

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE
 Revised

House Bill 1526

(Chair, Economic Matters Committee)(By Request -
 Departmental - Labor, Licensing and Regulation)

Economic Matters

Finance

Workforce Development - Maryland Workforce Corporation

This departmental bill establishes the Maryland Workforce Corporation (MWC) as an instrumentality of the State.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: Federal fund expenditures by the Department of Labor, Licensing, and Regulation (DLLR) increase by \$500,000 in FY 2010 to provide start-up funding to MWC. No effect on revenues. Out-year funding is not clear.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
FF Expenditure	500,000	0	0	0	0
Net Effect	(\$500,000)	\$0	\$0	\$0	\$0

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

Local Effect: Potential reduction in federal funds to local workforce investment boards, to the extent that DLLR increases its retention of federal funds for administration and statewide activities. Potential increase in grant funding from MWC to local governments for workforce development activities.

Small Business Effect: A small business impact statement was not provided by DLLR in time for inclusion in this fiscal note. A revised fiscal note will be issued when the department's assessment becomes available.

Analysis

Bill Summary: MWC's purpose is to:

- work with State agencies to develop a plan and framework for innovative, demand-driven workforce development and training programs;
- secure public and private funds for the programs;
- administer the programs it develops in accordance with its plan;
- provide grants and other assistance to support its programs;
- contract with training providers to conduct education and skills training programs;
- act as a research and development resource in finding solutions for new and emerging workforce issues; and
- evaluate the effectiveness of the programs it develops.

The bill establishes eligibility, terms, and conditions for membership on MWC's board, and authorizes the board to select and pay a president. Employees of the corporation are State employees subject to the Public Ethics Law, but they are not included in the State Personnel Management System or the State Retirement and Pension System. The corporation is exempt from State procurement law, but is subject to the Public Information Act and the Open Meetings Act. However, the corporation must develop procurement rules that reflect the overall goals and objectives of State procurement law. The corporation's debts, claims, liabilities, and obligations belong only to the corporation and not to the State.

MWC may not offer or provide educational or skills training unless it determines that there are no other training providers available.

The Secretary of Labor, Licensing, and Regulation may allocate funds to the corporation for its expenses, as provided in the State budget. State agencies and county governments are authorized to work with the corporation.

The corporation must have an annual audit by an independent certified public accountant and report annually on its status to the Governor and the General Assembly. It is authorized to seek federal tax-exempt status from the Internal Revenues Service.

Provisions of the bill are severable if any are found to be invalid by any court of competent jurisdiction.

Current Law/Background: The Governor's Workforce Investment Board (GWIB) is the State's chief policy-making body on workforce development and is mandated by the

federal Workforce Investment Act (WIA). The board dates to 1983, but its scope was expanded in 2004 to encompass all components of workforce development in the State. At least half of GWIB members appointed by the Governor must be from the private sector. GWIB is charged with advising the Governor on:

- the development of policies and dissemination of information that contributes to a high-quality workforce development system that is demand-driven, innovative, proactive, and collaborative;
- the development of a State plan for Maryland's workforce investment system;
- the promotion and coordination of private-sector involvement in workforce investment;
- the establishment and maintenance of an accountability system to measure the results of the State's workforce investment system; and
- any other issues that require the board's input.

The board reports annually to the Governor and the General Assembly.

Mostly through the Department of Business and Economic Development, several programs are available to employers seeking to train their workforces, including the Partnership for Workforce Quality, which provides matching grants and support services to increase workers' skills for new technologies and production processes. Partnership grants are targeted to small- and mid-sized manufacturing and technology companies. In fiscal 2005, the partnership distributed \$1.6 million in matching grants to 110 companies in each region of the State, providing training for 2,559 workers. Since the partnership was established in 1989, it has invested more than \$32 million in Maryland companies that trained nearly 84,000 workers.

Companies may also participate in the Business Training Network run by Maryland's 16 community colleges, or the Maryland Apprenticeship and Training Program, which provides free technical help for employers that want to establish an apprenticeship program. In addition, the Maryland Industrial Training Program works through local business expansion teams to ensure that qualified workers are available to new or expanding businesses. Participating companies may also receive State and local assistance for site selection, loan packages, technology needs, and other needs related to expansion or relocation.

State Fiscal Effect: Based on the authority granted under the bill, DLLR expects to provide MWC with \$500,000 in start-up funds in fiscal 2010, paid from WIA funds that DLLR is allowed to retain for program administration and innovative programs. Additional funding is expected to come from a mix of public and private contributions, although future allocations from DLLR may be made.

Local Fiscal Effect: As noted above, WIA authorizes the State to retain a portion of its federal allocation for administration and statewide activities. DLLR has not always retained its full allotment, resulting in more federal funds being distributed to the 12 local workforce investment boards in the State. If DLLR's support for MWC causes it to increase its retention of federal funds, it may result in reductions of federal funding for local workforce investment boards. At the same time, to the extent that MWC is successful in raising and coordinating funding for workforce development projects, it may direct some of those funds in the form of grants and other assistance to local governments for workforce development projects.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Kent, Montgomery, Washington, and Worcester counties; City of Takoma Park; Department of Budget and Management; Department of General Services; Judiciary (Administrative Office of the Courts); Department of Labor, Licensing, and Regulation; Maryland Association of Counties; University System of Maryland; Department of Legislative Services

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