

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1352

(Delegate Wilson, *et al.*)

Government, Labor, and Elections

Budget and Taxation

State Procurement - Worker Residency Requirements

This bill requires that contractors on specified public work contracts ensure that at least 35% of apprenticeship hours are performed by State residents. The Maryland Department of Labor (MD Labor) is responsible for enforcing the bill's requirements, and any costs incurred to administer the bill must be paid from the State Apprenticeship and Training Fund (SATF). Contractors found in violation of the bill's requirements are subject to financial penalties paid to SATF or to registered apprenticeship programs that operate and train apprentices in the State.

Fiscal Summary

State Effect: Special fund revenues increase due to direct payments and penalties, but a reliable estimate is not feasible, as discussed below. State agencies, including MD Labor, can implement the bill's requirements with existing budgeted resources.

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Scope

The bill applies to contractors awarded a State public work contract valued at \$5.0 million or more or located in Baltimore City or Anne Arundel, Baltimore, Howard, Montgomery, or Prince George's counties. The bill does not apply to a State contract for which the federal government provides money.

Residency Requirements

As a condition of receiving a contract, a contractor must provide a statement to MD Labor and the procurement unit that the contractor will meet the applicable requirements for covered small and large projects.

The Secretary of Labor may adopt regulations authorizing a contractor to elect to make a contribution to SATF or a registered apprenticeship program operating and training apprentices in the State as an alternative to fulfilling the bill's State residency requirements. Furthermore, a contractor that exceeds the 35% residency threshold may apply the excess apprenticeship hours to another contract subject to the bill that is entered into by the contractor within two years after the completion of the first contract.

Enforcement

A contractor that fails to meet the bill's requirements is liable for an amount equal to twice the number of apprentice hours at the payment rate required under State law (generally 25 cents per hour). The Secretary of Labor must adopt regulations to establish administrative procedures for the collection and distribution of penalty payments.

Current Law:

Public Work Contracts

A "public work" is a structure or work, including a bridge, building, ditch, road, alley, waterwork, or sewage disposal plant that is constructed for public use or benefit or is paid for wholly or partly by public money. It does not include structures or work performed by a public utility, as specified, or capital projects that receive State funds in the annual capital budget as local House of Delegates or local Senate initiatives. A "public work contract" is a contract for the construction of a public work.

The bill specifies that a covered large project is a public work contract subject to Title 17, Subtitle 2 of the State Finance and Procurement Article, which establishes prevailing wage requirements for public work projects. In general, eligible public work projects are:

- those carried out by the State;
- any public work for which at least 25% of the money used for construction is State money;
- specified projects in tax increment financing districts if the local governing body approves of the application of prevailing wages; and
- construction projects by investor-owned gas and/or electric companies involving any underground gas or electric infrastructure.

State Apprenticeship and Training Fund

Chapter 644 of 2009 created 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, as noted above, 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 and enforcing apprenticeship laws. 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.

A contractor or subcontractor that elects to make payments to SATF must make payments, as determined by the Secretary of Labor, not to exceed 25 cents per hour for each employee in each covered craft who is employed by the contractor or subcontractor on an applicable project. If the prevailing wage determination for a covered craft includes a fringe benefit contribution for apprenticeship programs that exceeds 25 cents, the contractor or subcontractor must pay the difference to the employees in the covered craft in wages. Contractors and subcontractors must make payments to SATF on a monthly basis.

State Revenues: Special fund revenues for SATF likely increase from direct payments from contractors that do not or cannot meet the bill's apprentice residency requirements (if authorized by regulations), and from penalty payments from contractors found to not be in compliance with the bill. A reliable estimate is not feasible in the absence of experience under the bill, particularly since it is not known (1) whether the Secretary of Labor adopts regulations allowing for alternative payments to SATF; (2) how many contractors opt to make payments to SATF instead of meeting the apprentice residency requirements, if authorized by the Secretary; or (3) how many contractors found in violation of the bill opt to pay penalties to a registered apprenticeship program instead of to SATF.

Small Business Effect: The bill creates additional barriers to the participation of small businesses in State public work projects, as small businesses may lack resources to ensure compliance with the bill's apprentice residency requirements. Alternatively, they have to make payments to SATF or apprenticeship programs, which affects their profitability.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 957 of 2025.

Designated Cross File: None.

Information Source(s): Baltimore City; Anne Arundel, Baltimore, Montgomery, and Prince George's counties; University System of Maryland; Department of General Services; Maryland Department of Labor; Board of Public Works; Maryland Department of Transportation; Department of Legislative Services

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