

Department of Legislative Services  
Maryland General Assembly  
2025 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 957 (Delegate Wilson)

Health and Government Operations and  
Economic Matters

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State Procurement - Worker Residency Requirements

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This bill establishes State residency requirements for apprentices, journeyworkers, and employees on State contracts. 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) and debarment.

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Fiscal Summary

**State Effect:** Sufficient information was not available in time to include an analysis of the fiscal impact of this legislation. However, special and/or general fund expenditures likely increase significantly for enforcement beginning in FY 2026, as discussed below. Special fund revenues increase due to direct payments and penalties, but a reliable estimate is not feasible, as discussed below.

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

**Small Business Effect:** Meaningful.

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Analysis

**Bill Summary:**

*Scope and Definitions*

The bill applies to all State contracts, but only to contractors awarded State contracts with a total value of \$500,000 within the immediately preceding 12 months.

“Covered small project” means a State-funded project that is valued between \$300,000 and \$5,000,000. “Covered large project” means a State-funded project that is valued at \$5,000,000 or more.

“New apprentice” means an apprentice employed to learn a skilled trade through an apprenticeship, whose start date with a company is after the State contract award date but before or during contract performance, and who is either new to the company or has been separated from it for at least 60 days. “New employee” means an individual whose start date with a company is after the State contract award date but before or during contract performance, and who is either new to the company or has been separated from it for at least 60 days prior to hire.

### *Residency Requirements*

A contractor that is awarded a procurement contract for a covered small project must ensure that, for the project (1) at least 51% of new employees and new apprentices are State residents and (2) at least 35% of apprenticeship hours are performed by State residents. Contractors on a covered large project must ensure that:

- at least 20% of journeyworker hours are performed by State residents;
- at least 51% of skilled worker hours are performed by State residents;
- at least 70% of common labor worker hours are performed by State residents;
- at least 60% of apprenticeship hours are performed by State residents; and
- at least 35% of all apprenticeable hours are performed by State residents.

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 contract to elect to make a contribution to a registered apprenticeship program instead of fulfilling the bill’s requirements.

### *Enforcement*

A contractor that fails to meet the bill’s requirements is liable for an amount equal to 0.125% of the total direct and indirect labor costs of the contract for each percentage point by which the contractor fails to meet the applicable requirements. A person who is found to have violated the requirements of the bill twice in a 10-year period may be debarred from entering into a State contract for up to 5 years.

The Secretary of Labor must adopt regulations to establish administrative procedures for the collection and distribution of penalty payments.

**Current Law:**

*Debarring Contractors*

A debarred contractor may not be considered for the award of, be awarded, or perform, directly or indirectly, a contract with the State during the time of debarment. Debarment may be imposed for a number of reasons including, but not limited to, conviction for a variety of specified federal and State offenses, previous failure to perform procurement contracts, and persistent failure to meet certain Minority Business Enterprise contract goals in the absence of mitigating factors.

While a person who is convicted of certain crimes related to bribery is debarred by operation of law, debarment for any other reason occurs as a result of the Attorney General initiating a proceeding against a contractor by filing an administrative complaint with the Board of Public Works. The board is required to notify a person of the proceedings and that the person is entitled to a hearing before the board if requested within 30 days after receiving the notice. If a person does not make a request within the 30 days, the person waives the right to a hearing and is automatically debarred. The board may place a person or business on suspension while the debarment proceeding is pending. Suspension means that a person may not be considered for the award of, be awarded, or perform, directly or indirectly, a contract with the State.

A suspension or debarment terminates automatically if the underlying conviction is reversed or voided. The board also may grant a petition for removal of the debarment after specified time periods have elapsed. A list of presently debarred contractors and their term of debarment can be found on the Board of Public Works website.

*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.

**State Revenues:** Special fund revenues for SATF likely increase from direct payments from contractors that do not or cannot meet the bill's 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 residency requirements, if allowed; or (3) how many contractors found in violation of the bill opt to pay penalties to a registered apprenticeship program instead of to SATF.

**State Expenditures:** As the bill applies to *all* State procurement contracts and requires extensive review of weekly or monthly payroll records to determine, for each employee, the job category, hours worked, and date of hire, MD Labor requires significant additional staff to enforce the bill. Although MD Labor was unable to provide an estimate of the staffing needed to adequately enforce the bill in time for this analysis, it advises that enforcement costs are likely significant and require establishing an entire unit. The Department of Legislative Services concurs with this assessment.

The bill requires that SATF cover the cost of enforcing the bill. SATF ended fiscal 2024 with a fund balance of \$1.7 million, but so far in fiscal 2025 has revenues of \$180,800 and expenditures of \$855,400, leaving a fund balance of about \$1.0 million as of the writing of this fiscal and policy note. In recent years, the fund has average revenues of less than \$200,000. Given the current rate of revenues and expenditures, SATF can likely cover enforcement costs for one or, at most, two years with its current balance and annual revenues. After that, SATF funds are exhausted and general funds are assumed to be needed to maintain adequate enforcement of the bill's requirements. To the extent that SATF revenues increase from direct payments and penalties described above, the need for general funds may be mitigated.

**Small Business Effect:** The bill creates additional barriers to the participation of small businesses in State procurement, as small businesses often lack resources to ensure compliance with the bill's complex residency requirements. Alternatively, they have to make payments to SATF, which affects their profitability.

## **Additional Information**

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

**Designated Cross File:** None.

**Information Source(s):** Department of General Services; Maryland Department of Labor; Board of Public Works; Department of Legislative Services

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