

R99E
Maryland School for the Deaf

Operating Budget Data

(\$ in Thousands)

	FY 06	FY 07	FY 08	FY 07-08	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$23,696	\$25,258	\$27,459	\$2,202	8.7%
Special Fund	225	230	224	-6	-2.6%
Federal Fund	1,059	1,080	1,032	-48	-4.5%
Reimbursable Fund	<u>1,534</u>	<u>1,489</u>	<u>1,709</u>	<u>220</u>	<u>14.8%</u>
Total Funds	\$26,514	\$28,057	\$30,424	\$2,367	8.4%

- The fiscal 2008 allowance for the Maryland School for the Deaf (MSD) totals \$30.4 million, which is \$2.4 million more than the fiscal 2007 working appropriation. Nearly all of the increase occurs in general funds, reflecting a \$2.2 million increase in the school's minimum funding formula mandated by State law.
- Health insurance expenses decline due to a one-time adjustment. Adjusting for the one-time savings, the underlying increase in the budget is \$3.5 million, or 13.1% over the fiscal 2007 appropriation.

Personnel Data

	FY 06	FY 07	FY 08	FY 07-08
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	316.50	316.50	316.50	0.00
Contractual FTEs	<u>74.00</u>	<u>70.20</u>	<u>80.00</u>	<u>9.80</u>
Total Personnel	390.50	386.70	396.50	9.80

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	0.03	0.01%
Positions Vacant as of 12/31/06	11.50	3.63%

- The allowance contains 9.8 new contractual positions, with 5.3 of those positions to support students with special needs who are enrolled in the Enhanced Program of Services. Other new contractual positions include a teacher and support personnel.
- MSD's budgeted fiscal 2008 turnover rate is 0.01%, which is 11.47 positions less than the fiscal 2007 vacancy rate.

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

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Analysis in Brief

Major Trends

MSD Students Continue to Have Difficulty Making Adequate Yearly Progress in Reading: In 2006, students at both MSD campuses did not make adequate yearly progress (AYP) on the Maryland State Assessment (MSA) reading tests. With higher targets required by the No Child Left Behind Act each year until 100% proficiency is mandated in 2014, making AYP will continue to present a challenge for MSD students. **MSD should discuss MSA reading proficiency rates, given the fact that both campuses did not make AYP in reading in 2006 and that proficiency rates at the Columbia campus have shown little improvement during the last two years. MSD also should address the effectiveness of additional school resources that have been directed to initiatives intended to improve reading proficiency, and how the significant increase in funding for fiscal 2008 will be utilized to improve student performance.**

Recommended Actions

	<u>Funds</u>
1. Increase turnover expectancy from 0.01 to 2.00%.	\$ 377,470
Total Reductions	\$ 377,470

R99E
Maryland School for the Deaf

Operating Budget Analysis

Program Description

The Maryland School for the Deaf (MSD) provides a comprehensive pre-kindergarten through grade 12 education to deaf students in either a day program or a residential program. The school follows the Frederick County Public School Essential curriculum. In 2005, MSD was approved for re-accreditation for seven years by the Middle States Association of Schools. The Enhanced Program of Services supports students who are multiply disabled, medically fragile, or developmentally disabled. The Family Education/Early Intervention Program provides services for families of children age five or younger in developing early language skills. The school has two campuses. The Frederick location serves students in pre-kindergarten through grade 12, while the Columbia location serves students through grade 8. Students graduating from the Frederick campus are eligible for the Maryland State High School Diploma or the Maryland School for the Deaf Diploma. Students at both campuses follow either the Essential curriculum or the Life-Based curriculum, each containing different elements and offering different levels of support services.

MSD has identified one over-arching goal: to enable students in pre-kindergarten through grade 12 to achieve their developmental potential.

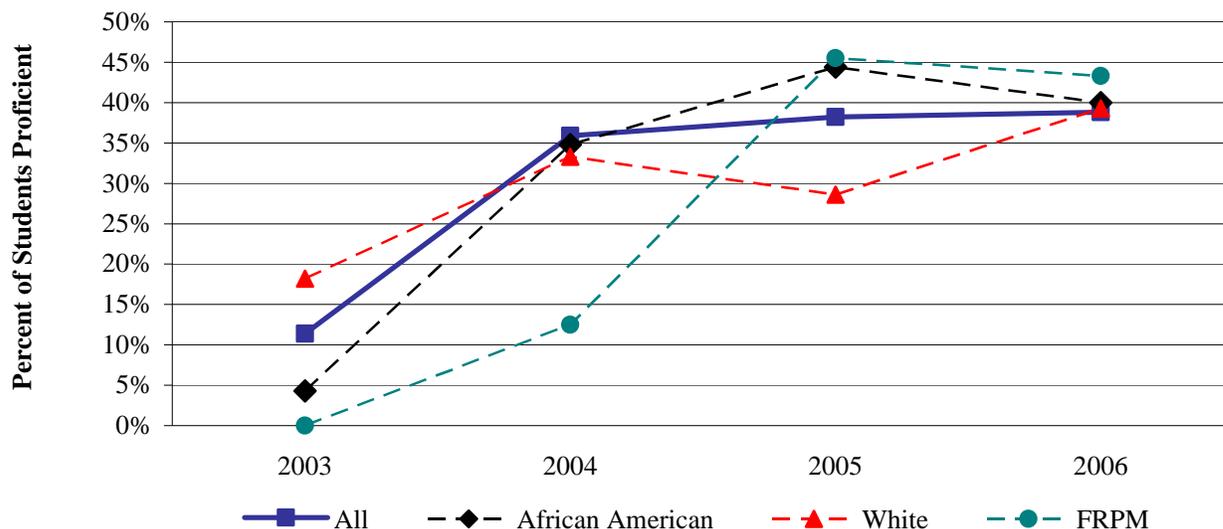
Performance Analysis: Managing for Results

MSD uses the Maryland State Assessment (MSA) as a key performance measure in evaluating achievement of its goal of enabling students to reach their developmental potential. The 2005-2006 school year marks the fourth year that the tests have measured adequate yearly progress (AYP) for MSD students in reading and mathematics as required by the No Child Left Behind Act (NCLB). During these years performance at both MSD campuses has been mixed, particularly on the MSA reading test.

MSD Students Continue to Have Difficulty Making Adequate Yearly Progress in Reading

Exhibit 1 shows the four-year trend of MSA reading test results for students at the Columbia campus. Since 2004, overall proficiency rates have shown little improvement, rising by just 2.9 percentage points. Subgroup performance has been mixed, with 2006 proficiency rates for the White subgroup increasing 10.7 percentage points, while declining slightly for African American and Free and Reduced-price Meal subgroups, 4.4 and 2.2 percentage points, respectively. In total, 38.8% of students overall at the Columbia campus demonstrated reading proficiency in 2006, and the Columbia campus did not make AYP in 2005 or 2006. While the size of the test group, 67 students, is small, the static percentage of students demonstrating reading proficiency and the failure to make AYP in the last two years are reasons for concern.

Exhibit 1
Adequate Yearly Progress Trend
Maryland School Assessment Reading Test
Columbia Campus
Calendar 2003-2006

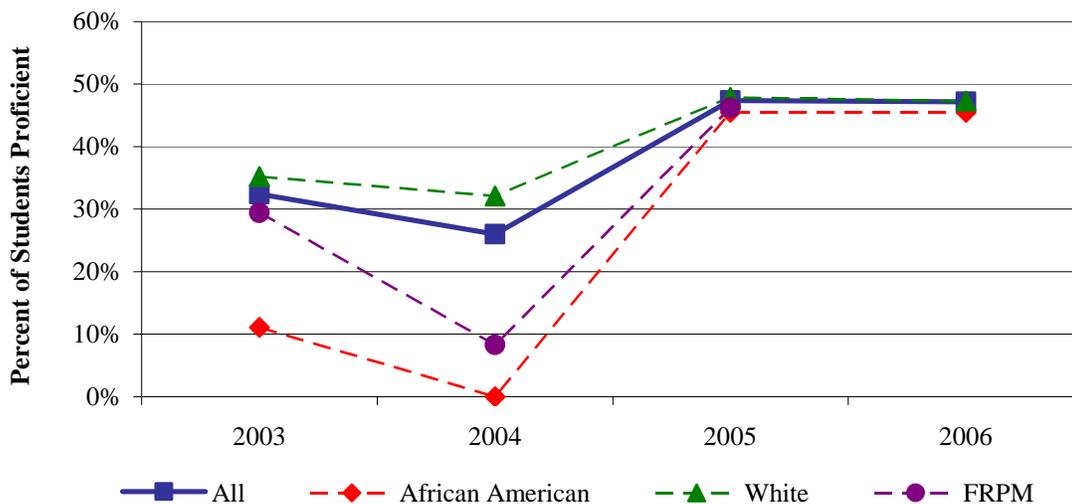


FRPM: Free and Reduced-price Meal

Source: Maryland State Department of Education

Exhibit 2 shows the MSA reading test results for students at the Frederick campus. While the percentage of students demonstrating proficiency increased in 2005, after declining in 2004, progress leveled off in 2006 compared to improvement of 21.4 percentage points in 2005. Of the 127 students who took the MSA test in 2006, 47.2% demonstrated reading proficiency, narrowly missing the AYP target. In 2005, the Frederick campus made AYP in reading after MSD successfully appealed the results to the Maryland State Department of Education (MSDE). However, making AYP in reading continues to be a challenge for students at the Frederick campus.

Exhibit 2
Adequate Yearly Progress Trend
Maryland School Assessment Reading Test
Frederick Campus
Calendar 2003-2006



FRPM: Free and Reduced-price Meal

Source: Maryland State Department of Education

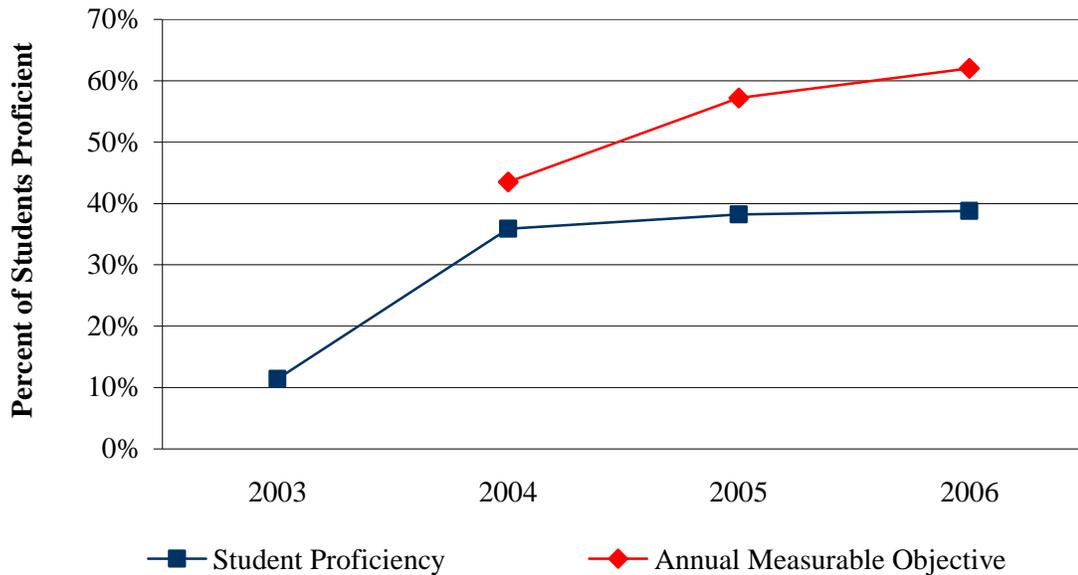
Exhibit 3 compares MSA reading results with the Annual Measurable Objective (AMO) for each campus that must be reached to achieve AYP. MSDE sets the AMO for proficiency that individual schools must reach to make AYP, and the objective increases each year until 100% proficiency is required by NCLB in 2014. The AMO for reading at the Columbia campus was 62% in 2006, which will move to 66.7% in 2007. Upward movement in the AMO target adds to the difficulty of gaining ground in making AYP,¹ illustrated by the fact that, while students at the Columbia campus have maintained proficiency levels from 2004 to 2006, they have been moving farther from the AMO target each year.

The consequences of not making AYP are different for MSD than other Maryland public schools. MSD is one of a small group of schools that MSDE exempts from the general rule that a school that fails to make AYP for two consecutive years enters school improvement status and must take specified actions if student performance does not improve. MSDE does not apply the rule to MSD, Maryland School for the Blind, correctional facility education services, and nonpublic placement schools. Although school improvement status does not apply to MSD, MSD students are required by NCLB to take assessment tests with proficiency targets set by MSDE.

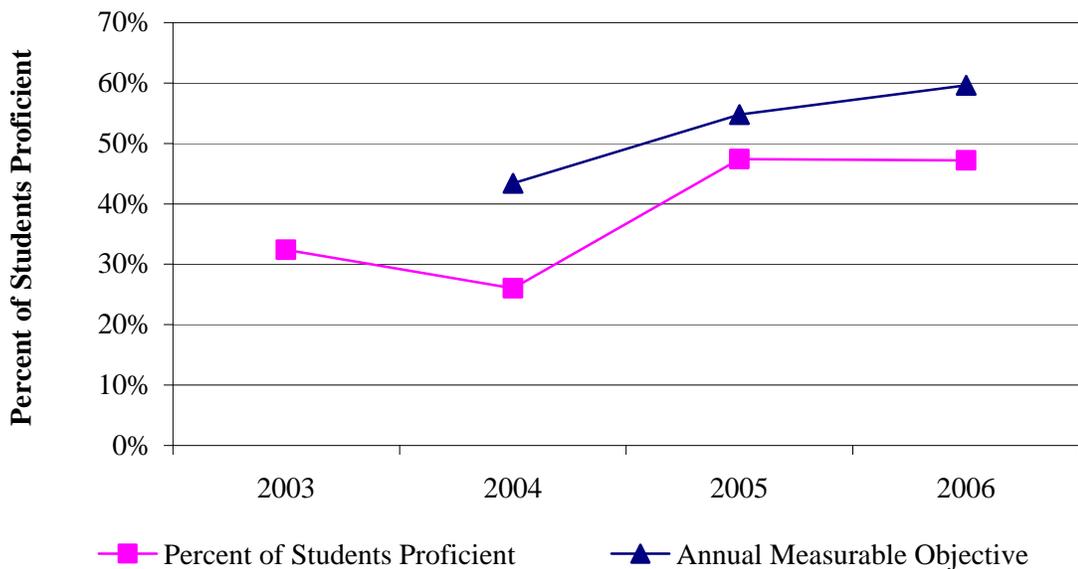
¹ In some years, MSDE has determined that MSD achieved AYP by applying a confidence interval, although the AMO was not reached. Due to the low number of students taking the MSA test, proficiency levels within a specified percentage of the AMO were deemed sufficient for AYP purposes.

Exhibit 3
Reading Performance and Annual Measurable Objective
Maryland School Assessment Test
Calendar 2003-2006

Columbia Campus



Frederick Campus



Source: Maryland State Department of Education

Consistent with its Managing for Results objective of making AYP, MSD has taken several steps targeted at improving student performance on the MSA reading test. These initiatives include adding a Reading Specialist position to both campuses in 2004, adopting the Reading First program at the elementary level in 2004, continuing to incorporate the Voluntary State Curriculum testing objectives into instructional plans, creating a 90-minute daily reading period, and establishing a literacy team. Despite these measures, reading performance has shown mixed results.

MSD should discuss MSA reading proficiency rates, given the fact that both campuses did not make AYP in reading in 2006 and that proficiency rates at the Columbia campus have shown little improvement during the last two years. MSD also should address the effectiveness of additional school resources that have been directed to initiatives intended to improve reading proficiency, and how the significant increase in funding for fiscal 2008 will be utilized to improve student performance.

Governor's Proposed Budget

Exhibit 4 shows that MSD's fiscal 2008 allowance is \$30.4 million, with a \$2.4 million, or 8.4% increase over the fiscal 2007 working appropriation. The vast majority of the increase, \$2.2 million, occurs in general funds and represents an increase in the minimum funding formula for MSD, found in Section 8-310.3 of the Education Article. The formula bases the level of funding on the prior year appropriation, student enrollment changes, and growth in the per-pupil foundation amount as mandated by the Bridge to Excellence in Public Schools Act (Bridge to Excellence). The increase in MSD's formula aid is driven by a 12.4% increase in the Bridge to Excellence per-pupil foundation amount, which jumped to \$6,695. Fiscal 2008 marks the final year of scheduled funding enhancements under Bridge to Excellence. Future aid increases will be determined by enrollment and inflation changes.

Reimbursable funds in the allowance increase \$219,692, a 14.8% increase over the fiscal 2007 working appropriation. The increase, similar to one that occurred in fiscal 2007, results from higher than anticipated reimbursements from MSDE for nonpublic placement tuition aid for MSD students with multiple disabilities. The funds are used primarily for teacher and other personnel costs, as well as service contracts with mental health care providers.

Federal and special funds decrease in the allowance. Federal funds decline by \$48,184, mainly as a result of decreased billing for students enrolled in the federal Medical Assistance program. Special funds decrease by \$5,895 due to a decrease in student activity fees and gift and grant income.

Exhibit 4
Governor's Proposed Budget
Maryland School for the Deaf
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
2007 Working Appropriation	\$25,258	\$230	\$1,080	\$1,489	\$28,057
2008 Governor's Allowance	<u>27,459</u>	<u>224</u>	<u>1,032</u>	<u>1,709</u>	<u>30,424</u>
Amount Change	\$2,202	-\$6	-\$48	\$220	\$2,367
Percent Change	8.7%	-2.6%	-4.5%	14.8%	8.4%

Where It Goes:

Personnel Expenses

Faculty Pay Plan update and increments	\$963
Retirement contribution costs	305
Nonfaculty employee increments	135
Employee and retiree health insurance – costs decline due to one-time adjustment	-892
Workers' compensation.....	-132
Other fringe benefit adjustments, including turnover	336

Other Changes

Contractual employee payroll, including 9.8 new positions.....	274
<i>Changes Related to Instruction and Student Services</i>	
Veditz Vocational Building – Conversion of workspace to classroom space	250
Installation of video paging system	151
Cochlear Implant Program – staff training, parent workshops, and materials.....	100
Instructional supplies – textbooks, software, and vocational education supplies	84
Professional development – leadership training for management teams	75
Fees for interpreters	36
Staff training and tuition reimbursement	33
<i>Other Changes</i>	
Replacement of fiber optic cable, windows, and lighting; and sidewalk modifications.....	384
Electricity costs.....	232
Purchase of dietary truck for transporting food to satellite cafeteria.....	30
Other	3

Total **\$2,367**

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

Personnel Funding

Approximately \$1.0 million, close to one-half of the increase in the allowance, constitutes funding for personnel. Updating the Faculty Pay Plan results in an increase of \$963,526 over the fiscal 2007 working appropriation. MSD developed the Faculty Pay Plan, which is based on the average salaries of Howard and Frederick County Public School teachers, to strengthen teacher recruitment and retention. MSD has revised the plan, effective in fiscal 2008, to reflect the most recent teacher salaries, and to add steps to the plan in an effort to encourage teachers nearing retirement age to continue at MSD. Salary adjustments for other employees increase the allowance by \$135,182.

The allowance includes 9.8 new contractual positions, resulting in a \$274,000 increase in the contractual compensation schedule. Most of the newly budgeted positions support students who are enrolled in the Enhanced Program of Services and have multiple disabilities. At the Frederick campus, positions for 2.3 student life counselors and one teacher aide have been budgeted to assist residential students. Some of these students live in the Shockley Group Home where they are learning social and life-based educational skills. At the Columbia campus, positions for one student life counselor and one behavior specialist have been added to assist students with special needs, as well as one teacher who is needed to split a large class into two smaller classes. The remaining 3.5 new contractual positions are for an office assistant, groundskeeper, and dietary aides.

MSD had 11.5 vacant positions as of December 31, 2006, including 2 instructional positions (a speech teacher and a psychologist), 1 nurse, 1 part-time family services specialist, 3 administrative personnel, 1 electrician, and 4 support personnel. To date, 2.5 of the vacancies have been filled. The instructional positions are difficult to fill due to a shortage of special education teachers and the additional necessity of American Sign Language proficiency for MSD faculty.

Instruction and Student Services

Approximately \$729,000 of the allowance increases support for instruction and student services. Funding for the instructional program includes the following significant increases:

- \$250,000 for improvements to vocational education classrooms in the Veditz Building;
- \$151,000 for the installation of a visual paging system at the Columbia campus;
- \$100,000 for training and materials for the cochlear implant program;
- \$84,000 for instructional supplies;
- \$108,000 for professional development, staff training, and tuition reimbursement; and
- \$36,000 in fees for interpreters.

Other Changes

The allowance contains a significant increase in contractual services over the fiscal 2007 working appropriation, with \$384,000 for a variety of projects that include the replacement of failing fiber optic cable and installation of new cable on both campuses, the replacement of classroom and dormitory windows and lighting, and the modification of sidewalks to accommodate students with disabilities. The allowance also provides \$30,000 for purchasing a dietary truck needed in conjunction with the satellite cafeteria that will begin operation during the construction of the new cafeteria and student center. A \$232,000 rise in electricity costs accounts for most of the utilities change in the allowance.

Recommended Actions

	<u>Amount Reduction</u>	
1. Increase turnover expectancy to 2.00%. Fiscal 2008 turnover expectancy is budgeted at 0.01%, which is below the current 3.63% vacancy rate. This action will still permit the Maryland School for the Deaf to fill 5 of its 11.5 vacancies in fiscal 2008.	\$ 377,470	GF
Total General Fund Reductions	\$ 377,470	

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland School for the Deaf (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2006					
Legislative Appropriation	\$23,275	\$182	\$1,139	\$1,268	\$25,864
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	421	43	0	268	732
Reversions and Cancellations	0	0	-80	-2	-82
Actual Expenditures	\$23,696	\$225	\$1,059	\$1,534	\$26,514
Fiscal 2007					
Legislative Appropriation	\$24,964	\$192	\$1,080	\$1,489	\$27,725
Budget Amendments	294	38	0	0	332
Working Appropriation	\$25,258	\$230	\$1,080	\$1,489	\$28,057

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

Fiscal 2006

Budget amendments added close to \$732,000 to the fiscal 2006 legislative appropriation. The increase in general funds was attributable to funds transferred from the Department of Budget and Management (DBM) for a \$228,000 cost-of-living (COLA) increase for State employees and the allocation of \$193,000 in 2006 health insurance funding. Reimbursable funds increased by \$268,000, primarily due to higher than projected reimbursements from MSDE for students placed at MSD through the Nonpublic Placement Program. Changes in student enrollment in MSD's Enhanced Services Program caused higher than anticipated demand for these services. A small portion of the increase in reimbursable funds (\$12,000) resulted from a grant by MSDE for teacher training in administering Maryland Model for School Readiness testing to kindergarten students. An additional \$43,000 in special funds was received from three grant awards, with \$35,000 from the Verizon Foundation. The grants will be used for computer software and staff training, textbooks, and "smart boards."

Budget amendment increases to the legislative appropriation were offset by \$82,000 in reversions. A total of \$80,000 in federal funds reverted because projected medical assistance reimbursements for the school year were overestimated.

Fiscal 2007

The legislative appropriation has increased by \$332,000. The change is due to a general fund increase of \$298,000 for a COLA, which is offset by \$4,300 that was transferred to DBM for MSD's share of the cost of conducting a State salary survey. Special funds increase by \$38,000 through a grant received from the Verizon Foundation to be used for "smart boards" and accompanying equipment.

Audit Findings

Audit Period for Last Audit:	July 1, 2002 – November 24, 2005
Issue Date:	June 2006
Number of Findings:	3
Number of Repeat Findings:	2
% of Repeat Findings:	67%
Rating: (if applicable)	n/a

Finding 1: An MSD employee appeared to violate State ethics laws by being involved in the procurement of a contract awarded to a firm that was owned by and employed certain relatives of the MSD employee.

Finding 2: **Internal controls over the processing of certain purchasing and disbursement transactions were inadequate.**

Finding 3: **Equipment records were not adequately maintained.**

*Bold denotes item repeated in full or part from preceding audit report.

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

<u>Object/Fund</u>	<u>FY06 Actual</u>	<u>FY07 Working Appropriation</u>	<u>FY08 Allowance</u>	<u>FY07-FY08 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	316.50	316.50	316.50	0	0%
02 Contractual	74.00	70.20	80.00	9.80	14.0%
Total Positions	390.50	386.70	396.50	9.80	2.5%
Objects					
01 Salaries and Wages	\$ 19,917,391	\$ 21,377,655	\$ 22,092,984	\$ 715,329	3.3%
02 Technical & Spec Fees	2,307,559	2,444,833	2,896,817	451,984	18.5%
03 Communication	142,110	150,864	165,425	14,561	9.7%
04 Travel	24,382	5,240	5,700	460	8.8%
06 Fuel & Utilities	1,227,449	1,201,271	1,501,552	300,281	25.0%
07 Motor Vehicles	120,385	89,810	135,638	45,828	51.0%
08 Contractual Services	1,320,699	1,429,824	2,129,482	699,658	48.9%
09 Supplies & Materials	742,835	784,210	913,742	129,532	16.5%
10 Equip - Replacement	355,614	316,182	285,520	-30,662	-9.7%
11 Equip - Additional	25,217	120,000	166,143	46,143	38.5%
12 Grants, Subsidies, and Contributions	44,952	46,000	46,000	0	0%
13 Fixed Charges	284,911	91,102	85,184	-5,918	-6.5%
Total Objects	\$ 26,513,504	\$ 28,056,991	\$ 30,424,187	\$ 2,367,196	8.4%
Funds					
01 General Fund	\$ 23,695,501	\$ 25,257,884	\$ 27,459,467	\$ 2,201,583	8.7%
03 Special Fund	225,258	229,971	224,076	-5,895	-2.6%
05 Federal Fund	1,058,936	1,079,932	1,031,748	-48,184	-4.5%
09 Reimbursable Fund	1,533,809	1,489,204	1,708,896	219,692	14.8%
Total Funds	\$ 26,513,504	\$ 28,056,991	\$ 30,424,187	\$ 2,367,196	8.4%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

**Fiscal Summary
Maryland School for the Deaf**

<u>Program/Unit</u>	<u>FY06 Actual</u>	<u>FY07 Wrk Approp</u>	<u>FY08 Allowance</u>	<u>Change</u>	<u>FY07 - FY08 % Change</u>
00 Services and Institutional Operations	\$ 17,571,455	\$ 18,685,993	\$ 19,829,194	\$ 1,143,201	6.1%
00 Services and Institutional Operations	8,942,049	9,370,998	10,594,993	1,223,995	13.1%
Total Expenditures	\$ 26,513,504	\$ 28,056,991	\$ 30,424,187	\$ 2,367,196	8.4%
General Fund	\$ 23,695,501	\$ 25,257,884	\$ 27,459,467	\$ 2,201,583	8.7%
Special Fund	225,258	229,971	224,076	-5,895	-2.6%
Federal Fund	1,058,936	1,079,932	1,031,748	-48,184	-4.5%
Total Appropriations	\$ 24,979,695	\$ 26,567,787	\$ 28,715,291	\$ 2,147,504	8.1%
Reimbursable Fund	\$ 1,533,809	\$ 1,489,204	\$ 1,708,896	\$ 219,692	14.8%
Total Funds	\$ 26,513,504	\$ 28,056,991	\$ 30,424,187	\$ 2,367,196	8.4%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.