

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE

Senate Bill 772 (The President, *et al.*) (By Request - Maryland Economic Development and Business Climate Commission)

Finance and Education, Health, and Environmental Affairs

Apprenticeship Pilot Program - Apprenticeship Maryland

This bill establishes an apprenticeship pilot program, Apprenticeship Maryland, to prepare students to enter the workforce by providing on-site employment training and related classroom instruction needed to obtain a license or certification for a skilled occupation. The program begins in the summer of 2016 and lasts for two years.

The bill takes effect July 1, 2015, and terminates June 30, 2018.

Fiscal Summary

State Effect: The Department of Labor, Licensing, and Regulation’s (DLLR) general fund expenditures increase by \$48,800 in FY 2016 for an additional contractual staff to develop the pilot program, approve apprenticeship positions, and coordinate with other agencies and school systems. Future year expenditures reflect employee turnover, inflation, and termination of the program. Revenues are not affected.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	48,800	42,300	44,100	0	0
Net Effect	(\$48,800)	(\$42,300)	(\$44,100)	\$0	\$0

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

Local Effect: Minimal. Local school systems selected to participate in the pilot program have to assign existing staff to coordinate the selection of students and work with participating employers.

Small Business Effect: Minimal. Small businesses that participate in Apprenticeship Maryland may benefit by hiring and retaining students in the apprenticeship pilot program.

Analysis

Bill Summary: The Maryland State Department of Education (MSDE), in consultation with DLLR, must develop criteria for selecting two local school systems to participate in the program, and MSDE must select two local school systems to participate based on the criteria. MSDE must collaborate with DLLR, the Department of Business and Economic Development (DBED), and representatives of the business community to develop criteria for and then identify eligible employers. The eligible employers must pay an eligible student at least the State minimum wage.

Each county superintendent from a school system may select up to 60 students to participate in the program. A student selected to participate in the program:

- may start the program in the summer or fall of the student's junior or senior year in high school;
- must complete at least 450 hours of supervised work-based training;
- must receive at least one year of classroom instruction relating to the student's eligible career track in the manufacturing industry or the science, technology, engineering, and math (STEM) industries; and
- must complete the program before August 31 following the student's graduation from high school.

DLLR must issue a skills certificate to each eligible student who completes the program. By December 1, 2016, and December 1, 2017, DLLR and MSDE must report jointly to the Governor and the General Assembly regarding the effectiveness of the program and other specified items.

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 journeyman 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. This also means the number of apprenticeships available is dependent on the current workforce needs of the industry.

Apprenticeships are available to individuals age 16 and older; an employer, however, may set a higher entry age. By law, individuals must be age 18 to apprentice in hazardous occupations. 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. A national apprenticeship and training program was established in federal law in 1937 with the passage of the National Apprenticeship Act, also known as the Fitzgerald Act. The purpose of the Act was to promote national standards of apprenticeship and to safeguard the welfare of apprentice workers.

Along with 24 other states, Maryland has chosen to operate its own apprenticeship programs. In 1962, Maryland created the 12-member Maryland Apprenticeship and Training Council (MATC). Within the framework established in federal law, the State's apprenticeship and training law also established the guidelines, responsibilities, and obligations for training providers and created certain guarantees for workers who become apprenticed.

MATC, along with the Division of Labor and Industry, serves in a regulatory and advisory capacity by providing guidance and oversight to the Maryland Apprenticeship and Training Program, which is responsible for the daily oversight of State apprenticeship programs. More specifically, MATC and the Division of Labor and Industry approve new apprenticeship programs and changes to current programs. The approval process involves assessing the appropriateness of an apprenticeship program in a proposed industry, the education that will be provided to the apprentice, the current staffing level of the entity proposing the program to determine whether adequate supervision can be provided, recruitment and retention efforts, and the overall operations of the entity. MATC also serves in an advisory role for legislation and regulations, recommending changes to update apprenticeship laws. It does not, however, focus on the administration of youth apprenticeship programs.

Chapter 687 of 2009 created the State Apprenticeship Training Fund to promote pre-apprenticeship programs and other workforce development programs in the State's public secondary schools and community colleges, to help prepare students to enter apprenticeship training programs.

Chapter 646 of 2014 established a Youth Apprenticeship Advisory Committee in the Division of Labor and Industry to evaluate the effectiveness of existing high school youth apprenticeship programs in the State, other states, and other countries based on a systematic review of data. The committee must review and identify ways to implement high school youth apprenticeship programs in the State and means through which employers and organizations can obtain grants, tax credits, and other subsidies to support establishment

and operation of high school youth apprenticeship programs. The committee must set targets for the number of apprenticeship opportunities for youth that the State should reach over the next three years. The committee must report by December 1 of each year to the General Assembly regarding any recommended legislation to promote high school youth apprenticeship programs in the State. DLLR reports the Youth Apprenticeship Advisory Committee has not yet convened any meetings.

Background: In fiscal 2014, 815 apprentices completed their apprenticeships and 3,146 apprentices began their apprenticeships in Maryland. Maryland apprentices account for less than 0.4% of the State's workforce.

Maryland Economic Development and Business Climate Commission

In March 2014, the President of the Senate and the Speaker of the House of Delegates established and appointed the Maryland Economic Development and Business Climate Commission to focus on the State's economic development structure and incentive programs in order to make recommendations to the Presiding Officers.

The commission's 21 members come from a broad spectrum of backgrounds and have had business involvement in many states, as well as abroad. In 2014, the commission held 8 public meetings, including hearings in 7 parts of the State involving over 100 witnesses; reviewed well over 100 relevant documents; and discussed pertinent issues informally with a large number of individuals and organizations from the business, labor, government, academic, and related communities.

A report containing 10 findings and 32 recommendations, which were unanimously endorsed by the members of the commission, was submitted to the Presiding Officers in February 2015. The principal finding of the commission is that Maryland has not nearly reached its potential in growing business and creating jobs. The recommendations in the report address various short- and long-term aspects of this principal finding and related findings. At the request of the Presiding Officers, a subsequent report is anticipated later in 2015 that will investigate in further depth certain tax issues affecting economic development and the State's business climate. The report can be found [here](#).

The commission also found that apprenticeships are seriously underutilized in the State (finding 8), which led to several specific recommendations, including to establish a pilot apprenticeship program, "Apprenticeship Maryland" (recommendation 23).

State Expenditures: MSDE and DBED report that they can perform the tasks of the bill with existing resources.

DLLR’s general fund expenditures increase by \$48,759 in fiscal 2016, which accounts for the bill’s July 1, 2015 effective date. This estimate reflects the cost of hiring a contractual position to develop the pilot program, approve manufacturing and STEM apprentices, coordinate with other State agencies, and issue certificates to the eligible students. DLLR advises that current apprenticeships are generally only in the building trade industry, so the department anticipates receiving more applications, and approving more apprenticeships for manufacturing and STEM industries. The estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Contractual Position	1
Salaries and Fringe Benefits	\$41,689
Operating Expenses	<u>7,070</u>
Total FY 2016 State Expenditures	\$48,759

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses. The program terminates at the end of fiscal 2018.

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 Comments: The bill does not specify the number of hours of instruction that constitutes “one year of classroom instruction.” Therefore, it is not clear whether this constitutes one class or full-time instruction that supplants high school instruction, or some intermediate level of instruction. The Department of Legislative Services also notes that the program terminates on June 30, 2018, but students have until August 2018 to complete their apprenticeships. It is not clear how they will receive their certificate of completion.

Additional Information

Prior Introductions: None.

Cross File: HB 942 (The Speaker, *et al.*) (By Request - Maryland Economic Development and Business Climate Commission) - Economic Matters and Ways and Means.

Information Source(s): Department of Business and Economic Development; Maryland State Department of Education; Department of Labor, Licensing, and Regulation; Maryland Association of Boards of Education; U.S. Department of Labor; Department of Legislative Services

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min/mcr

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