

<b>FROM</b>	NAME & TITLE	Robert Cename, Budget Director <i>baltac</i>	CITY of <b>BALTIMORE</b> <b>MEMO</b>	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432, City Hall		
	SUBJECT	City Council Bill 21-0047 – Charter Amendment – Dante Barksdale Career Technology Apprenticeship Fund		

DATE:

**TO**

The Honorable President and  
Members of the City Council  
City Hall, Room 400

April 1, 2022

**Position: Oppose**

The Department of Finance is herein reporting on City Council Bill 21-0047, Charter Amendment – Dante Barksdale Career Technology Apprenticeship Fund, the purpose of which is to establish a continuing, non-lapsing fund that would be used exclusively to supplement pre-apprenticeship programs and other workforce development programs.

**Background**

This legislation would establish a continuing, non-lapsing fund that would be used exclusively to promote Baltimore City pre-apprenticeship programs and other workforce development programs in secondary schools and community colleges.

As written, the legislation aims to establish a funding source by requiring monthly payments from subcontractors that perform \$100,000 or more of work on construction projects valued at \$500,000 or more. The monthly fee, which is \$0.25 per hour per employee in certain crafts, is required for contractors or subcontractors that do not participate in apprenticeship training programs for the crafts of the covered projects or do not make payments to apprenticeship training programs or organizations that have apprenticeship training programs.

This funding mechanism is based on the State Apprenticeship and Training Fund, which went into effect in 2013 and applies contractors and subcontractors on State prevailing wage projects. The intent of the program is to provide funding support for apprenticeship and training programs through direct contributions, as well as promotion of these programs through the fund.

**Fiscal Impact**

The Department of Finance is opposed to the creation of special funds, such as the proposed fund, for a variety of reasons.

First, it limits the City’s ability to access revenues during economic downturns. Mandating that funds cannot lapse, must be used for this Fund, and cannot revert to general revenues limits the City’s ability to respond to urgent fiscal needs. The ability to reallocate funds across programs and services has been vital during this time to maintain core City services and ensure a strong response to the COVID-19 pandemic.

Second, to meet the requirements of this fund and anticipated increased costs of business, the City may be required to raise additional revenue or reallocate resources from other programs and services. City tax

rates are already the highest in Maryland, which limits the City's options for raising additional revenue for new programs without adding an additional burden for residents. In addition, the City faces an array of unfunded risks in the coming years, including but not limited to Police legal liabilities, additional consent decree costs, unmet capital needs across many agencies, education funding, and surplus schools.

While the legislation, as written, would establish funding through payments from subcontractors that do not participate in or make payments to an apprenticeship training program, the costs of those payments could be passed on to the City through the contract fees. The specific funding source presented in the legislation is a monthly payment made by City subcontractors based on the number of hours per employee working on the project. While the contributions to the fund would come from the subcontractors, Finance anticipates that the City could face increased costs for doing business because subcontractors would factor these monthly payments into their bids, essentially having the City contribute funds through contract payments to the Fund and local apprenticeship programs.

Finally, establishing funds that compromise the City's ability to quickly respond to fiscal needs could be viewed negatively by bond rating agencies. Baltimore has a long history of good fiscal stewardship and Baltimore's strong fiscal management is one of the reasons why the City has never gone into default, receivership, or bankruptcy.

#### **Other Considerations**

The Law Department's report states that the establishment of a funding mechanism through monthly fees cannot be established through this legislation, due to the nature of a Charter amendment. However, should the City Council decide to establish this funding mechanism through Ordinance, it should be noted that there would be operating costs for the City to implement a program similar to that run by the State. These costs would likely include personnel and specific systems or software to collect and manage the records that would be required to be collected from this program.

#### **Conclusion**

Dedicating a revenue source to a nonlapsing fund and not allowing funds to be used for any other purpose limits the City's ability to allocate resources as needed, especially during economic downturns. This could result in reduced funding for services and programs, or require that additional revenues are collected, placing an additional burden on City residents. In addition, the funding mechanism proposed in this legislation could result in increased costs in City contracts and the City funding apprenticeship programs through payments to contractors and subcontractors, instead of through the annual budget.

**For the reasons stated above, the Department of Finance opposes City Council Bill 21-0047.**

cc: Henry Raymond  
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