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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

Senate Education, Business, and Administration Subcommittee –  
January 29, 2016

House Education and Economic Development Subcommittee –  
February 1, 2016



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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 five budgetary programs:

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

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

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

#### **MSDE should comment on any updates it has made to the proposal to correct errors in basic cost and the local share of basic cost.**

As is mentioned in the analysis, during the 2014 legislative session, the Department of Legislative Services (DLS), the Department of Budget and Management (DBM), and MSDE discovered “flaws” in the methodology for calculating the the local share of basic cost of education, which is used to determine the local contribution to the Maryland School for the Blind (MSB).

Section 8-310 of the Education Article requires each local school system to pay the local share of basic cost to the Maryland School for the Blind to support the cost of instructional programming for each child placed in the school from the county annually. Since identifying the flaws, MSDE has worked diligently to update the formula used to calculate the local of share of basic cost. MSDE finalized an initial set of recommendations for a revised formula this past summer and submitted a summary of the changes to the Budget Committees and DLS. MSDE used the updated methodology to calculate the required local contributions to MSB for FY 2016. MSDE believes the new methodology is vastly improved and results in a more coherent process. Additionally, the new methodology demonstrates a trend of more predictable year-over-year calculations. The updated methodology resulted in an increased local contribution to MSB totaling nearly \$140,000.

Since submitting our initial recommendations, DLS has made a number of suggestions to further improve the accuracy of the formula. MSDE continues to work collaboratively with DLS to address these issues. MSDE fully expects that the formula will be finalized in time to issue local contribution rates to MSB for FY 2017. As a final step, MSDE plans to present regulations to the State Board of Education that clearly define the methodology for calculating the basic cost of education and the local share of basic cost of education. By doing so, stakeholders will have the opportunity to provide feedback on this process before the State Board formally adopts the regulations. MSDE will keep the Budget Committees, DLS, and DBM apprised of any updates.

**MSDE should comment on how much funding it receives from MSB medical assistance billing and how those funds are directed.**

MSDE does not receive funds for medical assistance billing. The State withholds the estimated State Share of Medicaid reimbursement from formula grant funds. The withheld amount is provided to DHMH to use as State match for Medicaid reimbursement. After close of the fiscal year, the reimbursements are reconciled against the withheld amounts. Over payments are reimbursed to the State. Under payments are reimbursed to the entity. Additionally, LEAs and other nonpublic providers, like MSB, are responsible for an administrative fee payable to MSDE to support this program. These funds are shown in MSDE's budget as Special Funds - Medical Assistance Administration Recoveries. In FY 2015, the administrative fee for MSB was \$1,500.

**State Aided Institutions**

**MSDE should comment on the findings from the accountability metrics used to monitor SAIs in the last fiscal year.**

MSDE's review of the current State Aided Institutions (SAIs), using the Department's Accountability Metrics, did not reveal any material findings. However, if, during subsequent monitoring reviews, MSDE does find an organization is not meeting all the program requirements, MSDE will offer technical assistance to the organization to assist it in meeting the established metrics. In the event that a specific organization does not meet program requirements after technical assistance, MSDE will recommend funding be discontinued.

MSDE uses the following Accountability Metrics to monitor the SAIs:

- SAIs submit Rate of Reimbursement documentation detailing the use of State funds and the benefits realized from these funds. This document, a component of the official grant agreement, is certified by each organization's Chief Executive Officer or Executive Director.
- SAIs submit three annual reports. These include a mid-year progress report, a Managing for Results report, and a final year-end report. These reports verify the numbers of students and teachers served as articulated in the Rate of Reimbursement.
- MSDE conducts annual site visits to all SAIs in order to observe the educational program in action.

**MSDE should comment on why it has not promoted the SAI program in the past and the timeline for increasing program transparency.**

MSDE agrees that the SAI program has not been well promoted in the past and has relied on word of mouth in the nonprofit community regarding the availability of funds. More recently, MSDE has posted information regarding the SAI program on the MSDE website including a program overview, a list of currently funded programs, program descriptions for each organization's educational offering, program contact information, and MSDE contact information. Moving forward, MSDE will post all relevant application material on the website.

MSDE will also continue to investigate opportunities for promoting the grant program among the State's nonprofit community.

### **Maryland Education Credit (MEC) Program**

**MSDE should comment on the process for establishing and implementing a MEC program in Maryland.**

As noted in the analysis, while the funding for the MEC is in the MSDE budget, the Department of Commerce will administer the program. MSDE will work collaboratively with the Department of Commerce to ensure a smooth implementation.

### ***Recommendations***

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

, provided that the \$200,000 of the general fund appropriation for grants to State Aided Institutions (SAI) may not be expended until the Maryland State Department of Education provides a report that details its methodology for accomplishing the following:

- (1) establishing a process to promote the availability of funds for potential entities to provide statewide services through grants through the SAI program; and
- (2) providing criteria under which SAIs will be limited to receiving funds for a set number of years, in order to allow new entities to participate in the program;

The report shall be submitted no later than December 1, 2016, and the budget committees shall have 45 days to review and comment. Funds restricted pending receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Further provided that it is the intent of the General Assembly that the number of SAIs be limited to no more than 41 in any fiscal year.

Further provided that it is the intent of the General Assembly that the State Board of Education make its recommendations for which organizations should receive funding as SAIs at a public meeting.

**MSDE concurs with the reporting requirement.** 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.

2. Reduce Cigarette Restitution Funding for the Maryland Nonpublic Textbook Program in line with 2015 actual expenditures

**Reduction: \$ 369,000 SF**

**MSDE respectfully disagrees.** The Department supports the funding level provided in the Governor's Allowance.