



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
Kelly M. Schulz | Secretary of Commerce

DATE: January 22, 2020 **COMMITTEE:** Senate Finance
BILL NO: Senate Bill 26
BILL TITLE: Partnership for Workforce Quality Program- Alterations
POSITION: Support

The Maryland Department of Commerce supports Senate Bill 26 – Partnership for Workforce Quality Program- Alterations.

Bill Summary:

SB 26 alters the existing Partnership for Workforce Quality (PWQ) program by (1) expanding the program eligibility to include new employee training; and (2) altering the restrictions on allocation of funding based on the size of the company. The new funding limits would allow at least 80% of the funds to be awarded to employers with 500 or fewer employees, and up to 20%, not to exceed \$200,000, of the funds may be provided to an employer with more than 500 employees based in the State.

Background:

The PWQ program was established in 1989 and is administered by the Department of Commerce (Commerce). PWQ encourages Maryland companies to invest in training for employees by providing reimbursable grants that match (1:1) the investments of Maryland’s manufacturing and technology companies in employee training, thus helping the companies improve their efficiency, develop quality management practices, modernized operations, and upgrade manufacturing processes. As a result, companies are better equipped to expand in Maryland and to compete in the global marketplace.

Funded annually through general and special funds, PWQ helps participating companies develop and implement training systems to improve business competitiveness and worker productivity, upgrade the skills of workers to accommodate new technologies and production processes, and promote employment stability.

The program was reactivated through a budget appropriation in fiscal year 2018. Since that time, the average PWQ grant size has been \$32,489 and the average employee size of the company is 101. Out of the 59 companies receiving assistance in fiscal years 2018 and 2019, only three had more than 500 employees and were granted a total of \$415,743. The remaining 56 companies with less than 500 employees were awarded \$1,501,089.

Rationale:

The existing PWQ statute is designed specifically to upgrade or retain existing Maryland-based employees of manufacturers or businesses threatened by the pressure of increased foreign or

domestic competition. Currently, the program does not cover new workforce development and training-related activities necessary in today's high-tech economy.

Industries across the board are having difficulty hiring qualified applicants. The PWQ program does not address nontraditional applicants aiming to enter a new field or employers seeking to expand operations that need to hire and train additional employees. By expanding PWQ to include reimbursement of costs related to training new employees, the State can incentivize employers to hire employees who might not otherwise have qualified due to a skills gap and could encourage growth by increasing the number of new jobs created in the State.

The current statute sets the following limits of funding to employers:

- At least 60% of funds are to be awarded to employers with 150 or fewer employees
- Up to 20% of the funds may be awarded to an employer with more than 500 employees based in the State

This requirement has the unintended consequence of leaving program funds unutilized if there is not enough demand from companies with less than 150 employees, and limits the amount of funds available to mid-sized companies with more than 150 employees but fewer than 500. While the intent of the statute was to ensure that small companies are the primary beneficiaries of PWQ funds, the required percentages penalizes those mid-sized companies and limits the Department's discretion in determining the best use of those funds in support of economic development opportunities in the State.

Commerce respectfully requests a favorable report on Senate Bill 26.