

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 26

(Chair, Finance Committee)(By Request - Departmental -
Commerce)

Finance

Economic Matters

Partnership for Workforce Quality Program - Alterations

This departmental bill expands the purpose of the Partnership for Workforce Quality (PWQ) Program to include training for *new* employees; a conforming change is made to the eligible use of program funds. The bill also increases the amount of program funding reserved each year for smaller businesses, from 60% to 80%; however, the maximum size of businesses eligible to receive those reserved program funds is also increased, from 150 employees to 500 employees. Finally, the maximum allowable amount of program funding – 20% of available funds – that may be provided to an employer with more than 500 employees is further limited to an absolute amount of \$200,000, in line with the general limit under the program. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: Altering program eligibility requirements and permissible uses of program funding does not affect overall State revenues or expenditures; however, program funds may be reallocated to different recipients and used for different purposes.

Local Effect: Minimal; however, community colleges are eligible recipients of program funding and may be affected by the potential reallocation and use of program funds.

Small Business Effect: The Department of Commerce has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services generally concurs with this assessment, but notes the potential (1) additional uses of program funds by small business and (2) program funding reallocation to businesses with 151 to 500 employees – which are not considered small businesses.

Analysis

Current Law:

The Partnership for Workforce Quality Program – Generally

The purpose of the PWQ Program, administered by Commerce, is to provide training services to:

- improve the competitiveness and productivity of the State’s workforce and business community;
- upgrade employee skills for new technologies or production processes; and
- assist employers located in the State in promoting employment stability.

In order to receive assistance under the program, a Maryland-based employer must request training assistance in job-specific skills to upgrade or retain *existing* Maryland-based employees (as covered under the State unemployment insurance law). Grants may be awarded for job-specific training assistance to an eligible business, community college, private career school, State-accredited training agency, trade association, or union-sponsored training program.

Program funds may be used for costs associated with the direct delivery of instruction, including curriculum development, course materials, and instructors’ salaries and expenses for training. The program may not contribute more than 50% of direct training costs for job-specific training assistance. Program money may not be used for capital equipment for an employer or trainee wages. An employer may not receive more than \$200,000 per year from the program.

The PWQ Fund is a special fund established to provide grants and cover the program’s administrative and related costs. The Governor must include at least \$1.0 million annually in the State budget for the program.

Allocation of Program Funds

The Secretary of Commerce must give priority to employers that are either manufacturers or threatened by the pressure of increased foreign or domestic competition. At least 60% of the money available to the program must be reserved for employers with 150 or fewer employees based in the State. Up to 20% of the money available to the program may be provided to an employer with more than 500 employees based in the State, if the employer:

- is primarily engaged in manufacturing or in a technology-based business;
- agrees to increase purchases of goods produced in the State and services from suppliers based in the State; and
- agrees to provide the workforce training to the number of employees based in the State, as determined by the program, of smaller employers located in the State that supply goods or services to the employer receiving the money.

Background: The PWQ Program provides reimbursable grants that match investments made by Maryland’s manufacturing and technology companies in employee training. The program was established in 1989 but slowly received less funding over time. The program has received little or no funding for most of the past decade. Funding was provided again beginning in fiscal 2018 – \$1.0 million each year – about 90% of which was approved for grants. In fiscal 2018 and 2019, program grants averaged about \$32,500, and recipient company size has averaged about 100 employees.

Commerce advises that the PWQ Program is designed specifically to upskill or retain *existing* Maryland-based employees of manufacturers or businesses threatened by the pressure of increased competition. Consequently, the program does not cover *new* employee workforce development or technology-based training. By expanding the program to include reimbursement of costs related to training new employees, employers will be incentivized to hire workers who might not otherwise have qualified due to a skills gap. The bill also eliminates a funding gap for businesses with 151 to 500 employees.

The PWQ Program offers similar training support to the Maryland Business Works (MBW) Program in the Maryland Department of Labor (MDL). However, the MBW Program is primarily focused on encouraging apprenticeships and other areas that are not within the purview of PWQ. Further, MDL advises that the restrictions on the use of federal funds that support the MBW Program prohibit their use for training certain new employees or for economic development-related activities.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 851 (Chair, Economic Matters Committee)(By Request - Departmental - Commerce) - Economic Matters.

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

Fiscal Note History: First Reader - January 13, 2020
af/vlg Third Reader - January 31, 2020

Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Partnership for Workforce Quality (PWQ) - Alterations

BILL NUMBER: Senate Bill 26

PREPARED BY: Nancy McCrea

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This bill would not change the allocation of PWQ funds for small businesses. It would set aside 80% of funding for employers with fewer than 500 employees.

Since 2018, the average PWQ grant size has been \$32,489 and the average employee size of the company is 101.