

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 444
 Finance

(Senator West)

Economic Matters

Transforming Manufacturing in a Digital Economy Workgroup (Making It in Maryland)

This bill establishes the Workgroup to Study the Transformation of Manufacturing in Maryland’s Emerging Digital Economy, staffed by the Department of Commerce. The workgroup is charged with a wide variety of issues to examine and on which to make recommendations, such as relevant professional research, public-private partnerships, State funding levels, new tax credits, and the State’s current statutory and regulatory authority over manufacturing. A member of the workgroup may not receive compensation but is entitled to reimbursement for travel expenses. By December 1, 2021, the workgroup must submit an interim report of its findings to the Governor and the General Assembly. By December 1, 2022, the workgroup must report its final findings and recommendations to the Governor and General Assembly. **The bill takes effect July 1, 2021, and terminates June 30, 2023.**

Fiscal Summary

State Effect: General fund expenditures increase by \$438,100 in FY 2022 and by \$411,700 in FY 2023, to staff and advise the workgroup. Expense reimbursements for workgroup members are assumed to be minimal and absorbable within existing budgeted resources. Revenues are not affected.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	438,100	411,700	0	0	0
Net Effect	(\$438,100)	(\$411,700)	\$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 workgroup must:

- identify the new and emerging digital technologies that are shaping the work of the future, the education and skills needed, and the viable strategies for businesses to adopt these technologies;
- examine specified research conducted by the Massachusetts Institute of Technology on the relationships between emerging technologies and the workforce to enable a future of shared prosperity;
- examine existing financial resources available to manufacturers seeking to invest in Industry 4.0 (described below) technology;
- make recommendations to facilitate the State's robust entry into Industry 4.0 technology to improve the perception of manufacturing careers;
- examine new and viable tax credits and programs for manufacturers to be more competitive and marketable in the new digital economy;
- examine the State's current statutory and regulatory authority over manufacturing to examine potential reforms to attract new manufacturing businesses brought by Industry 4.0 to invest in the State's economy and workforce;
- recommend additional financial support delivery mechanisms, as needed, to enable State manufacturers to adopt Industry 4.0 technology and enhance the ability of industry service providers to increase the scope of their industry support;
- propose annual State funding to create a statewide training program to address the growing skills gap in the manufacturing workforce; and
- develop recommendations for long-term private-public partnerships between educational institutions and manufacturers to develop curriculums that address the rapidly changing needs of the manufacturing industry.

State Expenditures: Given the extensive and groundbreaking nature of the workgroup's charge and the variety of issues it is tasked with evaluating, Commerce advises that it requires both a part-time contractual staff person and significant assistance from consultants to support the workgroup's work. The Department of Legislative Services concurs with this assessment.

Accordingly, general fund expenditures increase by \$438,105 in fiscal 2022, which accounts for the bill's July 1, 2021 effective date and the breadth of work to be undertaken.

This estimate reflects the cost of hiring one *half-time* contractual employee to staff the workgroup and coordinate with the consultant. It includes a salary, fringe benefits, one-time start-up costs, ongoing operating expenses, and one-half of the estimated \$788,000 total consultant cost.

Contractual Position	0.5
Salary and Fringe Benefits	\$38,360
Half of Total Consultant Cost	394,000
Other Operating Expenses	<u>5,745</u>
Total FY 2022 State Expenditures	\$438,105

Fiscal 2023 expenditures of \$411,741 reflect the continuation of the part-time contractual position through December 2022 (when the workgroup’s report is due), ongoing operating expenses, and the other half of the total consultant cost. Actual costs in fiscal 2022 and 2023 depend on the timing of payments made to the consultant, which may vary from this estimate.

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

Additional Comments: “Industry 4.0” is a term used to capture the way emerging technologies will affect the manufacturing industry in the future. The concept focuses on interconnectivity, automation, artificial intelligence, robotics, 3D printing, machine learning, and real-time data.

Additional Information

Prior Introductions: A similar bill, SB 369 of 2020, received a hearing in the Senate Finance Committee, but no further action was taken. Its cross file, HB 804, received an unfavorable report from the House Economic Matters Committee.

Designated Cross File: HB 658 (Delegate Qi) - Economic Matters.

Information Source(s): Department of Commerce; University System of Maryland; Department of Legislative Services

Fiscal Note History: First Reader - February 12, 2021
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