

R00A01
Headquarters
Maryland State Department of Education

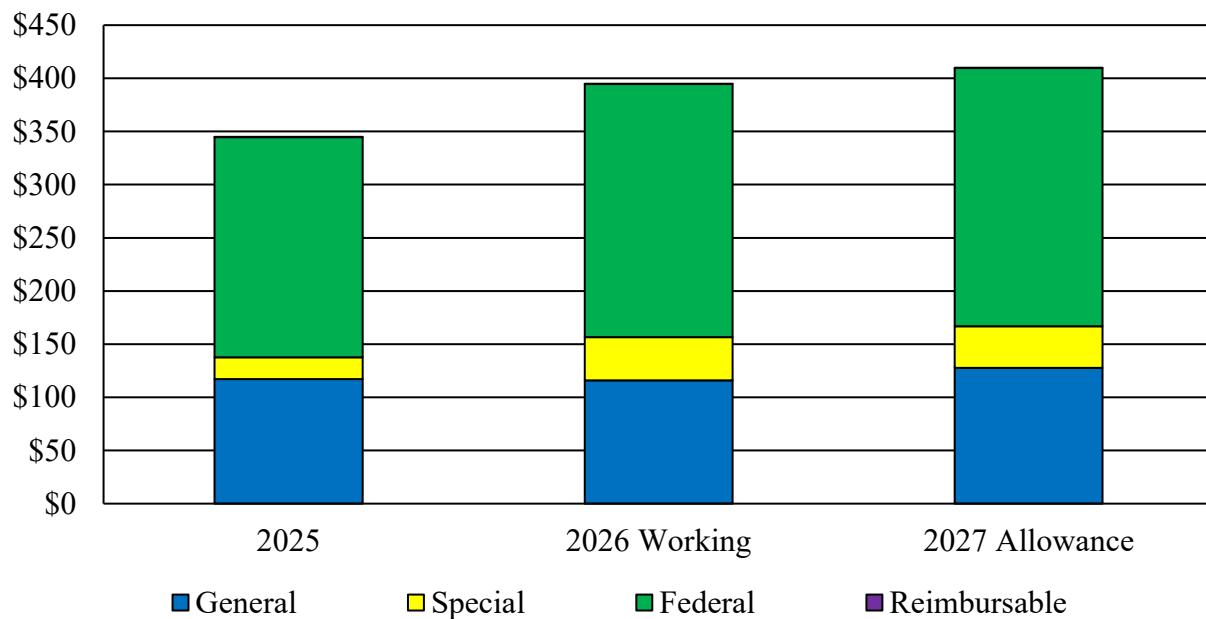
Executive Summary

The Maryland State Department of Education (MSDE) develops and implements standards and policies for education programs across the State. The State Board of Education (SBOE) serves as the governing board for MSDE and appoints the State Superintendent of Schools as the head of the agency.

This analysis includes information on independent units that fall under the umbrella of the State's public education system, including R00A05 – Maryland Longitudinal Data System Center (MLDSC) and R00A06 – Maryland Center for School Safety (MCSS).

Operating Budget Summary

Fiscal 2027 Budget Increases \$14.7 Million, or 3.7%, to \$409.7 Million
(\$ in Millions)



Note: The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

- The fiscal 2027 general fund allowance increases by \$11.7 million, or 10.1%, compared to the fiscal 2026 working appropriation after accounting for deficiency appropriations, primarily driven by a \$4.3 million increase in Maryland Comprehensive Assessment Program (MCAP) contract costs and a \$3.0 million increase in the general fund appropriation for the Safe Schools Fund (SSF).
- The fiscal 2027 special fund allowance decreases by \$1.4 million, or 3.3%, compared to the fiscal 2026 working appropriation after accounting for deficiency appropriations, largely due to an \$8.0 million reduction in SSF special funds. The decrease is offset by a \$8.0 million increase in the budget for the Division of Instructional Programs.
- The fiscal 2027 federal fund allowance increases by \$4.6 million, or 1.9%, compared to the fiscal 2026 working appropriation after accounting for deficiency appropriations. Division of Finance grant administration costs (\$6.0 million) are the main driver of the increase.

Key Observations

- ***Retention of Teachers of Color:*** Retention stayed relatively flat across demographics from fiscal 2024 to 2025 and remained below the goal of 75% by the 2026-2027 school year. Three-year retention was lowest among Black/African American teachers (68.5%) and highest among Asian teachers (78.7%).
- ***Division of Rehabilitation Services Employment Outcomes:*** In fiscal 2025, 1,044 students with disabilities achieved an employment outcome, which is a 3.5% increase from fiscal 2024. However, it remains 347 less than the goal of 1,391 individuals. Additionally, 8,290 students with disabilities received preemployment transition services, which is a 23.5% increase from fiscal 2024. Division of Rehabilitation Services (DORS) exceeded its service goal by 1,290 individuals.
- ***January 2026 Fiscal Compliance Audit Reveals Oversight Issues:*** In January 2026, the Office of Legislative Audits (OLA) published a fiscal compliance audit of MSDE for the period of June 1, 2021, to July 15, 2024. The audit report contained 11 findings related to hiring and licensing oversight, financial management, and cybersecurity.
- ***MSDE Makes Progress on Rollout of Literacy Policy:*** MSDE has laid out its plan to proactively identify students who may face challenges with reading and intervene through individualized Student Reading Improvement Plans (SRIP). Starting in the 2026-2027 school year, local education agencies (LEA) are required to implement personalized SRIPs to support K-3 students struggling with literacy. Then, beginning in the 2027-2028 school year, students in grade 3 must meet reading benchmarks to move on to grade 4.

- ***Assessment Contracts Require Large Deficiency Appropriation for Second Consecutive Year:*** MSDE’s MCAP contract costs continue to rise, requiring multi-million-dollar deficiency appropriations for two years in a row. MSDE received \$10.0 million and \$12.2 million deficiency appropriations for fiscal 2025 and 2026, respectively.
- ***General Funds for School Safety Grants Increase from Fiscal 2026; Special Funds Decrease:*** The fiscal 2027 grant allowance includes \$6.0 million in general funds, which is a \$3.0 million increase from fiscal 2026, and \$10.6 million in special funds, which is an \$8.0 million decrease. While the net amount of funds supporting School Safety Grants has decreased, the proportional reliance on general funds has increased. Notably, the allowance does not contain funds for the Secure Schools Emergency Response Grant program, which MCSS is mandated to establish by September 2026 according to Chapter 293 of 2024.

Operating Budget Recommended Actions

1. Restrict funds pending a report discussing audit feedback and the changes made to the Maryland State Department of Education’s oversight and documentation processes.
2. Adopt committee narrative requesting a report on accounting practices.
3. Adopt committee narrative requesting a report on State Education Agency Federal Stimulus Funds.
4. Adopt committee narrative requesting a report on the Maryland Leads program.
5. Adopt committee narrative requesting a report on the Science of Reading and State literacy policy.

Updates

- ***No Funds for Major Information Technology (IT) Projects in Fiscal 2027 Allowance:*** The allowance does not contain any major IT funds for MSDE’s Child Care Administration Tracking System (CCATS) after a prebid protest led to the project’s cancellation.
- ***Calls to the MCSS Tip Line Increase:*** From fiscal 2024 to 2025, calls to the tip line rose by 37.4%.
- ***MLDSC Website Usage Increases Significantly:*** In fiscal 2025, website visits reached 311,479, a 289.3% increase from the 80,000 visits in fiscal 2024.

- ***Nearly All COVID-19 Federal Stimulus Funds Spent Ahead of March 2026 Deadline:*** Due to school closures during the COVID-19 pandemic, MSDE received approximately \$3.6 billion in State Education Agency (SEA) federal stimulus funds, including roughly \$2.9 billion in Elementary and Secondary School Emergency Relief (ESSER) funds. As of September 2025, MSDE and LEAs have expended 99%, or \$2.7 billion, of their ESSER allocations. MSDE has until March 31, 2026, to expend the remaining \$46.5 million in obligated funds.

R00A01
Headquarters
Maryland State Department of Education

Operating Budget Analysis

Program Description

Providing a free public education is a constitutional obligation of the State. Under the leadership of the State Superintendent of Schools and guidance from the Maryland SBOE, MSDE Headquarters develops and implements standards and policies for education programs from prekindergarten through high school. The Office of the State Superintendent provides executive direction for the department and includes administrative support for SBOE. It also oversees the following Headquarters offices:

- The Office of Accountability includes DORS, the Division of Student Support and Federal Programs, the Division of Assessment and Accountability, and the Division of Educator Effectiveness.
- The Office of Teaching and Learning includes the Division of Special Education, the Division of Early Childhood, the Division of College and Career Pathways, and the Division of Instructional Programs.
- The Office of Finance and Operations includes the Division of Administration and Operations, the Division of Finance, the Office of School and Community Nutrition Programs, the Office of Equity Assurance and Compliance, and the Office of School Facilities.

MLDSC and MCSS are independent agencies within MSDE that are included in this analysis. MLDSC houses State datasets and coordinates State research on prekindergarten through grade 20 educational outcomes. MCSS is responsible for administration of State school safety programs.

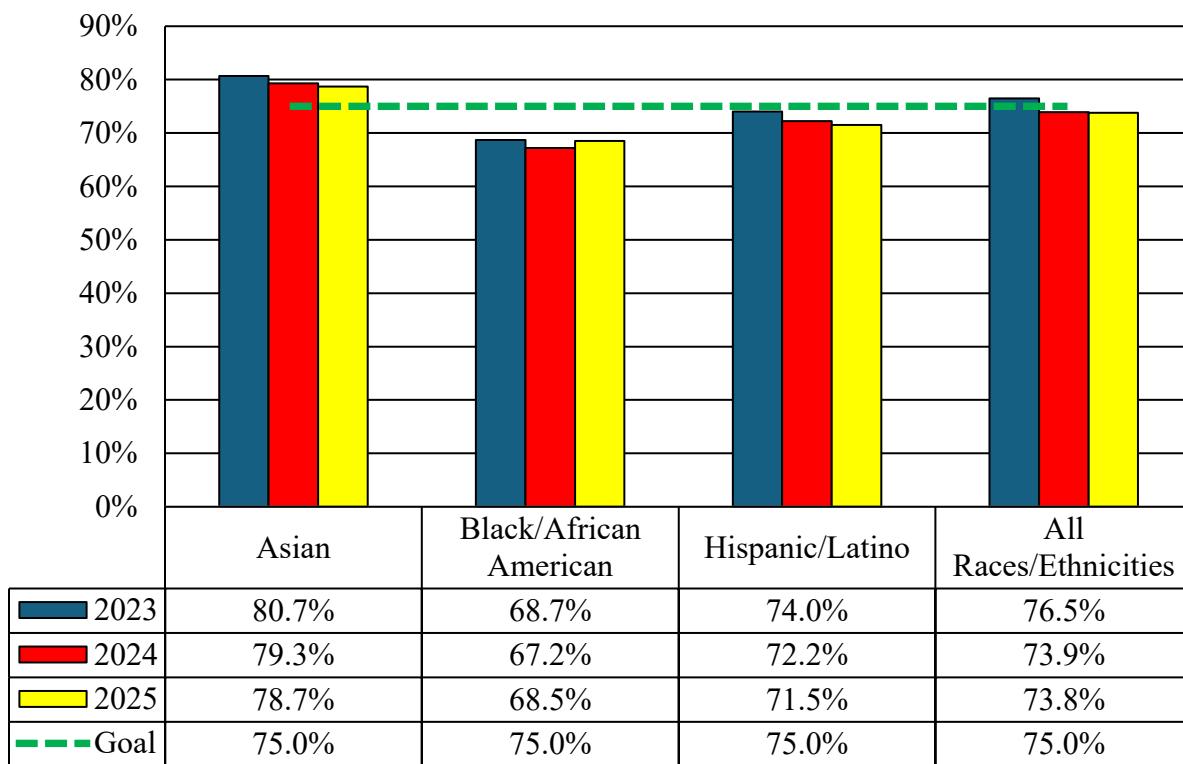
R12A – Accountability and Implementation Board (AIB), which is an independent State agency that oversees the implementation of Blueprint for Maryland’s Future (Blueprint) and is not part of MSDE, and R99E – Maryland School for the Deaf have separate analyses. R00A0104 – MSDE Headquarters Division of Early Childhood is included in the R00A99 – MSDE Early Childhood Development analysis, and the Maryland School for the Blind is included in the R00A03 – MSDE Funding for Educational Organizations analysis. As of fiscal 2025, the Office of the Inspector General for Education (OIGE) is budgeted separately from MSDE, with an analysis under budget code D73.

Performance Analysis: Managing for Results

1. Retention of Teachers of Color

Exhibit 1 shows MSDE's Managing for Results (MFR) measure for retention of teachers. Blueprint encourages workforce diversity and retention, and two of the measures determined to assess this objective by AIB's outcome measures workgroup (and approved by SBOE and MSDE) are retention of all teachers and retention of teachers of color. AIB's proposed goal for all teachers retained over a three-year period is 79% by the 2026-2027 school year (fiscal 2027). For teachers of color, the proposed goal set by AIB, and MSDE is to retain 75% of teachers of color over a three-year period by the 2026-2027 school year. Retention stayed relatively flat across demographics from fiscal 2024 to 2025. Three-year retention was lowest among Black/African American teachers (68.5%) and highest among Asian teachers (78.7%). Retention of Asian teachers has already exceeded the 75% goal.

Exhibit 1
Retention of Teachers of Color
Fiscal 2023-2025



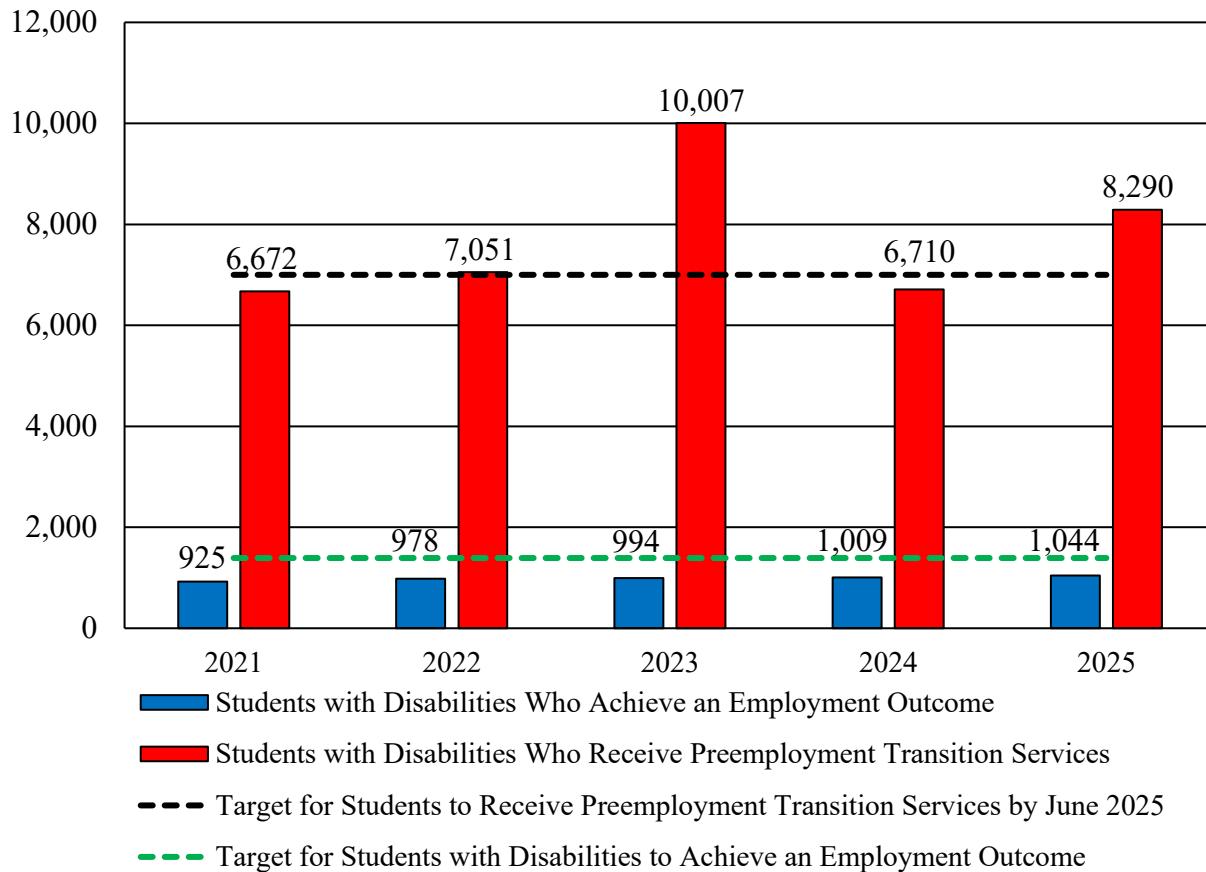
Source: Department of Budget and Management; Maryland State Department of Education

To improve recruitment and retention efforts, all Maryland public school teachers will receive a \$60,000 minimum salary beginning in July 2026 with additional financial incentives to obtain a National Board Certification (NBC) and teach in low-performing schools. Additionally, MSDE is awarding grants to LEAs to assist in the recruitment and retention of diverse NBC candidates.

2. Division of Rehabilitation Services Employment Outcomes

Exhibit 2 shows DORS employment services goals for students with disabilities from fiscal 2021 to 2025. In response to changes to the federal Workforce Innovation and Opportunity Act (WIOA) of 2014, in fiscal 2021, DORS created a new MFR measure that reflects a requirement to provide preemployment transitioning services. This measure examines DORS' effort to offer these services to as many individuals as possible. WIOA's definition of gainful employment also changed to reflect that an individual must not only acquire a position but maintain that employment status for at least 90 days. As a result, DORS' MFR measure evaluates whether the services assist individuals to acquire and maintain an employment status for at least 90 days, which is a more rigorous measure. The fiscal 2027 MFR submission includes a target that by June 30, 2025, DORS will assist 1,391 people with disabilities to obtain competitive, integrated employment and provide preemployment transitioning services to 7,000 adults with disabilities.

Exhibit 2
Division of Rehabilitative Services Employment Outcomes
Fiscal 2021-2025



Source: Department of Budget and Management; Maryland State Department of Education

In fiscal 2025, 1,044 disabled students achieved an employment outcome, which is an increase of 35 individuals, or 3.5%, from the fiscal 2024 total of 1,009, but is 347 less than the goal of 1,391 individuals. Additionally, 8,290 disabled students received preemployment transition services, which is an increase of 1,580 individuals, or 23.5%, from the fiscal 2024 total of 6,710. DORS exceeded its service goal by 1,290 individuals. To improve employment outcomes, DORS provides job coaching and training for resume writing, as well as resources about workplace accommodations and assistive technology. DORS also established its own job board and is expanding outreach efforts through collaborations with LEAs and community organizations.

Fiscal 2025

Narrative in the 2025 *Joint Chairmen's Report* (JCR) requested MSDE and MCSS to submit a report on accounting practices and fiscal 2025 closeout data. MSDE reported large amounts of unspent and encumbered federal and special funds at fiscal 2025 closeout. The largest unspent balance was \$97.1 million in federal funds for food services, which MSDE indicated was due to issuing fewer grants than expected to LEAs for reimbursable food services. MSDE also encumbered large amounts of federal funds for Title I education programs (\$103.9 million) and Special Education grants (\$87.5 million). Additionally, the report listed \$14.2 million in encumbered federal funds, \$4.4 million in unspent federal funds, and \$110,000 in unspent special funds. MSDE repeatedly cited vacancies, unexecuted contracts, and underutilized programs and grants in its explanations for the underspending.

The narrative requested the report include MCSS grant allocations and expenditures by LEA, as well as SSF expenditures and closeout balances by program for fiscal 2023 through 2025, with estimates for fiscal 2026 and 2027. While MSDE provided its own closeout information, the agency did not include MCSS data in the submission. Supplemental information provided by MCSS indicated fiscal 2025 encumbrances totaled \$6.1 million in School Resource Officer (SRO) and SSF grant dollars.

MSDE should explain why its JCR response did not include the required information from MCSS and comment on the reasons for continuously encumbering large amounts of funds, particularly in regard to DORS federal funds. MCSS should discuss fiscal 2025 encumbered and unspent funds excluded from the report and explain any reverted or canceled school safety grants.

The Department of Legislative Services (DLS) recommends adopting committee narrative requesting that MSDE and MCSS submit a report on accounting practices, including school safety grant expenditures by program and LEA and the closeout balance of the SSF.

Fiscal 2026

Status of Legislative Additions

Section 21 of the fiscal 2026 Budget Bill added \$250,000 in general funds to support the establishment of a pilot program for commercial driver's license (CDL) education and licensing as part of the State's technical education curriculum. MSDE conducted a study into program feasibility in collaboration with the Maryland Department of Labor and the Motor Vehicle Administration. The agencies concluded that CDL programs are not feasible in high schools and do not meet Career and Technical Education criteria due to the age requirements for class C licenses, the federal age requirements for interstate licensing, high program costs, and low student interest. **MSDE should discuss how much of the \$250,000 legislative addition has been spent on the feasibility study and how much remaining funding will be reverted.**

Section 21 of the fiscal 2026 Budget Bill also added \$5.0 million in special funds from the SSF under MCSS to backfill a corresponding reduction of \$5.0 million in general funds for SRO grants.

Additionally, there was a legislative addition of 3.0 regular positions and \$230,128 in general funds for MSDE’s Office of the Deputy for Operations to support LEAs’ cybersecurity efforts. On May 16, 2025, the Governor vetoed this line item and issued a letter describing Maryland’s budget situation, duplication of existing State resources, and other factors as the justification for the veto.

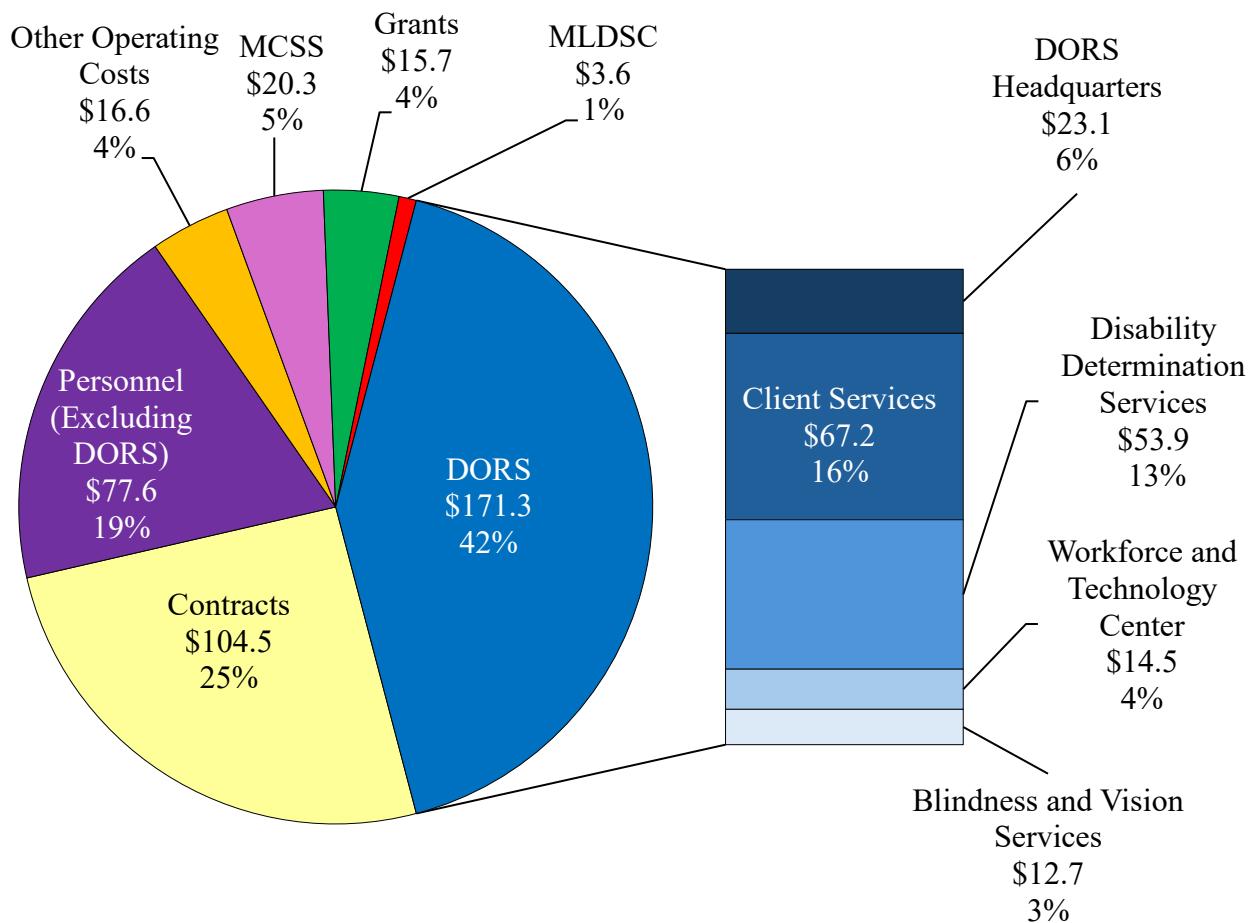
Proposed Deficiencies

MSDE Headquarters receives a total of \$14.9 million in fiscal 2026 proposed deficiency appropriations. This includes personnel deficiencies totaling \$2.7 million (\$1.5 million in general funds, \$1.1 million in federal funds, and \$86,000 in special funds), which include shortfalls related to lower than expected vacancy savings. The agency also has a \$12.2 million proposed general fund deficiency for MCAP assessment contracts, which are discussed in more detail in Issue 3 of this analysis.

Fiscal 2027 Overview of Agency Spending

The fiscal 2027 allowance totals \$409.7 million, which is broken out by program or office in **Exhibit 3**. DORS comprises the largest portion of the fiscal 2027 allowance at \$171.3 million, or 42%. DORS offers services and programming that help individuals with disabilities secure employment and economic self-sufficiency. This amount includes \$67.2 million for Client Services, \$53.9 million for Disability Determination Services, \$23.1 million for DORS Headquarters, \$14.5 million for the Workforce and Technology Center, and \$12.7 million for Blindness and Vision Services.

Exhibit 3
Overview of Agency Spending
Fiscal 2027 Allowance
(\$ in Millions)



DORS: Division of Rehabilitation Services

MCSS: Maryland Center for School Safety

MLDSC: Maryland Longitudinal Data System Center

Note: The fiscal 2027 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 2027 Budget Books

Proposed Budget Change

As shown in **Exhibit 4**, the fiscal 2027 allowance for MSDE Headquarters increases by \$14.7 million compared to the fiscal 2026 working appropriation after accounting for deficiency appropriations. The majority of the change can be attributed to personnel costs, which increase by \$13.3 million in fiscal 2027. Additionally, the allowance includes a nearly \$6.0 million increase in the Division of Finance due to the realignment of federal funds from the Division of Early Childhood. MSDE plans to distribute these funds as needed to its grant programs. Other large increases include \$4.4 million for assessment contracts (discussed in Issue 3) and special fund grant increases in the Division of Instructional Programs for Expert Review Teams (\$3.3 million) and the Division of Student Support and Federal Programs for Behavioral Mental Health training and grants (\$2.7 million). **MSDE should explain the reasons for large increases to special fund grants within these divisions.**

Exhibit 4 Proposed Budget MSDE Headquarters (\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2025 Actual	\$117,023	\$20,565	\$206,944	\$322	\$344,855
Fiscal 2026 Working	115,951	40,602	238,218	212	394,983
Fiscal 2027 Allowance	127,593	39,251	242,801	37	409,681
Fiscal 2026-2027 \$ Change	\$11,642	-\$1,351	\$4,583	-\$175	\$14,698
Fiscal 2026-2027 % Change	10.04%	-3.33%	1.92%	-82.59%	3.72%

Where It Goes:	Change
Personnel Expenses	
Salary adjustments and associated fringe benefits after accounting for proposed fiscal 2026 personnel deficiencies	\$7,366
Employee and retiree health insurance.....	5,991
Budgeted turnover increases from 6.60% to 6.63%.....	-49
Other fringe benefit adjustments	-34
Program Expenses	
Division of Early Childhood federal fund appropriation exceeded what was budgeted, prompting the realignment of funds to the Division of Finance....	5,959
MCAP assessment contracts after accounting for a \$12.2 million proposed deficiency in fiscal 2026.....	4,380
Special fund grants in the Division of Instructional Programs for Expert Review Teams	3,335

Where It Goes:

	<u>Change</u>
Special fund grants from the Division of Student Support and federal programs for Behavioral Mental Health training grants and support staff.....	2,700
Net increase in Special Education due to realigned funds for the Maryland Volunteer Lawyer's Service mandate (Chapters 170 and 171 of 2024); federal fund reduction (\$1.5M) is offset by increases to general and special funds.....	361
End of one-time legislative addition in fiscal 2026 for Commercial Driver's License education and licensing pilot program.....	-250
Special funds for SRO grants decrease by \$5.0 million, partially offset by a \$3.0 million increase in general funds to the SSF, from which the grant is administered (further discussed in Issue 4)	-2,000
School mapping grant.....	-3,000
Realignment of federal funds for sign language interpreter services with actual spending after fiscal 2026 budgeted more than was available	-4,132

Operating Expenses

Contractual personnel salaries and benefits	299
Standard cost allocations	-138
Funds are realigned from the Immediate Office of the State Superintendent to Special Education for the Maryland Volunteer Lawyers' Service.....	-1,000
Garage rent and purchase/lease cost.....	-1,213
Fiscal 2026 federal funds in the DORS administrative budget are realigned to other areas of the DORS budget in fiscal 2027	-1,329
Child Care Administration Tracking System major IT project, due to MSDE cancelling the bid process and opting to work with its current vendor under a modified scope.....	-2,678
Other.....	130
Total	\$14,698

DORS: Division of Rehabilitation Services

IT: information technology

LEA: local education agency

MCAP: Maryland Comprehensive Assessment Program

MLDSC: Maryland Longitudinal Data System Center

MSDE: Maryland State Department of Education

SRO: School Resource Officer

UMB: University of Maryland, Baltimore

Note: The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

The increases are partially offset by decreases in operating expenses, including major IT (\$2.7 million) after the CCATS replacement project was canceled. Additionally, MCSS grants decreased due to the end of one-time School Mapping Grant funds (\$3.0 million) and a net decrease in SRO grant dollars (\$2.0 million).

Personnel Data

	FY 25	FY 26	FY 27	FY 26-27
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	1,184.90	1,179.90	1,179.80	-0.10
Contractual FTEs	<u>21.92</u>	<u>35.15</u>	<u>35.90</u>	<u>0.75</u>
Total Personnel	1,206.82	1,215.05	1,215.70	0.65

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	78.25	6.63%
Positions and Percentage Vacant as of 12/31/2025	99.50	8.43%
Vacancies Above Turnover	21.25	

- The total personnel count for MSDE Headquarters in the fiscal 2027 allowance is nearly identical to the fiscal 2026 working appropriation at approximately 1,180 full-time staff.
- As of December 31, 2025, MSDE Headquarters and its independent agencies reported 99.5 vacancies with 42.0 sitting vacant for over 6 months. Of those, 11.00 have been vacant for more than a year. The long-term vacant positions are primarily mid-level administrative and program management roles. MLDSC and MCSS each had one vacancy PIN created in fiscal 2026 – MLDSC database specialist II and MCSS administrator III.
- On October 22, 2025, the Board of Public Works approved the abolition of 502.7 positions statewide, including 170.7 vacant positions and 332.0 positions associated with the Voluntary Separation Program (VSP). In MSDE Headquarters, 17 positions were abolished, of which 10 were vacant and 7 were due to the VSP.

Issues

1. OLA Audits Reveal Oversight Issues

On January 16, 2026, OLA published a fiscal compliance audit of MSDE for the period of June 1, 2021, to July 15, 2024. The audit report contained 11 findings related to hiring and licensing oversight, financial management, and cybersecurity. A list of the findings can be found in **Appendix 2**.

Hiring and Licensing Oversight

OLA determined that MSDE did not establish procedures to ensure that LEAs properly screened employees for past disciplinary action or criminal activity that disqualified them from working with children. State law effective July 1, 2019, requires LEAs to screen all staff that will have direct contact with minors. In addition, many LEAs were not enrolled in the required public safety monitoring systems for alerts about employee arrests and criminal activity. Since July 2019, the State has hired approximately 35,000 teachers that would have required pre-employment screenings.

Furthermore, OLA disclosed that MSDE approved educator licenses without adequate independent review, and it did not monitor whether educators were teaching the specific subjects for which they were licensed. State regulations require that MSDE periodically monitors staff assignments to ensure that teachers are appropriately licensed. Despite the lack of oversight, OLA's small random sampling of teacher assignments did not identify any instances of unlicensed or improperly assigned staff. Similarly, an arbitrary selection of licensing applications did not detect any improperly issued educator licenses. As of October 2025, MSDE reported 96,000 active licenses.

Financial Management

Federal Funds

OLA identified lost revenue and unverified spending across several MSDE programs. OLA reviewed three federal grants with expenditures totaling approximately \$550 million during the period from July 2023 through September 2024. Though federal guidelines permit grant recipients to request reimbursement as soon as funds are expended, MSDE did not pursue reimbursement in a timely manner. OLA calculated that delayed reimbursement requests resulted in approximately \$3.6 million in lost investment interest for the State.

In some cases, the State may not be able to recover federal funds due to the delayed timing of reimbursement requests. For instance, MSDE has not yet claimed \$20.7 million in federal COVID-19 relief funds after a clerical error led the agency to return a much larger federal payment without re-filing for the correct amount. As of March 2025, when the U.S. Department of Education (ED) notified states that the COVID-19 grant liquidation period was ending, MSDE had

not sought out reimbursement for the \$20.7 million. The U.S. Court of Appeals has since upheld an injunction to extend the reimbursement period to March 31, 2026, and MSDE has recovered \$4.0 million in reimbursed funds as of December 2025. **MSDE should provide an update on the status of the remaining \$16.7 million in fiscal 2024 federal funds awaiting reimbursement.**

Additionally, MSDE failed to maintain clear financial records for fiscal 2024 federal revenue entries. According to the audit, the agency did not properly document the amount of federal funds that it was owed or how much had been collected. This issue continued into the following fiscal year, as described in OLA's *Statewide Review of Budget Closeout Transactions for Fiscal 2025* released in December 2025. Finding 3 of the report relates to MSDE and identifies issues with how the agency documented and recovered federal funds at the end of fiscal 2025. Namely, MSDE could not provide documentation that 6 of its 10 accrued revenue entries, totaling \$176 million, accurately reflected total amounts collectable from the federal government. Additionally, the agency could not explain discrepancies between its recorded amounts and its expenditure records. For instance, the agency recorded that it was owed \$11.3 million for its school breakfast program, despite the actual unreimbursed amount totaling \$16.4 million.

Likewise, MSDE did not have documentation confirming that it had received payment for \$242.1 million in federal accruals as of October 2025. In some cases, MSDE appears to have overreported fiscal 2025 revenues, while in other cases, the agency reported that it had not been paid at all. OLA stated that MSDE may still recover the remaining funds, but in the case that federal funds are no longer available, the State may need to supplement the deficits with general funds. **MSDE should provide an update on reconciling the discrepancies in revenue received and recovering any remaining accrued revenue entries.**

Technical Assistance Contracts and Grants

The audit indicates that OLA received referrals to its waste, fraud, and abuse hotline alleging that MSDE awarded a total of \$1.2 million in grants and contracts without a competitive process. In one instance, MSDE did not use a competitive process when it awarded \$700,000 to an out-of-state vendor to carry out an analysis of student performance at 138 Title I schools followed by intensive coaching for 27 schools. MSDE could not explain why it did not consider pursuing the deliverable through an interagency agreement with a local university, as it has in other cases. MSDE also paid the vendor the full amount before receiving any deliverables. Beyond certain schools receiving self-assessment forms, MSDE could not provide any documentation that any of the contracted services had been provided.

OLA identified additional instances of MSDE awarding smaller noncompetitive contracts for educational and training consulting services to vendors and receiving little-to-no proof of services in return. As a result, OLA referred its concerns and the hotline allegations to the Office of the Attorney General's (OAG) Criminal Division. In its response to the audit report, MSDE cited that OIGE had investigated a complaint regarding a noncompetitive contract award and could not substantiate the allegation.

21st Century Community Learning Center Grants

21st Century Community Learning Center (21st CCLC) grants is a federally funded grant program that provides after-school, before-school, and summer educational programs for students in high-poverty and low-performing public schools. Finding 11 of OLA's report indicates that MSDE failed to process reimbursement requests from the program in a timely manner. Auditors identified that between January 2023 and May 2025, it took MSDE more than 100 days to pay \$10.1 million in reimbursements from 219 requests, with some requests not being paid for nearly a year. Though OLA received a tip to its waste, fraud, and abuse hotline for this issue, it did not refer the complaint to OAG's Criminal Division.

MSDE responded that OLA's findings do not accurately reflect instances in which 21st CCLC's invoices were late or inaccurate, which slowed down the reimbursement process. Ultimately, OLA reaffirmed its analysis, stating that MSDE's own records confirm that the agency had misplaced 4 of the 15 reimbursement requests in question, which directly resulted in those payments being delayed by 178 to 288 days.

Cybersecurity

The audit also identified two cybersecurity-related findings that were redacted in accordance with §2-1224(i) of the State Government Article.

MSDE identified the majority of OLA's findings as factually accurate and agreed to pursue the recommended corrective actions. **MSDE should provide an update on the status of the corrective actions.**

DLS recommends adding budget bill language restricting \$100,000 pending a report describing how MSDE has implemented OLA feedback and corrective actions for hiring and licensing oversight, financial management, and timely reimbursements.

2. MSDE Makes Progress on Rollout of Literacy Policy

In the wake of the COVID-19 pandemic, MSDE launched the \$170 million Maryland Leads initiative to address learning loss and strengthen the State's teacher pipeline. One key element of the approach revolved around literacy and recovering students' reading scores to prepandemic levels. According to MSDE's 2025 JCR submission on the Maryland Leads program, the agency – alongside LEAs and community partners – expended nearly \$56.4 million on literacy efforts between fiscal 2023 and 2025, setting the stage for a shift in the State's official approach to literacy instruction.

In January 2024, SBOE passed Resolution 24-01, adopting the Science of Reading (SoR) as the State's official approach to literacy instruction. The resolution directed MSDE to develop a literacy policy for prekindergarten through grade 3 that is aligned with Blueprint and SoR. MSDE's policy establishes a framework for literacy instruction, early identification of reading challenges,

intervention, and grade promotion decisions. The policy prioritizes instructional approaches that are “explicit, systematic, diagnostic, and cumulative,” otherwise known as “structured literacy.” Structured literacy instruction focuses on seven core areas:

- phonological awareness, which is the ability to recognize that spoken words are made up of individual sounds;
- phonics, or reading education focusing on letter-sound relationships;
- word recognition;
- fluency;
- vocabulary;
- oral language development; and
- reading comprehension.

Narrative in the 2025 JCR requested a report summarizing the SoR policy and implementation timeline. MSDE’s literacy policy emphasizes early identification, targeted support, family engagement, and progress monitoring. MSDE’s report, submitted in September 2025, describes plans to screen all students in kindergarten through grade 3 three times per year. This approach is designed to proactively identify students who may face challenges with reading. Those students will then receive a diagnostic assessment and an individualized SRIP to address reading deficits.

Starting in the 2026-2027 school year, LEAs are required to implement personalized SRIPs to support K-3 students struggling with literacy. Then, beginning in the 2027-2028 school year, students in grade 3 must meet reading benchmarks to move on to grade 4. If a student fails to meet the reading benchmark, a parent or guardian can override the policy and opt to advance their students to grade 4 if they agree to supplemental, evidence-based reading interventions. “Good cause” exemptions include the following:

- students with Individualized Education Programs who participate in alternate assessments;
- English learners who have received less than two years of English language instruction; or
- students who were retained in a previous grade.

MSDE received a total of \$47.2 million from federal and nonprofit grants for teacher training, literacy coaching, and early detection and intervention for students with reading

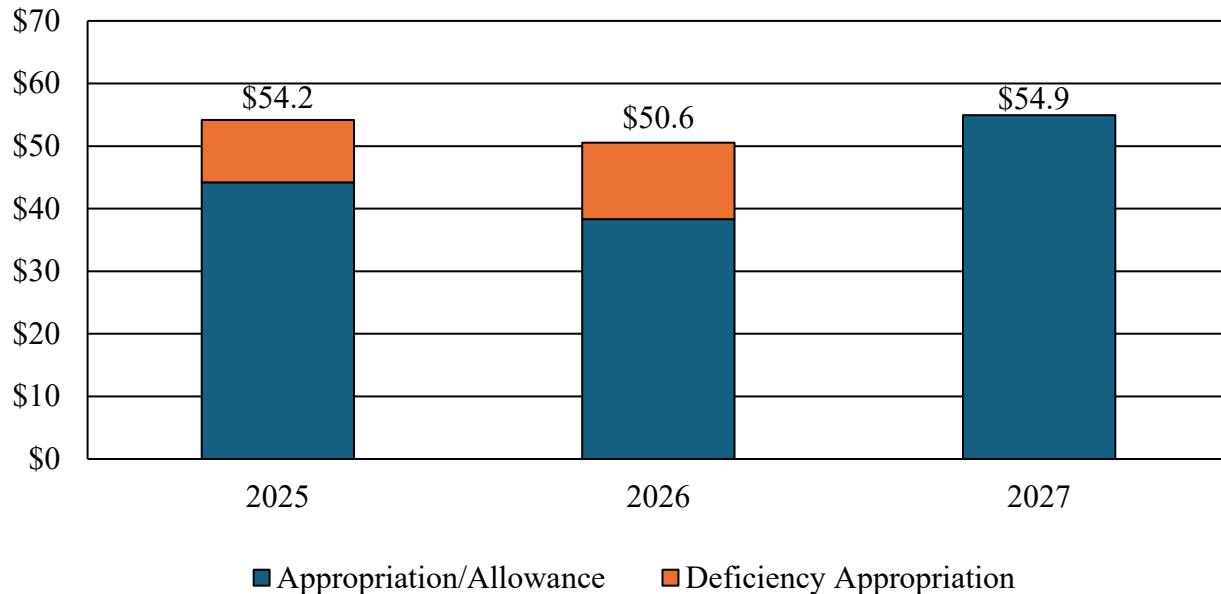
challenges. As of summer 2025, MSDE had awarded subgrants ranging from \$250,000 to \$1.5 million to 15 LEAs.

According to the timeline provided in the report, MSDE has already begun providing professional learning for teachers and literacy coaches and working with LEAs to understand the targeted interventions and develop their own multi-tiered systems. Meanwhile, LEAs have begun developing policies around retention and promotion of students and reporting on teacher participation rates for SoR professional learning programs. As of September 2025, the policy was open for public comment and was scheduled to go before SBOE for adoption in July 2026. **MSDE should provide an update on any changes to the timeline or implementation plan for the new literacy policy.**

3. Assessment Contracts Require Large Deficiency Appropriation for Second Consecutive Year

MCAP provides assessment services for Maryland's K-12 testing program. MSDE relies on contractors to design, develop, administer, score, and report results for general education assessments for grades 3-8 and high school end-of-course examinations. MSDE's MCAP contract costs continue to rise, requiring significant deficiency appropriations for two years in a row. MSDE received a \$10.0 million deficiency appropriation in fiscal 2025, comprising 18.5% of the total cost of assessment services. The fiscal 2027 allowance includes an additional \$12.2 million deficiency appropriation, which is 24.2% of total fiscal 2026 assessment costs. **Exhibit 5** shows the cost of assessment contracts for fiscal 2025 through 2027. The fiscal 2027 allowance contains approximately \$54.9 million for assessment contracts, a nearly \$4.4 million (8.7%) increase from fiscal 2026 after accounting for the deficiency appropriation. **MSDE should discuss the reason for the increase in assessment costs and the agency's efforts to reduce expenses.**

Exhibit 5
Assessment Contract Costs
Fiscal 2025-2027
(*\$* in Millions)



Source: Governor's Fiscal 2027 Budget Books

4. General Funds for School Safety Grants Increase from Fiscal 2026; Special Funds Decrease

Since fiscal 2024, MCSS has administered all school safety grants: the SRO grant; the SSF grant; the Hate Crimes Grant (HCG); and the School Safety Grant Program (SSGP). In the 2024 session, the General Assembly passed four additional pieces of legislation that impact MCSS's work and grant programs:

- Chapter 167 of 2024 established the School Mapping Data program and grant to produce facilities data for each public school, including charter schools. Although there is no mandated appropriation for this program, MCSS was authorized to utilize funds from the SSF and provided \$3 million in fiscal 2026;
- Chapter 182 of 2024 prohibited certain actions regarding active assailant safety drills and required MCSS to work with LEAs regarding these drills, collect data on the effectiveness

and psychological impact of active assailant drills or trainings, and develop and distribute model content regarding State firearm storage laws;

- Chapter 293 of 2024 established the Secure Schools Emergency Response Grant program to provide grants to LEAs to improve emergency notification systems and communication during emergency events. This program requires MCSS to ensure that the program is operating and available by September 1, 2026, and authorizes the Governor to allocate funds for this purpose; and
- Chapter 354 of 2024 reinstated the \$10.0 million mandate for the SSGP, which was scheduled to terminate on June 30, 2026, as part of Chapter 32 of 2022.

Furthermore, the Budget Reconciliation and Financing Act (BRFA) of 2025 repealed the mandated annual appropriation of \$10.0 million for the SSF but maintained the mandated purpose of the appropriation for the SRO grant program. The BRFA also repealed the requirement that at least \$10.0 million from the SSF be used to provide grants to local school systems and local law enforcement agencies.

The fiscal 2027 proposed budget includes \$3.7 million for MCSS Operations and \$16.6 million for grants. The \$16.6 million grant budget includes \$6.0 million in general funds and \$10.6 million in special funds. MCSS's fiscal 2027 funding picture is as follows:

- a projected starting balance of \$3.5 million in the SSF, after accounting for encumbrances in fiscal 2026 (\$13.6 million), fiscal 2025 (\$6.1 million), and fiscal 2024 (\$2.3 million);
- \$13.0 million for the SRO grant. This includes \$10.0 million in special funds appropriated directly to the grant and \$3.0 million in general funds appropriated to the SSF, from which the SRO grant is administered. Since the special fund appropriation uses \$7 million of existing fund balance and \$3 million of new revenue from the general fund appropriation to the SSF, actual dollars available for SRO grants total \$10 million.
- \$3.0 million in general funds for HCG; and
- \$600,000 for the SSF grant, supported by revenues from uninsured motorist penalty revenues.

Exhibit 6 shows that, from fiscal 2024 to 2027, a total of \$73.0 million has been allocated in the MCSS budget for school safety grant programs and evaluations, including \$26.9 million in general funds and \$46.1 million in SSF special funds. While the net amount of funds supporting School Safety Grants has decreased from fiscal 2026 to 2027, the proportional reliance on general funds has increased. The exhibit does not include \$10.0 million for the SSGP, which is allocated in the Interagency Commission on School Construction budget.

Exhibit 6
School Safety Grant Funding Under MCSS
Fiscal 2024-2027
(*\$* in Millions)

<u>Program</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Total</u>
General Funds					
SRO (appropriated into the special fund)	\$10.0	\$2.0	\$0.0	\$3.0	\$15.0
Hate Crimes Grant	2.9	3.0	3.0	3.0	11.9
<i>Subtotal</i>	<i>\$12.9</i>	<i>\$5.0</i>	<i>\$3.0</i>	<i>\$6.0</i>	<i>\$26.9</i>
Special Funds					
SRO	\$6.3	\$8.3	\$15.0	\$10.0	\$39.6
LEA Safety Evaluations	1.4	0.0	0.0	0.0	1.4
School Mapping Grant	0.0	0.0	3.0	0.0	3.0
Safe Schools Fund Grant	0.5	0.4	0.6	0.6	2.1
<i>Subtotal</i>	<i>\$8.2</i>	<i>\$8.7</i>	<i>\$18.6</i>	<i>\$10.6</i>	<i>\$46.1</i>
Total	\$21.1	\$13.7	\$21.6	\$16.6	\$73.0

LEA: local education agency

MCSS: Maryland Center for School Safety

SRO: State Resource Officer

Note: Adjusted for fiscal 2026 deficiencies.

Source: Governor's Fiscal 2027 Budget Books; Maryland Center for School Safety

Since fiscal 2022, MCSS has reported large SSF balance amounts, citing low LEA utilization. This is partly due to the grant terms, which do not permit the supplanting of funds. Because LEAs must set their budgets before the grant is available, their ability to use the SSF is limited. Additionally, some LEAs have cited challenges with contractual agreements with law enforcement and have opted out of their SSF allocations. **MCSS should comment on how much of the fiscal 2026 special fund appropriation it actually expects will be spent. DLS recommends adopting committee narrative requesting that MCSS submit a report on the SSF balance, obstacles to utilization and LEA participation, and potential solutions.**

Notably, the allowance does not contain funds for the Secure Schools Emergency Response Grant program, which MCSS is mandated to establish by September 2026 according to Chapter 293. The agency estimates the cost of the program at \$3 million. **MCSS should discuss its plans to establish the program by the mandated deadline, including the program's funding source.**

Operating Recommended Actions

1. Add the following language to the general fund appropriation:

, provided that \$100,000 of this appropriation made for the purpose of general administration may not be expended until the Maryland State Department of Education (MSDE) submits a report to the budget committees describing how the agency has implemented feedback and corrective actions from the Office of Legislative Audits related to the January 2026 fiscal compliance audit of the agency. The report shall include the following:

- (1) the procedures in place to ensure that applicants who will have direct access to minors undergo the required preemployment screenings, including criminal history, past disciplinary action, and licensing checks;
- (2) the system in place for monitoring local education agencies' (LEA) class assignment practices to ensure that teachers are only assigned to areas in which they are licensed;
- (3) MSDE's process and capacity for independently reviewing and approving initial educator license applications;
- (4) the procedures established to ensure the accuracy of LEAs' eligibility determinations for prekindergarten funding;
- (5) the status of federal fund reimbursement requests, the outstanding balance of expenditures that are awaiting federal reimbursement, the actions taken to obtain reimbursement in a timely manner, and the system developed to document federal revenues and expenditures;
- (6) the justification for procuring non-competitive contracts, the process for documenting the scope of services required under each agreement, and any steps MSDE has taken to recover funds paid for undelivered services; and
- (7) from January 2025 onward, a list of reimbursements owed to 21st Century Community Learning Centers that exceeded the 60-day required window, as well as the agency's justification for delays and the steps in place to ensure timely reimbursements.

The report shall be submitted to the budget committees no later than December 1, 2026. The budget committees shall have 45 days from the date of the receipt of the report 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 committees.

Explanation: A January 2026 fiscal compliance audit issued by the Office of Legislative Audits (OLA) contained 11 findings related to MSDE for the period from June 2021 to July 2024. The report disclosed issues with hiring and licensing oversight and financial management, as well as 2 redacted cybersecurity findings. This language restricts funding pending a report discussing OLA's feedback and the changes made to MSDE's oversight and documentation processes.

Information Request	Author	Due Date
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Report on hiring, licensing, and financial management oversight	MSDE	December 1, 2026
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2. Adopt the following narrative:

Report on Accounting Practices: The committees request that the Maryland State Department of Education submit a closeout report by October 1, 2026. This report should include:

- an explanation for encumbrances and reversions for all general, special, federal, and reimbursable funds for any amount that does not equal zero; and
- expenditures and closeout balances by program for fiscal 2024, 2025, and 2026.

Information Request	Author	Due Date
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Report on accounting practices	Maryland State Department of Education	October 1, 2026
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3. Adopt the following narrative:

Report on State Education Agency Federal Stimulus Funds: Due to school closures prompted by the COVID-19 pandemic, the Maryland State Department of Education (MSDE) received approximately \$3.6 billion in State Education Agency (SEA) federal stimulus funds. Though most of the funds have been obligated, significant amounts have not been expended. To ensure proper monitoring of the use of these funds, the committees

request that MSDE report by January 1, 2027, on all SEA program expenditures distributed as part of Elementary and Secondary School Emergency Relief funds. This report should include:

- grant expenditures by school and program for State-mandated funds allocated to the Maryland School for the Blind, the Maryland School for the Deaf, and the School for Educational Evolution and Development;
- grant procedures, allocations, and expenditures by program for all discretionary allocations;
- expenditures by MSDE department and object for administrative costs; and
- unexpended funds by program, reasons that funds were not allocated or expended, anticipated expenditures of those funds by program for future years, and funds that may have been canceled.

Information Request	Author	Due Date
Report on SEA Elementary and MSDE Secondary School Emergency Relief funds		January 1, 2027

4. Adopt the following narrative:

Report on the Maryland Leads Program: The American Rescue Plan Act requires State agencies to spend a designated percentage of Elementary and Secondary School Emergency Relief funds to address learning loss. The Maryland State Department of Education (MSDE) applied these funds to a grant program for local education agencies (LEA), Maryland Leads. To ensure proper oversight of this program and funding, the committees request that MSDE report by December 1, 2026, on the Maryland Leads program. The report should include the following information:

- a summary of progress on Maryland Leads objectives to date;
- LEA implementation plans by Maryland Leads subprogram;
- expenditures by LEA and subprogram for fiscal 2025 and 2026, including expenditures on personnel;

- standardized assessment measures, outcome measures, and progress, by LEA and program, on the framework implemented by MSDE to remediate student learning loss;
- documentation of improvements in literacy and mathematics proficiency, by LEA, grade, and subprogram, as the result of Maryland Leads initiatives; and
- documentation of how MSDE shares Maryland Leads information with the public, either on the MSDE website, LEA websites, or by other means.

Information Request	Author	Due Date
Report on Maryland Leads	MSDE	December 1, 2026

5. Adopt the following narrative:

Report on Science of Reading (SoR) and State Literacy Policy: In January 2024, the State Board of Education (SBOE) passed Resolution 24-01 adopting SoR as Maryland's official approach to literacy instruction and required local education agencies (LEA) to align their literacy instruction to SoR starting in the 2024-2025 school year. As part of this resolution, the Maryland State Department of Education (MSDE) was tasked with drafting a comprehensive literacy policy for prekindergarten through grade 3 that aligned with SoR and MSDE's strategic plan. MSDE also received a total of \$47.2 million from federal and nonprofit grants to implement initiatives to improve early literacy proficiency and SoR professional development. The committees request that MSDE and the Accountability and Implementation Board (AIB) submit a report by October 1, 2026, on SoR and State literacy policy. The report should include the following information:

- a summary of the final version of the State literacy policy adopted by SBOE;
- expenditures on SoR by LEA including allocations through State allocations, Maryland Leads federal stimulus funds, and other federal and nonprofit grants;
- a summary of materials related to readiness for promotion policies, implementation, and LEA reporting;
- a summary of the key objectives in LEA literacy plans submitted to AIB in calendar 2024 and reported progress on these objectives submitted in LEA annual reports due September 2026;
- progress on teacher training, preparation, and support for the State literacy policy and SoR instruction;

- status of the student support model for student reading improvement plans; and
- an updated timeline for completion of the adolescent literacy plan for grades 4 through 12.

Information Request	Author	Due Date
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Report on SoR and State literacy policy	AIB MSDE	October 1, 2026
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6. **Report on Safe Schools Fund (SSF) Utilization:** The committees request that the Maryland Center for School Safety (MCSS) submit a report by September 1, 2026. The report should include the following:

- allocations and expenditures by local education agency (LEA) for the School Resource Officer grant program; the Hate Crimes Grant; the SSF Grant; and any other one-time grants, programs, or evaluations administrated by MCSS;
- the starting and ending balances for fiscal 2022 through 2026, and projected balances for fiscal 2027 through 2028;
- obstacles to balance utilization and LEA participation; and
- potential solutions to those obstacles.

Information Request	Author	Due Date
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Report on SSF utilization	MCSS	September 1, 2026
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Updates

1. No Funds for Major IT in Fiscal 2027 Allowance

The fiscal 2027 allowance does not contain any funds for MSDE's CCATS due to the project's cancellation. The CCATS replacement project intended to update MSDE's centralized tool for managing the State's early care and education programs and migrate certain components to Salesforce. The system tracks childcare facility licensing and early childhood workforce data, including credentials and criminal background checks. CCATS also supports the Child Care Scholarship Program. More information about early childhood programs can be found in the R00A099 – MSDE Early Childhood Development analysis.

The CCATS Replacement Procurement was canceled due to a prebid protest that went before the Maryland State Board of Contract Appeals. As a result of the hearing, MSDE, alongside OAG and the Office of State Procurement, elected to cancel the procurement process and work with its current vendor under a modified scope. Prior to its cancellation, MSDE received more than \$45.3 million in federal funds and \$50,000 in IT investment funds for the CCATS replacement project.

2. Calls to the MCSS Tip Line Increase

Under an interagency agreement with MCSS, the Maryland Department of Emergency Management maintains the Maryland School Safety Tip Line, which is operated out of the Maryland Joint Operations Center 24 hours a day, 7 days a week, 365 days a year. Following the receipt of a tip, trained operators assess the submission to distinguish between standard concerns and immediate safety threats. Threats are then forwarded to law enforcement. School administrators also receive notifications from the system and are required to investigate according to local policy.

Exhibit 7 shows MCSS categories of tip line calls. From fiscal 2024 to 2025, calls to the tip line increased by 37.4%. Of the 1,169 calls received in fiscal 2025, 166 (14.2%) were general school complaints, and 126 (10.8%) were tips about assaults or assault threats. The largest one-year change was to tips about planned school attacks, which more than doubled from 47 to 101 (114.9% increase) in one year.

Exhibit 7
MCSS Tip Line
Fiscal 2024-2025

<u>Event Type</u>	2024	2025	% of Total Complaints	% Increase
	Tips	Tips		
General School Complaint/School Accountability	112	166	14.2%	48.2%
Assault/Intend to Harm Others	95	126	10.8%	32.6%
Planned School Attack	47	101	8.6%	114.9%
Bullying/Cyber-bullying/Teasing	80	100	8.6%	25.0%
Building/Physical Safety and Security	38	73	6.2%	92.1%
Anger issues/Creating Hostile Environment	61	73	6.2%	19.7%
Skipping School/Truancy/Ditching	38	68	5.8%	78.9%
Drug Distribution/Use/Sale/Abuse	50	58	5.0%	16.0%
Gun-related	57	58	5.0%	1.8%
Child Abuse/Neglect	40	57	4.9%	42.5%
Inappropriate Behavior/Language/Gestures	46	53	4.5%	15.2%
Bus Safety/Transportation Concerns	34	39	3.3%	14.7%
Smoking/E-cigs/Vaping Tips	34	39	3.3%	14.7%
Suicide Threats/Thoughts of Suicide	19	30	2.6%	57.9%
Sexual Harassment/Misconduct/Sexting	31	25	2.1%	-19.4%
Alcohol Possession/Distribution/Use	14	20	1.7%	42.9%
Harassment/Hazing	22	19	1.6%	-13.6%
Hate Crime/Hate Speech	0	18	1.5%	n/a
Fighting	18	14	1.2%	-22.2%
Knife-related	0	12	1.0%	n/a
Discrimination Tips	15	10	0.9%	-33.3%
Distribution of Inappropriate Photos	0	10	0.9%	n/a
Total	851	1,169	100.0%	37.4%

MCSS: Maryland Center for School Safety

Note: MCSS does not report tip counts under 10 for any event type.

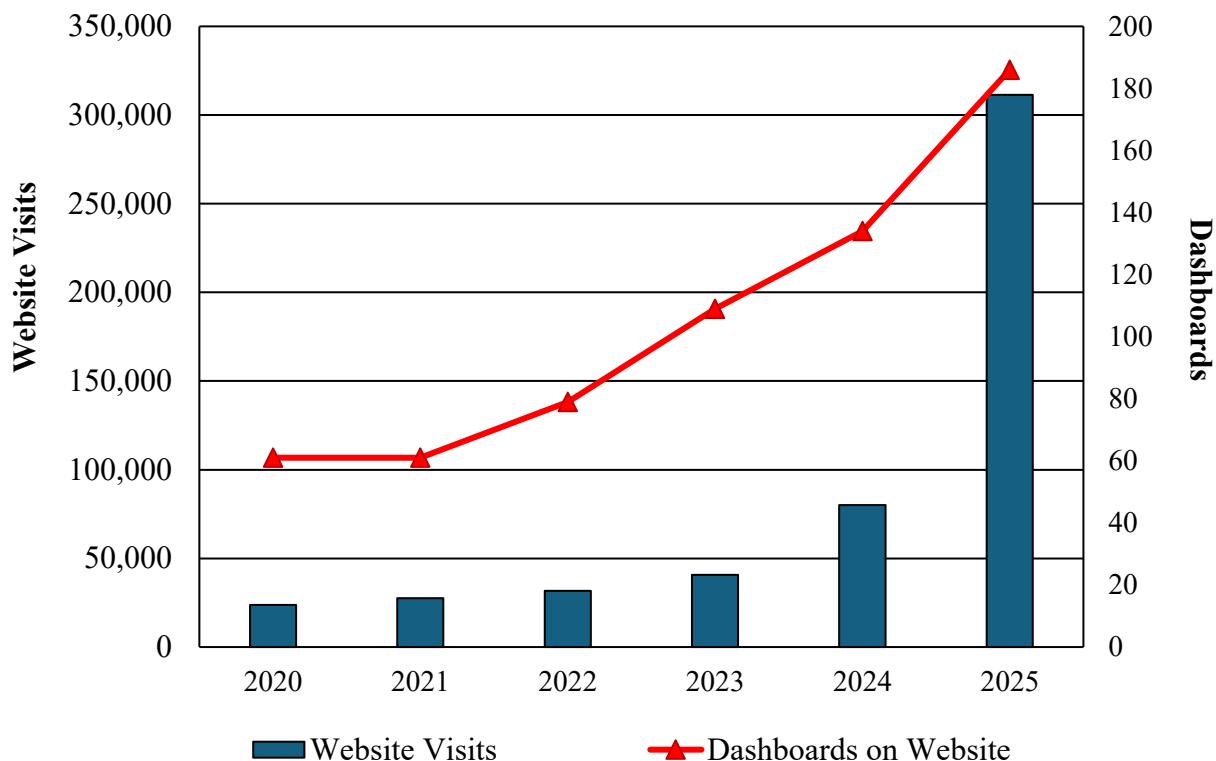
Source: Department of Budget and Management; Maryland Center for School Safety

3. MLDSC Website Usage Increases Significantly

Exhibit 8 shows data dashboards and visits to MLDSC's website from fiscal 2020 to 2025. One of MLDSC's MFR goals is to maintain and update a website that provides timely and relevant

information about the agency's work along with relevant data dashboards. To meet this goal, the agency maintains a website for the public, policymakers, and stakeholders. Over the past five years, the number of visits to the website has increased consistently, with the largest increase occurring from fiscal 2024 to 2025. In fiscal 2025, website visits reached 311,479, a 289.3% increase from the 80,000 visits in fiscal 2024.

Exhibit 8
MLDSC Dashboard and Website Visits
Fiscal 2020-2025



MLDSC: Maryland Longitudinal Data System Center

Source: Department of Budget and Management; Maryland Longitudinal Data System Center

MLSDC noted that in fiscal 2024, the agency mistakenly reported a count of unique users rather than the total page views metric utilized in other years. This data error may have resulted in the fiscal 2025 growth being overstated, though the difference between fiscal 2025 and 2023 is similarly dramatic.

4. Nearly All COVID-19 Federal Stimulus Funds Spent Ahead of March 2026 Deadline

Due to school closures during the COVID-19 pandemic, MSDE received approximately \$3.6 billion in SEA federal stimulus funds, including roughly \$2.9 billion in ESSER funds. The 2025 JCR, in addition to JCRs in past years, asked MSDE to provide an update on expenditures of SEA federal stimulus funds. As shown in **Exhibit 9**, MSDE and its LEAs reported expending \$2.68 billion (99%) of their ESSER allocations.

Exhibit 9
ESSER Funds
Fiscal 2025

	<u>ESSER I</u>	<u>ESSER II</u>	<u>ESSER III</u>
Legislation	CARES Act	Coronavirus Response and Relief Supplemental Appropriations Act	American Rescue Plan Act
Allocation	\$187,050,652	\$781,894,119	\$1,757,285,179
Expenditure	\$186,846,290	\$779,657,842	\$1,713,177,659
% Expended	99.9%	99.7%	97.5%
Approved Uses	<ul style="list-style-type: none">• Educational technology and remote learning tools• Summer learning• Mental health services• Pandemic preparedness and continuity of services• Resources needed to address the unique needs of student subgroups	<ul style="list-style-type: none">• Same approved uses as CARES Act• Activities to prevent learning loss• Preparing schools for reopening• Projects to improve air quality in school building	

CARES: Coronavirus Aid, Relief, and Economic Security

ESSER: Elementary and Secondary School Emergency Relief

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

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While most ESSER I and II funds were spent before fiscal 2025, ESSER III expenditures increased significantly from fiscal 2024 (74.9%) to 2025 (97.5%). Funds mostly supported school infrastructure and technology, supplies, academic and professional support programs, and operating needs like personnel. As discussed in Issue 1, in March 2025, ED abruptly ended the grace period for spending COVID-19 relief funds. MSDE was able to secure an extension until March 31, 2026, to expend the remaining \$46.5 million in obligated ESSER funds.

Appendix 1

2025 Joint Chairmen's Report Responses from Agency

The 2025 JCR requested that MSDE prepare 11 reports, 4 of which appear in this analysis. Of the remaining reports, 6 are discussed in the R00A0201 – MSDE Aid to Education analysis and 1 is discussed in the R00A99 – MSDE Early Childhood Development analysis. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Report on Accounting Practices:*** The 2025 JCR requested MSDE and MCSS submit a closeout report (1) explaining all fiscal 2025 encumbrances and reversions; (2) listing allocations and expenditures by LEA for various MCSS grant programs; and (3) providing SSF expenditures and closeout balances by program for fiscal 2023 through 2025, with estimates for fiscal 2026 and 2027. While the report does describe fiscal 2025 closeout numbers, it does not address the latter two requests. In particular, MSDE had large amounts of unspent and encumbered federal funds. The three largest areas of underspending or encumbrances were \$103.9 million in encumbered federal Title I funds; \$97.1 million in unspent federal funds for food programs (99.7% of the total amount); and \$87.5 million in encumbered federal Special Education grants. MSDE repeatedly cited vacancies, unexecuted contracts, and underutilized programs and grants in its explanations for the underspending. Further discussion of MSDE's closeout can be found in the Fiscal 2025 section of this analysis and in Appendix 2.
- ***Report on the Maryland Leads Program:*** The Maryland Leads program was established in calendar 2022 with \$170 million in federal funding to address pandemic-related learning loss. The Maryland Leads employs seven evidence-based programs that LEAs have the ability to customize to their needs: (1) Grow Your Own; (2) High Quality School Day Tutoring; (3) Innovative School Models; (4) Reimagining the Use of Time; (5) SoR; (6) Staff Support and Retention; and (7) Transforming Neighborhoods through Excellent Community Schools. MSDE believes Maryland Leads is one of the reasons behind students' improving MCAP scores in English language arts (ELA) and math, citing an increase in ELA proficiency from 31.4% in calendar 2021 to 46.6% in calendar 2023 and an improvement from 15.6% to 23.3% in math. At the end of fiscal 2025, the program has expended approximately \$169 million.
- ***Report on SoR and State Literacy Policy:*** In January 2024, SBOE passed Resolution 24-01 adopting SoR as Maryland's official approach to literacy instruction. LEAs were required to align their literacy instruction with SoR starting in the 2024-2025 school year, and MSDE was tasked with drafting a comprehensive literacy policy for prekindergarten through grade 3. The committees requested a report summarizing the finalized literacy policy and timeline, as well as expenditures by LEA. Further discussion of this report can be found in Issue 2 of this analysis.
- ***Report on SEA Federal Stimulus Funds:*** Due to school closures prompted by the COVID-19 pandemic, MSDE received approximately \$3.6 billion in SEA federal stimulus

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funds, including roughly \$2.9 billion in ESSER funds. To ensure proper monitoring of the use of these funds, MSDE was asked to produce a report on grant allocations and expenditures by program. As of September 2025, approximately \$2.68 billion (99%) of the ESSER grants have been spent. Funds have mostly supported operational needs, including personnel costs, school infrastructure and technology, supplies, and academic and professional support programs.

Appendix 2 **Audit Findings**

Audit Period for Last Audit	June 1, 2021 – July 15, 2024
Issue Date	January 2026
Number of Findings	11
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating (if applicable)	n/a

Finding 1: MSDE did not have sufficient policies and procedures to ensure that employees hired by LEAs were properly screened and did not have past disciplinary action that precluded employment to work with children.

Finding 2: MSDE did not have comprehensive procedures to ensure that individuals with disqualifying criminal backgrounds were not employed at LEAs.

Finding 3: MSDE did not monitor LEA teacher assignment practices to ensure that teachers were assigned within their area of licensure, as required.

Finding 4: MSDE did not independently review and approve all initial applications for educator licenses and related support to ensure that the applicant met all required qualifications.

Finding 5: MSDE did not verify the accuracy of LEAs' eligibility determinations for prekindergarten students funded through Blueprint.

Finding 6: Redacted cybersecurity-related finding.

Finding 7: Redacted cybersecurity-related finding.

Finding 8: MSDE did not request federal funds timely, resulting in lost investment income totaling at least \$3.6 million.

Finding 9: MSDE could not provide documentation to support the propriety of accrued federal fund revenue entries or the subsequent recovery of the funds

Finding 10: MSDE awarded certain grants and contracts totaling \$1.2 million without a competitive process and could not always support that the related deliverables were received.

Finding 11: MSDE did not always process 21st CCLC grant reimbursement requests timely, including 15 payments totaling approximately \$389,000 that were paid between 106 and 332 days after receipt of the invoice.

*Bold denote item repeated in full or part from preceding audit report.

Appendix 3
Object/Fund Difference Report
Maryland State Department of Education – Headquarters

<u>Object/Fund</u>	<u>FY 25 Actual</u>	<u>FY 26 Wrk Approp</u>	<u>FY 27 Allowance</u>	<u>\$ Change</u>	<u>% Change</u>
Positions					
01 Regular	1,184.90	1,179.90	1,179.80	-0.10	0.0%
02 Contractual	21.92	35.15	35.90	0.75	2.1%
Total Positions	1,206.82	1,215.05	1,215.70	0.65	0.1%
Objects					
01 Salaries, Wages, and Fringe Benefits	\$158,806,535	\$153,557,132	\$166,831,707	\$13,274,575	8.6%
02 Technical and Special Fees	50,213,831	67,219,757	66,190,139	-1,029,618	-1.5%
03 Communications	855,222	1,488,089	1,496,085	7,996	0.5%
04 Travel	804,551	1,818,357	1,817,521	-836	0.0%
06 Fuel and Utilities	1,106,415	853,849	853,849	0	0.0%
07 Motor Vehicle Operation and Maintenance	979,122	2,387,021	1,174,212	-1,212,809	-50.8%
08 Contractual Services	92,776,296	107,552,354	111,097,914	3,545,560	3.3%
09 Supplies and Materials	981,974	2,060,729	2,047,161	-13,568	-0.7%
10 Equipment – Replacement	196,738	707,780	704,535	-3,245	-0.5%
11 Equipment – Additional	255,952	528,156	501,433	-26,723	-5.1%
12 Grants, Subsidies, and Contributions	30,383,412	48,444,071	48,429,547	-14,524	0.0%
13 Fixed Charges	7,475,396	8,255,359	8,427,043	171,684	2.1%
14 Land and Structures	19,439	110,000	110,000	0	0.0%
Total Objects	\$344,854,883	\$394,982,654	\$409,681,146	\$14,698,492	3.7%
Funds					
01 General Funds	\$117,022,725	\$115,950,948	\$127,593,068	\$11,642,120	10.0%
03 Special Funds	20,565,491	40,601,772	39,250,593	-1,351,179	-3.3%
05 Federal Funds	206,944,375	238,217,777	242,800,557	4,582,780	1.9%
09 Reimbursable Funds	322,292	212,157	36,928	-175,229	-82.6%
Total Funds	\$344,854,883	\$394,982,654	\$409,681,146	\$14,698,492	3.7%

Note: The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Appendix 4
Fiscal Summary
Maryland State Department of Education – Headquarters

<u>Program/Unit</u>	<u>FY 25 Actual</u>	<u>FY 26 Wrk Approp</u>	<u>FY 27 Allowance</u>	<u>FY 26-27 \$ Change</u>	<u>% Change</u>
01 Office of the State Superintendent	\$78,710,325	\$79,831,814	\$75,026,285	-\$4,805,529	-6.0%
02 Office of the Chief of Staff	840,033	2,919,291	5,234,572	2,315,281	79.3%
03 Office of Teaching and Learning	34,106,539	43,898,425	47,916,493	4,018,068	9.2%
05 Office of Accountability	27,381,504	43,933,927	57,622,554	13,688,627	31.2%
06 Office of Finance and Operations	24,195,708	27,163,086	28,623,902	1,460,816	5.4%
07 Major Information Technology Development Projects	5,000,000	2,678,167	0	-2,678,167	-100.0%
20 Division of Rehabilitation Services – Headquarters	19,098,470	24,218,364	23,086,861	-1,131,503	-4.7%
21 Division of Rehabilitation Services – Client Services	62,045,060	64,907,341	67,155,871	2,248,530	3.5%
22 Division of Rehabilitation Services – Workforce and Technology Center	12,056,426	13,489,927	14,459,724	969,797	7.2%
23 Division of Rehabilitation Services – Disability Determination Services	49,706,714	50,931,623	53,853,224	2,921,601	5.7%
24 Division of Rehabilitation Services –Blindness and Vision Services	11,034,389	12,259,712	12,734,336	474,624	3.9%
01 Maryland Longitudinal Data System Center	3,485,911	3,506,076	3,628,346	122,270	3.5%
01 Maryland Center for School Safety – Operations	3,463,836	3,644,901	3,738,978	94,077	2.6%
02 Maryland Center for School Safety – Grants	13,729,968	21,600,000	16,600,000	-5,000,000	-23.1%
Total Expenditures	\$344,854,883	\$394,982,654	\$409,681,146	\$14,698,492	3.7%
General Funds	\$117,022,725	\$115,950,948	\$127,593,068	\$11,642,120	10.0%
Special Funds	20,565,491	40,601,772	39,250,593	-1,351,179	-3.3%
Federal Funds	206,944,375	238,217,777	242,800,557	4,582,780	1.9%
Total Appropriations	\$344,532,591	\$394,770,497	\$409,644,218	\$14,873,721	3.8%
Reimbursable Funds	\$322,292	\$212,157	\$36,928	-\$175,229	-82.6%
Total Funds	\$344,854,883	\$394,982,654	\$409,681,146	\$14,698,492	3.7%

Note: The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.