

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 904 (Senator Zucker, *et al.*)
 Education, Energy, and the Environment

Education - Public Schools - Service Contracts and Professional Development

This bill requires a local board of education that seeks to enter into a service contract to submit specified information to the State Department of Education (MSDE), including documentation demonstrating consideration of alternatives, cost comparisons showing projected savings of at least 20% (excluding savings from reduced employee pay or benefits), and a formal plan of assistance for adversely affected employees. The bill also subjects service contracts to an MSDE audit to determine compliance with projected cost savings, with audit findings made public. In addition, the bill requires MSDE, by July 1, 2027, to design and develop a new system of paid, in-person professional development for paraeducators and other education support professionals (ESPs) and to issue guidance to local boards. By June 30, 2028, each local board must provide the system of professional development to each paraeducator and ESP employed in a public school in the county. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures increase by \$340,000 in FY 2027 for staffing and one-time contractual services. Out-year costs reflect annualization, inflation, on-going costs, and the termination of one-time costs. Revenues are not affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	340,000	106,000	110,900	116,000	121,000
Net Effect	(\$340,000)	(\$106,000)	(\$110,900)	(\$116,000)	(\$121,000)

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

Local Effect: Local school system expenditures increase due to new service contract requirements and mandatory paid, in-person professional development for paraeducators and other ESPs. Administrative costs are indeterminate but may be meaningful.

Statewide payroll costs for required training days may total approximately \$8.9 million annually, with potential additional costs. Revenues are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Service Contracts

The bill defines a “service contract” as a procurement contract for services that will be provided to a public school.

A local board that seeks to enter into a service contract must submit to MSDE documentation demonstrating that the county board has taken formal and positive steps to consider alternatives to the service contract, including reorganization and reevaluation of services and performance.

The local board must submit calculations that (1) compare the cost of the service contract with the cost of using school employees; and (2) show projected savings to the local school system, over the duration of the service contract, of at least 20% of the contract amount, exclusive of any savings attributable to a reduction in employee pay or fringe benefits.

In calculating the cost comparison, the local board must include direct and indirect costs, any continuing or transitional costs associated with contracting, and any additional costs required for performance by local board employees.

The local board must also submit a formal plan of assistance for school employees who will be adversely affected by the service contract. The plan must include efforts to place displaced employees in vacant positions, provisions for contractor hiring of affected employees if feasible, and advance notice to affected employees.

Professional Development for Paraeducators and Education Support Professionals

The General Assembly finds that paraeducators and other ESPs benefit from in-person training and expresses intent that such training be expanded to at least two days of high-quality professional development during each school year.

By July 1, 2027, MSDE must design and develop a new system of professional development for paraeducators and other ESPs that is paid and occurs during weekday school hours.

The system must include training on collaboration with teachers, student health and safety, crisis prevention and de-escalation, safe physical restraint, and job-specific skills for paraeducators and other ESPs.

In designing the system, MSDE must consult with local boards and nonprofit organizations with experience supporting ESPs, including the Maryland State Education Association.

By July 1, 2027, MSDE must issue guidance describing the system. By June 30, 2028, each local board must provide the system of professional development to each paraeducator and ESP employed in a public school in the county.

The bill may not be construed to diminish obligations under collective bargaining agreements or employment benefit programs that establish greater requirements.

Current Law: There is no relevant current law regarding local school system service contracts or ESP training.

Collective Bargaining

A “public school employee” means a noncertificated individual who is employed for at least nine months per year on a full-time basis by a public school employer. In Baltimore City, a public school employee includes a noncertificated employee who does not work for at least nine months per year. A “noncertificated employee,” in Montgomery County, means only a full-time employee, but is otherwise not defined in State law.

Public school employees may form, join, and participate in the activities of employee organizations of their own choice to be represented on all matters that relate to salaries, wages, hours, and other working conditions. In general, and subject to specified exceptions, each county may not have more than three bargaining units for public school employees, and each unit may not include both supervisory and nonsupervisory employees, as defined in statute.

State Expenditures: MSDE advises that the bill requires additional staff to establish a service contract review and audit function and to develop and administer a new professional development system. MSDE estimates the need for three full-time program managers to conduct service contract review and audit activities and

one full-time consultant (\$250,000) to design and develop the new professional development system.

However, the bill does not require MSDE to pre-approve service contracts or audit every contract submitted. Instead, it requires receipt of documentation and authorizes audits without specifying frequency. Accordingly, staffing requirements depend on the scope of the review process adopted by MSDE.

For purposes of this analysis, it is assumed that MSDE conducts a risk-based review of submitted documentation and audits a limited subset of service contracts annually rather than reviewing each contract prior to execution. Under this assumption, general fund expenditures increase by approximately \$80,867 in fiscal 2027 for one additional full-time position to conduct compliance review and audit activities.

It is further assumed that MSDE develops the required professional development framework and issues guidance using contractual support limited to system design and content development, at a one-time cost of approximately \$250,000 in fiscal 2027. Ongoing administration of the framework is assumed to be handled with existing resources.

Therefore, general fund expenditures for MSDE increase by \$340,008 in fiscal 2027, which accounts for a 90-day start-up delay from the bill's July 1, 2027 effective date. This estimate reflects the cost of hiring one full-time regular position and the one-time contractual services described above. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$80,867
Contractual Services	250,000
Other Operating Expenses	<u>9,141</u>
Total FY 2027 MSDE Expenditures	\$340,008

Future year expenditures reflect (1) a full salary with annual increases and employee turnover; (2) annual increases in ongoing operating expenses; and (3) the termination of one-time contractual services.

Local Expenditures: Local school system expenditures increase due to (1) additional administrative requirements related to service contract documentation and analysis and (2) the requirement to provide two days of paid, in-person professional development annually to paraeducators and other ESPs.

Service Contract Requirements

Local boards that seek to enter into a service contract must conduct detailed cost comparisons demonstrating projected savings of at least 20% (excluding savings attributable to reductions in employee pay or fringe benefits), develop employee assistance plans for adversely affected employees, and submit required documentation to MSDE. Because the bill does not establish a minimum dollar threshold or limit the types of service contracts covered, several local school systems advise that the definition may encompass hundreds of contracts, including consultant agreements, construction services, professional services, and other specialized contracts not typically performed by school system employees.

Local school systems indicate that compliance may increase administrative workload across procurement, fiscal services, human resources, and legal offices; require more formalized cost-accounting documentation; expand compliance and audit-related responsibilities; and extend contracting timelines. The magnitude of this impact cannot be reliably estimated and depends on the number and type of service contracts executed annually. Some local school systems also advise that additional administrative staffing may be required to conduct required cost analyses and develop employee assistance plans.

Professional Development Requirements

The bill requires each local board to provide two paid days of in-person professional development annually during weekday school hours to each paraeducator and ESP. Based on 46,884 ESP positions statewide, and using one large school system's estimated payroll cost of approximately \$95 per employee per day, statewide payroll expenditures could increase by approximately \$4.5 million per day, or approximately \$8.9 million annually for two days of training. Estimated costs range from \$22,800 (Kent County) to \$1.9 million (Montgomery County) per local school system based on the number of ESPs. Actual costs depend on the actual number of paraeducators and ESPs and actual ESP daily pay rates. This estimate reflects payroll costs only.

Additional costs may be incurred for substitute coverage or operational adjustments during school hours, training materials, specialized trainers (including for safe physical restraint and crisis prevention), scheduling coordination, and administrative oversight. Actual costs will vary by jurisdiction based on employee compensation levels, existing contractual obligations, and whether the required training represents additional compensated time or reallocation of existing workdays. Statewide costs may be significant.

Small Business Impact: The provisions of the bill related to service contracts may have a meaningful adverse impact on small businesses that may contract with local school systems. The bill's provisions make it more difficult for local school systems to use service

contracts instead of school system employees for most services provided to schools. Any such impact cannot be reliably estimated, but could be meaningful.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years.

Designated Cross File: HB 1254 (Delegate Feldmark) - Ways and Means.

Information Source(s): Maryland State Department of Education; Anne Arundel County Public Schools; Frederick County Public Schools; Prince George's County Public Schools; St. Mary's County Public Schools; Wicomico County Public Schools; Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2026
jg/mcr

Analysis by: Caroline L. Boice

Direct Inquiries to:
(410) 946-5510
(301) 970-5510