

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 868 (Senator Rosapepe)
 Education, Health, and Environmental Affairs
 and Budget and Taxation

Apprenticeship Maryland 2030

This bill restructures the oversight, purposes, and funding of the State’s Career and Technology Education (CTE) program. It also extends for 10 years an existing apprenticeship tax credit for employers who hire apprentices. **The bill generally takes effect July 1, 2020, contingent on the enactment of House Bill 2 or Senate Bill 2 of 2020; the extension of the tax credit takes effect June 1, 2020.**

Fiscal Summary

State Effect: General fund revenues decrease by up to \$500,000 annually beginning in FY 2021 due to the extension of the apprenticeship tax credit. General fund expenditures increase by \$351,300 in FY 2021 to staff the CTE Committee. Federal funds for the administration of the State’s CTE program transfer from the Maryland State Department of Education (MSDE) to the new CTE Committee, which results in no net impact assuming federal approval of the transfer of CTE authority.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Revenue	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
FF Revenue	\$0	\$0	\$0	\$0	\$0
GF Expenditure	\$351,300	\$419,700	\$429,800	\$444,600	\$460,000
FF Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$851,300)	(\$919,700)	(\$929,800)	(\$944,600)	(\$960,000)

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

Local Effect: The reorganization of CTE oversight and administration, and the reorientation of the CTE program to supporting only pathways that lead to industry-recognized credentials, likely have fiscal and operational effects on local school systems that administer CTE programs but a reliable estimate of any such effect is not feasible.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

CTE Committee and Statewide Goal

The bill establishes a Career and Technology Committee as an independent unit within the Governor's Workforce Development Board (GWDB). The purpose of the CTE Committee is to build an integrated, globally competitive framework for providing CTE to students in public schools, institutions of postsecondary education, and the workforce. The committee is designated as the sole State agency responsible for the administration of the federal Carl D. Perkins Career and Technical Education Act ("Perkins") and must update the State plan required by Perkins to conform to the bill's requirements. The committee may employ staff as provided in the State budget and is authorized to carry out specified duties and functions related to CTE. The committee must submit annual reports by December 1 of each year.

By July 1, 2021, the CTE Committee must establish a statewide goal that by fiscal 2030, 100% of high school students who complete a CTE program will have earned the high school graduation level of a registered apprenticeship or another industry-recognized occupational credential. It must submit a plan to specified entities to reach the statewide goal.

CTE Innovation Grants

The bill alters the purposes of the existing CTE Innovation Grant program. For fiscal 2021 and 2022, the purpose of the program is to provide grants of \$100,000 to each local workforce board to (1) implement an Armed Services Vocational Aptitude Battery (ASVAB) Results Partnership, as specified in the bill or (2) create a system to release a student's personal information and ASVAB scores to specified apprenticeship and youth apprenticeship programs. Otherwise, the purpose of the program (through fiscal 2030) is to provide funds to redesign high school and community college CTE programs to maximize their role as related instruction for registered apprenticeship programs.

The CTE Committee is responsible for administering the grant program but may delegate that authority to MSDE, the Maryland Department of Labor (MDL), or another appropriate entity. Local school boards or community colleges that submit applications for a grant must identify at least one partnership with an apprenticeship sponsor to develop or expand a CTE program in accordance with the program's new purpose.

*Division of Workforce Development and Adult Learning and Employment Advancement
Right Now Maryland*

The Division of Workforce Development and Adult Learning (DWDAL) within MDL must pursue federal grant funds for apprenticeship programs to be used for specified purposes, including to cover the cost of the apprenticeship tax credit. By December 31, 2020, DWDAL must submit a 10-year plan to pursue federal grants to specified entities.

Grants provided by the Employment Advancement Right Now (EARN) Maryland may be used by apprenticeship sponsors to create and improve registered apprenticeships, in addition to uses allowed under current law. However, the first \$8.5 million in funding provided to the program must be used for grants to apprenticeship sponsors to create and improve registered apprenticeships and to cover the cost of the apprenticeship tax credit.

Nothing in the bill may be construed to alter or amend registered apprenticeship programs approved by MDL.

Current Law/Background:

Commission on Innovation and Excellence in Education

The Commission on Innovation and Excellence in Education, chaired by former University of Maryland Chancellor Dr. William “Brit” Kirwan, was established by Chapters 701 and 702 of 2016 to (1) review and recommend any needed changes to update the current education funding formulas (known as the Thornton formulas) and (2) make policy recommendations that would enable Maryland’s preK-12 system to perform at the level of the best-performing systems in the world. The commission’s final recommendations, including proposed funding formulas, were delivered in January 2020 and are known as the Blueprint for Maryland’s Future (Blueprint). The Blueprint includes a recommendation to establish a CTE Committee within GWDB with responsibilities that are similar to those of the CTE Committee in the bill.

Legislation has been introduced in the 2020 session (Senate Bill 1000/ House Bill 1300) to implement the commission’s full set of policy and funding recommendations, including the CTE Committee.

CTE and Perkins

The Strengthening Career and Technical Education for the 21st Century Act is the 2018 reauthorization of the federal Carl D. Perkins Career and Technical Education Act (Perkins), which was last overhauled in 2006. The new Perkins law provides

approximately \$1.2 billion in formula grants to states to implement CTE programs in their secondary schools and postsecondary institutions. The new law allows states to set their own goals for CTE programs, requires them to make progress toward those goals, and makes other changes to federal CTE law. Generally, Perkins requires states to develop sequences of academic and CTE coursework, called programs of study, that prepare students for postsecondary degrees or industry-recognized credentials. Many of the programs of study – which range from plumbing and culinary arts to aerospace engineering and cybersecurity – include or encourage apprenticeship or pre-apprenticeship opportunities.

In federal fiscal 2019, Maryland received \$18.0 million in Perkins Title I grants to support CTE programs in secondary schools and postsecondary institutions. Of that amount, \$15.3 million (85%) was distributed to local governments and the remaining 15% was designated for statewide activities and administration. Of the \$15.3 million distributed to local governments, 65% was used for secondary school programs and 35% was spent on postsecondary programs. Perkins funds are used for a variety of purposes at the local level, including teacher professional development, equipment, and program development and administration.

MSDE has developed several dozen programs of study grouped within 10 career clusters. Each program of study includes a sequence of four courses that begin in either grade 10 or 11 and prepares students for either further study or industry certification; students that complete the course sequence by high school graduation are considered “CTE completers.” In the 2017-2018 school year, public secondary schools had 29,512 “CTE concentrators,” which are generally defined as students who have completed at least three or more credits in a single CTE program area.

More Jobs For Marylanders Act

Chapter 149 of 2017 (the More Jobs for Marylanders Act) required MSDE, in consultation with MDL and GWDB, to develop statewide goals each year from 2018 through 2024 so that by January 1, 2025, 45% of high school students successfully complete a CTE program, earn industry-recognized occupational or skill credentials, or complete a registered youth or other apprenticeship before graduating high school.

Chapter 149 also created 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 MDL. 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 the Department of Labor, Licensing, and Regulation (newly named the Maryland

Department of Labor) may approve tax credits of up to \$500,000 annually. The tax credit expires in fiscal 2020.

MDL advises that it approved 229 credits totaling \$229,000 for tax year 2017, the first year of the credit. In tax year 2018, it approved 355 credits totaling \$335,000. Given the rate of growth in the tax credit requests, MDL anticipates awarding the full \$500,000 in credits in tax year 2019 and in each year thereafter, but actual credits claimed each year may vary.

Apprenticeships

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. 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.

Along with 24 other states, Maryland has chosen to operate its own apprenticeship programs. DWDAL is the entity responsible for approving and registering apprenticeship programs for the State.

At the end of calendar 2018, there were 10,031 apprentices registered, of which 3,584 were new apprentices registered, and there were 3,737 participating employers.

EARN Maryland

The EARN program was established in 2013 to create industry-led partnerships to advance the skills of the State's workforce, grow the State's economy, and increase sustainable employment for working families. Specifically, the program provides general fund grants on a competitive basis for industry partnerships, workforce training programs, and job-readiness and skills training. Since the program's inception, MDL reports that more than 4,500 unemployed and underemployed individuals have obtained employment through their participation in EARN and nearly 7,500 employed individuals have received training.

Chapter 757 of 2019 requires the Maryland Energy Administration to use the Strategic Energy Investment Fund (SEIF) to invest in pre-apprenticeship, youth apprenticeship, and

registered apprenticeship programs to establish career paths in the clean energy industry under the EARN program. Subject to specified requirements, starting in fiscal 2021, \$1.5 million must be transferred for grants to pre-apprenticeship jobs training programs and \$6.5 million must be transferred for grants to youth and registered apprenticeship jobs training programs until all amounts are spent. That funding is being distributed to EARN over multiple years.

The Governor's proposed fiscal 2021 budget includes \$7.5 million for EARN, of which \$450,000 is from SEIF for clean energy career paths and the remainder is for other EARN grants.

State Fiscal Effect:

State Revenues: General fund revenues decrease by up to \$500,000 annually beginning in fiscal 2021 due to the extension of the apprenticeship tax credit, which is scheduled to terminate in fiscal 2020.

State Expenditures: The bill does not alter the mandated appropriation of \$2.0 million for the CTE Innovation Grant program, only the allocation of those funds. Similarly, it does not alter the amount of funding for EARN Maryland, only how the first \$8.5 million in funding for the program may be used. MDL advises that only 3 of the 72 EARN grantees are affiliated with registered apprenticeship programs; given a funding level of \$7.5 million in fiscal 2021, 69 existing partnerships likely lose their funding. Also, in the absence of additional federal grants, up to \$500,000 of EARN Maryland's funding are used to cover the cost of the apprenticeship tax credit annually, so those funds are not available for grantees.

Transfer of CTE from MSDE

Currently, the State Board of Education is designated as the sole State agency responsible for the administration of Perkins; in that capacity, it also administers and oversees CTE programs for the State. Transferring authority for Perkins from MSDE to the CTE Committee and reorienting the State's CTE program to focus exclusively on pathways that lead to industry-recognized credentials requires the development and submission of a new CTE plan to the federal government and the transfer of funding and potentially of personnel from MSDE to the committee.

Under federal requirements for Perkins, the State can retain 5% of the State grant for program administration and 10% for statewide CTE-related activities; for fiscal 2020, those amounts are \$897,561 for administration and \$1,795,122 for statewide activities. In addition, as many as 13 positions within MSDE's Division of Career and College Readiness may need to be transferred to the CTE Committee. This analysis reflects the

transfer of federal funds from MSDE to the CTE Committee; any such transfer may require one-time moving costs for personnel, which are not reflected in this fiscal analysis.

If the U.S. Department of Education (ED) approves the new State plan, including the transfer of authority from MSDE to the CTE Committee, the bill has no effect on federal fund revenues. However, if ED rejects the new State plan, federal Perkins revenues, and hence the State's CTE program, are jeopardized.

CTE Committee Administrative Costs

In addition to administering the federal Perkins program, the CTE Committee is charged with multiple additional responsibilities that require additional staff. This estimate assumes a permanent staff of five for the CTE Committee including an Executive Director, two analysts, one grants and fiscal specialist, and one support staff. Therefore, general fund expenditures increase by \$351,290 in fiscal 2021, which accounts for a 90-day start-up delay from the bill's likely July 1, 2020 effective date. This estimate reflects the cost of hiring the positions indicated above to carry out the range of activities required by the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses

Positions	5
Salaries and Fringe Benefits	\$324,459
Operating Expenses	<u>26,831</u>
Total FY 2021 CTE Committee Expenditures	\$351,290

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

Small Business Effect: Small businesses that use apprentices benefit from the extension of the apprenticeship tax credit for 10 more years. However, to the extent that they participate in any existing EARN Maryland partnerships, they may lose funding and be eligible for new funding if they create or improve registered apprenticeships.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Department of Commerce; Comptroller's Office; Maryland State Department of Education; Maryland Higher Education Commission; Maryland

Department of Labor; Baltimore City Public Schools; Baltimore County Public Schools; Montgomery County Public Schools; Frederick County Public Schools; St. Mary's County Public Schools; U.S. Department of Education; Department of Legislative Services

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