

**Department of Legislative Services**  
**Maryland General Assembly**  
**2001 Session**

**FISCAL NOTE**  
**Revised**

Senate Bill 367 (Senator Hoffman, *et al.*)

Budget and Taxation and Finance

Appropriations

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**Skills-Based Training for Employment Promotion (STEP) Pilot Program**

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This bill establishes the Skills-Based Training for Employment Promotion (STEP) Pilot Program for the purpose of providing grants to local workforce investment boards to fund skills-based training for low-income individuals. The Governor's Workforce Investment Board, in consultation with the Department of Labor, Licensing, and Regulation (DLLR), must establish and administer the program.

The bill is effective July 1, 2001 and terminates June 30, 2005.

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**Fiscal Summary**

**State Effect:** The FY 2002 State budget includes \$1.0 million in general funds for this program, contingent upon enactment of this bill. Out-year estimates are based on higher program participation rates. Special and federal fund revenues may increase minimally due to possible non-State funding sources for the program.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
SF Revenue	-	-	-	-	\$0
FF Revenue	-	-	-	-	0
GF Expenditure	1,000,000	3,000,000	3,000,000	3,000,000	0
Net Effect	(\$1,000,000)	(\$3,000,000)	(\$3,000,000)	(\$3,000,000)	\$0

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

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## Analysis

**Bill Summary:** The Skills-Based Training for Employment Promotion (STEP) Pilot Program will provide grants to local workforce investment boards for the purpose of providing employment and educational services to certain low-income individuals.

### *Application Process*

A local workforce investment board or group of boards must submit an application to the Governor's Workforce Investment Board (GWIB) for funding under the pilot program. The application must identify the work-related skills and occupations that are in short supply in the region, the skills-based training and "wraparound services" that the local workforce investment board intends to fund, and other information requested by GWIB.

GWIB must recommend at least three applications for funding and DLLR must distribute funding to the local workforce investment boards in a manner consistent with the recommendations. In evaluating the applications, GWIB must consider the following factors: (1) the percentage of individuals residing in the workforce investment area receiving public assistance; (2) the number of training partnerships the local workforce investment board has with area employers; (3) the ability of the local workforce investment board to meet program requirements; and (4) in applications submitted by a group of local workforce investment boards, the extent to which the boards will overcome "spatial mismatches" and other employment barriers that may exist between employers and employees within a local or regional job market. Spatial mismatches are imbalances in the labor market between workforce investment board regions. GWIB must adopt performance evaluation standards that measure the effectiveness of the pilot program.

### *Reporting Requirements*

Local workforce investment boards must report annually to GWIB on the number of eligible individuals who successfully complete skills-based training and the number of employers and eligible individuals participating in the employer-based training program. GWIB must report to the Governor and General Assembly by January 1 of each year on the implementation of the pilot program.

### *Program Services*

Local workforce investment boards receiving a grant under this program must: (1) develop an assessment process to identify eligible individuals who have existing job skills that are sufficient to benefit from the program; (2) establish individual step accounts for individuals participating in the program that can be used to pay for skills-based training and wraparound services; (3) develop and implement an outreach program; (4) assist individuals in obtaining employment; and (5) develop employer-based training programs.

Skills-based training includes services resulting in a postsecondary educational degree, certificate of proficiency in a specific work-related skill, or the attainment of an identifiable skill that is likely to lead to further job advancement and increased earning potential. Wraparound services include transportation, health care, childcare, meals, temporary housing, and other reasonable expenses required for participation in the approved skills-based training program.

Employer-based training programs can range from short-term training in specific skills to postsecondary education classes. Employer-based training cannot include training that results in the individual remaining in or moving to a job with an employer that is at a minimum salary level or that does not include health care or other benefits. Approved employer-based programs shall be funded with a minimum contribution by the employer of at least 50% in matching funds.

### *Eligible Participants*

An individual participating in the program must be a custodial or noncustodial parent or legal guardian of one or more dependent children and must be responsible for the financial support of the dependent children. The individual must be a resident of Maryland living in a household with an income at or below 200% of the federal poverty level. The individual must have worked at least 20 hours per week for at least six months in public or private employment, a family investment program work activity, or a State-sponsored or related work activity, or have worked in one of these activities in 6 of the preceding 12 months.

**Current Law:** Maryland has several existing education and job training programs targeted to low-income residents or individuals receiving public assistance, including the Work Opportunity Program, the Welfare-to-Work Family Literacy Program, and the Job Skills Enhancement Pilot Program. The fiscal 2002 budget allowance for these programs totals over \$42 million.

These programs fund a variety of job training and welfare-to-work programs including assisting in finding permanent unsubsidized employment, providing educational services to welfare recipients with the goal of helping families become self-sufficient, and providing current and former welfare recipients with training in order for them to enhance their existing job-related skills or gain additional or alternative job skills.

**Background:** The federal Workforce Investment Act of 1998 (WIA) replaced the federal Job Training Partnership Act (JTPA). WIA authorized the formation of state workforce boards to oversee state workforce development programs and coordinate federal funding. GWIB has established 12 local workforce investment boards to provide and coordinate job training and employment activities for local workforce areas. **Exhibit 1** provides selected economic information for different areas of the State.

Maryland had a 7.6% average poverty rate (the lowest in the country) and a 95.6% average workforce participation for the three-year period ending in 1999 (the most recent period for which accurate data is available). Over that same period the average federal poverty income level for a family of four was \$16,700. Under the provisions of this bill, an individual with two or more dependants could qualify for STEP with an income of \$33,400.

**State Revenues:** Due to the various potential funding sources for STEP, special and federal fund revenues may increase minimally.

**State Expenditures:** The fiscal 2002 State budget includes \$1 million in general funds for this program. This will fund approximately 333 participants and is based on an average cost of \$3,000 per participant. The cost projection is based on a similar program in Montgomery County entitled "Rewarding Work." Rewarding Work offers job skills training, adult basic education, and English as a second language to low-income workers. Beginning in fiscal 2003, general fund expenditures could increase by \$3.0 million annually, assuming 1,000 participants each year.

Services provided under the Montgomery County program include computer classes costing approximately \$732 per semester, short-term skills enhancement classes costing on average \$1,600 per participant, and wraparound services costing approximately \$2,500 per participant. Montgomery County reports that an average participant will cost approximately \$3,000 to successfully complete a program. Approximately 250 individuals participated in some element of the Montgomery County program, with 134 having taken a job-skills improvement class at a total cost of \$725,000.

DLLR advises that it will need one and a half additional full-time equivalent employees at a cost of about \$67,000 in fiscal 2002 and \$100,000 in the out-years to administer the program. Since the bill requires GWIB to perform the majority of the work required by

this bill (i.e., data collection, screening applications, etc.), the Department of Legislative Services (DLS) believes that DLLR can handle the bill's requirements with existing resources. Furthermore, since GWIB has not filled all of its budgeted positions, DLS does not believe GWIB will require any additional resources.

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### **Additional Information**

**Prior Introductions:** SB 412 of 2000 and HB 8 of 2000 were similar to this bill. SB 412 passed the Senate but did not receive a report from the House Appropriations Committee. HB 8 received an unfavorable report from the House Appropriations Committee.

**Cross File:** HB 13 (Delegate Kopp, *et al.* – Appropriations) is identified as a cross file although it is different.

**Information Source(s):** Governor's Workforce Investment Board; U.S. Census Bureau; Department of Labor, Licensing, and Regulation; Montgomery County Chamber-Workforce Corporation; Maximus Group; Office of the Governor; Center for Business and Economic Research at the University of Louisiana; Center on Budget and Policy Priorities; Office of the Comptroller; Department of Legislative Services

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