

Department of Legislative Services
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FISCAL AND POLICY NOTE
First Reader

House Bill 1276 (Delegate Wells)

Health and Government Operations and
 Economic Matters

**Public Works Contracts – Apprenticeship Requirements (Maryland Workforce
 Apprenticeship Utilization Act)**

This bill requires that contractors – and some subcontractors – that employ four or more individuals on covered public work projects use apprentices and journeyworkers for a specified percentage of the work. It also (1) repeals a requirement that contractors and some subcontractors on covered public work projects participate in apprenticeship programs for each covered craft or make contributions either to the State Apprenticeship and Training Fund (SATF) or a registered apprenticeship program; (2) lowers the contract value threshold for covered projects from \$500,000 to \$250,000; and (3) applies these requirements to public four-year universities and Baltimore City Community College (BCCC).

Fiscal Summary

State Effect: Special fund revenues decrease by approximately \$129,000 in FY 2025 and approximately \$172,000 annually thereafter; special fund expenditures are not materially affected. State agencies can likely implement the bill with existing resources. The bill may reduce the number of bidders and offerors on State public work contracts, which may cause the cost of those projects to increase, but a reliable estimate of any such effect is not feasible. Conversely, increased use of apprentices and journeyworkers may mitigate the cost of State public work projects.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	(\$129,000)	(\$172,000)	(\$172,000)	(\$172,000)	(\$172,000)
Expenditure	0	0	0	0	0
Net Effect	(\$129,000)	(\$172,000)	(\$172,000)	(\$172,000)	(\$172,000)

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

Local Effect: The bill may reduce the number of bidders and offerors on local public work projects, which may cause the cost of those projects to increase, but a reliable estimate of any such effect is not feasible. Conversely, increased use of apprentices and journeyworkers may mitigate the cost of local public work projects.

Small Business Effect: Meaningful.

Analysis

Bill Summary: A “covered project” is a project for the construction of a public work, as defined in current law, that is valued at \$250,000 or more.

Use of Apprentices on Covered Projects

For a construction project that begins on or after January 1, 2025, 25% of the total number of work hours on a project, including construction, alteration, or repair work, must be performed by an apprentice or a journeyworker. Total work hours do not include any work performed by specified supervisory personnel. On or before December 31, 2025, and annually thereafter, the Secretary of Labor must set the applicable percentage for the following calendar year. The Secretary may alter the applicable percentage for a covered project to meet any ratio requirements necessary for apprentice or journeyworker supervision in the covered craft.

A contractor awarded a contract for a covered project must verify in writing that the contractor is employing the necessary number of apprentices and journeyworkers. A subcontractor that performs work valued at \$100,000 or more on a covered project must provide the same written verification.

The Secretary may waive these requirements if a contractor or subcontractor submits a written waiver application, with supporting documentation, demonstrating that the contractor or subcontractor:

- requested qualified apprentices from all applicable apprenticeship training programs in a specified geographic area; and
- for each request, the request was denied or the apprenticeship training program failed to respond within 10 business days.

The bill specifies procedures for contractors and subcontractors to follow in submitting requests for apprentices to apprenticeship training programs.

Reporting Requirements

While construction activity on a covered project is ongoing, each contractor and subcontractor must submit monthly reports with specified information, including work hours for each apprentice and journeyworker, to the Maryland Department of Labor (MDL). Within 60 days of completing work on a covered project, each contractor and subcontractor must submit (1) a statement to MDL with the total number of labor hours performed by an apprentice or journeyworker and (2) if applicable, a written declaration justifying a waiver received. MDL must maintain on its website aggregated data from the reports it receives and descriptions of the circumstances of any waiver granted.

Enforcement

A contractor or subcontractor that fails to comply with the bill's requirements (1) is liable for an amount equal to \$100 multiplied by the total work hours required to be performed by an apprentice or journeyworker and (2) is barred from contracting to perform work on a public work project for three years. Penalties are recoverable under the Maryland False Claims Act.

The Secretary of Labor must adopt regulations to implement the bill. Nothing in the bill may preempt a local law or policy providing for additional skilled and trained workforce requirements on public work projects.

Current Law: A "public work" is a structure or work, including a bridge, ditch, road, alley, waterwork, or sewage disposal plant, that is constructed for public use or benefit or is paid for wholly or partly by public money. It does not include specified utility projects or capital construction projects that receive State funds in the annual State capital budget, as specified.

Chapter 644 of 2009 created SATF and required contractors on covered public work contracts (those valued at \$500,000 or more) and subcontractors with contracts worth at least \$100,000 to either participate in an apprenticeship training program, make payments to a registered apprenticeship program or to an organization that operates registered programs, or contribute to SATF. Chapter 782 of 2017 extended virtually identical requirements to contracts with a value of at least \$500,000 for capital construction projects that receive at least \$1.0 million from the State's capital budget (which, as noted above, are not considered public work projects).

The purpose of SATF is to promote preapprenticeship programs and other workforce development programs in the State's public secondary schools and community colleges and to cover the cost of implementing the bill's provisions. The programs should prepare

students to enter apprenticeship training programs. The fund's revenues consist of payments made by contractors and penalties collected due to violations.

Contractors and subcontractors that elect to contribute to SATF must pay, on a monthly basis, an amount determined by the Secretary of Labor, not to exceed 25 cents per hour per employee in a covered craft. Payments to the fund satisfy required apprenticeship program contributions under the prevailing wage determination and may be deducted from the prevailing wage rate required to be paid to each employee.

MDL is responsible for enforcing these requirements. Organizations that operate registered apprenticeship programs must certify to the Secretary of Labor that all funds received are used solely for those designated purposes.

Contractors and subcontractors that do not comply must pay into SATF twice the amount of unpaid apprenticeship training contributions required. Willful misrepresentation of prevailing wage records is subject to a civil penalty of \$1,000 for each employee and falsified record. The Secretary of Labor may file suit in any court of competent jurisdiction to enforce these requirements; contractors or subcontractors must pay reasonable legal fees and court costs associated with a civil action filed by the Secretary.

Enacted under Chapter 165 of 2015, the Maryland False Claims Act prohibits a person from knowingly making a false or fraudulent claim for payment or approval by a governmental entity (defined as the State, a county, or a municipal corporation) and authorizes a private citizen to file a civil action on behalf of a governmental entity (often referred to as a "*qui tam*" action) against a person who has made a false claim.

For an overview of registered apprenticeship programs in the State, please see the **Appendix – Apprenticeship**.

State Fiscal Effect:

State Apprenticeship and Training Fund

Data available for three of the past four fiscal years indicates that average annual revenues for SATF are approximately \$215,000 and average annual expenditures are approximately \$35,500. Annual revenues and expenditures have been relatively stable over that time period. As revenues far outpace expenditures, the fund has accumulated a sizable balance of \$1.7 million at the end of fiscal 2023.

The bulk of the fund's revenues come from public work projects rather than from large capital construction projects, of which there are very few each year. As contractors and subcontractors on public work projects no longer can contribute to the fund under the bill,

special fund revenues for SATF decrease by an estimated \$172,000 each year, which reflects an estimate that 80% of its revenues comes from public work projects. In fiscal 2025 only, the decrease is \$129,000, which reflects the bill's October 1, 2024 effective date. As expenditures from the fund are minimal each year, the bill has a negligible effect on special fund expenditures. Any ongoing expenditures can be drawn from the fund balance for a considerable time, which extends beyond the five-year period covered by this fiscal and policy note.

Administrative Costs

As MDL is responsible for enforcing the bill's requirements, State agencies that manage public work projects (including the Department of General Services, the Maryland Department of Transportation, public four-year universities, and BCCC) have limited responsibilities under the bill. They can likely incorporate any monitoring of contractor use of apprentices and journeyworkers on covered projects into their normal project management duties.

MDL currently enforces compliance with existing requirements for contractors and subcontractors on covered public work projects to use registered apprentices or make related contributions. Those responsibilities include monitoring the use of apprentices on public work projects, ensuring that registered apprenticeship programs that receive contributions use the funds for designated purposes, and administering SATF. As the bill repeals these requirements, MDL can likely redirect resources currently devoted to enforcement (including management of SATF) to the bill's more modest enforcement responsibilities, without incurring additional costs.

MDL also enforces prevailing wage requirements, including verifying (through regular payroll submissions) the employment and wages of contractors working on public work projects. It can incorporate any necessary review of monthly reports (in many cases the reporting requirements are overlapping as they involve many of the same projects) into existing practices.

Project Costs

The bill's requirements, and the administrative burdens associated with applying for waivers and/or submitting monthly reports to MDL, may have the effect of dissuading some contractors and subcontractors from participating in State public work projects. Meeting the bill's 25% requirement for apprentices, particularly in more specialized crafts, may be difficult for some contractors to achieve and also requires substantially more supervision by skilled workers (as State law generally requires a one-to-one ratio of apprentice to skilled tradesperson). These challenges may reduce the number of bidders

and offerors on State projects and, hence, the level of competition for those contracts, which has been shown to increase project costs.

Conversely, to the extent that increased use of apprentices and journeyworkers displaces higher-wage skilled tradespeople working on public work projects, project costs may be less. Any such savings has no effect on total capital spending, which is determined annually by the Governor and the General Assembly through the capital budget process, but it may increase the number of projects that receive funding each year.

Local Expenditures: Local governments that manage public work projects can likely incorporate monitoring of contractors and subcontractors into their normal project management activities. As with the State, the bill may reduce competition for local public work projects, potentially increasing their costs, but increased use of apprentices and journeyworkers may mitigate project costs.

Small Business Effect: Small construction companies with at least four employees that participate in public work projects must meet the bill's targets for participation by apprentices and journeyworkers. Otherwise, they must apply for waivers.

Additional Information

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

Designated Cross File: SB 1138 (Senator Benson) - Rules.

Information Source(s): Baltimore City Community College; University System of Maryland; Morgan State University; Department of General Services; Maryland Department of Labor; Maryland Department of Transportation; Department of Public Safety and Correctional Services; Department of Legislative Services

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Appendix – Apprenticeship

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](#).