

**Department of Legislative Services**  
Maryland General Assembly  
2023 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 546  
Appropriations

(The Speaker, *et al.*) (By Request - Administration)

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**Education - Service Year Option Program - Establishment (Serving Every  
Region Through Vocational Exploration Act of 2023)**

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This Administration bill establishes the Service Year Option Program and related fund within the Department of Service and Civic Innovation (DSCI) to provide year-long service placements to recent high school graduates and other individuals. Program participants must work 30 hours a week, partner with an on-site mentor, and be paid \$15 per hour by the participating employer. DSCI *may* provide stipends of \$3,000 to participants who complete a placement and *must* (1) evaluate the program as specified and (2) adopt regulations to implement the program. **The bill takes effect July 1, 2023.**

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**Fiscal Summary**

**State Effect:** Although general fund expenditures increase in FY 2024, sufficient funding is included in the budget as introduced; those funds are assumed to be transferred to the new special fund created by this bill. General fund expenditures further increase by \$600,000 beginning in FY 2025 and by \$3.0 million in FY 2028 to implement the program. Special fund revenues and expenditures increase commensurately. To the extent that donations are used to support program activities, general fund expenditures are less.

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	-	\$600,000	\$600,000	\$600,000	\$3,000,000
GF Expenditure	-	\$600,000	\$600,000	\$600,000	\$3,000,000
SF Expenditure	-	\$600,000	\$600,000	\$600,000	\$3,000,000
Net Effect	(\$-)	(\$600,000)	(\$600,000)	(\$600,000)	(\$3,000,000)

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

**Local Effect:** None.

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

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## Analysis

### **Bill Summary:**

#### *Service Year Option Program*

The purposes of the program are to (1) provide service placements to recent high school graduates and other individuals with similar levels of education as an additional option to pursuing career and technical training or postsecondary education; (2) equip program participants with professional development, mentoring, job training, and other support while working in high-impact service placement; (3) help address the State's greatest challenges by channeling the next generation into public impact work; and (4) strengthen a pipeline of talent into State and local governments to fill present and future staffing needs.

DSCI is charged with administering and providing staff for the program as provided in the State budget. Among its statutory responsibilities are (1) identifying and working with nonprofit entities who may receive grants to serve as regional program leaders across the State; (2) building and maintaining an accurate and up-to-date online portal to manage openings and service placements; and (3) evaluating the program's operation in collaboration with an independent entity.

Regulations adopted by DSCI must address the application process, eligibility requirements, program requirements, and the disbursement of stipends.

#### *Program Participants*

A program participant is an individual who has received a high school diploma, GED, or comparable educational level within two years before applying for the program; a participant may qualify under alternative criteria developed by the Secretary of Service and Civic Innovation. DSCI must set targets for program participation, including 200 participants in the first year and 2,000 participants in the fourth year. A program participant must (1) perform the duties of the service placement to the satisfaction of the employer and DSCI; (2) participate in all related training; and (3) participate in specified program-wide events.

#### *Service Year Option Program Fund*

The Service Year Option Program Fund is a continuing and nonlapsing fund, the purposes of which are to provide stipends to program participants and pay the costs to administer the program. The fund consists of money appropriated to the fund, gifts or grants received by DSCI, investment earnings, and any other money accepted for the benefit of the fund.

## *Program Evaluation*

DSCI must procure the services of a third-party entity to conduct an independent study and assessment of the program. The study must use random assignment or other research methods for the strongest possible causal inferences if random assignment is not feasible. The evaluator must submit its findings and recommendations by July 1, 2028. By 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 \$5.1 million for operations, stipends, and scholarships; however, none of the funding has been spent yet. In addition, five of the six positions on its 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, when the budget included \$5.1 million for the fund and program. The Governor is required to include \$5.0 million in the fiscal 2024 budget for the fund (which he has done), with the mandatory appropriation increasing by \$5.0 million each year thereafter through fiscal 2027; it remains at \$20.0 million each year thereafter.

**Background:** As of the publication of this fiscal and policy note, the Governor has not nominated a Secretary of Service and Civic Innovation to lead the new department.

**State Fiscal Effect:** The fiscal 2024 budget as introduced 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. The budget also includes a total of \$9.8 million in funds for grants (\$1.5 million in fiscal 2023 and \$8.3 million in fiscal 2024), \$2.0 million for a program evaluation (\$1.0 million in each year), and \$1.6 million for the development of the online portal. Small amounts of funding are provided for program outreach. Although the funding in the budget is not contingent on the enactment of this bill, this analysis assumes that those funds are designated primarily to operate the Service Year Option Program. Thus, although the program incurs significant costs beginning in fiscal 2024, the initial implementation costs are assumed to already be budgeted.

The bill specifies that the new fund can be used for stipends and to administer the program. This analysis further assumes that the bulk of the budgeted funds are transferred to the new fund by budget amendment once the fund is established and, therefore, are not subject to reversion at the end of fiscal 2024, making them available for future program costs. Accordingly, special fund revenues and expenditures increase.

### *Stipends*

The Governor's Office advises that it expects the first cohort of program participants to be selected for fall 2023; stipends are not payable until successful completion of a service placement, which will, therefore, occur in fiscal 2025. This analysis assumes that stipends, which are at the discretion of DSCI, are paid to all participants. 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 sets the stipend at \$3,000 per participant. **Exhibit 1** summarizes the cost of stipends for the program's first five years, reflecting that stipends for each cohort are paid in the following fiscal year (when participants complete their service). Expenditures for stipends 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; or (4) attrition reduces the number of completed placements.

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**Exhibit 1**  
**Expected Program Participation and Stipends**  
**Fiscal 2024-2028**

	<u><b>FY 2024</b></u>	<u><b>FY 2025</b></u>	<u><b>FY 2026</b></u>	<u><b>FY 2027</b></u>	<u><b>FY 2028</b></u>
Participants	200	500	1,200	2,000	2,000
Stipends Paid	\$0	\$600,000	\$1,500,000	\$3,600,000	\$6,000,000
Cumulative Stipends Paid	\$0	\$600,000	\$2,100,000	\$5,700,000	\$11,700,000

Source: Department of Legislative Services

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As the budget includes a total of \$9.8 million for stipends, additional funding for stipends is not necessary until fiscal 2028, when \$1.9 million will be needed. Therefore, general fund expenditures increase by \$1.9 million in fiscal 2028, and special fund revenues and expenditures increase commensurately (under the assumption that the general funds will be paid to the Service Year Option Program Fund).

*Program Staffing*

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

*Evaluation and Other Activities*

As noted, the budget includes funding for the evaluation in both fiscal 2023 and 2024. However, the evaluation runs through fiscal 2028. Therefore, additional funding is needed in fiscal 2025 through 2028. This analysis assumes that funding levels in fiscal 2023 and 2024 are elevated due to start-up costs for the evaluation and that less is needed in the following years. Therefore, \$500,000 is needed in each of fiscal 2025 through 2027, and \$1.0 million is needed in fiscal 2028 to finalize the study and publish the report.

Funding is also provided in fiscal 2023 and/or 2024 for program outreach and development of the online portal. This analysis assumes that additional funding is needed in the out-years; however, reduced funding is needed only to maintain (rather than develop) the portal.

The Governor’s Office advises that it has no current plans to designate nonprofit entities as regional program leaders, as authorized by the bill. As the program matures and its leadership becomes aware of promising service models, it may designate the sponsors of those models as regional program leaders. To the extent that State funding is necessary to support those activities, additional funding may be needed, but a reliable estimate at this time is not feasible or practical until the program achieves greater maturity. Sufficient funding is assumed to be included in the fiscal 2024 budget as introduced. **Exhibit 2** summarizes the increases in general fund expenditures (and commensurate special fund revenues and expenditures) needed specifically for this program over the remainder of the five-year period covered by this fiscal and policy note.

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**Exhibit 2**  
**Projected Out-year General Fund Expenditures for Service Year Option Program**  
**Fiscal 2025-2028**

	<u><b>FY 2025</b></u>	<u><b>FY 2026</b></u>	<u><b>FY 2027</b></u>	<u><b>FY 2028</b></u>
Stipends	\$0	\$0	\$0	\$1,900,000
Evaluation	500,000	500,000	500,000	1,000,000
Outreach	50,000	50,000	50,000	50,000
Online Portal	50,000	50,000	50,000	50,000
<b>Total General Funds</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$600,000</b>	<b>\$3,000,000</b>

Source: Department of Legislative Services

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The bill authorizes donations to the fund to support operation of the Service Year Option Program. The Governor’s Office indicates that it is already soliciting donations for the program. To the extent that third parties donate to the fund, fewer general fund expenditures may be needed to implement the program.

*Audits*

The Service Year Option Program Fund is subject to audits 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 fund will be incorporated into its larger audit of the department. Therefore, the audit requirement has no fiscal effect.

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## **Additional Information**

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

**Designated Cross File:** SB 551 (The President, *et al.*) (By Request - Administration) - Education, Energy, and the Environment.

**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

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## **ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES**

**TITLE OF BILL:** Education - Service Year Option Program - Establishment (Serving Every Region Through Vocational Exploration Act of 2023)

**BILL NUMBER:** HB546/SB551

**PREPARED BY:** Governor's Legislative Office

### **PART A. ECONOMIC IMPACT RATING**

This agency estimates that the proposed bill:

**X** 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**