

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 869
 Finance

(Senator A. Washington)

Economic Matters

**Economic Development - Maryland Workforce Launch Pilot Program -
 Establishment**

This bill establishes the Maryland Workforce Launch Pilot Program in the Department of Commerce to provide customized, no-cost workforce training as a business attraction tool to recruit strategic industries and qualified business entities to the State. Commerce must partner with no more than two community colleges to deliver training services and must distribute funds to a partner community college to cover the direct costs of developing and delivering the training. The bill specifies that any curriculum, manuals, or instructional materials developed under the program are owned by the community college. A related reporting requirement is established. **The bill terminates September 30, 2029.**

Fiscal Summary

State Effect: General fund expenditures increase by \$1.0 million in FY 2027 and 2028 as the bill effectuates a contingent appropriation in the FY 2027 budget passed by the General Assembly and discretionary funding is assumed to continue at that level in FY 2028. Minimal additional general fund expenditures are maintained for contractual staffing in FY 2029. A portion of the funding for FY 2027 and 2028 may be provided to Baltimore City Community College (BCCC) if it is a partner community college.

| (in dollars) | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 |
|----------------|---------------|---------------|------------|---------|---------|
| Higher Ed Rev. | - | - | \$0 | \$0 | \$0 |
| GF Expenditure | \$1,000,000 | \$1,000,000 | \$42,600 | \$0 | \$0 |
| Higher Ed Exp. | - | - | \$0 | \$0 | \$0 |
| Net Effect | (\$1,000,000) | (\$1,000,000) | (\$42,600) | \$0 | \$0 |

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

Local Effect: Local community college revenues and expenditures increase to the extent they are selected as program partners and receive State funding, as discussed below.

Small Business Effect: Potential minimal, as discussed below.

Analysis

Bill Summary:

Definitions

“Qualified business entity” means a business entity that (1) does not have a physical location in the State; (2) is in active negotiations with Commerce to establish a location in Maryland from outside the State; and (3) enters into an agreement with Commerce to participate in the program. “Strategic industry” means an industry sector identified by Commerce in the State’s economic strategic plan.

Maryland Workforce Launch Pilot Program – Requirements

For each qualified business entity that receives assistance under the program, Commerce must establish performance metrics, including the number of full-time jobs created and the salary the entity is providing to trainees. The program agreement must include a provision requiring the qualified business entity to reimburse Commerce for the cost of the training services if the entity fails to meet the established performance metrics.

By December 31, 2028, Commerce must submit a report to the Governor and the General Assembly on the effectiveness of the program, including (1) revenue generated by the qualified business entities; (2) jobs created; and (3) recommendations for statewide expansion.

Current Law: The Partnership for Workforce Quality (PWQ) Program, administered by Commerce, has a similar purpose – specifically to provide training services to:

- improve the competitiveness and productivity of the State’s workforce and business community;
- upgrade employee skills, or train new employees, for new technologies or production processes; and
- assist employers located in the State in promoting employment stability.

Eligibility

In order to receive assistance under the program, a Maryland-based employer must request training assistance in job-specific skills to train new employees or upgrade or retain

existing Maryland-based employees, as specified. Priority must be given to employers that are manufacturers or threatened by the presence of increased foreign or domestic competition.

Business Assistance Services

The program must provide business assistance services that, among other things, (1) determine whether the employer's specific needs are best met by training, other types of assistance, or a combination of services; (2) identify or develop appropriate curricula; and (3) determine the most cost-effective approach to meeting training needs. The program may provide business assistance services at no cost to the employer.

Training

Grants may be awarded for job-specific training assistance to an eligible business, community college, private career school, State-accredited training agency, trade association, or union-sponsored training program. Training must be approved by the employer, and job-specific training may not exceed one year.

Partnership for Workforce Quality Fund

The PWQ Fund is a special fund managed and supervised by the Secretary of Commerce. The fund consists of money appropriated in the State budget to the fund, money made available to the fund through federal programs, private contributions, an application or other fee paid to the program in connection with processing a request for financial assistance, and any other money made available to the fund. Investment earnings are credited to the fund.

Commerce may use money in the fund for grants to defray the cost of workforce training and administrative, actuarial, legal, and technical services for the program.

The Governor must include in the State budget for each fiscal year an appropriation of at least \$1.0 million for the program.

Use of Program Money

Program money may be used for costs associated with the direct delivery of instruction, including curriculum development, course materials, and instructors' salaries and expenses for training.

At least 60% of the money available to the program must be reserved for employers with 150 or fewer employees based in the State. Up to 20% of available program funding may

be provided to an employer with more than 500 employees based in the State, under specified conditions.

The program may not contribute more than 50% of direct training costs for job-specific training assistance. Program money may not be used for capital equipment for an employer or trainee wages. An employer may not receive more than \$200,000 per year.

State/Local Fiscal Effect:

Commerce

The fiscal 2027 budget as passed by the General Assembly includes \$1.0 million in general funds for the Maryland Workforce Launch Pilot Program in Commerce, contingent on the enactment of this bill. Therefore, general fund expenditures for Commerce increase by \$1.0 million in fiscal 2027. Although funding for the program in fiscal 2028 is discretionary, this analysis assumes that \$1.0 million is also provided in fiscal 2028 to continue supporting training grants and staffing costs; general fund expenditures are also assumed to increase minimally in fiscal 2029, as discussed below.

Commerce advises that, as recent staff retirements have reduced the agency’s capacity to administer additional programs, a new position to manage and oversee the program is necessary. Thus, a portion of the funding provided – \$71,869 in fiscal 2027, which accounts for the bill’s October 1, 2026 effective date, and at least \$81,731 in fiscal 2028 – is expected to be used to hire one contractual full-time finance specialist within the Office of Finance Programs to administer the program. This estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Residual funding is expended as training grants to partner community colleges to support development and delivery of customized workforce training for participating businesses. Based on costs observed in the PWQ Program (only half of which is paid by the State), training provided under the bill costs approximately \$6,000 per trainee. Therefore, funding available to community colleges for training, estimated at \$928,131 in fiscal 2027 and \$918,269 in fiscal 2028, is sufficient to support approximately 150 trainees each year. Actual expenditures under the pilot program depend on the level of funding provided in fiscal 2028 (or even fiscal 2029) and the number of participating businesses and trainees.

| | <u>FY 2027</u> | <u>FY 2028</u> |
|---------------------------------|---------------------------|---------------------------|
| Contractual Position (New) | 1.0 | 0.0 |
| Salary and Fringe Benefits | \$62,728 | \$78,926 |
| Community College Funding | 928,131 | 918,269 |
| Other Operating Expenses | <u>9,141</u> | <u>2,805</u> |
| Commerce GF Expenditures | <u>\$1,000,000</u> | <u>\$1,000,000</u> |

This estimate assumes that the full-time contractual finance specialist remains on board through the first half of fiscal 2029 to handle any remaining administrative duties. Therefore, the fiscal 2029 estimate (\$42,617) reflects a salary with annual increases and employee turnover, annual increases in ongoing operating expenses, and termination of the contractual position on December 31, 2028, when the report analyzing the effectiveness of the program must be completed.

The estimate assumes there is no funding for partner community colleges in fiscal 2029, as that year is assumed to be used to analyze the effectiveness of the funding already distributed. However, the timing of program implementation is uncertain, as it is not known how quickly Commerce can establish relationships with qualified business entities outside the State or partner community colleges. Further, the bill does not preclude funding for the pilot program in fiscal 2029.

The estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

The estimate also does not reflect any potential reimbursements to Commerce from qualified business entities for the cost of the training services if any such entities fail to meet the performance metrics established under the bill.

Baltimore City Community College and Local Community Colleges

BCCC and local community college revenues and expenditures increase to the extent community colleges are selected as program partners and receive State funding to provide training services. However, most community colleges are not affected as the bill requires Commerce to partner with no more than two community colleges to deliver training services (as discussed in Additional Comments below). The magnitude of the fiscal impact on the partner community colleges depends on participation levels and whether State funding fully covers training costs. However, under one set of assumptions, a selected community college's revenues and expenditures may increase by approximately \$6,000 per trainee. If one community college receives one-half of the assumed annual funding for the pilot program, that college's revenues and expenditures increase by approximately \$460,000 in that year.

Small Business Effect: The pilot program is for businesses outside of Maryland that choose to relocate to the State; therefore, it does not affect existing small businesses. Nevertheless, to the extent the program successfully attracts new business entities, small businesses in the same geographic area may benefit from an increase in economic activity.

Additional Comments: Commerce advises that the bill's restriction on the number of partner community colleges may pose a challenge in terms of ensuring they are geographically convenient to the location chosen by a qualified business entity.

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 Commerce; Baltimore City Community College; Department of Legislative Services

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Analysis by: Toni Heo

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