

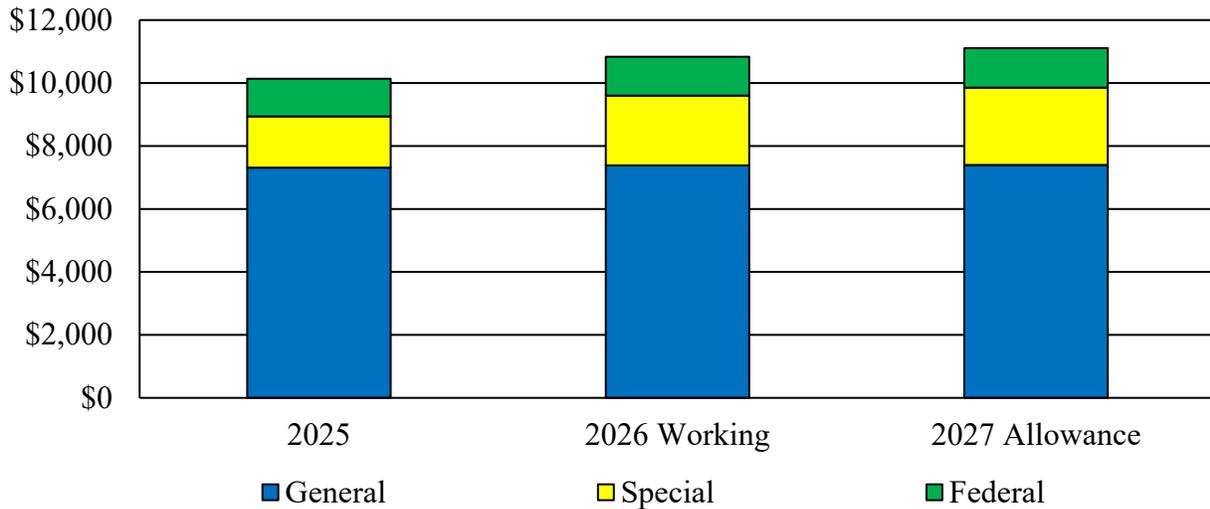
R00A02
Aid to Education
Maryland State Department of Education

Executive Summary

The Maryland State Department of Education (MSDE) Aid to Education budget is comprised of programs that provide State education aid to local jurisdictions. These programs include the State Share of the Foundation program (Foundation program), which is the major State aid program for primary and secondary schools. This analysis includes K-12 education State aid and funds allocated to the Blueprint for Maryland’s Future (Blueprint) programs. Programs in the Aid to Education budget that provide funding for early childhood programs, which include Prekindergarten, Head Start, and the Child Care Scholarship Program, can be found in the budget analysis for R00A99 – MSDE – Early Childhood Development. The Accountability and Implementation Board (AIB), which is an independent agency responsible for the oversight and evaluation of the Blueprint programs and can be found in the budget analysis for R12 – Accountability and Implementation Board.

Operating Budget Summary

Fiscal 2027 Budget Increases \$271 Million, or 2.5%, to \$11.1 Billion
(\$ in Billions)



Note: The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 allowance accounts for contingent reductions. 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.

For further information contact: Katharine Barbour

katharine.barbour@mga.maryland.gov

R00A02 – MSDE – Aid to Education

- The fiscal 2027 allowance totals \$11.1 billion, an increase of \$271 million compared to the fiscal 2026 working appropriation after accounting for \$56.4 million in proposed fiscal deficiency appropriations and \$40.8 million in fiscal 2027 contingent reductions.
- Of the net increase of \$16.8 million in general funds, a \$36.2 million increase for teacher retirement costs is partially offset by a \$24.1 million decrease in the nonpublic placement program, after accounting for contingent reductions to both programs.
- Of the net increase of \$235.3 million in special funds, \$135.3 million is for the Foundation program formula, and \$101.3 million is for Special Education formula funding. These increases are partially offset by a \$40.4 million decrease in compensatory education formula funding.
- Federal funds increase by \$18.9 million. This increase is driven by the Alcohol and Drug Abuse Program (\$8.0 million) and Title I grants for Educationally Deprived Children (\$6.5 million).

Key Observations

- ***Maryland Comprehensive Assessment Program (MCAP) English/Language Arts (ELA) Scores Show Roughly Half of Students in Grades 3 through 8 Meet Proficiency Standards:*** Although ELA scores have improved since spring 2022, only about half of students in grades 3 through 8 meet ELA proficiency standards.
- ***Despite Improvements, MCAP Mathematics Scores Show a Majority of Students Continue to Score as Beginning and Developing Learners:*** MSDE reported that for spring 2025 testing, grade 3 had the highest percentage of students scoring proficient or distinguished at 42.0%, and grade 8 had the lowest percentage of students scoring proficient or distinguished at 8.7%. All grades saw an increase from spring 2024 to 2025 of at least 1 percentage point.
- ***More Students Score Proficient or Distinguished in ELA than Mathematics:*** The smallest achievement gap between ELA and mathematics scores is 8.0 percentage points in grade 3, and the largest achievement gap is 39.7 percentage points in grade 8.
- ***Demographic Gaps in Test Scores Persist:*** Maryland public school students made collective gains in both mathematics and ELA between spring 2024 and 2025 testing, but significant gaps remain between student groups. Of all the student groups, multilingual learners had the lowest share of students meeting proficiency standards (11% for ELA and 7% for math).

R00A02 – MSDE – Aid to Education

- ***MSDE Misrepresented Status of Autism Waiver (AW) Program; Enrollment Decreasing:*** In submitted reports and in budget hearing testimony, MSDE did not communicate that program enrollment has been frozen since fall 2024, resulting in declining enrollment, as the agency is not backfilling spots once individuals age out. Specifically, reports continued to show planned increases in enrollment, until a report submitted in the 2025 interim noted this freeze. MSDE anticipates the AW Program will have 1,784 participants in fiscal 2026 and projected 1,663 participants in fiscal 2027. MSDE cited high program costs as the reason for the enrollment freeze. The fiscal 2027 allowance includes \$62.1 million in general funds for the program, a decrease of \$24.3 million from the year prior, after accounting for \$35.1 million in proposed fiscal 2026 deficiencies. A portion of the deficiency appropriation, however, supports fiscal 2025 costs, overstating the decrease.
- ***Special Education Enrollment Continues to Diverge from the Commission on Innovation and Excellence in Education (Kirwan Commission) Assumptions:*** Mandated growth in per pupil special education funding was informed by the belief that early interventions would reduce the overall number of students enrolled in special education later on. According to the theory from the Kirwan Commission, the growth in per pupil funding should reflect a shrinking but higher-need population of students. This assumption of reduced special education enrollment has not yet come to fruition; however, the mandated growth in per pupil funding has not been adjusted.
- ***Chronic Absenteeism Rates Decrease but May Miss Target for 2025-2026 School Year:*** Chronic absenteeism has gradually declined in recent years but is not yet at prepandemic levels, at 25.2% at the close of the 2024-2025 academic year. MSDE, along with AIB, set a three-year target of 15.0% for the 2025-2026 school year. To meet the target, chronic absenteeism would need to decrease by more than 10 percentage points in one year.
- ***\$68 Million in Fiscal 2020 through 2022 Federal Stimulus Funds for Local Education Agencies (LEA) Remains Unspent:*** As of December 2025, LEAs have expended \$2.66 billion (97.7%) of the \$2.72 billion in Elementary and Secondary School Emergency Relief (ESSER) funds. Additionally, LEAs have expended \$260.6 million (98.2%) of the \$265.3 million in RELIEF Act allocations.

Operating Budget Recommended Actions

	<u>Amount Change</u>
1. Delete the appropriation for a grant to the Yleana Leadership Foundation.	-\$70,000
2. Reduce general funds for the Adult High School Pilot Program.	-\$750,000
3. Reduce general funds for the Student Field Trip Fund.	-\$100,000

R00A02 – MSDE – Aid to Education

4.	Reduce general funds for the Leading Men Fellowship.	-\$100,000
5.	Reduce general funds for the Healthy Families Initiative.	-\$1,000,000
6.	Add language to the general fund appropriation restricting funds for Montgomery County Public Schools pending the submission of an overdue report on COVID-19 federal stimulus fund expenditures.	
7.	Add language reducing the fiscal 2027 per pupil funding level for special education, contingent on the enactment of legislation adjusting the per pupil funding level.	
8.	Add language requiring the general fund appropriation for the administration of the Academic Excellence Fund to be transferred to the Maryland State Department of Education Headquarters budget.	
9.	Modify language that reduces the State share of retirement costs contingent on legislation to increase the reduction that is contingent.	
10.	Adopt committee narrative requesting reports on local education agency COVID-19 federal stimulus fund expenditures.	
11.	Adopt committee narrative requesting a report to provide a status update on the Maryland Comprehensive Assessment Program.	
12.	Adopt committee narrative requesting a report on enrollment and counts for Blueprint for Maryland’s Future programs.	
13.	Adopt committee narrative requesting a report on the Autism Waiver Program.	
14.	Adopt committee narrative requesting a report on the nonpublic placement program.	
	Total Net Change to Fiscal 2027 Allowance	-\$2,020,000

Budget Reconciliation and Financing Act Recommended Actions

1. Reduce the mandated per pupil special education funding to provide an annual growth rate of 5% in fiscal 2027 through 2030.
2. Amend a provision to shift all of the fiscal 2027 increase in the State share of the Teachers' Retirement System costs to local jurisdictions, rather than approximately half.

Updates

- ***No New College and Career Readiness (CCR) Data Due to Transition to New Standards:*** In calendar 2024, 46.1% of students met CCR standards by the end of grade 10, and 48.6% met the standards by the end of grade 12. Though committee narrative in the 2025 *Joint Chairmen's Report* (JCR) requested updated CCR data and projected enrollment and funding for fiscal 2027 through 2030, MSDE stated that it could not provide updated data due to the switch to new criteria. As of fall 2025, MSDE reported 103,883 CCR-eligible students.
- ***Report on Education Support Professional (ESP) Counts and Pay:*** During the 2024-2025 school year, LEAs reported employing 46,851 ESPs, which are noncertified school employees working as health services professionals, paraprofessionals, and support personnel. More than a third of the State's ESPs (16,016) earn less than \$25 per hour.

R00A02
Aid to Education
Maryland State Department of Education

Operating Budget Analysis

Program Description

State and local governments share responsibility for funding Maryland’s public schools. The State provides the majority of direct funding to LEAs through the Foundation program, which includes calculations intended to promote fiscal equity. Chapters 701 and 702 of 2016 created the Kirwan Commission to study and recommend changes to Maryland’s school funding formulas. In calendar 2019, the legislature passed the Kirwan Commission’s initial recommendations (Chapter 771 of 2019), and Chapter 36 of 2021 enacted new formulas and programs. Since calendar 2021, the legislature has passed updates to Chapter 36 in Chapter 55 of 2021, Chapter 33 of 2022, Chapter 119 of 2023, Chapter 164 of 2024, and Chapter 237 of 2025 with the purpose of making minor changes and updates to the statute and clarifying funding formulas. Fiscal 2023 was the first year of full implementation of Blueprint programs and new statutory formulas.

Under Chapter 36 as amended, all LEAs receive wealth-equalized funding based on enrollment for the Foundation program, which is the primary program for LEA funding, as well as the following programs: compensatory education; CCR; regular and special education transportation; limited English proficiency (LEP); special education; transitional supplemental instruction; and prekindergarten. Depending on wealth and other factors, some LEAs also receive funding for guaranteed tax base, Blueprint transition grants, career ladder, concentration of poverty grant (CPG), and other Blueprint programs. Funding for these programs is primarily through the Blueprint Fund, which is a constitutionally established special fund that receives sales tax, casino, gambling, and tobacco-related revenues. Since fiscal 2023, the Governor has been required to fund 100% of mandated Blueprint programs.

This analysis for Aid to Education includes 20 of 24 programs budgeted in the Aid to Education budget.

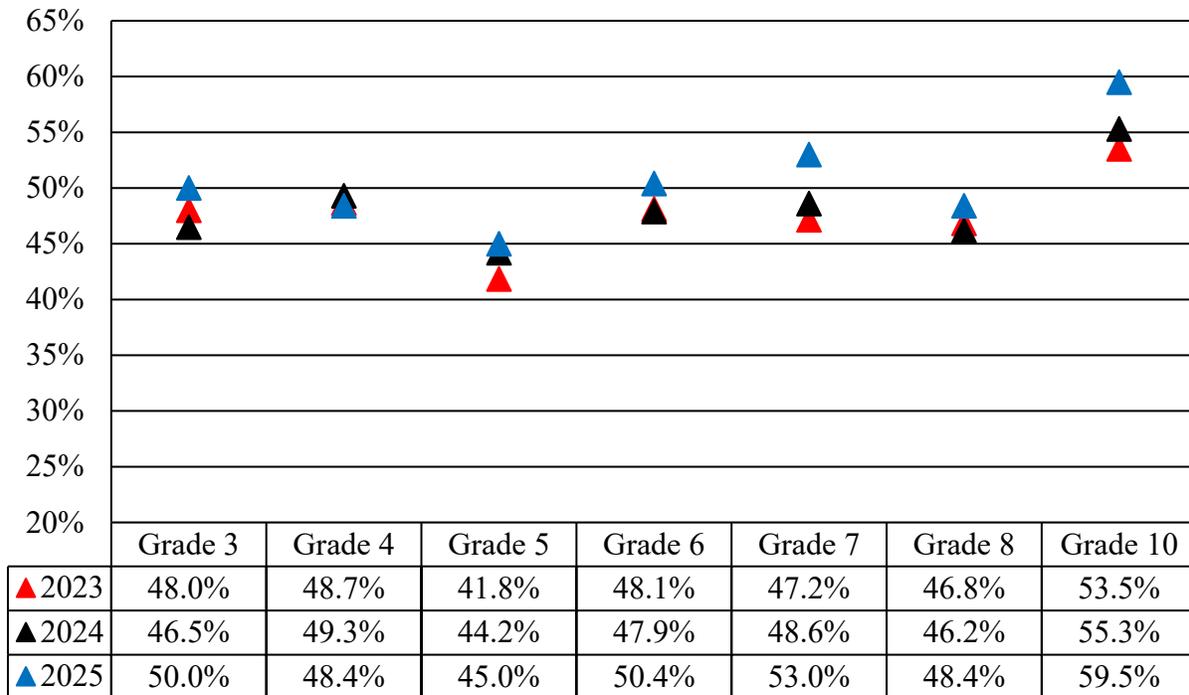
Performance Analysis: Managing for Results

The federal Every Student Succeeds Act of 2015 requires that every state administer annual, summative assessments to all students in (1) ELA and mathematics in grades 3 through 8 and high school; (2) science in each grade span (grades 3 through 5, grades 6 through 8, and high school); and (3) English language proficiency assessments in grades K through 12 for all students considered as LEP. In calendar 2018, MSDE announced the transition from the Partnership for the Assessment of Readiness for College and Careers (PARCC) to MCAP. According to MSDE, this change was necessary so that State assessments were more reflective of the Maryland content standards and instruction.

1. MCAP ELA Scores Show Roughly Half of Students in Grades 3 through 8 Meet Proficiency Standards

MCAP measures the percentage of students who earn a beginning, developing, proficient, or distinguished score on the ELA assessments in grades 3 to 8 and grade 10. As shown in **Exhibit 1**, in spring 2025, grade 10 had the highest percentage of students scoring proficient or distinguished at 59.5%, and grade 5 had the lowest percentage of students scoring proficient or distinguished at 45.0%. From spring 2024 to 2025, grade 7 had the largest increase (4.4 percentage points), while grade 4 had the only decrease (0.9 percentage points). Although ELA scores have improved for all but one grade level since spring 2023, only about half of students in grades 3 through 8 meet ELA proficiency standards.

Exhibit 1
MCAP English/Language Arts
Proficient and Distinguished Scores by Grade Level
2023-2025 School Years



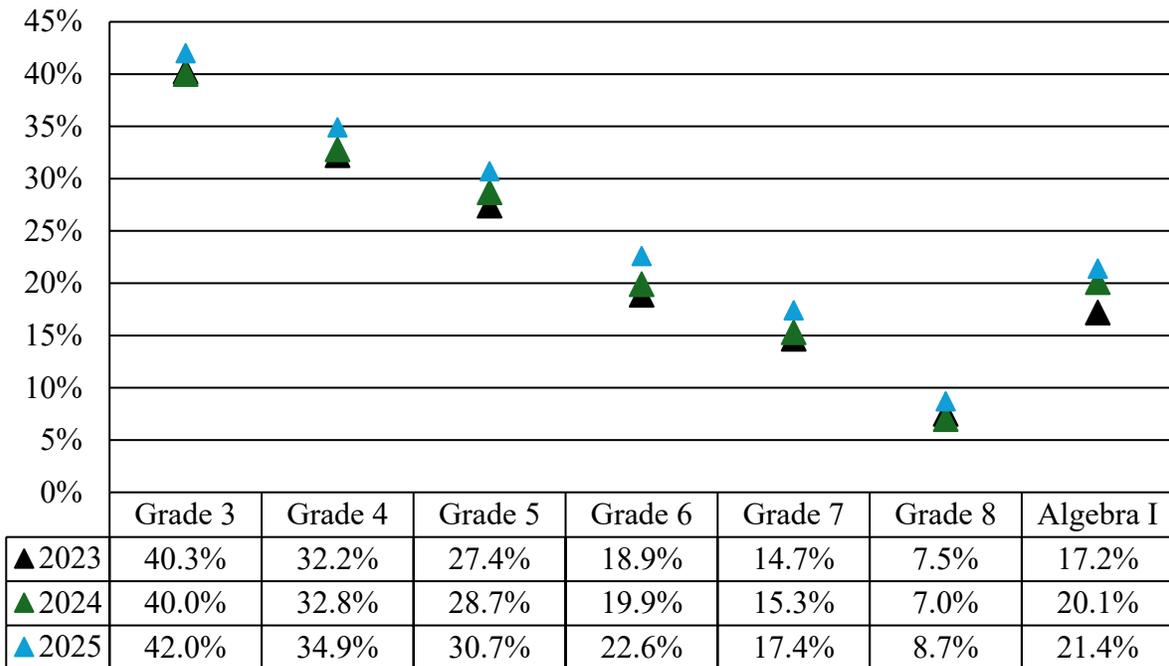
MCAP: Maryland Comprehensive Assessment Program

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

2. Despite Improvements, MCAP Mathematics Scores Show Majority of Students Continue to Score as Beginning and Developing Learners

MCAP measures the percentage of students who earn a beginning, developing, proficient, or distinguished score in grades 3 to 8 in mathematics and high school Algebra I assessments. As shown in **Exhibit 2**, in spring 2025, grade 3 had the highest percentage of students scoring proficient or distinguished at 42.0%, and grade 8 had the lowest percentage of students scoring proficient or distinguished at 8.7%. All grades experienced an increase in the share of students scoring proficient or distinguished from spring 2024 to 2025 of at least 1 percentage point. Grades 3 through 7 saw scores improve by at least 2 percentage points, with the largest increase in grade 6 (2.7 percentage points). Algebra I scores improved the least (1.3 percentage points). The data indicate that although mathematics scores have improved since spring 2023, all grade levels continue to have a majority of students scoring at a beginning or a developing level of achievement.

Exhibit 2
MCAP Mathematics
Proficient and Distinguished Scores by Grade Level
2023-2025 School Years



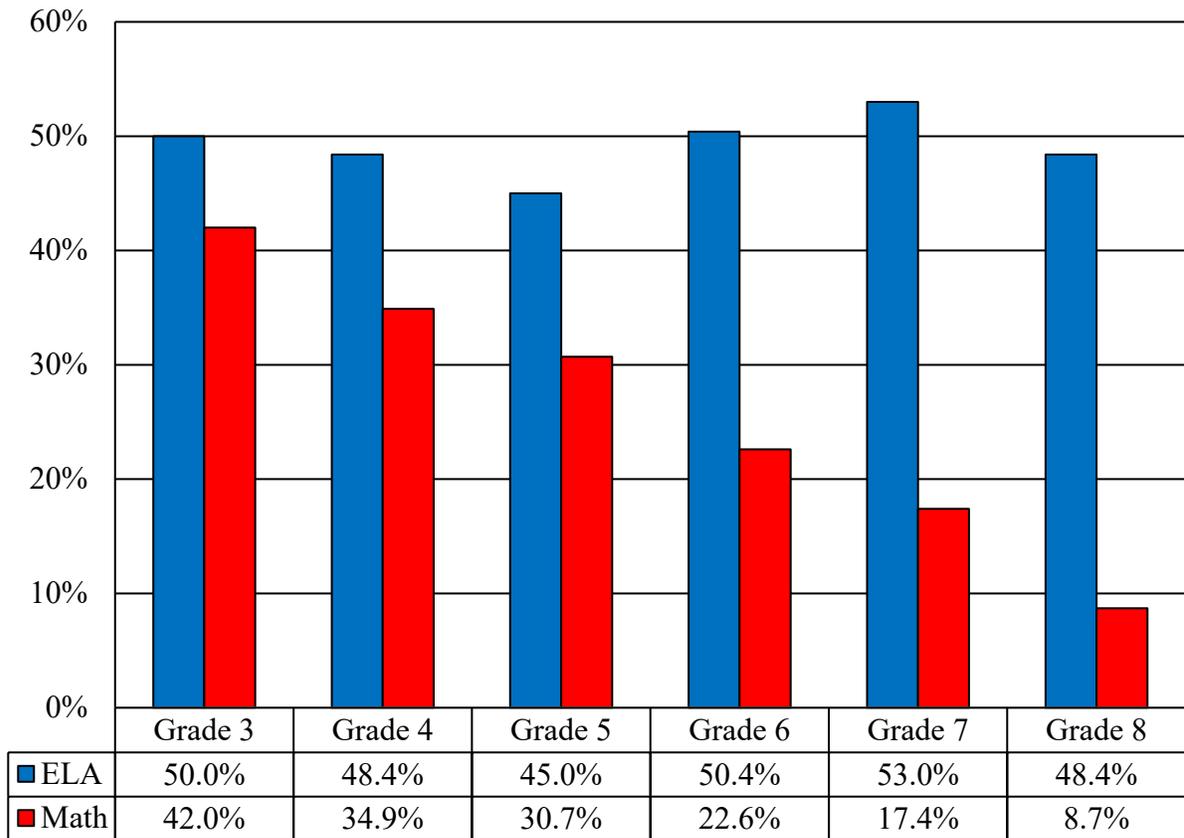
MCAP: Maryland Comprehensive Assessment Program

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

3. More Students Score Proficient or Distinguished in ELA Compared to Mathematics

As shown in **Exhibit 3**, more students scored proficient or distinguished in ELA than mathematics at each grade level. The smallest achievement gap between ELA and mathematics scores is 8.0 percentage points in grade 3, and the largest achievement gap is 39.7 percentage points in grade 8.

Exhibit 3
Comparison of MCAP Scores for ELA and Mathematics
Students Scoring Proficient or Distinguished
Grades 3 through 8
2024-2025 School Year



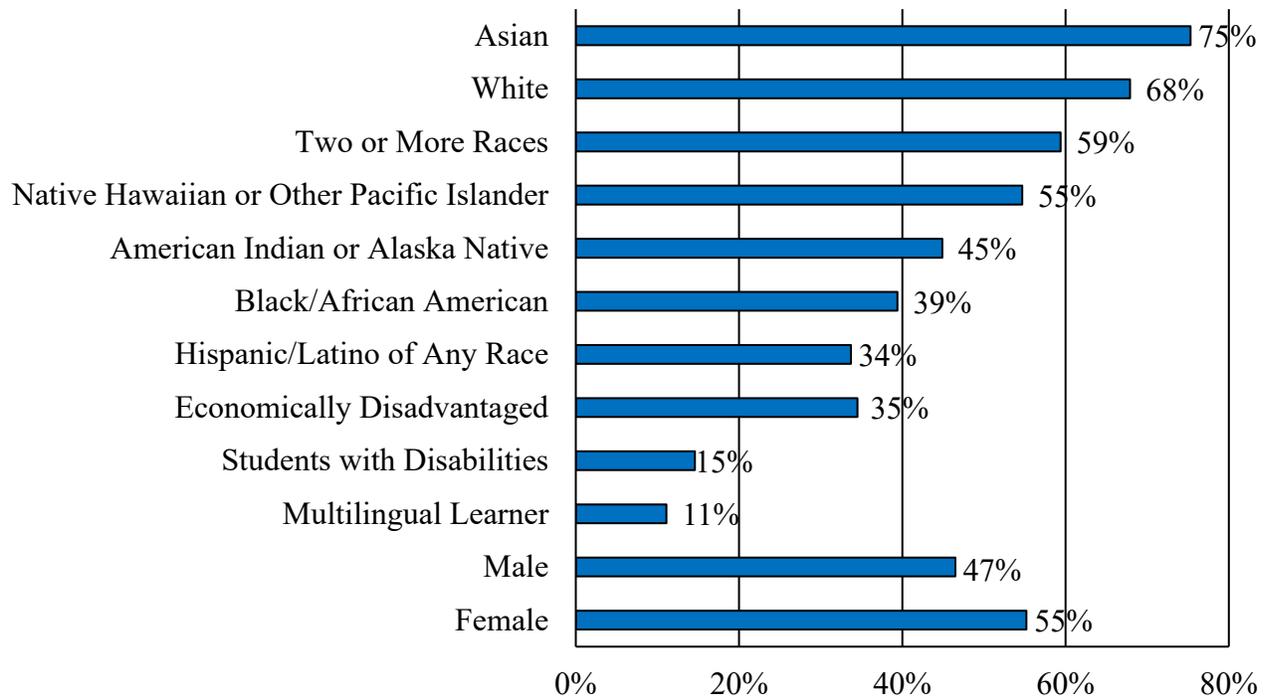
ELA: English/language arts
 MCAP: Maryland Comprehensive Assessment Program

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

4. Demographic Gaps in Test Scores Persist

Maryland public school students made collective gains in both mathematics and ELA in spring 2025, but significant gaps remain between student groups. As shown in **Exhibit 4**, 75% of Asian students met proficiency standards in ELA in the 2024-2025 school year, the highest share of any racial or ethnic group. ELA proficiency levels were lowest among Hispanic/Latino students at 34%, 41 percentage points lower than the highest achieving student group. Of all the student groups, multilingual learners had the smallest share of students meeting proficiency standards (11%), followed by students with disabilities (15%). Additionally, slightly more than a third of economically disadvantaged students (35%) met proficiency standards in ELA.

Exhibit 4
Proficient ELA MCAP Scores by Student Group
Grades 3 through 8 and Grade 10
2024-2025 School Year



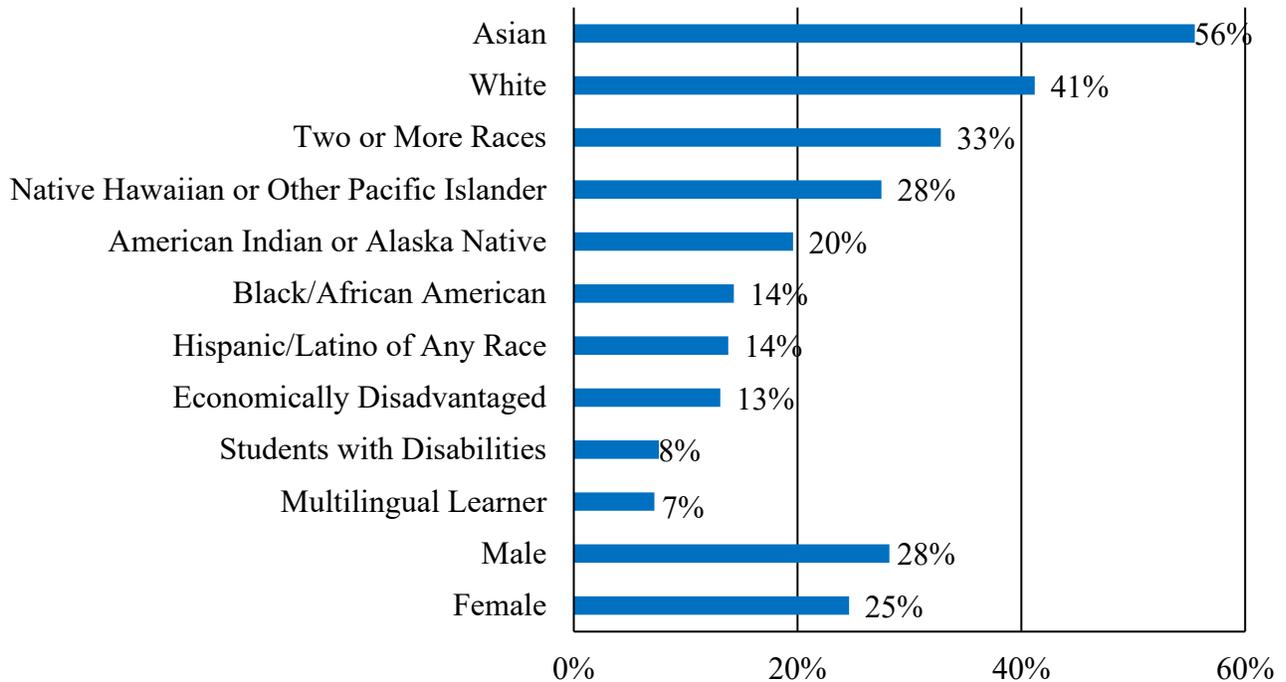
ELA: English/language arts

MCAP: Maryland Comprehensive Assessment Program

Source: Maryland State Department of Education; Maryland Comprehensive Assessment Program 2024-2025 Results

Exhibit 5 shows that Asian students also were the racial/ethnic student group with the highest collective proficiency in mathematics (56%). Black/African American and Hispanic/Latino students tied for the lowest proficient share of any racial/ethnic student group (14%), 42 percentage points lower than Asian students. Of the other student groups, multilingual learners (7%), students with disabilities (8%), and economically disadvantaged students (13%) struggled the most to meet proficiency standards.

Exhibit 5
Proficient Mathematics MCAP Scores by Student Group
Grades 3 through 8, Algebra I, Algebra II, and Geometry
2024-2025 School Year



MCAP: Maryland Comprehensive Assessment Plan

Source: Maryland State Department of Education; Maryland Comprehensive Assessment Program 2024-2025 Results

The Department of Legislative Services (DLS) recommends adopting committee narrative requesting a report on MCAP scores and LEA progress on remediation of COVID-19-related learning loss.

Fiscal 2026

Transfers from Aid to Education to Headquarters

In fiscal 2025 and 2026, MSDE has transferred millions from the Aid to Education budget to the Headquarters budget.

For fiscal 2025 closeout, MSDE submitted a budget amendment that realigned a total of \$8,322,927 in the agency’s fiscal 2025 appropriation: \$3,967,795 in general funds; \$3,600,000 in federal funds; and \$755,132 in special funds.

In particular, the amendment transferred general funds from the Aid to Education budget from food services for free and reduced-price meal (FRPM) recipients (\$2.0 million), Innovative Programs (\$1.1 million), child care scholarships (\$441,000), and funding for children in out-of-county living arrangements (\$425,000).

The \$1.1 million in Innovative Programs savings came from five programs:

- The Yleana Leadership Foundation did not receive its full fiscal 2025 grant amount of \$100,000 because the organization closed permanently in January 2025.
- The Healthy Families Initiative, which supports families with young children through educational and health interventions, did not receive enough eligible applications to fully allocate the \$4.6 million budget.
- Beginning in fiscal 2025, Chapter 747 of 2023 established a mandated appropriation of \$500,000 to provide grants to local school systems for expenses related to student field trips to museums of cultural import. In the first year of the grant program, \$123,000 was not spent.
- There were no applications for the Lacrosse Opportunities Grant Program, which has a mandated annual budget of \$40,000.
- The Adult High School Pilot Program did not receive enough eligible applicants to utilize the full \$750,000 budget, resulting in \$250,000 in unspent general funds.

The amendment used \$3.0 million in realigned general funds to pay for MCAP contracts in the Headquarters budget, which are discussed in further detail in the analysis for R00A01 – MSDE – Headquarters. The transfers also supported personnel and fringe benefits in MSDE Headquarters.

Furthermore, MSDE has submitted a budget amendment for fiscal 2026 for legislative review that would realign an additional \$23.6 million, excluding Division of Early Childhood realignments. The amendment includes \$1.3 million in general funds, \$9.3 million in special funds,

R00A02 – MSDE – Aid to Education

and \$13.1 million in federal funds. In addition to realigning funds within Headquarters and Aid to Education’s respective budgets, the amendment transfers \$3.5 million in special funds from Blueprint Transition Grants and \$3.0 million in special funds from the CCR program to support MCAP assessment contracts, Expert Review Teams, and behavioral health training and grants in MSDE Headquarters.

Some of these Aid to Education programs receive reduced appropriations through actions in the budget. For example, funds for the out-of-county living arrangements are reduced through a proposed deficiency appropriation (\$250,000) for fiscal 2026, and the lower funding level continues into fiscal 2027. In addition, the fiscal 2027 allowance reduces funds for some programs, such as a \$2.0 million decrease to the food services program for FRPM. The Budget Reconciliation and Financing Act (BRFA) of 2026 also proposes to eliminate the mandate for the Lacrosse Opportunities Program. These reductions may mitigate the need for transfers between budgets. **DLS is concerned that MSDE is diverting savings from some programs providing services to children including mandated aid programs to expand administrative spending in the headquarters budget. This practice is detrimental to legislative oversight of the budget. MSDE should comment on the use of realignments to address shortfalls in the MSDE Headquarters budget.**

DLS recommends deleting funds in the fiscal 2027 budget for the Yleana Leadership Foundation. Additionally, DLS recommends reducing the appropriations for the Healthy Families Initiative, the Adult High School Pilot Program, the Student Field Trip Fund, and the Leading Men Fellowship to a level consistent with prior years and actual spending.

Proposed Deficiency

Proposed general fund deficiencies total \$56.4 million, including \$21.4 million in general funds, \$20.0 million in special funds, and \$15.0 million in federal funds for the following purposes:

- \$21.7 million in general funds and \$13.4 million in special funds for the AW program. Of the special funds \$7.4 million are from remaining funds in the Dedicated Purpose Account (DPA) added to support the AW program, and \$6 million relates to funding in the DPA appropriated to assist in implementing End the Wait initiatives. Further discussion of the AW is found in Issue 1;
- \$15.0 million in federal funds for school meals;
- \$6.6 million in special funds for payments to teachers in the Career Ladder program; and
- a reduction of \$250,000 to align general funds for the Out-of-County Placements program with actual expenditures.

Fiscal 2027

Budget Reconciliation and Financing Act

The BRFA of 2026 includes four provisions impacting the Aid to Education budget and programs:

- ***Local Share of Teacher and Community College Retirement System Payments:*** Beginning in fiscal 2027, this provision would reduce the State share of annual employer pension contributions for members of the Teachers' Retirement System/Teachers' Pension System employed by local school systems, community colleges, and libraries. The fiscal 2027 budget includes a \$36.2 million contingent reduction that would transfer half of the increase in the State's share of K-12 teacher retirement costs (\$36.2 million) to local jurisdictions. **Appendix 4** shows the impact of the provision on local jurisdictions. Contingent reductions related to this provision also appear in the Aid to Community Colleges and Maryland State Library Agency budgets. **Consistent with recommendations appearing in those programs, DLS recommends shifting 100% of the fiscal 2027 increase (\$72.4 million) to the State share of teacher retirement costs to local jurisdictions.**
- ***Driver Education in Public High Schools Fund and Grant Program:*** Chapter 857 of 2024 established the Driver Education Grant Program and special fund and a requirement that \$2.0 million in funds received from fines associated with vehicle security lapses (the uninsured motorist penalty fee) be distributed to the Driver Education Fund annually. This provision would repeal this requirement. Additionally, funds from the uninsured motorist penalty fee are repealed as a source for the Driver Education Grant Fund. The fiscal 2027 budget as introduced includes a \$2.0 million special fund reduction, contingent on the enactment of legislation eliminating the Driver Education Grant Program and Driver Education Fund mandate. With this change, general fund revenues increase by \$2.0 million annually beginning in fiscal 2027 as funds from the uninsured motorist penalty fee not otherwise distributed are then distributed to the General Fund.
- ***Lacrosse Opportunities Program:*** Eliminates the mandate for the Governor to provide at least \$40,000 each year for the Lacrosse Opportunities Program, which funds opportunities for minority students to participate in the sport. Chapter 706 of 2012 established the Lacrosse Opportunities Program in MSDE to increase opportunities for minority public school students to participate in lacrosse in their communities. Initially, only specified LEAs were eligible to receive grants under the program. Chapter 551 of 2017 expanded eligibility for grants to include youth lacrosse nonprofit organizations in specified counties. The program received no applications in fiscal 2025.

Nonpublic Placement Program

The State and local school systems share in the costs of nonpublic placements for special education children who cannot receive an appropriate education in a public school. For those children in nonpublic placements approved by MSDE, the local school system contributes an amount equal to the local share of the basic cost of educating a child without disabilities plus two times the total basic cost of educating a child without disabilities. Any costs above this base amount are split on a State/local basis. In fiscal 2025, 4,142 students with disabilities were placed in specialized nonpublic schools. Despite the 1% increase in student placements from the prior fiscal year, expenditures rose by 6.6% from \$156.6 million in fiscal 2024 to \$166.9 million in fiscal 2025. While standard inflation for these programs was set at 3.4%, the Teacher Pay Parity Act (Chapter 648 of 2023) resulted in a 5.1% increase in per diem rates for nonpublic educators in fiscal 2025. Final fiscal 2025 expenditures were \$5.6 million lower than the \$172.5 million appropriation.

The BRFA of 2025 reduced the State share of the cost of educating a child with disabilities in a nonpublic placement program by phasing in, over two years, a change in the additional amount above 200% of the basic cost of education that LEAs are required to provide – specifically 40% in fiscal 2026 and 50% in fiscal 2027 and subsequent years. The fiscal 2026 budget as enacted included a \$25.0 million general fund reduction to the program due to this provision. The fiscal 2027 budget as introduced reflects the second year of the phase-in.

The BRFA of 2026 includes a provision that prohibits the use of funds in fiscal 2027 to provide rate increases over the rates in effect on January 21, 2026, for nonpublic placement providers. The fiscal 2027 budget as introduced includes a \$2.5 million general fund contingent reduction, with calculated savings based on an assumed growth rate of 2%. General fund expenditures then decrease by \$2.55 million in fiscal 2028, further decreasing to \$2.71 million by fiscal 2031 due to the lower base from which future rate increases are applied.

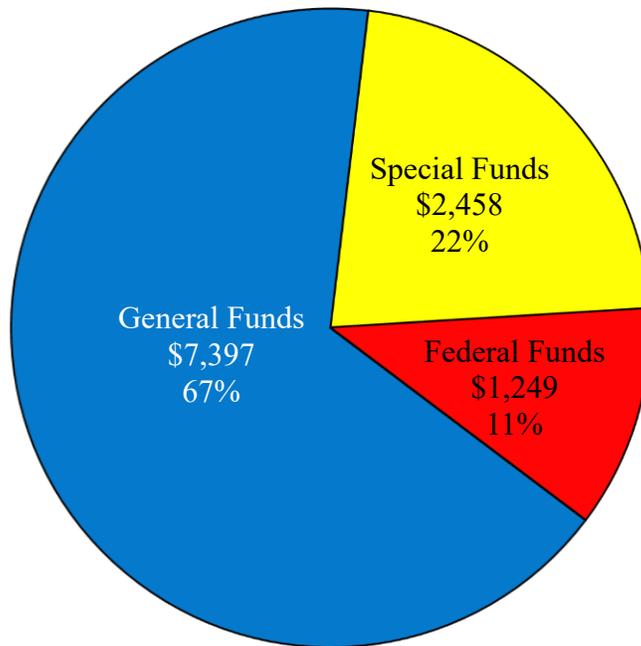
Academic Excellence Fund

Chapter 237 established the Academic Excellence Program, which provides in-classroom support to teachers and students in the form of mathematics and literacy coaches. The fiscal 2027 allowance contains \$10.9 million in general funds for the new program, of which \$9.3 million supports its administration. These expenses include salaries and fringe benefits for 43 contractual staff (\$5.4 million), travel (\$954,000), contractual services (\$1.6 million), and office and instructional supplies (\$1.3 million). **Because the Aid to Education budget is solely meant for the distribution of grants and does not include the administrative expenses of other grant programs, DLS recommends adding language requiring the general fund appropriation for the administration of the Academic Excellence Fund to be transferred to the MSDE Headquarters budget.** Academic Excellence Fund grants (\$1.6 million) will remain in the Aid to Education budget.

Overview of Agency Spending

The fiscal 2027 allowance for Aid to Education accounting for contingent reductions totals approximately \$11.1 billion with the majority of funds, \$7.4 billion, or 67%, in general funds. **Exhibit 6** shows the overview of agency spending in fiscal 2027 by fund type.

Exhibit 6
Overview of Agency Spending
Fiscal 2027 Allowance
(\$ in Millions)



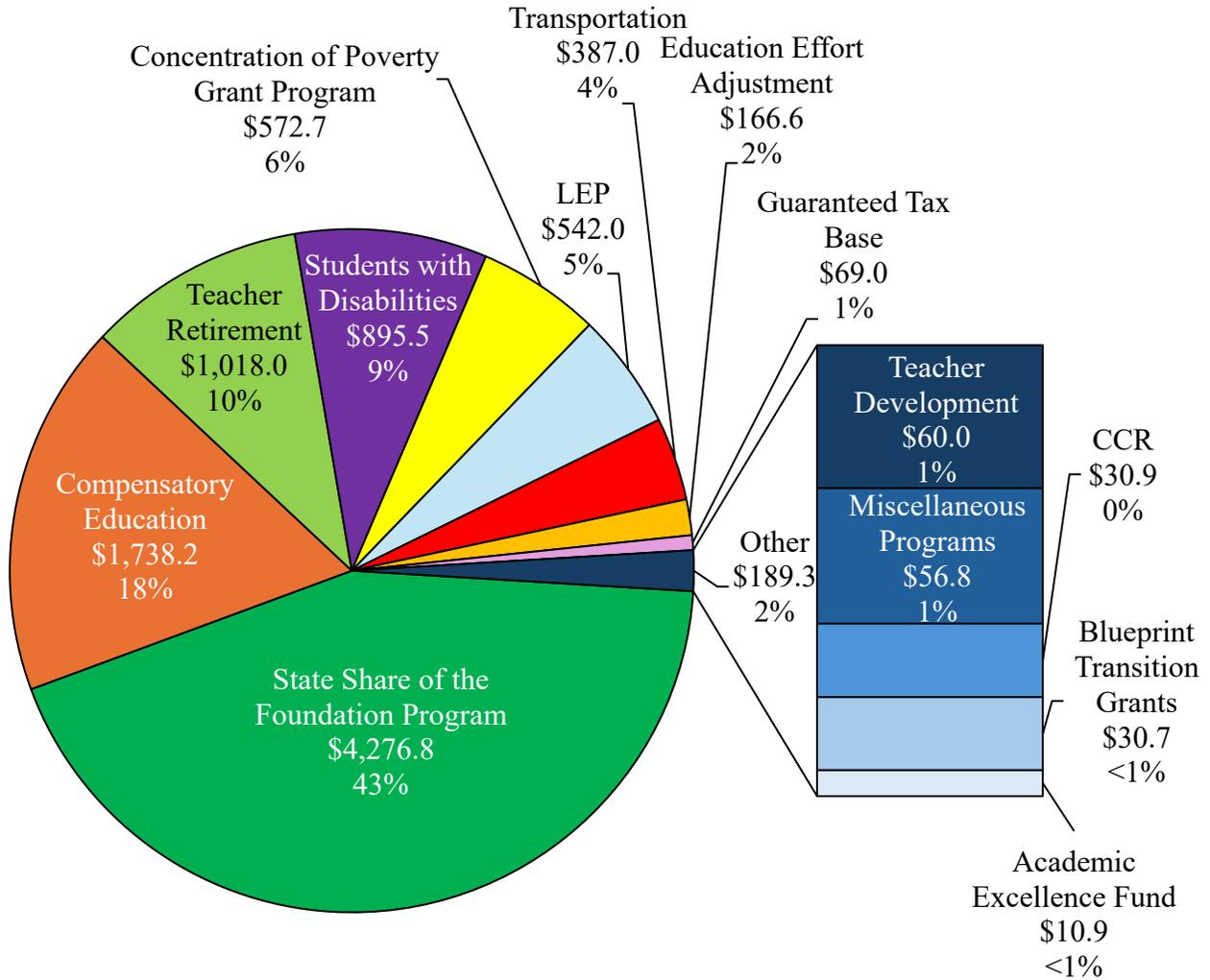
Note: The fiscal 2027 allowance accounts for contingent reductions. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Governor’s Fiscal 2027 Budget Books

State Funds

Exhibit 7 presents the allocation of nearly \$9.9 billion in State funds (the combined general and special fund amounts) in the fiscal 2027 allowance. The majority of funds, \$7.9 billion, or 80%, are allocated to four programs: \$4.3 billion for the Foundation program (43%); \$1.7 billion for compensatory education (18%); \$1.0 billion for teacher retirement (10.3%); and \$896 million for Students with Disabilities (9%).

Exhibit 7
State Fund Allowance
Fiscal 2027
(\$ in Millions)



CCR: College and Career Readiness
 LEP: limited English proficiency

Note: The fiscal 2027 allowance accounts for contingent reductions.

Source: Governor’s Fiscal 2027 Budget Books

Exhibit 8 shows the fiscal 2027 proposed budget for Blueprint by program, which increases by \$356.6 million, or 14%, over the prior year. The largest Blueprint-supported program in the Aid to Education budget is the Foundation program, at more than half (52.9%) of all Blueprint Fund spending.

Exhibit 8
Blueprint Funds by Program
Fiscal 2026-2027
(\$ in Millions)

<u>Aid to Education Budget</u>	<u>2026</u>	<u>2027</u>	<u>\$ Difference</u>	<u>% Difference</u>
Foundation	\$255.9	\$391.3	\$135.30	52.9%
Comparable Wage Index	157.9	159.9	2.0	1.3%
Compensatory Education	483.4	443	-40.4	-8.4%
Special Education Formula	278.7	380	101.3	36.4%
English Learners	220.2	207.7	-12.4	-5.6%
Concentration of Poverty Grants	492.6	572.7	80.1	16.3%
Education Effort Adjustment	145.4	166.6	21.2	14.6%
College and Career Readiness	31.8	30.9	-0.9	-2.8%
Teacher Salaries	26.2	26.7	0.5	1.9%
Teacher Support Programs	21.4	25.4	4.0	18.7%
Transitional Supplemental Instruction	23.9	0	-23.9	-100.0%
Blueprint Transition Grants	37.5	28.8	-8.7	-23.1%
Other Programs	50.9	52.2	1.3	2.6%
<i>Subtotal</i>	<i>\$2,225.8</i>	<i>\$2,485.2</i>	<i>\$259.4</i>	<i>11.7%</i>
Early Childhood Budget				
Prekindergarten	\$172.6	\$257.4	\$84.8	49.1%
Early Childhood Grants and Programs	84.6	86.8	2.2	2.6%
<i>Subtotal</i>	<i>\$257.2</i>	<i>\$344.2</i>	<i>\$87.0</i>	<i>33.8%</i>
Other Budgets				
Department of Health	\$70.0	\$80.0	\$10.0	14.3%
Accountability and Implementation				
Board	3.4	3.5	0.1	2.3%
<i>Subtotal</i>	<i>\$73.4</i>	<i>\$83.5</i>	<i>\$10.1</i>	<i>13.7%</i>
Total Blueprint Program Budget	\$2,556.4	\$2,912.9	\$356.5	13.9%

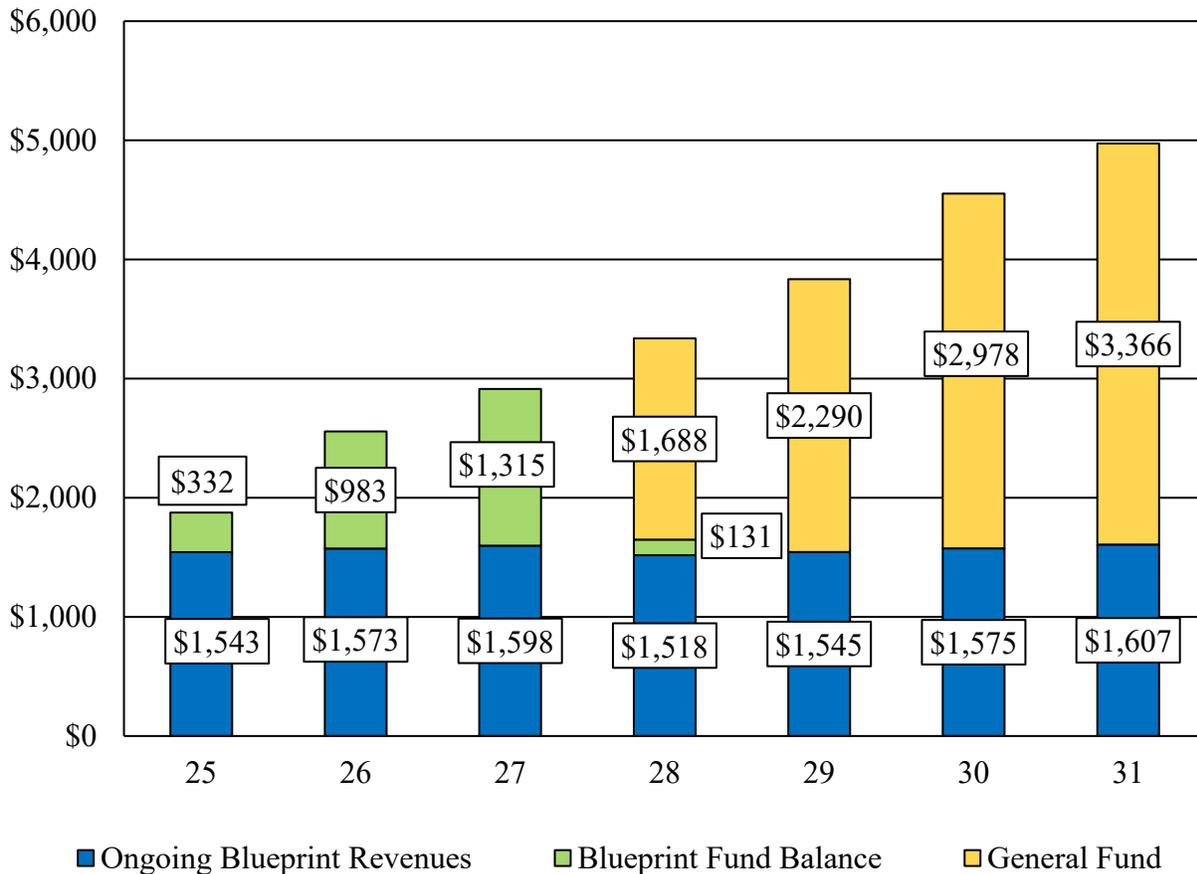
Note: The Teacher Support Programs category includes National Board Certification Fees and Support; Teachers Fellowship Scholarship (Maryland Higher Education Commission - MHEC); Teacher Quality and Diversity Program (MHEC); and Teacher Recruitment and Outreach.

Source: Department of Budget and Management

General Fund Pressure from Blueprint Beginning in Fiscal 2028

Exhibit 9 shows the Administration’s forecast for general fund support required for Blueprint programs through fiscal 2031. Beginning in fiscal 2028, Blueprint Fund revenues will not cover all eligible Blueprint program costs. The Administration forecasts education expenditures will grow by an average of 14% annually between fiscal 2027 and 2031. The forecast anticipates a \$1.7 billion gap in fiscal 2028, which would be covered with general funds. General fund expenditures for Blueprint balloon further in fiscal 2029 to \$2.3 billion and continue to grow in subsequent years, reaching \$3.4 billion in fiscal 2031.

Exhibit 9
Estimated Blueprint Costs and Funding Sources
Fiscal 2025-2031
(\$ in Millions)

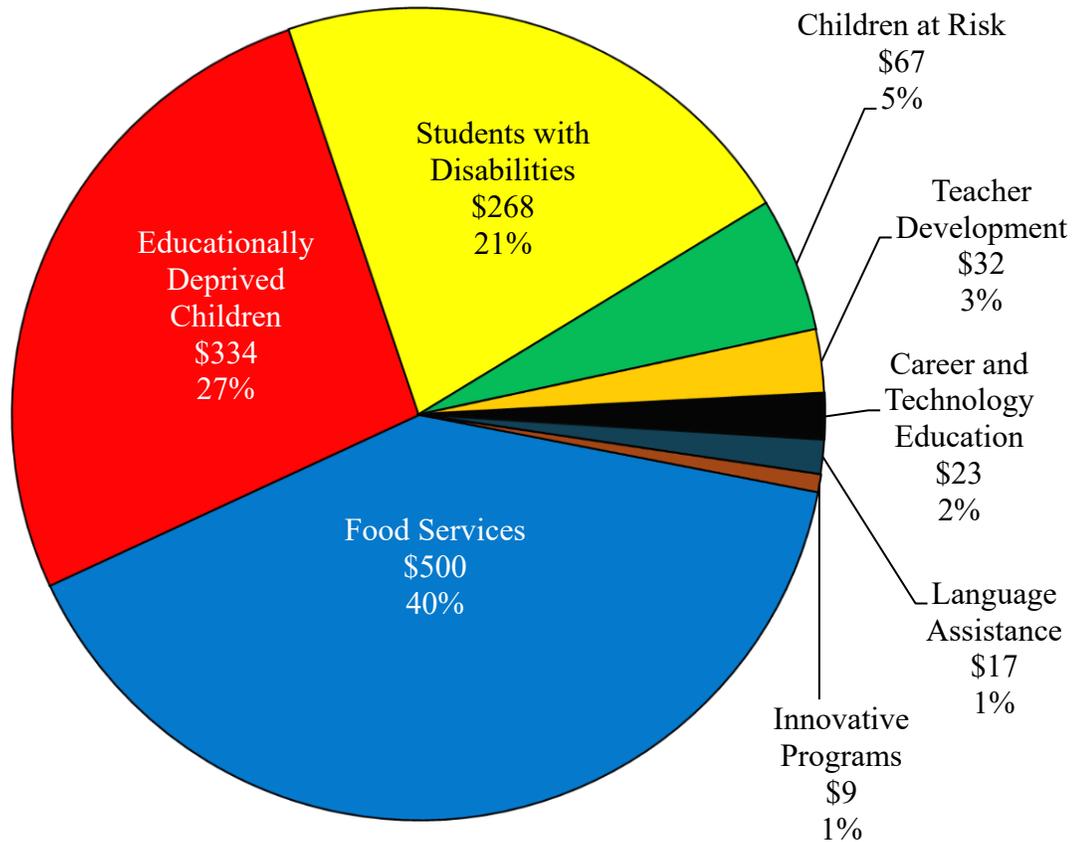


Source: Department of Budget and Management

Federal Funds

The more than \$1.2 billion in federal funds allocated in the fiscal 2027 allowance is divided across eight programs. As shown in **Exhibit 10**, 88% of funds (\$1.07 billion) are allocated to three programs: \$500 million for food services (40%); \$334 million for Title I grants for Educationally Deprived Children (27%), which includes neglected, delinquent, and at-risk children; and \$268 million for Students with Disabilities (21%). Remaining programs account for \$147 million, or 12%, of the federal funds in the fiscal 2027 allowance.

Exhibit 10
Federal Fund Allowance
Fiscal 2027
(\$ in Millions)



Source: Governor’s Fiscal 2027 Budget Books

Proposed Budget Change

Exhibit 11 shows the changes in the fiscal 2027 allowance for Aid to Education programs. From fiscal 2026 to 2027, funding increases by nearly \$271.0 million, or 2.5%, from \$10.8 billion in fiscal 2026 to \$11.1 billion in fiscal 2027, after accounting for proposed deficiency appropriations and contingent reductions. Of this amount, general funds increase by \$16.8 million (0.75%); special funds increase by \$235.3 million (10.7%); federal funds increase by \$18.9 million (1.5%); and reimbursable funds decrease by \$90,000 (100.0%).

**Exhibit 11
Proposed Budget
Maryland State Department of Education – Aid to Education
(\$ in Thousands)**

How Much It Grows:	General <u>Fund</u>	Special <u>Fund</u>	Federal <u>Fund</u>	<u>Total</u>
Fiscal 2025 Actual	\$7,309,375	\$1,628,399	\$1,200,463	\$10,138,238
Fiscal 2026 Working	7,379,929	2,223,025	1,230,343	10,833,297
Fiscal 2027 Allowance	7,396,680	2,458,352	1,249,227	11,104,259
Fiscal 2026-2027 \$ Change	\$16,751	\$235,327	\$18,884	\$270,962
Fiscal 2026-2027 % Change	0.75%	10.68%	1.53%	2.5%

Where It Goes:	<u>Change</u>
Changes to Major State Aid Programs	
State Share of the Foundation Program formula funding.....	\$135,331
Students with Disabilities formula funding.....	101,333
Net change for teacher retirement, after accounting for contingent reduction....	36,217
Transportation, including standard ridership (\$3.60 million) and transportation of students with disabilities (\$1.46 million).....	5,057
Guaranteed tax base.....	4,009
Comparable Wage Index to address regional cost differences.....	1,994
Early intervention services for infants and toddlers with developmental delays ...	1,142
Discretionary supplemental grants in State Share of the Foundation Program...	-1,969
Limited English proficiency formula funding.....	-12,439
Nonpublic placements due to the second year of the phase-in for the change to the State/local share (from 60:40 in fiscal 2026 to 50:50) and level funding provider rates proposed in the BRFA of 2026.....	-24,074
Net change to autism waiver after accounting for fiscal 2026 deficiency appropriation.....	-24,320

R00A02 – MSDE – Aid to Education

Where It Goes:	<u>Change</u>
Compensatory education formula funding including a discretionary change to the enrollment count used in the funding formula to reduce the decline in funding.....	-40,427
Programs Created/Mandated by Blueprint for Maryland’s Future	
Concentration of Poverty grants.....	80,092
Education Effort Adjustment.....	21,246
Relocation payments	1,000
Career Ladder	501
Behavioral health training	-700
College and Career Readiness.....	-903
Community School Partnership Support, which involves a public school acting as a neighborhood hub and partnering with community resources to provide support and wraparound services to students, families, and the community	-2,000
Expert review teams	-3,335
Blueprint transition grants	-8,653
Transitional Supplemental Instruction	-23,857
Academic Excellence Fund	10,881
School for Educational Evolution and Development	935
Innovative Programs	
Grant to the Leading Men Fellowship Program.....	100
New Holocaust Education Assistance Grant in Chapter 317 of 2025.....	50
Grant to Yleana Leadership Foundation for operating costs.....	-30
Elimination of mandate for the Lacrosse Opportunities Program in the BRFA of 2026, including contingent reduction.....	-40
No funds for mandated Open Source Phonics Matching Grant Program (Chapter 270 of 2024); will appear as a supplemental budget item	-150
Grant to Thread for operating costs.....	-300
Grant to Goodwill Excel Center	-300
Pathways in Technology Early College High School	-310
Elimination of mandated revenue distribution to the Driver Education in Public Schools in the BRFA of 2026, including contingent reduction.....	-2,000
Other Federal Grant Changes	
Alcohol and Drug Abuse Program	8,011
Title I grants for Educationally Deprived Children.....	6,548
Assistance to students with disabilities	5,264
Perkins Title II basic grants for career and technical education.....	3,000
Comprehensive Literacy State Development grant.....	431
English language acquisition.....	335
Grants for LEAs to facilitate homeless students’ enrollment, attendance, retention, and success in school.....	40

R00A02 – MSDE – Aid to Education

Where It Goes:	<u>Change</u>
Title IV Part A grants for the Student Support and Academic Enrichment Program	-6,745
Total	\$270,963

BRFA: Budget Reconciliation and Financing Act
LEA: local education agency

Note: Numbers may not sum to total due to rounding. The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 allowance accounts for contingent reductions.

Local Share and Maintenance of Effort

For each major aid program there is a required State share and required local share, which establishes the minimum amount of school funding that must be provided. Each year, the county government (including Baltimore City) is required to appropriate funds to the local board equivalent to the greater of the per pupil maintenance of effort (MOE) requirement or the local share amount of all wealth-equalized formulas after certain local share provisions are applied. Under MOE, each county must appropriate an amount equal to or greater than its prior year per pupil appropriation. Simply put, local jurisdictions cannot backtrack on their education spending as the amount of funding per student cannot decline year over year. Counties can elect to exceed minimum local effort requirements based on local priorities.

Although typically shown, this analysis does not attempt to show the local effort requirement in the fiscal 2027 allowance due to data discrepancies across various files shared by MSDE with respect to the fiscal 2026 local share. Though MSDE did provide corrected fiscal 2026 files for certain counties, DLS cannot be certain that it presently has a complete understanding of what each county has been required at minimum to provide in fiscal 2026, nor the basis for which fiscal 2027 local effort will be calculated. MSDE appears not to have applied a consistent logic across all 24 jurisdictions when determining the local effort requirement for prekindergarten (discussed in the analysis for R00A99 – MSDE – Early Childhood Development) or the Blueprint Coordinator program. Blueprint coordinators are mandated by Blueprint to manage the program’s implementation. In some cases, MSDE appears to have included Blueprint Coordinator costs in the calculation of pre-existing MOE minimums, while in other cases MSDE excluded the costs. Though statute does not specify how Blueprint Coordinator costs should be factored into the calculation, the agency should apply the same assumptions across counties. **MSDE should discuss issues with calculating local MOE, inconsistencies with communicating Blueprint Coordinator cost shares, and its current calculation process for determining local effort. MSDE should further discuss guidance provided to counties with respect to recent local effort developments and whether MSDE will consider updating its local effort certification forms in order to minimize future uncertainty regarding the local effort requirement.**

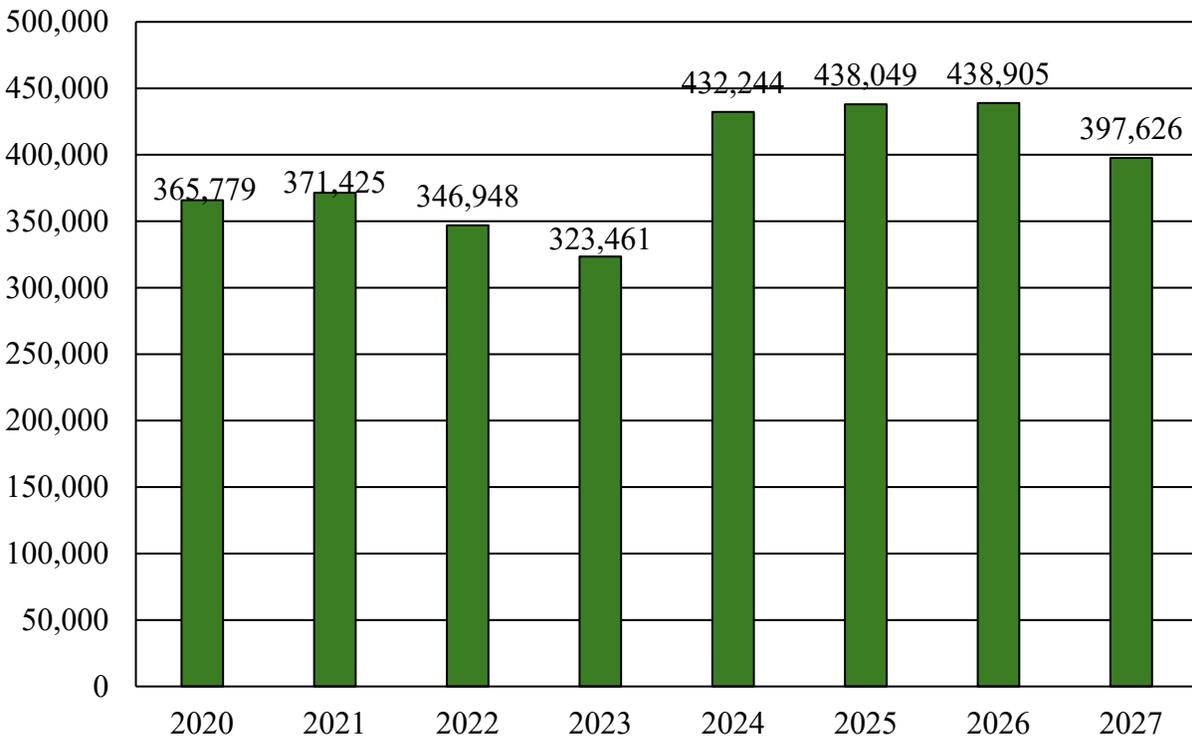
Proposed Blueprint Revisions

HB 490/SB 311, a departmental bill by AIB, proposes changes to FRPM counts in fiscal 2027, the Blueprint’s administration, Career Ladder, Student Services, and Career and Technical Education.

FRPM Counts

The compensatory education program uses a count of FRPM students as a proxy for providing formula funding for economically disadvantaged students who need additional educational services to meet State standards. As shown in **Exhibit 12**, FRPM enrollment fell by nearly 41,300 from the previous year (438,905), a 9.4% decline.

Exhibit 12
Compensatory Education Enrollment
Fiscal 2020-2027



Source: Maryland State Department of Education

R00A02 – MSDE – Aid to Education

MSDE attributes the drop in FRPM enrollment to an increase in the number of schools participating in the Community Eligibility Provision (CEP). CEP schools provide every student in the school with breakfast and lunch without requiring their households to submit school meal applications, as long as at least 25% of students are categorically eligible to receive free school meals. This eligibility determination is known as direct certification. In fiscal 2026, 74 more schools are participating in CEP than the prior year. Additionally, MSDE reported a 7% decline in the number of students eligible for FRPM through direct certification (26,283 decrease from fiscal 2025), which the agency indicated is a national trend resulting from changes to the Supplemental Nutrition Assistance Program and Medicaid eligibility and increased work requirements for parents.

Additionally, fiscal 2027 counts are lower due to statute requiring MSDE to use a new method to calculate compensatory education. Through fiscal 2026, the State has used a “greater of” approach designed to protect funding for districts using the CEP. The calculation utilizes the highest count between (1) FRPM eligibility; (2) a specialized CEP formula that uses “pre-opt-in” historical percentages; and (3) direct certification. Starting in fiscal 2027, current law changes the calculation to compare only the current fiscal year’s FRPM eligibility counts against direct certification data.

The bill proposes extending the current method used to calculate compensatory education enrollment through fiscal 2027, pushing the transition to a newer calculation method to fiscal 2028. **Exhibit 13** compares the change in compensatory education enrollment under current law to the impact of proposed change in counting enrollment. The proposed change increases education aid costs by \$228.4 million in fiscal 2027 due to a higher enrollment count. The fiscal 2027 budget funds the Compensatory Education and Concentration of Poverty programs using the count. Although the bill proposes only delaying the change in counting method by one fiscal year, the Department of Budget Management projections assume the continued use of the current calculation method through fiscal 2031. **MSDE should comment on whether a one-year extension of the “greater of” methodology for counting FRPM students just delays by a year substantial reductions in the counts of those students or if there will be actions taken before the next enrollments counts that are expected to increase the direct certification and FRPM eligibility counts at CEP schools.**

Exhibit 13
Free and Reduced-Price Meal Enrollment Counts
Fiscal 2026-2027

<u>County</u>	<u>Under Current Law</u>				<u>Proposed Change</u>				<u>Difference</u>	
	<u>2026</u>	<u>2027</u>	<u>Difference</u>	<u>%</u>	<u>2026</u>	<u>2027</u>	<u>Difference</u>	<u>%</u>	<u>Additional Students</u>	<u>Share of Total</u>
Allegany	4,720	4,135	-585	-12.4%	4,720	4,650	-70	-1.5%	515	1.5%
Anne Arundel	34,268	33,374	-894	-2.6%	34,268	33,374	-894	-2.6%	0	0.0%
Baltimore City	63,322	48,651	-14,671	-23.2%	63,322	62,037	-1,285	-2.0%	13,386	39.9%
Baltimore	57,904	53,703	-4,201	-7.3%	57,904	55,991	-1,913	-3.3%	2,288	6.8%
Calvert	4,048	3,988	-60	-1.5%	4,048	3,988	-60	-1.5%	0	0.0%
Caroline	3,724	3,016	-708	-19.0%	3,724	3,677	-47	-1.3%	661	2.0%
Carroll	7,159	7,130	-29	-0.4%	7,159	7,130	-29	-0.4%	0	0.0%
Cecil	7,733	6,962	-771	-10.0%	7,733	6,983	-750	-9.7%	21	0.1%
Charles	12,624	12,174	-450	-3.6%	12,624	12,738	114	0.9%	564	1.7%
Dorchester	2,988	2,845	-143	-4.8%	2,988	2,878	-110	-3.7%	33	0.1%
Frederick	15,394	15,240	-154	-1.0%	15,394	15,240	-154	-1.0%	0	0.0%
Garrett	1,776	775	-1,001	-56.4%	1,776	1,772	-4	-0.2%	997	3.0%
Harford	14,690	14,208	-482	-3.3%	14,690	14,213	-477	-3.2%	5	0.0%
Howard	16,491	16,410	-81	-0.5%	16,491	16,596	105	0.6%	186	0.6%
Kent	1,083	1,046	-37	-3.4%	1,083	1,092	9	0.8%	46	0.1%
Montgomery	65,548	58,509	-7,039	-10.7%	65,548	63,850	-1,698	-2.6%	5,341	15.9%
Prince George's	86,296	79,069	-7,227	-8.4%	86,296	86,870	574	0.7%	7,801	23.2%
Queen Anne's	2,598	2,577	-21	-0.8%	2,598	2,577	-21	-0.8%	0	0.0%
St. Mary's	6,363	6,055	-308	-4.8%	6,363	6,171	-192	-3.0%	116	0.3%
Somerset	1,878	1,914	36	1.9%	1,878	1,915	37	2.0%	1	0.0%
Talbot	2,482	2,398	-84	-3.4%	2,482	2,398	-84	-3.4%	0	0.0%
Washington	13,135	11,910	-1,225	-9.3%	13,135	12,830	-305	-2.3%	920	2.7%
Wicomico	9,293	8,472	-821	-8.8%	9,293	9,063	-230	-2.5%	591	1.8%
Worcester	3,388	3,301	-87	-2.6%	3,388	3,393	5	0.1%	92	0.3%
Total	438,905	397,862	-41,043	-9.4%	438,905	431,426	-7,479	-1.7%	33,564	100.0%

Source: Department of Budget and Management; Department of Legislative Services

Concentration of Poverty Grant

CPG provides formula-based funding to public schools with a high concentration of students living in poverty. Eligibility is based on schools' three-year average of compensatory education enrollment. The program provides personnel and per pupil grants for wraparound services, health care staff, and additional academic support and personnel to improve student outcomes and engage families. HB 490/SB 311 repeals the termination date for the use of these funds for the purpose of providing programs required in the Code of Maryland Regulations Title 13A, Subtitle 04. These programs include all standard curriculum programs (language arts, science, mathematics, social studies, world languages, etc.); a variety of Career and Technical Education (CTE) programs; Driver Education; religious and multicultural education; financial literacy education; Gifted and Talented programs; and fine arts.

Other Proposed Changes

Other Blueprint revisions proposed in HB 490/SB 311 include:

- ends requirement for county boards of education to submit an annual report about technology spending and broadband connectivity;
- broadens the requirement for teacher preparation programs beyond national accreditation to include MSDE-approved programs;
- allows those who complete an MSDE-sponsored teaching apprenticeship to use their certificate in place of a standard teaching assessment;
- permits teachers moving from other states to qualify for Maryland certification by submitting documentation of two years of effective evaluations from their previous school system;
- extends by five years (July 2029 to July 2034) the deadline for a teacher to become National Board Certified (NBC) before being eligible to become a licensed principal.
- allows AIB to continue to limit the types and number of dual enrollment courses for students through fiscal year 2030.
- expands definition of “wraparound services” for community schools to explicitly include evidence-based academic interventions alongside existing services like tutoring and health care; and
- repeals the CTE Skills Standards Advisory Committee and transfers its duties directly to the CTE Committee. The CTE Committee will be responsible for developing a list of “high-skill, high-wage, or in-demand priority occupations” and must share publicly

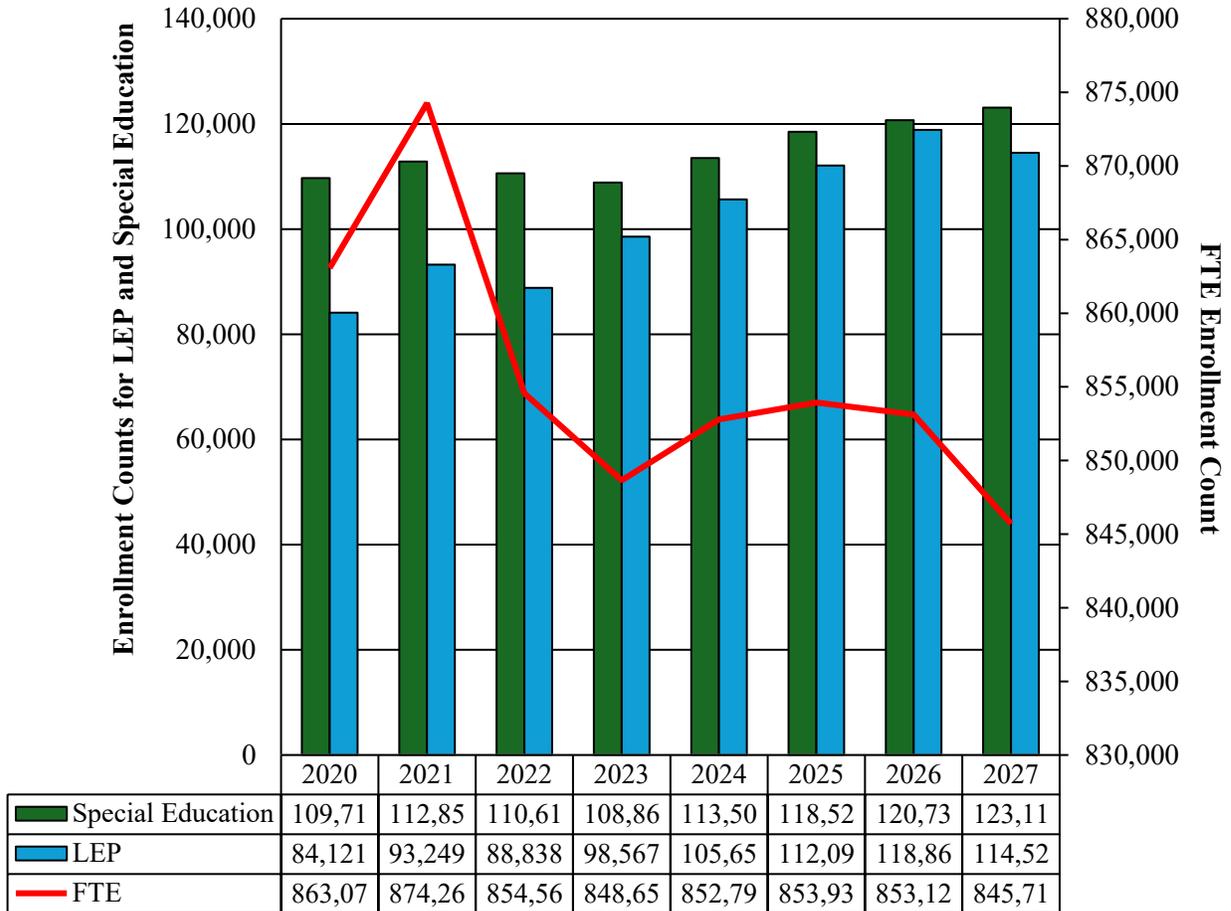
accessible information for these occupations, detailing necessary skills, credentials, and steps for advancement. All State agencies and workforce programs will be required to use this new list of occupations and career pathway information as a guide for their own curriculum and credentialing.

Enrollment

One of the key factors in determining State aid for education is enrollment. Total K-12 enrollment, or the overall student headcount on a given day, dropped by roughly 11,400 from last school year. Montgomery County saw the largest decline in enrollment among jurisdictions, with total enrollment declining by more than 3,130. Likewise, full-time equivalent enrollment, which only counts students who meet the school system’s criteria for full-time status, saw an overall decrease of approximately 7,400 (0.9%). This decline can be attributed to a variety of factors including a declining birth rate, an increase in the number of homeschooled children (14,000 increase since calendar 2020), and the impact of federal immigration policy.

Exhibit 14 shows changes in enrollment from fiscal 2020 to 2027, based on MSDE’s fall student counts. For enrollment information by LEA, see **Appendix 2**, **Appendix 3**, and **Appendix 4**.

**Exhibit 14
Enrollment
Fiscal 2020-2027**



FTE: full-time equivalent
LEP: Limited English proficiency

Source: Maryland State Department of Education

- Special education enrollment increases by 2,384 students, or 2.0%, from 120,731 in fiscal 2026 (fall 2024 count) to 123,115 in fiscal 2027 (fall 2025 count). Despite Blueprint and MSDE programs that are aimed to reduce overidentification of special education students and provide early intervention for learning issues, the number of students identified for special education services continues to increase (further discussion in Issue 2). From fiscal 2020 to 2027, special education enrollment has increased by 13,404 students, or 12.2%.

- LEP enrollment – which counts the number of students receiving language assistance – decreased by 3.7%, or 4,336 students, to 114,526. The English learner designation is not an indicator of legal status, but it is often used as a proxy for immigrant students. It is unclear whether this decrease is due to families keeping their children home on enrollment count days, opting to homeschool, or leaving the area altogether.

National Board Certification Teacher Counts

The Blueprint Career Ladder is intended to encourage and support teachers to obtain and maintain NBC, including teachers from groups historically underrepresented in the teaching profession, and develop a culture of collaborative support for accomplished teaching. NBC candidates receive State funding for NBC fees, and teachers earning NBC receive a bonus of \$10,000 per year, with an additional \$7,000 per year for teaching in a low-performing school for every year that NBC is maintained. Chapter 36 as amended specifies that LEAs must implement a four-level career ladder and minimum salary increases for NBC teachers who either teach in a low-performing school or move up levels.

Exhibit 15 shows that in school year 2025-2026 (fiscal 2026), MSDE reported a total of 2,492 teachers in 23 of 24 LEAs were eligible for the NBC award and, consequently, a career ladder bonus. Out of this number, 346 teachers (13.9%) taught in a low-performing school. In addition, 3 LEAs reported no NBC-eligible teachers in a low-performing school.

Exhibit 15 Count of Teachers Eligible for National Board Certification Fiscal 2026

<u>Local Education Agency</u>	<u>Low-performing Schools</u>	<u>Other Schools</u>	<u>Total</u>
Allegany	2	22	24
Anne Arundel	49	330	379
Baltimore City	25	69	94
Baltimore	25	79	104
Calvert	9	32	41
Caroline	2	5	7
Carroll	7	68	75
Cecil	4	25	29
Charles	3	28	31
Dorchester	0	0	0
Frederick	7	72	79
Garrett	3	17	20
Harford	9	120	129
Howard	32	232	264

R00A02 – MSDE – Aid to Education

<u>Local Education Agency</u>	<u>Low-performing Schools</u>	<u>Other Schools</u>	<u>Total</u>
Kent	0	0	0
Montgomery	59	585	644
Prince George’s	71	303	374
Queen Anne’s	5	22	27
St. Mary’s	2	36	38
Somerset	0	2	2
Talbot	1	3	4
Washington	21	66	87
Wicomico	2	16	18
Worcester	8	14	22
Total	346	2,146	2,492

Source: Maryland State Department of Education

DLS recommends adopting committee narrative requesting a report on FRPM, CCR, and NBC teacher enrollment and counts.

Issues

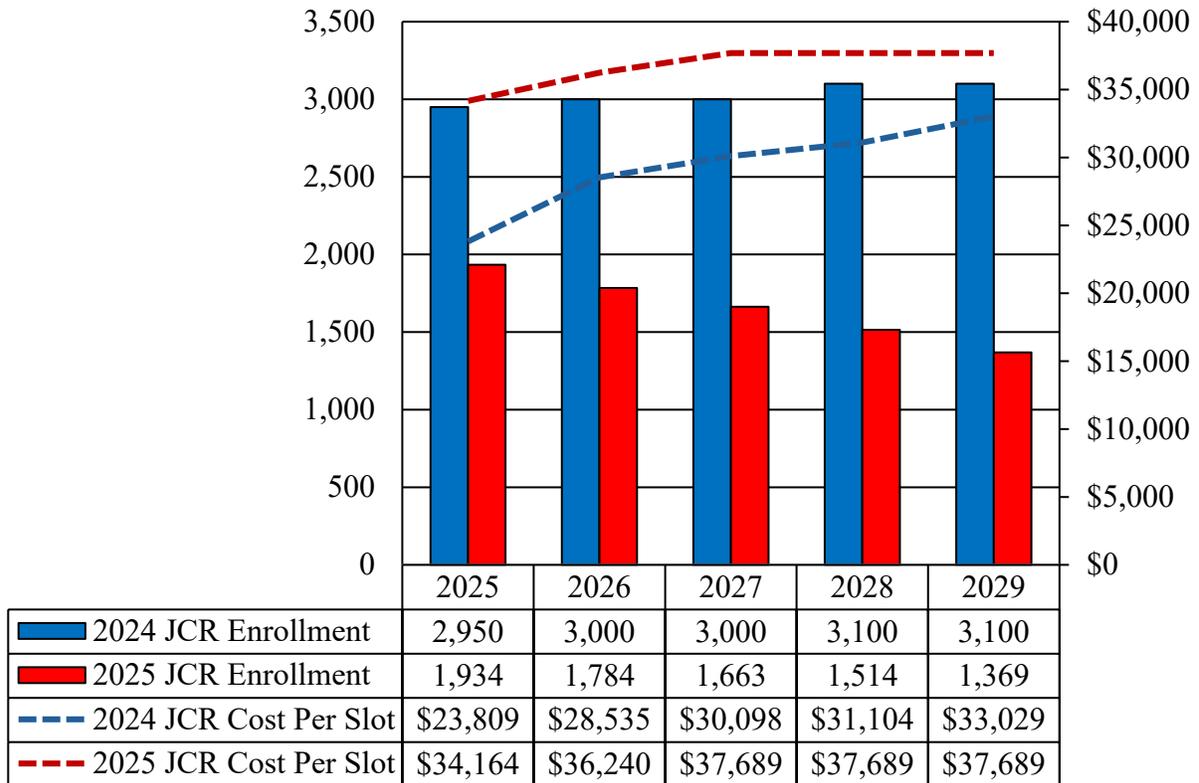
1. MSDE Misrepresented Status of AW Program

In calendar 2023, MSDE reported that, in collaboration with the Maryland Department of Health, the agency applied to the Centers for Medicare and Medicaid Services (CMS) to allow for an increase in AW slots from 1,650 in fiscal 2024 to 2,950 starting in fiscal 2025. CMS granted an increase in slots beginning in fiscal 2025, with the total number of slots scaling up to 3,100 by fiscal 2029.

In September 2024, MSDE published another update, which described ongoing efforts to expand the AW Program. During the 2025 session, in the budget analysis for the MSDE Aid to Education budget, MSDE was asked to comment on the number of slots available in fiscal 2026. The agency responded that “[MSDE] will be able to serve 1,914 slots consistently in fiscal 2026. As participants vacate the program, the slot will be filled from the waiting list.”

However, the agency’s most recent report – published in November 2025 – tells a different story. Despite the calendar 2023 request to CMS to increase slots, the agency stated that no invitations to apply for services have been sent since November 2023. Furthermore, MSDE reported that it is not backfilling the slots of individuals who age out of the program. MSDE reported that as a result, the utilized slots decreased from 1,934 in fiscal 2025 to 1,784 in fiscal 2026 and will continue to decrease through fiscal 2029 to an estimated 1,369. **Exhibit 16** compares the enrollment projections for fiscal 2025 through 2029 provided by MSDE in its 2024 and 2025 JCR submissions. MSDE’s own reports reveal significant discrepancies in the costs and enrollment numbers reported to the General Assembly.

**Exhibit 16
Agency-reported Autism Waiver Forecast
Fiscal 2025-2029**



JCR: *Joint Chairmen’s Report*

Note: Fiscal 2025 cost per slot accounts for \$16.9 million in overspending. The 2024 response provided two enrollment and cost estimates one based on stakeholder discussion and one for the Centers for Medicare and Medicaid Services approved timeline. The stakeholder timeline showed a slightly slower of utilization through fiscal 2027 (50 per year in fiscal 2026 and 2027) but higher enrollment in fiscal 2028 (50) and 2029 (150).

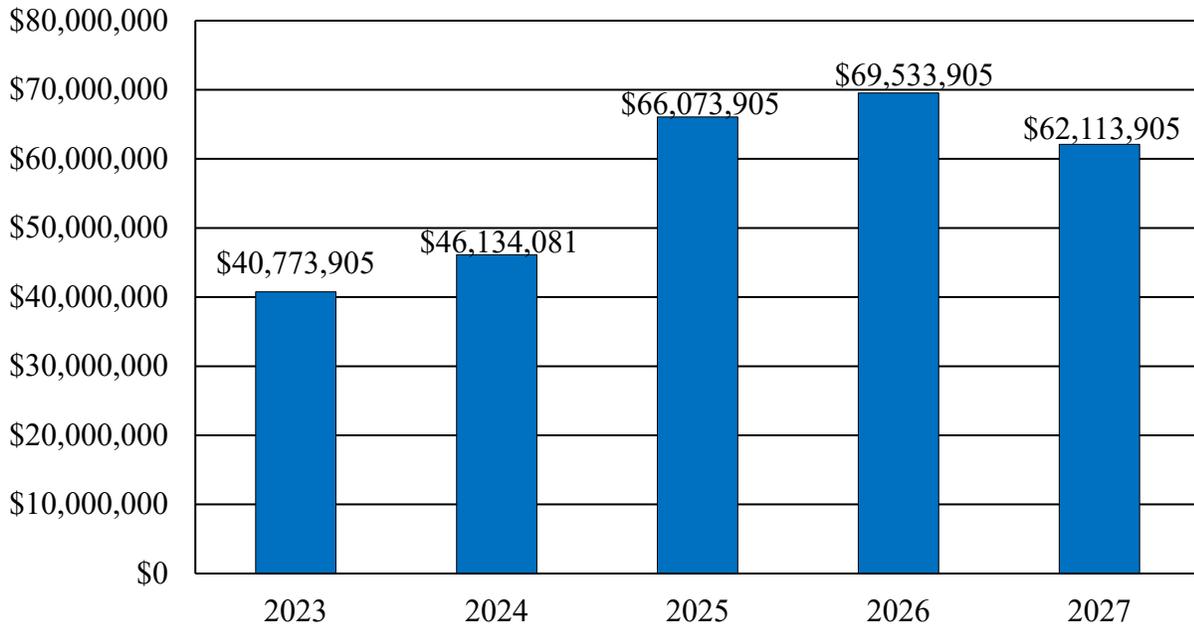
Source: Maryland State Department of Education

MSDE stated that the enrollment freeze is due to increased programmatic costs due to still-in-effect policies implemented during the COVID-19 pandemic. These policies expanded service access and relaxed requirements for service providers, including allowing telehealth services and expanding billable hours for Intensive Individual Support Services (IISS), one of the more expensive and in-demand services provided through AW. Prior to the COVID-19 pandemic, an autistic individual could receive one-on-one support through IISS for a maximum of 25 hours per week. Service hours have since increased to a maximum of 40 hours per week. Additionally,

the pandemic led to the expansion of who could be eligible to provide care. Family members became eligible to receive payments for caretaking, which further increased costs.

Exhibit 17 shows total program costs from fiscal 2023 to 2027, after accounting for \$35.1 million in proposed fiscal 2026 deficiency appropriations. The program was level-funded with \$30.8 million in fiscal 2023, 2024, and 2025 but ended up requiring funds from a \$30.0 million set-aside appropriation in the DPA. Transfers from the DPA totaled \$2.6 million in fiscal 2023; \$15.4 million in fiscal 2024; and \$3.7 million in fiscal 2025 along with another \$13.7 million from the General Fund. Despite the transfers, fiscal 2025 program costs still exceeded the amended budget by \$16.9 million. MSDE did not report this overspending to the Comptroller’s Office as required. **MSDE should comment on why it did not report the fiscal 2025 shortfall to the Comptroller’s Office at closeout as required and changes to processes to ensure shortfalls are properly reported moving forward.**

Exhibit 17
Autism Waiver Program Cost
Fiscal 2023-2027



Note: Fiscal 2023, 2024, and 2025 costs include transfers from the Dedicated Purpose Account. Fiscal 2025 also includes a \$13.7 million general fund deficiency approved at the 2025 session and a \$16.9 million fiscal 2026 deficiency appropriation to address fiscal 2025 shortfalls. Fiscal 2026 costs include \$18.2 million in proposed deficiency appropriations.

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

R00A02 – MSDE – Aid to Education

Between fiscal 2025 and 2026, total program costs increase by 5.2% (\$3.5 million) and cost per slot increased by 14.1% (approximately \$4,812). The fiscal 2027 allowance includes \$62.1 million in general funds for the AW program, a decrease of \$7.4 million (10.7%) from the year prior after accounting for proposed deficiencies. The fiscal 2027 allowance assumes the average cost per slot decreases by 4.17% from fiscal 2026 to 2027, and the enrollment freeze remains in effect so that 6.7% fewer slots are filled in fiscal 2027 (1,663). If the average cost remains at the level accounted for in fiscal 2026 or the enrollment is higher than projected, the program's fiscal 2027 budget may require a large deficiency appropriation later. However, MSDE is in the process of implementing the following cost containment measures:

- requiring Live-In Caregiver providers to clock in and out in real time to ensure equity among staff;
- prohibiting service delivery out-of-state and out-of-country to assure oversight;
- revising the Level of Care (LOC) assessment, with a pilot LOC rolling out in March 2026;
- updating the Plan of Care (POC) process to add an additional layer of review before approval. MSDE indicated that this will allow the agency to have a more systematic approach to documenting available services and determining level of need. Additionally, beginning at the end of March 2026, the revised POC will forbid dividing participants' authorized care hours or services between two or more providers; and
- clarifying that telehealth services and other virtual supports are a supplement to facility-based interventions, not a replacement.

Other cost containment options under consideration include:

- gradually reducing weekly IISS hours to the prepandemic limit of 25 hours per week;
- limiting the terms of Environmental Accessibility Adaptations to support a maximum of \$5,000 in accessible modifications over the lifetime of enrollment rather than the current maximum of \$5,000 every 36 months once used;
- eliminating the option for parents to provide services to their own children and increasing direct care worker minimum age to 18 for all services; and
- amending the AW application.

Apart from amending the AW application, these additional cost containment options would require amendments to the CMS waiver. As of January 2026, MSDE could not provide a timeline for unfreezing AW enrollment. The timeline will depend on how many cost-saving options are

implemented, some of which may take months to roll out. MSDE indicated that cost savings will not be evident immediately, as providers have up to one year to bill for services.

MSDE should comment on why it did not notify the General Assembly prior to the November 2025 report that enrollment was frozen and it was seeking to decrease slots and implement cost containment measures. MSDE should discuss how the agency determined the cost containment measures undertaken and the outreach being undertaken to notify participants of these measures. In addition, DLS recommends adopting committee narrative requesting an update on this program including a timeline for the end of the enrollment freeze.

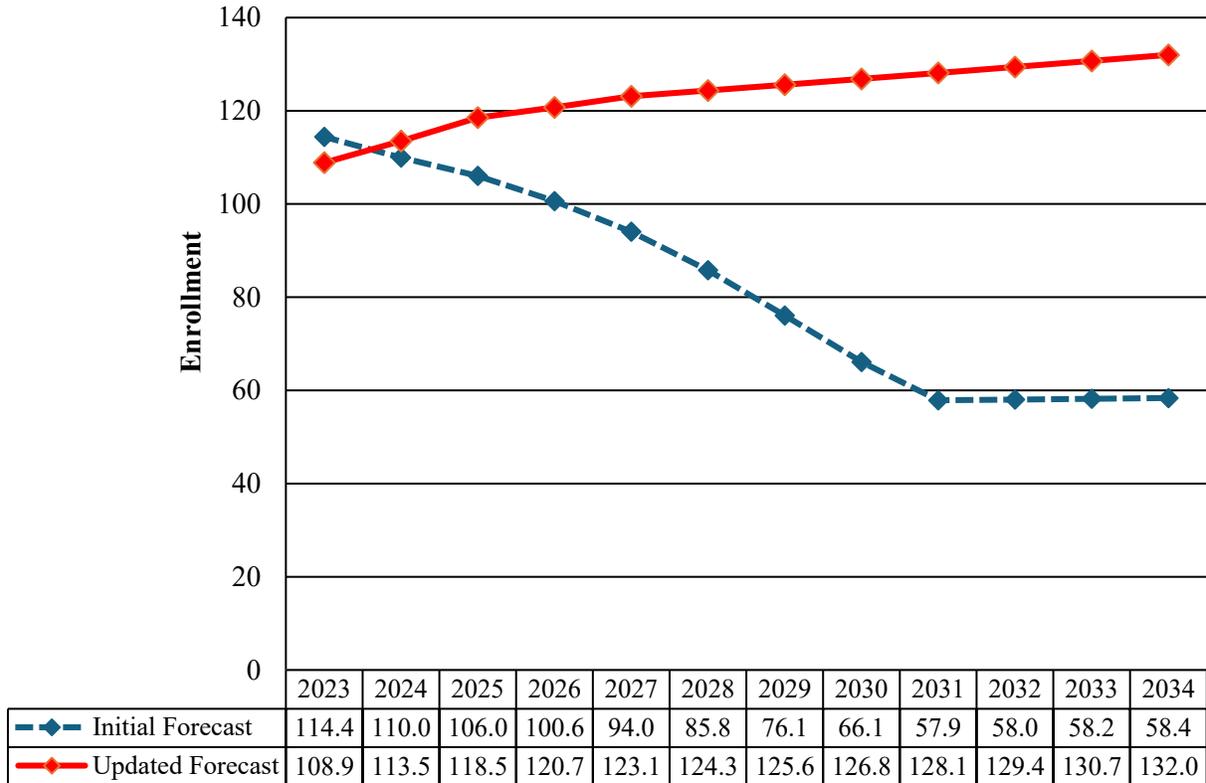
2. Special Education Enrollment Continues to Diverge from Kirwan Commission Assumptions

In development of a special education funding formula, the Kirwan Commission assumed that funding interventions in early childhood and early elementary school would lead to lower special education costs in the long run. This led to the expectation that – in the long term – special education programs would primarily consist of students with more severe learning challenges. Therefore, per pupil funding for the formula would need to grow at a higher rate than other formulas, but the number of pupils would decline over time, lessening the impact of the higher per pupil levels. The commission’s final report laid out the logic as follows:

“On average, the top-performing countries have about half the proportion of their student body in special education than the United States does. That is because they do a much better job than we do of educating their youngest students, children we would be assigning to special education but who, if they are educated well in the beginning, do not need to be assigned to special education. This one feature of their system saves an enormous amount of money and, much more important, results in far better outcomes for the students who now perform the least well.”

However, as of January 2026, the eventual reduction in special education enrollment and subsequent cost savings have yet to come to fruition. As of fiscal 2026, approximately 120,700 students are in special education programs. Instead of declining, enrollment continues to trend steadily upward and grows by 2.0% in fiscal 2027 to 123,115, based on fall 2025 enrollment counts. **Exhibit 18** juxtaposes the Kirwan Commission’s expectation for enrollment trajectory and the updated forecast.

Exhibit 18
Special Education Projected Enrollments
School Years 2023-2034
(Thousands)

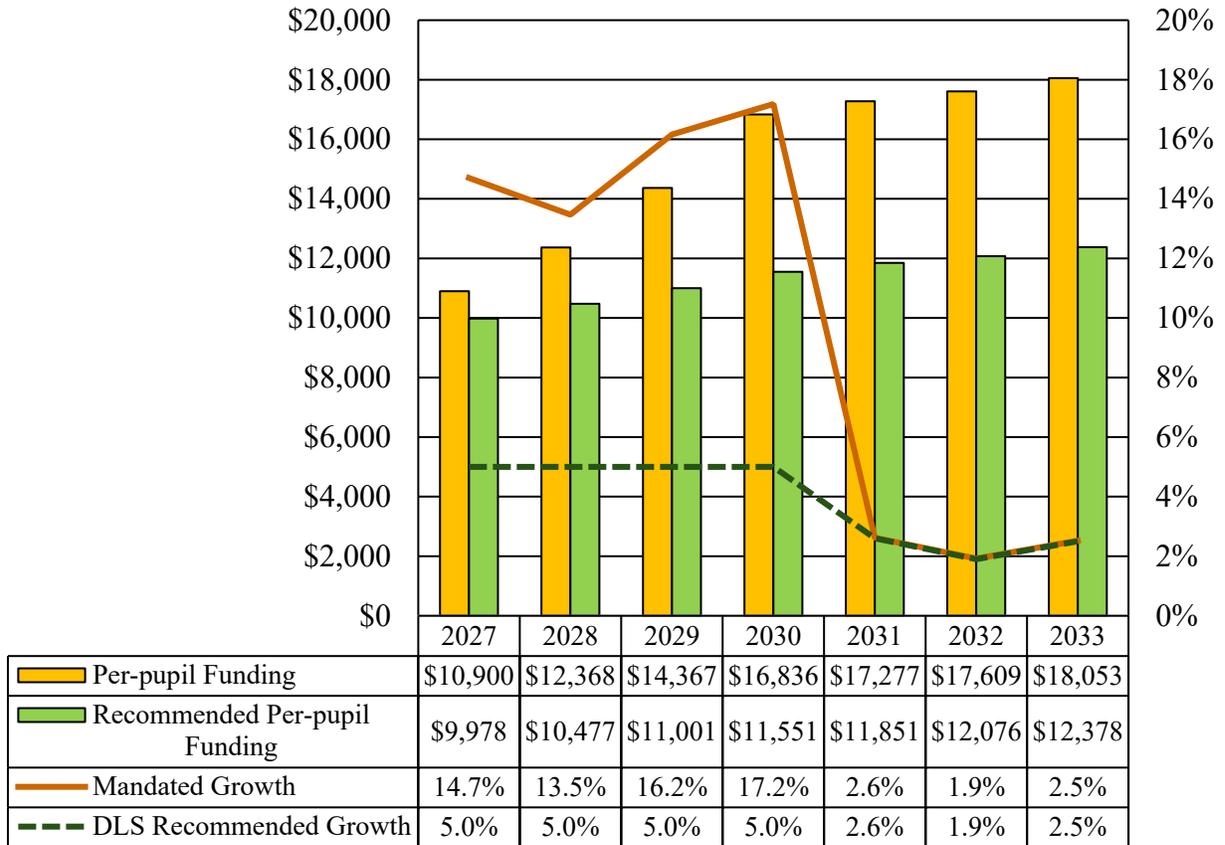


Note: Initial forecast reflects enrollment projections in the 2021 fiscal note for Blueprint for Maryland’s Future. Updated forecast reflects actual enrollment through fall 2025 enrollment counts and projections developed for the December 2025 meeting of the Spending Affordability Committee.

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

Section 5-225(3)(ii) of the Education Article requires per pupil special education funding to meet preestablished amounts in fiscal 2026 through 2033. The growth rate for fiscal 2027 through 2030 ranges from 13.5% to 17.2% out of anticipation of a smaller but higher-need student population. However, as of the 2025-2026 school year, actual enrollment is higher and encompasses a broader range of needs than initially expected, causing higher than expected costs. **Exhibit 19** compares the current trajectory of per pupil spending to the DLS recommendation.

**Exhibit 19
Per Pupil Special Education Spending
Fiscal 2027-2033**



DLS: Department of Legislative Services

Note: Per pupil funding is the total of the State (50%) and local shares (50%).

Source: Department of Legislative Services

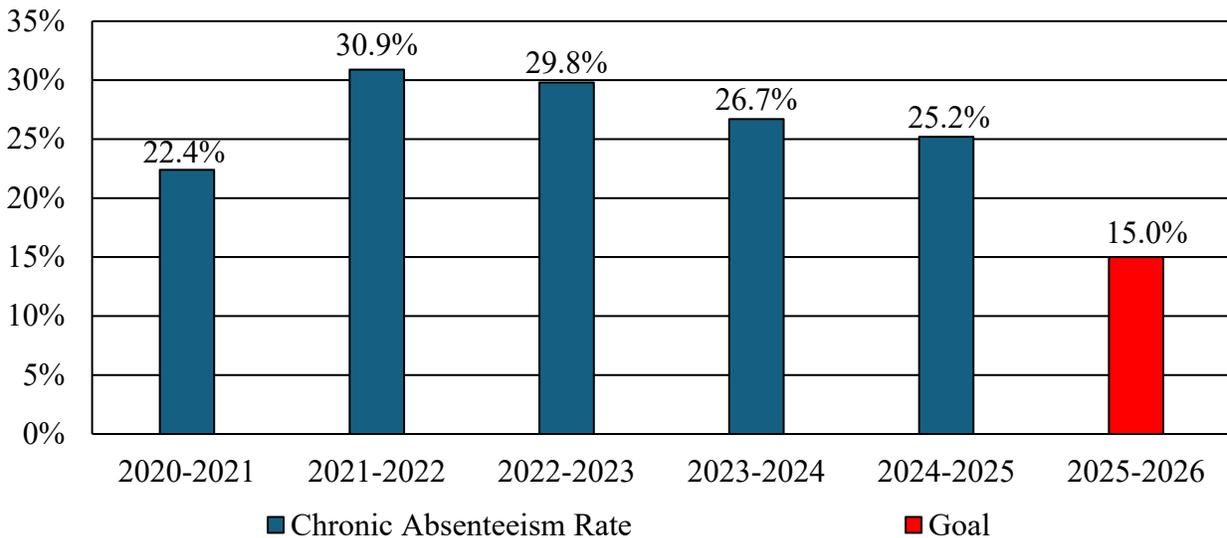
The growth rate for per pupil funding assumes an enrollment picture that is not a current reality. Formula funding for special education increases by \$101.3 million in fiscal 2027 from \$589.8 million to \$691.1 million. **Thus, DLS recommends adding a provision to the BRFA to reduce the expected growth rates for fiscal 2027 through 2030 to 5% annually. DLS also recommends a reduction of \$58,460,253 that is contingent on the enactment of a provision changing the per pupil funding level.**

3. Chronic Absenteeism Rates Decrease, but May Miss Target for 2025-2026 School Year

Students are considered chronically absent if the student is absent at least 10% of school days and in attendance at least 10 days. A student is counted as absent if they are not physically on school grounds and are not participating in instruction or instruction-related activities at an approved off-grounds location for the school day. Chronically absent students include students who are absent for any reason (e.g., illness, suspension, the need to care for a family member), regardless of whether absences are excused or unexcused. Students who attend school more frequently have higher levels of academic achievement, better social skills, higher graduation rates, and lower unemployment rates in the long-term.

The rate of chronically absent students in Maryland was 19.5% in the 2018-2019 academic year, prior to the outbreak of COVID-19 and subsequent school shutdowns. As shown in **Exhibit 20**, chronic absenteeism peaked at 30.9% in the 2021-2022 school year. Since then, chronic absenteeism has gradually declined but is not yet at prepandemic levels and was 25.2% at the close of the 2024-2025 academic year. MSDE, along with AIB, set a three-year target to reduce chronic absenteeism to 15.0% for the 2025-2026 school year. To meet the target, chronic absenteeism would need to decrease by more than 10 percentage points in one year.

Exhibit 20
Chronic Absenteeism
2020-2025 School Years

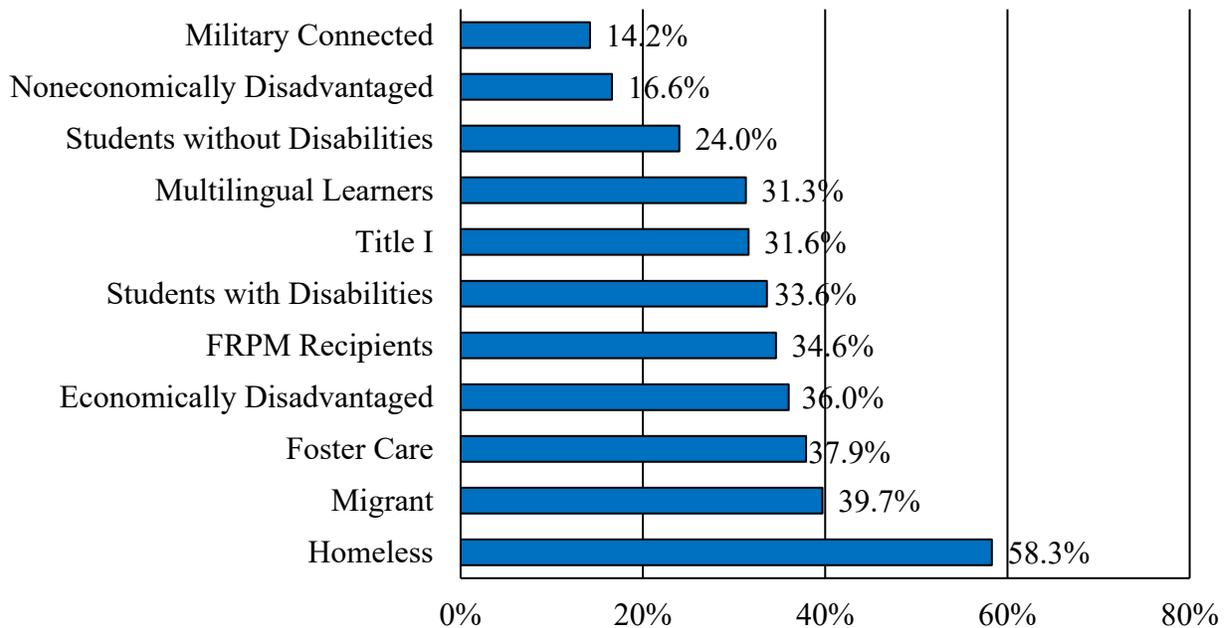


Source: Maryland State Department of Education and Accountability and Implementation Board 2025 Aligned Metrics Update report

According to MSDE and AIB’s January 2025 Aligned Metrics Update report, Baltimore City had the highest share of chronically absent students during the 2023-2024 school year (48.7%), while Frederick County had the lowest (16.8%). **Appendix 5** shows chronic absenteeism rates for each LEA.

MSDE reported significant differences in chronic absenteeism between different demographic groups, which are shown in **Exhibit 21**. Children of military families had the lowest rate of chronic absenteeism during the 2024-2025 academic year (14.2%), while 58.2% of homeless students were chronically absent, the most of any group by nearly 19 percentage points. Other groups with more than a third of students chronically absent include migrant children (39.7%); children in foster care (37.9%); children from economically disadvantaged families (36.0%); FRPM recipients (34.6%); and students with disabilities (33.6%). Some students may belong to multiple of the listed groups.

Exhibit 21
Chronic Absenteeism by Student Demographic
2024-2025 School Year



FRPM: free and reduced-price meals

Source: Maryland State Department of Education

MSDE should discuss efforts to reduce chronic absenteeism rates and initiatives designed to address chronic absenteeism among the student groups with the highest rates.

4. \$68 Million in Fiscal 2020-2022 Federal Stimulus Funds for LEAs Remain Unspent

LEAs received \$2.99 billion in federal stimulus during the COVID-19 pandemic. As of December 2025, \$2.92 billion (97.7%) has been spent. These funds came in two major forms: ESSER funds and RELIEF Act (Chapter 39 of 2021) allocations. In fiscal 2020, 2021, and 2022, LEAs and School for Educational Evolution and Development received \$2.72 billion in three rounds of ESSER federal stimulus funding. These amounts were distributed as follows:

- \$186.2 million in fiscal 2020 from the Coronavirus Aid, Relief, and Economic Security Act ESSER I fund, distributed based on fiscal 2019 Title 1A percentages;
- \$778.8 million in fiscal 2021 from the Coronavirus Response and Relief Supplemental Appropriations ESSER II fund for safe reopening, distributed based on fiscal 2020 Title IA percentages; and
- \$1.75 billion in fiscal 2022 from the American Rescue Plan Act ESSER III fund for COVID-19 response and learning loss, distributed based on fiscal 2020 Title IA percentages.

Virtually all ESSER I (99.9%) and ESSER II (99.7%) funds have been expended as of September 2025 due to their earlier obligation and spending deadlines. As a result, nearly all of the remaining unspent federal stimulus funds are ESSER III grants with a March 31, 2026 deadline.

Exhibit 22 shows the ESSER allocations and expenditures of each LEA. LEAs have expended \$2.66 billion of the \$2.72 billion in ESSER funds, as of December 2025. Montgomery and Prince George’s counties have the largest proportion of unspent ESSER funds, at 6.5% and 6.8%, respectively. Montgomery County was the only LEA to not submit the required report on COVID-19 federal stimulus fund expenditures, as a result, this discussion and exhibit, uses the county’s expenditure data reported in the 2024 JCR.

Exhibit 22
ESSER funds
(\$ in Millions)

<u>Local Education Agency</u>	<u>Allocation</u>	<u>Expenditures</u>	<u>% Expended</u>
Allegany	\$39.2	\$39.2	100.0%
Anne Arundel	169.0	169.0	100.0%
Baltimore City	689.7	684.2	99.2%
Baltimore	337.6	337.6	100.0%
Calvert	17.8	17.8	100.0%
Caroline	21.3	21.3	100.0%
Carroll	26.3	26.3	100.0%
Cecil	49.8	49.5	99.4%
Charles	47.8	47.8	100.0%
Dorchester	27.2	27.1	99.6%
Frederick	58.8	58.8	100.0%
Garrett	13.9	13.9	100.0%
Harford	65.8	65.8	100.0%
Howard	67.1	67.0	99.9%
Kent	8.1	8.1	100.0%
Montgomery	389.2	363.8	93.5%
Prince George's	427.0	397.9	93.2%
Queen Anne's	10.6	10.6	100.0%
St. Mary's	40.3	40.3	100.0%
Somerset	20.9	20.7	99.0%
Talbot	12.8	12.5	97.7%
Washington	85.6	83.7	97.8%
Wicomico	73.7	73.3	99.5%
Worcester	22.4	22.4	100.0%
Total	\$2,721.9	\$2,658.6	97.7%

ESSER: Elementary and Secondary School Emergency Relief

Note: Montgomery County did not submit the information requested in the 2025 *Joint Chairmen's Report* (JCR). The exhibit uses data submitted in response to the 2024 JCR.

Source: Maryland State Department of Education and Local Education Agencies

Exhibit 23 shows RELIEF Act allocations and expenditures by LEA. As of December 2025, \$260.6 million (98.2%) of the \$265.3 million in RELIEF Act allocations have been spent. The jurisdictions with the largest unspent balances are Charles County (20%) and Queen Anne's County (14.4%).

Exhibit 23
RELIEF funds
(\$ in Thousands)

<u>Local Education Agency</u>	<u>Allocation</u>	<u>Expenditures</u>	<u>% Expended</u>
Allegany	\$3,752	\$3,752	100.0%
Anne Arundel	15,440	15,440	100.0%
Baltimore City	44,989	44,989	100.0%
Baltimore	31,359	30,780	98.2%
Calvert	8,779	8,598	97.9%
Caroline	2,816	2,815	99.96%
Carroll	4,498	4,404	97.9%
Cecil	4,626	4,626	100.0%
Charles	7,847	6,281	80.0%
Dorchester	1,956	1,956	100.0%
Frederick	9,478	9,478	100.0%
Garrett	845	811	96.0%
Harford	8,425	8,369	99.3%
Howard	16,343	16,235	99.3%
Kent	419	419	99.9%
Montgomery	29,134	28,466	97.7%
Prince George's	52,331	51,384	98.2%
Queen Anne's	1,277	1,093	85.6%
St. Mary's	4,446	4,446	100.0%
Somerset	1,635	1,428	87.3%
Talbot	1,184	1,144	96.6%
Washington	8,712	8,670	99.5%
Wicomico	3,533	3,533	100.0%
Worcester	1,476	1,476	100.0%
Total	\$265,300	\$260,592	98.2%

Note: Montgomery County did not submit the information requested in the 2025 *Joint Chairmen's Report* (JCR). The exhibit uses data submitted in response to the 2024 JCR.

Source: Maryland State Department of Education and Local Education Agencies

DLS recommends adding language restricting \$50,000 in general funds for Montgomery County Public Schools until the late reports are submitted. DLS also recommends committee narrative requiring all jurisdictions with remaining balances to submit a final closeout report on COVID-19. The jurisdictions that are exempt are as follows: Allegany County; Anne Arundel County; Frederick County; St. Mary's County; and Worcester County.

Operating Budget Recommended Actions

	Amount Change	
1. Delete the appropriation for a grant to the Yleana Leadership Foundation, which is no longer in operation.	-\$70,000	GF
2. Reduce Adult High School Pilot Program general funds to the level of actual expenditures. In fiscal 2025, the program only had two eligible applicants.	-\$750,000	GF
3. Reduce Student Field Trip Fund general funds to the level of actual expenditures. Local education agencies requested reimbursement for \$376,716 in fiscal 2025.	-\$100,000	GF
4. Reduce Leading Men Fellowship general funds to the level appropriated in the three prior fiscal years.	-\$100,000	GF
5. Reduce general funds for the Healthy Families Initiative to align the appropriation with actual expenditures. In fiscal 2025, the program expended \$3,151,540.	-\$1,000,000	GF
6. Add the following language on the general fund appropriation:		

. provided that \$50,000 of this appropriation made for the purpose of education State aid for the Montgomery County Public Schools in the Aid to Education budget may not be expended until the local education agency submits a report to the budget committees containing information regarding COVID-19 federal stimulus fund expenditures. The report shall include:

- (1) the county board’s use of federal funding to address the effects of the COVID-19 pandemic on education; and
- (2) State funding received to implement the Blueprint for Maryland’s Future Program, including a description of the amount of funding spent on student instruction.

Additionally, as part of this submission, Montgomery County should review previous reports for this purpose and document corrections.

The report shall be submitted by July 1, 2026, and the budget committees shall have 45 days from the date of the receipt of the reports to review and comment. Funds

R00A02 – MSDE – Aid to Education

restricted pending the receipt of reports 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: In fiscal 2021, 2022, and 2023, local education agencies (LEA) received a total of \$256.6 million as authorized in the RELIEF Act (Chapter 39 of 2021) and allocated in the fiscal 2022 Budget Bill (Chapter 357 of 2021) for tutoring, behavioral health, summer school, school reopening, and transitional supplemental instruction. Because LEAs reported still carrying COVID-19 federal stimulus fund balances in calendar 2024, committee narrative in the 2025 *Joint Chairmen’s Report* requested LEAs submit a final closeout report on expenditures. Montgomery County was the only LEA to not submit the requested information. This language restricts a portion of the aid to Montgomery County Public Schools pending submission of the overdue report.

Information Request	Author	Due Date
Report on Montgomery County’s Covid-19 Federal Stimulus Fund Expenditures	Montgomery County Public Schools	July 1, 2026

7. Add the following language on the general fund appropriation:

, provided that this appropriation made for the purpose of the special education funding formula shall be reduced by \$58,460,253 contingent on the enactment of legislation to reduce the per pupil rate for the special education funding formula.

Explanation: The mandated growth in per pupil special education funding was based on an assumption that early interventions would reduce the overall number of students enrolled in special education later on. The growing per pupil funding levels would reflect a shrinking but higher-need population of students. This assumption has not come to fruition, yet the mandated growth in per pupil funding has not been adjusted. This action reduces funding for special education funding formula contingent on the enactment of legislation that reduces the per pupil funding in the special education funding formula.

8. Add the following language on the general fund appropriation:

, provided that \$9,261,250 of this appropriation made for the purpose of administrative expenses for the Academic Excellence Fund, R00A02.60, may not be expended for that purpose but instead may be transferred by budget amendment to program R00A01.03 Office of Teaching and Learning to be used only for administrative expenses for the Academic Excellence Fund. Funds not expended for this restricted purpose may not be

transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund.

Explanation: This language requires the transfer of the administrative appropriation for the Academic Excellence Fund from the Maryland State Department of Education’s Aid to Education budget to the Office of Teaching and Learning in the Headquarters budget. Academic Excellence Fund grants will remain in the Aid to Education budget.

9. Amend the following language:

, provided that this appropriation shall be reduced by ~~\$36,216,177~~\$72,432,355 contingent upon the enactment of legislation reducing the State share of K–12 teacher retirement costs.

Explanation: This action increases the general fund reduction for K-12 Teacher Retirement contingent on the enactment of legislation that reduces the State share of annual employer pension contributions for members of the Teachers’ Retirement System/Teachers’ Pension System employed by local education agencies.

10. Adopt the following narrative:

Final Reports on Local Education Agency (LEA) COVID-19 Federal Stimulus Fund Expenditures: In fiscal 2021, 2022, and 2023, LEAs received a total of \$256.6 million as authorized in the RELIEF Act (Chapter 39 of 2021) and allocated in the fiscal 2022 Budget Bill (Chapter 357 of 2021) for tutoring, behavioral health, summer school, school reopening, and transitional supplemental instruction. As part of mandated reporting in Chapter 55 of 2021, the Blueprint for Maryland’s Future Program – Revisions, LEAs were required to report on expenditures of these funds to the General Assembly and the Accountability and Implementation Board through calendar 2023. However, as of December 2025, multiple LEAs still report carrying federal stimulus fund balances. Therefore, the committees request that the LEAs with remaining balances submit a final closeout report by October 1, 2026, consistent with the requirements of the previously mandated report on COVID-19 federal stimulus fund expenditures, which requested the following information: (1) the county board’s use of federal funding to address the effects of the COVID-19 pandemic on education; and (2) State funding received to implement the Blueprint for Maryland’s Future Program, including a description of the amount of funding spent on student instruction. Additionally, as part of this submission, LEAs should review previous reports for this purpose and document corrections in this final report. The jurisdictions that have expended all federal stimulus funds and are therefore exempt are as follows: Allegany County; Anne Arundel County; Frederick County; St. Mary’s County; and Worcester County.

Information Request	Author	Due Date
Reports on LEA COVID-19 expenditures	LEAs	October 1, 2026

11. Adopt the following narrative:

Report on the Maryland Comprehensive Assessment Program (MCAP): The committees remain interested in tracking the costs for MCAP assessment development and implementation. The committees request by October 1, 2026, that the Maryland State Department of Education (MSDE) submit a report on MCAP, which should include, but is not limited to:

- a timetable for MCAP administration for all assessments for the 2026-2027 and 2027-2028 school years, including field testing and pilots for new assessments;
- details on MCAP measurement of student learning loss in the 2026-2027 school year by local education agency (LEA), subject area, grade level, and assessment, as well as additional steps taken, if any, by MSDE at the State level to measure student learning loss;
- details on MCAP administration in the 2026-2027 and 2027-2028 school years by LEA, program, grade level, and assessment, including alternative assessments and the Kindergarten Readiness Assessment;
- anticipated changes, if any, to assessments for virtual school students in the 2026-2027 and 2027-2028 school years;
- expenditures in fiscal 2026 and 2027, and anticipated allowances for fiscal 2028, for each MCAP assessment, assessments under development, and administration, including contractual expenditures by vendor;
- a discussion of reasons for increased costs relative to budgeted expenses for MCAP assessments and how MSDE is working to improve its forecasting of these costs beginning with the fiscal 2028 budget submission;
- information pertaining to any formal review of MCAP assessments and standards in calendar 2027 and 2028 by MSDE, by curriculum and assessment, including any anticipated changes to MCAP assessments as a result of that review and the projected costs of those changes; and

R00A02 – MSDE – Aid to Education

- alignment of MCAP goals and outcomes with Blueprint for Maryland’s Future outcome measures.

Information Request	Author	Due Date
Report on MCAP	MSDE	October 1, 2026

12. Adopt the following narrative:

Report on Enrollment and Counts for Blueprint for Maryland’s Future Programs:
The committees request a report by October 1, 2026, on Maryland State Department of Education (MSDE) enrollment collection procedures for free and reduced-price meal (FRPM) students; the count of national board certification (NBC) eligible teachers in the career ladder program; and student counts for the college and career readiness (CCR) program.

For FRPM student enrollment, this report should include data by local education agency (LEA) and school for the Community Eligibility Provision (CEP), including the percentage of FRPM students in the fiscal year prior to entry into CEP; and greater than comparisons by LEA and school used to calculate compensatory education enrollment.

For NBC teachers counts, the report should include the following data by LEA and school-type (either low-performing and non-low-performing) if applicable:

- count of teachers eligible for a fiscal 2026 award and their year of NBC attainment;
- count of teachers who attempted NBC but did not attain it in either school year 2024-2025 or 2025-2026;
- count of teachers attempting NBC in school year 2026-2027; and
- steps taken by MSDE and LEAs to encourage NBC teachers to move to low-performing schools.

For CCR student counts, this report and data should include projected CCR counts and funding from fiscal 2028 through 2031 based on expanded CCR standard.

R00A02 – MSDE – Aid to Education

Information Request	Author	Due Date
Report on enrollment and counts MSDE for Blueprint for Maryland’s Future programs	MSDE	October 1, 2026

13. Adopt the following narrative:

Report on the Autism Waiver Program: The committees request a report by October 1, 2026, on the Autism Waiver (AW) program, which is managed by the Maryland State Department of Education (MSDE). This status update should provide information on the following:

- the current number of individuals on the AW waitlist;
- the number of slots utilized in fiscal 2023 through 2026;
- the number of slots in use in fiscal 2027;
- the average cost per slot in fiscal 2023 through 2026 and forecasted for fiscal 2027 through 2032;
- a timeline for unfreezing enrollment and increasing utilized slots to the target level;
- MSDE’s strategy for managing high program costs, including specific cost containment measures implemented and anticipated savings from these measures; and
- projected costs for AW services through fiscal 2032 by year based on the timeline for increasing utilized slots.

Information Request	Author	Due Date
Report on the AW program	MSDE	October 1, 2026

14. Adopt the following narrative:

Report on the Nonpublic Placement Program: The committees request a report on costs for the Nonpublic Placement program; implementation of nonpublic school special education teacher pay parity related to the Teacher Pay Parity Act (Chapter 648 of 2023);

R00A02 – MSDE – Aid to Education

and actions taken by the Maryland State Department of Education (MSDE) to implement this program. The committees request that MSDE submit a report by October 1, 2026, including (1) program closeout data for fiscal 2026 by provider, including annual reimbursement costs and any costs that could not be covered within the fiscal 2026 appropriation; (2) actions taken in calendar 2026 and 2027 to implement Chapter 648; and (3) planned actions related to implementation of Chapter 648 and efforts to achieve pay parity in future years.

Information Request	Author	Due Date
Report on the nonpublic placement program	MSDE	October 1, 2026
Total Net Change to Fiscal 2027 Allowance		-\$2,020,000

Budget Reconciliation and Financing Act Recommended Actions

1. Reduce the mandated annual growth rates for per pupil special education funding to 5% in fiscal 2027 through 2030.
2. Amend a provision to shift all of the fiscal 2027 increase in the State share of the Teachers' Retirement System costs to local jurisdictions, rather than approximately half.

Updates

1. No New CCR Data Due to Transition to New Standards

CCR is a Blueprint program authorized in Chapter 36 that establishes a standard for English and mathematics to ensure that students will be successful in first-year, credit-bearing coursework at a Maryland community college or open enrollment at a postsecondary institution. CCR certifies by the end of grade 10, and not later than the end of grade 12.

CCR also requires a count of all high school students who are considered to be college and career ready in order to provide wealth-equalized funding for this program. MSDE is responsible for implementing the program and defining the CCR standard.

In February 2022, MSDE passed interim CCR standards, which required students to obtain proficient scores on the MCAP or PARCC English 10 and Algebra I, II, or Geometry exams. However, due to concerns as to whether this measure was sufficient, MSDE commissioned a study from the American Institutes for Research (AIR) in calendar 2023 to review the CCR standard and recommend improvements. The study found that an alternative to test scores in the CCR standard allows students to demonstrate readiness through multiple measures. AIR suggested that earning a 3.0 grade point average (GPA) is a better predictor of postsecondary success and is more inclusive. AIR also suggested adopting a new standard with multiple options to demonstrate proficiency depending on the student's grade level.

As a result, MSDE adopted a new CCR standard in January 2024 with two options: (1) a 3.0 unweighted GPA, and an A, B, or C in Algebra I, or a proficient score on the MCAP ELA 10 and Algebra I; or (2) a proficient score on the ELA 10 and Algebra I MCAP assessments. In the transition from the interim to the new standard, students may be designated as meeting CCR through either standard. Once a student meets the CCR standard through either option, this designation cannot be revoked, including if a student's GPA decreases below the threshold in future years. Starting in school year 2025-2026, only the new standard is applicable.

In calendar 2024, 46.1% of students met CCR standards by the end of grade 10, and 48.6% met the standards by the end of grade 12. Though committee narrative in the 2025 JCR requested updated CCR data and projected enrollment and funding for fiscal 2027 through 2030, MSDE stated it could not provide updated numbers due to the switch to new criteria. As of fall 2025, MSDE reported 103,883 CCR-eligible students. The fiscal 2027 allowance includes \$30.9 million in Blueprint special funds for CCR, a decrease of \$903,000 from fiscal 2026.

2. Report on ESP Counts and Pay

The 2025 JCR requested a report on ESP counts and pay. During the 2024-2025 school year, LEAs reported employing 46,851 ESPs, which are noncertified school employees that

R00A02 – MSDE – Aid to Education

provide support across a variety of school functions. MSDE categorizes ESPs into three groups: (1) health services; (2) paraprofessionals; and (3) support personnel.

LEAs reported employing 893 health services ESPs, including registered nurses, dental hygienists, dentists, ophthalmologists, optometrists, and other health professionals, excluding therapists. Health services ESPs are responsible for evaluating student health problems or risks, treating minor injuries or defects, and providing referrals.

LEAs also employed 18,349 paraprofessionals, including teacher aides, teaching assistants, library aides, and assistant counselors. Paraprofessionals assist teachers, librarians, or administrators with routine activities and operations.

Additionally, 27,609 support personnel worked in Maryland public schools in the 2024-2025 school year. These staff include secretaries, technical personnel, bus drivers, and custodians.

As of May 2025, LEAs reported 2,594.15 vacant nonsupervisory ESP positions and 87.4 vacant supervisory ESP positions. Prince George’s County had the highest share of vacant nonsupervisory positions, with a vacancy rate of 11.3%.

Non-health services ESP roles typically do not require an advanced degree and tend to be part-time, which impacts pay. As a result, more than a third of the State’s ESPs (16,016) earn less than \$25 per hour. Somerset (73.3%) and Caroline (71.7%) Counties report the greatest share of ESPs making less than \$25 per hour.

Appendix 1

2025 Joint Chairmen’s Report Responses from Agency

The 2025 JCR requested that MSDE prepare 11 reports, 6 of which appear in the Aid to Education analysis. Electronic copies of the full JCR responses can be found on the DLS Library website.

- **Report on Noncertified ESPs:** The committees requested a report from MSDE on the number of ESPs by LEA and job classification; the number of vacant ESP positions by LEA; and the number of ESPs statewide that earn less than \$25 per hour. This report is discussed in further detail in Update 2 of this analysis.
- **Report on the Nonpublic Placement Program:** The committees requested a report on costs for the Nonpublic Placement program; implementation of nonpublic school special education teacher pay parity related to the Teacher Pay Parity Act (Chapter 648 of 2023); and actions taken by MSDE to implement this program. Further discussion of the information contained in this report may be found in the Budget section of this analysis.
- **Report on AW Program:** The committees requested on the AW program by November 1, 2025. MSDE’s submission stated that program enrollment has been frozen and declining since November 2023, as the agency is not backfilling spots once individuals age out. The AW program had 1,784 participants in fiscal 2026 and projected 1,663 participants in fiscal 2027. MSDE cited high program costs as the reason for the enrollment freeze. Further discussion of the information contained in this report may be found in Issue 1 of this analysis.
- **Report on Enrollment and Counts for Blueprint programs:** The committees requested a report on enrollment collection procedures for FRPM students; teacher counts for NBC teachers for the Career Ladder program; and student counts for the CCR program. FRPM enrollment is captured using October school-level counts of students who are directly certified and students in CEP schools. Further discussion of the information contained in this report may be found in the Budget discussion and Update 1 of this analysis.
- **Report on the MCAP:** The committees requested a report on learning loss due to the COVID-19 pandemic and the cost of developing and administering MCAP assessments. The report measures learning loss and recovery over time for ELA and mathematics by identifying student cohorts and tracking their progress over time within the same subject. As for the costs associated with MCAP, the agency reported that it worked with six vendors in fiscal 2025 to develop, administer, and report MCAP, totaling \$50.5 million. MSDE was also asked to provide information about alternative assessments and anticipated changes. The agency stated that it issued a request for proposals in fall 2025 to modernize MCAP’s design, delivery, and reporting and align with the Maryland Assessment and Accountability Task Force’s recommendations. MCAP scores are discussed in the Performance Analysis

R00A02 – MSDE – Aid to Education

section of this analysis, while MCAP contract costs are discussed in the analysis for R00A01 – MSDE – Headquarters.

- ***Reports on LEA COVID-19 Federal Stimulus Fund Expenditures:*** In fiscal 2021, 2022, and 2023, LEAs received a total of \$256.6 million as authorized in the RELIEF Act (Chapter 39 of 2021) and allocated in the fiscal 2022 Budget Bill (Chapter 357 of 2021) for tutoring, behavioral health, summer school, school reopening, and transitional supplemental instruction. As part of mandated reporting in Chapter 55, the Blueprint for Maryland’s Future Program – Revisions, LEAs were required to report on expenditures of these funds to the General Assembly and the AIB through calendar 2023. At the time of the submitted responses, LEAs reported carrying balances as the deadline for expenditures had not passed. These reports are discussed in further detail in Issue 4 of this analysis.

Appendix 2
K-12 Full-time Equivalent Enrollment
Fiscal 2025-2027

<u>LEA</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Change</u>	<u>% Change</u>
Allegany	7,696	7,635	7,595	-40	-0.5%
Anne Arundel	81,749	82,242	81,923	-319	-0.4%
Baltimore City	70,926	71,475	71,486	12	0.0%
Baltimore	106,103	105,637	103,655	-1,981	-1.9%
Calvert	14,851	14,494	14,333	-161	-1.1%
Caroline	5,298	5,325	5,230	-96	-1.8%
Carroll	25,619	25,636	25,199	-437	-1.7%
Cecil	14,254	14,056	13,837	-220	-1.5%
Charles	26,729	26,995	26,693	-303	-1.1%
Dorchester	4,282	4,239	4,161	-78	-1.8%
Frederick	46,023	46,315	46,191	-125	-0.3%
Garrett	3,251	3,190	3,140	-50	-1.5%
Harford	36,952	36,593	36,133	-461	-1.2%
Howard	55,911	55,777	55,358	-419	-0.7%
Kent	1,620	1,587	1,608	21	1.3%
Montgomery	154,455	153,090	150,929	-2,161	-1.4%
Prince George's	125,423	125,706	125,854	149	0.1%
Queen Anne's	7,152	7,155	7,115	-40	-0.6%
St. Mary's	16,699	16,370	16,050	-320	-1.9%
Somerset	2,603	2,599	2,572	-27	-1.0%
Talbot	4,229	4,162	4,121	-41	-1.0%
Washington	21,377	21,584	21,513	-71	-0.3%
Wicomico	14,411	14,855	14,677	-178	-1.2%
Worcester	6,324	6,406	6,338	-68	-1.1%
Total	853,933	853,121	845,710	-7,411	-0.9%

LEA: local education agency

Source: Department of Legislative Services

Appendix 3
Special Education and Limited English Proficient Enrollment
Fiscal 2025-2027

<u>LEA</u>	Special Education					Limited English Proficient				
	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Change</u>	<u>% Change</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Change</u>	<u>% Change</u>
Allegany	1,316	1,462	1,502	40	2.7%	38	46	48	2	4.3%
Anne Arundel	10,767	11,062	11,086	24	0.2%	8,532	9,114	8,912	-202	-2.2%
Baltimore City	11,583	11,719	11,941	222	1.9%	9,702	10,762	10,399	-363	-3.4%
Baltimore	16,096	15,930	16,275	345	2.2%	12,191	13,375	13,268	-107	-0.8%
Calvert	1,764	1,703	1,745	42	2.5%	238	228	236	8	3.5%
Caroline	567	583	600	17	2.9%	544	575	567	-8	-1.4%
Carroll	3,448	3,420	3,335	-85	-2.5%	499	571	519	-52	-9.1%
Cecil	2,630	2,605	2,681	76	2.9%	391	436	426	-10	-2.3%
Charles	3,299	3,397	3,457	60	1.8%	1,272	1,444	1,443	-1	-0.1%
Dorchester	447	470	491	21	4.5%	249	303	288	-15	-5.0%
Frederick	5,906	6,193	6,243	50	0.8%	3,717	3,869	3,735	-134	-3.5%
Garrett	378	395	384	-11	-2.8%	7	8	6	-2	-25.0%
Harford	6,110	6,152	6,234	82	1.3%	1,063	1,126	1,085	-41	-3.6%
Howard	7,089	7,412	7,600	188	2.5%	4,033	4,057	3,883	-174	-4.3%
Kent	247	234	262	28	12.0%	102	107	119	12	11.2%
Montgomery	22,711	23,103	23,564	461	2.0%	31,706	32,514	30,725	-1,789	-5.5%
Prince George's	14,926	15,548	16,104	556	3.6%	33,121	34,888	33,507	-1,381	-4.0%
Queen Anne's	877	886	915	29	3.3%	433	434	425	-9	-2.1%
St. Mary's	2,123	2,097	2,149	52	2.5%	445	496	475	-21	-4.2%
Somerset	437	422	404	-18	-4.3%	129	144	154	10	6.9%
Talbot	541	518	530	12	2.3%	659	679	661	-18	-2.7%
Washington	2,850	2,955	3,041	86	2.9%	1,036	1,208	1,219	11	0.9%
Wicomico	1,622	1,683	1,762	79	4.7%	1,817	2,273	2,240	-33	-1.5%
Worcester	789	782	808	26	3.3%	167	205	186	-19	-9.3%
Total	118,523	120,731	123,113	2,382	2.0%	112,091	118,862	114,526	-4,336	-3.6%

LEA: local education agency

Source: Department of Legislative Services

Appendix 4
Impact of the Budget Reconciliation and Financing Act of 2026 on Public School Retirement

	BRFA of 2026 Proposed Shift	State	County State Shifts	Public Schools Normal Cost	Total Local	Total State and Local	BRFA % Change	
							State	County
Allegany	\$301,093	\$8,631,241	\$905,757	\$3,954,365	\$4,860,122	\$13,491,363	-3.4%	49.8%
Anne Arundel	3,250,064	90,609,021	12,335,358	42,684,255	55,019,613	145,628,634	-3.5%	35.8%
Baltimore City	3,158,309	88,077,657	11,960,423	41,479,204	53,439,627	141,517,284	-3.5%	35.9%
Baltimore	4,262,584	121,292,888	13,722,645	55,982,050	69,704,695	190,997,583	-3.4%	45.1%
Calvert	588,079	16,456,786	2,170,356	7,723,449	9,893,805	26,350,591	-3.5%	37.2%
Caroline	205,507	5,794,398	714,951	2,698,998	3,413,949	9,208,347	-3.4%	40.3%
Carroll	940,501	26,340,476	3,449,483	12,351,934	15,801,417	42,141,893	-3.4%	37.5%
Cecil	581,919	16,575,555	1,856,490	7,642,555	9,499,045	26,074,600	-3.4%	45.7%
Charles	1,034,506	29,074,583	3,692,961	13,586,543	17,279,504	46,354,087	-3.4%	38.9%
Dorchester	191,188	5,313,656	742,131	2,510,936	3,253,067	8,566,723	-3.5%	34.7%
Frederick	1,815,827	50,107,882	7,407,651	23,847,904	31,255,555	81,363,437	-3.5%	32.5%
Garrett	127,976	3,706,802	346,775	1,680,751	2,027,526	5,734,328	-3.3%	58.5%
Harford	1,449,286	41,070,749	4,834,771	19,033,996	23,868,767	64,939,516	-3.4%	42.8%
Howard	2,636,778	74,207,540	9,311,288	34,629,758	43,941,046	118,148,586	-3.4%	39.5%
Kent	82,025	2,354,585	243,520	1,077,263	1,320,783	3,675,368	-3.4%	50.8%
Montgomery	7,367,029	206,122,842	27,224,659	96,753,842	123,978,501	330,101,343	-3.5%	37.1%
Prince George's	5,344,176	151,311,143	17,963,336	70,186,979	88,150,315	239,461,458	-3.4%	42.3%
Queen Anne's	256,884	7,235,760	900,925	3,373,748	4,274,673	11,510,433	-3.4%	39.9%
St. Mary's	592,653	16,690,858	2,081,159	7,783,519	9,864,678	26,555,536	-3.4%	39.8%
Somerset	118,035	3,309,654	429,060	1,550,199	1,979,259	5,288,913	-3.4%	38.0%
Talbot	179,703	5,072,210	619,801	2,360,102	2,979,903	8,052,113	-3.4%	40.8%
Washington	792,601	22,079,936	3,025,353	10,409,510	13,434,863	35,514,799	-3.5%	35.5%
Wicomico	617,981	17,353,450	2,220,827	8,116,164	10,336,991	27,690,441	-3.4%	38.6%
Worcester	321,473	9,188,738	993,785	4,222,022	5,215,807	14,404,545	-3.4%	47.8%
Total	\$36,216,177	\$1,017,978,410	\$129,153,465	\$475,640,046	\$604,793,511	\$1,622,771,921	-3.4%	39.0%

Appendix 5
Chronic Absenteeism Rates by LEA
Calendar 2024-2025

<u>LEA</u>	<u>2025</u>	<u>2024</u>	<u>Difference</u>
Allegany	33.6%	36.4%	-2.8
Anne Arundel	19.9%	22.1%	-2.2
Baltimore City	46.4%	48.7%	-2.3
Baltimore County	25.6%	28.0%	-2.4
Calvert	17.3%	18.5%	-1.2
Caroline	28.0%	28.0%	0
Carroll	19.5%	20.2%	-0.7
Cecil	21.9%	23.5%	-1.6
Charles	26.6%	27.0%	-0.4
Dorchester	37.1%	38.3%	-1.2
Frederick	16.7%	16.8%	-0.1
Garrett	22.9%	20.8%	2.1
Harford	18.5%	20.3%	-1.8
Howard	17.4%	17.3%	0.1
Kent	33.1%	26.0%	7.1
Montgomery	22.6%	23.6%	-1
Prince George's	30.2%	32.7%	-2.5
Queen Anne's	22.4%	22.9%	-0.5
Saint Mary's	27.3%	28.1%	-0.8
SEED	28.7%	32.8%	-4.1
Somerset	33.7%	33.5%	0.2
Talbot	25.2%	28.5%	-3.3
Washington	29.0%	26.9%	2.1
Wicomico	22.4%	25.1%	-2.7
Worcester	17.1%	21.5%	-4.4
State	25.2%	26.7%	-1.5

LEA: local education agency

SEED: School for Educational Evolution and Development

Source: Maryland State Department of Education; Accountability and Implementation Board

Appendix 6
Object/Fund Difference Report
Maryland State Department of Education – Aid to Education

<u>Object/Fund</u>	<u>FY 25 Actual</u>	<u>FY 26 Working Appropriation</u>	<u>FY 27 Allowance</u>	<u>FY 26 - 27 \$ Change</u>	<u>% Change</u>
Positions					
01 Regular	0.00	0.00	0.00	0.00	N/A
02 Contractual	0.00	0.00	43.00	43.00	N/A
Total Positions	0.00	0.00	43.00	43.00	N/A
Objects					
02 Technical and Special Fees	\$0	\$0	\$5,430,000	\$5,430,000	N/A
04 Travel	0	0	953,750	953,750	N/A
08 Contractual Services	0	0	1,570,000	1,570,000	N/A
09 Supplies and Materials	0	0	1,307,500	1,307,500	N/A
12 Grants, Subsidies, and Contributions	10,138,238,016	10,833,296,973	11,135,753,778	302,456,805	2.8%
Total Objects	\$10,138,238,016	\$10,833,296,973	\$11,145,015,028	\$311,718,055	2.9%
Funds					
01 General Funds	\$7,309,375,383	\$7,379,929,487	\$7,435,436,636	\$55,507,149	0.8%
03 Special Funds	1,628,399,389	2,223,024,557	2,460,351,828	237,327,271	10.7%
05 Federal Funds	1,200,463,244	1,230,342,929	1,249,226,564	18,883,635	1.5%
Total Funds	\$10,138,238,016	\$10,833,296,973	\$11,145,015,028	\$311,718,055	2.9%

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include contingent reductions.

Appendix 7
Fiscal Summary
Maryland State Department of Education – Aid to Education

<u>Program/Unit</u>	<u>FY 25 Actual</u>	<u>FY 26 Working Appropriation</u>	<u>FY 27 Allowance</u>	<u>FY 26 - 27 \$ Change</u>	<u>% Change</u>
01 State Share of Foundation Program	\$3,934,913,075	\$4,141,410,531	\$4,276,765,337	\$135,354,806	3.3%
02 Compensatory Education	1,715,307,029	1,778,637,727	1,738,210,312	-40,427,415	-2.3%
03 Aid for Local Employee Fringe Benefits	917,173,759	981,762,231	1,054,194,586	72,432,355	7.4%
04 Children at Risk	78,788,303	84,229,321	86,470,486	2,241,165	2.7%
05 Formula Programs for Specific Populations	1,450,927	1,750,000	1,750,000	0	0.0%
07 Students with Disabilities	769,954,080	841,433,753	898,014,924	56,581,171	6.7%
08 Assistance to State for Educating Students with Disabilities	258,655,805	263,193,130	268,456,990	5,263,860	2.0%
12 Educationally Deprived Children	321,613,598	327,398,694	333,946,669	6,547,975	2.0%
13 Innovative Programs	29,055,474	28,296,541	27,787,775	-508,766	-1.8%
15 Language Assistance	16,083,215	16,743,887	17,078,765	334,878	2.0%
18 Career and Technology Education	19,528,635	19,531,500	22,531,500	3,000,000	15.4%
24 Limited English Proficient	519,503,455	554,454,771	542,015,546	-12,439,225	-2.2%
25 Guaranteed Tax Base	74,897,532	64,964,792	68,973,563	4,008,771	6.2%
27 Food Services Program	506,027,326	518,395,799	518,395,799	0	0.0%
39 Transportation	369,556,854	381,917,869	386,974,622	5,056,753	1.3%
55 Teacher Development	46,919,917	90,212,040	91,713,273	1,501,233	1.7%
60 Blueprint for Maryland's Future Transition Grants	89,029,322	69,213,027	41,549,281	-27,663,746	-40.0%
61 Concentration of Poverty Grant Program	361,699,297	492,583,576	572,675,214	80,091,638	16.3%
62 College and Career Readiness	11,572,898	31,769,353	30,866,029	-903,324	-2.8%
63 Education Effort Adjustment	96,507,515	145,398,431	166,644,357	21,245,926	14.6%
Total Expenditures	\$10,138,238,016	\$10,833,296,973	\$11,145,015,028	\$311,718,055	2.9%
General Funds	\$7,309,375,383	\$7,379,929,487	\$7,435,436,636	\$55,507,149	0.8%
Special Funds	1,628,399,389	2,223,024,557	2,460,351,828	237,327,271	10.7%
Federal Funds	1,200,463,244	1,230,342,929	1,249,226,564	18,883,635	1.5%
Total Appropriations	\$10,138,238,016	\$10,833,296,973	\$11,145,015,028	\$311,718,055	2.9%

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include contingent reductions.