

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 590
Ways and Means

(Delegate Hixson, *et al.*)

Primary and Secondary Education - Special Education Programs and Related
Services for Children with Disabilities - Assessment and Operation

This bill requires the Maryland State Department of Education (MSDE) to establish a process to assess the effectiveness and management of special education and related services in each local school system over the next two fiscal years. If MSDE finds that a school system is providing inadequate special education programs and services, it must provide all special education services at the expense of the local school system, and the local school system must prepare a plan to improve its special education programs and services. MSDE must adopt regulations to implement the bill.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: General fund expenditures would increase significantly in FY 2007 and 2008 to conduct comprehensive evaluations of each school system's special education program. If MSDE finds that the special education program in any school system is inadequate, special fund revenues and expenditures from the transfer of special education funds and responsibilities to MSDE would increase significantly beginning in FY 2008. General fund expenditures could also increase beginning in FY 2008 to supplement special fund expenditures.

Local Effect: Local school systems that are not providing adequate special education services, as assessed by MSDE, would transfer the majority of their special education budgets to MSDE.

Small Business Effect: None.

Analysis

Bill Summary: The bill requires MSDE to assess special education programs in 12 school systems in fiscal 2007 and in the other 12 school systems in fiscal 2008. For each year MSDE provides special education services to students in a school system, the system must transfer an amount of funds equal to its per pupil expenditures in the last fiscal year that it provided the services. However, if the programs are provided in a facility owned or controlled by the local board of education, the system is only required to transfer 90% of the per pupil special education expenditures.

A local school system plan to improve special education programs must be submitted within two years of the MSDE assessment, and the local school system must update and modify the plan as required by MSDE. MSDE must review the plan and, if it is approved, require the local school system to provide special education services in accordance with the plan.

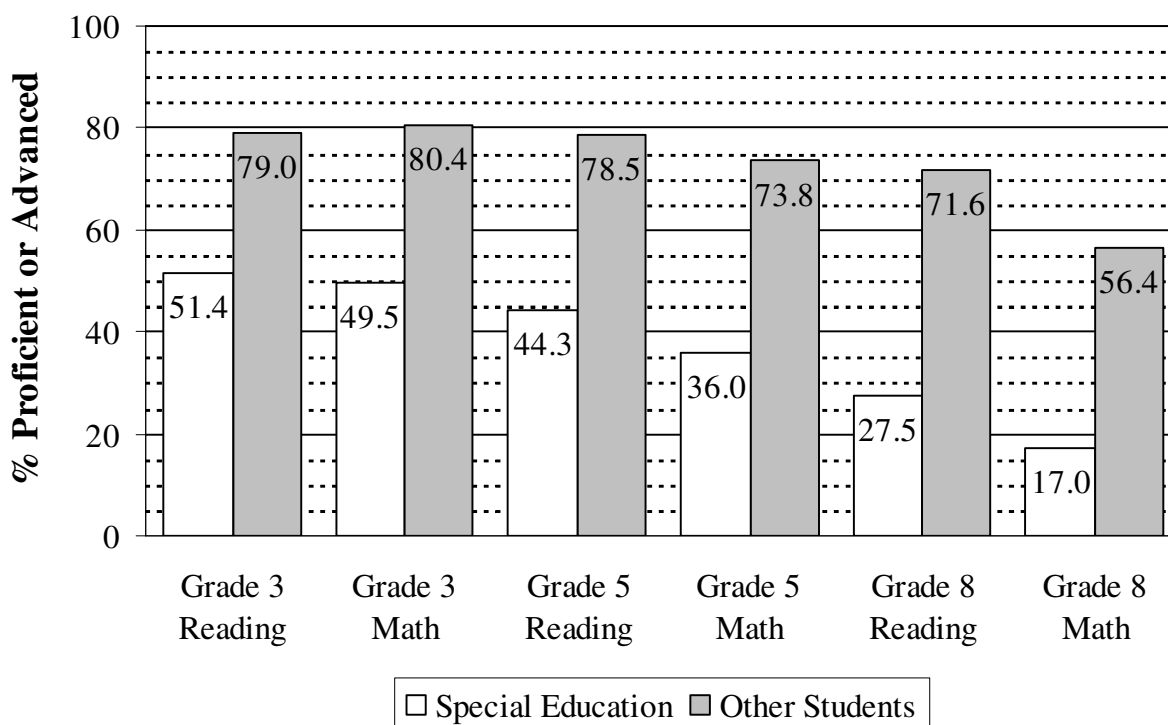
Current Law: Under federal law, each student with a disability must be provided a free and appropriate public education by the local school system. The State Board of Education has the authority to restructure schools that have failed for a number of years to meet State performance standards. The comprehensive master plan process requires each local school system to have a plan that outlines specific strategies that will be implemented to enable all student subgroups, including students with disabilities, to make progress towards meeting the State's performance standards. The State Superintendent of Schools may require a school system to revise its plan if it is determined that the plan will not improve student performance.

Background: In August 2005, after more than 20 years of special education litigation in Baltimore City, a federal judge issued an emergency order calling for MSDE to install a management team to oversee special education programs in the city, effectively transferring authority for the services to MSDE. For the 2005-2006 school year, MSDE hired nine administrators to manage services in the special education function and other related school system functions. MSDE has estimated that implementing the administrative components of the plan will cost \$1.4 million in fiscal 2006 and has requested authority to use federal funds designated for special education services in Baltimore City to cover the cost.

Like other states, Maryland's special education students have struggled with student assessments. **Exhibit 1** compares student assessment results for special education

students with results for all other students. In general, the percent of special education students scoring at the proficient or advanced levels for a given grade level and subject was approximately 30 to 40 percentage points below the percent of nonspecial education students scoring at these levels.

Exhibit 1
Performance of Special Education Students on Maryland School Assessments
2005



State Fiscal Effect: MSDE reports minimal additional costs to assess the effectiveness and management of special education programs and services. This estimate seems to rely on the assumption that existing school performance data could be used as the basis for the assessment. However, given the time frame established in the bill for the assessments, 12 school systems per year for the next two years, Legislative Services assumes that a more comprehensive evaluation of each school system’s special education programs is envisioned by the bill. It is assumed that MSDE would have to contract for evaluations of each school system’s special education management structure, curricula, instructional delivery methods, and information tracking systems. These costs are estimated at \$500,000 or more per year for fiscal 2007 and 2008.

Based on current school performance data, MSDE assumes that it could take over the provision of special education services in up to 15 local school systems. It is unclear if more extensive assessments will result in MSDE assuming control of special education programs in a greater or smaller number of school systems. Assuming, however, that programs in some school systems are found to be inadequate and ineffective, MSDE special fund revenues would increase significantly in fiscal 2008 as local school systems transfer the majority of special education funds to MSDE. Local school systems spent a total of \$1.1 billion on special education programs in fiscal 2004, and this figure will be much higher by fiscal 2008.

Special fund expenditures would increase in accordance with special fund revenues, as MSDE assumes responsibility for providing special education programs and services. As this happens, it is likely that general funds will be needed to supplement the special funds. The general fund expenditures would support new MSDE administrative personnel and costs and could support special education programs and services if the special funds transferred to MSDE are insufficient to provide the appropriate services.

Local Fiscal Effect: Local school systems typically spend between 10% and 16% of their current expense budgets on special education. In fiscal 2004, the systems spent a total of \$1.1 billion on special education services for nearly 113,000 special education students. If MSDE finds that a school system is failing to provide adequate and effective special education services, the school system would be forced to transfer the majority of its special education funds to MSDE. **Exhibit 2** shows fiscal 2004 spending for special education in each local school system and compares the special education expenditures to total current expenses. To the extent that special education services could be delivered by MSDE in public schools, local school systems would retain up to 10% of their special education expenditures.

Exhibit 2
Special Education Expenditures
Fiscal 2004

<u>School System</u>	<u>Total Current Expenses</u>	<u>Special Education Expenditures</u>	<u>Percent of Expenses for Special Education</u>
Allegany	\$88,351,428	\$13,165,809	14.9%
Anne Arundel	648,675,346	92,758,349	14.3%
Baltimore City	899,119,516	197,469,668	22.0%
Baltimore	981,049,114	147,349,944	15.0%
Calvert	148,437,645	20,185,021	13.6%
Caroline	45,171,693	5,301,797	11.7%
Carroll	236,000,428	29,759,062	12.6%
Cecil	132,195,637	19,350,563	14.6%
Charles	205,348,618	23,927,868	11.7%
Dorchester	41,681,758	4,488,808	10.8%
Frederick	320,615,931	33,421,330	10.4%
Garrett	42,861,789	4,120,442	9.6%
Harford	315,234,157	40,729,527	12.9%
Howard	472,213,591	76,704,613	16.2%
Kent	25,384,558	2,678,742	10.6%
Montgomery	1,532,477,269	216,259,648	14.1%
Prince George's	1,182,024,292	178,921,462	15.1%
Queen Anne's	63,022,312	7,565,315	12.0%
St. Mary's	129,367,975	16,866,253	13.0%
Somerset	28,788,993	3,053,359	10.6%
Talbot	40,106,979	3,909,900	9.7%
Washington	167,660,385	20,955,260	12.5%
Wicomico	123,648,867	14,685,412	11.9%
Worcester	69,982,028	7,444,843	10.6%
Total	\$7,939,420,310	\$1,181,072,997	14.9%

Source: *Selected Financial Data*, Maryland State Department of Education

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Association of Boards of Education, Maryland State Department of Education, Department of Legislative Services

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