

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1044

(Senators Carter and Hayes)

Finance

**Labor and Employment - Motor Vehicle Repair and Career Certification
 Program for Ex-Offenders**

This bill establishes a Motor Vehicle Repair and Career Certification for Ex-Offenders Program in the Division of Workforce Development and Adult Learning (DWDAL) under the Department of Labor, Licensing, and Regulation (DLLR). DLLR must administer the program, perform an annual study, and provide grants on a competitive basis to employers that meet specified requirements. An employer is eligible to receive a grant if the employer is located in Baltimore City or Baltimore County, donates motor vehicles serviced under the program to low-income families, and employs at least one ex-offender apprentice who meets specified requirements. The Governor must include \$2.5 million in the State budget for fiscal 2021 and \$1.5 million in the State budget annually thereafter for the program.

Fiscal Summary

State Effect: General fund expenditures increase by \$67,200 in FY 2020 for DWDAL staff; future years reflect the bill’s mandated appropriations. Revenues are not affected. **The bill establishes a mandated appropriation beginning in FY 2021.**

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	67,200	2,500,000	1,500,000	1,500,000	1,500,000
Net Effect	(\$67,200)	(\$2,500,000)	(\$1,500,000)	(\$1,500,000)	(\$1,500,000)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The purposes of the program are to:

- provide apprenticeships to ex-offenders in motor vehicle repair, maintenance, and servicing;
- encourage the rehabilitation of ex-offenders through engagement in the workforce;
- provide ex-offenders with the training and skills necessary to achieve certifications from the National Institute for Automotive Service Excellence; and
- produce working motor vehicles for donation to low-income families.

Grants awarded must be based on the number of eligible apprentices employed by each employer. The funding provided under the program must be used to supplement, not supplant, any funds that would otherwise be provided to DLLR. By September 1, 2021, and each September 1 thereafter, DLLR must study the impact of the program by comparing ex-offender and low-income participants in the program against similar nonparticipants as specified in the bill. The bill specifies reporting requirements for grant recipients and DLLR. DLLR may adopt regulations to implement the bill.

Current Law: Generally, apprenticeship is a voluntary, industry-sponsored system that prepares individuals for occupations typically requiring high-level skills and related technical knowledge. Apprenticeships are sponsored by one or more employers and may be administered solely by the employer or jointly by management and labor groups. An apprentice receives supervised, structured, on-the-job training under the direction of a skilled journeyman and related technical instruction in a specific occupation. Apprenticeships are designed to meet the workforce needs of the program sponsor. Many industry sponsors use apprenticeship as a method to train employees in the knowledge necessary to become a skilled worker. At the end of calendar 2017, there were 9,532 apprentices registered, of which 3,288 were new apprentices registered, and there were 3,668 participating employers.

Apprenticeships last from one to six years, although most are three to four years, and involve a minimum of 144 hours of classroom instruction per year and at least 2,000 hours per year of on-the-job training.

The Correctional Education Council provides postsecondary education and workforce training programs that give inmates the requisite training, certifications, and experience to obtain careers in high-demand job sectors. During the 2017-2018 school year, 792 students received occupational certificates in career programs.

Under the More Jobs for Marylanders Program, there is a tax credit against the State income tax for individuals or corporations that employ an apprentice for at least seven months during a taxable year in an apprenticeship program registered with DLLR. The income tax credit is equal to the lesser of \$1,000 for each apprentice or the taxpayer’s tax liability. The credit may be carried forward to succeeding tax years until the full amount of the credit is claimed. The taxpayer claiming the credit must attach specified proof of eligibility to the taxpayer’s return, and DLLR may approve tax credits of up to \$500,000 annually.

The State established the Pilot Program for the Long-Term Employment of Qualified Ex-Felons, which terminated on June 30, 2012. Under the program, business entities could receive a fidelity bond for employing a qualified ex-felon and a tax credit for wages paid to a qualified ex-felon employee. Between tax years 2007 and 2011, taxpayers claimed a total of \$76,881 in credits. While the program terminated on June 30, 2012, DLLR continues to administer the Federal Bonding Program, which provides fidelity bonds to businesses who hire qualified high-risk applicants, including individuals with a history of arrest, conviction, or incarceration. Fidelity bonds insure the business against stealing by theft, forgery, larceny, or embezzlement. In fiscal 2015, DLLR issued 29 fidelity bonds.

The federal Work Opportunity Tax Credit provides an incentive to employers to hire targeted groups of hard-to-employ individuals, including qualified ex-felons. The credit is generally 40% of the first \$6,000 of qualified wages paid to each member of a targeted group during the first year of employment and 25% in the case of wages attributable to individuals meeting only specified minimum employment levels. The credit was extended through tax year 2019.

State Expenditures: As DLLR advises that only one automotive registered apprenticeship program in Baltimore City or Baltimore County currently could qualify for the program, the Department of Legislative Services assumes marketing and outreach would be needed in the first year of the program to garner more apprenticeship sponsors. Thus, general fund expenditures for DLLR increase by \$67,204 in fiscal 2020, which accounts for the bill’s October 1, 2019 effective date. This estimate reflects the cost of hiring one apprenticeship navigator to implement and market the program in the first year and to award grants and administer the program in out-years. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$61,845
Operating Expenses	<u>5,359</u>
Total FY 2020 State Expenditures	\$67,204

A significant portion of the costs associated with this bill are incurred in fiscal 2021 and later years due to the bill’s mandated appropriations – with general fund expenditures of

\$2.5 million in fiscal 2021 and \$1.5 million annually thereafter. Because this estimate assumes administrative expenses may be covered with the mandated appropriation, these amounts encompass the costs associated with a full salary with annual increases and employee turnover and ongoing operating expenses. Accordingly, in fiscal 2021, approximately \$2.4 million is available for grants to employers (if the employer is located in Baltimore City or Baltimore County, donates motor vehicles serviced under the program to low-income families, and employs at least one ex-offender apprentice who meets specified requirements). Beginning in fiscal 2022, approximately \$1.3 million is available for grants each year and \$100,000 is for a consultant to conduct the required annual evaluation of the program.

In addition, DWDAL is staffed largely with federally funded personnel who cannot work on State-funded programs without the program reimbursing the federal government for their time. To the extent that any supervisory personnel within the program must provide occasional oversight to the project manager, general fund expenditures for reimbursement payments to the federal government increase slightly. Any such payments are not expected to significantly reduce the funds available for grants.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore County; Department of Budget and Management; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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an/mcr

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