

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 431
 Finance

(The President, *et al.*) (By Request - Administration)

Economic Matters

Registered Apprenticeship Investments for a Stronger Economy (RAISE) Act

This Administration bill establishes (1) the Maryland Office of Registered Apprenticeship Development (MORAD) within the Maryland Apprenticeship and Training Program (MATP) of the Maryland Department of Labor (MD Labor); (2) the Registered Apprenticeship Qualified Intermediary Program (RAQI); (3) the Maryland Pay Per Apprentice Program (MPPA) and associated special fund; and (4) the Registered Apprenticeship Development Advisory Board. The Governor *must* include in the annual budget bill an appropriation sufficient to cover the administrative costs for MORAD and, in fiscal 2027 through 2030, *may* include an appropriation for the MPPA fund. The bill also (1) establishes a one-to-one ratio of journeyworkers to apprentices and requires the Maryland Apprenticeship and Training Council (MATC) to review and recommend deviations; (2) repeals the Youth Apprenticeship Advisory Committee; and (3) alters apprenticeship reporting requirements.

Fiscal Summary

State Effect: General fund expenditures increase by \$1.5 million in FY 2026 for staffing; out-years reflect annualization and inflation. General fund expenditures and special fund revenues and expenditures increase by an indeterminate, but likely significant amount in FY 2027 through 2030 to award grants under MPPA, as discussed below. General fund revenues increase minimally from interest earnings of the new special fund through FY 2028. **This bill establishes a mandated appropriation for FY 2027 through 2030.**

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Revenue	-	-	-	\$0	\$0
SF Revenue	\$0	-	-	-	-
GF Expenditure	\$1,500,000	\$1,517,400	\$1,584,700	\$1,655,200	\$1,725,900
SF Expenditure	\$0	-	-	-	-
Net Effect	(\$1,500,000)	-	-	-	-

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

Local Effect: Minimal, to the extent local governments apply for and receive grants.

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

Analysis

Bill Summary:

Maryland Office of Registered Apprenticeship Development

The purpose of MORAD is to scale registered apprenticeships across industries and occupations to meet the needs of the State's economy.

Registered Apprenticeship Qualified Intermediary Program

The bill establishes RAQI within the MATP of the Division of Workforce Development and Adult Learning (DWDAL). A "qualified intermediary" is an entity that demonstrates expertise in (1) connecting sponsors, employers, or potential apprenticeship program participants with registered apprenticeship programs; (2) convening stakeholders to develop registered apprenticeship programs; and (3) other key functions, as determined by MD Labor.

The program reports to the director of MATP who must, in consultation with the Secretary of Labor, the Governor's Workforce Development Board, the Registered Apprenticeship Development Advisory Board, and the Department of Commerce, develop the program. The program must increase awareness of registered apprenticeship programs through industry outreach, connect employers and labor organizations with workforce and education partners, and provide technical assistance to launch and expand registered apprenticeship programs with a focus on nontraditional sectors. MPPA must include a process for monitoring and evaluating the program. The Secretary of Labor may use grants or procurement, among other strategies, to advance and accomplish the goals of the program.

Maryland Pay Per Apprenticeship Program and Fund

The purposes of the MPPA program are to (1) develop a well-trained, productive workforce that meets the needs of the State's economy and (2) help employers and registered apprenticeship sponsors offset costs, including recruitment, education, training, and

accommodations for disabilities that are associated with hiring newly registered apprentices.

MD Labor must administer MPPA, may adopt regulations to carry out the program and administer the fund, and must establish (1) requirements for incentive applications; (2) review and awarding processes; (3) maximum award eligibility per newly registered apprentice, subject to fund availability; (4) the maximum amount of incentives an eligible employer or sponsor may receive each year; and (5) a process for monitoring and evaluating outcomes, assessing compliance, and taking corrective action, including requiring reimbursement of incentives should an employer or sponsor fail to meet the requirements of the program.

The MPPA fund is a special, nonlapsing fund administered by the Secretary of Labor. The fund consists of money appropriated to the fund in accordance with the bill's mandated appropriation, money collected due to noncompliance with program requirements, interest earnings of the fund, and any other money from any other source accepted for the benefit of the fund. The fund may be used only for providing incentives under the MPPA program and for administrative expenses related to the program.

An employer (an individual or organization located or operating in the State) or sponsor (an individual, association, committee, organization, intermediary, or employer, as specified) may apply for only one grant for a newly registered apprentice who has been employed for at least seven months and is within the initial year of employment with the applicant. An employer or sponsor may be awarded only one grant for each newly registered apprentice per year. An employer or sponsor awarded a grant must attest to its intent to retain an apprentice through the duration of the full apprenticeship and after completion of the apprenticeship, unless an apprentice leaves on the apprentice's own accord or has been dismissed for cause. If an incentive is awarded to an employer or a sponsor on behalf of a newly registered apprentice, another employer or sponsor may not apply for an incentive under MPPA for the same newly registered apprentice.

Registered Apprenticeship Development Advisory Board

The purpose of the Registered Apprenticeship Development and Advisory Board is to advise MORAD on the strategy to achieve its mission of expanding registered apprenticeship opportunities in the State. The board must consult with MORAD regularly about developing strategy and reviewing outcomes for apprenticeships, provide advice on programs operated by MORAD, evaluate MORAD, and report the results of its evaluation to the Governor and General Assembly annually beginning December 1, 2025.

Members of the board may not receive compensation but are entitled to reimbursement for expenses under the standard State travel regulations, as provided in the State budget.

Members serve for a term of four years until a successor is appointed and qualifies. The terms of members are staggered such that, of the initial members, (1) the terms of two members, neither of whom is the chair, must expire on September 30, 2027; (2) the term of the chair must expire on September 30, 2028; and (3) the term of two members neither of whom is the chair must expire September 30, 2029.

Apprenticeship Ratios

Under the bill, MATC must require a minimum ratio of one journeyworker regularly employed to one apprentice, consistent with proper supervision, training, and continuity of employment and applicable provisions in collective bargaining agreements. MATC must, at the time of or subsequent to registration, recommend a deviation from the minimum ratio requirement for all occupations that are defined by the Secretary of Labor as nonhazardous to workers and members of the public. For all other occupations, MATC must only consider formal written requests for deviations. The apprenticeship ratio provisions must be construed to apply retroactively and must be applied to and interpreted to affect only registered apprenticeship programs initially approved by MD Labor on or after January 1, 2023.

Other Reporting Requirements

The bill updates DWDAL's annual reporting requirements. The reports must be submitted annually by December 31, instead of June 30. The bill also expands the scope of the report by requiring information from the preceding five calendar years (instead of the previous calendar year) and information on (1) the number of qualified intermediaries registered in RAQI; (2) the number of approved grants and procurements awarded by the Secretary of Labor under RAQI; (3) the number of newly registered apprentices and newly registered apprenticeship programs resulting from RAQI; (4) the number and value of the incentives awarded under MPPA; (5) worker outcomes for each registered apprenticeship program, as specified; and (6) any corrective action, including requiring reimbursement of incentives, for failure to meet the requirements of MPPA. Under the bill, DWDAL no longer must sort the information in the report by apprenticeship program.

Current Law/Background: The **Appendix – Apprenticeship** provides an overview of apprenticeship programs in Maryland.

Apprenticeship Ratios

Chapters 307 and 308 of 2024 required MD Labor to submit a report to the General Assembly that analyzes the apprenticeship mentoring ratios for all nontraditional apprenticeable occupations in the State. The final [report](#) includes a nonhazardous occupations list, which MD Labor advises will continue to be maintained and updated as circumstances change.

Maryland Apprenticeship and Training Program

DWDAL oversees [MATP](#), which is a model of job preparation that combines paid on-the-job learning with related instruction to progressively increase workers' skill levels and wages. MD Labor advises this model provides an effective way for employers to recruit, train, and retain highly skilled workers.

Youth Apprenticeship Advisory Committee

Chapter 646 of 2014 established the Youth Apprenticeship Advisory Committee to evaluate the effectiveness of existing high school youth apprenticeship programs in the State, other states, and other countries based on a systematic review of data. The committee must review and identify (1) ways to implement high school youth apprenticeship programs in the State and (2) means through which employers and organizations can obtain grants, tax credits, and other subsidies to support establishment and operation of high school youth apprenticeship programs. The Youth Apprenticeship Advisory Committee must set targets for the number of apprenticeship opportunities for youth that the State should reach over the next three years.

Apprenticeship Tax Credit

Chapter 149 of 2017 established the apprenticeship income tax credit under the More Jobs for Marylanders Act, with a termination date of June 30, 2020. Chapter 643 of 2020 extended the termination date of the tax credit to June 30, 2025, modified the eligibility requirements and increased the tax credit amount, and established the Apprenticeship Tax Credit Reserve Fund. The program is not applicable to tax years 2025 and beyond.

An eligible apprentice is an individual in an apprenticeship program registered with MATC that meets specified requirements. The eligible apprentice must have been employed by the taxpayer for at least 450 hours of the taxable year through a youth apprenticeship program or been employed by the taxpayer for at least seven full months of the taxable year and receive an apprenticeship wage of at least 50% of the prevailing wage if there is an applicable prevailing wage rate.

With respect to the first five eligible apprentices for whom the taxpayer claims the credit, the credit is \$1,000 for each apprentice in a youth apprenticeship program and \$3,000 for each eligible apprentice if the eligible apprentice is not employed through a youth apprenticeship program. Otherwise, the credit is \$1,000 for each eligible apprentice. MD Labor may not certify more than \$15,000 of tax credits in a taxable year for any taxpayer and tax credit applications are approved on a first-come, first-served basis.

The Governor must include in the annual budget bill an appropriation to the Apprenticeship Tax Credit Reserve Fund, and the amount of credits that MD Labor can award each year cannot exceed the amount appropriated to the fund.

State Fiscal Effect: MATC can review and adjust apprenticeship ratios with existing resources. MD Labor can support the Registered Apprenticeship Development Advisory Board as necessary with existing resources. Repealing the Youth Apprenticeship Advisory Committee has no material effect on State finances.

Administrative Expenditures

MD Labor advises that, although there are existing staff within MATP paid through a combination of federal and Apprenticeship and Training Fund funds, MD Labor does not expect such funding to continue to be available beyond FY 2025. Therefore, MD Labor anticipates significant administrative expenditures to support MORAD. MD Labor also advises that \$1.5 million in general funds has been included in the agency’s fiscal 2026 operating budget for the administrative costs associated with MORAD. This analysis assumes that at least \$1.5 million is appropriated annually beginning in fiscal 2026 (as discussed further below) to fulfil the bill’s mandate for an appropriation sufficient to cover the administrative costs for MORAD.

MD Labor further advises that it can administer MPPA and RAQI with existing resources. To the extent that the MPPA program does require additional staffing and related expenditures, administrative costs are an authorized expenditure for the MPPA fund under the bill and are assumed to be sufficient to cover any additional support required (with corresponding reductions in the amounts available for program grants each year).

General fund expenditures therefore increase by \$1.5 million in fiscal 2026, which accounts for the bill’s October 1, 2025 effective date. This estimate reflects the cost of hiring 14 Apprenticeship Navigators to market and develop new registered apprenticeship opportunities and track the results of such apprenticeships under MORAD. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. This estimate also includes additional operating expenses for MORAD for travel, technology and additional equipment, bringing total combined expenditures to \$1.5 million in fiscal 2026.

Positions	14.0
Salaries and Fringe Benefits	\$1,167,416
Travel and Technology	229,421
Other Operating Expenses	<u>103,163</u>
FY 2026 MD Labor Staffing Expenditures	\$1,500,000

These costs are budgeted in fiscal 2026; future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Grant and Programmatic Expenditures

General fund expenditures and MPPA special fund revenues and expenditures increase by an indeterminate, but potentially significant, amount in fiscal 2027 through fiscal 2030 for MPPA to disburse grants to support registered apprenticeships. Exact funding is as provided in the State budget each fiscal year. Nevertheless, MD Labor advises \$5.0 million annually through fiscal 2030 would be sufficient to achieve the program's goals. As noted above, MD Labor does not anticipate using any of these funds for administrative costs, although the bill authorizes such uses. To the extent such funds are included in the State budget in fiscal 2027 through 2030 and to the extent MD Labor elects to use MPPA funds for administrative costs, total funding is not affected but fewer funds are available for grants.

The fiscal 2023 operating budget appropriated \$25 million to the Dedicated Purpose Account (DPA) for registered apprenticeships, which remains unspent. In fiscal 2026, MD Labor advises that the agency plans to use \$10.0 million in funds from DPA available for apprenticeship initiatives to make grants under MPPA and RAQI (\$5.0 million in grants for each program). MD Labor further advises that, pending legislative decisions, the agency also plans to use another \$10.0 million from DPA in fiscal 2027, leaving \$5.0 million in DPA for future, unspecified uses. As such funding is discretionary and not contingent on the bill, these amounts are not included in this analysis; nonetheless, this analysis anticipates MD Labor will award a combined \$10 million in grants under MPPA and RAQI in each of fiscal 2026 and 2027. **Exhibit 1** shows total assumed funding by source for RAQI and MPPA for fiscal 2026 through 2030.

Beyond fiscal 2027 and after exhausting DPA funds, RAQI has no dedicated funding sources. MD Labor advises that it instead will use other strategies (besides grants) authorized by the bill, including using existing contracts or other resources to increase awareness, connect workers, and provide technical assistance. DLS notes that, as discussed above, \$5.0 million will remain in DPA for apprenticeship programs that could be accessed by MD Labor to support further RAQI activities. Any such expenditures are discretionary and not reflected in this analysis. Otherwise, RAQI does not affect State expenditures beyond fiscal 2027.

To the extent DPA funds are not available in fiscal 2026, additional general fund expenditures may be incurred to make grants available under MPPA and RAQI in fiscal 2026. Alternatively, implementation of MPPA may be delayed until fiscal 2027

when discretionary funding may become available, and RAQI may operate using only other strategies as authorized by the bill beginning in fiscal 2026.

Exhibit 1
Expected Grant Expenditures by Fund Source
(\$ in Millions)
Fiscal 2026-2030

	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
MPPA Program					
<i>General Funds (discretionary)</i>		-	-	-	-
<i>DPA Funds</i>	\$5.0	\$5.0*	\$0.0	\$0.0	\$0.0
RAQI Program					
<i>DPA Funds</i>	\$5.0	\$5.0*	\$0.0	\$0.0	\$0.0
Total Expected Grant Expenditures:	\$10.0	\$10.0	-	-	-

DPA: Dedicated Purpose Account

MPPA: Maryland Pay Per Apprenticeship

RAQI: Registered Apprenticeship Qualified Intermediary

* Pending legislative decisions.

Note: - = indeterminate amount

Source: Maryland Department of Labor, Department of Legislative Services

Special Fund Interest Earnings

Although the bill indicates that interest earnings of the MPPA Fund remain in the fund, the bill does not amend Section 8 of Chapter 717 of 2024 (the Budget Reconciliation and Financing Act of 2024), which requires, notwithstanding any other provision of law, that interest earnings from special funds (with certain exceptions) accrue to the general fund from fiscal 2024 through 2028. Thus, general fund revenues increase minimally from interest earnings of the MPPA special fund through fiscal 2028. Under current law, the MPPA fund retains interest earnings beginning in fiscal 2029.

Additional Comments: The bill requires the Registered Apprenticeship Development Advisory Board to submit an initial evaluation of MORAD by December 1, 2025. However, the bill’s October 1, 2025 effective date leaves just two months to complete the evaluation. This timeline for an initial evaluation is likely challenging given the time needed to establish both MORAD and the board.

Additional Information

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

Designated Cross File: HB 501 (The Speaker, *et al.*) (By Request - Administration) - Economic Matters.

Information Source(s): Department of Commerce; Maryland State Treasurer's Office; Maryland State Department of Education; Department of Budget and Management; Department of Juvenile Services; Maryland Department of Labor; Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2025
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Appendix – Apprenticeship

Generally, apprenticeship is a voluntary, industry-sponsored system that prepares individuals for occupations typically requiring high-level skills and related technical knowledge. Apprenticeships are sponsored by one or more employers or jointly by a labor-management committee. An apprentice receives supervised, structured, on-the-job training under the direction of a skilled journeyman and related technical instruction in a specific occupation. Apprenticeships are designed to meet the workforce needs of the program sponsor. Many industry sponsors use apprenticeship as a method to train employees in the knowledge necessary to become a skilled worker. This also means the number of apprenticeships available is dependent on the current workforce needs of the industry and the capacity and willingness of employers or employer groups to supervise them.

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

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

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

At the end of 2023, there were 11,271 apprentices registered in 124 different occupations. There were 2,016 Certificates of Completion for apprentices in 2023. The State added 41 new apprenticeship programs in 2023. The diversity of Maryland's apprenticeship system has also increased since the transfer of the program to DWDAL in 2016. The percentage of minority apprentices increased from 36% in November 2016 to 43% in December 2023. Likewise, the percentage of female apprentices increased from 3.7% in November 2016 to 7.6% in December 2023.

In addition to registered apprenticeship, MD Labor, in collaboration with the Maryland State Department of Education, also operates a parallel youth apprenticeship program aimed at connecting students to paid employment and training opportunities called the Apprenticeship Maryland Program. As of May 2024, there were 1,045 active youth apprenticeships participating in the program.

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

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

The Apprenticeship 2030 Commission met 4 times in 2023 and 10 times in 2024 and published the [Interim Report of the Apprenticeship 2030 Commission](#). A final report is expected during calendar 2025.

In response to Chapters 307 and 308 of 2024, MD Labor released a report on analyzing the apprenticeship mentoring ratio for all nontraditional apprenticeable occupations in the State. The [report](#) indicates that, for fiscal 2024, there were approximately 694 apprentices employed by 119 employers in nontraditional apprenticeships (those outside the traditional building trades).

The 2022 *Joint Chairmen's Report* (JCR) outlined concerns with workforce shortages among government employees in the public safety, health, and transportation sectors. The report directed MD Labor to convene workgroups to study and report on the short-term and long-term needs in each respective sector, as specified. Pursuant to the 2022 JCR, MD Labor released reports from a [Healthcare Apprenticeship Workgroup](#), [Transportation Apprenticeship Workgroup](#), and [Public Safety Apprenticeship Workgroup](#).

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Registered Apprenticeship Investments for a Stronger Economy (RAISE) Act

BILL NUMBER: SB 431

PREPARED BY: Brad Fallon

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The RAISE Act provides direct financial incentives to businesses to encourage them to utilize the Maryland Registered Apprenticeship model to develop their workforce. Together, the Maryland Apprenticeship Incentive Program and the Registered Apprenticeship Qualified Intermediary Program will direct \$10 million in FY2026 towards businesses for these purposes.

Additionally, the policy changes made to the Registered Apprenticeship program and pathways to licensure will help small businesses develop and access a skilled workforce.