

**R00A01**  
**Headquarters**  
**Maryland State Department of Education**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 04</u></b> <b><u>Actual</u></b>	<b><u>FY 05</u></b> <b><u>Working</u></b>	<b><u>FY 06</u></b> <b><u>Allowance</u></b>	<b><u>FY 05-06</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Fund	\$80,676	\$88,207	\$97,550	\$9,343	10.6%
Special Fund	4,373	5,021	5,186	165	3.3%
Federal Fund	106,008	113,728	123,045	9,318	8.2%
Nonbudgeted Fund	6,318	7,179	6,704	-475	-6.6%
Reimbursable Fund	<u>703</u>	<u>181</u>	<u>458</u>	<u>277</u>	<u>153.0%</u>
<b>Total Funds</b>	<b>\$198,078</b>	<b>\$214,316</b>	<b>\$232,943</b>	<b>\$18,627</b>	<b>8.7%</b>
Contingent & Back of Bill Reductions			-500	-500	
<b>Adjusted Total</b>	<b>\$198,078</b>	<b>\$214,316</b>	<b>\$232,443</b>	<b>\$18,127</b>	<b>8.5%</b>

- The fiscal 2006 allowance includes a fiscal 2005 deficiency of \$2.7 million to cover a fiscal 2005 State match in the Autism Waiver Program. Federally mandated changes to Maryland's waiver result in an increase in general fund expenses for the State match.
- The fiscal 2006 allowance increases by \$18.1 million, or 8.5% over the fiscal 2005 working appropriation.
- The allowance contains \$7.7 million in State matching funds in fiscal 2006 for the Autism Waiver Program.
- The allowance provides an additional \$3.5 million to develop science assessments for 5<sup>th</sup> and 8<sup>th</sup> graders, and to re-bid on existing reading and mathematic assessment contracts.
- Federal funds increase by \$9.3 million in the fiscal 2006 allowance. Notable changes include an increase of \$2.2 million in federal rehabilitation services grants, \$1.5 million in teacher quality grants, and \$2.3 million in Title I grants.

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

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***Personnel Data***

	<b><u>FY 04 Actual</u></b>	<b><u>FY 05 Working</u></b>	<b><u>FY 06 Allowance</u></b>	<b><u>FY 05-06 Change</u></b>
Regular Positions	1,335.80	1,386.80	1,389.80	3.00
Contractual FTEs	<u>112.80</u>	<u>112.80</u>	<u>114.80</u>	<u>2.00</u>
<b>Total Personnel</b>	<b>1,448.60</b>	<b>1,499.60</b>	<b>1,504.60</b>	<b>5.00</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	89.78	6.46%
Positions Vacant as of 12/31/04	82.00	5.90%

- The Maryland State Department of Education (MSDE) had a total of 82 vacancies as of December 31, 2004. Of these, 71 have been vacant between 0 through 6 months, 9 have been vacant between 7 through 12 months, and 2 have been vacant for over 13 months.
- The allowance provides for a net increase of three new regular positions.
- The allowance includes funding for nine new regular positions. Three positions, consisting of two teachers and a principal, are located at the Maryland Correctional Adjustment Center in Baltimore. An additional position is found in the Division of Correctional Education. The remaining five positions are all Education Program Specialists scattered among various divisions throughout MSDE. Four of these positions are a result of an efficiency measure to in-source activities previously performed under contracts.
- Two positions are transferred from the Office for Children, Youth, and Families as part of the consolidation of home visiting and school-based health programs.
- A total of eight positions have been abolished, seven as a result of MSDE’s decision to redesign and scale back the Correctional Education Program at Patuxent.

## *Analysis in Brief*

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### Issues

***MSDE Assumes Responsibility for Educational Programs at the Charles H. Hickey, Jr. School:*** Fiscal 2005 marked the first year for MSDE to provide educational services at the Hickey School. **The Department of Legislative Services recommends reducing funds by \$248,776. This reduction would provide \$4.9 million for operations at the Hickey School.**

***Funding Proposal for Adult Education and Literacy Services Not Submitted:*** The 2004 *Joint Chairmen’s Report* requested that MSDE submit a proposal to the committees for an ongoing method of funding that would reduce the waiting list for adult education and literacy services. MSDE was to submit this proposal on November 15, 2004. **MSDE should discuss the status of its report and comment on proposals it is considering to reduce the number of individuals on waiting lists for adult education and literacy services.**

***Reductions to Correctional Education Program at Patuxent:*** As part of the Governor’s strategic budgeting evaluation, MSDE reviewed the performance of all Correctional Education Programs and concluded that the resources dedicated to Patuxent were not being put to their best use. As a result, MSDE decided to scale back the program as of July 1, 2005. The redesigned educational program will affect seven current MSDE employees. **MSDE should comment on the impact of the redesigned educational program at Patuxent and discuss the factors that have resulted in the failure of the current program.**

### Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Delete position in the Division of Business Services.	\$ 92,853	1.0
2. Delete positions in the Leadership Development Unit.	373,334	1.0
3. Reduce funds for new science assessments.	1,515,000	
4. Reduce funds for the education program at Charles H. Hickey, Jr. School.	248,776	4.0
5. Reduce funds for the Autism Waiver State match.	1,000,000	

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6.	Reduce fiscal 2005 deficiency request.	1,000,000	
	<b>Total Reductions to Fiscal 2005 Deficiency Appropriation</b>	<b>\$ 1,000,000</b>	
	<b>Total Reductions to Allowance</b>	<b>\$ 3,229,963</b>	<b>6.0</b>

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**Headquarters**  
**Maryland State Department of Education**

## ***Operating Budget Analysis***

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### **Program Description**

The Maryland State Department of Education (MSDE) focuses its efforts in the following 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 for Leadership Development; Division of Planning, Results, and Information Management; Office of Information Technology; Major Information Technology Development Projects; Division of Instruction; Division of Student and School Services; Division of Special Education; Division of Career Technology and Adult Learning; Division of Certification and Accreditation; and Division of Correctional Education. Together, the programs work toward achieving the following goals:

- improving achievement for each student;
- aligning programs of instruction, curriculum, and assessment; and
- ensuring that all educators have the skills to improve student achievement.

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:

- meeting the changing information needs of local communities;
- anticipating and meeting digital and electronic needs of Maryland communities; and
- ensuring access to materials in appropriate formats for registered readers and institutions at the Maryland LBPH.

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The Division of Rehabilitation Services program consists of the Division Headquarters, Client Services, the Workforce and Technology Center, 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 and Supplemental Security Income 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:

- promoting employment and independent living for individuals with disabilities;
- maximizing independence and self-sufficiency by administering the State's disability determination services program;
- promoting empowerment and inclusion of individuals with disabilities in all Maryland communities;
- building collaborative relationships with public, private, business, and civic organizations; and
- fostering a skilled workforce reflecting the diversity of Maryland's communities.

### **Fiscal 2005 Deficiency**

MSDE is requesting a \$2,690,632 fiscal 2005 deficiency to cover the State matching requirements for the Autism Waiver Program.

### **Governor's Proposed Budget**

As shown in **Exhibit 1**, the fiscal 2006 allowance increased by \$18.1 million, or 8.5% over the fiscal 2005 working appropriation.

**Exhibit 1**  
**Governor’s Proposed Budget**  
**MSDE Headquarters**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Nonbudgeted Fund</u></b>	<b><u>Reimbursable Fund</u></b>	<b><u>Total</u></b>
2005 Working Appropriation	\$88,207	\$5,021	\$113,728	\$7,179	\$181	\$214,316
2006 Governor's Allowance	97,550	5,186	123,045	6,704	458	232,943
Contingent & Back of Bill Reductions	<u>-173</u>	<u>-4</u>	<u>-323</u>	<u>0</u>	<u>0</u>	<u>-500</u>
<b>Adjusted Allowance</b>	<b>\$97,377</b>	<b>\$5,182</b>	<b>\$122,722</b>	<b>\$6,704</b>	<b>\$458</b>	<b>\$232,443</b>
Amount Change	\$9,170	\$161	\$8,995	-\$475	\$277	\$18,127
Percent Change	10.4%	3.2%	7.9%	-6.6%	153.0%	8.5%

**Where It Goes:**

**Personnel Expenses**

Increments and other compensation.....	\$1,757
Employee retirement.....	706
Nine new positions.....	657
Other fringe benefit adjustments including transfer of two positions from Office for Children, Youth, and Families.....	188
Turnover at 6.5%.....	164
Employee and retiree health insurance.....	-352
Eight abolished positions.....	-631

**Other Changes**

Autism Waiver State match.....	7,718
Funding for the Maryland School Assessments – 5 <sup>th</sup> and 8 <sup>th</sup> Grade Science Assessments and contractual services.....	3,515
Additional contractual employees due to increases in federal funds.....	2,245
Title I Grant for local school system support for low performing schools.....	1,727
Federal discretionary grants related to teacher certification and technology proficiency.....	1,671
Expected increase in federal funds for improving teacher quality.....	995
Postage and telephone costs increase.....	240
Rent.....	141
Special fund Third Party Recoveries grant – Vocational Rehabilitation.....	-173
Technical support for low performing school grants.....	-416

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**Where It Goes:**

Nonbudgeted clearing account.....	-475
Education training contract at Hickey.....	-475
Costs for Locally Reconstituted School monitors and special fund budget for Public Education Partnership .....	-1,061
Other.....	-14
<b>Total</b>	<b>\$18,127</b>

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

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**Personnel Changes**

Personnel expenses increase by \$2.5 million in the fiscal 2006 allowance including \$657,147 for nine new positions. Of these, three positions consisting of two teachers and a principal are located at the Maryland Correctional Adjustment Center in Baltimore. An additional position is found in the Division of Correctional Education. Four new positions are the result of an efficiency measure to in-source certain contracts. Two positions are transferred from the Office of Children, Youth, and Families as part of the consolidation of home visiting and school-based health center programs with MSDE. These increases are offset by the abolition of eight positions, seven as a result of MSDE’s decision to scale back the Correctional Education Program at Patuxent Institution.

**Operating Changes**

The fiscal 2006 allowance includes an additional \$3.5 million of general funds for contractual services for the creation of new science assessments in grades 5 and 8.

The Division of Student and School Services increases by \$1.7 million as a result of a Title I Part A formula grant. The grants will be used to award local school system support for low performing schools. This increase is offset by a \$416,000 reduction in technical support for the grants.

The addition of contractual FTEs throughout several divisions in MSDE is attributable to an increase of \$2.2 million. An increase in federal funds requiring additional responsibilities is attributable to the addition of contractual FTEs. While the dollars for contractual employees increase, the allowance reveals an increase of only two contractual positions.

The allowance also includes an additional \$1.7 million of federal funds in the Division of Certification and Accreditation due to new discretionary grants. The two grants assist teachers to become proficient in the use of modern technologies and assist eligible members of the Armed Forces to obtain certification of licensing as elementary, secondary, or vocational/technical teachers and to become highly qualified.

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Decreases of note include a \$1.1 million decrease in contractual services in the Office of the State Superintendent. Contractual services consist of costs for Locally Reconstituted School monitors and budget funds for the Public Education Partnership fund. A \$475,000 decrease in education contracts in the Division of Correctional Education is attributable to a reduction at the Charles H. Hickey, Jr. school.

MSDE's non-budgeted clearing account consisting of funds not part of the department's operations decrease by \$475,000. The decrease is attributable to three programs: the USDA Surplus Commodity Program; the Maryland Public Secondary School Athletic Association; and the Son's Quality Food Company vendor under the Maryland Business Enterprise Program.

### **Autism Waiver Program**

The allowance includes an additional \$7.7 million for the Autism Waiver Program. House Bill 99 from the 1998 session (Home- and Community-Based Services for Autistic Children and Seriously Emotionally Disturbed Individuals – Medicaid Waivers) established the Autism Waiver Program and designates that the State matching funds be certified or otherwise provided by MSDE, local school systems, and local agencies. The waiver maximizes the use of Medical Assistance funding to cover the cost of providing services to autistic children. The State has a 50% match requirement. The funding in the allowance represents the State match. The federal funding is in the Department of Health and Mental Hygiene budget.

State costs increase in fiscal 2005 and 2006 due to federally required changes to the waiver. Under the terms of the waiver in effect through fiscal 2004, the State was able match federal funds with State dollars allocated to local school systems for children with disabilities and in the case of residential expenses with nonpublic placement funds. Thus, most of the State match came from existing rather than new State spending. Under the new terms of the waiver, the State is not allowed to claim a federal match for day habilitation services that were previously waiver eligible. As a result, the State cannot continue to rely entirely on existing State spending for the match and must instead increase State spending for the match.

**DLS recommends a \$2 million reduction to the funding for the autism waiver. This action reduces the fiscal 2006 allowance by \$1 million and eliminates \$1 million from the fiscal 2005 deficiency request. The reduction is derived by assuming a 10% growth in costs in the Autism Waiver Program and approximately \$1 million annually for residential services, resulting in approximately \$6.2 million for fiscal 2005 and approximately \$6.8 million for fiscal 2006. Participation in the autism waiver is capped so no change to the number of participants in the program is expected. Thus, any change in funding is limited to costs associated with services provided to participants.**

## ***Issues***

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### **1. MSDE Assumes Responsibility for Educational Programs at the Charles H. Hickey, Jr. School**

The Hickey School is a State-owned Department of Juvenile Services (DJS) operated facility in Baltimore County serving youthful male offenders aged 12 to 18. All operations at the school were provided through a contract with an outside vendor which expired on July 1, 2004. By mandate of Chapter 53, Acts of 2003, MSDE took over the operation of the educational program at Hickey effective July 2004. DJS has responsibility for providing all non-educational services at the school.

#### **Education Program Functions**

Each student who arrives at the Hickey School is assessed for academic skills, special education needs, and career and workplace awareness to determine his individual needs. Each student has an Individual Education Plan (IEP) to deliver the education services appropriate to his academic and workforce needs as well as his duration of confinement. Local school systems are required to submit a student's academic record in a timely fashion in order to assist in assessing student needs and developing the IEP.

#### **Segmented Populations and Programs**

Because distinct populations at the Hickey School must, by law, be kept separate at all times, MSDE developed an academic program that is offered to each of these populations in isolation. MSDE's educational programming is broken down to serve three distinct populations:

- ***Impact*** – youth serving sentences of 30 to 90 days;
- ***Detained/Committed Pending Placement*** – youth awaiting trial or having been adjudicated but awaiting permanent placement; and
- ***Enhanced Security*** – adjudicated youth serving sentences of 9 to 18 months.

#### **A Look at the 2006 Governor Allowance**

The fiscal 2006 allowance includes \$5.2 million for the Hickey school. Items attributable to the allowance are detailed below.

***Special Education:*** Although Chapter 53 of 2003 authorizes MSDE to use funds from the nonpublic placement budget for Hickey School students, fiscal 2005 budget bill language prohibited this action. The Headquarters allowance includes \$490,000 for a special education contract.

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**Personnel:** The fiscal 2006 allowance includes \$3.9 million for 66 regular positions, 60 of which are currently filled. Of these, 59 are onsite full-time, with the one remaining position splitting time between Hickey and MSDE. The six unfilled positions will be staffed at the school. The level of onsite staffing, including unfilled positions equates to one staff person for nearly every two students. **MSDE should comment on whether it believes this level of staffing is necessary for the program and comment as to the status of unfilled positions at the school.**

**Equipment and Furniture:** The allowance includes \$536,530 million for various supplies, equipment, and furniture. The allowance budgets \$307,681 for instructional supplies, including textbooks, library books, software, assessment materials, and other classroom instructional equipment. The allowance also includes \$228,849 for additional office equipment.

**Facilities:** In fiscal 2005, DJS was provided with \$108,000 in capital funding to renovate the Thurgood Marshall Academy building for the Secure Placement program. Additional capital requests for fiscal 2006 have been deferred. These funds were to be used to build a new classroom building for Detained/Committee Pending Placement program.

For the transition period, MSDE is using relocatable classrooms to conduct educational programming for the detained population. In October 2004, MSDE made a request for \$424,460 to lease 10 unit modular classrooms with a total combined space of 8,400 square feet for a period of three years. Previously, services were being provided for at residential facilities which MSDE claims were not a suitable and appropriate educational environment. The fiscal 2006 allowance includes \$26,880 to cover the cost of the relocatables and \$11,992 for rent to the Department of General Services for personnel based at MSDE. The allowance also includes \$91,182 for building additions and repairs.

### **Miscommunication between MSDE and DJS on Decisions at Hickey**

When MSDE took over the educational program at Hickey, the program was estimated to serve 240 youths. The actual number of youths served for fiscal 2005 totals 174 students. According to DJS, the total is expected to decrease in fiscal 2006 to approximately 153 students as the agency expects to house fewer youths at Hickey. MSDE appears to have been unaware or misinformed about DJS's decision to cut back on the number of youths served at the school. This was apparent when MSDE made its request for additional relocatables to serve the school's detained population. When attempts were made to obtain a total number of students served at Hickey, both DJS and MSDE provided different totals. While the decision by DJS to operate Hickey in a different manner than originally intended appears to have come after MSDE's decision to lease classroom space, both agencies seem to have differing views on the expectations of the program resulting in uncertainty on the number of youths served at the school.

DLS recommends that MSDE discuss its relationship with DJS in operating the education program at Hickey. The department should comment as to its cooperation with DJS to ensure that both agencies are in agreement with the goals and expectations of the program at the school.

### In Perspective

Exhibit 2 provides a breakdown of the proposed fiscal 2006 expenditures for the Hickey School program.

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## Exhibit 2 Proposed Spending for Education Programs at Hickey School

### Fiscal 2006 Proposal

Personnel	\$3,938,138
Facilities (repair)	91,182
Furniture and equipment	228,849
Educational supplies	307,681
Special education	490,000
Miscellaneous operating	148,811
<b>Total</b>	<b>\$5,204,661</b>
Ongoing costs	\$4,884,630
Temporary costs	91,182
Estimated average daily population	153
<b>Per Pupil Expenditures</b>	
Proposed Hickey ongoing education spending	\$31,926
DJS operated facilities	11,422

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

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As shown in the exhibit, the per student costs at Hickey will be almost three times the spending per pupil at other DJS facilities. This calculation does not include the costs associated with equipment at the facility (temporary costs). Nor does this calculation take into consideration the costs associated with the 10 new relocatable classrooms.

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Total spending in operating funds for educational services at the Hickey School continue to be high, based on student enrollment. The school serves a lower number of students than expected, and that number is projected to decrease in fiscal 2006. **Exhibit 3** provides a recommended funding total for the educational programming at the school.

As shown in the exhibit, an appropriation of \$4.9 million would be a more appropriate funding level for the school. The total was derived by providing the average nonpublic placement day cost per pupil for the 104 special education students at the Hickey School. Costs for the remaining students are calculated using a per pupil funding consistent with DJS spending at other juvenile facilities. One-time equipment and supply costs are also included in the calculation. **DLS recommends reducing funds by \$248,776. This reduction would provide \$4.9 million for operations at the Hickey School. Further, DLS recommends that MSDE investigate the possibility of reducing the number of leased portable classrooms.**

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**Exhibit 3**  
**DLS Recommended Funding for Hickey School Operations**

FY 2004 Average Nonpublic Day Placement Cost	\$39,194
Hickey Special Education Pupils	104
<b>Special Education Costs</b>	<b>\$4,076,176</b>
DJS Spending Per Pupil	\$11,422
Hickey Non-special Education Pupils	49
<b>Non-special Education Costs</b>	<b>\$559,678</b>
<b>Equipment and Supplies</b>	<b>\$320,031</b>
<b>Total</b>	<b>\$4,955,885</b>

Source: Department of Legislative Services

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## **2. Funding Proposal for Adult Education and Literacy Services Not Submitted**

The committees have been concerned about the number of individuals on the waiting list for adult education and literacy services, estimated between 4,000 to 5,000 individuals each year. The 2004 *Joint Chairmen's Report* requested that MSDE submit a proposal to the committees for an ongoing method of funding and providing adult education and literacy services that will reduce the waiting list to the greatest extent possible. MSDE was to submit this proposal on November 15, 2004.

In a letter dated December 10, 2004, MSDE requested an extension from November 15, 2004, to April 30, 2005. The extension would allow MSDE to include the findings of the Superintendents Panel on Excellence in Adult Education which is scheduled to present its proposal before the State

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Board of Education in March. Upon approval by the Board, the panel report and other findings would be submitted to the committees.

The committees rejected MSDE's request for an extension on the basis that the April deadline would not allow the General Assembly to take any action on the report during the 2006 legislative session. The committees asked that a proposal be submitted by March 15, 2005.

MSDE's request for an extension came two weeks after the November deadline. Furthermore, the submission date proposed by MSDE gave no time for the General Assembly to take any action during the current legislative session. **MSDE should comment on the reason for the delay in submitting its report to the General Assembly. Furthermore, the department should discuss the status of its report and comment on proposals it is considering to reduce the number of individuals on waiting lists for adult education and literacy services.**

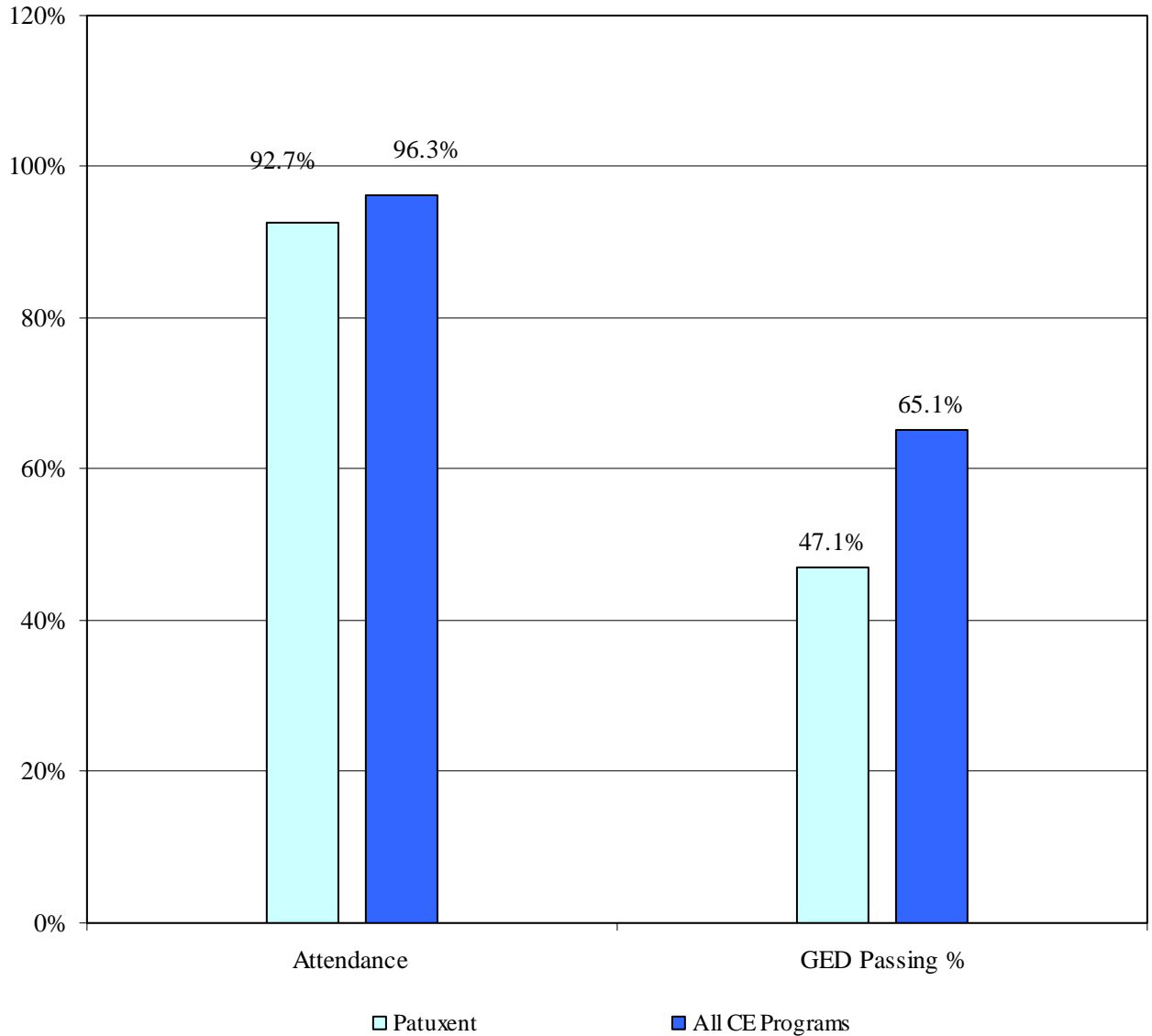
### **3. Reductions to Correctional Education Program at Patuxent**

MSDE has provided educational services to incarcerated populations in Maryland for over 25 years. The Correctional Education (CE) Program is held to performance standards set by the Educational Coordinating Council for Correctional Institutions. As part of the Governor's strategic budgeting evaluation, MSDE reviewed the performance of all CE schools. MSDE concluded that the resources dedicated to CE at Patuxent were not being put to their best use. As a result of this evaluation, MSDE decided to scale back the CE at Patuxent as of July 1, 2005. The redesigned educational program will affect seven current MSDE employees. These employees received notification in January that their positions are scheduled to be abolished at the close of this fiscal year.

The Educational Coordinating Council for Correctional Institutions (ECCCI) sets the performance standards for each CE program. **Exhibits 4 and 5** show the comparison of various ECCCI student performance measures at Patuxent and all CE programs. As shown in Exhibit 4, the attendance rate at Patuxent was almost four percentage points lower than the rate at all CE programs. Similarly, a lower percentage of students at Patuxent passed the GED (General Education Diploma) than students at other CE programs. In both instances, Patuxent failed to reach the satisfactory goals of a 60% GED passing rate and 94% attendance.

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**Exhibit 4**  
**Comparison of Student Attendance and GED Performance**  
**Patuxent Students versus all CE Students**  
**Fiscal 2004**



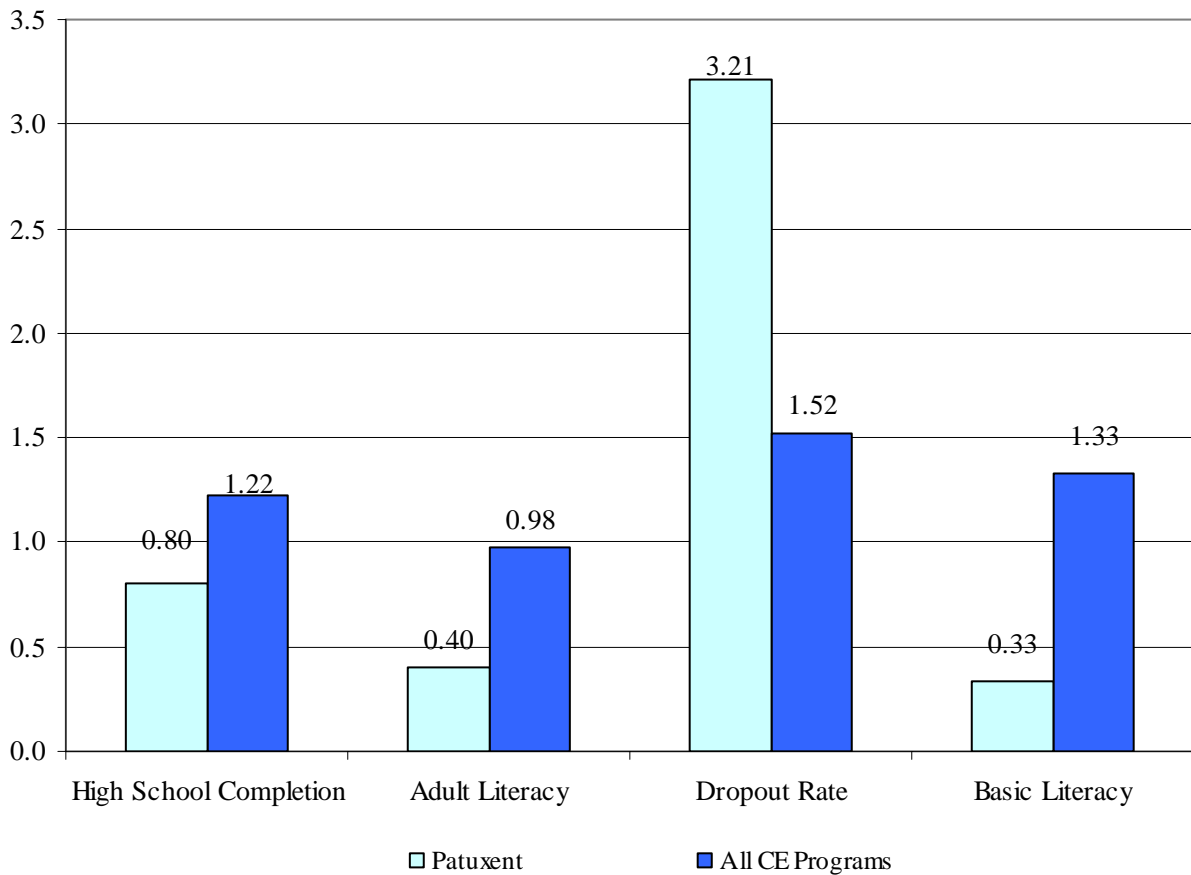
Source: Maryland State Department of Education

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As shown in Exhibit 5, Patuxent students also failed to meet or exceed their CE counterparts in high school, adult literacy, and basic literacy completion standards. The biggest disparity is seen in basic literacy where Patuxent students achieve considerably less than their CE counterparts. The exhibit also demonstrates that Patuxent students drop out at a considerably higher rate than other CE students. For the period fiscal 2000-2004, Patuxent students failed to meet high school, adult literacy, and basic literacy completion standards, except for meeting a satisfactory completion goal for high school in fiscal 2002 and exceeding the expectation in adult literacy in fiscal 2002.

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**Exhibit 5**  
**ECCCI Performance Measure Comparisons**  
**Patuxent Students versus All CE Students**  
**Fiscal 2004**



Source: Maryland State Department of Education

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The education program at Patuxent will operate unchanged through June 30, 2005. The Governor's fiscal 2006 allowance provides resources for a different educational program at Patuxent. Beginning July 2005 the new program will include:

- separate education services and programs for eligible male and female students;
- contractual resources to make remedial/development instructional offerings available to the population;
- implementation of a distance learning post-secondary program in partnership with Anne Arundel Community College;
- occupational programs for women;
- library services; and
- enhanced computer lab resources to provide additional occupational offerings.

According to MSDE, the program will retain three employees on site (a librarian, a special education teacher, and an academic instructor) and will offer remedial/developmental instructional offerings through contractual arrangements. The fiscal 2006 allowance reflects only a decrease of \$155,859, or 2.8% over the 2005 working appropriation. **MSDE should discuss the justification for the reduction of personnel at the facility along with the cost savings realized by the use of contractual agreements and other scale back measures of the educational program.**

The Department of Public Safety and Correctional Services (DPSCS) has expressed concerns about the reduction in the education program at Patuxent. The department argues that the failure of the Patuxent program to achieve MSDE standards is not a result of inmates failing to gain an education, but rather a result of their limited ability to move through the program fast enough. DPSCS further argues that Patuxent inmates participating in the education program are generally serving long sentences, so the speed with which they complete the program is not relevant to the inmate's ultimate remediation.

**MSDE should comment on the impact of the redesigned educational program at Patuxent and discuss the factors that have lead to the failure of the current program.**

## ***Recommended Actions***

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	<b><u>Amount Reduction</u></b>		<b><u>Position Reduction</u></b>
1. Delete one vacant position (PIN #039544). As a cost saving measure, this reduction eliminates the Finance Reporting and Coordination position in the Division of Business Services to recognize savings that could result from consolidation of this unit into the Division of Accountability and Assessment. Giving one unit responsibility for financial and performance accountability would be consistent with the vital link between funding and student performance.	\$ 92,853	GF	1.0
2. Delete positions in the Leadership Development Unit. Savings can be achieved by consolidating the unit with the Academic Policy Unit. The reduction consists of the elimination of one PIN and 5 contractual positions.	373,334	GF	1.0
3. Reduce funds for development of science assessments. The reduction still provides \$2,000,000 to develop the new assessments and \$28 million was encumbered at the end of fiscal 2004 for multi-year test development.	1,515,000	GF	
4. Reduce funds for the education program at Charles H. Hickey, Jr. School. This reduction would provide per student funding for special education students consistent with nonpublic day placement costs and per student funding for non-special education students consistent with per student funding at other Department of Juvenile Services facilities. Furthermore, the reduction would eliminate four positions that have remained vacant at the school since the Maryland State Department of Education took over the program. The reduction would leave the school with a staff of 62.	248,776	GF	4.0

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5.	Reduce funds for the Autism Waiver State match. The reduction assumes a 10% increase over the fiscal 2005 funding level. The reduction leaves approximately \$6.8 million for the autism waiver.	1,000,000	GF	
6.	Reduce fiscal 2005 deficiency request. The reduction assumes a \$1.5 million, or 10% increase over the fiscal 2004 funding level, leaving approximately \$6.2 million for fiscal 2005.	1,000,000	GF	
	<b>Total Reductions to Fiscal 2005 Deficiency</b>	<b>\$ 1,000,000</b>	<b>GF</b>	
	<b>Total General Fund Reductions to Allowance</b>	<b>\$ 3,229,963</b>		<b>6.0</b>

## *Current and Prior Year Budgets*

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### 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>
<b>Fiscal 2004</b>					
Legislative Appropriation	\$83,414	\$5,234	\$106,937	\$824	\$196,409
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-821	1,539	23,063	821	24,602
Cost Containment	-1,066	0	0	0	-1,066
Reversions and Cancellations	-852	-2,400	-23,992	-941	-28,185
<b>Actual Expenditures</b>	<b>\$80,675</b>	<b>\$4,373</b>	<b>\$106,008</b>	<b>\$704</b>	<b>\$191,760</b>
<b>Fiscal 2005</b>					
Legislative Appropriation	\$87,542	\$5,021	\$113,536	\$181	\$206,280
Budget Amendments	665	0	192	0	857
<b>Working Appropriation</b>	<b>\$88,207</b>	<b>\$5,021</b>	<b>\$113,728</b>	<b>\$181</b>	<b>\$207,137</b>

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

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## **Fiscal 2004**

Fiscal 2004 containment reduced the general fund appropriation by \$1.1 million. MSDE eliminated 8.0 non-essential regular positions, 5.0 of which were filled, and vacant contractual positions. MSDE also reduced the use of contractual services, administrative funds for the Juvenile Justice Alternative Education Program, and various operating expenses. MSDE substituted federal funds for general funds in the Hearing Aid Loaner Bank program.

The fiscal 2004 appropriation saw significant revision over the fiscal year, primarily in federal funds. Federal funds amendments totaled \$23,062,543. Major changes included the following:

- \$6.1 million increase in contractual services and instruction;
- \$2.1 million increase towards teacher certification and accreditation;
- \$2.2 million to cover salaries, program services and related central support costs for the Disability Determination Services program; and
- \$1 million increase for the Career Technology and Adult Learning Program providing vocational and technical skills of secondary and postsecondary students who elect to enroll in vocational and technical programs.

Federal fund cancellations totaled \$23,991,703. Major changes included:

- \$2.2 million in unrealized funds for the Technology Literacy Grant;
- \$1.4 million of Title IV funding carried over to fiscal 2005;
- \$1.9 million for the Improving Teacher Quality State Grant;
- \$4.0 million in unrealized Title 1 funding; and
- \$3.1 million in Reading First grants carried over into fiscal 2005.

Significant special fund cancellations of note include \$828,450 due to a lag in the implementation of the Gates Foundation, \$251,513 in unrealized funds in Third Party Recoveries, and \$491,035 in unrealized funds for the Blinds Vendor Program.

## ***Audit Findings***

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Audit Period for Last Audit:	August 1, 1999- January 31, 2002
Issue Date:	February 2003
Number of Findings:	19
Number of Repeat Findings:	6
% of Repeat Findings:	32%
Rating: (if applicable)	

- Finding 1:** There was a lack of adequate procedures and controls for ensuring compliance with certain student transportation safety requirements.
- Finding 2:** The department lacked sufficient procedures and controls, to ensure compliance with certain teacher certification requirements.
- Finding 3:** Audit procedures for examining student enrollment data, were not comprehensive.
- Finding 4:** Procedures for auditing compliance with requirements of the State’s dedicated compensatory education and limited English proficiency programs lacked certain critical verifications.
- Finding 5:** The department did not adequately monitor nonpublic education programs, or local school systems’ maintenance of effort for these programs.
- Finding 6:** State aid reporting requirements were not adequately monitored.
- Finding 7:** Indirect costs were not recovered in a timely manner, resulting in lost interest income of approximately \$350,000.
- Finding 8:** Compliance with federal regulations related to school based health services was not adequately monitored.
- Finding 9:** Retirement and pension costs totaling \$1.1 million, were improperly retained.
- Finding 10:** Allegations of improprieties, were not adequately investigated.
- Finding 11:** Disability determination services files, were not adequately protected.
- Finding 12:** Headquarters production program change controls, were not adequate.
- Finding 13:** Headquarters minicomputer account and password policies, logging, monitoring and access rules need improvement.

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**Finding 14:** Disaster recovery and contingency plans either did not exist, could not be located or were not current.

**Finding 15:** Security measures to protect critical network resources, were insufficient.

**Finding 16:** Adequate support was not received for certain contract billings.

**Finding 17:** **Controls over cash receipts, were not sufficient.**

**Finding 18:** **Proper internal controls were not established over purchasing and disbursement transactions.**

**Finding 19:** **Physical inventories were not reconciled on a timely basis, and records were not properly maintained.**

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

**Object/Fund Difference Report  
MSDE Headquarters**

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	1335.80	1386.80	1389.80	3.00	0.2%
02 Contractual	112.80	112.80	114.80	2.00	1.8%
<b>Total Positions</b>	<b>1448.60</b>	<b>1499.60</b>	<b>1504.60</b>	<b>5.00</b>	<b>0.3%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 81,935,016	\$ 85,085,346	\$ 88,074,237	\$ 2,988,891	3.5%
02 Technical & Spec Fees	31,269,119	35,397,971	37,782,178	2,384,207	6.7%
03 Communication	1,564,930	1,652,231	1,979,465	327,234	19.8%
04 Travel	1,029,121	1,179,613	1,137,386	-42,227	-3.6%
06 Fuel & Utilities	818,569	937,838	986,860	49,022	5.2%
07 Motor Vehicles	673,897	720,812	564,804	-156,008	-21.6%
08 Contractual Services	50,683,074	56,395,600	60,231,152	3,835,552	6.8%
09 Supplies & Materials	2,205,015	2,941,341	2,712,106	-229,235	-7.8%
10 Equip - Replacement	676,394	730,019	694,649	-35,370	-4.8%
11 Equip - Additional	1,482,539	913,119	944,167	31,048	3.4%
12 Grants, Subsidies, and Contributions	22,119,967	24,507,961	33,849,017	9,341,056	38.1%
13 Fixed Charges	3,441,334	3,670,019	3,813,272	143,253	3.9%
14 Land & Structures	178,568	184,074	174,037	-10,037	-5.5%
<b>Total Objects</b>	<b>\$ 198,077,543</b>	<b>\$ 214,315,944</b>	<b>\$ 232,943,330</b>	<b>\$ 18,627,386</b>	<b>8.7%</b>
<b>Funds</b>					
01 General Fund	\$ 80,675,779	\$ 88,207,244	\$ 97,550,298	\$ 9,343,054	10.6%
03 Special Fund	4,372,942	5,020,730	5,185,730	165,000	3.3%
05 Federal Fund	106,007,549	113,727,699	123,045,276	9,317,577	8.2%
07 Nonbudgeted Fund	6,317,863	7,179,216	6,704,026	-475,190	-6.6%
09 Reimbursable Fund	703,410	181,055	458,000	276,945	153.0%
<b>Total Funds</b>	<b>\$ 198,077,543</b>	<b>\$ 214,315,944</b>	<b>\$ 232,943,330</b>	<b>\$ 18,627,386</b>	<b>8.7%</b>

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal Summary  
MSDE Headquarters**

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
01 Office of the Superintendent	\$ 9,575,904	\$ 11,123,992	\$ 11,050,254	-\$ 73,738	-0.7%
02 Div. of Business Services	9,679,480	9,422,279	9,423,914	1,635	0%
03 Div. for Leadership Development	2,998,579	3,282,905	3,206,707	-76,198	-2.3%
04 Div. of Accountability and Assessment	34,550,706	35,555,868	39,124,784	3,568,916	10.0%
05 Office of Information Technology	1,970,495	2,581,256	2,275,602	-305,654	-11.8%
11 Div. of Instruction	9,909,998	10,093,717	11,140,887	1,047,170	10.4%
12 Div. of Student and School Services	10,924,901	12,928,246	15,068,257	2,140,011	16.6%
13 Div. of Special Education/Early Intervention Services	8,357,416	8,286,455	8,801,679	515,224	6.2%
14 Div. of Career Technology and Adult Learning	5,257,723	5,769,965	5,819,622	49,657	0.9%
15 Div. of Correctional Education	15,054,207	20,260,214	20,266,268	6,054	0%
17 Div. of Library Development and Services	2,241,925	2,446,451	2,511,778	65,327	2.7%
18 Div. of Certification and Accreditation	4,419,918	3,702,648	5,573,627	1,870,979	50.5%
19 Home and Community Based Waiver for Children with Autism Spectrum Disorder	0	0	7,717,928	7,717,928	
20 Div. of Rehab Serv,	10,759,218	11,951,723	11,599,535	-352,188	-2.9%
21 Div of Rehab Services - Client Services	33,849,994	36,102,942	37,248,406	1,145,464	3.2%
22 Div. of Rehab Serv. Workforce and Tech Center	10,415,551	11,170,770	11,480,095	309,325	2.8%
23 Div of Rehab Serv. - Disability Determination Svcs.	21,793,665	22,457,297	23,929,961	1,472,664	6.6%
25 Ordinary Clearing Account - Nonbudgeted Funds - Headquarters	6,317,863	7,179,216	6,704,026	-475,190	-6.6%
<b>Total Expenditures</b>	<b>\$ 198,077,543</b>	<b>\$ 214,315,944</b>	<b>\$ 232,943,330</b>	<b>\$ 18,627,386</b>	<b>8.7%</b>
General Fund	\$ 80,675,779	\$ 88,207,244	\$ 97,550,298	\$ 9,343,054	10.6%
Special Fund	4,372,942	5,020,730	5,185,730	165,000	3.3%
Federal Fund	106,007,549	113,727,699	123,045,276	9,317,577	8.2%
Nonbudgeted Fund	6,317,863	7,179,216	6,704,026	-475,190	-6.6%
<b>Total Appropriations</b>	<b>\$ 197,374,133</b>	<b>\$ 214,134,889</b>	<b>\$ 232,485,330</b>	<b>\$ 18,350,441</b>	<b>8.6%</b>
Reimbursable Fund	\$ 703,410	\$ 181,055	\$ 458,000	\$ 276,945	153.0%
<b>Total Funds</b>	<b>\$ 198,077,543</b>	<b>\$ 214,315,944</b>	<b>\$ 232,943,330</b>	<b>\$ 18,627,386</b>	<b>8.7%</b>

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.