

Department of Legislative Services  
Maryland General Assembly  
2021 Session

FISCAL AND POLICY NOTE  
Third Reader

House Bill 1342

(Chair, Ways and Means Committee)(By Request -  
Departmental - Commerce)

Ways and Means

Finance

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Economic Development - Partnership for Workforce Quality Program -  
Alterations

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This departmental bill expands the eligible use of funds under the Partnership for Workforce Quality (PWQ) Program to include training for *new* employees. **The bill takes effect July 1, 2021.**

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Fiscal Summary

**State Effect:** Altering the 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. Accordingly, Baltimore City Community College, as an eligible recipient of program funding, may be affected.

**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 a meaningful impact on small business (attached). The Department of Legislative Services concurs with this assessment.

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## Analysis

**Current Law:** 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. Manufacturers and employers threatened by the pressures of increased foreign or domestic competition must be prioritized.

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. 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 available program funding may be provided to an employer with more than 500 employees in limited circumstances.

**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, but funding was provided again beginning in fiscal 2018 – \$1.0 million each year. In fiscal 2018 and 2019, program grant funding supported 59 companies.

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.

The PWQ Program offers similar training support as the Maryland Business Works (MBW) Program in the Maryland Department of Labor. However, the MBW Program is primarily focused on encouraging apprenticeships and other areas that are not within the purview of PWQ.

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### **Additional Information**

**Prior Introductions:** Legislation containing a similar expansion of the program was considered during the 2020 legislative session. SB 26 passed the Senate and was referred to the House Economic Matters Committee, but no further action was taken. Its cross file, HB 851, passed the House with amendments and was referred to the Senate Finance Committee, but no further action was taken.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - March 10, 2021  
rh/vlg Third Reader - March 22, 2021

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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Economic Development - Partnership for Workforce Quality Program - Alterations

BILL NUMBER: HB 1342

PREPARED BY: Michael Siers

### 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

Skilled labor is critical to ensuring businesses are able to grow and thrive in Maryland. In 2020, a survey of corporate executives found that skilled labor was the second most important factor for site selection after highway access; 92.3 percent of respondents rated skilled labor as either “very important” or “important.”

Nationally, there is a shortage of skilled workers in manufacturing and technology occupations. A 2018 study by Deloitte estimated that 4.6 million manufacturing jobs will need to be filled over the next decade, but that 2.4 million of those jobs may remain unfilled due to a lack of skilled workers. Even in the current economic landscape, Maryland employers are facing challenges in hiring skilled workers. In August 2020, according to data from the Maryland Workforce Exchange, there were 2,642 openings for production workers but only 1,095 candidates registered with the exchange. For computer and math occupations, there were 12,186 job openings and only 2,616 candidates in the system.

Skills shortages inhibit the ability of businesses to expand or even open their doors in Maryland in the first place. This has significant impacts on Maryland’s economy. For example, jobs in manufacturing and technology generally pay more than the average wage in Maryland. For

example, in 2019 the average wage in manufacturing was \$79,011 while the average Maryland salary from a private employer was \$60,498.

The proposed legislation aims to reduce the skilled labor gap in two critical sectors, manufacturing and technology, by altering the Partnership for Workforce Quality (PWQ) program. Currently, the PWQ program provides matching grants to companies for them to upskill and train existing workers. This approach has successfully supported the training of tens of thousands of Maryland employees since its inception. The program provided funding that helped support training 1,210 workers in fiscal year 2018 and 1,038 workers in fiscal year 2019. However, the current approach is limited only to helping retrain existing workers.

If PWQ is expanded and funds can be used to train new employees, small businesses will have an easier time hiring and expanding within Maryland. This will lead to a number of benefits for Maryland's economy, including:

- In the short-run, Maryland's manufacturing and technology companies will be able to expand their operations. This expansion will lead to higher levels of employment, income, and economic activity at supplier firms. This in turn will bring in more tax revenue for state and local governments.
- Expanded workforce training programs will provide greater access to high-quality jobs for traditionally disadvantaged workers. Broadly, traditionally disadvantaged workers face higher levels of unemployment and one of the key barriers to employment for these workers is a lack of the specialized skills employers are currently requesting. By supporting businesses in conducting workforce training, the state can help promote better outcomes for many of Maryland's more vulnerable residents.
- Expanding the talent base in Maryland will encourage other companies to relocate in Maryland or to form in the state over the long-run. Agglomeration, or the practice of similar businesses locating near each other, helps create a feedback loop attracting more and more companies to locate in an area. Agglomeration occurs as companies take advantage of a broad talent base, the ability to work and share knowledge with firms in the area, and the established network of suppliers in the area. By helping Maryland companies expand the state's talent base, the proposed legislation can help create the feedback loops that will hopefully drive economic development in the state far into the future.