

R00A01
Headquarters
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

| | <u>FY 12</u> <u>Actual</u> | <u>FY 13</u> <u>Working</u> | <u>FY 14</u> <u>Allowance</u> | <u>FY 13-14</u> <u>Change</u> | <u>% Change</u> <u>Prior Year</u> |
|--------------------------------------|-------------------------------|--------------------------------|----------------------------------|----------------------------------|--------------------------------------|
| General Fund | \$96,253 | \$80,610 | \$86,816 | \$6,206 | 7.7% |
| Contingent & Back of Bill Reductions | 0 | 0 | -1,503 | -1,503 | |
| Adjusted General Fund | \$96,253 | \$80,610 | \$85,313 | \$4,703 | 5.8% |
| Special Fund | 6,494 | 7,884 | 7,245 | -640 | -8.1% |
| Contingent & Back of Bill Reductions | 0 | 0 | -3 | -3 | |
| Adjusted Special Fund | \$6,494 | \$7,884 | \$7,242 | -\$642 | -8.1% |
| Federal Fund | 158,018 | 182,270 | 161,232 | -21,038 | -11.5% |
| Contingent & Back of Bill Reductions | 0 | 0 | -113 | -113 | |
| Adjusted Federal Fund | \$158,018 | \$182,270 | \$161,119 | -\$21,151 | -11.6% |
| Reimbursable Fund | 76 | 783 | 1,604 | 822 | 105.0% |
| Adjusted Reimbursable Fund | \$76 | \$783 | \$1,604 | \$822 | 105.0% |
| Adjusted Grand Total | \$260,841 | \$271,547 | \$255,278 | -\$16,268 | -6.0% |

- The fiscal 2014 allowance includes proposed fiscal 2013 deficiency appropriations of \$22.0 million, including \$17.3 million in general funds and \$3.6 million in federal funds for assessment contracts, \$771,056 in general funds for the Juvenile Services Education Program to support recently transferred programs, and \$314,164 in federal funds for the Division of Business Services.

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

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R00A01 – MSDE – Headquarters

- General funds before adjustments increase \$6.2 million. The largest increases are due to the creation of the Maryland Longitudinal Data Systems Center, the transfer of educational programs from juvenile services facilities, and increased health insurance and retirement costs. The Budget Reconciliation and Financing Act of 2013 proposes to replace \$1.5 million in general funds for the Juvenile Services Education Program (JSE) with special funds collected from the counties for youth in detention facilities. Special funds decrease \$639,509 due to a reduction in various fees and grant revenues and the replacement of fiscal 2013 Budget Restoration Funds, created by Chapter 1 of the First Special Session of 2012 with general funds. Federal funds decrease \$21.0 million due largely to a \$15.2 million decline in Race to the Top (RTTT) expenditures in fiscal 2014 and a \$4.3 million decrease in federally funded major information technology projects.

Note: Figures in this analysis generally do not include R00A0110 Division of Early Childhood Development. This division is included in R00A99, which is the Department of Legislative Services analysis for Early Childhood Development. Figures in the Issues and updates sections include all divisions.

Personnel Data

| | <u>FY 12</u> <u>Actual</u> | <u>FY 13</u> <u>Working</u> | <u>FY 14</u> <u>Allowance</u> | <u>FY 13-14</u> <u>Change</u> |
|------------------------|---------------------------------------------|----------------------------------------------|------------------------------------------------|------------------------------------------------|
| Regular Positions | 1,219.10 | 1,225.10 | 1,276.60 | 51.50 |
| Contractual FTEs | <u>128.24</u> | <u>195.74</u> | <u>192.18</u> | <u>-3.56</u> |
| Total Personnel | 1,347.34 | 1,420.84 | 1,468.78 | 47.94 |

Vacancy Data: Regular Positions

| | | |
|-----------------------------------------------------------|--------|-------|
| Turnover and Necessary Vacancies, Excluding New Positions | 89.25 | 7.10% |
| Positions and Percentage Vacant as of 12/31/12 | 108.50 | 8.86% |

- The number of regular positions increases by 51.5 positions in the fiscal 2014 allowance, including 32.0 positions transferred from the Department of Juvenile Services in conjunction with education programs transferred to Maryland State Department of Education (MSDE) in fiscal 2014, and 14.5 positions to support the new Maryland Longitudinal Data Systems Center. In addition, proposed fiscal 2013 deficiencies would add 5.0 positions to the JSE program.

R00A01 – MSDE – Headquarters

- The net number of contractual full-time equivalents (FTE) declines by 3.6 due to the elimination of contractual staff RTTT projects and contractual FTEs in the Division of Business Services, the Division of Student and Family School Support, and the Division of Library Development and Services counterbalanced, in part, by the addition of 3.0 contractual staff in the JSE program to assume ongoing activities and 1.0 FTE to provide support in the Division of Career and College Readiness.
- Turnover is budgeted to decrease from 8.07% in fiscal 2013 to 7.1% in the fiscal 2014 allowance. This will require the agency to maintain at least 89.25 vacant positions; there are currently 108.50 vacancies.

Analysis in Brief

Major Trends

National Board Certification Continues to Increase; Principal Training Remains 100%: The number of teachers with National Board Certification increased 16.2% in the 2012 academic year. MSDE also provided training to 100.0% of principals in fiscal 2012, as it did in fiscal 2011.

Proportion of Students Demonstrating Reading and Math Gains Increases in the Juvenile Services Education Program: The percent of students demonstrating reading and math gains increased between fiscal 2011 and 2012 from 42.8 to 50.3% in the case of reading and from 46.1 to 53.5% in the case of math. However, the proportion of students earning a general education diploma (GED) declined from 63.0 to 48.0% in fiscal 2012. **The State Superintendent should comment on the measures taken to increase the GED pass rate within the JSE program in fiscal 2013.**

Trends in Online Services at Maryland Public Libraries Decline: The number of live chat hours provided by Maryland public libraries decreased from 314 in fiscal 2011 to 291 in fiscal 2012. Questions answered through the AskUsNow! online service decreased 24.4% between fiscal 2010 and 2012 from 57,200 to 43,220.

Employment Success Rates Among Rehabilitation Clients Fluctuates: Employment success rates among rehabilitation clients fluctuates significantly from year-to-year but has averaged 62% since fiscal 2006.

Issues

Maryland Flagged by U.S. Department of Education for Race to the Top Project Delays: Maryland was awarded \$250 million over four years through the federal RTTT grant with \$125 million going to participating local education agencies (LEA) and \$125 million to be administered by MSDE Headquarters for statewide reforms. In the U.S. Department of Education's (USDE) year two RTTT performance report covering the 2011-2012 school year, Maryland was one of three states flagged for significant project delays. USDE's assessment attributes delays to problems finding adequate staff for information technology (IT) projects, failure to collect adequate data from the teacher and principal evaluation pilots, difficulties with the State procurement process, and leadership change over the grant period. **The State Superintendent should discuss steps the agency is taking to improve RTTT procurement activities so that project delays are resolved. The State Superintendent should comment on RTTT progress to date, including whether all projects are on track to be completed by the end of the grant period, and on whether any additional resources will be required beyond the grant to complete or sustain RTTT project activities. Finally, the State Superintendent should discuss the consequences of failure to complete projects within the grant period, or to the satisfaction of USDE.**

Major IT Projects Delayed but Nearing Completion: USDE’s RTTT year two performance evaluation found significant delays in major IT projects during the 2010-2011 and 2011-2012 school years. USDE reports that difficulties hiring qualified staff and challenges navigating the State procurement process resulted in significant project delays. As a result, MSDE began partnering with the Department of Information Technology to expedite contract proposal review and to accelerate project activities internally so that all project components could be implemented within the RTTT grant period. Of MSDE’s eight RTTT major IT projects, two are planned for removal from the State’s Major Information Technology Development Projects portfolio pending approval from USDE. Four other RTTT projects are expected to complete design and development by the end of fiscal 2013. **The State Superintendent should discuss the anticipated cost of budgeting one year of operation and maintenance for projects scheduled for fiscal 2013 completion, and whether those costs will be fully absorbed by the RTTT grant. The State Superintendent should also comment on whether all RTTT major IT projects will be completed within the grant period, and on what the impact of major IT project delays has been on other RTTT projects.**

Budget Implications of Partnership for Assessment of Readiness for College and Careers Assessments: Partnership for Assessment of Readiness for College and Careers (PARCC) assessments will be fully implemented in the 2014-2015 school year. Fiscal 2015 will mark the first year in which PARCC assessment costs are included in MSDE’s budget. This is expected to cause a bubble in assessment contract expenditures as High School Assessments (HSA) and PARCC assessments are funded simultaneously. Because PARCC will be a computer-based, online assessment, the cost of computer hardware and bandwidth must be considered in addition to the cost of assessment contracts. **The State Superintendent should comment on the anticipated cost of implementing PARCC assessments relative to the HSAs, and on how the HSA exams will be phased out. The State Superintendent should also discuss whether Maryland is likely to partner with other states to procure a test vendor to reduce costs. The State Superintendent should comment on how MSDE will assess LEA technological preparedness to implement PARCC assessments and on the resources available to Maryland schools and LEAs that may not have the requisite infrastructure to implement PARCC assessments. Finally, the State Superintendent should comment on whether MSDE will consider the LEAs existing technology capabilities when selecting a test vendor.**

New State Superintendent Leads MSDE: The State Board of Education appointed Dr. Lillian M. Lowery as State Superintendent of Schools effective July 1, 2012. Dr. Lowery’s contract includes five annual performance goals that must be achieved to receive total incentive payments of \$50,000 per year. Such a pay-for-performance provision is unique to the State Superintendent, as no other cabinet level secretary is eligible for such incentive payments. The new State Superintendent has proposed to restructure the agency adding a Deputy State Superintendent for Instruction, and reprogramming the existing Deputy State Superintendent positions into a Deputy for Performance and a Deputy for Finance and Administration. **The Department of Legislative Services recommends that the committees adopt narrative requesting a report on the department’s restructuring efforts, and on how reorganization will be achieved within existing resources.**

Recommended Actions

| | <u>Funds</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 1. Add language expressing legislative intent that no loaned educator be engaged for more than six years and requesting a report. | |
| 2. Add language restricting funds for the purpose of incentive payments to the State Superintendent to that purpose. | |
| 3. Add language restricting funds for the purpose of incentive payments until a report is submitted identifying performance goal baseline data. | |
| 4. Adopt narrative requesting a report on agency restructuring. | |
| 5. Concur with contingent language reducing the general fund appropriation for the Juvenile Services Education Program and transferring special fund revenues from the Department of Juvenile Services. | |
| 6. Reduce general funds for cell phone expenditures. | \$ 4,320 |
| Total Reductions | \$ 4,320 |

Updates

Loaned Educators Decline to 21 in Fiscal 2013: In the 2010 legislative session, the General Assembly added budget language addressing several concerns about the loaned educator program. Use of the program has declined. The fiscal 2009 budget included 67 educators, while the 2013 working appropriation includes 21.

Transfer of Education Programs at Juvenile Services Youth Facilities: Chapter 148 of 2012, the fiscal 2013 operating budget, required MSDE to assume responsibility for providing education services at the Thomas J. S. Waxter Children’s Center, the William Donald Shaefer House, and the Alfred D. Noyes Children’s Center over the course of the fiscal year. The fiscal 2014 allowance includes an increase of nearly \$3 million and 32 positions to reflect the annualized transfer of these three facilities, as well as the transfer of the four remaining youth camp facilities in Western Maryland. In addition, the fiscal 2013 budget includes a general fund deficiency of \$771,056 and 5 positions to support education programs at the facilities transferred to MSDE in fiscal 2013.

R00A01
Headquarters
Maryland State Department of Education

Operating Budget Analysis

Program Description

Providing a free, public education is a constitutional obligation of the State. The Maryland State Department of Education (MSDE) strives to provide leadership, support, and accountability for effective public education systems, including juvenile correctional education and career readiness. The agency also oversees rehabilitation services and library services for all Marylanders.

The State plays an important role in public education by setting uniform standards for schools and students. The State Board of Education adopted the Common Core State Standards in English Language Arts/literacy and mathematics in June 2010, which form the foundation for Maryland's new State Curriculum. The new State Curriculum will be fully implemented in all Maryland schools in the 2013-2014 school year. The agency uses assessments to hold schools and students accountable for achievement of the State standards.

MSDE helps ensure that educators have the skills necessary to improve student achievement. The agency handles certification of teachers, principals, and other professional school personnel. Training programs are offered to principals, and the agency evaluates and approves higher education programs that educate and prepare teachers and other certified school personnel.

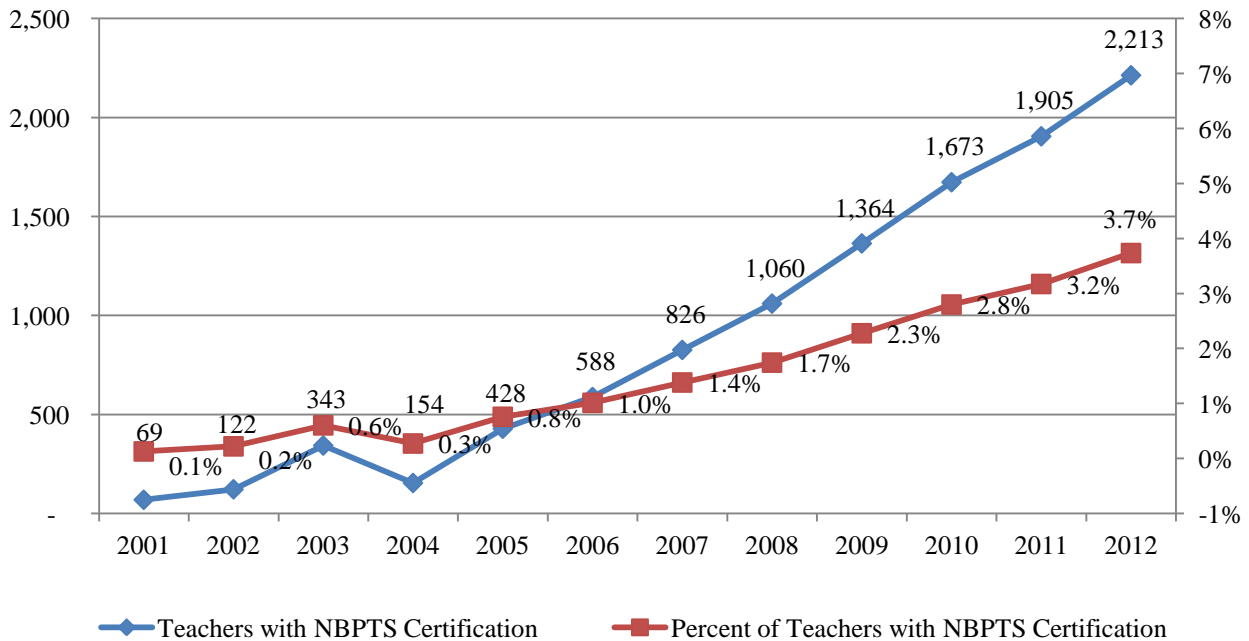
MSDE includes the Office of the State Superintendent; the Division of Business Services; the Division of Academic Reform and Innovation; the Division of Accountability, Assessment, and Data Systems; Office of Information Technology; Major Information Technology Development Projects; the Division of Early Childhood Development; the Division of Instruction; the Division of Student, Family, and School Support; the Division of Special Education/Early Intervention Services; the Division of Career and College Readiness; Juvenile Services Education Program; the Division of Certification and Accreditation; the Division of Library Development and Services (DLDS); the Division of Rehabilitation Services (DORS) and the Home and Community Based Waiver for Children with Autism Spectrum Disorder. Note that a separate analysis on Early Childhood Development (R00A99) discusses the Division of Early Childhood Development.

Performance Analysis: Managing for Results

1. National Board Certification Continues to Increase; Principal Training Remains 100%

MSDE has a goal of helping all educators gain the necessary skills to improve student achievement. The number of teachers with National Board Certification increased 16.2% to 2,213 in the 2012 academic year, as shown in **Exhibit 1**. The number of teachers with National Board Certification has increased steadily since 2001, when only 69 teachers had such certification. In 1999, the Maryland General Assembly established a program of State and local aid to pay the assessment fee for public school teachers seeking National Board Certification, which sunsets after fiscal 2013. In addition, the State matches local stipends provided to teachers achieving National Board Certification up to \$2,000. Teacher Quality Incentives are further discussed in the Aid to Education analysis.

Exhibit 1
Teachers with National Board Certification
Academic Year 2001-2012

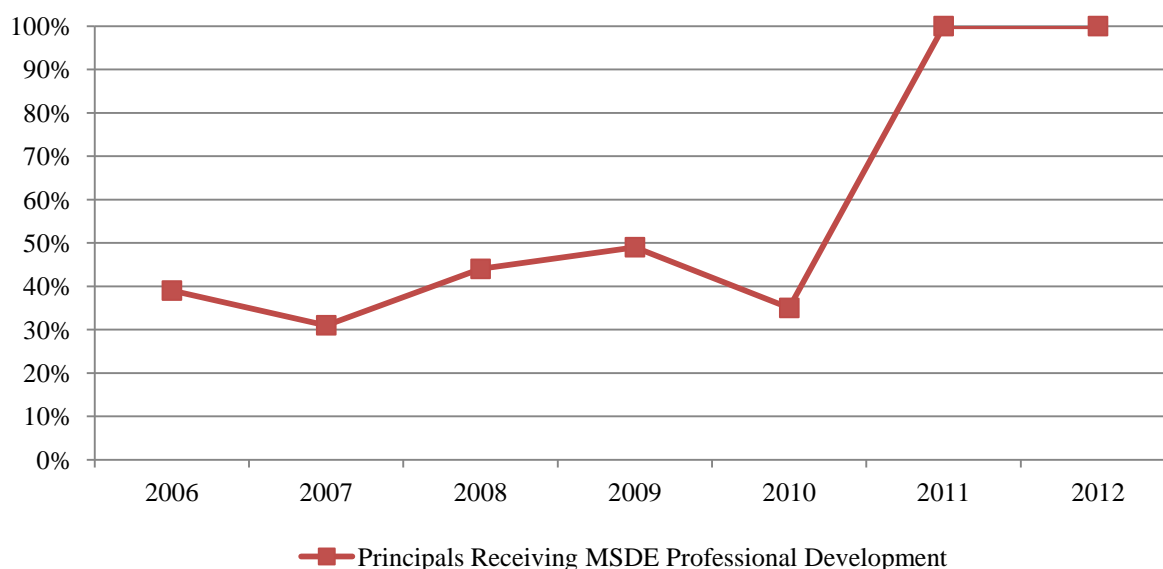


NBPTS: National Board for Professional Teaching Standards

Source: Governor’s Budget Books, Fiscal 2004-2014; Maryland State Department of Education Fact book 2001 through 2012

Another objective is to provide training to 100% of the State’s 1,400 principals. **Exhibit 2** shows that the agency provided training to 100% of principals in 2012, as it did in 2011. This rate represents an increase over historic levels, as only 40% of principals received training on average between 2006 and 2010. MSDE attributes the increase in the principal training rate to the introduction of Educator Effectiveness Academies, which began in summer 2011 and will continue through 2014. Educator Effectiveness Academies are supported by the Race to the Top (RTTT) grant and offer statewide training for educator teams, including principals. MSDE also offers principal training through the Academy for School Turnaround for principals of the State’s lowest achieving schools and their executive officers.

Exhibit 2
Principals Receiving MSDE Professional Development
Academic Year 2006-2012



MDSE: Maryland State Department of Education

Source: Governor’s Budget Books, Fiscal 2007-2014

2. Proportion of Students Demonstrating Reading and Math Gains Increases in the Juvenile Services Education Program

In fiscal 2005, MSDE began to operate educational programs for youth in Department of Juvenile Services (DJS) facilities. As of July 1, 2013, MSDE will operate programs at all 14 sites. This is a year ahead of the statutory deadline of July 1, 2014. The agency served more than 3,800

youth in academic year 2012. Of the 7 sites that MSDE operated in fiscal 2012, 2 (the Victor Cullen and J. DeWeese Carter Facilities) are for committed youth, while the others are detention centers. The average length of stay is generally shorter in detention centers. For example, the average length of stay for youth in detention is 16 days compared to 149 days for committed youth. This means that MSDE has relatively less time to improve educational outcomes for most of the programs it offers. MSDE's Juvenile Services Education (JSE) programs are further discussed in the Updates section of this analysis.

Exhibit 3 shows that overall outcomes are improving for students in these programs. While the proportion of students completing a career technology module decreased slightly in 2012, the percent of students demonstrating reading and math gains increased between 2011 and 2012 from 42.8 to 50.3% in the case of reading and from 46.1 to 53.5% in the case of math. MSDE attributes the increase to the 2012 implementation of individualized learning plans that identify student weaknesses based on a pre-test and target remediation to those areas. In addition, the JSE program implemented a literacy initiative in July 2011 that provides intensive reading instruction as a separate course at two facilities. The proportion of students earning a general education diploma (GED) of those attempting declined from 62.5 to 48.2% in 2012. MSDE reports that poor staff performance, high staff absenteeism, the transition of the Carter Center to a girls treatment facility, and a gap between when the GED test is taken and when results are received contributed to the decrease. **The State Superintendent should comment on the measures taken to increase the GED pass rate within the JSE program in 2013 and planned in 2014.**

Exhibit 3
Juvenile Services
Academic Year 2011-2012

| | <u>2011</u> | <u>2012</u> |
|-------------------------------------------------------|-------------|-------------|
| Juvenile Services Education Programs Operated by MSDE | 6 | 7 |
| Students Served Per Year by MSDE | 2,807 | 3,855 |
| Students Completing an MSDE Career Technology Module | 30.0% | 28.0% |
| Students Demonstrating Reading Gains | 42.8% | 50.3% |
| Students Demonstrating Math Gains | 46.1% | 53.5% |
| Students Earning a General Education Diploma | 62.5% | 48.2% |

MSDE: Maryland State Department of Education

Note: Reading and math academic gains represent pre- and post-test scores that demonstrate a minimum of two months of growth for every 30 days of enrollment of those students tested. Percent of students earning a general education diploma of those tested.

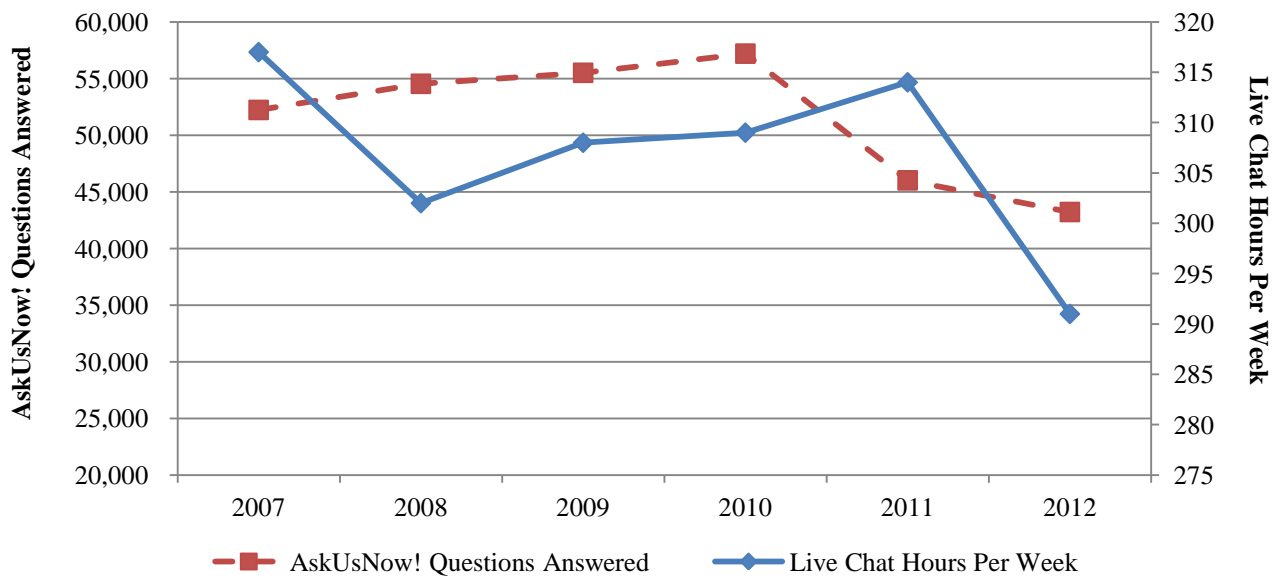
Source: Governor's Budget Books, Fiscal 2011-2014; Maryland State Department of Education

3. Trends in Online Services at Maryland Public Libraries Decline

Maryland has more than 180 branch libraries and 3 regional libraries. DLDS administers State and federal programs to improve library services, including a State capital grant program established by Chapter 494 of 2006. State regional libraries provide support to the public libraries in southern, western, and eastern Maryland. The State Library Resource Center is located at the central Enoch Pratt Free Library in Baltimore and provides specialized materials and services not available at local libraries. The division also coordinates SAILOR, the State’s online information network, providing internet access to Maryland libraries, schools, and governments.

DLDS strives to link libraries electronically with information services to provide equitable access to resources. **Exhibit 4** shows trends in online services at Maryland public libraries. Since fiscal 2007, the number of live chat hours provided by Maryland public libraries has fluctuated, declining from 314 in fiscal 2011 to 291 in fiscal 2012. MSDE reports that this decrease is due to staffing shifts, budget pressures, and retirements, which reduced the ability of local libraries to dedicate staff to the AskUsNow! service. Questions answered through the AskUsNow! online service decreased 24.4% between fiscal 2010 and 2012 from 57,200 to 43,220 following four years of steady gains, as shown in Exhibit 4. MSDE attributes the decline to advances in the self-service aspects of local library websites allowing customers to handle issues such as forgotten personal identification numbers and library account renewal. The decrease is also attributable to reduced marketing opportunities due to budget constraints.

Exhibit 4
Online Services at Maryland Public Libraries
Fiscal 2007-2012



Source: Governor’s Budget Books, fiscal 2009-2014

The division also operates the Maryland State Library for the Blind and Physically Handicapped, which provides services to more than 14,000 Marylanders each year. More than 420 outreach programs were presented in fiscal 2012 to promote these services, and more than 5,800 people attended the fiscal 2012 programs.

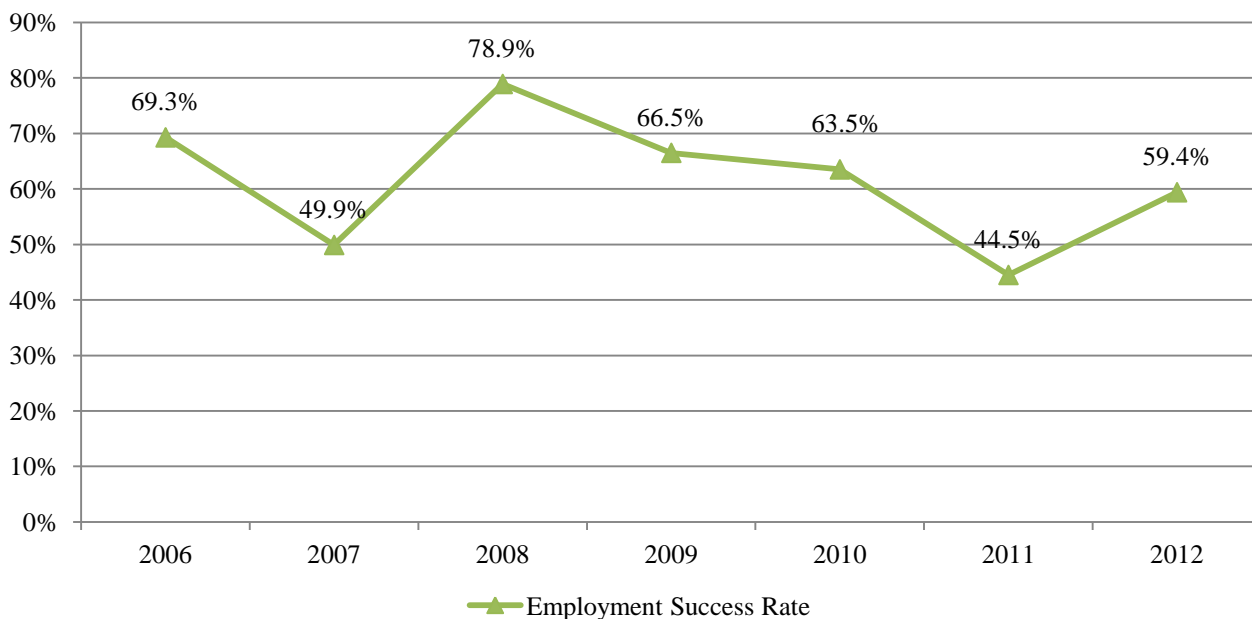
4. Employment Success Rates Among Rehabilitation Clients Fluctuates

DORS provides vocational rehabilitation services and determines eligibility for federal disability benefits. The division includes Headquarters, Client Services, the Workforce and Technology Center, Disability Determination Services (DDS), and Blindness and Vision Services.

The goal of the client services program is to provide vocational rehabilitation to disabled individuals so they may achieve economic self-sufficiency through employment. In federal fiscal 2012, DORS provided 2,453 career assessments, 1,708 assistive technology services, and job placement for 4,723 individuals. Clients can access services at 23 field offices throughout the State or at the Workforce and Technology Center in Baltimore, which offers a wide range of job skill training and academic courses beyond what is offered at the field offices. As shown in **Exhibit 5**, the employment success rate fluctuates significantly from year to year, but has averaged 62% since fiscal 2006.

The DORS disability determination unit adjudicates claims for Social Security Disability Insurance and Supplemental Security Income based on medical evidence, vocational factors, and rules of the federal Social Security Administration. The number of claims increased 21.3% in fiscal 2009 to 72,279, causing a backlog and longer processing times in fiscal 2009 and 2010. The number of claims increased again in fiscal 2011 and 2012, reaching a new high of 82,045. Though processing times have declined since fiscal 2010, they remain higher than they were prior to fiscal 2009. Despite the rise in claims, accuracy rates have increased since fiscal 2006 from 95.5 to 100.0% in fiscal 2012.

Exhibit 5
DORS Employment Success Rate
Fiscal 2006-2012



DORS: Division of Rehabilitation Services

Source: Governor’s Budget Books, Fiscal 2009-2014

Fiscal 2013 Actions

Proposed Deficiency

Proposed fiscal 2013 deficiencies total \$22.0 million. Deficiencies for assessment contracts total \$20.9 million, including \$17.3 million in general funds and \$3.6 million in federal funds. In addition, a general fund deficiency of \$771,056 and 5 positions in the JSE program will provide support for the delivery of education services at the Waxter Children’s Center, William Donald Shaefer House, and Noyes Children’s Center that were transferred to MSDE in fiscal 2013. An additional federal fund deficiency of \$314,164 in the Division of Business Services is for indirect cost recovery from federal grants.

Proposed Budget

The fiscal 2014 allowance is \$16.3 million below the 2013 working appropriation. **Exhibit 6** shows the changes by fund as well as key increases and decreases.

Exhibit 6
Proposed Budget
MSDE – Headquarters
(\$ 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> |
|----------------------------|---------------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|---------------------|
| 2013 Working Appropriation | \$80,610 | \$7,884 | \$182,270 | \$783 | \$271,547 |
| 2014 Allowance | <u>86,816</u> | <u>7,245</u> | <u>161,232</u> | <u>1,604</u> | <u>256,897</u> |
| Amount Change | \$6,206 | -\$640 | -\$21,038 | \$822 | -\$14,649 |
| Percent Change | 7.7% | -8.1% | -11.5% | 105.0% | -5.4% |
| Contingent Reduction | -\$1,503 | -\$3 | -\$113 | \$0 | -\$1,619 |
| Adjusted Change | \$4,703 | -\$642 | -\$21,151 | \$822 | -\$16,268 |
| Adjusted Percent Change | 5.8% | -8.1% | -11.6% | 105.0% | -6.0% |

Where It Goes:

Personnel Expenses

| | |
|--------------------------------------------------------------------------------|-------|
| Salary adjustments | \$323 |
| Annualized fiscal 2013 cost-of-living adjustments..... | 818 |
| State contribution to employee retirement..... | 2,311 |
| Employee and retiree health insurance (net of across-the-board reduction)..... | 1,501 |
| Turnover adjustments | 433 |
| Other fringe benefit adjustments..... | 203 |
| Maryland Longitudinal Data Systems Center staff..... | 1,561 |
| New and transferred positions for Juvenile Services Education..... | 3,085 |

Race to the Top Changes

| | |
|--------------------------------------------|--------|
| Major Information Technology Projects..... | -6,553 |
| Contracts and interagency agreements | -7,973 |
| Data processing..... | 2,130 |
| Other changes | -2,846 |

R00A01 – MSDE – Headquarters

Where It Goes:

Major Information Technology Projects (Non-Race to the Top)

| | |
|----------------------------------------------------------------|--------|
| Maryland Accountability and Reporting System – Nutrition | -673 |
| Enhanced Child Care Administration Tracking System II | -3,650 |

Other Changes

| | |
|------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Federal funds for DORS medical services | -925 |
| Home and Community Based Waiver for Children with Autism | 1,226 |
| Nonpersonnel costs transferred from Department of Juvenile Services | 321 |
| Office and instructional supplies for Juvenile Services Education Program | -415 |
| Maryland Longitudinal Data Systems Center – nonpersonnel | 684 |
| Fuel and electricity | -422 |
| Assessment contracts | -40 |
| Indirect costs for federal grants | -1,237 |
| Decrease in various federal grants | -145 |
| ARRA School Improvement and Charter School program grants | -1,300 |
| Federal Migrant & Title I Neglected and Delinquent and 21st Century Afterschool Program funds moved to the Aid to Education budget | -1,700 |
| Reduction in federal sub-grants to local libraries and supplies and book purchases | -373 |
| Align DORS trash and garbage removal with historical expenditures | -209 |
| Department of Budget and Management controlled expenses | -145 |
| Other changes | -799 |

Contingent Reductions

| | |
|------------------------------------------------------------------------|--------|
| Juvenile Services Education Program billing to local governments | -1,459 |
|------------------------------------------------------------------------|--------|

Total **-\$16,268**

ARRA: American Recovery and Reinvestment Act of 2009

DORS: Division of Rehabilitation Services

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

Personnel

Section 25 of Chapter 1 of the First Special Session of 2012 (the Budget Reconciliation and Financing Act (BRFA) of 2012) required the Governor to abolish at least 100 vacant positions as of January 1, 2013, saving at least \$6 million in general funds. MSDE’s share of the reduction was 3 positions and \$108,214 in general funds. The annualized salary savings due to the abolition of these positions is expected to be \$10,784 in general funds and \$160,286 in federal funds.

Overall, personnel expenditures increase \$10.2 million in the fiscal 2014 allowance. Of this increase, \$3.1 million is attributable to new and transferred positions related to the transfer of education programs from DJS facilities in fiscal 2013 and 2014. In addition, personnel expenses increase \$1.6 million due to the creation of the Maryland Longitudinal Data Systems Center. Other major increases include \$2.3 million for employee retirement, \$1.5 million for employee and retiree health insurance, and \$817,976 for the annualized fiscal 2013 statewide cost-of-living adjustment (COLA). Contribution rates for the regular employees, teachers, State Police, and law enforcement officers pension plans increase in fiscal 2014. The rate increases are attributable to underattaining investment returns, adjusting actuarial assumptions, and increasing the reinvestment of savings achieved in the 2011 pension reform. Across-the-board health insurance reductions of \$44,119 in general funds, \$2,537 in special funds, and \$113,275 in federal funds are attributable to overbudgeted health insurance.

Race to the Top

Maryland was awarded \$250.0 million over four years from federal RTTT grants, with \$125.0 million going to participating local education agencies (LEA) and \$125.0 million to be administered by MSDE for statewide reform efforts. The fiscal 2014 allowance includes a \$15.2 million decrease in RTTT spending, as the grant enters its final fiscal year. Major information technology (IT) projects, which constitute 20 of the grant's 54 projects and account for nearly 40% of the grant's total funds, decrease \$6.6 million as projects wind down. Contracts and interagency agreements associated with RTTT decrease \$8.0 million. RTTT is discussed further in Issue 1 of this analysis.

Maryland Longitudinal Data Systems Center Launched

The Headquarters budget includes funds to establish a Maryland Longitudinal Data Systems Center to support the operation of the Maryland Longitudinal Data System (MLDS). MLDS is a project funded in part by RTTT to create a statewide data warehouse that tracks Maryland students from pre-kindergarten through higher education into the workforce. The purpose of MLDS is to link student and workforce data and provide information on student performance that can be used to improve the State's education system and guide decisionmakers. The center will be a collaboration between MSDE, the Maryland Higher Education Commission (MHEC), the Department of Labor, Licensing and Regulation (DLLR), and the School of Social Work and the College of Education at the University of Maryland. The fiscal 2014 allowance includes 14.5 positions and 1.5 contractual full-time equivalents (FTE) to support center operations. MSDE and MHEC will each share one employee on a 50% time basis with the center to serve as the associate directors for IT and Data Management and Portal and Data Services, respectively. A third associate director overseeing research will be filled by a half-time contractual staff person from the University of Maryland, Baltimore. Legal support will be provided by the Office of the Attorney General, and an IT specialist will be co-staffed with DLLR. MSDE will serve as the center's fiscal agent, providing budget, human resources, and procurement services for the center.

The fiscal 2014 allowance includes \$2.2 million to support the center, \$1.6 million in general funds and \$686,666 in federal funds. Fiscal 2014 federal funds are provided through the RTTT grant. Beginning in fiscal 2015, RTTT funds will not be available to offset general fund expenditures. In July 2012, MSDE received \$3.9 million in additional federal funds through a Longitudinal Data System (LDS) grant to support the continued enhancement of Maryland’s education data systems and to provide information and training on education initiatives, curriculum alignments, and workforce programs over three years; \$43,000 in LDS funds will be used to support the center in fiscal 2015. Center expenditures are expected to increase \$160,000 in fiscal 2015 to \$2.4 million due to additional contractual FTEs to support research activities and anticipated increases to personnel costs. The fiscal 2014 allowance includes \$162,237 in overhead costs to MSDE, representing 7.2% of the center’s total allowance. The budget for the center also includes funds to support three cell phone plans, each costing \$150 a month. **The Department of Legislative Services (DLS) recommends reducing funds for cell phone expenditures by \$4,320 to support one cell phone plan costing \$90 per month. The State Superintendent should comment on work that the MLDS Center will undertake in fiscal 2014. Given the number of new positions and funding being provided to the new MLDS Center, DLS recommends that Managing for Results metrics and goals should be developed for the MLDS Center.**

A recent study by the Data Quality Campaign (DQC) found that while most states now have LDS that track student academic growth from year to year, only a few share such data with parents, and many have not trained teachers and principals to use it to improve classroom learning. DQC reports that Maryland has taken 4 of 10 recommended actions to improve data use. **The State Superintendent should discuss how data will be shared with parents, and how teachers and principals will be trained to use the new data available to them through MLDS and other RTTT initiatives to inform classroom instruction. The State Superintendent should also discuss the type of personal student and teacher data that will be stored in MLDS, and how that data will be protected.**

Anticipated Deficiency Appropriations Continue for Assessments

Assessment contract amounts change many times throughout the fiscal year as MSDE works with vendors on deliverable modifications, which can change when invoices are due. Sometimes contracts are amended, which changes the amount owed. In the past, MSDE encumbered millions of dollars at the end of the fiscal year to cover some of the expected assessment expenses in the coming year, requiring the State to hold general funds in accounts longer than necessary. Fiscal 2012 was the first year in which MSDE had no encumbrances to support assessments. Instead, assessments are funded on a cash flow basis, with initial funding provided in the Governor’s allowance, and additional funds provided through a deficiency appropriation when the total cost of assessments for the fiscal year is better known. This practice results in large deficiencies to provide adequate resources to support assessments, putting additional strain on the State’s fund balance. As a consequence, the fiscal 2014 allowance is not a true reflection of the resources required to support MSDE Headquarters. **Exhibit 7** shows assessment contract expenditures between fiscal 2012 and 2014. The fiscal 2013 budget included \$29.9 million to support assessments, and a \$20.9 million

Exhibit 7
Assessment Contracts
Fiscal 2012-2014
(\$ in Thousands)

| | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|--------------------------------------------|-----------------|-----------------|-----------------|
| Assessment Contracts Working Appropriation | \$27,525 | \$29,853 | \$29,812 |
| Deficiency Proposed (or Projected) | 18,000 | 20,897 | n/a |
| Deficiency as a Percent of Costs | 39.5% | 41.2% | n/a |
| Total Working Appropriation | \$45,525 | \$50,750 | \$29,812 |

n/a: not available

Source: Maryland State Department of Education

fiscal 2013 deficiency is proposed to support remaining assessment expenses, for a total of \$50.8 million, \$5.2 million more than the fiscal 2012 appropriation. Of this amount, \$3.5 million is attributable to the reintroduction of the government High School Assessments (HSA), which was discontinued in fiscal 2012 to achieve cost savings. Chapter 476 of 2012 required MSDE to reinstate the government HSA and implement assessment programs at the middle and high school levels in certain subject areas including social studies beginning in the 2014-2015 school year. As a result, \$3.5 million of the fiscal 2014 allowance supports the exam's reinstatement and development of an essay portion.

The fiscal 2014 allowance includes \$29.8 million in general and federal funds to support assessments in the upcoming year, a \$20.9 million decline from fiscal 2013 after adjusting for the deficiency. MSDE does not yet have an estimate of total assessment expenditures for fiscal 2014. As a result, the required fiscal 2014 general fund deficiency is unknown. The fiscal 2014 allowance also includes \$3.5 million to support the government HSA. The nature of the assessment contracts makes it difficult to precisely estimate the costs for the budget each year; however, in fiscal 2012 and 2013, the deficiency appropriation is about 40% of total costs. **The State Superintendent should comment on why the original appropriation for assessments has significantly understated the actual costs in recent years and should provide an estimate of the deficiency that will be required in fiscal 2014.**

Major Information Technology Projects

Funds for two major IT projects not included in the RTTT grant's scope of work decrease \$4.3 million as the Maryland Accountability and Reporting System – Nutrition project transitions from development to operation and maintenance, and additional options added to the Enhanced Child

Care Administration and Tracking System II (eCCATS II) are moved to a contract that will not expire in calendar 2014. **The State Superintendent should comment on whether planned enhancements to the eCCATS II project are on track to be completed within the RTTT – Early Learning Challenge grant period, which ends in calendar 2015.**

Home and Community Based Waivers for Children with Autism

Funds for Home and Community Based Waivers for Children with Autism increase \$1.2 million in the fiscal 2014 allowance. MSDE reports that this increase will support 100 new slots in the program, though the Office of Legislative Audit’s fiscal 2012 closeout audit found unprovided for payables totaling \$548,000 in the program. The agency reports that unprovided for payables have been an ongoing issue for the program, as MSDE’s expenses for a given fiscal year are based on invoices received from the Department of Health and Mental Hygiene (DHMH) for the last quarter of the prior fiscal year and the first three quarters of the current fiscal year. MSDE reports that the amount invoiced is unlikely to equal the appropriation due to billing uncertainty in the program. **The State Superintendent should comment on whether the additional \$1.2 million appropriated for the Home and Community Based Waivers for Children with Autism in fiscal 2014 will support 100 new slots or will it provide payment for prior year unprovided for payables.**

Other Changes

The fiscal 2014 allowance includes a \$320,687 increase in nonpersonnel related expenses for education programs transferred from DJS to MSDE in fiscal 2014. Federal funds decrease \$1.3 million for American Recovery and Reinvestment Act School Improvement and Charter Schools grants as the programs end. In addition \$1.7 million in federal Migrant and Title I Neglected and Delinquent and 21st Century Afterschool program funds are shifted to the Aid to Education budget in fiscal 2014. Indirect costs for federal grants decrease \$1.2 million as a result of decreases in the agency’s fiscal 2014 federal fund expenditures. Fuel and electricity costs decrease \$422,308 due to favorable trends.

Contingent Actions

A \$1,458,671 reduction in the JSE program is contingent upon a provision in HB 102 and SB 127 of 2013 (the BRFA of 2013). The provision expands a policy established by Chapter 397 of 2011 (the BRFA of 2011) requiring DJS to collect funds from LEAs to help pay for youth who are included in the LEA’s September 30 enrollment count for the Foundation Program but are in education programs at committed DJS facilities. Counties pay the basic cost for each youth, which is the average amount spent from county and State funds for the public education of a nondisabled child. Currently, funds are collected by DJS from the LEAs and recognized in MSDE’s budget as reimbursable funds to support youth in education programs at the State’s two committed facilities: Victor Cullen and J. DeWeese Carter Children’s Center. The proposed provision would require county school boards to pay for youth in educational programs at detention facilities for 15 days or more. **The State Superintendent should comment on whether MSDE expects to**

realize \$1.5 million in revenues to offset the contingent reduction, as MSDE reports that the average length of stay for youth in detention is 16 days.

Federal Sequestration

On January 2, 2013, President Barack H. Obama signed the American Taxpayer Relief Act, which postpones the sequestration of federal funds required by the Budget Control Act of March 1, 2013, and reduces the across-the-board reduction by \$24.0 billion. According to Federal Fund Information for the States, this would reduce the sequestration amount for nondefense discretionary programs from 8.2 to 5.9%. **The State Superintendent should comment on how a federal sequestration would impact funding for education programs in the State as well as agency operations, and on how MSDE is preparing for the possibility of a federal sequestration.**

Issues

1. Maryland Flagged by U.S. Department of Education for Race to the Top Project Delays

Maryland was awarded \$250 million over four years through the federal RTTT program, with \$125 million going to participating LEAs and \$125 million to be administered by MSDE Headquarters for statewide reform efforts through 54 projects that will (1) revise the preK-12 Maryland State Curriculum, assessments, and accountability system based on the new Common Core State Standards to assure that all graduates are college- and career-ready; (2) build a statewide technology infrastructure to link data with analytic and instructional tools to monitor and promote student achievement; (3) redesign the model for preparation, development, retention, and evaluation of teachers and principals; and (4) fully implement the Breakthrough Center approach for transforming low-performing schools and districts.

USDE Notes Difficulty Hiring Staff, Problems with Teacher Evaluation Pilot

The U.S. Department of Education (USDE) produces annual performance reports on state RTTT progress. USDE's year one evaluation of Maryland's RTTT progress found that while the State had made progress in implementing its initiatives, difficulty in hiring staff to support major IT projects and a six-month delay in and subsequent shortening of seven LEAs educator evaluation system pilots had impeded grant progress during the 2010-2011 school year. In USDE's year two performance report covering the 2011-2012 school year released February 1, 2013, Maryland was one of three States flagged for significant project delays. USDE's assessment of Maryland progress notes that problems finding adequate staff for IT projects persisted through the 2011-2012 school year, and that this, combined with difficulties with the State procurement process, caused additional project delays. The report notes that due to these delays, the State has a much tighter timeframe to complete project work within the RTTT grant period. This is especially critical for Maryland, as the State has dedicated a greater proportion of its RTTT funds to major IT than any other state. RTTT major IT projects are discussed in Issue 2 of this analysis. USDE also found that as a result of significant variability in teacher evaluation pilots, MSDE was not able to collect meaningful or consistent data on pilot outcomes during the 2010-2011 school year. The report also notes that it is not clear to what extent LEAs engaged in a meaningful pilot of the evaluation system during the 2011-2012 school year. USDE cites leadership transition over this period as a contributor to the education evaluation pilot difficulties, as an interim State Superintendent was in charge during a critical portion of the pilot's implementation. Educator evaluations are discussed in greater detail in the Aid to Education budget analysis.

The external evaluation team engaged by the State as part of its RTTT scope of work is the Center for Application and Innovation Research in Education (CAIRE) at Towson University. Program evaluation will include a review of (1) the development and implementation of RTTT funded projects; (2) the utilization of RTTT products by stakeholders; and (3) the impact of RTTT projects on outcomes as measured by student achievement and college- and career-readiness. In

December 2012, CAIRE released its first report examining project development and implementation. Overall, CAIRE found that RTTT projects are well managed and on schedule, identifying two primary project risks: first, that the State procurement process delayed many projects, and second, that tracking project expenditures on both the federal and State fiscal year had become a challenge for project managers. MSDE subsequently learned that USDE would accept reports on a State fiscal basis and has converted expenditures from the federal to the State fiscal year.

USDE's year two progress report notes that year one delays in initiating program evaluation resulted in project managers receiving feedback later than planned, making it difficult for the State to make changes during the 2011-2012 school year. In addition, the second phase of CAIRE's evaluation, which will provide feedback on the quality and outcomes of RTTT work, will not occur until late in the grant period, leaving little time to implement necessary corrections.

The State Superintendent should discuss steps the agency is taking to improve RTTT procurement activities so that project delays are resolved.

Grant Expenditures Do Not Keep Pace with Plan

Exhibit 8 shows actual and planned RTTT expenditures by project type for each year of the grant, as converted from the federal to the State fiscal year, as of January 2013. The exhibit also shows actual and planned grant expenditures as they were reported by MSDE in January 2012, based on the federal fiscal year. According to the January 2013 spending plan, expenditures in grant year one totaled \$8.5 million, which MSDE attributes to a delay in USDE's full approval of the State scope of work until March 2011. Expenditures in grant year two, as reported in January 2013, totaled \$15.3 million, which due to the conversion from federal to State fiscal years, includes only nine months of data. As shown in Exhibit 8, however, year two expenditures were expected to total \$43.9 million in January 2012, nearly \$28.6 million more than the current report shows. Budgeted expenditures in grant year three, reported in January 2013, total \$78.5 million and represent 62.8% of the grant total. MSDE reports that January 2013 year three expenditures include encumbered but unexpended funds from grant year two, and additional funds to allow project managers to accelerate work. Grant year four, which aligns to State fiscal 2014 in the January 2013 report, is budgeted to include \$22.6 million and last 15 months as project activities wind down. MSDE reports that all RTTT funds must be encumbered or expended by September 30, 2014.

The State Superintendent should comment on RTTT progress to date, including whether all projects are on track to be completed by the end of the grant period, and on whether any additional resources will be required beyond the grant to complete or sustain RTTT project activities. Finally, the State Superintendent should discuss the consequences of failure to complete projects within the grant period, or to the satisfaction of USDE.

Exhibit 8
State Race to the Top Funds by Project Type
Converting Grant Management to the State Fiscal Year
(\$ in Thousands)

| | <u>Projects</u> | <u>FTE Staff</u> | <u>12 Months Grant Year 1 2011 Actual</u> | <u>9 Months Grant Year 2 2012 Actual</u> | <u>12 Months Grant Year 3 2013 Working</u> | <u>15 Months Grant Year 4 2014 Budgeted</u> | <u>Total Funding</u> |
|-------------------------------------------------|-----------------|------------------|-------------------------------------------|------------------------------------------|--------------------------------------------|---------------------------------------------|----------------------|
| Data Systems to Support Instruction | 20 | 6.0 | \$3,660 | \$7,204 | \$33,350 | \$4,367 | \$48,581 |
| Great Teachers and Leaders | 16 | 9.4 | 3,100 | 3,986 | 23,400 | 7,421 | 37,907 |
| Development of Standards and Assessments | 5 | 22.0 | 686 | 1,836 | 10,934 | 5,242 | 19,698 |
| Turning Around the Lowest-achieving Schools | 9 | 20.0 | 799 | 1,395 | 3,399 | 2,860 | 8,453 |
| Program Evaluation and Administration | 2 | 7.0 | 187 | 529 | 4,279 | 2,470 | 7,465 |
| Charter Schools | 1 | 1.0 | 88 | 202 | 2,840 | 247 | 3,377 |
| Statewide Centralized Student Transcript System | 1 | 0.0 | 0 | 187 | 332 | 0 | 519 |
| Total January 2013 | 54 | 65.4 | \$8,519 | \$15,338 | \$78,535 | \$22,607 | \$125,000 |
| <i>Total Planned as of January 2012*</i> | | | <i>\$8,286</i> | <i>\$43,924</i> | <i>\$33,358</i> | <i>\$39,432</i> | <i>\$125,000</i> |

FTE: full-time equivalent

Source: Maryland State Department of Education

2. Major IT Projects Delayed but Nearing Completion

MSDE has 10 major IT projects in progress, 8 of which are related to RTTT. A ninth project, the eCCATS II, is being supported in part by funds from the RTTT-Early Learning Challenge Grant, discussed in the R00A09-Early Childhood Development analysis. As noted in Issue 1, USDE found significant delays in major IT projects during the 2010-2011 and 2011-2012 school years. Major IT projects account for nearly 40% of the grant's total funds. Maryland has dedicated a greater proportion of its funds to IT projects than any other State. USDE reports that during year one and two of the grant period, difficulties hiring qualified staff and challenges navigating the State procurement process resulted in significant project delays. As a result, MSDE began partnering with the Department of Information Technology (DoIT) to expedite contract proposal review and to accelerate project activities internally so that all project components could be implemented within the RTTT grant period.

DoIT reports that MSDE has addressed previous challenges in providing sufficient internal staff to oversee, and providing subject matter expertise and project and contract management for major IT projects. MSDE established a team that meets weekly to identify issues regarding project delays and has hired program managers to lead each RTTT information technology sub-project. DoIT also oversees RTTT procurements to mitigate risks to requirements. Finally, MSDE used the procurement authority for an existing project to accelerate the hiring of contractual staff needed to better manage RTTT subprojects, and is working on a request for proposal (RFP) to further staff RTTT projects and speed up the procurement process, which had caused past project delays.

Project Status

Of MSDE's eight RTTT-related major IT projects, two are planned for removal from the State's Major Information Technology Development Projects portfolio pending approval from the USDE:

- ***Student Growth and Educator Evaluation*** – Measures of student growth have been identified to incorporate into teacher and principal evaluations. Tool development will be completed by the LEAs. **The State Superintendent should comment on how critical the Student Growth and Education Evaluation project is to the Teacher and Principal Evaluation project, and on when the Student Growth and Education Evaluation project is expected to be completed.**
- ***Student Instructional Intervention*** – Due to a lengthy procurement process, cost overages, and difficulty identifying a vendor that could create a system that would integrate with existing LEA instructional intervention systems, this project will be completed by providing sub-grants to LEAs to improve existing instructional intervention systems.

Four other RTTT projects are expected to complete design and development by the end of fiscal 2013, despite previous delays. These include:

R00A01 – MSDE – Headquarters

- *Accessing and Using State Data* – creates 36 dashboards for educators, LEAs, and the State; MSDE reports that it would like to extend the timeframe for this project, as certain components were accelerated in conjunction with the MLDS project, and the agency needs to backtrack to create the environment that will support the accelerated elements.
- *State Curriculum Management System* – provides teachers with tools, lesson plans, and course syllabi to help develop courses aligned to the Common Core State Standards. Roll out of this system was delayed until spring 2013, though it was initially scheduled for fall 2012;
- *Item Bank System* – develops a database of test questions aligned to the Common Core Standards for educators and students as they prepare for the Partnership for Assessment of Readiness for College and Careers (PARCC) assessments; and
- *Course Registration System* – provides a single point of access for educators to register for online, instructor, and academy programs, and tracks the professional development history of educators. Roll out of this system was delayed from fall 2012 to spring 2013.

To date, no fiscal 2014 expenditures are budgeted for these projects, though DoIT notes that their anticipated cost is understated by the full year of operation and maintenance that is required to be included in the total project cost. DoIT reports that it is currently working with MSDE to address the potential cost changes. **The State Superintendent should discuss the anticipated cost of adding one year of operation and maintenance for the RTTT projects scheduled for fiscal 2013 completion, and whether those costs will be fully absorbed by the RTTT grant.**

Work on two RTTT major IT projects is scheduled to continue in fiscal 2014:

- *MLDS* – expands the existing system to add new student longitudinal data, encompasses higher education and workforce data, links student course performance to teachers, and adds advanced business analysis and reporting tools to the existing system.
- *Educator Information System Expansion* – expands the existing educator information system to include additional data on educators to support a number of professional development, credentialing, evaluation, and assignment initiatives for the RTTT grant. Funds were moved by budget amendment into fiscal 2013 due to project delays.

The State Superintendent should comment on whether all RTTT-related major IT projects will be completed within the grant period, and on what, if any, impact the delay of major IT projects has had on other RTTT projects.

3. Budget Implications of Partnership for Assessment of Readiness for College and Careers Assessments

Maryland is a governing state in the PARCC, a consortium of 24 states designing an assessment system aligned with the Common Core State Standards for English/Language Arts (ELA)/literacy and math. PARCC assessments will measure student progress toward college- and career-readiness. The assessments will be computer-based and designed to evaluate higher order thinking skills, including critical thinking, communication, and problem solving.

PARCC assessments will be piloted during the 2013-2014 school year and fully implemented the following year (2014-2015) when they will replace the Maryland School Assessments (MSA). MSDE is working to develop a plan to phase out HSAs and phase in the new PARCC assessments.

Initial PARCC estimates indicate that assessment costs are expected to total \$22 per student (including both ELA/literacy and math), though MSDE believes that this estimate is low. Maryland assessment costs currently total between \$28 and \$30 per student per test. The PARCC ELA/literacy assessment will include a written component, which is not included in existing English MSAs and HSAs. PARCC states may choose to implement diagnostic and mid-year assessments developed by the consortium. MSDE indicates the State's use of such diagnostic and mid-year assessments will be dependent on the associated costs.

Fiscal 2015 will mark the first year in which PARCC assessment costs are included in MSDE assessment expenditures. PARCC implementation is expected to cause a bubble in assessment contract expenditures in fiscal 2015 as HSA and PARCC assessments are funded simultaneously. Though federal funding was provided to the PARCC consortium for assessment development, no additional federal funds are expected to support PARCC implementation.

The State Superintendent should comment on the anticipated cost of implementing PARCC assessments relative to the HSAs, and on how the HSA exams will be phased out. The State Superintendent should also discuss whether Maryland is likely to partner with other states to procure a test vendor to reduce costs. The State Superintendent should also comment on MSDE's communication plan to make parents and students aware of the differences between the existing State assessments and PARCC and the likelihood of declining test scores.

Because PARCC will be a computer-based, online assessment, the cost of computer hardware and bandwidth must be considered in addition to the cost of assessment contracts. To date, PARCC has only put out testing device requirements. MSDE reports that LEA preparedness to administer computer-based assessments will not be known until a testing vendor is selected and equipment requirements are finalized. **The State Superintendent should comment on how MSDE will assess LEA technological preparedness to implement PARCC assessments and on the resources available to Maryland schools and LEAs that may not have the requisite infrastructure to implement PARCC assessments. Finally, the State Superintendent should comment on whether MSDE will consider the LEAs existing technology capabilities when selecting a test vendor.**

4. New State Superintendent Leads MSDE

The State Board of Education appointed Dr. Lillian M. Lowery as State Superintendent of Schools effective July 1, 2012.

State Superintendent Contract Includes Pay-for-performance Goals

The new State Superintendent will receive a base salary of \$210,000, a \$15,000 increase over the previous incumbent. In addition, Dr. Lowery’s contract includes five annual performance goals that must be achieved in order to receive incentive payments totaling \$50,000 per year. Such pay-for-performance provisions are unique to the State Superintendent, as no other cabinet level secretary’s contract includes such a provision. MSDE has not yet identified baseline data for these goals. **Exhibit 9** shows the five performance goals, the associated incentive payments, and recent data for each performance goal for illustrative purposes.

Exhibit 9 State Superintendent Pay-for-performance Goals

| <u>Goal</u> | <u>Bonus</u> | <u>Recent Data</u> |
|--------------------------------------------------------------------------------------------|-----------------|----------------------------|
| The statewide cohort graduation rate meets or exceeds 88% | \$10,000 | 83.6% – 2012 4-year cohort |
| The average statewide dropout rate does not exceed 2.5% of the cohort | 10,000 | 10.3% – 2012 cohort |
| At least 75% of the students enrolled in AP courses and take AP tests score 3 or better | 10,000 | 60.1% – Class of 2011 |
| Achieve a 10% reduction in the achievement gap in a given year between White students and: | | 2012 Grade 8 Math |
| African American students | 5,000 | 33.2 percentage point gap |
| English language learners | 5,000 | 25.5 percentage point gap |
| Achieve a 10% reduction in the achievement gap in a given year between all students and: | | 2012 Grade 8 Math |
| special education students | 5,000 | 36.0 percentage point gap |
| students receiving free and reduced price meals | 5,000 | 18.3 percentage point gap |
| Total | \$50,000 | |

Note: 2012 Grade 8 Math percent proficient and advanced were as follows: White students, 83.5%; African American students, 50.3%; English language learners, 58.0%; all students, 69.3%; special education students, 33.3%; and free and reduced price meals students 51.0%

Source: Maryland State Department of Education, *Maryland Report Card*, College Board

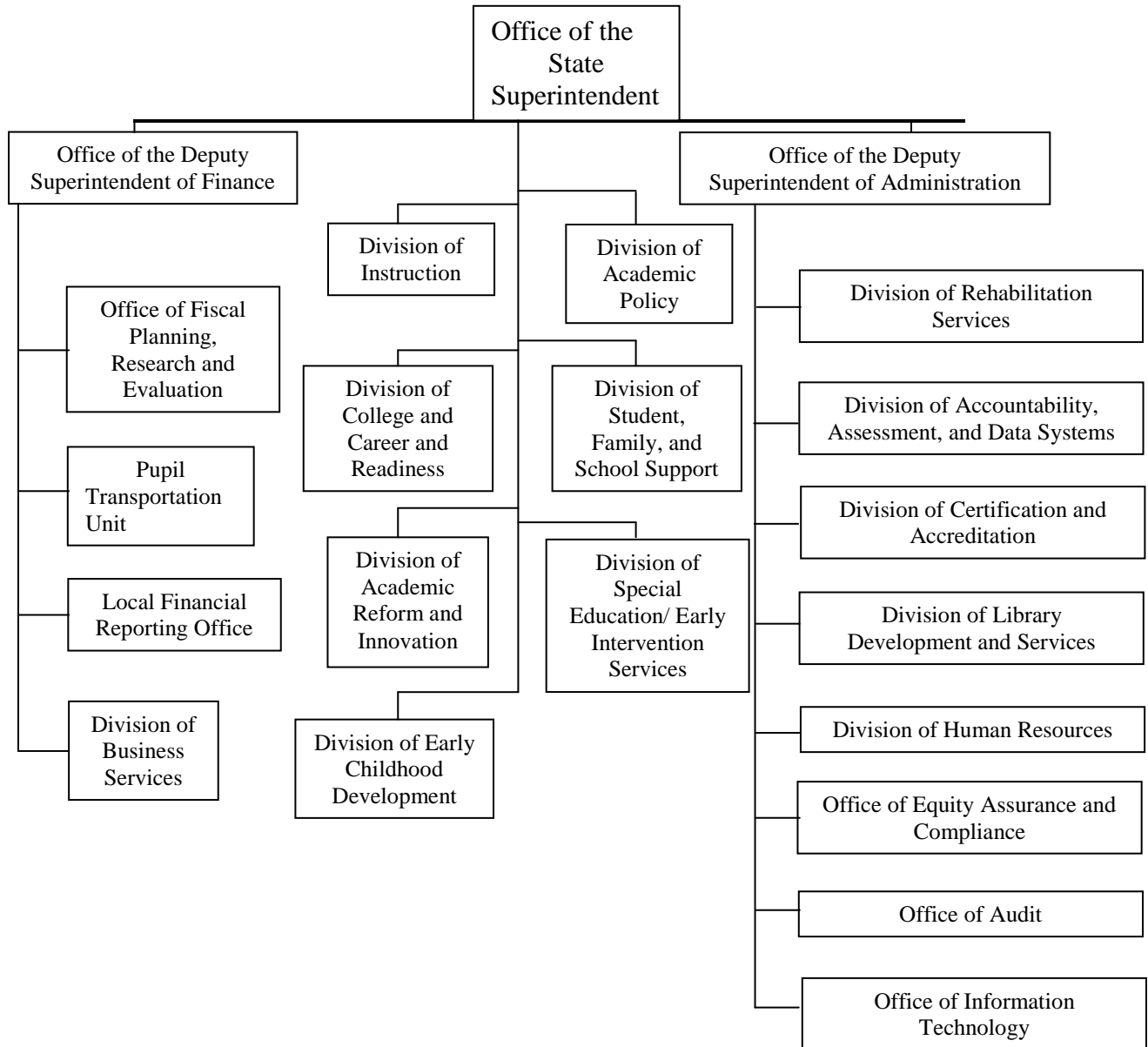
Each year, MSDE will report performance data to the State Board of Education and the State Superintendent. Based on the data, the board may approve incentive payments, which will start in the next appropriate pay period and will continue over the remainder of the fiscal year. The incentive payments do not alter the superintendent's base salary. **DLS recommends that the committees add language restricting \$50,000 made for the purpose of incentive payments for the State Superintendent only be expended for that purpose, and that funds be restricted pending a report to the budget committees identifying baseline data for the State Superintendent's performance goals.**

MSDE Plans Reorganization

Exhibit 10 shows MSDE's organizational structure. Currently, two deputy superintendents serve under the State Superintendent: one for finance and another for administration. Under the prior administration, the divisions of instruction; career and college readiness; special education/early intervention services; academic reform and innovation; academic policy; student, family and school support; and early childhood development, reported directly to the State Superintendent. The new State Superintendent has proposed to restructure the agency, adding a Deputy State Superintendent for Instruction, and reprogramming the existing Deputy State Superintendent positions into a Deputy Superintendent for Performance and a Deputy Superintendent for Finance and Administration. In order to achieve this restructuring within existing resources, MSDE proposes to repurpose funds once used to support loaned educators (discussed in Update 1 of this analysis) as well as existing vacant positions. As of December 31, 2012, MSDE had 108.5 vacant positions. Of these, 19.0 have been vacant for 12 or more months. MSDE's turnover rate was reduced in the fiscal 2014 allowance from 8.07 to 7.1%, freeing approximately \$433,000 in additional resources to support restructuring efforts. To meet the 7.1% turnover rate, MSDE must maintain at least 89.3 vacant positions all year. The agency has instituted an internal hiring freeze since the new State Superintendent started in July 2012 to ensure that vacated positions are reassessed for alignment to the agency's new structure before being filled.

DLS recommends that the committees adopt narrative requesting a report on the department's restructuring efforts, and on how reorganization will be achieved within existing resources.

Exhibit 10
Maryland State Department of Education
Organizational Chart
January 2013



Source: Maryland State Department of Education

Recommended Actions

1. Add the following language:

Provided that it is the intent of the General Assembly that no individual loaned educator be engaged by the Maryland State Department of Education (MSDE) for more than six years. For loaned educators engaged in fiscal 2010, the time already served at MSDE shall not be counted toward the six-year limit.

Further provided that it is the intent of the General Assembly that all loaned educators submit annual financial disclosure statements, as is required by State employees in similar positions.

Further provided that MSDE shall provide an annual census report on the number of loaned educator contracts and any conversion of these personnel to regular positions to the General Assembly by December 16, 2013, and every year thereafter. The annual report shall include job function, title, salary, fund source(s) for the contract, the first year of the contract and the number of years that the loaned educator has been employed by the State, and whether the educator files a financial disclosure statement. MSDE shall also provide a report to the budget committees prior to entering into any new loaned educator contract to provide temporary assistance to the State. The budget committees shall have 45 days to review and comment from the date of receipt of any report on new contracts.

Explanation: This annual language on loaned educators expresses intent that loaned educators should not be engaged for more than six years, educators should submit annual financial disclosure reports as appropriate, and reports on the loaned educator program should be submitted. The loaned educator program at the Maryland State Department of Education (MSDE) allows local employees to work for MSDE on special projects.

| Information Request | Author | Due Date |
|-------------------------------------|---------------|--------------------------------------------|
| Report on loaned educator contracts | MSDE | December 16, 2013, and annually thereafter |

2. Add the following language to the general fund appropriation:

, provided that \$50,000 of this appropriation made for the purpose of incentive payments for the State Superintendent based on the attainment of specified performance goals may only be expended for that purpose. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund.

Explanation: The State Superintendent’s contract includes incentive payments for the attainment of specified performance goals. This language restricts \$50,000 in general funds to that use only.

3. Add the following language to the general fund appropriation:

Further provided that \$50,000 of this appropriation made for the purpose of incentive payments for the State Superintendent may not be expended until the Maryland State Department of Education submits a report to the budget committees identifying baseline data for each performance goal. The report shall be submitted by August 1, 2013, and the budget committees shall have 45 days to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: The language restricts \$50,000 in general funds made for the purpose of incentive payments to the State Superintendent until the Maryland State Department of Education submits a report identifying the baseline data for each performance goal. The report is to be submitted by August 1, 2013.

| Information Request | Author | Due Date |
|-------------------------------------------|----------------------------------------|-----------------|
| Report on incentive payment baseline data | Maryland State Department of Education | August 1, 2013 |

4. Adopt the following narrative:

Report on Agency Restructuring: The committees request that the Maryland State Department of Education submit a report outlining how the agency plans to restructure to better fulfill its mission to provide leadership, support, and accountability for effective systems of public education, library services, and rehabilitation services, and its overarching goal to improve achievement for each student. The report should include a revised organizational chart, a timeline for restructuring, and a description of how the reorganization will be achieved within existing resources. The report should also detail how restructuring has impacted the number of loaned educators employed by the agency, and on how many vacant, and long-term vacant positions have been reprogrammed to achieve agency restructuring. Finally, the report should itemize vacant positions and long-term vacant positions that have not been used in the restructuring effort by September 2, 2013.

| Information Request | Author | Due Date |
|--------------------------------|----------------------------------------|-------------------|
| Report on agency restructuring | Maryland State Department of Education | September 2, 2013 |

5. Concur with language to the general fund appropriation:

, provided that \$1,458,671 of this appropriation shall be reduced contingent upon the enactment of legislation authorizing the State to charge local education agencies a portion of the cost associated with educating youth detained or pending placement in a Department of Juvenile Services facility. Authorization is hereby provided to process a ~~Special Fund Reimbursable Fund~~ budget amendment of up to \$1,458,671 to support the Juvenile Services Education program.

Explanation: The language makes a technical amendment to language required for the General Assembly to reduce the budget.

| | <u>Amount Reduction</u> | |
|------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|----|
| 6. Reduce funds for Maryland Longitudinal Data Systems Center cell phone expenditures to allow for one phone costing \$90 a month. | \$ 4,320 | GF |
| Total General Fund Reductions | \$ 4,320 | |

Updates

1. Loaned Educators Decline to 21 in Fiscal 2013

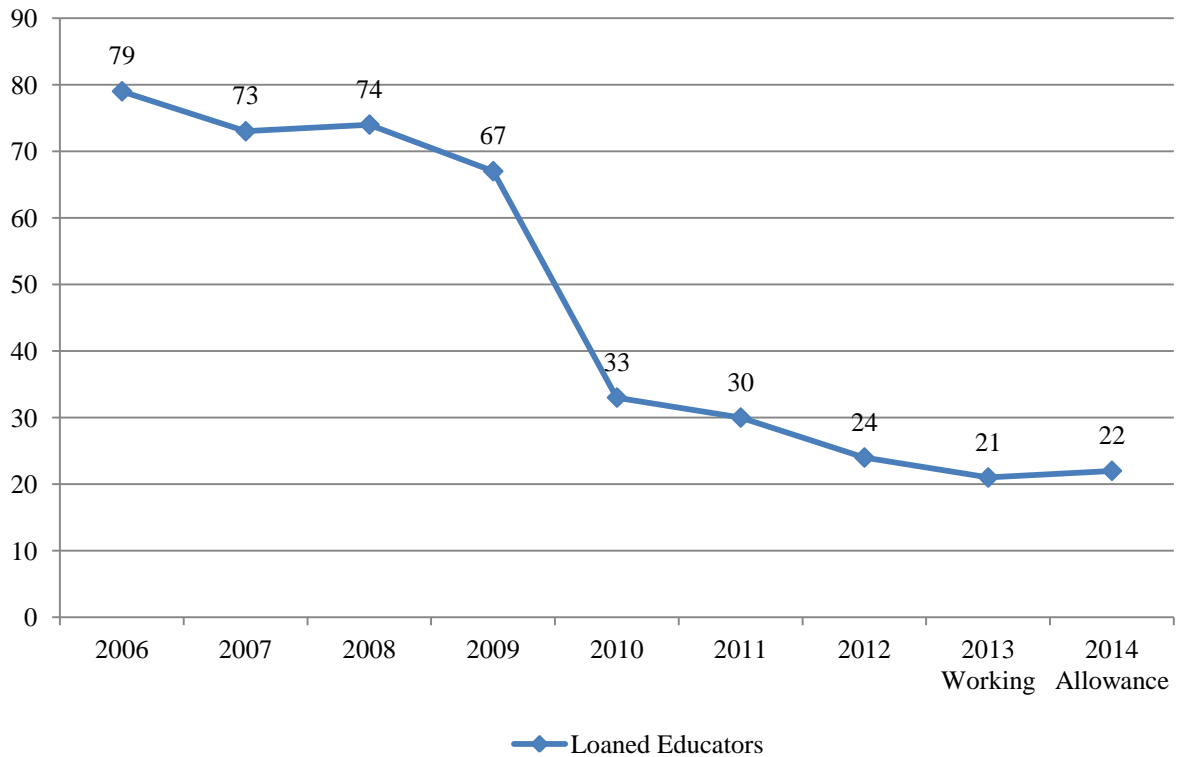
The Loaned Educator program at MSDE allows local school systems to enter into a contract with the State so that a local school system employee may work for MSDE for a finite period of time. The benefit to the State is that these employees bring local knowledge to special projects and school systems benefit when their employees return with in-depth knowledge of State-level policies and processes.

To use loaned educators, MSDE executes annual contracts with local school systems, and MSDE reimburses the system for the educators' salaries and certain fringe benefits. MSDE has long used loaned educators, but an August 2009 report by legislative auditors articulated a number of concerns about the program, including the practice of contracting with educators for many years rather than using them for short-term projects, paying them more than State employees in similar positions, and not requiring certain educators to complete annual financial disclosure statements.

In the 2010 legislative session, the General Assembly added budget language expressing intent that no loaned educator be engaged for more than six years, and that certain loaned educators submit annual financial disclosure statement. The budget language also requires that an annual report be submitted on the loaned educator program, and that a report be submitted to the committees before hiring a new loaned educator.

Exhibit 11 shows the number of loaned educators since fiscal 2006. The number has declined from 79 in fiscal 2006 to 21 in fiscal 2013 through a combination of budget reductions, educators returning to counties, and conversions of educators to regular positions, among other actions. Expenditures on loaned educator contracts have declined from \$9.3 million in fiscal 2008 to \$3.2 million in the 2014 allowance.

Exhibit 11
Loaned Educators
Fiscal 2006-2014



Source: Maryland State Department of Education

2. Transfer of Education Programs at Juvenile Services Youth Facilities

Fiscal 2013 budget language restricted funding and positions in DJS associated with providing education services at the Alfred D. Noyes Children’s Center, the William Donald Schaefer House, and the Thomas J. S. Waxter Children’s Center and transferring control of these programs to MSDE in fiscal 2013. The language also expressed the intent of the General Assembly that general and special funds and positions associated with the remaining DJS education programs (Backbone Mountain Youth Center, Green Ridge Youth Center, Meadow Mountain Youth Center, and Savage Mountain Youth Center) be included in MSDE’s fiscal 2014 budget.

R00A01 – MSDE – Headquarters

In a letter dated August 28, 2012, MSDE notified the joint chairmen that education programs at the Waxter Children's Center and the associated general and special funds of \$734,240 were transferred to MSDE effective August 22, 2012, prior to the required date of October 3, 2012. Accelerating the transfer advantages the recruitment and selection of new staff. Education programs at William Donald Schaefer House were transferred on October 3, 2012, along with \$171,993. The assumption date for the Alfred D. Noyes Children's Center was January 9, 2013, with MSDE classes officially starting on January 14, 2013. A budget amendment will be submitted to reflect the prorated funding associated with the transfer. In total, MSDE retained 9 of 22 DJS teachers/educational employees once the transfers were complete.

Education programs at the remaining youth camps are scheduled for transfer on July 1, 2013. The fiscal 2014 allowance includes an increase of \$3 million and 32 positions to reflect the annualized transfer of these three facilities, as well as the transfer of the four remaining youth camp facilities in Western Maryland. This effectively fulfills the budgetary requirement to have MSDE provide education services in all DJS facilities by the start of fiscal 2014, one year prior to the statutory deadline of July 1, 2014.

MSDE has outlined a number of resource challenges associated with educational programs at these centers. Identified challenges include a need for additional positions, outdated instructional materials, insufficient instructional technology, a lack of instructional leadership at some centers, and insufficient or inappropriate facility space at some centers. The budget bill includes a proposed fiscal 2013 general fund deficiency of \$771,056 and 5 new positions to support educational services at the three facilities assumed in fiscal 2013. Additional funds will support 1 special education instructor, 2 guidance counselors, 1 instructional assistant, and 1 library and media specialist, as well as funds for new instructional materials at the transferred facilities. In addition, the number of contractual FTEs in the Juvenile Services Education Program increases by 3 federally funded data clerks to meet ongoing reporting requirements.

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland State Department of Education Headquarters (\$ in Thousands)

| | <u>General Fund</u> | <u>Special Fund</u> | <u>Federal Fund</u> | <u>Reimb. Fund</u> | <u>Total</u> |
|----------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|---------------------|
| Fiscal 2012 | | | | | |
| Legislative Appropriation | \$76,727 | \$7,167 | \$158,055 | \$64 | \$242,013 |
| Deficiency Appropriation | 18,000 | 30 | 7,228 | 0 | 25,258 |
| Budget Amendments | 1,593 | 702 | 23,307 | 403 | 26,005 |
| Reversions and Cancellations | -68 | -1,405 | -30,572 | -390 | -32,434 |
| Actual Expenditures | \$96,253 | \$6,494 | \$158,018 | \$76 | \$260,841 |
| Fiscal 2013 | | | | | |
| Legislative Appropriation | \$79,662 | \$7,675 | \$181,125 | \$380 | \$268,842 |
| Budget Amendments | 948 | 209 | 1,144 | 403 | 2,704 |
| Working Appropriation | \$80,610 | \$7,884 | \$182,270 | \$783 | \$271,547 |

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

Fiscal 2012

The fiscal 2012 budget closed at \$260.8 million, which was \$18.8 million more than the legislative appropriation.

Deficiencies

Deficiencies totaled \$25.3 million. General fund deficiencies totaled \$18.0 million for assessment contracts. Special fund deficiencies totaled \$30,000 for the Division of Certification and Accreditation. Federal fund deficiencies totaled \$7.2 million and include \$6.9 million for DORS Client Services received from Vocational Rehabilitation Grants to States, \$102,673 for DORS – Headquarters to support training for employees providing service to clients, \$140,853 for the Juvenile Services Education Program for the Title 1 Program for Neglected and Delinquent Youth, \$90,805 for the Division of Instruction for English language acquisition and the Mathematics Science Partnership, and \$26,177 for the Division of Business Services indirect cost recovery from federal grants.

Budget Amendments

General funds increased \$1.6 million due to budget amendments. Increases included \$207,578 to reflect the one-time \$750 employee bonus, \$1.4 million following the transfer of funds from DJS to MSDE to support educational programs at Cheltenham Youth Facility pursuant to Chapter 395 of 2011, and \$30,000 to support the Annapolis Data Center for mainframe utilization.

Another \$702,145 in special funds was added through budget amendments; special funds increased \$14,204 to reflect the one-time \$750 employee bonus, \$192,639 to recognize an adjustment to administrative costs for a memorandum of understanding between MSDE and DHMH that was used to support health-related services, service coordination, and transportation services in Individualized Education Programs and early intervention plans, \$250,000 to reflect unobligated carry-forward funds from the Public Education Partnership to support Science Technology Engineering and Mathematics education, and \$245,302 to recognize funds primarily from the Jack Kent Cooke Foundation to support the Maryland Summer Centers for Gifted and Talented Students.

Federal funds increased \$23.3 million. Increases included \$681,387 to reflect the one-time \$750 employee bonus, \$127,422 following the transfer of funds from DJS to MSDE to support educational programs at Cheltenham Youth Facility, \$22.2 million from the federal RTTT grant in the Office of the State Superintendent and Major Information Technology Development Projects to support RTTT projects based on revised project timelines, \$157,422 for the Division of Business Services in RTTT-Early Learning Challenge grant funds to support the implementation of projects associated with the grant, and \$166,014 in the Division of Business Services to recognize unobligated carry-forward funds from the Education Jobs Program to support contractual salaries, travel, office equipment, and central support services.

R00A01 – MSDE – Headquarters

Reimbursable funds increased \$402,532. Increases include \$75,000 from the College Access Challenge Grant Program to support costs related to professional development, consultant services, administrative travel, and central support services, and \$327,532 from DJS reimbursements for LEA payments made to support children included in LEA enrollment counts prior to these children being placed in MSDE educational programs in DJS facilities.

Reversions and Cancellations

Reversions and cancellations totaled \$32.4 million. General fund reversions totaled \$67,820 across various programs.

Special fund cancellations totaled \$1.4 million. Of this amount, \$111,769 is attributable to unencumbered funds in the Division of Accountability, Assessments and Data Systems, while \$860,506 was cancelled due to a lack of revenue attainment in the Maryland Business Enterprise Program in the Division of Rehabilitative Services. Other cancellations include \$222,211 in the Division of Instruction due to unexpended web-based learning funds, \$117,486 in the DORS – Headquarters due to unattained anticipated revenue from clients owing income-based financial contributions and from sources such as the Veterans Administration and Workers' Compensation, and \$92,605 across various programs.

Federal fund cancellations totaled \$30.6 million. Of this amount, \$9.0 million was cancelled across various major IT projects including RTTT projects in the Office of Information Technology. A cancellation of \$8.6 million in the Office of the State Superintendent and the Division of Academic Reform and Innovation reflects RTTT funds for approximately 54 projects that were not spent in fiscal 2012 and were carried forward into fiscal 2013. A \$3.2 million cancellation in DORS – DDS reflects an over estimate by the Division of workload, anticipated overtime hours, changes in medical cost and indirect cost recovery for Social Security Administration claim adjudication. A \$2.6 million cancellation in DORS-Client Services resulted from an overestimate of federal funds available to support client services. In the Division of Special Education/Early Intervention Services, \$1.6 million in Individuals with Disabilities Education Act (IDEA) funds which are active for a 27-month period was cancelled and will be used in fiscal 2013. A cancellation of \$1.3 million in the Division of Business Services reflects unencumbered nutrition funds that will be carried forward into fiscal 2013. In the Division of Instruction, \$854,865 was cancelled to reflect federal funds that span multiple state fiscal years and will be carried forward into fiscal 2013 including funds to support grant oversight services that did not occur in fiscal 2012, Title IIA – Improving Teacher Quality funds supporting professional development for non-public school teachers, funds to support advanced placement activities in Baltimore City, and enhancements to and support services for MSDE's Web Data Collection System. Additional cancellations include \$774,556 in DORS – Headquarters to recognize unrealized federal indirect cost recovery due to lower than anticipated federal fund expenditures, \$718,064 in unencumbered funds in the Division of Accountability, Assessments, and Data Systems to support assessment contracts, \$614,403 in the Division of Library Development and Services due to unencumbered Library Services and Technology Act funds, \$458,772 in unencumbered vocational rehabilitation funds that will be carried forward to fiscal 2013 in DORS-Workforce and Technology Center and DORS-Blindness and Vision Services, \$456,428 in the Division of Student, Family and School Support to reflect unencumbered Title 1 funds that will be

R00A01 – MSDE – Headquarters

carried forward into fiscal 2013, \$289,381 in funds for the Title I, Program for Neglected and Delinquent Youth in the Juvenile Services Education Program, and \$68,165 cancelled across various programs.

Reimbursable fund cancellations totaled \$390,477. Of this amount, \$327,532 reflects DJS reimbursements for LEA payments made to support children included in LEA enrollment counts prior to those children being placed in MSDE education programs in DJS facilities that were received too late to be recognized in fiscal 2012 but will be carried forward into fiscal 2013.

Fiscal 2013

The fiscal 2013 appropriation is \$2.7 million above the legislative appropriation, totaling \$271.5 million. General funds increased \$100,000 in the Division of Business Services due to a transfer of unobligated carry-forward Education Jobs funds from the Aid to Education budget to support two contractual employees to review and closeout Education Jobs Grant expenditures at the LEAs. In addition an increase of \$847,739 in general funds and \$58,494 in special funds reflect the transfer of educational services at the Thomas J.S. Waxter Children's Center and the William Donald Schaefer House from DJS to MSDE. Federal funds increased \$137,031 as the result of a transfer of IDEA funds from the Aid to Education budget to the MSDE Headquarters budget to provide education and counseling services to students in JSE programs, and \$477,365 to recognize unobligated carryover balances from prior fiscal years in the Division of Business Services, the JSE program, and DORS for federal grants that span multiple fiscal years. In addition, the fiscal 2013 appropriation increased by \$150,470 in special funds and \$530,017 in federal funds to reflect the fiscal 2013 statewide COLA. Reimbursable funds increased \$327,532 to recognize unobligated carry-forward funds from fiscal 2012 DJS reimbursements for LEA payments made to support children included in LEA enrollment counts prior to such children being placed in MSDE educational programs in DJS facilities, and another \$75,000 largely in the Division of Career and College Readiness to recognize fiscal 2012 carry-forward funds available through the College Access Challenge Grant Program, which will cover costs related to professional development, consultant services, administrative travel, and central support.

Major Information Technology Projects

Maryland State Department of Education Maryland Accountability and Reporting System (MARS)

| | | | |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------|
| Project Status¹ | Implementation. | New/Ongoing Project: | Ongoing. |
| Project Description: | The Maryland Accountability and Reporting System project replaces the current system used to manage and track \$170 million in federal funds administered by the School and Community Nutrition Program Branch. The project's purpose is to increase efficiency and integrity in the management of federal and State nutrition programs. | | |
| Project Business Goals: | (1) Retire out-of-date software applications; (2) reduce manual processing associated with small database systems containing data redundancy with main systems data; (3) expand processing and data capabilities; (4) minimize processing time and expand accuracy; and (5) reduce the amount of day-to-day administrative processing to allow staff to focus on strategic analysis, forecasting, and planning activities. Enable staff to identify interrelationships and trends and measure program improvements. | | |
| Estimated Total Project Cost¹: | \$11,698,233 | Estimated Planning Project Cost¹: | \$2,587,532 |
| Project Start Date: | Fiscal 2009 | Projected Completion Date: | Fiscal 2014 |
| Schedule Status: | The system is transitioning into operation and maintenance. All legacy operations were shut down and a contractual help desk support staff member was recruited in the first quarter of fiscal 2013. This will include transferring knowledge from the developer to the contractor handling operation and maintenance, incorporating requirements for new United States Department of Agriculture (USDA) Performance Based Reward bonus, make enhancements to the system based on customer feedback, and enhancing the management review processes for override or denial actions. | | |
| Cost Status: | Expected cost has increased significantly from \$5.9 million to \$11.7 million due to the operation and maintenance contract, which was originally estimated to total \$1.2 million but was awarded at \$5.2 million. | | |
| Scope Status: | Potential changes in USDA requirements would create additional enhancements to MARS that may or may not be supported by the operation and maintenance contract. | | |
| Project Management Oversight Status: | The last portfolio review meeting was on September 24, 2012. Independent Verification and Validation assessments were initiated in October 2011. No peer review committees are assigned. | | |
| Identifiable Risks: | Organizational culture is considered a medium risk as adoption of the new system and procedures will be required. The School and Community Nutrition Programs Branch holds meetings throughout the year, releases updates and future requirements, and will conduct regular training. All other risks are considered low. | | |
| Additional Comments: | None. | | |

| Fiscal Year Funding (\$ in Thousands) | Prior Years | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | Balance to Complete | Total |
|----------------------------------------------|--------------------|------------------|------------------|------------------|------------------|----------------|----------------------------|-------------------|
| Personnel Services | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Professional and Outside Services | 6,562.4 | 1,272.4 | 1,290.3 | 1,290.3 | 1,282.8 | 0.0 | 5,135.8 | 11,698.2 |
| Other Expenditures | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Funding | \$6,562.4 | \$1,272.4 | \$1,290.3 | \$1,290.3 | \$1,282.8 | \$0.0 | \$5,135.8 | \$11,698.2 |

¹ In calendar 2011, a two-step approval process was adopted. Initially, an agency submits a Project Planning Request. After the requirements analysis has been completed and a project has completed all of the planning required through Phase Four of the Systems Development Lifecycle (Requirements Analysis), including a baseline budget and schedule, the agency may submit a Project Implementation Request and begin designing and developing the project when the request is approved. For planning projects, costs are estimated through planning phases. Implementation projects are required to have total development costs.

Major Information Technology Projects

Maryland State Department of Education Education Data Warehouse/ Maryland Longitudinal Data System (MLDS)

| | | | |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-----------|
| Project Status¹ | Implementation | New/Ongoing Project: | Ongoing |
| Project Description: | The Maryland State Department of Education (MSDE) collects educational data from school systems throughout the State, including attendance, student assessment participation and outcomes, student enrollment, and staff data. Currently, different divisions within MSDE collect and store the data in different formats. Educational Data Warehouse (EDW) is a web-based data collection system that allows school systems to enter data online and will standardize data collection, reduce errors, and improve quality and security. Students will be linked to their unique student identifier and outcomes will be tracked from kindergarten through graduation. The Maryland Longitudinal Data System (MLDS) project adds advanced business analysis and reporting tools to the current longitudinal systems, will increase the current system to encompass Maryland Higher Education and State workforce data, and will increase accessibility to a larger user base. | | |
| Project Business Goals: | EDW will increase the ability to examine longitudinal data and student performance outcomes, and it will enable MSDE to better analyze and evaluate school system programming. The MLDS project will enable collection of student course-related information used for program evaluation, analysis, and reporting; it will increase the current system to encompass higher education and workforce data; and it will allow access by a larger user base. | | |
| Estimated Total Project Cost¹: | \$6,404,154 | Estimated Planning Project Cost¹: | \$726,700 |
| Project Start Date: | Fiscal 2009 | Projected Completion Date: | May 2014 |
| Schedule Status: | MLDS has eight sub-projects. Overall, MLDS is approximately 65% complete with four of the eight sub-projects closed as it begins the fourth year of a five-year grant. | | |
| Cost Status: | Estimated total costs began at \$7.9 million, were estimated at \$6.7 million in fiscal 2012 and 2013, and now stands at \$6.4 million in the fiscal 2014 allowance due to lower cost than originally projected for oversight. The project's approach has been revised and complements other projects funded by the federal RTTT grant. | | |
| Scope Status: | This project is related to other MSDE information technology projects to collect longitudinal data and provide a web interface for schools. Several of the MLDS subproject rollout activities have been moved to the RTTT grant, since the grant now controls the implementation of the production hardware and software systems. | | |
| Project Management Oversight Status: | The last portfolio review meeting was on September 24, 2012. Independent Verification and Validation assessments were initiated in January 2011. No peer review committees are assigned. | | |
| Identifiable Risks: | Risks related to the extract, transfer, and load developer and a data base administrator have been mitigated by hiring a data base administrator through a State contract and leveraging an existing extract, transfer and load developer on another project. All other risks are identified as low. | | |
| Additional Comments: | None. | | |

| Fiscal Year Funding (\$ in Thousands) | Prior Years | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | Balance to Complete | Total |
|----------------------------------------------|--------------------|----------------|----------------|----------------|----------------|----------------|----------------------------|------------------|
| Personnel Services | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Professional and Outside Services | 4,710.8 | 503.7 | 0.0 | 0.0 | 0.0 | 0.0 | 503.7 | 5,214.6 |
| Other Expenditures | 1,082.7 | 107.0 | 0.0 | 0.0 | 0.0 | 0.0 | 107.0 | 1,189.6 |
| Total Funding | \$5,793.5 | \$610.7 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$610.7 | \$6,404.2 |

¹ In calendar 2011, a two-step approval process was adopted. Initially, an agency submits a Project Planning Request. After the requirements analysis has been completed and a project has completed all of the planning required through Phase Four of the Systems Development Lifecycle (Requirements Analysis), including a baseline budget and schedule, the agency may submit a Project Implementation Request and begin designing and developing the project when the request is approved. For planning projects, costs are estimated through planning phases. Implementation projects are required to have total development costs.

Major Information Technology Projects

Maryland State Department of Education Educator Information System Expansion

| | | | |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------|
| Project Status¹ | Implementation | New/Ongoing Project: | Ongoing |
| Project Description: | The project will expand the data and reporting capabilities of the Education Information System (EIS). The EIS was originally created to redesign the educator certification process. The expansion will include (1) new educator data sets; (2) data import programs; and (3) data analysis reports that support Race to the Top (RTTT) initiatives. The RTTT involves various initiatives on educator professional development, credentialing, evaluation, and assignments that require additional educator information to be collected, tracked, and reported. | | |
| Project Business Goals: | The project will improve accountability and effectiveness by tracking and reporting on educator performance, credentialing, professional development, and the distribution of educators in low-performing schools. | | |
| Estimated Total Project Cost¹: | \$2,328,260 | Estimated Planning Project Cost¹: | \$63,165 |
| Project Start Date: | Fiscal 2009 | Projected Completion Date: | August 2014 |
| Schedule Status: | Project funds have been moved to year three through a budget amendment. Preliminary design and implementation of the educator search and teacher portals, along with other design and business workflow analysis with MSDE stakeholder teams is complete. MSDE needs to determine the amount of operation and maintenance needed for the RTTT projects. | | |
| Cost Status: | The project was initially estimated to cost \$2.8 million. In fiscal 2013, projected total costs were reduced to \$2.2 million; they have since been raised to \$2.3 million. Expected total cost may be under reported for RTTT projects by the required one full fiscal year of operation and maintenance support. | | |
| Scope Status: | This project is related to other MSDE information technology projects to collect longitudinal data and provide a web interface for schools. Several of the MLDS subproject rollout activities have been moved to the RTTT grant, since the grant now controls the implementation of the production hardware and software systems. | | |
| Project Management Oversight Status: | The last portfolio review meeting was on September 24, 2012. Independent Verification and Validation assessments have not been initiative. No peer review committees Assigned. | | |
| Identifiable Risks: | There is a dependency on the integration with the RTTT portal infrastructure. All other risks are considered low. | | |
| Additional Comments: | None. | | |

| Fiscal Year Funding (\$ in Thousands) | Prior Years | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | Balance to Complete | Total |
|----------------------------------------------|--------------------|----------------|----------------|----------------|----------------|----------------|----------------------------|------------------|
| Personnel Services | \$0.0 | \$84.2 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$84.2 | \$84.2 |
| Professional and Outside Services | 1,234.0 | 350.0 | 0.0 | 0.0 | 0.0 | 0.0 | 350.0 | 1,584.0 |
| Other Expenditures | 625.7 | 34.4 | 0.0 | 0.0 | 0.0 | 0.0 | 34.4 | 660.0 |
| Total Funding | \$1,859.7 | \$468.6 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$468.6 | \$2,328.3 |

¹ In calendar 2011, a two-step approval process was adopted. Initially, an agency submits a Project Planning Request. After the requirements analysis has been completed and a project has completed all of the planning required through Phase Four of the Systems Development Lifecycle (Requirements Analysis), including a baseline budget and schedule, the agency may submit a Project Implementation Request and begin designing and developing the project when the request is approved. For planning projects, costs are estimated through planning phases. Implementation projects are required to have total development costs.

**Object/Fund Difference Report
MSDE – Headquarters**

| <u>Object/Fund</u> | <u>FY 12 Actual</u> | <u>FY 13 Working Appropriation</u> | <u>FY 14 Allowance</u> | <u>FY 13 - FY 14 Amount Change</u> | <u>Percent Change</u> |
|-----------------------------------------|-------------------------|--------------------------------------------|----------------------------|----------------------------------------|---------------------------|
| Positions | | | | | |
| 01 Regular | 1,219.10 | 1,225.10 | 1,276.60 | 51.50 | 4.2% |
| 02 Contractual | 128.24 | 195.74 | 192.18 | -3.56 | -1.8% |
| Total Positions | 1,347.34 | 1,420.84 | 1,468.78 | 47.94 | 3.4% |
| Objects | | | | | |
| 01 Salaries and Wages | \$ 95,466,924 | \$ 95,182,346 | \$ 105,577,718 | \$ 10,395,372 | 10.9% |
| 02 Technical and Spec. Fees | 39,489,231 | 52,398,037 | 48,078,342 | -4,319,695 | -8.2% |
| 03 Communication | 1,288,260 | 1,676,469 | 1,832,906 | 156,437 | 9.3% |
| 04 Travel | 1,057,800 | 1,488,526 | 1,326,833 | -161,693 | -10.9% |
| 06 Fuel and Utilities | 812,747 | 1,385,770 | 984,131 | -401,639 | -29.0% |
| 07 Motor Vehicles | 787,251 | 705,360 | 685,270 | -20,090 | -2.8% |
| 08 Contractual Services | 77,097,700 | 80,917,577 | 63,652,541 | -17,265,036 | -21.3% |
| 09 Supplies and Materials | 1,657,413 | 2,294,193 | 1,951,924 | -342,269 | -14.9% |
| 10 Equipment – Replacement | 931,256 | 897,855 | 979,175 | 81,320 | 9.1% |
| 11 Equipment – Additional | 1,300,384 | 1,151,224 | 2,549,238 | 1,398,014 | 121.4% |
| 12 Grants, Subsidies, and Contributions | 36,617,862 | 28,275,919 | 24,020,802 | -4,255,117 | -15.0% |
| 13 Fixed Charges | 4,277,303 | 4,882,608 | 4,955,193 | 72,585 | 1.5% |
| 14 Land and Structures | 56,550 | 290,653 | 303,000 | 12,347 | 4.2% |
| Total Objects | \$ 260,840,681 | \$ 271,546,537 | \$ 256,897,073 | -\$ 14,649,464 | -5.4% |
| Funds | | | | | |
| 01 General Fund | \$ 96,252,625 | \$ 80,609,764 | \$ 86,815,667 | \$ 6,205,903 | 7.7% |
| 03 Special Fund | 6,494,234 | 7,884,347 | 7,244,838 | -639,509 | -8.1% |
| 05 Federal Fund | 158,018,024 | 182,269,880 | 161,232,375 | -21,037,505 | -11.5% |
| 09 Reimbursable Fund | 75,798 | 782,546 | 1,604,193 | 821,647 | 105.0% |
| Total Funds | \$ 260,840,681 | \$ 271,546,537 | \$ 256,897,073 | -\$ 14,649,464 | -5.4% |

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

**Fiscal Summary
MSDE – Headquarters**

| <u>Program/Unit</u> | <u>FY 12 Actual</u> | <u>FY 13 Wrk Approp</u> | <u>FY 14 Allowance</u> | <u>Change</u> | <u>FY 13 - FY 14 % Change</u> |
|--------------------------------------------------------------------------|-------------------------|-----------------------------|----------------------------|-----------------------|-----------------------------------|
| 01 Office of the State Superintendent | \$ 38,551,546 | \$ 39,453,077 | \$ 30,872,402 | -\$ 8,580,675 | -21.7% |
| 02 Division of Business Services | 10,611,002 | 12,781,173 | 12,122,615 | -658,558 | -5.2% |
| 03 Division of Academic Reform and Innovation | 1,067,070 | 1,192,992 | 971,120 | -221,872 | -18.6% |
| 04 Division of Accountability, Assessment and Data Systems | 53,267,684 | 36,866,715 | 37,006,797 | 140,082 | 0.4% |
| 05 Office of Information Technology | 2,931,295 | 3,147,510 | 3,284,535 | 137,025 | 4.4% |
| 06 Major Information Technology Development Projects | 6,780,787 | 14,716,576 | 3,740,671 | -10,975,905 | -74.6% |
| 11 Division of Instruction | 5,946,456 | 6,296,336 | 6,254,820 | -41,516 | -0.7% |
| 12 Division of Student, Family and School Support | 6,508,439 | 9,428,072 | 7,236,035 | -2,192,037 | -23.3% |
| 13 Div. of Special Educ./Early Intervention Srvcs | 10,526,623 | 12,186,698 | 12,047,274 | -139,424 | -1.1% |
| 14 Division of Career and College Readiness | 3,276,304 | 3,615,293 | 3,401,340 | -213,953 | -5.9% |
| 15 Juvenile Services Education Program | 9,839,151 | 11,635,768 | 16,210,335 | 4,574,567 | 39.3% |
| 17 Division of Library Development and Services | 2,379,560 | 3,053,277 | 2,679,013 | -374,264 | -12.3% |
| 18 Division of Certification and Accreditation | 2,946,551 | 2,857,203 | 2,957,940 | 100,737 | 3.5% |
| 19 Home and Community Based Waiver for Children with Autism | 10,817,928 | 10,817,928 | 12,044,080 | 1,226,152 | 11.3% |
| 20 Division of Rehabilitation Services – Headquarters | 9,273,487 | 10,053,161 | 10,353,962 | 300,801 | 3.0% |
| 21 Division of Rehabilitation Services– Client Services | 37,174,211 | 38,741,094 | 38,575,927 | -165,167 | -0.4% |
| 22 Division of Rehabilitation Services– Workforce and Technology Center | 8,717,347 | 8,946,056 | 9,071,494 | 125,438 | 1.4% |
| 23 Division of Rehabilitation Services– Disability Determination Service | 31,644,921 | 37,592,334 | 38,114,158 | 521,824 | 1.4% |
| 24 Division of Rehabilitation Services– Blindness and Vision Services | 8,580,319 | 8,165,274 | 7,707,666 | -457,608 | -5.6% |
| 01 Maryland Longitudinal Data Systems Center | 0 | 0 | 2,244,889 | 2,244,889 | 0% |
| Total Expenditures | \$ 260,840,681 | \$ 271,546,537 | \$ 256,897,073 | -\$ 14,649,464 | -5.4% |

| <u>Program/Unit</u> | <u>FY 12 Actual</u> | <u>FY 13 Wrk Approp</u> | <u>FY 14 Allowance</u> | <u>Change</u> | <u>FY 13 - FY 14 % Change</u> |
|-----------------------------|-------------------------|-----------------------------|----------------------------|-----------------------|-----------------------------------|
| General Fund | \$ 96,252,625 | \$ 80,609,764 | \$ 86,815,667 | \$ 6,205,903 | 7.7% |
| Special Fund | 6,494,234 | 7,884,347 | 7,244,838 | -639,509 | -8.1% |
| Federal Fund | 158,018,024 | 182,269,880 | 161,232,375 | -21,037,505 | -11.5% |
| Total Appropriations | \$ 260,764,883 | \$ 270,763,991 | \$ 255,292,880 | -\$ 15,471,111 | -5.7% |
| Reimbursable Fund | \$ 75,798 | \$ 782,546 | \$ 1,604,193 | \$ 821,647 | 105.0% |
| Total Funds | \$ 260,840,681 | \$ 271,546,537 | \$ 256,897,073 | -\$ 14,649,464 | -5.4% |

: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.