

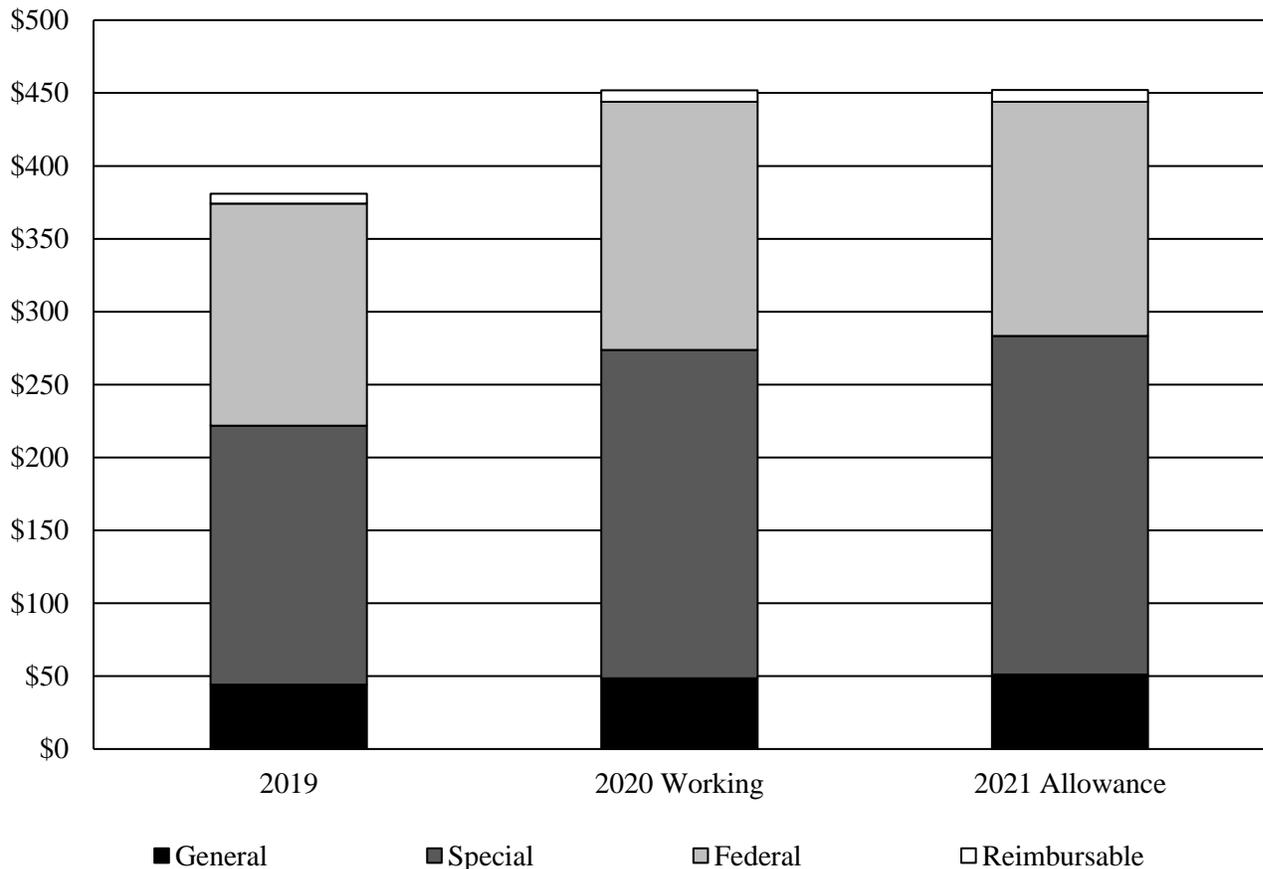
P00
Maryland Department of Labor

Executive Summary

The Maryland Department of Labor is responsible for administering workforce development, adult education, and Unemployment Insurance programs. The department also includes many of the State's agencies and boards responsible for licensing and regulating various businesses, professions, and trades.

Operating Budget Summary

Fiscal 2021 Budget Increases \$184,000 to \$452.1 Million
(\$ in Millions)



Note: The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

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Key Observations

- Workforce Development Funding Increases Significantly:*** General funds for workforce development programs increase by nearly \$1.9 million due to mandated appropriations for the Baltimore City YouthWorks program as well as new apprenticeship programs for law enforcement cadets and formerly incarcerated individuals. Federal funds for the Workforce Innovation and Opportunity Act and other formula grants increase by \$5.5 million, while federal funding for additional staff at American Job Centers totals nearly \$1.3 million.
- Other Large Changes for Information Technology Project, Racing:*** The Unemployment Insurance Major Information Technology Project is scheduled for completion in spring 2020, resulting in a decrease of \$21.4 million in federal funds in the fiscal 2021 allowance. Special funds for racing purses, facility redevelopment, and local aid increase approximately \$11 million based on revenue estimates.

Operating Budget Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Reduce funds to support the Clean Energy Jobs Act based on available special funds.	\$ 110,328	
2. Adopt narrative requesting a report on unrecoverable federal fund revenues.		
3. Adopt narrative requesting a report on projects affected by the Providing Our Workers Education and Readiness Apprenticeship Act.		
4. Adopt narrative requesting a report on horse fatalities.		
5. Eliminate 3.0 long-term vacant positions in Adult Corrections.	247,427	3.0
Total Reductions	\$ 357,755	3.0

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Maryland Department of Labor

Operating Budget Analysis

Program Description

The Maryland Department of Labor (MDL) administers a variety of employment service and adult learning programs. The department also includes many of the State's agencies and boards responsible for licensing and regulating various businesses, professions, and trades. In addition to administrative offices, which include the Governor's Workforce Development Board, the department contains the following divisions:

- ***The Division of Workforce Development and Adult Learning (DWDAL)*** operates workforce development programs, including job services, the Workforce Innovation and Opportunity Act, and labor market information programs. It also manages the 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.
- ***The Division of Unemployment Insurance (DUI)*** 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.
- ***The Division of Labor and Industry (DLI)*** is responsible for safety inspections of boilers, elevators, amusement rides, and railroads. The division also enforces certain protective labor laws and administers the Maryland Occupational Safety and Health Act. The division's mission is to protect Maryland citizens' health, safety, and employment rights.
- ***The Division of Occupational and Professional Licensing*** includes boards and commissions that license, regulate, and monitor 26 different professions and trades. The division's mission is to ensure that regulated occupations and professions have practitioners that are competent and compliant with State laws, regulations, and standards. This oversight seeks to ensure that commercial services are conducive to the health, safety, and welfare of Maryland consumers.
- ***The Division of Racing***, which houses the Maryland Racing Commission, regulates thoroughbred and harness racing tracks across the State. The division's responsibilities include assigning racing days, regulating wagering on races, collecting the wagering tax, licensing all racetrack employees, and operating a testing laboratory. The division also pays the salaries and stipends of all racetrack employees that are appointed by the Maryland Racing Commission.

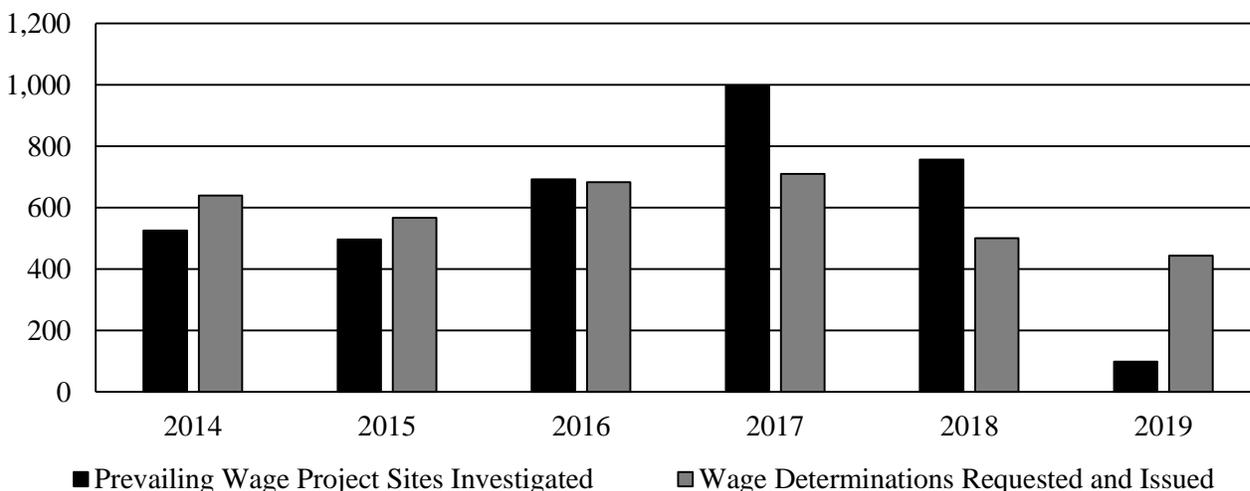
- **The Division of Financial Regulation** regulates commercial banks, trust companies, credit unions, mortgage lenders and originators, collection agencies, and consumer loan companies. The division’s mission is to protect financial services consumers, ensure appropriate licensing, and maintain safety and soundness in Maryland’s financial services industry.

Performance Analysis: Managing for Results

1. Prevailing Wage

The prevailing wage is the hourly wage normally paid to the majority of workers within a particular occupational area. Prevailing wage law in Maryland applies to a construction project valued at \$500,000 or more if the project is funded in part or completely by the State. The prevailing wage is determined annually for each classification of worker in each locality for each type of project. In the case that workers are underpaid, the hiring business is subject to a fine of \$20 per day for each worker paid less than the current prevailing wage. **Exhibit 1** shows the number of prevailing wage sites investigated and the number of wage determination requests from fiscal 2014 to 2019. In fiscal 2019, there was a significant decrease in the number of project sites investigated as well as a slight decline in the number of wage determinations requested. The department advises that the decrease in sites investigated is primarily due to the prioritization of resources on reviewing payroll submissions from contractors, which can better identify problems early. Investigators still visited strategic job sites and investigated complaints.

**Exhibit 1
Prevailing Wage
Fiscal 2014-2019**



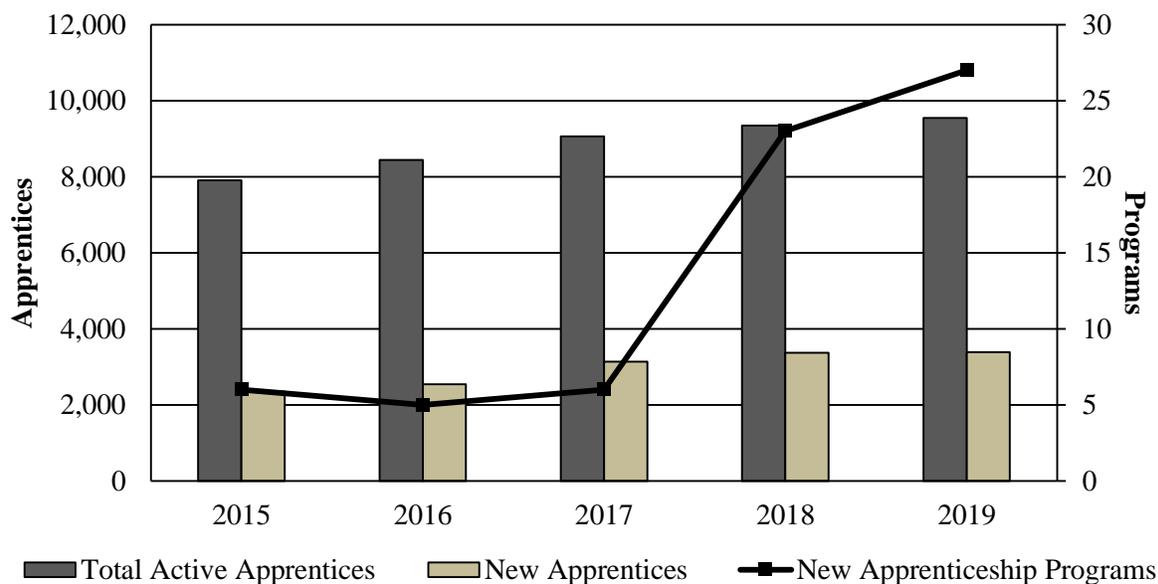
Source: Governor’s Fiscal 2021 Budget Books

2. Apprenticeships

Since the transfer of the apprenticeship programs from DLI to DWDAL in fiscal 2017, there has been a significant expansion of programs. MDL has received federal funding to support the growth of its apprenticeship programs, including a \$2.9 million grant awarded in July 2019. There has been an expansion of the careers in which apprenticeships can be obtained as well as an effort to create synergy between career and college readiness and apprenticeship programming. In June 2018, Apprenticeship Maryland, the State’s registered youth apprenticeship program, officially became a Career and Technology Education program of study for high school students as a result of a partnership between MDL and the Maryland State Department of Education. As of February 2020, school systems in 15 jurisdictions are participating in the program: Allegany; Baltimore; Caroline; Carroll; Dorchester; Frederick; Howard; Kent; Montgomery; Queen Anne’s; St. Mary’s; Talbot; Washington; and Wicomico counties and Baltimore City. In this program, students are able to earn academic credit and wages through their work in the apprenticeship while also learning a skill or trade for the future.

As shown in **Exhibit 2**, the number of apprenticeship programs in Maryland continued to grow in fiscal 2019 with 27 new programs added and a little over 9,500 active apprentices. Employers across the State work with MDL to craft apprenticeship programs, get the program approved by the Maryland Apprenticeship and Training Council, and recruit apprentices interested in learning the necessary work. Employers are incentivized to provide apprenticeships in part through the Maryland Apprenticeship Tax Credit that provides a \$1,000 tax credit for each registered apprentice.

Exhibit 2
Apprenticeship Activity in Maryland
Fiscal 2015-2019



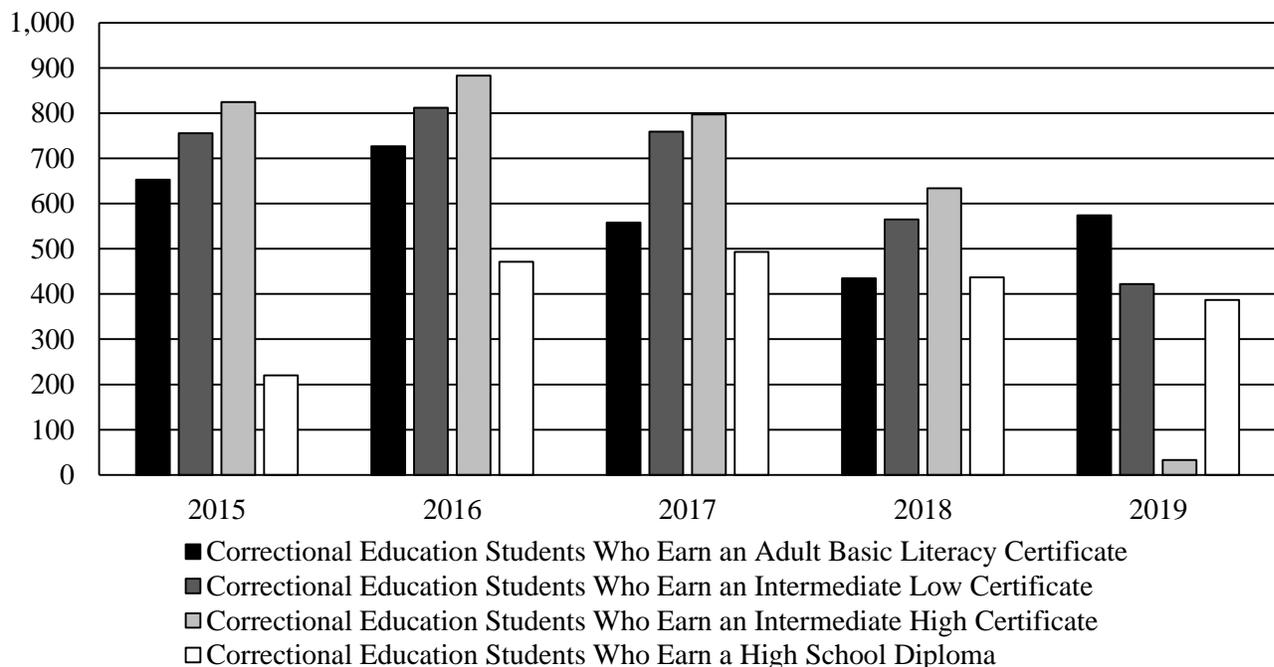
Source: Governor’s Fiscal 2021 Budget Books

3. Correctional Education

In 2008, the Correctional Education Council (CEC) was established as a partnership between MDL 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 MDL to provide educational programs that help inmates to gain skills that will aid in a successful transition to the community.

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 literacy level followed by intermediate low, intermediate high, and then high school or high school equivalency. **Exhibit 3** outlines the number of certificates received at each literacy level within CE. There has been a decrease in the number of CE students overall, due to both the decline in the total prison population as well as staff vacancies and institutional cancellations or lockdowns. Additionally, MDL advises that fewer students completed the Intermediate High Certificate in fiscal 2019 due to changes in the relevant test.

Exhibit 3
Literacy Levels in Correctional Education
Fiscal 2015-2019

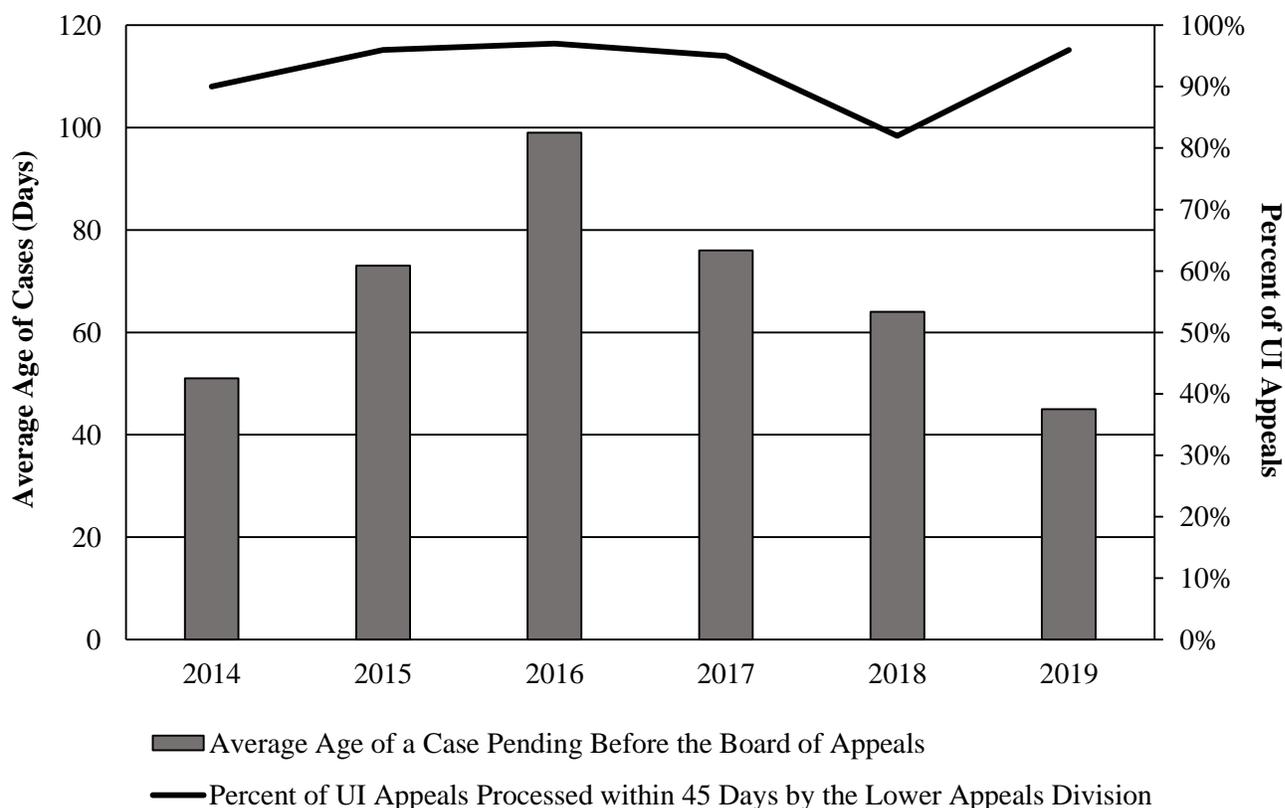


Source: Governor’s Fiscal 2021 Budget Books

4. Unemployment Insurance Case Processing Time

DUI pays unemployment benefits to workers who become unemployed through no fault of their own and meet the necessary eligibility criteria. 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 that has a processing time goal of 40 days. As shown in **Exhibit 4**, the Board of Appeals made progress toward the 40-day processing goal in fiscal 2019; LAD processed 96% of appeals within 45 days in fiscal 2019 after experiencing a decrease in fiscal 2018. Both changes are due to staffing levels, including the return of loaned staff to LAD.

Exhibit 4
Case Processing Time for the Lower Appeals Division and the Board of Appeals
Fiscal 2014-2019



UI: unemployment insurance

Source: Governor’s Fiscal 2021 Budget Books

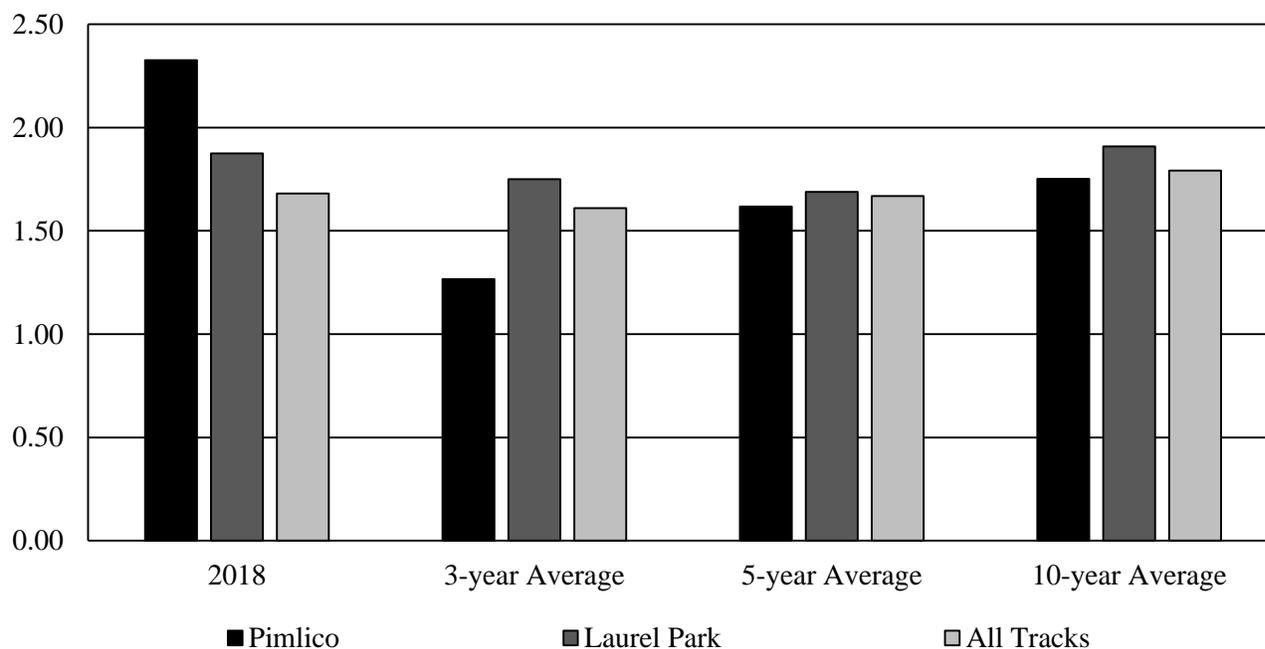
5. Horse Safety

The Maryland Racing Commission is responsible for ensuring the safety of horses training and racing at Maryland racetracks. Horse fatalities nationwide, particularly in California, have recently garnered significant media attention and led to industry reforms.

Horse Fatalities at Maryland Tracks

The Jockey Club maintains an Equine Injury Database (EID), which includes data on fatal injuries sustained during races by thoroughbred horses from over 100 tracks in North America. A subset of these tracks (26 in 2018) also make their data available publicly, including Laurel Park and Pimlico. In 2018, 22 horses suffered fatal injuries while racing at Laurel Park, representing a fatal injury rate of 1.87 fatalities per 1,000 starts; 2 horses died at Pimlico, for a rate of 2.33 fatalities per 1,000 starts. The aggregate fatal injury rate across all tracks in 2018 was 1.68 fatalities per 1,000 starts, up slightly from 1.61 in 2017. **Exhibit 5** shows the fatality rates at Laurel Park and Pimlico compared to the aggregate rate for all tracks included in EID for 2018 as well as averages over the last 3 years, 5 years, and 10 years, which is as far back as the data is available. Over this time period, the fatality rate at Laurel Park has consistently been higher than the average for all tracks.

Exhibit 5
Horse Fatalities Per 1,000 Starts



Source: The Jockey Club

Recent Reforms

The Los Angeles District Attorney’s Office issued a report in December 2019 on the findings of a task force formed to investigate horse fatalities at the Santa Anita Park in California, a racetrack owned and operated by the Stronach Group, which also owns Laurel Park and Pimlico. The report included best practices for reducing fatalities, including increased data and reporting on fatalities, transparency of veterinary records, enhanced penalties for rule violations, and additional measures related to medication and racetrack maintenance. Industry groups are also working toward implementing reforms; six organizations, including the Stronach Group, formed the Thoroughbred Safety Coalition in November 2019. The coalition’s website lists 19 points of medical, operational, and organizational reforms.

The Maryland Racing Commission participated in an October 2019 meeting of stakeholders across the region regarding the Mid-Atlantic Strategic Plan to Reduce Equine Fatalities and announced additional safety rules on October 24, 2019, some of which have been submitted as regulations. **MDL should comment on its ongoing efforts to improve horse safety.**

The Department of Legislative Services (DLS) recommends that MDL submit an annual report to the budget committees detailing all horse fatalities at Maryland racetracks during training and racing and identifying contributing factors. The first report should include an update on the implementation of new safety rules.

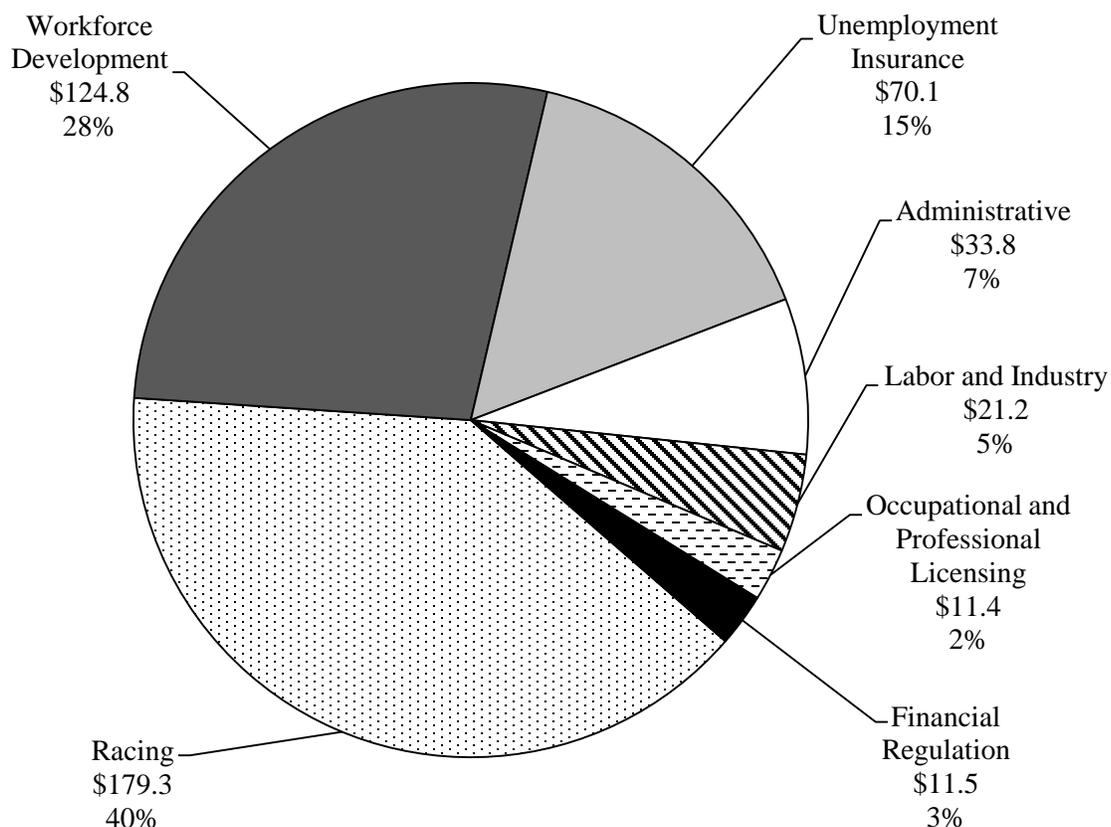
Fiscal 2019 Statewide Closeout Audit

In the fiscal 2018 statewide closeout audit, the Office of Legislative Audits (OLA) determined that MDL had \$6.4 million of previously recorded federal fund revenues that could not be substantiated. Those revenues have since been deemed unrecoverable. MDL indicated that it will offset these unrecovered costs over several years by an indirect cost surcharge to most of MDL’s programs of up to \$500,000 per year until recovered, splitting the costs between general funds and special funds from MDL’s Special Administrative Expense Fund. However, OLA noted in its fiscal 2019 statewide closeout audit that only \$25,000 had been applied in fiscal 2019, reducing the unrecoverable amount to \$6,375,000. OLA further noted that MDL was unable to specifically identify the remaining debt in State records. **DLS recommends adopting committee narrative requiring MDL to submit a report explaining where the deficit is located and detailing a plan to pay down the remaining debt.**

Fiscal 2021 Overview of Agency Spending

The fiscal 2021 allowance is \$452.1 million. As shown in **Exhibit 6**, the Division of Racing accounts for 40% of the allowance. Most of this funding is gaming revenue for local impact aid for localities that house casinos or racetracks as well as for racetrack facility redevelopment and horse racing purses; operations account for less than 3% of the budget for the Division of Racing and approximately 1% of the overall allowance. Workforce development programs account for a little over a quarter of the budget, while 15% is for UI.

Exhibit 6
Overview of Agency Spending
Fiscal 2021 Allowance
(\$ in Millions)



Source: Governor’s Fiscal 2021 Budget Books

Proposed Budget Change

As shown in **Exhibit 7**, the adjusted fiscal 2021 allowance increases by \$184,000 over the adjusted fiscal 2020 working appropriation. Federal funds decrease by \$9.7 million, while general funds increase by \$2.5 million.

Exhibit 7
Proposed Budget
Maryland Department of Labor
(\$ in Thousands)

How Much It Grows:	<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 2019 Actual	\$44,166	\$177,701	\$152,373	\$6,740	\$380,981
Fiscal 2020 Working Appropriation	48,456	225,186	170,378	7,883	451,904
Fiscal 2021 Allowance	<u>51,003</u>	<u>232,309</u>	<u>160,665</u>	<u>8,111</u>	<u>452,088</u>
Fiscal 2020-2021 Amount Change	\$2,546	\$7,123	-\$9,713	\$228	\$184
Fiscal 2020-2021 Percent Change	5.3%	3.2%	-5.7%	2.9%	0.0%
Where It Goes:					<u>Change</u>
Personnel Expenses					
Fiscal 2021 general salary increase (2% effective January 1, 2021).....					\$1,011
Employee retirement					641
Fiscal 2021 cost of fiscal 2020 general salary increase (1% effective January 1, 2020)					395
Employee and retiree health insurance.....					128
Other fringe benefit adjustments					-10
Social Security contributions					-62
Reclassification					-155
Salaries and wages (including the reduction of 19 full-time equivalent positions).....					-730
Turnover adjustments.....					-1,267
Racing, Based on BRE estimates					
Purse Dedication Account.....					9,250
Local jurisdictions’ share of video lottery terminal revenue.....					1,321
Racetrack Facility Renewal Account					465
Workforce Development					
WIOA and other federal formula grant funding.....					5,500
New mandates for YouthWorks, apprenticeship programs.....					1,850
Additional 24 contractual positions to staff American Job Centers					1,290
EARN program evaluation.....					96
EARN grants					-717
Other Changes					
Division of Unemployment Insurance operations.....					1,525
DoIT services allocation.....					1,162
Federal adult education grant under the WIOA					626
Additional net 4.75 contractual positions across the agency other than workforce development					498
Division of Financial Regulation registry website programming					200
Safety Inspection Unit software maintenance					200

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Where It Goes:	<u>Change</u>
Correctional education contracts	176
Funding for MDL’s police force, for which MDL reimburses DGS	85
MOSH operations.....	73
Electronic Licensing Modernization funding transferred to DoIT.....	-2,000
Unemployment Insurance Modernization project scheduled for completion	-21,368
Total	\$184

BRE: Board of Revenue Estimates
DGS: Department of General Services
DoIT: Department of Information Technology
EARN: Employment Advancement Right Now
MDL: Maryland Department of Labor
MOSH: Maryland Occupational Safety and Health
WIOA: Workforce Innovation and Opportunity Act

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

New Mandates for Workforce Development

General funds for workforce development programs increase by nearly \$1.9 million due to mandated appropriations. The Community Safety and Strengthening Act of 2019 (Chapter 25) mandated at least \$1 million of supplemental funding for the Baltimore City YouthWorks Summer Jobs Program for fiscal 2021 through 2024 and at least \$750,000 a year beginning in fiscal 2021 for grants and operating expenses for a new Law Enforcement Cadet Apprenticeship Program. Additionally, Chapter 726 of 2019 established an Apprenticeship Career Training Pilot Program for formerly incarcerated individuals and mandated \$100,000 of funding from fiscal 2021 through 2023.

The YouthWorks Summer Jobs Program provides a five-week summer work experience to Baltimore City residents ages 14 to 21. The participants work a minimum of 25 hours per week and earn the State minimum wage of \$11 per hour in calendar 2020. The program served 7,152 Baltimore City youth in fiscal 2017 and set a target of 9,000 youth for fiscal 2020. Baltimore City’s fiscal 2019 budget appropriated \$7.0 million to YouthWorks, which includes \$2.2 million of Baltimore City general fund expenditures. The State contributed \$1.13 million in fiscal 2020, which supported program participation of 706 youth in summer 2019. The fiscal 2021 allowance includes \$2.13 million.

The purpose of the Law Enforcement Cadet Apprenticeship Program is to provide young individuals opportunities to begin a career in law enforcement and to encourage law enforcement agencies to hire apprentices. To be eligible for an award, a law enforcement agency must employ at least one apprentice who (1) has been employed by the agency for at least seven months; (2) is enrolled in the first year of a specified apprenticeship program; and (3) lives in a zip code in which at least 10% of the population is below the federal poverty level. The Baltimore City Police Department is the only approved sponsor for the Law Enforcement Cadet Apprenticeship Program as of January 2020. The

Baltimore County Police Department and the Maryland State Police have expressed interest but are not formally on the path to become sponsors. The fiscal 2021 allowance includes \$750,000 in general funds for the program, including approximately \$667,000 for grants.

Under the pilot program for formerly incarcerated individuals, an employer is eligible to receive a grant of up to \$1,000 for each formerly incarcerated employee who (1) has worked for the employer for at least seven months; (2) is engaged in a building or construction trade; (3) is enrolled in the first year of a registered apprenticeship program; and (4) lives in Baltimore City or Dorchester County. The fiscal 2021 allowance includes \$100,000 in general funds for the program, including approximately \$77,000 for grants.

Employment Advancement Right Now

Employment Advancement Right Now (EARN) is a State workforce development program established in 2014 that provides industry-led and regionally focused workforce training. Industry leaders work in partnership with community organizations and nonprofits to develop training for participants to be hired directly by industry leaders. Funding for traditional EARN partnerships is level-funded from the fiscal 2020 working appropriation to the fiscal 2021 allowance at \$4 million, and funding for EARN programs in opportunity zones is also the same, \$500,000, for its second year of funding. While the overall funding of EARN cyber programs is unchanged at \$3 million, grants decrease to \$2.8 million in the fiscal 2021 allowance due to increased administrative costs, including the addition of 1 staff person.

The Clean Energy Jobs Act of 2019 (Chapter 757) requires that a total of \$8 million be transferred from the Strategic Energy Investment Fund (SEIF) to EARN for the purpose of clean energy-related apprenticeship, youth apprenticeship, and preapprenticeship training programs beginning in fiscal 2021, but annual amounts are not specified. The fiscal 2021 allowance includes \$450,000 for clean energy jobs programs in EARN. This increase partially offsets the decrease in the allowance of \$1 million for EARN green job initiatives that MDL received from the Maryland Energy Administration annually from fiscal 2018 to 2020. **The allowance includes an additional \$110,328 in SEIF funding for MDL in error; DLS recommends deleting the additional funds.**

American Job Centers

The American Job Centers, also known as One-Stop Career Centers, are locations across the State that provide classes and resources to businesses and job seekers. The fiscal 2021 allowance includes 24 additional contractual positions for staff at the American Job Centers to support federal programs, such as Reemployment Services and Eligibility Assessments, as well as the Jobs for Veterans State Grant.

Personnel Data

	<u>FY 19 Actual</u>	<u>FY 20 Working</u>	<u>FY 21 Allowance</u>	<u>FY 20-21 Change</u>
Regular Positions	1,451.67	1,397.17	1,378.17	-19.00
Contractual FTEs	<u>158.96</u>	<u>215.56</u>	<u>244.31</u>	<u>28.75</u>
Total Personnel	1,610.63	1,612.73	1,622.48	9.75

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	97.71	7.09%
Positions and Percentage Vacant as of 12/31/19	186.40	13.34%
Vacancies Above Turnover	88.69	

- Three positions in CE have been vacant since 2017. **Given the declining prison population and the long-term nature of these vacancies, DLS recommends eliminating these 3 vacant positions.**
- There is a net decrease of 19 positions within the agency, including 14 abolished long-term vacant positions in DUI.
- The budget for the Department of Budget and Management includes \$898,321 in salary adjustments for 129 positions, primarily teachers and other educators, in MDL; these funds will be transferred by budget amendment on July 1, 2020.

Issues

1. Implementation of the Providing Our Workers Education and Readiness Apprenticeship Act

The Providing Our Workers Education and Readiness (POWER) Apprenticeship Act (Chapter 782 of 2017) took effect June 1, 2017. MDL is still working toward full implementation of the Act.

Background

The POWER Act requires each contractor or subcontractor awarded a contract for at least \$500,000 for a capital construction project that receives at least \$1.0 million in the State's capital budget to (1) be affiliated with a registered apprenticeship program and use apprentices in each covered craft that is used; (2) make payments to the State Apprenticeship Training Fund (SATF); or (3) make payments directly to a registered apprenticeship program. Contractors and subcontractors are not subject to the bill's requirements if there are no registered apprenticeship programs for their craft or trade or if the project is required to pay prevailing wages under State law, in which case they must already comply with the bill's requirements under Chapter 687 of 2009.

The fiscal 2020 budget included language requesting MDL to submit a report on its implementation of the POWER Act, including a list of capital projects in fiscal 2018 that met the requirements of the statute, the number of apprentices that worked on these projects, and the number of contractors or subcontractors on these projects that paid into the SATF in fiscal 2018. The department identified 32 capital construction projects that met the requirements of the Act in fiscal 2018 but noted that it could not determine which contractors for those projects had apprenticeable occupations nor the number of apprentices that worked on those projects. The department further reported that two businesses subject to the POWER Act made payments to the SATF in fiscal 2018, although these payments were in relation to prevailing wage requirements rather than POWER Act requirements.

Progress Toward Implementation

MDL has been working toward full implementation of the POWER Act in coordination with the Department of General Services (DGS) and the Department of Information Technology. MDL advises that an online system to collect and verify information from contractors and subcontractors is scheduled to complete user and quality assurance testing by the end of January 2020 and launch in February 2020. Relevant regulations were approved by the Governor's Office in February 2020. The Act is scheduled to reach full implementation in March 2020. **DLS recommends adopting committee narrative requesting a follow-up report that includes relevant capital projects and the number of apprentices that worked on those projects, now that MDL will have systems in place to track this data.**

Operating Budget Recommended Actions

- | | <u>Amount
Reduction</u> |
|---|------------------------------------|
| 1. The fiscal 2021 allowance includes additional funds over the intended amount for the Clean Energy Jobs Act. This action reduces the funds to the intended level. | \$ 110,328 SF |

2. Adopt the following narrative:

Unrecoverable Federal Fund Revenues: The statewide closeout audit confirmed that the Maryland Department of Labor (MDL) has prior year unrecoverable federal fund revenues of \$6,375,000. The committees request a report identifying where in State records this debt is located and detailing a plan to pay down the remaining debt.

Information Request	Author	Due Date
Report on unrecoverable federal fund revenues	MDL	October 1, 2020

3. Adopt the following narrative:

Providing Our Workers Education and Readiness Apprenticeship Act: The committees request a report on the capital projects that met the standards outlined in the Providing Our Workers Education and Readiness (POWER) Apprenticeship Act (Chapter 782 of 2017), the number of apprentices that worked on those projects, and the number of contractors or subcontractors that worked on those projects and paid into the Maryland Apprenticeship Training Fund, covering all available data following implementation of the data collection system.

Information Request	Author	Due Date
Report on projects affected by POWER Apprenticeship Act	Maryland Department of Labor	November 1, 2020

4. Adopt the following narrative:

Horse Fatalities: The committees request an annual report on horse fatalities at Maryland racetracks during training and racing. The report should include the number of fatalities at each track and identify the cause of each fatality as well as potential contributing factors, including but not limited to track surface, track conditions, and/or necropsies positive for various medications. The first report should include an update on the implementation of new safety rules.

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Information Request	Author	Due Date
Report on horse fatalities	Maryland Department of Labor	October 1, 2020, and each year thereafter

	<u>Amount Reduction</u>		<u>Position Reduction</u>
5. Eliminate funding for three long-term vacant positions in Adult Corrections (PINs 053419, 055372, and 055644).	247,427	GF	3.0
Total Reductions	\$ 357,755		3.0
Total General Fund Reductions	\$ 247,427		
Total Special Fund Reductions	\$ 110,328		

Appendix 1

2019 Joint Chairmen’s Report Responses from the Maryland Department of Labor

The 2019 *Joint Chairmen’s Report* (JCR) requested that the Maryland Department of Labor (MDL) prepare three reports and that the South Baltimore Gateway Community Impact District Management Authority prepare one report. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Report on Projects Affected by the Providing Our Workers Education and Readiness (POWER) Apprenticeship Act:*** MDL provided a list of the 32 capital construction projects that met the requirements of the POWER Apprenticeship Act in fiscal 2018 but was unable to determine the number of apprentices that worked on these projects due to a lack of regulations for implementing the Act. Further discussion of this data can be found in Issue 1 of this analysis.
- ***Report on Use of Local Impact Aid:*** The committees requested a report from the South Baltimore Gateway Partnership (SBGP) on the organization’s use of local impact grants and its partnerships with neighborhoods to enhance safety and expand educational opportunities for youth. In its response, SBGP outlined its strategic plan, program areas, and summaries of public safety- and youth-related programming. According to the report, SBGP addresses public safety and education through an integrated approach to the creation and maintenance of defensible public space that includes crime prevention through environmental design, reliable and enriching youth programming, and violence interruption.
- ***Report Outlining Electronic Licensing Modernization (ELMo) Project:*** MDL provided a report detailing the intended capabilities, breakdown of costs, and a timeline for the ELMo information technology project. The new licensing system will manage intake, tracking, and processing of applications and licenses for the department’s Division of Occupational and Professional Licensing and will be integrated with the Maryland OneStop Portal.
- ***Report on Apprenticeships for Professional Licensing in Maryland:*** MDL provided a report on professional licenses issued by the department, the requirements for licensure, and the path to licensure for registered apprentices. MDL notes that the department administers registered apprenticeship programs that connect to five of the professional licenses they administer: stationary engineers; heating, ventilation, air conditioning, and refrigeration; plumbing; electricians; and elevator mechanics.

Appendix 2
Major Information Technology Project
Maryland Department of Labor
Unemployment Insurance Modernization

New/Ongoing: Ongoing								
Start Date: April 2011					Est. Completion Date: Spring 2020			
Implementation Strategy: Waterfall								
(\$ in Thousands)	Prior years	2020	2021	2022	2023	2024	Remainder	Total
SF	\$2,250							\$2,250
FF	37,990	\$25,925	\$4,440	\$4,450				72,806
Total	\$40,240	\$25,925	\$4,440	\$4,450				\$75,056

- Project Summary:** The Maryland Department of Labor Division of Unemployment Insurance is modernizing the technology associated with its three primary functions: benefits; contributions; and appeals. Upon successful implementation, the system will be cloud-based and will be made available for implementation to other states looking to modernize their legacy unemployment insurance applications.
- Changes:** The project has continued to experience quality issues and, as a result, the completion date has been pushed back to between March and May 2020. The overall projected cost of the project has declined by approximately \$20 million compared to last year’s budget books due to lower-than-anticipated costs in fiscal 2019 as well as estimated costs for the current year that are lower than the appropriation.
- Concerns:** The department has identified a lack of resources for conducting user acceptance testing as a project risk. User acceptance testing is scheduled to begin the first week of March 2020.

**Appendix 3
Object/Fund Difference Report
Maryland Department of Labor**

<u>Object/Fund</u>	<u>FY 19 Actual</u>	<u>FY 20 Working Appropriation</u>	<u>FY 21 Allowance</u>	<u>FY 20 - FY 21 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,451.67	1,397.17	1,378.17	-19.00	-1.4%
02 Contractual	158.96	215.56	244.31	28.75	13.3%
Total Positions	1,610.63	1,612.73	1,622.48	9.75	0.6%
Objects					
01 Salaries and Wages	\$ 117,225,360	\$ 129,732,671	\$ 128,278,728	-\$ 1,453,943	-1.1%
02 Technical and Special Fees	7,116,617	9,913,120	11,790,898	1,877,778	18.9%
03 Communication	2,670,578	4,047,995	4,360,597	312,602	7.7%
04 Travel	1,211,551	1,982,395	1,955,859	-26,536	-1.3%
06 Fuel and Utilities	703,710	691,602	796,687	105,085	15.2%
07 Motor Vehicles	479,459	715,123	717,941	2,818	0.4%
08 Contractual Services	39,265,374	58,041,662	34,056,400	-23,985,262	-41.3%
09 Supplies and Materials	2,012,101	1,671,078	1,824,017	152,939	9.2%
10 Equipment – Replacement	472,644	2,224,366	2,455,836	231,470	10.4%
11 Equipment – Additional	1,770,061	206,041	154,336	-51,705	-25.1%
12 Grants, Subsidies, and Contributions	202,358,139	238,541,038	257,714,274	19,173,236	8.0%
13 Fixed Charges	5,695,124	6,241,746	6,181,787	-59,959	-1.0%
Total Objects	\$ 380,980,718	\$ 454,008,837	\$ 450,287,360	-\$ 3,721,477	-0.8%
Funds					
01 General Fund	\$ 44,166,495	\$ 50,866,929	\$ 50,629,566	-\$ 237,363	-0.5%
03 Special Fund	177,700,878	225,050,435	231,684,975	6,634,540	2.9%
05 Federal Fund	152,373,090	170,208,674	159,862,227	-10,346,447	-6.1%
09 Reimbursable Fund	6,740,255	7,882,799	8,110,592	227,793	2.9%
Total Funds	\$ 380,980,718	\$ 454,008,837	\$ 450,287,360	-\$ 3,721,477	-0.8%

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.

**Appendix 4
Fiscal Summary
Maryland Department of Labor**

<u>Program/Unit</u>	<u>FY 19 Actual</u>	<u>FY 20 Wrk Approp</u>	<u>FY 21 Allowance</u>	<u>Change</u>	<u>FY 20 - FY 21 % Change</u>
0A Department of Labor	\$ 23,193,930	\$ 31,732,937	\$ 29,926,709	-\$ 1,806,228	-5.7%
0B Division of Administration	16,895,907	18,221,711	18,562,969	341,258	1.9%
0C Division of Financial Regulation	9,596,718	11,299,317	11,371,512	72,195	0.6%
0D Division of Labor and Industry	18,412,798	20,577,819	20,986,277	408,458	2.0%
0E Division of Racing	137,792,319	168,321,881	179,283,712	10,961,831	6.5%
0F Division of Occupational and Professional Licensing	9,150,722	12,826,564	11,300,910	-1,525,654	-11.9%
0G Division of Workforce Development and Adult Learning	101,480,085	106,074,196	115,836,894	9,762,698	9.2%
0H Division of Unemployment Insurance	64,458,239	84,954,412	63,018,377	-21,936,035	-25.8%
Total Expenditures	\$ 380,980,718	\$ 454,008,837	\$ 450,287,360	-\$ 3,721,477	-0.8%
General Fund	\$ 44,166,495	\$ 50,866,929	\$ 50,629,566	-\$ 237,363	-0.5%
Special Fund	177,700,878	225,050,435	231,684,975	6,634,540	2.9%
Federal Fund	152,373,090	170,208,674	159,862,227	-10,346,447	-6.1%
Total Appropriations	\$ 374,240,463	\$ 446,126,038	\$ 442,176,768	-\$ 3,949,270	-0.9%
Reimbursable Fund	\$ 6,740,255	\$ 7,882,799	\$ 8,110,592	\$ 227,793	2.9%
Total Funds	\$ 380,980,718	\$ 454,008,837	\$ 450,287,360	-\$ 3,721,477	-0.8%

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.