

Department of Legislative Services  
 Maryland General Assembly  
 2017 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1470 (Delegate McCray)  
 Economic Matters

Apprenticeship and Training Council - Apprentice Ratios - Electrical Craft or Trade

This bill requires the Maryland Apprenticeship and Training Council (MATC) to adopt regulations establishing a ratio of journeyworkers to apprentices employed in the electrical craft or trade. The ratio may not be less than one journeyworker employed at a work site for each apprentice. An employer in the electrical craft or trade must comply with these regulations. On receipt of a complaint, the Commissioner of Labor and Industry must investigate a suspected violation and require the employer to correct any violation. An employer that violates the bill is subject to a civil penalty of \$1,000 or \$5,000 for each employee employed in an electrical craft or trade, depending on whether the employer knowingly committed the violation. The commissioner may waive the civil penalty if the employer comes into compliance with the regulations in a timely manner. For any subsequent violations, the commissioner may assess an additional civil penalty of up to \$20,000. MATC must adopt the regulations by October 1, 2018.

Fiscal Summary

**State Effect:** No likely effect in FY 2018 as regulations can be adopted with existing resources. General fund expenditures increase by \$54,900 in FY 2019 due to additional staffing needs for the Department of Labor, Licensing, and Regulation (DLLR) to enforce the bill once regulations are established. Out-year expenditures reflect annualization and elimination of one-time start-up costs. General fund revenues increase, likely minimally, from the bill’s civil penalties beginning in FY 2019.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Revenue	\$0	-	-	-	-
GF Expenditure	\$0	\$54,900	\$70,000	\$73,100	\$76,400
Net Effect	\$0	(\$54,900)	(\$70,000)	(\$73,100)	(\$76,400)

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

**Local Effect:** None.

**Small Business Effect:** Potential meaningful. Small businesses that are in the electrical craft or trade must comply with the regulations that MATC adopts establishing a ratio of journeyworkers to apprentices. To the extent they are more stringent than current ratios used, compliance may be problematic and/or fewer apprentices may be able to be supervised.

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## Analysis

**Current Law:** 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 and may be administered solely by the employer or jointly by management and labor groups. An apprentice receives supervised, structured, on-the-job training under the direction of a skilled journeyperson 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.

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. Apprenticeships last from one to six years, although most are three to four years, and involve a minimum of 144 hours of classroom instruction per year 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 24 other states, Maryland has chosen to operate its own apprenticeship programs. In 1962, Maryland created the 12-member MATC. Within the framework established in federal law, the State's apprenticeship and training law also established the guidelines, responsibilities, and obligations for training providers and created certain guarantees for workers who become apprenticed.

MATC, along with the Division of Workforce Development and Adult Learning (DWDAL), serves in a regulatory and advisory capacity by providing guidance and oversight to the Maryland Apprenticeship and Training Program, which is responsible for

the daily oversight of State apprenticeship programs. More specifically, MATC and DWDAL approve new apprenticeship programs and changes to current programs. 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. MATC also serves in an advisory role for legislation and regulations, recommending changes to update apprenticeship laws.

**Background:** In fiscal 2016, there were 11,821 active apprentices in Maryland, 1,070 of whom had just begun their apprenticeship, and there were 428 active apprenticeship programs.

There are approximately 1,213 electrical contractors registered with MATC. MATC recently convened a subcommittee to examine ratio issues, which plans to report back to MATC in May 2017.

Federal regulation defines a journeyworker as a worker who has attained a level of skill, abilities, and competencies recognized within an industry as having mastered the skills and competencies required for the occupation. A journeyworker may also refer to a mentor, technician, specialist, or other skilled worker who has documented sufficient skills and knowledge of an occupation, either through formal apprenticeship or through practical on-the-job experience and formal training.

**State Revenues:** General fund revenues increase, likely minimally from the bill's civil penalties, beginning in fiscal 2019. This assumes most employers comply with the ratio requirements or have any civil penalty that would be assessed waived as they come into compliance.

**State Expenditures:** By requiring the Commissioner of Labor and Industry to investigate a suspected violation of the ratio of journeyworkers to apprentices employed in the electrical craft or trade, the bill creates additional enforcement responsibilities for DLLR's Division of Labor and Industry once the regulations are adopted, which must be by October 1, 2018. DLLR cannot absorb the additional workload within existing resources and requires an additional wage and hour investigator to investigate complaints prompted by the bill.

General fund expenditures increase by \$54,909 in fiscal 2019, which accounts for the October 1, 2018 deadline for MATC to adopt regulations. To the extent that MATC adopts regulations prior to October 1, 2018, general fund expenditures may increase in fiscal 2018. This estimate reflects the cost of hiring one wage and hour investigator to investigate complaints related to the ratio of journeyworkers to apprentices in the electrical craft or

trade. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

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Salary and Fringe Benefits	\$44,915
Operating Expenses	<u>9,994</u>
<b>Total FY 2019 State Expenditures</b>	<b>\$54,909</b>

Future year expenditures reflect a full salary with annual increases and employee turnover and ongoing operating expenses.

**Additional Comments:** In 2008, the U.S. Department of Labor (DOL) implemented regulations that require state officials to be held accountable for the oversight and management of the state’s apprenticeship system for federal purposes. In addition to having a state apprenticeship council (SAC) like MATC, a state must have an agency designated as a state apprenticeship agency (SAA). In Maryland, DLLR is the SAA. Under the 2008 DOL regulations, only SAAs, not SACs, may register apprenticeship programs. However, SACs are still required for advisory and regulatory purposes. Additionally, the regulations call for SAAs to submit all proposed modifications in legislation, regulations, policies, or procedures to DOL’s Office of Apprenticeship for approval.

Chapter 54 of 2014 sought to bring the State into conformity with DOL regulations by specifying that duties of MATC were subject to the approval of the Division of Labor and Industry, which then housed MATC. Since then, MATC was moved to DWDAL and DOL has indicated that Chapter 54 did not resolve the State’s nonconformity with federal regulations, so legislation was introduced this session to bring the State into compliance with federal law by clearly specifying that DWDAL is the State’s SAA and that MATC serves only in an advisory capacity. If the legislation is enacted, MATC will not have authority to comply with the bill as it will serve only in an advisory capacity to DWDAL.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Labor, Licensing, and Regulation; Department of Legislative Services

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