

R00A03
Funding for Educational Organizations
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$28,133	\$29,333	\$29,816	\$483	1.6%
Adjusted General Fund	\$28,133	\$29,333	\$29,816	\$483	1.6%
Special Fund	5,749	11,040	12,890	1,850	16.8%
Adjusted Special Fund	\$5,749	\$11,040	\$12,890	\$1,850	16.8%
Adjusted Grand Total	\$33,882	\$40,373	\$42,706	\$2,333	5.8%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The fiscal 2018 general fund allowance increases by \$483,000 when compared to the fiscal 2017 working appropriation due to \$493,000 in increased funding for the Maryland School for the Blind (MSB). This is offset by the return to the customary allocation level for the CollegeBound Foundation, resulting in a decrease in general funding of \$10,000.
- The fiscal 2018 special fund allowance includes \$1.85 million in new funding to grow the Broadening Options and Opportunities for Students Today (BOOST) program.

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

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Analysis in Brief

Major Trends

Maryland School for the Blind: MSB educates students referred from all 24 local school systems on a day or residential basis according to their Individualized Education Program. MSB has achieved a zero-dropout rate since at least fiscal 2008. The number of certificates awarded by MSB in fiscal 2016 increased from 4 to 9, and the number of students earning a diploma increased from 4 to 10. MSB is in the second year of reporting on data for new Managing for Results measures that reflect its goal of all students acquiring academic and independent living skills. Included in these measures are the percent of students whose social relationships and functional independence skills have improved (66%, level from fiscal 2015); the number of students who have increased their fluency rate (71%, up from 53% in fiscal 2015); and the percent of students who indicate a self-perceived enhancement of their self-esteem (58%, down from 76% in fiscal 2015).

Blind Industries and Services of Maryland: Blind Industries and Services of Maryland (BISM) has an objective to provide 45,540 hours annually in blindness skills training. BISM has essentially met or exceeded this goal since fiscal 2012, with nearly 61,000 hours of training provided in fiscal 2016. **The Department of Legislative Services (DLS) recommends adopting committee narrative to revise BISM's goal for annual hours of training in blindness skills.** In fiscal 2016, 91% of BISM training participants were able to achieve independent living goals, in line with recent years. BISM had 66 participants complete its training program in fiscal 2016, its highest number since fiscal 2007. Finally, BISM has had increased participation in its Comprehensive Orientation, Rehabilitation, and Empowerment program, with 29 participants in fiscal 2016 and 28 of those individuals going on to gain employment or pursue higher education.

Issues

Funding for the Maryland School for the Blind: MSB receives the majority of its funding through a State formula grant that is based on growth in enrollment and growth in State per pupil funding. The inclusion of MSB's Outreach Program children in its funding formula is new for the fiscal 2018 allowance per Chapters 671 and 672 of 2016. The adjusted enrollment growth for MSB's fiscal 2018 allowance is 8.82%. Without the inclusion of the Outreach Program children in its formula, MSB's fiscal 2018 allowance decreases by \$222,290. **MSB should comment on how it has grown the Outreach Program and how large it expects it to grow.** MSB's funding formula also includes the growth in the per pupil foundation amount, which for the fiscal 2018 allowance is 0.7%. In addition to its formula funding, MSB receives an annual residential services grant of \$1 million, which is also newly mandated in fiscal 2018 according to Chapters 671 and 672. MSB expects an endowment draw of \$2,135,076 for capital expenses for fiscal 2017, its largest capital draw to date, and its second largest draw in total funds. **MSB should explain why the capital draw for fiscal 2017 is so large and whether projects from fiscal 2016 were postponed to be funded in fiscal 2017.**

Administration of the Broadening Options and Opportunities for Students Today (BOOST)

Program: The fiscal 2017 budget bill authorized \$4.85 million to provide BOOST program scholarships for low-income students to attend nonpublic schools and required that determinations about scholarship amounts and recipients be made by a BOOST Program Advisory Board. In August 2016, the board determined that the award amounts for students be based on whether they qualify for free meals or reduced-priced meals and whether they attended a public or private school during the 2015-2016 school year. Nearly \$4.8 million in awarded scholarships have been accepted by students for the 2016-2017 school year. **The Maryland State Department of Education (MSDE) should provide an update on the administration of the BOOST program, including any information it has regarding teacher certifications and assessments in participating schools.** Governor Lawrence J. Hogan, Jr. has announced that he intends to double funding for the BOOST program over three years to \$10.0 million by fiscal 2020. The fiscal 2018 allowance increases \$1.85 million. **DLS recommends reducing funding for the BOOST program to its fiscal 2017 level. DLS also recommends specifying funding for the BOOST program to be used by MSDE for administrative purposes.**

Recommended Actions

Funds

- | | | |
|-------------------------|---|---------------------|
| 1. | Adopt narrative raising the goal for Blind Industries and Services of Maryland's Managing for Results submission. | |
| 2. | Amend language adjusting the distribution of funding for the Aid to Non-Public Schools Program. | |
| 3. | Add Title 20 language to the Aid to Non-Public Schools Program. | |
| 4. | Specify funding for the Aid to Non-Public Schools Program for administration. | |
| 5. | Specify funding for the Broadening Options and Opportunities for Students Today Program for administration. | |
| 6. | Reduce funding for the Broadening Options and Opportunities for Students Today Program in line with the fiscal 2017 budget. | \$ 1,850,000 |
| Total Reductions | | \$ 1,850,000 |

Updates

Performance Audit Report for Blind Industries and Services of Maryland: The Office of Legislative Audits (OLA) has released a performance audit report on certain operational aspects of BISM,

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including an evaluation of its employment and training strategies for the blind, pricing policies and practices for supplies and services sold to State agencies, and executive compensation processes. OLA offered recommendations for addressing all of its findings in its report, and BISM has responded that it will accept all recommendations. Since publishing the report, OLA has sent a letter to the Joint Audit Committee regarding its finding on pricing policies, stating its concern that State law does not designate an administering State agency to assist the committees that set prices for BISM provided goods and services to State agencies.

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Operating Budget Analysis

Program Description

The Maryland State Department of Education (MSDE) provides funding to certain nonprofit organizations that offer educational programs. The nonprofits include the Maryland School for the Blind (MSB), Blind Industries and Services of Maryland (BISM), and other institutions designated as State Aided Institutions (SAI). This part of the MSDE budget also funds the Aid to Non-Public Schools Student Textbook Program, which provides grants to eligible nonpublic schools for textbook and computer supplies, and the Broadening Options and Opportunities for Students Today (BOOST) Program, which provides scholarships for students from low-income families to attend nonpublic schools.

The following educational services are provided by the nonprofits receiving funding:

- **MSB** educates students from birth through age 21 who are blind, severely visually impaired, or visually impaired/multi-disabled.
- **BISM** provides employment, training, and rehabilitation services to blind adults at three locations.

SAI Programs

- **Alice Ferguson Foundation** operates an environmental education center on the Potomac River, offering field trips and a summer science camp on a working farm.
- **Alliance of Southern Prince George's Communities, Inc.** partners with community organizations to provide Scholastic Aptitude Test courses, tutoring for students, and parent workshops.
- **American Visionary Art Museum** provides museum tours and library visits to students and teachers, along with Internet programs about self-taught artists.
- **Baltimore Symphony Orchestra/Arts Excel** enhances teaching of the arts through midweek concerts for students and teachers.
- **B&O Railroad Museum** offers a program focusing on history, social studies, and sciences as related to railroad technology.

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- **Baltimore Museum of Industry** provides hands-on exhibits enabling students to apply mathematics, science, and technology to work and industry, as well as a training center for technology education teachers.
- **Best Buddies International (Maryland Program)** pairs special and general education students in middle and high schools in order to foster inclusion and build socialization skills.
- **Calvert Marine Museum** is a regionally oriented museum dedicated to the collection, preservation, research, and interpretation of the culture and natural history of Southern Maryland.
- **Chesapeake Bay Foundation** provides an environmental education program encompassing student field experiences at 16 centers and summer in-service courses for teachers.
- **Chesapeake Bay Maritime Museum** offers experiential learning programs about the Chesapeake Bay, including a field trip program for grade 3 students.
- **Citizenship Law-related Education Program** gives students real-world experiences related to the legal system to promote productive citizenship.
- **CollegeBound Foundation** provides college advisors in Baltimore City public high schools to encourage and assist students in continuing their education beyond high school.
- **The Dyslexia Tutoring Program, Inc.** offers screening and tutoring services for dyslexic youth and adults who have average or higher basic intelligence and cannot afford private help.
- **Echo Hill Outdoor School** provides instruction in science, ecology, history, and the human environment through student field experiences.
- **Imagination Stage** produces professional theatre productions for children as part of a theatre arts center for young people.
- **The Jewish Museum of Maryland** supports on-site and outreach programs focusing on the history, tradition, and culture of Jewish life in Maryland.
- **Junior Achievement of Central Maryland** provides a one-day Exchange City program that simulates owning and operating business enterprises.
- **Living Classrooms Foundation** provides outdoor hands-on experience to at-risk children in mathematics, science, and social studies and runs job-training programs.

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- **Maryland Academy of Sciences** cultivates interest in science through programs for visiting school groups, traveling science programs, and instructional materials for use by teachers.
- **Maryland Historical Society** enriches students' understanding of social studies through on-site and outreach programs.
- **Maryland Humanities Council** coordinates a year-long educational program that engages middle and high school students in original historical research projects on local, State, national, and world history.
- **Maryland Leadership Workshops** teaches middle and high school students effective leadership skills in a residential summer program setting.
- **Maryland Mathematics, Engineering, and Science Achievement** partners with community organizations in providing programs aimed at improving Maryland students' preparation for the study of mathematics-related fields in college.
- **Maryland Zoo in Baltimore** provides a conservation education experience at the zoo or through a mobile outreach program.
- **National Aquarium in Baltimore** supports environmental and science education through on-site programs about aquatic environments.
- **National Great Blacks in Wax Museum** provides exhibit tours and other museum-related activities for students.
- **National Museum of Ceramic Art and Glass** offers an in-school and after-school ceramic art program for middle school students, relating art to other subjects in the curriculum.
- **NorthBay** is an environmental education center on the Elk Neck peninsula that focuses on five-day outdoor learning courses for middle school students.
- **Olney Theatre Center** supports the language arts high school curriculum through professional performances, interactive workshops, and teacher development.
- **Outward Bound** provides high school students a challenging educational experience in an outdoor setting, designed to develop self-esteem, community service involvement, and concern for the environment.
- **Port Discovery Children's Museum** provides hands-on activities for prekindergarten through grade 6 student visitors, as well as lesson plans for teachers.

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- **Salisbury Zoological Park** provides programs that enhance the science curriculum and furnishes support material and in-service training for teachers.
- **Sotterley Foundation** provides a history enrichment program focusing on the people and culture surrounding the Tidewater Tobacco Plantation.
- **South Baltimore Learning Center** supports improving adult literacy to individuals in the South Baltimore area through one-on-one tutoring, General Education Diploma classes, and career counseling.
- **State Mentoring Resource Center** connects volunteer adult mentors with disadvantaged school children.
- **Sultana Projects** provides educational programs to increase student understanding of history and awareness of the natural environment of the Chesapeake Bay and its watershed.
- **SuperKids Camp** provides an intensive summer reading and enrichment program for grades 3 and 4 students in Baltimore City.
- **The Village Learning Place** provides students in the Margaret Brent Elementary School and in the Charles Village Community at large with programs aimed at increasing performance in reading and mathematics.
- **Walters Art Museum** offers educational programs through tours, studio experiences, outreach, and teacher development.
- **Ward Museum of Wildfowl Art** provides environmental education programs focusing on art, history, and science through tours and hands-on activities adaptable to a school setting.
- **Young Audiences of Maryland**, new in fiscal 2017, partners with professional artists from all disciplines and with schools throughout Maryland for hands-on arts learning experiences.

Performance Analysis: Managing for Results

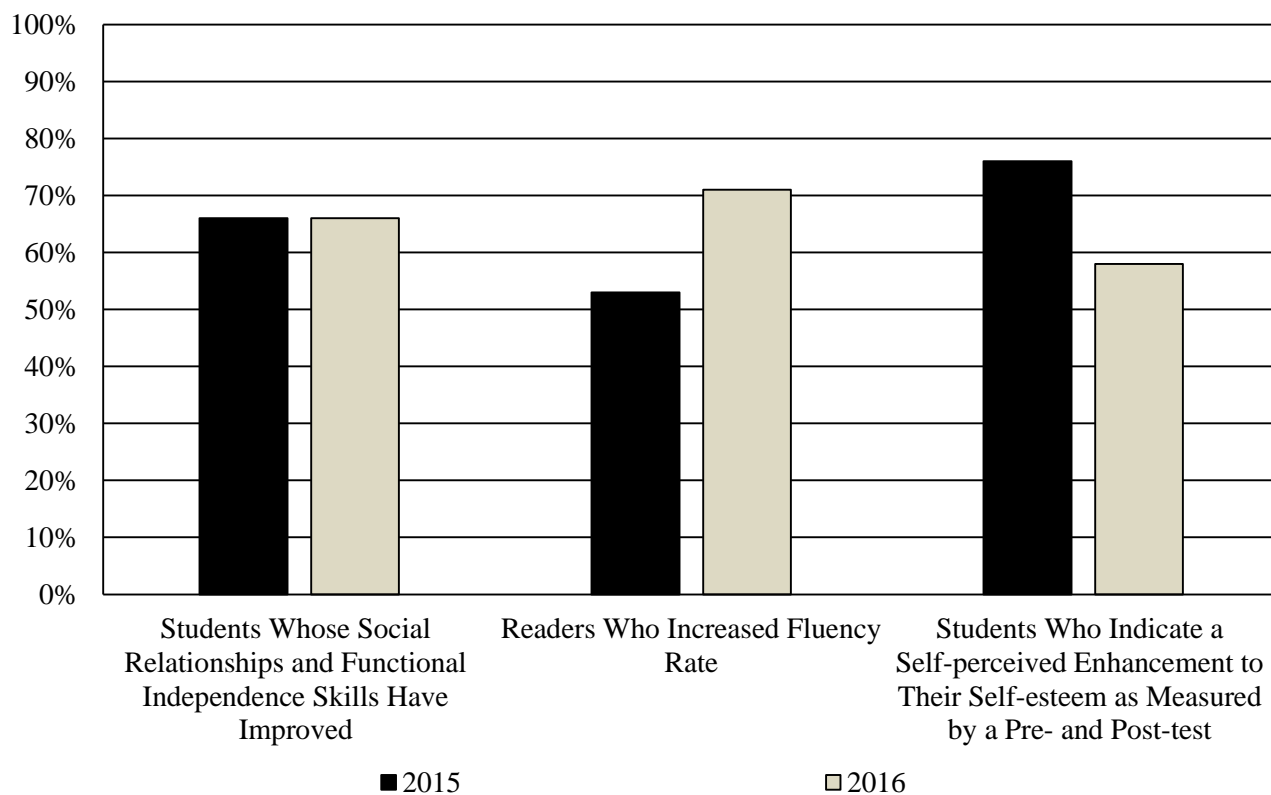
1. Maryland School for the Blind

MSB educates students referred from all 24 local school systems on a day or residential basis according to their Individualized Education Programs (IEP). The program includes regular education curriculum as well as instruction in Braille, orientation and mobility, and independent living skills. One of MSB's goals is that all students who pursue an education will receive a diploma or certificate and that there will be zero dropouts. MSB has achieved a zero-dropout rate since at least fiscal 2008. The

number of certificates awarded in fiscal 2016 increased from 4 to 9, and the number of students earning a diploma increased from 4 to 10.

MSB is in the second year of reporting on data for new Managing for Results measures that reflect its goal of all students acquiring academic and independent living skills. Included in these measures are the percent of students whose social relationships and functional independence skills have improved (66%, level from fiscal 2015); the number of students who have increased their fluency rate (71%, up from 53% in fiscal 2015); and the percent of students who indicate a self-perceived enhancement of their self-esteem (58%, down from 76% in fiscal 2015). These results are shown in **Exhibit 1**. As data continues to be tracked annually, trends in these outcomes will be more useful in evaluating whether or not MSB is meeting its goal.

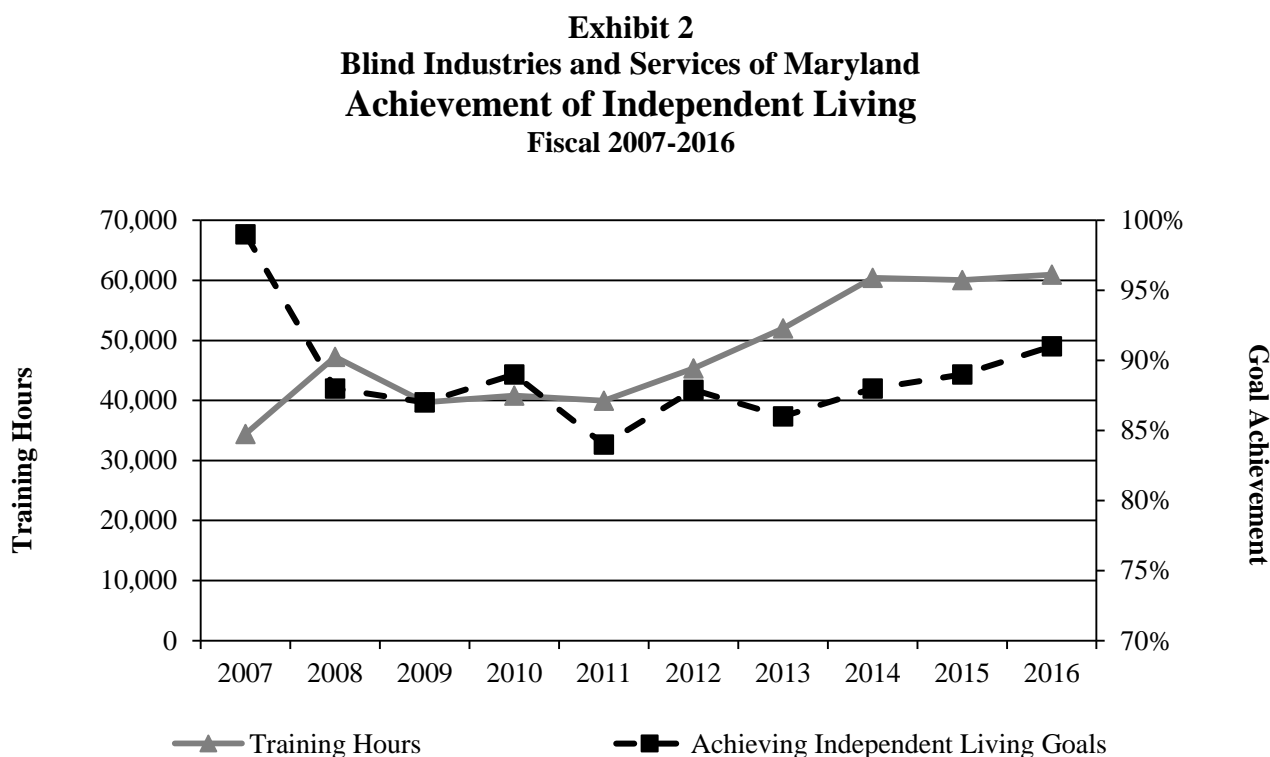
Exhibit 1
Maryland School for the Blind
Academic and Independent Living Skills Measures
Fiscal 2015 and 2016



Source: Department of Budget and Management, Fiscal 2018

2. Blind Industries and Services of Maryland

One of the goals of BISM is to help people who are blind or have low vision gain the skills and confidence needed to live independently. A related objective is to provide at least 45,540 hours annually of training in blindness skills, such as Braille reading, cane travel, computer, independent living, career exploration, physical fitness, adjustment to blindness, and community-based training. As shown in **Exhibit 2**, BISM has essentially met or exceeded the goal of providing at least 45,540 training hours annually since fiscal 2012. Nearly 61,000 hours of training in blindness skills were provided in fiscal 2016. **The Department of Legislative Services (DLS) recommends adopting committee narrative to revise BISM’s goal for annual hours of training in blindness skills.**



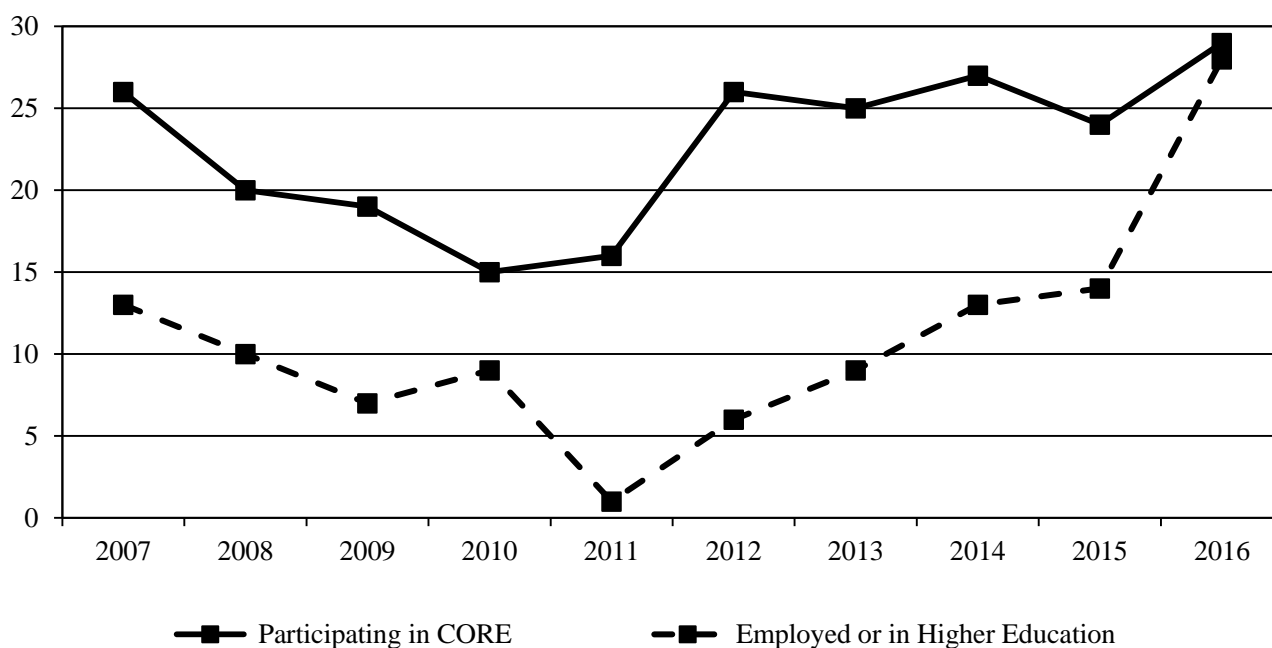
Note: Data for participants achieving independent living goals are from participant surveys.

Source: Governor’s Budget Books, Fiscal 2009-2016; Department of Budget and Management, Fiscal 2018

Exhibit 2 also shows that the percent of training participants achieving independent living goals has fluctuated since fiscal 2007, though it has stabilized in recent years. In fiscal 2016, 91% of BISM participants were able to achieve independent living goals, in line with recent years. Since fiscal 2007, an average of 210 individuals have participated in BISM training each year with an average of 48 participants completing the program. BISM had 66 participants complete its program in fiscal 2016, its highest number since fiscal 2007.

Another BISM goal is to help people who are blind or low vision to become successful in a career path commensurate with their skills, abilities, and interests. A related objective is for BISM to help participants of the Comprehensive Orientation, Rehabilitation, and Empowerment (CORE) program to obtain employment or higher education. This program is intensive, and residential housing is available for some participants. **Exhibit 3** shows the number of CORE participants as well as how many participants went on to be employed or pursue higher education. Since fiscal 2011, both numbers have shown overall increases. Most recently, the CORE program had 29 participants, and 28 of those individuals went on to gain employment or pursue higher education in fiscal 2016.

Exhibit 3
Blind Industries and Services of Maryland
Employment and Higher Education
Fiscal 2007-2016



CORE: Comprehensive Orientation, Rehabilitation, and Empowerment

Source: Governor's Budget Books, Fiscal 2009-2016; Department of Budget and Management, Fiscal 2018

Proposed Budget

The fiscal 2018 allowance for Funding for Educational Organizations is approximately \$42.7 million, which is approximately a \$2.3 million increase over the fiscal 2017 working appropriation. **Exhibit 4** shows appropriations by major programs. **Exhibit 5** provides detail on changes from fiscal 2017 to 2018.

Exhibit 4
Funding for Educational Organizations
Fiscal 2015-2018
(\$ in Thousands)

	<u>Actual</u> <u>2015</u>	<u>Actual</u> <u>2016</u>	<u>Working</u> <u>Approp.</u> <u>2017</u>	<u>Allowance</u> <u>2018</u>
Maryland School for the Blind	\$19,366	\$21,421	\$22,525	\$23,018
Blind Industries and Services of Maryland	531	531	531	531
State Aided Educational Institutions	6,181	6,181	6,276	6,266
Nonpublic School Textbook and Technology Grants	5,671	5,749	6,040	6,040
Student Assistance Organization Business Entity Grants			5,000	6,850
Total	\$31,750	\$33,882	\$40,373	\$42,706

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

Source: Governor's Budget, Fiscal 2018

Exhibit 5
Proposed Budget
MSDE – Funding for Educational Organizations
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Total</u>
Fiscal 2016 Actual	\$28,133	\$5,749	\$33,882
Fiscal 2017 Working Appropriation	29,333	11,040	40,373
Fiscal 2018 Allowance	<u>29,816</u>	<u>12,890</u>	<u>42,706</u>
Fiscal 2017-2018 Amount Change	\$483	\$1,850	\$2,333
Fiscal 2017-2018 Percent Change	1.6%	16.8%	5.8%

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Where It Goes:

General Fund Changes

Maryland School for the Blind adjustment	\$493
CollegeBound Foundation return to previous funding level	-10

Special Fund Changes

BOOST program increase	1,850
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Total	\$2,333
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BOOST: Broadening Options and Opportunities for Students Today

MSDE: Maryland State Department of Education

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

MSB

The fiscal 2018 allowance provides MSB with a grant of approximately \$23 million in general funds, an increase of \$493,097 when compared to the working appropriation. MSB's funding is composed of two components: a \$1 million residential services grant; and formula funding. The formula for MSB is based on four-year adjusted enrollment growth and growth in State per pupil foundation funding provided to local school systems. The residential services grant is newly mandated for fiscal 2018, though the grant was provided in the fiscal 2017 budget via a supplemental appropriation. Further discussion of MSB's grant calculation is provided in the Issues section of this analysis.

Aid to Non-Public Schools Program

The Aid to Non-Public Schools Program is level funded in fiscal 2018 at approximately \$6 million in special funds from the Cigarette Restitution Fund (CRF). This program supports the purchase of textbooks and computer hardware and software for eligible schools. In fiscal 2016, 373 schools placed orders as part of the program, 26 more schools than in fiscal 2015. Approximately \$291,000 in unexpended funds were canceled at the close of fiscal 2016. Due to the anticipated cancellation of funds, the General Assembly modified the per student funding for schools serving more than 40% for free and reduced-priced meals (FRPM) students to maximize use of the funds. However, the higher per pupil amount of \$155 per student for schools with more than 40% FRPM students was not included in the fiscal 2018 budget bill. **DLS recommends revising the language consistent with the fiscal 2017 budget bill. DLS recommends specifying funding in the Aid to Non-Public Schools Program to be used by MSDE for administrative purposes.**

The BOOST Program

Funding for the BOOST program is increased by \$1.85 million to \$6.85 million in special funds from the CRF in fiscal 2018. It has been announced by Governor Lawrence J. Hogan, Jr. that he intends

to continue increasing funding for the program until it has grown to \$10.0 million in fiscal 2020. Further discussion of the administration of the BOOST program is provided in the Issues section of this analysis.

SAIs

Fiscal 2018 funding for SAIs decreases by \$10,000 in general funds when compared to the working appropriation. This is due to the CollegeBound Foundation receiving \$10,000 for fiscal 2017 in funding redirected from the supplemental budget for the Maryland Early Graduation Scholarship Program in addition to its regular allocation of \$35,930. **Exhibit 6** highlights the funding for all SAI programs in fiscal 2017 and 2018. As exhibited, the CollegeBound Foundation receives its regular allocation in the fiscal 2018 allowance.

Exhibit 6 State Aided Institutions Fiscal 2017 and 2018

	<u>Working 2017</u>	<u>Allowance 2018</u>
General Fund Allocation		
Alice Ferguson Foundation	\$79,378	\$79,378
Alliance of Southern Prince George's Communities, Inc.	31,752	31,752
American Visionary Art Museum	15,040	15,040
Baltimore Symphony Orchestra/Arts Excel	63,503	63,503
B&O Railroad Museum	60,161	60,161
Baltimore Museum of Industry	80,214	80,214
Best Buddies International (Maryland Program)	158,756	158,756
Calvert Marine Museum	50,000	50,000
Chesapeake Bay Foundation	416,945	416,945
Chesapeake Bay Maritime Museum	20,053	20,053
Citizenship Law-related Education	29,244	29,244
CollegeBound Foundation	45,930	35,930
The Dyslexia Tutoring Program, Inc.	35,930	35,930
Echo Hill Outdoor School	53,476	53,476
Imagination Stage	238,136	238,136
The Jewish Museum of Maryland	12,533	12,533
Junior Achievement of Central Maryland	40,106	40,106
Living Classrooms Foundation	304,145	304,145
Maryland Academy of Sciences	873,169	873,169
Maryland Historical Society	119,484	119,484
Maryland Humanities Council	41,777	41,777
Maryland Leadership Workshops	43,450	43,450
Maryland Mathematics, Engineering, and Science Achievement	76,035	76,035
Maryland Zoo in Baltimore	812,171	812,171
National Aquarium in Baltimore	474,601	474,601

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	<u>Working 2017</u>	<u>Allowance 2018</u>
National Great Blacks in Wax Museum	40,106	40,106
National Museum of Ceramic Art and Glass	20,053	20,053
NorthBay	927,558	927,558
Olney Theatre Center	139,539	139,539
Outward Bound	127,006	127,006
Port Discovery Children's Museum	111,130	111,130
Salisbury Zoological Park	17,546	17,546
Sotterly Foundation	12,533	12,533
South Baltimore Learning Center	40,106	40,106
State Mentoring Resource Center	76,036	76,036
Sultana Projects	20,053	20,053
SuperKids Camp	391,043	391,043
The Village Learning Place	43,450	43,450
Walters Art Museum	15,875	15,875
Ward Museum of Wildlife Art	33,423	33,423
Young Audiences of Maryland	85,000	85,000
Total	\$6,276,446	\$6,266,446

Source: Governor's Budget Book, Fiscal 2018

Issues

1. Funding for the Maryland School for the Blind

MSB serves students from birth to age 21 who are blind or visually impaired, including some with multiple disabilities. MSB educates students whose needs cannot be met in their respective 24 local school systems through community-based outreach and comprehensive on-campus programs on a day or residential basis. Each student has a mandated IEP tailored to his or her needs. The MSB program includes general education subjects and, in addition, special instruction in the disability specific areas of the expanded CORE curriculum that includes Braille, orientation and mobility, career education, and independent living skills. Exit goals for students, depending on their abilities, are to earn either a high school diploma or a certificate of attendance at graduation or, prior to graduation, return to their local school systems with increased skill levels essential for successful reintegration and academic achievement.

MSB receives the majority of its funding through a State formula grant that is based on growth in enrollment and growth in State per pupil funding. MSB receives additional State funding through the Enhanced Services grant, which provides supplemental funding for blind students with additional disabilities who are at-risk for out-of-state placement, though this funding is located outside of the Funding for Educational Organizations budget. In fiscal 2016, 28% of MSB's students were served by enhanced services funding. MSDE estimates that MSB will receive approximately \$4.4 million in fiscal 2017 and \$4.5 million in fiscal 2018 for enhanced services, which is estimated to be 16% of MSB's total State funding for both years.

MSB's funding formula uses enrollment growth that is adjusted with a four-year enrollment average in order to soften enrollment increases and decreases. The enrollment count for MSB includes prekindergarten through grade 12 students attending MSB, children served through MSB's Early Intervention Program, and children served through MSB's Outreach Program. The adjusted formula enrollment only includes 50.0% of the children in the Early Intervention and Outreach programs. The inclusion of the Outreach Program children in the formula is new for the fiscal 2018 allowance per Chapters 671 and 672 of 2016. The adjusted enrollment growth for MSB's fiscal 2018 allowance is 8.82%. Without the Outreach Program children in its formula, MSB's fiscal 2018 allowance decreases by \$222,290. The enrollment counts that inform this growth are shown in **Exhibit 7**. As the exhibit shows, while MSB has experienced growth across all programs, the Outreach Program has experienced pronounced growth, growing by 175 children between fiscal 2012 and 2016. **MSB should comment on how it has grown the Outreach Program and how large it expects it to grow.**

MSB's funding formula also includes the growth in the per pupil foundation amount, which for the fiscal 2018 allowance is 0.7%. The per pupil foundation amount was frozen or capped at 1.0% from fiscal 2009 to 2015 as part of cost containment due to the Great Recession, and since then, inflation has been very low. The allocation of foundation funding for education was an important topic in the adequacy study that was delivered during the 2016 interim and will continue to be a point of discussion as the Commission on Innovation and Excellence in Education continues to meet during calendar 2017

as it prepares its recommendations as informed by the study. Recommendations for additional resources for public education would likely have an effect on MSB's funding.

Exhibit 7
Maryland School for the Blind
Average Annual Enrollment Counts for Formula Funding
Fiscal 2012-2016

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Change 2012-2016</u>
School Age	176	169	179	192	205	29
Early Intervention	72	72	76	79	81	9
Outreach	153	254	296	283	328	175

Note: Early Intervention and Outreach enrollment counts are reduced by 50% when calculating enrollment growth in the funding formula.

Source: Department of Budget and Management

In addition to its formula funding, MSB receives an annual residential services grant of \$1 million. This grant is not built into MSB's base in determining its annual formula funding. The grant is newly mandated in fiscal 2018 according to Chapters 671 and 672, though funding for this purpose has been provided in previous years through supplemental budgets and budget bill actions.

Exhibit 8 provides detail on MSB's use of its endowment to support expenses. MSB has not relied as heavily on its endowment to support its operating expenses in recent years, including not using the endowment in fiscal 2016 and not budgeting for the endowment in fiscal 2017. However, it has required use of the endowment to support its significant capital investments. Though no funds from the endowment were drawn for capital in fiscal 2016, the fiscal 2017 budgeted draw of \$2,135,076 is the largest capital draw for MSB yet, and the second largest draw in total funds. **MSB should explain why the capital draw for fiscal 2017 is so large and whether projects from fiscal 2016 were postponed to be funded in fiscal 2017.** It is worth noting that though \$15.2 million has been budgeted for withdrawal since fiscal 2005, the endowment has still grown by \$12.7 million over that period. MSB does report that it expects a budget shortfall of \$1.4 million in fiscal 2018, which is the sum of increased personnel expenses that are slightly offset by increased funding from the inclusion of Outreach Program children in MSB's funding formula.

Exhibit 8
History of Maryland School for the Blind Endowment Draws
Fiscal 2005-2017

<u>Fiscal Years</u>		<u>Endowment Draw for Operations</u>	<u>Endowment Draw for Capital</u>	<u>Total Endowment (as of Previous Year End)</u>	<u>Percentage Drawn from Endowment</u>
Actual	2005	\$1,147,008	*	\$20,900,515	5.49%
Actual	2006	1,095,204	*	20,872,018	5.25%
Actual	2007	1,732,594	*	21,868,682	7.92%
Actual	2008	1,237,092	*	23,057,308	5.37%
Actual	2009	1,308,591	*	22,600,805	5.79%
Actual	2010	912,520	*	20,865,075	4.37%
Actual	2011	427,467	*	21,976,048	1.95%
Actual	2012	0	0	27,043,529	0.00%
Actual	2013	116,327	763,673	27,098,914	3.25%
Actual	2014	243,770	1,883,990	29,646,049	7.18%
Actual	2015	191,600	2,000,000	33,064,314	6.63%
Actual	2016	0	0	32,470,011	0.00%
Budget	2017	0	2,135,076	33,601,337	6.35%

* Endowment draws were not broken down in this time period.

Source: Maryland School for the Blind

2. Administration of the Broadening Options and Opportunities for Students Today (BOOST) Program

The fiscal 2017 budget bill authorized for the first time the BOOST program to provide scholarships for students to attend nonpublic schools. The budget bill directed \$4.85 million from the CRF to be used for BOOST scholarships, with \$150,000 directed to be used by MSDE for the administration of the program. MSDE is administering the BOOST program for the first time in the 2016-2017 school year. Budget bill language required scholarship recipients to be eligible for FRPM and specified that the final determinations for scholarship amounts and recipients be determined by a BOOST Program Advisory Board.

In August 2016, the board made determinations regarding the students that would be awarded scholarships and the amount of the awards. The board based its determinations on two qualifying factors: whether a student qualified for free meals or reduced-priced meals under the FRPM criteria,

and whether that student attended a public or private school during the 2015-2016 school year. In the initial round, the board awarded scholarships to all applicants who qualified for free meals, all applicants who qualified for reduced-priced meals and had attended public school during the 2015-2016 school year, and a limited number of applicants who qualified for reduced-priced meals and had attended private school during the 2015-2016 school year. Additional awards were made from a waitlist due to funds being available from recipients who declined awards. In total, 202 students have declined awards, worth a total of \$561,200. **Exhibit 9** shows the priority order and amounts for scholarships awarded and accepted by recipients as of November 17, 2016. This data was provided in accordance with fiscal 2017 budget bill and committee narrative in the *Joint Chairmen's Report* (JCR), and it has been verified by MSDE as its most recent data to report. MSDE continues to monitor and administer the distribution of BOOST scholarships in fiscal 2017.

Exhibit 9
BOOST Program
Scholarship Award Summary
School Year 2016-2017

<u>Scholarships Awarded and Accepted – Category</u>	<u>Number of Students</u>	<u>Scholarship Amount for This Category</u>	<u>Total Value of Scholarship Awards</u>
Qualified for Free Meals, Attended Public School in 2015-2016	383	\$4,400	\$1,685,200
Qualified for Free Meals, Attended Private School in 2015-2016	1,502	1,400	2,105,800
Qualified for Reduced Meals, Attended Public School in 2015-2016	165	3,400	561,000
Qualified for Reduced Meals, Attended Private School in 2015-2016	414	1,000	417,200
Total	2,464		\$4,769,200

BOOST: Broadening Options and Opportunities for Students Today

Note: Awards may vary from the set category amounts; for example, foster children are eligible for the highest award amount, and families who owe a tuition level that is lower than the BOOST program award amount will receive funds only up to the tuition amount owed.

Source: Maryland State Department of Education

The fiscal 2017 budget bill and JCR included requests for data about BOOST program recipients. In regard to where recipients attended school in the prior year, Exhibit 9 shows that 548 attended public school, and 1,916 attended private school during school year 2015-2016. Of those private school students, 1,436 were seeking to attend the same school in school year 2016-2017 as they did in 2015-2016. On average, these 1,436 students received \$4,486 each in financial aid to attend private school for the 2015-2016 school year. MSDE also reports that 2,006 students receiving BOOST program scholarships are receiving non-BOOST program aid for the 2016-2017 school year, averaging \$4,122. **Exhibit 10** shows the average household income for students receiving scholarships, including the breakdown by student category. **Exhibit 11** shows the racial breakdown of students receiving scholarships. **Exhibit 12** shows the counties in which students receiving scholarships reside and the award totals for those students. MSDE has not yet been able to provide data on the number of certified and noncertified teachers in core subject areas for BOOST program participating nonpublic schools, nor the names of assessments being used by participating schools. MSDE has indicated that this information may not be available until February. **MSDE should provide an update on the administration of the BOOST program, including any information it has regarding teacher certifications and assessments in participating schools.**

Exhibit 10
Household Income of BOOST Program Families
School Year 2016-2017

<u>Average Household Income by Student Category</u>	<u>Average Income</u>
Qualified for Free Meals, Attended Private School in 2015-2016	\$25,754
Qualified for Free Meals, Attended Public School in 2015-2016	18,945
Qualified for Reduced Meals, Attended Private School in 2015-2016	44,590
Qualified for Reduced Meals, Attended Public School in 2015-2016	37,756
Average Household Income	\$28,656

BOOST: Broadening Options and Opportunities for Students Today

Note: Based on self-reported data from 1040 tax forms or other income documentation.

Source: Maryland State Department of Education

Exhibit 11
BOOST Program Scholarships Awarded and Accepted by Student Race
School Year 2016-2017

<u>Race</u>	<u>Number of Students</u>	<u>%</u>
White	959	38.9%
Black or African American	937	38.0%
Hispanic/Latino	346	14.0%
Two or More Races	148	6.0%
Asian	57	2.3%
American Indian or Alaska Native	11	0.4%
Native Hawaiian or Other Pacific	4	0.2%
Not Indicated	2	0.1%
Grand Total	2,464	100.0%

BOOST: Broadening Options and Opportunities for Students Today

Source: Maryland State Department of Education

Exhibit 12
BOOST Program Scholarships Awarded and Accepted by Home County of
Applicant
School Year 2016-2017

<u>County</u>	<u>Number of Students</u>	<u>Award Total</u>
Allegany County	22	\$44,600
Anne Arundel County	81	146,000
Baltimore City	754	1,489,600
Baltimore County	533	974,200
Calvert County	2	2,800
Caroline County	2	4,800
Carroll County	31	57,200
Cecil County	7	15,400
Charles County	22	56,000
Dorchester County	5	6,200
Frederick County	19	41,400
Garrett County	0	0
Harford County	49	127,200
Howard County	35	90,000
Kent County	0	0
Montgomery County	444	831,600
Prince George's County	371	734,400
Queen Anne's County	0	0
St Mary's County	28	40,200
Somerset County	0	0
Talbot County	8	14,200
Washington County	45	86,600
Wicomico County	1	1,400
Worcester County	1	1,400
<i>Still Investigating*</i>	4	4,000
Total	2,464	\$4,769,200

BOOST: Broadening Options and Opportunities for Students Today

* Cases include applicants who have not validated residency or selected a school.

Source: Maryland State Department of Education

R00A03 – MSDE – Funding for Educational Organizations

In a letter submitted October 25, 2016, to the Governor, the President of the Senate, and the Speaker of the House, the board identified issues for consideration and recommendations for the BOOST program if it is to be continued. These include the following:

- soliciting applications and setting submission deadlines earlier to allow the BOOST program administration to comport with the timetables for application and admission to nonpublic schools;
- robustly evaluating family financial need beyond FRPM that includes other financial aid being received and family contributions to the cost of education;
- clearly identifying program priorities, potentially addressing issues beyond broadening nonpublic school enrollment such as prioritizing critical grade levels, differentiating by age, recognizing geographic cost disparities, requiring family contributions, and capping the number or value of awards per family; and
- considering more intensely the impact of the program on nonpublic schools, especially in regard to clarifying the requirement to administer assessments according to federal and State law.

Governor Hogan has announced that he intends to double the funding for the BOOST program over three years, which would provide \$10.0 million in scholarships in fiscal 2020. In pursuit of this goal, the Governor has increased BOOST program funding for fiscal 2018 by \$1.85 million, resulting in \$6.85 million being available for scholarships for the 2017-2018 school year. MSDE has received special funding from the CRF in its fiscal 2018 Headquarters budget to assist in the administration of the BOOST program, as well as the Aid to Non-Public Schools Program. **DLS recommends reducing funding for the BOOST program to fund it at its fiscal 2017 level. DLS also recommends specifying funding for the BOOST program to be used by MSDE for administrative purposes.** Special funding for administration in the Headquarters budget can then be returned to the CRF.

Recommended Actions

1. Adopt the following narrative:

Managing for Results Submission: In the annual Managing for Results (MFR) submissions, Blind Industries and Services of Maryland (BISM) reports measures on hours of training provided in blindness skills to adult and senior citizens who are blind or low vision. There is some concern that the current MFR goal for BISM of at least 45,540 hours provided annually is too low to evaluate BISM's performance. BISM should include a more ambitious goal in its MFR submission for the 2018 session that is more in line with its performance in recent years.

2. Amend the following language to the special fund appropriation:

from 20% to 40% of the students are eligible for the free or reduced-price lunch program there shall be a distribution of \$95 per student, and at schools where more than 40% of the students are eligible for the free or reduced-price lunch program there shall be a distribution of \$155 per student.

Explanation: This action amends language modifying the distribution of funding for the Aid to Non-Public Schools Program so that schools where more than 40% of the students are eligible for the free or reduced-priced lunch program receive \$155 per student. Similar language was included in the fiscal 2017 budget.

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

Further provided that a nonpublic school participating in the Aid to Non-Public Schools Program R00A03.04 shall certify compliance with Title 20, Subtitle 6 of the State Government Article. A nonpublic school participating in the program may not discriminate in student admissions on the basis of race, color, national origin, or sexual orientation. Nothing herein shall require any school or institution to adopt any rule, regulation, or policy that conflicts with its religious or moral teachings. However, all participating schools must agree that they will not discriminate in student admissions on the basis of race, color, national origin, or sexual orientation. The sole legal remedy for violation of these provisions is ineligibility for participating in the Aid to Non-Public Schools Program.

Explanation: This action requires a nonpublic school participating in the Aid to Non-Public Schools Program to certify compliance with Title 20, Subtitle 6 of the State Government Article. It also specifies that a participating school may not discriminate in student admissions on the basis of race, color, national origin, or sexual orientation. Violating the provisions makes a school ineligible for participating in the Aid to Non-Public Schools Program. Similar language was included in the fiscal 2017 budget.

R00A03 – MSDE – Funding for Educational Organizations

4. Add the following language to the special fund appropriation:

Further provided that \$100,000 of the appropriation may only be used by the Maryland State Department of Education to cover the reasonable costs of administering the Aid to Non-Public Schools Program and the Broadening Options and Opportunities for Students Today Program. Funds not expended for this purpose may not be transferred by budget amendment or otherwise to any other purpose and shall be canceled.

Explanation: This language restricts funding in the Aid to Non-Public Schools Program to be spent as reimbursable funds by the Maryland State Department of Education for the administration of the Aid to Non-Public Schools Program and the Broadening Options and Opportunities for Students Today Program.

5. Amend the following language to the special fund appropriation:

~~Further provided that up to \$150,000 of the appropriation may be used by MSDE to cover the reasonable costs of administering the BOOST Program~~ Further provided that \$150,000 of the appropriation may only be used by MSDE to cover the reasonable costs of administering the Aid to Non-Public Schools Program and the BOOST Program. Funds not expended for this purpose may not be transferred by budget amendment or otherwise to any other purpose and shall be canceled.

Explanation: This language restricts funding in the Broadening Options and Opportunities for Students Today (BOOST) Program to be spent as reimbursable funds by the Maryland State Department of Education for the administration of the Aid to Non-Public Schools Program and the BOOST Program.

	<u>Amount Reduction</u>
6. Reduce Cigarette Restitution Funding for the Broadening Options and Opportunities for Students Today Program in line with the fiscal 2017 budget.	\$ 1,850,000 SF
Total Special Fund Reductions	\$ 1,850,000

Updates

1. Performance Audit Report for Blind Industries and Services of Maryland

On February 1, 2016, the Office of Legislative Audits (OLA) released a performance audit on certain operational aspects of BISM, including an evaluation of its employment and training strategies for the blind, pricing policies and practices for supplies and services sold to State agencies, and executive compensation processes. The audit was conducted at the direction of the General Assembly's Joint Audit Committee (JAC) and primarily covered BISM's activities for fiscal 2015.

OLA's audit had three objectives:

- whether BISM has established employment and training strategies that promote work, career and training opportunities, and services for blind and visually impaired persons in Maryland. OLA found that BISM had not formally adopted strategies to accomplish organizational goals it established in 2013, and that BISM had not taken the next step of developing action plans or measures to assess the success of those efforts. It also found that many former CORE students completing the program have reported achieving successful post-training outcomes, but BISM has not established a process for tracking student satisfaction with some of its services.
- whether pricing policies and practices provide assurance that State agencies are paying the fair market prices for BISM produced supplies and services. OLA found that pricing committees established by State law had not conducted a comprehensive review of the prices of BISM's supplies and services available for sale to State agencies. Since publishing the report, OLA has sent a letter to JAC regarding this finding, stating its concern that State law does not designate an administering State agency to assist the pricing committees. OLA also stated in its report that there is some legal ambiguity about the threshold of direct blind labor hours that must be met for products BISM sells to State agencies.
- whether BISM has established reasonable processes and standards for setting executive compensation and appropriate ethics requirements for BISM management and board members. OLA found that the annual evaluation of the chief executive officer (CEO) was not directly linked to specific measurable BISM goals, and that the CEO's Performance Bonus Program was not defined and documented. OLA also found that BISM has not established a formal compensation review policy for its non-CEO executive-level positions.

OLA offered recommendations for addressing all of its findings in its report, and BISM has responded that it will accept all recommendations.

R00A03 – MSDE – Funding for Educational Organizations

Appendix 1
Current and Prior Year Budgets
MSDE – Funding for Educational Organizations
(\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2016					
Legislative Appropriation	\$26,333	\$6,040	\$0	\$0	\$32,373
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	1,800	0	0	0	1,800
Reversions and Cancellations	-1	-291	0	0	-291
Actual Expenditures	\$28,133	\$5,749	\$0	\$0	\$33,882
Fiscal 2017					
Legislative Appropriation	\$29,323	\$11,040	\$0	\$0	\$40,363
Cost Containment	0	0	0	0	0
Budget Amendments	10	0	0	0	10
Working Appropriation	\$29,333	\$11,040	\$0	\$0	\$40,373

MSDE: Maryland State Department of Education

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

General funds for fiscal 2016 closed at approximately \$28.1 million, nearly \$1.8 million above the legislative appropriation. This reflects an increase of \$1.8 million to provide additional program support for the Maryland School for the Blind in accord with Section 48 of the fiscal 2016 budget bill, and a decrease of approximately \$500 from funds that were reverted for the State Aided Institutions due to an accounting error. According to the Governor's budget books this \$500 was taken from Outward Bound's account. This error occurred after Outward Bound had received its fiscal 2016 allocation, and the Maryland State Department of Education had absorbed the effect of the error.

Special funds for fiscal 2016 closed at approximately \$5.7 million, with nearly \$291,000 being canceled due to the appropriation for the Nonpublic Textbook Program being higher than needed to fund all eligible schools that applied.

Fiscal 2017

The fiscal 2017 general fund working appropriation is approximately \$40.4 million, reflecting an increase of \$10,000 in general funds over the legislative appropriation due to a budget amendment that reallocated funding for the CollegeBound Foundation.

Appendix 2
Fiscal Summary
MSDE – Funding for Educational Organizations

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Wrk Approp</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
01 Maryland School for the Blind	\$ 21,420,767	\$ 22,525,362	\$ 23,018,459	\$ 493,097	2.2%
02 Blind Industries and Services of Maryland	531,115	531,115	531,115	0	0%
03 Other Institutions	6,180,931	6,276,446	6,266,446	-10,000	-0.2%
04 Aid to Nonpublic Schools	5,749,420	6,040,000	6,040,000	0	0%
05 Student Assistance Organization Business Entity Grants	0	5,000,000	6,850,000	1,850,000	37.0%
Total Expenditures	\$ 33,882,233	\$ 40,372,923	\$ 42,706,020	\$ 2,333,097	5.8%
General Fund	\$ 28,132,813	\$ 29,332,923	\$ 29,816,020	\$ 483,097	1.6%
Special Fund	5,749,420	11,040,000	12,890,000	1,850,000	16.8%
Total Appropriations	\$ 33,882,233	\$ 40,372,923	\$ 42,706,020	\$ 2,333,097	5.8%

MSDE: Maryland State Department of Education

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

R00A03 – MSDE – Funding for Educational Organizations