

Part L Education

Primary and Secondary Education

General Assembly Highlights Funding Enhancements for Education

State Aid for Education Continues on the Bridge to Excellence

In fiscal 2006, the fourth year since the enactment of the Bridge to Excellence in Public Schools Act, State education aid will increase by \$393.6 million to more than \$4.0 billion, an increase of 10.8 percent. The large increase is the result of the continued implementation of the new formulas enacted in the Bridge to Excellence legislation (Chapter 288 of 2002), which are designed to help every local school system reach an adequate level of funding by fiscal 2008. From fiscal 2002 to 2006, State education aid will increase by more than \$1.1 billion, an increase of 39.6 percent or an average 8.7 percent per year. Further increases of approximately \$500 million per year are projected for fiscal 2007 and 2008, at which time the phase-in of the Bridge to Excellence formulas will be complete.

As shown in **Exhibit L-1**, funding for the Bridge to Excellence programs will increase by \$387.1 million or 12.7 percent in fiscal 2006, while all other education aid programs combined increase by \$6.6 million or 1.1 percent. This trend illustrates the emphasis in the education finance structure on the new aid formulas and demonstrates the State's commitment to funding the Act. Despite difficult budget situations in each of the last three years, the integrity of the new formulas and the original phase-in structure have been preserved throughout the implementation period. Increases in education aid for individual counties can be found in Part A – Budget and State Aid of this *90 Day Report*.

**Exhibit L-1
State Education Aid
Fiscal 2005 and 2006**

	<u>FY 2005</u>	<u>FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<u>Bridge to Excellence Programs</u>				
Foundation Program	\$2,114.6	\$2,308.3	\$193.7	9.2%
Compensatory Education	488.1	607.2	119.1	24.4%
Special Education Formula	157.6	191.3	33.6	21.3%
Limited English Proficiency	51.3	67.8	16.5	32.1%
Guaranteed Tax Base	19.1	38.7	19.6	102.5%
Student Transportation	175.5	187.1	11.6	6.6%
Baltimore City Partnership	21.1	14.1	(7.0)	-33.3%
Extended Elementary Ed (EEEP)	<u>16.9</u>	<u>16.9</u>	<u>0.0</u>	0.0%
Subtotal	\$3,044.3	\$3,431.3	\$387.1	12.7%
<u>Other Education Programs</u>				
Teachers' Retirement	403.2	406.9	3.7	0.9%
Nonpublic Special Education	108.8	111.0	2.2	2.0%
Other Programs	<u>78.5</u>	<u>79.1</u>	<u>0.7</u>	0.8%
Subtotal	\$590.4	\$597.0	\$6.6	1.1%
Grand Total	\$3,634.7	\$4,028.3	\$393.6	10.8%

*Fiscal 2006 includes \$3.5 million for Challenge Grants and \$1.2 million for Literacy Works Grants that will only be provided if the Governor approves it and sufficient revenues are available in the Cigarette Restitution Fund.

Source: Department of Legislative Services

The General Assembly further displayed its commitment to enhancing State aid for primary and secondary education by deleting a provision of law that could have reduced growth in spending for education by \$37.3 million in fiscal 2006. *House Bill 147 (passed)*, the Budget Reconciliation and Financing Act of 2005, repeals a provision of law that triggers the need for legislative action when education aid exceeds 31.5 percent of general fund revenues. The provision requires the General Assembly to pass a joint resolution to proceed with full funding for education aid or limits increases in the base per pupil State aid amount to 8 percent if a joint resolution is not passed. Fiscal 2005 is the second consecutive year that aid has surpassed the 31.5 percent cap, and projections for the next five years show that aid will continue to exceed the threshold into the foreseeable future. The repeal of the 31.5 percent trigger mechanism ensures that full funding for the Bridge to Excellence Act can continue without the passage of a joint resolution.

Other Education Funding Enhanced for Fiscal 2006 and Beyond

House Bill 147 also provided other primary and secondary education funding enhancements and spending relief for local school systems. The Challenge Grant Program in the Maryland State Department of Education (MSDE) provides grants for school improvement to low-performing schools with low attendance rates, high dropout rates, and low pass rates on the Maryland School Assessments. In fiscal 2002 through 2004, \$6.8 million was provided for Challenge grants, including \$5.8 million distributed to schools in nine counties and \$1 million for the Annapolis feeder schools. In fiscal 2005, a total of \$3.8 million was provided, distributed proportionally to the counties and Annapolis feeder schools. The Governor did not include any funding for Challenge grants in the fiscal 2006 budget on the basis that increased foundation funding under the Bridge to Excellence formulas was adequate to provide the services. However, in *House Bill 147*, the General Assembly authorized \$3.5 million for Challenge grants to be appropriated from the Cigarette Restitution Fund (CRF) in fiscal 2006, to be distributed to each school in proportion to the grants received in fiscal 2005. The bill also mandated an appropriation of \$3.8 million for Challenge grants in fiscal 2007.

The Budget Reconciliation and Financing Act of 2004 (Chapter 430 of 2004) required local school systems to share in the cost of education for students enrolled in Regional Institutes for Children and Adolescents (RICAs) through the nonpublic placement special education formula. State savings of \$3.8 million annually were estimated as a result of the local cost sharing. *House Bill 147* repeals the local cost sharing requirement for RICA students beginning in fiscal 2006. In addition, beginning in fiscal 2007, the Department of Health and Mental Hygiene may not bill local school systems for supplementary services provided to RICA students. The fiscal 2006 budget includes revenues of \$2.0 million from billing local school systems. These costs were not charged to locals in fiscal 2005.

In addition to funding enhancements for traditional elementary and secondary education, legislation to increase funding for adult education and public libraries was also passed by the General Assembly. *Senate Bill 384/House Bill 1045 (both passed)* require the Governor to include an increase of \$1.5 million for adult education in the fiscal 2007 and 2008 State budgets. (*House Bill 147* authorized \$1.2 million in CRF funds for adult education in fiscal 2006.) MSDE must distribute the funding as Literacy Works Grants in order to reduce the waiting list for adult education and literacy services. MSDE reports that there were nearly 5,000 individuals on local waiting lists as of December 31, 2004, and the additional funding will serve up to 4,000 additional individuals each year. In addition MSDE must, in consultation with the General Assembly, establish an ongoing method of funding for adult education and literacy services so that the waiting list for these programs is reduced to the greatest extent possible.

Senate Bill 421/House Bill 200 (both passed) phase in funding increases for public libraries over four years beginning in fiscal 2007. Funding for the library aid formula will increase by an estimated \$3.3 million in fiscal 2007 and by an estimated \$9.8 million by fiscal 2010, when the phase-in will be complete. The three regional resource centers in the State, which are located in Charlotte Hall, Hagerstown, and Salisbury and provide enhanced library materials and services to other libraries in their regions, will receive additional funding of nearly \$900,000 in fiscal 2007 and \$3.7 million by fiscal 2010. Prior to *Senate Bill 421/House Bill 200*, legislation to increase funding for the library aid formula was most recently enacted in

1998, and State aid enhancements for regional resource centers were most recently approved in 2000.

Public School Construction Funding a High Priority for General Assembly

Public school construction receives a total of \$251.8 million in fiscal 2006, an increase of \$94.2 million or 60 percent over the Governor's proposed budget and more than twice the amount provided in fiscal 2005. These funds include \$234.2 million in general obligation bonds (\$79.2 million added by the General Assembly), \$2.4 million in special fund PAYGO, and \$15 million available in the contingency fund from unexpended school construction funds budgeted in prior years. The total includes an additional \$1.6 million for the Aging School Program and \$200,000 to repair State-owned relocatable classrooms.

The allocation for school construction allows the State to fulfill, for fiscal 2006, the goal set in Chapters 306 and 307 of 2004 (Public School Facilities Act). The Act implemented the recommendations of the Task Force to Study Public School Facilities, which was created to evaluate whether public school facilities were adequate to meet the requirements of the Bridge to Excellence in Public Schools Act. A survey conducted for the task force in 2003 identified \$3.85 billion in school facility deficiencies to bring schools up to minimum standards. The Act set a goal of addressing the identified deficiencies in eight years. The State's share of the cost is \$2 billion (or \$250 million annually) and local governments must provide \$1.85 billion under the State-local shared cost formula in order to meet the goal.

The Governor's fiscal 2006 Capital Improvement Program provides \$100 million in State funds annually for school construction in fiscal 2007 through 2010. After averaging more than \$250 million annually from fiscal 1999 to 2002, school construction funding dropped to \$140.5 million in fiscal 2003, \$106.3 million in fiscal 2004, and \$116.6 million in fiscal 2005.

Fiscal 2006 Allocations and Other Changes Made in the Capital Budget

The capital budget provides for the \$250 million to be allocated to the 24 local jurisdictions in fiscal 2006. (**Exhibit L-2** shows the county-by-county allocations.) The Board of Public Works (BPW) approved \$121.9 million for school construction projects on January 19 and February 16, 2005. The Interagency Committee on School Construction (IAC) is required to allocate \$128.1 million, the balance of funds available in fiscal 2006 that were not already approved by BPW or were added by the General Assembly, to individual school construction projects in the jurisdictions. To be eligible to receive funding, a project must be designated as A (funded) or B (ready to go) in the Public School Construction Program's ABC List, and projects must be funded by IAC in local priority order. (Projects designated as C have outstanding technical and/or substantive issues that prevent the project from being funded.) As shown in Exhibit L-2, local requests for State funding for A and B projects total over \$466 million in fiscal 2006. The fiscal 2006 funding level meets on average 53.6 percent of the requests.

Exhibit L-2
Fiscal 2006 Public School Construction Funding
(\$ in Thousands)

	BPW Approved	Additional	Total	Total as a Percent of A-B List	Total Dollar Request for A-B List
Allegany	\$9,900	\$1,100	\$11,000	100.0%	\$11,000
Anne Arundel	5,807	13,650	19,457	61.9%	31,452
Baltimore Co	7,065	17,922	24,987	89.8%	27,825
Calvert	3,209	151	3,360	97.7%	3,438
Caroline	4,699	0	4,699	98.8%	4,756
Carroll	4,726	1,403	6,129	62.0%	9,887
Cecil	3,298	5,358	8,656	84.0%	10,309
Charles	2,894	5,373	8,267	63.3%	13,056
Dorchester	656	0	656	100.0%	656
Frederick	5,826	5,857	11,683	28.3%	41,214
Garrett	1,400	0	1,400	72.5%	1,930
Harford	5,301	2,816	8,117	38.7%	20,978
Howard	5,454	9,819	15,273	52.3%	29,176
Kent	2,000	0	2,000	89.8%	2,228
Montgomery	8,510	21,921	30,431	28.1%	108,293
Prince George's	7,912	21,921	29,833	39.3%	75,874
Queen Anne's	4,450	2,447	6,897	99.3%	6,944
St. Mary's	2,767	195	2,962	97.4%	3,040
Somerset	14,300	0	14,300	74.6%	19,158
Talbot	2,350	72	2,422	67.3%	3,600
Washington	5,441	728	6,169	69.9%	8,822
Wicomico	5,209	2,407	7,616	85.6%	8,894
Worcester	1,250	913	2,163	96.5%	2,241
Baltimore City	7,470	14,053	21,523	99.6%	21,601
Total	\$121,894	\$128,106	\$250,000	53.6%	\$466,372

“BPW Approved” are the amounts approved by the Board of Public Works on January 19 and February 16, 2005.
“A-B List” is the local funding request for projects designated as A (funded) or B (ready to go) by the Public School Construction Program as of March 28, 2005.
Source: Department of Legislative Services, April 2005

The capital budget bill also expanded the membership of IAC, which is responsible for evaluating school construction requests from local governments and school systems and making recommendations on which projects should be funded. Two members of the public are added to IAC, one each appointed by the Senate President and the Speaker of the House, subject to certain restrictions. The Secretaries of Planning and General Services remain members of IAC, and the State Superintendent of Schools continues to serve as IAC Chair. The capital budget bill also clarifies that IAC meetings are subject to the State Open Meetings Law. In addition, for fiscal 2007, the amount of school construction projects that can be approved by BPW before May 1,

2006, is limited to 75 percent of the Governor's preliminary allocation for school construction (provided in October). Under current law, IAC must recommend *at least* 75 percent of the Governor's preliminary allocation for the upcoming fiscal year by December 31 of each year.

Other School Construction Legislation Considered

Several bills that would have increased school construction funding were considered by the General Assembly. *House Bill 1 (failed)* would have imposed recordation and transfer taxes on the transfer of real property, with a value of \$1 million or more, when real property is transferred by means of selling a controlling interest in a business entity that owns Maryland real property. Similar legislation failed in 2004. *House Bill 1* would have required local governments to dedicate \$19.5 million in fiscal 2006 and \$38.9 million in fiscal 2007 through 2009 in recordation tax revenue to a special fund for public school construction. The bill intended that the funds be used to supplement what is currently budgeted for school construction. The additional State transfer tax revenues were dedicated to land preservation programs as under current law.

The General Assembly considered, but did not pass, a number of bills that would have mandated school construction funding. *House Bill 946*, *House Bill 947*, and *Senate Bill 884/House Bill 1561 (all failed)* would have mandated \$250 million for school construction annually for up to eight years, with minor differences between the bills. *House Bill 89 (failed)* was a constitutional amendment that would have given general obligation bonds for school construction a maturity of 30 years, instead of 15 years. Financing debt over a longer term reduces annual debt service costs, which could free up resources for additional school construction authorizations over the short-term, although total costs would be greater over the long-term.

Finally, *House Bill 929/Senate Bill 766 (both passed)* repeal a requirement that title to public schools in Baltimore City be transferred from the Mayor and City Council of Baltimore to the Baltimore City Board of School Commissioners. Under current law, county boards of education must hold title to public school buildings. When the school system was separated from the city government in the Baltimore City-State Partnership legislation (Chapter 105 of 1997), a schedule for transferring assets from the city government to the school system was established, which was extended for real property assets in 2002 legislation. Prior to 1997, the school system was a department of city government and all assets of the school system belonged to the City of Baltimore. *House Bill 929/Senate Bill 766* allow title to public school real property in Baltimore City to remain with the Mayor and City Council permanently.

MSDE to Establish Early Childhood Development Division

The State has been focusing on early learning initiatives over a number of years, and local school systems will continue to bolster their school readiness efforts in the coming years due to the requirements established in the Bridge to Excellence legislation. The Act requires all school systems to implement full-day kindergarten for all students and offer pre-kindergarten to disadvantaged children by the 2007-08 school year. *House Bill 1491 (passed)* requires the formal approval of early learning and child care programs by requiring MSDE to develop a plan for the accreditation of private providers that will be used by local school systems to meet the

Bridge to Excellence kindergarten and pre-kindergarten mandates. The plan must include an estimated cost and an implementation timetable. MSDE must also develop a model contract for local school systems to use when they partner with private early learning and child care providers.

Senate Bill 759/House Bill 932 (both passed) continue the emphasis on early instruction by reorganizing child development programs under a new Early Childhood Development Division that will be established in MSDE. Early learning and child care programs within the Department of Human Resources (DHR) and the Office for Children, Youth, and Families (OCYF) will be transferred into the new division. The bills also require MSDE to develop a plan to address the needs of children with disabilities, children with special health care needs, and child care providers that care for these children. The plan must be incorporated into the State Disabilities Plan.

The programs that are transferred from DHR include the Child Care Administration, Maryland Child Care Resource Network, Maryland After-School Opportunity Fund Program, Maryland Family Support Centers Network, and Maryland Child Care Credential. ***Senate Bill 759/House Bill 932*** do not transfer the Office of Child Care Subsidy or the Purchase of Child Care Voucher Program from DHR but require MSDE, in consultation with DHR, to study whether the office and the purchase of care program should be transferred to MSDE at a later date. Programs transferred from OCYF include the Home Visiting Consortium, Healthy Families Maryland, and the School-Based Health Care Initiative. As discussed in Part M – Human Resources of this *90 Day Report*, the June 30, 2005, termination date for OCYF was not extended and many of its programs, personnel, and functions were transferred to other State agencies. In total, 197.5 full-time equivalent positions and \$29.2 million will be transferred to MSDE to establish the Early Childhood Development Division. The funding, most of which will come from funds appropriated to the DHR Child Care Administration, includes \$15.7 million in general funds and \$13.5 million in federal funds.

Statewide Principal Fellowship and Leadership Program Created

Chapter 545 of 2002 required MSDE and the Baltimore City Public School System to collaborate to establish a Distinguished Principal Fellowship Program for the city school system. According to MSDE, the program has increased student achievement, student attendance, teacher retention, and parent involvement at schools that have participated in the program. Based on the success of the pilot Baltimore City program, ***House Bill 995 (passed)*** establishes a statewide Principal Fellowship and Leadership Development Program and authorizes the State Superintendent of Schools to select up to 10 principals per year to become fellows in the program. The principals must agree to be transferred from their local school systems for three years to schools identified for restructuring under the State's accountability regulations. In addition to the fellow's normal salary, which will be paid by the receiving school system, the State will provide each fellow with an annual stipend of \$20,000.

With the approval of the State Superintendent of Schools and the local superintendent of schools in the school system in which the fellow has been placed, the fellow may select assistant principals from qualified employees in the school system receiving the principal. Prior to the

third year of the fellow's participation in the program, the fellow must select one of the assistant principals to assume leadership of the school after the fellow's departure.

Additional Protections Approved for Students

Several bills were introduced this session to provide additional protections and assistance to students. While some of the bills addressed the safety and protection of all students, others were directed at vulnerable or at-risk student populations.

Senate Bill 426/House Bill 1259 (both passed) address a significant problem faced by many children in State-supervised care by establishing procedures for the expeditious transfer of educational records. Placements for children in the State's care can change frequently, often requiring changes in the schools they attend. When this occurs, the re-enrollment of these students and the transfer of appropriate educational records does not always occur in a timely manner. *Senate Bill 426/House Bill 1259* state that it is the intent of the General Assembly that the State promote the education and well-being of children in State-supervised care by facilitating prompt enrollment in appropriate schools and the prompt transfer of their educational records. The bills set timelines for establishing contact between sending and receiving schools and require sending schools to relay student grade level and educational status at the time of first contact and transfer student records within days of the initial contact. Each local school system must create a dispute resolution process to quickly address disputes related to the transfer of an educational record and must allow a child in State-supervised care to remain at a receiving school during the dispute resolution process.

The General Assembly also took action to help suspended students access additional resources. Student suspensions and expulsions are increasing in Maryland according to data from MSDE. *Senate Bill 806/House Bill 1074 (both passed)* require each local board of education to develop a community resources list and distribute the list to the local public schools in its jurisdiction. A list must be given to each suspended or expelled student or the student's parent or guardian. Community resource lists may include the names and contact information for local and statewide social services and nonprofit health care providers that offer nondiscriminatory services to children and families in need of assistance.

Although it affects a broader population of students, *House Bill 407 (passed)* also focuses on the protection of students by providing a means for reporting bullying incidents that occur in schools, at school activities or events, or on school buses. MSDE must develop a standard Victim of Harassment or Intimidation Report Form that includes specific information about each incident, and local boards of education must distribute copies of the form to each public school. MSDE must submit an annual report with aggregate information collected from summaries forms submitted by local boards of education.

Concerns about the safety of drinking water in schools were recently heightened when methyl tertiary butyl ether (MTBE), a gasoline additive, was discovered in the groundwater in Harford County and in the water supply well located on property that houses a pre-kindergarten program. *Senate Bill 351/House Bill 1375 (both passed)* address this concern and require water suppliers to provide written notification to public schools, private schools, family day care homes, and child care centers when the water supply is not in compliance with State drinking

water standards. The schools and centers must send written notification of the problem to the parents and guardians of enrolled children within 10 days after receiving notice from the water suppliers. Notifications from the schools and centers must identify the contaminants and their levels and describe the way the school or center will deal with the problem. For a further discussion of groundwater contamination and MTBE, see Part K – Natural Resources, Environment, and Agriculture in this *90 Day Report*.

Increasing Prevalence of Childhood Obesity Addressed

The percentage of children who are overweight has nearly tripled over the last 20 years to approximately 15 percent of children ages 6 to 17, and nutrition and physical activity have been linked to this trend. Furthermore, academic success has been linked to both physical fitness and good nutrition. A number of bills introduced this session dealt with student health issues and were intended to improve the foods available to students or physical education programs or both.

Senate Bill 233 (passed) requires MSDE to employ a full-time Director of Physical Education. *Senate Bill 473 (passed)* requires vending machines that sell foods of minimal nutritious value to have timing devices that automatically prohibit or allow access to vending machines in accordance with policies established by each local board of education. The bill also requires school health education programs to include instruction in the importance of physical activity in maintaining good health.

State Programs for Nationally Certified Teachers Enhanced

For several years, the State has encouraged its teachers to pursue certification by the National Board for Professional Teaching Standards (NBPTS). NBPTS is an independent, nonprofit, nonpartisan organization with a mission “to establish high and rigorous standards for what accomplished teachers should know and be able to do.” There are approximately 500 nationally certified classroom teachers working in Maryland, due in part to the State’s commitment to NBPTS incentive programs.

The State and Local Aid Program for Certification by the National Board for Professional Teaching Standards was established in 1997 and provides State and local funding to pay the certification fee charged by NBPTS. *Senate Bill 266 (passed)* increases from 500 to 750 the maximum number of teachers that the State Board of Education may select to participate in the program each year.

Two years after the State and Local Aid Program for Certification by the National Board for Professional Teaching Standards was created, the Quality Teacher Incentive Act of 1999 established State stipends for classroom teachers who achieve NBPTS certification. The State stipends match local stipends for NBPTS certification, up to a maximum of \$2,000 per year. At least 18 local school systems offer the stipends. *Senate Bill 268/House Bill 330 (both passed)* expand eligibility for the stipends to nonadministrative certificated school employees who work directly with students or teachers at public schools.

Talbot County Board of Education Will Be Elected

Although alterations to the processes used to select members for local boards of education in Anne Arundel, Baltimore, and Prince George's counties were considered by the General Assembly, only the selection process for the Talbot County board will change. *Senate Bill 573/House Bill 119 (both passed)* alter the selection process for the Talbot County Board of Education from appointment to election. Four new members will be elected at the 2006 general election, and three new members will be elected at the 2008 general election. The board will also include one nonvoting student member who will be appointed by the board.

Higher Education

Funding Increases

All Higher Education Institutions Receive Funding Increases

Every segment of higher education receives a general fund increase in the fiscal 2006 budget. New general funds total \$66.3 million, and increases range from 4.4 percent for St. Mary's College of Maryland (SMCM) to 29 percent for private institutions, as shown in **Exhibit L-2**. In addition, employees of public higher education institutions will receive the 1.5 percent cost-of-living adjustment being provided to all State employees.

Exhibit L-2
General Funds for Maryland Institutions of Higher Education
Fiscal 2002, 2005, and 2006
(\$ in Thousands)

	<u>FY 2002</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>\$ Change</u> <u>FY 05 - 06</u>	<u>% Change</u> <u>FY 05 - 06</u>
University System of Maryland	\$864,765	\$757,698	\$799,748	\$42,051	5.5%
Morgan State University	52,035	48,860	51,321	2,461	5.0%
St. Mary's College	14,722	13,978	14,593	615	4.4%
MHEC Special Grants	7,376	14,317	15,222	904	6.3%
Community Colleges	178,546	183,990	191,605	7,615	4.1%
Balt. City Community College	29,740	30,425	32,814	2,389	7.9%
Sellinger/Private Institutions	45,974	35,514	45,830	10,316	29.0%
Total Increase				\$66,350	

Notes: USM fiscal 2006 funds include a \$1.5 million grant for the University of Maryland Baltimore County funded through the Maryland Higher Education Commission (MHEC) budget.

Source: Maryland State Budget Books; Department of Legislative Services for community college data.

Four-year Institutions

University System of Maryland (USM) institutions receive a general fund increase of \$40.6 million over the fiscal 2005 level. The USM funds include a \$3.8 million transfer of funds from the Department of Health and Mental Hygiene that is dedicated to the Maryland Psychiatric Research Center at the University of Maryland, Baltimore. Also included are general funds earmarked for nursing at Towson University (\$384,000).

The Maryland Higher Education Commission (MHEC) budget includes a \$1.5 million enhancement for the Aging Studies School at the University of Maryland Baltimore County. Including this amount, the USM general fund increase is \$42.1 million, or 5.5 percent, over fiscal 2005.

The General Assembly restricted \$1 million proposed by the Governor for the Aging Studies School to be used instead for five regional higher education centers that did not receive any funding in the Governor's budget. The Eastern Shore Higher Education Center and the Southern Maryland Higher Education Center each receive \$350,000 and the HEAT Center (Harford County), the Waldorf Higher Education Center, and the Laurel Center each receive \$100,000. The fiscal 2006 operating budget also includes \$2 million for the Hagerstown Higher Education Center and \$2.8 million for the Shady Grove Higher Education Center budgeted under USM.

Morgan State University (MSU) receives an increase of \$2.5 million, or 5 percent, over the fiscal 2005 level. The increase at SMC is \$615,000 over fiscal 2005, including \$195,691 more than the formula-mandated appropriation.

The State aid for private institutions program – known as the Joseph A. Sellinger Program – increases \$10.3 million over fiscal 2005, which nearly returns the aid program to the mandated funding formula level for the first time since fiscal 2002. The Governor’s proposed budget reconciliation legislation would have reduced the appropriation by \$10.1 million. Instead, the General Assembly restored all but \$500,000 of the Governor’s reduction. Under the Sellinger formula, aid per nonpublic full-time equivalent student (FTES) equals 16 percent of the per FTES general fund support for selected four-year public institutions in the previous year.

Community Colleges

For the first time since fiscal 2002, the budget fully funds community colleges in accordance with the Senator John A. Cade funding formula. Cade funds increase \$7.4 million over fiscal 2005. The amount distributed through the formula is based on a 25 percent of the previous year’s aid per FTES at selected public institutions. Community colleges also receive other revenues from the State, tuition and fee revenues, and appropriations from local governments. If additional State funds for fringe benefits and other programs are included, the overall community college increase is \$7.6 million in general funds.

The Baltimore City Community College (BCCC), as the only State-run community college, has its own formula, which sets State support at 66 percent of the prior year State appropriations per FTES at selected public institutions. The Governor proposed reducing BCCC’s appropriation by \$1.6 million, but the General Assembly reduced it by \$815,556.

Office for Civil Rights and Other MHEC Special Grants

In addition to regular State support, the four public historically black institutions will receive \$6 million in enhancement funds and \$6 million in Access and Success funds again in fiscal 2006 related to the State’s partnership agreement with the U.S. Department of Education’s Office for Civil Rights. These funds are budgeted in MHEC as special grants.

As shown in Exhibit L-2, MHEC special grants to institutions in fiscal 2005 and 2006 include Access and Success; enhancement funds for historically black institutions; Coppin State University revitalization recommendations (in fiscal 2005); the University of Maryland Biotechnology Institute Maryland-Israeli Partnership; the University of Maryland, Baltimore Wellmobile program; non-USM regional higher education centers; and the Private Donation Incentive Program.

MHEC special grants to institutions in fiscal 2002 include Access and Success, Maryland Applied Information Technology Initiative, Coppin State University information technology, Bowie State University master plan development, the Southern Maryland Higher Education Center, and the Private Donation Incentive Program.

Student Financial Assistance

Increased Funding for Need-based Aid

The fiscal 2006 budget includes \$95.4 million for scholarship programs administered by MHEC. This represents an increase of \$8.3 million, or 9.5 percent, over the fiscal 2005 working

appropriation. Need-based aid, which includes the Educational Excellence Awards, Part-time grants, and Graduate and Professional School scholarships, receives 70 percent of the total appropriation for State financial assistance. For the second consecutive year, need-based aid receives the largest increase among scholarship programs. The \$13.1 million, or 24.5 percent, increase in need-based aid will allow MHEC to grant approximately 6,000 additional awards over fiscal 2005 and will help offset increased tuition and fee rates. The fiscal 2005 average need-based award amount is \$1,833; in fiscal 2006 the average amount is expected to increase to approximately \$1,901.

Student Financial Assistance Reform Act of 2005

House Bill 1304 (passed) proposes a number of enhancements to State scholarship programs.

Distinguished Scholar Program for Community College Students: To better serve and provide more of an incentive for promising community college students to continue on to four-year institutions, the bill establishes a Distinguished Scholar Program for community college transfer students. Each year MHEC is directed to select from across the State the community college students who have the greatest potential for success in higher education and offer them scholarships to be used at four-year institutions of higher education. A \$3,000 award is available for a student who (1) has at least a 3.0 grade point average at the community college; (2) has completed at least 60 credit hours or an associates degree program at a Maryland community college; (3) qualifies as a Maryland resident; (4) uses the scholarship within one year of completing the community college credit or degree requirement; and (5) attends the four-year institution as a full-time student. The award may be used to pay for tuition and mandatory fees, room and board, and books and supplies and is independent of any other State scholarships available to the student.

Nursing Scholarships: Like other states across the country, Maryland is experiencing a nursing shortage that is expected to intensify over the next decade and beyond as a significant number of existing nurses reach retirement age and the overall population ages and needs additional health care services. To help address this nursing shortage, *House Bill 1304*, along with *Senate Bill 511 (passed)*, expand eligibility for State nursing scholarships to allow qualifying students who enroll in out-of-state institutions of higher education, due to lack of capacity in the programs in the State, to receive awards. In addition, the bills alter the service obligation requirement to allow a recipient to work for two years as a half-time nurse to fulfill the obligation (rather than work as a full-time nurse for one year for each year the recipient received the award) or to work as a faculty member in a nursing program at an eligible institution to meet the service obligation.

Workgroup to Study the Consolidation of Higher Education Grants: The Economic Development Student Assistance Grants Program was established to assist students who pledge to work in fields of geographic or critical shortage in the State. Over the years, as the number, variety, and complexity of the programs have grown, so too has the potential for overlap and conflict among the programs. To address these issues, *House Bill 1304* requires MHEC to establish a workgroup to study the possibility of consolidating the economic development student assistance grants and work-based shortage grants into a single grant program. The goal

of the effort is to establish uniform criteria for grant eligibility, award amounts and service obligation requirements. The workgroup must also develop a methodology for prioritizing the grants on an annual basis. MHEC must report the workgroup's findings and recommendations by November 15, 2005.

Tuition Waiver – Members of the Maryland National Guard

The governing board of each public institution of higher education in Maryland is required to develop a tuition waiver policy for members of the Maryland National Guard. Most of the institutions offer members of the Maryland National Guard a 50 percent tuition waiver for up to a certain number of course credits. *Senate Bill 153 (passed)* enhances this State policy by expressing the intent of the General Assembly that a guard member is eligible for the tuition waiver if the member registers for and attends a regularly scheduled course, independent of whether course space is available.

Deferment of Service Obligation

Many State student financial assistance programs require a recipient to sign a promissory note agreeing to work for a set period of time in the State upon completion of a degree. If a recipient fails to perform the service obligation, the recipient must repay the amount of the scholarship plus interest. MHEC has the authority to defer a service obligation in some circumstances. An individual who has been assigned to military duty outside of Maryland is eligible for a deferment of up to three years if the individual intends to return to Maryland to fulfill the obligation. If an individual is granted a deferment but does not return to Maryland to work within three years, repayment of the scholarship funds begins at that time. MHEC reports that in fiscal 2005 it is tracking 4,391 individuals who must perform service obligations or repay scholarship funds. *Senate Bill 32 (passed)* requires MHEC to grant a deferment from the service obligation of a State scholarship for an individual or the spouse of an individual who has been assigned to military duty outside of the State.

Sharon Christa McAuliffe Memorial Teacher Education Award

The State Board of Education continues to project teacher shortages for all 24 local school systems in the State, particularly in the subject areas of career and technology education, computer science, English for speakers of other languages, foreign languages, mathematics, science, and special education. The Sharon Christa McAuliffe Memorial Teacher Education Award program is specifically geared to increase the teacher supply in areas of critical or geographic shortage. Approximately 70 individuals currently receive awards under the program in fiscal 2005. To further increase the pool of eligible applicants for these awards and to assist individuals returning to the workforce or changing careers, *House Bill 1373 (passed)* requires the State board to establish eligibility criteria targeted to applicants who earned an undergraduate degree prior to 1986. Under the bill, consideration of the grade point average of pre-1986 graduates is prohibited.

Additionally, *House Bill 1235 (passed)* expands eligibility for the program by authorizing the State board to designate audiology and speech-language pathology as areas of critical shortage. The bill provides that the service obligation associated with a scholarship

award may be fulfilled by providing audiology and speech-language services in a public school for one year for each year that the scholarship is received.

Legislative Scholarships

For many years higher education administrators and legislators have expressed concern about and grappled with proposals to increase need-based financial aid to assist students wishing to pursue higher education. The fiscal 2005 budget contained the first increase in financial aid since 2001, and the fiscal 2006 budget contains additional increases for this purpose. For a number of years, there have been calls for the reform of Maryland's legislative scholarship programs, which allow each member of the General Assembly to make scholarship awards to students in the legislator's district. During the 2005 session, the General Assembly considered a number of proposals that would have reformed the programs.

Senate Bill 547 (failed) would have eliminated the existing Senatorial and Delegate scholarships programs and transferred the funds to a new Legislative Scholarship Program. The bill would have required 70 percent of the funds in the new program to be awarded to students in the respective legislative districts based on financial need. *Senate Bill 344/House Bill 993 (both failed)* would have transferred authority for awarding Senatorial and Delegate scholarships from legislators to the Office of Student Financial Assistance in MHEC. In a provision proposed under *House Bill 148 (failed)*, the Senatorial and Delegate Scholarships programs would have been repealed and an appropriation equivalent to the amount previously provided for the programs (at least \$11.3 million) would have been mandated to be appropriated for need-based scholarships each year.

Community Colleges and Regional Higher Education Centers

Degree Programs for Community Colleges and Regional Higher Education Centers

Several of Maryland's community colleges have established successful partnerships with four-year institutions of higher education to offer baccalaureate degrees from community college and regional higher education center sites. The College of Southern Maryland, for example, has partnered with several public and private universities in Maryland to offer four-year degrees in engineering, teacher education, business administration, and computer science. Additionally, the Universities at Shady Grove, a University System of Maryland (USM) regional higher education center, has partnered with Montgomery College and at least eight USM institutions to offer undergraduate degree programs in many fields.

To better monitor and coordinate efforts in this growing area, *House Bill 228 (Ch. 42)* establishes a process for a regional higher education center or a community college to offer a baccalaureate degree program sponsored by an in-state or out-of-state four-year institution of higher education. After seeking input from students and community groups and studying the impact of a proposed program, a regional higher education center or a community college may submit to MHEC a request for proposals (RFP) to offer a baccalaureate degree program not offered in the region. MHEC must distribute the RFP to public and private four-year institutions of higher education. If no in-state institutions submit acceptable responses to the RFP, the

regional higher education center or community college may submit the RFP to out-of-state four-year institutions of higher education.

Approval to Operate Regional Centers

There are seven regional higher education centers in the State serving more than 6,000 students and offering more than 120 different academic programs, including two operated by USM and five centers managed independently by two- and four-year public and private institutions. The centers are intended to provide access to affordable higher education programs to citizens in unserved and underserved areas, respond to the needs of local businesses and industries, and encourage participation by institutions of higher education. An October 2004 report issued by an MHEC workgroup in response to the 2004 *Joint Chairmen's Report* recommended that changes be made to State law to require MHEC to approve regional higher education centers. ***House Bill 597 (Ch. 59)*** codifies this recommendation and requires a regional higher education center to either be approved by MHEC or established in statute. In addition, each institution of higher education partnering in a regional higher education center must be approved to operate in the State by either MHEC or an act of the General Assembly. Further, the bill requires MHEC to ensure that each regional higher education center provides access to affordable higher education programs in an underserved area and responds to the needs of the area it serves.

Funding for Independent Regional Higher Education Centers

In its October 2004 report, the MHEC regional higher education center workgroup also noted that State operating and capital funding for the centers has been sporadic and suggested that "consistent and equitable" State funding would enable the centers to meet the needs of their regions. ***Senate Bill 989/House Bill 1599 (both failed)*** would have responded to this recommendation by requiring that \$5 million be included in the State budget each year for the independent centers beginning in fiscal 2007. Under the bill, each center would have received \$500,000 in basic operating funding and would have been eligible to receive up to an additional \$750,000 to support new programs and initiatives, technology, and upgrades to noncapital equipment.

Despite the failure of ***Senate Bill 989/House Bill 1599***, the fiscal 2006 budget provides \$1 million in funding for the non-USM centers. In addition, the 2005 *Joint Chairmen's Report* requests that MHEC follow-up on its October 2004 report and develop recommendations for a funding strategy for all seven centers.

Community College Students with Disabilities Task Force

Approximately 12,300 students with disabilities attend public elementary and secondary schools in Maryland. The number of these students who continue on to community colleges is unknown. It is estimated, however, that the cost to educate an elementary or secondary student with a disability is equal to 217 percent of the cost to educate a nondisabled student. ***House Bill 1236 (passed)*** establishes a Community College Students with Disabilities Task Force to review issues related to students with disabilities who attend community colleges. The task force is charged to identify strategies to improve educational and employment outcomes for

community college students with disabilities and develop recommendations to enable community colleges to acquire the resources needed to serve students with disabilities to help them achieve student education and employment goals.

Governance

University of Maryland University College

University of Maryland University College (UMUC) serves over 15,000 students at its College Park campus, and through its overseas divisions in 23 countries, provides quality undergraduate and graduate programs to over 50,000 students worldwide, including many military personnel and their dependents.

UMUC recently had to defend its public standing in foreign court to avoid paying taxes as a private entity. Although ultimately successful, UMUC incurred significant legal costs and was counseled to clarify its statutory authority to affirm that it is a unit of the State government. In that light, *Senate Bill 486/House Bill 96 (both passed)* declare that UMUC is a State agency and a constituent institution of USM that operates as Maryland's open university, provides affordable higher education, and continues as a leader in distributed higher education. The bill also permits a custodian to deny inspection of any part of specified public records that relate to UMUC's business and marketing plans, thereby enabling UMUC to maintain its competitive position relative to other educational providers in the marketplace.

Baltimore City Community College

In response to concerns expressed about various actions taken in recent years by the Baltimore City Community College (BCCC) Board of Trustees, in November 2004 MHEC completed an evaluation of BCCC to determine whether the college was in compliance with the *Minimum Requirements for Degree-granting Institutions* as expressed in the Code of Maryland Regulations (COMAR). The report found that the board of trustees, though acting within its statutory authority, was operating beyond its regulatory authority and that the statutory authority granted to the board of trustees is greater than the authority granted to other locally-operated community colleges in the State. Consequently, the report recommended that the statutory authority of the BCCC board of trustees be aligned with other community colleges and with COMAR.

Senate Bill 672 (failed) would have codified the recommendations of the MHEC evaluation report by prohibiting the board from participating in the day-to-day operations of the college, specifying that the board's authority to establish policy is limited to broad policy and long-range planning, and outlining the duties and responsibilities of the president and interim president. The bill also would have added two faculty members to the board of trustees and dictated policies and procedures to govern board meetings and personnel practices (including faculty grievances). In addition, the bill would have increased from \$800,000 to \$1.2 million the annual appropriation that Baltimore City must provide to the college beginning in fiscal 2006.

In another bill affecting BCCC employees, *Senate Bill 78 (passed)* removes BCCC employees from the State Personnel and Management System and places them under an

independent personnel system established by BCCC. Under the bill, the rights, benefits, compensation, and privileges of employees who are transferred to the BCCC personnel system may not be decreased. BCCC has approximately 500 full-time employees, 124 of whom are in the State personnel system and the rest of whom are in an independent personnel system. Other State higher education institutions including USM, MSU, and St. Mary's College have independent personnel systems.

Higher Education – In General

Blind Access to Technology

Under the general State procurement law and the State Information Technology Plan, a nonvisual access clause must be included in procurements related to the purchase of new or upgraded information technology and services. However, the clause does not have to be included if the technology is not available with nonvisual access because the essential elements of the technology are visual, or the cost of modifying the technology for nonvisual access increases the price by more than 5 percent.

In general, public institutions of higher education are exempt from the State procurement laws but are required to develop policies and procedures that are compatible with the State Information Technology Plan and consistent with the purposes of the State procurement laws. *Senate Bill 360/House Bill 1142 (both passed)* enhance access to technology at higher education institutions for blind individuals by requiring the governing board of each public institution of higher education to develop a nonvisual access clause for use in the procurement of computer-based instructional technology by January 1, 2007. The clause must be consistent with the standards developed by the Department of Budget and Management for State agencies.

Private Donation Incentive Program

Since 1969, Maryland has worked with the U.S. Department of Education, Office of Civil Rights (OCR) to eliminate the vestiges of segregation in its public higher education system and to promote equal access. In December 2000, the State and OCR entered into a partnership agreement that included a commitment from the State to further enhance its four historically black colleges and universities (HBCUs), including State support under the Private Donation Incentive Program through which the State matches private donations to the State's public institutions of higher education to specified levels. The program was established in 1999. Chapter 104 of 2001 enhanced the program for HBCUs by doubling the State match and gave each HBCU until January 1, 2006, to earn the maximum State match allowable under the program.

For HBCUs, the State matches \$2 for every \$1 pledged for the first \$250,000 in donations to an institution and \$1 for every \$1 pledged for the next \$1 million that is donated. MSU and the University of Maryland Eastern Shore have already reached the \$1.5 million maximum match allowed under the program and Coppin State University is expected achieve its maximum match in calendar 2005. Bowie State University, however, needs to raise another \$962,000 to achieve its maximum match. *Senate Bill 241 (passed)* extends the program until January 1, 2010, to allow Bowie State and Coppin State additional time to achieve the match.

Textbooks Consortium

In addition to contending with significant increases in tuition charges over the past few years, college students also have to pay for textbooks and other course materials. In an effort to help contain the costs of these items, *House Bill 70 (passed)* creates a textbook consortium in the University System of Maryland (USM) to allow USM institutions to receive volume discounts on the purchase of textbooks by students. The USM Board of Regents must establish the policies and procedures necessary to implement the bill by December 1, 2005.

Holocaust, Genocide, Human Rights, and Tolerance Education

To promote greater awareness and understanding of the events and people that have both challenged and helped to shape our world today, *Senate Bill 440 (passed)* establishes a Task Force to Implement Holocaust, Genocide, Human Rights, and Tolerance Education in the State. The task force is directed to advise USM on the establishment of a pilot program that creates a Center for Excellence on the Study of the Holocaust, Genocide, Human Rights, and Tolerance and to examine course offerings related to the Holocaust, genocide, human rights, and tolerance at USM institutions and the academic approaches, best practices, and funding sources available to address this issue. The task force must submit an interim report by March 1, 2007, and a final report by September 1, 2008.

