

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 1388 (Delegate Montague)
 Ways and Means

Education - Charles H. Hickey, Jr. School State Education Pilot Program

This bill requires the Maryland State Department of Education (MSDE) to develop and implement an educational program at Charles H. Hickey, Jr. School designed to meet the needs of the population at the school. MSDE must adopt regulations to implement the program and must report annually on the status and effectiveness of the program.

The bill is effective July 1, 2002 and sunsets June 30, 2005.

Fiscal Summary

State Effect: General fund expenditures could increase by an estimated \$3.6 million in FY 2003 to contract with a vendor to provide enhanced educational services at Charles H. Hickey, Jr. School and support contractual employees at MSDE. In addition, \$2.0 million in general funds (budgeted) would transfer from the Department of Juvenile Justice (DJJ) to MSDE. Future year expenditures reflect ongoing contract costs, salary increases, and inflation.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	3.6	2.0	2.1	0	0
Net Effect	(\$3.6)	(\$2.0)	(\$2.1)	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: DJJ must develop educational programs that are designed to meet the needs of the populations in the facilities that it manages.

Background: Charles H. Hickey, Jr. School in Baltimore County is operated by Youth Services International (YSI), a private contractor that also runs the Victor Cullen Center in Frederick County. At the end of 2000, an internal DJJ audit of operations at the Cullen Center was critical of the programming provided by YSI and the oversight of YSI and Cullen provided by DJJ. This has led to concerns about YSI operations at Hickey, and DJJ is in the process of finalizing an internal audit of Hickey. YSI's contract for the management and operation of Hickey expires in March 2004. The estimated fiscal 2002 average daily population at Hickey is approximately 300 students.

State Fiscal Effect: The fiscal 2003 contract with YSI includes \$1.9 million for educational costs at Hickey. With 3% indirect administrative costs and 5% profit, contract costs for educational programs at Hickey total approximately \$2.0 million. It is assumed that the bill would require DJJ to transfer approximately \$2.0 million in State funding for the Hickey contract to MSDE. This \$2.0 million is included in the proposed fiscal 2003 budget and would be used to finance a portion of a new contract for the provision of educational services at Hickey.

The cost to contract for an intensive educational program at Hickey that would meet the needs of the population at Hickey is estimated at \$5.4 million in fiscal 2003, \$3.8 million in fiscal 2004, and \$3.9 million in fiscal 2005. These costs are based on an MSDE assessment of existing Hickey personnel, instructional materials, and school facilities. Although the estimated cost of a contract that would meet the needs of Hickey students is based on assumptions about specific school resources, a contractor would presumably be free to decide how to best use the funding it receives through the contract. The resources and upgrades that were assumed in calculating an estimated contract cost are stated below:

- One-time costs of approximately \$1.6 million would be needed in fiscal 2003 to: upgrade science labs, career education labs, and computer labs; purchase equipment for occupational programs; wire computer labs; purchase new textbooks for all major academic subjects; provide diagnostic test and assessment materials for career technology certification exams; and make minor facility alterations.
- The majority of ongoing expenditures, approximately \$3.2 million annually beginning in fiscal 2003, would pay for teachers and other school personnel. Personnel would

receive salaries comparable to the salaries of school-based employees in Baltimore County.

- Class sizes would be small (approximately 15 students per class) and many classrooms would include professional aides as well as teachers.
- There would be a wide variety of instructional staff including reading, media, and life skills specialists, occupational teachers, a career technology instructor, and a special education coordinator.
- A team of pupil support personnel would assist students in the transition back to local schools after they are released from Hickey.
- Ongoing costs for teacher professional development and instructional supplies and materials would total approximately \$200,000 annually.
- As is the case with the existing Hickey contract, indirect costs and profit would increase the contract cost by 3% and 5% respectively.

In addition to contract costs, MSDE would require contractual employees to oversee the implementation of the pilot program and to ensure that the programs are meeting the needs of the students at Hickey. Fiscal 2003 through 2005 expenditures for 2.5 contractual employees at MSDE, including operating expenses, would total approximately \$220,000 annually.

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
One-time Contract Costs	\$1,629,090	\$0	\$0
Ongoing Contract Costs	3,805,759	3,843,817	3,882,255
MSDE Contractual Salaries & Benefits	219,400	215,917	220,883
MSDE Operating Expenses	<u>1,225</u>	<u>1,237</u>	<u>1,250</u>
Total State Expenditures	\$5,655,474	\$4,060,971	\$4,104,388
Current Contract Costs	<u>2,018,994</u>	<u>2,018,994</u>	<u>2,018,994</u>
Increase in State Expenditures	\$3,636,480	\$2,041,977	\$2,085,394

Additional Information

Prior Introductions: HB 532 of 2001 would have required the State Board of Education to provide educational programs in all facilities operated by DJJ. The bill was not reported out of the House Ways and Means Committee.

Cross File: None.

Information Source(s): Maryland State Department of Education, Department of Legislative Services

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