Department of Legislative Services

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2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 597 (Senator Hester)
Education, Energy, and the Environment

Higher Education - Maryland Artificial Intelligence Partnership

This bill (1) establishes the Maryland Artificial Intelligence (AI) Partnership in the University System of Maryland (USM) to develop a strategic plan and coordinate AI initiatives; (2) requires the partnership to establish Maryland Technology Extension Hubs in partnership with the Maryland Department of Labor (MD Labor); (3) establishes an AI Incubation Lab in USM to, in coordination with the Department of Information Technology (DoIT), assist State agencies to accelerate the responsible use of AI; (4) requires Morgan State University's (MSU) Center for Equitable AI and Machine Learning Systems to support State agencies on questions relating to productive and ethical use of AI; (5) authorizes the Governor's AI Subcabinet to request research from the center; (6) expands the Cyber Warrior Diversity Program (CWDP) to include training students in AI; and (7) expands eligibility for the Cybersecurity Public Service Scholarship to include AI-related programs and renames the program the Emerging Technology Public Service Scholarship. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund expenditures at USM, DoIT, and MD Labor increase by an indeterminate but significant amount beginning in FY 2027, as discussed below; staffing costs for DoIT and MD Labor alone are assumed at $346,000 in FY 2027. Expanding *eligibility* for CWDP and the Cyber Public Service Scholarship has no effect on State expenditures, and the Maryland Higher Education Commission (MHEC) can make updates to eligibility with existing resources. MSU can likely conduct research as may be requested under the bill with existing resources. Higher education revenues and expenditures increase to the extent the Maryland AI Partnership applies for and receives external funding.

Local Effect: Local workforce development boards and locally funded community colleges may collaborate with the Maryland AI Partnership or participate in

Maryland Technology Extension Hub activities; however, participation is not required, and any direct effect on local revenues or expenditures cannot be reliably estimated.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Maryland Artificial Intelligence Partnership

The Maryland AI Partnership in USM must (1) connect, accelerate, and scale AI initiatives; (2) ensure alignment of the State's AI efforts to prevent fragmentation; (3) leverage resources to increase the State's AI-trained workforce and to integrate the use of AI in State government; (4) identify and pursue funding opportunities across all resources, including federal, State, industry, and philanthropic entities; and (5) establish Maryland Technology Extension Hubs in accordance with the bill.

The bill specifies that there is a director in the partnership and requires the partnership to carry out its powers and duties in consultation and collaboration with State agencies, institutions of higher education in Maryland, the Maryland Small Business Development Center, and local workforce development boards.

The partnership must develop, by December 1, 2026, a strategic plan that includes metrics for the core areas of AI literacy, workforce development, business development, and research and innovation. Annually thereafter, the partnership must submit a progress report to the Governor and General Assembly.

Maryland Technology Extension Hubs

In partnership with MD Labor, the Maryland AI Partnership must establish Maryland Technology Extension Hubs in strategic locations to (1) act as a single point of contact to connect small businesses with critical AI resources; (2) partner with organizations, including a community college, local employers, small business associations, and community organizers; (3) facilitate remote, cloud-based access to critical infrastructure, including leveraging the significant computing power of colleges and universities; and (4) provide AI skills training to individuals at no charge, including through courses and credit-bearing credentials.

By December 15, 2026, the bill requires that there be, established on a pilot basis, at least one hub in each of three regions of the State.

Artificial Intelligence Incubation Lab

The bill establishes the AI Incubation Lab in USM to assist State agencies to accelerate the responsible use of AI – specifically by helping State agencies to discover, develop, and apply prototypes and manage risk of AI solutions. In coordination with DoIT, the lab must support State agencies, as specified. The lab must also match State agencies with USM faculty, researchers, and students with expertise and support DoIT's AI program to provide a proving ground for experimentation on how to apply AI technologies within State agencies.

DoIT must provide policy guidance and support for integrating the work of the lab into State agencies and may provide funds to support the activities of the lab.

Research Coordination

The Center for Equitable AI and Machine Learning Systems at MSU is required to serve as a statewide resource and coordinating hub to support State agencies on the productive, secure, and ethical use of AI in the State.

Annually by December 1, the bill authorizes the Governor's AI Subcabinet to request that the center complete research. If such a request is made, the center must coordinate and lead the research, collaborate with other entities as needed, summarize the research conducted, and summarize any conclusions or recommendations resulting from the research. By December 1 of the year following any research request, the center must submit a report, as specified, to the Governor's AI Subcabinet and the Joint Committee on Cybersecurity, Information Technology, and Biotechnology.

Scholarships and Programs

The bill renames the Cybersecurity Public Service Scholarship to be the *Emerging Technology* Public Service Scholarship. Under the bill, the purpose of the program is to support students who are pursuing an education in programs that *provide core skills* directly relevant to cybersecurity *or AI*. The bill likewise expands eligibility for the scholarship to include students enrolled full time at an eligible institution in an approved degree or certificate program that is directly relevant to cybersecurity *or AI*. The bill makes other conforming changes to include AI as a part of continuing eligibility requirements, post-graduation work requirements, and program information distribution.

The bill expands the purpose of CWDP to include training students in computer networking, cybersecurity, *and AI*.

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

Cybersecurity Public Service Scholarship Program

The Cybersecurity Public Service Scholarship Program supports students who are pursuing an education in programs that are directly relevant to cybersecurity.

Eligible Individuals: An individual eligible for in-state tuition who is enrolled as a full-time student in an eligible institution in an approved degree or certificate program directly relevant to cybersecurity may apply if within three years of graduation. Chapters 208 and 209 of 2022 expanded eligibility to include part-time students who continue to be eligible for in-state tuition and take at least six semester hours of courses each semester leading to a cybersecurity relevant degree or certificate. An applicant must have maintained a cumulative GPA of at least 3.0 on a 4.0 scale. Further, an applicant can neither have received a federal CyberCorps Scholarship for Service nor have applied for but not received a federal CyberCorps Scholarship for Service.

Eligible Institutions: The award may be used at a public or private nonprofit institution of higher education in the State that possesses a certificate of approval from MHEC or is approved under operation of law.

Scholarship Award: A scholarship award may be used to pay for education expenses as defined by the Office of Student Financial Assistance (OSFA) within MHEC, including tuition, mandatory fees, room, and board. A scholarship recipient must continue to maintain a GPA of at least 3.0 on a 4.0 scale. Each recipient of a scholarship may hold the award for three years of full-time study (six years for part-time students eligible under Chapters 208 and 209).

Work Obligation and Repayment: For each year a recipient receives a scholarship, the recipient must complete a one-year service obligation by working (1) in a local education agency, public high school, or community college; (2) in a unit of State, county, city, or municipal government; or (3) as a teacher at a public high school or community college in the State in a program that is directly relevant to cybersecurity (work obligations must be prorated for part-time students under Chapters 208 and 209).

A scholarship recipient must repay MHEC the scholarship funds received if the recipient does not (1) earn credit as a full-time or part-time student; (2) complete an approved degree or certificate program that is directly relevant to cybersecurity at an eligible institution; and (3) perform the work obligation.

Generally, a recipient must begin repayment at any time during the period that the recipient is no longer performing the required work obligation. Also, repayment must be made to the State within six years after the repayment period begins and adhere to a repayment schedule established by OSFA. However, OSFA may waive or defer repayment if the recipient is unable to fulfill the work obligation due to disability or extended sickness.

Cyber Warrior Diversity Program

CWDPs are located at Baltimore City Community College (BCCC), Bowie State University (BSU), Coppin State University (CSU), MSU, the University of Maryland Eastern Shore (UMES), and the University of Maryland Baltimore County (UMBC) Training Centers to train students in computer networking and cybersecurity, including training to achieve specified CompTIA certifications. For fiscal 2020, and each fiscal year thereafter, the Governor must include an annual appropriation of $2.5 million for MHEC to provide grants to all of these institutions for their CWDPs. Grants must be in the amount of at least $10,000 per student at BCCC, BSU, CSU, SU, and UMES and $500 per student at UMBC Training Centers. This funding must supplement, but not supplant, any funds that would otherwise be provided for each institution.

Under Chapter 578 of 2023, MHEC, in consultation with the Cybersecurity Association of Maryland, Inc., must, if applicable, expand the CWDP to accommodate any changes in certification trends annually by July 1. At the end of each fiscal year, any unexpended funds allocated by MHEC under the program must revert to MHEC to be allocated for the upcoming fiscal year and be used to supplement, but not supplant, MHEC required appropriations for the upcoming year.

State Expenditures: General fund expenditures increase significantly beginning in fiscal 2027; a portion of these costs is readily quantified at $346,024 for assumed staffing needs at MD Labor and DoIT. Additional significant expenditures, likely totaling at least $500,000, are assumed for USM in fiscal 2027; given the timing, general fund support is needed to cover those costs that year. In future years, the USM costs may be partially defrayed by funding from other revenue streams.

General fund expenditures are assumed to increase to cover costs incurred by USM to implement the bill, particularly given the required timeframes to do so. While the bill expressly authorizes the Maryland AI Partnership to "pursue funding sources across all resources, including federal, State, industry, and philanthropic entities," this analysis advises that general fund support is needed to complete the early activities specified in the bill, including creating a strategic plan and establishing three hubs across the State by the December 2026 deadlines. Such costs are potentially significant.

Maryland AI Partnership and Maryland Technology Extension Hubs

For illustrative purposes only, UMBC estimates at least an additional $500,000 in annual expenditures throughout USM beginning in fiscal 2027 to establish the Maryland AI Partnership and to support the establishment of Maryland Technology Extension Hubs in each of three regions of the State by December 15, 2026. These expenditures reflect the cost of hiring, within UMBC, one full-time employee to act as program coordinator (or program director, as specified in the bill), three full-time graduate assistants to complete the needed strategic plan and work to establish regional hubs in the State, and part-time student interns to support the work of the partnership. The estimate also includes $55,000 in annual contractual service costs for cloud-based systems to enable remote access to AI tools at hubs. Also, UMBC contemplates at least $100,000 in costs for partner USM institutions in other regions to conduct the work of establishing two more hubs elsewhere in the State.

Assuming significant participation from USM on the scale estimated by UMBC, MD Labor advises that the agency requires at least one additional labor market economist in its Division of Workforce Development and Adult Learning, Labor Market Information team dedicated to AI-workforce analysis to be able to support the partnership in its establishment of the hubs. Current MD Labor analysts are fully subscribed by mandated federal and State reporting requirements and cannot absorb the extra responsibilities associated with coordination under the bill. Therefore, MD Labor requires additional staff to coordinate with the partnership, specifically to conduct research to identify areas where workers may be heavily impacted by AI, AI skills that are needed, or where there are areas of growth for employers.

AI Incubation Lab

Higher education expenditures at USM also increase, by an indeterminate but potentially significant amount, to establish the AI Incubation Lab. General fund expenditures may commensurately increase to the extent DoIT provides funding to support the activities of the lab. Assuming the lab is engaged in significant novel research and development efforts, significant staffing and equipment costs may be necessary – on a similar scale to those needed to establish the Maryland AI Partnership in USM. However, should the AI Incubation Lab merely connect existing research projects and resources with State agencies, USM may be able to leverage existing resources to establish the lab. Under either scenario, DoIT advises that providing policy guidance and support for integrating the lab's work into State agencies necessitates hiring at least two new AI specialists.

Quantifiable Staffing Costs for the Partnership and Lab

In addition to the significant indeterminate general fund and higher education expenditures at USM needed to establish the partnership, hubs, and lab described above, general fund *staffing* expenditures increase by a combined $346,024 at MD Labor and DoIT in fiscal 2027. This accounts for a 90-day start-up delay from the bill's July 1, 2026 effective date for staff at DoIT associated with supporting the AI Incubation Lab and expeditious hiring of support at MD Labor to enable the agency to support the creation of three regional hubs before the bill's December 15, 2026 deadline to do so. This estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. (As noted above, DoIT costs increase further to directly support the work of the AI Incubation Lab.)

	MD Labor	**DoIT**	**Total**
Positions	1.0	2.0	3.0
Salaries and Fringe Benefits	$107,771	$210,136	$317,907
Operating Expenses	9,835	18,282	28,117
Minimum FY 2027 GF Staffing Expenditures	**$117,606**	**$228,418**	**$346,024**

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Research Coordination at Morgan State University

MSU advises that it can likely manage the bill's additional responsibilities with existing resources. To the extent research requests are extensive, time consuming, or require significant coordination and partnership beyond the existing resources of the center, higher education expenditures at MSU may increase to support research and complete required reports. However, this analysis assumes that the Governor's AI Subcabinet considers the capacities of MSU's Center for Equitable AI and Machine Learning Systems and the one-year reporting timeframe when making research requests such that the requests are feasible with existing resources. This analysis further assumes that the Governor's AI Subcabinet can formulate research requests with existing resources.

Cybersecurity Public Service Scholarship Program

The fiscal 2027 budget as introduced includes a $1.0 million appropriation to the scholarship. In fiscal 2025, the program provided $519,958 awards to 44 recipients for an average award amount of $11,817. The amount of additional demand for scholarships generated by expanding the program to include AI-relevant degrees and certificates is unknown. To the extent that existing appropriations are insufficient to cover awards to newly eligible students, general fund expenditures may increase by $11,817 per award. However, this analysis assumes eligible students beyond the capacity of current

appropriations to the program are added to the scholarship waitlist with no net effect on State finances.

Cyber Warrior Diversity Program

The fiscal 2027 budget as introduced includes $2.5 million for CWDP. Expanding programs eligible to receive a CWDP grant has no effect on State funding for the program or the grant process MHEC uses to distribute funds, although the bill may facilitate additional applications for grant funding.

Additional Information

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

Designated Cross File: None.

Information Source(s): Baltimore City Community College; Department of Commerce; Department of Information Technology; Maryland Department of Labor; Maryland Higher Education Commission; Morgan State University; University System of Maryland; Department of Legislative Services

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Appendix – Artificial Intelligence

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.