

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 191 (Delegate Anderson, *et al.*)
 Appropriations

Department of Juvenile Services - Higher Education Assistance Contracts

This bill establishes a program of higher education assistance contracts for community college students who agree to work for the Department of Juvenile Services (DJS) after graduation. Recipients of financial assistance must agree to work at DJS for one year for each year that assistance is received. Funding for the program may be included in the annual budget for the Maryland Higher Education Commission (MHEC) or transferred from DJS to MHEC by budget amendment.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: General fund expenditures could increase by an estimated \$151,100 in FY 2006 to award higher education assistance contracts and hire a program administrator at MHEC. General fund expenditures for DJS staff recruitment efforts could decrease minimally. Future year expenditure estimates reflect increases in program participation, regular salary increases, and inflation. Revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	151,100	239,700	351,800	370,100	389,400
Net Effect	(\$151,100)	(\$239,700)	(\$351,800)	(\$370,100)	(\$389,400)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill requires the Office of Student Financial Assistance (OSFA) to determine, in consultation with DJS, the number of higher education assistance contracts that can be awarded each year. The number may not exceed 100. OSFA must submit a list of candidates for the program to DJS annually, and DJS must select students from the list to be awarded contracts. A contract award may not be greater than the cost of tuition and mandatory fees at the community college the recipient attends.

To qualify for a contract, an applicant must: (1) be a secondary school graduate; (2) be enrolled or intend to enroll as a full-time student at a community college in an eligible program; (3) be accepted for admission in a regular undergraduate program at a community college; and (4) begin attending community college within five years of completing secondary school or provide evidence to OSFA of extenuating circumstances. Students accepting contract awards must also agree to be employed by DJS within one year after graduation from community college and must work for DJS for one year for each year that assistance is received.

An award may be renewed on an annual basis up to two times. To qualify for a renewal, an applicant must: (1) continue to be enrolled at a community college; (2) maintain a 2.5 grade point average or provide evidence of extenuating circumstances; (3) make satisfactory progress toward earning a degree; and (4) maintain the standards of the community college.

If DJS does not offer employment to the recipient of a higher education assistance contract within one year after the recipient completes an eligible associate degree program and all other requirements of the contract, the recipient is not required to fulfill the service obligation. DJS and OSFA may defer a service obligation if a recipient is enrolled at a four-year institution of higher education or demonstrates extreme extenuating circumstances. A recipient who does not satisfy the degree requirements or the service obligation must repay the financial assistance that is received plus interest.

Current Law: The higher education assistance contracts established in the bill would constitute a new State program. There are approximately 25 State financial assistance programs that OSFA manages, approximately half of which involve a service obligation.

Background: DJS has experienced problems in attracting and retaining qualified permanent staff for several years. Managing for Results (MFR) data from 2004 showed that, with the exception of the intensive aftercare program, DJS was well short of its caseload goals for probation and aftercare services. The goal for informal supervision was met 49% of the time; the goal for low and moderate risk aftercare and probation was met 39% of the time; and the goal for high risk aftercare and probation was met 14% of

the time. Despite well-publicized accounts of inadequate staffing at juvenile detention facilities, MFR data from 2004 show that 88% of the standards-level staffing was achieved for DJS residential services in fiscal 2004.

The 2004 *Joint Chairmen's Report* required a DJS staffing report by November 1, 2004, but the report has not been submitted.

State Expenditures: General fund expenditures could increase by an estimated \$151,063 in fiscal 2006 to fund approximately 33 contract awards, one new position at MHEC, and administrative expenses for the program. By fiscal 2010, general fund expenditures for the program, including 100 contract awards and ongoing program administrative costs, could total an estimated \$389,400. DJS could participate in the identification of award recipients with existing resources.

Although the potential savings cannot be quantified at this time, general fund expenditures for DJS staff recruitment efforts could decrease minimally.

Higher Education Assistance Contracts

Expenditures for higher education assistance contracts could total an estimated \$90,189 in fiscal 2006 and \$332,300 by fiscal 2010. The information and assumptions used in calculating these estimates are listed below.

- Although the bill allows for up to 100 contracts annually, program participation is assumed to be 33 award recipients in fiscal 2006 and 67 award recipients in fiscal 2007. By fiscal 2008, the program would reach its limit of 100 contracts per year. It is assumed that the 100-contract cap encompasses both new contracts and contract renewals.
- The average tuition at community colleges for the 2004-2005 academic year is \$2,733. It is assumed that this would be the average award for fiscal 2006. Beginning in fiscal 2007, the average award amount would increase by 5% per year.

Maryland Higher Education Commission Administrative Costs

Expenditures for MHEC personnel and administrative costs could total an estimated \$60,874 in fiscal 2006, which assumes a July 1, 2005 start-up date so that contract awards could be made for the 2005-2006 academic year. The estimate reflects the cost of hiring one administrative specialist at MHEC to aid with program implementation, process program applications, review eligibility criteria, calculate applicants' grade point averages, and eventually track service obligations. The estimate includes a salary, fringe benefits, fiscal 2006 contractual services to add the new program to the existing MHEC

financial assistance database, other one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$45,629
One-time Database Update – Contractual Services	10,000
Other Start-up and Operating Expenses	<u>5,245</u>
FY 2006 State Expenditures for Administrative Costs	\$60,874

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Juvenile Services, Maryland Higher Education Commission, Department of Legislative Services

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