
R00A01

MSDE Headquarters

Maryland State Department of Education

Response to the Analyst's Review and Recommendations

House Education & Economic Development Subcommittee –

February 12, 2026

Senate Education, Business & Administration Subcommittee –

February 16, 2026



Carey M. Wright, Ed.D.
State Superintendent of
Schools

The Maryland State Department of Education (MSDE) welcomes this opportunity to share with the Committee some of its success stories and to address questions raised by the analyst.

Performance Analysis: Managing for Results

1. Fiscal 2025

MSDE should explain why its JCR response did not include the required information from MCSS and comment on the reasons for continuously encumbering large amounts of funds, particularly in regard to DORS federal funds. MCSS should discuss fiscal 2025 encumbered and unspent funds excluded from the report and explain any reverted or canceled school safety grants.

MSDE regrets the omission of the MCSS data and will resubmit the report with MCSS's information. This was an oversight.

In the Division of Rehabilitation Services (DORS), the large encumbrances are associated with medical services. Funds are encumbered as soon as a client decision is made. However, clients have one year to pursue medical service. Additionally, once the service has been provided, providers have one year to submit for reimbursement. The DORS team reviews open encumbrances twice per year to ensure only those that remain eligible remain encumbered.

It is important to note that while the analysis states that 99.7% of food service funds remained unspent at the end of fiscal 2025, MSDE believes this is a calculation issue. MSDE spent 85% of its food service funds. This is calculated by dividing the unobligated balance by the expenditures plus encumbrances.

The Department of Legislative Services (DLS) recommends adopting committee narrative requesting that MSDE and MCSS submit a report on accounting practices, including school safety grant expenditures by program and LEA and the closeout balance of the SSF.

MSDE concurs.

2. Fiscal 2026

MSDE should discuss how much of the \$250,000 legislative addition has been spent on the feasibility study and how much remaining funding will be reverted.

MSDE conducted the feasibility study in 2025. The cost was \$98,395. The study's research found that CDL CTE programs are not feasible in high school due to the age requirements for Class C licenses, the federal age requirements for an interstate license, the high cost of the program (commercial vehicles), and low student interest.

MSDE is investigating an opportunity with an LEA that has a program that is struggling to stay active. This issue is a result of the information found in the report from 2025 and noted above.

MSDE will revert any of the unobligated \$250,000 at the end of FY 2026 during closeout.

3. Fiscal 2027 Overview of Agency Spending Proposed Budget Change

MSDE should explain the reasons for large increases to special fund grants within these divisions.

The increases in special fund grants in the Headquarters Budget reflect a realignment of these programs from the Aid to Education Budget to the more appropriate budget unit and to the responsible divisions. The funds are budgeted in Object 12 – grants, however the funds are actually used for contracted services and other administration-related activities. The programs involved are identified below.

Division of Instructional Programs (DIP)

High Quality Instructional Materials

School Leaders Training

Expert Review Teams

Division of Student Support and Federal Programs (DSSFP)

Behavioral Health Training

Community Schools Partnership Support

Issues

1. OLA Audits Reveal Oversight Issues

Financial Management

Federal Funds

MSDE should provide an update on the status of the remaining \$16.7 million in fiscal 2024 federal funds awaiting reimbursement.

All eligible federal revenue from fiscal 2024 and 2025 has been claimed. MSDE spent the last two years reconciling grant expenditures and revenue for grants back to fiscal 2020. This work was completed in spring 2025. MSDE acknowledges the issues raised by OLA regarding the timing of federal reimbursement requests.

MSDE has taken significant corrective actions to address the underlying issues identified by OLA. As part of the 2023 and 2024 closeout audit corrective action plan, MSDE temporarily paused federal fund draws to reconcile overdrawn grants, revised federal draw policies and procedures, established a new Deputy Chief Financial Officer for Fiscal Services, filled key fiscal vacancies, and enhanced staff training. Since fall 2025, MSDE has implemented a revised federal draw process under which expenditures are reviewed and drawn at least twice per month. These actions have strengthened internal controls and significantly reduced the risk of delayed reimbursements going forward.

With respect to the COVID-19 relief funds, in February 2025, USED rescinded previously approved liquidation extensions and substantially revised the reimbursement process for COVID-19 grants. At that time, MSDE had submitted reimbursement requests totaling approximately \$193 million. Due to evolving guidance, MSDE revised and resubmitted its reimbursement and extension requests eight times in total, at USED's direction in order to clarify and comply with changing federal requirements.

As of December 18, 2025, MSDE has been reimbursed \$105 million for four of the five programs. MSDE is actively pursuing the recovery of \$87.5 million in CRRSAA (ESSER II) funds.

MSDE should provide an update on reconciling the discrepancies in revenue received and recovering any remaining accrued revenue entries.

MSDE implemented the corrective action plan for the 2024 closeout audit and applied those corrective measures to the fiscal year 2025 close. At the close of fiscal 2025, MSDE accrued federal revenue at the appropriation, PCA, and FMIS grant levels and retained comprehensive supporting documentation for each accrual. OLA determined that the documentation provided by MSDE which were generated from the statewide online reporting system (ANSWERS) was not sufficient to support accrued federal revenue entries. Historically, MSDE provided a report generated from the Department's internal Financial Data Warehouse as backup for federal accruals, which was acceptable to OLA. MSDE provided OLA with internal data reports to supplement the statewide reporting system data, all of which demonstrated receipt of the accrued revenue in fiscal 2026. No general fund support is needed by MSDE.

OLA noted instances in which revenue exceeded the accrued amount. This is the result of MSDE's use of a cumulative year-to-date drawdown methodology; whereby federal draw requests may include expenditures from subsequent periods as part of a consolidated reimbursement. While this approach ensures that prior-year expenditures are fully liquidated, MSDE recognizes that clearer documentation and tracking are required to link accrued balances to subsequent receipts. MSDE is implementing an enhanced tracking mechanism to associate accruals with draw document numbers and STO receipts in the months following year-end.

MSDE should provide an update on the status of the corrective actions.

MSDE had 11 Findings in OLA's January 2026 audit report. MSDE agreed with 20 of the 23 recommendations included in the report. For 6 recommendations, the corrective action has been completed. The remaining Corrective Actions will be completed by July 31, 2026.

DLS recommends adding budget bill language restricting \$100,000 pending a report describing how MSDE has implemented OLA feedback and corrective actions for hiring and licensing oversight, financial management, and timely reimbursements.

MSDE concurs.

2. MSDE Makes Progress on Rollout of Literacy Policy

MSDE should provide an update on any changes to the timeline or implementation plan for the new literacy policy.

Comprehensive PreK-3 Literacy Policy Updates

The Comprehensive PreK-3 Literacy Policy was adopted in October 2024.

The overall timeline for the implementation of the Comprehensive PreK-3 Literacy Policy remains unchanged. However, please note the following sequencing updates regarding implementation supports:

- **Instructional Materials:** The review process to determine High-Quality Instructional Materials (HQIM) designations is currently under development. MSDE is also creating an accompanying implementation framework, which will be released once the review and validation process is complete.
- **Universal Screener List:** The MSDE-approved universal screener list is expected to be released in February 2026. A panel review process concluded in December 2025, and the final report and recommended list were completed in January 2026. This report is currently undergoing final internal approval.

These updates do not change LEA implementation requirements or timelines. MSDE will communicate the release of both the HQIM and screener lists as soon as final approvals are obtained.

Adolescent Literacy Policy

In January 2026, MSDE, with the approval of the Maryland State Board of Education, opened the Adolescent Literacy Policy for public comment. MSDE will review all feedback received during the 30-day period and make changes as appropriate with anticipated adoption in April 2026.

3. Assessment Contracts Require Large Deficiency Appropriation for Second Consecutive Year

MSDE should discuss the reason for the increase in assessment costs and the agency's efforts to reduce expenses.

MSDE works with three major vendors to design, develop, administer, score, and report assessment results: Pearson, ETS, and Cognia. These were all five-year contracts, with three additional option years.

The contract cost increases are attributable to state-directed changes that expanded the scope, complexity, and operational demands of the assessment program beyond the original contract assumptions. At MSDE's direction, vendors implemented significant modifications to assessment design and delivery, including adding both summer and winter testing windows, rapid scoring, expansion and re-field testing of assessment items, particularly constructed

response items to address post-pandemic impacts and to support more robust computer adaptive and multi-stage adaptive testing. MSDE also required additional accommodated and translated test forms, new Grade 8 Social Studies items to meet statutory requirements, earlier and additional testing windows, and rolling scoring and reporting to support semesterized grading. Further, MSDE directed vendors to integrate and align multiple assessments, item banking, scoring, and reporting systems, resulting in increased technical development and coordination. These state-directed scope changes necessitated additional staffing, scoring, system development, and operational support, resulting in the associated additional costs. Addendums were approved in June of 2023 and began increasing costs in FY24. Agency appropriation did not cover the increased costs for FY24-26 resulting in deficiency requests for FY25 and FY26.

In an effort to reduce MCAP expenses and consolidate contracts, MSDE released an RFP for the MCAP program on September 22, 2025. NCS Pearson was selected and presented to the Board of Public Works on January 28th, 2026. The base term of 5 years is \$95.3 million with a three- year renewal option of \$58.8 million totaling \$154.1 million. The total cost from the previous three vendors was \$254.3 million. Significant cost savings will be realized in FY28 after the expiration of the existing contracts.

In addition to the MCAP contractual costs, MSDE has annual costs for the delivery of specialized assessments and support with the following vendors:

- WIDA - assessing progress towards English proficiency for multilingual learners
 - Estimated FY27 Annual Cost = \$4 million
- Renaissance Learning - Kindergarten Readiness Assessment and reading screener
 - Estimated FY27 Annual Cost = \$1.6 million
- Dynamic Learning Maps - assessing grade level proficiency for students with significant cognitive disabilities
 - Estimated FY27 Annual Cost = \$1.5 million
- ClassApps - Maryland School Survey administration (used in accountability system)
 - Estimated FY27 Annual Cost = \$67k
- Center for Assessment - facilitation of the Maryland Technical Advisory Committee and MCAP development support
 - Estimated FY27 Annual Cost = \$270k

Operating Budget Recommended Actions

1. Add the following language to the general fund appropriation:

, provided that \$100,000 of this appropriation made for the purpose of general administration may not be expended until the Maryland State Department of Education (MSDE) submits a report to the budget committees describing how the agency has implemented feedback and corrective actions from the Office of Legislative Audits related to the January 2026 fiscal compliance audit of the agency. The report shall include the following:

- (1) the procedures in place to ensure that applicants who will have direct access to minors undergo the required preemployment screenings, including criminal

history, past disciplinary action, and licensing checks;

(2) the system in place for monitoring local education agencies' (LEA) class assignment practices to ensure that teachers are only assigned to areas in which they are licensed;

(3) MSDE's process and capacity for independently reviewing and approving initial educator license applications;

(4) the procedures established to ensure the accuracy of LEAs' eligibility determinations for prekindergarten funding;

(5) the status of federal fund reimbursement requests, the outstanding balance of expenditures that are awaiting federal reimbursement, the actions taken to obtain reimbursement in a timely manner, and the system developed to document federal revenues and expenditures;

(6) the justification for procuring non-competitive contracts, the process for documenting the scope of services required under each agreement, and any steps MSDE has taken to recover funds paid for undelivered services; and

(7) from January 2025 onward, a list of reimbursements owed to 21st Century Community Learning Centers that exceeded the 60-day required window, as well as the agency's justification for delays and the steps in place to ensure timely reimbursements.

The report shall be submitted to the budget committees no later than December 1, 2026. The budget committees shall have 45 days from the date of the receipt of the report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: A January 2026 fiscal compliance audit issued by the Office of Legislative Audits (OLA) contained 11 findings related to MSDE for the period from June 2021 to July 2024. The report disclosed issues with hiring and licensing oversight and financial management, as well as 2 redacted cybersecurity findings. This language restricts funding pending a report discussing OLA's feedback and the changes made to MSDE's oversight and documentation processes.

MSDE RESPONSE: MSDE Concur.

2. Adopt the following narrative:

Report on Accounting Practices: The committees request that the Maryland State Department of Education submit a closeout report by October 1, 2026. This report should include:

- an explanation for encumbrances and reversions for all general, special, federal, and reimbursable funds for any amount that does not equal zero; and
- expenditures and closeout balances by program for fiscal 2024, 2025, and 2026.

MSDE RESPONSE: MSDE Concur.

3. Adopt the following narrative:

Report on State Education Agency Federal Stimulus Funds: Due to school closures prompted by the COVID-19 pandemic, the Maryland State Department of Education (MSDE) received approximately \$3.6 billion in State Education Agency (SEA) federal stimulus funds. Though most of the funds have been obligated, significant amounts have not been expended. To ensure proper monitoring of the use of these funds, the committees request that MSDE report by January 1, 2027, on all SEA program expenditures distributed as part of Elementary and Secondary School Emergency Relief funds. This report should include:

- grant expenditures by school and program for State-mandated funds allocated to the Maryland School for the Blind, the Maryland School for the Deaf, and the School for Educational Evolution and Development;
- grant procedures, allocations, and expenditures by program for all discretionary allocations;
- expenditures by MSDE department and object for administrative costs; and
- unexpended funds by program, reasons that funds were not allocated or expended, anticipated expenditures of those funds by program for future years, and funds that may have been canceled.

MSDE RESPONSE: MSDE Concur.

4. Adopt the following narrative:

Report on the Maryland Leads Program: The American Rescue Plan Act requires State agencies to spend a designated percentage of Elementary and Secondary School Emergency Relief funds to address learning loss. The Maryland State Department of Education (MSDE) applied these funds to a grant program for local education agencies (LEA), Maryland Leads. To ensure proper oversight of this program and funding, the committees request that MSDE report by December 1, 2026, on the Maryland Leads program. The report should include the following information:

- a summary of progress on Maryland Leads objectives to date;
- LEA implementation plans by Maryland Leads subprogram;

- expenditures by LEA and subprogram for fiscal 2025 and 2026, including expenditures on personnel;
- standardized assessment measures, outcome measures, and progress, by LEA and program, on the framework implemented by MSDE to remediate student learning loss;
- documentation of improvements in literacy and mathematics proficiency, by LEA, grade, and subprogram, as the result of Maryland Leads initiatives; and
- documentation of how MSDE shares Maryland Leads information with the public, either on the MSDE website, LEA websites, or by other means.

MSDE RESPONSE: MSDE Concur.

5. Adopt the following narrative:

Report on Science of Reading (SoR) and State Literacy Policy: In January 2024, the State Board of Education (SBOE) passed Resolution 24-01 adopting SoR as Maryland's official approach to literacy instruction and required local education agencies (LEA) to align their literacy instruction to SoR starting in the 2024-2025 school year. As part of this resolution, the Maryland State Department of Education (MSDE) was tasked with drafting a comprehensive literacy policy for prekindergarten through grade 3 that aligned with SoR and MSDE's strategic plan. MSDE also received a total of \$47.2 million from federal and nonprofit grants to implement initiatives to improve early literacy proficiency and SoR professional development. The committees request that MSDE and the Accountability and Implementation Board (AIB) submit a report by October 1, 2026, on SoR and State literacy policy. The committees request that MSDE and the Accountability and Implementation Board (AIB) submit a report by October 1, 2026, on SoR and State literacy policy. The report should include the following information:

- a summary of the final version of the State literacy policy adopted by SBOE;
- expenditures on SoR by LEA including allocations through State allocations, Maryland Leads federal stimulus funds, and other federal and nonprofit grants;
- a summary of materials related to readiness for promotion policies, implementation, and LEA reporting;
- a summary of the key objectives in LEA literacy plans submitted to AIB in calendar 2024 and reported progress on these objectives submitted in LEA annual reports due September 2026;
- progress on teacher training, preparation, and support for the State literacy policy and SoR instruction;

- status of the student support model for student reading improvement plans; and
- an updated timeline for completion of the adolescent literacy plan for grades 4 through 12.

MSDE RESPONSE: MSDE Concur.



Memorandum

To: Senator Nancy King, Chair
Senate Budget and Taxation Committee - Education, Business, and Administration

Delegate Stephanie Smith, Chair
House Appropriations Committee - Education and Economic Development

From: Ross Goldstein, Executive Director

Date: House – February 12, 2026
Senate - February 16, 2026

Subject: Fiscal Year 2026 – MLDS Operational Budget

Thank you for your continuing support for the Maryland Longitudinal Data System (MLDS) Center. I appreciate the opportunity to respond to the budget analysis and share several highlights about the Center's work during the past year.

1. Created or updated approximately 186 dashboards and other output and produced 46 reports to provide timely and accurate information for state policy makers.
2. The Governing Board approved the addition of 226 new data elements to MLDS Data Inventory.
3. Research from the Research Branch was cited in the 2025 Economic Report of the President. The report cites Dr. David Blazar and his team's research on the Teachers Academy of Maryland.
4. [MD-CLaWE](#) - Maryland College, Labor, and Workforce Explorer - was launched to overwhelmingly positive reviews. MD-CLaWE allows users to develop custom reports on workforce participation for Maryland college graduates.
5. The MLDS Center comprehensively revised its Data Security and Safeguard Plan to ensure that the plan is fully consistent with the latest federal security standards and is in conformity with Department of Information Technology requirements.
6. An Action Fund Grant was awarded to the MLDS Center by the NCAN (the National College Attainment Network) to support the development of an interactive data driven tool to help high school students make informed education and career decisions.
7. A Democratizing Our Data Challenge Grant was awarded by the Coleridge Initiative to the MLDS Center and its counterparts in Washington, D.C. and Virginia to support the development of a Capital Region multistate report aimed at better understanding K-12, higher education, and workforce pathways in the Capital Region.
8. The MLDS Center Website recorded over 300,000 page views during FY 25 fiscal year. This represents a marked increase and provides evidence of public interest and reliance on the MLDS.
9. Staff of the Center and Research Branch members conducted more than 60 presentations and training on MLDS related research and the governance and design of the Center.

There were no issues to respond to in the budget analysis. Thank you again for your support of the MLDS Center. Please feel free to contact me, (ross.goldstein@maryland.gov) with any questions about the Center, our work, the budget allocation, or any research or data inquiries that you may have.

MARYLAND CENTER for SCHOOL SAFETY

MEMORANDUM

To: Senator Nancy King, Chair
Senate Budget and Taxation Subcommittee
Education, Business, and Administration

Delegate Stephanie Smith, Chair
House Appropriations Subcommittee
Education and Economic Development

From: Kate Bryan, Executive Director *YLB*

Date: House - February 12, 2026
Senate - February 16, 2026

Subject: Fiscal Year 2027 – MCSS Operational Budget Response (R00A06)
MSDE Headquarters (R00A01)

MCSS continues to work collaboratively with school safety partners and stakeholders to make schools a safe place for students to learn and thrive. As such, I am delighted to share our recent accomplishments with you, which are detailed in our [2025 Annual Report](#).

We appreciate the opportunity to respond to the fiscal year 2027 budget analysis and thank the Department of Legislative Services Budget Analyst, Katharine Barbour for completing a very thorough and effective review of the Center's budget.

- 1. MCSS should discuss fiscal 2025 encumbered and unspent funds excluded from the report and explain any reverted or canceled school safety grants.**

MCSS is working with MSDE to provide a revised report which was inadvertently excluded from the initial report submitted.

- 2. a. MCSS should comment on how much of the fiscal 2026 special fund appropriation it actually expects will be spent.**

MCSS has awarded approximately \$8.2M in SRO Grants and \$0.6M in Safe Schools Fund Grant. MCSS expects to utilize the full allocation of \$3.0M for the



FY2026 School Facility Mapping Grant, with final award determination for certain LEAs still pending.

b. DLS recommends adopting a committee narrative requesting that MCSS submit a report on the SSF balance, obstacles to utilization and LEA participation, and potential solutions.

MCSS concurs.

3. **DLS recommends adopting a committee narrative requesting that MCSS submit a report on the SSF balance, obstacles to utilization and LEA participation, and potential solutions.**

MCSS concurs.

4. **MCSS should discuss its plans to establish the program by the mandated deadline, including the program's funding source.**

The Secure Schools Emergency Response Grant is established. However, MCSS does not have plans to issue grants in FY27.

One item of note on page 20 under item 4, *General Funds for School Safety Grants Increase from Fiscal 2026...*" No general funds were appropriated to the SSF in FY2026, which is a decrease from the prior year.