

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 551 (The President, *et al.*) (By Request - Administration)
 Education, Energy, and the Environment Appropriations

Department of Service and Civic Innovation and Maryland Corps Program
Service Year Option Pathways - Established (Serving Every Region Through
Vocational Exploration Act of 2023)

This emergency Administration bill repeals and reestablishes the Department of Service and Civic Innovation (DSCI) and statutorily transfers both the Governor’s Office on Service and Volunteerism and the Maryland Corps Program to DSCI. Within the Maryland Corps Program, two pathways and related special funds are created for service placements for eligible youth and young adults. Technical and conforming changes reflect DSCI’s governance of the Maryland Corps Program and establishment of the two pathways.

Fiscal Summary

State Effect: General fund expenditures increase by \$3.6 million and \$11.35 million in FY 2023 and 2024, reflecting contingent appropriations, and further increase beginning in FY 2025. Future mandated funding does not change and is not reflected below. DSCI can implement the bill with budgeted resources in FY 2023 and 2024. General fund revenues increase by \$2.5 million in FY 2023, \$1.0 million in FY 2024, and annually beginning in FY 2027 due to reversions. Dedicated Purpose Account (DPA) expenditures are assumed to increase by \$5.15 million in FY 2024 to support the program. Most nonpersonnel funding, including the DPA monies, is assumed to be transferred to the new special funds in FY 2024; special fund revenues increase correspondingly. Special fund expenditures increase for awards beginning in FY 2025, and special fund revenues increase beginning in FY 2028 when further capitalization is needed. Maryland 529 nonbudgeted revenues and expenditures may decrease (not shown).

(\$ in thousands)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	\$2,500	\$1,000	\$0	\$0	\$38,300
SF Revenue	\$0	\$16,150	\$0	\$0	\$0
GF Expenditure	\$3,600	\$11,353	\$50	\$50	\$550
SF Expenditure	\$0	\$5,150	\$2,400	\$6,000	\$14,400
Net Effect	(\$1,100)	\$647	(\$2,450)	(\$6,050)	\$23,350

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

Local Effect: Local government expenditures may increase to the extent they accept, at their discretion, placements of Maryland Corps Program participants and have to pay wages and benefits. However, they may benefit to the extent the program enhances the pipeline of potential local government employees. Local revenues are unaffected.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services (DLS) concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary:

Maryland Corps Governance

DSCI must administer the Maryland Corps Program. The Maryland Corps Board of Directors is replaced by an advisory board with a chair appointed by the Governor. Members of the advisory board serve staggered terms, as specified. In making appointments to the advisory board, the President, Speaker, and Governor must consider an individual's experience and knowledge in workforce development, among other factors in current law. A member of the advisory board may be reappointed but may not serve more than two consecutive full terms.

The advisory board must (1) be a liaison with DSCI, as specified; (2) advise DSCI on best practices for service and volunteerism; (3) provide oversight of the design, development, implementation, operation, and expansion of the Maryland Corps Program; (4) participate in program-sponsored events; and (5) perform any duties as determined by DSCI.

DSCI must act as an intermediary with the AmeriCorps program to secure federal funding and alleviate the administrative burden on State organizations seeking to participate in AmeriCorps programming. In working with AmeriCorps, DSCI must focus on expanding service opportunities in (1) State and local parks; (2) public and community health sectors; and (3) the clean and renewable energy sector.

The bill makes several changes to the goals of the program. DSCI must adopt regulations as specified.

Young Adult Pathway and Fund

The purposes of the Young Adult (YA) Service Year Option Pathway are to:

- provide service placements to eligible young adults as an additional option to immediately pursuing postsecondary education or career and technical training;
- equip program participants with professional development, mentoring, job training, financial literacy skills, and other supports;
- assist in addressing the State's greatest challenges by channeling the next generation into impactful public service; and
- strengthen a pipeline of talent into State and local governments to fill present and future staffing needs.

Applicants for the YA pathway must be Maryland residents and within three years of graduation from high school or having obtained a similar level of education completion, as specified. DSCI must set targets for participation in the YA pathway, including 200 participants in the first year and 2,000 participants in the fourth year. The bill establishes responsibilities and benefits for YA pathway participants, including that they must work at least 30 hours per week and be paid \$15 per hour or the State minimum wage, whichever is higher.

DSCI must develop focus areas for YA pathway participants for the purpose of addressing priority State and community issues, including climate, education, and health. It must also promote and publicize the availability of the YA pathway to high schools, community and nonprofit organizations, faith-based institutions, and employers that are potential service placement providers.

The YA Pathway Fund is a nonlapsing fund, and, except for fiscal 2024 through 2026, any unspent monies at the end of each fiscal year revert to the general fund. The fund consists of money appropriated to it in the State budget, gifts or grants, investment earnings, and any other money from any other source. The Comptroller must account separately for each source of revenue for the fund. The fund may be used to (1) provide stipends to YA pathway participants; (2) pay the costs of administering the pathway; and (3) assist in the creation of additional Maryland Corps programs.

Maryland Service Year Option Pathway and Fund

The purposes of the Maryland Service Year (MSY) Option Pathway are to:

- equip Maryland Corps participants with professional development, mentoring, job training, financial literacy skills, and other supports;

- assist in addressing the State’s greatest challenges by channeling the next generation into impactful public service; and
- strengthen a pipeline of talent into State and local governments to fill present and future staffing needs.

Applicants to the MSY pathway must be interested in performing public and community service in the State. DSCI must prioritize for participation in the MSY pathway applicants who are Maryland residents and historically underrepresented in higher education and employment, as specified. Pathway participants are subject to most of the same responsibilities and benefits as YA pathway participants; however, they do not have a requirement to work at least 30 hours per week, nor are they required to be partnered with an on-site mentor. DSCI must also promote and publicize the availability of the MSY pathway to historically Black colleges and universities, community colleges, trade schools, faith-based institutions, youth who are disconnected from school or work, and employers and nonprofit organizations that are potential service placement providers.

The MSY Pathway Fund is a nonlapsing fund, and, except for fiscal 2024 through 2026, any unspent monies at the end of each fiscal year revert to the general fund. The fund consists of money appropriated to it in accordance with a mandated appropriation, gifts or grants, investment earnings, and any other money from any other source. The Comptroller must account separately for each source of revenue for the fund. The fund may be used only to (1) provide stipends to MSY pathway participants; (2) provide program completion awards to participants who complete the program; (3) cover expenses for the pathway; (4) cover expenses incurred to study how program alumni could be better positioned to meet the current and future needs of employers in the State; (5) provide matching funds for grants received; and (6) assist in the creation of additional Maryland Corps programs.

A mandated appropriation for the Maryland Corps Program in current law is directed to the MSY Fund.

Additional Provisions Applicable to Each Pathway and Fund

The YA and MSY pathways and funds are each subject to specified annual reporting and audit requirements. In addition, either or both funds may be used to:

- create a Maryland Civilian Climate Corps to conserve and restore State and local parks and engage in other climate or environmental projects;
- create a Maryland Historic Trades Corps to place young adults and young veterans in regionally based work crews tasked with rehabilitation of State historic resources; and
- expand the Maryland Conservation Corps to engage in projects that manage natural resources and conserve parks.

Maryland Corps Completion Awards

The bill replaces the \$6,000 education award that may be awarded to individuals who complete at least nine months of a Maryland Corps service placement under current law with a program completion award of the same amount for the same duration of service, which can be awarded either as a deposit to a Maryland 529 account, as required under current law, or instead as a cash stipend.

Program Evaluation

By June 1, 2027, DSCI must procure the services of a public or private entity to conduct an independent evaluation of the program. The evaluation must evaluate:

- the benefits to communities being served by the program;
- the benefits to corps participants who complete the program;
- the efficacy of the program’s professional development programming, training, and mentoring in supporting the State’s workforce development needs;
- the program design, implementation, and overall efficiency in delivering intended outcomes; and
- any additional program metrics developed by DSCI.

DSCI must report its findings and recommendations by July 1, 2028, to the Governor and General Assembly. Beginning October 1, 2028, DSCI must publish an online dashboard of key performance indicators included in the report.

Current Law:

Department of Service and Civic Innovation

In accordance with the Governor’s constitutional authority to reorganize State government by executive order, the Governor established DSCI as a principal department in January 2023 by [Executive Order 01.01.2023.02](#). The executive order established the purpose of the department to be promoting service and volunteerism in the State and assigned the department eight responsibilities, including promoting the use of volunteers in State and local government, businesses, and nonprofit entities. It also transferred all employees of the Maryland Corps Program and the Governor’s Office of Service and Volunteerism to the new department. The executive order does not specifically address the department’s role in administering the program, but it does assign the Secretary of Service and Civic Innovation the responsibility to “identify and expand initiatives to increase service and volunteerism in the State to create opportunities and strengthen communities.”

Maryland Corps Program

The Maryland Corps Program was established by Chapter 654 of 2016 and substantially restructured by Chapter 37 of 2022, but it received no funding and, thus, was not operational through fiscal 2022. In fiscal 2023, the program received \$5.3 million (\$150,000 as general funds and the balance as special funds) for operations, stipends, and scholarships; however, none of the funding has been spent yet. The fiscal 2024 budget as passed by the General Assembly transfers the \$5.3 million to DSCI for Maryland Corps. In addition, five of the six positions on the Maryland Corps governing board remain vacant, and no executive director has been named.

As currently established in statute, the purpose of the Maryland Corps Program is to (1) provide meaningful service opportunities to participants that will address the social needs of the community; (2) equip participants with the skills that will enable them to successfully make the transition from high school to postsecondary education or the workforce; and (3) provide scholarships to participants who have completed the program to be used at institutions of higher education. It is administered by a board of directors appointed by the Governor, Speaker of the House, and President of the Senate.

The purpose of the Maryland Corps Program Fund is to provide stipends and scholarships to program participants, cover expenses incurred by the board, and provide funding for the program to match gifts or grants received by the board. As noted above, the program and fund did not receive funding until fiscal 2023; even then, the funding provided was discretionary. However, beginning in fiscal 2024, the Governor is required to include \$5.0 million in the budget for the fund, with the mandated appropriation increasing by \$5.0 million each year through fiscal 2027 when it reaches \$20.0 million. The mandated appropriation remains at \$20.0 million each year thereafter. The fiscal 2024 budget as passed by the General Assembly reduces the appropriation by \$2.0 million for that year.

Background: On April 3, 2023, the Governor nominated Mr. Paul Monteiro to be the first Secretary of the Department of Service and Civic Innovation. Prior to his nomination, Mr. Monteiro served as the director of the Community Relations Service in the U.S. Department of Justice.

State Fiscal Effect: As shown in **Exhibit 1**, the fiscal 2024 budget as passed by the General Assembly includes \$13.7 million for DSCI in fiscal 2024, of which \$11.4 million is specifically to support the Service Year Option Program and is contingent on the enactment of the bill or House Bill 546 establishing the program. Another \$4.5 million for DSCI is included as a deficiency appropriation in fiscal 2023, \$3.6 million of that amount is likewise contingent. The total contingent funding for the program is approximately \$15.0 million and is specifically designated for certain purposes: \$9.8 million for grants (\$1.5 million as a deficiency in fiscal 2023 and \$8.3 million in fiscal 2024); \$2.0 million

for a program evaluation (\$1.0 million in each year); \$1.6 million combined for the development of an online portal to allow individuals to apply for a service placement and possibly get matched with a potential employer; and \$1.5 million combined for program outreach (specifically advertising and legal publication).

Exhibit 1
Funding in the Fiscal 2024 Budget Bill for the
Department of Service and Civic Innovation and the Maryland Corps Program

	<u>FY 2023</u>	<u>FY 2024</u>
Funding Transferred to DSCI in FY 2023		
Maryland Corps	\$5,300,000	
<i>General Funds</i>	150,000	
<i>Special Funds (from the Dedicated Purpose Account)</i>	5,150,000	
Deficiency Appropriation for DSCI in FY 2023	\$4,456,405	
<i>Amount Contingent on the Bill</i>	3,600,000	
Funding Transferred to DSCI in FY 2024		
Maryland Corps (Mandated for fiscal 2024, with reduction)		\$3,000,000
Office of Community Initiatives		7,625,924
<i>General Funds</i>		290,613
<i>Special Funds</i>		269,600
<i>Federal Funds</i>		7,065,711
New Funding for DSCI in FY 2024		\$13,657,296
<i>Amount Contingent on the Bill</i>		11,353,000
Subtotal for DSCI	\$9,756,405	\$24,283,220
Total for DSCI in FY 2024 Budget Bill		34,039,625
<i>Subtotal for Maryland Corps</i>	\$8,900,000	\$14,353,000
Total for Maryland Corps in FY 2024 Budget Bill		\$23,253,000

DSCI: Department of Service and Civic Innovation

Notes: The amount contingent on the bill is dedicated entirely to Maryland Corps. Of the \$3.0 million in general funds for Maryland Corps transferred to DSCI in fiscal 2024, \$350,000 is maintained as general funds for staffing rather than distributed to the new special funds for other purposes. This analysis assumes those positions would have been funded absent the bill and that, in the absence of an active program, the other \$2.65 million, although mandated to be included by the Governor for Maryland Corps under current law, would not necessarily have been retained in the budget as passed by the General Assembly or would have reverted at year-end.

Source: Department of Legislative Services

Further, the total funding includes funding for 18 *new* positions in DSCI (in addition to any positions that transfer from other programs or offices). Of those, 14 are funded as deficiencies in fiscal 2023 and 4 are newly funded in fiscal 2024. In addition, the fiscal 2024 budget as passed by the General Assembly includes \$3.0 million for Maryland Corps (reflecting the \$2.0 million reduction to the \$5.0 million mandated appropriation), which is transferred to DSCI. (Another \$7.6 million, mostly federal funding for AmeriCorps, is also transferred to DSCI.)

This analysis assumes that most of the funds are designated primarily to operate the Maryland Corps Program as modified by the bill (which acts as a service year option program and satisfies the contingencies in the budget bill). Thus, although the program incurs significant costs beginning as early as fiscal 2023, initial implementation costs are already budgeted.

Fiscal 2023 Effects

Only funds budgeted for fiscal 2024 through 2026 are exempt from the bill's reversion provision for the YA and MSY funds; however, as an emergency bill, the bill takes effect during fiscal 2023. (Although not specifically established as such, this analysis assumes that the new funds are special funds rather than nonbudgeted funds.) Unspent funds from DPA can revert back to DPA for up to three years; other unspent and unencumbered funds budgeted in fiscal 2023, whether transferred to the two new funds or retained as general funds, revert to the general fund at year-end.

Exhibit 1 shows that, of the \$9.8 million appropriated to DSCI in fiscal 2023, \$8.9 million is designated for Maryland Corps, including \$3.6 million contingent on the enactment of the bill or its cross file and another \$5.3 million appropriated in the fiscal 2023 budget bill and being transferred in the fiscal 2024 budget bill. As the bill effectuates the contingent appropriation, general fund expenditures increase by \$3.6 million in fiscal 2023, which consists of \$1.5 million for program completion awards, \$1.0 million for a program evaluation, \$1.0 million for outreach, and \$100,000 for an online portal.

Although the other \$5.3 million in funding is appropriated regardless of the bill, most of it was originally appropriated to DPA in the fiscal 2023 budget. Of that total amount, \$5.15 million is reserved for unspecified contractual costs (presumably program completion awards) and \$150,000 is for staffing. As noted above, any unspent amount of a DPA appropriation can revert back to DPA for up to three years and is assumed to do so, with the Department of Budget and Management retaining control over it.

This analysis assumes that \$7.65 million designated for Maryland Corps in fiscal 2023 is not expended that year, with \$5.15 million reverting back to DPA (which is not accounted for as *new* special fund revenues in fiscal 2023) and the remaining \$2.5 million reverting

to the general fund at year-end. Based on information provided by the Governor's Office, this analysis reflects the first cohort of Maryland Corp participants being selected in fiscal 2024, with the first round of program completion awards paid in fiscal 2025 when they complete their service commitment. Thus, funds reserved or designated for program completion awards in fiscal 2023, totaling \$6.65 million, revert either to DPA (\$5.15 million) or to the general fund (\$1.5 million). Furthermore, the bill requires DSCI to contract with a third party to conduct an independent evaluation by June 1, 2027; this analysis assumes that DSCI does not enter into a contract for an evaluation until then. Therefore, the \$1.0 million budgeted in fiscal 2023 for the evaluation also reverts to the general fund (even if DSCI opts to procure a third-party evaluation earlier than that, it is unlikely that it can do so in the two months leading up to the end of the fiscal year, so encumbering the funds is not an option). However, this analysis assumes that additional funding for staffing, outreach, and the online portal are spent or encumbered before the end of the fiscal year and do not revert. Overall, general fund expenditures for DSCI increase by \$3.6 million in fiscal 2023 due to the contingent appropriation, and general fund revenues increase by \$2.5 million due to the reversions required under the bill, for a net negative effect on the general fund (-\$1.1 million) in fiscal 2023.

Fiscal Effects Beginning in Fiscal 2024

Exhibit 1 also shows that \$14.35 million is budgeted for the Maryland Corps Program in fiscal 2024. Of the total appropriated in fiscal 2024, \$11.35 million is contingent on the bill and \$3.0 million reflects the mandated appropriation beginning that year, with a \$2.0 million budgeted reduction. The bill requires that the mandated appropriations for Maryland Corps in current law be allocated to the MSY Fund. Therefore, with the exception of \$350,000 reserved for staffing, \$2.65 million is assumed to be allocated to the MSY Fund for stipends and/or program completion awards. As balances in the MSY Fund are not subject to reversion for fiscal 2024 through 2026, these funds remain available for MSY Pathway-related expenses until fiscal 2027, as needed.

Of the \$11.35 million in contingent funding, \$8.3 million is reserved for stipends and/or program completion awards and is assumed to be allocated to the YA Fund for that purpose (and remains available until fiscal 2027, as needed). The balance is designated for certain purposes, including program evaluation, outreach, and the development of an online portal. As these activities benefit both pathways, it is assumed that these funds are *not* transferred to the special funds but are instead retained as general funds for the designated purposes and either expended, encumbered, or reverted to the general fund in the year for which they have been appropriated. These activities are discussed further below.

This analysis also assumes that the \$5.15 million that reverted to DPA at the end of fiscal 2023 is transferred to the YA Fund in fiscal 2024 and remains available for the payment of program completion awards. As noted elsewhere, the MSY Fund has a

dedicated funding source as it continues to receive a mandated appropriation each year. That mandated appropriation escalates to \$20.0 million in fiscal 2027 and beyond (and is subject to reversion beginning in fiscal 2027). Although funding in the out-years for the YA Fund is discretionary, sufficient monies are assumed to be appropriated beginning in fiscal 2028 to cover program completion awards each year.

Program Completion Awards

The bill specifies that the two funds may be used to pay stipends and/or program completion awards to program participants. As program participants are required to be paid at least \$15 per hour during their service, this analysis assumes that the intent is to use the funds to pay the program completion awards rather than stipends. To the extent that the intent is to also pay participants stipends while they are still working in their service assignments, additional special fund expenditures are made for that purpose (with a corresponding impact on the need to capitalize the YA Fund).

The Governor's Office advises that it expects the first cohort of program participants to be selected for fall 2023; program completion awards are not payable until successful completion of a service placement, which will, therefore, occur in fiscal 2025. This analysis assumes that awards, which are at the discretion of DSCI, are paid to all participants.

For the YA pathway, the bill establishes a goal of 200 participants in the first year (anticipated to be fiscal 2024) and 2,000 participants by the fourth year, and it sets the program completion award at \$6,000 per participant. Similar goals are not set for the MSY pathway, but this analysis assumes similar participation patterns for that pathway as well; participants are also eligible for program completion awards, and this analysis assumes that they, too, are paid.

Exhibits 2 and 3 summarize the costs of awards for the program's first five full years for each of the two pathways, reflecting that awards for each cohort are paid in the following fiscal year (when participants complete their service). The exhibits also reflect that all future mandated appropriations for the Maryland Corps Program are deposited into the MSY Fund, as required by the bill, and are used exclusively for program completion awards (subject to reversion beginning in fiscal 2027). Special fund expenditures for awards may be different than those shown to the extent that (1) the program's first cohort is delayed; (2) fewer participants are selected each year; (3) the pace of program growth is different than that shown; (4) attrition reduces the number of completed placements; or (5) discretionary funding is not provided to the YA Fund in the out-years. To the extent that a portion of future mandated appropriations is used for program administration each year (*e.g.*, staffing) instead of program completion awards, expenditures and the balance in the MSY Fund may also vary.

Based on this analysis, the YA Fund runs a deficit beginning in fiscal 2028 unless additional discretionary general fund expenditures capitalize it each year – specifically, \$12.0 million in fiscal 2028 and annually thereafter (assuming the number of YA pathway participants remains at 2,000 each year). By contrast, given its mandated appropriations in the out-years, the MSY Fund runs a substantial surplus in all years. As both funds’ balances are subject to reversion beginning in fiscal 2027, this analysis assumes that general fund revenues increase by \$38.3 million in fiscal 2027 (\$2.05 million from the YA Fund and \$36.25 million from the MSY Fund) and \$8.0 million each year thereafter (exclusively from the excess mandated appropriation directed to the MSY Fund, assuming the number of participants in the MSY pathway remains at 2,000 each year). However, to the extent the MSY Fund balance is used for the other purposes authorized by the bill, including creating the Maryland Civilian Climate Corps and Maryland Historic Trades Corps and expanding the Maryland Conservation Corps, general fund revenues are less.

Exhibit 2
Young Adult Service Year Option Pathway Completion Awards
Paid from the Young Adult Service Year Option Pathway Fund
Fiscal 2024-2028
(\$ in Millions)

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Number of Participants	200	500	1,200	2,000	2,000
Opening Fund Balance*	\$8.30	\$13.45	\$12.25	\$9.25	\$0.00
Transfer from DPA	5.15	0.00	0.00	0.00	0.00
Discretionary Appropriation	0.00	0.00	0.00	0.00	12.00
Annual Awards Paid	0.00	1.20	3.00	7.20	12.00
Cumulative Awards Paid	0.00	1.20	4.20	11.40	23.40
Closing Fund Balance*	\$13.45	\$12.25	\$9.25	\$2.05	\$0.00
General Fund Reversion	NA	NA	NA	\$2.05	\$0.00

DPA: Dedicated Purpose Account
NA: Not applicable for that year

* For fiscal 2024, the opening fund balance reflects the \$8.3 million appropriation for grants that year, and the closing fund balance reflects the addition of the assumed transfer of \$5.15 million from the Dedicated Purpose Account back to Maryland Corps – presumably for this pathway and no expenditures from the fund until fiscal 2025 when the first awards are paid. The closing fund balance for fiscal 2028 assumes sufficient capitalization with a discretionary general fund appropriation to cover awards paid in that year.

Source: Department of Legislative Services

Exhibit 3
Maryland Service Year Option Pathway Completion Awards
Paid from the Maryland Service Year Option Pathway Fund
Fiscal 2024-2028
(\$ in Millions)

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Number of Participants	200	500	1,200	2,000	2,000
Opening Fund Balance*	\$2.65	\$2.65	\$11.45	\$23.45	\$0.00
Mandated Appropriation	-	10.00	15.00	20.00	20.00
Annual Awards Paid	0.00	1.20	3.00	7.20	12.00
Cumulative Awards Paid	0.00	1.20	4.20	11.40	23.40
Closing Fund Balance*	\$2.65	\$11.45	\$23.45	\$36.25	\$8.00
General Fund Reversion	NA	NA	NA	\$36.25	\$8.00

NA: not applicable for that year

* The opening fund and closing fund balances for fiscal 2024 reflect the mandated appropriation for fiscal 2024 already having been directed to the fund (specifically \$2.65 million, reflecting the budgeted reduction from the \$5.0 million mandate and \$350,000 reserved for staffing) and no expenditures from the fund until fiscal 2025 when the first awards are paid.

Source: Department of Legislative Services

DLS notes that substantial savings could be realized by either combining the two funds or dividing future mandated appropriations equally between the two funds.

To the extent that the Maryland Corps programs secure funding from private donors or from the AmeriCorps program, as envisioned and allowed by the bill, general fund expenditures for the YA Fund may be less.

Program Staffing

The Governor's Office advises that many or all of the 18 positions in the budget are dedicated to operating the Maryland Corps Program and that no additional positions are needed.

Evaluation and Other Activities

As noted, the budget as passed by the General Assembly includes contingent funding for the evaluation in fiscal 2024, but the bill does not require the third-party evaluator to be selected until much later – specifically in fiscal 2027, with the bulk of the evaluation conducted in fiscal 2028. Therefore, this analysis assumes that \$1.0 million budgeted in fiscal 2024 reverts to the general fund, and that \$500,000 is needed in fiscal 2027 to conduct the evaluation (with any unexpended funds encumbered for fiscal 2028).

Contingent funding is also provided in fiscal 2024 for program outreach and development of an online portal. This analysis assumes that the funding dedicated to outreach is used as provided (since the program is expected to be implemented by fall 2023 and outreach is a requirement under the bill), and that additional funding is needed in the out-years for further outreach.

However, the bill does *not* require a portal, but to the extent one is developed with the contingent funding already available, the portal will need to be maintained in the out-years, at a reduced funding level. This analysis assumes a portal is developed and that funds are expended as anticipated in the budget. However, any funding for the portal not expended or encumbered in 2024 reverts to the general fund; further, any maintenance costs for the online portal in the out-years are not due to this bill. Accordingly, any such maintenance impacts are not reflected in this analysis.

Exhibit 4 summarizes the impact on general fund expenditures for the program over the five-year period covered by this fiscal and policy note. This analysis assumes that additional out-year costs, specifically for the evaluation and ongoing outreach, are funded directly with general funds. As discussed above, the YA Fund needs to be further capitalized beginning in fiscal 2028 in order to make awards as projected. Accordingly, special fund revenues increase in that year as well.

Exhibit 4
Projected Additional General Fund Effects
Beyond Funding in the Fiscal 2024 Budget and Current Mandated Appropriations
Fiscal 2024-2028
(\$ in Thousands)

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Expenditures					
Awards	\$0	\$0	\$0	\$0	\$12,000
Evaluation*	0	NA	NA	500	NA
Outreach	-	50	50	50	50
Revenues from Reversion	\$1,000	\$0	\$0	\$38,300	\$8,000
Net General Fund Effect	\$1,000	-\$50	-\$50	\$37,750	-\$4,050

NA: not applicable in that year

* The \$1.0 million in contingent funding appropriated for an evaluation is not expended in fiscal 2024; instead, a lower level of funding for an evaluation is needed in fiscal 2027. The \$1.0 million is reflected as reverting to the general fund at year-end in fiscal 2024.

Notes: Other impacts are based on funding available from appropriations for fiscal 2024 and the assumed transfer of monies back from the Dedicated Purpose Account in fiscal 2024, with most nonpersonnel funding directed to one of the two new funds in fiscal 2024 so that it may be maintained as fund balance through fiscal 2026 rather than revert to the general fund. However, a portion of the contingent general fund appropriation is not used as anticipated and reverts to the general fund (specifically the evaluation monies noted above). Contingent funding for outreach in fiscal 2024 is assumed to be used in that year (as well as in fiscal 2023) for that purpose; accordingly, that funding has already been accounted for, and there is no further general fund impact except for ongoing funding in the out-years. Funding for awards reflects amounts needed for both Young Adult (YA) Service Year Option Pathway completion awards and Maryland Service Year (MSY) Option Pathway completion awards. The general fund impact for awards is only from YA pathway completion awards. The MSY pathway does not require additional general fund expenditures because it receives a mandated appropriation directed to the Maryland Corps Program under current law. Beginning in fiscal 2027, surplus balances in the MSY Fund and YA Fund are assumed to revert to the general fund at year-end instead of being used for other authorized purposes.

Source: Department of Legislative Services

Audits

The YA and MSY funds are subject to audit by the Office of Legislative Audits (OLA). OLA advises that it will need to add DSCI to its audit rotation and that an audit of the funds will be incorporated into its larger audit of the department. Therefore, the audit requirement has no fiscal effect.

Maryland 529

Current law requires education awards totaling up to \$6,000 to be paid to Maryland Corps completers in the form of contributions to Maryland 529 plans on their behalf. To the extent that program completion awards are paid as cash stipends instead of contributions to Maryland 529, nonbudgeted revenues and expenditures for Maryland 529 are lower than they would have been under an active current law program.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 546 (The Speaker, *et al.*) (By Request - Administration) - Appropriations.

Information Source(s): Governor's Office; Maryland Higher Education Commission; Department of Budget and Management; Maryland Department of Labor; Department of Legislative Services – Office of Legislative Audits

Fiscal Note History: First Reader - February 18, 2023
rh/clb Third Reader - March 23, 2023
Revised - Amendment(s) - March 23, 2023
Revised - Clarification - April 10, 2023
Revised - Updated Information - April 10, 2023
Revised - Budget Information - April 10, 2023
Enrolled - May 11, 2023
Revised - Amendment(s) - May 11, 2023
Revised - Other - May 11, 2023

Analysis by: Michael C. Rubenstein

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Department of Service and Civic Innovation and Maryland Corps
Program Service Year Option Pathways – Established (Serving
Every Region Through Vocational Exploration Act of 2023)

BILL NUMBER: SB551/HB546

PREPARED BY: Governor’s Legislative Office

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS