2001, MSDE had allocated \$4,945,920 to provide 76,085 students in 250 schools with textbooks.

Eligibility Established for Nonpublic School Textbooks

The program requires a nonpublic school to meet four criteria to receive textbooks. First, the nonpublic school must have had a certificate of approval or have been registered with the State Board of Education by December 29, 2000. Eligible nonpublic schools include certified or registered nursery schools educating children from two to four years of age. According to MSDE, there are approximately 1,300 certified and registered nonpublic schools in Maryland. MSDE sent applications to participate in the program to approximately 1,200 schools; the applications were due to MSDE by December 29, 2000. MSDE did not send applications to approximately 100 nonpublic special education schools because the State and federal government must provide funds to them.

Second, a nonpublic school must not have charged more than \$7,133 per participating student during the 1998 - 1999 school year. This amount represents MSDE's calculation of the statewide average per pupil expenditure by the local school systems for the 1998 - 1999 school year. Third, a nonpublic school must guarantee that the savings on the cost of the textbooks will be dedicated to reducing the student costs for textbooks. Fourth, a nonpublic school must comply with Title VI of the Civil Rights Act of 1964, as amended.

Allocation Depends on Free and Reduced Price Meal Eligibility

As required under the fiscal 2001 budget bill language governing the program, MSDE must distribute \$90 per eligible student in an eligible nonpublic school if at least 20% of the nonpublic school's students are eligible for the free or reduced price lunch program. Of the remaining funds, MSDE may distribute up to \$60 per eligible student if the school has fewer than 20% of its students eligible for the free and reduced price meal program. Nonpublic schools were required to use a certified student enrollment count as of September 30, 2000.

What Nonpublic Schools Must Do to Receive Textbooks

To be considered to receive textbooks, nonpublic schools must have submitted "Intent to Participate" and "Statement of Assurances" letters to MSDE by December 29, 2000. The "Intent to Participate" letter must have been accompanied by the school's student enrollment counts, assurance of compliance with the 1964 Civil Rights Act, the percentage of students eligible for the Free and Reduced Priced Meal Program,

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and 1998 - 1999 tuition costs. Signing the "Statement of Assurances" letter commits eligible nonpublic schools to dedicating savings from using the State textbook funds to reducing students' textbook costs.

Once schools are notified by MSDE that they are eligible to participate, the schools may submit requisition forms to MSDE. MSDE will send approved requisitions for qualified textbooks to qualified textbook vendors. The vendors will then send the textbooks directly to the schools. After receiving a shipping receipt, MSDE will pay the vendor.

Status of Implementation

As of January 10, 2001, 250 of the schools were deemed eligible. Fifty-four of the 250 schools were qualified to receive \$90 per student and the remaining 196 schools were qualified to receive \$60 per student. MSDE notified schools on January 19, 2001, of their eligibility. As noted above, \$4,945,920 or 82.4% out of the \$6.0 million will be expended to provide 76,085 nonpublic school students with textbooks. **Exhibit 3** shows the amount each jurisdiction will receive for the textbook program.

Exhibit 3

Distribution of Nonpublic Textbook Program Funding as of January 10, 2001

<u>Jurisdiction</u>	<u>Number of Schools</u>	<u>School Enrollment</u>	<u>Allotment</u>
Allegany	5	859	\$65,760
Anne Arundel	14	7,118	443,790
Baltimore City	53	12,194	880,890
Baltimore County	46	16,322	1,094,850
Calvert	4	528	31,680
Caroline	1	108	6,480
Carroll	5	1,367	82,020
Cecil	3	756	52,080
Charles	4	1,433	85,980
Frederick	9	2,005	120,300
Harford	5	2,103	126,180
Howard	7	2,133	127,980
Montgomery	30	11,520	724,650
Prince George's	48	13,628	853,200
St. Mary's	8	2,038	122,280
Talbot	2	716	42,960
Washington	3	645	38,700
Wicomico	2	474	33,720
Worcester	1	138	12,420
Total	250	76,085	\$4,945,920

Source: Maryland State Department of Education, January 10, 2001

Should the State Provide Another \$8.0 Million for Nonpublic School Textbooks?

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The Governor's allowance provides \$8.0 million for the program. To justify the \$2.0 million increase in the program over the fiscal 2001 appropriation, the Governor has attached language to the fiscal 2002 budget bill. This language increases the mandatory distribution from \$90 to \$120 per eligible student in an eligible nonpublic school if at least 20% of the school's students are eligible for the free or reduced price lunch program. Furthermore, the language increases the optional maximum distribution from \$60 to \$80 per eligible student in an eligible nonpublic school if fewer than 20% of their students are eligible for the free or reduced price lunch program.

The Governor's fiscal 2001 out-year forecasts and the fiscal plan considered by the General Assembly did not include funding for the program beyond fiscal 2001. The fiscal 2001 budget bill language governing the program stated that the "appropriation is only for fiscal 2001." In addition, the fiscal 2002 budget considerably exceeds the growth recommended by the Spending Affordability Committee and fails to provide sufficient funding for several long standing ongoing programs. **Given the planned one-year funding for this program and the need to constrain the overall growth in State spending, DLS recommends that funding of the Nonpublic Student Textbook Program in fiscal 2002 be denied.**

DLS recommends deleting \$8.0 million from the fiscal 2002 allowance for the Nonpublic Student Textbook Program.

2. BISM May Not Be Achieving Self-Sufficiency as Required by Budget Bill Language

The Governor's fiscal 2002 allowance allocates \$1.1 million to the Blind Industries and Services of Maryland. As **Exhibit 4** shows, fiscal 1998 budget bill language requires the State to reduce BISM's appropriation beginning in fiscal 2000 to help BISM move toward self-sufficiency.

Exhibit 4

Budget Bill Language Expressing State's Desire to Move BISM Toward Self-Sufficiency

, provided that with the additional appropriation, Blind Industries and Services of Maryland will move toward self-sufficiency within the next few years. In Fiscal Year 2000, the State will begin the process of reducing the State's appropriation to Blind Industries and Services of Maryland.

Source: *Joint Chairmen's Report -- Operating Budget, April 1997*

The State also has allocated \$1.1 million in each of fiscal 1999, 2000, and 2001. The State's appropriation to BISM clearly is not moving BISM toward self-sufficiency.

DLS recommends the director of BISM be prepared to discuss the actions BISM has taken since

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fiscal 2000 to move toward self-sufficiency.

Recommended Actions

	<u>Amount Reduction</u>	<u>Position Reduction</u>
1. Delete funding for the Nonpublic Student Textbook Program. Given the planned one-year funding for this program and the need to constrain the overall growth in State spending, the Department of Legislative Services (DLS) recommends that funding of the Nonpublic Student Textbook Program in fiscal 2002 be denied. DLS recommends deleting \$8.0 million from the fiscal 2002 allowance for the Nonpublic Student Textbook Program.	\$ 8,000,000	SF
Total Special Fund Reductions	\$ 8,000,000	

Current and Prior Year Budgets

**Current and Prior Year Budgets
Funding for Educational Organizations
(\$ 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	\$20,965	\$0	\$0	\$0	\$20,965
Deficiency Appropriation	(200)	0	0	0	(200)
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	(108)	0	0	0	(108)
Actual Expenditures	\$20,657	\$0	\$0	\$0	\$20,657
Fiscal 2001					
Legislative Appropriation	\$21,161	\$6,000	\$0	\$0	\$27,161
Budget Amendments	0	0	0	0	0
Working Appropriation	\$21,161	\$6,000	\$0	\$0	\$27,161

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

The fiscal 2000 legislative appropriation decreased by a \$200,000 deficiency appropriation reflecting a transfer of funds for the Maryland Center for Arts and Technology from the Funding for Educational Organizations' budget to the Aid to Education budget.

A total of \$108,000 in general funds, reflecting unspent funds from a fiscal 1999 deficiency appropriation for the Baltimore Partnership for Vocational Education, were reverted.

The fiscal 2001 legislative appropriation has not been amended.

Fiscal Summary
MSDE - Funding for Educational Organizations

<u>Unit/Program</u>	<u>FY00</u> <u>Actual</u>	<u>FY01</u> <u>Legislative</u> <u>Appropriation</u>	<u>FY01</u> <u>Working</u> <u>Appropriation</u>	<u>FY00 - FY01</u> <u>% Change</u>	<u>FY02</u> <u>Allowance</u>	<u>FY01 -</u> <u>% Change</u>
01 Maryland School for the Blind	\$ 11,789,436	\$ 12,025,436	\$ 12,025,436	2.0%	\$ 12,294,111	2.2%
02 Blind Industries and Services of Maryland	1,114,710	1,114,710	1,114,710	0%	1,114,710	0%
03 Other Institutions	7,753,121	8,020,721	8,020,721	3.5%	8,260,721	3.0%
04 Aid to Nonpublic Schools	0	6,000,000	6,000,000		8,000,000	33.3%
Total Expenditures	\$ 20,657,267	\$ 27,160,867	\$ 27,160,867	31.5%	\$ 29,669,542	9.2%
General Fund	\$ 20,657,267	\$ 21,160,867	\$ 21,160,867	2.4%	\$ 21,669,542	2.4%
Special Fund	0	6,000,000	6,000,000	N/A	8,000,000	33.3%
Total Appropriations	\$ 20,657,267	\$ 27,160,867	\$ 27,160,867	31.5%	\$ 29,669,542	9.2%

Funding for Educational Organizations

<u>Organization</u>	<u>Fiscal 2002 Allowance</u>
Alice Ferguson Foundation	\$99,521
Alliance of Southern P.G. Communities, Inc.	50,000
American Visionary Art Museum	20,000
Arts Excel	75,000
Baltimore Museum of Industry	89,721
Baltimore Zoo Foundation	3,850,000
Best Buddies International	240,000
Charles Village Foundation	60,000
Chesapeake Bay Foundation	524,716
Citizenship Law-Related Education	40,727
Collegebound Foundation	50,000
The Dyslexia Tutoring Program, Inc.	50,000
Echo Hill Outdoor School	74,114
Living Classrooms	457,400
Maryland Academy of Sciences	478,797
Maryland Leadership Workshops	60,000
Maryland Historical Society	75,000
Maryland Math, Engineering, and Science Achievement	100,000
National Aquarium in Baltimore	157,707
National Museum of Ceramic Art & Glass	25,000
Olney Theater	300,000
Outward Bound	258,200
Port Discovery	100,000
Salisbury Zoological Park	25,000
South Baltimore Learning Center	50,000
State Mentoring Resource Center	175,000
Supercamp	750,000
Ward Museum	24,818
Total	\$8,260,721