

P00
Workforce Development
Department of Labor, Licensing, and Regulation

Operating Budget Data

(\$ in Thousands)

	<u>FY 17</u> <u>Actual</u>	<u>FY 18</u> <u>Working</u>	<u>FY 19</u> <u>Allowance</u>	<u>FY 18-19</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$35,065	\$38,899	\$38,540	-\$359	-0.9%
Adjustments	0	-225	151	377	
Adjusted General Fund	\$35,065	\$38,673	\$38,691	\$18	0.0%
Special Fund	11,191	23,476	27,035	3,559	15.2%
Adjustments	0	-62	176	237	
Adjusted Special Fund	\$11,191	\$23,415	\$27,211	\$3,796	16.2%
Federal Fund	161,332	173,364	148,638	-24,726	-14.3%
Adjustments	0	-1,144	436	1,580	
Adjusted Federal Fund	\$161,332	\$172,220	\$149,074	-\$23,146	-13.4%
Reimbursable Fund	6,378	6,468	6,292	-177	-2.7%
Adjustments	0	0	8	8	
Adjusted Reimbursable Fund	\$6,378	\$6,468	\$6,300	-\$169	-2.6%
Adjusted Grand Total	\$213,967	\$240,776	\$221,276	-\$19,500	-8.1%

Note: FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- The adjusted fiscal 2019 budget decreases by \$19.5 million from the adjusted fiscal 2018 working appropriation largely due to a \$23.1 million decrease in federal funding for the Unemployment Insurance (UI) modernization project. While general funds remain relatively flat, special funds have increased \$3.8 million to offset some of the decrease in federal funds.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 17 Actual</u>	<u>FY 18 Working</u>	<u>FY 19 Allowance</u>	<u>FY 18-19 Change</u>
Regular Positions	1,162.57	1,120.57	1,098.57	-22.00
Contractual FTEs	<u>63.42</u>	<u>83.11</u>	<u>125.56</u>	<u>42.45</u>
Total Personnel	1,225.99	1,203.68	1,224.13	20.45

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	42.29	3.85%
Positions and Percentage Vacant as of 12/31/17	184.97	16.51%

- There are 22 full-time equivalent regular positions being abolished, with positions being taken from across the agency.
- There are 42 contractual positions being added to the agency.

Analysis in Brief

Major Trends

Expansion of Apprenticeships: The Maryland Apprenticeship program has been transferred from the Division of Labor and Industry to the Division of Workforce Development and Adult Learning, and there has been an influx of federal grant funds that has resulted in program expansion and increased participation.

Unemployment Insurance: The number of claimants for UI benefits continues to decline parallel to national UI recipients. Appeals cases for the Lower Appeals Division continue to be processed promptly. There has been improvement in the Board of Appeals processing time but the number of days to process appeals remains high.

Issues

Correctional Education: The Department of Labor, Licensing, and Regulation (DLLR) is responsible for the Correctional Educational program that is comprised of four main departments of services. The program has seen fluctuations in staffing that has affected its occupational program levels, but it is also in the process of developing new occupational programs for different populations. **DLLR should comment on the impact that vacant positions have had on the correctional education program.**

Employment Advancement Right Now: Fiscal 2018 budget bill language restricted funding pending a report from DLLR on each separate program receiving funding through Employment Advancement Right Now (EARN). EARN has partnerships that are generally successful, although the level of success varies significantly based on the nature of the partnership. **DLLR should discuss the current status of the EARN program.**

Fiscal 2017 Closeout Audit: The fiscal 2017 closeout audit revealed that DLLR has accrued \$6.8 million in federal revenues that will likely not be received. **DLLR should comment on closeout audit findings.**

Operating Budget Recommended Actions

	<u>Funds</u>
1. Delete duplicate funding for the Jacob France Institute.	\$ 211,000
2. Reduce funding for contractual assistance.	1,750,000
Total Reductions	\$ 1,961,000

Updates

Low-literacy Students: As a part of the Workforce Innovation and Opportunity Act implementation, DLLR has worked to develop programming that not only provides high school equivalency tutoring but also innovative program models that support nonlinear academic and occupational education.

P00
Workforce Development
Department of Labor, Licensing, and Regulation

Operating Budget Analysis

Program Description

The Department of Labor, Licensing, and Regulation (DLLR) includes many of the State's agencies and boards responsible for licensing and regulating various businesses, professions, and trades. The department also administers a variety of employment service and adult learning programs. This analysis focuses on the department's administrative and workforce development units. The administrative offices include the Office of the Secretary, legal services, equal opportunity and program evaluation, the Governor's Workforce Development Board, appeals, budget and fiscal services, general services, information technology, and personnel.

The bulk of the department's funding and personnel are within the following divisions:

- ***Division of Workforce Development and Adult Learning:*** Operates workforce development programs including job services, the Workforce Innovation and Opportunity Act, and labor market information programs. It also manages the newly aligned adult education programs including adult literacy programs and skills training for correctional institutions. Its mission is to support the State's economic growth through a workforce development, education, and training system that is responsive to the needs of adult learners, job seekers, employers, and all system partners.
- ***Division of Unemployment Insurance:*** Operates the federally funded unemployment insurance (UI) programs. Its mission is to provide prompt, temporary, partial wage replacement to eligible individuals who are unemployed, help facilitate their return to work, and collect UI tax contributions from employers.

A separate analysis discusses business regulation and occupational licensing functions.

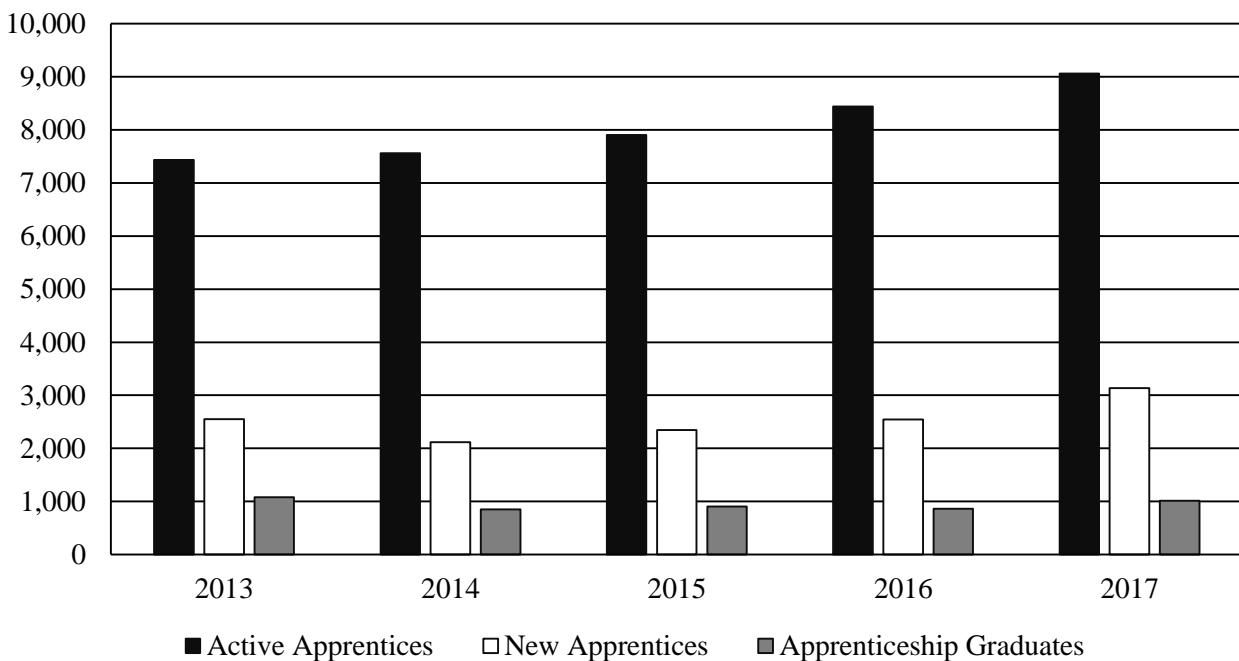
Performance Analysis: Managing for Results

1. Expansion of Apprenticeships

The 2016 legislative session brought many changes to apprenticeship programs in Maryland. Legislation transferred the apprenticeship program from the Division of Labor and Industry to the Division of Workforce Development and Adult Learning, changing both the vision and resources associated with apprenticeships. DLLR was also awarded \$2.2 million in federal grant funds for the acceleration and expansion of the Registered Apprenticeship program. More specifically, the influx of

grant funds has resulted in the addition of 6 contractual employees for the apprenticeship program, and the development of an apprenticeship innovation fund used to invest in programs, particularly for populations more vulnerable to unemployment. DLLR has also facilitated the development of a pilot apprenticeship program to create a hiring pathway for employment in health care for internationally trained immigrants living in Maryland. This program was created with the Baltimore Alliance for Careers in Healthcare, which is the lead member of an Employment Advancement Right Now (EARN) partnership. DLLR has also sponsored six events in recognition of National Apprenticeship Week and has worked to expand its Youth Apprenticeship program in partnership with the Maryland State Department of Education and the Department of Commerce (Commerce). The culmination of these efforts has resulted in notable growth of participation in the apprenticeship program as outlined in **Exhibit 1**. Both the number of apprentices and the number of apprenticeship graduates have seen growth with a 7% increase in total active apprentices in fiscal 2017.

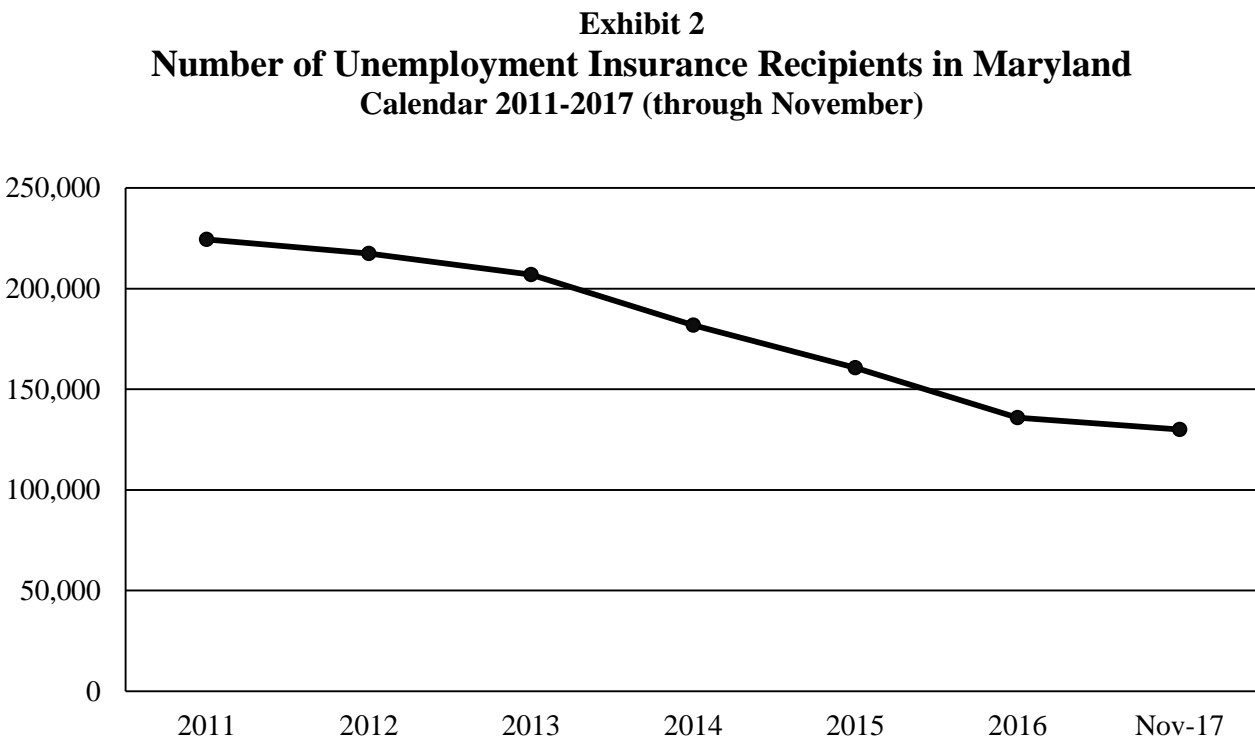
Exhibit 1
Participants in Maryland Apprenticeships
Fiscal 2013-2017



Source: Department of Labor, Licensing, and Regulation

2. Unemployment Insurance

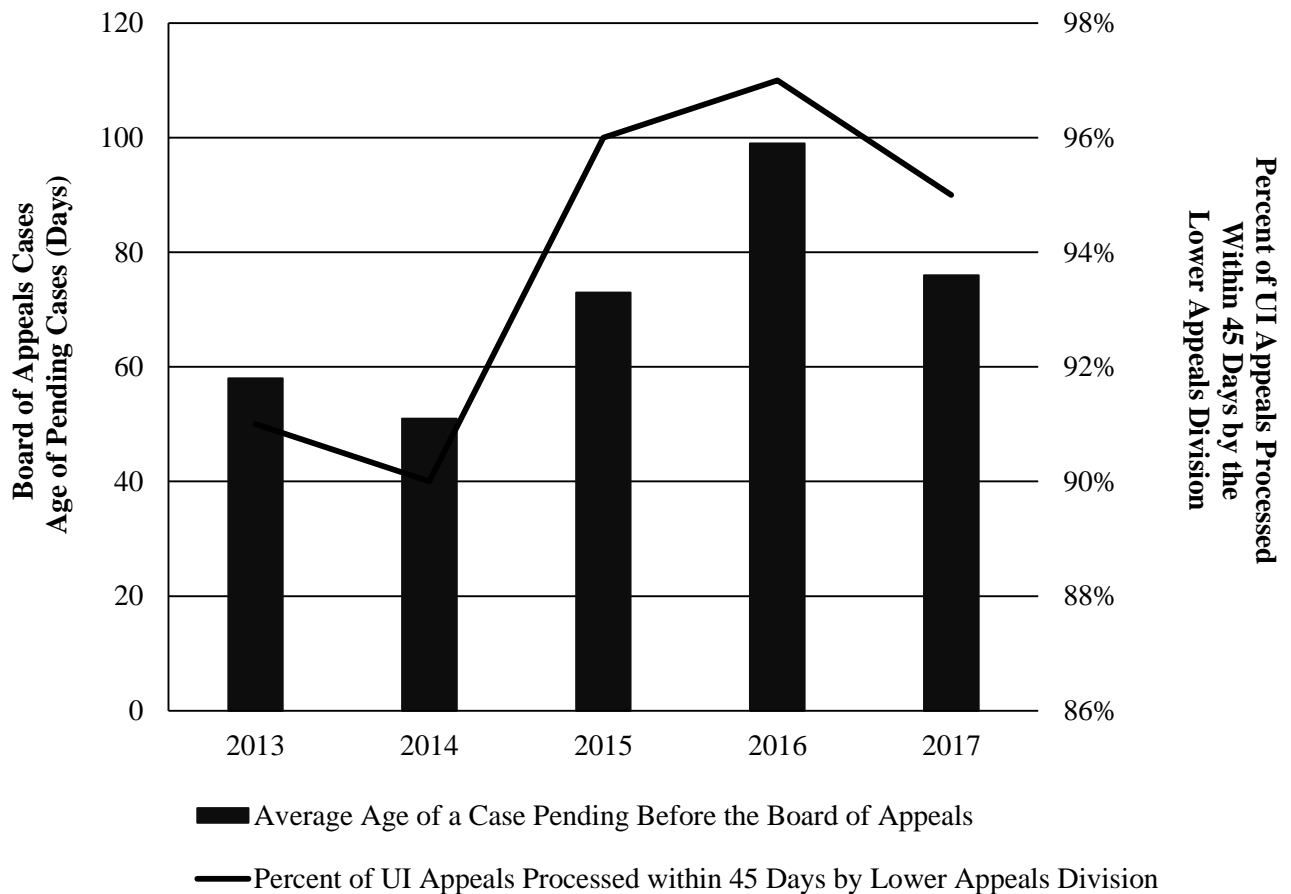
The Division of UI pays unemployment benefits to workers who become unemployed through no fault of their own and meet the necessary eligibility criteria. **Exhibit 2** shows that the number of UI recipients has continued to decline in Maryland. The decline mirrors the national decline in unemployment.



Source: Department of Labor, Licensing, and Regulation

In the case that a UI claimant wishes to appeal the initial eligibility or payment decision made by the department, they have the opportunity to request an appeal with the Lower Appeals Division (LAD). The industry standard is for an appeal to be processed within 45 days. In the case that a claimant is not satisfied with the decision of LAD, they may request an appeal from the Board of Appeals. However, the Board of Appeals industry standard is also to process cases within 45 days. **Exhibit 3** shows that LAD has processed 95% of appeals within 45 days. The Board of Appeals has struggled to meet the 45-day processing threshold largely due to lower staffing as a result of a decline in federal funding for UI operations. While the processing time for the Board of Appeals remains high, there has been sizable improvement with the average age of cases pending before the board decreasing from 99 days in fiscal 2016 to 76 days in fiscal 2017.

Exhibit 3
Case Processing Time for the Lower Appeals Division and the Board of Appeals
Fiscal 2013-2017



UI: unemployment insurance

Source: Department of Labor, Licensing, and Regulation

Fiscal 2018 Actions

Cost Containment

In September 2017, the Board of Public Works reduced the fiscal 2018 appropriation for DLLR – Workforce Development by \$108,504 from savings achieved through positions held vacant and a reduction in out-of-state travel.

Across-the-board Employee and Retiree Health Insurance Reduction

The budget bill includes an across-the-board reduction for employee and retiree health insurance in fiscal 2018 to reflect a surplus balance in the fund. This agency's share of this reduction is \$225,462 in general funds, \$61,829 in special funds, and \$1,144,084 in federal funds.

Other

In January 2018, Governor Lawrence J. Hogan, Jr., issued an executive order to create the Office of Small Business Regulatory Assistance to assist small businesses to comply with HB 1 of 2017, the Maryland Healthy Working Families Act. This executive order will transfer staff from Commerce's Office of Small Business Resources and the Governor's Business Ombudsman to DLLR to provide technical support and guidance to small businesses to aid implementation. The total number of transferred positions has not been confirmed, but there is an anticipated budget amendment to transfer the positions and operational costs.

Proposed Budget

As shown in **Exhibit 4**, the adjusted fiscal 2019 budget for DLLR – Workforce Development is \$19.5 million, 8.1%, lower than the adjusted fiscal 2018 working appropriation.

Exhibit 4
Proposed Budget
DLLR – Workforce Development
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2017 Actual	\$35,065	\$11,191	\$161,332	\$6,378	\$213,967
Fiscal 2018 Working Appropriation	38,673	23,415	172,220	6,468	240,776
Fiscal 2019 Allowance	<u>38,691</u>	<u>27,211</u>	<u>149,074</u>	<u>6,300</u>	<u>221,276</u>
Fiscal 2018-2019 Amount Change	\$18	\$3,796	-\$23,146	-\$169	-\$19,500
Fiscal 2018-2019 Percent Change		16.2%	-13.4%	-2.6%	-8.1%

Where It Goes:

Personnel Expenses

Health Insurance primarily due to the impact of the fiscal 2018 health insurance deduction holidays	\$1,751
General salary increase	771

P00 – DLLR – Workforce Development

Where It Goes:

Turnover expectancy	162
Reclassification.....	132
Other fringe adjustments.....	26
Retirement	-122
Overtime	-135
Regular earnings	-428
Abolished/transferred positions (22.0 regular positions).....	-1,765

Other Changes

Additional contractual assistance (42.45 full-time equivalents).....	2,488
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Administrative Offices

Grant to Small Business Retirement Savings Board	495
Consolidated costs associated with the Office of Information Technology and shared services initiative	-202

Workforce Development

Upgraded features for Maryland Workforce Exchange.....	375
Jacob France Institute agreement.....	211
Copiers.....	-79
One-time costs associated with vehicle purchases	-150
Rent.....	-354
WIOA Title 1 allotment based on formula allocation and FEDES grant ending	-4,615

Unemployment Insurance

Equipment replacement	1,614
State UI connection funding	1,345
Office equipment	45
UI conference travel costs	-62
Web-based recording for the Lower Appeals Division	-120
Computer systems services.....	-1,423
UI Technology Modernization Major Information Technology project (See Appendix 3 for details).....	-19,423
Miscellaneous	-37

Total	-\$19,500
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FEDES: Federal Employment Data Exchange System

UI: unemployment insurance

WIOA: Workforce Innovation and Opportunity Act

Note: Numbers may not sum to total due to rounding.

Personnel

As also shown in Exhibit 4, there are 22 abolished positions resulting in a decrease of \$1.76 million. These positions are the longest held vacancies from across the department, and DLLR can readjust staffing within different divisions as is necessary. While the majority of the positions abolished were in the Division of UI (8), various administrative positions were also abolished. As the agency has consolidated its administrative offices into the Division of Administration, there has been increased efficiency and lower demand for positions that were already long held vacant. Even so, there were 184 vacant positions as of December 31, 2017. This is 142 vacant positions over that needed to meet turnover.

At the same time, there is also a \$2.5 million increase for contractual assistance for an additional 42.45 contractual positions within the agency:

- 39.9 contractual positions in the Workforce Development program;
- 2.0 contractual positions in UI;
- 0.75 contractual positions for the Executive Direction; and
- a decrease of 0.20 contractual positions in the Office of General Services.

Of the 42.45 new contractual positions, only 8.0 are funded through short-term funding with the others being supported with ongoing funding from the federal Department of Labor. **The Department of Legislative Services (DLS) recommends that the \$1.75 million allocated for contractual assistance be reduced and that current vacancies are reclassified to meet the staffing needs of the organization.**

The fiscal 2019 allowance also includes funds for a 2.0% general salary increase for all State employees, effective January 1, 2019. These funds are budgeted in the Department of Budget and Management's statewide program and will be distributed to agencies during the fiscal year. This agency's share of the general salary increase is \$151,479 in general funds, \$175,660 in special funds, \$435,939 in federal funds, and \$8,143 in reimbursable funds. In addition, employees will receive another 0.5% increase and a \$500 bonus effective April 1, 2019, if actual fiscal 2018 general fund revenues exceed the December 2017 estimate by \$75 million. These funds have not been budgeted. The Administration will need to process a deficiency appropriation if revenues are \$75 million more than projected.

Administrative Offices

In fiscal 2017, there was \$404,000 allocated for the Small Business Retirement Savings Board. The fiscal 2019 allowance is currently \$900,000, which is an additional \$495,000 for funding for the board for increased staff, marketing materials, operational space, and consulting services to support

board functionality. This funding is a startup loan to support board functions, but it will be repaid once the board is fully functional.

Division of Workforce Development and Adult Learning

In the Division of Workforce Development and Adult Learning, there is a \$375,000 increase for upgrades associated with the Maryland Workforce Exchange website. There is also a \$211,000 increase for the contractual agreement with the Jacob France Institute housed at the University of Baltimore. **Funding for the contractual agreement is double-budgeted, and DLS recommends deleting \$211,000 in duplicate funds.** There is also a \$4.62 million decrease in federal funding for the Workforce Investment Opportunity Act (WIOA) Title One grant and the Federal Employment Data Exchange System (FEDES) grant. The FEDES grant has ended because the operational functions for which the grant was awarded are now the responsibility of the federal Department of Labor. As the economy improves and the number of unemployed decreases, the federal government has lowered the amount of the WIOA grant funding based on their funding formula.

Division of UI

In the Division of UI, there is a \$120,000 decrease for recording hearings for the Lower Appeals board because of the continued decline of UI claims. There is also a \$1.6 million increase for equipment replacement, specifically telecommunications equipment. DLLR is currently exploring the options for transitioning to a cloud-based telecommunications system. There is also a \$1.35 million increase in federal UI funding for the service of system connectivity for other states. There is a \$1.4 million decrease for computer system replacement costs and a \$19.4 million decrease for the UI modernization project. The fiscal 2019 funding for the project has decreased significantly from the anticipated amount. There is currently \$11.8 million in unspent federal funds for the project that will be added to the fiscal 2018 and 2019 budgets by budget amendments to complete the projects. The project has also been delayed as a result of the findings from a quality assurance initiative process. The UI modernization project has an expected launch in November 2018 with the revised schedule. **DLLR should comment on the current status of the UI modernization project.**

Issues

1. Correctional Education

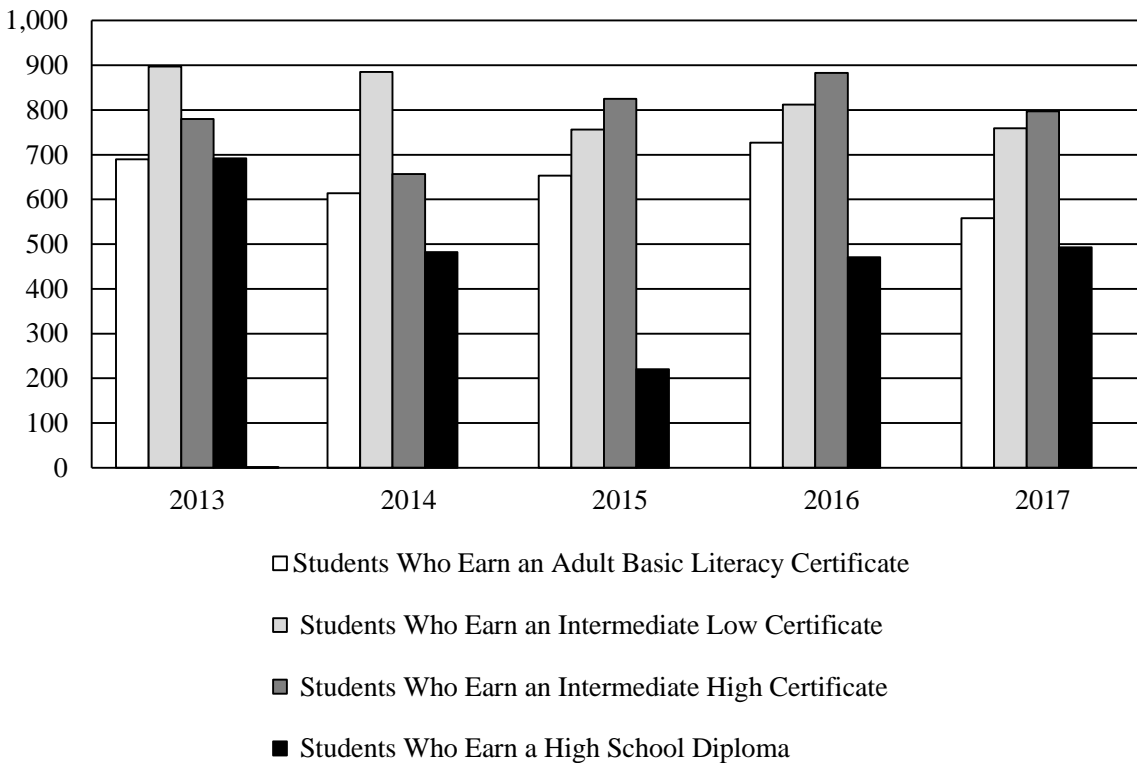
In 2008, the Correctional Education Council (CEC) was established as a partnership between DLLR and the Department of Public Safety and Correctional Services to develop educational and workforce training programs for correctional institutions. CEC works closely with the Correctional Education (CE) staff at DLLR to provide educational programs that help inmates to gain skills that will aid in a successful transition to the community.

The CE program is comprised of academic, library, occupational, and transitional programs all housed within correctional institutions across the State. There have been vacancies within CE that play a role in both the number of programs offered and the capacity to which programs can be operational. As of fiscal 2017, there were 580 academic students, 699 occupational students, and 34 transitional services students on the waitlist to participate in programs.

Academic Programs

The academic programs provided by CE consist of adult education services, GED preparation and testing, English as a Second Language, and social and emotional competency. The methodology used to assess and divide adult learners into educational functional levels, divides literacy into separate learning levels that roughly correspond to school grade levels. Adult basic literacy is the most basic level literacy followed by intermediate low, intermediate high, and then high school or high school equivalency. **Exhibit 5** outlines the number of certificates received at each literacy level within CE. There has been a decrease in the number of intermediate low certificates received and an increase in the number of intermediate high certificates received. While fluctuations in the prison population may contribute to shifts in literacy, the overall trend suggests that literacy is improving for program participants. CEC notes that 75% of the lowest level readers have had gains in reading skills.

Exhibit 5
Literacy in Correctional Education
Fiscal 2013-2017



Source: Department of Labor, Licensing, and Regulation

In addition to basic literacy, CE has worked to develop partnerships with the Hagerstown Community College, the Anne Arundel Community College, the Wor-Wic Community College, and Goucher College to provide collegiate courses to qualified applicants. Both the Anne Arundel Community College and the Goucher College program recently received Second Chance Pell grant funds to support their work. Goucher College not only offers college courses and the opportunity to receive a Bachelor of Arts in American Studies to those detained at Maryland Correctional Institute (MCI) for Women and MCI-Jessup, it also offers institutional staff the opportunity to apply for matriculation through the program.

Occupational Programs

Exhibit 6 lists the occupational programs provided by CE. In fiscal 2017, 860 students received occupational certificates through one of these programs. There are programs offered at every prison, but not every program is offered everywhere.

Exhibit 6
Occupational Programs Offering Certificates of Completion

Architectural CADD	Pre-apprenticeship Carpentry
Auto Body Repair	Pre-apprenticeship Electrical
Automotive Maintenance and Inspection	Pre-apprenticeship Facilities Maintenance
Building Maintenance	Pre-apprenticeship HVAC/R
Diesel Automotive Technology	Pre-apprenticeship Masonry
Fabric and Upholstery Cleaning	Pre-apprenticeship Plumbing
Furniture Upholstery	Pre-apprenticeship Sheet Metal
Graphic Arts and Design	Pre-apprenticeship Welding
Intro to Word and Excel	Print Communication
Office Practice and Management	Roofing
Office Technology	Small Engine Repair
Woodworking/Finish Carpentry	Warehouse/Distribution

CADD: computer-aided design and drafting

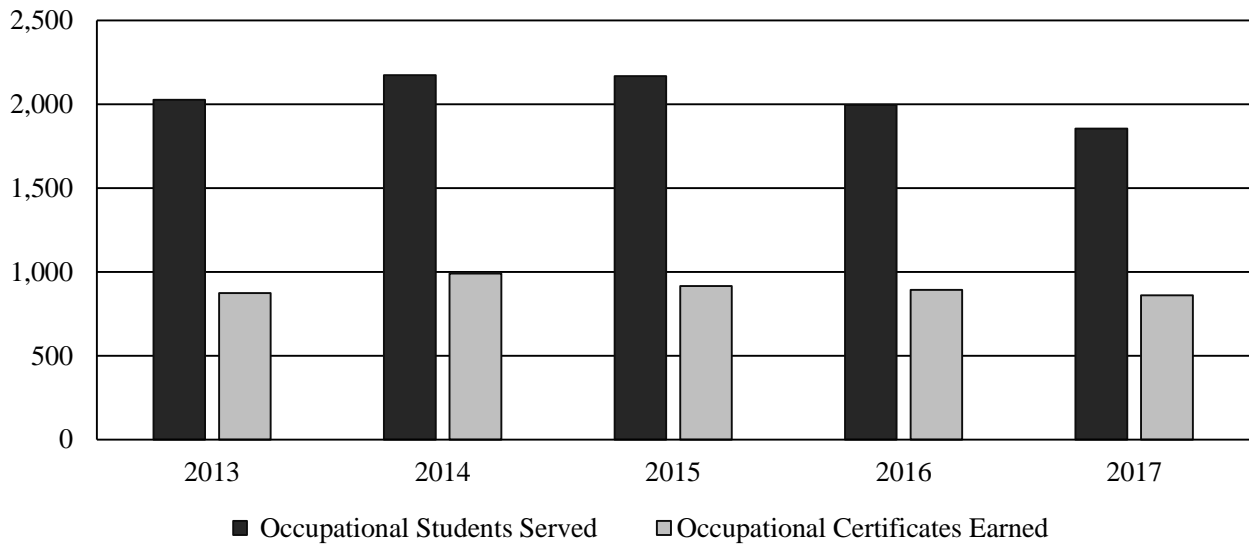
HVAC/R: heating, ventilation, and air conditioning repair

Source: Department of Labor, Licensing, and Regulation

Exhibit 7 shows the number of participants in the occupational programs offered through CE. Both the number of students and the number of certificates received have declined in recent years. This is in part due to the closure of some programs and the loss of staff.

CE was able to maintain its partnership with the EARN partner – Vehicles for Change. This partnership provides internships to inmates that complete the Automotive Maintenance and Inspection Program, once they are released. The program has hired 62 interns since 2015. The Vehicles for Change partnership has also expanded to provide a Diesel Automotive Technology program, which trains inmates for entry-level employability as diesel service technicians. This program was funded through the Edward J. Byrne Memorial Justice Assistance Grant awarded by the Governor’s Office of Crime Control and Prevention. DLLR is currently applying for the grant funds in the current year to support the development of a Barber Stylist Program school.

Exhibit 7
Occupations Program Participation
Fiscal 2013-2017

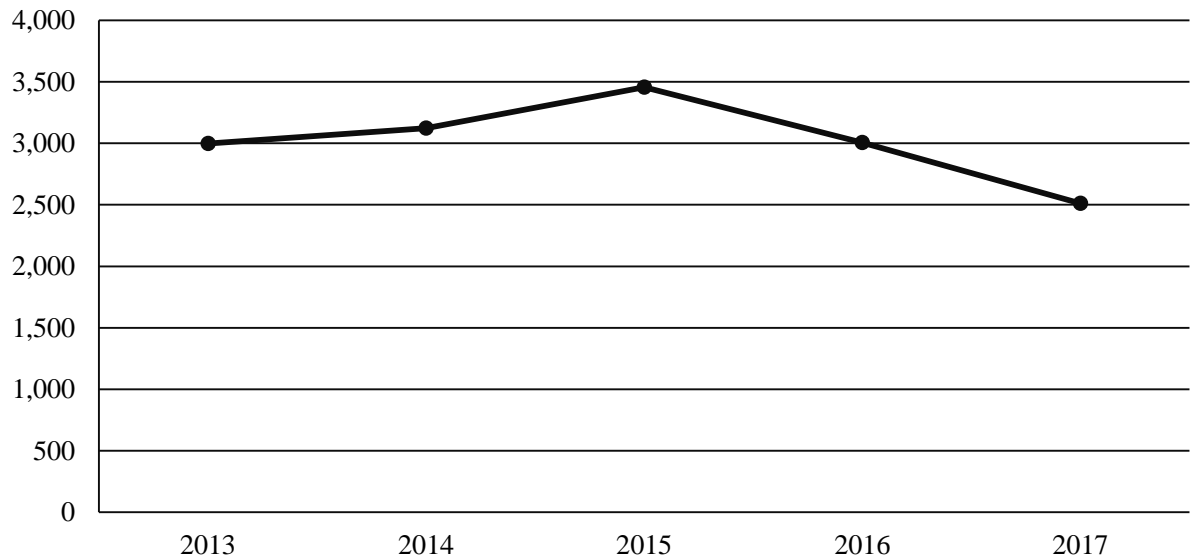


Source: Department of Labor, Licensing, and Regulation

Transitional and Library Programs

Transitional services provide programming for inmates that prepare them for their transition back into the community. The transitional program curriculum is offered at 20 program sites with training on financial literacy, parenting, health and nutrition, and employment readiness. **Exhibit 8** shows the number of students that have earned a transitional program certificate.

Exhibit 8
Transitional Certificates Awarded
Fiscal 2013-2017



Source: Department of Labor, Licensing, and Regulation

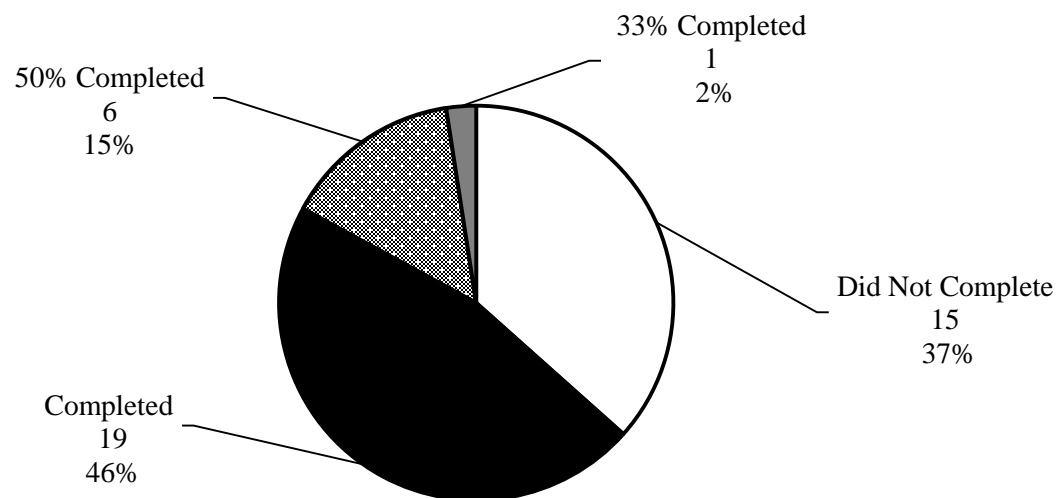
Library services support literacy and transitional services for inmates by offering reading and writing programs and research opportunities. The library services team maintains 10 main libraries in correctional facilities, and 7 satellite locations at minimum security facilities across the State. They also provide services through weekly visits or book mailings for individuals housed in segregated units. There have recently been vacant librarian positions because of retirements. **DLLR should comment on the impact that vacant positions have had on the CE program and on the waiting list for services.**

2. Employment Advancement Right Now

Language added to Chapter 150 of 2017 (the 2018 Budget Bill), restricted \$250,000 in general funds in DLLR pending the receipt of additional information on the EARN program. The restriction was added based on the determination that there was insufficient information provided on the performance of the EARN program in the most recent annual report. DLLR has since submitted a more substantive document that provides an outline of each program partnership, the goals of that partnership, and the data that shows the level of success for each partnership.

Specifically, because of the flexible design of the EARN program, there are different goals for each program partnership, with goals varying from the number of participants to complete the program to the number of participants to be employed. As shown in **Exhibit 9**, of the 41 EARN program partnerships, 19 (46%) fully achieved set goals, and another 7 (17%) achieved their goals in part. For the programs that have not achieved their goals, DLLR has provided explanations as to why they have not and the steps that have been taken for the program partnership to ultimately reach the goals set. It should be noted that some programs far exceeded the goals set, raising concerns about how goals were set. While this wide range of achievement is not unusual for a new program, it is important to work with participants to recalibrate goals to appropriate levels, possibly adjusting the funding received accordingly.

Exhibit 9
EARN Programs Goals Achievement
Fiscal 2017

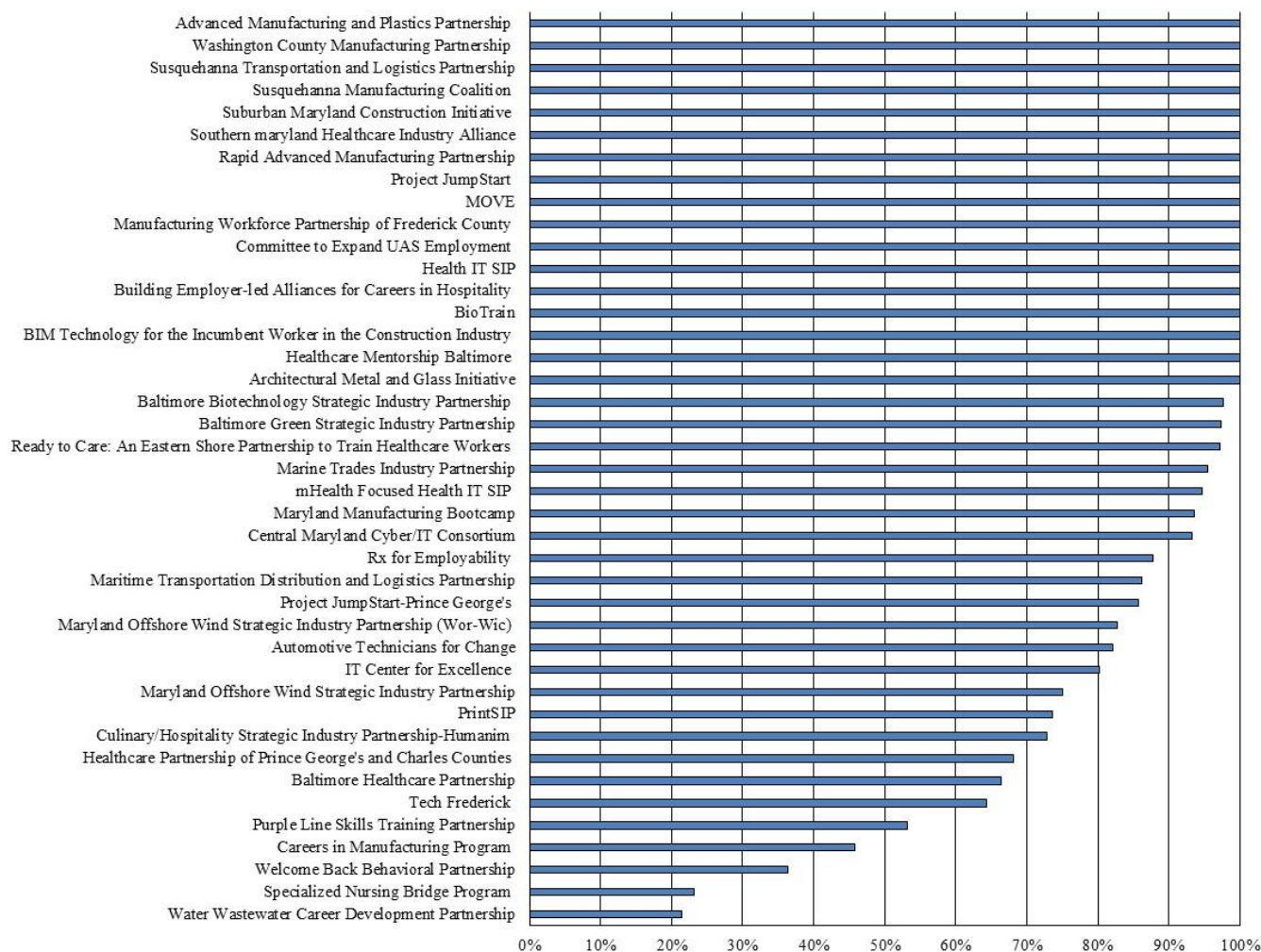


EARN: Employment Advancement Right Now

Source: Department of Labor, Licensing, and Regulation

Participation in the EARN program has been strong across sector and location. As shown in **Exhibit 10**, almost all of the program partnerships have seen high retention rates among participants, with only 8 of 41 (19.5%) having retention rates below 70.0%, and only 4 of those program partnerships falling below 50.0% retention. That these program partnerships meet and maintain the interest of participants is a significant plus for the EARN program.

Exhibit 10 EARN Program Retention Rates Fiscal 2017



EARN: Employment Advancement Right Now

Source: Department of Labor, Licensing, and Regulation

The EARN program participants have a wide range of educational backgrounds. All of the partnerships, with one exception, have some number of participants with college or trade school experience. While this does raise questions about whether the program is serving those who are most in need of workforce services, it is not surprising that there is a critical mass of program participants with college degrees because it is the necessary education for the jobs they currently hold. Of the 41 program partnerships, 28 (68%) have programming for unemployed participants, and 13 (32%) cater

specifically to existing incumbents. For the programs that have served unemployed participants, **Exhibit 11** outlines the percentage of participants who have successfully completed the program and who have received subsequent employment. These percentages show strong employability for EARN program participants, but it is important to note that they are based on the number of participants that have completed the training, not the number that originally enrolled in the programs. While there is wage increase data associated with some of the incumbent programs illustrating the correlation between completing their EARN program and increased financial gain, this information is not provided for all of the incumbent programs, which makes it difficult to properly analyze.

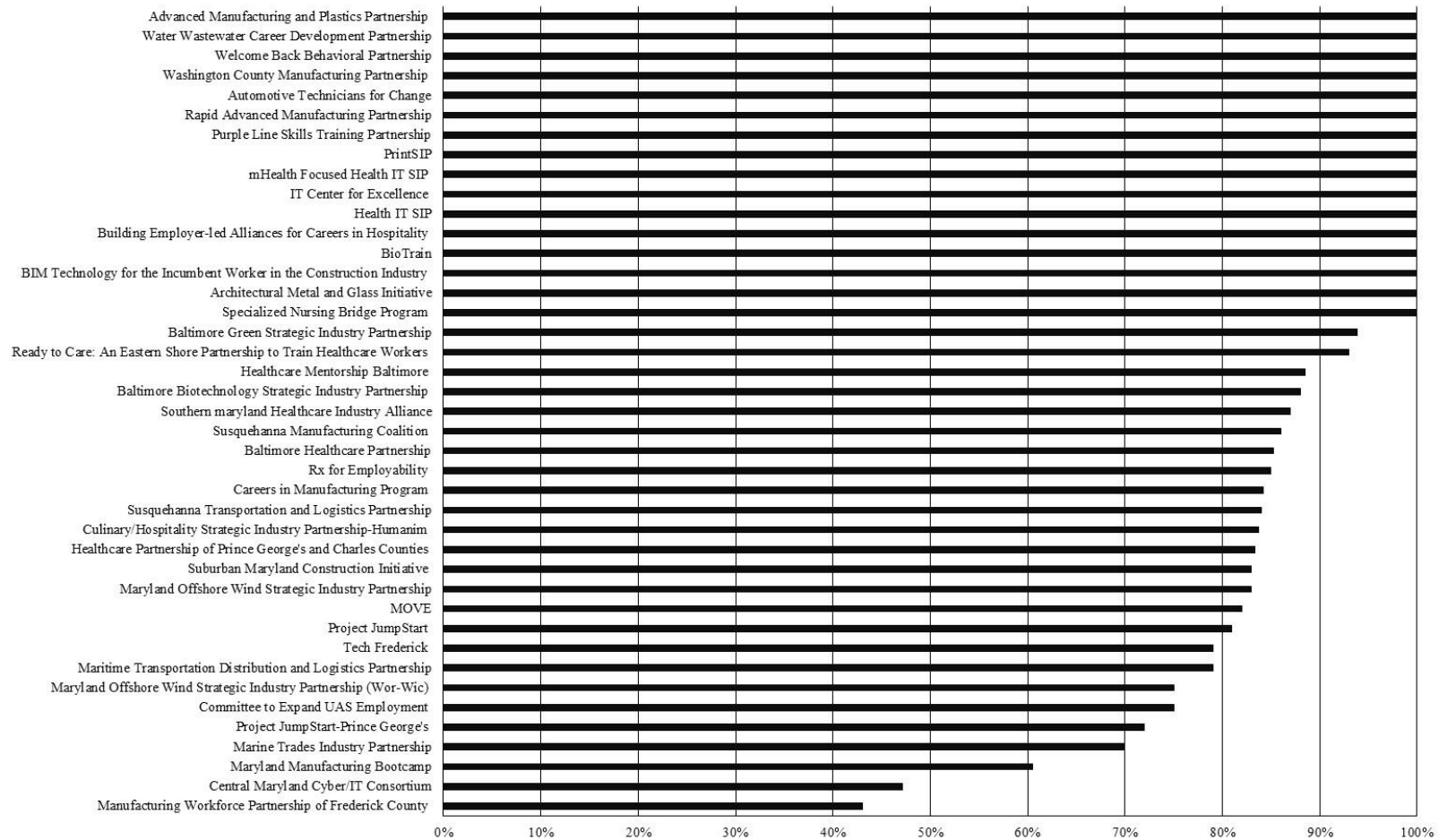
Although there are still some gaps in the additional data received on the EARN program, the report provides a much better picture of overall program performance. **DLS recommends that DLLR discuss the current status of the EARN program.**

3. Fiscal 2017 Closeout Audit

DLLR receives federal funding for indirect costs associated with many of its programs. The fiscal 2019 Office of Legislative Audits closeout audit found that DLLR reported \$12.1 million in accrued federal revenues at the end of fiscal 2017 (relating to fiscal 2014 to 2017). The federal Department of Labor has determined that only \$5.3 million of the costs will likely be reimbursed to DLLR with the remaining \$6.8 million likely not paid.

As a result, general funds may be needed to the extent that federal funds are not available for DLLR's indirect costs. At this time, no additional funding has been included in the fiscal 2019 budget. **DLLR should comment on closeout audit findings.**

Exhibit 11 EARN Program Completion Fiscal 2017



P00 – DILR – Workforce Development

EARN: Employment Advancement Right Now

Source: Department of Labor, Licensing, and Regulation

Operating Budget Recommended Actions

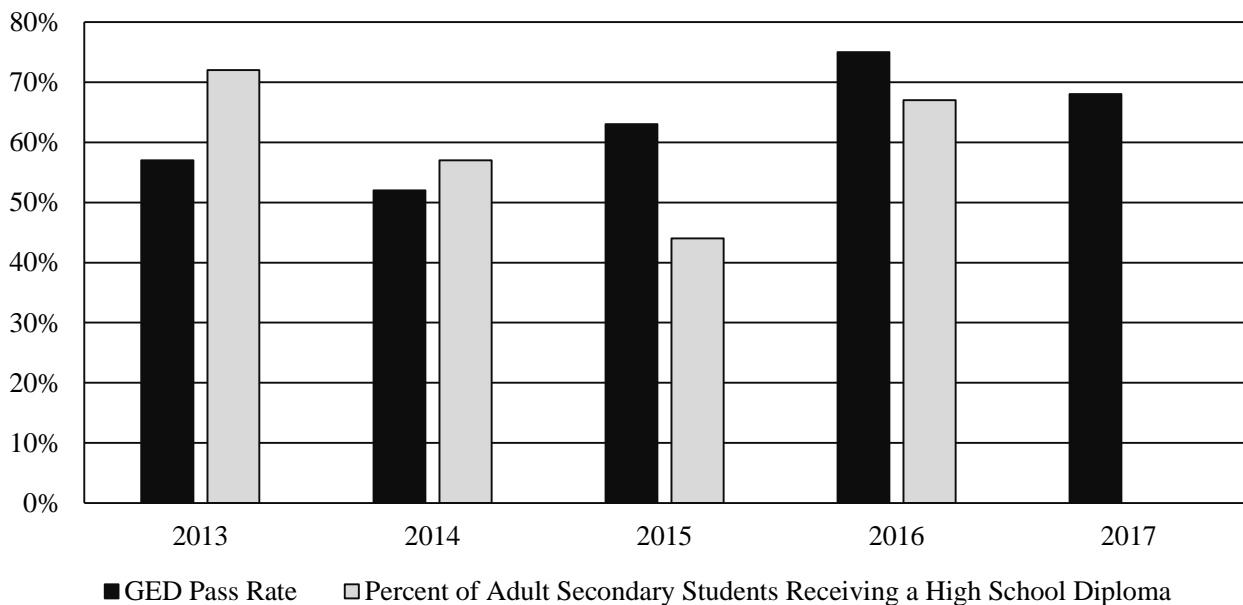
	<u>Amount Reduction</u>	
1. Delete duplicate funding for the Jacob France Institute.	\$ 211,000	FF
2. Reduce funding for contractual assistance. The agency has vacant positions that it should use to increase its staffing complement.	1,750,000	FF
Total Federal Fund Reductions	\$ 1,961,000	

Updates

1. Low-literacy Students

The *2017 Joint Chairmen's Report* requested that DLLR outline its strategies for serving low-literacy learners. DLLR reports that the recent transition from the federal Workforce Investment Act to WIOA has resulted in the integration of systems and the ability to innovate that has been the catalyst in serving low-literacy students. Because gaining high school equivalency is essential to any employment providing livable wages, there has been a focus on assisting those with low literacy in obtaining the necessary skills to receive a GED or high school diploma. **Exhibit 12** shows the GED pass rate and the percentage of National External Diploma Program students receiving a high school diploma.

Exhibit 12
GED Pass Rate and National External Diploma Program
High School Diploma Awards
Fiscal 2013-2017



Source: Department of Labor, Licensing, and Regulation

DLLR did not report the fiscal 2017 percent of students receiving a high school diploma because the measure has changed. There was also a decrease in the GED pass rate, in part, because of varying

P00 – DLLR – Workforce Development

levels of preparedness for the test. Since it is not a requirement to take GED preparation classes prior to the test, it is possible that more individuals have taken the test without formal preparation.

In addition to efforts surrounding high school equivalency, DLLR is working on two initiatives designed for low-literacy individuals. The Career Pathways program was created in response to the WIOA guidelines. The program provides options for working and obtaining high school equivalency, *i.e.*, obtaining gainful employment before, or parallel to, gaining high school equivalency. The Career Pathways program is currently in its early stages with a Request for Proposal being released in October 2017 and applicants being awarded in February 2018.

The Maryland Integrated-Basic Education and Skill Training (I-BEST) is the local iteration of the nationally recognized I-BEST program that began in Washington State. The I-BEST program serves to train low-literacy, unemployed adults with parallel occupational and basic skills training. In the Washington State model, students received college-level credit for the occupational coursework completed. DLLR is currently funding a joint pilot program with the Annie E. Casey foundation to allocate funding to six local community colleges to test the instructional model.

P00 – DLLR – Workforce Development

Appendix 1
Current and Prior Year Budgets
DLLR – Workforce Development
(\$ in Thousands)

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2017					
Legislative Appropriation	\$36,263	\$12,758	\$189,933	\$6,454	\$245,409
Deficiency Appropriation	132	1,500	-1,500	0	132
Cost Containment	-13	0	0	0	-13
Budget Amendments	-17	527	2,696	0	3,206
Reversions and Cancellations	-1,300	-3,594	-29,797	-76	-34,767
Actual					
Expenditures	\$35,065	\$11,191	\$161,332	\$6,378	\$213,967
Fiscal 2018					
Legislative Appropriation	\$39,140	\$23,474	\$173,358	\$6,468	\$242,440
Cost Containment	-242	0	0	0	-242
Budget Amendments	1	2	6	0	9
Working					
Appropriation	\$38,899	\$23,476	\$173,364	\$6,468	\$242,207

DLLR: Department of Labor, Licensing, and Regulation

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

Fiscal 2017

The fiscal 2017 legislative appropriation for the Department of Labor, Licensing, and Regulation – Workforce Development decreased by \$31.4 million. The general fund appropriation increased by \$132,000 through a deficiency appropriation for costs associated with the transfer of the Senior Community Service Employment Program from the Maryland Department of Aging. Fiscal 2017 cost containment reduced the appropriation by \$13,000. General funds were decreased by \$17,000 through budget amendments with additions of \$349,000 for centrally budgeted salary adjustments and \$8,000 to implement provisions for the State Law Enforcement Officers Labor Alliance (SLEOLA) bargaining agreement more than offset by a decrease of \$374,000 for the realignment of general funds to federal funds. There was \$1.3 million in reverted general funds largely due to positions being held vacant in Correctional Education.

The special fund appropriation increased by \$1.5 million through a deficiency appropriation for the Division of Unemployment Insurance (UI) to backfill lower than anticipated federal funds and budget amendments of \$527,000 as a result of the reallocation of costs resulting from an increase in federal funds, salary adjustments, and the SLEOLA bargaining agreement. These increases were more than offset by \$3.59 million of canceled special funds, including \$1.4 million for overstated special funds in the Division of Administration, \$1.2 million for positions held vacant in various programs, \$544,000 for lower than anticipated rent as a result of the American Job Centers co-locating with other entities, and \$373,000 in the Division of UI as a result of operational efficiencies.

The federal fund appropriation increased by \$2.7 million through budget amendments, including a \$1.4 million increase in federal funds allocated as a result of additional federal funds for the unemployment modernization project and the Maryland Apprenticeship Training program, \$1.21 million increase for centrally budgeted salary adjustments, and \$33,000 to implement provisions for the SLEOLA bargaining agreement. This increase was more than offset by \$1.5 million negative deficiency in federal funds for the Division of UI and \$29.8 million in canceled federal funds. Cancellations included \$26.0 million in federal grant funds that will be used in future years and \$3.9 million from vacant positions.

There was \$76,000 in canceled reimbursable funds.

Fiscal 2018

To date, the fiscal 2018 legislative appropriation has decreased by \$233,000. General funds decreased by \$241,000. There was an increase of \$1,000 to implement provisions of certain collective bargaining agreements and a \$242,000 decrease for cost containment.

The special fund and federal fund appropriations increased by \$2,000 and \$6,000, respectively, also related to collective bargaining agreements.

Appendix 2
Audit Findings
Office of the Secretary
Division of Administration
Division of Workforce Development and Adult Learning

Audit Period for Last Audit:	July 1, 2013 – August 16, 2016
Issue Date:	August 2017
Number of Findings:	6
Number of Repeat Findings:	1
% of Repeat Findings:	17%
Rating: (if applicable)	n/a

- Finding 1:** Licensees’ sensitive personally identifiable information was stored without adequate safeguards.
- Finding 2:** The Department of Labor, Licensing, and Regulation (DLLR) did not have an information technology disaster recovery plan for the recovery of its information systems operations.
- Finding 3:** Password, account, and malware protection controls were not sufficient to properly protect DLLR’s network.
- Finding 4:** DLLR could not substantiate \$9.9 million in federal fund revenues recorded at the end of the fiscal 2016.
- Finding 5:** DLLR did not publish contract awards totaling \$12.0 million on *eMaryland Marketplace* as required.
- Finding 6:** **Electronic licensing collections for the Division of Financial Regulation were not reconciled with bank statements and the State’s accounting records.**

*Bold denotes item repeated in full or part from preceding audit report.

Appendix 3
Major Information Technology Projects
DLLR – Workforce Development
Unemployment Insurance Technology Modernization

Project Status	Implementation.			New/Ongoing Project:		Ongoing.		
Project Description:	The Department of Labor, Licensing, and Regulation (DLLR), Division of Unemployment Insurance (UI) is modernizing the technology associated with its three primary functions: Benefits, Contributions, and Appeals. Upon successful implementation, the system will be cloud-based and serve the states of Maryland and West Virginia. Additionally, the system will be made available for implementation by other states looking to modernize their legacy UI applications.							
Project Business Goals:	To consolidate the three primary functions of Division of UI into one system for more timely service to unemployment insurance recipients.							
Estimated Total Project Cost:	\$ 80,473,350			Estimated Planning Project Cost:		\$10,990,005		
Project Start Date:	April 2011.			Projected Completion Date:		May 2018.		
Schedule Status:	As an outcome of the quality assurance initiative hiatus, the integrated master schedule will be significantly impacted. The analysis is currently underway and is anticipated to be completed in September. Go live date may move to November 2018.							
Cost Status:	The consortium initiated and approved an additional cost change request totaling \$2.9 million for testing support. These resources will assist consortium resources in test planning and execution. These activities are comprised of use case analysis, test script development, test execution, and documentation of test results in NeoTrack.							
Scope Status:	Potential changes have been documented and are managed via the documented change control process subject to approval by the Project Steering Committee.							
Project Management Oversight Status:	There is a project manager assigned to oversee the project.							
Identifiable Risks:	Forty-one risks have been identified for the project thus far with 12 in “open” status being actively managed.							
Additional Comments:	n/a							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Balance to Complete	Total
Personnel Services	\$67.330	\$2.153	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$80.473
Professional and Outside Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$67.330	\$2.153	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$80.473

Appendix 4
Object/Fund Difference Report
Department of Labor, Licensing, and Regulation – Workforce Development

<u>Object/Fund</u>	<u>FY 17 Actual</u>	<u>FY 18 Working Appropriation</u>	<u>FY 19 Allowance</u>	<u>FY 18 - FY 19 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,162.57	1,120.57	1,098.57	-22.00	-2.0%
02 Contractual	63.42	83.11	125.56	42.45	51.1%
Total Positions	1,225.99	1,203.68	1,224.13	20.45	1.7%
Objects					
01 Salaries and Wages	\$ 95,678,684	\$ 100,416,577	\$ 98,605,316	-\$ 1,811,261	-1.8%
02 Technical and Spec. Fees	2,625,307	3,525,865	6,014,215	2,488,350	70.6%
03 Communication	3,465,472	4,105,553	4,065,652	-39,901	-1.0%
04 Travel	481,488	596,895	462,630	-134,265	-22.5%
06 Fuel and Utilities	824,390	773,094	787,378	14,284	1.8%
07 Motor Vehicles	200,843	336,304	207,792	-128,512	-38.2%
08 Contractual Services	35,612,528	50,021,833	31,402,297	-18,619,536	-37.2%
09 Supplies and Materials	958,588	1,269,059	1,103,751	-165,308	-13.0%
10 Equipment – Replacement	692,631	541,680	674,559	132,879	24.5%
11 Equipment – Additional	109,481	40,971	1,691,462	1,650,491	4028.4%
12 Grants, Subsidies, and Contributions	69,232,414	76,307,926	71,693,333	-4,614,593	-6.0%
13 Fixed Charges	4,085,094	4,271,724	3,796,084	-475,640	-11.1%
Total Objects	\$ 213,966,920	\$ 242,207,481	\$ 220,504,469	-\$ 21,703,012	-9.0%
Funds					
01 General Fund	\$ 35,064,851	\$ 38,898,529	\$ 38,539,536	-\$ 358,993	-0.9%
03 Special Fund	11,191,240	23,476,360	27,034,983	3,558,623	15.2%
05 Federal Fund	161,332,454	173,364,378	148,638,407	-24,725,971	-14.3%
09 Reimbursable Fund	6,378,375	6,468,214	6,291,543	-176,671	-2.7%
Total Funds	\$ 213,966,920	\$ 242,207,481	\$ 220,504,469	-\$ 21,703,012	-9.0%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.

Appendix 5
Fiscal Summary
Department of Labor, Licensing, and Regulation – Workforce Development

<u>Program/Unit</u>	<u>FY 17 Actual</u>	<u>FY 18 Wrk Approp</u>	<u>FY 19 Allowance</u>	<u>Change</u>	<u>FY 18 - FY 19 % Change</u>
0A Department of Labor, Licensing, and Regulation	\$ 17,333,038	\$ 23,958,979	\$ 23,937,733	-\$ 21,246	-0.1%
0B Division of Administration	18,575,694	19,658,850	18,496,875	-1,161,975	-5.9%
0D Division of Labor and Industry	45,261	0	0	0	0%
0G Division of Workforce Development and Adult Learning	106,567,248	107,995,547	104,834,286	-3,161,261	-2.9%
0H Division of Unemployment Insurance	71,445,679	90,594,105	73,235,575	-17,358,530	-19.2%
Total Expenditures	\$ 213,966,920	\$ 242,207,481	\$ 220,504,469	-\$ 21,703,012	-9.0%
General Fund	\$ 35,064,851	\$ 38,898,529	\$ 38,539,536	-\$ 358,993	-0.9%
Special Fund	11,191,240	23,476,360	27,034,983	3,558,623	15.2%
Federal Fund	161,332,454	173,364,378	148,638,407	-24,725,971	-14.3%
Total Appropriations	\$ 207,588,545	\$ 235,739,267	\$ 214,212,926	-\$ 21,526,341	-9.1%
Reimbursable Fund	\$ 6,378,375	\$ 6,468,214	\$ 6,291,543	-\$ 176,671	-2.7%
Total Funds	\$ 213,966,920	\$ 242,207,481	\$ 220,504,469	-\$ 21,703,012	-9.0%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.