

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 Third Reader

House Bill 1167
 Economic Matters

(Delegates Haynes and Glenn)

Finance

Labor and Employment - Apprenticeship Career Training Pilot Program for
 Formerly Incarcerated Individuals - Establishment

This bill establishes an Apprenticeship Career Training Pilot Program in the Department of Labor, Licensing, and Regulation (DLLR) for formerly incarcerated individuals. As provided in the State budget, DLLR must administer the pilot program and provide grants on a competitive basis to employers that employ formerly incarcerated apprentices who meet specified criteria. The grant is a maximum of \$1,000 for each qualified apprentice. The Governor must include at least \$100,000 annually in the State budget for fiscal 2021 through 2023 to provide grants to eligible employers and to cover administrative costs.

Fiscal Summary

State Effect: General fund expenditures increase by \$100,000 in FY 2020 for grant funding and staff; future years reflect the bill’s mandated appropriation. Although not mandated, this analysis assumes funding is provided in FY 2020 and 2024. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2021 through 2023.**

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	100,000	100,000	100,000	100,000	100,000
Net Effect	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: An employer is eligible to receive a grant for each formerly incarcerated employee who has worked for the employer for at least seven months, is engaged in a building or construction trade, and lives in Baltimore City or Dorchester County. Additionally, the apprentice must be enrolled in the first year of a registered apprenticeship program. DLLR must adopt regulations to implement the bill.

Current Law: Generally, apprenticeship is a voluntary, industry-sponsored system that prepares individuals for occupations typically requiring high-level skills and related technical knowledge. Apprenticeships are sponsored by one or more employers and may be administered solely by the employer or jointly by management and labor groups. An apprentice receives supervised, structured, on-the-job training under the direction of a skilled journey person and related technical instruction in a specific occupation. Apprenticeships are designed to meet the workforce needs of the program sponsor. Many industry sponsors use apprenticeship as a method to train employees in the knowledge necessary to become a skilled worker. At the end of calendar 2017, there were 9,532 apprentices registered, of which 3,288 were new apprentices registered, and there were 3,668 participating employers.

Apprenticeships last from one to six years, although most are three to four years, and involve a minimum of 144 hours of classroom instruction per year and at least 2,000 hours per year of on-the-job training.

The Correctional Education Council provides postsecondary education and workforce training programs that give inmates the requisite training, certifications, and experience to obtain careers in high-demand job sectors. During the 2017-2018 school year, 792 students received occupational certificates in career programs.

Under the More Jobs for Marylanders Program, there is a tax credit against the State income tax for individuals or corporations that employ an apprentice for at least seven months during a taxable year in an apprenticeship program registered with DLLR. The income tax credit is equal to the lesser of \$1,000 for each apprentice or the taxpayer's tax liability. The credit may be carried forward to succeeding tax years until the full amount of the credit is claimed. The taxpayer claiming the credit must attach specified proof of eligibility to the taxpayer's return, and DLLR may approve tax credits of up to \$500,000 annually.

The State established the Pilot Program for the Long-Term Employment of Qualified Ex-Felons, which terminated on June 30, 2012. Under the program, business entities could receive a fidelity bond for employing a qualified ex-felon and a tax credit for wages paid to a qualified ex-felon employee. Between tax years 2007 and 2011, taxpayers claimed a total of \$76,881 in credits. While the program terminated on June 30, 2012, DLLR

continues to administer the Federal Bonding Program, which provides fidelity bonds to businesses who hire qualified high-risk applicants, including individuals with a history of arrest, conviction, or incarceration. Fidelity bonds insure the business against stealing by theft, forgery, larceny, or embezzlement. In fiscal 2015, DLLR issued 29 fidelity bonds.

The federal Work Opportunity Tax Credit provides an incentive to employers to hire targeted groups of hard-to-employ individuals, including qualified ex-felons. The credit is generally 40% of the first \$6,000 of qualified wages paid to each member of a targeted group during the first year of employment and 25% in the case of wages attributable to individuals meeting only specified minimum employment levels. The credit was extended through tax year 2019.

State Expenditures: As the bill specifies that DLLR must award grants as provided in the State budget and funding cannot be mandated for the pilot program until fiscal 2021, the Department of Legislative Services assumes funding is provided in fiscal 2020 as well, though discretionary in that year. Accordingly, general fund expenditures increase by \$100,000 in fiscal 2020, which accounts for the bill’s October 1, 2019 effective date. This estimate reflects the cost of hiring one part-time contractual apprenticeship navigator to award grants and administer the pilot program. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. The remaining \$76,973 is available for grants to employers for hiring formerly incarcerated apprentices.

Contractual Position	0.5
Salary and Fringe Benefits	\$17,902
Grants	76,973
Operating Expenses	<u>5,125</u>
Total FY 2020 State Expenditures	\$100,000

Future year expenditures reflect a full salary with annual increases and employee turnover and ongoing operating expenses and approximately \$77,000 for grants annually through at least fiscal 2023. However, for purposes of this analysis, since the pilot program does not have a termination date or any evaluation or reporting requirements that would limit provision of funding in the out-years, funding is assumed to continue beyond fiscal 2023 at the same level, though it is discretionary beginning in fiscal 2024. To the extent funding continues to be provided, the contractual position may be converted to a regular position.

In addition, the Maryland Apprenticeship and Training Program is staffed largely with federally funded personnel who cannot work on State-funded programs without the program reimbursing the federal government for their time. To the extent that any supervisory personnel within the program must provide occasional oversight to the navigator, general fund expenditures for reimbursement payments to the

federal government increase slightly. Any such payments are not expected to significantly reduce the funds available for grants.

This estimate does not include any health insurance costs that could be incurred for the specified contractual employee under the State's implementation of the federal Patient Protection and Affordable Care Act.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management; Department of Labor, Licensing, and Regulation; Department of Public Safety and Correctional Services; Department of Legislative Services

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