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FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1165

(Delegate Williams)

Government, Labor, and Elections

Budget and Taxation

State Procurement - Apprenticeship Program Accountability and Completion

This bill requires that any apprenticeship program that provides apprentices for specified contracts and has graduated at least one apprenticeship cohort must have a completion rate of at least 25%, as verified by the Maryland Department of Labor (MD Labor). Contractors that opt to make payments to a registered apprenticeship program in lieu of participating in an apprenticeship program under current law must make the payments to an apprenticeship program that meets the same criteria. The bill also requires contractors awarded a “covered procurement” to use a registered apprenticeship program *only if* the contract has an estimated total dollar value of \$1.0 million.

Fiscal Summary

State Effect: Special fund revenues increase beginning in FY 2027 to the extent that more contractors pay into the State Apprenticeship Training Fund (SATF) as an alternative to using an apprenticeship program, but a reliable estimate is not feasible. The bill may reduce the number of bidders and offerors on specified contracts, which may cause the cost of those projects to increase, but a reliable estimate of any such effect is not feasible. State agencies can implement the bill with existing resources.

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

Small Business Effect: Minimal.

Analysis

Bill Summary:

Definitions

“Apprenticeship cohort” means a group of apprentices registered with a specific apprenticeship program during a one-year period, excluding any apprentices terminated during their probationary period. “Completion rate” means (1) for group nonjoint apprenticeship programs, the percentage of an apprenticeship cohort *per employer* that receives a certificate of apprenticeship completion within one year after the projected completion date and (2) for group joint, individual nonjoint, individual joint, and waiver apprenticeship programs, the percentage of an apprenticeship cohort *for the program* that receives a certificate of apprenticeship completion within one year after the projected completion date.

“Group joint apprenticeship program” means an apprenticeship program that has a committee, composed of an equal number of representatives of employers and employees, that has been jointly established by an employer or group of employers and a collective bargaining agent or agents. “Group nonjoint apprenticeship program” means an apprenticeship program sponsored by two or more employers without the participation of a collective bargaining agent. “Individual joint apprenticeship program” means an apprenticeship program sponsored by one employer with the participation of a collective bargaining agent. “Individual nonjoint apprenticeship program” means an apprenticeship program sponsored by one employer without the participation of a collective bargaining agent. “Waiver apprenticeship program” means an apprenticeship program sponsored by an individual or group of employees where the applicable collective bargaining agent waived participation.

Types of Contracts Affected

The following types of contracts that use apprentices from apprenticeship programs registered with and approved by either MD Labor or the U.S. Department of Labor must use apprentices only from programs that have a completion rate of at least 25% if the apprenticeship program has graduated at least one apprenticeship cohort, as verified by MD Labor:

- “covered procurements” that have an estimated total dollar value of \$1.0 million or more and that meet criteria established by the Chief Procurement Officer (CPO) and, for information technology (IT) contracts, the Secretary of Information Technology;

- public work contracts worth \$250,000 or more that are subject to prevailing wage rates;
- public works projects that are valued at \$500,000 or more; and
- capital construction projects that are valued at \$500,000 or more that are funded with at least \$1 million of funds in the State capital budget and are entered into by the recipient of the funding in the State capital budget and a contractor, or the contractor and a subcontractor.

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

State Apprenticeship Training Fund

Chapter 687 of 2009 created the SATF and required contractors on covered public work contracts (those valued at \$500,000 or more) and subcontractors with contracts worth at least \$100,000 to either participate in an apprenticeship training program, make payments to a registered apprenticeship program or to an organization that operates registered programs, or contribute to SATF. Chapter 782 of 2017 extended virtually identical requirements to contracts with a value of at least \$500,000 for capital construction projects that receive at least \$1.0 million from the State’s capital budget (which are not considered public work projects).

The purpose of SATF is to promote preapprenticeship programs and other workforce development programs in the State’s public secondary schools and community colleges and to cover the cost of implementing the bill’s provisions. The programs should prepare students to enter apprenticeship training programs. The fund’s revenues consist of payments made by contractors and penalties collected due to violations.

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

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

Contractors and subcontractors that do not comply must pay into SATF twice the amount of unpaid apprenticeship training contributions required. Willful misrepresentation of prevailing wage records is subject to a civil penalty of \$1,000 for each employee and falsified record. The Secretary of Labor may file suit in any court of competent jurisdiction

to enforce these requirements; contractors or subcontractors must pay reasonable legal fees and court costs associated with a civil action filed by the Secretary.

Covered Procurements

Chapter 601 of 2025 defined a “covered procurement” as a procurement contract that (1) meets criteria required to be established in regulations by CPO, in consultation with the Secretary of Labor and, for specified IT contracts, the Secretary of Information Technology and (2) is not a public work contract. Contractors awarded a covered procurement must use a registered apprenticeship program. As of the printing of this fiscal and policy note, CPO has not promulgated regulations specifying what constitutes a covered procurement.

A contractor that submits a bid or proposal for a covered procurement must provide a unit with written verification of (1) the number of apprentices that will be used throughout the contract term, including potential renewal options; (2) the work to be performed by apprentices in their respective programs; and (3) the duration of the apprenticeship. This verification must be provided before a contractor can be awarded a contract for a covered procurement. The Secretary of Labor (1) is responsible for compliance with these requirements; (2) must establish criteria to help units ensure compliance by their contractors; and (3) may file suit to enforce these requirements. A contractor that fails to use apprentices under a covered procurement is subject to a fine to be determined according to criteria established by the Secretary of Labor. Penalties collected are payable to SATF.

State Fiscal Effect: MD Labor advises that it does not currently calculate completion rates for registered apprenticeship programs, but that it can do so with existing resources.

State Apprenticeship Training Fund

The requirement that apprenticeship training programs have a 25% completion rate likely limits the number of such programs that can provide apprentices to, or receive payments from, affected State contracts. As a result, contractors on prevailing wage projects that would otherwise use an apprenticeship program or make a payment to a registered apprenticeship program may instead contribute to SATF. Therefore, SATF revenues increase beginning in fiscal 2027 to the extent that contractors decide to pay into the fund as an alternative to using an apprenticeship program or making payments to an apprenticeship program. A reliable estimate of this effect is not feasible without knowing what choice contractors might make in response to the bill.

Project Costs

Requirements on which apprenticeship programs contractors can use may result in some contractors deciding not to bid on a contract if the apprenticeship program they have used

in the past does not meet the requirements. This could limit competition, which may lead to higher costs for projects for the State beginning in fiscal 2027. However, the option for contractors to make payments to an apprenticeship program or pay into SATF as an alternative to using an apprenticeship program likely mitigates this effect. A reliable estimate of this effect is not feasible without knowing what choice contractors might make in response to the bill.

Local Expenditures: Local governments that manage public work projects can likely implement the bill’s requirements with existing resources. As with the State, the bill may reduce competition for local public work projects, potentially increasing their costs, but the alternative options of making payments to an apprenticeship program or SATF mitigate this effect.

Additional Information

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

Designated Cross File: SB 673 (Senator A. Washington) - Budget and Taxation.

Information Source(s): Department of General Services; Maryland Department of Labor; Department of Legislative Services

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Appendix – Apprenticeship

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

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

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

Along with [more than half of other states and the District of Columbia](#), Maryland has chosen to operate its own apprenticeship programs under the federal law. The Division of Workforce Development and Adult Learning (DWDAL) within the Maryland Department of Labor (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. Additionally, Chapter 2 of 2025 (discussed further below) established the Maryland Office of Registered Apprenticeship Development (MORAD) within DWDAL's Maryland

Apprenticeship and Training Program (MATP) for the purpose of scaling registered apprenticeships across industries and occupations to meet the needs of the State's economy.

According to MD Labor and as of September 2025, the total number of registered apprenticeships in Maryland is over 13,000, with over 1,400 apprentices graduating from their programs during 2025.

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.

Apprenticeship 2030 Commission

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

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

The Apprenticeship 2030 Commission met four times in 2023, ten times in 2024, and once in 2025 and published [interim](#) and [final](#) reports January 2024 and March 2025, respectively. Additionally, the University of Baltimore Schafer Center, as part of its contract to provide support staff to the commission, undertook a [Survey of Employers and Labor Unions](#) and published findings on the prevalence of, barriers to, and benefits of apprenticeships in February 2025.

Registered Apprenticeship Investments for a Stronger Economy (RAISE) Act

Chapter 2, the RAISE Act, operationalized multiple recommendations from the Apprenticeship 2030 Commission's interim and final reports. Specifically, Chapter 2 establishes (1) MORAD within MATP to scale registered apprenticeships across industries to meet the needs of the State's economy; (2) the Registered Apprenticeship Qualified Intermediary Program within MATP to increase apprenticeship awareness, connect employers and labor organizations with partners, and provide technical assistance to launch and expand apprenticeships; (3) the Registered Apprenticeship Development Advisory Board to advise MORAD on the strategy to achieve its mission of expanding registered

apprenticeship opportunities in the State; and (4) the Maryland Pay Per Apprentice Program and associated special fund to provide grants to employers and sponsors to develop a well-trained, productive workforce that meets the needs of the State's economy and help offset apprenticeship costs.

Recent Reports and Publications

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](#).

The 2024 and 2025 JCR directed multiple agencies to collect data relevant to apprenticeship in the State in accordance with the interim and final recommendations of the Apprenticeship 2030 Commission. This included reports from:

- the Maryland [Department of Public Safety](#) and [Department of Juvenile Services](#) on Public Safety Apprenticeship;
- the Maryland Health Services Cost Review Commission on [Apprenticeships in Maryland Hospitals](#);
- the Maryland Insurance Administration on [Efforts to Support Insurance Industry Apprenticeships](#);
- the Maryland Department of Health on a [Registered Nurse Degree Apprenticeship Program Study](#);
- the Public Service Commission of Maryland on [Apprenticeships Within Public Service Companies](#); and
- the Maryland Department of Budget and Management on [Public Service Registered Apprenticeships within State Government](#).