

R00A02
Aid to Education
Maryland State Department of Education

Operating Budget Data

(\$ in Thousands)

	FY 05	FY 06	FY 07	FY 06-07	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$3,666,171	\$4,048,854	\$4,516,578	\$467,724	11.6%
Special Fund	113	0	0	0	
Federal Fund	695,193	743,266	749,845	6,579	0.9%
Reimbursable Fund	<u>519</u>	<u>392</u>	<u>572</u>	<u>180</u>	<u>45.9%</u>
Total Funds	\$4,361,996	\$4,792,512	\$5,266,995	\$474,483	9.9%

- The Governor’s fiscal 2007 allowance increases by \$474.5 million, a 9.9% increase over the fiscal 2006 working appropriation. General funds increase by \$467.7 million, or 11.6%, which is primarily attributable to continued implementation of the Bridge to Excellence Act.
- Other general fund increases include teacher and librarian retirement funds, school-based health centers, Challenge grants, and adult education.
- Reimbursable funds increase by \$180,000, or 45.9%, due to funds from the Department of Health and Mental Hygiene for a tobacco/cancer prevention initiative.
- Federal funds increase overall by 0.9% with reductions in some programs, including Technology Literacy Challenge Fund grants and Medicaid.

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

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Analysis in Brief

Major Trends

Final Adequate Yearly Progress Determinations Delayed: In the fall of 2005, the Maryland State Department of Education (MSDE) created a new English II High School Assessment, which counts toward adequate yearly progress (AYP). Establishing the standards for the new test delayed the final determination of whether school systems met AYP in 2005. Also delaying final determinations was the introduction by MSDE of a new methodology for evaluating school systems that are categorized as School Systems in Improvement. **MSDE should discuss the final statewide AYP results, including the continued performance of some subgroups below their peers. MSDE also should comment on the new methodology used this year for evaluating School Systems in Improvement.**

Progress in Placing Highly Qualified Teachers, but Short of the No Child Left Behind Requirement: Improvement was made from 2004 to 2005 in the percentage of core classes taught by highly qualified teachers. However, no local education agency (LEA) has highly qualified teachers in 100% of core classes, as required by the No Child Left Behind (NCLB) Act. In addition, disparity still exists between high-poverty and low-poverty schools. **MSDE should discuss steps taken toward meeting the NCLB mandate, as well as the disparity between high- and low-poverty schools.**

Issues

Estimating Funding for Nonpublic Placements: The costs contributing to nonpublic placements have been difficult to estimate over the years. The trend of actual costs may provide information to sharpen the accuracy of the estimates.

MSDE Approves 23 Master Plan Updates: In December 2005, MSDE issued its report on the comprehensive master plans submitted by the local school systems. At this time, MSDE has approved master plan updates from all school systems, with the exception of Baltimore City. **MSDE should comment on its evaluation of the comprehensive master plans and discuss improvements that are planned for the 2006 master plan update process.**

Performance Audits Completed for Baltimore City and Prince George's County Public Schools: As required by the Education Fiscal Accountability and Oversight Act of 2004, the Office of Legislative Audits (OLA) completed the first group of LEA audits. In January 2006, OLA reported its audit results for the Baltimore City and Prince George's County public schools to the Senate Budget and Taxation Committee, the House Committee on Appropriations, and the House Ways and Means Committee. **MSDE should comment on MSDE's audit function and any plans to monitor LEA progress in addressing OLA's findings and recommendations.**

Recommended Actions

	<u>Funds</u>
1. Reduce funding for Nonpublic Placements.	\$ 3,000,000
2. Reduce funding for Environmental Education Program.	1,100,000
3. Delete funding for Science, Technology, Engineering, and Mathematics Academies.	2,000,000
4. Reduce funding for Governor's Teacher Excellence Award program.	400,000
Total Reductions	\$ 6,500,000

Updates

The Baltimore City Public School System and the State Return to Court Over Special Education Services: In August 2005, the Baltimore City Public School System (BCPSS) was found in contempt of several court orders regarding its handling of services for special education students. An emergency order was issued requiring MSDE to execute its Intensive Management and Capacity Improvement Plan to bring BCPSS into compliance with federal law and court orders. At this time, BCPSS has appealed to the Fourth Circuit, and the parties have been ordered to enter mediation proceedings in February.

MSDE Submits Report on Adult Education: As mandated by Chapter 305, Acts of 2005, MSDE has submitted its report to the General Assembly on adult education. The report focuses on developing a funding formula and reducing the waiting lists for adult education services. Recommendations for restructuring the program and developing an annual evaluation system are included in the report.

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Operating Budget Analysis

Program Description

State and local governments share responsibility for Maryland's public schools. In 2002 the State's Commission on Education Finance, Equity, and Excellence recommended, and the legislature approved, altering and enhancing the distribution of State aid to education. The new distribution system phases in from fiscal 2004 through 2008.

The Bridge to Excellence in Public Schools Act, commonly referred to as "Thornton," requires an estimated \$1.3 billion in enhanced funding between fiscal 2004 and 2008. School systems receive a basic per pupil funding amount through the foundation program. Additional funding formulas provide supplemental aid for students with special needs – students with disabilities, students eligible for free and reduced price meals (FRPM), and students with limited English proficiency (LEP). State aid for student transportation also increases. Local jurisdictions receive broad flexibility in determining how to meet State goals for student achievement along with the enhanced funding. However, each school system is held accountable for achieving goals and student outcome measurements outlined in its Comprehensive Master Plan, which is updated annually.

In addition to funding for public education, the State Board of Education (SBE) is responsible for the general direction and control of library development in Maryland. The State provides support for the State Library Resource Center and several regional resource centers. State library aid is budgeted under this program.

Performance Analysis: Third Year for Measuring Adequate Yearly Progress

One of the main goals of the federal No Child Left Behind (NCLB) Act is the achievement of 100% student proficiency by 2014. Each year the State must show that all students are making adequate yearly progress (AYP) in student proficiency until 100% proficiency is required in 2014. The State determines the intermediate targets that must be met in order to achieve AYP. NCLB mandates that all students in all subgroups (African American, American Indian, Asian/Pacific Islander, Hispanic, White, special education, FRPM, and LEP) reach 100% proficiency in reading and mathematics.

NCLB also requires that each state assess its students in specified grades and in specified subject or content areas. In Maryland, this requirement has been implemented through the Maryland School Assessment (MSA) for grades 3 through 8 and the High School Assessment (HSA) for high school. Combining the results of MSA and HSA with other indicators, such as attendance or graduation rates, determines whether each school, school system, and the State meet AYP.

Beginning with the 2005-2006 school year, in addition to the results of MSA in grades 3, 5, and 8, the results of MSA in grades 4, 6, and 7 also will count toward AYP. The proficiency rates for the 2005-2006 school year are 56.7% in reading and 44.1% in mathematics. **Exhibit 1** shows overall proficiency rates for students in grades 3 through 8. Improvement has been made by all students in all grades, and overall they met the proficiency targets in both reading and mathematics. The greatest gain in reading was made by students in grades 4 and 5, while students in grade 6 made the greatest gain in mathematics. Overall, proficiency rates in math decline from grade 3 to 8. Students in the special education, FRPM, and LEP subgroups continue to perform below their peers.

Repeated Failure to Meet AYP – Schools in Need of Improvement

The Maryland State Department of Education (MSDE) reported in October 2005 that 329 schools failed to meet AYP compared to 277 schools that failed to meet AYP last year. This increase may be attributable to the inclusion of students in grades 4, 6, and 7 for the first time this year. MSDE has designated 240 schools in all categories of school improvement this year compared to 255 schools last year. This designation includes three categories: schools in school improvement; schools in corrective action; and schools in restructuring phases. It does not include schools that have maintained their status by meeting AYP this year after failing to meet AYP last year. As shown in **Exhibit 2**, Baltimore City and Prince George's County have the largest proportion of schools in improvement in the State. Across the State, about 18% of schools in 15 counties are in the first phase of school improvement (failed to meet AYP at least two consecutive years).

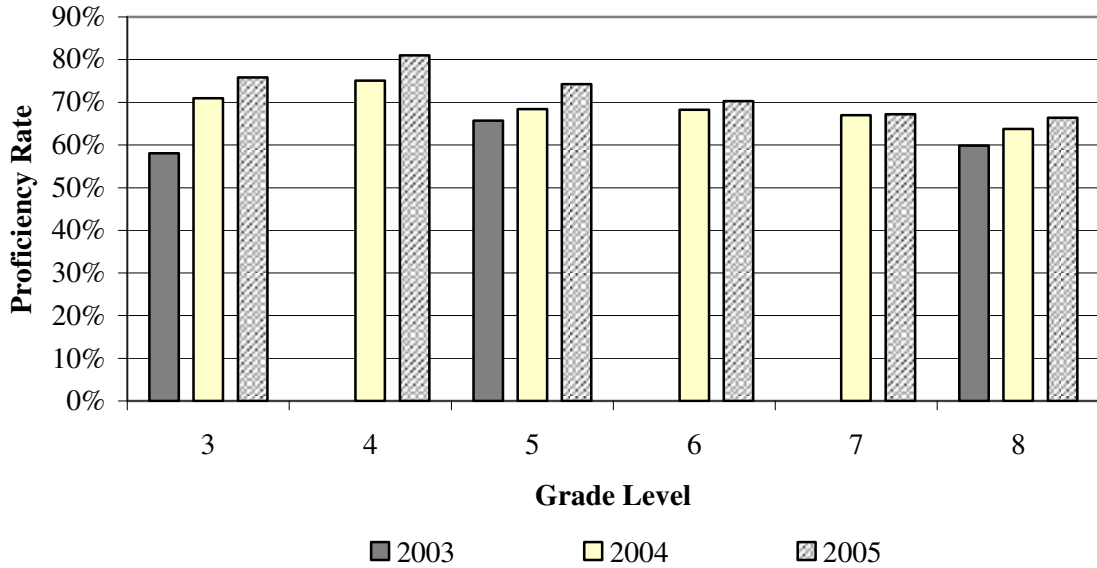
The majority of schools in school improvement, both last year and this year, failed to meet AYP due to the performance of students in the special education subgroup. Recognizing that this is occurring across the country, the U.S. Department of Education (USDE) has released guidance on standards for a modified test for no more than 2% of the special education population who, despite repeated attempts at intervention, are unable to reach the appropriate grade level. Until the guidance is finalized, MSDE has received approval to hear appeals from schools and school systems that have students who would likely fit within this 2% of the special education population, as documented by the student's individualized education plan. If granted, that school would not be considered to be failing to meet AYP due to that student's performance within the special education subgroup.

Final 2005 AYP Determinations for School Systems Delayed

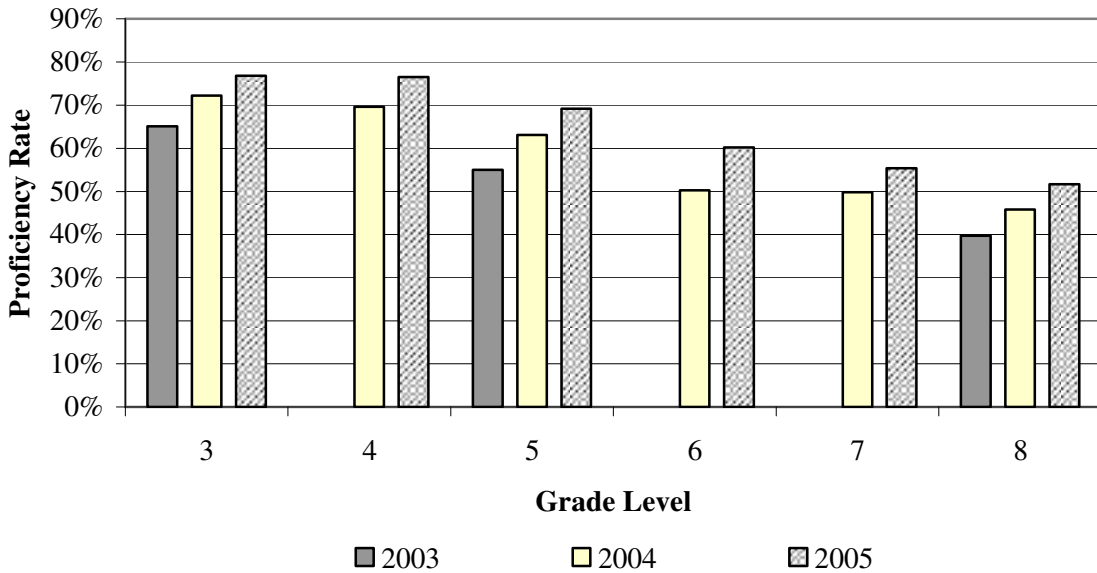
In the fall of 2005, MSDE combined the grade 9 reading test with the grade 10 English test to create the English II HSA, which counts toward AYP. However, MSDE did not set standards for the English II assessment until October 2005. As a result, the final determination of the number of school systems that met AYP (or were designated as school systems in need of improvement) and the number of students statewide that met AYP for 2005 has been delayed. MSDE asserts that rulings on schools' appeals contesting preliminary determinations have delayed final AYP results, but decisions are expected by MSDE in February 2006.

Exhibit 1
MSA Proficiency Rates
2002-2003 through 2004-2005 School Years

MSA Reading Proficiency Rates

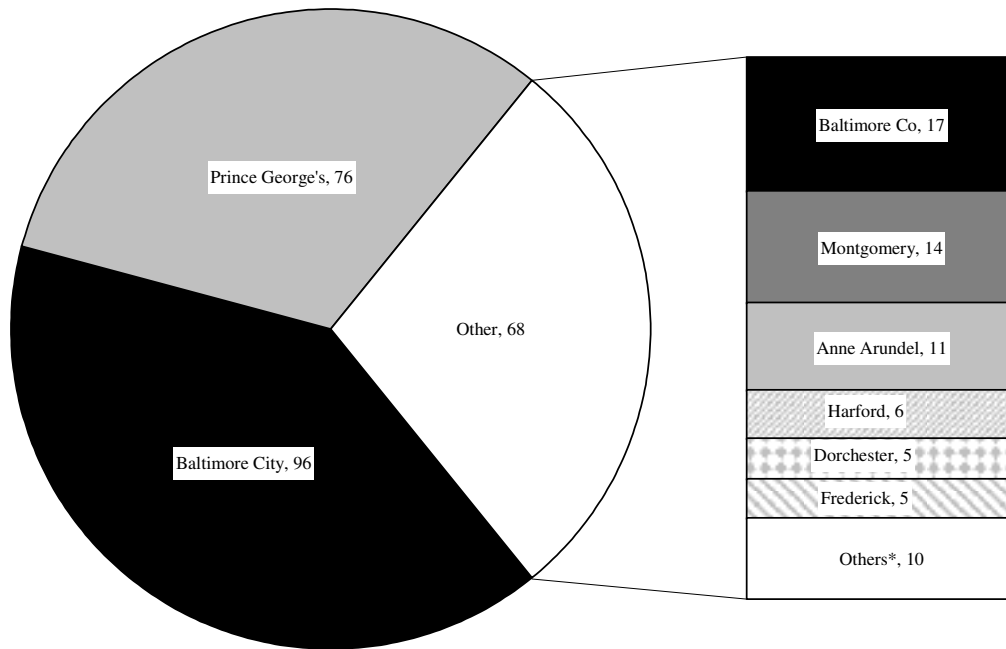


MSA Math Proficiency Rates



Source: Maryland State Department of Education

Exhibit 2
Number of Schools in Improvement by Jurisdiction
2005-2006 School Year



*Others = Allegany (2), Caroline (1), Cecil (1), Kent (2), St. Mary's (2), Somerset (1), and Talbot (1).

Source: Maryland State Department of Education

Another reason for delay is that MSDE has used a new methodology this year for evaluating school systems designated as School Systems in Improvement. MSDE reports that this change is necessary to more accurately reflect a failing system, rather than a failing group of schools within a system. The federal government approved this new methodology with the caveat that the state must find a way to compare results from this year with the results of last year and the year before.

MSDE should discuss the factors that contributed to delayed 2005 final AYP results. Clarification should be provided about the comparison of 2005 AYP results with prior years' results. MSDE also should discuss the continued performance of special education, FRPM, and LEP students at levels below their peers.

A Highly Qualified Teacher in Every Classroom

One of the main goals of NCLB is to place 100% “highly qualified” teachers in core academic subjects by the end of the 2005-2006 school year. Core academic subjects include English, math, science, reading or language arts, social studies, and art, music, dance, or drama. To meet the highly qualified standard, a teacher must have at least a bachelor’s degree, hold a license to teach in the state, and must have obtained full state certification or have passed the state teacher licensing examination. In addition, a teacher must have expertise in the subject or subjects the teacher is assigned to teach.

Exhibit 3 shows that as of June 2005, no county has met the highly qualified teacher requirement. All but three counties – Dorchester, Washington, and Carroll counties – showed improvement in 2005 over 2004; however, most counties must make significant progress this year in order to meet the requirement. More than half of classes are not being taught by a highly qualified teacher in Baltimore City, and teachers in over one-third of classes are not highly qualified in three other counties (Charles, Dorchester, and Prince George’s).

Exhibit 4 shows the change from 2004 to 2005 in classes not taught by highly qualified teachers. Although the overall percentage of classes without highly qualified teachers declined, the high poverty quartile continues to have the highest percentage of classes without highly qualified teachers, at 42.5%. In contrast, only 15.2% of classes in the low-poverty quartile have classes not taught by highly qualified teachers.

No state has met the highly qualified teacher requirement yet. In response to concerns expressed by many states, USDE announced in October 2005, that states that have made a “good faith effort” to meet the requirement will be given an extra year, until the end of the 2006-2007 school year, to achieve the goal. One of the determinants of a good faith effort will be whether steps have been taken to ensure that all subgroups of children are equally likely to be taught by qualified teachers. In March 2006, USDE is scheduled to make a final determination of whether states have made a good faith effort in meeting NCLB’s highly qualified teacher requirement.

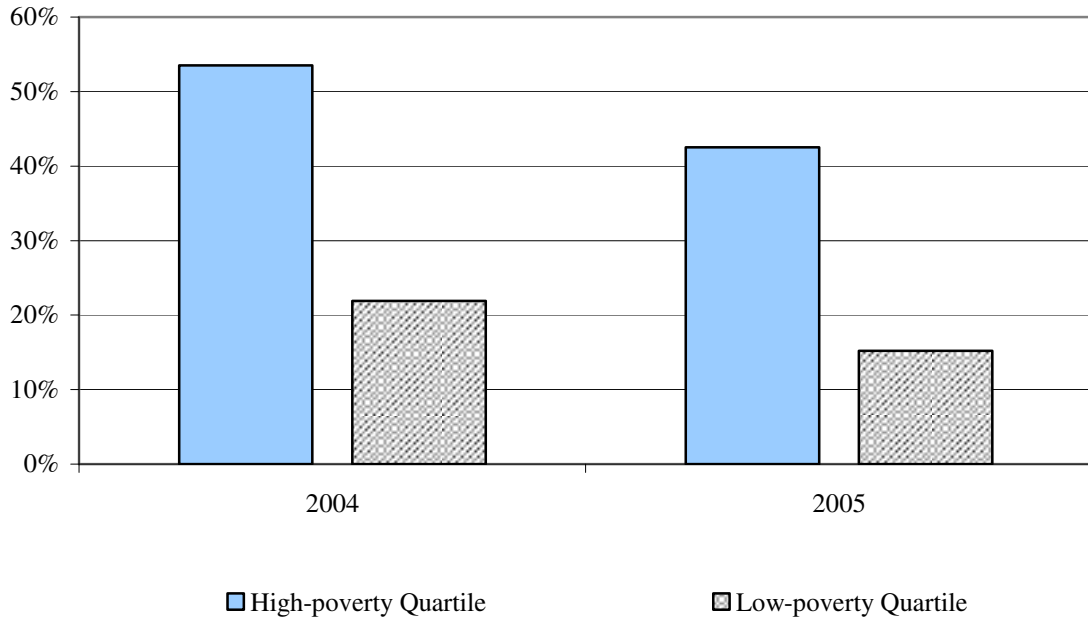
MSDE should discuss the steps taken toward meeting the NCLB mandate of 100% highly qualified teachers in core subjects, as well as the disparity in the percentage of classes taught by highly qualified teachers in high- and low-poverty areas.

Exhibit 3
Classes *Not* Taught by Highly Qualified Teachers

<u>County</u>	<u>Percent of Classes 2004</u>	<u>Percent of Classes 2005</u>
Allegany	15.0%	6.4%
Anne Arundel	17.8%	16.0%
Baltimore City	65.7%	57.9%
Baltimore County	37.5%	22.3%
Calvert	22.3%	14.5%
Caroline	23.5%	13.0%
Carroll	13.1%	14.4%
Cecil	22.3%	13.1%
Charles	49.0%	40.8%
Dorchester	36.0%	43.5%
Frederick	34.5%	13.6%
Garrett	15.0%	9.9%
Harford	19.9%	11.1%
Howard	18.3%	15.8%
Kent	27.0%	24.9%
Montgomery	25.4%	19.7%
Prince George's	51.4%	38.0%
Queen Anne's	27.9%	18.9%
St. Mary's	29.1%	10.4%
Somerset	39.5%	24.2%
Talbot	19.9%	12.2%
Washington	12.8%	15.6%
Wicomico	21.8%	19.5%
Worcester	20.7%	13.8%

Source: Maryland State Department of Education

Exhibit 4
Classes Not Taught by Highly Qualified Teachers
2004-2005 Trend



Source: <http://mdreportcard.org>

Fiscal 2006 Actions

Adjustments to the Fiscal 2006 Appropriation

An excess balance of \$10.1 million occurred in the fiscal 2006 funding of the programs for Compensatory Education (\$7.8 million), Special Education (\$1.3 million), and Limited English Proficiency (\$1 million). Overestimated enrollment resulted in the excess funding. To date, MSDE has submitted budget amendments reallocating \$6,806,589 of the available \$10.1 million. The reallocations are as follows:

- \$2.5 million to supplement School Improvement grants to LEAs;
- \$1.8 million to supplement two programs in the Division of Early Childhood Development (the Maryland Child Care Resource and Referral Network and the Family Support Centers program). The Budget Reconciliation and Financing Act of 2005 (BRFA) authorizes the

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allocation of \$847,000 in funds from the Cigarette Restitution Fund (CFR) for Family Support Centers in fiscal 2006;

- \$1 million to supplement Literacy Works grants in the Adult Continuing Education program. BRFA permits the distribution of \$1.2 million in funding from the CRF as Literacy Works grants;
- \$1 million for renovating one floor of MSDE Headquarters to accommodate the transfer from the Department of Human Resources of Child Care Administration staff;
- \$307,837 to supplement the mandated grant to the Maryland School for the Blind, which was adjusted due to undercounted enrollment;
- \$150,000 to supplement the Maryland Summer Youth Connection program. BRFA permits \$150,000 from the CRF to be appropriated for the Maryland Summer Youth Connection program; and
- \$1,752 to supplement mandated grants to LEAs under the Guaranteed Tax Base program.

BRFA also permits \$3.5 million in funding for Challenge grants and \$1 million for nonpublic text books, but they remain unfunded in fiscal 2006 from either the CRF or from MSDE's excess funds in the Aid to Education programs.

The Superintendent should discuss how the overestimate occurred and steps taken to ensure it does not re-occur this year. The Superintendent should also discuss how decisions were made to reallocate funds to these programs and whether additional reallocations will still be made in fiscal 2006.

Governor's Proposed Budget

The Governor's allowance contains an increase of \$474,483,130, or a 9.9% increase over the fiscal 2006 working appropriation. The total appropriation is \$5,266,995,107. **Exhibit 5** shows the increases attributable to mandated and discretionary programs under the Bridge to Excellence in Public Schools Act. Also shown are the increases in general, federal, and reimbursable fund programs.

Exhibit 5
Governor's Proposed Budget
MSDE – Aid to Education
(\$ in Thousands)

How Much It Grows:	General Fund	Federal Fund	Reimb. Fund	Total
2006 Working Appropriation	\$4,048,854	\$743,266	\$392	\$4,792,512
2007 Governor's Allowance	<u>4,516,578</u>	<u>749,845</u>	<u>572</u>	<u>5,266,995</u>
Amount Change	\$467,724	\$6,579	\$180	\$474,483
Percent Change	11.6%	0.9%	45.9%	9.9%

Where It Goes:

General Fund Changes Attributable to Bridge to Excellence

Foundation.....	\$184,900
Compensatory education	128,473
Special education.....	42,737
Guaranteed tax base.....	21,764
Limited English proficiency	21,051
Transportation.....	14,956
Baltimore City Partnership	-14,093

Other General Fund Changes

Teachers' and Librarians' retirement contributions.....	40,029
Nonpublic placements	12,018
Challenge Grants	3,789
Library aid and regional centers	4,025
School-based Health Centers – includes \$2.1 million transfer from Subcabinet.....	2,875
Adult Education – Literacy Works Grant.....	2,000
Science and Mathematics Initiative	2,000
Environmental Education Grant	1,500
School Breakfast Pilot program.....	1,204
Governor's Teacher Award program	500
Formula for Specific Populations	400
Principal Development program.....	96
School Improvement grants.....	-2,500

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Where It Goes:

Federal Fund Changes

Educationally Deprived Children	7,259
Healthy Families/Home Visiting Program – transfer from Subcabinet.....	4,590
Language Assistance Program.....	1,853
Food Services Program.....	1,748
Charter Schools Grant	810
Medical Assistance Program	-6,900
School Technology Program	-2,436
Miscellaneous federal grant programs.....	-345

Reimbursable Fund Changes

Department of Health and Mental Hygiene Community Health Administration Funding.....	180
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Total **\$474,483**

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

Changes in Education Aid Attributable to Bridge to Excellence

Chapter 288, Acts of 2002, commonly known as “Thornton,” contains the funding formulas for State education aid in effect since fiscal 2004. Changes in the fiscal 2007 allowance that are attributable to the funding formulas and to targets outlined in Thornton are detailed as follows:

- **Foundation Formula (\$184,900,257 Increase):** The foundation formula ensures a minimum funding level per pupil and requires counties to provide a local match. The formula is calculated based on a per pupil amount and student enrollment. Less wealthy school systems, as measured by assessable base and net taxable income, receive more aid per pupil than wealthier school systems. The \$184.9 million increase, an 8% increase, is attributable to the fiscal 2007 per pupil amount of \$5,959, an 8.4% increase over the fiscal 2006 per pupil amount of \$5,497.
- **Compensatory Education (\$128,472,507 Increase):** The compensatory education formula provides additional funding based on the number of economically disadvantaged students. The formula recognizes disparities in local wealth by adjusting the grants per eligible student by local wealth. The formula is calculated based on 97% of the per pupil amount in the foundation formula and the number of students eligible for FRPM. Increases in the per pupil foundation amount and the State share of compensatory education funding results in a 20.8% increase over the fiscal 2006 working appropriation. Funding for the Extended Elementary Education Program (EEEP) increases by \$2,407,813, or 14.3 %, due to a fiscal 2006 reduction of the same amount. Under Thornton, funding for EEEP phases out in fiscal 2008.

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- ***Special Education (\$42,737,423 Increase):*** The special education formula provides additional aid based on the number of students with disabilities. The special education formula is calculated based on 74% of the annual per pupil foundation amount and special education student enrollment. Grants per student are adjusted by local wealth. For fiscal 2007, formula funding increases by \$42,737,423, or 22.3%.
- ***Guaranteed Tax Base (\$21,764,450 Increase):*** The Bridge to Excellence in Public Schools Act includes an add-on grant for jurisdictions with less than 80% of statewide per pupil wealth that contributed more than the minimum required local share under the foundation program in the prior fiscal year. The grant equals the difference between actual and required spending per pupil, up to 20% of the per pupil foundation amount. The grants are phased in, beginning at 25% in fiscal 2005 and ending at 100% in fiscal 2008. In fiscal 2007, 10 LEA's qualify for 75% grants, resulting in a 56.2% increase in formula funding.
- ***Limited English Proficiency (\$21,051,296 Increase):*** The State provides additional grants based on the number of non-English and LEP students. The LEP formula is based on 99% of the annual per pupil foundation amount and LEP enrollment. Grants per student are adjusted by local wealth. The fiscal 2007 grant increases by 31.1% due to an increase in the per pupil grant of \$483 and an increase in the eligible enrollment.
- ***Transportation (\$14,955,648 Increase):*** The State provides grants to assist jurisdictions with the cost of transporting students to school. The grant consists of three components: regular student ridership funds; special education student ridership funds; and additional enrollment funds. The allowance increases due to an increase in the per pupil amount for special education students from \$800 to \$900 and an adjustment to the regular ridership funds in line with the Consumer Price Index.
- ***Baltimore City Partnership (\$14,093,016 Decrease):*** This funding for Baltimore City Schools is phased out in fiscal 2007.

Other General Fund Changes in Education Aid

- ***Teachers' and Librarians' Retirement (\$40,028,657 Increase):*** The State pays 100% of the employers' share of retirement costs for school system and library employees in the Teachers' Retirement and Pension Systems maintained by the State. Rather than distributing the aid to the school and library boards and billing them for the retirement contributions, the State appropriates a lump-sum payment to the retirement system "on behalf of" the local school boards. The cost increases by 9.6% in fiscal 2007.
- ***Nonpublic Placements (\$12,018,006 Increase):*** The State funds a share of the cost of placing special education students in nonpublic school facilities. The costs vary depending on the number of students in the program and the cost of the individual placements.

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- ***Challenge Grants (\$3,788,827 Increase):*** The Budget Reconciliation and Financing Act (BRFA) of 2005 authorized \$3.5 million in Challenge grants in fiscal 2006 and mandated \$3.8 million in fiscal 2007. The fiscal 2006 funds have not been released. The grants support low-performing schools by providing funds to strengthen school programs through professional development for teachers. The same schools that received the grants in fiscal 2005 will receive the fiscal 2007 funds, as required by BRFA.
- ***Library Aid (\$4,024,569 Increase):*** Chapter 481, Acts of 2005 provides for funding increases for public libraries over the next four years, beginning in fiscal 2007. The increase in the library aid formula will provide additional funding to public libraries and the three regional resource centers in the State.
- ***School-based Health Centers (\$2,875,206 Increase):*** A grant for school-based health centers is included in the allowance. The funding for these centers has been transferred from the Subcabinet Fund to MSDE in fiscal 2007. An increase of \$700,000 over the fiscal 2006 appropriation in the Subcabinet Fund is included in the allowance. This restores funding for school-based health centers to the fiscal 2005 funding level.
- ***Adult Continuing Education (\$2,000,000 Increase):*** The allowance includes a \$2 million increase for the Literacy Works grant for the Adult Education program. The increase is aimed at decreasing the large waiting lists for the program. Chapter 305, Acts of 2005 mandated a \$1.5 million increase in fiscal 2007 and 2008. This increase augments the additional \$1 million allocated by MSDE through the budget amendment process to the program in fiscal 2006.
- ***Science and Mathematics Initiative (\$2,000,000 Increase):*** A new grant supports the development of Science, Technology, Engineering, and Mathematics (STEM) Academies, a concept that emerged from the Governor's summit on Math, Technology, Science, and Engineering Education in Maryland. The summit was a recommendation of the Governor's Commission on Quality Education in Maryland. The curriculum in the academies will be highly specialized and give students exposure to the professional scientific community and advanced technology.
- ***Environmental Education (\$1,500,000 Increase):*** The increase is allocated to student participation in an outdoor education program that opened in August 2005 at North Bay in Cecil County. The program, which can serve 11,000 students per year, is structured as a four-night stay for sixth graders that provides an outdoor education experience aligned with the State curriculum. The program received \$200,000 in fiscal 2006.
- ***School Breakfast Pilot Program (\$1,204,000 Increase):*** The increase in funding supports the expansion of the Classroom Breakfast Pilot in the Maryland Meals for Achievement Program. Elementary schools are eligible for the program if they participate in the federal School Breakfast program and at least 40% of their enrollment is approved for FRPM. Schools are

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selected for the program on a competitive basis, and, once selected, offer free breakfast in classrooms every morning, regardless of family income.

- ***Governor’s Teacher Excellence Award Program (\$500,000 Increase):*** The new program provides funding to be distributed by MSDE as \$25,000 awards to 20 teachers annually for outstanding performance.
- ***Formula Programs for Specific Populations (\$400,000 Increase):*** A 5% increase in funding is included for Children in Out-of-County Living Arrangements and Schools near the boundary of two counties.
- ***Principal Development Program (\$95,847 Increase):*** Chapter 408, Acts of 2005 established a statewide Principal Fellowship and Leadership Development Program. The program provides incentive payments for distinguished principals to work in low-performing schools.
- ***School Improvement Grants (\$2,500,000 Decrease):*** Grants are provided to schools and school systems that are low-performing in meeting adequate yearly progress targets. MSDE added \$2.5 million to the fiscal 2006 appropriation from excess Compensatory Education funding. The grants support technical assistance and professional development for school personnel to improve school performance. Schools and school systems receiving grants may be categorized in three stages – in improvement, corrective action, or restructuring.

Federal Fund Changes

- ***Federal Funding for Educationally Deprived Children (\$7,258,686 Increase):*** Funding provides assistance to LEAs in educating economically disadvantaged students. The increase includes general Title I grants to LEA’s, Migrant Education grants, and Neglected and Delinquent Children grants. MSDE changed funding from the MSDE Headquarters budget to the Aid to Education budget in fiscal 2007.
- ***Healthy Families/Home Visiting Program (\$4,590,343 Increase):*** Funding for this program is included in MSDE’s Aid to Education budget for the first time. This program was transferred from the Subcabinet Fund to MSDE in fiscal 2007. Funding is unchanged from fiscal 2006.
- ***Language Assistance Program (\$1,852,543 Increase):*** Funding is provided to LEAs to support instruction for students whose native language is not English. The funding increases 30.9% over the fiscal 2006 level.
- ***Food Services Program (\$1,747,565 Increase):*** Increases in the federal School Lunch program and Child and Adult Care Food program account for the increased funding.

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- ***Charter Schools Program (\$810,734 Increase):*** A federal grant was received in the Innovative Programs division to support the development of charter schools in Maryland.
- ***Medical Assistance Program (\$6,900,000 Decrease):*** Federal Medicaid funding for students with disabilities is budgeted to decrease in fiscal 2007.
- ***School Technology Program (\$2,435,800 Decrease):*** The decrease is attributable to reduced Technology Literacy Challenge Fund grants.

Reimbursable Fund Changes

- ***Tobacco/Cancer Initiative (\$180,000 Increase):*** Reimbursable funds increase due to a tobacco prevention program that is reimbursed by the Department of Health and Mental Hygiene (DHMH).

Issues

1. Estimating Funding for Nonpublic Placements

The costs contributing to nonpublic placements in the Special Education program have been difficult to estimate over the years. In fiscal 2002 and 2003, MSDE closed with a deficiency in the program while a surplus existed in fiscal 2004. Fiscal 2006 expenditures appear to be on-budget. The fiscal 2007 allowance includes an 11.2% increase over the fiscal 2006 working appropriation which amounts to a \$12,018,006 increase.

The estimated costs vary depending on the number of placements and the cost of those placements at different facilities. Local school systems pay a share of the basic cost of education plus two times the total basic cost of education (or the 300% rule) and 20% of expenses above that sum. The State pays the remaining 80% of the excess. In fiscal 2005 and 2006, BRFA adjusted the split to 25% local and 75% State.

Exhibit 6 shows the trend in nonpublic placement expenditures since fiscal 2004. In order to make the figures comparable, the expenditures do not include the cost of the Autism Waiver funding or the cost of Regional Institutes for Children and Adolescents (RICAs). Autism Waiver funding was separated from the nonpublic placement program in fiscal 2006. RICAs were added to the nonpublic placement cost-sharing formula in fiscal 2005, but their funding was moved back to DHMH in fiscal 2006 (BRFAs of 2004 and 2005). The fiscal 2006 budget bill restricted \$3.5 million in nonpublic placement funding to be transferred to DHMH for the RICAs. The figures in Exhibit 6 are also adjusted for an 80% State share/20% local share of funding. A 5% annual increase in the State cost is assumed for fiscal 2006 and 2007. From fiscal 2004 to 2005, State costs increased 2.5% annually. **Based on these assumptions, DLS estimates that the State cost of nonpublic placements in fiscal 2007 would be \$116,288,180. Therefore, DLS recommends reducing the fiscal 2007 allowance by \$3 million.**

2. MSDE Approves 23 Master Plan Updates

The Bridge to Excellence Act required that LEAs submit a five-year master plan and annual updates to MSDE for review beginning in 2003. The master plan and subsequent updates are required to include a budget aligned to the school system goals and objectives. The Education Fiscal Accountability and Oversight Act of 2004 required LEAs to include information about prior year revenue and expenditures compared with their prior year plan. This comparison of planned and actual expenditures is intended to focus analysis on material changes in funding during the prior year. The State Superintendent is required to report on the status of the alignment of school system budgets and the use of funding increases that have been made possible in part by the Bridge to Excellence Act.

Exhibit 6
Trend in State Nonpublic Placement Expenditures
Fiscal 2002 – 2007

<u>Fiscal Year</u>	<u>State Cost</u> ⁽¹⁾	<u>Special Grants</u> ^(2, 4)	<u>Total State Costs</u> ^(1, 4)
2004	\$99,716,076	\$2,286,474	\$102,002,550
2005	102,242,687	2,814,192	105,056,879
2006 est.	107,354,821 ⁽³⁾	4,517,198	111,872,019
2007 est.	112,466,955 ⁽³⁾	3,821,225	116,288,180

⁽¹⁾ Data adjusted to reflect 80% State/20% local share for all years.

⁽²⁾ Special grants include payments to Maryland School for the Blind and School for the Deaf.

⁽³⁾ Assumes a 5% increase.

⁽⁴⁾ Does not include funding for autism waiver or RICAs. RICA and autism waiver costs are not included in nonpublic budget in fiscal 2007.

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

On December 30, 2005, MSDE submitted the report, which includes fiscal 2006 spending plans for the 22 local school systems that had their comprehensive master plans approved on time. (In January MSDE approved Prince George's County's master plan, leaving only Baltimore City with a plan that is not approved.) **Exhibit 7** shows that, from fiscal 2005 to 2006, these school systems combined had \$491.7 million in additional revenues and \$17.8 million in redirected funds to support cost increases and new initiatives for the 2005-2006 school year. This represents a \$509.5 million increase, 8.5%, over the reported fiscal 2005 revenue level for the systems of \$6.0 billion.

The planned use of the additional funds, to the extent they could be identified, is compiled in **Exhibit 8**. The exhibit shows that nearly 72% of the available funds, \$364.6 million, were allocated to support salary and benefit enhancements and other current services cost increases incurred by local school systems. Based on a reported fiscal 2005 revenue level of \$6.0 billion for the 22 local school systems included in the analysis, these two categories alone account for a 6.1% growth in fiscal 2006, a relatively high rate of increase to maintain existing services in local school systems.

Exhibit 7
Funds Available to Support Cost Increases and New Initiatives
Changes from Fiscal 2005 – 2006
(\$ in Thousands)

<u>School System</u>	<u>New Revenues</u>	<u>Redirected Funds</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Allegany	\$8,453	\$2,615	\$11,068	12.4%
Anne Arundel	57,051	5,000	62,051	9.7%
Baltimore City*	-Not Available-			
Baltimore	76,031	0	76,031	7.6%
Calvert	11,606	0	11,606	7.6%
Caroline	4,057	0	4,057	9.5%
Carroll	17,763	0	17,763	7.2%
Cecil	11,630	0	11,630	8.6%
Charles	24,493	538	25,031	11.6%
Dorchester	2,245	811	3,056	7.3%
Frederick	32,615	1,375	33,990	10.4%
Garrett	1,654	217	1,871	4.3%
Harford	42,221	0	42,221	13.2%
Howard	43,096	0	43,096	8.9%
Kent	-110	1,217	1,107	4.3%
Montgomery	100,800	2,900	103,700	6.4%
Prince George's*	-Not Available-			
Queen Anne's	3,609	164	3,774	6.0%
St. Mary's	13,517	0	13,517	10.1%
Somerset	2,288	180	2,468	8.7%
Talbot	2,365	215	2,580	6.8%
Washington	20,476	1,752	22,229	13.1%
Wicomico	12,455	0	12,455	10.0%
Worcester	3,354	852	4,206	5.8%
State	\$491,670	\$17,837	\$509,506	8.5%

*Comprehensive master plans for Baltimore City and Prince George's County were not approved in time to be included in MSDE's analysis of school system spending.

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

Exhibit 8
New Spending by Local School Systems – Fiscal 2006
(\$ in Thousands)

<u>School System</u>	<u>Salary and Benefit Increases</u>		<u>Other Current Services Increases</u>		<u>State K and Pre-K Mandates</u>		<u>New Personnel and Initiatives</u>		<u>Unidentified Increases</u>	
	<u>\$ Incr.</u>	<u>% of Total</u>	<u>\$ Incr.</u>	<u>% of Total</u>	<u>\$ Incr.</u>	<u>% of Total</u>	<u>\$ Incr.</u>	<u>% of Total</u>	<u>\$ Incr.</u>	<u>% of Total</u>
Allegany	\$4,238	38.3%	\$2,581	23.3%	\$193	1.7%	\$3,438	31.1%	\$619	5.6%
Anne Arundel	24,025	38.7%	11,606	18.7%	3,700	6.0%	18,579	29.9%	4,141	6.7%
Baltimore City*	-Not Available-									
Baltimore	45,511	59.9%	13,159	17.3%	2,668	3.5%	7,494	9.9%	7,199	9.5%
Calvert	6,915	59.6%	3,087	26.6%	0	0.0%	1,135	9.8%	469	4.0%
Caroline	1,856	45.7%	918	22.6%	30	0.7%	1,253	30.9%	0	0.0%
Carroll	9,307	52.4%	2,559	14.4%	1,936	10.9%	2,522	14.2%	1,439	8.1%
Cecil	4,704	40.4%	3,178	27.3%	993	8.5%	2,755	23.7%	0	0.0%
Charles	11,582	46.3%	9,250	37.0%	472	1.9%	3,726	14.9%	0	0.0%
Dorchester	665	21.8%	1,184	38.7%	0	0.0%	1,177	38.5%	30	1.0%
Frederick	9,699	28.5%	11,839	34.8%	997	2.9%	10,478	30.8%	977	2.9%
Garrett	818	43.7%	363	19.4%	0	0.0%	454	24.3%	236	12.6%
Harford	21,611	51.2%	8,733	20.7%	881	2.1%	4,961	11.8%	6,033	14.3%
Howard	31,569	73.3%	1,900	4.4%	1,000	2.3%	2,829	6.6%	5,798	13.5%
Kent	726	65.6%	241	21.7%	70	6.3%	70	6.3%	0	0.0%
Montgomery	64,233	61.9%	15,961	15.4%	2,357	2.3%	20,616	19.9%	532	0.5%
Prince George's*	-Not Available-									
Queen Anne's	2,478	65.7%	526	13.9%	338	8.9%	403	10.7%	30	0.8%
St. Mary's	7,600	56.2%	1,532	11.3%	0	0.0%	3,835	28.4%	550	4.1%
Somerset	1,302	52.8%	336	13.6%	0	0.0%	806	32.7%	24	1.0%
Talbot	1,634	63.4%	188	7.3%	0	0.0%	758	29.4%	0	0.0%
Washington	8,685	39.1%	6,393	28.8%	135	0.6%	6,693	30.1%	323	1.5%
Wicomico	5,241	42.1%	1,372	11.0%	57	0.5%	5,630	45.2%	155	1.2%
Worcester	2,906	69.1%	370	8.8%	109	2.6%	821	19.5%	0	0.0%
State	\$267,308	52.5%	\$97,274	19.1%	\$15,937	3.1%	\$100,433	19.7%	\$28,554	5.6%

*Comprehensive master plans by Baltimore City and Prince George's County were not approved in time to be included in MSDE's analysis of school system spending.

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

In addition to salary and benefit enhancements and required “cost-of-doing-business” increases, local school systems spent approximately 3.1% of newly available funds to implement and expand pre-kindergarten programs and full-day kindergarten programs. The Bridge to Excellence legislation requires all school systems to provide full-day kindergarten to all students and to make pre-kindergarten programs available to all disadvantaged four-year old children by the 2007-2008 school year.

Finally, local school systems report that approximately one-fifth of the available revenue increases for fiscal 2006, \$100.4 million, are being used to support new personnel and new initiatives. The new proposals include class size reductions, professional development enhancements, alternative education upgrades, summer school expansions, evening classes, extended day and year programs, gifted and talented programs, new computers and computer labs, staffing recruiting and retention strategies, and new textbooks. Particulars about the strategies were generally not available in the MSDE report but may be more well-defined in the text of the comprehensive master plans.

Accounting for the categories discussed above, another 5.6% of the new funds available in fiscal 2006, a total of \$28.6 million, could not be identified or categorized for this analysis. As a true reflection of the 22 different school systems that were examined in the MSDE report, the descriptions of spending among the systems were inconsistent and often difficult to classify. **The Department of Legislative Services recommends that, beginning with the December 2006 submission, MSDE reports focus more on new educational initiatives undertaken at the local level and detail the new personnel and resources that will be allocated to each major education initiative. DLS also recommends that MSDE provide further guidance to local school systems on classifying expenditures, particularly those costs to be identified as current services.**

3. Performance Audits Completed for Baltimore City and Prince George’s County Public Schools

The Education Fiscal Accountability and Oversight Act of 2004 established a legislative audit requirement for LEAs. The Office of Legislative Audits (OLA) has conducted audits of two LEAs and, over the next five years, will audit the remaining 22 LEAs. The Act required that LEAs with a negative general fund balance of 1% or more in either of the prior two fiscal years be included in the first group of audits, resulting in the Baltimore City Public School System’s (BCPSS) and the Prince George’s County Public School System’s (PGCPSS) selection for the first group of audits. OLA reported its findings to the Senate Budget and Taxation Committee, the House Committee on Appropriations, and the House Ways and Means Committee in January 2006.

In its audit of BCPSS, OLA made 53 individual findings, with 23 related recommendations. The majority of findings are issues in need of improvement. Several of the findings stem from the lack of adequate information systems, a situation that dates from the separation of BCPSS from Baltimore City in 1998, and the lack of an adequate support structure supporting that transition. The turnover of senior personnel in the information technology area has exacerbated the problem.

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Areas in which OLA found material weaknesses include federal grant management, procurement and disbursements, contract monitoring, human resources and payroll, facilities construction and maintenance, and transportation. A few representative examples illustrate the gravity of the findings. The lack of documentation for grant expenditures to justify federal reimbursements has resulted in a potential liability of \$18 million to the federal government. Lack of controls in place for payroll processes has resulted in questionable payments to five employees totaling \$90,000. BCPSS incurs the highest per student and per mile cost among the five largest Maryland public school systems, which is primarily attributable to the transportation of special education students by contractors. However, overpayments and failure to recover costs also have contributed to the high costs. Finally, OLA found that 104 of 169 BCPSS schools were operating at least 20% below capacity, resulting in 15,000 vacant seats. (In response to this issue, BCPSS is expected to announce school consolidations and closures by the end of March.)

The audit of PGCPSS reported 75 individual findings, with 24 related recommendations. The majority of findings are issues in need of improvement or correction. Material weaknesses were found in the areas of procurement, federal grants, information technology, and human resources and payroll. One problem adversely affecting several areas of operation is the heavy reliance placed on contractors to perform routine financial and accounting functions. As a result, routine accounting, payroll, and information technology services that could have been performed more cost effectively by regular employees were being performed by contractors. The lack of staff stability was acknowledged in PGCPSS' response, and assurances were made that the issue is being addressed.

OLA's key findings for PGCPSS cover a range of practices. For example, wage overpayments were made to former employees, of which \$1 million was estimated to be uncollectible. Employees were allowed to use leave in excess of amounts earned, resulting in accrued negative leave balances of 17,165 days. Regarding federal grants, only \$1.2 million of a \$2.2 million federal funding commitment under the federal E-Rate program was recovered in fiscal 2004. Transportation costs were high, with the per mile and per rider costs second only to BCPSS, with contract totals exceeding contract awards by \$1.7 million. Some transportation costs eligible for reimbursement, such as Medicaid for special education students, were not always recovered.

OLA directed both BCPSS and PGCPSS to develop a plan and strategies to address the audit issues and develop mechanisms to monitor the progress of implementing corrective actions.

MSDE should comment on MSDE's audit function and any plans to monitor LEA progress in addressing OLA findings and recommendations.

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce funding for the Nonpublic Placement program. Assuming a 5% increase in placement costs, the remaining \$116,485,734 would be sufficient to cover the State's share of the costs.	\$ 3,000,000	GF
2. Reduce funding for Environmental Education Program. The increase supports sixth-grade students' participation in an outdoor education program. The reduction preserves \$400,000 in new funding for this program.	1,100,000	GF
3. Delete funding for Science, Technology, Engineering, and Mathematics Academies. Providing opportunities for enhanced science and mathematics studies is an appropriate use of the foundation funding that the State provides to Local Education Agencies for education. Local jurisdictions have the option of directing a portion of the State education funds they receive to science and mathematics initiatives.	2,000,000	GF
4. Reduce funding for Governor's Teacher Excellence Award program. The reduction leaves \$100,000 to be awarded as grants to outstanding teachers.	400,000	GF
Total General Fund Reductions	\$ 6,500,000	

Updates

1. The Baltimore City Public School System and the State Return to Court Over Special Education Services

Since 1988, special education services in Baltimore City, as required under the federal Individuals with Disabilities Education Act (IDEA), have been subject to court oversight under a consent decree issued by the U.S. District Court for Maryland (*Vaughn G., et al. v. Mayor and City Council of Baltimore City, et al.*). After failure to comply with federal law and court orders, a Special Master to monitor special education services in BCPSS was appointed. The effect of the BCPSS financial crisis on special education services brought the parties to federal court numerous times in 2004 and 2005. The plaintiffs raised concerns that significant numbers of children were experiencing interruptions in the delivery of the special education services required in their Individual Education Plans. Although not a party to the lawsuit, MSDE is involved because it has the responsibility and authority under IDEA to ensure that students with disabilities receive a free appropriate public education.

In August 2005, Judge Marvin Garbis found BCPSS in contempt of several court orders. BCPSS's rate of interruptions for the 2004-2005 school year was at least 54.2% as reported by the Special Master (affecting at least 1,520 students), far in excess of the requirement that no more than 2% of students with disabilities have interruptions in service in any school year. BCPSS also was found to violate a court order to identify all interruptions in services and provide compensatory services prior to the start of the 2005-2006 school year. Judge Garbis found that BCPSS provided complete remedial services to less than 300 of the 1,520 students that should have received services. The court also identified deficiencies in BCPSS fiscal management, including federal grant administration and Medicaid reimbursement billings. MSDE reported in June 2005 that BCPSS was at risk of losing \$12.26 million in reimbursements, nearly all of its fiscal 2005 Medicaid billings.

To ensure that the 2005-2006 school year was not a repeat of the previous school year, Judge Garbis issued an emergency order in August 2005, requiring MSDE to execute its Intensive Management and Capacity Improvement Plan to bring BCPSS into compliance with federal law and court orders. MSDE's plan calls for bringing in nine administrators from Maryland LEAs to manage BCPSS special education services in the special education function, as well as related services. MSDE estimates that implementing the administrative components of the plan will cost \$1.4 million annually and has requested to use BCPSS's available carryover balances to cover the cost in fiscal 2006.

BCPSS has appealed Judge Garbis' decision to the Fourth Circuit Court, and the parties have been ordered to enter mediation proceedings in February.

2. MSDE Submits Report on Adult Education

In the 2005 session, Chapter 305, Acts of 2005 mandated that a proposal on reforming the Adult Education program in Maryland be submitted to the General Assembly by January 2006. The report was to include a method of funding adult education and providing services in a way that would reduce the waiting lists to the greatest extent possible. The State Superintendent's Panel on Excellence in Adult Education, established in 2004 to make recommendations for a funding formula, reviewed the research in the area and formulated recommendations. MSDE published the report in December 2005.

The report contains five recommendations:

- Increase State and local investment in evidence based adult education. The panel recommends 120 hours as the target for annual contact hours of instruction for students. An annual target enrollment of 40,000 was recommended to reduce current waiting lists.
- Establish a phased-in State statutory formula for adult education to provide a steady source of funding. The goal would be 50% State funding and 50% local funding.
- Consolidate three existing State funding streams within MSDE. The panel recommends that the Adult General Education, Literacy Works, and Maryland Adult External Diploma Program funding be consolidated into the Literacy Works program.
- Encourage workplace education partnerships with businesses and provide incentives.
- Publish an annual State performance report on the adult education program to document accountability.

To implement the report's recommendations, the panel recommends a 95% increase in the State's financial support of adult education and a 70% increase in local support. This is the estimated cost of establishing an adult education system that is able to deliver to 40,000 students the recommended 120 instructional hours per student. The estimated additional State cost for the first year is \$5 million, and the estimated cost of the fully phased-in appropriation formula is \$26.5 million. The allowance provides a \$2 million increase.

Current and Prior Year Budgets

Current and Prior Year Budgets Aid to Education (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2005					
Legislative Appropriation	\$3,670,091	\$241	\$708,675	\$309	\$4,379,316
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	157	62,707	220	63,084
Reversions and Cancellations	-3,919	-286	-76,189	-10	-80,404
Actual Expenditures	\$3,666,172	\$112	\$695,193	\$519	\$4,361,996
Fiscal 2006					
Legislative Appropriation	\$4,055,659	\$0	\$743,266	\$392	\$4,799,317
Budget Amendments	-6,805	0	0	0	-6,805
Working Appropriation	\$4,048,854	\$0	\$743,266	\$392	\$4,792,512

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

Fiscal 2005

The fiscal 2005 appropriation was revised significantly during the year with amendments totaling \$63,084,182. Most revisions involved federal funds. The major changes included the following:

- \$10.7 million increase in the Students with Disabilities program resulting from a grant received under the federal Special Education program;
- \$9.5 million increase in Innovative programs from prior year balances in the Reading First and GEAR-Up programs;
- \$8.3 million increase in the Children at Risk program, primarily attributable to the Twenty-first Century Community Learning Centers program;
- \$12.1 million increase in the Educationally Deprived Children program under the Even Start program and Title I programs; and
- \$3.6 million increase in Innovative programs due to a grant from the federal Charter Schools program.

Reversions and cancellations totaled \$80,403,727, accounted for primarily by federal funds. One of the primary reasons for the reductions is that federal grants have a 27-month term and may be carried over into the next fiscal year. Also, some federal grants may be budgeted, but never received due to cancellation. Major cancellations included the following:

- \$10 million for the National School Lunch Program;
- \$10.5 million in Reading Excellence grants;
- \$9.1 million in Reading First grants;
- \$9.6 million in the Child and Adult Care Food Program; and
- \$6.9 million in Twenty-First Century Community Learning Center grants.

General fund reversions include \$1,455,030 in formula funding for the Children in Out-of-County Living Arrangements and Schools near the boundary of two counties, and \$718,992 in Teacher Quality grants due to less than the eligible number of teachers qualifying.

Audit Findings

Included in the analysis of the Maryland State Department of Education Headquarters.

**Object/Fund Difference Report
MSDE – Aid to Education**

<u>Object/Fund</u>	<u>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
Objects					
02 Technical & Spec Fees	\$ 121,600	\$ 0	\$ 0	\$ 0	0.0%
08 Contractual Services	1,087,953	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	4,360,786,873	4,792,511,977	5,266,995,107	474,483,130	9.9%
Total Objects	\$ 4,361,996,426	\$ 4,792,511,977	\$ 5,266,995,107	\$ 474,483,130	9.9%
Funds					
01 General Fund	\$ 3,666,171,346	\$ 4,048,854,455	\$ 4,516,578,132	\$ 467,723,677	11.6%
03 Special Fund	112,533	0	0	0	0.0%
05 Federal Fund	695,193,157	743,265,522	749,844,975	6,579,453	0.9%
09 Reimbursable Fund	519,390	392,000	572,000	180,000	45.9%
Total Funds	\$ 4,361,996,426	\$ 4,792,511,977	\$ 5,266,995,107	\$ 474,483,130	9.9%

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Appendix 3

**Fiscal Summary
MSDE – Aid to Education**

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
01 State Share of Basic Current Expenses	\$ 2,113,968,849	\$ 2,308,307,557	\$ 2,493,207,814	\$ 184,900,257	8.0%
02 Compensatory Education	504,373,569	617,208,623	745,681,130	128,472,507	20.8%
03 Aid for Local Employees Fringe Benefits	411,509,379	415,289,844	455,318,501	40,028,657	9.6%
04 Children at Risk	15,902,066	18,898,514	18,897,143	-1,371	0%
05 Formula Programs for Specific Populations	5,808,013	7,675,000	8,075,000	400,000	5.2%
07 Students with Disabilities	271,194,959	303,952,905	358,708,334	54,755,429	18.0%
08 Assist State Educating Students with Disabilities	267,457,971	285,888,000	284,760,000	-1,128,000	-0.4%
09 Gifted and Talented	931,743	1,074,829	1,499,829	425,000	39.5%
10 Environmental Education	51,483	251,000	1,751,000	1,500,000	597.6%
12 Educationally Deprived Children	163,696,931	180,540,330	187,621,636	7,081,306	3.9%
13 Innovative Programs	18,121,724	21,967,648	24,285,611	2,317,963	10.6%
14 Adult Continuing Education	10,508,822	10,882,240	12,982,438	2,100,198	19.3%
15 Language Assistance	5,574,185	5,989,258	7,841,801	1,852,543	30.9%
18 Career and Technology Education	15,725,187	16,298,663	16,098,549	-200,114	-1.2%
20 Baltimore City Partnership Funding	21,139,524	14,093,016	0	-14,093,016	-100.0%
24 Limited English Proficiency	51,321,275	67,782,664	88,833,960	21,051,296	31.1%
25 Guaranteed Tax Base	19,131,881	38,743,204	60,507,654	21,764,450	56.2%
27 Food Services Program	155,243,157	160,948,086	163,899,651	2,951,565	1.8%
31 Public Libraries	29,427,205	30,068,909	33,118,646	3,049,737	10.1%
32 State Library Network	14,289,617	14,183,091	15,219,970	1,036,879	7.3%
39 Transportation	175,464,651	187,123,730	202,079,378	14,955,648	8.0%
52 Science and Mathematics Education Initiative	912,345	2,113,461	4,108,871	1,995,410	94.4%
53 School Technology	12,332,528	8,528,977	6,093,177	-2,435,800	-28.6%
54 School Quality, Accountability and Recognition of	15,568,078	14,279,600	15,664,274	1,384,674	9.7%
55 Teacher Development	48,766,286	46,847,828	47,165,740	317,912	0.7%
57 Transitional Education Funding Program	10,575,000	10,575,000	10,575,000	0	0%
58 Head Start	2,999,998	3,000,000	3,000,000	0	0%
Total Expenditures	\$ 4,361,996,426	\$ 4,792,511,976	\$ 5,266,995,107	\$ 474,483,130	9.9%

General Fund	\$ 3,666,171,346	\$ 4,048,854,455	\$ 4,516,578,132	\$ 467,723,677	11.6%
Special Fund	112,533	0	0	0	0.0%
Federal Fund	695,193,157	743,265,522	749,844,975	6,579,453	0.9%
Total Appropriations	\$ 4,361,477,036	\$ 4,792,119,977	\$ 5,266,423,107	\$ 474,303,130	9.9%
Reimbursable Fund	\$ 519,390	\$ 392,000	\$ 572,000	\$ 180,000	45.9%
Total Funds	\$ 4,361,996,426	\$ 4,792,511,977	\$ 5,266,995,107	\$ 474,483,130	9.9%