HB 1213

Department of Legislative Services

Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 1213 (Delegate Pitkin, *et al*.)
Economic Matters

Transportation - Telework Partnership with Employers Pilot Program

This bill requires the Governor to establish a statewide Telework Partnership with Employers Pilot Program to provide employers with financial and technical assistance to develop telework opportunities for employees. The bill requires the Secretary of the Department of Transportation (MDOT) to adopt any necessary regulations and policies to carry out the program and to establish a computer leasing program to allow teleworking employees to lease computers at discount prices for a three-year period. It also directs the Governor to provide sufficient funding in the budget from fiscal 2003 to 2006 to help develop the pilot program and meet the program's technical and financial assistance requirements.

The bill is effective until September 30, 2005.

Fiscal Summary

State Effect: Potentially significant increase in special or general fund expenditures to support the telework program. The exact amount cannot be quantified at this time.

Local Effect: None.

Small Business Effect: Potential minimal. Small businesses that wish to participate in the telework program may be eligible for discounts on computer equipment.

Analysis

Current Law: None applicable.

Background: The Commonwealth of Virginia's Department of Rail and Public Transportation (DRPT) has created Telework!Va., a pilot program for companies and 501(c)3 organizations with 20 or more employees in certain counties and cities. The program allows companies or nonprofits to be reimbursed up to $35,000 during the program's two-year period for leasing expenses for teleworking, such as telephone lines, consultant services, computers, and office equipment. Companies cannot receive reimbursement for purchases. The rate of reimbursement varies according to expense; for example, space at a telework center is eligible for 50% reimbursement and technical assistance may be reimbursed 100%. The program reimburses 80% for equipment leases up to $3,500 per employee. Program applicants must demonstrate their willingness to start a long-term program, commit to an implementation schedule, and sign a contract with the Metropolitan Washington Council of Governments on behalf of DRPT.

Chapter 529 of 1998 required the Governor to re-establish the Statewide Telecommuting Program to allow State employees to work at locations other than State offices to be operated by the Department of Budget and Management (DBM). The program sunset on September 30, 2001. Over 100 employees from DBM, MDOT, and other State agencies participated in the program which was largely operated with existing resources except for the use of a teleworking consultant.

The Chairs of the House and Senate budget committees also directed DBM to establish a Telecommuting Workgroup to increase the level of participation in the program, and make other changes to the program. The workgroup's report estimated that a consultant would cost $375,000 for three years. Chapter 466 of 1999 authorized DBM to hire a telework consultant estimated to cost $300,000 over two years.

State Fiscal Effect: Without knowing the number and type of employers participating and the amount of the required discount, a reliable fiscal estimate is difficult. The impact will depend on the regulations to be promulgated by MDOT. However, the costs could be significant, because the bill does not narrow the scope of eligible employers or specify what type of financial assistance would be available. Approximately 145,000 businesses reported wages to the Department of Labor, Licensing, and Regulation in the first quarter of 2001; of these, approximately 18,000 have 20 or more employees (which would be eligible under the Virginia program), including 7,300 mid- to large-size companies. Presumably, the pilot program would be narrow in scope.

The Department of Legislative Services (DLS) advises that the State is eligible for discounts of 30% to 40% for the computers it purchases. The average personal computer (without software) may cost the State approximately $1,600, which includes a four-year warranty. The market price may be as much as $600 higher, but the cost will vary significantly. In some cases, the commercial cost may be lower than the State price though it may include a shorter warranty or lack extra components. If, for example, MDOT purchased 100 of these computers for $160,000 and leased them to 100 telework employees at a 50% discount ($800 per employee over a two-year period), it would absorb an $80,000 loss.

DLS advises that if MDOT was required to purchase a large number of computers, it could potentially receive a greater discount than it would normally and, therefore, receive computers for State use at a lower price. MDOT advises that it may also contract with a private leasing agent to implement the program.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Transportation, Department of Legislative Services

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