

Part L Education

Primary and Secondary Education

State Education Aid – Increases

State aid for primary and secondary education will increase by \$185.1 million to a total of \$5.35 billion in fiscal 2009, a boost of 3.6 percent over the fiscal 2008 funding level of \$5.17 billion. The additional State aid includes growth of \$129.8 million in funding that is provided directly to local boards of education, increasing direct State aid from \$4.60 billion in fiscal 2008 to \$4.73 billion in fiscal 2009, a 2.8 percent increase. Teachers' retirement, which is paid by the State on behalf of local school systems, will grow from \$566.4 million to \$621.8 million, an increase of \$55.4 million or 9.8 percent.

As shown in **Exhibit L-1**, a significant proportion of the direct aid increases are due to two programs receiving funding for the first time in fiscal 2009, the geographic cost of education index (GCEI) and the supplemental grants. These two programs account for a total of \$112.6 million in fiscal 2009, 86.7 percent of the \$129.8 million increase in direct aid. Due in part to Chapter 2 of the 2007 special session, which eliminated the fiscal 2009 and 2010 inflation factors for per pupil funding amounts used in the major State aid formulas, other direct State aid programs increase by just \$17.3 million combined. Two of the major State aid programs, the foundation program and the special education formula, will actually receive less funding in fiscal 2009 than they did in fiscal 2008 due to decreases in statewide enrollment. The increase of nearly 10 percent in the teachers' retirement program is mostly due to an 8.8 percent increase in the salary bases for local boards of education. 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 2008 and 2009
(\$ in Millions)

<u>Direct State Aid Programs</u>	<u>2008</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Foundation Program	\$2,782.7	\$2,756.8	-\$25.9	-0.9%
Geographic Cost of Education Index	0.0	75.8	75.8	–
Supplemental Grants	0.0	36.8	36.8	–
Compensatory Education	902.1	914.2	12.2	1.3%
Special Education Formula	280.0	272.7	-7.3	-2.6%
Limited English Proficiency	126.2	144.0	17.9	14.2%
Guaranteed Tax Base	78.9	90.0	11.1	14.1%
Student Transportation	219.0	225.1	6.1	2.8%
Nonpublic Special Education	125.2	127.6	2.4	2.0%
Other Programs	<u>87.5</u>	<u>88.4</u>	<u>0.9</u>	1.0%
Direct Aid Subtotal	\$4,601.6	\$4,731.6	\$129.8	2.8%
Teachers' Retirement	566.4	621.8	55.3	9.8%
Grand Total	\$5,168.1	\$5,353.2	\$185.1	3.6%

The largest increase in fiscal 2009, \$75.8 million, is for the GCEI, a formula that provides additional State funding to 13 school systems where costs for educational resources are above the State average. The GCEI was initially envisioned as part of the Bridge to Excellence in Public Schools Act of 2002 but had never been funded. Following the development of a Maryland-specific GCEI in 2003, a discretionary aid formula was established by Chapter 430 of 2004, and several bills since then have sought, without success, to mandate funding for the GCEI. The GCEI remains a discretionary aid program, but the Administration had declared its intent to fund a three-year phase-in of the formula beginning in fiscal 2009. With the reductions to mandated education aid approved during the 2007 special session, the Administration agreed to instead phase the GCEI formula in over just two years, with 60 percent of the formula being provided in fiscal 2009. In fiscal 2010, the full formula amount is expected to total approximately \$125 million.

The supplemental grants, which will provide \$36.8 million in fiscal 2009, were established during the 2007 special session to help mitigate the elimination of inflationary increases for the education aid formulas in fiscal 2009 and 2010. Based on a calculation that considers a combination of direct aid increases and increases in teachers' retirement payments, the supplemental grants will ensure each school system annual increases of at least 1 percent in fiscal 2009 and 2010. Funding for each system is first calculated under the major State aid formulas, and if the calculations do not result in an increase of at least 1 percent, additional direct State aid is provided through the supplemental grants to reach the 1 percent guarantee. Supplemental grants will be recalculated in fiscal 2010. Beginning in fiscal 2011, when the education aid formulas will again be inflated each year by no more than 5 percent, the 1 percent guarantee will no longer be in effect, but local school systems will continue to receive supplemental grants equal to the amounts they receive in fiscal 2010. As a result of the supplemental grants, every school system will receive an increase in State funding in fiscal 2009.

Despite the more modest growth in aid relative to the years when the Bridge to Excellence legislation was being phased in, State funding for primary and secondary education will still increase by 3.6 percent even in a constrained fiscal 2009 State budget. **Exhibit L-2** details total State education aid since fiscal 2002 and the annual increases that have resulted in an aggregate \$2.47 billion increase in aid over the time period.

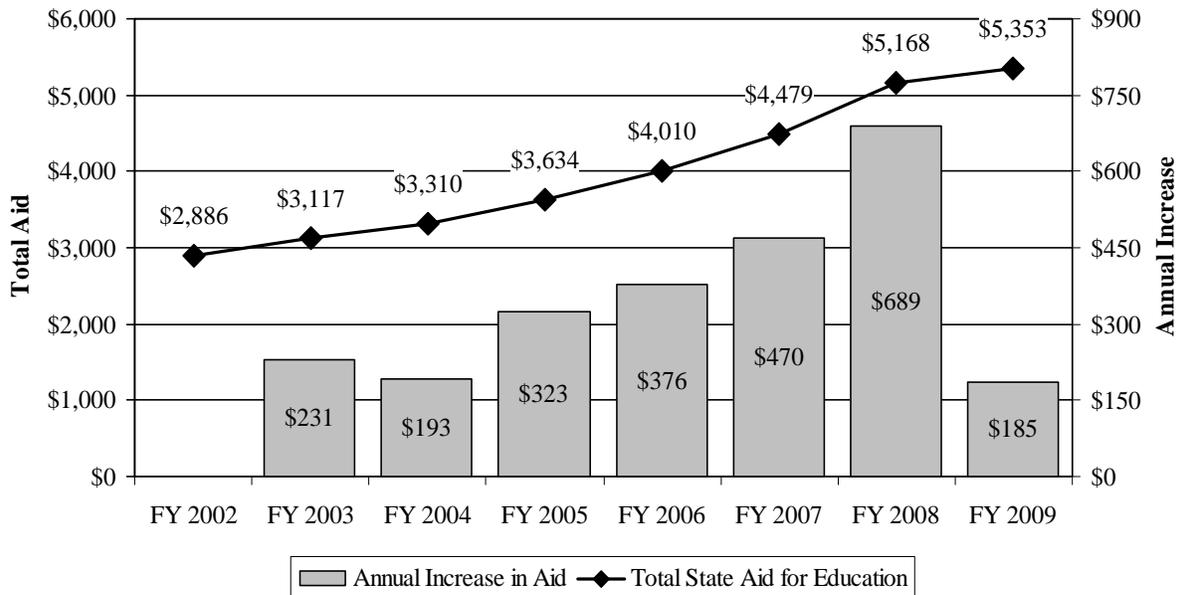
School Construction

Funding

The capital budget of 2008, *Senate Bill 150 (passed)*, contains \$333.4 million for public school construction. The budget includes \$327.4 million in general obligation (GO) bonds, and \$5.9 million from the Public School Construction Program's Statewide Contingency Fund. In the contingency fund, \$1.9 million is reserved for specific local education agencies in accordance with capital budget bill language.

The Public School Facilities Act of 2004 established a State goal to provide \$2 billion in State funding over the following eight years to address deficiencies, or \$250 million per year through fiscal 2013. Fiscal 2009 will be the fourth consecutive year that the goal has been met or exceeded. The \$333 million funding level is second highest in the program's history, following the record high \$401.8 million reached in fiscal 2008. Since fiscal 2006 the State has committed over \$1.3 billion for public school construction.

Exhibit L-2
State Education Aid
Fiscal 2002 to 2009
(\$ in Millions)



Seventy-five percent of the preliminary \$300 million announced by the Governor in October, or \$225.0 million, was recommended for specific projects by the Interagency Committee on School Construction (IAC) and approved by the Board of Public Works (BPW) in January 2008. For the first time in three years the capital budget bill does not detail the distribution of the remaining fiscal 2009 school construction funds. The IAC, in accordance with a new requirement codified in the fiscal 2008 capital budget bill, made recommendations equal to 90 percent of the total allowance, an additional \$75.06 million, in late February 2008. This was presented to the General Assembly and will be reviewed by BPW for approval after May 1, 2008. **Exhibit L-3** shows the proposed IAC allocation, subject to BPW approval. The remaining school construction funds, an additional \$33.3 million and any additional contingency funds that are available, will be allocated by the BPW after May 1, 2008. *Senate Bill 150* also codifies the prohibition that BPW not allocate more than 75 percent of preliminary school construction funding before May 1 each year.

Exhibit L-3
Fiscal 2009 Approved and Proposed School Construction Funding
(\$ in Thousands)

<u>LEA</u>	<u>BPW Approved</u>	<u>Additional IAC Recommend</u>	<u>Total LEA Recommend</u>	<u>Total LEA Request</u>	<u>LEA A-B Request</u>	<u>% of A-B Request Funded</u>
Allegany	\$0	\$0	\$0	\$0	\$0	n/a
Anne Arundel	18,078	7,340	25,418	32,834	28,242	90.0%
Baltimore City	19,182	12,176	31,358	149,925	138,781	22.6%
Baltimore County	19,659	11,192	30,851	73,391	33,243	92.8%
Calvert	6,009	1,800	7,809	12,804	12,804	61.0%
Caroline	7,300	800	8,100	9,422	9,422	86.0%
Carroll	10,700	1,000	11,700	28,320	28,320	41.3%
Cecil	2,588	0	2,588	5,646	5,646	45.8%
Charles	11,304	400	11,704	32,064	32,064	36.5%
Dorchester	9,500	900	10,400	21,668	21,668	48.0%
Frederick	12,220	2,400	14,620	72,928	72,928	20.0%
Garrett	3,020	0	3,020	3,020	3,020	100.0%
Harford	13,705	900	14,605	64,109	58,051	25.2%
Howard	14,024	1,003	15,027	50,397	35,556	42.3%
Kent	0	0	0	0	0	N/A
Montgomery	20,294	19,738	40,032	132,748	103,844	38.6%
Prince George's	20,201	13,811	34,012	134,914	51,804	65.7%
Queen Anne's	4,551	400	4,951	6,849	6,849	72.3%
St. Mary's	6,860	200	7,060	7,266	7,266	97.2%
Somerset	0	0	0	0	0	N/A
Talbot	0	0	0	446	0	N/A
Washington	8,568	800	9,368	11,777	11,777	79.5%
Wicomico	11,955	0	11,955	15,000	15,000	79.7%
Worcester	5,283	200	5,483	5,886	5,886	93.2%
Subtotal	\$225,000	\$75,060	\$300,060	\$871,413	\$682,170	44.0%
Unallocated			\$33,340			
Total			\$333,400			

Green Buildings

Senate Bill 208 (passed) requires that new public school buildings be constructed as high performance buildings, defined as achieving at least a silver rating under the United States Green Building Council's Leadership in Energy and Environmental Design (LEED) program. The Board of Public Works must develop a process to provide waivers that includes review and approval of the waiver request by the Interagency Committee on School Construction. The requirement applies to construction of new school buildings that have not issued a request for proposals for design before July 1, 2009. The State picks up one-half of the local share of the

increased construction costs associated with green building technologies in fiscal 2010 through 2014 under the bill. A more detailed description of this bill can be found in the subpart “Procurement” within Part C—State Government of this *90 Day Report*.

Education Legislation

The General Assembly also considered and passed bills relating to student behavior and student health and wellness, as well as bills addressing the structure and protocols of local boards of education.

Student Behavior

Safe Schools Reporting Act: The Safe Schools Reporting Act of 2005 requires local boards of education to report incidents of harassment or intimidation against public school students that occur on public school property, at school activities or events, or on school buses to the State Board of Education. Over the last two years, the Maryland State Department of Education has compiled reports from students and their parents and guardians on more than 3,200 incidents of harassment or intimidation. ***House Bill 1158 (passed)*** adds a school staff member to the individuals who may report an incident of harassment or intimidation through the standard Victim of Harassment or Intimidation Report forms developed by the Maryland State Department of Education. ***House Bill 1209 (passed)*** repeals the June 30, 2009 termination date on the 2005 Act.

Bullying: The American Psychological Association defines bullying as “aggressive behavior that is intended to cause harm or distress, occurs repeatedly over time, and occurs in a relationship in which there is an imbalance of power or strength.” ***House Bill 199 (passed)*** requires the State Board of Education, by March 31, 2009, to develop a model policy prohibiting bullying, harassment, and intimidation in schools. The bill further requires each local board of education, by July 1, 2009, to establish a policy prohibiting these activities at school based on the model policy. Each local board must publicize its policy in student handbooks and school system websites and must develop educational programs for students, staff, volunteers, and parents and professional development programs that train teachers and administrators to implement the local policies. With recent concerns about the relatively new problem of “cyberbullying” – using technology such as the Internet, e-mail, text messages, or instant messages to torment others – ***House Bill 199*** includes bullying through electronic communications in the definition of “bullying, harassment, or intimidation.”

Student Discipline: Chapter 222 of 2004 requires elementary schools with high suspension rates to implement Positive Behavioral Interventions and Support (PBIS) programs or similar behavior modification programs, and other schools, including middle and high schools, have voluntarily implemented PBIS. PBIS seeks to enhance the capacity of schools to adopt effective practices that improve a school’s ability to teach and support positive behavior. ***Senate Bill 96/House Bill 285 (both passed)*** require schools with truancy rates in excess of 8 percent of their enrollment during the 2008-2009 school year to implement PBIS or a comparable behavior modification program. The truancy rate that triggers the requirement is

reduced each subsequent year until it reaches 1 percent of enrollment for the 2012-2013 school year and thereafter. During the 2006-2007 school year, 2.2 percent of Maryland students were habitually truant, meaning they missed more than 20 percent of school days without a valid excuse.

For cause, a public school principal may suspend any student in the school for up to 10 days. *House Bill 139 (passed)* establishes a Task Force to Study Issues Related to Students Subject to Multiple Suspensions to study the feasibility and fiscal impact of requiring student services teams to provide case management to students who incur suspensions that result in 10 or more absences during a school year. A final report from the task force will be due by January 15, 2009.

Student Health and Wellness

Physical Fitness: Senate Bill 849/House Bill 1411 (both passed) require the State Board of Education and each local board of education to ensure that students with disabilities have an equal opportunity to participate in mainstream physical education programs and try out for and, if selected, participate in mainstream athletic programs. In addition, the State board and each local board must ensure the provision of reasonable accommodations to students with disabilities in order to ensure that they can participate, to the fullest extent possible, in mainstream programs. Athletic programs that have been adapted for students with disabilities and programs that combine students with and without disabilities must also be available. Each local board must develop policies and procedures to implement the provisions of the legislation. The State board must adopt a model policy to assist the local boards and monitor compliance with the requirements of the legislation.

In order to study the advisability of requiring all public schools in the State to provide a minimum amount of physical activity or physical education to students each week, *Senate Bill 955 (passed)* establishes a Task Force on Student Physical Fitness in Maryland Public Schools. The bill requires the task force to study the effects on childhood obesity and related health issues of requiring students to participate in a minimum amount of physical activity each week, in addition to the monetary costs of the requirement. A final report is due by November 20, 2008.

Youth Risk Behavior Surveillance System Survey

The Youth Risk Behavior Surveillance System (YRBSS) is a survey administered by the U.S. Center for Disease Control and Prevention every two years to a representative sample of public and private high school students in the nation. In order to obtain a completely representative and statistically valid number of survey participants, *Senate Bill 473/House Bill 536 (both passed)* alter parental consent procedures for the YRBSS survey to utilize passive consent for participation in the survey. The bill requires a local school system to provide each parent of a student who may be subject to the survey with a statement that contains specified information, including the confidential nature of the survey and the kinds of risk behaviors the survey is designed to identify, in addition to a denial of permission form that may be returned by the parent to the school. For the academic year during which the survey will be conducted, the

bills require the denial of permission form to be a part of the request for emergency contact information that is distributed to each student by public schools.

Hearing and Vision Screenings

According to *The Maryland State School Health Guideline: Hearing and Vision Screening Manual*, “School hearing and vision screening programs have clearly demonstrated that, all too frequently, some children enter school with impaired vision and hearing.” *Senate Bill 600/House Bill 653 (both passed)* alter the timeframe for testing hearing and vision. In addition to screenings done in accordance with the bylaws of the State Board of Education, these bills require testing during the year that a student enters a school system, enters the first grade, and enters the eighth or ninth grade. Further screenings are authorized in accordance with policies adopted by a local board of education or a local health department. The legislation requires a parent or guardian to report to the local board of education or health department on the recommended services received by a student who fails the screenings.

School Attendance

Dropouts: An average of more than 10,000 students per year dropped out of Maryland public high schools from the 1998-1999 school year to the 2006-2007 school year. *Senate Bill 264/House Bill 953 (both passed)* require the appropriate representative of a local board of education to provide, to the extent possible, information on alternative education and general educational development (GED) programs to each individual who has dropped out of high school.

Area of School Attendance: Chapter 207 of 2003 allows a student whose parent or guardian resides in another school system to attend a school in the system where the student lives with a relative who is providing informal kinship care due to a serious family hardship. *Senate Bill 77/House Bill 169 (both passed)* permit the same type of transfer within a single school system. The legislation allows a child to attend a public school outside of the attendance area of the child’s permanent residence, if the child is living in the school’s attendance area with a relative who is providing informal kinship care because of a serious family hardship.

Local Boards of Education

Prince George’s County: Chapter 289 of 2002 eliminated the then-existing Board of Education of Prince George’s County and established a New Prince George’s County Board of Education that consisted of nine voting members who were jointly appointed by the Governor and the County Executive. Chapter 289 also set up a structure for the election of a new board in 2006, with four members elected from the county at-large and five members elected from five different school board districts. *Senate Bill 33/House Bill 1041 (both passed)* alter the structure of the Prince George’s County Board of Education once again to elect one member from each of nine separate school board districts at the 2010 general election. It also establishes eligibility criteria for school board members and new procedures for electing members, filling vacant positions, and appealing the removal of members.

To gauge the effectiveness of the appointed board that served from 2002 to 2006, Chapter 289 required that a comprehensive review of Prince George’s County Public Schools be conducted by a consultant jointly selected by the county board of education and the Maryland State Department of Education. A consultant was never hired, and *Senate Bill 183 (passed)* repeals the requirement.

Washington County: The Washington County Board of Education consists of seven members elected to four-year terms from the county at-large. The Governor is responsible for appointing an individual to fill a vacancy. *House Bill 639 (passed)* establishes a School Board Nominating Commission for Washington County to nominate individuals to fill a vacancy on the county board of education. The bill also requires the county commissioners, rather than the Governor, to appoint an individual to fill a vacancy from a list of nominees provided by the commission.

Anne Arundel County: *House Bill 1607 (passed)* repeals uncodified language from Chapter 454 of 2007 that provides that the new stipend amounts for Anne Arundel County Board of Education members do not take effect until the following term of office. The bill also requires the Department of Legislative Services to staff the School Board Nominating Commission of Anne Arundel County established in 2007.

Task Force on Educational Issues Affecting Military Children

In recognition of the academic challenges associated with frequent school changes experienced by the children of members of the military, *Senate Bill 457/House Bill 784 (both passed)* establish a Task Force on Educational Issues Affecting Military Children. The bills require the task force to identify educational issues that affect military children and identify existing efforts in the State to ease the transition of military children to Maryland schools. The task force must also make recommendations on efforts that would ease the transition of military children and the feasibility of the State joining the Interstate Compact on Educational Opportunities for Military Children that is being considered by legislatures in several states around the country. A final report is due December 1, 2008.

Task Force to Study How to Improve Financial Literacy in the State

In 2006, the national survey of financial literacy by the JumpStart Coalition for Personal Financial Literacy found 65.5 percent of high school seniors with failing scores, a significant increase from the 44.2 percent with failing scores in 1998. *Senate Bill 533/House Bill 1242 (both passed)* establish a Task Force to Study How to Improve Financial Literacy in the State. The legislation requires the task force to (1) study the current ability of high school students to understand basic financial concepts; (2) evaluate the current provision of financial literacy education in public schools; (3) assess the utility of financial literacy education as part of primary and secondary education; (4) study the current ability of consumers over the age of 21 to understand basic financial concepts; and (5) identify the problems created for average consumers who lack financial literacy. A final report is due by December 1, 2008.

Higher Education

Funding

Every segment of higher education will receive a general fund increase in fiscal 2009. Combined, funds from the new Higher Education Investment Fund (HEIF) and general funds total \$135.0 million in fiscal 2009, a 9.4 percent increase as shown in **Exhibit L-3**.

Exhibit L-3
General and Higher Education Investment Funds for
Maryland Institutions of Higher Education
Fiscal 2008 and 2009
(\$ in Thousands)

	<u>FY 2008</u>	<u>FY 2009</u>	<u>\$ Change</u> <u>FY 08 - 09</u>	<u>% Change</u> <u>FY 08 - 09</u>
University System of Maryland	\$1,004,918	\$1,103,438	\$98,520	9.8%
Morgan State University	67,634	75,593	7,959	11.8%
St. Mary's College	16,367	17,073	706	4.3%
MD Higher Ed. Comm. Special Grants	10,358	13,158	2,800	27.0%
Community Colleges ¹	241,701	262,896	21,196	8.8%
Baltimore City Community College ²	39,698	40,988	1,290	3.3%
Private Institutions	56,051	58,580	2,529	4.5%
Total	\$1,436,727	\$1,571,726	\$135,000	9.4%

Note: Includes \$24.7 million of general funds in fiscal 2009 that will be transferred from the Department of Budget and Management appropriation to the University System of Maryland (USM) and Morgan for the cost-of-living adjustment (COLA) for State employees. General funds received in fiscal 2008 for the COLA are also included.

¹ Community College funds include the Senator John A. Cade formula, other programs, and fringe benefits.

² Fiscal 2008 BCCC funding includes a \$750,000 deficiency appropriation.

Source: Maryland State Budget Books; Department of Legislative Services

Higher Education Investment Fund

The Higher Education Investment Fund (HEIF) created during the 2007 special session as part of the Tax Reform Act of 2007 (Chapter 2) increased the corporate income tax rate from 7 percent to 8.25 percent and dedicated 6 percent of corporate tax revenues to higher education through the fund. Fiscal 2008 revenue is specified in the Tax Reform Act at \$16.0 million and \$54.3 million is estimated for fiscal 2009. Across the segments of higher education, \$69.9 million in HEIF is appropriated or authorized to be accessed by budget amendment. With the exception of St. Mary's College of Maryland (SMCM), all public four-year institutions received special funds from HEIF in fiscal 2009.

HEIF is appropriated to fund an in-state undergraduate tuition freeze (\$16.3 million) at all public four-year institutions except SMCM. HEIF also supports a portion of mandatory costs (\$30.7 million), program enhancements (\$3.3 million), workforce development initiatives (\$8.0 million), and enrollment support (\$11.6 million).

The increase in special grants from the Maryland Higher Education Commission (MHEC) is primarily attributable to \$3.0 million from HEIF, of which \$2.6 million is for workforce initiative grants to meet the needs of the State for the 2005 Base Realignment and Closure. The other \$400,000 will be provided to the six regional higher education centers administered by MHEC. The regional higher education centers will also receive an additional \$400,000 through a budget amendment from HEIF, thereby increasing the overall funding in fiscal 2009 from \$850,000 to \$1,650,000.

Tuition Frozen for Third Consecutive Year

In an effort to continue to make college more affordable for Maryland residents, the tuition freeze established under the Tuition Affordability Act, Chapters 57 and 58 of 2006 and continued by Chapter 294 of 2007, will be extended for a third year for resident undergraduate students at University System of Maryland (USM) institutions and Morgan State University (MSU) for the 2008-2009 academic year. The HEIF funds being used to support the freeze equate to what would have been an approximate 4 percent increase at the USM institutions and a 5 percent increase at MSU. St. Mary's College of Maryland is unaffected by the freeze, and tuition will increase by 5 percent in fall 2008 for the second year in a row.

Four-year Institutions

USM will receive an increase of \$98.5 million, of which \$38.9 million is general funds and \$59.6 million is special funds from HEIF, an increase of 9.8 percent over fiscal 2008. This includes \$15.5 million to offset the loss of tuition revenue so USM institutions can freeze resident undergraduate tuition for a third year. State funding provides for an increase of 4 percent per full-time equivalent student (FTES), after making adjustments for certain new expenses. Additional funds will support ongoing operating costs, program enhancements, and the enrollment of additional students at 10 institutions.

MSU receives a total increase of \$8.0 million, of which \$1.1 million is general funds and \$6.9 million is special funds from HEIF, or 11.8 percent over fiscal 2008. General and HEIF funds will support ongoing operating expenses, enrollment growth, and initiatives. The increase in general funds at SMCM is \$705,934 or 4.3 percent over fiscal 2008, which is 1.6 percent higher than the formula funding required by statute.

State aid for private institutions, through the Joseph A. Sellinger Program, increases \$2.5 million over fiscal 2008, or 4.5 percent. This equates to aid per nonpublic FTES of 15.2 percent of the per student general fund support for selected four-year public institutions in the previous year, below the 16 percent level mandated in statute.

Community Colleges

Fiscal 2009 funding through the Senator John A. Cade funding formula grows by 4.0 percent per FTES over fiscal 2008. With enrollment increases at the colleges, this amounts to an 8.4 percent, or \$16.4 million increase over fiscal 2008. The fiscal 2009 appropriation represents 25.3 percent of the per student funding that selected public four-year institutions received in the previous year, short of the statutorily mandated 26.25 percent. When additional State funds for fringe benefits and other programs are included, the overall community college increase is \$21.2 million, or 8.8 percent. Community colleges also receive other revenues from the State, tuition and fee revenues, and appropriations from local governments.

BCCC, as the only State-run community college, has its own formula, which for fiscal 2009 sets State support at 67.25 percent of the prior year State appropriations per FTES at selected four-year public institutions. BCCC receives a \$1.3 million, or 3.3 percent, increase in general funds in fiscal 2009.

Higher Education Funding Model Commission

In addition to establishing the initial tuition freeze at public institutions of higher education, Chapters 57 and 58 of 2006 established the Commission to Develop the Maryland Model for Funding Higher Education to evaluate the relative roles of State general fund support and tuition and fees revenues at public institutions of higher education. Legislators, cabinet secretaries, representatives of the higher education community, members of the business community, and members of the public comprise the commission. The commission is charged with reviewing options and making recommendations relating to the development of a statewide framework for higher education funding that would be consistent and stable and ensure that all of Maryland's public higher education institutions are affordable and accessible to the State's residents. The commission must also make funding recommendations to ensure that Maryland's historically black institutions (HBIs) are comparable and competitive with other public institutions in the State.

Chapters 57 and 58 directed the commission to issue a final report of its findings and recommendations on or before December 31, 2007, and terminated the commission on May 1, 2008. However, *House Bill 133 (Ch. 45)* requires the commission to submit an interim report of its findings and recommendations on or before December 31, 2007, extends the deadline for its final report to December 1, 2008, and terminates the commission on June 1, 2009. In addition, the bill adds the Lieutenant Governor as a member of the commission.

Higher Education Workforce Initiatives for the Base Realignment and Closure Process

Of the \$69.9 million in HEIF spending authorized for fiscal 2009, \$2.6 million has been appropriated to the Maryland Higher Education Commission to address higher education needs related to the Base Realignment and Closure (BRAC) process. *House Bill 704 (passed)* alters related statutory provisions to allow money from HEIF to be used for higher education needs

related to BRAC. The types of BRAC initiatives MHEC expects to fund include the expansion of campus capacity through the design and use of multimedia instruction and Internet-based course offerings; the enhancement of science-technology-engineering-math programs; expansion of adult learning initiatives; and the development of curricula and programs directly related to BRAC educational needs.

Student Financial Assistance

Parren J. Mitchell Scholarship Program

Parren J. Mitchell, a Baltimore native, is one of Maryland's distinguished citizens of the twentieth century. After graduating from the City's Frederick Douglass Senior High School in 1940 and serving as an officer during World War II, he received a bachelor's degree from Morgan State University. In 1950, he sued the University of Maryland, College Park to compel it to enroll him as its first black graduate student. Once enrolled, he completed his master's degree in sociology and was admitted to the school's honor society. During the 1960s, he served as executive secretary for the Maryland Human Relations Commission and during his tenure played a pivotal role in the statewide public accommodations law.

In 1970, Parren J. Mitchell was elected as Maryland's first black U.S. Congressman and he continued to represent Maryland's seventh Congressional District until retirement in 1987. Mitchell was the founder of minority business enterprise procurement law, having successfully shepherded legislation through enactment in 1976 that compelled state, county, and municipal governments seeking federal grants to set aside 10 percent of the money to retain minority firms as contractors and subcontractors.

House Bill 1287 (passed) honors the legacy of Congressman Mitchell by establishing the Parren J. Mitchell Public Service Scholarship under the State's Workforce Shortage Student Assistance Grant Program. Students who pledge to work as public servants in the fields of nursing and social work or in other public or nonprofit fields in workforce shortage areas in the State on completion of their studies would be eligible to receive the Parren J. Mitchell Public Service Scholarship in an amount ranging from \$1,000 to 50 percent of the cost of attendance at the student's institution of higher education.

Maryland Graduate and Professional Scholarship Program

A recipient of a graduate and professional scholarship must be a Maryland resident, demonstrate a financial need, and attend one of several designated graduate and professional schools offering programs in medicine, dentistry, law, pharmacy, social work, veterinary medicine, or nursing. The fiscal 2009 State budget includes \$1.5 million for the program, the same amount that was appropriated in fiscal 2007 and 2008. The University of Maryland School of Pharmacy is one of the designated graduate and professional schools at which a student may use a scholarship. *Senate Bill 141 (passed)* expands eligibility under the program to include students who attend any institution of higher education in the State offering a first professional degree in pharmacy. The College of Notre Dame has added a first professional degree in

pharmacy program and several other higher education institutions in the State are considering adding similar programs.

Veterans of the Afghanistan and Iraq Conflicts Scholarship

The Veterans Advocacy and Education Act of 2006 (Chapter 290) established the Veterans of the Afghanistan and Iraq Conflicts Scholarship Program to provide postsecondary education scholarships to veterans returning from Afghanistan and Iraq. A scholarship may be awarded for up to five years of full-time study or eight years of part-time study. In fiscal 2008, 126 veterans are receiving scholarships totaling approximately \$600,000 through the program. The proposed fiscal 2009 State budget includes \$750,000 for the program and it is projected that about 155 veterans will receive scholarships averaging \$4,935 each. *Senate Bill 608 (passed)* extends the deadline for awarding an initial scholarship under the program from June 30, 2012 to June 30, 2016. The Office of Student Financial Assistance is authorized to continue to renew scholarships for eligible recipients after the June 30, 2016 deadline until the recipient's eligibility is exhausted.

Other Higher Education Legislation

College Savings Plans of Maryland

The College Savings Plans of Maryland Board operates two college savings programs established under State law: the Maryland Prepaid College Trust and the Maryland College Investment Plan. Account holders may enroll directly in the programs and per contract (the prepaid trust) and per account (the investment plan), a taxpayer may subtract up to \$2,500 per year from Maryland taxable income for contributions made to Maryland's college savings plans. Contributions exceeding \$2,500 may be carried over for 10 successive years. Earnings on money invested in the college savings plans are not subject to State or federal taxes as long as the funds are used for eligible college expenses.

House Bill 1534 (passed) authorizes the board to establish a Maryland Broker-Dealer College Investment Plan to enable Maryland families who invest through private investment advisors to participate in college savings plans that will result in State income tax benefits. Under the bill, Maryland taxpayers who invest in a college savings plan distributed by brokers and dealers will be allowed to deduct up to \$2,500 annually in contributions to the plan from their taxable income for purposes of State and local income taxes, beginning with tax year 2008. However, a taxpayer may not take the subtraction modification under the broker-dealer plan and the subtraction modification currently available through the Maryland College Investment Plan in the same tax year for the same beneficiary. The College Savings Plans of Maryland Board must administer the broker-dealer plan in compliance with Internal Revenue Service standards for qualified State tuition programs. After several years, the bill may reduce general fund revenues by close to \$5.0 million annually due to the subtraction modification that will be available to account holders under the new broker-dealer plan.

Plans for Cultural Diversity

A “Halloween in the Hood” fraternity party at Johns Hopkins University in the fall of 2006 caused a stir on the Hopkins campus and in the wider community with many observers suggesting that the fraternity party was offensive and possibly representative of underlying racial tensions on the campus. Ultimately, the fraternity that hosted the party was placed on social probation which resulted in it not being allowed to hold parties or other social events until January 2008. *Senate Bill 438/House Bill 905 (both passed)* direct public institutions of higher education to develop and implement programs for cultural diversity and require independent institutions of higher education that receive State funding under the Sellinger formula to report on the programs at the institutions that promote and enhance cultural diversity. Under the bill, “cultural diversity” is defined to mean the inclusion of those racial and ethnic groups and individuals that are or have been underrepresented in higher education.

Credit Card Marketing Activities and Merchandising Conducted on Campus

Promotional “giveaways” are a common marketing technique often used by credit card issuers in order to obtain new customers. According to the 2005 Nellie Mae report on credit card usage by undergraduate students, credit card use increases as undergraduates progress through school. For example, 91 percent of final year undergraduates have a credit card, as compared to 42 percent of freshmen. Moreover, 56 percent of final year students have four or more credit cards, compared to 15 percent of freshmen. Final year students also have an average outstanding credit card balance of \$2,900, compared to \$1,600 for freshmen. The report notes that undergraduates who were surveyed on the topic indicated that direct mail solicitation was the primary source for choosing a credit card, with parental referral as the second most common choice.

To help college students be better informed about the benefits and pitfalls of credit cards, *House Bill 1210 (passed)* requires each institution of higher education in the State to develop policies regarding credit card marketing activities and merchandising conducted on its campus. The bill requires that the policies adopted by an institution include (1) a requirement that credit card issuers inform students about good credit management practices through a program developed in conjunction with the institution; (2) a requirement that, on request, the policy be available to all students; and (3) consideration of registering credit card issuers conducting marketing activities on campus, limiting credit card marketing activities, and prohibiting merchandising unless a student is provided credit card debt education literature. The bill’s requirements, however, do not apply to any credit card marketing activities or merchandising conducted by credit card issuers in newspapers, magazines, or other similar publications or within financial institutions located on campuses.

College Textbook Competition and Affordability

The dramatic and continuing rise in the cost of college textbooks has gained increasing attention from policymakers and interest groups in recent years. With the 2004 release of “Rip-off 101,” the U.S. Public Interest Research Group (PIRG) launched an effort to inform the public about practices by textbook publishers that, according to PIRG, resulted in higher college

textbook prices. A July 2005 report from the U.S. Government Accountability Office (GAO-05-806) found that college textbook prices increased by 186 percent from 1986 to 2004, more than twice the rate of inflation but still less than the 240 percent increase in tuition over the same period. The report concludes that “many factors affect textbook pricing, [but] the increasing costs associated with developing products designed to accompany textbooks, such as CD-ROMs and other instructional supplements, best explain price increases in recent years.” Different sources have estimated that the increase in costs associated with the “bundling” of textbooks with supplementary materials is 10 to 30 percent.

In the U.S. Congress, the College Opportunity and Affordability Act was passed by the U.S. House of Representatives on February 7, 2008. The measure attempts to address the concerns about college textbook prices by requiring publishers to provide unbundled versions of textbooks and more pricing information to course instructors as they choose textbooks for their students. The legislation also requires institutions of higher education to make International Standard Book Numbers or other details about textbooks available to students on course schedules. The bill is pending in the U.S. Senate.

Senate Bill 657/House Bill 1067 (both failed) would have required public institutions of postsecondary education in the State to develop and implement specific practices and processes relating to textbook selection and adoption. The bill also would have mandated the disclosure of specific information about textbooks for commercial textbook publishers and institutions of postsecondary education, and would have required publishers and campus bookstores to provide and sell textbooks and supplemental materials in the same manner as selected by faculty. The legislation also would have established reporting requirements applicable to institutions of higher education, MHEC, and USM.

Miscellaneous

Adult Education

For several years, the General Assembly has expressed concern about the availability of adult education and literacy services in the State and the funding for these programs. There are between 750,000 and 1 million individuals in Maryland who would benefit from adult education and literacy services. Current programs enroll 5 percent of this population, and the programs have an annual waiting list of 5,000.

The Maryland State Department of Education (MSDE) administers and funds the Adult Education and Literacy Program in the State through competitive grants awarded in accordance with the State Plan for Adult Education and Family Literacy. The grants provide support for general education development (GED) instruction, adult external high school programs, instruction in English for nonnative speakers, and other literacy programs. In most counties, the local school systems provide adult education programs. However, several jurisdictions provide services through community colleges, community groups, or the public library system.

MSDE also administers a correctional education program in conjunction with the Department of Public Safety and Correctional Services (DPSCS). Incarcerated adults who fail to meet a minimum educational standard are provided basic education, adult secondary education, occupational preparatory programs, and library services through MSDE's Division of Correctional Education.

Transfer of Adult Education Programs

Recognizing that significant overlap may exist between the populations in need of adult education and workforce development programs, *Senate Bill 203 (passed)* transfers adult education and literacy services and education programs for correctional institutions from MSDE to the Department of Labor, Licensing, and Regulation (DLLR) on July 1, 2009. As a result of the transfer, adult education and correctional education programs will be under the same agency as workforce development programs.

The bill also establishes a Workforce Creation and Adult Education Transition Council to make recommendations for the seamless transition and integration of these programs. The Secretary of Labor, Licensing, and Regulation and the State Superintendent of Schools will serve as co-chairs of the council, which is composed of members of the legislature and various stakeholders in the adult education, higher education, and workforce development communities. The council is charged with assisting in the development of a new State plan for adult education and making recommendations on a new delivery system for services that will align adult education and correctional education with workforce development programs. The council's report will also include an analysis of the transfer of employees in the correctional education program who have shared responsibilities for the juvenile services education program, which will remain at MSDE. The council will submit a report of its recommendations by December 31, 2008.

To reflect the transition's goal of a coordinated delivery of adult education and workforce development for all adults, the Education Coordinating Council for Correctional Institutions, which oversees the provision of services in the correctional education program, will be renamed the Education and Workforce Training Coordinating Council for Correctional Institutions. This new council will be under the jurisdiction of DPSCS and DLLR.

After the transition, not all adult students will be served by DLLR. DLLR will be responsible for the development of the State plan for adult education and literacy services and its submission to the U.S. Department of Education. However, the State Board of Education will continue to issue Maryland high school diplomas to graduates of the Adult External High School Diploma program, and diplomas for students who complete the GED program will be issued pursuant to regulations developed by the Secretary of Labor, Licensing, and Regulation and the State Board of Education.

Current grants and funding contracts for the adult education program awarded prior to July 1, 2008, will continue through fiscal 2009 and 2010 without rebidding unless a grantee or contractor requests otherwise. Any grants awarded during fiscal 2009, the transition year, must be made in consultation with MSDE and DLLR. The fiscal 2009 budget contained a

supplemental appropriation of \$500,000 for adult education, contingent on the enactment of *Senate Bill 203* which will bring the State funding to \$7,433,622 in fiscal 2009.

Since adult education services are provided through a network of providers, and instructors in the correctional education program are based at institutions throughout the State, the transition will require 46 State employees to move from MSDE to DLLR. All employees whose positions are transferred will be employees of DLLR on July 1, 2009, with no change to their rights, benefits, or employment status. The transfer is estimated to cost \$200,000 in one-time costs to prepare office space and physically move the offices from MSDE to DLLR. Ongoing costs of approximately \$200,000 will begin in fiscal 2010 to replace two coordinator positions that will be transferred to DLLR under the bill but who are responsible for other programs and services that will continue at MSDE.

For a further discussion of *Senate Bill 203*, see the subpart “State Agencies, Offices, and Officials” within Part C – State Government of this *90 Day Report*.

Funding for Adult Education and Literacy Programs

Chapter 305 of 2005 required additional State funding for adult education programs and required MSDE to establish an ongoing method of funding for adult education and literacy services so that the waiting list for these programs could be reduced to the greatest extent possible.

In response to this legislative request, a Superintendent’s Panel on Excellence in Adult Education was established and released a final report, *Stepping Up to the Future*, on December 1, 2005. The superintendent’s panel developed a formula to calculate the amount of funding that would be needed to provide adequate educational services to different populations in need of adult education services. Legislation has been introduced each year since 2006 to implement the proposed formula.

Senate Bill 647/House Bill 978 (both failed) would have established a funding formula for adult education and literacy services that was very similar to the one proposed by the Superintendent’s panel. Under the bills, beginning in fiscal 2010, MSDE would have been required to provide competitive adult education grants to eligible local adult education providers using the new formula. The new formula would have been fully phased-in in fiscal 2014. In fiscal 2014, the proposed formula would have required a \$29.8 million increase in State funding. The fiscal 2009 budget contains \$7.4 million in State general funds and \$7.5 million in federal funds for these programs.

Promotion of Available Adult Education Services

Some adults who would benefit from adult education services are not aware of how to obtain services and where programs are offered in their local area. *Senate Bill 773 (passed)* requires MSDE to annually compile a list by county of adult education and literacy services offered to the public. MSDE must distribute the list to the local boards of education and superintendents of schools and must post the list on its public web site.