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R00A03

Funding for Educational Organizations

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Maryland State Department of Education

Response to the Analyst's Review and Recommendations

House Education and Economic Development Subcommittee –  
February 18, 2015

Senate Education, Business, and Administration Subcommittee –  
February 23, 2015



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The Maryland State Department of Education (MSDE) welcomes the opportunity to respond to the items noted in the budget analysis. The analysis provides a comprehensive overview of the goals and activities of the Funding for Educational Organizations budget. As noted in the analysis, this budget provides grants to organizations with unique operations through four budgetary programs:

- The Maryland School for the Blind
- Blind Industries and Services of Maryland
- State Aided Educational Institutions
- Aid to Nonpublic Schools

With regard to the specific issues and recommendations noted in the analysis:

### **Non-Public Textbooks**

**MSDE should comment on why the full appropriation for the Nonpublic School Textbook and Technology Grants Program was not expended in fiscal 2014 and the expectations for fiscal 2015 and 2016 expenditures.**

The FY 2014 budget for the Nonpublic Textbook program was established at \$6,040,000. Three hundred and forty four (344) schools applied for the program – including 91 schools meeting the twenty percent (20%) Free or Reduced Meal (FARMS) enrollment criteria. More than \$5.7 million was allocated to participating schools using the approved per student allocation rates (\$95 FARMS and \$65 Non- FARMS). Actual expenditures were slightly less than the allocated amount. The difference between the approved appropriation and actual program expenditures reverts back to the Cigarette Restitution Fund. MSDE has developed an online school ordering system which allows schools to monitor their requisitions and allocation balance at any time. MSDE encourages schools to fully expend their allocation, but typically a small percentage of schools do not expend all that they are allotted. Based on current projections, MSDE expects the entire appropriation will be required to meet program needs in FY 2015 and FY 2016.

### **Maryland School for the Blind**

**MSDE and the new Administration should be prepared to discuss the issues identified with the calculations for the basic cost and the local share of basic cost and how they have impacted the funding provided to MSB in recent years. The Administration should also comment on potential solutions for correcting the errors in the calculations and proposed timeline for implementing those solutions.**

Section 8-310 of the Education Article requires each local school system to pay the Maryland School for the Blind the local share of basic cost for each child who is sent to the school from the county each year to support the cost of instructional programming. MSDE has been working diligently to update the formula used to calculate the local share of basic cost. MSDE is finalizing recommendations for a new formula and will keep the Budget Committees and the Department of Legislative Services apprised of any updates.

**DLS recommends that language be added to the budget restricting funds within MSDE until a report is provided on proposed solutions to the errors in the basic cost and local share of basic cost calculations. The report should include fiscal estimates associated with correcting the errors, including the amount of additional revenue for MSB. As this issue is not exclusive to MSB and impacts all nonpublic providers, the proposed recommendation will appear in the MSDE Aid to Education analysis.**

MSDE agrees with the recommendation regarding the report but has concerns with the number of recommendations restricting funding in the MSDE budget. Further restrictions could negatively affect the day-to-day operations of the Department.

### ***Recommendations***

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

Provided that the general fund appropriation for grants to State Aided Institutions shall be reduced by \$618,145. This reflects a 10% reduction in overall funding for this program. The reduction shall be allocated proportionally across all grant recipients.

MSDE respectfully disagrees with the analyst's recommended reduction and fully supports the Governor's FY 2016 allowance. The 40 organizations comprising the State Aided Institutions (SAI) program provide exemplary, engaging, hands-on, experiential learning opportunities for Maryland students and teachers that cannot be replicated in the classroom. The educational programs are aligned with Maryland's College and Career Ready Standards, many with an emphasis on Science Technology Engineering and Mathematics (STEM). Additionally, these organizations give priority to economically disadvantaged students and Title I schools. A reduction would limit, and likely reduce, the number of students these programs can serve.

These organizations are able to leverage funding from other sources because of the State grant. A reduction from the State would negatively affect their ability to do so.

2. Adopt the following narrative:

**Evaluation of Grants Made to State Aided Institutions:** Over the past decade, the number of State Aided Institutions (SAI) has increased by 54%, from 26 grant recipients in fiscal 2005 to 40 in fiscal 2015. In many instances, the services provided by the grant recipients fall into duplicative categories. The budget committees, therefore, direct the Maryland State Department of Education (MSDE) to evaluate the current process for selecting SAI grant recipients and allocating grant resources. In its evaluation, the department should specifically review the potential for consolidating the number of grant recipients and the potential for rotating recipients from year to year. In addition, the report should identify the percentage of each current recipient's budget that is funded through the SAI grant award. The report shall be submitted to the budget committees no later than October 1, 2015.

MSDE Concur. The application process for the SAI program is outlined in Sections 5-501 through 5-106 of the Education Article. Statute requires MSDE to collect and review the applications and make recommendations to the State Board of Education on all applicants that qualify for funding. The State Board makes recommendations to the Governor and final funding decisions are made by the Governor and General Assembly.

3. Reduce Cigarette Restitution Funding for the Maryland Nonpublic School Textbook Program in line with fiscal 2014 actual expenditures. This action will result in a related general fund reduction to Medicaid funding.

**Reduction: \$ 330,000 SF**

MSDE respectfully disagrees and supports the funding level provided in the Governor's Allowance.