

**Department of Legislative Services**  
 Maryland General Assembly  
 2003 Session

**FISCAL AND POLICY NOTE**

Senate Bill 496 (Senator Garagiola, *et al.*)  
 Budget and Taxation

**Teleworking - Pilot Program and Task Force**

This bill directs the Secretary of Budget and Management to create a statewide Telework and Workforce Development Center Pilot Program and submit a report concerning the program to the House Appropriations and Senate Budget and Taxation committees by October 1, 2004. The bill also establishes a Task Force to Study Telework, which must report its findings and recommendations to the Governor and the General Assembly by October 1, 2004.

The bill takes effect October 1, 2003 and terminates September 30, 2006.

**Fiscal Summary**

**State Effect:** General Fund and Transportation Trust Fund expenditures would increase by \$175,000 in FY 2004, \$175,000 in 2005, and \$50,000 in 2006 for additional staff. General fund expenditures in FY 2004 and 2005 could increase significantly if more telework centers are required in addition to those that currently exist. Each additional center is estimated to cost \$200,000 to \$250,000 to construct and equip; annual operating expenditures would vary depending on usage. Any expense reimbursements for task force members are assumed to be minimal and handled with existing resources.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF/SF Exp.	175,000	175,000	50,000	0	0
Net Effect	(\$175,000)	(\$175,000)	(\$50,000)	\$0	\$0

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

**Local Effect:** Expenditures could increase for local governments that choose to participate in the pilot program.

**Small Business Effect:** Potential minimal. Small businesses could benefit to the extent that they can use the services offered by the telework center.

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## Analysis

**Bill Summary:** The bill requires the creation of a pilot telework program that would open and operate highly technical telecommuting and training centers throughout the State that could be used by the public and private sector. The program is also intended to enable employees to use the centers to telecommute and receive training for telecommuting from home and enable individuals and businesses to use the centers for employment and training services. The bill requires the Secretary to adopt guidelines and policies to carry out the program that provide for: (1) computer technology training for employees and potential employees; (2) technical training for welfare recipients; (3) informational seminars for businesses to promote economic development in revitalization areas; and (4) employment and training services for individuals with disabilities.

The bill directs the Department of Budget and Management (DBM) to enter into agreements with local governments to operate the Telework and Workforce Development Centers and authorizes the department to contract with the private sector for help in running the centers. The Maryland Department of Transportation (MDOT), the Department of the Environment (MDE), and the Department of Business and Economic Development (DBED) must provide professional and administrative assistance to implement and operate the centers. The centers are to be funded by federal grants, fees from business owners who use the centers, local governments, and the State (as provided in the budget).

The bill also establishes a ten-member Task Force to Study Telework to study the effectiveness of efforts by Maryland and other states to promote teleworking for both state and local government employees and the private sector, and recommend specific telework goals for State agencies. The task force must conduct a cost-benefit analysis for implementing the recommended goals that considers the following issues:

- cost savings to the State;
- environmental impacts;
- impact on traffic congestion; and
- employee productivity.

The bill requires the task force to study the feasibility of implementing telework incentives and recommend methods to educate employees about the advantages of telework, as well as changes to State law to promote telework. The Governor will designate the chair in consultation with the President of the Senate and the Speaker of the House.

**Current Law:** Chapter 466 of 1999 required the Secretary of Budget and Management to adopt a telework policy and guidelines to implement a pilot program (effective until September 30, 2001) for all participating State agencies. The legislation directed DBM to hire a telework consultant to provide technical assistance, including training for employees and managers, and development of a proposal for the program. It also directed each executive branch agency to establish a goal of 10% employee participation in the program and required the Secretary to submit a report about the program's effectiveness.

**Background:** Maryland currently operates a public-private teleworking program through MDOT called the Telework Partnership with Employers. The program provides up to \$15,000 per business, nonprofit organization, or local government to hire a teleworking consultant. So far, 28 organizations, including Discovery Communications, the City of Rockville, and Montgomery County Public Schools have participated.

The State also helps to operate 18 telework centers statewide that are housed in National Guard armory sites and are federally funded. Each center has 18 computer workstations and allows free use of office equipment and phone lines. Additionally, Charles County Community College operates three centers throughout Southern Maryland and the U.S. General Services Administration manages three telecommuting centers in Bowie, Frederick, and Hagerstown under the federal telecommuting pilot program.

**State Fiscal Effect:** The Military Department operates 18 teleworking sites statewide in existing National Guard armories. Each center can accommodate up to 10 teleworkers or 20 trainees. According to DBM, each center costs approximately \$200,000 to \$250,000 for infrastructure costs and equipment and \$50,000 in annual operating costs, which include a part-time employee. However, DBM notes that operating costs could be much higher if private contractors or local governments operate the centers or if additional staff is needed.

The bill does not narrow the scope of businesses or individuals eligible for the telework centers or related training or seminars. Without knowing the number and type of participating employers and employees, it is unknown how many centers may be required but the increase could be significant. The Department of Legislative Services (DLS) notes that according to the 1997 U.S. census, approximately 24,000 businesses in varying

professional services operated in Maryland and employed 356,000 people. To accommodate only 2% of the professional services workforce would require telework centers and/or training for 7,100 employees. DLS assumes that some industries are less likely to use teleworking, particularly agricultural, retail, recreational, health care, food services, and manufacturing.

The bill calls for funding from federal grants, fees from business owners, local funds, and any amount provided in the State budget. DLS observes that only \$50,000 of State funds through DBM are currently slated for teleworking in the fiscal 2004 budget and the bill requires agreements with local governments but does not require matching funds. Accordingly, it is unclear how much of the centers will rely on fees and local or federal contributions, if available, and State aid.

### *Staffing*

MDOT and MDE both advise that they will need additional resources to provide the administrative services required to implement and operate the centers. MDE indicates it will need a full-time administrator and an administrative specialist in fiscal 2004 and annually thereafter. DLS advises that the bill sunsets in 2006 and recommends that the agencies pool funds to hire contractual assistance to meet their obligations under the bill rather than hire full-time personnel. It recommends \$175,000 in both fiscal 2004 and fiscal 2005 (ending June 30, 2006) and \$50,000 in fiscal 2006.

**Local Expenditures:** Kent, Washington, and Worcester counties advise that the bill would have no fiscal impact because local government participation is voluntary. The City of Hagerstown (in Washington County) provides administrative services for the teleworking center located in city-owned property and partially subsidizes the center's rental rates. Montgomery County is operating its own pilot telecommuting program while funds are available.

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## **Additional Information**

**Prior Introductions:** Several bills have been introduced in recent sessions to encourage State and private sector participation in teleworking. In 2002, the Senate passed SB 677, which would have created a task force to study the feasibility of allowing a State income tax credit for employers' costs to provide telework benefits to employees. The Ways and Means Committee took no action on the bill. Also in 2002, the Economic Matters Committee gave an unfavorable report to HB 1213, which would have required the Governor to establish a three-year pilot program through MDOT to give financial and technical assistance to employers for developing telework opportunities.

**Cross File:** HB 768 (Delegate Cryor, *et al.*) – Appropriations.

**Information Source(s):** Department of Budget and Management, Department of Environment, Department of Transportation, Kent County, Montgomery County, Washington County, Worcester County, Department of Legislative Services

**Fiscal Note History:** First Reader - February 20, 2003  
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