NONPUBLIC PLACEMENT PROGRAM

2025 Joint Chairmen's report, p. 233-234

Maryland State Department of Education

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Report on the Nonpublic Placement Program

2025 Joint Chairmen's Report
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Maryland
STATE DEPARTMENT OF EDUCATION

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

October 15, 2025

The Honorable Guy Guzzone, Chair
Senate Budget and Taxation Committee
Miller Senate Office Building; 3 West Wing
Annapolis, MD 21401

The Honorable Benjamin Barnes, Chair
House Appropriations Committee
House Office Building
6 Bladen Street
Annapolis, MD 21401

RE: JCR_p233-234_Report on the Nonpublic Placement Program

Dear Senator Guzzone and Delegate Barnes:

Pursuant to the Joint Chairman's Report (2025 Session), the Maryland State Department of Education (MSDE) submits this Fiscal Year (FY) 2025 Report on the Nonpublic Placement Program (R00A02.07 MSDE – Aid to Education Students with Disabilities, Nonpublic Placement Program) to the budget committees. For the program specified, the report provides information on (1) program closeout data for fiscal 2025 by provider, including annual reimbursement costs and any costs that could not be covered within the fiscal 2025 appropriation; (2) actions taken in calendar 2024 and 2025 to implement Chapter 648; and (3) planned actions related to implementation of Chapter 648 and efforts to achieve pay parity in future years.

Information on Provider Closeout Data

Nonpublic placement funding (R00A02) includes: the Nonpublic Tuition Assistance Program (NTAP); program of enhanced services at the Maryland School for the Deaf (MSD) and the Maryland School for the Blind (MSB); the State share of Medical Assistance payments for students in nonpublic special education programs; Public Private Partnerships; and community partnership grants necessary to support students with disabilities in, or at risk of, nonpublic special education placements. NTAP, as required by Education Article §8-406 *Placement of a child with a disability in nonpublic educational program* and §8-415 *Shared cost of education of children with disabilities*, Annotated Code of Maryland, supported 4,142 placements for students with disabilities in nonpublic special education schools in FY 2025 at a cost of $138,234,667.86. Funding for the MSD and MSB enhanced services programming totaled $13,967,471.25. The State share of nonpublic related Medical Assistance payments was $4,179,763.40. Costs for FY 2025 Public Private Partnerships totaled $1,327,381.57 and final costs for community partnership grants totaled $1,270,573.77. Costs for the FY 2024 figure over the FY 2024 appropriation amount totaled $7,957,769.92. This information is reflected in the chart found in Appendix A, titled *FY 25 Nonpublic Grants Summary*.

Annual Reimbursement Costs

FY 2025 final expenditures for the Nonpublic Placement Program totaled $166,937,627.77, representing $5,611,964.23 below the FY 2025 appropriation total of $172,549,592. This represents an increase of $10,366,644.85 (or 6.6%) above the FY 2024 final expenditures which totaled $156,570,982.92. While the number of placements through NTAP increased by 1.05% over the 4,099 placements in FY 2024, the difference in those costs from FY 2024 ($134,914,847.33) to FY 2025 increased by $3,319,820.51 (or 2.46%). This increase was primarily impacted by two components:

1. Maryland Education Article §8-406(b)(1) Placement of child with a disability in nonpublic educational program provides that "a child with a disability who needs special education and related services that cannot be provided in a public county, regional, or State program shall be placed in an appropriate nonpublic educational program that offers these services." Furthermore, Maryland Education Article §8-406 (d) states that: "(1) Payment or reimbursement for a nonpublic program may not be provided if the payment or reimbursement would require an additional contribution from the State under §8-415(d)(2) of this subtitle unless the Department approves . . . (iii) The cost of the program . . . ." The Nonpublic Special Education School Budget Process is the established procedure utilized by MSDE to approve the rates for the cost of the nonpublic special education programs. The Nonpublic Special Education School Budget, which includes the cost of salaries and related benefits for the nonpublic special education school's teachers, is submitted annually by nonpublic special education schools to MSDE, Division of Special Education. The current approved methodology implemented by MSDE utilizes a single rate inflator, specifically, the Consumer Price Index for All Urban Consumers (CPI-U) for the 12- month period ending in December of the prior calendar year. The FY 2025 rate inflator was 3.4%.

2. In addition to the annual rate inflator applied to the annual Nonpublic Special Education School Budget Process, Chapter 648 of the Acts of 2023 (*Teacher Pay Parity Act*), requires that "[a] nonpublic school shall provide its teachers a salary that is equivalent to the local school salaries, phased in over 3 years beginning in Fiscal Year 2024 with parity achieved in the third year and parity maintained thereafter." Implementation of the Year 1 phase-in began during the FY 2024 Nonpublic Special Education School Budget Process. This resulted in an average increase in nonpublic special education school FY 2025 per diem rates of 5.12% over their approved FY 2024 per diem rates.

Fiscal 2025 Appropriation Sufficient to Cover All Costs

The appropriation provided for FY 2025 was sufficient to cover all fiscal 2025 expenditures. Final reconciliation of NTAP was completed prior to the end of September, in alignment with the FY 2025 reconciliation timeline. As of October 1, 2025, all FY 2025 grant amendments and requests for payment were submitted, as appropriate. Payments related to NTAP grants that require an increase based upon final reconciled totals may not be processed until the grant amendments are finalized. Once the amendments are finalized, the remaining payment requests will be processed. It is anticipated that the amendments and final payment request will be completed prior to the end of October 2025.

In addition, each month, MSDE provides to the budget committees, the Department of Legislative Services (DLS), the Department of Budget and Management (DBM), and the Comptroller, a Maintenance of Accounting Systems report for program R00A02.07 Students with Disabilities for Non-public Placements. As required, these monthly reports indicate by fund type, total appropriation for the fiscal year, and total disbursements for services provided during that fiscal year up through the last day of the second month preceding the date on which report is submitted. Also reported is a comparison to data applicable to those periods in the preceding fiscal year. It is anticipated that the final FY 2025 expenditure total noted above will be reflected in the December Maintenance of Accounting Report (as this report will reflect expenditures through October 31, 2025). However, this is dependent upon the final requests for payment being fully processed through the State payment system prior to the end of October.

MSDE is continuing to place a Continuous Quality Improvement lens on this work and will continue to modify our final reconciliation process based on "lessons learned" through utilization and feedback from LEAs and nonpublic special education schools with the goal of continuing to enhance the effectiveness and timeliness of the process.

This is evidenced by another reduction in the number of discrepancies identified between nonpublic special education school and LEA information. Furthermore, the FY 2025 reconciliation timeline identified that Final Reconciliation Notices and Verification Forms would be released to LEAs on September 12, 2025, with a deadline to be returned to MSDE by September 26, 2025.

<u>Actions Taken in Calendar 2024 and 2025 to implement Chapter 648 (Teacher Pay Parity Act)</u>

As noted above, Maryland Education Article §8-406(b)(1) Placement of child with a disability in nonpublic educational program provides that “a child with a disability who needs special education and related services that cannot be provided in a public county, regional, or State program shall be placed in an appropriate nonpublic educational program that offers these services.” Furthermore, Maryland Education Article §8-406(d) states that: “(1) Payment or reimbursement for a nonpublic program may not be provided if the payment or reimbursement would require an additional contribution from the State under §8-415(d)(2) of this subtitle unless the Department approves . . . (iii) The cost of the program . . . [.]”

The Nonpublic Special Education School Budget Process is the established procedure utilized by MSDE to approve the rates for the cost of the nonpublic special education programs. Through this process, the programs may increase their overall budget up to the annual rate inflator, which is the CPI-U ending in December of the prior year. The Nonpublic Special Education School Budget, which includes the cost of salaries and related benefits for the nonpublic special education school’s teachers, as well as other salary and non-salary operating costs, is submitted annually (mid-March) by each nonpublic special education school to MSDE, DSE. MSDE's *Nonpublic Special Education School Cost Approval Process Manual* (Manual) provides the budget guidelines and instructions outlining allowable operating expenses and other parameters for cost approval. Each budget, once approved, is the documentation that supports the approved program cost, which is functionalized by the per diem rate and related services rate(s) set by MSDE.

Implementation of the 3-year phase in for nonpublic special education school teacher pay parity began during the FY 2024 Nonpublic Special Education School Budget Process that began in March 2023. The

Teacher Pay Parity Act requires that a nonpublic special education school (NPS) shall provide its teachers with a salary that is equivalent to the salaries of teachers in the county where the NPS is located. For the purposes of determining the LEA teacher salary, MSDE uses the most recent annual *Analysis of Professional Salaries, Maryland Public Schools* report (Report). The tables in the Report are prepared from the data submitted by the 24 Maryland LEAs. Figure 1: *Teacher Salaries Above or Below Statewide Average by Local Education Agency Maryland Public Schools* of the Report includes the average teacher salary by LEA. These averages include the full spectrum of LEA teacher salaries, including long-serving, highly credentialed teachers as well as new-to-the-profession teachers.

In accordance with the *Teacher Pay Parity Act* and Md. Code, Educ. § 8-415, MSDE is implementing the phase-in as: 34% in Fiscal Year 2024 to 67% in Fiscal Year 2025 to 100% in Fiscal Year 2026. Prior to HB 448 going into effect, all participating NPSs had submitted their FY 2024 budget documents. In order to calculate the year 1 phase in amount, NPSs were required to provide additional information associated with the salary budget line. Specifically, NPSs provided actual individual teacher salaries. The total of the individual teacher salary data needed to match the salary line in the NPS Fiscal Year 2024 budget previously submitted to MSDE. MSDE used that data to identify and calculate the additional salary amount required in the law.

Example: A NPS has five teachers on staff whose salary amounts are below the LEA average. Two of those teachers make $60,000 per year. Three of those teachers make $55,000 per year. The LEA average is $65,000 per year. The difference in salary for two teachers is $5,000. $5,000 multiplied by two = $10,000. The difference in salary for three teachers is $10,000. $10,000 multiplied by three = $30,000. The total difference = $40,000. $40,000 multiplied by the year one phase in of 34% or .34 = $13,600. This calculation was completed for all Maryland NPSs.

To implement the law during the FY 24 Cost Approval Process, MSDE reviewed each NPS budget submission in accordance with the Manual. Once that process was completed, MSDE added the calculated Year 1 phase-in amount for that school into the school's budget and that increase would then be reflected in an adjusted (higher) per diem rate. This same process was also utilized during the FY 2025 Nonpublic Special Education School Budget Process that began in March 2024.

The same process was also utilized as part of the FY 2026 Budget submission. As noted above, the year three phase-in calculation toward salary parity is 100%. Final calculations were completed to ensure the resulting average teacher salary equaled the average teacher salary of the LEA where the program is located. This completed the three-year phase-in as required by the *Teacher Pay Parity Act*.

<u>Planned Actions Related to Implementation of Chapter 648 and Efforts to Achieve Pay Parity in Future Years</u>

As part of the annual budget submission for FY 2027 and beyond, NPSs may group teachers into one salary line in the budget document. Please note, NPSs must include an average teacher salary that is at least equal to the average teacher salary for the LEA in which the program is located. NPSs will find the required figure in the most recent Report, as noted above. For cost approval purposes, the budget template for a school year will reflect the average LEA teacher salary for the prior school year.

Under this calculation methodology, annual salary rates are captured in the annual LEA staffing files used to generate NPS average salary rates as indicated above. These increases are not tied to inflation or to the annual rate adjustment. However, given the inflation adjusted annual budget increases, in FY 2027 and onward, NPS must ensure that at least 2% of the inflation adjusted increase in the school's annual budget goes toward NPS salary increases. If 2% exceeds the increase, the NPS can use the remaining amount toward non-salary costs. In cases where the rate inflator falls below the annual increase in LEA salaries, MSDE will leverage the use of the existing Nonpublic Cost Group protocols to consider requests on an individual basis. This is designed to ensure that NPSs continue to invest in salary costs and parity each year. For example, if the LEA average salary rate goes up 2% in a year and the inflation rate is 6%, the NPS will need to ensure that at least 2% of the rate increase in the school's annual budget goes toward required parity pay increases.

Beginning in the Fall of 2025, and in an effort to ensure implementation of the *Teacher Pay Parity Act* across programs, MSDE plans to begin auditing personnel and payroll records of NPSs. Programs will be randomly selected and provided with a notice indicating the documentation that will need to be provided under the scope of the audit. MSDE staff will conduct these audits on-site, providing an opportunity to review the information and discuss implementation with program leadership.

Should you require additional information regarding the Nonpublic Placement Program data, please feel free to contact Dr. Akilah Alleyne, Executive Director, Government Affairs, Education Policy, and External Relations, Office of the Superintendent, at (410) 767-0504 or by email at akilah.alleyne@maryland.gov.

Sincerely,

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

Attachment

c: Sarah Albert, Mandated Reports Specialist, Department of Legislative Services (five copies)

Appendix A

Report on the Nonpublic Placement Program

FY 25 Nonpublic Grants Summary

Provider	Final FY 2025 Reimbursement Cost
Allegany	1,703,746.64
Anne Arundel	12,970,543.15
Baltimore	28,627,212.99
Baltimore City	8,249,553.00
Calvert	1,506,401.90
Caroline	17,636.41
Carroll	3,036,475.73
Cecil	1,412,155.77
Charles	2,360,440.31
Dorchester	528,774.00
Frederick	5,516,394.66
Garrett	79,946.61
Harford	10,095,480.47
Howard	14,196,130.31
Kent	211,141.53
Montgomery	22,424,010.98
Prince George's	22,224,550.30
Queen Anne	458,239.26
St. Mary's	1,165,727.37
Somerset	69,446.79
Talbot	155,598.65
Washington	1,225,061.03
Wicomico	0
Worcester	0
Baltimore City (Villa)	108,336.92
Baltimore City (Children's Guild)	34,945.48
Baltimore County (Villa)	309,383.27
Frederick County (Sheppard Pratt)	331,475.76
Baltimore County (Oaks Dynamics)	115,873.56
Baltimore County (High Road)	39,778.94
Prince George's County (Foundation)	367,570.54
Prince George's County (Sheppard Pratt)	20,017.10
MSB - Enhanced	9,126,843.00
MSD - Enhanced	4,606,380.25
MSD - Enhanced	234,248.00
RICA - Juvenile Competency	194,000.65
KKI- SCHNIC	391,898.27
MANSEF	15,509.82
	12,000.00
	12,000.00
	71,612.14
	205,540.20
	10,000.00
Un of MD - PG	358,012.69
DHMH - IGT	4,179,763.40
Baltimore County FY 24	1,553,903.27
Frederick County FY 24	748,085.38
Harford County FY 24	2,737,126.11
Howard County FY 24	2,470,454.72
Prince George's County FY 24	448,200.44
Total Reimbursement Costs	**166,937,627.77**

Variance:	
Appropriation FY 25	172,549,592.00
Variance:	5,611,964.23