

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 Enrolled - Revised

House Bill 1542
 Economic Matters

(Delegate Lisanti, *et al.*)

Finance

Department of Commerce – Employment in the State’s Defense Industry – Study

This bill requires the Department of Commerce (Commerce), in conjunction with the Maryland Department of Veterans Affairs (MDVA) and the Department of Labor, Licensing, and Regulation (DLLR), to conduct a study of employment in the State’s defense industry. The study is required subject to the receipt of funding from a grant provided by the Office of Economic Adjustment within the U.S. Department of Defense or from any other source. By June 30, 2019, Commerce must report the findings of the study to the General Assembly. **The bill takes effect July 1, 2018, and terminates June 30, 2019.**

Fiscal Summary

State Effect: Assuming Commerce receives sufficient federal (or other) funding for the study, federal fund (or other) revenues and expenditures for Commerce increase by approximately \$45,000 in FY 2019 for contractual services to conduct the study, as discussed below. MDVA and DLLR can provide any further support to Commerce with existing budgeted resources.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
FF Revenue	\$45,000	\$0	\$0	\$0	\$0
FF Expenditure	\$45,000	\$0	\$0	\$0	\$0
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The study must, at a minimum:

- identify the types, and estimate the approximate number, of jobs in the State's defense industry facing shortages of qualified employees for employment in the next decade at the qualification requirement for each broad occupational category;
- determine the factors affecting the availability of qualified employees for employment in the State's defense industry;
- calculate the approximate number of retired military personnel in the State who are eligible for employment in the State's defense industry, including those retired military personnel who hold, have held, or are qualified to hold security clearances;
- identify and report any recommendations to facilitate the recruitment of retired military personnel for positions in the State's defense industry;
- identify, assess, and quantify the effects, if any, of the State's personal income tax structure on the employment decisions of retired military personnel to (1) reside in Maryland for employment in the State's defense industry; (2) not relocate to Maryland for employment in the State's defense industry; and (3) leave Maryland for employment in another state's defense industry;
- examine the following issues related to the accessibility of positions in the State's defense industry: (1) the number of jobs in the State that require a security clearance; and (2) the number of retired military personnel who are employed in State defense industry jobs that require a security clearance; and
- consider implications on employment at military installations and military facilities in the State that have been, or may be, under threat to close in a future Base Realignment and Closure process.

In conducting the study, Commerce must consult with (1) the State's defense industry; (2) State employers of individuals in positions where a security clearance is required; (3) public-private partnerships that serve to support military installations in the State; (4) nonprofit organizations that exist to support the mission of military installations in the State; and (5) nonprofit associations that serve to support retired military personnel.

Current Law: There is no relevant current law related to the study.

Background: Maryland has a significant defense industry presence. A 2015 [study](#) conducted by Towson University's Regional Economic Studies Institute found that 15 military installations in the State supported more than 410,000 jobs and generated \$57.4 billion in total output in fiscal 2012, or about 17% of the State's total output in that year.

According to the Defense Manpower Data Center in the U.S. Department of Defense, there were approximately 55,000 military retirees in the State in 2015.

State Fiscal Effect: Absent a source of funding, Commerce is not required to complete the study. There is no funding in the fiscal 2019 budget for the study. Moreover, Commerce advises that it has not requested or received federal funding for the study, as contemplated by the bill, but that it intends to work with MDVA and DLLR to explore financing opportunities.

This estimate assumes that Commerce receives sufficient federal funding for the study, consistent with the language in the bill. Under this assumption, federal fund revenues and expenditures for Commerce increase by approximately \$45,000 in fiscal 2019 for contractual services to conduct the study. The type of revenue and expenditure may differ from this estimate if a different source of funding is provided.

MDVA and DLLR can provide any further support to Commerce with existing budgeted resources.

Additional Information

Prior Introductions: HB 1586 of 2017, a substantively identical bill to this bill as *introduced*, did not receive a hearing. Its cross file, SB 1019 of 2017, a substantively similar bill as *amended*, passed the Senate with amendments and received a hearing from the House Economic Matters Committee; however, no further action was taken.

Cross File: None.

Information Source(s): Department of Commerce; Comptroller's Office; Department of Labor, Licensing, and Regulation; U.S. Department of Defense; Regional Economic Studies Institute; Department of Legislative Services

Fiscal Note History:
mag/rhh

First Reader - March 5, 2018

Third Reader - April 2, 2018

Revised - Amendment(s) - April 2, 2018

Enrolled - May 14, 2018

Revised - Amendment(s) - May 14, 2018

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