

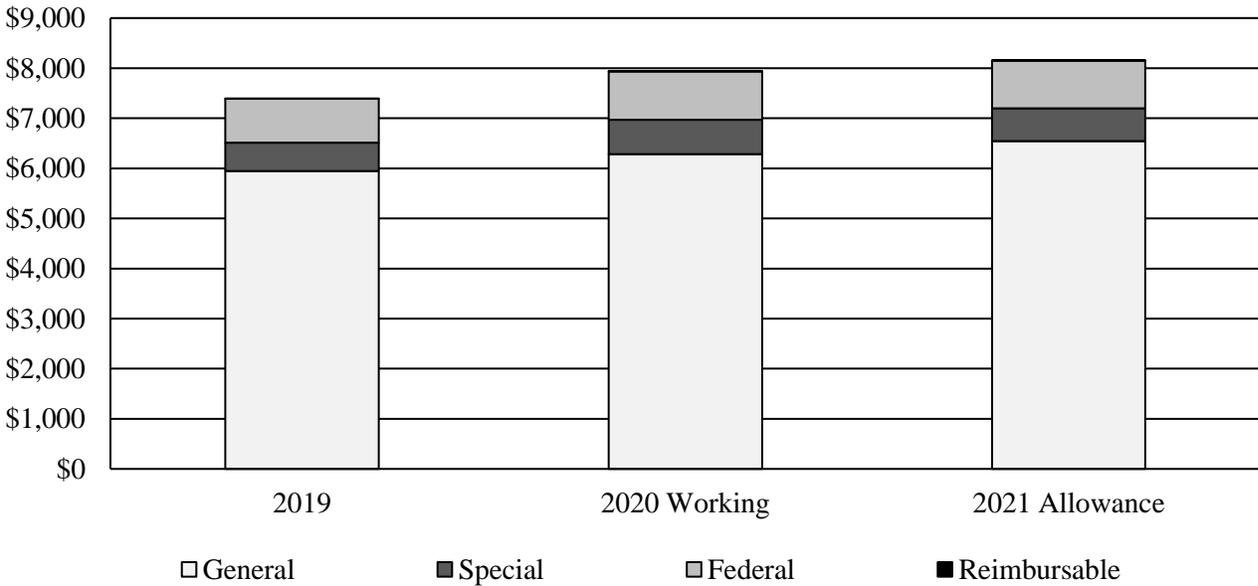
R00A02
Aid to Education
Maryland State Department of Education

Executive Summary

The Maryland State Department of Education (MSDE) Aid to Education Program is comprised of programs that provide State education aid to local jurisdictions. These programs include the State share of the Foundation program, which is the major State aid program for primary and secondary schools. Programs in the Aid to Education budget that provide funding for early childhood programs, which include the Maryland Prekindergarten Expansion Program Financing Fund, Head Start, and the Child Care Scholarship Program, can be found in the budget analysis for MSDE Early Childhood Development (R00A99). This analysis does include funds allocated to the Blueprint for Maryland’s Future programs.

Operating Budget Summary

Budget Increases \$218.2 Million or 2.8% to \$8.15 Billion in Fiscal 2021
(\$ in Millions)



Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies and planned reversions.

- In fiscal 2021, the total allowance for Aid to Education is \$8.15 billion. This allowance includes \$6.54 billion in general funds, \$658 million in special funds, \$950 million in federal funds, and \$90,000 in reimbursable funds.

Key Observations

- Blueprint for Maryland’s Future Allowance:** Chapter 771 of 2019 required the Governor to appropriate a total of \$348.1 million, including \$58.0 million in unallocated funds to the Blueprint for Maryland’s Future Fund, to implement the Commission on Innovation and Excellence in Education (Kirwan Commission) recommendations in fiscal 2021. The Kirwan Commission recommended that the \$58.0 million be allocated as follows: \$32 million for College and Career Readiness (CCR); \$20.1 million for Post-CCR Pathways; and \$5.2 million for Teacher Supplies and Technology. However, the Governor’s fiscal 2021 budget allocates these funds for Concentration of Poverty Expansion and Early Childhood Education uses.
- Advanced Placement (AP) Opportunities Act of 2020:** HB 348/SB 267, the AP Opportunities Act of 2020, is an Administration bill that requires, to the extent that funding is provided in the State budget, that MSDE provide AP examination fee assistance for specified students with financial need beginning in the 2020-2021 school year. The fiscal 2021 allowance includes \$1.1 million, for this purpose. Local education agencies may use State, local, or federal funds (e.g., Title IV) to cover AP exam fees for low-income students.
- Pathways in Technology Early College High (P-TECH) Schools Receive Deficiency Allocation:** P-TECH schools receive a deficiency allocation provided in fiscal 2020 for enrollment adjustments. Since the inception of this program, predicting costs for this program has proven to be very difficult. The required fiscal 2020 deficiency appropriation equates 40% of the original grant amount because enrollment counts were misestimated. Due to this uncertainty, increasing numbers of P-TECH students entering the program in Year 1 create an unknown cost to the State by Year 6.

Operating Budget Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Add annual language requiring the Maryland State Department of Education to notify the budget committees of fund transfers from R00A02 Aid to Education to any other budgetary unit.		
2. Delete general funds for the Advanced Placement Opportunities Act of 2020.	\$ 1,086,500	
3. Add language to the general fund appropriation restricting funds pending the receipt of a report on Pathways in Technology Early College High School Program.		
Total Reductions	\$ 1,086,500	

Budget Reconciliation and Financing Act Recommended Actions

1. Reduce funding in fiscal 2020 for the Concentration of Poverty Grant by \$6,220,825.

Updates

- Chapter 715 of 2017 required MSDE to conduct a study on special education and report the findings and recommendations to the General Assembly by July 1, 2019. In November 2019, MSDE submitted this study that recommended additional funds for special education.

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Operating Budget Analysis

Program Descriptions

State and local governments share responsibility for funding Maryland’s public schools. In 2002, the Commission on Education Finance, Equity, and Excellence (known as the Thornton Commission) revised formulas for the distribution of State aid to local education agencies (LEA). The State provides the majority of funds through the State Share of the Foundation program that includes calculations intended to promote fiscal equity for LEAs. In addition to Foundation program funds, some LEAs receive funds for compensatory education, Guaranteed Tax Base (GTB), transportation, limited English proficiency (LEP), and special education. More recently, Chapters 701 and 702 of 2016 created the Commission on Innovation and Excellence in Education (known as the Kirwan Commission) to study and recommend changes to Maryland’s school funding formulas. In 2019, the legislature passed the Kirwan Commission’s initial recommendations (Chapter 771), known as the Blueprint for Maryland’s Future, and allocated \$255 million to the Blueprint for Maryland’s Future grant programs in fiscal 2020 and \$348 million in fiscal 2021.

The analysis for Aid to Education includes 17 of 21 programs budgeted in the Governor’s Aid to Education budget. Funds for the Maryland Prekindergarten Expansion Program, Transitional Education (Judith P. Hoyer Program), Head Start, and the Child Care Scholarship program are found in the analysis for Maryland State Department of Education (MSDE) – Early Childhood Development (R00A99).

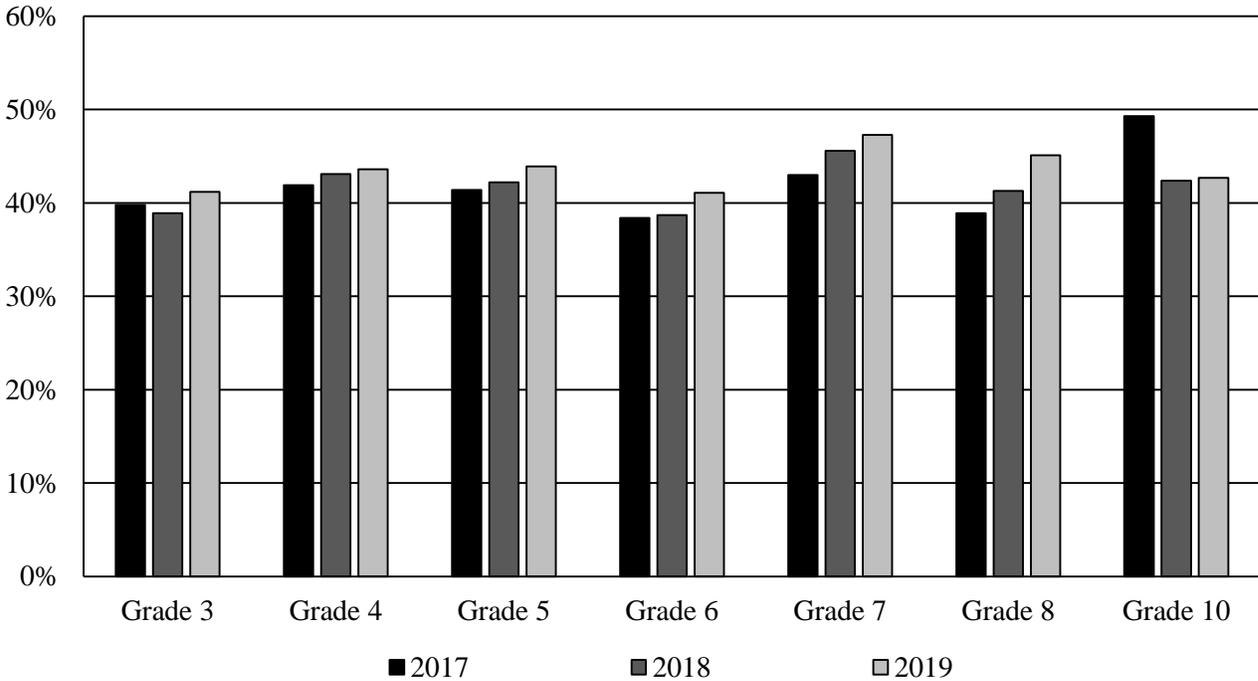
Performance Analysis: Managing for Results

The 2018-2019 school year was the last year for the Partnership for Assessment of Readiness for College and Careers (PARCC) tests in Maryland. Starting in the 2019-2020 school year, Maryland will administer the Maryland Comprehensive Assessment Program tests. This performance analysis data reflects test results from PARCC in mathematics and English/Language Arts and graduation data collected as part of MSDE’s Managing for Results performance measures.

1. Continued Increase in Proficient Scores in English/Language Arts

One of MSDE’s performance measures is a consistent increase in the percentage of students who earn a proficient score on the PARCC English and Language Arts assessments. In 2019, students in all grades increased in proficiency with the greatest increase in grade 8 from 41% to 45%. **Exhibit 1** shows PARCC scores in English/Language Arts from 2017-2019.

Exhibit 1
PARCC Scores in English/Language Arts by Grade Level
2017-2019



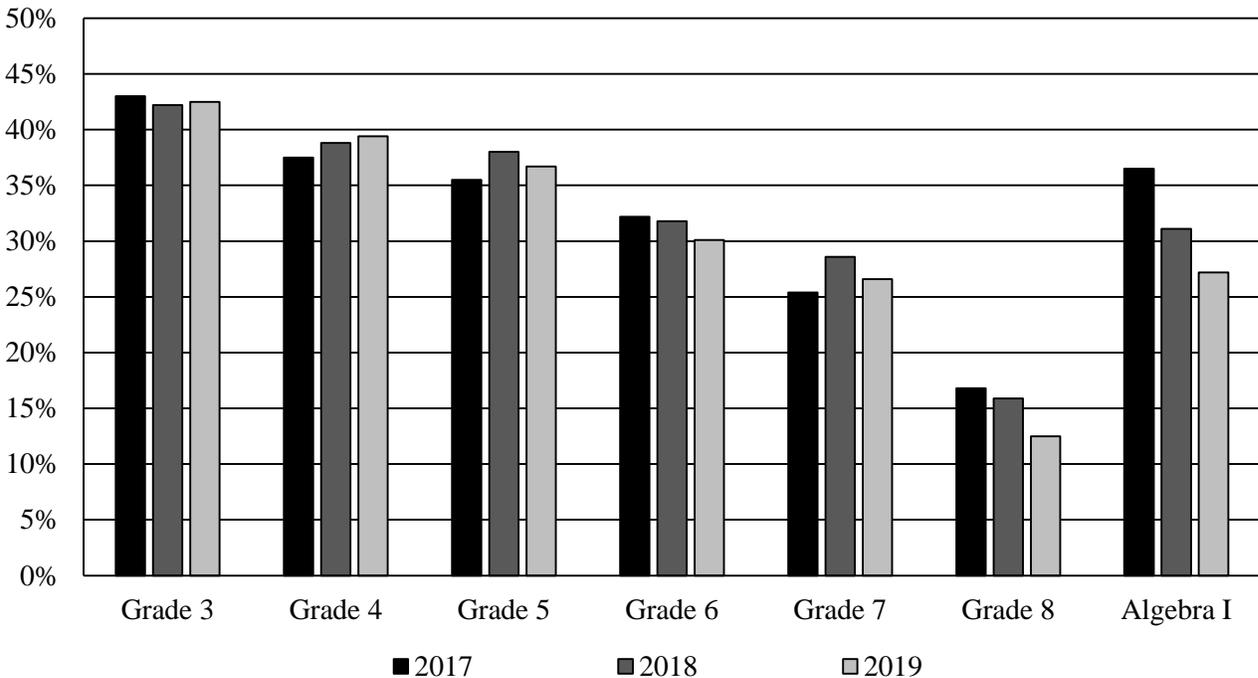
PARCC: Partnership for Assessment of Readiness for College and Careers

Source: Maryland Department of Education

2. Students Scoring Not Proficient on Mathematics PARCC Increases in Middle and High School

One of MSDE’s performance measures is a consistent increase in the percentage of students who earn a proficient score on the PARCC mathematic assessments. In 2019, proficient scores remained almost the same or decreased slightly in grades 3 through 7. However, in grade 8 and in Algebra I, student scores decreased by 3% and 4%, respectively. **Exhibit 2** shows the PARCC mathematic scores by grade level from 2017-2019.

Exhibit 2
PARCC Mathematics Scores by Grade Level
2017-2019



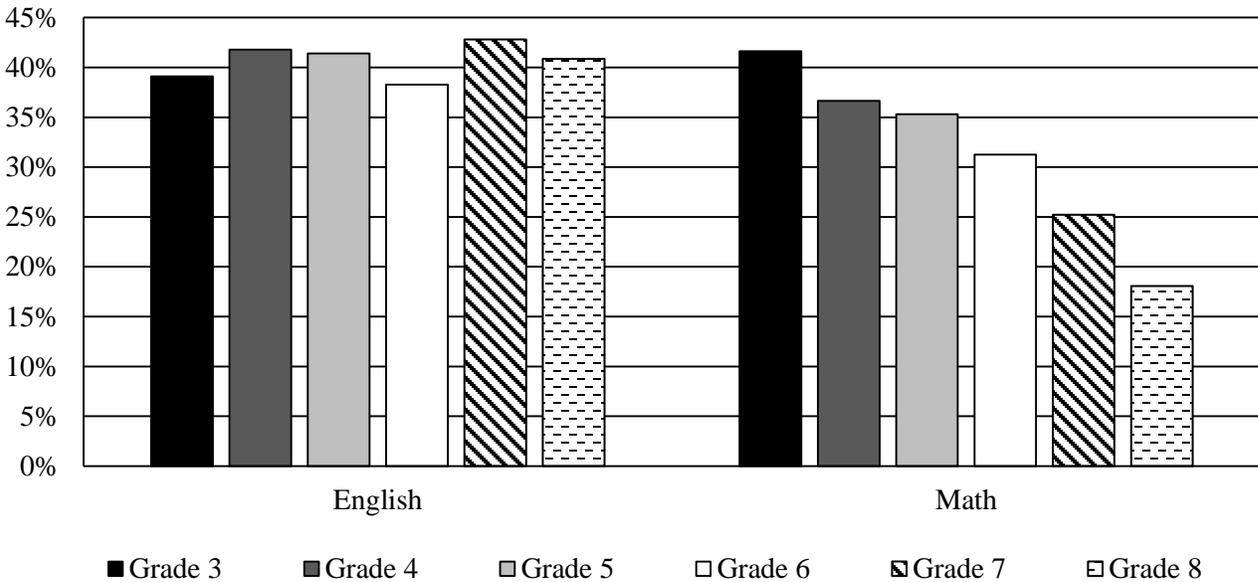
PARCC: Partnership for Assessment of Readiness for College and Careers

Source: Maryland Department of Education

3. Comparison of Proficient Students in Mathematics and English/Language Arts in Grades 3 through 8

From 2015-2019, students in grades 3 through 8 considered proficient on the English/Language PARCC test remained consistent, with an average of 41% of students scoring in this range across all years. However, proficient students in mathematics in grades 3 through 8 declined, ranging from 42% in grade 3 to 18% in grade 8. The average proficiency for these students was 31%. This comparison suggests that over 40% of Maryland students scored proficient on English/Language Arts from 2015-2019, but students who scored proficient in mathematics showed a 24% decline between grades 3 and 8. **Exhibit 3** offers a comparison of PARCC scores in English/Language Arts and mathematics in grades 3 through 8 from 2015-2019.

Exhibit 3
Comparison of PARCC Scores
English/Language Arts and Mathematics
Grades 3 through 8
2015-2019



PARCC: Partnership for Assessment of Readiness for College and Careers

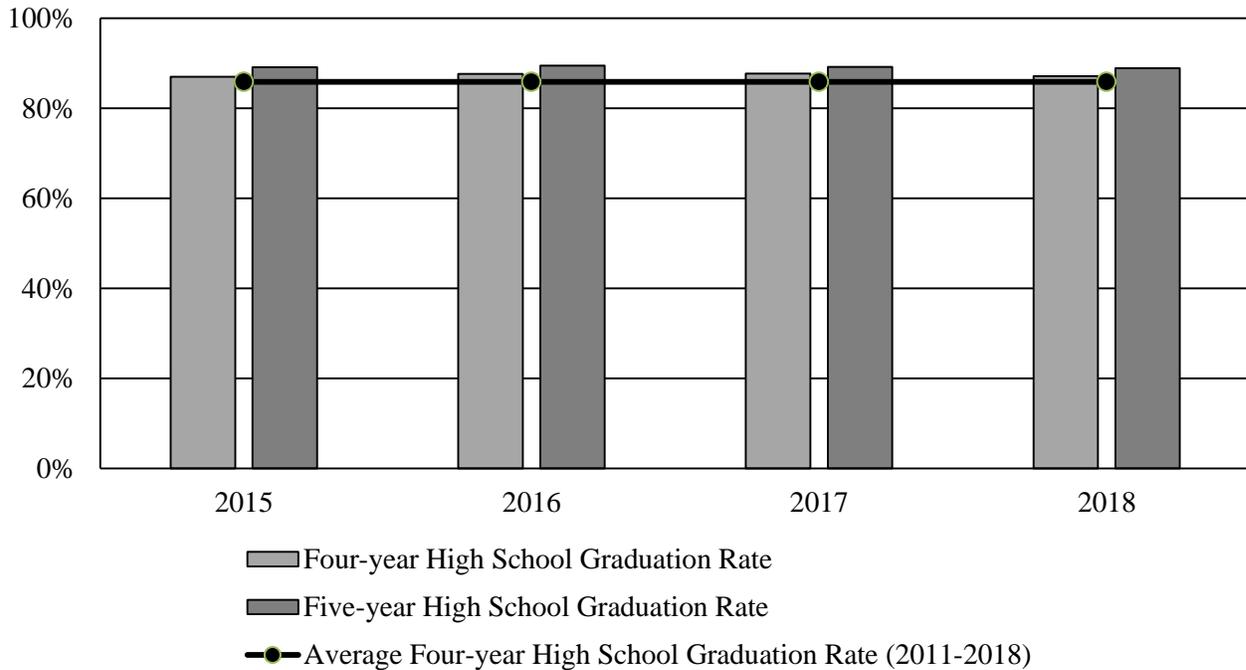
Source: Maryland State Department of Education

4. Statewide Graduation Rates Decline Slightly in 2018

The State calculates graduation rates by high school cohort of those who enter grade 9 and those who graduate in grade 12. For each cohort of those who enter grade 9, an LEA adjusts the number of students based on dropouts (defined as students who terminate formal education for any reason other than death), and transfers (defined as students who transfer in or out, emigrate, or die during the four-year period). A school year is defined as the first day of the school year to the first day of the following school year. The State also calculates a five-year cohort graduation rate.

The average, four-year State high school graduation rate since 2011 is 85.89%. For the 2018 cohort, the four-year graduation rate decreased slightly from 87.67% to 87.12%. The 2018 five-year graduation rate also decreased slightly from 89.21% to 88.91%. From 2015-2018, the four- and five-year graduation rates remained above the average from 2011-2018. **Exhibit 4** shows the four- and five-year graduation rates compared to this average.

Exhibit 4
Four- and Five-year Cohort Graduation Rates
2015-2018



Note: The 2019 graduation data not yet available.

Source: Maryland Department of Education

Fiscal 2020

Proposed Deficiency

Fiscal 2020 deficiency appropriations total \$12.5 million. This includes a \$12.0 million fund swap, replacing general funds with special funds from the Education Trust Fund (ETF) due to revised video lottery terminal revenue projections and \$463,128 in general funds to accommodate updated enrollment and supplemental grant disbursements for Pathways in Technology Early College High School (P-TECH) program schools.

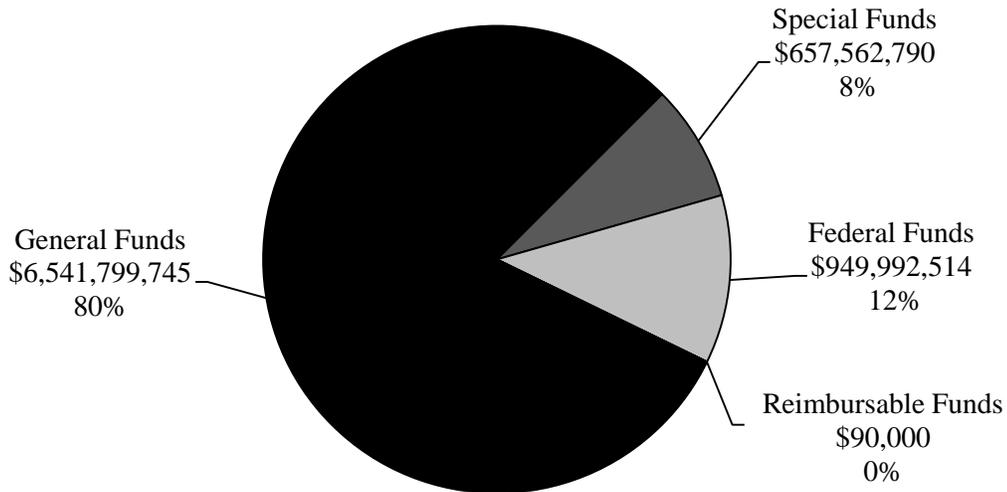
Targeted Reversion

The Governor’s fiscal 2021 budget plan assumes the reversion of \$2.5 million in overbudgeted general funds for Tax Increment Financing (TIF).

Fiscal 2021 Overview of Agency Spending

The fiscal 2021 allowance totals approximately \$8.1 billion with \$6.5 billion, or 80%, in general funds; \$658 million, or 8%, in special funds; \$950 million, or 12%, in federal funds; and \$90,000, or less than 1%, in reimbursable funds. The majority of funds in the fiscal 2021 Aid to Education allowance go to local school systems and include both general funds and special funds from the ETF and the Blueprint for Maryland’s Future Fund. Special funds in this budget include \$350.8 million for the Innovation and Excellence in Education initiatives; \$291.9 million from the ETF to the Foundation program; and approximately \$9.3 million for other programs, some of which were budgeted in Chapter 361 of 2018, known as the Bridge to Kirwan legislation. Federal funds are distributed primarily to three programs with \$319.2 million to the Food Services program, \$297.7 million to Educationally Deprived Children, and \$220.9 million to Students with Disabilities. **Exhibit 5** shows the overview of agency spending for these programs in fiscal 2021.

Exhibit 5
Overview of Agency Spending
Fiscal 2021 Allowance



Source: Governor’s Fiscal 2021 Budget Book

Major State Aid to LEAs

Major State aid to LEAs is represented in multiple programs in the Aid to Education budget. All LEAs receive State funds for the Foundation program, compensatory education, special education, LEP, and transportation grants. Additionally, some LEAs receive State aid for Geographic Cost of

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Education Index (GCEI), GTB, supplemental grants, net taxable income (NTI) grants, and TIF grants. The allowance includes \$9.4 million in discretionary Hold Harmless grants for school systems.

Additionally, as part of Chapter 771 of 2019, also known as the Blueprint for Maryland's Future, all LEAs receive funding in the fiscal 2020 and 2021 budget for teacher salary incentives, Students with Disabilities, Transitional Supplemental Instruction, and mental health coordinators. Some LEAs also receive Blueprint funding in fiscal 2020 and 2021 for Concentration of Poverty (COP) grants, supplemental full-day prekindergarten, and declining enrollment. The Governor's fiscal 2021 budget allocates \$58 million from the Blueprint Fund for COP Expansion and Early Childhood grants. The COP Expansion provides \$12.4 million in new funding for schools with between 75% and 80% of students eligible for free and reduced-price meals (FRPM). (Early Childhood grants are not shown in this analysis). More information on this issue can be found in the Issues section of this analysis. **Exhibit 6** shows the allocation for major State aid to LEA's by program in the fiscal 2021 Aid to Education budget.

Exhibit 6
Major State Aid to Local Education Agencies
Fiscal 2020-2021
(\$ in Millions)

	<u>2020</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
<u>Major State Aid</u>				
Foundation	\$3,140,367	\$3,218,369	\$78,002	2.4%
Compensatory Education	1,330,429	1,363,208	32,779	2.4%
Special Education	303,250	314,871	11,621	3.7%
Limited English Proficiency	311,080	348,240	37,160	10.7%
Transportation	303,045	310,187	7,142	2.3%
Geographic Cost of Education Index	145,450	149,532	4,082	2.7%
Supplemental Grants	46,620	46,620	0	0.0%
Net Taxable Income	65,301	69,724	4,423	6.3%
Tax Increment Financing	1,036	991	-45	-228.0%
Hold Harmless	11,931	9,398	-2,533	-27.0%
Guaranteed Tax Base	43,685	41,232	-2,453	-5.9%
Declining Enrollment	-18,890	0	-18,890	n/a
<u>Blueprint for Maryland's Future</u>				
Teacher Salary Incentives	\$75,000	\$75,000	\$0	0.0%
Students with Disabilities	65,469	65,469	0	0.0%
Transitional Supplemental	23,000	23,000	0	0.0%
Mental Health Coordinator	2,000	2,000	0	0.0%
Concentration of Poverty Grants	54,494	65,194	10,700	16.4%
Full-day Prekindergarten (Age 4)	31,678	64,056	32,378	50.5%
Declining Enrollment	0	7,633	7,633	0.0%

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	<u>2020</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
<i>Major State Aid Subtotal</i>	\$5,963,682	\$6,174,724	\$211,042	3.4%
<i>Teachers' Retirement</i>	\$767,889	\$750,289	-\$17,600	-2.3%
Grand Total	\$6,731,571	\$6,925,013	\$193,442	2.8%

Note: Special Education is Students with Disabilities in the Governor's budget and does not include funds for nonpublic schools. The Blueprint for Maryland's Future allowance does not include Early Childhood Expansion Grants, Blueprint Outreach, Teacher Collaborative Grants, and Medicaid Direct Certification Initiative.

Source: Maryland State Department of Education; Governor's Fiscal 2021 Budget Books

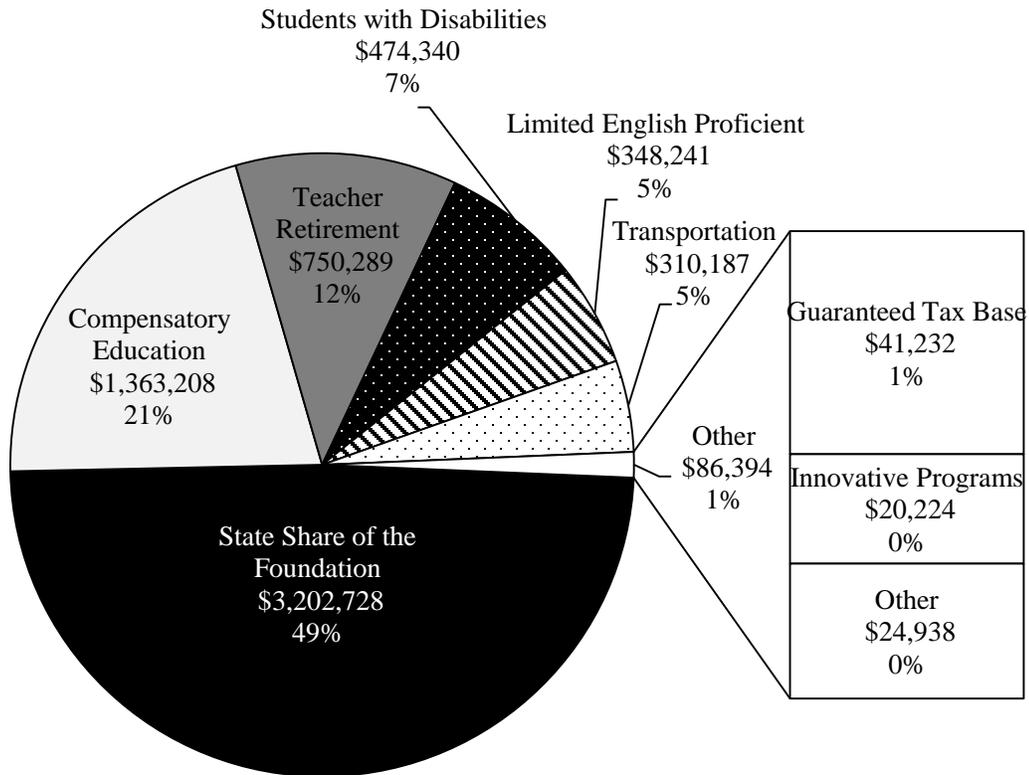
Maintenance of Effort

MSDE certified that all counties except for Baltimore City met the fiscal 2020 Maintenance of Effort (MOE) requirement. Baltimore City did not receive a waiver from the State Board of Education in December 2019; thus, as required by law, the Comptroller is intercepting local income tax revenues in the amount by which the city did not meet the MOE and distributing it to the school system. For fiscal 2021, the growth in the five-year statewide average education effort is 1.29%, and 13 counties met that requirement. There are 11 jurisdictions that fall below this requirement and will need to raise their MOE by at least 2.5% in advance of the start of fiscal 2021, unless they request and are granted a waiver – Baltimore City; and Allegany, Caroline, Dorchester, Garrett, Kent, Somerset, Talbot, Washington, Wicomico, and Worcester counties.

General Fund Spending

The fiscal 2021 general fund allowance totals approximately \$6.5 billion. The largest program is the State Share of the Foundation, which receives \$3.2 billion in fiscal 2021. Compensatory education receives \$1.4 billion; students with disabilities receives \$474.3 million; LEP receives \$348.2 million; and transportation receives \$310.1 million. **Exhibit 7** shows the distribution of general funds in the fiscal 2021 budget.

**Exhibit 7
General Fund Allowance
Fiscal 2021
(\$ in Millions)**



Source: Governor’s Fiscal 2021 Budget Book

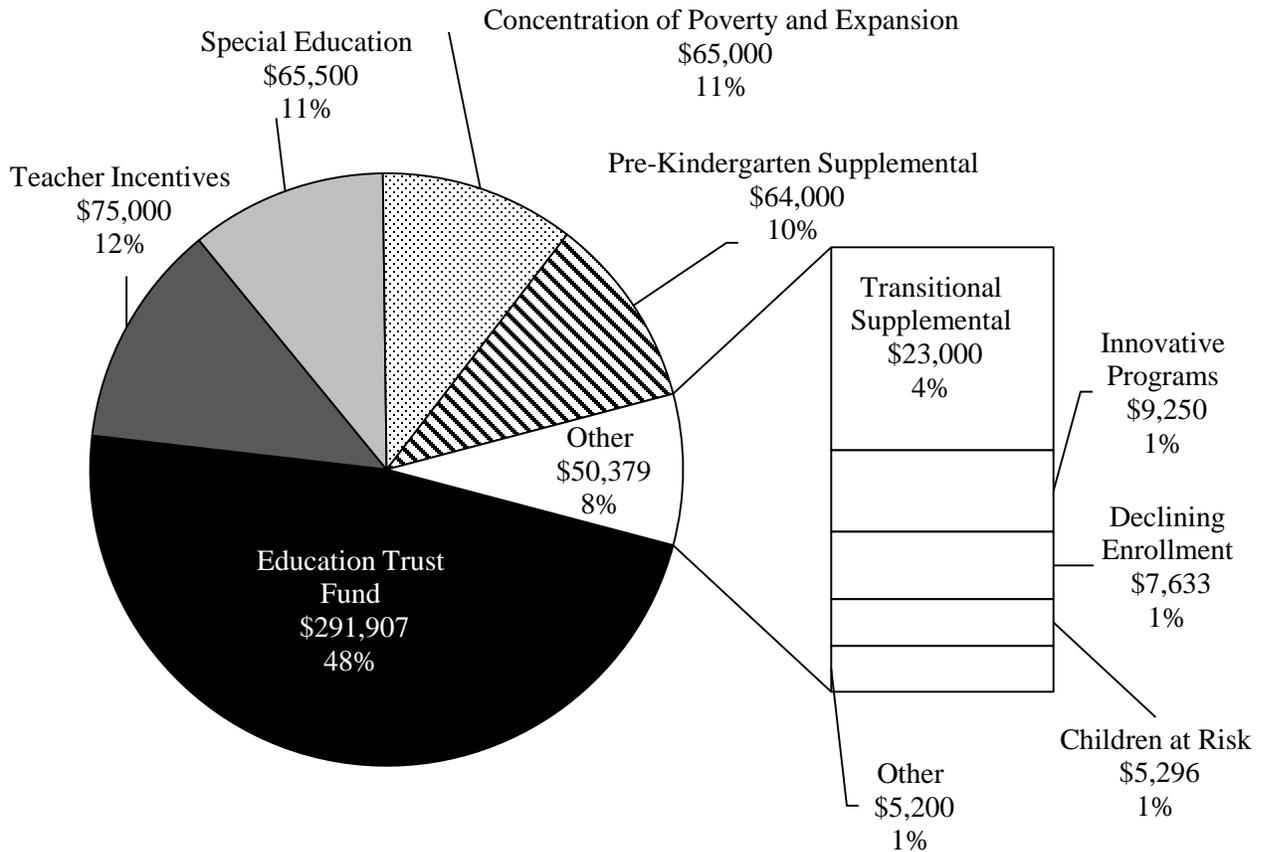
In fiscal 2021, the State contributes \$750.3 million to support the employer’s share of retirement costs for local school system employees (included in the State Aid figures above). LEAs share in the cost of providing teacher retirement and pensions. In fiscal 2021, the local cost share includes approximately \$293.8 million for the employer normal cost for active members in the State Teacher’s Pension or Retirement System and \$15.2 million for State Retirement Agency administrative costs. This information is in **Appendix 1**.

Special Funds

Exhibit 8 shows the special fund allowance for fiscal 2021, including detail on the allocation of \$350.8 million from the Blueprint for Maryland’s Future Fund. An additional \$291.9 million in

special funds is allocated from the ETF to the Foundation program. Other special fund allocations include \$9.2 million from the Blueprint for Maryland’s Future Fund for Innovative Programs; \$5.3 million from Children at Risk to the School for Education Evolution and Development (SEED) school, which is a public residential boarding school for at-risk youth; and \$300,000 in local fee reimbursements for the National Board for Professional Teaching Standards certification.

**Exhibit 8
Special Fund Allowance
Fiscal 2021
(\$ in Thousands)**



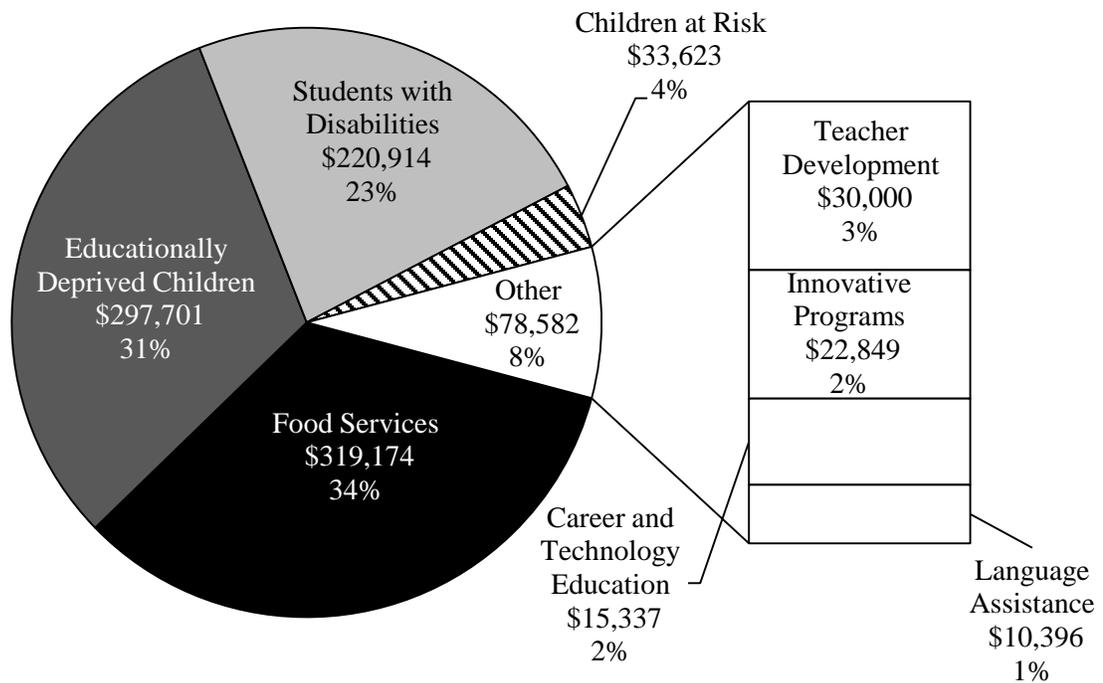
Source: Governor’s Fiscal 2021 Budget Book

Federal Funds

In the fiscal 2021 budget, three programs receive the majority of federal funds, accounting for 88% of federal fund spending. The Food Services program receives \$319.2 million that includes funds for school breakfast, school lunch, child and adult food care, summer food service, and the fruit and

vegetable program. Funding for grants to support educationally deprived children receives \$297.7 million, and students with disabilities receives \$220.9 million. All other aid programs receive a total of \$112.2 million and account for the remaining 12% of the appropriation. **Exhibit 9** shows the federal fund allocation for fiscal 2021.

Exhibit 9
Federal Fund Allowance
Fiscal 2021
(\$ in Thousands)



Source: Governor’s Fiscal 2021 Budget Book

Proposed Budget Change

Exhibit 10 shows the proposed changes to the fiscal 2021 Aid to Education proposed budget that increases approximately \$218.2 million, or 2.8%.

Exhibit 10
Proposed Budget
MSDE – Aid to Education
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2019 Actual	\$5,948,547	\$561,112	\$878,529	\$192	\$7,388,379
Fiscal 2020 Working Appropriation	6,282,653	681,552	966,993	90	7,931,288
Fiscal 2021 Allowance	<u>6,541,800</u>	<u>657,563</u>	<u>949,993</u>	<u>90</u>	<u>8,149,445</u>
Fiscal 2020-2021 Amount Change	\$259,147	-\$23,989	-\$17,000	\$0	\$218,157
Fiscal 2020-2021 Percent Change	4.1%	-3.5%	-1.8%		2.8%

Where It Goes	Change
State Aid to Local Education Agencies	
Foundation program.....	\$78,002
Limited english proficient.....	37,161
Compensatory education.....	32,779
Special education	11,621
Transportation	7,142
Net taxable income	4,423
Geographic Cost of Education Index	4,082
Tax Increment Financing	-45
Guaranteed Tax Base	-2,453
Hold Harmless	-2,533
Teachers retirement.....	-17,600
Small and declining grants.....	-18,890
Other General Fund Changes	
Nonpublic school placements	2,429
Reduced-price meals program	1,090
Advanced Placement tests for low-income students.....	1,087
P-TECH Grant	262
Environmental and Outdoor Education Grant.....	279
SEED School	129
Arts Education in Maryland Schools Grant	100
Robotics Grant	100
Autism Waiver	78
Federal Funds	
Summer Food Service Program for Children.....	-1,115
School Breakfast Program	-7,742
National School Lunch Program.....	-8,143

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Where It Goes	<u>Change</u>
Blueprint for Maryland’s Future Grant Program	
Early Childhood Expansion	45,558
Prekindergarten supplemental grants	32,378
Concentration of Poverty grants	10,700
Declining enrollment grants.....	7,633
Medicaid Direct Certification Initiative	-350
Other	-5
Total	\$218,157

MSDE: Maryland State Department of Education
P-TECH: Pathways in Technology Early College High School
SEED: School for Evolution Education Development

Note: \$45.6 million in Early Childhood Expansion grant funds, while budgeted in the Aid to Education, Blueprint for Maryland’s Future grant program, are analyzed in the MSDE – Early Childhood Development analysis (R00A99). Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

Changes in State Aid to LEA’s

The Foundation program increases approximately \$78.0 million, or 2.4%. This increase is attributable to the statewide enrollment growth of 11,197 students, or 1.3%, and a 1.2% inflation adjustment based on the Consumer Price Index for all urban consumers for the per pupil foundation amount from \$7,244 to \$7,331.

LEP increases approximately \$37.2 million, or 11.9%. This increase is based primarily on an LEP enrollment of 93,249 students, which is 9,128 more students than last year. Currently, 10.7% of students statewide are eligible for LEP funding.

Compensatory education increases approximately \$32.8 million, or 2.5%. This increase is based on an enrollment count of FRPM students of 371,013, which is 5,234 more students than last year. Currently, 42.4% of students are eligible for compensatory education funding.

Special education increases approximately \$11.6 million, or 3.1%. This increase is based on an enrollment count of special education students of 112,855, which is 3,144 more students than last year. Currently, 12.9% of students statewide are eligible for special education funding.

Transportation increases approximately \$7.1 million, or 2.4%. This allowance includes an additional \$1,000 for the transportation of disabled students, which this year totaled 27,994 students statewide.

NTI increases \$4.4 million, or 6.8%. This amount adjusts State aid for 19 LEAs based on the difference between September and November NTI. Four LEAs – Anne Arundel, Caroline, Cecil, and

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St. Mary's – received negative adjustments (less funds); the remainder of LEAs received positive adjustments (more funds).

GCEI increases \$4.1 million, or 2.8%. Fifteen LEAs receive GCEI funds – Anne Arundel, Baltimore, Calvert, Carroll, Charles, Dorchester, Frederick, Harford, Howard, Kent, Montgomery, Prince George's, Queen Anne's, St. Mary's counties and Baltimore City.

TIF decreases by \$45,000. Only Baltimore City and Prince George's County received TIF funds. This decrease is due to the State Department of Assessments and Taxation (SDAT) not providing the incremental assessed value associated with qualifying TIF districts so the allowance does not fully fund TIF grants. **MSDE should comment on the timeline for receiving TIF data from SDAT so that TIF grants can be calculated and included in the fiscal 2021 budget for eligible school systems.**

GTB funding decreases \$2.5 million, or 5.6%. Eight LEAs received GTB funds – Anne Arundel, Caroline, Charles, Dorchester, Somerset, Washington, and Wicomico counties and Baltimore City.

Hold Harmless funding decreases \$2.5 million. Five jurisdictions receive these funds – Dorchester, Garrett, Prince George's, Queen Anne's, counties and Baltimore City. The Department of Budget and Management (DBM) reported that for fiscal 2021, the grants are provided to ensure that every school system receives at least \$100,000 increase in State aid. DLS has not been able to replicate this calculation.

Teacher's retirement decreases \$17.6 million. This decrease is due to an increased salary base offset by a lower State contribution rate.

Declining enrollment grants decrease \$18.9 million in general funds, or 100%, because these grants are now part of the Blueprint for Maryland's Future funding.

Other General Fund Changes

Nonpublic school placements increase \$2.5 million due to more students in this program. Funds are included for a 2.3% provider-rate increase for fiscal 2021.

Reduced-price meals increases \$1.1 million based on the mandated increase of \$.10 per student per meal paid for by the State starting in fiscal 2020; in fiscal 2021 the State is reimbursing \$.20 per student per meal.

Advanced Placement (AP) Tests for Low-income Students is a new innovative program in the Governor's fiscal 2021 budget. This allowance of \$1.1 million funds the Governor's AP Opportunities Act of 2020 (HB 348/SB 267), which aims to provide low-income students in Maryland access to AP tests for 25,000 low income students free of charge. More information on this bill is in the Issues section of this analysis.

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P-TECH increases \$262,000 in the Governor’s budget under innovative programs. More information on this program can be found in the Issues section of this analysis.

Environmental and Outdoor Education is a new innovative program in the Governor’s fiscal 2021 budget. The \$278,750 provided in the allowance meets the requirements of Section 7-117 of the Education Article for the Maryland Association of Environmental and Outdoor Education for increasing the number of green schools in the State.

SEED School increases \$129,000 based on the 1.2% increase in the State’s per pupil foundation amount.

Arts in Education in Maryland Schools is a new innovative program that meets the requirements of Chapter 680 and 681 of 2019 that provides \$100,000 through fiscal 2023 for the Maryland Artlook Map Project.

Robotics Grant increases \$100,000 to meet the requirements of Chapter 428 of 2019 that increased the mandate from \$250,000 to \$350,000 annually.

Autism waiver increases \$78,000 to provide services for students with autism through Medical Assistance Funding. More information on the autism waiver is in the Updates section of this analysis.

Federal Fund Changes

Food Service programs decrease for summer food service (\$1.1 million), school breakfast (\$7.7 million), and national school lunch (\$8.1 million) due to a decline in meals served.

Blueprint for Maryland’s Future Changes

Prekindergarten supplemental grants increase \$32.3 million as part of the Blueprint funding for publicly-funded full-day prekindergarten for four years old.

Declining enrollment grants of \$7.6 million are funded with Blueprint funds in fiscal 2021 after being funded with general funds in fiscal 2020. Total spending declines by \$11.3 million in fiscal 2020. Nine LEAs receive this allocation in fiscal 2021 – Allegany, Cecil, Dorchester, Garrett, Kent, Queen Anne’s, Somerset, Washington counties and Baltimore City. This program terminates after fiscal 2021.

The Medicaid Direct Certification Initiative decreases \$350,000 because this information technology initiative was completed in 2019. More information on this project can be found in the MSDE Headquarters analysis, R00A01.

COP grants receive \$10.7 million in the Governor’s budget. Fourteen LEAs receive this allocation in fiscal 2021 – Allegany, Anne Arundel, Baltimore, Cecil, Dorchester, Frederick, Harford, Montgomery, Prince George’s, St. Mary’s, Somerset, Washington, Wicomico counties, and Baltimore City. More information about COP Expansion grants is in the Issues section of this analysis.

Issues

1. Blueprint for Maryland’s Future Funding Priorities

Fiscal 2021 Additional Allocation

Chapter 771 outlined the use of \$255 million in fiscal 2020 and mandated \$348 million in fiscal 2021, consistent with funding priorities and recommendations identified by the Kirwan Commission. Chapter 771 required the Governor to appropriate \$58.0 million to the Blueprint Fund to begin implementing additional Kirwan Commission recommendations in fiscal 2021. These recommendations include \$32 million for College and Career Readiness (CCR), \$20.1 million for Post-CCR Pathways, and \$5.2 million for teacher supplies and technology. These recommendations total \$57.4 million of the \$58 million allocation in fiscal 2021. However, the Governor’s fiscal 2021 budget allocates funds for COP Expansion and Early Childhood Education, which differs from the Kirwan Commission’s recommended uses, as shown in **Exhibit 11**.

Exhibit 11
Blueprint for Maryland’s Future Funding Priorities
Fiscal 2021
(\$ in Millions)

	<u>Kirwan Commission</u>	<u>2021 Allowance</u>
College and Career Readiness (CCR)	\$32.0	
Post-CCR Pathways	20.1	
Teacher Supplies and Technology	5.2	
Concentration of Poverty Expansion (75%)		\$12.4
Early Childhood Expansion		45.6
Total	\$57.4	\$58.0

Kirwan Commission: Commission on Innovation and Excellence in Education

Source: Department of Legislative Services

SB 1000/HB 1300 have been introduced by the Senate President and Speaker of the House of Delegates on behalf of the Kirwan Commission to implement the Kirwan Commission’s proposed policy and funding formula recommendations. The Governor’s fiscal 2021 budget proposes to fund recommendations made by the Kirwan Commission but in different years than the Kirwan Commission. Under SB 1000/HB 1300, schools with 75% COP will begin to receive grants in fiscal 2022, instead of fiscal 2021 as proposed by the Governor. Additional prekindergarten expansion funds are also provided under SB1000/HB 1300 beginning in fiscal 2022. Fiscal 2020 general fund support for expansion grants is replaced with special funds from the Blueprint Fund in fiscal 2021, which frees up general funds for

other purposes. The amount of additional funds available in the Blueprint Fund to support implementing the Kirwan Commission recommendations is reduced correspondingly.

Blueprint Spending in Fiscal 2020

As part of the implementation of Chapter 771, LEAs are required to report to the General Assembly on Blueprint spending in fiscal 2020 and 2021. To collect this information, the Department of Legislative Services (DLS) conducted a survey of all 24 LEAs. LEAs submitted initial responses in December 2019, and DLS followed up on these responses in January 2020. Some key findings from the survey are:

- Eligible COP schools in 3 LEAs had not hired a community school coordinator (CSC) at the time of the survey. In Prince George’s County, more than half of the schools (24) did not yet have a CSC; Baltimore City (8) and Montgomery (5) also had schools without CSC.
- Most local school systems (20 out of 24) used the special education enhancement funds only to support Individualized Education Plans (IEP) and 504 plans. Four LEAs indicated that they also spent funding on other purposes related to Kirwan Commission recommendations. One of the 4 LEAs, Washington County, reported that it already met all of the needs of students with IEPs and 504 plans and thus did not spend any of the enhancement funds on additional services.
- Eleven LEAs hired a full-time mental health coordinator with the new funds provided in Chapter 771. Twelve LEAs had previously hired a full-time or part-time coordinator. One LEA, Baltimore City, had not hired a mental health coordinator at the time of the survey.

Additionally, three LEAs were awarded Teacher Collaborative Grants totaling \$2,425,000:

- Prince George’s County Public Schools, Prince George’s County Educators Association, Montgomery County Public Schools, Montgomery County Education Association, and University of Maryland – \$1,200,000;
- Howard County Public Schools, Howard County Education Association, and Bowie State University – \$693,442; and
- Baltimore City Public Schools, Baltimore Teachers Union, and Morgan State University – \$531,558.

More information on the Blueprint for Maryland’s Future and the survey results can be found in **Appendix 2**. The LEA submissions are available in the DLS Library.

LEAs reported fewer schools receiving COP grants than initially budgeted. This count reflects a number of schools that were initially found to be eligible for a grant that were programs within schools, rather than separate schools or where the school had subsequently closed. **Exhibit 12** shows a

total 25 schools that were initially identified as eligible for COP grant in fiscal 2020 did not receive a grant.

Exhibit 12
Concentration of Poverty Funding
Fiscal 2020

	<u>2020</u> <u>Appropriation</u>	<u>Survey</u>	<u>Difference</u>	<u>80% of</u> <u>2020</u> <u>Schools</u>	<u>80% of</u> <u>Survey</u> <u>Schools</u>	<u>Difference in</u> <u>Schools</u>
Allegany	\$248,833	\$248,833	\$0	1	1	0
Anne Arundel	497,666	497,666	0	2	2	0
Baltimore City	31,352,958	28,615,795	2,737,163	126	115	11
Baltimore County	995,332	995,332	0	4	4	0
Calvert	0	0	0	0	0	0
Caroline	0	0	0	0	0	0
Carroll	0	0	0	0	0	0
Cecil	248,833	248,833	0	1	1	0
Charles	0	0	0	0	0	0
Dorchester	1,244,165	1,244,165	0	5	5	0
Frederick	497,666	497,666	0	2	2	0
Garrett	0	0	0	0	0	0
Harford	746,499	746,499	0	3	3	0
Howard	0	0	0	0	0	0
Kent	\$0	0	0	0	0	0
Montgomery	1,990,664	1,990,664	0	8	8	0
Prince George's	11,197,485	10,948,652	248,833	45	44	1
Queen Anne's	0	0	0	0	0	0
St. Mary's	0	0	0	0	0	0
Somerset	995,332	995,332	0	4	4	0
Talbot	0	0	0	0	0	0
Washington	0	0	0	0	0	0
Wicomico	1,244,165	1,244,165	0	5	5	0
Worcester	0	0	0	0	0	0
Statewide/ Unallocated	3,234,829	0	3,234,829	13	0	13
Total	\$54,494,427	\$48,273,602	\$6,220,825	219	194	25

Source: Department of Legislative Services

DLS recommends that \$6.2 million in COP funding that was not awarded as grants be reduced in the Budget Reconciliation and Financing Act of 2020 and reverted to the Blueprint Fund for future allocation.

2. AP Tests for Low-income Students

HB 348/SB 267 is an Administration bill that requires, to the extent that funding is provided in the State budget, that the State Board of Education provide AP examination fee assistance for specified students with financial need beginning in the 2020-2021 school year. To receive the AP examination fee assistance, a student with financial need must be enrolled in an approved course and plan to take the appropriate examination.

From 1998 to 2016, the federal government provided states with dedicated funding to offset the cost of AP exams for low-income students under a Title I program called the AP Test Fee Program. Beginning with the 2017 AP exams, the Every Student Succeeds Act eliminated this program and consolidated AP funding with 40 other educational programs under a new Title IV, Part A block grant. According to the College Board, the vast majority (95%) of this new Title IV, Part A funding goes to districts, which can use it to subsidize their low-income students' AP exam fees. Low-income means a family income at or below 185% of the poverty level, the same threshold for FRPM eligibility. States can reserve up to 5% of the Title IV funds and use them for the same purpose. Fifteen school systems in Maryland have chosen to use some amount of Title IV funding to cover AP exam costs in fiscal 2020.

The current fee for an AP test is \$94 for students, as set by the College Board. The student pays \$94 to the local system, which remits \$85 to the College Board, thus providing a \$9 rebate per exam to the local school system. For the majority of AP tests, the College Board offers a \$32 reduction to the fee for low-income students at a cost to local school systems of \$53 per exam; local school systems are expected to forgo the \$9 rebate for these exams. The Governor's proposed fiscal 2021 budget contains \$1.1 million in new funding for fiscal 2021 for AP tests for low-income students. As seen in **Exhibit 13**, a recent DLS estimate of the costs of AP tests for low-income students assumed that AP fee assistance is provided to *all* students with financial need for all qualified exams indicated that to provide complete AP fee assistance to all students with financial need costs approximately \$1.1 million annually.

Exhibit 13
Advanced Placement Test Costs

	<u>Cost Per Exam</u>	<u>Estimated Exams (Public Schools Only)</u>	<u>Estimated Exams (Private Schools Only)</u>	<u>Estimated Cost (All Schools)</u>
Fee-reduced AP Exams	\$53	20,600	300	\$1,107,700
Fee-reduced AP Capstone Exams	101	240	0	24,240
Total				\$1,131,940

AP: advanced placement

Source: Maryland State Department of Education; Department of Legislative Services

As noted previously, LEAs may use State, local, or federal funds (*e.g.*, Title IV) to cover AP exam fees for low-income students. Fifteen school systems in Maryland are using Title IV-A federal funds for this purpose in fiscal 2020. It is not known how many systems may be using State or local funds to cover AP exam fees. State funds provided under the bill will supplant other funds being used by school systems to pay AP exam fees, freeing up those dollars for other eligible spending by the school system.

Due to the fact that it is unknown how many LEAs use State or local funds to cover AP exam fees for low-income students, DLS recommends deleting the funding for this new program in fiscal 2021, instead encouraging MSDE to perform outreach to local jurisdictions regarding the potential for utilizing available Title IV-A federal funds for this purpose.

3. Unpredictability of P-TECH Funding Does Not Warrant Funding Increase

P-TECH offers high school students the opportunity to graduate in six years or less with a high school diploma, an associate's degree, and relevant professional experience without incurring a cost. In order for a school to host a P-TECH program, it must have a designated industry partner; coordinate curriculum, academic requirements for the degree with the State, LEA, and local community college; and have a State and local funding source. In Maryland, Chapter 591 of 2016 established P-TECH funding for the State, LEA's, and community colleges for local P-TECH programs. State funding is provided as follows: in grades 9 through 12, P-TECH students are counted as full-time enrolled students (FTES) at their high school; in grade 13, or the fifth year of the program, they are counted at 50% of FTES in their LEA's enrollment count; and in grade 14, or the sixth and final year of the program, they are counted as 25% of FTES in their LEA's enrollment count. Students may not stay in the program more than six years. Currently, the State also provides LEAs \$750 per P-TECH student that the LEA must match. For community colleges, counties that received a disparity grant in the prior

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fiscal year, the State share is 50%, and the local share is 50%. In counties that did not receive a disparity grant in the prior fiscal year, the State share is 25%, and the local share is 75%. Student credit hours at a community college are also included in the college's FTES calculation for their funding formulas that provides additional funding. Chapter 591 also specifies that the fiscal 2018 planning grants would be the last until the initial P-TECH cohort from the 2016-2017 school year completes its six-year sequence (*i.e.*, after the 2022-2023 school year).

Fiscal 2021 funding for P-TECH schools increases by a net \$262,000, after accounting for the \$463,128 deficiency allocation provided in fiscal 2020 for enrollment adjustments. Since the inception of this program, predicting costs for this program has proven to be very difficult. The required fiscal 2020 deficiency appropriation equates 40% of the original grant amount because enrollment counts were misestimated. Although the costs of a P-TECH student in high school is covered 100% by State foundation funding to LEAs, the costs for community college tuition varies by student and by program year. Due to this uncertainty, increasing numbers of P-TECH students entering the program in Year 1 create an unknown cost to the State by Year 6. This problem is evident in the deficiency allocation for this program in fiscal 2020.

DLS recommends restricting the fiscal 2021 P-TECH fund increase contingent on a report that updates information on this program.

Operating Budget Recommended Actions

1. Add the following language:

Provided that the Maryland State Department of Education shall notify the budget committees of any intent to transfer funds from program R00A02 Aid to Education to any other budgetary unit. The budget committees shall have 45 days to review and comment on the planned transfer prior to its effect.

Explanation: The Maryland State Department of Education (MSDE) should not transfer any funds from Aid to Education until the transfer is reviewed by the budget committees.

Information Request	Author	Due Date
Report on any transfer of funds from R00A02	MSDE	45 days prior to transfer

- | | <u>Amount Reduction</u> | <u>Position Reduction</u> |
|---|--------------------------------|----------------------------------|
| 2. Delete general funds for the Advanced Placement Opportunities Act of 2020. Federal and local dollars can already be expended for this purpose. | \$ 1,086,500 | GF |
| 3. Add the following language: | | |

, provided that \$262,000 of this appropriation may not be expended until the Maryland Department of Education submits a report to the budget committees on the status of the Pathways in Technology Early College High School Program. The report shall include enrollment in fiscal 2019, 2020, and an estimate for fiscal 2021 and expenditure data for each year. This report shall be submitted by July 1, 2020, and the budget committees will have 45 days to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose, and shall revert to the General Fund if the report is not submitted to the budget committee.

Explanation: The Pathways in Technology Early College High School (P-TECH) Program enrolls students in grades 9 through 14 to complete a high school diploma and associate’s degree, as well as earn work experience. However, the costs of this program are difficult to determine due to the increasing number of students entering the program in grade 9. The budget committees request a report on P-TECH that includes current enrollment for the 2019-2020 school year in the program, anticipated enrollment for the 2020-2021 school year in the program, and estimated costs for the program in fiscal 2022.

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Information Request	Author	Due Date
Report on P-TECH enrollment	Maryland State Department of Education	July 1, 2020
Total General Fund Reductions		\$ 1,086,500

Updates

1. Special Education Study Submitted

Chapter 715 of 2017 required MSDE to contract with an outside entity to conduct a study of the State’s IEP process and report the findings and recommendations of the consultant to the General Assembly by July 1, 2019. Chapter 361 expanded the scope of the required study 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 for the use of a special education weight for estimating the cost of an adequate education for special education students. Recommendations were required regarding the adequate level of funding and on any use of weights in public school funding formulas for special education.

Chapter 361 also required that MSDE contract for the study by September 1, 2018, and report on the findings and recommendations of the study by September 1, 2019. In fall 2018, MSDE, in consultation with DBM and DLS, selected WestEd to conduct the study, but the contract was not completed until December 2018, and WestEd requested an extension to the end of November 2019.

In November 2019, WestEd submitted the study. This study concluded that Maryland students with disabilities continue to lag behind their peers in academic achievement and in graduation rates. To remedy this problem, the study offers these recommendations: (1) short-term investments, totaling approximately \$2.0 billion over 10 years, to provide supplemental interventions to students with or at risk for disabilities to close the achievement gap between special needs and all other students; (2) increase ongoing investment in special education by approximately \$75.4 million per year to ensure that each student with a disability makes adequate progress, in light of their unique circumstances; and (3) sequence and monitor the investment of those additional dollars in the system over 10 years, prioritizing a small number of foundational, high-impact investments to ensure that the increased investments are effectively used by LEAs and schools.

2. Medicaid Claims for School-based Health Services

In July 2018, Medicaid in the Maryland Department of Health hired a consulting firm to review its existing business processes and organizational structure and to make recommendations for improvement. The resulting report issued in December 2018 contained recommendations that concerned how LEAs claim administrative costs for Medicaid for certain school-based services. Schools can receive Medicaid funding in three ways: through school-based health centers that act as providers; through services (*e.g.*, speech therapy and counseling) provided as part of an IEP that are specific to the needs of an individual child’s education; and school-based administrative services that support the provision of Medicaid services to children in schools and activities related to outreach and enrollment.

A 2019 *Joint Chairmen’s Report* (JCR) report on maximizing Medicaid claims for school-based health services found that Maryland would need to take the following steps to initiate a school-based administrative claiming program:

- conduct a program needs assessment based on federal guidance;
- develop an allocation methodology and time study procedure for school districts to calculate reimbursable administrative activities based on revised federal guidelines;
- obtain Centers for Medicaid and Medicare Services approval;
- implement the program; and
- maintain ongoing oversight and program management functions.

The report also noted that the Maryland Direct Certification system that is used for the purpose of directly certifying students for free school meals does not use Social Security numbers due to laws regarding personally identifiable information. Direct certification matching uses State assigned student identification numbers.

3. Safe and Sick Leave for Substitute Teachers

A 2019 JCR asked MSDE to report on how LEAs implement the Maryland Healthy Working Families Act of 2018 (Chapter 1) with regard to substitute employees. Chapter 1 requires businesses with more than 15 employees to provide Safe and Sick leave to employees who work at least 12 hours per week. LEAs replied to a request from MSDE to report on how job assignments are received, how hours are recorded, how earned hours are calculated in the payroll system, how employees utilize leave, and how a replacement for a substitute might be identified.

This report noted that LEAs use a variety of methods to assign substitute jobs. Some counties utilize a substitute employee management system, such as Frontline, Smart-Find, or Oracle Leave; others use a phone or email system. Most LEAs record hours with by software entry, but some use manual entry. LEAs also calculate hours and payroll primarily with automated software, but nine LEAs use manual calculation methods. In all LEAs, employees who meet the standard for leave can request it either by paper request or online. Some LEAs do not have a method for replacing substitutes with a substitute; however, many had a system that did find a replacement.

4. Socio-economic Integrated Schools

A 2019 JCR report asked MSDE to report on methods and strategies for socio-economic integration of public schools. In researching other state’s approaches to socio-economic integration, MSDE found that districts have policies that allow students to choose their school or school location, such as school choice, magnet schools, charter schools, transfer flexibility, or attendance zone

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allowances to facilitate potential socio-economic integration. Some school districts had targeted programs designed to better ensure socio-economic integration; however, with one exception of a program in Cambridge, Massachusetts, these programs had mixed results in improving integration and student achievement. Additionally, some states, as well as Montgomery County, used housing policies and other incentives to increase socio-economic integration of neighborhoods and schools. Overall, the report indicates mixed results from these programs and that more investigation may be needed.

Appendix 1
State Teacher’s Retirement and Local Cost Share
Fiscal 2020-2021

<u>County</u>	<u>Local Cost Share for Teacher Retirement</u>			<u>Local Administrative Cost Share for Teacher Retirement</u>		
	<u>2020</u>	<u>2021</u>	<u>Difference</u>	<u>2020</u>	<u>2021</u>	<u>Difference</u>
Allegany	\$2,586,615	\$2,591,293	\$4678.06	\$156,478	\$134,039	-22438.75
Anne Arundel	23,980,202	24,701,352	721149.79	1,450,687	1,277,717	-172969.77
Baltimore City	23,369,744	23,713,096	343351.69	1,413,757	1,226,598	-187159.01
Baltimore	34,533,331	36,142,469	1609138.42	2,089,100	1,869,527	-219573.23
Calvert	5,180,760	5,260,511	79750.87	313,411	272,108	-41303.04
Caroline	1,774,954	1,779,779	4824.80	107,376	92,062	-15314.18
Carroll	7,556,167	7,700,871	144703.71	457,112	398,340	-58771.74
Cecil	5,003,332	5,142,574	139241.85	302,678	266,008	-36669.50
Charles	8,104,510	8,325,730	221220.35	490,284	430,662	-59621.81
Dorchester	1,466,013	1,454,820	-11193.21	88,687	75,253	-13433.74
Frederick	12,431,646	12,928,766	497119.85	752,055	668,761	-83293.74
Garrett	1,083,257	1,098,978	15720.77	65,532	56,846	-8685.85
Harford	10,728,741	10,826,496	97755.14	649,037	560,018	-89019.16
Howard	22,365,863	22,337,647	-28216.29	1,353,027	1,155,451	-197576.04
Kent	645,035	658,976	13941.40	39,021	34,087	-4934.49
Montgomery	61,086,328	61,908,257	821928.82	3,695,429	3,202,304	-493124.73
Prince George’s	43,283,640	43,625,215	341575.19	2,618,452	2,256,584	-361867.80
Queen Anne’s	2,282,178	2,307,291	25113.28	138,061	119,348	-18712.76
St. Mary’s	5,089,054	5,121,381	32327.29	307,863	264,912	-42951.25
Somerset	1,072,925	1,090,484	17559.42	64,907	56,407	-8499.77
Talbot	1,291,686	1,370,256	78569.92	78,141	70,879	-7261.79
Washington	6,377,926	6,391,194	13268.40	385,834	330,595	-55238.79
Wicomico	4,663,780	4,691,682	27902.46	282,136	242,685	-39451.21
Worcester	2,617,511	2,675,457	57945.59	158,347	138,392	-19954.84
Total	\$288,575,197	\$293,844,575	\$5,269,378	\$17,457,410	\$15,199,583	-\$2,257,827

Note: Chapter 1 of the 2012 special session shifted teacher retirement costs to the local boards of education and required county governments to provide equivalent funds to the local boards above the required maintenance of effort. Other legislation passed at the special session enhanced county income and recordation tax revenues, in part, to offset these additional costs.

Appendix 2
Blueprint for Maryland’s Future Grant Program

Commission on Innovation and Excellence in Education (Kirwan Commission)

Chapters 701 and 702 established the Commission on Innovation and Excellence in Education to review and make recommendations on (1) adequacy of education funding and its related studies and make recommendations on the funding formula; (2) local education agencies (LEA) expenditures on education; (3) innovative education delivery mechanisms and other strategies to prepare Maryland students for the 21st century workforce and global economy; and (4) expand prekindergarten, including special education for prekindergarten students. 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. The Kirwan Commission concluded its work in November 2019 with recommendations in five policy areas: Early Childhood Education; High-quality and Diverse Teachers and Leaders; College and Career Readiness Pathways; More Resources to Ensure All Students are Successful; and Governance and Accountability.

Blueprint for Maryland’s Future (Chapter 771 of 2019)

In 2019, the passage of Chapter 771 of 2019, also called the Blueprint for Maryland’s Future, legislated new funding for LEAs to implement Kirwan Commission initiatives. This legislation and funding is intended to improve instruction and skills to international standards, access to early childhood services and instruction, and narrow student performance gaps. To implement this initiative, the legislation calls for LEA funding in the five main policy areas recommended by the Kirwan Commission. **Exhibit 1** provides an overview of these programs and grants for fiscal 2020 and 2021.

Exhibit 1
Blueprint for Maryland’s Future Funding Overview
Fiscal 2020-2021 Est.
(\$ in Millions)

	2020 <u>Appropriation</u>	2021 <u>Est.</u>	2021 <u>Allowance</u>	2021 <u>Difference</u>
Full-day Prekindergarten for Four-year-olds	\$31.7	52.9	\$64.1	\$11.2
Teacher Salary Incentive Grants	75.0	75.0	75.0	0.0
Concentration of Poverty School Grants	54.5	58.7	52.8	-5.9
Transitional Supplemental Instruction	23.0	23.0	23.0	0.0
Special Education	65.5	65.5	65.5	0.0
Mental Health Coordinators	2.0	2.0	2.0	0.0
Declining Enrollment Grants	0.0	10.1	7.6	-2.5
The Blueprint for Maryland’s Future Fund	0.0	58.0	58.0	0.0
<i>Prekindergarten Expansion Grants</i>	<i>0.0</i>	<i>0.0</i>	<i>11.6</i>	<i>11.6</i>
Teacher Collaborative Grants	2.5	2.5	2.5	0.0
Outreach/training	0.3	0.3	0.3	0.0
MSDE IT System	0.5	0.2	0.2	0.0
Total	\$255.0	348.1	\$362.5	14.4

IT: information technology

MSDE: Maryland State Department of Education

Source: Department of Legislative Services

Prekindergarten Supplemental and Expansion grants expand to include State funding to an LEA based on *every* four-year-old in full-day prekindergarten as of September 30 of each year, regardless of whether full-day services are available to all four-year-olds in the county’s prekindergarten program. In fiscal 2021, the Budget Reconciliation and Financing Act proposes to spend Blueprint Funds rather than general funds to continue Prekindergarten Expansion funds.

Teacher Salary Incentives are administered by the Maryland State Department of Education (MSDE) and provide grants to county boards to increase teacher salaries to improve recruitment and retention of high-quality teachers. In each of fiscal 2020 and 2021, the State must provide a grant to an LEA if it provides a negotiated (or planned) and funded average salary increase for teachers of at least 3.0% in fiscal 2020. However, funding is dependent on local boards providing required documentation. A county that did not receive a State grant in fiscal 2020 may apply for the grant in fiscal 2021 but must submit documentation showing that the required salary increase will be funded in fiscal 2021. LEAs may apply to MSDE for grants by specified dates, which may only be used for an additional

salary increase to teachers, as defined in the bill. Priority is given to LEAs for salaries for teachers with less than five years of teaching experience. In each of fiscal 2020 and 2021, the State must distribute \$75.0 million to eligible counties for the grants, including specified allocations for each county.

Concentration of Poverty provides grants to public schools in which at least 80% of the students were eligible for free or reduced-price meals. For both fiscal 2020 and 2021, the State must distribute a grant to each local school board equal to \$248,833 for each existing eligible school; that same amount must be distributed by the local board to each eligible school. However, if the LEA has at least 40 eligible schools, it may distribute the funds in accordance with a plan developed in consultation with eligible schools that ensures that each school receives the required services. Fiscal 2020 grants were based on the number of qualifying schools in the 2017-2018 school year; fiscal 2021 grants are distributed to previous year recipients plus any school that becomes newly eligible. All eligible schools must employ 1 community school coordinator (CSC) and provide full-time coverage by at least 1 health care practitioner. If funds exceed costs, or the school already employs these individuals, resulting excess funds must only be used for specified wraparound services or for a required needs assessment. An eligible school that receives outside funding (*e.g.*, from the local health department) for a school nurse, school health services, or community school services in fiscal 2019 must receive at least the same level of resources in fiscal 2020 and 2021.

Transitional Supplemental Instruction (TSI) is additional academic support using evidence-based programs and strategies that meet the expectations of strong or moderate evidence as defined in the federal Every Student Succeeds Act. In fiscal 2020 and 2021, the State must distribute to local boards of education funds totaling \$23.0 million, as allocated by the bill, for the provision. TSI includes one-on-one and small-group tutoring with a certified teacher, a teaching assistant, or any other trained professional; cross-age peer tutoring; and screening, identifying, and addressing literacy deficits. Struggling learners are students who perform below grade level in English/language arts or reading in kindergarten through grade 3.

Special Education funding provides an additional \$65.5 million for special education services for students with disabilities with specified allocations to each LEA. If any of this funding is not needed to fully implement Individualized Education Plans (IEP) and 504 plans for students with disabilities, each local board of education *must* use the remaining funding to implement other recommendations made in the Kirwan Commission’s January 2019 interim report.

Mental Health Services Coordinator grants provide funds for Chapter 30 of 2018, the Maryland Safe to Learn Act of 2018. Each local school system must appoint a mental health services coordinator to coordinate existing mental health services and referral procedures within the local school system. Working with specified local entities, the coordinator must (1) ensure that a student who is referred for mental health services obtains the necessary services; (2) maximize external funding for mental health and wraparound services, as defined by the bill; and (3) develop plans for delivering behavioral health and wraparound services to students who exhibit specified behaviors of concern. Grants from the Safe Schools Fund may be used to develop plans for delivering mental health and wraparound services. For both fiscal 2020 and 2021, \$83,333 is provided to each LEA for this position.

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Declining Enrollment grants are an enrollment-based, supplemental grant based on an LEA’s recent three-year average full-time equivalent (FTE) enrollment. Although this grant was previously part of Foundation funding, starting in fiscal 2021, it is part of the Blueprint for Maryland’s Future funding.

Teacher Collaborative Grants are administered by MSDE in consultation with the Maryland Higher Education Commission, which awards grants in various regions of the State to develop model, state-of-the-art, professional education programs for prospective and current teachers. A collaborative must constitute a partnership of at least 1 local board, 1 teacher preparation program, and 1 exclusive employee representative. In fiscal 2020 and 2021, the State must distribute at least \$2.5 million for the program. MSDE must evaluate the program at least once during each grant period, report to the Governor and General Assembly about specified aspects of the program in fiscal 2019 and 2020, and retain up to 3% to administer the program.

Blueprint Outreach is a grant to provide outreach, educational materials, and appropriate training to specified parties on the vision, skills, and knowledge needed to implement the Blueprint for Maryland’s Future initiative. The State must distribute at least \$250,000 in both fiscal 2020 and 2021 to MSDE to this purpose in consultation with the Department of Legislative Services (DLS).

Medicaid Direct Certification involves a one-time cost of \$500,000 to incorporate the capability to verify student eligibility using Medicaid data into the new information technology system that is currently under development. In subsequent years, \$150,000 is needed to maintain this added capability.

Exhibit 2 shows the revenue source for the Blueprint for Maryland’s Future fund for fiscal 2020 through fiscal 2022.

Exhibit 2
Blueprint for Maryland’s Future Revenue Sources
Fiscal 2020-2022
(\$ in Millions)

<u>Revenues</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Education Trust Fund Lock Box	\$116.6	\$241.8	\$350.8
Blueprint for Maryland’s Future Fund	134.5	65.5	
Unused Teacher Induction Funds	4.0		
Delay Corporate Filing Fee Waiver One Year		36.0	
Marketplace Facilitators and Out of State Vendors	50.0	67.0	74.0
Subtotal	\$305.1	\$410.3	\$424.8
HB 1 and SB 1 of 2020 – Debt Service			-\$30.0
Total	\$305.1	\$410.3	\$394.8

Source: Department of Legislative Services

Blueprint for Maryland’s Future Fund – Chapter 361 of 2018 established the Commission on Innovation and Excellence in Education Fund (now called the Blueprint for Maryland’s Future Fund) as a special, nonlapsing fund administered by MSDE. The fund is designed to provide adequate revenues to fund 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 Kirwan Commission. The Comptroller distributed \$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. The fiscal 2020 Budget Bill distributed \$134.5 million from the Blueprint for Maryland’s Future Fund as specified in Section 47.

Mid-year Report and Survey on LEA Spending

As part of the implementation of Chapter 771, LEAs are required to report to the General Assembly on the use of the funds allocated in Chapter 771 in fiscal 2020 and 2021. To collect this information, DLS conducted a survey of all 24 LEAs. LEAs submitted initial responses in December 2019, and DLS followed up on these responses in January 2020. Key findings from the survey results are reported below by category.

Concentration of Poverty Grant Program

Twelve LEAs had schools that received Concentration of Poverty (COP) funds totaling approximately \$48.3 million. Statewide, approximately one-third of the COP grant funds were used to hire CSCs, and about 10% of COP funds were spent on providing full-time health coverage as specified in the bill. Schools in three LEAs had not hired a community school coordinator at the time of the survey. In Prince George’s County, more than half of the schools (24) did not yet have a CSC; Baltimore City (8) and Montgomery (5) also had schools without CSC. Four LEAs (Cecil, Dorchester, Prince George’s, Somerset) were already providing full health coverage and therefore allocated no funds toward providing such coverage. Ten LEAs had funds remaining (after hiring a community school coordinator and providing full-time health coverage) and spent a total of \$26 million on authorized wraparound services that includes the required community school needs assessment.

Enhanced Special Education Funding

Most local school systems (20 out of 24) used the additional special education funds only to support IEPs and 504 plans. Four LEAs indicated that they also spent funding on other purposes. **Exhibit 3** provides information on how those four LEAs spent the funding. Washington County reported that it previously met all of the needs of eligible students with IEPs or 504 plans and that, without using the special education enhancement grant to supplant some local funds, other items would have been reduced in the operating budget to meet the special education needs of students.

Exhibit 3
Local Education Agency Expenditures on Special Education
Fiscal 2020

<u>LEA</u>	<u>Percentage of Funding Not Used for IEPs And 504 Plans</u>	<u>Amount</u>	<u>Services Other Than IEPs and 504 Plans Specified</u>
Allegany	2%	\$60,322	Professional development (restorative practices and equity coordinator) Active learning laboratory coach
Baltimore City	46%	\$4,489,524	Psychological services
Garrett	41%	\$70,229	Mental health coordinator
Washington	58%	\$1,116,683	Staff for student behavior Mathematics achievement Instructional materials for early learning Mental health coordinator
Statewide	9%	\$6,017,037	

IEP: Individualized Education Plan

LEA: Local Education Agency

Source: Department of Legislative Services

TSI for Struggling Learners

LEAs shared \$23 million in TSI grants in fiscal 2020. LEAs served at least 16,653 students in 364 schools with those grants with 4 LEAs not providing information. Some LEAs administer TSI systems centrally, others delegate to the schools, and Baltimore City uses a hybrid model. Fifteen local school systems reported that they provide TSI services only in literacy/reading with the remaining 9 systems providing services in both literacy/reading and mathematics. No LEAs provided services only in mathematics. Three local school systems (Allegany, Prince George’s, Worcester) used TSI funds for in-class programming with no supplemental direct services.

Mental Health Coordinators

All LEAs received \$83,333 for a mental health coordinator. Baltimore City indicated that it was still conducting a search and expected to have someone in that position early in calendar 2020. **Exhibit 4** shows the status of LEA mental health coordinator hires.

**Exhibit 4
Status of Mental Health Coordinators
Fiscal 2020**

		Status		
		<u>Full time</u>	<u>Part Time*</u>	<u>Total</u>
Employed Prior to Blueprint Funds	Allegany, Cecil, Harford, Montgomery, Prince George’s, Somerset, Talbot (7 LEAs)	5	Anne Arundel, Baltimore, Calvert, Charles, Howard (5 LEAs)	12
Newly Hired as a Result of Funds	Caroline, Carroll, Dorchester, Frederick, Garrett, Kent, Queen Anne’s, St. Mary’s, Washington, Wicomico Worcester (11 LEAs)			11
Total		5		23

LEA: local education agency

* Part time indicates that the individual has other responsibilities besides serving as mental health coordinator.

** At the time of the survey, Baltimore City had not hired/designated an individual as the mental health coordinator for the school system. Baltimore City indicated that it was still conducting a search and expected to have someone in that position early in calendar 2020.

Source: Department of Legislative Services

Prekindergarten Supplemental Grants

Supplemental prekindergarten grants funded 1,372 full-day four-year-old slots out of 15,625 full-day, four-year-old slots in fiscal 2020. Ten LEAs funded an average 137 new seats. Only Montgomery (242 slots) and Frederick (16 slots) counties used slots from a community provider (excluding Head Start) in fiscal 2020. Overall, 1,051 half-day slots were converted to full-day slots in fiscal 2020.

Teacher Salary Incentive Grant Program

All 24 local school systems were eligible for the teacher salary incentive grant. Statewide, LEAs saw an average increase in teacher salary of 3.1% in 2019 and 3.5% in 2020. Seventeen LEAs used all or a portion of the grant funds to provide additional cost-of-living adjustments or steps to all teachers. Twelve LEAs provided some additional salary increase for teachers with fewer years of experience, in most cases up to five years of experience. Two counties – Allegany and Washington – focused salary increases on the starting salary for new teachers.

Appendix 3

2019 Joint Chairmen’s Report Responses from Agency

The 2019 *Joint Chairmen’s Report* (JCR) requested that the Maryland State Department of Education (MSDE) prepare four reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services (DLS) Library website.

- ***Baltimore County Public Schools Audit:*** The Board of Education of Baltimore County conducted an audit of its operating budget from January 1, 2012, to December 31, 2017. As of January 2019, the audit had not been made public, and the committees requested that the board provide a copy of the final audit report immediately upon availability. On August 2, 2019, the Department of Legislative Services contacted the Baltimore County Public Schools to inquire about the report. Baltimore County submitted the required report to DLS on August 12, 2019.
- ***Sick and Safe Leave for Substitute Employees:*** The Maryland Healthy Working Families Act of 2018 (Chapter 1) requires local education agencies (LEA) to comply with requirements for paid sick and safe leave to substitute employees who work at least the minimum amount of hours required to earn sick and safe leave. The committees asked that each of the 24 LEAs submit to MSDE descriptions of their current recordkeeping processes and systems to meet these requirements. More information on this report can be found in the Updates section of this analysis.
- ***Maximizing Medicaid Claims for School-based Services:*** LEAs can potentially claim Medicaid funding for administrative services. The committees asked MSDE and the Maryland Department of Health to submit a report on how LEAs might safely and securely receive student Social Security numbers through the State’s direct certification system. This report found vulnerabilities in administrative claiming, technical difficulties, and potential problems with personally identifiable information may interfere with implementation of school-based Medicaid claiming. More information on this report can be found in the Updates section of this analysis.
- ***Socio-economic Integrated Schools:*** The committees were interested in the effectiveness of voluntary programs that allow for more socio-economic integration of schools and whether or not these programs could be implemented in Maryland as effective turnaround strategies under the federal Every Student Succeeds Act. This report found that programs in other states use a variety of methods to potentially integrate schools that might be useful for Maryland LEAs. More information on this report can be found in the Updates section of this analysis.

**Appendix 4
Object/Fund Difference Report
MSDE – Aid to Education**

<u>Object/Fund</u>	<u>FY 19 Actual</u>	<u>FY 20 Working Appropriation</u>	<u>FY 21 Allowance</u>	<u>FY 20 - FY 21 Amount Change</u>	<u>Percent Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 7,388,379,387	\$ 7,933,339,059	\$ 8,149,445,049	\$ 216,105,990	2.7%
Total Objects	\$ 7,388,379,387	\$ 7,933,339,059	\$ 8,149,445,049	\$ 216,105,990	2.7%
Funds					
01 General Fund	\$ 5,948,546,661	\$ 6,296,724,945	\$ 6,541,799,745	\$ 245,074,800	3.9%
03 Special Fund	561,111,712	669,531,600	657,562,790	-11,968,810	-1.8%
05 Federal Fund	878,528,785	966,992,514	949,992,514	-17,000,000	-1.8%
09 Reimbursable Fund	192,229	90,000	90,000	0	0%
Total Funds	\$ 7,388,379,387	\$ 7,933,339,059	\$ 8,149,445,049	\$ 216,105,990	2.7%

MSDE: Maryland State Department of Education

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.

**Appendix 5
Fiscal Summary
MSDE – Aid to Education**

<u>Program/Unit</u>	<u>FY 19 Actual</u>	<u>FY 20 Wrk Approp</u>	<u>FY 21 Allowance</u>	<u>Change</u>	<u>FY 20 - FY 21 % Change</u>
01 State Share of Foundation Program	\$ 3,339,061,264	\$ 3,432,115,308	\$ 3,494,634,631	\$ 62,519,323	1.8%
02 Compensatory Education	1,308,336,290	1,330,428,825	1,363,208,050	32,779,225	2.5%
03 Aid for Local Employee Fringe Benefits	732,920,781	767,888,790	750,289,290	-17,599,500	-2.3%
04 Children at Risk	53,182,720	49,633,886	49,762,474	128,588	0.3%
05 Formula Programs for Specific Populations	2,000,164	1,900,000	1,900,000	0	0%
07 Students with Disabilities	448,849,133	460,212,314	474,340,374	14,128,060	3.1%
08 State Assistance for Students with Disabilities	211,153,904	220,913,934	220,913,934	0	0%
12 Educationally Deprived Children	237,288,703	297,700,581	297,700,581	0	0%
13 Innovative Programs	50,151,590	50,122,962	52,413,116	2,290,154	4.6%
15 Language Assistance	10,366,736	10,395,537	10,395,537	0	0%
18 Career and Technology Education	14,915,973	15,337,000	15,337,000	0	0%
24 Limited English Proficient	288,041,382	311,079,529	348,240,555	37,161,026	11.9%
25 Guaranteed Tax Base	48,169,682	43,684,957	41,232,314	-2,452,643	-5.6%
27 Food Services Program	330,438,728	349,170,491	333,260,491	-15,910,000	-4.6%
39 Transportation	282,573,211	303,044,654	310,186,610	7,141,956	2.4%
55 Teacher Development	30,929,126	34,819,542	34,819,542	0	0%
60 Innovation and Excellence in Education	0	254,890,749	350,810,550	95,919,801	37.6%
Total Expenditures	\$ 7,388,379,387	\$ 7,933,339,059	\$ 8,149,445,049	\$ 216,105,990	2.7%
General Fund	\$ 5,948,546,661	\$ 6,296,724,945	\$ 6,541,799,745	\$ 245,074,800	3.9%
Special Fund	561,111,712	669,531,600	657,562,790	-11,968,810	-1.8%
Federal Fund	878,528,785	966,992,514	949,992,514	-17,000,000	-1.8%
Total Appropriations	\$ 7,388,187,158	\$ 7,933,249,059	\$ 8,149,355,049	\$ 216,105,990	2.7%
Reimbursable Fund	\$ 192,229	\$ 90,000	\$ 90,000	\$ 0	0%
Total Funds	\$ 7,388,379,387	\$ 7,933,339,059	\$ 8,149,445,049	\$ 216,105,990	2.7%

MSDE: Maryland State Department of Education

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.