

**Department of Legislative Services**  
 Maryland General Assembly  
 2024 Session

**FISCAL AND POLICY NOTE**  
**Enrolled - Revised**

House Bill 1128

(Chair, Economic Matters Committee)(By Request -  
 Departmental - Labor)

Economic Matters

Finance

**Labor and Employment – Workforce Development – Talent Innovation Program  
 and Fund**

This departmental bill establishes the Talent Innovation Program (TIP) within the Maryland Department of Labor (MDL), jointly administered by the Division of Workplace Development and Adult Learning (DWDAL) and the Governor’s Workforce Development Board (GWDB). The bill also creates the Talent Innovation Fund (TIP Fund) in MDL. The purpose of TIP is to increase access to high-quality job training by using innovative and sustainable talent financing mechanisms to help meet skill needs in the State’s prominent and emerging industry sectors, including cybersecurity, health care, biotechnology, manufacturing, and artificial intelligence. **The bill takes effect July 1, 2024.**

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$2.0 million annually for the program beginning in FY 2025; the FY 2025 budget as passed by the General Assembly includes \$2.0 million for TIP, which is not contingent on enactment of this bill. Special fund revenues and expenditures increase correspondingly. State revenues (and expenditures) may increase further to the extent that MDL receives grants and donations for the fund and/or State agencies receive (matching) funds under TIP.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
GF Expenditure	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
SF Expenditure	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
Net Effect	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)

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

**Local Effect:** Local revenues may increase to the extent that local governments receive TIP funds, and local expenditures may increase to the extent that they receive matching funds beginning in FY 2025.

**Small Business Effect:** MDL has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services concurs with this assessment as discussed below. (The attached assessment does not reflect amendments to the bill.)

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## Analysis

**Bill Summary:** The program may conduct pilots, convene key stakeholders, and conduct research to develop and support new talent financing approaches. The program must establish an initial pilot program that focuses on the cybersecurity sector by supporting job training through the expansion of regional cyber ranges.

The TIP Fund may only be used to support the purposes of the program, and any investment earnings of the fund must be paid into the fund. The fund consists of money from multiple sources, including grants and donations, and money expended from the fund for TIP is supplemental to and is not intended to take the place of funding that otherwise would be appropriated for workforce development programs. MDL may use the TIP Fund to:

- provide grants to entities as specified for costs including support services, subsidized wages, grantees' administrative costs, and training,
- provide matching funds to secure donations or grants;
- provide funding for the program and other talent finance mechanisms approved by DWDAL and GWDB; and
- pay expenses for the program's administrative, actuarial, legal, and technical services.

MDL may adopt regulations to carry out the program, and by January 1, 2025, and annually thereafter, MDL must report to the Governor and the General Assembly as specified on program activities and use of the fund.

### Current Law:

#### *Division of Workforce Development and Adult Learning*

DWDAL has as its mission ensuring businesses have the skilled workforce they need to be competitive in today's environment, as well as helping people get jobs. Specifically, DWDAL serves the unemployed, jobless veterans, newly dislocated workers, trade-impacted workers, New Americans, ex-offenders, low-wage workers, and

individuals with barriers to employment. As the State's main workforce development entity, DWDAL oversees operation of Maryland's 30 American Job Centers, with at least 1 such center located in each county of the State. DWDAL also oversees the Maryland Workforce Exchange, which is Maryland's job bank. Additionally, DWDAL oversees workforce programs for New Americans and veterans and the processing of a number of federal and State tax credits.

DWDAL oversees the Maryland Employment Advancement Right Now (EARN) program. The EARN program was established in 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 industry partnerships, workforce training programs, and job-readiness and skills training.

A strategic industry partnership (SIP) is a collaboration that brings together a regional group of businesses, educational institutions, and government agencies to (1) identify common workforce needs for high-demand occupations within a target industry and (2) develop and implement industry strategies to meet the common workforce needs and shortages based on regional needs. SIPs may include employers, nonprofits, institutions of higher education, community colleges, local workforce development boards, local governments, or other relevant partners.

DWDAL also is responsible for the daily oversight of State apprenticeship programs. For more information regarding apprenticeships in the State, see the **Appendix – Apprenticeship**.

#### *Governor's Workforce Development Board*

GWDB is the Governor's chief policymaking body for workforce development. The board is responsible for developing policies and strategies to form a coordinated workforce system from a variety of education, employment, and training programs. It brings together and focuses various workforce development partners and stakeholders on two key outcomes: properly preparing the workforce to meet the current and future demands of Maryland employers; and providing opportunities for all Marylanders to succeed in the twenty-first century workforce.

**Background:** MDL advises that TIP differs from the EARN in a few critical ways: (1) the TIP Fund is structured to receive and leverage outside support, such as philanthropic resources; (2) TIP focuses on innovative funding and program delivery models, thus providing a higher level of flexibility than the EARN program; and (3) it includes flexibility to invest in emerging and growth industries.

**State Fiscal Effect:** TIP must establish an initial pilot program that focuses on the cybersecurity sector by supporting job training through the expansion of regional cyber ranges. MDL intends to release a competitive grant solicitation to support these cyber needs and anticipates funding to support training expenses for at least 100 individuals, along with supporting capital costs and operational expenses.

MDL reports existing staff can implement the bill. Any operational expenses for GWDB staff can be absorbed within existing budgeted resources. However, DWDAL is staffed largely with federally funded personnel who cannot work on State-funded programs without the program reimbursing the federal government for their time. MDL estimates a special grants program manager will spend 30% of their time implementing the program. As the TIP Fund can be used for program administration, this analysis assumes that TIP special funds are used to reimburse the federal government for the portion of the employee's time spent fulfilling the bill's requirements.

General fund expenditures increase by \$2.0 million annually beginning in fiscal 2025 to capitalize the new fund. Special fund revenues and expenditures increase correspondingly, assuming all funds are expended each year. The fiscal 2025 budget as passed by the General Assembly includes \$2.0 million in general funds for TIP, which is not contingent on enactment of this bill. This estimate assumes the fiscal 2025 level of funding is sufficient for the program and is provided annually thereafter. Thus, operational expenses for DWDAL are \$31,967 in fiscal 2025, which accounts for a 90-day implementation delay from the bill's July 1, 2024 effective date, and approximately \$1.97 million is available for the initial cybersecurity pilot program. Operational expenses for DWDAL increase in future years to reflect annualization with annual salary increases and employee turnover, which means slightly less funding for grants and other finance mechanisms under TIP in future years.

To the extent that the TIP Fund is funded through grants and donations in future years, the increase in general fund expenditures may be less than \$2.0 million, and special fund revenues and expenditures for the TIP Fund may exceed \$2.0 million.

To the extent that State agencies or higher education institutions receive grants or matching funds under TIP, revenues and expenditures may increase further beginning in fiscal 2025.

**Local Fiscal Effect:** Local revenues may increase to the extent that local governments receive TIP funds, and local expenditures may increase to the extent that they receive matching funds beginning in fiscal 2025.

**Small Business Effect:** Small businesses that are in the cybersecurity sector may benefit from the initial pilot program that supports job training through the expansion of regional cyber ranges. In future years, small businesses in prominent and emerging industry sectors,

including cybersecurity, health care, biotechnology, manufacturing, and artificial intelligence may benefit from TIP funding. MDL expects the program to aid in the training and recruitment of talent, thereby helping with recruitment and training costs for small businesses, as well as on costs associated with poor employee retention and employee turnover.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - March 3, 2024  
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Revised - Budget Information - April 19, 2024

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## Appendix – Apprenticeship

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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 or jointly by a labor-management committee. An apprentice receives supervised, structured, on-the-job training under the direction of a skilled journeyman 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 and the capacity and willingness of employers or employer groups to supervise them.

Apprenticeships are available to individuals age 16 and older; an employer, however, may set a higher entry age. By law, individuals must be age 18 to apprentice in hazardous occupations, although there are some exemptions available to minors who are registered as apprentices. Time-based apprenticeships last from one to six years and involve a minimum of 144 hours of related technical instruction and at least 2,000 hours per year of on-the-job training.

A national apprenticeship and training program was established in federal law in 1937 with the passage of the National Apprenticeship Act, also known as the Fitzgerald Act. The purpose of the Act was to promote national standards of apprenticeship and to safeguard the welfare of apprentice workers.

Along with [more than half of other states and the District of Columbia](#), Maryland has chosen to operate its own apprenticeship programs under the federal law. The Division of Workforce Development and Adult Learning (DWDAL) within the Maryland Department of Labor is responsible for the daily oversight of State apprenticeship programs. More specifically, DWDAL approves new apprenticeship programs as well as changes to current programs and ensures compliance with State and federal requirements. The approval process involves assessing the appropriateness of an apprenticeship program in a proposed industry, the education that will be provided to the apprentice, the current staffing level of the entity proposing the program to determine whether adequate supervision can be provided, recruitment and retention efforts, and the overall operations of the entity. The Maryland Apprenticeship and Training Council serves in an advisory role for legislation and regulations, recommending changes to update apprenticeship laws.

As of November 28, 2023, there were 11,530 apprentices registered in 125 different occupations, with more than 400 approved registered apprenticeship programs and more than 3,800 employers. There were 1,825 Certificates of Completion for apprentices processed between January 1, 2023, and November 28, 2023. The State added 38 new apprenticeship programs in 2023. The diversity of Maryland's apprenticeship system has also increased since the transfer of the program to DWDAL in 2016. The percentage of minority apprentices increased from 36% in November 2016 to 44% in November 2023. Likewise, the percentage of female apprentices increased from 3.7% in November 2016 to 7.7% in November 2023.

Chapter 168 (Senate Bill 104) of 2023 established the Apprenticeship 2030 Commission. The purpose of the commission is to examine and make recommendations to reduce skill shortages in high-demand occupations and provide affordable training for career pathways for young people by:

- expanding registered apprenticeships in industry sectors with skill shortages;
- growing the number of registered apprentices to at least 60,000 by 2030; and
- reaching the Blueprint for Maryland's Future goal for 45% of high school graduates completing the high school level of a registered apprenticeship.

The Apprenticeship 2030 Commission met four times in 2023 and published the [Interim Report of the Apprenticeship 2030 Commission](#).

## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Labor and Employment – Workforce Development – Talent Innovation Program and Fund

BILL NUMBER: HB1128

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### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

       WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

**OR**

  X   WILL HAVE A MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES