

**Department of Legislative Services**  
 Maryland General Assembly  
 2026 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 314 (Delegate Stewart)  
 Economic Matters

**Automation Technology Deployment Assessment and Displaced Employee Retraining Fund - Established**

This bill requires each covered employer to submit an annual report to the Secretary of Labor that includes the number of displaced employees if the employer has reduced its workforce by at least 10 employees while deploying automation technology that contributed to the reduction. The bill establishes the Displaced Employee Retraining Fund (DERF) to support training, job placement, and service programs, and requires each covered employer to pay an assessment of \$900 to the fund for each displaced employee, unless the employer provides severance pay, certified retraining, or reemployment opportunities. The Maryland Department of Labor (MD Labor) must enforce the bill, including assessing penalties for noncompliance. **The bill takes effect July 1, 2026.**

**Fiscal Summary**

**State Effect:** No impact in FY 2027; general fund expenditures increase by \$657,100 in FY 2028 for staffing and information technology (IT) costs. Out-years reflect inflation and termination of one-time costs. Special fund revenues increase, potentially significantly, beginning in FY 2028, but a reliable estimate is not feasible as discussed below; special fund expenditures increase correspondingly beginning in FY 2029. Penalty provisions are not anticipated to materially affect general fund revenues, as discussed below.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	\$0	-	-	-	-
GF Expenditure	\$0	\$657,100	\$321,700	\$336,300	\$351,000
SF Expenditure	\$0	\$0	-	-	-
Net Effect	\$0	(\$657,100)	(\$321,700)	(\$336,300)	(\$351,000)

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

**Local Effect:** None.

**Small Business Effect:** Potential minimal.

## Analysis

### Bill Summary:

#### *Definitions*

“Automation technology” means artificial intelligence (AI), machine learning systems, robotics, or other advanced technologies implemented with the primary purpose or substantial effect of replacing human labor.

“Covered employer” means an employer that (1) employed 100 or more employees in the State in the preceding year and (2) reduced its workforce by at least 10 employees while deploying or using automation technology during the immediately preceding calendar year.

“Displaced employee” means a former employee of a covered employer who was separated from employment due to the deployment or use of automation technology by the covered employer.

#### *Reporting of Displaced Employees*

By January 15 each year, beginning in 2028, a covered employer must submit a report to the Secretary of Labor with (1) the number of employees on the first and last days of the immediately preceding previous calendar year; (2) a description of automation technologies deployed or used; and (3) the number of displaced employees, excluding individuals separated from employment due to:

- voluntary attrition or retirement;
- a decline in revenue exceeding 20% that was not related to the deployment or use of automated technology; or
- the closure or relocation of an entire facility.

The Secretary must adopt regulations specifying the information that must be included in the report.

#### *Displaced Employee Retraining Fund*

The bill establishes DERF to support retraining, for individuals separated from employment due to deployment or use of automation technology. The fund consists of revenues collected from the employers, money appropriated in the State budget, and any other money from any other source accepted for the benefit of the fund. DERF may be used only for supporting training, job placement, and service programs, and all expenditures from DERF must be supplemental to other similar funding available under current law.

## *Penalties*

A covered employer must pay \$900, adjusted annually for inflation, to the Secretary for each displaced employee reported. This amount is reduced by 50% if the employer provides to a displaced employee (1) at least 12 weeks of severance pay; (2) certified retraining or redeployment opportunities; or (3) job placement with a Maryland business employing fewer than 50 employees. The Secretary must remit all payments to DERF.

If a covered employer fails to report in a timely manner, the Secretary must assess a civil penalty of \$250 for each day the report is late. If the employer fails to make the required payment, a penalty of \$250,000 must be assessed.

**Current Law:** For additional information on the status of AI in the nation and State, please see the **Appendix – Artificial Intelligence**.

## *Division of Workforce Development and Adult Learning*

The Division of Workforce Development and Adult Learning's (DWDAL within MD Labor) Office of Workforce Development oversees dislocated worker services for the State. Current activities include collecting and processing reports related to mass layoffs under the federal Worker Adjustment Retraining Notifications (WARN) Act, the Economic Stabilization Act (ESA), and referring dislocated workers to appropriate workforce opportunities.

## *Economic Stabilization Act*

The Economic Stabilization Act provides notice requirements and guidelines for employers facing a reduction in operations to assist in mitigating the effects on employees. The Act applies to any person, corporation, or other entity that employs at least 50 employees and has operated an industrial, commercial, or business enterprise in the State for at least one year. It does not include the State or its political subdivisions.

Generally, an employer must provide written notice at least 60 days before initiating a reduction in operations to (1) all employees subject to the reduction; (2) each exclusive representative or bargaining agency that represents the employees; (3) individuals who work less than 20 hours on average each week or have worked for the employer for less than 6 months in the preceding 12 months; (4) DWDAL's dislocated workers unit; and (5) the chief elected official of the political subdivision where the business is located, as specified.

The notice must include (1) the name and address of the workplace where the reduction is expected to occur; (2) the name, telephone number, and email address of a company official to contact for further information; (3) a statement as to whether the reduction is expected to be permanent or temporary; and (4) the expected date when the reduction will begin.

However, notice is not required if the employer was actively seeking capital or additional business to prevent the layoffs and believed that providing notice would preclude the employer from obtaining necessary capital or business. In addition, notice is not required if the reduction in operations occurs due to any form of natural disaster.

### *Worker Adjustment and Retraining Notification Act*

WARN, the federal counterpart to the State's ESA program, requires employers with 100 or more employees (generally not counting those who have worked less than 6 months in the last 12 months and those who work an average of fewer than 20 hours a week) to provide at least 60 calendar days advance written notice of a plant closing and mass layoff affecting 50 or more employees at a single site of employment. WARN makes certain exceptions to the requirements when layoffs occur due to unforeseeable business circumstances, faltering companies, and natural disasters. Employees entitled to notice under WARN include managers and supervisors, as well as hourly and salaried workers. WARN requires that notice also be given to employees' representatives, the local chief elected official, and the state dislocated worker unit.

### *Rapid Response*

Statute requires the State to establish a quick response program to provide both employers and employees with services to assist in mitigating the effects of reductions in operations. MD Labor must maintain the capacity to provide employment and training services through the quick response program, as specified.

DWDAL's Dislocated Services Unit (DSU) serves as Maryland's designated state dislocated worker unit. DSU manages all notifications of employment dislocations, including federal WARN notices and State-level notifications. It provides administrative and fiscal oversight for the Rapid Response system, which is a proactive program designed to minimize the impact of economic disruptions caused by layoffs and plant or business operations closings.

**State Revenues:** Special fund revenues increase beginning in fiscal 2028 from payments to DERF by covered employers for each displaced employee. In the absence of experience under the bill, a reliable estimate is not feasible, but revenues may be significant. MD Labor estimates that 3,360 businesses in the State employ 100 or more individuals. *For illustrative purposes only*, if 10% of those businesses lay off the minimum of 10 individuals, that results in 3,360 total displaced employees, yielding assessment of between \$1,512,000 and \$3,024,000 per year, depending on whether the covered employers pay the full assessment per employee or 50% if they provide the specified services.

The bill does not authorize the remittance of penalty payments for noncompliance to DERF, so it is assumed that any such penalties are paid to the general fund. This analysis assumes compliance with the bill’s reporting and payment requirements, so the bill’s penalty provisions are not expected to materially affect general fund revenues. However, as the penalty for noncompliance with the payment requirement is significant (\$250,000), even a small number of penalty assessments can generate significant revenue. The Department of Legislative Services notes that the bill does not specify whether this penalty is assessed on a per-employee basis or if an employer must pay only one penalty regardless of the number of employees for whom payments are not made.

**State Expenditures:** As the reporting requirements do not begin for employers until January 15, 2028, and MD Labor needs adequate preparation time, this analysis anticipates costs associated with implementing the legislation beginning July 1, 2027. MD Labor anticipates requiring two new full-time positions and multiple part-time positions that, combined, total almost to the equivalent of another full-time position. Therefore, this analysis assumes that MD Labor requires three full-time positions. Finally, MD Labor advises that the bill requires that it upgrade its BEACON data system, used to track employment and layoffs for the Unemployment Insurance program, to track compliance with the bill. Although MD Labor was unable to obtain an estimate of the cost of such an upgrade, it estimates that it will cost hundreds of thousands of dollars. This analysis estimates a one-time cost of \$300,000 to upgrade BEACON in fiscal 2028. As the bill does not authorize the use of DERF for administrative expenses, this analysis assumes that general funds are needed for staffing and IT expenses.

Therefore, general fund expenditures increase by \$657,122 in fiscal 2028, which accounts for the delayed implementation of the bill, as discussed above. This estimate reflects the cost of hiring three regular full-time positions to process reports, track compliance, manage special fund distributions, and handle penalty appeals. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3.0
Salaries and Fringe Benefits	\$327,617
One-time IT costs	300,000
Other Operating Expenses	<u>29,505</u>
<b>Total FY 28 State Expenditures</b>	<b>\$657,122</b>

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses and the termination of one-time costs.

Special fund expenditures from DERF correspond to the revenues accrued due to assessments paid by covered employers. As those assessments begin in the second half of fiscal 2028, special fund expenditures are likely delayed to fiscal 2029.

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### **Additional Information**

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

**Designated Cross File:** None.

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

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Analysis by: Toni Heo

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510

## Appendix – Artificial Intelligence

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### *Artificial Intelligence – Generally*

Artificial intelligence (AI) is a broad field of computer science that deals with the creation of “intelligent” systems that can reason, learn, and act autonomously. There are many different branches of AI, each with its own focus and set of techniques, such as machine learning, neural networks, robotics, expert systems, fuzzy logic, and natural language processing. AI research has been successful in developing algorithms for solving a wide range of problems, from game playing to conversation simulation.

AI use has expanded significantly in recent years. Many of the largest technology companies have each developed their own AI systems and have integrated the systems into their respective companies’ products and services. AI’s ability to quickly synthesize and summarize vast amounts of data and apply the results have made it a useful tool in modern society while also raising questions about its use. The following list briefly describes a few of the impacts of and issues surrounding AI.

- Related to education, AI may have potential benefits to help tutor or otherwise provide additional resources to assist students in their studies. However, some students use AI to cheat on their schoolwork;
- Related to energy use, the significant power draw necessary to run the data systems that host AI systems has contributed to localized energy shortages and increased energy costs;
- Regarding environmental issues, these data centers require a significant amount of water for cooling and increasingly have been using freshwater resources for this purpose;
- Related to criminal justice, AI image and video generation systems can be used to make “deep fake” pictures and videos that may be difficult or impossible to differentiate from actual events;
- AI’s reliance on information from the internet has raised concerns regarding the accuracy of AI-generated content as well as copyright infringement and data privacy.
- Related to health, AI is being used to assist doctors in developing medical diagnoses, but is also being used by insurance companies to screen requests for care and claims;
- Related to labor and employment, the expansion of AI has led to concerns about employees being replaced by AI systems as a means to save money on labor costs.

### *Governance at the State Level*

The State defines AI as a machine-based system that (1) can, for a given set of human-defined objectives, make predictions, recommendations, or decisions influencing real or virtual environments; (2) uses machine and human-based inputs to perceive real and virtual environments and abstracts those perceptions into models through analysis in an automated manner; and (3) uses model inference to formulate options for information or action. At the State level, AI is governed primarily by the Department of Information Technology (DoIT) and the Governor's AI Subcabinet. This governance structure was established by Chapter 496 of 2024 and, broadly speaking:

- requires DoIT to adopt policies and procedures, in consultation with the Governor's AI Subcabinet, concerning the development, procurement, deployment, use, and ongoing assessment of systems that employ high-risk AI by a unit of State government;
- prohibits units of State government from procuring or deploying a new system that employs AI unless the system complies with the policies and procedures adopted by DoIT;
- requires each unit of State government to conduct a data inventory to identify data that meets criteria established by the Chief Data Officer and that is (1) necessary for the operations of the unit or otherwise required to be collected as a condition to receive federal funds or by federal or State law and (2) in a form prescribed by the Chief Data Officer, including when the data is used in AI; and
- requires each unit of State government to conduct an inventory of systems that employ high-risk AI.

Most recently, DoIT and the subcabinet have released the [2025 Maryland AI Enablement Strategy & AI Study Roadmap](#), which includes plans for studying opportunities, risks, and next steps associated with the use of AI in State services. Additionally, in November 2025, the Governor's Office announced a [State partnership](#) with two AI companies to integrate certain AI systems into a portion of the State's workforce.

### *Other Recent State Laws and Policies*

In addition to the direct governance effectuated by Chapter 496, various other laws and policies address some of the issues posed by AI.

Chapter 105 of 2025 established the Workgroup on AI Implementation to monitor issues and make recommendations related to AI, including (1) the regulation of AI used in decisions that significantly impact the livelihood and life opportunities of individuals in the State; (2) deployer and developer obligations related to labor and employment and

protection of individual privacy rights; (3) protection of consumer rights; (4) current private sector use of AI; (5) general AI disclosures for all consumers; (6) enforcement authority for the Office of the Attorney General’s Consumer Protection Division; and (7) the impact of the use of AI in the determination of government benefits. The first report from the workgroup is due July 1, 2026.

Chapter 747 of 2025 requires a carrier (*i.e.*, insurance company or another organization that provides health benefit plans), pharmacy benefits manager, or a private review agent that uses AI, algorithms, or other software tools for utilization review (including working through an entity that uses such tools) to ensure that such tools are used in a specified manner. Notably, the Act specifies that an AI, algorithm, or other software tool may not deny, delay, or modify health care services and that carriers must submit in their quarterly appeals and grievance reports whether an AI, algorithm, or other software tool was used in making an adverse decision.

Chapter 17 of the 2025 special session established an AI Evidence Clinic Pilot Program in the Administrative Office of the Courts to provide expertise in AI to the circuit courts and the District Court in the form of expert testimony on the authenticity of electronic evidence that a court determines may have been created or altered using AI.

Regarding education, the Maryland State Department of Education has begun an [AI initiative](#) to develop policies and procedures for AI use by students and teachers. Additionally, Chapter 237 of 2025 specifies that, for school years 2025-2026 through 2027-2028, certain requirements for the procurement and use of digital tools to assure equivalent access to technology for students with disabilities do not apply to digital tools that use AI.

### *Federal Action*

The National Artificial Intelligence Initiative Act of 2020 became law on January 1, 2021. The aim of the Act is to promote U.S. leadership in AI research and development with the goal of accelerating the nation’s economic prosperity and national security through the development and use of trustworthy AI in the public and private sectors and preparation of the workforce for the inevitable integration of AI systems. This multi-agency initiative has included work by the U.S. Department of Energy, in consultation with the National Institute of Standards and Technology, to develop the AI Risk Management Playbook as a reference guide to support responsible and trustworthy AI use and development. Though not a binding document, the playbook addresses common AI risks and steps that AI leaders, practitioners, and procurement teams can take to manage data privacy and bias risks.

Other Executive Orders guiding and governing AI use of the federal level signed during the previous administration were revoked under the current administration. Moreover, an

[Executive Order signed in December 2025](#) generally expresses the federal government's attempt to preempt State AI laws and regulations, directs certain federal agencies to penalize states that are found to not be in compliance with the preemption, and directs certain federal entities to prepare a legislative recommendation establishing a uniform federal policy framework for AI that preempts state AI laws.