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2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 777 (Senator Salling)
Finance and Budget and Taxation

**Labor and Employment - Workforce Development and Local Workforce
Development Boards (Local Workforce Solutions Investment Act)**

This bill requires the Maryland Department of Labor (MD Labor) to allocate money from the Hospital Employees Retraining Fund to the local workforce development board (LWDB) in the affected county or region in the event of a hospital closing, delicensing, downsizing or possible downsizing, or merger. The bill alters the State's quick response program established under the Economic Stabilization Act to generally place more responsibility and requirements on LWDBs. MD Labor must forward certain Economic Stabilization Act notices to the appropriate LWDB. The bill also (1) requires MD Labor to administer the Apprenticeship Career Training in Our Neighborhoods (ACTION) Program in partnership with LWDBs; (2) places responsibility for providing grants under the program on LWDBs, rather than MD Labor; and (3) repeals the requirement that grants be awarded competitively. Lastly, the bill requires MD Labor's Division of Workforce Development and Adult Learning (DWDAL) to consult with LWDBs instead of one-stop career centers, in the administration of the Direct Care Workforce Innovation Program (DCWIP).

Fiscal Summary

State Effect: MD Labor can implement the bill's changes with existing resources. The bill otherwise has a minimal effect on State operations and finances, as discussed below. Revenues are not affected.

Local Effect: Revenues and expenditures increase for LWDBs, some of which operate as units of local government, due to distributions from the Hospital Employee Retraining Fund to provide support to displaced hospital workers. LWDBs can otherwise consult on implementation of additional programs with existing resources.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Quick Response Program Alterations

The bill clarifies removes language specifying that MD Labor's capacity to provide employment and training services through the quick response program must not be limited to the items enumerated in statute. The bill also alters the enumerated capacities by (1) requiring the provision of labor market and retraining information to be made in conjunction with *LWDBs*, instead of local *service providers* and (2) specifying that referral to retraining opportunities occurs *through LWDBs*, as well as liaisons with the private industry councils or service delivery areas, and the community college network.

Under the bill, MD Labor must provide quick response funding, to the extent funding is available, to the LWDB in the affected country or region for direct deployment to serve workers affected by a reduction in operation.

Current Law:

Hospital Retraining Program

If a hospital voluntarily closes, merges, or is delicensed and workers are displaced, each hospital must pay a fee directly to MD Labor that may not exceed 0.01% of the gross operating revenue for the fiscal year immediately preceding the closure or delicensing. Current law does not establish a maximum fee for mergers. A fee may only be assessed once for each voluntary closure, merger, or delicensure. The Secretary of Labor must pay the fees received into the Hospital Employees Retraining Fund.

MD Labor must establish a program for the retraining and placement of hospital employees who are unemployed or who may become unemployed as a result of the closing, delicensing, downsizing, or possible downsizing of a hospital or the merging of hospitals. The Hospital Employees Retraining Fund must be used to (1) retrain and place hospital employees in other jobs and (2) pay any and all expenses of MD Labor for administering the fund and its related activities. Any unexpended funds remaining at the end of the fiscal year may not revert to the general fund. The Secretary of Labor and the Secretary of Health are required to develop regulations to implement the program.

Economic Stabilization Act and Rapid Response Program

The Economic Stabilization Act established a quick response program to provide both employers and employees with services to assist in mitigating the effects of a reduction in operations on employees. The Act also specifies notification requirements for instances when an employer initiates a reduction in force, certain exemptions to notification requirements, and certain penalties for violations of notification requirements. In general, an employer must provide notice to affected employees and other specified individuals at least 60 days before initiating a reduction in operations.

The quick response program does not apply to a reduction in operations resulting solely from labor disputes, seasonal factors customary in the industry, or an employer filing for bankruptcy. Nor does it apply to a reduction in operations occurring at construction sites or temporary workplaces or in a commercial, industrial, or agricultural enterprise operated by the State or its political subdivisions. The quick response program does not apply in instances where the employee accepts an offer to transfer to any other site of employment within 30 days after being offered the transfer.

The Secretary of Labor, in cooperation with the Governor's Workforce Development Board, must develop mandatory guidelines for employers faced with a reduction in operations, which must include the continuation of benefits that an employer should provide and a written notice that an employer expects to terminate employees due to a reduction in operations. MD Labor must distribute the guidelines to all employers in the State every two years.

MD Labor must maintain the capacity to provide employment and training services through the quick response program. This capacity must include, but not be limited to:

- on-site unemployment insurance bulk claims registration: for incidents where 25 or more workers are laid off at one time, taking initial unemployment insurance claims at the employee's place of business;
- registration for federal Trade Readjustment Act services: if the business closing is due to foreign competition, assisting workers in seeking federal training benefits and additional unemployment insurance compensation benefits;
- provision of labor market and retraining information: in conjunction with local service providers, providing both local labor market information and retraining information that can assist the workers to obtain reemployment and/or retraining;
- job placement services: through the regular office services or through special on-site services, providing a range of job placement services utilizing the "job bank";
- job seeking and finding information: providing one-day workshops to assist job seekers in learning how to seek and secure jobs; or

- referral to retraining opportunities: through liaisons with the private industry councils/service delivery areas and the community college network, providing referrals for dislocated workers for retraining opportunities.

DWDAL's Dislocated Services Unit (DSU) is a federally funded unit that manages notifications of employment dislocations in Maryland. DSU provides oversight of [Rapid Response](#), the State's system to respond to layoffs, and to prevent or minimize their impacts on workers, businesses, and communities. As part of its regular operations, DSU oversees the issuance and sharing of information related to the federal Worker Adjustment and Retraining Notification Act program.

Apprenticeship Career Training in Our Neighborhoods Program

Chapters 403 and 404 of 2016 established the ACTION Program to develop a well-trained, productive construction workforce which meets the needs of the State's economy, to encourage employers to hire apprentices in the construction industry, and to help employers offset any additional costs associated with hiring apprentices. MD Labor must administer the ACTION program and provide grants on a competitive basis to employers that employ at least one apprentice who (1) has been employed by the employer for at least seven months; (2) is engaged in a building or construction trade; (3) is enrolled in the first year of an apprenticeship program registered with the Maryland Apprenticeship and Training Council; and (4) lives in a zip code in which the poverty rate is at least 20%.

The ACTION program must award grants, as provided in the State budget, to eligible employers. The amount of a grant, capped at \$1,000 per eligible apprentice, must be based on the number of eligible apprentices that an eligible employer employs. Chapters 403 and 404 express the legislative intent that, beginning in fiscal 2017, the State budget include an appropriation of at least \$100,000 annually for the ACTION program to provide grants to eligible employers and cover administrative costs. However, the fiscal 2027 budget as introduced includes no funding for the ACTION program.

Direct Care Workforce Innovation Program

Chapter 699 of 2021 established a DCWIP within DWDAL to provide matching grants to eligible entities to create and expand on successful recruitment and retention strategies that address the range of potential barriers to increasing the number of direct care workers, with the goal of ensuring the availability of trained direct care workers across the State. The Governor must include in the annual budget bill an appropriation of at least \$250,000 for the program.

Each year, DWDAL must issue a request for applications from eligible entities for matching grants offered under the program. To receive a matching grant under the program,

an eligible entity must submit with the entity's application a project plan for each project to be developed and carried out or for activities to be continued with the grant. Current law specifies what the project plan must include and how DWDAL must evaluate and select eligible entities. An eligible entity must secure contributions for the project that at least equal the amount of money requested from the program, and DWDAL may not award more than \$50,000 to an eligible entity each year. If DWDAL receives applications for matching grants that exceed the program's appropriation, DWDAL must award the grants on a *pro rata* basis. A matching grant is valid for at least three years. DWDAL must encourage eligible entities receiving matching grants to consult with institutions of higher education and the Maryland Department of Health, one-stop career centers, and organizations with expertise in the needs of women, racial minorities, immigrants, and the impoverished.

State Fiscal Effect: MD Labor advises that, while diverting funds from the Hospital Employees Retraining Fund to LWDBs as required by the bill may be operationally challenging, the agency can accomplish the transfer of funds with existing resources. Although the bill does not specify any State oversight structure for LWDB administration of grants under the fund, MD Labor nonetheless expects that it and the Governor's Workforce Development Board can develop guidance for LWDBs in administering grant funding with existing resources.

As the ACTION Program does not currently receive funding, the bill's changes to the program have no effect on MD Labor operations or finances.

MD Labor can forward specified notice to relevant LWDBs with existing resources. The bill's requirement to provide funding for LWDBs to serve workers affected by a reduction in operations likely does not currently have a material impact on State finances, but may have effects to the extent funding becomes available. Currently, MD Labor advises that it manages federal Workforce Innovation and Opportunity Act Title I funding across the State. However, MD Labor also advises that such funds are already fully expended through the State's rapid response system and through supplemental grants to LWDBs beyond their initial Title I allocations for significant layoffs in their areas. Therefore, MD Labor does not have additional available funds to provide to LWDBs in the event of reductions in operations and this analysis assumes the bill's provisions to provide such funding have no material effect on State finances.

Additional Information

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

Designated Cross File: HB 1358 (Delegate Nkongolo, *et al.*) - Government, Labor, and Elections and Health.

Information Source(s): Maryland Department of Labor; Calvert, Howard, Kent, Montgomery, and Prince George's counties; Department of Legislative Services

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