

**Department of Legislative Services**  
 Maryland General Assembly  
 2017 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

Senate Bill 1019  
 Finance

(Senator Cassilly, *et al.*)

Economic Matters

**Department of Commerce - Employment in the State's Defense Industry - Army Alliance Study**

This bill requires the Department of Commerce (Commerce), in conjunction with the Maryland Department of Veterans Affairs (MDVA) and the Department of Labor, Licensing, and Regulation (DLLR), to conduct a study of employment in the State's defense industry. In conducting the study, Commerce must consult with specified stakeholders. By December 31, 2017, Commerce must report the findings of the study to the General Assembly.

The bill takes effect July 1, 2017, and terminates June 30, 2018.

**Fiscal Summary**

**State Effect:** General fund expenditures for Commerce increase by up to \$45,000 in FY 2018 for contractual services to conduct the study. MDVA and DLLR can provide any further support to Commerce with existing budgeted resources. Revenues are not affected.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	45,000	0	0	0	0
Net Effect	(\$45,000)	\$0	\$0	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The study must, at a minimum:

- identify the types, and estimate the approximate number, of jobs in the State's defense industry facing shortages of qualified employees for employment in the next decade at the qualification requirement for each broad occupational category;
- determine the factors affecting the availability of qualified employees for employment in the State's defense industry;
- calculate the approximate number of retired military personnel in the State who are eligible for employment in the State's defense industry, including those retired military personnel who hold, have held, or are qualified to hold security clearances;
- identify and report any recommendations to facilitate the recruitment of retired military personnel for positions in the State's defense industry;
- identify, assess, and quantify the effects, if any, of the State's personal income tax structure on the employment decisions of retired military personnel to (1) reside in Maryland for employment in the State's defense industry; (2) not relocate to Maryland for employment in the State's defense industry; and (3) leave Maryland for employment in another state's defense industry;
- examine the following issues related to the accessibility of positions in the State's defense industry: (1) the number of jobs in the State that require a security clearance; and (2) the number of retired military personnel who are employed in State defense industry jobs that require a security clearance; and
- consider implications on employment at military installations and military facilities in the State that have been, or may be, under threat to close in a future Base Realignment and Closure process.

In conducting the study, Commerce must consult with (1) the State's defense industry; (2) State employers of individuals in positions where a security clearance is required; (3) public-private partnerships that serve to support military installations in the State; (4) nonprofit organizations that exist to support the mission of military installations in the State; and (5) nonprofit associations that serve to support retired military personnel.

**Current Law:** There is no relevant current law related to the study.

**Background:** Maryland has a significant defense industry presence, both in absolute and relative terms. According to a [report](#) by the Office of Economic Adjustment at the U.S. Department of Defense (DoD), in fiscal 2015, \$20.5 billion was spent in the State on defense, which was about 5.7% of the State's gross domestic product. These amounts are the fourth and fifth most, respectively, of any state. Of the \$20.5 billion spent on defense in Maryland, \$6.9 billion was direct government payroll and \$13.6 billion was paid to defense contractors for various products and services. Direct government employment was 93,183. Employment by defense contractors is not readily available.

The data discussed above are for the *direct* impacts of the defense industry. A 2015 [study](#) conducted by Towson University's Regional Economic Studies Institute on behalf of Commerce accounts for spending multiplier effects. The study found that 15 military installations in the State supported more than 410,000 jobs and generated \$57.4 billion in total output in fiscal 2012, or about 17% of the State's total output in that year.

According to the Defense Manpower Data Center in DoD, there were approximately 55,000 military retirees in the State in 2015.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1586 (Delegate Lisanti) - Rules and Executive Nominations.

**Information Source(s):** Department of Commerce; Department of Labor, Licensing, and Regulation; Maryland Department of Veterans Affairs; Regional Economic Studies Institute; U.S. Department of Defense; Department of Legislative Services

**Fiscal Note History:** First Reader - March 20, 2017  
fn/rhh Third Reader - April 5, 2017  
Revised - Amendment(s) - April 5, 2017

---

Analysis by: Stephen M. Ross

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