Issue Papers
2022 Legislative Session

DEPARTMENT OF LEGISLATIVE SERVICES 2021

Education

State Education Aid and Blueprint for Maryland's Future Fund

State education aid is projected to increase significantly in fiscal 2023, primarily as a result of substantial funding increases under the Blueprint for Maryland's Future and projected enrollment increases. Fall 2021 enrollment counts will not be available until December and will provide more information on whether enrollments have rebounded from the impact that COVID-19 and remote learning had on public school enrollment in the 2020-2021 school year. The Blueprint for Maryland's Future Fund is projected to have sufficient revenues to cover both State and non-State aid increases attributable to the Blueprint for Maryland's Future law through at least fiscal 2026.

Direct Aid for State Public Schools Projected to Increase by $580 Million

Public schools are expected to receive an estimated total of $8.0 billion in fiscal 2023, representing a 6.9% increase over the prior fiscal year. This increase is primarily comprised of aid that flows directly to local school systems that is expected to increase by $579.6 million (8.6%). This increase is largely due to projected enrollment increases and significant increases in per pupil funding amounts for major aid programs and several new aid programs under the Blueprint for Maryland's Future. Due to the Governor's veto of House Bill 1300 of 2020, funding for programs in the Blueprint for Maryland's Future – Implementation bill was not mandated in fiscal 2022, so fiscal 2023 is the first year of significant increases under the Blueprint. These increases are offset by the assumed discontinuation of federal COVID-19 relief funding ($211.6 million in fiscal 2022) and of discretionary State hold harmless grants ($209.4 million in fiscal 2022) that were provided to make up for lower enrollment in the 2020-2021 school year due to the COVID-19 pandemic. Fall enrollment counts for this school year (2021-2022) will not be available until December; it remains to be seen whether enrollment counts have rebounded as schools have reopened to in-person learning.

Blueprint Implementation and Enrollment Drive Aid Increases

Exhibit 1 provides estimated State aid for education in fiscal 2022 and 2023. Due to the implementation of House Bill 1300 of 2020 (Chapter 36 of 2021), Blueprint for Maryland's Future – Implementation, and revisions made to the law in House Bill 1372 of 2021 (Chapter 55), in fiscal 2023, Foundation formula funding is estimated to increase by $534.3 million (16.8%). This increase is largely due to projected enrollment increases and the first year of a substantial increase in the per pupil foundation amount under the Blueprint legislation, from $7,390 per student in fiscal 2022 to $8,310 per student in fiscal 2023 (12.4%). Estimated enrollment for fiscal 2023 uses pre-COVID full-time equivalent (FTE) enrollment projections for fall 2021, resulting in an increase of 3.8% over fall 2020 enrollments that actually decreased by 2.2% compared to fall 2019.

Chapter 36 also alters the student count to be funded under the program to use either the greater of the FTE enrollment or the three-year moving average FTE enrollment.

Exhibit 1
Estimated State Aid for Education
Fiscal 2022-2023
($ in Millions)

Program	2022	2023	$ Change	% Change
Foundation Program	$3,170.7	$3,705.0	$534.3	16.8%
Geographic Cost of Education Index	147.7	157.9	10.2	6.9%
Net Taxable Income Grant	47.2	0.0	-47.2	-100.0%
Supplemental Grant	46.6	0.0	-46.6	-100.0%
Tax Increment Financing Grant	1.0	0.0	-1.0	-100.0%
Compensatory Education Program	1,286.7	1,438.2	151.5	11.8%
Special Education – Formula Aid	311.1	421.4	110.3	35.5%
Special Education – Nonpublic Placements	127.0	131.3	4.3	3.4%
English Language Learners	334.3	419.7	85.4	25.5%
Guaranteed Tax Base	49.9	43.8	-6.0	-12.1%
Student Transportation	288.1	347.1	59.0	20.5%
Head Start/Prekindergarten Expansion	29.6	29.6	0.0	0.0%
Blueprint Hold Harmless Grant	209.4	0.0	-209.4	-100.0%
Blueprint Programs*	390.8	525.1	134.3	34.4%
Concentration of Poverty Grants	*116.9*	*182.6*	*65.7*	*56.2%*
Teacher Salary Incentives	*75.0*	*0*	*-75.0*	*-100.0%*
Transitional Supplemental Instruction	*23.0*	*46.0*	*23.0*	*100.0%*
Mental Health Services Coordinators	*2.0*	*0.0*	*-2.0*	*-100.0%*
Special Education Grants	*65.5*	*0.0*	*-65.5*	*-100.0%*
Prekindergarten Grants	*53.7*	*0.0*	*-53.7*	*-100.0%*
Early Education	*54.7*	*0.0*	*-54.7*	*-100.0%*
Full–day Prekindergarten	*0*	*75.9*	*75.9*	*n/a*
Career Ladder	*0*	*11.6*	*11.6*	*n/a*
College and Career Ready	*0*	*12.6*	*12.6*	*n/a*
Education Effort Adjustment	*0*	*138.7*	*138.7*	*n/a*
Transition Grants	*0*	*57.7*	*57.7*	*n/a*
COVID-19 Relief	211.6	0.0	-211.6	-100.0%
Other Education Programs	92.0	104.3	12.2	13.3%
Direct Aid Subtotal	***6,743.7***	***7,323.3***	***579.6***	***8.6%***
Teachers' Retirement	**779.0**	**716.9**	**-62.0**	**-8.0%**
Grand Total	**$7,522.7**	**$8,040.3**	**$517.6**	**6.9%**

*The Blueprint for Maryland's Future Fund covers funding for these programs and for portions of additional State aid and non-State aid programs.

Note: Figures may not sum due to rounding.

Source: Department of Legislative Services

Formula funding for compensatory education, special education, and English language learners also increases in fiscal 2023. As with the foundation formula, these formulas use projected pre-COVID enrollment. The inception of Blueprint per student formula increases results in significant per student funding under the special education and English language learners formulas. Special education formula funding is estimated to increase by $110.3 million (35.5%), from $311.1 million to $421.4 million; however, after accounting for $65.5 million of enhanced special education funding provided through a separate Blueprint program in fiscal 2020 to 2022 that is now incorporated into the special education formula, net funding increases $44.8 million (11.9%). English language learner funding increases by $85.4 million (25.5%), which reflects a per pupil funding increase and enrollment growth of 10.1%. Compensatory aid is estimated to increase by $151.5 million (11.8%), primarily due to growth in free and reduced-price meal student enrollment, which increases 8.3% to 375,830 students in 2021.

Due to low FTE enrollment and special education student transportation counts in fiscal 2022, transportation funding decreased dramatically (prior to the hold harmless grant). For fiscal 2023, estimated student transportation formula funding assumes pre-COVID enrollment levels and reflects high inflation (capped at 8% in statute), resulting in a 20.5% funding increase.

As part of Blueprint implementation, several State aid programs previously funded in the foundation program are not funded after fiscal 2022. These programs include the Net Taxable Income grant, Tax Increment Financing grant, and the supplemental grant program. Funding for COVID-19 relief (totaling $211.6 million in fiscal 2022) and for hold harmless grants (totaling $209.4 million in fiscal 2022) is also assumed not to continue in fiscal 2023. However, the Blueprint law adds several new aid programs starting in fiscal 2023 including (1) Education Effort Adjustment; (2) Transition Grants; (3) Career Ladder; (4) College and Career Readiness; and (5) Full-day Prekindergarten. These grants are included in the $525.1 million total in fiscal 2023 for Blueprint programs in Exhibit 1 which represents a $134.3 million (34.4%) increase over fiscal 2022.

State Retirement Costs Decrease; Local Contributions Increase

State retirement costs for public school teachers and other professional personnel will total an estimated $716.9 million in fiscal 2023, representing a $62.0 million (8.0%) decrease. This decrease is attributed to a decrease in the State employer pension contribution rate coupled with a significant increase in the normal cost rate, which determines the local share of costs, from 4.17% to 5.12%. This results in a slight decrease in the overall employer pension contribution rate, from 15.33% in fiscal 2022 to 15.29% in fiscal 2023. As local school systems are responsible for paying the normal cost (which represents the cost of pension benefits accrued in the current year), local pension contributions increase from an estimated $296.5 million in fiscal 2022 to $368.4 million in fiscal 2023. With total employer contributions for the Teachers' Combined System (TCS) projected to decrease, the substantial increase in local contributions means that the State contribution for TCS decreases.

Blueprint for Maryland's Future Fund

The Blueprint for Maryland's Future Fund is a special fund established to hold revenues dedicated to implementing the Blueprint legislation. The fund includes gaming revenues deposited in the Education Trust Fund (increasing from $375 million in fiscal 2022 to 100% of the revenues beginning in fiscal 2023) and sports betting revenues (beginning in fiscal 2022); sales tax revenues from marketplace facilitators and out-of-state vendors above $100 million and from digital downloads (beginning in fiscal 2022); federal funds for COVID-19 relief swapped with Blueprint special funds (in fiscal 2021 and 2022); and some one-time revenues. In fiscal 2022, Blueprint Fund revenues totaled $2.0 billion, including a starting balance of approximately $702 million. In fiscal 2023, revenues are projected to total approximately $2.3 billion, including over $500 million deposited from the Education Trust Fund.

In addition to State aid programs (discussed above and shown in Exhibit 1) funded by the Blueprint Fund, some non-State aid categorical programs also receive Blueprint funding. In fiscal 2022, non-State aid Blueprint programs receiving funds totaled $14.0 million and focused primarily on programs needed to facilitate Blueprint implementation, including the Accountability and Implementation Board ($4.8 million). In fiscal 2023, with the implementation of Chapter 36, non-State aid Blueprint programs total $110.0 million. These programs include the behavioral health community support consortium ($50.0 million), early childhood programs ($26.9 million), Blueprint implementation programs ($17.3 million), and teacher scholarships ($8.0 million).

As shown in **Exhibit 2**, in fiscal 2022, the Blueprint for Maryland Future Fund covers approximately $866 million in State aid and non-State aid expenditures and an ending fund balance of $1.1 billion. In fiscal 2023, approximately $1.0 billion in expenditures is covered by the fund with an ending fund balance of $1.35 billion headed into fiscal 2024. Based on current projections, the fund will have sufficient revenues to cover expenditures through fiscal 2026 and potentially longer depending on when digital advertising tax revenues begin to be collected.

Exhibit 2
Blueprint for Maryland's Future Fund Outlook
Fiscal 2022-2023
($ in Millions)

	2022	2023
Total Revenues Available	**$1,986**	**$2,302**
Blueprint for Maryland's Future – State aid	852	902
Blueprint for Maryland's Future – Non-State aid	14	110
Total Expenditures	**866**	**1,012**
Ending Fund Balance	**$1,119**	**$1,350**

Note: Figures may not sum due to rounding. Revenues do not include digital advertising tax revenues.

Source: Department of Legislative Services

Local Funding Requirements

The maintenance of effort (MOE) law requires each county government, including Baltimore City, to provide as much per pupil funding for the local school board as was provided in the prior fiscal year. In addition, through fiscal 2023, some county governments must increase per pupil funding due to the MOE escalator. Beginning with the fiscal 2022 local appropriation, the per pupil MOE level each year is based upon the greater of (1) the prior year FTE enrollment and (2) the three-year moving average of FTE enrollment. Under Chapter 55 of 2021, fall 2020 enrollment is excluded from this calculation to account for the effects of the COVID-19 pandemic on public school enrollment.

As of October 2021, the Maryland State Department of Education (MSDE) has certified that the school appropriations of 23 counties have met or exceeded the fiscal 2022 MOE requirement, and the certification for Baltimore City remains pending. In total, 8 counties (Anne Arundel, Baltimore, Carroll, Charles, Frederick, Harford, Howard, and St. Mary's) exceeded MOE by 1.0% or more. Current estimates suggest that as many as 8 jurisdictions will be below the statewide five-year moving average education effort level and may be subject to the MOE escalator in fiscal 2023. Preliminary estimates suggest that statewide per pupil local wealth will increase from fiscal 2022 to 2023. In fiscal 2022, 12 jurisdictions were required to increase their appropriations, ranging from 1.9% to the maximum 2.5% increase. MSDE must report by November 1, 2021, on the impact on school funding of the Chapter 36 repeal of the MOE escalator requirement.

Under the Blueprint law, beginning in fiscal 2023, counties are required to provide the *greater of* the per pupil MOE and the combined local share of multiple major aid programs. For some counties, this new effort requirement will exceed the per pupil MOE requirement. Finally, under Chapter 55 of 2021, the Department of Legislative Services must conduct a study by January 1, 2022, on the local fiscal impact of implementing the Blueprint and the capacity of counties to provide the projected increases in local appropriations to meet future local effort requirements.

Education

Blueprint for Maryland's Future

Implementation of the Blueprint for Maryland's Future (Blueprint) was delayed due to the Governor's veto of House Bill 1300 of 2020; the law took effect in March 2021 after the General Assembly overrode the veto. Additional legislation was enacted during the 2021 session to address the timing of the enactment and the impact of the COVID-19 pandemic on students. The initial members of the Accountability and Implementation Board (AIB), the new board created to oversee implementation of the Blueprint, were appointed by the Governor in October 2021. AIB is expected to hold its first meeting in November 2021.

Blueprint for Maryland's Future Revisions

House Bill 1300 of 2020 implements the Blueprint for Maryland's Future (Blueprint), which was first established by Chapter 771 of 2019. The bill incorporates policy and funding recommendations of the Commission on Innovation and Excellence in Education, substantially altering State aid and State policy for public schools. House Bill 1300 passed the General Assembly in March 2020 during the legislative session that was shortened due to the COVID-19 pandemic. On May 7, 2020, the Governor vetoed the bill, citing concerns regarding the economic challenges resulting from the pandemic. The General Assembly voted to override the Governor's veto on February 12, 2021, and the law took effect 30 days later as Chapter 36 of 2021.

To account for the timing of the enactment of the Blueprint due to the Governor's veto, the General Assembly passed Chapter 55 of 2021, an emergency bill that generally makes revisions to the Blueprint to adjust funding and programmatic dates. Chapter 55 delays or extends inception of certain programs and requirements, the due dates for various reports, and the timeframe for certain provisions under the Blueprint – generally by one year. In addition, the legislation includes several provisions to address the impact of COVID-19 on students.

Blueprint Funding and Policy Revisions

Education Funding

Chapter 55 makes technical and clarifying changes to several funding formulas to conform with the intent of the Blueprint. The year for which tax increment financing data is incorporated in local property assessable base is moved back one year to the second prior fiscal year.

To account for the effects of COVID-19 on school enrollment, the full-time equivalent enrollment count for the 2020-2021 school year is excluded in each instance that this count would otherwise be used for determining the "enrollment count." The foundation per pupil amount is

increased beginning in fiscal 2025, to cover specified educational technology costs. In using these additional funds, local boards of education must prioritize the purchase of digital devices. New maintenance of effort (MOE) requirements that local governments fund the local share of all wealth-equalized formulas were delayed until fiscal 2023, and the calculation of MOE for fiscal 2023 was specified. The bill also adjusted funding for the Concentration of Poverty grant program.

Beginning in fiscal 2023, funding mandated by Chapters 36 and 55 will be required to be included in the annual budget bill, unless general fund revenues decrease by more than 7.5% in any fiscal year as specified in Chapter 55. As a result of the use of COVID-19 federal funds, the veto override and passage of several revenue bills that dedicated additional funding to the Blueprint Fund, the Department of Legislative Services estimates there will be sufficient funding available in the Blueprint Fund to cover the funding requirements of Chapters 36 and 55 through at least fiscal 2026.

Select Policy Revisions

Teachers: Under Chapter 55, teacher salary increases associated with the career ladder begin one year later, July 1, 2022 (fiscal 2023). Local boards have until July 1, 2024, to develop and implement educator career ladders, and the Maryland State Department of Education (MSDE) has until 2024 to develop and implement professional development training on educator career ladders. All existing teachers must receive the training by June 30, 2026. Alternative teacher preparation programs have an additional year, until 2022, to meet the minimum program requirements, and the bill specifies that programs in existence prior to July 2021 (instead of July 2020) are subject to the requirement.

Early Childhood: The dates by which specified percentages of prekindergarten slots must be provided by community providers in the publicly funded full-day prekindergarten program are extended by one year. Chapter 55 also extends the date by which community providers must meet specified program quality standards to 2025-2026 school year. The funding mandate for the EXCELS bonus program is altered to begin in fiscal 2023 with 10% annual increases in fiscal 2024 through 2028.

Career and Technical Education (CTE): The deadlines for various plans to be completed by the CTE Committee and submitted to the CTE Committee are generally extended by one year. The year by which 45% of high school students must earn a CTE credential or complete an apprenticeship is extended to 2031. The CTE Committee must report to the Accountability and Implementation Board (AIB) on deployment of CTE expert review teams for an additional year.

COVID-19-related Programs

Chapter 55 requires each local board of education, to the extent allowed by federal law, to use federal funding received to address the effects of COVID-19 on education to mitigate learning loss due to the pandemic and to support the goals of the Blueprint.

Summer Learning: To address the effects of the COVID-19 pandemic, local boards of education must, in calendar 2021 and 2022, implement a summer school program for public school students, including certain children eligible for prekindergarten and kindergarten enrollment. During summer 2021, local school systems reported over 123 distinct summer programs with 138,555 available seats. Of all summer programs, 66% were in person with the remainder being virtual. Most systems had programs for students at all grade levels. All programs included academic supports in math and language arts. Local school systems report that the goals for the various summer programs included academic acceleration and remediation, credit recovery, academic enrichment, and support for student mental health and well-being.

Tutoring and Supplemental Instruction: In each of the 2021-2022 and 2022-2023 school years, each county board must provide certain tutoring and supplemental instruction meeting certain criteria for grades 4 through 12 public school students to address learning loss from the effects of the pandemic. State and federal funds provided for COVID-19 relief must be used by local school systems and schools to expand existing tutoring programs. County boards must report on the summer school program and tutoring and supplemental instruction.

Social Emotional Learning: Each county board must also use specified funds to address trauma and behavioral health issues exacerbated by the effects of COVID-19 pandemic on students and their families and to identify and provide necessary supports and services for students. County boards must submit plans for the use of these funds before fiscal 2022 funds may be released.

Learning Loss: As part of continued COVID-19 recovery efforts, MSDE conducted an early fall student assessment – the Maryland Comprehensive Assessment Program – as one of several strategies to identify how students are performing academically. The results, in combination with other assessments and class work, will help educators better understand student needs, address disrupted education, and accelerate learning opportunities for all students. Statewide results are expected to be available in January 2022. Beginning in the 2022-2023 school year, MSDE must send expert review teams to schools or groups of schools that continue to have persistent learning loss related to the COVID-19 pandemic to determine the reason that the learning loss persists.

Accountability and Implementation Board

AIB is the body charged with overseeing implementation of the Blueprint. Chapter 55 gives AIB plenary authority over entities for which it has oversight responsibility and clarifies that the Comprehensive Implementation Plan that AIB must develop and adopt must include intended outcomes to be achieved by the Blueprint. AIB is extended by one year to June 30, 2032. The terms of initial AIB members are also extended by one year. The deadlines for various plans to be completed by AIB and submitted to AIB are extended by one year. AIB must complete the Blueprint Comprehensive Implementation Plan by February 15, 2022, with local boards required to submit their plans to AIB by June 15, 2022. AIB's required annual report to the Governor and General Assembly is delayed by one year to begin November 1, 2021. AIB may not withhold funds from local boards in fiscal 2022; corresponding changes are made to subsequent dates.

The Governor, the President of the Senate, and the Speaker of the House appointed the six members of the AIB Nominating Committee in June 2021. On September 1, 2021, after consideration of 43 applicants, the nominating committee unanimously selected a slate of nine nominees for consideration for appointment to the seven-member AIB. On October 1, the Governor announced the names of the seven initial appointments: Dr. Mara R. Doss; Mr. Fagan Harris; Dr. William E. "Brit" Kirwan; Mr. Isiah "Ike" Leggett; Dr. Jennifer M. Lynch; Mr. Joseph Manko; and Dr. Laura M. Stapleton. The Governor, President, and Speaker jointly selected Mr. Leggett to chair AIB on October 25, 2021. AIB is scheduled to hold its first meeting in November 2021.

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Education

School Reopening and Addressing Impacts of COVID-19

Every public school in the State opened the 2021-2022 school year with in-person instruction for the first time since schools were closed in March 2020 due to the COVID-19 pandemic. The State and local school systems are using many strategies to reduce disruptions to in-person schooling, including mandatory masking, contact tracing and quarantining, and increased sanitation. Federal COVID-19 relief funds are supporting efforts to address the additional costs of school reopening and the impacts of the pandemic on student learning loss and mental health.

Schools Reopen

The 2021-2022 school year began with all of Maryland's 24 school systems opening with full-time, in-person instruction available for all students. Due to the COVID-19 pandemic, the prior school year began with most students receiving remote instruction, with most school systems phasing in hybrid and fully in-person instruction throughout the 2020-2021 school year.

To reduce interruptions to in-person learning for this school year, the State and local school systems have implemented layered prevention strategies. Universal indoor masking and COVID-19 vaccination and testing protocols are discussed in further detail below. Local school systems have also employed other strategies such as increasing sanitation, physical distancing, and ventilation, as well as conducting contact tracing and quarantining and isolating students and staff that have been exposed to COVID-19.

Masking and Quarantining Requirements

According to guidance from the Centers for Disease Control and Prevention (CDC), an asymptomatic student who was at least three feet away from a positive case inside a school is exempt from their quarantine recommendations if both students were correctly masked. On August 26, 2021, the State Board of Education proposed an emergency regulation to require all individuals, except under certain circumstances, to wear masks covering the nose and mouth inside all public schools. At the time of the meeting, 5 of the 24 local school systems in the State had adopted a permissive masking policy in contrast to other local school systems requiring universal masking of students and staff. The State board indicated that the emergency status was required to mitigate the spread of COVID-19 in Maryland public schools, prevent public school closures, and limit the number of students required to quarantine out of the classroom during the 2021-2022 school year due to COVID-19. The emergency regulation was approved by the Joint Committee on Administrative, Executive, and Legislative Review on September 14, 2021, and expires February 25, 2021. The State board held a special meeting on November 16, 2021, to hear from public health experts and the public about the masking requirement and will review the mask

mandate at its December meeting by looking at the data from the first three months of the school year.

In Maryland, there has been no standardized rule on when students should be quarantined and for how long, but the Maryland Department of Health (MDH) and the Maryland State Department of Education (MSDE) recommended at the beginning of the 2021-2022 school year that unvaccinated close contacts quarantine regardless of their test results for 14 days after exposure. Fully vaccinated close contacts are not required to quarantine if they have no symptoms, unless they test positive.

On October 29, 2021, MSDE and MDH updated their quarantine guidance to include shortened quarantine options intended to balance the negative impact of prolonged and repeated quarantine on students and staff. Under a CDC shortened quarantine protocol for K-12 schools, quarantine can end after day 10 if no symptoms have been reported during daily monitoring, or quarantine can end after day 7 with a negative test collected after day 5. These shortened quarantine periods require individuals to monitor for symptoms daily through day 14, correctly and consistently use a face mask, and practice physical distancing.

In addition to the CDC shortened quarantine protocol, MDH and MSDE provided MDH modified quarantine options for K-12 schools that could be adopted for asymptomatic unvaccinated students. The guidance states that if a local school system or school chooses to implement any of the modified quarantine options, MDH and MSDE strongly recommend specified protocols, including the wearing of masks by all individuals. The three options for close contacts in increasing order of risk are (1) test to stay; (2) weekly screening tests; and (3) correct and consistent use of well-fitted masks. Local school systems can choose if and how to implement a CDC shortened quarantine or MDH modified quarantine protocol. However, the potential elimination of the universal masking requirement may decrease the effectiveness of these protocols in stopping the spread of COVID-19 in schools.

Vaccinations and Testing Protocols

As of November 2, 2021, following the CDC's recommendation, everyone age 5 and older is eligible for a COVID-19 vaccination. Vaccines are fully approved for individuals aged 16 and older, and emergency use authorization has been granted for individuals age 5 through 15. As of October 15, 2021, four local school systems (Anne Arundel, Baltimore, Howard, and Prince George's counties) require or will require a staff member to be vaccinated or to submit a COVID-19 test periodically. In addition, Baltimore City Public Schools and Montgomery County Public Schools have announced that all staff must be vaccinated without a testing option.

Baltimore City and Montgomery County high school students must be fully vaccinated or have an approved medical exemption to participate in winter and spring school extracurricular athletics programs. In addition, eight systems (Anne Arundel, Baltimore, Charles, Frederick, Howard, Prince George's, Somerset, and Talbot counties) will require students to be fully vaccinated against COVID-19 or participate in a regular COVID-19 testing regimen. In

Charles County, a vaccine or regular testing is required for participation in all middle or high school extracurricular activities.

Several school systems have established or are in the process of establishing additional testing protocols. Baltimore City has established weekly testing of all unvaccinated students and staff. The program has been called expensive but effective and has turned up dozens of asymptomatic cases. Anne Arundel County has announced plans to establish a similar program.

Federal COVID-19 Relief Funds

Since March 2020, Maryland local education agencies (LEA) received over $3.1 billion in federal funds for learning loss, safe reopening of schools, supplemental instruction and tutoring, summer school, and behavioral health support. Of these funds, $2.7 billion (88%) was allocated in fiscal 2020, 2021, and 2022 directly to LEAs according to federal COVID-19 funding guidelines, and $356.1 million (12%) was allocated in fiscal 2021 and 2022 in the fiscal 2022 Supplemental Budget No. 5. These funds to LEAs were distributed by program as follows:

- $1.7 billion (57% of total) in fiscal 2022 for learning loss from the American Rescue Plan Act (ARPA) and Elementary and Secondary Emergency Relief (ESSER III) fund;

- $975.0 billion (36% of total) in fiscal 2020 and 2021 for safe reopening from the Coronavirus, Aid, Relief, and Economic Security Act, ESSER I fund, Coronavirus Response and Relief Supplemental Appropriation, ESSER II fund, and the ARPA;

- $271.1 million (9% of total) in fiscal 2021 for supplemental instruction and tutoring from the Coronavirus Relief Fund and the ARPA;

- $50.0 million (2% of total) in fiscal 2021 and 2022 for summer school from the ARPA; and

- $25.0 million (1% of total) in fiscal 2021 and 2022 for behavioral health from the ARPA.

Exhibit 1 shows the distribution of these funds by LEA and program.

Exhibit 1
COVID-19 Federal Funds for Local Education Agencies
Fiscal 2020-2022
($ in Millions)

LEA	Learning Loss	Safe Reopening	Supplemental Instruction and Tutoring	Summer School	Behavioral Health	Total
Allegany	$25.3	$14.0	$3.9	$0.8	$0.3	**$44.3**
Anne Arundel	108.7	61.0	16.5	2.7	1.8	**190.7**
Baltimore City	443.5	247.0	56.3	10.5	2.8	**760.1**
Baltimore	217.0	121.7	33.1	5.7	3.3	**380.8**
Calvert	11.5	6.5	2.6	0.4	0.5	**21.5**
Caroline	13.7	7.7	2.7	0.6	0.2	**24.9**
Carroll	16.8	9.8	4.0	0.6	0.7	**31.9**
Cecil	27.8	15.7	4.8	0.9	0.5	**49.7**
Charles	30.9	17.2	7.0	1.4	0.9	**57.4**
Dorchester	17.5	9.7	2.6	0.5	0.2	**30.5**
Frederick	37.9	21.4	8.4	1.4	1.4	**70.5**
Garrett	9.0	5.0	1.1	0.2	0.1	**15.4**
Harford	42.5	23.8	8.0	1.3	1.2	**76.8**
Howard	43.5	24.2	8.5	1.3	1.5	**79**
Kent	5.2	2.9	0.6	0.1	0.0	**8.8**
Montgomery	252.1	138.1	32.2	5.4	2.8	**430.6**
Prince George's	274.5	154.1	51.9	11.1	4.5	**496.1**
Queen Anne's	6.8	3.8	1.2	0.2	0.2	**12.2**
St. Mary's	26.1	14.4	4.3	0.7	0.6	**46.1**
Somerset	13.5	7.4	1.8	0.4	0.1	**23.2**
Talbot	8.2	4.6	1.1	0.2	0.0	**14.1**
Washington	55.3	30.6	8.9	1.8	0.8	**97.4**
Wicomico	47.4	26.5	8.1	1.7	0.6	**84.3**
Worcester	14.4	8.0	1.6	0.3	0.1	**24.4**
Total	**$1,749.0**	**$975.0**	**$271.1**	**$50.0**	**$25.0**	**$3,070.1**
% of total	57%	32%	9%	2%	1%	

LEA: local education agency

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

State education agencies (SEA) also received federal funds in fiscal 2020, 2021, and 2022 for COVID-19 related expenses. ARPA (ESSER III) funds required set-asides for specific state interventions, including 5% of total funds aimed specifically at learning loss and 1% for summer

enrichment and comprehensive afterschool programs respectively. From the $241.9 million in SEA funds from ESSER II and III, MSDE has currently allocated a total of $191.2 million to learning loss, safe reopening, and behavioral health support. At this time, $50.7 million of available funds remains unallocated to specific programs. **Exhibit 2** shows MSDE allocations for ESSER II and III funds for these programs.

Exhibit 2
MSDE Administrated COVID-19 Federal Funds
Fiscal 2022
($ in Millions)

Program	ESSER II	ESSER III	Total
Learning Loss	$0.0	$97.6	$97.6
Mental Health Teams	30.0	10.0	40.0
Summer School Programs	0.0	19.5	19.5
Afterschool Programs	0.0	19.5	19.5
Adverse Childhood Experiences	6.8	3.2	10.0
Acceleration Academies for At-risk Students	2.5	0.0	2.5
Low Income Advanced Placement Exams	2.1	0.0	2.1
Subtotal	***41.4***	***149.8***	***191.2***
Unallocated Funds	17.6	33.1	50.7
Total	**$59.0**	**$182.9**	**$241.9**

ESSER: Elementary and Secondary Emergency Relief Fund
MSDE: Maryland State Department of Education

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

Federal funds for COVID-19 related expenses, safe reopening, and learning loss were also distributed to Maryland School for the Blind, Maryland School for the Deaf, and nonpublic schools in fiscal 2020 and 2021.

Identifying and Addressing Learning Loss and Mental Health Needs

To date, the State has used student attendance and grades to measure the effect that the COVID-19 pandemic has had on students. In 2020 and 2021, due to the difficult nature of the ongoing pandemic, the U.S. Department of Education (USDE) granted waivers to states for standardized assessments that would otherwise be required under the Every Student Succeeds Act. The State submitted and USDE approved waivers for spring 2020 and spring 2021; therefore, no single standardized assessment of all students in the State occurred. This year, early fall 2021 assessments will provide the ability for statewide comparisons. MSDE will also issue reports to

teachers and administrators to help them focus on particular areas in which students are struggling. Individual reports generated from the assessment will also be sent home with students.

In recognition of the learning loss and trauma caused by the pandemic, the 2021 legislation made revisions to the Blueprint for Maryland's Future (Chapter 55), including a requirement that LEAs use federal COVID-19 funds to address the educational effects and behavioral health needs caused by the COVID-19 pandemic. Specifically, LEAs are required to provide summer school programs in calendar 2021 and 2022, and in fiscal 2022 and 2023 each LEA must provide supplemental instruction and tutoring for students to address learning loss and identify and provide necessary supports for students and their families to address trauma and behavioral health issues exacerbated by COVID-19. Each LEA must submit reports on how funds were spent for summer school, tutoring, and behavioral health in calendar 2022 and 2023. For additional information on the Blueprint for Maryland's Future and implementation of summer school, see "Blueprint for Maryland's Future" within the Education section of this *Issue Papers of the 2022 Session.*

To address behavioral health, Chapter 55 also required LEAs to report by September 1, 2021, on how they planned to provide behavioral health services to students, ensure that services addressed issues exacerbated by COVID-19, monitor students experiencing more behavioral health issues and trauma than other students, and develop key metrics to evaluate the effectiveness of the services provided. LEAs are encouraged to coordinate services with school-based health centers in providing behavioral health and trauma supports to students. LEAs must submit their plans before fiscal 2022 funds may be released. Of the 12 plans submitted as of November 12, 2021, many LEAs plan to modify existing behavioral health and social emotional learning programs to provide services to students and to use measurements associated with those programs, along with other available measurements such as grades and disciplinary referrals, to measure the effectiveness of treating these students.

Finally, MSDE is implementing a statewide mental health program that includes six regional crisis response centers with clinical support teams focused on the mental and social-emotional needs of students. Clinical support teams will consist of clinical psychologists, licensed professional counselors, certified social workers, school nurses, and family navigators. Teams will assess student and family needs and help parents work through challenges related to student needs, help create family specific action plans, and refer families to local community resources who can help with family and student needs.

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Education

School Construction

The first school construction projects have been approved for funding under the Built to Learn Act, with the first round of bond proceeds available in November 2021. After a two-year delay, the statewide assessment of public school facilities was completed in July 2021. The Workgroup on the Assessment and Funding of School Facilities is reviewing the results of the assessment to determine whether and how the results may be used to support the prioritization of State funding for school construction projects. The workgroup is also considering changes to the State/local cost-share formula, gross area baseline allowances for school construction, and other related issues, with a final report due in December 2021.

Built to Learn Act Updated to Reflect Delayed Effective Date

The Built to Learn Act was enacted as Chapter 20 of 2020, but its implementation was delayed because it was contingent on the enactment of the Blueprint for Maryland's Future – Implementation (Chapter 36 of 2021) which was vetoed by the Governor in 2020. Following the General Assembly's vote to override the veto in February 2021, the Built to Learn Act immediately took effect, although funding mandates in the Act for fiscal 2022 no longer applied due to the delayed implementation. The Built to Learn Act authorizes the Maryland Stadium Authority (MSA) to issue up to $2.2 billion in revenue bonds, backed by annual payments from the Education Trust Fund, for public school construction projects in the State, including to support a possible public-private partnership in Prince George's County. Chapter 698 of 2021 revised provisions of the Built to Learn Act due to the delay in the Act's implementation.

Prior to the issuance of any Built to Learn bonds, MSA and the Interagency Commission on School Construction (IAC) are required to enter into a program memorandum of understanding (MOU) that sets forth, among other things, the selection criteria under which schools will receive priority for funding under the program. The program MOU was approved on July 8, 2021. Additionally, Chapter 20 requires MOUs between MSA, local boards of education, and local governments for proposed projects before any Built to Learn funds may be allocated to a project. Any allocation for an approved project must be used within 10 years or be subject to reallocation. As of October 2021, no project MOUs have been executed, but MSA advises that several are in process.

Based on current market conditions, MSA anticipates issuing a total of $2.0 billion in bonds to finance the program although changing market conditions may affect the eventual total amount. **Exhibit 1** shows the mandated distribution of Built to Learn funds based on the $2.0 billion estimate in total proceeds.

Exhibit 1
Allocation of Bond Sale Proceeds Under Built to Learn Act
($ in Millions)

	Percent of Total	Proceeds
Anne Arundel	12.5%	$250.0
Baltimore City	21.0%	420.0
Baltimore	21.0%	420.0
Frederick	5.1%	102.0
Howard	6.6%	132.0
Montgomery	21.0%	420.0
Prince George's	*	*
All Other Counties	11.5%	230.0
Unallocated/MSA	1.3%	26.0
Total	**100.0%**	**$2,000.0**

MSA: Maryland Stadium Authority

*Under the bill, Prince George's County receives $25.0 million annually for up to 30 years to supplement local funds for an availability payment if it enters into a public-private partnership agreement, subject to other provisions in the bill.

Source: Department of Legislative Services

As of October 2021, IAC has approved 14 projects that are eligible for an estimated $391.8 million in State support from Built to Learn bond funds. The approved projects are in Anne Arundel (3), Baltimore (4), Carroll (1), Charles (3), Frederick (1), Howard (1), and Montgomery (1) counties. MSA issued the first series of bonds totaling $293 million (including bond premiums) in November 2021 to begin funding those projects' cash flow needs. IAC expects to approve more projects in November, and MSA anticipates additional bond sales early in calendar 2022 to support approved projects.

Statewide School Facilities Assessment

Chapter 14 of 2018, the 21st Century School Facilities Act, made comprehensive changes to the approval process for school construction projects in the State and, among other things, required the completion of a statewide school facilities assessment (SFA) every four years. Chapter 14 required IAC to (1) contract with a third-party vendor to complete SFA by July 1, 2019; (2) coordinate with local school systems to identify data elements for the assessment; and (3) develop standards and procedures to comprehensively update the State's data on the condition of school facilities so that this data is not more than four years old. The first step in the assessment was to use an industry standard methodology called the facility condition index (FCI).

This tool is used to quantify the attributes of a school facility and estimate the cost to achieve and maintain the physical condition of a building, in order to provide a standardized comparison rating of building condition. Chapter 14 also required IAC to adopt educational facilities sufficiency standards to be used in the assessment to determine the educational suitability of public school buildings. Together, FCI and sufficiency data collected by the assessment would then be considered by the Workgroup on the Assessment and Funding of School Facilities, which was also established by Chapter 14, to determine how the relative condition of school facilities should be prioritized, known as the Maryland Condition Index (MDCI), and whether MDCI should be used in funding decisions.

Delays in the procurement process led to the first SFA not being completed until July 2021. The Workgroup on the Assessment and Funding of School Facilities, which met in 2019 but was unable to complete its work due to the delay in SFA, resumed meeting in July 2021 to review the results of the SFA. The workgroup is also considering and making recommendations in the following areas which were added to its charge by Chapter 698 of 2021:

- factors used to develop the State and local cost-share formula for school construction projects, including incorporating related changes to the formulas used to calculate State education aid under the Blueprint for Maryland's Future;

- methods used to establish gross area baselines and the maximum State construction allocation for public school construction projects;

- the purpose and implementation of the Local Share of School Construction Costs Revolving Loan Fund, which was established by Chapter 14 but never funded; and

- the long-term effects of school construction decisions on the cost per student and total cost of ownership of public school facilities and appropriate funding or other incentives for local jurisdictions to reduce costs.

Chapter 698 also extended the deadline for the workgroup's final report to December 31, 2021. Since being reconstituted, the workgroup has met four times and is on track to meet its reporting deadline. Legislation will likely be proposed during the 2022 session to implement the workgroup's recommendations.

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Education

Child Care and Early Childhood Education

Maryland's child care and early childhood education providers were already struggling with workforce shortages and unsustainable operating costs prior to the COVID-19 pandemic. The public health emergency created new challenges as providers were forced to temporarily close and have since experienced high staff vacancies, turnover, and increased operating costs upon reopening. These factors have led to increased costs for families and limited capacity, which is especially concerning as the State implements a required early childhood education expansion under the Blueprint for Maryland's Future. Through the federal American Rescue Plan Act, Maryland has received $502 million to address these challenges and support the child care industry.

Impact of COVID-19 on the State's Child Care Industry

Workforce Shortages

The COVID-19 pandemic has had a significant impact on child care providers both nationwide and in Maryland. According to data from the U.S. Bureau of Labor Statistics, the number of employees in the child care day services industry decreased by nearly 400,000 in the aftermath of the pandemic. The industry employed approximately 1.1 million workers in February 2020; that amount decreased to 673,000 by April 2020. Since that time, employment in the industry has increased, although not to prepandemic levels. As of September 2021, employment in the child care industry totaled about 940,000 – still far below the prepandemic maximum employment level. Due to the public health emergency, many child care providers were required to temporarily close, reduce staff, and serve fewer children once reopened. Staffing challenges have persisted, leading to child care shortages across the country and leaving many parents unable to return to the labor market.

Increased Operating Costs and Costs to Families

The average child care worker is in the second percentile of all workers in terms of salary, earning about $24,000 annually. Child care providers struggle to offer higher wages due to low profit margins, even prior to the COVID-19 pandemic. Personnel costs, which account for about 50% to 60% of total child care program operating costs, impact the small, single-establishment child care providers that make up much of the industry and make it difficult to raise wages. Additionally, low wages also contribute to workforce shortages, as programs cannot recruit and retain staff. The National Association for the Education of Young Children reports that job opportunities in nonchild care industries (which have more flexibility to raise wages in the wake of the pandemic) make low-wage child care work less appealing to potential employees and

increase the turnover rate among child care workers. The public health emergency further increased costs due to health and safety requirements.

Prior to the COVID-19 pandemic, child care was already one of the biggest costs for families in the United States. According to a U.S. Treasury analysis of Census data, an average family in the U.S. spends approximately 13% of its income on child care, which limits the ability of child care providers to raise the cost of services without making child care unaffordable for many families. In Maryland, child care costs are higher than the national average. According to *The ABC's of Early Childhood 2021* report published by the Maryland Family Network, the estimated percentage of 2020 median family incomes spent on child care ranged from a low of 17.3% in Talbot County to a high of 32.9% in Baltimore City. The limited ability of families to pay for child care reduces child care programs' flexibility to raise wages and attract staff. Without appropriate staffing, Maryland's child care system will struggle to return to full capacity or expand existing capacity. This could make the early childhood education expansion called for in the Blueprint for Maryland's Future more difficult to implement.

Factors Limiting Early Childhood Provider Capacity in Maryland

Despite the challenges described above, many child care providers have reopened and increased staff since the State's stay-at-home order was lifted, although – mirroring the nationwide trend – not to pre-COVID-19 levels. According to the Maryland State Department of Education (MSDE), as of July 30, 2021, 95% of providers had reopened in Maryland since the onset of the pandemic. However, this measure does not reflect reduced capacity within each program, as providers may be serving fewer children than the number of slots they are licensed to fill. In a response to the 2021 *Joint Chairmen's Report*, MSDE stated that providers were not required to report the number of available child care slots, but the department was in the process of updating its data system to be able to collect this data in the future.

Prior to the COVID-19 pandemic, child care capacity in Maryland was already in decline. From fiscal 2015 to 2020, MSDE reported a reduction of 3,485 slots, or 1.6%. MSDE attributed this trend to declining numbers of family child care providers operating in the State. The COVID-19 pandemic and resulting stay-at-home order in spring 2020 further increased operating costs that led providers to close and has caused new issues, such as restricted capacity and enhanced health and safety protocols. Since the partial reopening of facilities in summer 2020, child care capacity in the State has continued to decrease. According to MSDE data, between July 2020 and September 2021, the total number of licensed providers decreased by 503. Most of this decrease is attributable to fewer registered family child care programs.

Although the pandemic has greatly impacted the availability of child care services in the nation and in Maryland, this may be mitigated as vaccines become widely available for children ages 5 to 11. More school-age children receiving vaccinations may alleviate before and after school care providers' health and safety concerns related to the pandemic. Trial data on usage of vaccines in children younger than age 5 is expected to be available by the end of calendar 2021.

Expansion of Prekindergarten and Other Early Childhood Education Programs under the Blueprint for Maryland's Future

Many of the challenges facing child care providers also impact other providers of early childhood education services, including prekindergarten programs, that serve an important role in expanding access to high-quality, full-day early childhood education, as recommended by the Commission on Innovation and Excellence in Education. The commission's recommendations were enacted through Chapter 36 of 2021, the Blueprint for Maryland's Future (Blueprint), which created a new funding formula to expand voluntary full-day prekindergarten to low income four-year-olds and three-year-olds in the State, with top priority given to the families and students living in the greatest poverty. Chapter 36 also codifies existing capacity building and tuition assistance programs, such as the Child Care Accreditation Support Fund, that support the early childhood workforce generally. Increased funding for these types of programs could help address recruitment and retention issues affecting the early childhood workforce that were exacerbated by the pandemic, as discussed earlier.

The impact of COVID-19 on private prekindergarten providers' capacity is especially concerning as the Blueprint's efforts to expand early childhood education rely on both public and private providers. The Blueprint, as amended by Chapter 55 of 2021 (Blueprint for Maryland's Future – Revisions), requires that community-based providers initially account for 30% of full-day prekindergarten slots in each local education agency funded by the new formula, with that amount rising incrementally to 50% by the 2026-2027 school year. MSDE may issue a waiver if a school system demonstrates that an insufficient number of eligible private providers exist to meet the requirement. At this time, the number of available high-quality prekindergarten slots in public and private programs is unknown, especially as the pandemic contributes to lower capacity across the early childhood education system. This may necessitate widespread use of waivers and may cause challenges in implementing the expansion plan overall. Furthermore, providers may face difficulty meeting required quality standards to access public funding under the new formula as staffing shortages and increased operating costs persist.

Use of COVID-19 Federal Funds for Child Care

The federal government has provided financial assistance to mitigate the effects of the COVID-19 pandemic on child care systems across the nation. Specifically, on April 15, 2021, the President Joseph R. Biden, Jr. Administration announced the release of $38.9 billion authorized in the American Rescue Plan Act (ARPA) of 2021 for states to address the child care crisis caused by the public health emergency. This supplements the existing Child Care and Development Block Grant (CCDBG) and is divided into the following two funds:

- $24.0 billion, of which Maryland's allocation is $309.1 million, to be used for child care stabilization to assist providers in reopening, staying open (including keeping staff on payroll), maintaining safe and healthy learning environments, and providing mental health supports to children and employees; and

- $15.0 billion, of which Maryland's allocation is $192.9 million, to be used more flexibly on programs that will make child care more affordable and accessible and increase compensation for early childhood workers, among other possible uses.

Child Care Stabilization Grants

A fiscal 2022 budget amendment signed by the Governor on September 16, 2021, appropriated the total $309.1 million in federal child care stabilization funding with $278.2 million supporting grants to eligible child care providers and $30.9 million supporting administrative and other uses. Using most of the administrative allocation, MSDE plans to spend $15.0 million to provide start up grants and technical assistance to providers, $11.7 million to establish a portal to distribute and monitor ARPA funding, and $3.3 million for personnel to manage the grant program.

MSDE posted an application for child care stabilization grants that was open from July 14 to August 6, 2021, and originally expected to distribute all payments by September 30, 2021. However, the department experienced delays due to a lag in hiring contractual staff to process grant applications. Payments are now expected to be distributed on a rolling basis in October 2021 to just under 5,200 providers. Awards were set at a base of $15,000 with an additional $500 per licensed slot. A total of $155 million is being distributed in the first round of stabilization grants; MSDE anticipates awarding the remaining $123.2 million to providers in early calendar 2022.

Supplemental CCDBG Discretionary Funds

Supplemental CCDBG funding was allocated on a discretionary basis for states to address growing workforce shortages, reduced child care slots, and increased costs for families exacerbated by the pandemic. Although MSDE has not yet shared a spending plan for its $192.9 million award, the department has engaged stakeholders in the planning process through three virtual town halls. States must obligate this funding by the end of federal fiscal 2023 and are encouraged to prioritize increasing compensation for the child care workforce and increasing provider rates paid through subsidy programs.