

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1555
Ways and Means

(Delegate Miller, *et al.*)

Education - Blueprint for Maryland's Future - Oversight Requirements

This bill restructures oversight of the Blueprint for Maryland's Future (Blueprint) by (1) reducing Accountability and Implementation Board (AIB) members' terms from six to four years; (2) authorizing the Office of the Inspector General for Education (OIGE) to investigate AIB for waste, fraud, and abuse; and (3) establishing a formal appeals process through the Office of Administrative Hearings (OAH) for school systems whose education aid has been withheld. The bill also creates the Blueprint for Maryland's Future Stakeholder Advisory Council to evaluate how policies impact actual classrooms and a Joint Oversight Committee on the Blueprint for Maryland's Future composed of members of the General Assembly and staffed by the Department of Legislative Services (DLS). Finally, Beginning July 1, 2026, the Office of Legislative Audits (OLA) in DLS must conduct a performance audit of AIB at least once every three years to evaluate AIB's effectiveness and consistency across the State. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: Administrative and legal workloads increase for several State entities. Some of the workload may be absorbable, but some State entities, including DLS, may need additional staff, as described below.

Local Effect: Local school system revenues may increase to the extent that a public school or local school system successfully appeals a decision by AIB to withhold funds. Local expenditures may also increase if a school system chooses to pursue an appeal, due to potential legal review and participation in administrative hearings; however, such costs are expected to be infrequent and likely absorbable within existing resources.

Small Business Effect: None.

Analysis

Bill Summary:

Restructuring Accountability and Implementation Board

To implement the shorter-term lengths for AIB members, the bill establishes a staggered schedule for term expirations between 2026 and 2030, after which all new appointees serve four-year terms.

Appeals Process for the Authority to Withhold Funds

A public school or local school system may appeal to OAH within 30 days after receiving a decision issued by AIB to withhold education aid. If the administrative law judge finds that the AIB's decision to withhold funds was arbitrary, capricious, or went against recommendations from reviewing entities, the judge's final decision can force the AIB to cease and desist from withholding the funding. The decision of the administrative law judge is final.

Stakeholder Advisory Council

The Stakeholder Advisory Council must advise the General Assembly on whether policies adopted or action taken by AIB are feasible and effective at the classroom level of implementation. Terms for members of the advisory council are four years, except for the student member which is one year. Any vacancy on the council must be filled in the same manner as the original appointment.

The council must meet at least once each quarter to review whether the policies adopted and actions taken by AIB are feasible and effective at the classroom level of implementation. If after a review, the council finds that any policy adopted or action taken by the board is infeasible or ineffective at the classroom level of implementation, the council must send a written notice of concern to the General Assembly that states: (1) the policy or action of AIB; (2) the entity affected; and (3) detailed reasons for the determination of infeasibility or ineffectiveness.

The council is subject to the Open Meetings Act.

Joint Oversight Committee on the Blueprint for Maryland's Future

The Joint Oversight Committee on the Blueprint for Maryland's Future has legislative oversight over the implementation of the Blueprint by the Maryland State Department of Education (MSDE) and AIB. The committee may review the output and outcome measures of the Blueprint implementation plan for alignment with the intent of the

General Assembly, review enforcement decisions of MSDE and AIB for consistency across local school systems, and review decisions of the AIB to withhold more than \$1.0 million in funds from a public school or local school system before funds are withheld.

The committee may hold hearings and consider legislation referred to it by the presiding officers. The committee may also issue subpoenas, compel testimony and the production of documents, and administer oaths. The chair or executive director of AIB must provide oral testimony to the committee at least quarterly. DLS provides staff support to the committee, and the committee must submit an annual report to the General Assembly.

Current Law: For an overview of the Blueprint and other aspects of State and local funding of public schools in Maryland, see **Appendix – Public School Funding in Maryland**.

Accountability and Implementation Board

AIB is an independent unit of State government created to oversee the implementation of the Blueprint and evaluating the outcomes achieved against the goals of the Blueprint for Maryland's Future and the Commission on Innovation and Excellence in Education during the implement period. AIB terminates June 30, 2032.

AIB is composed of seven members, appointed by the Governor. The Governor must choose members from a slate provided by the AIB Nominating Committee, and the appointments are subject to the advice and consent of the Senate. Appointed members must collectively reflect the geographic, racial, ethnic, cultural, and gender diversity of the State. They must also possess a high level of expertise in areas such as early through postsecondary education policy, teaching, strategies used by top-performing national and international education systems, leading systemic change, and financial auditing. Members serve six-year terms.

AIB may appoint an executive director, hire staff, and retain necessary accountants or financial advisers to fulfill its duties.

AIB may not usurp or abrogate the lawful collective bargaining process for educators in the State. AIB must have plenary authority over all matters within its jurisdiction, including the intended outcomes of the Blueprint. In the event of a conflict between a decision or policy of the AIB and the decision or policy of another entity on a matter within AIB's jurisdiction, AIB's decision or policy must control.

AIB is responsible for developing a Comprehensive Implementation Plan for the Blueprint. It reviews, monitors, and approves the implementation plans submitted by State and local government units, including local school systems, to ensure they are consistent with the Blueprint's goals.

AIB reviews how State and local agencies use funds provided for the Blueprint. AIB has the authority to withhold funds from a public school, local school system, or State agency if they fail to develop an approved plan, fail to make sufficient progress, or do not take appropriate steps to improve student performance. In determining whether to release or withhold additional funds, AIB must consider whether a public school or local school system has been responsive to the recommendations of MSDE, the Career and Technical Education Committee, an Expert Review Team, and AIB staff.

AIB develops guidelines to gather and analyze data of student performance. AIB must also contract with an independent entity to evaluate the State's progress in implementing the Blueprint. AIB is required to submit an annual report to the Governor, the public, and the General Assembly regarding the progress of the Blueprint, funding adequacy, and any recommended legislative changes.

Accountability and Implementation Board — Authority to Withhold Funds

Beginning in fiscal 2023, 25% of the increase for the next fiscal year in the State's share of major education aid over the amount provided in the current fiscal year was automatically withheld from a school system or public school. For fiscal 2023 through 2025, AIB was required to release these funds if a local school system submitted and then adopted an approved implementation plan. Beginning in fiscal 2026, AIB must consider releasing withheld funds if the board receives a recommendation to release the funds from MSDE, the Career and Technology Education Committee, an expert review team, or in AIB's judgment.

Maryland Office of the Inspector General for Education

OIGE is an independent unit of the State responsible for examining and investigating local boards of education, local school systems, and public schools; nonpublic schools that receive State funds; MSDE; and the Interagency Commission on School Construction.

AIB is not under the official jurisdiction or investigative oversight of the OIGE, which may employ specified staff and receive and investigate complaints or information concerning:

- fraud, waste, and abuse involving the use of public funds and property;
- violations of the civil rights of students and employees;
- whether policies and procedures governing the prevention and reporting of child abuse and neglect comply with federal and State law; and
- compliance with other federal and State law.

With the exception of certain protected, confidential, and privileged documents, the inspector general (IG) must have access to records, data, reports, contracts, correspondence, and other documents of the entities it may investigate. The office may serve a subpoena in the same manner as does a circuit court. The office must annually report on its goals and priorities, activities, the number and nature of incidents it reports to specified State and federal entities, and findings and recommendations related to (1) instances of fraud, waste, and abuse; (2) civil rights violations; and (3) specified policy matters.

State Expenditures: The bill alters oversight and enforcement structures associated with the Blueprint and may increase administrative and legal workload for several State entities. AIB advises that allowing public schools or local school systems to appeal decisions to withhold funds to the OAH requires the development of formal appeal protocols and increased legal support. Depending on the volume and complexity of appeals, the AIB advises that it may need to dedicate additional legal resources, potentially including a full-time assistant Attorney General (AAG), to prepare for and participate in administrative hearings (AIB currently has a half-time AAG). DLS advises that the number of actual administrative hearings are likely minimal and infrequent; thus, any increased costs can likely be handled with existing resources.

OAH advises the bill creates a new contested case type but expects to handle any increase in hearings with existing resources.

The bill also establishes the Joint Oversight Committee on the Blueprint for Maryland's Future, which must receive testimony from AIB at least quarterly and review certain enforcement decisions. DLS must staff the committee, and OLA must conduct performance audits of the AIB at least once every three years. Based on staffing requirements for similar legislative oversight committees in recent years, DLS likely requires additional staff to support the oversight committee established by the bill. The extent of the cost depends on the scope and frequency of the committee's activities, but general fund expenditures could be significant. OLA can likely handle the additional audits with existing resources.

The bill also subjects the AIB to oversight by the IG for Education and establishes a Blueprint Stakeholder Advisory Council; any associated administrative costs are expected to be minimal and absorbable.

Local Revenues: The bill may affect local school system revenues to the extent that a public school or local school system successfully appeals a decision by AIB to withhold funds. Under current law, AIB may withhold a portion of the increase in State major education aid if a local school system does not meet certain implementation or performance requirements. By authorizing appeals to OHA, the bill creates a mechanism through which

withheld funds may be restored. The extent to which local revenues are affected depends on future AIB enforcement decisions and whether appeals are pursued and successful.

Local Expenditures: Local school system expenditures may also increase to the extent that a school system chooses to pursue an appeal, which may require legal review, documentation preparation, and participation in administrative hearings. Any such costs are discretionary and expected to be episodic, and therefore likely can be absorbed with existing resources, although outside counsel may be required in complex cases.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Accountability and Implementation Board; Maryland State Department of Education; Office of Administrative Hearings; Baltimore City Public Schools; Anne Arundel County Public Schools; Prince George's County Public Schools; St. Mary's County Public Schools; Department of Legislative Services

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Appendix – Public School Funding in Maryland

State Aid for Public Schools

Blueprint for Maryland’s Future and Education Funding Formulas

The majority of direct State aid to public schools (excluding teachers’ retirement) is determined by enrollment-based funding formulas generally found in Title 5, Subtitle 2 of the Education Article. This includes the foundation formula, which makes use of a per pupil foundation amount (PPFA) and an “enrollment count,” which is the greater of (1) the prior year full-time equivalent (FTE) enrollment and (2) the three-year moving average of FTE enrollment. Collectively, the formulas account for a uniform base cost per pupil that is necessary to provide general education services to students in every local school system and address the additional costs associated with educating three student populations: special education students; students eligible for free and reduced-price meals; and students who are English learners. Under Chapter 237 of 2025, beginning in fiscal 2026, the special education, compensatory education, and English learner formulas – structured similarly to the foundation program, but targeting the three student populations mentioned above – use statutory per-pupil dollar amounts (rather than percentage weights of PPFA), with amounts specified through fiscal 2033 and inflation adjustments thereafter.

Most State education aid formulas also include wealth equalization across counties, compensating for differences in local wealth by providing less aid per pupil to the more wealthy counties and more aid per pupil to the less wealthy counties. Although on the whole most State aid formulas are designed to have the State pay roughly one-half of program costs, the State’s share for the less wealthy counties is higher than 50%, and the State’s share for more wealthy counties is lower than 50%. For purposes of determining State and local shares of funding, wealth equals the sum of 100% of assessed public utilities real property value, 40% of the assessed value of all other real property, 50% of the assessed value of personal property, and 100% of net taxable income.

Major education aid programs include the foundation formula, comparable wage index (CWI), guaranteed tax base (GTB), compensatory education, concentration of poverty grants (CPG), English learner, special education, full-day prekindergarten, college and career ready (CCR), transitional supplemental instruction (through fiscal 2026), career ladder, and transportation grant programs.

The Blueprint for Maryland’s Future (Blueprint) legislation, including Chapter 771 of 2019; Chapters 36 and 55 of 2021; and Chapter 33 of 2022 established new programs and updated education funding formulas, to among other provisions provide additional

support for schools serving high concentrations of students living in poverty, including community schools and wraparound services, and increased support for students learning English and students with disabilities. Chapter 237, among other provisions, curtailed foundation program per pupil funding.

Blueprint for Maryland's Future Fund

The Blueprint for Maryland's Future Fund (BMFF) was created by Chapter 771 as the successor to the Commission on Innovation and Excellence in Education Fund. The BMFF is intended to assist in providing adequate funding for early childhood education and primary and secondary education to provide a world-class education to students in Maryland.

Comparable Wage Index

CWI provides additional funds to local school systems with above-average personnel costs but does not decrease funding for local school systems with below-average costs. CWI adjustment values are fixed in statute and range from 0.047 in Frederick County to 0.166 in Montgomery County. The formula multiplies the adjustment value by the foundation program for a given county, which is the PPFA multiplied by the enrollment count for the county.

Guaranteed Tax Base

The GTB program is intended to encourage less wealthy jurisdictions to maintain or increase local education tax effort, *i.e.*, local education appropriation as a percentage of local tax base. The program provides additional State education aid to counties that (1) have less than 80% of the statewide average wealth per pupil and (2) provide local education funding above the minimum local share required by the Foundation Program. The program uses local education tax effort and wealth to determine State aid amounts for each eligible local school system.

Concentration of Poverty Grant Program

Blueprint legislation provides additional support for schools serving high concentrations of students living in poverty through the CPG Program. CPG funding has two components, a personnel grant and a per-pupil grant.

Personnel Grants are provided to employ a community school coordinator with specified qualifications and provide full-time coverage by at least one health care practitioner. A county that provides health coverage or community school services with funds other than the personnel grant must continue to provide those services through fiscal 2030. If the

personnel grant provided to an eligible school exceeds the costs to employ those positions and provide health coverage, the eligible school may use excess funds to provide wraparound services and complete the community school needs assessment. The personnel grant is a State-funded categorical amount that increases with inflation.

Per-pupil Grants are provided for each qualifying school following the completion of a community school needs assessment, and each eligible school must use the per-pupil grant to provide wraparound services and other programs and services as identified in the school needs assessment. CPG funds must generally be distributed by the local board to each eligible school. However, if the local school system has at least 10 eligible schools or at least 35% of a local school system’s schools are eligible schools, the local board may expend up to 50% of CPG personnel and per-pupil grants on behalf of eligible schools on program costs that directly benefit the school, and in accordance with a plan developed in consultation with eligible schools that ensures that each eligible school receives the required positions/coverage and services. Per-pupil grants are only wealth equalized for districts that receive the minimum State funding (40%) under the compensatory education formula; for all other districts, the State pays the full amount. The local funding percentage is based on the compensatory education wealth equalization formula.

The following table lays out the phase-in of the two components of the funding.

Concentration of Poverty Grants Phase-in

<u>School Poverty Percentage</u>	<u>Year Personnel Phased-in</u>	<u>Year Per Pupil Phased-in</u>
> = 80%	FY 2020	FY 2022
75%-80%	FY 2021	FY 2023
70%-75%	FY 2022	FY 2024
65%-70%	FY 2023	FY 2025
60%-65%	FY 2024	FY 2026
55%-60%	FY 2025	FY 2027

School concentration percentages are based on a three-year average of compensatory education enrollment in each public school.

For the per-pupil grant, schools receive funding along a sliding scale according to their CPG level, the three-year average percentage of compensatory education enrollment students at each school. Schools at or below 55% CPG level receive no funding per pupil. Schools above 55% and below 80% CPG level see the per-pupil amount increase until, for schools at or above 80% CPG level, per-pupil funding reaches the statutorily established per-pupil maximum amount. The per-pupil amount established by this sliding scale is then

multiplied by a school’s compensatory education enrollment in the second prior fiscal year to get a calculated grant amount. A percentage increment of per-pupil funding is then applied for each of six years of eligibility, beginning with 16% in the first year of eligibility and culminating in 100% funding by the seventh year, is specified in statute as shown in the table below.

<u>Eligibility Year</u>	<u>Share of CPG Per Pupil</u>
NOT ELIGIBLE	0%
Year 1	16%
Year 2	32%
Year 3	37%
Year 4	55%
Year 5	66%
Year 6	75%
Year 7 and Beyond	100%

Beginning in fiscal 2030, however, all schools receive 100% of the calculated per-pupil grant amount regardless of year of eligibility.

College and Career Ready Funding

It is the goal of the State that students enrolled in public school will meet the CCR standard adopted by the State Board of Education before the end of the 10th grade and no later than the time the student graduates from high school. In addition to funding for non-CCR and CCR students provided within the foundation formula, funding is provided for students in grades 9 through 12 who have met the CCR standard. Per-pupil funding, covered by both State and local shares, begins at \$517 in fiscal 2022 and is inflation adjusted each subsequent year. These funds support various pathways and educational options available to students who meet the CCR standard.

Career Ladder for Educators

Under Chapter 36, as amended by Chapter 55, a four-level career ladder must be implemented by each local board of education by July 1, 2024. Level one is a State-certified teacher. Level two is a teacher pursuing a master’s degree, 30 credits of a State board-approved program of study, or National Board Certification (NBC). Level three is a teacher who has an NBC or, if NBC or a comparable assessment is not available in the teacher’s content area, a master’s degree in that area. Level three includes an assistant principal. Level four is a teacher on the teacher leadership track or administrative track of the career ladder, each of which is further divided into tiers. If a

teacher achieves level three or four on the career ladder by being an NBC teacher, the teacher must retain NBC status in order to remain at that level. The State and county governments share the cost of required salary increases for educators reaching certain levels on the career ladder, including for attaining and retaining NBC status.

Grow Your Own Educators

Chapters 227 and 228 of 2024 established the Grow Your Own Educators Program to provide support to eligible provisional teachers and noncertified education support professionals interested in teaching who pledge to fulfill a service obligation. Administered by the Maryland State Department of Education (MSDE), the program provides grants to local school systems in collaboratives for certain teacher candidates' expenses and program administration costs. Chapter 237 made several alterations to the program, including clarifying that the program purpose is to support collaboratives that offer teacher licensure programs with on-the-job experiential learning for eligible individuals, not to directly support the individuals.

Full-day Prekindergarten

The full-day prekindergarten funding formula provides State and local funding for voluntary full-day prekindergarten for (1) children who are three or four years old from low-income families and homeless youths and whose family income is less than or equal to 300% of the federal poverty level (FPL) (Tier I children) and (2) four-year-olds from families whose income is – for fiscal 2026 funding – between 300% and 360% of FPL, and beginning fiscal 2027 between 300% and 600% of FPL (Tier II students).

There is no family share for Tier I students. For Tier II students, a sliding scale developed by MSDE determines the family share. For four-year-olds from families with income above 600% (Tier III), the family share covers the full cost of full-day prekindergarten. However, a local board may provide up to 100% of the family share on behalf of the family. Local governments are required to fund the local share of the full-day prekindergarten program. The funding formula for full-day prekindergarten is based in part on the per-pupil amount. The per-pupil amount is \$14,473 for fiscal 2026, escalates to \$19,950 in fiscal 2027 and 2028, and increases annually by inflation beginning in fiscal 2029.

Beginning in the 2024-2025 school year, prekindergarten slots provided by eligible private providers must account for at least 10% of the total prekindergarten slots provided by eligible prekindergarten providers in each county. The proportion of eligible private provider prekindergarten slots in each county increases by 10 percentage points every school year, until, in the 2028-2029 school year, and each subsequent school year, eligible private provider prekindergarten slots account for at least 50% of eligible prekindergarten provider prekindergarten slots in each county.

Priority in expanding full-day prekindergarten slots is given to three- and four-year-olds who are Tier I children, children with disabilities regardless of family income, and children living in homes where English is not the primary spoken language. The proportion of enrolled Tier I children who are three- and four-year-olds must increase annually until all such children are enrolled in a full-day prekindergarten program.

Prekindergarten Expansion Grant Program

The Prekindergarten Expansion Grant Program, administered by MSDE, is intended to broaden the availability of high-quality prekindergarten and school readiness services throughout the State for children and their families in coordination with the expansion of publicly funded full-day prekindergarten under the Blueprint. The program is a competitive grant program to provide grants to qualified providers, including (1) a local board of education or (2) if partnering with a local board under a memorandum of understanding, a State accredited or nationally accredited child care program or a nonpublic school approved by MSDE to provide prekindergarten services.

Grants may be used to add available slots to expand prekindergarten services, including (1) establishing or expanding full-day prekindergarten for eligible young children and (2) expanding existing half-day prekindergarten programs into full-day prekindergarten for eligible young children. Grants may not be used (1) to supplant existing funding for prekindergarten services; (2) for capital improvements; or (3) to fund the same full-day prekindergarten slot that is funded under the full-day prekindergarten program established by Blueprint legislation.

Through fiscal 2029, the Governor must annually appropriate to the Prekindergarten Expansion Fund (established to provide funds to the program) an amount that is at least equal to the total amount of all funds received by the program in the prior fiscal year. Beginning in fiscal 2030, funds appropriated to the Prekindergarten Expansion Fund must be consolidated into the publicly funded full-day prekindergarten program.

Public School Transportation

All school systems are required to arrange transportation to and from school for all public school students and are required to provide transportation to and from school for all disabled students. The State provides annual aid to public schools for the purpose of funding student transportation. The funding consists of two parts: a base grant that is adjusted annually; and a per-pupil grant based on the number of students with special transportation needs.

Local Funding for Public Schools

Maintenance of Effort and Local Share

Each year, the county government (including Baltimore City) is required to appropriate funds to the local board equivalent to the greater of the per-pupil maintenance of effort (MOE) requirement or the local share amount of all wealth-equalized formulas. The per-pupil MOE amount is based upon the enrollment count as defined above. The local share of major education aid programs equals the local share of the foundation formula, compensatory education, English learner, special education, CWI, full-day prekindergarten, CCR, transitional supplemental instruction (through fiscal 2026), and career ladder grant programs. Also, counties that benefit from the compensatory education State funding floor are required to fund the local share of CPG. However, for some counties, the combined local share across these several programs is subject to adjustments described below. Additionally, under Chapter 336 of 2024, the State and county governments must pay for Blueprint implementation coordinator salaries in the same proportion as the foundation program.

Education Effort Adjustment to Local Share Requirement

Local governments are required to fund the local share of the foundation program and the required local shares for several other funding formula programs. The law also includes a mechanism for establishing a maximum local share that a county must fund each year. This involves “local education effort,” which is determined for each county by dividing the county’s local share of major education aid by the county’s wealth. An “education effort index,” which is the local education effort divided by the “State average education effort” is then determined. A “maximum local share” is calculated for each county, which is the county’s local wealth multiplied by the State average education effort.

Each county with an education effort above 1.0 for two consecutive years receives relief based upon its “education effort adjustment,” which is the amount by which the calculated local share exceeds the maximum local share. This relief (which results in increases to State aid), is provided to counties within one of three tiers, based on whether the education effort is (1) greater than 1.0 but less than 1.15; (2) at least 1.15 but less than 1.27; or (3) at least 1.27. State relief for the first tier is phased up from 15% of the education effort adjustment in fiscal 2023 to 50% by fiscal 2030. State relief for the second tier is phased up from 20% of the education effort adjustment in fiscal 2023 to 100% by fiscal 2030. State relief for the third tier is 100% beginning in fiscal 2023. However, the education effort adjustment for a county is only allowed to the degree that per-pupil MOE is met each year.

Additional Reductions to Local Share

A county may be eligible for a reduction in the required local share of major aid formulas in three additional ways: (1) if a county receives State funds from the GTB program, the
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local share may be reduced by the amount of GTB funds, except that for Baltimore City only the amount above \$10.0 million may be reduced from the local share; (2) if a county receives State funds to support the minimum funding floors of 15% for the foundation and 40% for the targeted programs; and (3) if a county has a CWI of at least 0.13, the local share of CWI may be reduced by 50%. However, in all of these cases, the local share may not be reduced to below the required per-pupil MOE amount.

Minimum School Funding Requirement

Each local board of education must distribute to its public schools at least 75% of the applicable per-pupil funding amounts generated under the foundation program and most major education aid formulas. In addition, local boards must distribute 100% of the per-pupil amounts provided under the concentration of poverty grant program and for eligible private provider prekindergarten slots.