

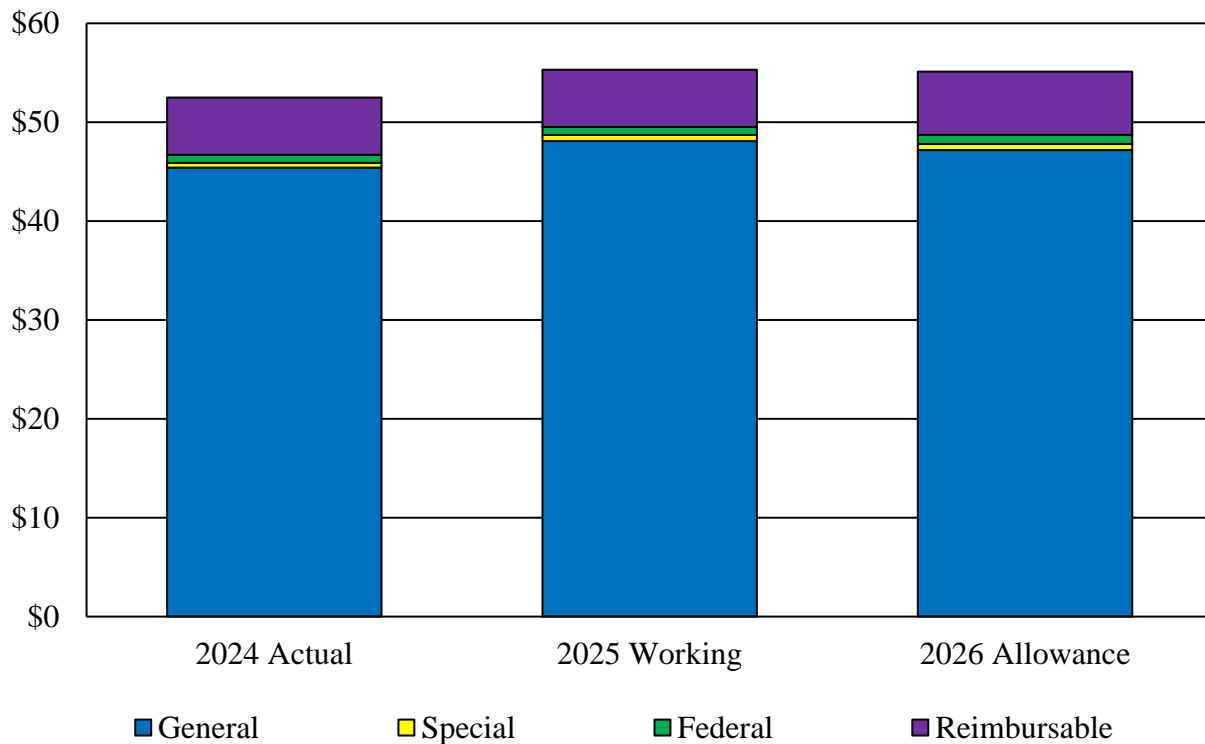
R99E Maryland School for the Deaf

Program Description

The Maryland School for the Deaf (MSD) is a public school that educates deaf and hard of hearing students from across the State at its two campuses in Frederick and Columbia. Students range in age from prekindergarten through age 21. MSD also serves the families of its students through early intervention and enhanced services programs, which provide education, early childhood programs, and American Sign Language (ASL) classes.

Operating Budget Summary

Fiscal 2026 Budget Decreases \$292,726, or 0.5%, to \$55.0 Million
(\$ in Millions)



Note: The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency's budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

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Fiscal 2025

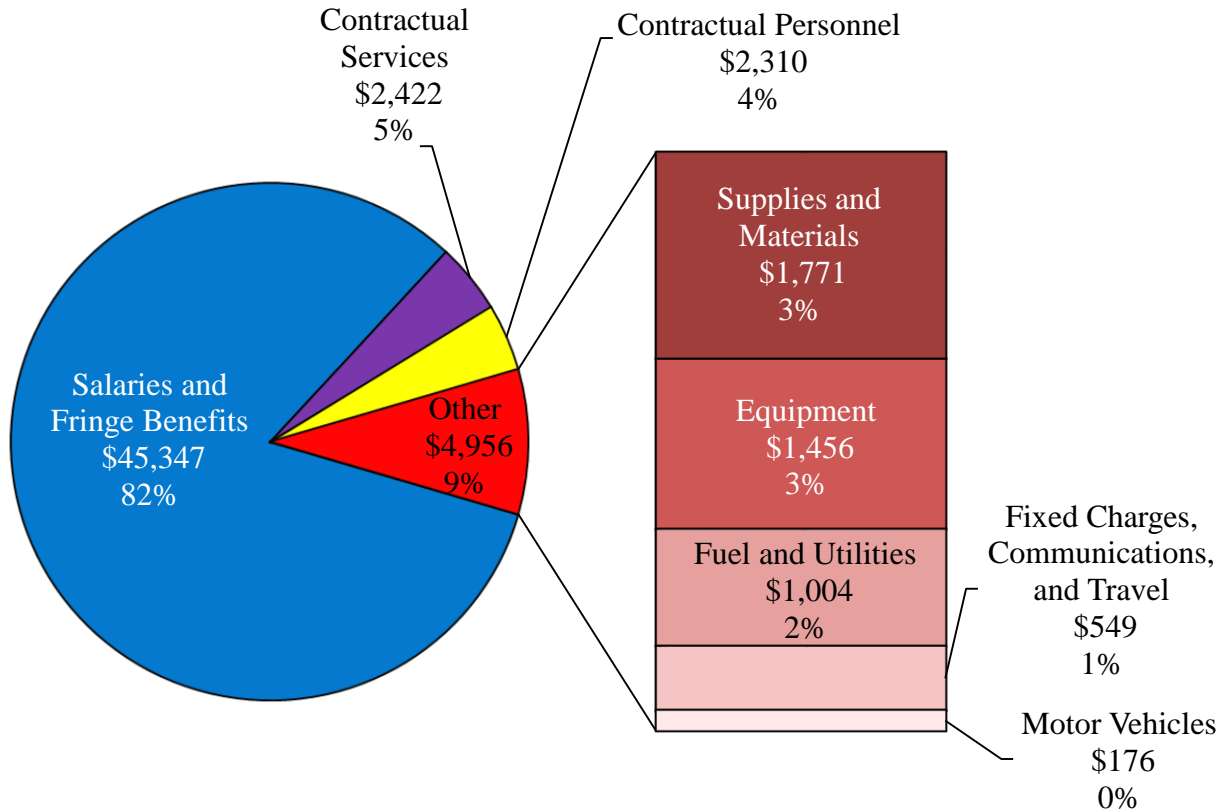
Proposed Deficiency

The fiscal 2026 budget includes a proposed deficiency appropriation for fiscal 2025 totaling \$2.4 million to fund a replacement chiller system for the Ely Building on the Frederick campus. The original chiller failed in August 2024, and the school paid \$180,000 in general funds for a rental chiller so that the building could open for the start of the school year. MSD expects an additional \$120,000 in general funds for chiller rental costs in spring 2025 while waiting for the Department of General Services (DGS) to procure and install a replacement chiller. **MSD should comment on how the school is covering costs of the chiller rental and a timeline for procurement and installation of a replacement chiller.**

Fiscal 2026 Overview of Agency Spending

The fiscal 2026 proposed budget for MSD totals \$55.0 million. **Exhibit 1** displays an overview of agency spending by object. In the fiscal 2026 proposed budget, salaries and fringe benefits for regular personnel total \$45.3 million, or 82%, of MSD's total allowance. Contractual services total approximately \$2.4 million, which includes \$1.2 million for building equipment, rentals, maintenance, and services; \$723,000 for miscellaneous operating expenses, which includes approximately \$341,000 for ASL interpreting services and \$218,000 other contractual services such as a school resource officer, required fingerprinting services, and communications; \$366,000 for computer software, maintenance, and supplies, including Department of Information Technology services; and \$100,000 for reading specialist contracts and services. Contractual personnel expenses total approximately \$2.3 million.

Exhibit 1
Overview of Agency Spending
Fiscal 2026 Allowance
(\$ in Thousands)



Note: The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Governor's Fiscal 2026 Budget Books

Enrollment

Exhibit 2 shows MSD’s recent actual enrollment history in fiscal 2022 through 2024 and assumptions for fiscal 2025 and 2026. An enrollment formula in Section 8-3A-09 of the Education Article determines MSD’s annual enrollment count, which uses a four-year average to mitigate sharp increases and decreases in the student population. For the purposes of calculating MSD’s enrollment for formula funding, early intervention students are counted at 50% of enrollment, and school-age students are counted at 100% of enrollment (enhanced services students are not included in this count because those services are provided off campus).

Exhibit 2
Maryland School for the Deaf Enrollment
Fiscal 2022-2026 Est.

Fiscal Year	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025 Est.</u>	<u>2026 Est.</u>
School Year	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
School-age Students	388	391	377	383	387
Early Intervention Students	57	67	74	73	73
Total	445	458	451	456	460
<i>Enrollment for Formula Funding</i>	<i>417</i>	<i>425</i>	<i>414</i>	<i>420</i>	<i>424</i>

Source: Department of Budget and Management; Maryland School for the Deaf

Proposed Budget Change

MSD’s fiscal 2026 general fund allowance is formula-based and calculated using (1) a per pupil allocation in Section 5-201 of the Education Article and (2) the enrollment formula mentioned previously. Due to an increase in the per pupil amount mandated in Chapter 55 of 2021 (Blueprint for Maryland’s Future – Revisions), MSD’s per pupil funding increases by \$437 from \$8,789 in fiscal 2025 to \$9,226 in fiscal 2026. When combined with changes to other fund sources and the deduction of the one-time \$2.3 million general fund deficiency allocation, MSD’s proposed budget decreases by \$292,726 compared to the fiscal 2025 working appropriation. **Exhibit 3** shows these proposed changes.

Exhibit 3
Proposed Budget
Maryland School for the Deaf
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2024 Actual	\$45,365	\$477	\$811	\$5,802	\$52,456
Fiscal 2025 Working Appropriation	48,121	587	778	5,842	55,328
Fiscal 2026 Allowance	<u>47,208</u>	<u>602</u>	<u>856</u>	<u>6,370</u>	<u>55,035</u>
Fiscal 2025-2026 Amount Change	-\$913	\$15	\$78	\$527	-\$293
Fiscal 2025-2026 Percent Change	-1.9%	2.6%	10.0%	9.0%	-0.5%
Where It Goes:					<u>Change</u>
Personnel Expenses					
Salary increases, associated fringe benefits, and miscellaneous adjustments including fiscal 2025 cost-of-living adjustment and increments.....					\$2,301
Salaries and fringe benefits for 10.0 new positions from contractual conversions					904
Reclassifications for contractual conversions					122
Overtime					9
Workers' compensation premium assessment					-66
Turnover change from 0.99% to 1.86%					-324
Employee and retiree health insurance.....					-925
Other Changes					
Replacement equipment					433
Computer software, hardware, maintenance, including DoIT services					344
Fuel and utilities					193
Instructional and medical supplies, materials, and food					172
Conferences and training.....					28
Fees, dues, and subscriptions					22
Administrative hearings					5
General and special funds for 29.0 contractual full-time equivalents, including savings from 10.0 contractual conversions					-782
Equipment repairs and maintenance, including a deficiency allocation for Frederick campus chiller replacement.....					-2,736
Other expenses					7
Total					-\$293

DoIT: Department of Information Technology

Note: The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2026 impacts of the 2025 statewide salary adjustments appear in this agency's budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

Budget Reconciliation and Financing Act

Under Chapter 55, per pupil funding in the State Share of the Foundation (Foundation) program increases by \$437 from \$8,789 in fiscal 2025 to \$9,226 in fiscal 2026. The Budget Reconciliation and Financing Act (BRFA) of 2025 includes a provision that would reduce the Foundation program per pupil amount by \$169 in fiscal 2026 from \$9,226 to \$9,057. Although the fiscal 2026 budget includes a contingent reduction to apply the lower per pupil amount to local education agency budgets, MSD’s fiscal 2026 allowance is based on the full per pupil amount. **If MSD were to be subject to the per pupil reduction, the difference would be approximately \$650,000. The Department of Legislative Services (DLS) recommends reducing MSD’s budget by that amount to align with the fiscal 2026 Foundation per pupil amount as proposed in the BRFA.**

Personnel Data

	<u>FY 24 Actual</u>	<u>FY 25 Working</u>	<u>FY 26 Allowance</u>	<u>FY 25-26 Change</u>
Regular Positions	340.00	362.50	372.50	10.00
Contractual FTEs	<u>143.50</u>	<u>39.30</u>	<u>29.00</u>	<u>-10.30</u>
Total Personnel	483.50	401.80	401.50	-0.30

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	6.93	1.86%
Positions and Percentage Vacant as of 12/31/24	23.00	6.34%
Vacancies Above Turnover	16.07	n/a

- MSD is authorized 372.5 regular positions and 29.0 contractual positions in the fiscal 2026 allowance, which is an increase of 10.0 regular positions from fiscal 2025. All 10 new positions are contractual conversions.
- Converted contractual positions include 5 teacher aides and 5 residential child and youth care practitioners, who provide support to students outside the classroom or who live on campus.
- MSD has 23.0 vacant positions as of the start of January 2024, with 16.07 vacancies above the budgeted turnover. MSD’s vacancy rate of 6.3% outpaces the budgeted turnover rates of 0.99% in fiscal 2025 and 1.86% in fiscal 2026, providing the agency with potential vacancy savings. **MSD should comment on how it plans to spend the vacancy savings in fiscal 2025 and 2026, including the availability of these funds to offset the deficiency appropriation needed for the replacement chiller system.**

Key Observations

1. MSD Working to Resolve Audit Concerns

An audit published on January 15, 2024, by the Office of Legislative Audits (OLA) documented concerns regarding MSD procurement and purchasing practices. OLA found four issues that warranted agency action, including one repeat finding in regard to procurement and vendors for sign language interpreters. Specific findings include that MSD did not always follow State procurement regulations, failed to obtain DGS and Board of Public Works approvals for contracts, did not publish contract awards on *eMaryland Marketplace Advantage*, and artificially split certain purchases into smaller transactions to circumvent competitive procurement requirements and the single transaction spending limit. With these findings in mind, language in the fiscal 2025 Budget Bill (Chapter 716 of 2024) required MSD to submit a report with an update on the school’s progress to resolve these concerns. **Exhibit 4** provides details of this response and the status of MSD’s actions.

Exhibit 4 Audit Status As of January 2025

<u>Finding</u>	<u>Summary of Concerns</u>	<u>Status</u>
Procurement did not always comply with State regulations.	<ul style="list-style-type: none">• The Maryland School for the Deaf (MSD) increased a contract without proper justification and did not receive deliverables.• MSD did not competitively procure services.• MSD did not obtain Department of General Services (DGS) and Board of Public Works (BPW) approvals for a multi-year sole source contract.• MSD did not use <i>eMaryland Marketplace Advantage</i> (eMMA) to obtain bids or safeguard electronically submitted bids as required by State procurement regulations.	<ul style="list-style-type: none">• Resolved. MSD provided training to procurement staff on contract monitoring, invoices, and deliverables; ensured deliverables were obtained before contract payment; and increased documentation and use of eMMA for receiving and publishing bids. In April 2024, MSD also received retroactive approval for a previously awarded unapproved sole source contract from DGS and BPW.

R99E – Maryland School for the Deaf

<u>Finding</u>	<u>Summary of Concerns</u>	<u>Status</u>
Procurement and use of vendors for sign language interpreting services did not comply with State procurement regulations and did not ensure services were received at the lowest price (repeat finding).	<ul style="list-style-type: none">• MSD could not provide the technical proposals for 16 of the 17 vendors.• MSD did not obtain DGS and BPW approvals or publish the contract award on eMMA as required by State procurement regulations.• Supervisory review of vendor invoices did not always detect billing errors.• One of the 17 vendors assigned certain sign language services to the other vendors and itself without documenting or approving the methodology.	<ul style="list-style-type: none">• In process. MSD is working with the Office of State Procurement (OSP) to resolve this finding. In August 2024, OSP rejected an initial draft of a solicitation for sign language services and requested that MSD refine language regarding work assignments. MSD revised this solicitation to include a tier system to rank potential interpreting agencies and interpreters according to the skill level needed for an assignment. Due to the legal requirement that MSD provide interpreting services, MSD obtained retroactive approval for the current sign language contract in April 2024 and will continue to ask for approvals until a new contract is awarded. MSD also recovered an overpayment to a vendor and has changed their internal procedure to review and sign invoices. MSD expects this finding to be resolved by April 1, 2025.

<u>Finding</u>	<u>Summary of Concerns</u>	<u>Status</u>
<p>Certain corporate purchasing card transactions were artificially split, circumventing competitive procurement requirements and/or cardholder single transaction limits.</p>	<ul style="list-style-type: none"> • MSD artificially split certain purchases into smaller transactions, circumventing competitive procurement requirements and/or the cardholder’s single transaction spending limit. • Supervisory reviews of monthly activity logs did not use available detailed purchasing data to ensure the propriety of the purchases as required. 	<ul style="list-style-type: none"> • Resolved. MSD no longer splits transactions or purchases, and all transactions are reviewed and documented before approval.
<p>MSD could not document that it used available detailed purchasing data to ensure the propriety of purchases.</p>	<ul style="list-style-type: none"> • MOA did not address controls over collected funds, including proper collateralization of funds, the use of interest-bearing accounts, and procedures for the accounting and reporting of fund balances. 	<ul style="list-style-type: none"> • In process. MSD and the MSD Foundation have signed an updated MOA that addresses audit concerns. With the assistance of a new accounting firm, the MSD Foundation is drafting new policies to address conflicts of interest, updating financial policies and reports, and producing financial statements for fiscal 2020 through 2023. MSD does not have an expected date to resolve this finding but reports that the MSD Foundation is working diligently to resolve outstanding issues.
<p>A memorandum of agreement (MOA) with an affiliated foundation, the MSD Foundation, was not sufficiently comprehensive, and reports of the foundation’s financial activity were not submitted to MSD as required.</p>	<ul style="list-style-type: none"> • MOA did not include guidelines for the distribution of student scholarships and grants. • MOA did not require the foundation to maintain a conflict-of-interest policy for board members and foundation employees. • The foundation has not submitted required financial reports to MSD’s Board of Trustees since 2019. 	

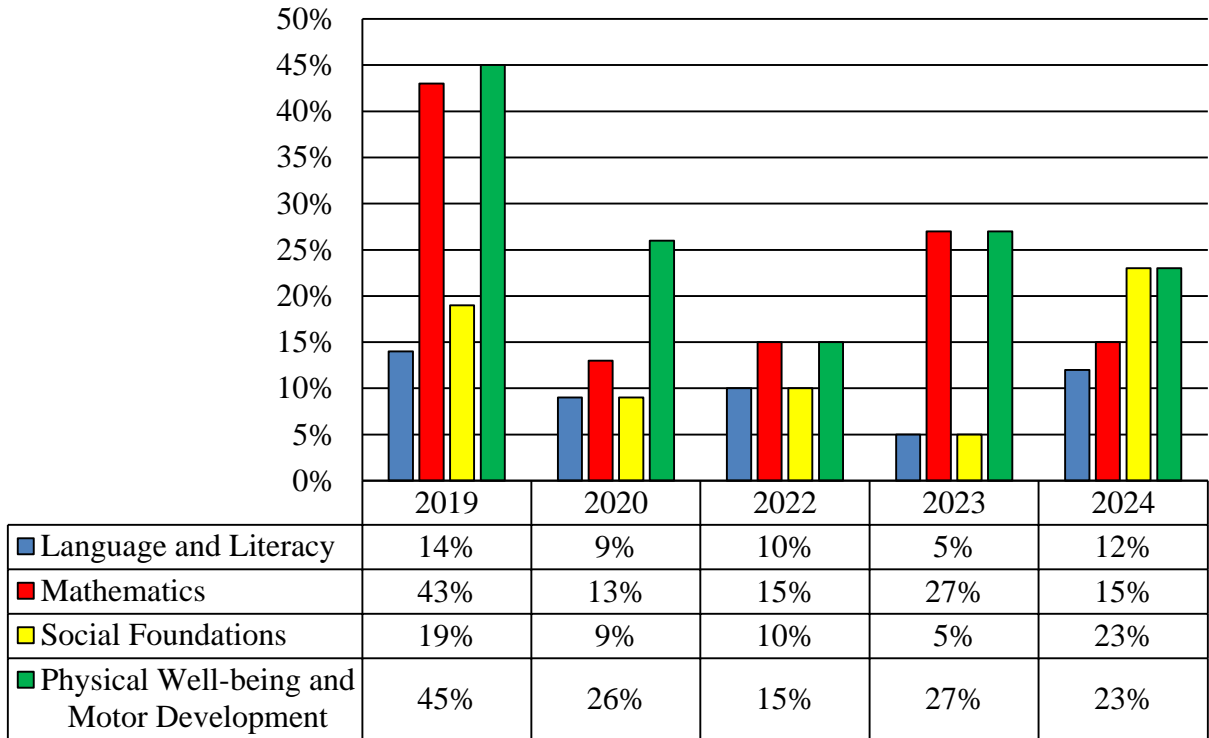
Source: Office of Legislative Audits; Maryland School for the Deaf

MSD should comment on the status of the school’s efforts to remediate remaining audit concerns, particularly in regard to outstanding issues with procurement and use of vendors for sign language interpreting services.

2. Kindergarten Readiness Assessment Scores Produce Mixed Results; MSD Works on Plan to Improve Assessments

Exhibit 5 shows MSD students’ assessment scores on the Kindergarten Readiness Assessment (KRA). Kindergarten students entering MSD take the KRA in four component areas: language and literacy; mathematics; social foundations; and physical well-being and motor development. MSD’s goal for these measures is that 45% of kindergarteners will demonstrate readiness in these four areas. Prior to the COVID-19 pandemic, in fiscal 2019 (fall 2018), kindergarten students scored above 40% in mathematics and physical well-being but below 20% in social foundations and language and literacy. Five years later in fiscal 2024 (fall 2023), students have not returned to prepandemic achievement levels, scoring 25% or below in all tested areas. From fiscal 2023 to 2024, social foundations scores increased 18 percentage points from 5% to 23%; language and literacy scores increased by 7 percentage points from 5% to 12%; physical well-being and motor development scores decreased by 4 percentage points from 27% to 23%; and mathematics scores decreased by 12 percentage points from 27% to 15%.

**Exhibit 5
Kindergarten Readiness Assessment Scores
Fiscal 2019-2024**



Note: Due to COVID-19 school closures, the Maryland School for the Deaf did not administer the Kindergarten Readiness Assessment in fall 2021.

Source: Department of Budget and Management; Maryland School for the Deaf

In response to committee narrative in the 2024 *Joint Chairmen’s Report (JCR)*, MSD submitted a report on KRA scores. MSD reports that the KRA may not be the most appropriate tool for measuring kindergarten readiness for its student population because all MSD students have disabilities and are on an individualized education plan as part of early intervention services. The majority of students have hearing parents who are learning ASL and have a basic level of fluency. According to MSD, language deprivation, lack of early identification of services, and risks posed to kindergarten readiness for Black, Indigenous, and People of Color students, who compose 61% of MSD’s early childhood population, all contribute to low KRA scores. A February 2024 study commissioned by the Maryland State Department of Education (MSDE) on the KRA also showed implicit bias for students from various racial, ethnic, and linguistic backgrounds, and MSDE decided the KRA is on hold statewide until the assessment is redesigned for the 2025-2026 school year.

With these concerns in mind, MSD and MSDE’s Early Intervention/Special Education Services developed an improvement plan for kindergarten readiness for MSD students based on the Child Outcome Survey, which assesses the developmental progress of students in the following areas: positive socio-emotional skills; acquisition and use of knowledge and skills; and use of appropriate behaviors to meet their needs. **Exhibit 6** shows the strategies and activities that MSD is implementing as part of this plan.

Exhibit 6
MSD Kindergarten Readiness Implementation Plan
2024-2025 School Year

Category

Strategy or Activity

Assessment of Student Progress

- Complete assessment of new students prior to entry to MSD to determine current level of functioning.
- Team assessment and review
- Exit evaluation for each student.
- Periodic checks by supervisors and internal reviews of COS scores and IEP documentation.

Professional Development and Training

- Train teachers on COS and assessment tool.
- Follow MSDE training schedule.
- Provide refresher courses for staff on child development, Deaf and Hard of Hearing language acquisition, and bilingual instructional strategies for American Sign Language and English early education.
- Add interpreters to MSDE training modules.

Category

Strategy or Activity

Materials and Resources

- MSDE training videos with interpretation.
- North Dakota Early Childhood Outcomes.
- Progress Age Expectation Developmental Milestones.
- Scale for Assessment of Enjoyment within Routines.

Parent and Family Support

- Functional signing instruction for use with children at home.
- Engage with families to promote student attendance.
- Parent interviews during admissions.
- Outreach to local Infants and Toddlers programs to facilitate early referrals.

COS: Child Outcome Survey
IEP: Individual Education Plan
MSD: Maryland School for the Deaf
MSDE: Maryland State Department of Education

Source: Maryland School for the Deaf

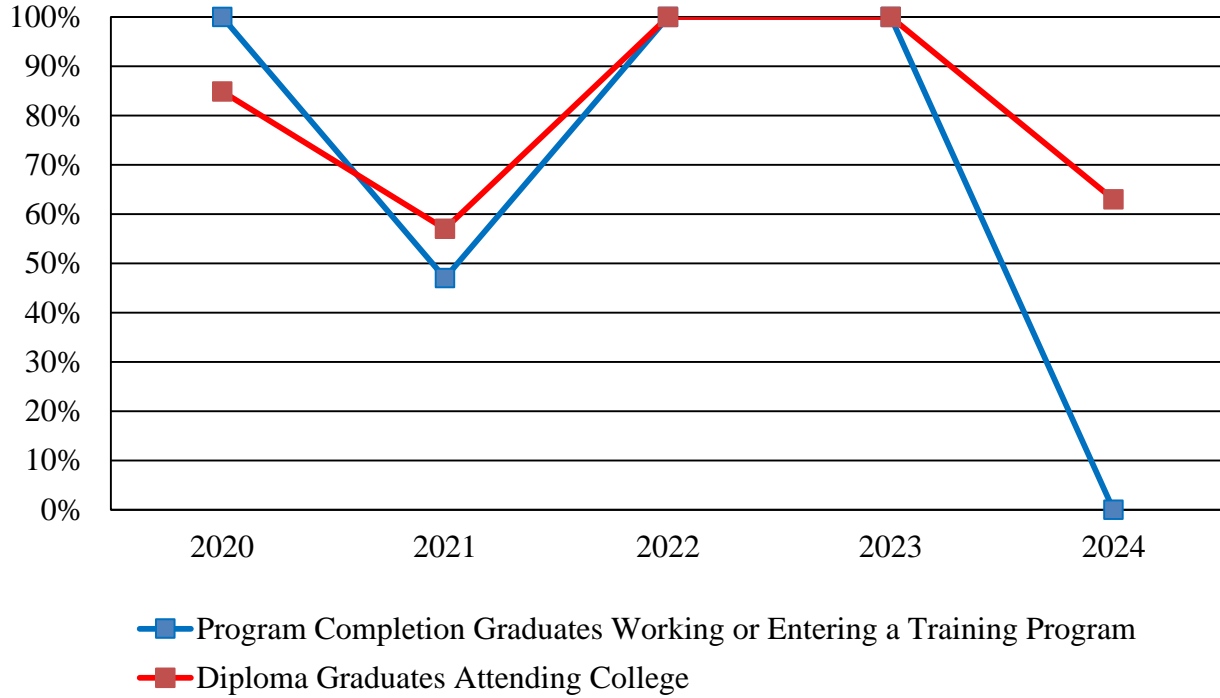
MSD should comment on the status of the school’s Kindergarten Readiness Plan and administration of a new readiness assessment for MSD students in fall 2025.

3. MSD Graduation and Training Outcomes Decline

MSD has two Managing for Results (MFR) goals for graduating students: (1) at least 80% of students that earn a Maryland State High School Diploma will attend college; and (2) at least 80% of students earning a Maryland State Certification of Program Completion will work or attend a training program. **Exhibit 7** shows that in MSD’s 2024 graduating class of 16, 10 students, or 63%, intend to enter college, and none of the students, 0%, earning a certificate of completion intend to enter a training program. The percentage of students earning a high school diploma declined from the 2023 graduating class, which had 100% of students attending college, working, or attending a training program. The number of students earning a certification of completion is

under 10, and specific information on this measure is considered personally protected information and cannot be shared publicly. **MSD should comment on the reason students who earned a high school diploma did not meet MFR graduation targets in fiscal 2024.**

Exhibit 7
Students Headed to College, Training, and Work
Fiscal 2020-2024



Source: Department of Budget and Management; Maryland School for the Deaf

Operating Budget Recommended Actions

	<u>Amount Change</u>	
1. Reduce formula funding for the Maryland School for the Deaf to align with the per pupil amount authorized in the State Share of the Foundation program.	-\$ 656,336	GF
Total General Fund Net Change	-\$ 656,336	

Appendix 1
2024 Joint Chairmen’s Report Responses from Agency

The 2024 JCR requested that MSD prepare two reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- **Report on OLA Findings:** In January 2024, an OLA audit of MSD found four findings, including one repeat finding. In response to this audit, MSD resolved two findings involving corporate purchasing and procurement and continues to work on a resolution for two findings involving sign language vendors and a memorandum of understanding with an affiliated organization. Further discussion of this response is in Key Observation 1 of this analysis.
- **Report on KRA Scores:** The KRA is a standardized test used by MSD to assess students entering kindergarten. In recent years, MSD students have scored below the 45% MFR goal set by the school in all four tested areas. MSD reports that due to biases identified by MSDE in the KRA, administration is currently paused for the 2024-2025 school year. In the meantime, MSD is working with MSDE on a plan based on the Child Outcome Survey to address key areas of improvement for kindergarten readiness of MSD students. Further discussion of this response is in Key Observation 2 of this analysis.

**Appendix 2
Object/Fund Difference Report
Maryland School for the Deaf**

<u>Object/Fund</u>	<u>FY 24 Actual</u>	<u>FY 25 Working Appropriation</u>	<u>FY 26 Allowance</u>	<u>FY 25 - FY 26 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	340.00	362.50	372.50	10.00	2.8%
02 Contractual	143.50	39.30	29.00	-10.30	-26.2%
Total Positions	483.50	401.80	401.50	-0.30	-0.1%
Objects					
01 Salaries and Wages	\$ 38,757,751	\$ 43,324,626	\$ 45,346,750	\$ 2,022,124	4.7%
02 Technical and Special Fees	6,650,305	3,092,622	2,310,139	-782,483	-25.3%
03 Communication	132,771	141,310	141,310	0	0%
04 Travel	89,736	18,425	46,105	27,680	150.2%
06 Fuel and Utilities	964,224	810,569	1,004,020	193,451	23.9%
07 Motor Vehicles	218,355	179,411	176,107	-3,304	-1.8%
08 Contractual Services	3,345,391	2,734,023	2,422,440	-311,583	-11.4%
09 Supplies and Materials	1,720,217	1,598,637	1,770,625	171,988	10.8%
10 Equipment – Replacement	306,518	710,039	1,455,882	745,843	105.0%
13 Fixed Charges	270,852	340,134	361,991	21,857	6.4%
Total Objects	\$ 52,456,120	\$ 52,949,796	\$ 55,035,369	\$ 2,085,573	3.9%
Funds					
01 General Fund	\$ 45,365,223	\$ 45,743,016	\$ 47,208,291	\$ 1,465,275	3.2%
03 Special Fund	477,365	586,542	601,768	15,226	2.6%
05 Federal Fund	811,252	778,122	855,728	77,606	10.0%
09 Reimbursable Fund	5,802,280	5,842,116	6,369,582	527,466	9.0%
Total Funds	\$ 52,456,120	\$ 52,949,796	\$ 55,035,369	\$ 2,085,573	3.9%

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.