



Karen B. Salmon, Ph.D.
State Superintendent of Schools

January 7, 2021

The Honorable Larry J. Hogan
Governor of Maryland
100 State Circle
Annapolis, Maryland 21401

The Honorable Bill Ferguson
President of the Senate
H-107 State House
State Circle
Annapolis, Maryland 21401-1991

The Honorable Adrienne Jones
Speaker of the House
H-101 State House
State Circle
Annapolis, Maryland 21401-1991

Re: Master Plan Annual Report (MSAR #8341)

Dear Governor Hogan, President Ferguson, and Speaker Jones:

The Bridge to Excellence in Public Schools Act of 2002 requires the State Superintendent of Schools to review each local school system's Master Plan and Master Plan Annual Update.

The Education Fiscal Accountability and Oversight Act of 2004 (SB 894) requires the State Superintendent of Schools to conduct a review of each local school system budget, including the budget's alignment with the master plan and to submit a report of the findings to the Governor, the county governing body, the County Board of Education, and subject to §2-1257 of the State Government Article, the General Assembly.

The report on the alignment of local school system budgets with master plan priorities is enclosed for your review. Should you need additional information, please contact Zachary Hands, Director of Government Relations, at 410-767-0504 or at Zachary.hands1@maryland.gov.

Best Regards,

Karen B. Salmon, Ph.D.
State Superintendent of Schools

c: Amalie Brandenburg
Sarah Albert

KBS/dg

*The Education Fiscal Accountability
and Oversight Act
of 2004*

*Local School System
Annual Master Plan Update
Budget Review
(MSAR #8341)*

December 31, 2020



Karen B. Salmon, Ph.D.
State Superintendent of Schools

Clarence C. Crawford
President, Maryland State Board of Education

Larry Hogan
Governor

Amalie Brandenburg
Deputy State Superintendent for Finance

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Background

In 2002, the Maryland General Assembly enacted the *Bridge to Excellence in Public Schools Act*, which restructured Maryland's public school finance system and increased State aid to public schools by an estimated \$1.3 billion over six fiscal years (2003-2008). As a result of this legislation, Maryland adopted a standards-based approach to public school financing. The new funding formula was based on the principles of adequacy, equity, simplicity, and flexibility, linking resources to the needs of students by distributing 74 percent of State aid inverse to local wealth.

The Bridge to Excellence legislation required local school systems to develop a five-year Comprehensive Master Plan that outlined strategies for improving student achievement and eliminating achievement gaps. Local school systems have submitted annual updates to the original approved Master Plans. School systems analyzed student performance and other data to assess their current practices and make changes where applicable. Updated plans are due to MSDE annually on October 15th. Approximately 8 panels comprised of 80 individuals from local school systems and MSDE staff are involved in an initial panel review and consensus. The final submitted plans are also reviewed by panel facilitators and technical reviewers to ensure all clarifying questions posed during the reviews were adequately addressed. Recommendations regarding approvability of the plans are then made to the State Superintendent.

Based on the unprecedented increases in State aid and given the unrestricted nature of these funds, the Maryland General Assembly enacted the *Fiscal Accountability and Oversight Act of 2004*, which, among other fiscal measures, expanded the scope of the Master Plan Annual Updates to include a detailed summary of how each local board of education's current year approved budget and actual prior year budget are consistent with the goals, objectives, and strategies detailed in the Master Plan. The State Superintendent is required to report to the Governor and the General Assembly, annually, on the alignment of local school system annual budgets with Master Plan goals and objectives.

The federal Every Student Succeeds Act (ESSA) in conjunction with Maryland's Bridge to Excellence in Public Schools Act, requires Local School Systems (LSSs) to develop and submit a strategic plan to the Department for review. Each LSS must submit its plan to the Department by October 15th each year. In 2019, LSSs transitioned from the Comprehensive Master Plan and Annual Updates to the Local ESSA Consolidated Strategic Plan. School systems submit a plan that includes goals, objectives, and strategies/evidence-based interventions to promote academic excellence among all students, and to address areas of focus based on the analysis of state standardized data, with the intention of improving outcomes for all students. An additional component of the ESSA requires states to publish school-level per pupil expenditures for all schools and school systems in the State. In Maryland, the FY 2019 School-level Per-pupil Expenditure data was published in June, 2020.

2020 Local ESSA Consolidated Strategic Plan

In March of 2020, the Maryland General Assembly passed the Blueprint for Maryland's Future – Implementation legislation that repealed Subtitle 4. Accountability Reporting, §5-401, and §5-403 of the Education Article. As a result, the master plan requirement was also repealed. At the

same time, the world-wide COVID-19 Pandemic resulted in a national Safe at Home orders. Maryland schools were closed, initially for a two-week period, and eventually, for the remainder of the school year. The United States Department of Education (USDE) waived the requirement for States to administer statewide assessments. The assessments waiver also meant that school systems would not conduct a needs assessment based on the results of the statewide assessments, which is a cornerstone of the Local Consolidated Strategic Plan required by the ESSA. In the interim, Maryland school systems developed Continuity of Learning Plans, which included a comprehensive approach to ensure continued learning for students during the pandemic-related school closures. School systems developed reopening plans later in the summer, which included a comprehensive plan for safely returning all students to classrooms for in-person instruction.

When the Blueprint for Maryland's Future – Implementation legislation was vetoed, MSDE worked internally and with local school system representatives to develop guidance to ensure the requirements in Education Article §5-401 were met. This section of the Education Article requires local school systems to provide a summary of the alignment between current and prior year budgets and strategic plan goals and objectives.

For 2020, local school systems were asked to provide a budget narrative that describes the school system's priorities for the 2020-2021 school year (FY 2021 budget). The budget narrative also included major initiatives for the 2019-2020 school year (FY 2020 budget). An analysis of the FY 2021 budget documents submitted as required by Education Article §5-202(d)(13) is included beginning on page five. MSDE will publish the FY 2020 School-level Per-pupil expenditure data in the spring of 2021.

Education Funding in Maryland

State funding for education in Maryland has remained a priority, despite difficult economic pressures. In FY 2021, total Direct State Aid to Local Education is \$6.2 billion, or 21% of the State's operating budget (general and special funds). In Local School System budgets, State funds account for 42% of total funds, local funding accounts for 51%, and the remaining 6.8% is from federal and other fund sources.

State Education Funding

In FY 2021, school systems received \$305 million to continue implementing the Blueprint for Maryland's Future, as envisioned by the Commission on Innovation and Excellence in Education's preliminary recommendations. The additional funding supported schools with high concentrations of poverty, increases to teacher salaries, struggling learners, students with disabilities, and expanded prekindergarten. The Blueprint also included funds to support a mental health coordinator in each local school system, and grants to local school system/institutes of higher education partnerships to improve the teaching profession through innovative changes to teacher-prep programs and mentor programs for new teachers. School systems with declining enrollment are eligible for an add-on grant if the average enrollment over the three prior years is greater than the prior year. In FY 2021, nine school systems received additional funds equal to the difference between the average enrollment and the prior year enrollment. Additionally, school systems that experienced an increase of less than \$100,000 in total direct State education aid received a Hold Harmless grant. Four local school systems share in this \$9.5 million grant.

Federal Funds

The federal Elementary and Secondary Education Act (ESEA), reauthorized in 2015 as the Every Student Succeeds Act (ESSA), requires States to annually publish school-level per pupil expenditures for all schools and school systems in the State for the previous fiscal year. The data must represent actual expenditures for personnel and non-personnel, disaggregated by source of funds; federal and State/local. The Department began working on this requirement in 2017, participating in a national working group as well as convening a small workgroup of local school system representatives. The State’s workgroup developed a statewide methodology for calculating the school-level per-pupil expenditure data to ensure the data is consistent across all schools and school systems in the State. The workgroup tested the methodology with FY 2018 expenditure data, and released the final methodology to local school systems for their use in calculating the FY 2019 school-level per-pupil expenditure data, which was published in June 2020. Local school systems are currently developing the FY 2020 expenditure data; draft calculations are due to the Department by December 18, 2020. MSDE expects the final FY 2020 school-level per-pupil expenditure data to be available in spring 2021.

Local Funds

Education Article §5-202(d)(ii)(2) requires local jurisdictions to maintain a level of education effort. For FY 2021, the statewide average increase in wealth per pupil was 4.5%. Twelve jurisdictions fell below 100% of the statewide five-year moving average, requiring all twelve to increase the per pupil maintenance of effort amount. The required increase was 2.5%, the least of the three categories identified in the Statute. Seven local governments provided a local appropriation that exceeded the required maintenance of effort level. Seven local school systems submitted requests for non-recurring cost exclusions. A total of \$10.4 million was requested and \$3 million of the approved items were funded by local governments.

Fiscal Analysis

Revenue

For the current year, FY 2021, local school systems submitted the annual budget documents as required Education Article §5-202(d) (13). The chart below summarizes the budget submission for both FY 2020 and FY 2021.

Revenue Description	FY 21 Budget (in millions)	FY 20 Budget (in millions)	Difference
Local Appropriation	6,858	6,698	160
Other Local Revenue	147	129	17
State Revenue	6,361	6,099	261
Federal Revenue	724	657	67
Total*	\$14,089	\$13,584	\$506

**Amounts may not sum due to rounding*

- Total revenue increased by 4.3%, or \$506 million between FY 2020 and FY 2021.
- State revenue increased by 3.7% in FY 2021, while local appropriations increased by 2%.

- Total local revenue increased by 15.6% from FY 2020 levels. This is largely attributable (10%) to Other Local Revenue, which includes funds from non-government sources. Examples of other local revenue include investment income, rent, tuition, and event attendance.
- In total, federal funds increased statewide by 10%.

Expenditures

The table below represents planned expenditures for FY 2021, the change from planned expenditures in FY 2020, and the budgeted FTE by State category for FY 2021.

Local School System Expenditures by State Category	FY 2021 (in millions)	FY 2020 (in millions)	Change (in millions)	FY 2021 FTE
Administration	407.3	398.6	8.7	2,718.2
Mid-Level Administration	874.2	857.8	16.4	9,489.0
Instruction	5,876.7	5,876.2	0.5	66,189.6
Special Education	1,882.3	1,804.5	77.9	22,738.9
Student Personnel Services	144.7	120.2	24.5	1,437.0
Health Services	96.4	87.2	9.1	978.0
Student Transportation	717.1	686.1	31.0	6,104.5
Operation of Plant	848.8	825.9	22.9	8,923.3
Maintenance of Plant	294.4	277.8	16.5	1,973.1
Fixed Charges	3,015.2	2,925.1	90.1	1,220.0
Food Services	26.4	19.8	6.5	140.0
Community Services	24.1	21.3	2.8	92.2
Capital Outlay	62.9	63.0	(0.1)	163.0
Total*	14,270.5	13,963.6	306.9	122,166.8

**Amounts may not sum due to rounding*

The table below represents funding allocated to local schools systems to implement hybrid learning models, address technology and internet access deficits, and learning loss associated with the COVID-19 Pandemic.

Coronavirus Aid, Relief, and Economic Security Act Funding	Allocation
Coronavirus Relief Fund - Tutoring	100,000,000
Coronavirus Relief Fund - Technology	100,000,000
Elementary and Secondary School Emergency Relief Fund	187,050,652
Elementary and Secondary School Emergency Relief Fund - Reopening Schools*	3,800,000
Governor's Emergency Education Relief Fund - Broadband	8,735,512
Governor's Emergency Education Relief Fund - Innovative	3,648,160
Governor's Emergency Education Relief Fund - Technology	10,000,000
Total**	413,234,324

* Minimum available to school systems who bring students back to in-person learning by the second marking period.
Grants are in process for some LEAs.

** Amounts may not sum due to rounding

Recommendation

Based on a review of the FY 2021 budget data provided by local school systems, and in light of the federal assessment waiver issued as a result of the COVID-19 pandemic, local school system annual budgets are aligned with local school system goals and strategies contained in the Local Consolidated Strategic Plans, the Continuity of Learning Plans, and Reopening Schools Plans.