

R00A01
Headquarters
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Approp.</u>	<u>FY 04</u> <u>Allowance</u>	<u>FY 03 - 04</u> <u>Change</u>	<u>FY 03 - 04</u> <u>% Change</u>
General Funds	\$81,967	\$86,137	\$90,431	\$4,294	5.0%
FY 2003 Cost Containment	\$0	-\$4,126	\$0	\$4,126	-100.0%
Contingent & Back of Bill Reductions	\$0	-\$28	-\$158	-\$130	471.5%
Adjusted General Funds	\$81,967	\$81,984	\$90,273	\$8,289	10.1%
Special Funds	\$7,739	\$6,411	\$5,238	-\$1,173	-18.3%
Contingent & Back of Bill Reductions	\$0	-\$1	-\$4	-\$3	461.2%
Adjusted Special Funds	\$7,739	\$6,410	\$5,234	-\$1,176	-18.3%
Federal Funds	\$89,798	\$93,443	\$107,302	\$13,859	14.8%
Contingent & Back of Bill Reductions	\$0	-\$51	-\$311	-\$260	514.1%
Adjusted Federal Funds	\$89,798	\$93,392	\$106,991	\$13,598	14.6%
Reimbursable Funds	\$542	\$749	\$824	\$75	10.0%
Contingent & Back of Bill Reductions	\$0	\$0	\$0	\$0	-100.0%
Adjusted Reimbursable Funds	\$542	\$749	\$824	\$75	10.0%
Adjusted Grand Total	\$180,046	\$182,535	\$203,322	\$20,787	11.4%

- The Maryland State Department of Education (MSDE) Headquarters' fiscal 2004 allowance contains a \$20.8 million, or 11.4% increase over the fiscal 2003 working appropriation after accounting for cost containment and back-of-the-bill reductions.
- MSDE will use \$7.5 million of the increase to assume and enhance education responsibilities at the Charles H. Hickey, Jr. School Program.
- A \$13.9 million increase in federal funds is primarily attributable to higher Title I funding under the federal No Child Left Behind Act (NCLB).
- Offsetting these increases are a \$4.4 million reduction attributable to the proposed elimination of 84.70 vacant positions in fiscal 2004 and a \$1.5 million special fund decrease because fiscal 2003 is the final year of a three-year project for improved tracking of teacher certification.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Working</u>	<u>FY 04</u> <u>Allowance</u>	<u>Change</u>
Regular Positions	1,363.90	1,440.50	1,428.80	-11.70
Contractual FTEs	138.92	121.80	118.80	-3.00
Total Personnel	1,502.82	1,562.30	1,547.60	-14.70

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	73.87	5.17%
Positions Vacant as of 12/31/02	158.10	10.98%

- MSDE is requesting 73.00 new regular positions to meet MSDE’s educational standards for the Hickey School. However, this increase is offset by the elimination of 84.70 vacant positions in fiscal 2004 due to cost containment measures.
- The Department of Budget and Management’s vacant position report shows that MSDE Headquarters had 158.10 vacant positions as of December 31, 2002. However, since 84.70 of these vacant positions will be abolished, only 73.40 positions are actual existing vacant positions. Taking into account the abolished positions, MSDE Headquarters has an actual vacancy rate of 5.10%.

Analysis in Brief

Major Trends

OLA Audit Certifies Only One Out of Six Performance Measures Audited: The Office of Legislative Audits (OLA) conducted a performance audit of six MSDE fiscal 2001 performance measures including the number of general education diplomas (GEDs) awarded; the inmate GED passing rate; the percent of teachers with an intermediate or high level of knowledge and skills in using computers; the percent of high school graduates entering the job market; the percent of high school graduates completing a college-recommended curriculum who achieved a “C” or better; and the percent of high school graduates who are required to take developmental courses.

Dropout Rates Should Be Measured by Jurisdiction: One of NCLB’s objectives is to have all students graduate from high school. One of MSDE’s Managing for Results (MFR) objectives is to have at least 75% of all Maryland high schools reduce their dropout rate to 3% or less. **The Department of Legislative Services (DLS) recommends that MSDE revise its dropout measure to reflect the dropout rate by jurisdiction rather than by school.**

Issues

Transferring Educational Responsibilities for the Hickey School from the Department of Juvenile Justice (DJJ) to MSDE: SB 390/HB 860 would require MSDE to assume control of the educational program at the Charles H. Hickey, Jr. School on December 31, 2003. The fiscal 2004 allowance contains \$7.5 million for MSDE to assume and enhance the educational program at the Hickey School from DJJ. **DLS recommends deleting the \$6.5 million for the transfer of educational responsibilities from DJJ to MSDE and transferring \$1.0 million to DJJ to fully fund the current educational program at the school.**

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Reduce funds for transferring responsibility of Hickey School educational program.	\$ 6,475,776	73.0
Total Reductions	\$ 6,475,776	73.0

Updates

Progress in Filling Correctional Education Positions: The Maryland General Assembly appropriated funding for 30.5 new correctional education positions in fiscal 2003. A review of how MSDE has filled these positions is provided.

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Operating Budget Analysis

Program Description

The Maryland State Department of Education (MSDE) focuses its efforts in three program areas: public education, including correctional education; library development and services; and rehabilitation services.

Public education consists of the Office of the State Superintendent; Division of Business Services; Division of Professional and Strategic Development; Division of Planning, Results, and Information Management; Office of Information Technology; Major Information Technology Development Projects; Division of Instruction and Staff Development; Division of Student and School Services; Division of Special Education; Division of Career Technology and Adult Learning; and Division of Correctional Education. Together, the programs work toward achieving the following goals:

- ensuring that all students achieve high academic standards and demonstrate knowledge and skills for success in a dynamic global economy;
- ensuring that all local school systems meet or exceed satisfactory Maryland School Performance Program (MSPP) standards;
- ensuring that Maryland has a professional workforce capable of delivering effective instruction; and
- increasing MSDE's effectiveness to improve public education.

The Library Development and Services division is divided into two branches, the Public Library State Network Branch and the Library for the Blind and Physically Handicapped (LBPH). The division is responsible for developing statewide library services, the statewide library network, and regional libraries. Regional libraries provide support to public libraries in southern, western, and eastern Maryland. The Enoch Pratt Free Library, which is designated as the State Library Resource Center, runs the SAILOR network, provides statewide training, and assumes other statewide responsibilities. LBPH provides specialized services through its facility in Baltimore to the blind and handicapped communities.

The library division works toward achieving the following goals:

- fostering equity of access to information, resources, and library services;
- developing new models for delivering learning opportunities within the library;
- helping libraries define their role in the digital world;

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- helping public libraries develop marketing activities to promote their services; and
- ensuring access to materials in appropriate formats for registered readers and institutions.

The Division of Rehabilitation Services program consists of the Division Headquarters, Client Services, and the Disability Determination Service. These programs provide vocational rehabilitation services and determine eligibility for federal disability benefits. The primary purpose of client services is to plan and provide vocational rehabilitation services for individuals with disabilities so that they can maintain or achieve economic self-sufficiency through productive employment. The primary purpose of the disability determination unit is to adjudicate claims for Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) based on medical evidence, vocational factors, and federal rules promulgated by the Social Security Administration.

The rehabilitation services division works toward achieving the following goals:

- expanding and enhancing employment opportunities and independent living for persons with disabilities;
- adjudicating SSDI and SSI claims in an accurate, timely, and cost-efficient manner;
- expanding and enriching the availability and provision of assistive technology services that support outcomes for independent living and employment;
- assisting and promoting the continued development of community rehabilitation services responsive to the needs, abilities, and informed choice of our consumers; and
- supporting and encouraging consumer/stakeholder input and participation in the independent living and vocational rehabilitation programs.

Performance Analysis: Managing for Results

The Office of Legislative Audits (OLA) Certifies Only One Out of Six Performance Measures Audited

OLA conducted a performance audit of the following six MSDE fiscal 2001 MFR performance measures:

- general education diplomas (GEDs) awarded;
- GED passing rate (for inmates);
- percent of teachers with knowledge and skills in using computers at an intermediate or higher level;

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- percent of high school graduates entering the job market who meet or exceed entry-level job requirements as reported by employer surveys;
- percent of high school graduates completing a college-recommended curriculum, who achieved a grade of “C” or better in their first college course for mathematics and for English; and
- percent of high school graduates completing a college-recommended curriculum, who upon entering a Maryland post-secondary institution in the year after earning a Maryland high school diploma, are required to take developmental courses in mathematics, reading, and English.

OLA certified the accuracy of the measure “GED diplomas awarded.” However, OLA noted that MSDE did not establish written procedures to guarantee that MSDE would review calculations and related source documents in determining the number of diplomas awarded. OLA also cited MSDE’s measure of the GED passing rate for inmates as inaccurate. OLA stated that MSDE’s reported passing rate of 68.5% was a projection. MSDE had the actual passing rate of 63.4% prior to MFR publication but did not revise its MFR submission. OLA also stated that MSDE did not keep documentation of how it calculated the actual passing rate but was able to recalculate the results from original source documentation.

OLA found that the other four MFR performance measures could not be certified for their accuracy. OLA reported that, on the performance measure calculating the percent of teachers with knowledge and skills in using computers at the intermediate or higher level, MSDE did not provide local schools systems with the criteria determining the teachers’ level of expertise; did not note that the reported results of this measure were an estimate; and did not verify that all schools supplied the information needed to calculate the result.

OLA also found that, on the performance measure calculating the percent of high school graduates entering the job market who met or exceeded entry-level job requirements as reported by employer surveys, MSDE added .5% to the measure’s actual fiscal 2000 survey results which generated only an estimate for fiscal 2001 data. OLA noted that MSDE did not reveal that this data was an estimate and could not provide OLA with a summary supporting its calculation of the data.

OLA further found that, on the performance measure calculating the percent of high school graduates completing a college-recommended curriculum, who achieved a grade of “C” or better in their first college course for mathematics and English, MSDE did not report that the results did not include up to 31% of all first-year college students from the calculations because they did not take the SAT and/or ACT. Additionally, OLA noted that MSDE did not find that the source data supplied by the Maryland Higher Education Commission (MHEC) included certain mathematics and English grades that should not have been included because they were from remedial courses.

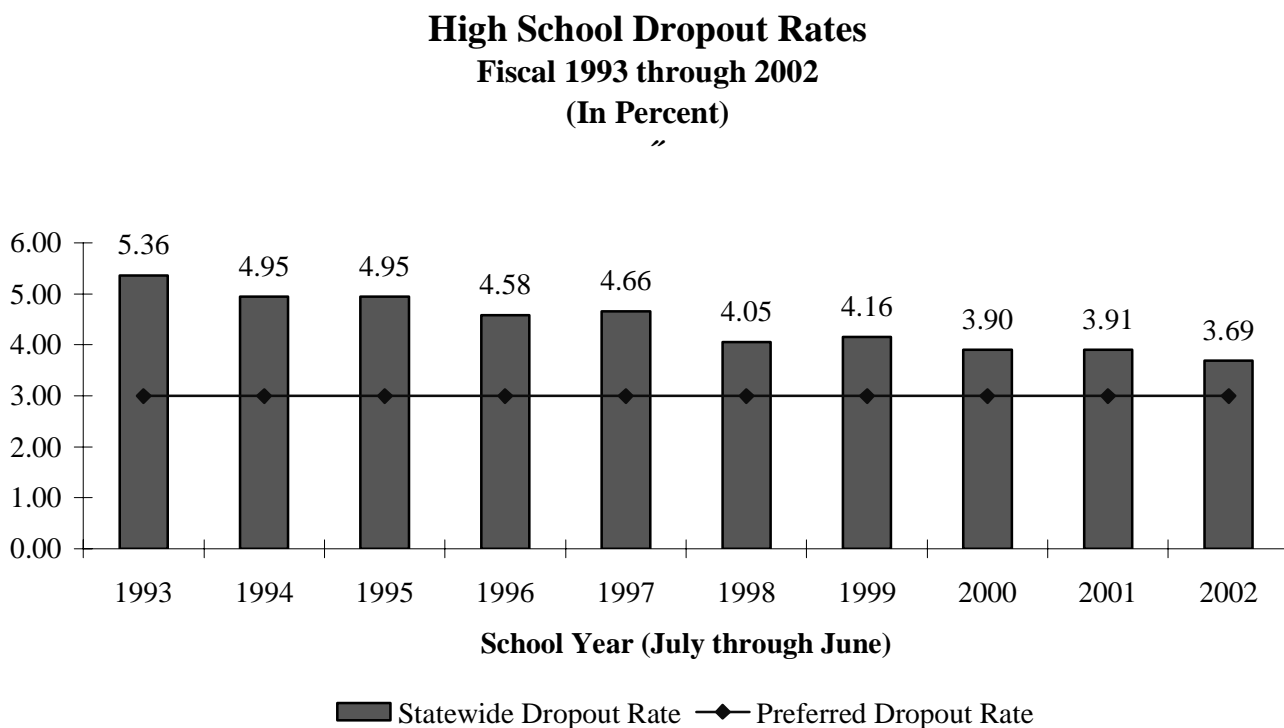
Finally, OLA found that, on the measure calculating the percent of high school graduates completing a college-recommended curriculum, who upon entering a Maryland post-secondary institution in the year after earning a Maryland high school diploma, are required to take developmental courses in mathematics, reading, and English, MSDE again did not report that the results did not include up to 31% of all first-year college students from the calculations because they did not take the SAT and/or ACT. Furthermore, OLA found that although MSDE attributed the results to graduates “required to take developmental courses”,

MHEC categorized the data as graduates “needing remediation in college.” MHEC told OLA that not all graduates identified as needing remediation took a developmental course.

Dropout Rates Should Be Measured by Jurisdiction

One of the NCLB’s objectives is to have all students graduate from high school. MSDE’s fiscal 2004 MFR submission Objective 2.1 states that, “By 2005, at least 75% of all Maryland high schools will reduce their dropout rate to no more than 3%.” While **Exhibit 1** shows that dropout rates have declined an overall 31.2% between 1993 and 2002, 11 of the 24 jurisdictions had dropout rates that increased over the same time period.

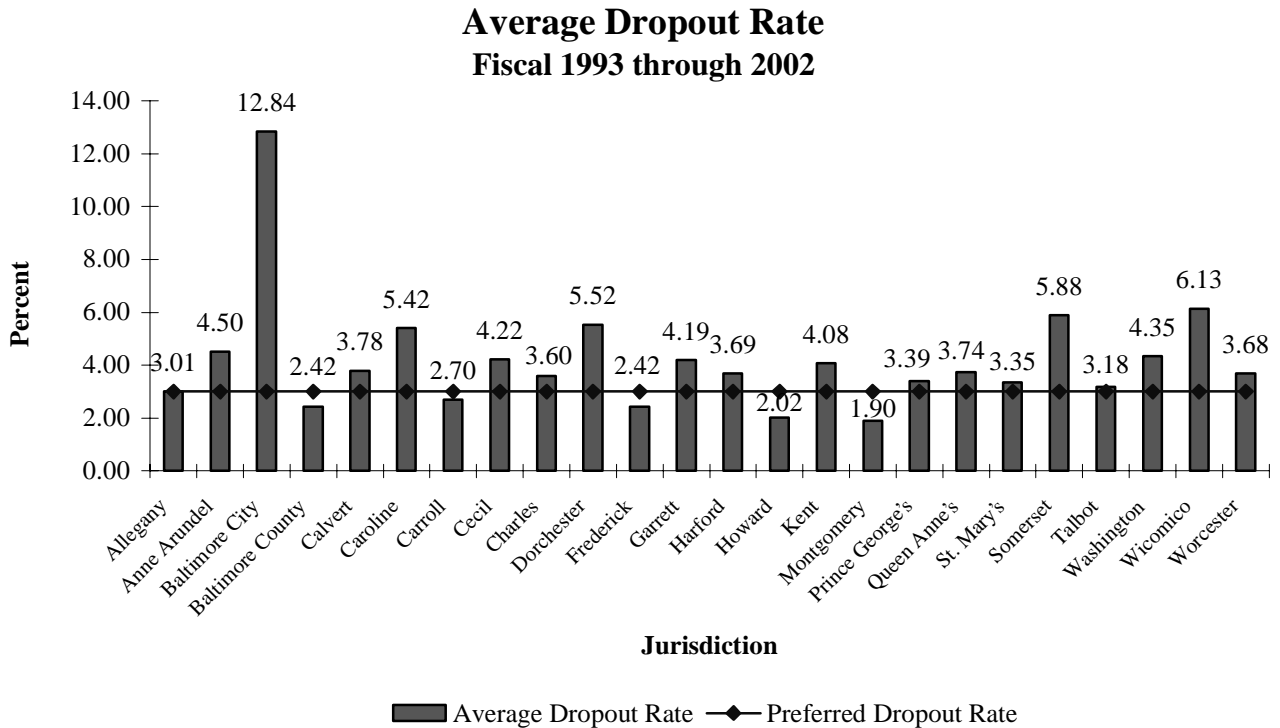
Exhibit 1



Source: Maryland State Department of Education website

As **Exhibit 2** shows, the average dropout rate per jurisdiction between 1993 and 2002 ranged from a low of 1.90% in Montgomery County to a high of 12.84% in Baltimore City.

Exhibit 2



Source: Maryland State Department of Education website

Since jurisdictions have different numbers of schools, a measure calculating dropout rates by schools rather than by jurisdiction may mask how high or low the dropout rates are in certain jurisdictions. Additionally, since local education aid is distributed by jurisdiction and is often tailored to address the different needs of jurisdictions, data on a statewide measure such as dropout rates should be shown by jurisdiction.

DLS recommends that MSDE revise its dropout measure to reflect the dropout rate by jurisdiction rather than by school.

Impact of Cost Containment

MSDE reduced its fiscal 2003 general fund legislative appropriation in its Headquarters budget by \$4,126,000, or 4.7% to meet cost containment goals. **Exhibit 3** shows the affected programs, cost containment actions, the amount of cost containment reduction, and MSDE’s assessment of the potential impact.

Exhibit 3

**Additional Cost Containment for MSDE Headquarters
Fiscal 2003**

<u>Program</u>	<u>Cost Containment Action</u>	<u>Reduction</u>	<u>Potential Impact</u>
Division of Planning, Results and Information Management	One-time savings of \$600,000 from the shift from CTBS/5 to MSAs, one-time deferral of \$950,000 in contract payments to fiscal 2004, and \$500,000 ongoing reduction.	\$2,050,000	Weaken MSDE's ability to monitor academic performance on assessments.
Division of Instruction	Shifting of 3.5 general fund positions to federal fund positions.	303,000	None.
Division of Career Technology and Adult Learning	Reduced funding for a private sector organization engaged in vocational education.	300,000	None.
Division of Student and School Services	Reduced administrative expenses associated with the Juvenile Justice Alternative School.	250,000	None. Minimal impact on oversight of school.
Division of Correctional Education	Elimination of 5.5 teaching positions that provide educational services for inmates.	185,000	Will reduce educational services for 150 inmates.
Division of Vocational Rehabilitation Services	Reduced technical support and software for an electronic case management system.	154,000	Will increase the division's information technology system to "high risk" status.
Division of Student and School Services	Start-up of program delayed for one month with no impact since the program was not ready to begin until February 2003.	134,000	None.
Office of the State Superintendent	Reduced technical assistance for local reconstitution schools.	130,000	Will diminish potential for academic achievement.
Division of Professional and Strategic Development	Elimination of positions and reduction in contractual staff time.	101,000	Will reduce technical assistance for State reconstitution schools and monitoring of school improvement plans.

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<u>Program</u>	<u>Cost Containment Action</u>	<u>Reduction</u>	<u>Potential Impact</u>
Division of Instruction	Reduced funding for Character Education grants to local school systems.	93,000	Will adversely impact Character Education.
Division of Business Services	Reduced funding for tuition reimbursement, training and staff development.	72,000	Will threaten the only incentives remaining for attracting educational professionals to MSDE and further hamper retention of State employees in light of higher local school system employee salaries.
Division of Vocational Rehabilitation Services	Reduced funding for services to individuals with disabilities to help them achieve employment and self-sufficiency.	72,000	Will result in a loss of 20 employment opportunities for these individuals.
Division of Special Education/Early Intervention	Reduced funding.	60,000	Will reduce the division's flexibility in operating programs outside its federal mandate such as the Hearing Aid Loaner Bank Program.
Miscellaneous	Includes reduced funding for providing used computers to schools and eligible organizations, reduced scope of services under the Maryland Model for School Readiness contract, reduced network virus protection and system backup for the vocational rehabilitation information technology system, and reduced professional development of the vocational rehabilitation direct services staff.	222,000	
Total		\$4,126,000	

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

Additionally, the Governor has proposed reverting \$78,998 in fiscal 2003 that supports free transit ridership for State employees, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2003. This proposed reversion is reflected in the fiscal 2003 cost containment figures.

Governor's Proposed Budget

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As **Exhibit 4** shows, the Governor’s fiscal 2004 allowance contains \$203.3 million, a \$20.8 million or 11.4% increase over the fiscal 2003 working appropriation after accounting for cost containment.

Exhibit 4

**Governor’s Proposed Budget
MSDE – Headquarters
(\$ in Thousands)**

	<u>FY 02 Actual</u>	<u>FY 03 Approp.</u>	<u>FY 04 Allowance</u>	<u>FY 03 - 04 Change</u>	<u>FY 03 - 04 % Change</u>
General Funds	\$81,967	\$86,137	\$90,431	\$4,294	5.0%
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Federal Funds	\$89,798	\$93,443	\$107,302	\$13,859	14.8%
Contingent & Back of Bill Reductions	\$0	-\$51	-\$311	-\$260	514.1%
Adjusted Federal Funds	\$89,798	\$93,392	\$106,991	\$13,598	14.6%
Reimbursable Funds	\$542	\$749	\$824	\$75	10.0%
Contingent & Back of Bill Reductions	\$0	\$0	\$0	\$0	-100.0%
Adjusted Reimbursable Funds	\$542	\$749	\$824	\$75	10.0%
Adjusted Grand Total	\$180,046	\$182,535	\$203,322	\$20,787	11.4%

Where It Goes:

Increase MSDE’s Effectiveness to Improve Public Education

73 new positions to assume and enhance education at the Hickey School	\$3,931
Turnover adjustments.....	3,160
Employee and retiree health insurance.....	2,600
Retirement payments.....	361

Where It Goes:

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Other fringe benefit adjustments.....	217
84.70 vacant positions to be abolished in fiscal 2004 for cost containment (includes all affected fund sources).....	-4,374
Ensuring that All Students Achieve High Academic Standards and Demonstrate Knowledge and Skills for Success in a Dynamic Global Economy	
Federal fund increases primarily attributable to NCLB	13,859
Assumption and enhancement of education at the Hickey School	3,545
Ensuring that Maryland has a Professional Workforce Capable of Delivering Effective Instruction	
Decrease in additional equipment corresponding to the elimination of vacant correctional education positions.....	-254
Completion in fiscal 2003 of teacher certification project	-1,500
Other.....	-758
Total	\$20,787

Note: Numbers may not sum due to rounding.

Increasing MSDE’s Effectiveness to Improve Public Education

To increase MSDE’s effectiveness to improve public education, MSDE is requesting 73 new regular positions in the allowance. MSDE intends to use these positions for assuming and enhancing education at the Hickey School. The annual personnel expenses for the new positions total \$3.9 million. Increases in personnel for existing positions include \$3.2 million in turnover adjustments, \$2.6 million for employee and retiree health insurance, \$361,374 for retirement payments, and \$217,000 for other fringe benefit adjustments. Offsetting these increases is a decrease of \$4.4 million for the elimination of 84.70 vacant positions in fiscal 2004.

**Ensuring that All Students Achieve High Academic Standards and Demonstrate
Knowledge and Skills for Success in a Dynamic Global Economy**

The fiscal 2004 allowance contains \$13.9 million in additional federal funds, primarily to assist in applying the requirements of the NCLB. The allowance also contains an additional \$3.5 million for MSDE to assume and enhance education at the Hickey School.

Ensuring that Maryland Has A Professional Workforce Capable of Delivering Effective Instruction

The fiscal 2004 allowance also reflects the completion in fiscal 2003 of a three-year, \$4.5 million project to improve record keeping of teacher certification through development of a computer system.

Impact of Cost Containment

MSDE will abolish 84.70 vacant positions in fiscal 2004 to meet cost containment measures, resulting in savings of \$4,373,705. **Exhibit 5** shows the vacant positions that will be abolished in fiscal 2004.

Exhibit 5

Vacant Positions Abolished in MSDE

<u>Division</u>	<u>Position</u>
Division of Business Services	Fiscal Accounts Technician Supervisor Administrative Specialist (2.00) Staff Specialist (2.00) Office Appliance Clerk Stock Clerk (2.00) Capital Projects Architect
Division of Professional and Strategic Development	Director, Department of Education
Division of Planning, Results, and Information Management	Program Manager Staff Specialist
Office of Information Technology	Deputy Programmer Analyst Deputy Programmer Trainee
Division of Instruction and Staff Development	Education Program Specialist
Division of Student and School Services	Administrative Aide Education Program Specialist (5.00) Office Secretary (2.00)
Division of Special Education	Administrative Specialist Education Program Manager Education Program Specialist (4.00) Administrative Aide
Division of Career Technology and Adult Learning	Administrative Aide (0.50) Education Program Specialist Office Secretary
Division of Correctional Education	Computer Information Services Specialist Office Secretary (2.00) Teacher (22.50) Principal

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Division

Position

Division of Library Development and Services

Office Clerk
Staff Specialist

Division of Certification and Accreditation

Education Program Specialist (1.50)

Division of Rehabilitation Services - Program and Administrative Support

Computer Information Services Specialist
Fiscal Accounts Technician
Office Secretary
Program Manager

Division of Rehabilitation Services - Client Services

Staff Specialist
Rehabilitation Center Residential Advisor
Provisional Teacher
Licensed Practical Nurse
Physical Therapist
Physician Program Staff (0.20)
Office Secretary (5.00)
Program Manager
Telephone Operator
Vocational Rehabilitation Specialist (1.50)
Vocational Rehabilitation Technical Specialist (2.00)
Office Services Clerk (0.50)

Division of Rehabilitation Services – Disability Determination Services

Office Secretary
Vocational Rehabilitation Specialist

Source: Maryland State Department of Education

The fiscal 2004 allowance also reflects the elimination of \$472,716 for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2003.

Exhibit 6 shows the changes between the fiscal 2003 working appropriation and the fiscal 2004 allowance by MSDE division, prior to cost containment measures.

Exhibit 6

General Fund Increases by Program
Maryland State Department of Education – Headquarters
Fiscal 2003 Working Appropriation v. Fiscal 2004 Allowance

<u>Program</u>	<u>FY 03 Working Approp.</u>	<u>FY 04 Allowance</u>	<u>Increase Between FY 03 - 04</u>	<u>% Increase Between FY 03 - 04</u>
Office of the State Superintendent	\$6,959,581	\$6,136,252	-\$823,329	-11.8%
Business Services	4,304,718	3,414,046	-890,672	-20.7%
Professional Strategic Development	2,692,581	2,774,925	82,344	3.1%
Planning, Results, and Information Management	26,884,522	27,005,476	120,954	0.4%
Information Technology	28,846	256,196	227,350	788.2%
Instruction and Staff Development	7,182,799	6,816,009	-366,790	-5.1%
Student and School Services	2,783,668	10,820,788	8,037,120	288.7%
Special Education	1,459,010	1,370,802	-88,208	-6.0%
Career Technology and Adult Learning	2,350,532	1,813,922	-536,610	-22.8%
Certification and Accreditation	2,777,422	2,795,369	17,947	0.6%
Public Education Subtotal	\$57,423,679	\$63,203,785	\$5,780,106	10.1%
Correctional Education	\$14,163,398	\$13,156,621	-\$1,006,777	-7.1%
Library and Development Services	\$1,557,048	\$1,302,899	-\$254,149	-16.3%
Rehabilitation Services – HQ	2,241,309	1,555,343	-\$685,966	-30.6%
Rehabilitation Services – Client Services	10,751,839	11,212,221	\$460,382	4.3%
Rehabilitation Services Subtotal	\$12,993,148	\$12,767,564	-\$225,584	-1.7%
Total	\$86,137,273	\$90,430,869	\$4,293,596	5.0%

Source: Maryland State Budget, Fiscal 2004

Issues

1. Transferring Educational Responsibilities for the Hickey School from the DJJ to MSDE

SB 390/HB 860 would require MSDE to assume control of the educational program at the Charles H. Hickey, Jr. School on December 31, 2003. The fiscal 2004 allowance contains \$7.5 million for MSDE to assume and enhance the educational program at the Hickey School from DJJ.

Audit Raises Concerns about Hickey School’s Educational Program

DJJ provides the current educational program at the Hickey School under a \$1.9 million contract with Youth Services International (YSI), a subsidiary of the Correctional Services Corporation. YSI also operates the educational program at DJJ’s Victor Cullen Center. A 2000 DJJ audit raised concerns about how YSI was operating programs at the Cullen Center. Given these concerns, DJJ conducted an audit in 2001 of the Hickey School. The audit raised the concerns shown in **Exhibit 7**.

Exhibit 7

Summary of Performance Audit of the Hickey School

<u>Issue</u>	<u>Concerns</u>
<i>Administrative and Financial Management</i>	Financial reporting was inadequate. Employee compensation was at levels below stated contract amount. Inventory controls were not up-to-date. Gatehouse operations were substandard. Seclusion and suicide logs were incomplete. Employee training requirements were not met. Student roll calls were missing or incomplete.
<i>Direct Care and Security Coverage</i>	YSI did not comply with post coverage requirements. Audit identified key shortages in clinical and management staff. Youth assignments did not meet requirements.
<i>Food Services</i>	Staffing levels were inadequate. Some food service areas contained violations of Health Department regulations. Auditors observed violations of the federal Child Nutrition Program and U.S. Department of Agriculture regulations.
<i>Educational Services</i>	Student-teacher ratios were above the ratios approved by MSDE. (The approved ratios already represented a waiver from regulatory standards). Instructional materials, equipment, and the media collection were inadequate. School day requirements did not meet standards. Special education services were inadequate. Required educational and psychological assessments were not always readily available. Teacher certification standards were not met.

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<u>Issue</u>	<u>Concerns</u>
<i>Health Care Services</i>	Sick call procedures were established, but follow-up was inconsistent. Health screenings were inconsistently applied. Dental, physical, and substance abuse screenings at admission were not done in a timely manner. Record-keeping, including medication records, was inadequate. Serious problems were identified in mental health services in terms of staffing and record keeping. Substance abuse education was not being provided.

Source: Department of Juvenile Justice

MSDE Funding for Hickey School Education Far Exceeds DJJ Funding

The YSI contract contains \$1.9 million for annual education expenditures. DJJ’s allowance contains \$950,000 to operate the Hickey School’s educational program for the first six months of fiscal 2004. MSDE’s allowance contains \$7,475,776 to operate the educational program, including 73 new positions, for all of fiscal 2004. The additional \$6.5 million in MSDE’s allowance for the educational expenditures reflect MSDE’s goal to bring educational services at the Hickey School up to MSDE’s statewide educational standards. MSDE contends that the Hickey School’s existing educational facilities, equipment, supplies, and staffing do not satisfy MSDE’s educational and facilities standards. This contention is supported by the audit finding on educational services noted above.

As noted in the DJJ analysis, data on the 550 youth admitted to the Hickey School in fiscal 2002 revealed that only 36 youth, or 6.5% saw increased educational attainment of one year for every four months of instruction. Only 114, or 20.7% received hands-on computer learning. **Exhibit 8** shows MSDE’s preliminary estimates of how MSDE would utilize the \$7.5 million to bring the Hickey School’s educational program up to MSDE’s educational and facility standards.

Exhibit 8

Preliminary Estimates of MSDE Expenditures for Hickey School

<u>Hickey School Position Description</u>	<u>Number of Positions</u>	<u>Salary, Fringe Benefits, and Turnover</u>
Principal	1	\$91,534
Assistant Principal	1	\$79,670
Certified Classroom Teachers	22	\$1,335,785
Classroom Aides	22	\$720,773
Life Skills Specialist	2	\$153,301
Media Specialist	2	\$153,301
Student Services Team (counselor, psychologist, pupil personnel worker, or social worker, and addictions counselor)	4	\$306,603

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<u>Hickey School Position Description</u>	<u>Number of Positions</u>	<u>Salary, Fringe Benefits, and Turnover</u>
Curriculum Coordinator	1	\$79,670
Diagnostic Prescriptive Teacher	2	\$153,301
Special Education Coordinator	2	\$159,340
Career Technology Teacher	2	\$153,301
Support Staff position for every five professional positions	8	\$262,778
Subtotal for Hickey School Positions	69	\$3,649,357
<u>MSDE Headquarters Positions</u>		
Ed. Program Coordinator – Hickey School	1	\$90,489
Ed. Specialist – Special Education – Hickey School	1	\$79,382
Ed. Specialist – Student Services – Hickey School	1	\$79,382
Office Secretary II	1	\$32,847
Subtotal for MSDE Headquarters Positions	4	\$282,100
Total for Hickey School-Related Positions	73	

Ongoing Operational Costs

Staff development and travel	\$182,500
Supplies and materials	\$162,525
Subtotal for Operational Costs	\$345,025

One-time Costs

Required Science/Career Education Lab upgrades	\$540,000
Required Data/Voice/Electrical Wiring upgrades	\$438,250
Purchase of equipment for occupational programs	\$525,000
Repair/Upgrade heating system – low risk building	\$600,000
Conversion of unused spaces in high risk building to lockable storage rooms	\$31,000
Textbook purchases	\$162,500
Diagnostic test and assessment materials, Career Technology Education certifications	\$503,750
Computer lab, classroom personal computers, software	\$390,000
Subtotal for One-time Costs	\$3,190,500
Additional personnel costs above the allowance	\$8,794
Total	\$7,475,776

Source: Maryland State Department of Education

The preliminary estimates show that MSDE would dedicate \$3.9 million of the \$7.5 million to personnel costs, \$345,025 to ongoing operational costs, and \$3.2 million to one-time costs.

Items for Possible Consideration before Transferring Educational Responsibility for DJJ to MSDE

In determining whether the transfer of educational responsibilities from DJJ to MSDE should occur, DLS believes the following items should be considered:

- In the Governor's gubernatorial campaign, the Governor called for a commission to make recommendations on the continued downsizing of the Cheltenham Facility, developing a long-term plan for Hickey, and improving smaller facilities. The commission must recommend a facilities transformation plan by December 21, 2003. MSDE also estimates that annual educational expenditures for the Hickey School between fiscal 2005 and 2008 would average \$5.2 million. **DLS recommends that, before the State appropriates \$7.5 million in fiscal 2004 for the Hickey School and obligates itself to an average of \$5.2 million in annual out-year expenditures, the legislature should await the findings of the commission to determine whether large juvenile justice institutions are the type of facilities the Governor and the legislature want to support in the future;**
- No future improvement has been proposed for detention facilities holding juveniles. **DLS recommends that the legislature evaluate the fairness in providing funding for an enhanced educational program in one juvenile facility but not in other, potentially just as needy juvenile facilities;**
- Although the proposed MSDE funding would include a certain level of health services consistent with their education mission, the YSI contract would continue to provide core health services. The recent audit of the Hickey School revealed that the contract is not providing sufficient mental health services or substance abuse education. If students are not able to learn due to untreated or inadequately treated mental illness and substance abuse problems, the new education program will be less effective. The State has recognized the importance of addressing students' physical needs before expecting students to learn by funding such programs as special education, the school breakfast program, and newborn hearing identification testing. **DLS believes that the current level of mental and substance abuse services offered to the students at the Hickey School cannot adequately address their physical needs and, consequently, would inhibit them from benefiting from MSDE's enhanced educational program;**
- Given the fiscal constraints the State is facing in fiscal 2004, the General Assembly should consider whether dedicating these expenditures to the Hickey School is the wisest use of limited resources. MSDE has accrued new responsibilities including meeting new federal performance standards under the NCLB and replacing the Maryland Functional Tests with the tougher high school assessments. As noted above in the MFR section, high school dropout rates are still not at the preferred 3.0% or less level in all jurisdictions. Furthermore, MSDE has emphasized the importance of early childhood education, providing funding for Judy Hoyer Centers and developing the Maryland Model for School Readiness. **DLS recommends the General Assembly consider whether it is preferable to concentrate the \$7.5 million in the allowance for the Hickey School or apply the funding to further other important educational goals. Dedicating funding to promoting early childhood**

education and preventing students from dropping out of high school might be a wiser use of limited resources;

- In assuming educational responsibilities for the Hickey School, MSDE would hire 22 certified teachers. **DLS recommends that MSDE be prepared to address whether MSDE can find 22 certified teachers for the school, given that the State is facing a severe teacher shortage and NCLB requires a high qualified teacher in every classroom by the 2005-2006 school year;**
- An estimated \$1.6 million of the \$3.2 million in one-time expenditures for science and career education lab upgrades, required data/voice/electrical wiring upgrades, and repair or renovation to the heating system appears to be for capital expenditures. **DLS recommends that if funding for these expenditures is appropriated, the funding should consist of general obligation bonds rather than operating funds;**
- DJJ's allowance contains \$950,000 for six months of educational services at the Hickey School. **Since MSDE would assume full-year operation of educational services at the Hickey School in July 2003, DLS recommends that if the \$7.5 million is appropriated in MSDE's fiscal 2004 budget, then \$950,000 should be deleted from DJJ's fiscal 2004 budget;** and
- As the DLS fiscal note on SB 390/HB 860 indicates, DLS believes that educational services at the Hickey School could be provided at only \$4.8 million rather than \$7.5 million in fiscal 2004, a savings of approximately \$2.7 million. The fiscal note attributes part of the savings to different assumptions about the number of students who will be served at the Hickey School and the timing of program implementation. MSDE assumes a student count of 325, but DLS uses 270, which is the average daily population at Hickey. MSDE's budget assumes little or no start-up delay following the bill's July 1, 2003, effective date. Due in part to the December 31, 2003, timeframe for the MSDE takeover, DLS estimates assume a 90-day start-up delay from the bill's effective date and recommend increasing the turnover rate from 5.5% to 25%. Additionally, DLS assumes that the number of specialized school personnel, such as media specialists, counselors, and curriculum coordinators, and school-based support staff could be reduced without negatively impacting the educational program at Hickey. DLS estimates also reduce the number of teachers and classroom aides due to the assumption of lower overall enrollment counts. Even with a lower number of teachers, the 15-to-1 student/teacher ratio would be maintained and an aide would be maintained in every classroom. DLS estimates also reduced the budgeted amounts for recurring and one-time costs. **If funding for educational services at the Hickey School is provided, DLS recommends that the funding be limited to \$4.8 million rather than \$7.5 million.**

Although cost savings could be found in MSDE and DJJ's budgets for educational services at Hickey, given the multitude of concerns raised above, DLS believes that spending \$7.5 million on educational services at the Hickey School constitutes an unwise use of resources. DLS therefore recommends deleting the \$6.5 million for the transfer of educational responsibilities from DJJ to MSDE and transferring \$1.0 million to DJJ to fully fund the current educational program at the school.

Recommended Actions

	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Reduce funds for transferring responsibility of Hickey School educational program. A multitude of concerns suggest that spending \$7.5 million on educational services at the Hickey School is an unwise use of resources. The remaining \$1.0 million in the Maryland State Department of Education’s fiscal 2004 allowance for the educational program should be transferred to the Department of Juvenile Justice to fully fund the current educational program at the school.	\$ 6,475,776	GF	73.0
Total Reductions	\$ 6,475,776		73.0
Total General Fund Reductions	\$ 6,475,776		

Updates

1. Progress in Filling Correctional Education Positions

The Maryland General Assembly appropriated funding for 30.5 new correctional education positions in fiscal 2003. The positions were authorized to help reduce the waiting list of inmates who are eligible for educational services but, due to a lack of teachers, were unable to receive educational services. MSDE notes that the waiting list has decreased from 2,144 out of 22,000 inmates or 9.7% eligible for educational services in fiscal 2001 to 1,973 out of 22,269 inmates or 8.9% eligible in fiscal 2002.

MSDE's MFR includes a measure of the percent of eligible inmates served. MSDE estimated that the percent of eligible inmates served would increase from 46.0% in fiscal 2002 to 51.3% in fiscal 2003. This estimate was developed prior to cost containment. Since cost containment actions in fiscal 2003 abolished 26.5 of the 30.5 new positions, the waiting list will most likely increase while the percent of eligible inmates served will most likely decrease in fiscal 2003.

Current and Prior Year Budgets

Current and Prior Year Budgets MSDE – Headquarters (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2002					
Legislative Appropriation	\$83,458	\$6,360	\$91,742	\$74	\$181,634
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-1,475	2,781	10,975	585	12,866
Reversions and Cancellations	-16	-1,402	-12,919	-117	-14,454
Actual Expenditures	\$81,967	\$7,739	\$89,798	\$ 542	\$180,046
Fiscal 2003					
Legislative Appropriation	\$87,188	\$6,009	\$86,253	\$749	\$180,199
Budget Amendments	-1,050	113	0	0	-937
Working Appropriation	\$86,138	\$6,122	\$86,253	\$ 749	\$179,262

Note: Numbers may not sum to total due to rounding. Non-budgeted funds are omitted.

Fiscal 2002

The fiscal 2002 general fund legislative appropriation was decreased by \$1.5 million primarily due to \$2.1 million in MSDE cost containment measures offset by a \$400,000 transfer from the Aid to Education budget for a contract to help develop a geographic cost of education index; \$170,000 for annual salary increases for institutional educators; and a \$40,000 transfer from the MSDE Aid to Education budget to pay for consultants and costs associated with professional training on identifying young gifted students and developing gifted services.

The fiscal 2002 special fund legislative appropriation was increased by \$2.8 million primarily due to a \$1.1 million transfer of Cigarette Restitution Fund (CRF) monies from the Aid to Education budget for contract costs related to Judy Hoyer Centers; \$650,000 in additional revenues from the Business Enterprise Program for the Blind (\$450,000) and insurance recoveries from medical and workers compensation providers (\$200,000); a \$472,000 grant from the Gates Foundation to help integrate technology into teaching and learning; and a \$150,000 transfer in CRF monies to administer the Nonpublic Student Textbook Program offset by a \$104,000 decrease for cost containment.

The fiscal 2002 federal fund legislative appropriation was increased by almost \$11.0 million reflecting federal grants for disadvantaged students, special education, safe and drug free schools, school reform efforts, vocational rehabilitation, library and museum services, literacy, professional development, career and employment services, immigrant education, limited English proficient students, education for homeless children, food service programs, adult education, and juvenile and adult correctional education. Offsetting the increase was \$12.9 million in reversions, cancellations, and continuing federal funds. MSDE indicates that the federal fund reversions in MSDE Headquarters, combined with the federal fund reversions in Aid to Education budget total approximately \$980,000, of which \$862,977 was from a federal Comprehensive School Reform grant for which too few schools in Maryland satisfied the federal requirements. The cancellations consist of funds for grants that were either never received or received at a lower level. The continuing federal funds are funds that MSDE can carry over into fiscal 2003 since they are 27-month grants.

The fiscal 2002 reimbursable fund legislative appropriation was increased by \$585,030 consisting of \$277,486 from the Department of Public Safety and Correctional Services (DPSCS) to provide funding for prison libraries; \$253,544 from the Department of Health and Mental Hygiene to provide sexual assault prevention and awareness education for middle and high school students; and \$54,000 from DPSCS to provide funding for legal reference services to federal prisoners.

Fiscal 2003

The fiscal 2003 general fund legislative appropriation was decreased by \$1.1 million primarily due to a \$1.0 million transfer of funding for the Juvenile Justice Alternative Education Pilot Program from the Headquarters budget to the Aid to Education budget to better categorize the funding. Additionally, MSDE transferred \$50,336 in administrative funds from MSDE's Division of Instruction to the Head Start Program to be used as program grants rather than administrative grants.

R00A01 – MSDE –Headquarters

The fiscal 2003 special fund legislative appropriation was increased by \$112,500 reflecting a transfer from the Nonpublic Student Textbook Program in the Aid to Education Budget to the MSDE Headquarters budget for administrative expenses authorized in the fiscal 2003 budget bill.

Object/Fund		Object/Fund Difference Report MSDE - Headquarters				Percent Change
		FY 02 Actual	FY 03 Working Appropriation	FY 04 Allowance	FY 03 – FY 04 Amount Change	
Positions						
01	Regular	1363.90	1440.50	1428.80	-11.70	-0.8%
02	Contractual	138.92	121.80	118.80	-3.00	-2.5%
Total Positions		1502.82	1562.30	1547.60	-14.70	-0.9%
Objects						
01	Salaries and Wages	\$ 81,185,810	\$ 79,834,996	\$ 86,179,545	\$ 6,344,549	7.9%
02	Technical & Spec Fees	28,708,418	31,203,651	30,074,463	-1,129,188	-3.6%
03	Communication	1,640,952	1,570,837	1,810,437	239,600	15.3%
04	Travel	1,481,279	1,143,455	1,277,718	134,263	11.7%
06	Fuel & Utilities	705,002	958,698	1,305,343	346,645	36.2%
07	Motor Vehicles	665,031	620,206	646,950	26,744	4.3%
08	Contractual Services	40,693,180	52,759,529	53,164,636	405,107	0.8%
09	Supplies & Materials	2,439,346	2,701,414	3,652,391	950,977	35.2%
10	Equip - Replacement	2,086,625	572,110	611,162	39,052	6.8%
11	Equip - Additional	1,288,977	1,308,699	2,227,265	918,566	70.2%
12	Grants, Subsidies, Contr	21,123,752	15,784,737	24,323,233	8,538,496	54.1%
13	Fixed Charges	3,262,418	3,134,249	3,506,548	372,299	11.9%
14	Land & Structures	207,623	47,179	656,801	609,622	1292.1%
Total Objects		\$ 185,488,413	\$ 191,639,760	\$ 209,436,492	\$ 17,796,732	9.3%
Funds						
01	General Fund	\$ 81,967,047	\$ 86,137,273	\$ 90,430,869	\$ 4,293,596	5.0%
03	Special Fund	7,738,548	6,410,512	5,237,913	-1,172,599	-18.3%
05	Federal Fund	89,798,492	93,443,125	107,301,874	13,858,749	14.8%
07	Non-budgeted Fund	5,442,484	4,900,000	5,641,860	741,860	15.1%
09	Reimbursable Fund	541,842	748,850	823,976	75,126	10.0%
Total Funds		\$ 185,488,413	\$ 191,639,760	\$ 209,436,492	\$ 17,796,732	9.3%

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.

Fiscal Summary
MSDE - Headquarters

<u>Unit/Program</u>	<u>FY 02 Actual</u>	<u>FY 03 Legislative Appropriation</u>	<u>FY 03 Working Appropriation</u>	<u>FY 02 – FY 03 % Change</u>	<u>FY 04 Allowance</u>	<u>FY 03 – FY 04 % Change</u>
01 Office of the State Superintendent	\$ 8,760,686	\$ 7,721,873	\$ 7,973,063	-9.0%	\$ 8,369,376	5.0%
02 Division of Business Services	10,646,456	9,569,429	9,620,140	-9.6%	9,484,188	-1.4%
03 Division of Professional and Strategic Development	3,654,453	2,535,540	4,205,755	15.1%	4,009,105	-4.7%
04 Division of Planning, Results, and Information Man	28,281,294	29,894,402	36,030,527	27.4%	35,828,153	-0.6%
05 Office of Information Technology	1,618,771	2,295,065	2,286,407	41.2%	2,679,471	17.2%
06 Major Information Technology Development Projects	1,995,163	1,500,000	1,500,000	-24.8%	0	-100.0%
11 Division of Instruction and Staff Development	10,463,912	10,979,546	10,195,742	-2.6%	12,111,424	18.8%
12 Division of Student and School Services	6,086,052	6,883,199	6,057,650	-0.5%	21,060,986	247.7%
13 Division of Special Education	7,863,512	7,690,632	7,688,992	-2.2%	7,697,351	0.1%
14 Division of Career Technology and Adult Learning	5,251,487	5,352,070	5,350,696	1.9%	5,466,690	2.2%
15 Division of Correctional Education	15,055,942	15,948,926	15,914,000	5.7%	15,018,790	-5.6%
17 Division of Library Development and Services	2,373,238	2,636,245	2,632,699	10.9%	2,402,756	-8.7%
18 Division of Certification and Accreditation	4,414,032	3,395,289	3,391,210	-23.2%	3,507,620	3.4%
20 Div of Rehabilitation Services - Program and Admin Support	11,107,119	11,000,076	11,100,267	-0.1%	11,748,827	5.8%
21 Div of Rehabilitation Services - Client Services	43,103,445	42,909,716	42,905,619	-0.5%	43,993,419	2.5%
23 Div of Rehabilitation Services - Disability Determination Services	19,370,367	19,886,993	19,886,993	2.7%	20,416,476	2.7%
25 Ordinary Clearing Account-Non-Budgeted Funds-Headquarters	5,442,484	4,900,000	4,900,000	-10.0%	5,641,860	15.1%
Total Expenditures	\$ 185,488,413	\$ 185,099,001	\$ 191,639,760	3.3%	\$ 209,436,492	9.3%
General Fund	\$ 81,967,047	\$ 87,187,609	\$ 86,137,273	5.1%	\$ 90,430,869	5.0%
Special Fund	7,738,548	6,009,209	6,410,512	-17.2%	5,237,913	-18.3%
Federal Fund	89,798,492	86,253,333	93,443,125	4.1%	107,301,874	14.8%
Non-budgeted Fund	5,442,484	4,900,000	4,900,000	-10.0%	5,641,860	15.1%
Total Appropriations	\$ 184,946,571	\$ 184,350,151	\$ 190,890,910	3.2%	\$ 208,612,516	9.3%
Reimbursable Fund	\$ 541,842	\$ 748,850	\$ 748,850	38.2%	\$ 823,976	10.0%
Total Funds	\$ 185,488,413	\$ 185,099,001	\$ 191,639,760	3.3%	\$ 209,436,492	9.3%