HB 1512

Department of Legislative Services

Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1512 (Delegate Glenn, *et al.*)
Economic Matters

Labor and Employment - Clean Energy Workforce Account - Establishment

This bill establishes the Clean Energy Workforce Account (CEWA) in the Employment Advancement Right Now (EARN) program in the Department of Labor, Licensing, and Regulation (DLLR). Money in CEWA must be used to provide grants on a competitive basis to provide pre-apprenticeship job training for careers in the clean energy industry. The purposes of the Strategic Energy Investment Fund (SEIF), which is administered by the Maryland Energy Administration (MEA), are expanded to include investing in pre-apprenticeship programs to establish career paths in the clean energy industry through the EARN Program. Money that SEIF receives from Public Service Commission (PSC) Order 86372 must be allocated to CEWA.

Fiscal Summary

State Effect: No net impact on special fund revenues, although $11.0 million in FY 2018 and $8.0 million in FY 2019 are diverted from SEIF to CEWA. This SEIF funding is already anticipated to be fully expended for other purposes over two years, as discussed below; thus, special fund expenditures for those purposes decrease and general fund expenditures increase correspondingly to replace the funding in both years. Special fund expenditures from CEWA are assumed to increase by $3.0 million in FY 2018 and $4.0 million from FY 2019 through 2022, until all $19.0 million available to EARN through CEWA has been expended. The net impact on special fund expenditures due to CEWA is reflected below; the $12.0 million not expended in FY 2018 or 2019 is expended in future years instead. General fund expenditures also increase from FY 2018 through 2022 for DLLR's administrative costs associated with making CEWA grants.

($ in millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Revenue	$0	$0	$0	$0	$0
GF Expenditure	$11.2	$8.2	$0.2	$0.2	$0.2
SF Expenditure	($8.0)	($4.0)	$4.0	$4.0	$4.0
Net Effect	($3.2)	($4.2)	($4.2)	($4.2)	($4.2)

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

Local Effect: None.

Small Business Effect: Meaningful. Small businesses in the clean energy industry benefit from additional qualified employees made available through CEWA grants to training programs.

Analysis

Bill Summary: CEWA is established in the EARN program. Money in CEWA must be used to provide grants on a competitive basis to provide pre-apprenticeship job training for careers in the clean energy industry.

Money in the account must be supplemental to and is not intended to take the place of the annual appropriations to the Maryland EARN program. Grants must be awarded from the account with priority given to pre-apprenticeship job training programs that seek to provide job readiness training to:

- individuals from economically distressed areas with high rates of unemployment or high percentages of households that earn less than 80% of the area median income; or

- individuals who have barriers to entry into the labor force, including homelessness, prior criminal records, receipt of public assistance, unemployment with no high school education, veterans, and former foster care youth.

To qualify for a grant awarded from CEWA, a pre-apprenticeship job training program must be based on a specified nationally certified curriculum and have a documented strategy for increasing apprenticeship opportunities for eligible individuals, including recruitment strategies, educational and prevocational services, access to appropriate support services, and mechanisms to assist participants in identifying and applying to registered apprenticeship programs. The program must also have rigorous performance and evaluation methods to ensure program efficacy and continuous improvement.

Current Law:

Employment Advancement Right Now Program

The EARN program was established by Chapter 1 of 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:

- an approved strategic industry partnership for development of a plan consistent with the purpose of the EARN program;

- workforce training programs and other qualified programs that provide industry-valued skills training to individuals that result in a credential or identifiable skill consistent with an approved strategic partnership plan; and

- job-readiness training and skills training that result in a credential or an identifiable skill.

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 journeyperson 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.

Background: In April 2013, Dominion Cove Point LNG, LP (Dominion) filed an application with PSC for a Certificate of Public Convenience and Necessity (CPCN) to construct a 130-megawatt electric generating station at the existing liquefied natural gas terminal site in Calvert County near Cove Point.

In May 2014, PSC granted (in Order 86372) the CPCN for the new electric generating station to Dominion subject to a number of conditions. One condition requires a contribution of $8.0 million annually for five years (a total of $40.0 million) from Dominion to SEIF beginning within 90 days of the commencement of construction of the facility. The contribution is required to be used solely for:

- renewable and clean energy resources;
- greenhouse gas reduction or mitigation programs;
- cost-effective energy efficiency and conservation programs, projects, or activities; or
- demand response programs that are designed to promote changes in electric usage by customers.

SEIF began receiving contributions from Dominion related to this condition in calendar 2015, but the funds did not appear in the State budget until fiscal 2017, due to the uncertain timing of the receipt. The Governor's proposed fiscal 2018 budget includes $11.0 million in total from the order: $8.0 million for continuation of a Maryland Department of the Environment (MDE) pay-as-you-go (PAYGO) program for wastewater treatment plant upgrades and $3.0 million for MEA grid resiliency efforts (such as microgrids and energy storage). The *Capital Improvement Program* (CIP) reflects the final $8.0 million contribution in fiscal 2019 for the MDE PAYGO program.

A total of $3.0 million from SEIF is being allocated to fund the existing EARN program, $1.0 million in each year from fiscal 2017 through 2019. The source of funds is from a different PSC order.

State Fiscal Effect: Money in SEIF from PSC Order 86372 must be allocated to CEWA beginning October 1, 2017. However, as all $11.0 million currently in SEIF from the order is included in the Governor's proposed fiscal 2018 budget, this analysis assumes that those SEIF monies are not spent by MDE or MEA in fiscal 2018 and are instead allocated to CEWA on October 1, 2017, concurrent with the bill's effective date. General funds are used to maintain the order-funded programs in MDE and MEA at the levels anticipated in the budget plan. Likewise, with the final contribution of $8.0 million anticipated to be available for the fiscal 2019 budget (and included as PAYGO funding for MDE in the CIP) allocated to CEWA, general funds are again needed to maintain planned funding.

Under these assumptions, general fund expenditures increase by $11.0 million in fiscal 2018 and $8.0 million in fiscal 2019: $8.0 million in each year for the MDE PAYGO program and $3.0 million in fiscal 2018 for MEA's grid resiliency efforts.

Special fund revenues for CEWA increase by $11.0 million in fiscal 2018 and $8.0 million in fiscal 2019 from the required allocation from SEIF (with a corresponding decrease in revenues available to SEIF in those years). As this is a significant amount of funding, it is assumed that grants are awarded over a five-year period from fiscal 2018 through 2022. Accordingly, special fund expenditures increase by $3.0 million in fiscal 2018 and $4.0 million annually from fiscal 2019 through 2022 to provide grants for training programs. The timing and amount of these expenditures may differ from this estimate. This analysis assumes that, consistent with SEIF, the monies in the new account are not subject to reversion.

Because CEWA is not authorized to cover administrative costs, general fund expenditures for DLLR increase by $191,990 in fiscal 2018, which accounts for the bill's October 1, 2017 effective date. This estimate reflects the cost of hiring two contractual staff to administer CEWA and oversee the associated grant process. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. It also includes $80,000 annually for consultant services to evaluate the programs funded by the grants.

Contractual Positions	2
Salaries and Fringe Benefits	$98,397
Consultant Costs	80,000
Other Operating Expenses	13,593
Total FY 2018 DLLR Administrative Expenditures	**$191,990**

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses. This estimate assumes that the contractual positions are eliminated after fiscal 2022.

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 Information

Prior Introductions: None.

Cross File: Although designated as a cross file, SB 942 (Senator Manno – Finance) is not identical.

Information Source(s): Department of Labor, Licensing, and Regulation; Public Service Commission; Department of Legislative Services

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mm/mcr

Analysis by: Stephen M. Ross

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