

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 367

(The Speaker) (By Request – Administration)

Economic Matters and Ways and Means

**Department of Labor, Licensing, and Regulation - Consolidation of Workforce
Development Functions - Transfer of Adult Education and Literacy Services and
Education Programs for Correctional Facilities**

This Administration bill consolidates adult education, literacy services, and correctional institutions' education programs in the Department of Labor, Licensing, and Regulation. The bill also establishes a Workforce and Adult Education Transition Council to make recommendations for the integration of these programs.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: General fund expenditures would increase by \$200,000 in FY 2009 to equip office space and transfer employees to the Department of Labor, Licensing, and Regulation. The Maryland State Department of Education's FY 2009 general fund expenditures would increase by \$177,600 to hire two new coordinators for remaining units. Out-years reflect inflation in personnel costs. Revenues would not be affected.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	377,600	180,600	189,300	198,500	208,100
Net Effect	(\$377,600)	(\$180,600)	(\$189,300)	(\$198,500)	(\$208,100)

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

Local Effect: None.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: The bill renames two DLLR administrative units as the Division of Unemployment Insurance and the Division of Workforce Development and establishes an Adult Education and Literacy Services Office within the Division of Workforce Development to administer and supervise policy and funding for adult education and literacy.

Workforce Creation and Adult Education Transition Council

The bill establishes the Workforce and Adult Education Transition Council to integrate adult education and workforce development programs. The council consists of representatives of State agencies with responsibility for workforce development, education, and public safety and representatives of organizations that provide these services.

The council is charged with merging existing programs by developing a revised State plan for adult education, matching adult education programs with available funds, identifying best practices for job training and employment, transitioning offenders into the workplace, and identifying outstanding education and job training needs.

The council, staffed by DLLR, must report its activities and recommendations to the Governor and the General Assembly by December 31, 2009.

Adult Education and Literacy

Administration of adult education and literacy programs is transferred from MSDE to DLLR. All employees whose positions are transferred will be employees of DLLR on the bill's effective date with no change to their rights, benefits, or employment status. The Governor is authorized to transfer any related administrative functions and employees necessary to implement the bill from MSDE to DLLR.

The bill establishes that MSDE and DLLR, as appropriate, represent the State in all matters relating to the administration of career and technology education acts of the U.S. Congress, including adult education, family literacy, and workforce investment

programs. MSDE would remain responsible for awarding high school diplomas to adults who earn them.

Correctional Institutions

The bill expands the purview of the Education Coordinating Council for Correctional Institutions to include workforce development, renames the council to reflect the change, and adds another member to the council. The council's jurisdiction is transferred from MSDE to DLLR and the Department of Public Safety and Correctional Services. Funds for the operation of the educational and workforce skills training programs in correctional institutions are transferred to DLLR's budget.

The first \$1 million in the Maryland Correctional Enterprises' revolving fund in excess of the amount required for operations is transferred to DLLR in fiscal 2009 for the operation of educational programs in correctional institutions. Under current law, these funds would have been transferred to MSDE.

Current Law: Several programs exist in State education law to improve adult literacy and provide access to educational services. In most counties, the local school systems provide adult education programs, but several jurisdictions provide services through community colleges, community groups, or the public library system. MSDE funds services through competitive grants awarded in accordance with the State Plan for Adult Education and Family Literacy, supporting programs for General Educational Development instruction, adult external high school programs, instruction in English for nonnative speakers, and other literacy programs.

Incarcerated adults who fail to meet a minimum educational standard are provided basic education, adult secondary education, occupational preparatory programs, and library services through MSDE's Division of Correctional Education. These efforts are overseen by the Education Coordinating Council for Correctional Services, a collaborative effort between DPSCS and MSDE. Among its other tasks, the council is required to adopt regulations for the implementation of a mandatory workforce skills training program for all inmates in Division of Correction institutions. The council's regulations apply only to an inmate who has 18 months or more remaining before his release date and is not exempted due to a medical, developmental, or learning disability. DOC must report to the Parole Commission on the academic progress of an inmate in the program.

Background: Narrative in the 2004 *Joint Chairmen's Report* expressed concern about the number of individuals on the waiting list for adult education and literacy services, at that time estimated between 4,000 and 5,000 adults. Legislation enacted in 2005 established minimum fiscal 2007 and 2008 funding levels for adult education and literacy

services and required MSDE to establish an ongoing method of funding for adult education and literacy services to reduce the size of the waiting list.

The State Superintendent of Schools convened a Panel on Excellence in Adult Education, which released a final report, *Stepping Up to the Future*, in December 2005. The panel found that there were approximately one million Marylanders with limited literacy skills, no high school diploma, or ineffective English skills. The State's contribution to adult education programs to address these deficiencies was considerably lower than the contributions made by other states. Using a model previously used by the Commission on Education Finance, Equity, and Excellence, the panel estimated the amount of State funding needed to provide adequate educational services to adult education students at \$26.5 million.

The fiscal 2009 proposed State budget for MSDE includes \$14.4 million in State and federal funds for adult education and \$26.7 million in State and federal funds for correctional education in State prisons.

State Expenditures: Under the terms of the bill, all affected MSDE employees will be transferred to DLLR on July 1, 2008 without any change to their rights, benefits, or employment status. MSDE estimates that 46 positions would be affected by the transfer. All duties and functions associated with the functions transferred by the bill continue under DLLR.

The Governor is additionally authorized to transfer any related administrative functions and employees as necessary to fulfill the bill's requirements. The bill does not specify the mechanism for transferring these funds or the total amount of funds transferred. Funds and positions could be transferred in a supplemental budget or by budget amendment. New expenditures related to the transfer are detailed below.

Department of Labor, Licensing, and Regulation

The department anticipates one-time expenditures of \$50,000 to outfit and equip office space at the department's Eutaw Street building in Baltimore City for the employees affected by the transfer. The cost to physically move the offices from MSDE to DLLR is estimated at \$150,000. The department advises that, in addition to program staff and funds, DLLR will also require the transfer of support staff and funds sufficient to provide for the indirect costs associated with the transferred employees for payroll, legal, technology, and other services.

Based on interviews with representatives in states that have effected similar transfers, MSDE advises that costs associated with the transfer could exceed DLLR estimates. The

information provided by MSDE suggests that, based on the department's experience in transfer of child care functions and interviews with other states, DLLR's one-time renovation and outfitting costs could exceed \$1.1 million, with an additional \$0.4 million per year required to lease publicly accessible testing and office space.

MSDE also advises that DLLR will assume certain expenses associated with workforce development functions, including tuition reimbursement, development of a GED data processing system, and a GED testing services deficit; however, this bill should impose no additional costs in their ongoing development and maintenance if funds are transferred to support these functions. MSDE also suggests that new information technology will be required to maintain connectivity between the departments at an estimated cost of \$1.1 million; however, DLLR has not indicated plans to develop this capability.

Maryland State Department of Education

Two of the department's divisions will be primarily affected by the transfer: the Division of Correctional Education and the Division of Career Technology and Adult Learning. (The juvenile services correctional education program transferred to MSDE by Chapter 431 of 2004 would not be affected by the bill.) The two divisions affected by the transfer also maintain responsibility for other programs and services, including awarding high school diplomas to adults that meet the requirements. With the transfer of the directors of these programs, the department advises that new positions will be required to administer the programs remaining at MSDE.

General fund expenditures could therefore increase by an estimated \$177,632 in fiscal 2009. This estimate reflects the cost of hiring one GED coordinator and one juvenile services correctional education director to direct these remaining MSDE operations, including salaries, fringe benefits, and ongoing operating expenses. Future year expenditures reflect • full salaries with 4.4% annual increases and 3% employee turnover; and • 2% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: SB 203 (The President) (By Request – Administration) – Finance and Education, Health, and Environmental Affairs.

Information Source(s): Maryland State Department of Education; Department of Labor, Licensing, and Regulation; Department of Public Safety and Correctional Services; Department of Legislative Services

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