

Department of Labor, Licensing and Regulation
Workforce Development Group
FY 2020 budget

DLS Recommendation

DLS recommends deleting \$3 million in the Governor's allocation for the EARN opportunity zone workforce program.

- In their explanation, DLS makes a comment that although EARN has had some success, the number of participants has not increased proportionately to the level of funding for programing.

The Department respectfully disagrees with the DLS recommendation, and strongly believes EARN has experienced more than "some" success, and asks the Committee to reject the recommendation and retain opportunity works funding.

Concerning the comment about EARNs success, EARN is highly regarded as a national best practice and this year was recognized as a "Top 25 program" in the 2018 Innovations in American Government Award competition by The Ash Center for Democratic Governance and Innovation, a leading research center at the John F. Kennedy School of Government at Harvard University.

EARN Successes

- Training numbers are not commensurate with funding levels due to timing of grant awards.
- Governor Hogan's added investment in to the program began in Fiscal Year 2018.
- The data presented in the Annual Report and used for the analysis is through June 30, 2018.
- The Department has the entire Fiscal Year to make awards to grantees.
- Due to planning purposes and given the competitive nature of the Solicitation process, a majority of funding awards were made later in the Fiscal Year.
- **Nearly half of FY18 funds (\$3.5 million) were awarded in or after January 2018.**

- Of that, nearly \$2.5 million went to new grantees.
- New partnerships spend on average 2-5 months on start-up activities (planning, finalizing curriculum, recruitment, screening) before enrolling participants in to training, meaning that many of the partnerships awarded funding with the added investment had only begun training as of June 30, 2018.
- It is also important to note that most EARN partnerships do cohort training over the span of a two year period.
- Even still, enrollments are up more than 1,000 over this time last year.
- The Department expects that training numbers will significantly increase this year and be more commensurate with added investment.

Opportunity Works

- Opportunity Zones are a nationwide initiative created under the 2017 Tax Cuts and Jobs Act and administered by the U.S. Treasury.
- The program provides federal tax incentives for investment in distressed communities over the next 10 years by using the benefits of capital gains to help redevelop underserved communities.
- Maryland leads the way, and Governor Larry Hogan is committed to making Maryland the best positioned state in the nation to compete for this capital.
- To ensure Maryland's Opportunity Zones are the most competitive in America, we will utilize new and existing state and federal programs, grants and funding sources and have all our state agencies work collaboratively with legislators, local governments and the private sector to supercharge Opportunity Zone revitalization.
- It is expected that investment into Maryland's Opportunity Zones will attract \$1 billion dollars or more across the state by the end of 2026.
- With new businesses and existing businesses receiving investment capital, it is likely that between 1,000-2,000 jobs will be created per year for the next several years.
- The EARN program will now focus directly on the state's Opportunity Zones with a new investment of \$3 million to establish "Opportunity

Works” – a job training program specifically for businesses that are located in Opportunity Zones.

- Through Opportunity Works, the Maryland Department of Labor will issue competitive grants for qualified businesses to provide workforce training programs that result in a credential or identifiable skill, or job readiness and skill training.
- Because EARN has proven to be a successful model, Opportunity Works will be an extension of the program and will operate in the identified opportunity zones.
 - The program will provide grants to Strategic Industry Partnerships comprised of at least five employer partners and will implement industry-led training opportunities in a variety of industries. Governor Hogan has announced that \$3 million in additional funding will be allocated to EARN Opportunity Works. These grants will be in addition to the \$4 million currently allocated for traditional EARN programs, \$1 million for green jobs, and \$3 million for Cyber jobs.
- The emphasis on the opportunity zones will not affect the current partnerships in place.
 - The Department remains committed to funding the current successful EARN Partnerships and will continue to do so through the other EARN funding streams, such as EARN Proper, Cyber and Green.
- Opportunity Works will not be different than the current EARN job training programs.
 - The purpose of the Opportunity Works job training program is to advance the skills of Maryland’s workforce, grow the states economy, and increase sustainable employment for working families in and around designated opportunity zones. The program itself will operate the same, but the training must benefit employers and/or training participants in the designated opportunity zones.
- Businesses may participate in multiple Strategic Industry Partnerships.

UI Modernization

DLS also recommends the department comment on the current timeline, functionality, and staffing needs of the UI modernization project.

Six years ago, Maryland and West Virginia formed a Consortium to replace their aging mainframe systems used to administer the UI program with a cloud-based web system.

Today, we are in the final stretch of this multi-year project and expect to go live the latter part of this year.

The new system will integrate our tax, benefits, appeals, and reemployment functions under one umbrella.

Maryland is the lead state that manages and administers the vendor contracts and overall project budget (which is 100% federally funded).

Though we have had quality challenges confronting the project, we faced and addressed them head on. We increased the quality thresholds in cooperation with the vendor to ensure a good the quality product.

The remaining functionality and design testing is nearing completion. We have robust change management activities planned to ready our staff and we plan to move into final User Acceptance testing this summer.