

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 Enrolled - Revised

House Bill 1415 (The Speaker, *et al.*) (By Request - Commission on Innovation and Excellence in Education)

Ways and Means and Appropriations Education, Health, and Environmental Affairs and Budget and Taxation

Education - Commission on Innovation and Excellence in Education

This bill extends the deadline for the Commission on Innovation and Excellence in Education to complete its work by one year. It also establishes or alters several programs and mandates funding for them beginning in fiscal 2019. Beginning in fiscal 2020, the Governor must annually appropriate to the Prekindergarten Expansion Fund an amount that is at least equal to *all* revenues received by the fund in the prior fiscal year. Also, a special fund is established and \$200 million in income tax revenue must be deposited in the fund in fiscal 2019 for use in a future fiscal year. Finally, the scope of a study of the individualized education program (IEP) process in Maryland is expanded and the due date for the study is extended. **The bill takes effect June 1, 2018.**

Fiscal Summary

State Effect: General fund revenues decrease by \$200 million in FY 2019, with a commensurate increase in special fund revenues. Special fund expenditures increase by a total of \$200 million in FY 2020 and future years. General fund expenditures increase by \$6.9 million in FY 2019, by \$36.6 million in FY 2022, and by \$34.1 million annually by FY 2023, as discussed below. The FY 2019 budget restricts State funds for the mandated funding in the bill, but the increase in FY 2019 expenditures is at the discretion of the Governor. **This bill establishes mandated appropriations beginning in FY 2020.**

(\$ in millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Revenue	(\$200.0)	\$0	\$0	\$0	\$0
SF Revenue	\$200.0	\$0	\$0	\$0	\$0
GF Expenditure	\$6.9	\$29.3	\$29.1	\$36.6	\$34.1
SF Expenditure	\$0	-	-	-	-
Net Effect	(\$6.9)	(\$29.3)	(\$29.1)	(\$36.6)	(\$34.1)

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

Local Effect: Grant funding for local schools systems increases by \$4.3 million in FY 2019 (funding is at the discretion of the Governor), increasing to approximately \$34.1 by FY 2022, and \$31.7 million annually by FY 2023. In addition, local school system revenues and expenditures increase by a total of \$200 million in FY 2020 and future fiscal years.

Small Business Effect: Nonprofit organizations that implement literacy programs benefit.

Analysis

Bill Summary: The due date for the Commission on Innovation and Excellence in Education final report is extended to December 31, 2018, and the term of the commission is extended to May 31, 2019.

Comprehensive Teacher Recruitment and Outreach Program

The outreach program is intended to encourage the top 25% of high school students from each local school system to consider pursuit of a Maryland professional teacher's certificate; improve the public perception of the teaching profession; increase awareness of available financial aid programs for teaching candidates, including the Teaching Fellows for Maryland scholarship program; and increase awareness of the opportunity gaps that exist in various schools and the racial disparities between the student demographics and teaching population. The digital recruitment platform is aimed at encouraging individuals to enter the teaching profession in Maryland. The outreach program and digital recruitment platform must focus recruitment efforts on (1) ethnic, racial, gender, and other demographic groups that are underrepresented in the teaching profession and (2) teacher shortage fields identified by the Maryland State Department of Education (MSDE). Before implementing these outreach and recruitment efforts, MSDE must form and fully consult with a steering committee that includes a diverse group of faculty and student representatives from historically black universities and other institutions of higher education. The Governor must appropriate at least \$250,000 annually for the program.

Maryland Early Literacy Initiative

This initiative, to be developed and administered by MSDE, is intended to assist up to 50 Title I public schools in at least three counties to implement an evidence-based literacy program to work with specified students to meet literacy targets. For the 2018-2019 through 2021-2022 school years, qualifying schools may apply for a grant to develop a literacy program. MSDE must distribute up to 50 grants, each not to exceed \$75,000 per year, for a two-year period. Grants must be renewed if the qualifying school presents evidence that the school is compliant with program requirements and meets identified

targets and benchmarks. The initiative is primarily intended to serve students in prekindergarten through eighth grade. Grantee programs must be implemented by staff hired and supervised by the county boards or collaborating nonprofit organizations. In fiscal 2019 through 2022, the Governor must appropriate at least \$2.5 million annually for the initiative. MSDE may use up to 3% of this appropriation (\$75,000) to administer the initiative.

Learning in Extended Academic Programs Grant Program

This program is intended to provide a grant to public schools in which at least 80% of students qualify for free and reduced-price meals to provide extended academic programming that has a positive measurable impact on or enriches the academic performance and overall well-being of students who are at risk of falling behind academic requirements. An extended academic program must include before and after school, weekend, or summer programs. To qualify, summer programs must provide at least four hours of daily programming for at least 30 days and before and after school programs must provide at least eight hours of academic programming each full week that school is in session. A qualifying weekend program must be at least four hours in length during the weekend. Beginning in fiscal 2019, the Governor must appropriate at least \$4.5 million annually for the program, which is redirected from PSOEP under current law. MSDE may use up to 3% of this appropriation (\$135,000) to administer the program. MSDE must develop regulations for the Maryland Early Literacy Initiative and must meet specified reporting requirements for the Maryland Early Literacy Initiative and for the LEAP grant program.

Career and Technology Education Innovation Grant Program

MSDE must administer this grant program to fund partnerships between at least one local board of education, community college, and industry partner to develop and implement an innovative CTE curriculum framework and pathway that includes the United States and international best practices. To be eligible for a grant, the pathway to be developed must be of high quality; aligned with skills needed by employers; lead to an industry-recognized license or certificate; create internship or apprenticeship opportunities; and prepare students to successfully compete in a global economy. The Governor must appropriate at least \$2.0 million annually for the grant program. MSDE may use up to 3% of this appropriation (\$60,000) to administer the program.

Public School Opportunities Enhancement Program

Beginning in fiscal 2019, and for each year thereafter, the Governor must appropriate at least \$3.0 million annually. Required funding is extended to all future years, as opposed to ending after fiscal 2021 under current law. Also, a grantee that remains eligible for the program must receive as much grant funding as in the prior fiscal year.

Teaching Fellows for Maryland Scholarship Program

The Governor must include at least \$2.0 million in the annual State budget for the Teaching Fellows for Maryland scholarship, which was created by Chapter 542 of 2014 but has never been funded. Eligibility for the program is altered such that scholarship recipients must have (1) a specified level for GPA, GRE, SAT, or ACT and (2) demonstrated an exceptional dedication to or aptitude for teaching.

Also, a scholarship may be received by an individual who is enrolled, or intends to enroll, at an institution of higher education in order to attain a teaching certificate, who either changes majors or seeks to change careers to pursue teaching certificate. Graduate students receiving a scholarship must, as their service obligation, teach for two years in a public school or prekindergarten program with at least 50% of its students being eligible for free and reduced-price meals. The Maryland Higher Education Commission (MHEC) must forgive a recipient for two years of an award if the recipient provides evidence of extenuating circumstances that prevent the recipient from becoming professionally certified in the State.

Special Education Study

The scope of the required study under Chapter 715 of 2017 is expanded to include a review and assessment of (1) available national and international data and studies on current costs of special education across the spectrum of disabilities and severity; (2) methodologies used by top-performing countries to estimate costs of providing adequate education to students in special education; and (3) methodologies used and considered in other states the use a special education weight for estimating the cost of an adequate education for special education students. Recommendations must be made for the adequate level of funding, and on any use of weights, in public school funding formulas for special education. The study must begin by September 1, 2018, and must be completed by September 1, 2019.

Commission on Innovation and Excellence in Education Fund

The Commission on Innovation and Excellence in Education Fund is established as a special, nonlapsing fund. The fund is to be used to provide adequate funding for a world-class education for early childhood education and primary and secondary education in accordance with the State budget through revised funding formulas, based on the final recommendations of the Commission on Innovation and Excellence in Education. The Comptroller must distribute \$200 million in income tax revenue to the fund in fiscal 2019. The fund also consists of additional money appropriated in the State budget and any money from other sources accepted for the benefit of the fund.

Current Law/Background:

Commission on Innovation and Excellence in Education

Chapters 701 and 702 of 2016 established the Commission on Innovation and Excellence in Education to, among other charges, (1) review the findings of a consultant's study on adequacy of education funding and its related studies and make recommendations on the funding formula; (2) review and make recommendations on expenditures of local education agencies; (3) review and make recommendations on innovative education delivery mechanisms and other strategies to prepare Maryland students for the twenty-first century workforce and global economy; and (4) review and make recommendations on expanding prekindergarten, including special education prekindergarten. The commission members were appointed during summer 2016, with former University System of Maryland Chancellor Dr. William "Brit" Kirwan being appointed to serve as chair of the commission. To date, the commission has held 17 all-day meetings, as well as 4 public hearings in Stevensville, Frederick, Upper Marlboro, and Baltimore City.

In order to develop appropriate policy recommendations, in January 2017, the commission asked the National Center on Education and the Economy (NCEE) to perform a gap analysis to help the commission compare Maryland's education system to systems in top-performing countries and states. The gap analysis was designed to help the commission identify policy priorities and implementation strategies to be considered in conjunction with changes to the State education aid formulas. NCEE presented the *9 Building Blocks for World-Class Education Systems* to the commission. The commission has arranged the nine building blocks into five policy areas around which it has organized its policy recommendations.

The commission has requested an additional year in order to fully respond to its charge. In a [preliminary report](#) completed in January 2018, the commission submitted its preliminary policy recommendations (59 in total). It also stated its intention to work during the 2018 interim to develop greater specificity for each recommendation in order to "cost out" their fiscal impact, thereby allowing the commission to make recommendations for adequate funding in its final 2018 report. Many of the bill's provisions align with several of the commission's 59 preliminary policy recommendations, specifically those related to teacher recruitment and diversity, early childhood education, and providing additional and adequate supports for low-income and special education students. For more information on the commission see the [commission's web page](#).

Public School Opportunities Enhancement Program

Chapter 32 of 2016 established PSOEP and required MSDE to develop and administer the grant program to assist local school systems, public community schools, and nonprofit

organizations in the State in expanding or creating extended day and summer enhancement programs and to assist nonprofit organizations in the State and community schools in expanding or supporting existing educational programming during the school day.

Specified counties are eligible to participate in the program. If the grantee is a local school system, the local school system must provide at least an equal match to State grant funding. Chapter 32 required the Governor to include \$7.5 million annually in the State budget for the program for fiscal 2018 through 2021. However, the Budget Reconciliation and Financing Act (BRFA) of 2017 (Chapter 23) reduced the mandated appropriation for PSOEP for fiscal 2018 only from \$7.5 million to \$2.5 million.

Teaching Fellows for Maryland Scholarship Program

The Maryland Teacher Scholarship was established in 1999 as part of the HOPE Scholarship Program. A phase out of the HOPE scholarships began in fiscal 2005 and, although award renewals were maintained for those already receiving the scholarships, no HOPE scholarships have been awarded to new recipients since fiscal 2004. Chapters 542 and 543 renamed the defunct Maryland Teacher Scholarship to be the Teaching Fellows for Maryland scholarship and altered the eligibility criteria, the service obligation requirements, and the amount of the award. The scholarship may only be used at a public senior (*i.e.*, four-year) higher education institution with a department, school, or college of education *or* at a private nonprofit institution of higher education with a certificate of approval from the Maryland Higher Education Commission that has a department, school, or college of education that agrees to provide recipients with a specified matching grant. Scholarship recipients must fulfill a service obligation. MHEC must forgive a recipient for two years of an award if the recipient has taken the teacher certification examination in two consecutive years and failed to pass within the time period specified by MHEC.

Statute indicates that the Governor must include in the annual State budget funds to award scholarships, however a minimum funding level is not specified and the program has never been funded.

Publicly Funded Prekindergarten

Chapter 288 of 2002, the Bridge to Excellence in Public Schools Act, required each local school system to make publicly funded prekindergarten available to economically disadvantaged four-year-old children in the State. To qualify as economically disadvantaged, a child must be from a family whose income is at or below 185% of federal poverty guidelines. If vacancies remain after economically disadvantaged children have been enrolled, local school systems may make prekindergarten available to other children

that exhibit a lack of readiness for school. The State provides funding to school systems to support the program through the State compensatory education formula.

Chapter 2 of 2014 expanded prekindergarten services to additional eligible four-year-old children from families whose income is at or below 300% of federal poverty guidelines by establishing a competitive grant program to provide funding to qualified public and private prekindergarten providers.

The State budget has included \$4.3 million for the expansion program in fiscal 2015 through 2017. In 2014, Maryland was also awarded a federal grant that provides \$15.0 million annually through fiscal 2019 to continue the expansion of public prekindergarten. In its grant application, the State committed to matching funds of \$3.7 million in fiscal 2018 and \$7.3 million in fiscal 2019 to provide access to high-quality prekindergarten to families with incomes between 200% and 300% of federal poverty guidelines. Pursuant to Chapters 683 and 684 of 2016, the Governor must include an appropriation in the budget for the amount that the State committed to fund as the State match to the federal grant in addition to the amount required under preexisting law for the State Prekindergarten Expansion Grant Program. Thus, State funding totaled \$8.0 million in fiscal 2018 and totals \$11.6 million in the fiscal 2019 budget.

Individualized Education Program Process Study

Chapter 715 of 2017 requires MSDE to, by July 1, 2018, contract with an outside entity to conduct a study of the IEP process in the State. MSDE must report the findings and recommendations of the consultant to the General Assembly by July 1, 2019. In addition, MSDE, in consultation with each local school system, must review and assess staff allocations and resources that are available to assist the parents and guardians of children with disabilities to participate in the IEP process, as well as current population densities of children with IEPs and of special education teachers. The findings and recommendations from MSDE's review and assessment must be submitted to the General Assembly by December 31, 2018.

State Revenues: In fiscal 2019, \$200 million of the increase in income tax revenue anticipated by the Board of Revenue Estimates resulting from federal tax changes is to be deposited by the Comptroller in the Commission on Innovation and Excellence in Education Fund established by the bill, resulting in a one-time decrease of \$200 million in general fund revenues and a commensurate increase in special fund revenues.

State Expenditures:

Program Funding

General fund expenditures increase by \$6.9 million in fiscal 2019, which is restricted and authorized to be transferred only for the bill's purposes in the fiscal 2019 budget at the discretion of the Governor. General fund expenditures increase by \$29.3 million in fiscal 2020, by \$29.1 million in fiscal 2021, by \$36.6 million in fiscal 2022, and by \$34.1 million annually beginning in fiscal 2023. **Exhibit 1** shows the net impact on State expenditures under the bill for fiscal 2019 to 2023, based on the assumptions and analysis described below.

Exhibit 1
Change in State Expenditures under the Bill
(\$ in Thousands)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Teacher Recruitment/Outreach	\$250	\$250	\$250	\$250	\$250
Maryland Early Literacy Initiative	2,500	2,500	2,500	2,500	0
Prekindergarten Expansion	0	22,344	22,344	22,344	22,344
PSOEP	(4,500)	(4,500)	(4,500)	3,000	3,000
LEAP Grant Program	4,500	4,500	4,500	4,500	4,500
Teaching Fellows for Maryland	2,000	2,000	2,000	2,000	2,000
CTE Innovation	2,000	2,000	2,000	2,000	2,000
Special Education Study	121	229	0	0	0
Total	\$6,871	\$29,323	\$29,094	\$36,594	\$34,094

PSEOP: Public School Opportunities Enhancement Program

LEAP: Learning in Extended Academic Programs

CTE: Career and Technical Education

Note: Amounts include MSDE's administrative costs.

PSOEP funding totals \$2.5 million in fiscal 2018. The bill requires that beginning in fiscal 2019, funding for the program must total at least \$3.0 million. This results in a \$4.5 million reduction in PSOEP expenditures in fiscal 2019 through 2021 and, by extending mandated appropriations beyond fiscal 2021, results in increased expenditures of \$3.0 million annually beginning in fiscal 2022. The LEAP grant program receives

\$4.5 million annually beginning in fiscal 2019, which offsets the reduced funding for PSOEP.

Beginning in fiscal 2020, the Governor must annually appropriate to the Prekindergarten Expansion Fund an amount that is at least equal to *all* revenues received by the fund in the prior fiscal year. Fiscal 2019 revenues include \$11.6 million in State funding plus \$15.0 million in federal revenues, for a total of \$26.6 million. Current law requires \$4.3 million in State money annually for the fund, thus State funding increases by \$22.3 million annually as shown in Exhibit 1.

Exhibit 2 shows annual State and federal revenues for the prekindergarten expansion grants for fiscal 2018 and 2019, as well as fiscal 2020 under the bill. In fiscal 2020 the State covers the prior year amount provided by both the State and the federal government, resulting in a \$15 million increase in State funding for the program and no net increase in total funding.

Exhibit 2
Prekindergarten Expansion Grant Revenues

	Working <u>FY 2018</u>	Appropriation <u>FY 2019</u>	Under Bill <u>FY 2020</u>	Difference <u>FY 19-20</u>
State Revenues	\$7,972,000	\$11,644,000	\$26,644,000	\$15,000,000
Federal Revenues	15,000,000	15,000,000	0	(15,000,000)
Total	\$22,972,000	\$26,644,000	\$26,644,000	\$0

Beginning in fiscal 2019, annual expenditures also include \$250,000 for the teacher recruitment and outreach program, \$2.0 million each for the Teaching Fellows in Maryland scholarship program and the CTE Innovation grant program, and through fiscal 2022, \$2.5 million for the Maryland Early Literacy Initiative.

Administrative Costs

MSDE expenditures increase by an estimated \$403,200 in fiscal 2019 to cover costs associated with hiring three additional education program specialists to administer grant programs and one specialist for the outreach and recruitment program, and to pay for increased consulting expenses associated with the required special education study. All of these costs are covered by the 3% administrative set-aside in the bill and are *not in addition* to the expenditures shown in Exhibit 1. Future year expenditures reflect elimination of one-time costs, annual increases and employee turnover, and ongoing operating expenses.

One education program specialist position is eliminated at the beginning of fiscal 2023, to coincide with termination of the Maryland Early Literacy Initiative after fiscal 2022.

Positions	4
Salaries and Fringe Benefits	\$259,425
Consultant for Special Education Study	120,833
Operating Expenses	<u>22,935</u>
Total FY 2019 State Expenditures	\$403,193

Altering the timeframe for the special education study under Chapter 715 of 2017 reduces already anticipated consulting costs in fiscal 2019 by \$81,300 and increases fiscal 2020 costs by an equivalent amount. An additional \$350,000 in consulting costs is anticipated under the bill, including \$204,200 in fiscal 2019 and \$145,800 in fiscal 2020. The net result is an increase in consulting costs for MSDE of \$120,800 in fiscal 2019 and \$229,200 in fiscal 2020, as reflected above.

The Department of Legislative Services can continue to staff the Commission on Innovation and Excellence in Education for an additional year using existing resources.

Commission on Innovation and Excellence in Education Fund

Special fund expenditures increase after fiscal 2019 by a total of \$200 million, based on funding formulas to be recommended by the commission and as provided in the State budget.

Local Fiscal Effect: State funding for grant programs described above that benefit local public school systems increases by a net amount of \$4.3 million in fiscal 2019, by \$26.6 million in fiscal 2020 and 2021, by \$34.1 million in fiscal 2022, and by \$31.7 million in fiscal 2023. These estimates reflect minimum funding for the programs established by the bill and the changes to PSOEP reflected in Exhibit 1, including costs to MSDE to administer these programs which are reduced beginning in fiscal 2023 due to termination of the Maryland Early Literacy Initiative. Assuming annual increases to these administrative costs, but also given the 3% administrative cost limits established by the bill, State funding to local school systems diminishes only slightly after fiscal 2023. A portion of the prekindergarten expansion funds are currently allocated to private providers; to the extent that continues in the future, the amount received by local school systems is less than shown below.

Exhibit 3 shows the net impact on State funding to public schools for fiscal 2019 to 2023.

Exhibit 3
State Grant Funding Under the Bill
(\$ in Thousands)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Maryland Early Literacy Initiative	\$2,500	\$2,500	\$2,500	\$2,500	\$0
Prekindergarten Expansion*	0	22,344	22,344	22,344	22,344
PSOEP*	(4,500)	(4,500)	(4,500)	3,000	3,000
LEAP Grant Program	4,500	4,500	4,500	4,500	4,500
CTE Innovation	2,000	2,000	2,000	2,000	2,000
MSDE Administrative Costs	(192)	(238)	(245)	(254)	(175)
Total	\$4,308	\$26,606	\$26,599	\$34,090	\$31,669

PSEOP: Public School Opportunities Enhancement Program

LEAP: Learning in Extended Academic Programs

CTE: career and technical education

MSDE: Maryland State Department of Education

*A portion of these funds may be allocated to private providers.

Furthermore, local school system revenues and expenditures increase by \$200 million total in future fiscal years as a result of the deposit of \$200 million in income tax revenue to the Commission on Innovation and Excellence in Education Fund in fiscal 2019. The total impact and its allocation across counties will depend on the final recommendations of the commission and future State budget decisions.

Additional Information

Prior Introductions: None.

Cross File: SB 1092 (The President, *et al.*) (By Request - Commission on Innovation and Excellence in Education) - Education, Health, and Environmental Affairs and Budget and Taxation.

Information Source(s): Baltimore City; Montgomery County; Maryland State Department of Education; Department of Legislative Services

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