

Department of Legislative Services
 Maryland General Assembly
 2014 Session

FISCAL AND POLICY NOTE

House Bill 1338 (Delegate Rosenberg, *et al.*)
 Economic Matters and Ways and Means

State Construction Projects - Work-Based Learning and Local Hiring

This bill requires the Department of Labor, Licensing, and Regulation’s (DLLR) Division of Workforce Development and Adult Learning (DWDAL) to develop, in consultation with the Maryland Department of Transportation (MDOT) and the Department of Public Safety and Correctional Services (DPSCS), a program to maximize work-based learning opportunities for youth and employment opportunities for local residents related to the construction of the Purple Line, Red Line, and the Baltimore City Detention Center (BCDC).

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: General fund expenditures by DLLR increase by \$315,200 in FY 2015 to implement and administer the new program. Out-year expenditures reflect annualization and inflation as well as the termination of one-time expenditures. MDOT advises that local hiring and workforce preferences violate federal contracting rules and may jeopardize federal funding for the Red and Purple Lines. Any potential loss of federal funding has not been accounted for in the table below. MDOT and DPSCS can fulfill their advisory capacities with existing budgeted resources. No effect on revenues.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	315,200	281,500	294,100	307,300	321,200
Net Effect	(\$315,200)	(\$281,500)	(\$294,100)	(\$307,300)	(\$321,200)

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

Local Effect: There is no direct effect on local finances, but to the extent that the program increases local hiring and workforce development, local finances in and around

Baltimore City may benefit.

Small Business Effect: Potential meaningful for small businesses in the Baltimore City metropolitan area.

Analysis

Bill Summary: DWDAL, in consultation with MDOT and DPSCS, must develop a program that maximizes opportunities for:

- high school students to be informed about, prepared for, and connected to work-based learning and employment opportunities related to the construction of the Purple Line, Red Line, and BCDC; and
- residents in those areas in which those projects are being constructed to be informed about, prepared for, and connected to employment opportunities created by the construction of the projects.

The program must include a local hiring plan that is modeled after a similar plan created by the Baltimore City Mayor's Office of Employment Development (MOED), as required by the memorandum of understanding (MOU) developed in connection with the school construction and revitalization effort in the city. It must also include a method for requiring reports by any entity that performs work on any of the three projects to document the residency of their employees. DWDAL must also consider the inclusion of a plan to promote the hiring of State-registered apprentices.

Current Law: DWDAL has the general purpose of advancing the economic welfare by coordinating the State's public and private resources for adult learning, employment, and job training. It is responsible for:

- promoting apprenticeship and training programs;
- administering job training, placement, and service programs;
- implementing the provisions of the Workforce Investment Act;
- administering adult education and literacy services programs;
- conducting educational and job skills training programs in adult correctional facilities;
- overseeing other units established by State or federal employment, training, or manpower statutes; and
- administering programs assigned to the division by law or designated by the Secretary of Labor, Licensing, and Regulation.

The Governor's proposed fiscal 2015 budget includes 425.2 regular positions, 57.5 contractual positions, and total funding of \$104.6 million for the division, of which almost three-quarters is federal funding.

Chapter 647 of 2013 dedicated State and local funding sources to support a \$1.1 billion public school construction and revitalization initiative for Baltimore City. Included in Chapter 647 was a requirement that Baltimore City, the Interagency Committee on School Construction, the Baltimore City Board of School Commissioners, and the Maryland Stadium Authority enter into a four-party MOU to establish a framework for completion of the initiative. The MOU was signed in September 2013 and approved by the Board of Public Works in October 2013. It includes a requirement that the Baltimore City Mayor's Office of Employment Development develop and administer a comprehensive local hiring plan. MOED must utilize the resources of its One-Stop Career Center Network and work collaboratively with a broad range of city, workforce, faith-based, and community organizations to assist in the training and preparation of city residents for employment opportunities created by the school construction and revitalization effort. In addition, MOED, in conjunction with a collaborative committee established by the MOU, will develop a plan to consider the hiring of State-registered apprentices if such a plan is determined to be in the best interest of community hiring outreach.

Although the plan is not yet completed, Baltimore City enacted a local hiring preference ordinance in December 2013 that requires all city contractors that receive contracts valued at more than \$300,000, or recipients of city economic assistance of more than \$5.0 million, to hire local residents for at least 51% of all new jobs required to complete the contract or project. Also, they must post all hiring announcements with MOED for seven days before they are publicly advertised. The ordinance includes related waiver and reporting requirements.

Background: The Purple Line is a proposed 16-mile light rail line extending inside the Washington, DC Capital Beltway from New Carrollton, in Prince George's County, to Bethesda, in Montgomery County. Construction costs are expected to total \$1.6 billion; MDOT's Consolidated Transportation Program (CTP) includes \$56.5 million in fiscal 2015 as the first installment of construction funds. The CTP assumes \$927.4 million in total federal funds for the project.

The Red Line is a proposed 14.1 mile transit line connecting Woodlawn, in Baltimore County, with the Johns Hopkins Hospital Bayview Campus, in Baltimore City. Construction costs are expected to total \$2.1 billion, and the CTP includes \$9.9 million in fiscal 2015 as the first installment of construction funding. The CTP assumes \$921.8 million in federal funds in total to support the project.

The Governor’s fiscal 2015 *Capital Improvement Program* (CIP) includes funding to replace BCDC in a three-phase process beginning with the Youth Detention Center, followed by the Women’s Detention Center and the Men’s Detention Center. The proposed fiscal 2015 capital budget includes \$9.5 million for the youth center, which is expected to cost a total of \$29.7 million. The CIP projects that initial funding for the women’s center is provided in fiscal 2017 (\$5.2 million) and initial funding for the men’s center is provided in fiscal 2019 (\$10.0 million).

State Fiscal Effect: DWDAL advises that, with the exception of its adult correctional services, the division is staffed entirely by federally funded positions, and it cannot implement any programs not mandated by federal law. Moreover, the division does not have any authority over the contracts for the three projects referenced in the bill. As a result, a separate general-funded unit within the division must be established to implement and administer the new program.

To administer the program, DLLR requires one administrator to coordinate activities related to the Red and Purple Lines and one administrator to coordinate activities related to BCDC. In addition, DLLR requires an information specialist to manage the data and reporting requirements in the bill as well as one office support staff. It also requires a one-time expenditure of \$100,000 to establish an information technology system to manage the data reported by contractors under the bill.

Therefore, general fund expenditures by DLLR increase by \$315,205 in fiscal 2015, which accounts for a 90-day start-up delay from the bill’s July 1, 2014 effective date. This estimate reflects the cost of hiring the four staff delineated above to implement and manage the work-based learning and local hiring programs related to the Red and Purple Lines and BCDC construction. It includes salaries, fringe benefits, one-time start-up costs, particularly for information technology, and ongoing operating expenses.

Positions	4
Salaries and Fringe Benefits	\$192,385
One-time Information Technology Costs	100,000
Operating Expenses	<u>22,820</u>
Total FY 2015 State Expenditures	\$315,205

Future year expenditures reflect full salaries with annual increases and employee turnover, the termination of one-time costs, as well as annual increases in ongoing operating expenses.

MDOT and DPSCS can carry out their advisory capacities related to the program with existing budgeted resources.

Small Business Effect: Small construction-related businesses and community development organizations in and around Baltimore City may benefit from local hiring preferences and workforce development activities resulting from the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Harford County; Baltimore City; Department of Labor, Licensing, and Regulation; Department of Public Safety and Correctional Services; Public School Construction Program; Maryland Department of Transportation; Department of Legislative Services

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