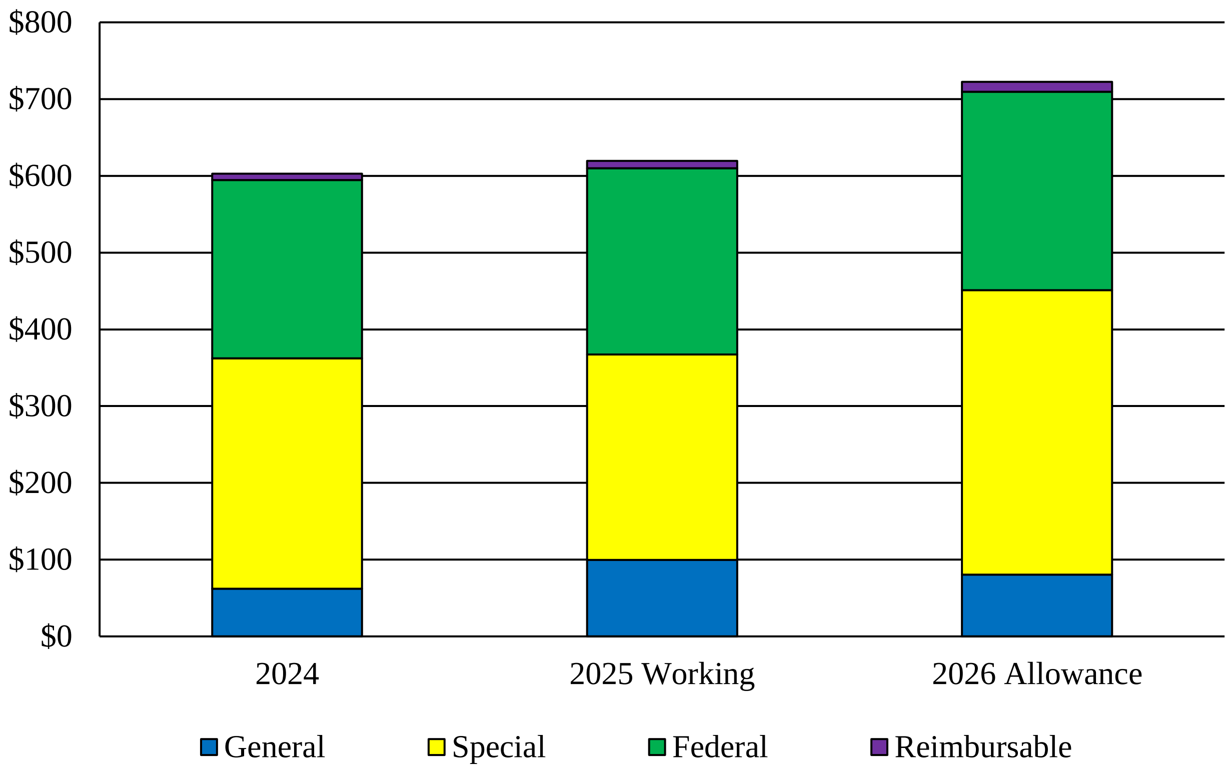
P00
Maryland Department of Labor

Executive Summary

The Maryland Department of Labor (MD Labor) is responsible for administering workforce development, adult education, paid family leave, and unemployment insurance (UI) programs. The department also includes many of the State's agencies and boards responsible for licensing and regulating various businesses, professions, and trades.

Operating Budget Summary

Fiscal 2026 Budget Increases $102.9 Million, or 16.6%, to $722.3 Million
($ in Millions)



Note: Numbers may not sum due to rounding. The fiscal 2025 working appropriation accounts for deficiencies and planned reversions. The fiscal 2026 allowance accounts for contingent reductions. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency's budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

For further information contact: Scott Benson scott.benson@mlis.state.md.us

- Overall, MD Labor's budget increases by $102.9 million, or 16.6%, compared to the fiscal 2025 working appropriation, after accounting for proposed deficiency appropriations, planned reversions, and contingent reductions. The increase is driven by the expansion of the Family and Medical Leave Insurance (FAMLI) Program as well as increases in UI.

- General funds decrease by $19.4 million, or 19.4%, compared to the fiscal 2025 working appropriation primarily due to the use of new special funds to replace some general fund expenses.

- Special funds increase by $103.3 million, or 38.6%, of which $60.2 million is related to the FAMLI Fund. In total, the fiscal 2026 allowance includes $66.8 million in special funds from the FAMLI Fund, which receives revenue from employee and employer contributions. The Department of Legislative Services (DLS) notes that MD Labor announced on February 14, 2025, that it is proposing to delay implementation of FAMLI by 18 months. If legislation implementing the delay is enacted, these special funds will not be available, and a portion will need to be replaced with general funds.

- Another primary cause of the special fund increase is the new UI Administrative Expense Fund, which consists of $33 million in the fiscal 2026 allowance. The Budget Reconciliation and Financing Act (BRFA) of 2025 includes a provision that establishes this administrative fee. Although not contingent on legislation establishing the fee, this $33 million will not be available unless the provision is enacted. If this provision is not enacted, additional general funds are likely to be required to support UI administrative costs.

Key Observations

- ***FAMLI Program Prepares for Implementation, but Department Announces Proposed Delay:*** Chapter 48 of 2022 established the FAMLI Program to provide up to 12 weeks of paid leave to covered individuals. On February 14, 2025, MD Labor announced a proposed delay of the implementation of the FAMLI program by 18 months to January 1, 2027, for employer contributions and to January 1, 2028, for benefit payments. The justification provided by MD Labor for this delay is to provide employers and workers additional time before the program's launch. MD Labor has indicated that it will propose amendments to a departmental bill to implement this delay.

- ***UI Claims Increase as Processing and Appeals Backlogs Remain:*** The number of UI claims increased in calendar 2024 for the first time since calendar 2020, going from 1.1 million to 1.2 million. Although these levels are consistent with prepandemic levels, the department continues to struggle with processing timeliness and large appeals backlogs. Overall, MD Labor's budget for administering the UI program increases by $21.8 million to $136.5 million. This change is primarily being driven by an increase of $15.7 million in contractual services to $65.4 million.

- ***Increase in Active Apprentices:*** The number of total active apprentices increased by 500 in fiscal 2024, and new apprentices increased by 837 as well. The total number of new apprenticeship programs decreased from 41 in fiscal 2023 to 35 in fiscal 2024.

Operating Budget Recommended Actions

		Funds
1.	Add language restricting funds pending resolution of repeat audit findings.	
2.	Add language to reduce the special fund appropriation for the Purse Dedication Account contingent on the enactment of legislation reducing the share of video lottery terminal revenue distributed for this purpose.	
3.	Add language to make the special fund appropriation from the Unemployment Insurance Administrative Expense Fund contingent on legislation establishing the administrative fee.	
4.	Adopt committee narrative requesting a report on the Office of Unemployment Insurance efforts to reach payment goal and address backlog of appeals.	
5.	Add language to reduce the special fund appropriation for the Division of Paid Leave contingent on the enactment of legislation delaying implementation of the Family and Medical Leave Insurance Program.	
6.	Reduce special funds in the Division of Paid Leave that are more than needed to pay for costs in fiscal 2026.	-$ 15,183,330
	Total Net Change	**-$ 15,183,330**

Budget Reconciliation and Financing Act Recommended Actions

1. Add a provision to reduce the amount of video lottery terminal proceeds distributed to the Purse Dedication Account from 6% to 5% with the additional revenue going to the General Fund in fiscal 2026 and 2027 and then the Blueprint for Maryland's Future Fund beginning in fiscal 2028.

Updates

- Of the $37.1 million set aside for local workforce area (LWA) funding in the fiscal 2023 budget from federal American Rescue Plan Act (ARPA) funds, $27.8 million, or 75%, has been expended as of February 2025. LWAs have until June 2026 to spend the remaining $9.3 million.

P00
Maryland Department of Labor

Operating Budget Analysis

Program Description

MD Labor administers employment service and adult learning programs and is also responsible for licensing and regulating various businesses, professions, and trades. In addition to administrative offices, which include the Governor's Workforce Development Board (GWDB), the department contains the following divisions:

- **Workforce Development and Adult Learning** operates workforce development programs, including job services, the Workforce Innovation and Opportunity Act (WIOA), and labor market information programs. It also manages adult education programs, including adult literacy programs and skills training for correctional institutions. Its mission is to support the State's economic growth through a workforce development, education, and training system that is responsive to the needs of adult learners, job seekers, employers, and all system partners.

- **Unemployment Insurance** operates the UI programs. Its mission is to provide prompt temporary partial wage replacement to eligible individuals who are unemployed, help facilitate their return to work, and collect UI tax contributions from employers.

- **Labor and Industry** is responsible for safety inspections of boilers, elevators, amusement rides, and railroads. The division also enforces certain protective labor laws and administers the Maryland Occupational Safety and Health (MOSH) Act. The division's mission is to protect Maryland citizens' health, safety, and employment rights.

- **Occupational and Professional Licensing** includes boards and commissions that license, regulate, and monitor 26 different professions and trades. The division's mission is to ensure that regulated occupations and professions have practitioners that are competent and compliant with State laws, regulations, and standards.

- **Racing**, which houses the Maryland Racing Commission, regulates thoroughbred and harness racing tracks across the State. The division's responsibilities include assigning racing days, regulating wagering on races, collecting the wagering tax, licensing all racetrack employees, and operating a testing laboratory. The division also pays the salaries and stipends of all racetrack employees that are appointed by the Maryland Racing Commission.

- **Financial Regulation** charters, licenses, registers, and regulates commercial banks; trust companies; credit unions; mortgage lenders, originators, brokers and servicers; collection agencies; and consumer loan companies, among other entities. Its mission is to ensure appropriate licensing, registration, and compliance with laws in order to maintain the safety and soundness of Maryland's financial services industry and protect financial services consumers.

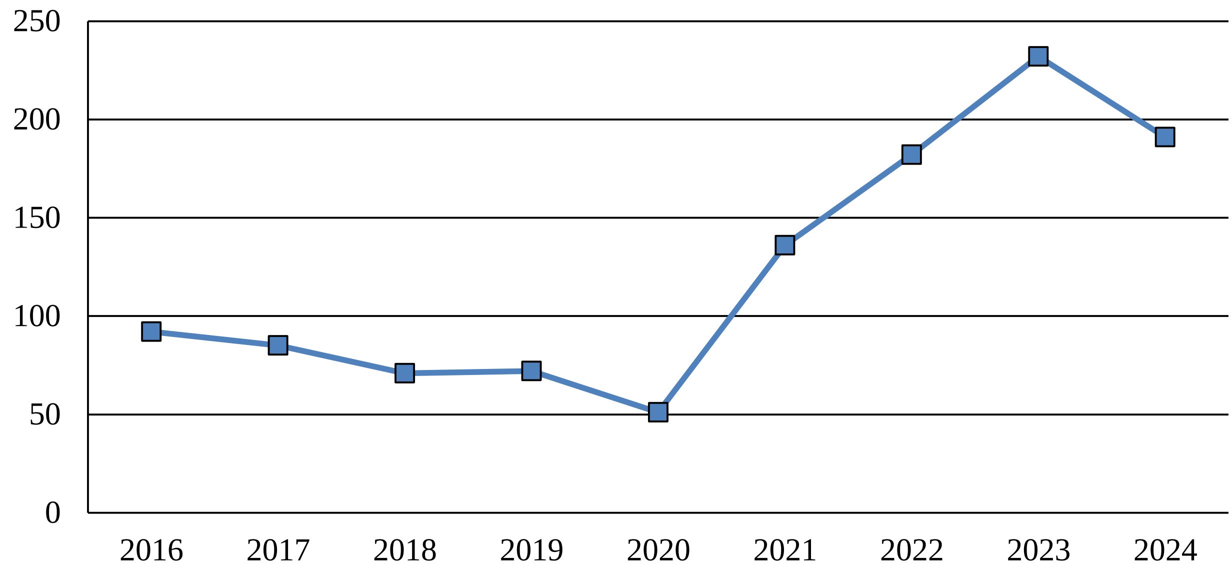
- **Family and Medical Leave Insurance** is the newest division, which was formed in calendar 2023 to implement the FAMLI Program. This program will provide up to 12 weeks of paid leave to a covered individual who is taking leave from employment due to caring for certain family members, the individual's own serious health condition, or a qualifying exigency arising out of a family member's military deployment.

Performance Analysis: Managing for Results

1. Occupational Safety and Health Complaints Begin to Decrease in 2024

The MOSH Act generally requires employers to provide each employee with employment and a place of employment that is safe, healthful, and free from recognized hazards that cause or are likely to cause death or serious physical harm to the employee. MD Labor is responsible for administering the MOSH program, including investigating health and safety complaints. **Exhibit 1** shows the number of occupational health and safety complaints investigated by the department from fiscal 2015 to 2024. Complaints investigated by MOSH increased significantly in fiscal 2021, due to the COVID-19 pandemic, and continued to increase in each of fiscal 2022 and 2023 to historically high levels. Between fiscal 2023 and 2024, the number of complaints investigated decreased from 232 to 191. Fiscal 2024 was the first year since fiscal 2020 where the complaints investigated by MOSH decreased. Despite the decrease, the number of complaints investigated remains 62% above the level in fiscal 2019. These complaints reflect only a small share of MOSH investigations annually, and investigating complaints takes precedence over conducting preventive inspections.

Exhibit 1
Occupational Safety and Health Complaints Investigated
Fiscal 2016-2024

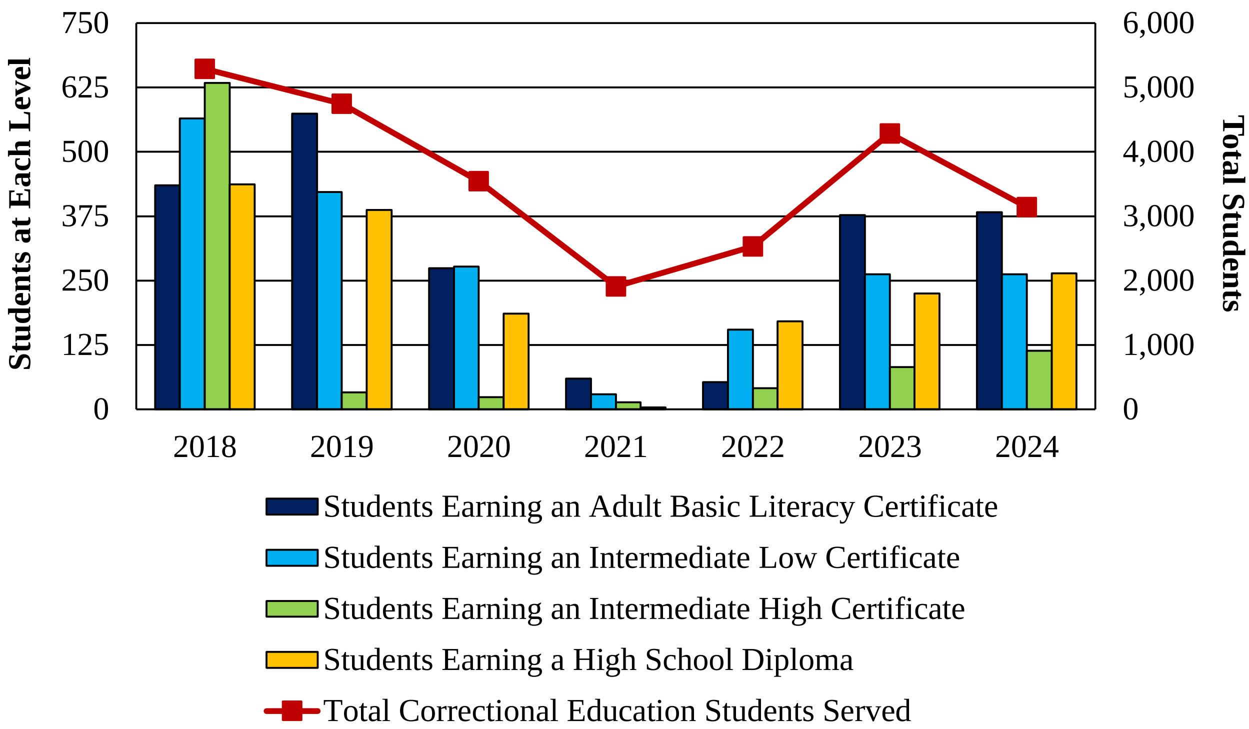


Source: Governor's Fiscal 2026 Budget Books

2. Correctional Education

In 2008, the Correctional Education Council (CEC) was established as a partnership between MD Labor and the Department of Public Safety and Correctional Services to develop educational and workforce training programs for correctional institutions. CEC works closely with the Correctional Education (CE) staff at MD Labor to provide educational programs for inmates. The academic programs provided by CE consist of adult education services, GED preparation and testing, English as a Second Language, and social and emotional competency. **Exhibit 2** shows the total number of students served, as well as the number of certificates received at each literacy level in the CE program. The number of CE students had been declining prior to the COVID-19 pandemic due to a combination of the decline in the total prison population as well as staff vacancies, but the number served rebounded somewhat in fiscal 2023 before decreasing again in fiscal 2024 to 3,140 students.

Exhibit 2
Correctional Education Students Served
Fiscal 2018-2024



Source: Governor's Fiscal 2026 Budget Books

The number of students earning an adult basic literacy certificate has increased fairly substantially between fiscal 2022 (53) to 2024 (383), but the number remains below the fiscal 2019 level of 574. The number of students earning an intermediate low certificate increased by 107 between fiscal 2022 and 2024, while the number earning an intermediate high certificate increased by 73 during the same period. The number of students earning a high school diploma has increased by 93 between fiscal 2022 (171) and 2024 (264) but remains below the fiscal 2019 level of 387.

Fiscal 2024

One finding contained in the *Statewide Review of Budget Closeout Transactions for Fiscal Year 2024*, released in January 2025 by the Office of Legislative Audits (OLA), involved MD Labor. Specifically, OLA noted in the fifth finding that MD Labor was unable to support accrued federal fund revenue entries totaling $204.7 million; this includes a $67.6 million entry that MD Labor was aware was not recoverable as it had exceeded the related federal grant.

In addition, OLA noted that MD Labor had recorded 18 positive accrued revenue entries, but was unable to ensure if the amounts were proper as the recorded amounts were based on balances for each budgetary appropriation, which OLA noted combines activity across grants. Additionally, OLA noted that MD Labor was unable to document the subsequent recovery of the accrued funds. **MD Labor should discuss steps that it has taken or plans to take to address this finding and improve its closeout processes**.

Fiscal 2025

Cost Containment

In its July 17, 2024 meeting, the Board of Public Works (BPW) approved five cost containment actions impacting MD Labor to reduce the fiscal 2025 appropriation by a total of $4.9 million. These actions include:

- $3.5 million within the Division of Paid Leave due to the timing of filling positions for FAMLI;

- $556,162 within the Adult Corrections Program for correctional education;

- $500,000, from the initial $2 million, in Executive Direction added for start-up costs for joint or group registered apprenticeships;

- $250,000 in the Division of Workforce Development from the mandated funding for the Career Pathways for Healthcare Workers; and

- $93,750 for the Governor's Workforce Development Board from the mandated funding for the Maryland Construction Education and Innovation Fund.

DLS notes that two of these reductions occurred in programs for which the BRFA of 2025 proposes permanently reducing the mandates.

Implementation of Legislative Priorities

Section 21 of the fiscal 2025 Budget Bill added $4.4 million in general funds for the following items in MD Labor:

- $2 million in Executive Direction as a one-time addition to fund start-up costs for joint or group registered apprenticeships or to pay per apprentice to scale existing joint or group registered apprenticeships of which, as noted above, $500,000 was reduced by cost containment;

- $1 million in Workforce Development within the Division of Workforce Development and Adult Learning as a one-time addition to provide a grant to the Dwyer Workforce Development to support health care workforce training;

- $500,000 to support 9.0 new positions for field inspectors in Employment Standards within the Division of Labor and Industry as a continuing expense;

- $300,000 in Executive Direction as a continuing expense to award grants under the Employment Advancement Right Now (EARN) program to train, prepare, and connect job seekers with careers in the residential rental housing industry;

- $250,000 in GWDB as a one-time addition in order to conduct a study of bus driver wages in accordance with Chapter 662 of 2022;

- $150,000 in Workforce Development within the Division of Workforce Development and Adult Learning as a one-time addition to provide a grant to Humanim;

- $150,000 in GWDB as a one-time addition to conduct a study on approaches to advancing skills-based hiring; and

- $75,000 in the Division of Workforce Development and Adult Learning as a one-time addition to provide a grant to Lincoln Technical Institute to support a regional technical fair for high school students.

MD Labor should comment on the uses and status of these legislative additions.

Proposed Deficiency

The fiscal 2026 budget includes seven proposed deficiencies for MD Labor, a net increase of $15.9 million to the fiscal 2025 appropriation. General funds consist of the majority of the deficiency appropriations; in total, $18.3 million would be added to the fiscal 2025 appropriation. Special funds would increase by $6.6 million. These increases are partially offset by a federal fund decrease of approximately $9.0 million.

The largest proposed deficiency is a $19 million increase using general funds to increase administrative expenses for the Office of Unemployment Insurance. Of the $19 million, $1.8 million would go to personnel expenses, while the remaining $17.2 million would go to various contractual services. **MD Labor should comment on the contractual services that would be provided by using this deficiency.**

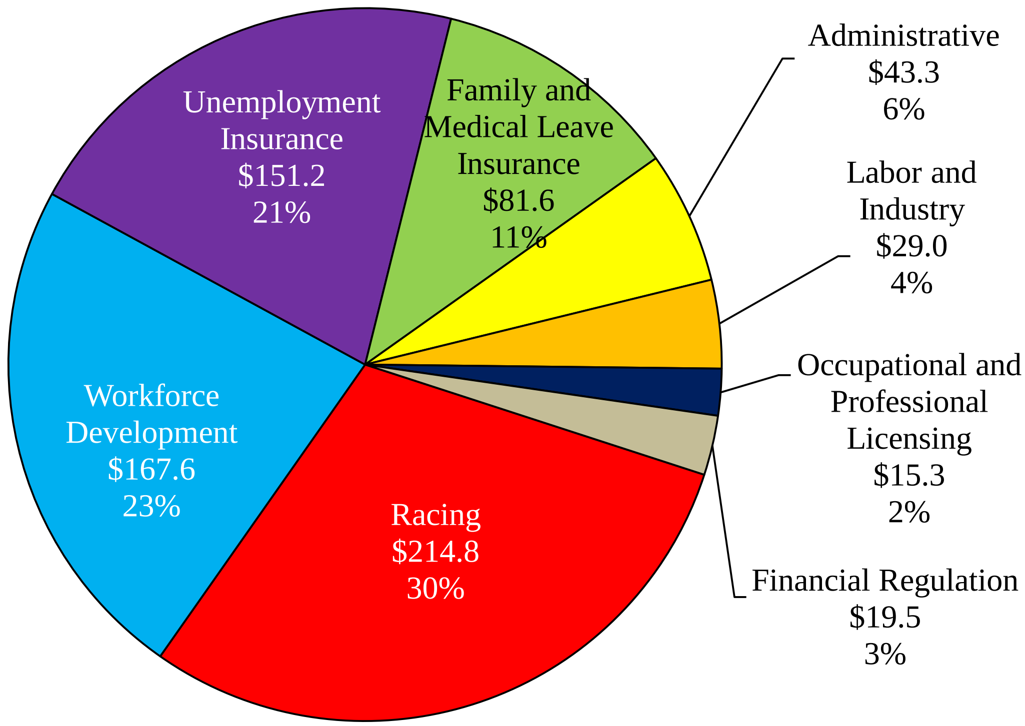
Remaining general fund deficiencies include an additional $400,000 for the Workers Support Program to pay for fiscal 2024 expenses for which there was insufficient appropriation. Three proposed deficiencies that reduce general funds are contingent on the enactment of legislation. These proposed deficiencies are a $150,000 reduction contingent on legislation reducing the mandate for the Maryland New Start Act and a $250,000 reduction contingent on a change to the mandate for the Career Pathways for Healthcare Workers. Provisions to implement both are included in the BRFA. In addition, a $750,000 reduction in the Division of Workforce Development for the Public Safety Apprenticeship program (renamed from the Law Enforcement Cadet Program) is contingent on the enactment of legislation to reduce the mandate to $200,000. DLS notes that there is no current legislation that would meet this contingency. The Department of Budget and Management indicates that in the absence of legislation to enact the provision, the funds would be expected to revert to the General Fund at closeout.

The Division of Paid Leave has two proposed deficiencies for the FAMLI Program. Special funds would increase by $6.6 million for contracts. Federal funds from the ARPA would decrease by $9 million based on spending needs in the program.

Fiscal 2026 Overview of Agency Spending

The fiscal 2026 allowance totals $722.3 million. As shown in **Exhibit 3**, the Division of Racing accounts for 30% of the fiscal 2026 allowance, which is a 4 percentage point decrease compared to its share in fiscal 2025. Most of the funding for this division is from gaming revenue, which is used for local impact aid for localities that house casinos or racetracks as well as for racetrack facility redevelopment and horse racing purses. Workforce development programs comprise 23% of the fiscal 2026 allowance, while UI represents 21% of the planned spending.

Exhibit 3
Overview of Agency Spending
Fiscal 2026 Allowance
($ in Millions)



Note: The fiscal 2026 allowance accounts for contingent reductions. The fiscal 2026 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Governor's Fiscal 2026 Budget Books

Proposed Budget Change

As shown in **Exhibit 4**, the fiscal 2026 allowance increases by $102.9 million compared to the fiscal 2025 working appropriation after accounting for proposed deficiency appropriations, a planned reversion, and contingent reductions. Of this increase, $103.3 million is in special funds primarily for the FAMLI Program and the new Unemployment Insurance Administrative Fee. Under current law, and as reflected in the fiscal 2026 allowance, the FAMLI Program is set to begin receiving contributions on July 1, 2025, and $66.8 million is included in the fiscal 2026 allowance from that fund. This is discussed further in Issue 1 of this analysis. A new

Unemployment Insurance Administrative Fee supports $33 million of expenditures. Additional information on this new fee is provided in the BRFA Section.

Exhibit 4
Proposed Budget
Maryland Department of Labor
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2024 Actual	$62,130	$300,185	$232,075	$8,279	$602,669
Fiscal 2025 Working Appropriation	99,644	267,647	242,550	9,603	619,444
Fiscal 2026 Allowance	80,282	370,981	258,310	12,747	722,319
Fiscal 2025-2026 Amount Change	-$19,362	$103,333	$15,760	$3,144	$102,875
Fiscal 2025-2026 Percent Change	-19.4%	38.6%	6.5%	32.7%	16.6%

Where It Goes:	Change
Personnel Expenses	
Salary increases and associated fringe benefits, including fiscal 2025 cost-of-living adjustments and increments	$18,347
Salaries and associated fringe benefits for 125 new positions	8,563
Turnover rate decreases from 10.99% to 8.4%	4,906
Reclassifications to support Workforce Development salaries at risk due to declining federal funds	2,728
Miscellaneous adjustments	54
Workers' compensation	$34
Other fringe benefit adjustments	-44
Employee and retiree health insurance	-333
Family Medical Leave Insurance Program	
Contractual services for FAMLI	21,126
Advertising and legal publication	2,617
Supplies and necessary equipment	936
Costs associated with 8 contractual full-time equivalents	513
Travel for in-state and out-of-state conferences/training	359
Unemployment Insurance	
Contractual services	10,575
Appress Inc. Services to support IT developers	5,165
LOCCS System Major Information Technology Development project	4,377
Information Technology Support Center agreement with U.S. Department of Labor	822

Where It Goes:	**Change**
Elimination of 51.00 contractual full-time equivalents	-1,853
Workforce Development	
MDOT Division of Workforce Development Partnership to improve transportation related workforce development	4,000
Cyber Maryland Program transferred to MD Labor contingent on HB 82 or SB 241	3,099
Talent Innovation Program	2,000
Employment Advancement Right Now	700
Recovery Friendly Workplaces to support jobseekers	612
Public Safety Apprenticeship Program, after contingent reduction in fiscal 2025	550
No general funds for the Apprenticeship Tax Credit in fiscal 2026	-125
WIOA formula grants estimate	-500
Horse Racing and Video Lottery Terminals	
Grant payment to Maryland Jockey Club for redevelopment of Rosecroft Raceway	4,500
Share of VLT revenue for Purse Dedicated Account	3,465
VLT payment as local impact grants	1,614
Financial Regulation	
Chapters 432 and 433 of 2023 (Access to Banking Act) fiscal 2026 increase	504
DoIT– DMI Cyber Auditor	260
Office assistance	233
Building Codes Unit	
Education and training contracts for Building Codes Unit	560
Outside services	$225
Other Changes	
Cost Allocations	$878
Systems software for Division of Occupational and Professional Licensing General Administration	853
Rent	482
Motor vehicles for Office of General Services	211
Contractual services for Occupational Safety and Health Administration	179
Legislative additions	-3,125
Other changes	2,809
Total	**$102,875**

DoIT: Department of Information Technology
FAMLI: Family and Medical Leave Insurance
IT: information technology
LOCCS: LABOR Omni-channel Contact Center System
MD Labor: Maryland Department of Labor
MDOT: Maryland Department of Transportation
VLT: Video Lottery Terminal
WIOA: Workforce Innovation and Opportunity Act

Note: Numbers may not sum to total due to rounding.

The fiscal 2026 allowance includes a $4 million increase in reimbursable funds due to a partnership with the Maryland Department of Transportation State Highway Administration. As part of this partnership, MD Labor will promote programs developing workers skills in the transportation sector. In addition, the fiscal 2026 allowance increases by $611,674 for the Recovery Friendly Workplaces program, which provides support for businesses to become places that are friendly for individuals recovering from substance abuse disorder. Chapter 410 of 2024 required an appropriation of $4.5 million for the Racetrack Facility Renewal Account for Rosecroft Raceway in fiscal 2026 only. The fiscal 2026 allowance includes funding for this purpose.

Funding has increased for various contracts. However, limited information is available about the particular contracts and activities that would be supported by this funding. **MD Labor should describe the activities supported by the increase of $10.6 million for the Office of Unemployment Insurance and $21.1 million in the Division of Paid Leave.**

Talent Innovation Program and the Employment Advancement Right Now Program

The Talent Innovation Program, through Executive Direction, is intended to increase access to high-quality job training that is affordable for employers as well as potential employees. Proposed by the Governor's Workforce Development Board, the Talent Innovation Program is designed to focus on areas that meet needs in prominent and emerging industries. Some of the industries that the program focuses on include, but are not limited to, health care, cybersecurity, biotechnology, manufacturing, and artificial intelligence. The fiscal 2026 allowance includes $4 million for this program, an increase of $2 million from the fiscal 2025 working appropriation.

The EARN Program provides support for workforce training collaborations by awarding funds to local governments, businesses, and nonprofits. Through strategic initiatives, EARN seeks to address the demands of business by focusing on industries over a long period of time, eliminating barriers, creating formal career paths, and by encouraging mobility through skill development. Organizations provide proposals to MD Labor where certain qualities such as the merit in providing skills and the experience to Maryland residents are used to determine the funds provided by EARN. Grant funding for EARN increases by approximately $700,000 in the fiscal 2026 allowance. The fiscal 2026 budget includes an additional $5 million for EARN in the Dedicated Purpose Account (DPA). In addition, the DPA includes $1.0 million for MD Labor to enhance planning and administration of key workforce development programs focused on target industry sectors. **MD Labor should comment on its plans for use of the additional $1 million for planning and administration of workforce development programs and $5 million for EARN.**

Budget Reconciliation and Financing Act

A provision in the BRFA would establish a new administrative fee for the administration of UI. Under the provision, beginning January 1, 2026, a fee of 0.15% would be applied to all taxable employers, and the revenue raised from that amount will be deposited into the Special Administrative Expense Fund for administrative expenses of the UI program. The UI tax rate assigned to each taxable employee would be reduced by 0.15% also on that date. The fiscal 2026 budget includes $33 million from the administrative fee in the Office of Unemployment Insurance. **DLS recommends adding language making the special fund appropriation from the new administrative fee contingent on the enactment of a provision establishing the fee.**

Chapter 485 of 2022 established the New Start Grant Program to award grants to at least five eligible organizations to create or support existing entrepreneurship development programs that assist specified formerly imprisoned individuals or specified individuals approved for release by a correctional facility. The Act also required the Governor to include an annual appropriation of $200,000 for the program for fiscal 2026 through 2028. A provision in the BRFA would reduce the mandate for the program to $50,000. Language in the fiscal 2026 Budget Bill would reduce the general fund appropriation in fiscal 2026 by $150,000, and a proposed deficiency appropriation also reduces $150,000 of the fiscal 2025 appropriation, both contingent on this provision.

Chapter 34 of 2016 created the Construction Education and Innovation Center to support the Maryland Center for Construction Education and Innovation, which is a public-private partnership located at Towson University that aims to promote, develop, and connect career opportunities in the built environment. Chapter 493 of 2023 increased the mandate for the program from $250,000 to $625,000 for fiscal 2025 through 2029. A provision in the BRFA would reduce the mandate to $531,250. Language in the fiscal 2026 Budget Bill would reduce the general fund appropriation by $93,750 contingent on this provision, which would level fund the program at the fiscal 2025 level after cost containment actions approved by BPW in July 2024.

Chapter 403 of 2022 created the Career Pathways for Health Care Workers Program to provide matching grants to hospitals or related institutions to pay for training programs attended by health care workers with a goal of providing increased opportunities for health care workers to receive training across the State. The Act required the Governor to include $1 million for the program beginning in fiscal 2023. A provision in the BRFA would reduce the mandate to $500,000. Language in the fiscal 2026 Budget Bill would reduce the general fund appropriation in fiscal 2026 by $500,000 and by $250,000 in fiscal 2025 contingent on this provision. The lower contingent reduction in fiscal 2025 is reflective of the cost containment actions approved by BPW in July 2024.

Chapters 294 and 295 of 2024 created the Montgomery and Prince George's County Rent Court Workforce Solutions Pilot Program to provide tenants in failure to pay rent cases with workforce resources and information on workforce development, registered apprenticeships, and other employment programs. The Governor is required to include $100,000 for programs in each county between fiscal 2026 and 2028. A provision in the BRFA of 2025 proposes to eliminate the mandate for the program, and language in the fiscal 2026 Budget Bill would reduce the general fund appropriation by $200,000 contingent on this provision.

Purse Dedication Account

The Purse Dedication Account (PDA) is an account under the authority of the State Racing Commission to be used to support horse racing purses and bred funds in the State. As of February 2025, the PDA is expected to receive $83.1 million in fiscal 2026 from video lottery terminal (VLT) revenues. Current law requires that of the funds distributed to the PDA, 80% is for the thoroughbred industry, which is estimated at $66.5 million for fiscal 2026, while the remaining 20% goes to the standardbred industry, an estimated $16.6 million in fiscal 2026.

In Section 9-1A-27 (a)(4) of the State Government Article, PDA receives 6% of the VLT proceeds up to $100 million. In fiscal 2026, the estimated revenues to the PDA of $83.1 million is an increase of $3.5 million compared to fiscal 2025, due to increased VLT revenue, which is expected to continue increasing over the next few fiscal years. Each percentage point share of revenue in fiscal 2026 is estimated at $13.8 million. **DLS recommends adding a provision to the BRFA to reduce the share of VLT proceeds going to the PDA from 6% to 5%, with the additional revenue going to the General Fund in fiscal 2026 and 2027, and then to the Blueprint for Maryland's Future (Blueprint) Fund beginning in fiscal 2028. DLS also recommends adding language to reduce $13.8 million of special funds from the PDA, contingent on the enactment of legislation making this change to the distribution of proceeds.**

Personnel Data

	FY 24 Actual	FY 25 Working	FY 26 Allowance	FY 25-26 Change
Regular Positions	1,440.17	1,843.57	1,968.57	125.00
Contractual FTEs	125.16	181.30	144.20	-37.10
Total Personnel	**1,565.33**	**2,024.87**	**2,112.77**	**88.90**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	154.68	8.39%
Positions and Percentage Vacant as of 12/31/24	180.50	9.79%
Vacancies Above Turnover	25.82	

- The fiscal 2026 allowance includes an increase of 125 regular positions across the department. All are located in the Office of Unemployment Insurance and will serve as in-house support for its call center, which the department previously funded through contracts. This transition is discussed further in Issue 2 of this analysis.

- Contractual full-time equivalent (FTE) positions decrease by a net of 37.10. This decrease is largely driven by a reduction of 51 contractual FTEs within the Office of Unemployment Insurance, which supported the office's operational needs and fraud assistance. This decrease is partially offset by increases in contractual FTE in other areas of MD Labor, an increase of 5 in MOSH and 4.5 in General Administration.

- Between December 31, 2023, and December 31, 2024, the department's vacancy rate decreased from 11.94% to 9.79%. The Workforce Development program and the Office of Unemployment Insurance have the highest number of vacancies with 35. The CE program has a total of 18 vacancies. **MD Labor should comment on efforts to reduce the vacancy rate.**

Issues

1. Family and Medical Leave Insurance Implementation

Chapter 48 of 2022 established the FAMLI Program, which will provide up to 12 weeks of benefits to a covered individual who is taking leave from employment due to caring for certain family members, the individual's own serious health condition, or a qualifying exigency arising out of a family member's military deployment. The weekly benefit will be based on an individual's average weekly wage and indexed to inflation. Required contributions to the program, which will be shared between employers and employees, are also based on employee wages. Generally, employers must contribute to and participate in the program whether through the State program or a qualifying private plan, though employers with 15 or fewer employees do not have contribute the employers share. In September 2023, MD Labor set the initial total rate of contribution at 0.9% of covered wages.

Implementation Delays

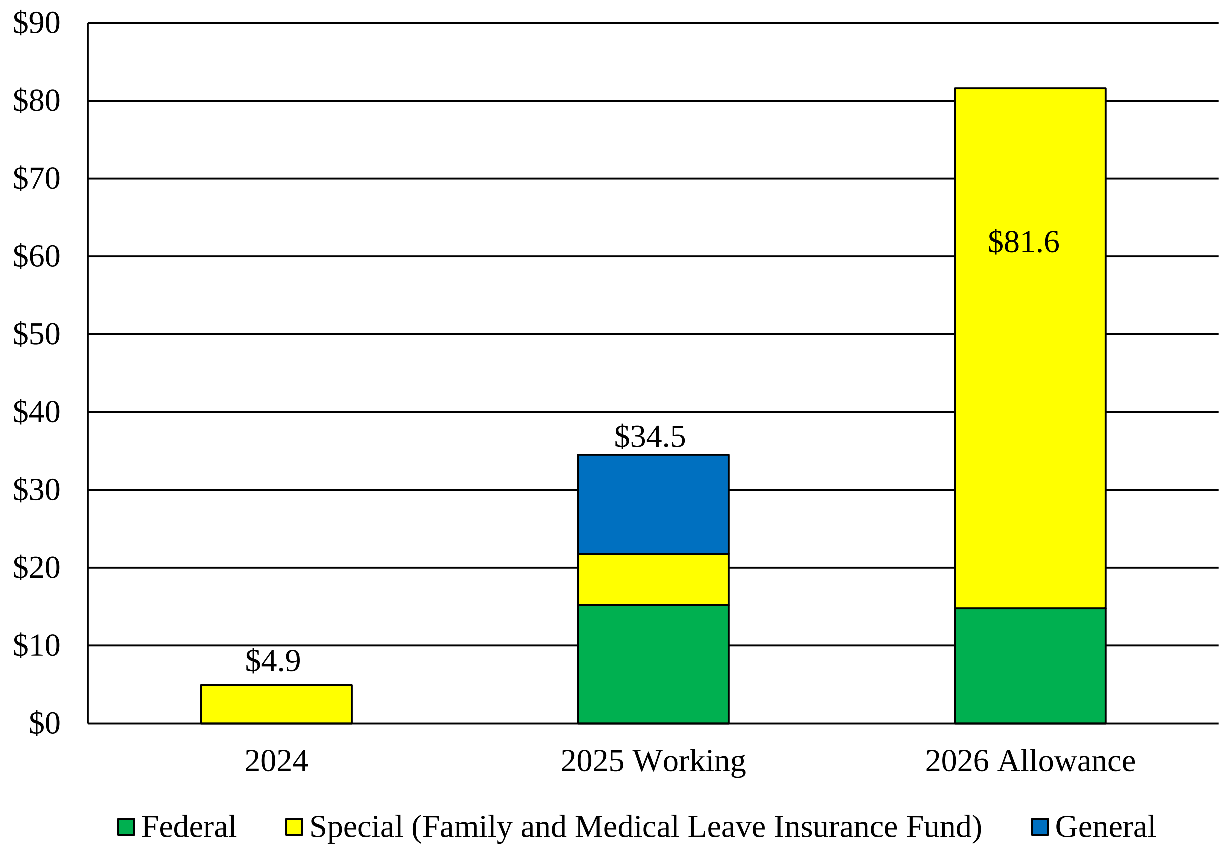
Chapters 266 and 267 of 2024 altered the initial planned timeline for the program so that required contributions would begin on July 1, 2025, and benefit claims would begin July 1, 2026. In a press release on February 14, 2025, MD Labor announced a proposed 18-month delay of the implementation of the FAMLI Program so that required contributions would begin on January 1, 2027, and the benefits would begin January 1, 2028. MD Labor cited as its reason to provide both employers and workers additional time before the implementation of the program. Specifically, MD Labor indicated that it would propose amendments to a current departmental bill for this change. However, it is unclear which bill specifically the department anticipates proposing amendments to or when this will occur. **MD Labor should discuss its planned timeline for introducing these amendments and in which bill these would be proposed.**

Current Fiscal 2026 Allowance for the Program

Generally, program implementation costs require the use of general and federal funds until employer and employee contributions to the FAMLI Fund are sufficient to cover the costs of administration. **Exhibit 5** shows the funding provided for FAMLI administrative costs by fund source since fiscal 2024. As program implementation was expected to ramp up, funding is budgeted to significantly increase in fiscal 2026 to $81.6 million (an increase of $47.1 million). In addition, the fiscal 2026 allowance also represents a substantial change in the fund source for spending, with a total of $66.8 million in special funds anticipated from the FAMLI Fund, following the implementation of the contributions to the fund. A proposed deficiency appropriation provides $6.6 million in special funds in fiscal 2025. Previous special funds in fiscal 2024 were supported by the Revenue Stabilization Account (Rainy Day Fund). In addition to the increase in special funds, federal funds from the ARPA slightly decrease by $400,000 to $14.8 million compared to fiscal 2025. Of the $66.8 million of special funds in the fiscal 2026 allowance, the fiscal note for SB 355 of 2025, which is legislation that would delay implementation of the program by two years, indicates that the program would only be expected to expend $51.6 million.

DLS recommends that the fiscal 2026 FAMLI Program special fund allowance be reduced by $15.2 million, representing the amount overstated regardless of any change in program implementation according to the fiscal note for SB 355.

Exhibit 5
Family and Medical Leave Insurance Program Funding
Fiscal 2025-2026
($ in Millions)



Source: Governor's Fiscal 2026 Budget Books

The number of positions in the program in fiscal 2026 total 369, which includes 1 additional regular position for the claim center, reflecting an internal transfer. Of the total positions available in fiscal 2025, there are 10 vacant positions. Additionally, the fiscal 2026 allowance includes an additional 8 new contractual FTE. The majority of new positions were added in fiscal 2025, when the position count increased from 38 to 368.

Other than personnel costs, funding for contractual services make up the largest portion of the fiscal 2026 allowance for FAMLI totaling $45.5 million, a $23.7 million increase over the fiscal 2025 working appropriation. MD Labor has been conducting research to begin development of a digital system needed for the program, including coordination with states who have implemented similar programs. On October 2, 2024, BPW approved the procurement of two digital services vendor partners to assist in the creation of the digital system.

Impact on Proposed Delay on Funding Needs and Revenue

As there is no current bill that includes MD Labor's proposal, DLS has evaluated the impact of this change on the department's revenue and funding needs using the fiscal note for SB 355, which proposes to delay the implementation of the FAMLI Program by two years or until July 1, 2027, for required contributions and July 1, 2028, for benefits. This legislation is not the same as what the department has proposed, as it includes an additional 6 month delay. There may also be other differences in the proposals, which DLS cannot evaluate the impact of given there is no bill currently identified for the department's proposal.

Although the proposals have different delay lengths, under both, there would be no contributions in fiscal 2026; therefore, the FAMLI Fund could not be used for program expenses. This would be expected to result in the elimination of special funds from the fiscal 2026 appropriation. However, costs would also be reduced in that year. As a result, MD Labor would be expected to require $34 million in general funds, according to the fiscal note for SB 355, to support the program in that year if the contributions are delayed beyond fiscal 2026. Beyond the additional six month delay, other potential differences could occur between proposals which might impact spending needs, which cannot be evaluated at this time. **MD Labor should describe costs that would still be required with the proposed delay in fiscal 2026 and the types of expenses included in the fiscal 2026 allowance that would be delayed. MD Labor should discuss the anticipated general fund need to support costs that will occur, if other funds may be available to support the costs, and when the replacement funding would be expected to be appropriated.**

DLS recommends reducing a portion of the fiscal 2026 allowance, contingent on legislation delaying the implementation of FAMLI contributions beyond fiscal 2026, representing the difference between expected costs under current law and a proposed delay. The remaining portion is expected to need to be replaced with other fund sources in the event of implementation delays but is not being recommended to be reduced in recognition of the overall funding needs of the program.

Maryland Department of Health Funding

Partially offsetting the increased need for general funds in MD Labor would be savings in the Maryland Department of Health (MDH). Under current law, MDH is required to reimburse certain service providers for some or all of the employer's share of FAMLI contributions. MDH is required to calculate and make these reimbursement payments on a quarterly basis. As they are required to reimburse service providers, the delay of the FAMLI Program's implementation would be expected to decrease their general and federal fund expenditures by approximately $29.8 million, of which $14.8 million is general funds in fiscal 2026. These funds are budgeted within MDH – Office of the Secretary. **DLS recommends reducing this funding contingent on the enactment of legislation delaying contributions beyond fiscal 2026.**

2. Unemployment Insurance

UI provides partial wage replacement to workers who become unemployed through no fault of their own and meet the necessary eligibility criteria. Overall, MD Labor's fiscal 2026 allowance for the Office of Unemployment Insurance increases by $21.8 million to $136.5 million.

Staffing

MD Labor plans to use a mix of regular, contractual, and vendor staff to administer the UI program. The fiscal 2026 allowance includes an additional 125 regular positions in the Office of Unemployment Insurance. These positions are meant to support the transition from a contract call center, operated by Accenture, to in-house support as the contract with Accenture ends on March 15, 2025. In order to handle the claims volume during the pandemic, MD Labor contracted with several vendors for UI call center staffing, adjudicating claims, and dealing with increased fraud. This resulted in a costly contract for MD Labor as the fiscal 2024 appropriation included $26.3 million reserved for this contract. MD Labor's contract for claims adjudication services ended in May 2022, while MD Labor has continued to rely on outsourced call center staffing. MD Labor maintained a contract with Accenture until the end of the first phase of the Labor Omni-Channel Contact Center System (LOCCS), and this contract was extended through March 2025 to allow more time for the transition. The goal of this transition is to end MD Labor's dependency on a costly external vendor and find ways to increase efficiency by using agency staff. **MD Labor should discuss the anticipated impact on costs and service by bringing this function in house.**

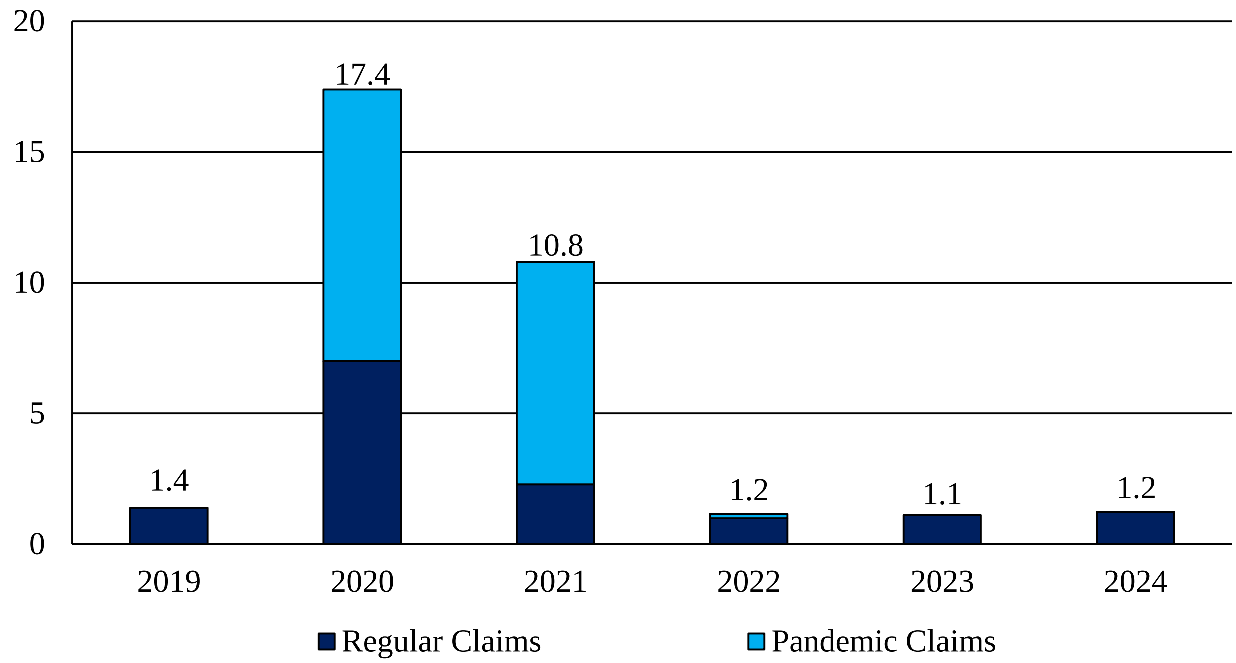
LOCCS

MD Labor selected a vendor for the LOCCS project in September 2023, but subsequently the vendor indicated that it would be unable to meet the established Minority Business Enterprise goal, and MD Labor decided to move forward with an alternative vendor. MD Labor secured an alternative vendor and transitioned into system implementation in January 2025. The fiscal 2026 allowance provides $7 million in federal funds, and previous years also used federal funds. Additional details on the LOCCS project can be found in **Appendix 3**.

Claims Volume Increases Slightly

As shown in **Exhibit 6**, MD Labor handled an unprecedented volume of claims during the COVID-19 pandemic due both to regular claims as well as the major expansion in eligibility from the newly created federal pandemic UI programs. Following the end of the pandemic programs in September 2021 and as the economy improved and more people returned to work, claims volume declined and returned to a level consistent with prepandemic levels. The number of claims increased in calendar 2024 to 1.2 million, from 1.1 million in calendar 2023, the first increase since calendar 2020. However, even with this increase, the number of claims is below the calendar 2019 level.

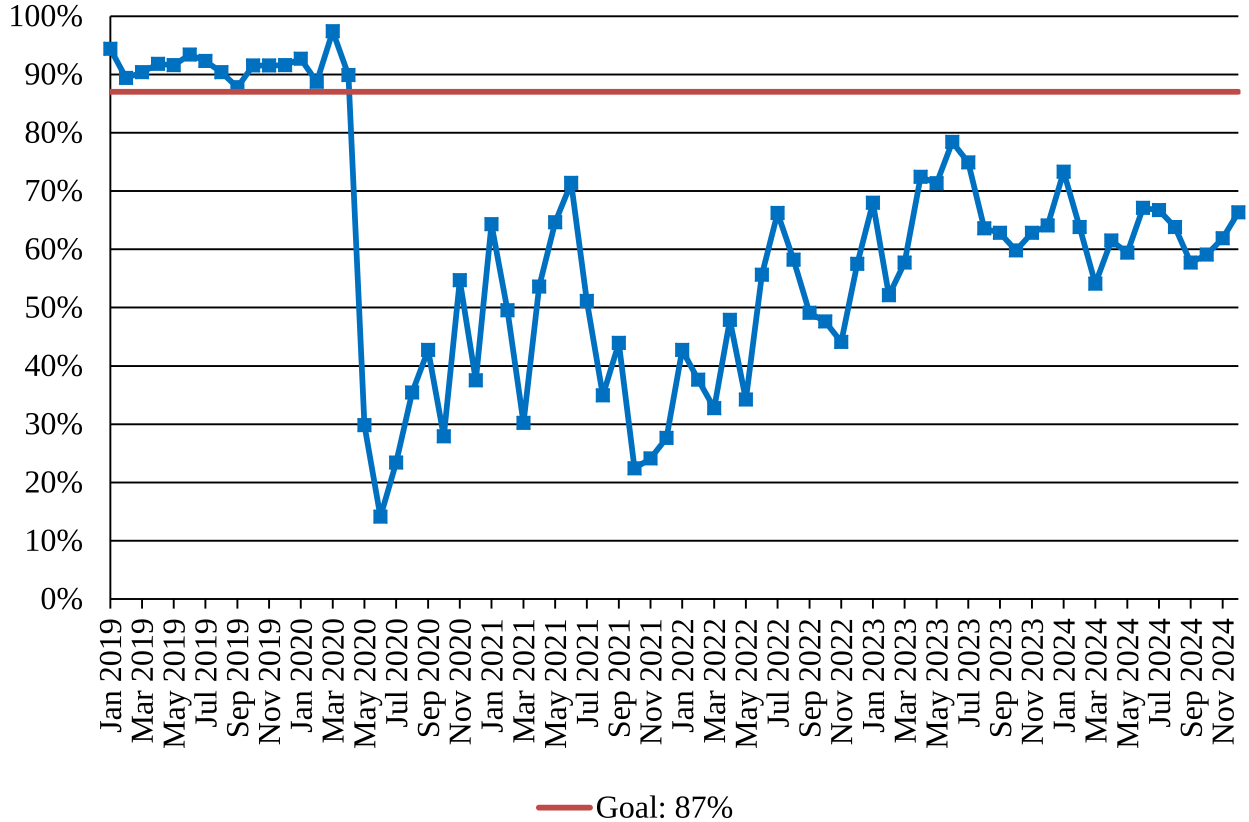
Exhibit 6
Unemployment Insurance Claims Volume
Calendar 2019-2024
(in Millions)



Source: U.S. Department of Labor

Given the high volume of claims during the pandemic, MD Labor struggled to pay benefits to claimants in a timely manner. The U.S. Department of Labor (DOL) has set a timeliness standard that 87% of claimants receive benefits within three weeks of filing an initial claim. As shown in **Exhibit 7**, MD Labor has historically achieved this goal but has fallen far short since the beginning of the pandemic because of the overwhelming number of claims filed. MD Labor continues to perform well below prior levels despite lower claims volume and the end of federal programs with fewer than 73% of initial claims paid within 21 days in each month since January 2024. MD Labor contends that the DOL timeliness data is not reflective of how quickly MD Labor makes initial determinations on claims because, for example, if an individual was initially denied within the three-week timeframe but later won an appeal, this individual would not count in the DOL data as receiving a first payment within three weeks.

Exhibit 7
Unemployment Insurance Claims Paid within 21 Days of Initial Claim
Calendar 2019-2024

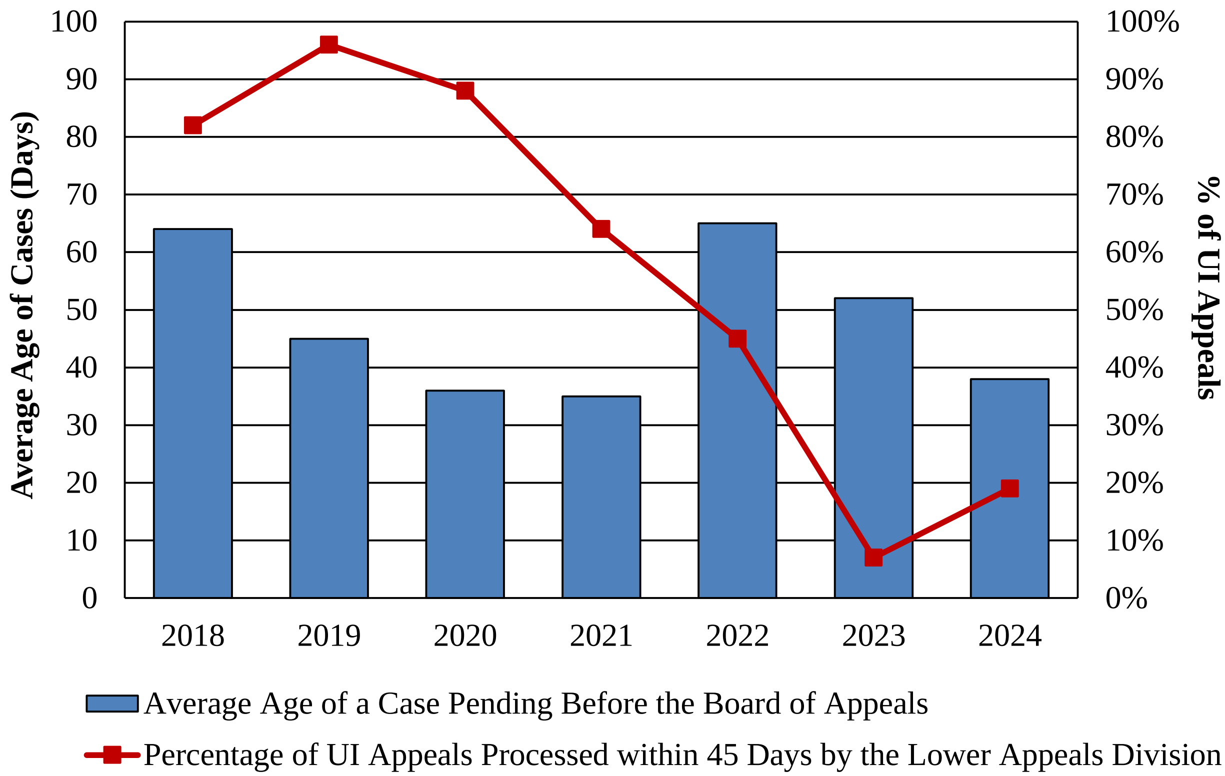


Note: This data is for regular unemployment insurance claims only. Neither the U.S. Department of Labor nor the Maryland Department of Labor report timeliness data for the federal COVID-19 unemployment insurance programs.

Source: U.S. Department of Labor

The timeline to process appeals has also lagged behind established targets. The industry standard for an appeal to be processed by the Lower Appeals Division (LAD) is within 45 days. In the case that a claimant is not satisfied with the decision of LAD, they may request an appeal from the Board of Appeals that has a processing time goal of 40 days. **Exhibit 8** shows that while the Board of Appeals was generally handling appeals cases within the 40-day timeframe in fiscal 2020 and 2021, the appeals backlog grew in fiscal 2022, and there was still an average pending case age of 52 days in fiscal 2023. LAD only processed 7% of appeals cases within its 45-day target in fiscal 2023, a steep decline compared to prior years. In fiscal 2024 there was an increase as 19% of appeals cases were processed within the 45-day target, which was the first increase since fiscal 2019. Additionally, the average age of cases also declined to 38 days in fiscal 2024.

Exhibit 8
Case Processing Time for the Lower Appeals Division and Board of Appeals
Fiscal 2018-2024



UI: unemployment insurance

Source: Governor's Fiscal 2026 Budget Books

DLS recommends adopting committee narrative requesting MD Labor to describe its efforts to reach the 87% goal for UI payments within 21 days and efforts to increase the processing of UI appeals.

Division of Unemployment Insurance Audit

In November 2022, OLA released a fiscal compliance audit for MD Labor's Division of Unemployment Insurance. This audit contained four repeat findings from the previous audit, resulting in the fiscal 2024 budget restricting $100,000 in general funds until corrective action had been taken. OLA submitted a report in May 2024 indicating that corrective actions taken have not been sufficient in resolving the agency's problems, and as a result, the $100,000 was not released to the Division of Unemployment Insurance.

DLS recommends restricting $250,000 in general funds pending resolution of the repeat findings.

3. Maryland Small Business Retirement Savings Board

Created by Chapters 323 and 324 of 2016, the Maryland Small Business Retirement Savings Board (MSBRSB) was created to administer the Maryland Small Business Retirement Savings trust and program, known as MarylandSaves. Launching on September 15, 2022, MarylandSaves provides employers a way to offer retirement plans for their employees. Once an employer signs up and provides information regarding their employees, the employees will automatically be set up with their own Roth Individual Retirement Account. As of January 2025, there are 5,206 total registered employers using MarylandSaves for employee retirement plans. In total, there are 11,498 total savers as of January 2025, an increase of 10,920 from December 2022.

MSBRSB is not a part of MD Labor. However. MD Labor has provided funds to MSBRSB in the form of a loan of $900,000 in fiscal 2024 and 2025. A loan of the same value, $900,000, is again provided to MSRSB in the fiscal 2026 allowance. MD Labor and MSBRSB have entered into a memorandum of understanding that includes repayment requirements should the program generate sufficient funding from both its operation and fee assessment. **MD Labor should provide additional information on loan repayment as well as a timeline of when MSBRSB is expected to repay the loans and if there are any performance-related or other conditions on the loans related to progress towards becoming self-sustaining.**

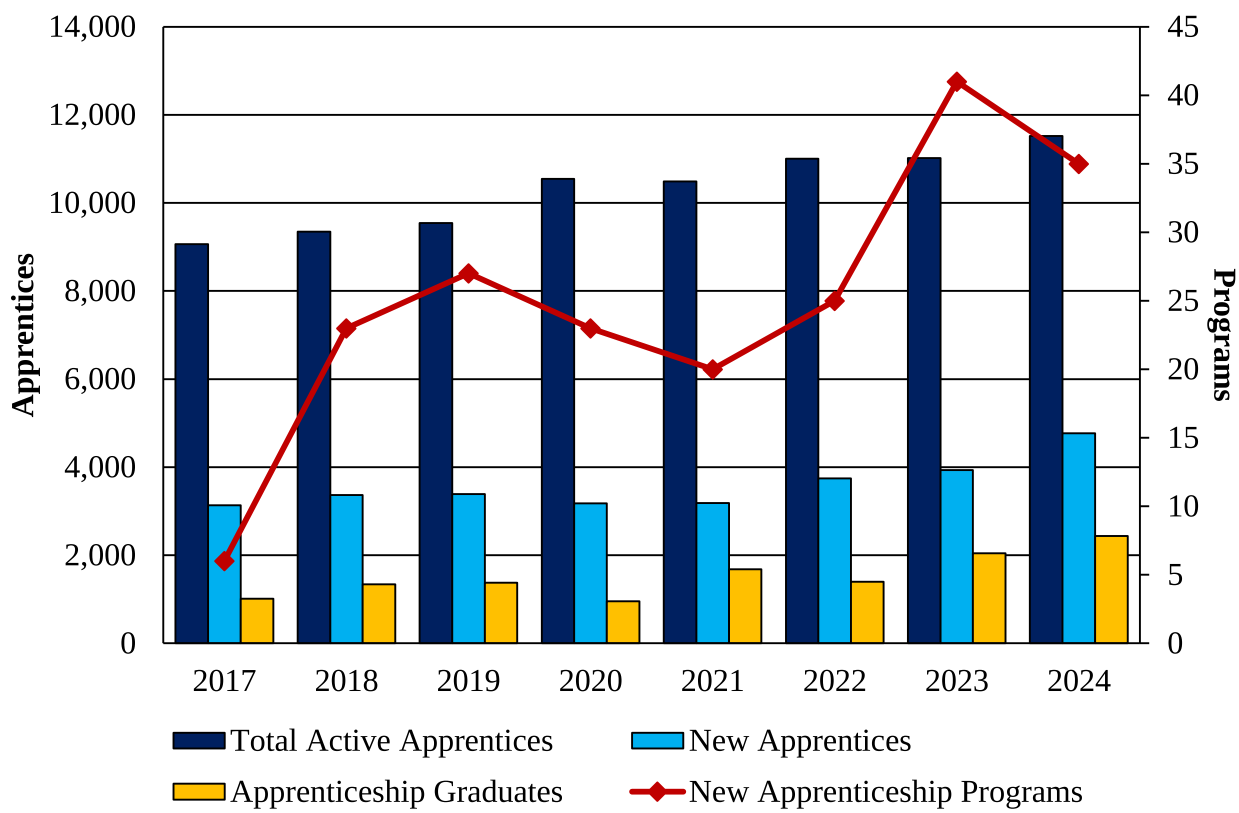
4. Apprenticeships

Apprenticeship programs have garnered attention in recent years as a way to alleviate workforce challenges and serve the needs of a diverse set of employers and workers. MD Labor is responsible for approving new apprenticeship programs as well as changes to current programs and ensuring compliance with State and federal requirements. Apprenticeships are available to individuals aged 16 and older and may 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.

Funding for Maryland's registered apprenticeship programs has increased significantly, and the State has engaged in increased efforts to study and improve the State's apprenticeship system, including through the Apprenticeship 2030 Commission established by Chapter 168 of 2023 as well as public-sector apprenticeship workgroups created through the 2022 *Joint Chairman's Report* (JCR).

Exhibit 9 shows the growth in active apprentices to more than 11,000 in each of fiscal 2022 through 2024. In fiscal 2024, MD Labor reported an increase of 500 active apprentices. The number of new apprentices has increased each year since fiscal 2021. In fiscal 2024, the number of new apprentices increased by 837 to 4,770. Consistent with growth in recent years in the number of active and new apprentices, the number of apprenticeship graduates also increased in fiscal 2023 and 2024. The number of graduates increased by 391 to 2,434 in fiscal 2024. The number of apprenticeship programs increased each year in fiscal 2022 and 2023, however, the number of apprenticeship programs decreased between fiscal 2023 (41) and 2024 (35). Despite the decline, the overall number remains significantly above the level in fiscal 2017 (6) and 2021 (20). The overall growth is due in part to the expansion of the careers in which apprenticeships can be obtained beyond traditional construction trades.

Exhibit 9
Participation in Registered Apprenticeship Programs
Fiscal 2017-2024



Source: Governor's Fiscal 2026 Budget Books

Apprenticeship 2030 Commission

The Apprenticeship 2030 Commission was established by Chapter 168 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 calendar 2030; and
- reaching the Blueprint goal for 45% of high school graduates completing the high school level of a registered apprenticeship.

The commission met 10 times in 2024, and the commission is continuing its work into calendar 2025. The commission is expected to release a report in early calendar 2025 describing the recommendations. As of this writing, the report has not been released, however, in a meeting on December 16, 2024, the commission discussed recommendations including:

- codifying the apprenticeships goal in statute;
- creating a Registered Apprenticeship Board to increase demand for apprentices;
- using State tools to increase apprenticeships;
- marketing apprenticeships, including promoting apprenticeships through local governments and the federal government;
- introducing a new pay per apprentice program and creating a small payroll tax to support the program;
- adjusting the State apprenticeship tax credit;
- maximizing conversion of youth apprenticeships into registered apprenticeships;
- adding exceptions for apprentices to licensed occupations; and
- expanding the role of intermediaries.

Operating Budget Recommended Actions

1. Add the following language to the general fund appropriation:

, provided that since the Maryland Department of Labor (MD Labor) has had four or more repeat audit findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), $250,000 of this agency's administrative appropriation may not be expended unless:

(1) MD Labor has taken corrective action with respect to all repeat audit findings on or before November 1, 2025; and

(2) A report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected.

The budget committees shall have 45 days from the receipt of the report to review and comment to allow for funds to be released prior to the end of fiscal 2026.

Explanation: The Joint Audit and Evaluation Committee (JAEC) has requested that budget bill language be added for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Each agency is to have a portion of its administrative budget withheld pending the adoption of corrective action by the agency and a determination by OLA that each finding was corrected. OLA shall submit a report to the budget committees on the status of repeat findings.

If OLA reports that an agency failed to completely resolve or make adequate progress toward resolving those repeat audit findings, JAEC requests that $250,000 in general funds is withheld from each agency's appropriation in the fiscal year following the OLA report until more satisfactory progress has been made toward resolution of those repeat findings.

Information Request	**Author**	**Due Date**
Status of corrective actions related to the most recent fiscal compliance audit.	OLA	45 days before the release of funds

2. Add the following language to the special fund appropriation:

, provided that the appropriation made for the purpose of the Purse Dedication Account (PDA) shall be reduced by $13,849,244 contingent on the enactment of legislation reducing the share of video lottery terminal proceeds distributed to the PDA from 6% to 5%.

Explanation: This action reduces $13.8 million from the special fund appropriation for the PDA contingent on the enactment of legislation reducing the share of video lottery terminal proceeds distributed to the PDA from 6% to 5%.

3. Add the following language to the special fund appropriation:

<u>, provided that $33,000,000 of this appropriation made for the purpose of the Unemployment Insurance Administrative Expense Fund is contingent on the enactment of legislation establishing an administrative fee for unemployment insurance.</u>

Explanation: This action adds language making the $33.0 million from the new special fund (Unemployment Insurance Administrative Expense Fund) for the Office of Unemployment Insurance contingent on the enactment of legislation establishing the administrative fee.

4. Adopt the following narrative:

Unemployment Insurance (UI) Performance Status: Despite the number of unemployment insurance claims returning to a prepandemic level, the Office of Unemployment Insurance has been unable to reach the 87% goal of providing benefits within 21 days. Between January 2023 and December 2024, the percentage of benefits provided within 21 days has fluctuated between 78.4% to 54.1% and has not returned to prepandemic levels when the goal was consistently met. In addition, the Maryland Department of Labor (MD Labor) has also been dealing with a backlog of appeals, as the percentage of appeals processed within 45 days by the Lower Appeals Division has decreased from 96% in fiscal 2019 to 19% in fiscal 2024. In order to identify the factors impacting the performance of the Office of Unemployment Insurance, the committees request MD Labor submit a report including:

- the reason for the decrease in performance for both the percentage of claims paid within 21 days and the processing of appeals;
- corrective actions that have been or will be taken to address the low percentage of claims paid within 21 days and appeals processed timely;
- a timeline for additional corrective actions; and
- changes as a result of these corrective actions.

Information Request	Author	Due Date
UI benefit payment performance and performance of appeals processing	MD Labor	October 1, 2025

5. Add the following language to the special fund appropriation:

<u>, provided that the appropriation made for the purpose of funding the Family and Medical Leave Insurance Program shall be reduced by $17,631,189 contingent on the enactment of legislation delaying the implementation of the employee and employer contributions beyond fiscal 2026.</u>

Explanation: This language reduces the special fund appropriation in the Family and Medical Leave Insurance (FAMLI) special funds for the FAMLI Program in the Division of Paid Leave, P00J01.01, by $17,631,189 contingent on the enactment of legislation delaying the implementation of the program as the special funds will not be realized and available to support the program if the employee and employer contributions do not begin during fiscal 2026. The remaining special funds in the program will likely require replacement with other fund sources.

		Amount Change	
6.	Reduce special funds in the Division of Paid Leave as the amount included in the fiscal 2026 allowance is greater than is needed to support the implementation of the program.	-$ 15,183,330	SF
	Total Special Fund Net Change	**-$ 15,183,330**	

Budget Reconciliation and Financing Act Recommended Actions

1. Amend a provision to reduce the amount of video lottery terminal proceeds going to the Purse Dedication Account from 6% to 5% with additional revenue going to the General Fund in fiscal 2026 and 2027 and then the Blueprint for Maryland’s Future Fund beginning in fiscal 2028.

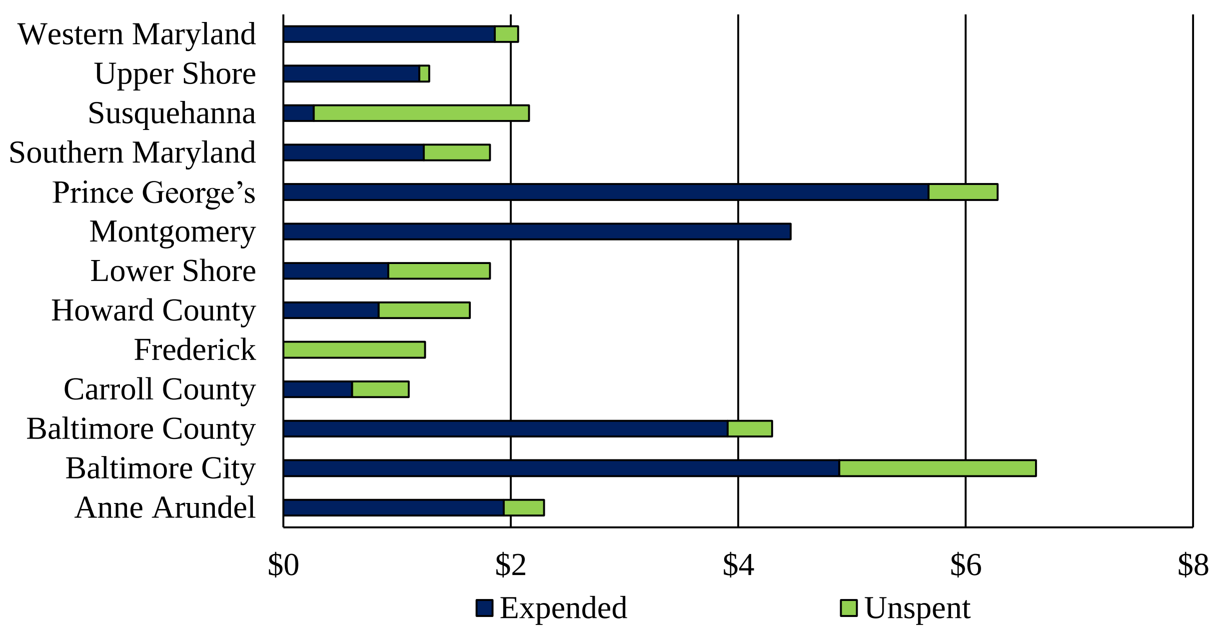
Updates

1. American Rescue Plan Act Funding for Workforce Development

The fiscal 2022 and 2023 budgets provided a total of $75 million in federal funds from the ARPA to supplement regular WIOA program funding. All of the fiscal 2022 funding was distributed to LWAs, according to the same formula as WIOA adult program and dislocated worker funds. The fiscal 2023 funding has been distributed, but a sizable amount remains unspent.

MD Labor reviews quarterly programmatic and fiscal reports submitted by each LWA. **Exhibit 10** shows the progress each LWA has made in expending funds from its ARPA awards as of February 2025. Overall, LWAs have expended $27.8 million, or 75%, of the $37.1 million made available in fiscal 2023. LWAs have until June 2026 to expend these funds.

Exhibit 10
Fiscal 2023 ARPA Workforce Development Expenditures by Local Workforce Area
As of February 2025
($ in Millions)



ARPA: American Rescue Plan Act

Source: Maryland Department of Labor

In general, there are fewer restrictions on the use of ARPA funds when compared to regular funding through the WIOA. In addition to using the funds to provide training, job search assistance, and supportive services, many jurisdictions elected to spend funds on one-time investments, such as mobile career centers or on uses not supported by regular WIOA funding, including offering training outside the regular WIOA training system on in-demand skills such as welding, coding, and biotechnology. LWAs are directing funding to serve populations disproportionately impacted by the pandemic, such as low-income households and individuals that lost jobs due to pandemic closures; to support pandemic-impacted small businesses through wage subsidies; and to provide training in impacted or high-growth sectors such as health care, biotechnology, and information technology. Several LWAs are also using ARPA funds to provide digital literacy training.

Appendix 1
2024 *Joint Chairmen's Report* Responses from Agency

The 2024 JCR requested that MD Labor prepare two reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Study on Advanced Skills-based Hiring:*** The budget committees have requested that GWDB, with the consultation of MD Labor, conduct a study on advancing skills-driven education and training. This report is required to be submitted on July 1, 2025.

- ***Prison to Honest Jobs Study:*** The committees requested MD Labor to study incarcerated individual education, job training, and in-prison job and reentry programs. In order to track their progress, the committees had requested MD Labor to submit an interim report by December 1, 2024. MD Labor submitted the report on February 17, 2025. The interim report contains participation rates on current job training and education programs, incarcerated individual employment, the number of incarcerated individuals who gained employment immediately after release, and opportunities to increase job opportunities while incarcerated.

Appendix 2
Office of Financial Regulation
Audit Findings

Audit Period for Last Audit:	January 3, 2020-January 15, 2024
Issue Date:	September 2024
Number of Findings:	1
Number of Repeat Findings:	1
% of Repeat Findings:	100%
Rating: (if applicable)	n/a

Finding 1: **The Office of Financial Regulation did not have procedures for supervisory reviews of business license renewals to ensure that only qualified applicants had their licenses renewed.**

Appendix 3

Labor Omni-Channel Contact Center System

Major Information Technology Development Project
Maryland Department of Labor

New/Ongoing: Ongoing								
Start Date: October 2021				**Est. Completion Date:** June 2027				
Implementation Strategy: Agile								
($ in Millions)	**Prior Year**	**2025**	**2026**	**2027**	**2028**	**2029**	**Remainder**	**Total**
IT Investment	$0.000	$0.000	$0.050	$0.000	$0.000	$0.000	$0.000	$0.050
FF	6.576	2.764	7.009	0.000	0.000	0.000	0.000	16.349
Total	**$6.576**	**$2.764**	**$7.059**	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$16.399**

- ***Project Summary***: LOCCS is intending to manage call center interactions between UI claimants and Division of Unemployment Insurance staff. The project will deploy a commercial off-the-shelf solution that will provide interactive voice response, workforce optimization, quality management, voice recording, and transcription among other functionalities. The project has three phases: (1) ability to support UI claimants calling the department; (2) adding functionality to support calls for other users, such as employers, as well as handling public-facing emails and webforms; and (3) integration of LOCCS with the BEACON and Salesforce systems.

- ***Need:*** The volume of UI claims during the COVID-19 pandemic stressed MD Labor's existing UI call center beyond what the department could manage, and MD Labor procured outside call center services to handle the increased workload. Once the current contract for outsourced call center services ends, the LOCCS project will provide a modernized and consolidated platform for managing the call center needs of the Division of Unemployment Insurance.

- ***Observations and Milestones:*** A new vendor was procured by December 31, 2024, after the termination of the previous contract. MD Labor began system implementation on January 2, 2025, with the new system implemented in phases. This is expected to last until June 30, 2026.

- ***Concerns*:** MD Labor requires additional staffing to meet demand and plans to hire 125 new employees to handle incoming calls. Organizational culture is also classified as a high concern as staff needs to be educated on the goals and objectives of the new system.

Appendix 4
Electronic Licensing Modernization Project
Major Information Technology Development Project
Maryland Department of Labor

New/Ongoing: Ongoing								
Start Date: September 2022				**Est. Completion Date:** June 2027				
Implementation Strategy: Agile								
($ in Millions)	**Prior Year**	**2025**	**2026**	**2027**	**2028**	**2029**	**Remainder**	**Total**
GF	$3.300	$0.024	$1.350	$3.675	$0.000	$0.000	$0.000	$8.349
Total	**$3.300**	**$0.024**	**$1.350**	**$3.675**	**$0.000**	**$0.000**	**$0.000**	**$8.349**

- ***Project Summary***: The Electronic Licensing Modernization Project will modernize and update both the back- and front-end licensing systems for the Division of Occupational and Professional Licensing in order to streamline office procedures and enhance online services to applicants, licensees, and consumers.

- ***Need:*** The department uses the licensing system to oversee 26 licensing boards and commissions. The current system is outdated, and many system customers use technologies not supported by the legacy system.

- ***Observations and Milestones:*** During fiscal 2025, an Agile Project Manager was procured and conducted discovery via a Platform-as-a-Service (PaaS), or a service that is delivered over the Internet. The project has shifted to a PaaS, as opposed to commercial off-the-shelf software built and maintained by an external party, in order to support mobile access and operations. The project currently remains in the planning phase but is expected to move to the procurement phase on March 1, 2025.

- ***Concerns*****:** Adjustments to budget assumptions to reflect PaaS licensing costs are needed as the procurement of services determines the project’s ability to remain on schedule. The project will need to establish a research pipeline to provide feedback on the capabilities of delivered products.

Appendix 5
Object/Fund Difference Report
Maryland Department of Labor

Object/Fund	FY 24 Actual	FY 25 Working Appropriation	FY 26 Allowance	FY 25 - FY 26 Amount Change	Percent Change
Positions					
01 Regular	1,440.17	1,843.57	1,968.57	125.00	6.8%
02 Contractual	125.16	181.30	144.20	-37.10	-20.5%
Total Positions	**1,565.33**	**2,024.87**	**2,112.77**	**88.90**	**4.4%**
Objects					
01 Salaries and Wages	$ 160,876,018	$ 186,373,094	$ 218,846,528	$ 32,473,434	17.4%
02 Technical and Special Fees	9,509,290	9,903,082	8,946,155	-956,927	-9.7%
03 Communication	2,857,976	4,939,227	4,502,378	-436,849	-8.8%
04 Travel	1,300,334	2,296,014	2,800,755	504,741	22.0%
06 Fuel and Utilities	731,711	893,035	813,241	-79,794	-8.9%
07 Motor Vehicles	464,604	811,884	1,685,115	873,231	107.6%
08 Contractual Services	89,487,267	83,951,638	153,461,428	69,509,790	82.8%
09 Supplies and Materials	1,495,616	2,350,202	3,268,865	918,663	39.1%
10 Equipment – Replacement	571,942	2,111,020	2,193,280	82,260	3.9%
11 Equipment – Additional	8,800,744	469,129	436,649	-32,480	-6.9%
12 Grants, Subsidies, and Contributions	320,522,932	303,154,729	318,754,719	15,599,990	5.1%
13 Fixed Charges	6,019,114	7,014,366	7,553,776	539,410	7.7%
14 Land and Structures	31,120	0	0	0	0.0%
Total Objects	**$ 602,668,668**	**$ 604,267,420**	**$ 723,262,889**	**$ 118,995,469**	**19.7%**
Funds					
01 General Fund	$ 62,129,789	$ 82,053,324	$ 81,225,608	-$ 827,716	-1.0%
03 Special Fund	300,184,709	261,061,082	370,980,511	109,919,429	42.1%
05 Federal Fund	232,074,671	251,550,003	258,309,957	6,759,954	2.7%
09 Reimbursable Fund	8,279,499	9,603,011	12,746,813	3,143,802	32.7%
Total Funds	**$ 602,668,668**	**$ 604,267,420**	**$ 723,262,889**	**$ 118,995,469**	**19.7%**

Note: The fiscal 2025 appropriation does not include deficiencies, planned reversions, and contingent reductions. The fiscal 2026 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management..

Appendix 6
Fiscal Summary
Maryland Department of Labor

Program/Unit	FY 24 Actual	FY 25 Wrk Approp	FY 26 Allowance	Change	FY 25 - FY 26 % Change
01 Executive Direction	$ 19,342,177	$ 25,380,998	$ 25,697,228	$ 316,230	1.2%
02 Program Analysis and Audit	492,550	550,840	572,203	21,363	3.9%
05 Legal Services	3,411,691	4,778,457	5,074,119	295,662	6.2%
08 Office of Fair Practices	551,695	618,639	634,986	16,347	2.6%
09 Governor’s Workforce Development Board	1,539,876	2,442,857	2,677,677	234,820	9.6%
11 Appeals	1,599,079	2,060,596	2,095,176	34,580	1.7%
12 Lower Appeals	4,698,049	5,483,398	5,535,815	52,417	1.0%
01 Office of Administration	9,228,507	8,903,844	9,891,139	987,295	11.1%
04 Office of General Services	18,261,650	7,049,611	7,512,839	463,228	6.6%
05 Office of Information Technology	5,154,624	5,372,804	6,224,104	851,300	15.8%
02 Financial Regulation	13,583,264	17,324,771	19,538,985	2,214,214	12.8%
01 General Administration	1,320,596	1,964,372	1,753,012	-211,360	-10.8%
02 Employment Standards	2,221,973	3,233,448	3,412,112	178,664	5.5%
03 Railroad Safety and Health	334,536	470,850	487,067	16,217	3.4%
05 Safety Inspection	6,369,077	7,210,947	6,819,825	-391,122	-5.4%
07 Prevailing Wage	919,005	966,899	1,724,573	757,674	78.4%
08 Occupational Safety and Health Administration	12,111,693	12,031,527	13,042,981	1,011,454	8.4%
09 Building Codes Unit	477,771	670,434	1,727,759	1,057,325	157.7%
02 Maryland Racing Commission	79,559,753	81,031,538	84,467,290	3,435,752	4.2%
03 Racetrack Operation	3,177,232	3,635,647	3,557,803	-77,844	-2.1%
05 Maryland Facility Redevelopment Program	16,070,882	13,271,691	18,349,244	5,077,553	38.3%
06 Share of Video Lottery Terminal Revenue for	105,068,274	106,823,201	108,436,915	1,613,714	1.5%
01 Occupational and Professional Licensing	11,521,587	13,696,218	15,274,227	1,578,009	11.5%
01 Office of the Assistant Secretary	35,739,669	0	0	0	0%
07 Workforce Development Program	92,212,828	97,290,936	102,875,491	5,584,555	5.7%
12 Adult Education and Literacy Program	2,235,463	3,192,977	3,257,323	64,346	2.0%
13 Adult Corrections Program	23,975,882	25,704,051	26,538,104	834,053	3.2%
14 Aid to Education	17,430,736	17,821,855	17,821,855	0	0%

15 Cyber Maryland Program	0	0	3,099,000	3,099,000	0%
01 Office of Unemployment Insurance	109,137,608	95,706,601	136,549,258	40,842,657	42.7%
02 Major Information Technology Development	0	2,632,264	7,009,198	4,376,934	166.3%
01 Division of Paid Leave	4,920,941	36,945,149	81,605,581	44,660,432	120.9%
Total Expenditures	**$ 602,668,668**	**$ 604,267,420**	**$ 723,262,889**	**$ 118,995,469**	**19.7%**
General Fund	$ 62,129,789	$ 82,053,324	$ 81,225,608	-$ 827,716	-1.0%
Special Fund	300,184,709	261,061,082	370,980,511	109,919,429	42.1%
Federal Fund	232,074,671	251,550,003	258,309,957	6,759,954	2.7%
Total Appropriations	**$ 594,389,169**	**$ 594,664,409**	**$ 710,516,076**	**$ 115,851,667**	**19.5%**
Reimbursable Fund	$ 8,279,499	$ 9,603,011	$ 12,746,813	$ 3,143,802	32.7%
Total Funds	**$ 602,668,668**	**$ 604,267,420**	**$ 723,262,889**	**$ 118,995,469**	**19.7%**

Note: The fiscal 2025 appropriation does not include deficiencies, planned reversions, or contingent reductions. The fiscal 2026 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.