

**Maryland Department of Labor  
Fiscal Year 2025 Operating Budget  
Response to Department of Legislative Services Budget Analysis**

**House Appropriations Committee  
Education and Economic Development Subcommittee  
Subcommittee Chair Stephanie Smith  
February 1, 2024**

**Senate Budget and Taxation Committee  
Education, Business and Administration Subcommittee  
Subcommittee Chair Nancy J. King  
February 2, 2024**

## ***P00 - Maryland Department of Labor***

Honorable Chair and members of the Subcommittee, my name is Portia Wu and I am Secretary of the Maryland Department of Labor (MDL). On behalf of our department, I want to thank Governor Moore, Lieutenant Governor Miller, and the Department of Budget and Management for their support for the Department and the strong budget proposal we are presenting to you. We are also grateful to Emily Haskel, the Department of Legislative Services Labor Department analyst, for her thorough analysis.

Maryland is at a pivotal moment in its economic trajectory. Our state has the lowest unemployment rate in the nation,<sup>1</sup> but workforce participation continues to lag because some residents have left the labor force altogether. In fact, our state has the largest decline in labor force participation since February 2020 of any state.<sup>2</sup> Economic growth also continues to fall behind the nation and neighboring states like Pennsylvania and Virginia.<sup>3</sup>

We must tackle these issues for Maryland to remain economically competitive and to ensure we have equitable and robust growth. Solving the labor force shortage will require smart, industry-led, strategic investments in our workforce. According to a national survey of State Chamber of Commerce executives, a skilled workforce is a top concern of businesses when making decisions on where to locate, where to invest, and where to grow. In order to be competitive, Maryland must demonstrate that we have a skilled, diverse talent pipeline in our state that supports key growth industries including cybersecurity, healthcare, infrastructure, and biomanufacturing. Neighboring states are making significant investments in their workforce talent pipelines, and Maryland cannot risk falling behind.<sup>4</sup>

We can and we must supercharge our state's key growth sectors while at the same time making sure our career opportunities are equitable, especially for residents who historically have had lower participation rates in high-wage work and emerging industries. This budget not only helps Maryland stay competitive but makes us a leader by investing in workforce programs that have a demonstrated return on investment. And in a time of constrained resources, we are using innovative models to meet the needs of growth sectors like cybersecurity and clean energy by leveraging resources from philanthropy and other sources. With smart investments in Maryland's award-winning job training program, EARN, a Talent Innovation Fund focused on emerging industries, as well as continuing on the path of accelerated growth with registered apprenticeships, Maryland will double-down on key strategies that support business growth and increase good-paying jobs.

The department's proposed budget also addresses labor force deficits by providing needed resources to establish Maryland's Family and Medical Leave Insurance (FAMLI) program. Many of

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<sup>1</sup> BLS. Unemployment Rates for States. 2024. <https://www.bls.gov/web/laus/laumstrk.htm>.

<sup>2</sup> BLS. Local Area Unemployment Statistics Data. 2024. <https://www.bls.gov/lau/data.htm>.

<sup>3</sup> State of the Economy, Maryland 2023, Office of the Maryland State Comptroller, Jan. 2024, <https://htv-prod-media.s3.amazonaws.com/files/sote-6595b1296a5c6.pdf>.

<sup>4</sup> For example, see Governor Shapiro's announcement that Pennsylvania would invest as much as \$400 million over the next five years in workforce training to create 10,000 new jobs. <https://dced.pa.gov/newsroom/governor-shapiro-signs-executive-order-creating-new-first-in-the-nation-workforce-training-program-to-take-advantage-of-historic-federal-infrastructure-funding/#:~:text=Under%20the%20CWTP%2C%20the%20Commonwealth.over%20the%20next%20five%20years.>

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our neighboring jurisdictions already offer this critical benefit to workers, which has proven to increase employee retention and help workers who are primary caregivers, especially women, remain in the workforce. This budget invests in the infrastructure and human resources needed to launch the program in 2026.

Finally, this budget makes key investments in technology and in the Department of Labor's own workforce to make programs and services more user-friendly and accessible for the workers, businesses, and residents who rely on us. We continue to improve the critical safety net of unemployment insurance, and provide protections for workers and consumers through our financial regulation and labor and industry division. This budget reflects many needed investments to move toward effective administration of programs that improve life for Maryland's working families and businesses.

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### **Department of Labor Responses to the DLS Recommendations**

#### **Fiscal 2023**

*During fiscal 2023 closeout, MDL inadvertently reverted general funds intended for the Baltimore City Youthworks Program. MDL reports having expended \$2.6 million for the program, but a portion of those funds represent accidentally reverted funds, while a portion were incorrectly budgeted as special funds rather than general funds. MDL cannot account for how much was inadvertently reverted. The special funds applied are not eligible to be used for the Youthworks program. **The department should comment on the amount of general funds reverted in error and the amount of special funds used in error, as well as how MDL and the Department of Budget and Management (DBM) plan to address the resulting \$2.6 million shortfall in general funds. (pg. 6)***

MDL Response: There was \$1,000,000 reverted in error. The final expenses for Baltimore City YouthWorks is \$2,564,019. Labor is currently working with DBM to address this issue.

#### **Implementation of Legislative Priorities**

*MDL's fiscal 2024 appropriation includes two items added to the budget by the General Assembly:*

- *\$50,000 for a grant to the Lincoln Technical Institute to support a regional technical career fair for high school students. **The department should comment on the status of disbursing these funds to the grantee. (pg. 7)***

MDL Response: Lincoln Tech submitted a quarterly report to Labor on January 10, 2023 for the quarter ending December 31, 2023. In their submission, they reported a total expenditure amount of \$27,525 and invoiced the Division of Workforce Development and Adult Learning for reimbursement of the reported expenditures. Most of their billed costs (\$25,075.00) were for work performed by Auxilium Technology for a promotional campaign and website development. Lincoln Tech's unspent balance is \$22,425.

#### **Workforce Development**

*The Department of Legislative Services (DLS) recommends deleting the \$2.0 million in funding for the Talent Innovation Program and the \$2.0 million in increased funding for EARN due to competing priorities for funding. (pg. 14)*

MDL Response: MDL respectfully disagrees with the DLS recommendation on both programs and requests that the Committees retain these critical investments in the FY 2025 budget to keep Maryland's economy competitive and equitable. Both the EARN Program and the Talent Innovation Program play crucial roles in meeting the needs of our key industries and expanding worker access to higher-wage employment. Both expenditures will bring the state a high return on investment.

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### EARN (Employment Assistance Right Now)

Investing in our workforce pipeline is critical to maintaining a competitive economy. Businesses want to locate not only where there is a talented and skilled workforce, but where that human capital infrastructure will produce talent for generations to come.

EARN is an award-winning workforce development program that provides industry-led and regionally-focused training. The program has a very high rate of return: an independent evaluation found that every dollar invested in the program leads to \$17.16 in total economic impact to Maryland. The \$2 million in additional funding for FY 2025 would thus contribute an estimated \$34.3 million in economic benefits across the state. This investment would enable an additional 500 Marylanders opportunities to attain training and secure jobs in our state's key industries.<sup>5</sup>

EARN is designed with the flexibility to ensure that Maryland employers have the trained talent they need to compete and grow, while preparing Marylanders for meaningful careers in high-growth industries like cybersecurity, information technology, healthcare, biotechnology, transportation, and the skilled trades. The program has served more than 20,000 Marylanders since its inception—providing upskilling to over 13,000 workers to help them advance in their existing jobs and support their employers, connecting nearly 9,300 individuals with employment.<sup>6</sup>

EARN funds partnerships that engage over 1,000 employers across the state, from small machining shops on the Eastern Shore to biotech manufacturing in Frederick County to transportation logistics companies in the Susquehanna Valley. Grantees are able to leverage their EARN grants to build deeper relationships with industry associations and new employers and unlock additional funding sources. It is not surprising that there is high demand from employers for this program: in its current solicitation, MDL has received overwhelming interest from businesses – at a level that is expected to far exceed the funds available.

### Talent Innovation Fund

In a time of constrained resources, we need to be creative and leverage our taxpayer resources to go farther. That is why the Governor's budget includes \$2 million for a new Talent Innovation Program and its associated Talent Innovation Fund. The Innovation Program maximizes taxpayer dollars by leveraging outside government resources from philanthropy and industry. This enables us to use innovative and sustainable finance mechanisms to help meet training and skills needs in Maryland's prominent and emerging industry sectors, such as cybersecurity, healthcare, biotechnology, manufacturing, and artificial intelligence.

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<sup>5</sup> EARN Maryland Annual Report, 2023, Maryland Department of Labor, <https://www.labor.maryland.gov/earn/earnannrep2023.pdf>.

<sup>6</sup> EARN Maryland Annual Report, 2023, Maryland Department of Labor.

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MDL proposes to use the initial \$2.0 million on a competitive grant to establish a pilot on cyber ranges—virtual environments used for cyber security training—which are a recognized method for developing work-ready talent and meeting the skill needs of the cybersecurity industry. The Innovation Fund would enable the development of new models and innovative funding mechanisms. In this way the Fund complements, but does not replace, the work of the EARN program, which focuses on broader industry-based partnerships.

### **Electronic Licensing Modernization (ELMo) Project**

*The fiscal 2024 working appropriation includes \$2.8 million in special funds to modernize the licensing system used by the Division of Occupational and Professional Licensing to manage the intake, tracking, and processing of applications and licenses. **Additional funding of \$2.8 million in special funds was also included in the fiscal 2025 allowance in error, and DLS recommends deleting these funds. (pg. 14)***

MDL Response: Agree.

### **Supplemental Funding - UI**

*The cost of administering the State's UI program is typically federally funded, with allocations from DOL provided based on claims volume. However, the federal funding provided by DOL has been insufficient to cover the department's costs in recent years. MDL used \$15.0 million in general funds for UI administration in fiscal 2022 and \$23.7 million in federal ARPA State Fiscal Recovery Funds in fiscal 2023 to cover the DOL funding shortfall in federal fiscal 2022. The fiscal 2024 working appropriation includes a further \$26.1 million in ARPA funds for UI administration, which MDL reports has been fully expended. No additional funding is included in the fiscal 2025 allowance.*

***MDL should comment on the anticipated need for continued State support to fund UI administrative costs in fiscal 2024, fiscal 2025, and coming years. (pg. 22)***

MDL Response: Although UI claims have returned to pre-pandemic levels, MDL continues to face a host of challenges including heightened levels of fraud, an IT platform that was stood up during the pandemic that requires significant ongoing resources, and a need to establish a non-emergency mechanism for providing customer service (which is currently being handled under call center contract). MDL has been working closely with DBM to address the resources needed to maintain an updated and strong UI system for the state. To leverage federal dollars available to modernize our UI system, MDL applied for and was awarded an \$11.2 million IT Modernization grant and a separate \$4.4 million Tiger Teams grant from US DOL that will become available in 2024. The agency intends to deploy these resources to make critical process and IT improvements that will reduce costs and improve overall program quality.