

**Department of Legislative Services**  
 Maryland General Assembly  
 2010 Session

**FISCAL AND POLICY NOTE**

House Bill 352 (Delegate Kaiser, *et al.*)  
 Ways and Means and Appropriations

**Education - Maryland Data Warehouse Council**

This bill establishes a Maryland Data Warehouse Council and a longitudinal data system (LDS) that meets the requirements of the federal American Recovery and Reinvestment Act of 2009 (ARRA). The Maryland State Department of Education (MSDE) and the Maryland Higher Education Commission (MHEC) must provide administrative and staff support to the council.

By December 31 of each year, the council must report to the Governor on the progress and status of the council and publish a list of any written reports available from the council.

**Fiscal Summary**

**State Effect:** General fund expenditures increase beginning in FY 2011 to establish the LDS and data warehouse council supported by MSDE and MHEC. Federal fund revenues and expenditures increase beginning in FY 2011, contingent on receipt of a federal grant in 2010 to support the development of LDS. If Maryland is not awarded a federal grant, general fund expenditures increase by \$13.1 million in FY 2011 through 2013 to develop the required LDS.

(\$ in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
FF Revenue	\$3.2	\$6.1	\$3.7	\$0	\$0
GF Expenditure	\$2.4	\$2.9	\$2.6	\$2.5	\$2.6
FF Expenditure	\$3.2	\$6.1	\$3.7	\$0	\$0
Net Effect	(\$2.4)	(\$2.9)	(\$2.6)	(\$2.5)	(\$2.6)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Community college expenditures increase an average of \$50,000 per institution to modify their data reporting to MHEC in FY 2011. If local school systems are required to collect additional data, their administrative costs may increase.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** The council is an advisory body that makes recommendations to the Governor; it may not make final decisions regarding policy.

### *Council Membership*

The council consists of the following State officials or their designee: the State Superintendent; the Secretary of Higher Education; the Executive Director of the Governor's Office for Children; the Assistant Secretary of Workforce Development in the Department of Labor, Licensing, and Regulation (DLLR); the Secretary of Budget and Management; the Secretary of Business and Economic Development; the Secretary of Human Resources; the Secretary of Health and Mental Hygiene; and the Secretary of Technology. In addition, membership includes a representative from the Office of the Governor selected by the Governor; the presidents of three institutions of postsecondary education in the State selected by the Governor, or the president's designee; and the county superintendent of three local school systems in the State selected by the Governor, or a county superintendent's designee.

Members of the council may not receive compensation but are entitled to reimbursement for expenses under the standard State travel regulations.

### *Advisory Panel*

The council must establish an advisory panel with between 7 and 10 members to provide independent review of the technical feasibility of policies, proposals, and guidelines under consideration for adoption by the council. Members of the advisory panel may not be employed by the federal or State government or a local government in the State; must have expertise in information technology, computer science, or computer or software engineering; and may not have a conflict of interest. The council must adopt a charter to govern the advisory panel.

### *Council's Goals*

The council's goals must include identifying ways to improve student success at all levels of the education system from pre-kindergarten through postsecondary education and in the workforce; providing teachers, principals, parents, and other stakeholders with timely data that will help improve student achievement at all levels of the education system; and providing the Governor and other policy makers with data that can help improve the alignment, effectiveness, and efficiency of education in the State.

### *Council's Responsibilities*

The council is charged with:

- establishing an LDS that meets the requirements of ARRA, and ensuring that the State complies with the collection and use of data and other education reform assurances contained in ARRA;
- developing a high-quality proposal to submit to the U.S. Department of Education to develop a statewide data system;
- creating a management plan that assigns authority and responsibility for the operation of the warehouse among the agencies whose data will be included;
- assisting the agencies in developing interagency agreements that enable data to be used across and between agencies, define appropriate uses of data, assure researcher access to data, and assure the security of the data system;
- developing a strategic plan for the data warehouse; and
- removing barriers and providing guidance and oversight.

The council must also ensure that the appropriate State agencies produce timely and usable reports, including those that:

- connect student records from pre-kindergarten through postgraduate education and into the workforce;
- connect public school educator data to student data;
- report high school longitudinal graduation and dropout data;
- provide postsecondary remediation data;
- report to public high schools in the State on their students who enroll in a public institution of higher education in the State regarding freshman-year outcomes;
- provide postsecondary education student completion status;
- connect performance with financial information at all levels of education;

- establish and maintain a State data audit system to assess the quality, validity, and reliability of data; and
- provide any other student and educator data necessary to assess the performance of the education system.

The council may convene as frequently as it determines is necessary to accomplish its objectives, but it must meet at least six times a year.

**Current Law/Background:** Maryland is working to develop a comprehensive statewide LDS, a key component of applications for federal Race to the Top funds and one of the assurances that the State was required to make in order to receive funds from the State Fiscal Stabilization Fund (SFSF) authorized by ARRA. Maryland has received already over \$13 million in federal grants, of which \$8 million have been spent, to develop the State's current student-level data system. The current system, managed by MSDE, includes 4 of the 10 essential components of an effective data system as laid out by the *Data Quality Campaign*, which will be used to evaluate LDS in state Race to the Top allocations. Maryland's system does not link to higher education or a unique teacher identifier, which are two required elements. According to the *Data Quality Campaign*, 31 states have the ability to match student-level pre-kindergarten to grade 12 data to higher education data.

Maryland is eligible for up to \$250 million in Race to the Top funds. Round 1 applications were due in January 2010. Maryland decided to apply in Round 2 in order to strengthen its application, which is due in June 2010.

In 2009, the Governor appointed a group chaired by the President of the State Board of Education and the University System of Maryland Chancellor that examined creating a comprehensive Maryland data system. The group's recommendations have been incorporated into an application submitted in November 2009 for a competitive federal grant authorized in ARRA for an additional \$13.1 million to support the development of this educational LDS that will link K-12 data with higher education data. One of the recommendations was that the State establish an independent center to house data for primary and secondary education, higher education, and eventually employers.

The group also considered the privacy issues involved with creating a data warehouse including Federal Educational Rights Privacy Act (FERPA) compliance. The group received legal advice from the Office of the Attorney General that the proposed center will comply with FERPA. Specifically, the group was advised that private institutions of higher education will not have any increased liability because MHEC intends to rerelease their data without identifying information, except a unique number, which will be stripped and under FERPA, MHEC may redisclose the data for research.

**State Fiscal Effect:**

*One-time System Development*

The State has already applied for a \$13.1 million competitive federal grant to facilitate the creation of the LDS and a data center. It is assumed that this grant could also be used to pay for the related costs associated with the data warehouse council. The federal grant funds may be used to design, develop, and implement a statewide LDS; however, there are no federal funds for ongoing maintenance or staffing. If the State does not receive the federal grant, then these costs would need to be paid for with general funds.

Assuming the State receives the additional \$13.1 million federal grant, an estimated \$6.6 million will be used for contractual expenses to develop the statewide LDS; link the statewide system to the MSDE, MHEC, and DLLR systems; and purchase the equipment to contain the data. The remaining \$6.5 million would be used to support significant additional costs for MSDE and MHEC associated with enhancing the existing P-12 and higher education data systems to meet the requirements for Race to the Top and the pledge made by the State to receive SFSF. As detailed below, the costs will be split \$9.2 million for contractual expenses and \$3.8 million for equipment.

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Total</u>
Contractual Expenses	\$3,075,217	\$3,075,217	\$3,075,217	\$9,225,651
Equipment	<u>160,000</u>	<u>3,030,000</u>	<u>655,000</u>	<u>3,845,000</u>
<b>Total</b>	<b>\$3,235,217</b>	<b>\$6,105,217</b>	<b>\$3,730,217</b>	<b>\$13,070,651</b>

There are additional one-time costs to implement and maintain the P-12 and higher education data systems that MSDE advises cannot be paid for with federal grant funds. However, in order to establish an LDS that meets the ARRA requirements as required by the bill, the P-12 and higher education data systems must be operational. MSDE and MHEC estimate costs of approximately \$2.3 million annually in fiscal 2011 and 2012 and approximately \$1.2 million in fiscal 2013.

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Contractual Services	\$2,290,964	\$2,300,564	\$1,170,918

*Ongoing Data Warehouse Costs for MSDE and MHEC*

The State is responsible for the ongoing operating expenses for the data warehouse council beginning in fiscal 2011.

General fund expenditures increase beginning in fiscal 2011 for MSDE and MHEC to hire a council coordinator, one administrative support staff, and eight data analysts to perform the functions and duties of the data warehouse council; implement and maintain the P-12 and higher education data systems; oversee the linking of the data systems; and perform the increased analytical duties required by creating the LDS for the council. The required staff will be split between MSDE and MHEC as determined by the advisory panel. The estimate includes 12 full-time salaries (once fully phased in), fringe benefits, a 90-day start-up delay in fiscal 2011, one-time start-up costs, and ongoing operating expenses, as well as network infrastructure costs and software licensing costs associated with supporting the new system at both MSDE and MHEC.

MSDE/MHEC	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY2015</u>
New Positions	2	4	4	2	
Salaries and Fringe Benefits	\$122,833	\$507,909	\$881,340	\$1,106,741	\$1,160,199
Network Infrastructure	0	24,000	48,000	48,000	48,000
Software Licensing	0	0	500,000	1,300,000	1,300,000
Start-up/Operating Expenses	<u>9,045</u>	<u>18,876</u>	<u>96,462</u>	<u>164,434</u>	<u>157,866</u>
<b>Total</b>	<b>\$131,878</b>	<b>\$550,785</b>	<b>\$1,525,802</b>	<b>\$2,619,175</b>	<b>\$2,666,065</b>

Future year expenditures reflect full salaries with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating expenses.

DLLR advises it already collects and analyzes the required data and therefore has no additional costs at the agency level.

**Local Expenditures:** Community colleges will need to modify their data reporting systems to meet the requirements of the bill. The extent of the modifications will be determined by the council’s advisory panel and may vary considerably between colleges; however, MHEC estimates the modifications will cost an average of \$50,000 per institution. To the extent that colleges with similar data systems are able to develop shared contracts with vendors, costs may be somewhat lower.

Local school system data collection costs may increase once the council is established if they are required to collect additional data. One county reported that an additional full-time staff member dedicated to data collection would cost approximately \$100,000 per year.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland State Department of Education, Department of Budget and Management, Maryland Higher Education Commission, Department of Legislative Services

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