Department of Legislative Services

Maryland General Assembly
1999 Session

FISCAL NOTE

Revised

House Bill 414 (Chairman, Economic Matters Committee)
(Departmental - Business and Economic Development)
Economic Matters

Partnership for Workforce Quality

This departmental bill establishes the Partnership for Workforce Quality Fund as a continuing, nonlapsing fund within the Department of Business and Economic Development (DBED).

Fiscal Summary

State Effect: Total funding for the Partnership for Workforce Quality program would not change. The FY 2000 budget includes $4,350,000 in general funds for this program. The bill would transfer this amount into a special, continuing, nonlapsing fund. Potential minimal decrease in administrative expenditures.

Local Effect: None.

Small Business Effect: The Department of Business and Economic Development has determined that this bill has a meaningful impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Fiscal Analysis

Bill Summary: The Partnership for Workforce Quality Fund will be the funding mechanism for the existing Partnership for Workforce Quality (PWQ) program. The fund will consist of: (1) State appropriations; (2) federal or private contributions; (3) application or other fees; (4) investment earnings; and (5) any other funds. The fund may be used to provide grants to

Maryland businesses to defray the costs of workforce training and to pay expenses for the administrative, actuarial, legal, and technical services for the program.

The bill exempts the PWQ from the State's procurement procedures. The bill also allows up to 20% of grants to be made to companies with over 500 employees, provided that the companies: (1) are primarily engaged in manufacturing or in a technology-based business; (2) agree to increase their purchases of goods produced in Maryland and service from Maryland-based suppliers; and (3) agree to provide workforce training to a certain number of employees of smaller companies that supply goods and services to the company receiving the grant.

Under current law no less than 60% of the program's funds must be reserved for companies with 100 or fewer Maryland-based employees. The bill raises the maximum number of employees to 150. The bill increases the maximum grant amount that any company may receive from the greater of $25,000 or 5% of total program funds, to $200,000. The bill is effective July 1, 1999.

Background: The Partnership for Workforce Quality was enacted in 1989 as a matching grant program to improve business competitiveness and worker productivity, upgrade worker skills for new technologies and production processes, and promote employment stability. It is funded through an annual general fund appropriation to the Division of Regional Development within DBED. The fiscal 2000 budget includes $4,350,000 in general funds for the program. In fiscal 1998 the PWQ awarded 89 grants totaling $1,368,015 to train 3,949 employees.

State Effect: The bill primarily alters the mechanism in which the PWQ is funded and how existing funds are used. The bill does not change the overall funding for the program. Increasing the amount of funds that any one company may receive in a given year may, however, decrease the number of grants authorized on an annual basis. To the extent the bill requires procedural changes, DBED could handle them within existing resources.

The procurement exclusion will allow DBED to contract directly with the vendor providing training services. This will eliminate potentially repetitive grant writing to companies that use the same vendor. Minimal savings in administrative expenses may result.

Small Business Effect: It is likely that the bill will make it more difficult for small businesses with 50 or fewer employees to compete for program funds. First, the bill allows 20% of program funds to be made available to companies with 500 or more employees. Secondly, the bill expands the number of businesses that are eligible for at least 60% of program funds. The program must reserve at least 60% of available funds for companies with 150 or fewer employees, increased from a maximum of 100 employees. This would allow more companies to compete for the same pool of funds. However, the 1999 budget included a 300% increase in funds available to the program from the previous year. The fiscal 2000 budget has maintained the increased level of funding.

The bill also increases the maximum amount of the grant that each company may receive in a given year. Additionally, requirements are placed on large businesses that receive grants to ensure that smaller companies that act as suppliers to the large companies also receive training services.

Information Source(s): Department of Business and Economic Development, Department of Legislative Services

Fiscal Note History: First Reader - February 25, 1999
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