

R00A03
Funding for Educational Organizations
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

			FY 02-04		FY 04-05	
	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>Change</u>	<u>FY 05</u>	<u>Change</u>
Operations	\$7	\$1	\$0	-\$7	\$0	\$0
Contractual Services	4,843	3,635	0	-\$4,843	0	0
Grants	21,770	20,704	23,588	\$1,818	24,318	730
Adjusted Grand Total	\$26,620	\$24,340	\$23,588	-\$3,032	\$24,318	\$730
General Funds	21,770	20,704	20,678	-\$1,092	21,408	730
Special Funds	4,850	3,635	2,910	-\$1,940	2,910	0
Adjusted Grand Total	\$26,620	\$24,340	\$23,588	-\$3,032	\$24,318	\$730
Annual % Change		-8.6%	-3.1%		3.1%	

- From fiscal 2002 to 2004, total State funding under this program decreased by approximately \$3.0 million, or 11.4%. State-aided Institutions (SAIs) saw their funding decrease by \$2.1 million, or 38%. Support for the Nonpublic Student Textbook Program decreased by \$2.0 million, or 40%. These decreases were offset by increased formula funding for the Maryland School for the Blind.
- Fiscal 2004 cost containment reduced funding for SAIs and Blind Industries and Services of Maryland (BISM) by \$211,638, or 4.8%. Each organization's grant was reduced by 5.5%, with the exception of the Superkids Camp, which had no fiscal 2004 reduction.
- The Governor's fiscal 2005 allowance includes an increase of \$729,995, or 3.1% over the fiscal 2004 working appropriation. This increase reflects a \$516,607 increase in the formula funding for the Maryland School for the Blind and \$213,000 in additional funding for SAIs.
- The Governor's allowance includes \$2.91 million in Cigarette Restitution Funds for the Nonpublic Student Textbook Program. An additional \$90,000 for the administration of this program is included in the State Department of Education Headquarters budget.

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

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Analysis in Brief

Issues

Concerns Remain Over Blind Industries and Services of Maryland Audit Finding: A February 2003 audit of the Maryland State Department of Education (MSDE) by the Office of Legislative Audits (OLA) found that MSDE had not adequately resolved allegations of impropriety at BISM. Though MSDE is working towards resolving the finding with OLA, the Joint Audit Committee has remaining concerns, given the State's support of BISM and the preferential treatment it receives under State procurement law. **DLS recommends reducing BISM's grant to continue to encourage BISM to reduce its reliance on State general funds.**

Recommended Actions

	<u>Funds</u>
1. Reduce grant to Blind Industries and Services of Maryland.	\$ 75,000
2. Reduce funding for State-aided educational institutions.	213,000
3. Delete funding for the Nonpublic Student Textbook Program.	2,910,000
Total Reductions	\$ 3,198,000

R00A03
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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 Blind Industries and Services of Maryland (BISM). In fiscal 2005, State operating support for the Baltimore Zoo is also separated from the State funding for the Zoo based on free admission of Maryland schoolchildren. The other institutions are categorized under the heading "State-aided Educational Institutions." The mission of MSB, BISM, and the State-aided institutions is as follows:

- ***MSB*** educates children who are visually-impaired, 95% of whom have at least one additional disability;
- ***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 Baltimore City and Baltimore County schools to use the arts for enriching the learning environment and educational outcomes;
- ***Baltimore Museum of Industry*** provides interactive workshops to help students apply mathematics, science, and technology to work and industry;
- ***Baltimore Zoo Foundation*** provides animal-related programs for students and teachers;
- ***Charles Village Foundation*** provides instruction and hands-on activities involving reading and the preservation and management of natural areas through the Village Learning Place;
- ***Citizenship Law-Related Education*** provides programs to enhance knowledge and understanding of citizenship and the legal system;
- ***College Bound Foundation*** encourages and enables Baltimore City public school students to continue their education beyond high school;

R00A03 – MSDE Funding for Educational Organizations

- ***The Dyslexia Tutoring Program, Inc.*** provides evaluations and tutoring for those individuals 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, 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, science, mathematics, and technology;
- ***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 Theatre*** offers performances in regional educational settings for students statewide and focuses on classical theater, skills workshops, study guides, and student discussion;
- ***Outward Bound*** provides 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 Children’s Museum*** 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;

R00A03 – MSDE Funding for Educational Organizations

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

This program also contains the funding for the Nonpublic Student Textbook Program which provides textbook loans to nonpublic schools. Also included in this program is the Baltimore Zoo operating lease payment according to the State's agreement with the Baltimore Zoo Foundation.

Fiscal 2004 Actions

Impact of Cost Containment

Fiscal 2004 cost containment reduced funding for SAIs and Blind Industries and Services of Maryland (BISM) by \$211,638, or 4.8%. Each organization's grant was reduced by 5.5%, with the exception of the SuperKids Camp, which had no fiscal 2004 reduction.

Governor's Proposed Budget

As shown in **Exhibit 1**, the Governor's allowance contains a \$730,000, or a 3.1% increase over the fiscal 2004 working appropriation.

Exhibit 1
Governor's Proposed Budget
Funding for Educational Organizations
(\$ in Thousands)

	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Approp.</u>	<u>FY 05</u> <u>Allowance</u>	<u>FY 04-05</u> <u>Change</u>	<u>FY 04-05</u> <u>% Change</u>
General Funds	\$20,704	\$20,678	\$21,408	\$730	3.5%
Special Funds	\$3,635	\$2,910	\$2,910	\$0	0.0%
Adjusted Grand Total	\$24,340	\$23,588	\$24,318	\$730	3.1%

Where It Goes:

Increase in Maryland School for the Blind formula funding	\$517
Increase for Baltimore Zoo Foundation education programs	750
Elimination of grant for Best Buddies International	-211
Elimination of grant for Chesapeake Bay Foundation	-326
Total	\$730

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

Maryland School for the Blind

Funding for the Maryland School for the Blind increases by \$516,607, or 3.8% according to the school's funding formula. The formula is based on enrollment and the growth in the State's per pupil foundation amount for the public schools. Although enrollment is anticipated to remain at the same level as fiscal 2004, the per pupil foundation amount for public schools has increased by \$262, or 5.5%. The increase in the fiscal 2005 per pupil foundation amount is attributable to the funding increases mandated by the Bridge to Excellence in Public Schools Act.

Exhibit 2 shows the amount and sources of revenue for the Maryland School for the Blind. The exhibit demonstrates that the Maryland School for the Blind expects State general funds to account for approximately 72% of revenues in fiscal 2005. This percentage is down from 79% in fiscal 2004, due primarily to expected increases in the school's tuition and services revenue and federal Medicaid

R00A03 – MSDE Funding for Educational Organizations

revenues. The school estimates that local tuition revenues will increase by 1863% due to Chapter 458, Acts of 2003, which requires local boards of education to pay to MSB the local share of the basic cost of education for each child from that jurisdiction attending MSB.

Exhibit 2
Revenue Sources for Maryland School for the Blind
Fiscal 2003 through 2005

<u>Source</u>	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Working</u> <u>Approp.</u>	<u>FY 05</u> <u>Allowance</u>	<u>\$ Change</u> <u>FY 04-05</u>	<u>% Change</u> <u>FY 04-05</u>
State Appropriation	\$12,653,498	\$13,688,798	\$14,205,405	\$516,607	3.8%
Private Gifts and Bequests	776,804	983,000	900,000	-83,000	-8.4%
Private Grants	124,173	85,418	120,526	35,108	41.1%
Investment Income on					
Endowment Principal	793,837	1,029,000	550,520	-478,480	-46.5%
Local Tuition Payments	29,300	30,000	589,000	559,000	1863.3%
Out-of-State Tuition, Extended					
School Year, Direct Outreach	635,444	620,000	622,000	2,000	0.3%
Other Grants	1,095,141	1,336,546	1,400,000	63,454	4.7%
Rent	233,732	236,000	243,000	7,000	3.0%
Other Income	975	12,778	12,000	-778	-6.1%
Federal School Breakfast	30,518	32,000	30,000	-2,000	-6.3%
Federal Special Education	456,340	568,297	568,297	0	0.0%
Medicaid	177,488	393,663	500,000	106,337	27.0%
Other Federal	151,700	12,500	12,500	0	0.0%
Total	\$17,158,950	\$19,028,000	\$19,753,248	725,248	3.8%

Source: Governor's Fiscal 2005 Budget Book

Baltimore Zoo Foundation Recouping Losses from Prior Years

The Baltimore Zoo Foundation receives an increase of \$749,652 or 274% over its fiscal 2004 working appropriation for educational programming. This increase is intended to offset significant reductions to the Zoo's appropriation in fiscal 2003 and 2004, which are detailed in **Exhibit 3**.

Exhibit 3
Baltimore Zoo Funding History
Fiscal 2002 – 2005

	<u>FY 2002</u>	<u>FY 2003</u>	<u>% Change</u> <u>FY 02-03</u>	<u>FY 2004</u>	<u>% Change</u> <u>FY 02-04</u>	<u>FY 2005</u>
Education Program	\$989,763	\$369,545	-62.7%	\$273,387	-72.4%	\$1,023,039
Operating Lease Payment	2,860,237	2,860,237	0%	2,860,237	0%	2,860,237
Total	\$3,850,000	\$3,229,782	-16.1%	\$3,133,624	-18.6%	\$3,883,276

Source: Governor's Fiscal 2005 Budget Books

In fiscal 2003, the Zoo's appropriation was reduced by \$620,218, or 16.1% of its total. All other SAIs with appropriations greater than \$100,000 also received 16.1% reductions. The Zoo argues that this reduction was unfair because it did not take into account that \$2.86 million of its appropriation is dedicated to its operating expenses, according to an agreement with the State. The remainder of the Zoo's appropriation supports its education and outreach activities, supporting free admission to the Zoo for students, teachers, and chaperones. Applying the \$620,218 reduction only to the \$989,763 in education funds equated to a 62.6% reduction in this program. In fiscal 2004, the education appropriation was further reduced by \$96,158 equating to a total reduction of \$716,376, or 72.4% over the two years. To prevent this situation from recurring, the fiscal 2005 allowance accounts for the lease payment separately.

The fiscal 2005 allowance of \$1,023,039 is \$33,276, or 3.3% greater than the fiscal 2002 appropriation for the education program. All other SAIs had experienced reductions from fiscal 2002 to 2005.

Nonpublic Student Textbook Program

The allowance includes \$2.91 million in Cigarette Restitution Fund (CRF) monies for the Nonpublic Student Textbook Program. This allowance provides the same level of funding available in fiscal 2004. The MSDE Headquarters budget includes an additional \$90,000 in the CRF for the administrative costs associated with this program, for a total appropriation of \$3.0 million.

Issues

1. Concerns Remain Over BISM Audit Finding

A February 2003 audit of MSDE by the Office of Legislative Audits (OLA) found that MSDE had not adequately resolved allegations of impropriety at BISM. When MSDE received anonymous allegations including potential conflicts of interest, inappropriate use of funds, and questionable business practices, the department's Internal Audit Officer required BISM to submit for review documents related to the allegations and recommended improvements in BISM's accounting, procedures for donations, and procurement activities. The Internal Audit Office did not make final comment on the validity of the allegations but did indicate that the information BISM provided was insufficient to determine conclusively that the allegations were false. The Internal Audit Office also reviewed MSDE's grant to BISM for fiscal 2001 and 2002 and concluded that no improprieties were associated with the funding provided by MSDE.

The OLA audit recommended that MSDE, in conjunction with the Office of the Attorney General, conduct a full audit of BISM beyond the scope of the MSDE grant to conclusively determine the validity of allegations. MSDE agreed in its response that such an audit was appropriate but argued that MSDE did not have the resources to conduct such an investigation. MSDE requested that the General Assembly order such a review and provide the necessary funding.

MSDE has revised its grant agreement with BISM for future years to include more stringent requirements on use of the State's funding. OLA is willing to accept this measure as resolution of the finding. However, this issue has been brought to the attention of the Joint Audit Committee, which has remaining concerns given the State's support of BISM and the preferential treatment it receives under State procurement law.

MSDE should comment on how the revised grant agreement will ensure that BISM uses its State funding appropriately. DLS continues to recommend reducing BISM's grant amount, consistent with 1998 budget bill language and prior year budget actions encouraging BISM to move towards self-sufficiency and reduce its reliance on the State general fund. DLS recommends reducing BISM's fiscal 2005 allowance of \$722,990 by \$75,000, or 10.4%.

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce grant to Blind Industries and Services of Maryland. This reduction will encourage Blind Industries and Services of Maryland to move towards self-sufficiency, consistent with 1998 budget bill language and prior budget actions.	\$ 75,000	GF
<p>Alternatively, the committees could restrict part of Blind Industries and Services of Maryland's grant to be used by the State Department of Education to conduct a full investigation into allegations of impropriety at Blind Industries and Services of Maryland, as recommended by the Office of Legislative Audits.</p>		
2. Reduce funding for State-aided educational institutions. Due to the remaining structural imbalance in the State budget, funding for State-aided educational institutions should remain at the fiscal 2004 level.	213,000	GF
3. Delete funding for the Nonpublic Student Textbook Program. This program falls outside the core mission of the Maryland State Department of Education to provide effective systems of public education. Due to the current fiscal crisis, funds for this program should be deleted. The Cigarette Restitution Funds budgeted for the program should be transferred to the general fund through the budget reconciliation legislation.	2,910,000	SF
Total Reductions	\$ 3,198,000	
Total General Fund Reductions	\$ 288,000	
Total Special Fund Reductions	\$ 2,910,000	

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 2003					
Legislative Appropriation	\$20,612	\$3,750	\$0	\$0	\$24,362
Deficiency Appropriation	92	0	0	0	92
Budget Amendments	0	-113	0	0	-113
Cost Containment	0	0	0	0	0
Reversions and Cancellations	0	-2	0	0	-2
Actual Expenditures	\$20,704	\$3,635	\$0	\$0	\$24,340
Fiscal 2004					
Legislative Appropriation	\$20,890	\$3,000	\$0	\$0	\$23,890
Cost Containment	-212	0	0	0	-212
Budget Amendments	0	-90	0	0	-90
Working Appropriation	\$20,678	\$2,910	\$0	\$0	\$23,588

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

Fiscal 2003

The Maryland School for the Blind received a \$92,250 deficiency appropriation in fiscal 2003 to support its minimum funding formula. MSDE transferred \$112,500 from the Nonpublic Student Textbook Program to MSDE Headquarters to support the administration of the program.

Analysis of the FY 2005 Maryland Executive Budget, 2004

R00A03 - MSDE Funding for Educational Organizations

Fiscal 2004

The July 2003 Board of Public Works action reduced support for SAIs by \$211,638. The SAIs and BISM were reduced by 5.5% each, with the exception of the SuperKids Camp, which received no reduction. MSDE transferred \$90,000 from the Nonpublic Student Textbook Program to MSDE Headquarters to support the administration of this program.

**Object/Fund Difference Report
MSDE Funding for Educational Organizations**

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
Objects					
08 Contractual Services	\$ 3,634,731	\$ 0	\$ 0	\$ 0	0.0%
09 Supplies & Materials	573	0	0	0	0.0%
12 Grants, Subsidies, Contr.	20,704,248	23,587,910	24,317,865	729,955	3.1%
Total Objects	\$ 24,339,552	\$ 23,587,910	\$ 24,317,865	\$ 729,955	3.1%
Funds					
01 General Fund	\$ 20,704,248	\$ 20,677,910	\$ 21,407,865	\$ 729,955	3.5%
03 Special Fund	3,635,304	2,910,000	2,910,000	0	0%
Total Funds	\$ 24,339,552	\$ 23,587,910	\$ 24,317,865	\$ 729,955	3.1%

Note: Fiscal 2004 appropriations and fiscal 2005 allowance do not include deficiencies, cost containment, and contingent reductions.

**Fiscal Summary
MSDE Funding for Educational Organizations**

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
01 Maryland School for the Blind	\$ 12,653,498	\$ 13,688,798	\$ 13,688,798	8.2%	\$ 14,205,405	3.8%
02 Blind Industries and Services of Maryland	864,710	764,710	722,651	-16.4%	722,999	0%
03 Other Institutions	4,325,803	6,436,040	3,406,224	-21.3%	3,619,224	6.3%
04 Aid to Non-Public Schools	3,635,304	3,000,000	2,910,000	-20.0%	2,910,000	0%
05 Baltimore Zoo Lease	2,860,237	0	2,860,237	0%	2,860,237	0%
Total Expenditures	\$ 24,339,552	\$ 23,889,548	\$ 23,587,910	-3.1%	\$ 24,317,865	3.1%
General Fund	\$ 20,704,248	\$ 20,889,548	\$ 20,677,910	-0.1%	\$ 21,407,865	3.5%
Special Fund	3,635,304	3,000,000	2,910,000	-20.0%	2,910,000	0%
Total Appropriations	\$ 24,339,552	\$ 23,889,548	\$ 23,587,910	-3.1%	\$ 24,317,865	3.1%

Note: Fiscal 2004 appropriations and fiscal 2005 allowance do not include deficiencies, cost containment, and contingent reductions.

Funding for State-aided Educational Organizations

<u>Organization</u>	<u>Fiscal 2005 Allowance</u>
Alice Ferguson Foundation	\$90,285
Alliance of Southern Prince George's Communities, Inc.	45,360
American Visionary Art Museum	18,144
Arts Excel	68,040
Baltimore Museum of Industry	81,395
Baltimore Zoo Foundation	1,023,039
Charles Village Foundation	54,432
Citizenship Law-Related Education	36,948
CollegeBound Foundation	45,360
The Dyslexia Tutoring Program, Inc.	45,360
Echo Hill Outdoor School	67,236
Living Classrooms	283,869
Maryland Academy of Sciences	297,148
Maryland Historical Society	68,040
Maryland Leadership	54,432
Maryland Mathematics, Engineering, Science Achievement	90,720
National Aquarium in Baltimore	97,876
National Museum of Ceramic Art & Glass	22,680
Olney Theater	186,184
Outward Bound	160,243
Port Discovery	90,720
Salisbury Zoological Park	22,680
South Baltimore Learning Center	45,360
State Mentoring Resource Center	108,607
SuperKids Camp	492,551
Ward Museum	22,515
Total	\$3,619,224