

Opening Testimony

Thank you for this opportunity to discuss Maryland's Service Year Option, the Maryland Corps, and the new Department of Service & Civic Innovation. I'd also like to acknowledge the diligent efforts of our DLS Analyst Madelyn Miller and her collaborative approach to working with DSCI in advance of today's hearing. I'm joined by our phenomenal Deputy Secretary Sarah Flammang and Chief Financial Officer Jessica Wakefield who joined us a few weeks ago.

Our Department is focused on translating the Governor's mantra of Maryland being the state that "leaves no-one behind;" the state that takes the lead in developing the workforce of the 21st century; and truly making Maryland a state that serves into tangible realities.

The Department of Service and Civic Innovation is charged with turning those ambitions into programs and experiences that propel our people, our communities and our state forward. That's what we've set out to do, consistent with the Serving Every Region through Vocational Exploration, the SERVE Act – that the General Assembly passed less than one year ago.

We are grateful for your support to date, and I hope that today's hearing provides a meaningful update on our progress in establishing this first-in-the nation program over the past 10 months.

You will recall that the SERVE Act directed us to launch two programs – the Service Year Option and Maryland Corps. These programs share many core qualities, but eligibility rules are slightly different.

Service Year Option/Young Adult pathway is for those who have graduated from high school in the past three years, and many of those young people have graduated without a specific plan – whether that is going to school, entering the military, or going straight into a job that can lead to a career and a family sustaining wage.

Maryland Corps is for people of any age who may be stuck or looking for a new direction and new opportunity.

In both programs, the experience is a mix of work plus professional and personal development. Participants also have access to a range of wrap-around supports to address challenges like transportation and food or housing insecurity, etc. so that they can successfully participate in the programs. I previously served as the director of AmeriCorps VISTA and can certainly tell you that one of the most exciting design features of what the General Assembly passed in the SERVE Act is the wraparounds that will significantly reduce barriers and allow individuals of all backgrounds to engage in a year of service. To be clear, our pilot cohort includes a significant

number of members from the lower rungs of the socioeconomic ladder and these wraparounds make it possible for them to be a part of this first-in-the-nation program.

The goal is that participants emerge from the programs with a clear plan for what comes next, and that they are taking steps in that direction. That plan could involve going to school, joining the military or law enforcement or another form of service, or taking a good job. That's success for us – that people who enter the program perhaps a little lost and needing opportunity and direction, complete their service year with a clear and actionable plan for what comes next, and that they take action on that plan.

Our inaugural class launched at the end of October with over 270 people in the Maryland Corps/Service Year Option. They are placed at more than 100 employer host sites around the state. They are all serving full-time, with at least 30 hours a week on their specific role and roughly 10 hours a week on personal and professional development. And they are getting paid at least \$15 an hour. Everyone who completes will also earn a \$6,000 completion award.

There is so much more I could tell you but, being mindful of time, I look forward to your questions to direct the conversation today.

I will just leave you with this: even though we are right at the beginning, something big and important is happening here, just as you all hoped when you passed the SERVE Act. Our diverse participants, coming from 18 of 24 of Maryland's jurisdictions, are having powerful experiences and gaining traction in life and work; employers are delighted; and we are learning a great deal that will allow us to continue to refine these programs in the future.

Thank you, and we look forward to answering your questions and working together as we continue to build out the early stages of this first-in-the-nation program.

We submit the following responses to the analysis:

Page 4 Fiscal 2025 Overview of Agency Spending: Contract costs associated with the pathway programs include online application development (\$2.5 million).

Comment: The online application was developed in fiscal 2024. In fiscal 2025, this software will continue to be utilized to collect applications and deliver programming, costs include maintenance and utilization of the platform. This also includes the career accelerator program supported by BuildWithin which helps members best prepare for their placement.

Page 7: Accounting for the anticipated retained but not yet appropriated funds, DLS recommends that the general fund appropriation for the MSY and YA special fund accounts be

reduced by \$5.5 million, with \$2.2 million to be for the MSY Pathway and \$3.3 million to be for the YA Pathway, based on the number of participants per pathway in the pilot year.

Response: DSCI respectfully disagrees with the DLS recommendation.

In fiscal year 2025, DSCI's low end projection for members is 600 between the two pathways (though the analysis uses 550 members for calculations). With 600 members, DSCI expects to have approximately \$17.4 million in fiscal 2025 expenditures for hourly wages and completion awards only. The current budget has \$21 million in general funds allocated to the pathways. If DSCI retains \$5.4 million from fiscal 2024 (part of which would be used to cover fiscal 2024 final expenditures) and DLS cuts \$5.5 million from fiscal 2025, we would be left with only \$1.8 million. These funds would be used to support training/professional development as well as corps-wide experiences to enhance their year of service and professional success. There would be no funds available for wraparound services.

The Department simply cannot afford the \$5.5 million cut to our programs. We had plans to use the remainder of fiscal 2024 of carryover funds in fiscal 2025 to support access to wraparound services for members, recruitment for fiscal 2026 which takes place in fiscal 2025, alumni support, and other important efforts to grow and expand programming.

DSCI's ability to provide members with wraparound services to support their place in the program is at the core of our mission and the Governor's vision of leaving no one behind. Expenses such as healthcare grants, emergency funds for transportation or housing, and translation services can make the difference for Marylanders from across the state having the opportunity to serve and not.

Additionally, it is important to remember that the program has only been operating for three months with the initial cohort of over 270 members. Next fall we plan to welcome 600 new members, some of which we know will come with potential barriers to serving that we are called to mitigate by the SERVE Act. We know the resources essential to making service accessible have the potential to be very costly. With that in mind, we cannot determine with absolute certainty what those costs may be until the program has been in operation for a longer period. We believe the ability to carry over funds from one year to the next provides us with the opportunity to have resources at the ready for our members when the need arises. Reducing the \$5.5 million from our fiscal 2025 allowance could significantly our ability to provide the wraparound services as outlined in the SERVE Act, including: child care, transportation, housing, mental/behavioral health, crisis intervention, substance abuse prevention or treatment, legal aid, financial literacy programming, job search and application support, and college application support.

For the purpose of clarification, the \$5.4 million carryover is an estimate, as members have only been serving for three months. Every member who completes the program (i.e. serves at least

nine months) will receive a \$6,000 program completion award. Those awards will be paid in fiscal 2025. The expected payout is \$1.6 million. It is important to note that DSCI is only able to retain funds through fiscal 2026; therefore, it is crucial to build sustainability during the infant stages of the pathways. The General Assembly clearly intended to allow DSCI to build a reservoir of special funds through 2026 in order to support the Department's launch, establish two new service pathways, and build its internal capacity to ultimately generate outside resources over the longer term.

Page 7: In the absence of an alternative justification for this expenditure, DLS recommends that the general fund appropriation be reduced by \$413,103.

Response: DSCI respectfully disagrees with the DLS recommendation. Object 0819 contains the budget for the Career Success Coaches salaries. The entire amount of \$439,560 in general funds is needed to pay our success coaches. DSCI will work with DBM to realign this appropriation to object class 02.

Page 8 of the analysis notes the following: DSCI reports that, despite the increase in positions, its office location needs do not change between fiscal 2024 and 2025.

Response: The department would like to clarify that although we currently have no plans to relocate, we will require additional space to accommodate for the growth of the department. We also plan to lease additional space in a location central to public transportation for our members to meet with their Service Success Coaches. The agency will go before BPW later this month regarding additional office space in Montgomery County.

Page 8 of the analysis also notes the following: **DLS recommends increasing turnover expectancy for the 7.0 new positions to 25%.**

Response: Concur

Page 11 of the analysis states the following: Completion award payout estimated at \$1.4 million.

Point of Clarification: The total completion award payout is estimated at \$1.6 million.

Page 11 of the analysis states the following: DSCI should comment on the costs of the pathway programs to the State compared to the partner organizations.

Response: The department has estimated that the cost of running the program is \$10.4 million (monthly expenditures averaged and annualized) for over 270 members, exclusive of any indirect operating costs. Each Host Site Partner is required to provide fringe benefits for the members.

The Bureau of Labor Statistics values these fringe benefits for employees at approximately 31% of the total cost of employing an individual. Nearly all host site employers cover all fringe benefits associated with the members serving at their location for a total value to the state of over \$2M in the first year of the program. Additionally, large employers (over 50 full-time employees) also contributed more than \$500,000 financially to the direct costs of members in the pilot year.

DSCI has received contributions in fiscal 2024 from the following:

Contributions from Partners	
Contributors	FY24 Contribution (as of February 1, 2024)
Meeting Spaces for monthly trainings (donated by Coppin State University, Montgomery College - Rockville, Bowie State University Frostburg State University, University of Maryland Baltimore County, and St. Mary's College of Maryland at an estimated average of \$5,000 per event)	\$30,000 (estimated)
California Volunteer Fund to launch/expand Climate Corps	\$945,000
University of Maryland, College Park for launch event	\$50,000
Estimated partner fringe benefit contribution (not included in budget as fringe contribution is required of host site partners)	\$2,600,000
Funding contribution from large employers to contribute to the costs of hourly wages	\$620,880
Total	\$4,245,880