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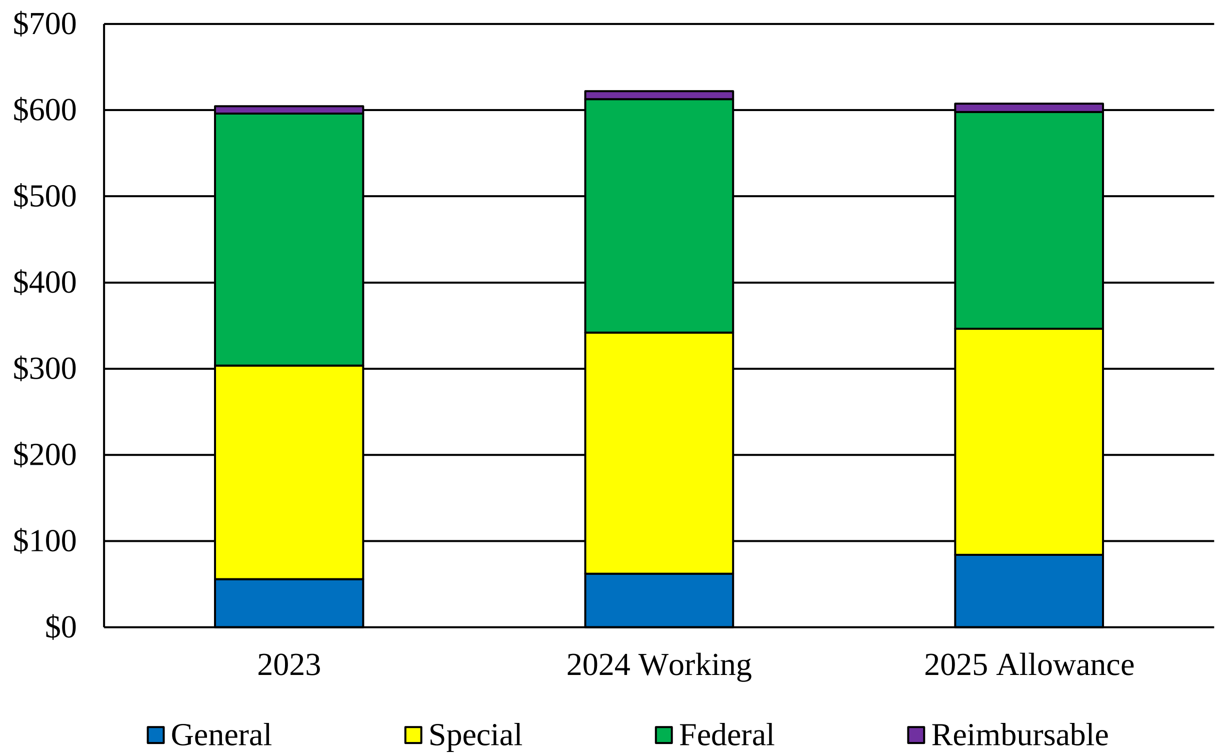
Maryland Department of Labor

Executive Summary

The Maryland Department of Labor (MDL) is responsible for administering workforce development, adult education, and unemployment insurance (UI) programs. The department also includes many of the State's agencies and boards responsible for licensing and regulating various businesses, professions, and trades.

Operating Budget Summary

Fiscal 2025 Budget Decreases $14.6 Million, or 2.3%, to $607.4 Million
($ in Millions)



Note: The fiscal 2024 working appropriation includes deficiencies. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

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- Overall, MDL's budget decreases by 2.3% from the fiscal 2024 working appropriation to the fiscal 2025 allowance, after accounting for deficiencies. The decrease is driven by lower administrative costs for the UI program, offset by increases in workforce development.

- General funds increase by $22.0 million, or 36%, primarily due to administrative costs for the Family and Medical Leave Insurance (FAMLI) Program, which uses a mix of general and federal funds in fiscal 2025 compared to special and federal funds in fiscal 2024. Other general fund increases include $2.8 million for correctional education programs, $2.0 million for the Employment Advancement Right Now (EARN) program, and $2.0 million for a new Talent Innovation Program.

Key Observations

- ***FAMLI Program Prepares for Implementation:*** Chapter 48 of 2022 established the FAMLI Program to provide up to 12 weeks of paid leave to covered individuals. The fiscal 2025 allowance includes $40.4 million, including $16.2 million in general funds, for MDL to continue its work setting up the program. Due to the tight implementation timeline to meet existing statutory deadlines, MDL is proposing legislation to delay employer contributions by nine months to July 1, 2025, and delay the start of benefits by six months to July 1, 2026.

- ***UI Claims Volume Decreases but Processing and Appeals Backlogs Remain:*** Although UI claims volume has returned to prepandemic levels, the department continues to struggle with claims processing timeliness and large appeals backlogs. Overall, MDL's budget for administering the UI program decreases by $33.8 million from the fiscal 2024 working appropriation to a total of $95.7 million in the fiscal 2025 allowance. This is primarily due to $26.1 million in federal funds from the American Rescue Plan Act (ARPA) to supplement MDL's regular administrative funding that is included in the fiscal 2024 working appropriation but not continued in the fiscal 2025 allowance.

- ***Apprenticeships Receive Increased Funding and Attention:*** Funding for apprenticeship programs has increased significantly in recent years, and the State has also engaged in increased efforts to study and improve the State's apprenticeship system, including through the Apprenticeship 2030 Commission established by Chapter 168 of 2023. The fiscal 2025 allowance includes $7.5 million in MDL for apprenticeship programs. In addition, $25.0 million for apprenticeship initiatives remains available in the Dedicated Purpose Account (DPA) from prior years, and the fiscal 2025 allowance also includes a new appropriation of $2.5 million in the DPA for apprenticeships in State government.

Operating Budget Recommended Actions

		Funds
1.	Delete increased general funds for workforce development programs.	-$ 4,000,000
2.	Delete funding for the Electronic Licensing Modernization project.	-$ 2,793,000
	Total Net Change	**-$ 6,793,000**

Updates

- The fiscal 2022 and 2023 budgets included $75 million in federal ARPA funds to supplement local workforce area (LWA) funding for workforce development. Overall, LWAs have expended $40.8 million, or 55%, as of January 2024 and obligated a further $10.5 million. LWAs have until June 2026 to expend these funds.

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Maryland Department of Labor

Operating Budget Analysis

Program Description

MDL administers employment service and adult learning programs and is also responsible for licensing and regulating various businesses, professions, and trades. In addition to administrative offices, which include the Governor's Workforce Development Board, the department contains the following divisions:

- **Workforce Development and Adult Learning** operates workforce development programs, including job services, the Workforce Innovation and Opportunity Act (WIOA), and labor market information programs. It also manages adult education programs, including adult literacy programs and skills training for correctional institutions. Its mission is to support the State's economic growth through a workforce development, education, and training system that is responsive to the needs of adult learners, job seekers, employers, and all system partners.

- **Unemployment Insurance** operates the UI programs. Its mission is to provide prompt temporary partial wage replacement to eligible individuals who are unemployed, help facilitate their return to work, and collect UI tax contributions from employers.

- **Labor and Industry** is responsible for safety inspections of boilers, elevators, amusement rides, and railroads. The division also enforces certain protective labor laws and administers the Maryland Occupational Safety and Health (MOSH) Act. The division's mission is to protect Maryland citizens' health, safety, and employment rights.

- **Occupational and Professional Licensing** includes boards and commissions that license, regulate, and monitor 26 different professions and trades. The division's mission is to ensure that regulated occupations and professions have practitioners that are competent and compliant with State laws, regulations, and standards.

- **Racing**, which houses the Maryland Racing Commission, regulates thoroughbred and harness racing tracks across the State. The division's responsibilities include assigning racing days, regulating wagering on races, collecting the wagering tax, licensing all racetrack employees, and operating a testing laboratory. The division also pays the salaries and stipends of all racetrack employees that are appointed by the Maryland Racing Commission.

- **Financial Regulation** charters, licenses, registers, and regulates commercial banks; trust companies; credit unions; mortgage lenders, originators, brokers and servicers; collection agencies; and consumer loan companies, among other entities. Its mission is to ensure appropriate licensing, registration, and compliance with laws in order to maintain the safety and soundness of Maryland's financial services industry and protect financial services consumers.

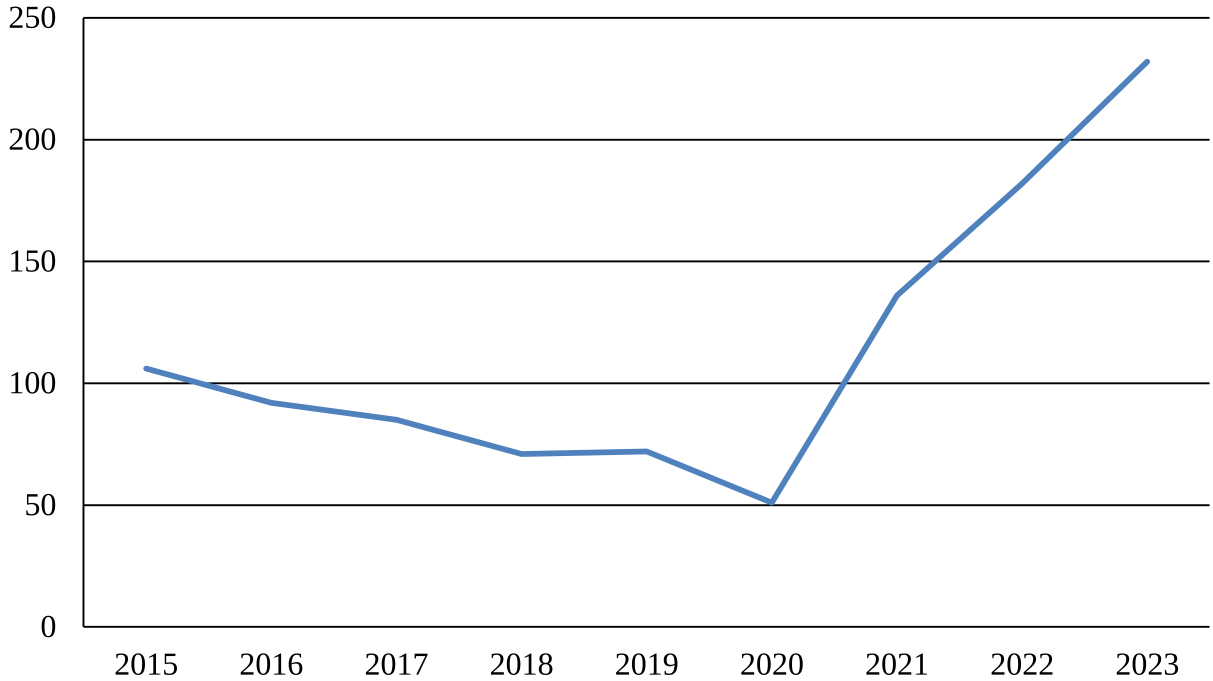
- **Family and Medical Leave Insurance** is the newest division, formed in calendar 2023 to implement the FAMLI Program established by Chapter 48. The FAMLI Program will provide up to 12 weeks of paid leave to a covered individual who is taking leave from employment due to caring for certain family members, the individual's own serious health condition, or a qualifying exigency arising out of a family member's military deployment.

Performance Analysis: Managing for Results

1. Occupational Safety and Health Complaints Continued to Rise in 2023

The MOSH Act generally requires employers to provide each employee with employment and a place of employment that are safe, healthful, and free from recognized hazards that cause or are likely to cause death or serious physical harm to the employee. MDL is responsible for administering the MOSH program, including investigating health and safety complaints. **Exhibit 1** shows the number of occupational health and safety complaints investigated by the department from fiscal 2015 to 2023. Complaints investigated by MOSH increased significantly in fiscal 2021 due to the COVID-19 pandemic and continued to increase in each of fiscal 2022 and 2023 to historically high levels. Nationally, complaint inspections conducted by the Occupational Safety and Health Administration, which oversees states that do not administer their own program, increased from an early pandemic low in 2020 but remain below prepandemic levels. MDL attributes the increase in part to an easier electronic complaint filing method that debuted in fiscal 2022. These complaints reflect only a small share of MOSH investigations annually, and investigating complaints takes precedence over conducting preventive inspections.

Exhibit 1
Occupational Safety and Health Complaints Investigated
Fiscal 2015-2023



Source: Governor's Fiscal 2025 Budget Books

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.**

Fiscal 2024

Implementation of Legislative Priorities

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

- $500,000 and 5 new regular positions in the Division of Labor and Industry. MDL is in the process of recruiting for these wage and hour investigator positions. The investigators will enforce State wage and hour laws, including minimum wage and overtime as well as prevailing wage requirements. The fiscal 2025 allowance further increases the number of wage and hour investigators by an additional 5 regular positions. The positions newly added for fiscal 2025 will be dedicated to MDL's Workplace Fraud Unit and are discussed further in the Personnel section of this analysis; and

- $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.**

Proposed Deficiencies

The fiscal 2025 budget includes the following proposed deficiencies in MDL for fiscal 2024:

- $590,103 in general funds to support salary adjustments for correctional education teachers. Increased funding for MDL's correctional education programs is discussed further in the Proposed Budget section of this analysis; and

- $500,000 in general funds to fund the Baltimore City Jobs Court Pilot Program (Chapter 522 of 2022). The legislation mandated funding of $500,000 provided to the Baltimore Workforce Development Board annually from fiscal 2024 to 2028, but the funding was inadvertently left out of the fiscal 2024 budget. The pilot program will offer defendants in Baltimore City District Court an opportunity to participate in full-time job training and job placement programs as a condition of probation, an alternative to incarceration, or a condition of pretrial release. The fiscal 2025 allowance also includes $500,000 for the program.

Access to Banking Act

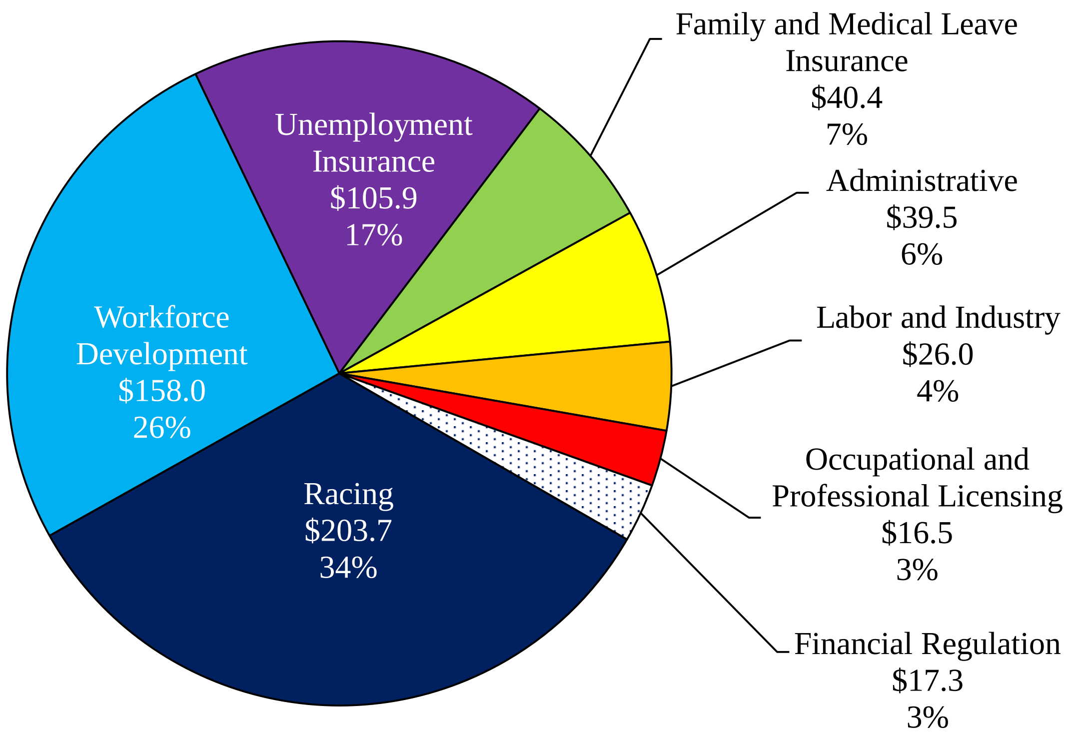
Chapters 432 and 433 of 2023 (Access to Banking Act) established the Maryland Community Investment Venture Fund within MDL's Office of Financial Regulation to develop opportunities for banking institutions and credit unions to better serve the needs of low- to moderate-income areas. The fund will invest in the development of financial product innovations that enhance access to capital, funding, and other financial services for businesses in low- to moderate-income tracts in the State in addition to deploying, evaluating, and promoting such innovations to banking institutions and credit unions. MDL anticipates that the development of these products will be undertaken through partnerships between financial technology firms and State-chartered banks and credit unions.

In December 2023, $2.8 million in special funds from MDL's Banking Institution and Credit Union Regulation Fund was added by budget amendment to the fiscal 2024 working appropriation to implement the Access to Banking Act, including $2.5 million to capitalize the Community Investment Venture Fund, $171,000 in estimated matching funds for private contributions, and $167,500 for startup administrative expenses. The fiscal 2025 allowance includes $246,000 in estimated matching funds for fiscal 2025 as well as $85,000 for remaining startup costs associated with establishing the fund, which slightly exceeds the $250,000 in administrative expenses authorized in statute by $2,500. Before the end of fiscal 2024, MDL anticipates making the first awards under the program, with a proposed award size of $25,000 to $50,000 during the initial pilot phase.

Fiscal 2025 Overview of Agency Spending

The fiscal 2025 allowance totals $607.4 million. As shown in **Exhibit 2**, the Division of Racing accounts for 34% of the fiscal 2025 allowance. Most of the funding for this division is from gaming revenue, which is used for local impact aid for localities that house casinos or racetracks as well as for racetrack facility redevelopment and horse racing purses. Actual racing operations account for less than 1% of the overall fiscal 2025 allowance. Workforce development programs account for just over a quarter of the budget, while 17% is for UI.

Exhibit 2
Overview of Agency Spending
Fiscal 2025 Allowance
($ in Millions)



Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Governor's Fiscal 2025 Budget Books

Proposed Budget Change

As shown in **Exhibit 3**, the fiscal 2025 allowance decreases by $14.6 million compared to the fiscal 2024 working appropriation after accounting for proposed deficiency appropriations. General funds increase by $22.0 million, or 36%, primarily due to administrative costs for the FAMLI Program, which uses a mix of general and federal funds in fiscal 2025, compared to special and federal funds in fiscal 2024. Federal funds decrease by 7.1%, driven by decreases in UI administrative costs offset by increases for workforce development programs. Special funds also decrease by 6.3%, due to estimated decreases in gaming revenues as well as decreases in the use of special funds in the UI and FAMLI programs.

Exhibit 3
Proposed Budget
Maryland Department of Labor
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2023 Actual	$55,679	$248,081	$292,359	$8,466	$604,585
Fiscal 2024 Working Appropriation	61,943	279,912	270,840	9,328	622,024
Fiscal 2025 Allowance	83,953	262,313	251,550	9,603	607,419
Fiscal 2024-2025 Amount Change	$22,010	-$17,599	-$19,290	$275	-$14,604
Fiscal 2024-2025 Percent Change	35.5%	-6.3%	-7.1%	2.9%	-2.3%

Where It Goes:	Change
Personnel Expenses	
Costs for 343 new positions as well as 24 positions created through Board of Public Works action in fiscal 2024, primarily for Family and Medical Leave Insurance program	$15,598
Salary increases and associated fringe benefits, including fiscal 2024 COLA and increments	11,522
Overtime, primarily for the Office of Safety Inspection	129
Other fringe benefit adjustments	-127
Reclassifications	-218
Turnover rate increased from 5.11% to 5.31%	-276
Fiscal 2024 deficiency for correctional education salary adjustments	-590
Workforce Development	
WIOA formula grants estimate	6,400
Federal funds for State Apprenticeship Expansion Grant	3,000
Employment Advancement Right Now grants increase to $10.1 million	2,000
Talent Innovation Program	2,000
WIOA Rapid Response federal funding estimate	300
Resource Sharing Agreements with local workforce partners	285
WIOA federal funds supporting Governor's Workforce Development Board activities	106
One-time legislative addition for Lincoln Technical Institute in fiscal 2024	-50
Baltimore City Youthworks – end of supplemental funding mandate	-1,000

Where It Goes:	**Change**
Unemployment Insurance	
Data processing and office equipment	$456
Postage and telecommunications costs	147
Labor Omni-channel Communications Center System Information Technology project contract	-629
Funding for contractual positions	-3,200
Contract costs for Office of Unemployment Insurance	-7,241
Supplemental funding from American Rescue Plan Act to cover administrative costs	-26,100
Financial Regulation	
Banking Exam automation software	$560
Chapters 432 and 433 of 2023 (Access to Banking Act) fiscal 2025 costs – fiscal 2024 costs of $2.8 million were added by budget amendment but are not yet reflected in the fiscal 2024 working appropriation	331
Contractual staffing costs, including increase of 4.5 full-time equivalent positions	429
Other administrative costs for the Office of Financial Regulation	449
Horse Racing, Based on BRE Estimates	
Lottery revenue for Anne Arundel County due to hold harmless provision (Chapter 692 of 2021)	223
Racetrack Facility Renewal Account	-225
Purse Dedication Account	-1,352
Local jurisdictions' share of VLT and table games revenues	-5,898
Other Changes	
Rent	2,571
Correctional Education contracts	1,589
Federal funds for aid to education	930
Department of Information Technology services allocation	622
Other changes	274
Contract costs for the Division of Occupational and Professional Licensing	238
Office of Administrative Hearings allocation	-339
Family and Medical Leave Insurance administration, excluding personnel costs	-17,517
Total	**-$14,604**

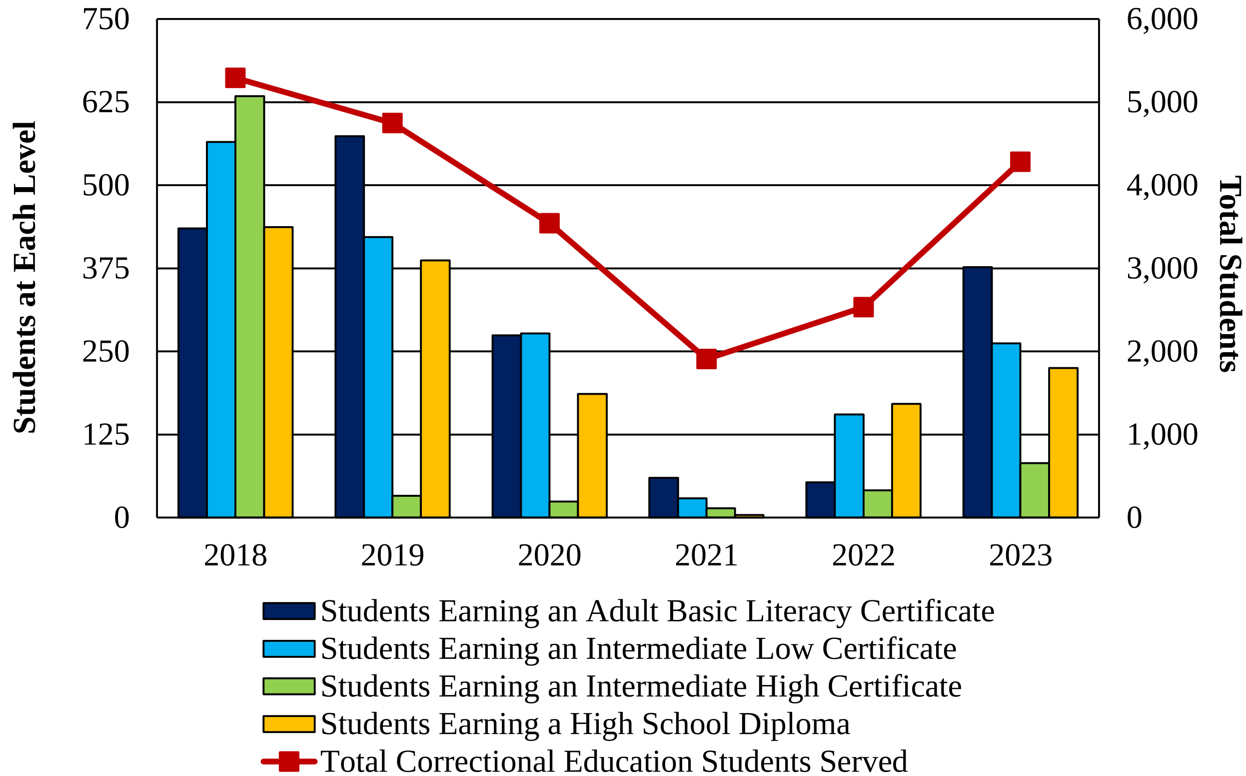
BRE: Board of Revenue Estimates
COLA: cost-of-living adjustment
VLT: video lottery terminal
WIOA: Workforce Innovation and Opportunity Act

Note: Numbers may not sum to total due to rounding.

Correctional Education

In 2008, the Correctional Education Council (CEC) was established as a partnership between MDL and the Department of Public Safety and Correctional Services (DPSCS) to develop educational and workforce training programs for correctional institutions. CEC works closely with the Correctional Education (CE) staff at MDL to provide educational programs for inmates. The academic programs provided by CE consist of adult education services, GED preparation and testing, English as a Second Language, and social and emotional competency. **Exhibit 4** shows the total number of students served as well as the number of certificates received at each literacy level in the CE program. The number of CE students had been declining prior to the COVID-19 pandemic due to a combination of the decline in the total prison population as well as staff vacancies, but the number served rebounded somewhat in fiscal 2023 to more than 4,200 students.

Exhibit 4
Correctional Education Students Served
Fiscal 2018-2023



Source: Governor's Fiscal 2025 Budget Books

The fiscal 2025 budget includes several enhancements for the CE program, including adding 8 regular positions, bringing the total positions for the program to 148. The new positions include 7 administrative officers and 1 librarian. The administrative officers will serve as transition specialists, leading programming for individuals preparing for release back into their communities, including parenting classes, job search preparation, and financial literacy. MDL currently only has 12 part-time staff serving in these roles, so the increase in regular positions would allow transition classes to be offered more regularly. The librarian position will serve as a coordinator to oversee the library staff across all institutions in the CE program in order to manage library resources more efficiently and ensure consistency and quality across the 12 full-service and 3 satellite libraries in Maryland's correctional institutions.

Of the CE program's 148 regular positions, 97 are teacher positions. The fiscal 2025 budget includes a proposed deficiency of $590,103 in general funds to support salary adjustments for CE teachers. CE teacher positions have a vacancy rate of 9%, as of January 2024.

The fiscal 2025 allowance also includes an increase of $1.6 million in funding for contracts for the CE program compared to the fiscal 2024 working appropriation. Of this, $868,000 would provide licenses and subscriptions for the use of tablets in CE classrooms, in order to continue the department's tablet pilot program that has deployed 723 tablets to date. MDL indicated that the pilot program showed positive outcomes in GED completion and other academic gains for students using the tablets. The remaining $720,000 would support the expansion of Internet infrastructure in CE classrooms.

Increased General Funds for Workforce Development

EARN is a State workforce development program established in 2014 that provides industry-led and regionally focused workforce training. Industry leaders work in partnership with community organizations and nonprofits to develop training for participants to be hired directly by industry leaders. The fiscal 2025 allowance includes $10.1 million in general funds for grants through the EARN program, which represents a $2.0 million increase over the fiscal 2024 working appropriation. MDL expects that this enhanced funding would provide training to approximately 500 additional individuals. The fiscal 2025 allowance also includes $1.0 million in special funds from the Strategic Energy Investment Fund for EARN clean energy programs.

The fiscal 2025 allowance includes $2.0 million in general funds for a new Talent Innovation Program. The proposed program would support job training in emerging industries using more flexible funding models and targeting a wider range of institutions, employers, and individuals than in the EARN program, which operates only using direct grants to industry partnerships made up of at least five employers. The initial $2.0 million investment would create a pilot program to develop Maryland's cybersecurity workforce through the expansion of cyber ranges, serving approximately 100 participants. MDL plans to issue a competitive grant solicitation to develop this pilot.

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.

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.**

The fiscal 2024 Budget Bill contained language restricting all $2.8 million provided for the ELMo project until MDL submits an implementation plan, including details on the project requirements, vendor selection process, costs, and timeline. MDL submitted the report in January 2024, noting that the department received approval to hire a project manager to oversee the project in December 2023. MDL plans to hire both the project manager and a business analyst to update project requirements and develop a project strategy before the end of fiscal 2024. The ELMo project is discussed further in **Appendix 3**.

Unfunded Mandates

The fiscal 2025 allowance does not include funding for two mandates, in error:

- Chapter 493 of 2023 mandated funding of $625,000 for the Maryland Construction Education and Innovation Fund annually from fiscal 2025 to 2029. The fund supports the operations of the Maryland Center for Construction Education and Innovation at Towson University; and

- Chapter 791 of 2023 mandated funding of $500,000 annually from fiscal 2025 to 2028 for the Prince George's Reentry Employment Incentive Program.

Infrastructure Investment and Jobs Act Funding

Although neither the fiscal 2024 working appropriation nor the fiscal 2025 allowance include funding for MDL, the department advises that the Division of Workforce Development and Adult Learning unsuccessfully applied for a competitive Infrastructure Investment and Jobs Act (IIJA) grant totaling $1.5 million through the Joint Office of Energy and Transportation's Ride and Drive Electric grant program. The program supports electric vehicle charging reliability, resiliency, equity, and workforce development initiatives with the goal of building a national network of electric vehicle charging infrastructure.

MDL is also partnering with the Maryland Energy Administration on an application for the IIJA-funded Energy Auditor Training Program for which a concept paper is due in March 2024.

Personnel Data

	FY 23 Actual	FY 24 Working	FY 25 Allowance	FY 24-25 Change
Regular Positions	1,356.17	1,441.57	1,784.57	343.00
Contractual FTEs	219.67	230.58	227.99	-2.59
Total Personnel	**1,575.84**	**1,672.15**	**2,012.56**	**340.41**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	75.27	5.31%
Positions and Percentage Vacant as of 12/31/23	172.07	11.94%
Vacancies Above Turnover	96.80	

- The fiscal 2025 allowance includes an increase of 343 regular positions across the department, including 328 for the FAMLI Program. These positions are in addition to 24 positions added by the Board of Public Works (BPW) in fiscal 2024, bringing the total number of regular positions in the FAMLI Program to 368. Staffing for the FAMLI Program is discussed further in Issue 1 of this analysis.

- Other position increases include 8 positions in the CE program (discussed in the Proposed Budget section of this analysis) and 5 wage and hour investigators in the Division of Labor and Industry. The new wage and hour investigator positions will be dedicated to MDL's Workplace Fraud Unit, which investigates worker misclassification in the construction and landscaping industries. These increased positions are part of a renewed effort by the Administration to combat workplace fraud, including an executive order issued in January 2024 reestablishing the Joint Enforcement Task Force on Workplace Fraud.

- From the end of calendar 2022 to the end of calendar 2023, the department's vacancy rate decreased slightly, from 12.4% to 11.9%. Vacancies in the MOSH program decreased significantly, from 28% to 20%, and the vacancy rate in the UI program also improved, from 14% to 11%.

Issues

1. Family and Medical Leave Insurance Implementation

Chapter 48 established the FAMLI Program, which will provide up to 12 weeks of benefits to a covered individual who is taking leave from employment due to caring for certain family members, the individual's own serious health condition, or a qualifying exigency arising out of a family member's military deployment. The weekly benefit is based on an individual's average weekly wage and is indexed to inflation. Required contributions to the program, which are shared between employers and employees, are also based on employee wages. Generally, employers with 15 or more employees must contribute to and participate in the program, whether through the State program or a qualifying private plan.

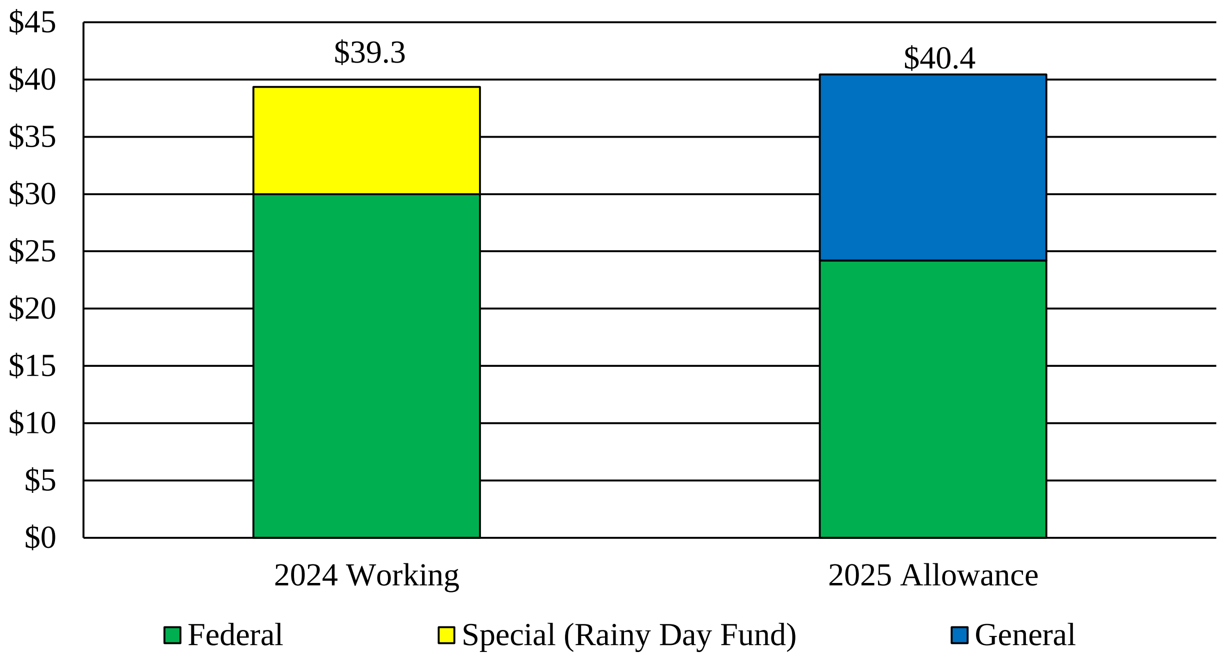
Chapters 258 and 259 of 2023 made several modifications to the program, including delaying the program's start date by one year, with contributions to the program now beginning on October 1, 2024, and claims for benefits beginning January 1, 2026. Chapters 258 and 259 also established employer and employee cost-sharing percentages at 50% each. In September 2023, MDL set the initial total rate of contribution at 0.9% of covered wages. This rate will apply from the start of contributions in October 2024 through the end of June 2026.

Due to the tight implementation timeline, the department is proposing legislation to further delay the FAMLI Program, with contributions pushed back by nine months to July 1, 2025, and benefits claims pushed back six months to July 1, 2026. MDL advises that reducing the time between collecting contributions and starting benefits from five quarters to one year is still expected to provide sufficient coverage based on the experience of other states. MDL's proposed legislation would also make several other administrative changes to the program, such as modifying the definition of wages to align with the UI definition and allowing MDL to set fees for employers using coverage under a private plan.

Budget

Generally, program implementation costs require the use of general and federal funds until employer and employee contributions to the FAMLI Fund are sufficient to cover the costs of administration. **Exhibit 5** shows the funding provided for FAMLI administrative costs in fiscal 2024 and 2025 by fund source, with funding increasing slightly to $40.4 million in the fiscal 2025 allowance. Initial startup costs were provided using $10 million in general funds restricted in the Revenue Stabilization Account, also known as the Rainy Day Fund, in fiscal 2023 to capitalize the FAMLI Fund, and most of this initial funding ($9.3 million) was reappropriated as special funds in MDL's fiscal 2024 budget. In addition, in September 2023, a budget amendment added $30 million in federal funds to MDL's fiscal 2024 appropriation using ARPA State Fiscal Recovery Funds. The fiscal 2025 allowance includes $24.2 million in federal funds from the ARPA and $16.2 million in general funds for the FAMLI Program.

Exhibit 5
Family and Medical Leave Insurance Program Funding
Fiscal 2024-2025
($ in Millions)



Source: Governor's Fiscal 2025 Budget Books

In addition to administrative expenses, the State will also incur costs under the FAMLI Program related to employer contributions for State employees as well as employer contributions on behalf of community providers. Although still assessing its options, the State is considering self-insuring, and no funding is included in DBM's fiscal 2025 allowance for FAMLI costs. The fiscal 2025 allowance does include $12.4 million in general funds in the Maryland Department of Health for community provider contributions, which is reduced contingent on legislation delaying FAMLI implementation.

Staffing

The FAMLI Division is rapidly staffing up as it prepares for program implementation. The fiscal 2024 budget as enacted included 16 regular positions for the division; and in September 2023, BPW approved the addition of 24 new positions for a total of 40. The positions added in fiscal 2024 are intended to (1) form the leadership team; (2) onboard a technical team to oversee information technology (IT) development; and (3) staff the Employer Services Directorate to process employer plan elections and prepare to receive tax contributions. As of January 2024, FAMLI has 14 regular positions filled, with 2 additional positions that have accepted offers and 4 more positions in the interview stage.

The fiscal 2025 allowance includes 328 new positions for a total of 368 regular positions in the division. Of these 368 positions, 165 are for claims center staff, 93 fall under various administrator class codes, 39 are for fiscal accounts and services positions, 32 are program manager positions, and 39 are other miscellaneous position types. Contractual full-time equivalent (FTE) positions decrease from 7 FTE to 0 in fiscal 2025 as the division staffs up with regular positions instead.

Contracts and Grants

Other than personnel costs, funding for contracts makes up the largest part of the fiscal 2025 allowance for FAMLI, totaling $17.4 million. The largest contract is expected to be for the development of a new IT system, which will serve the needs of both employers and claimants as well as FAMLI staff. MDL issued the request for proposals (RFP) for the new system on January 11, 2024, and anticipates making an award by April 2024. Other anticipated procurements include contracts for software licenses, fiscal services, human resources support for recruiting candidates, and advertising, among others. The fiscal 2025 allowance also includes $445,000 in funding for grants to local community organizations to inform individuals about the benefits that FAMLI will provide.

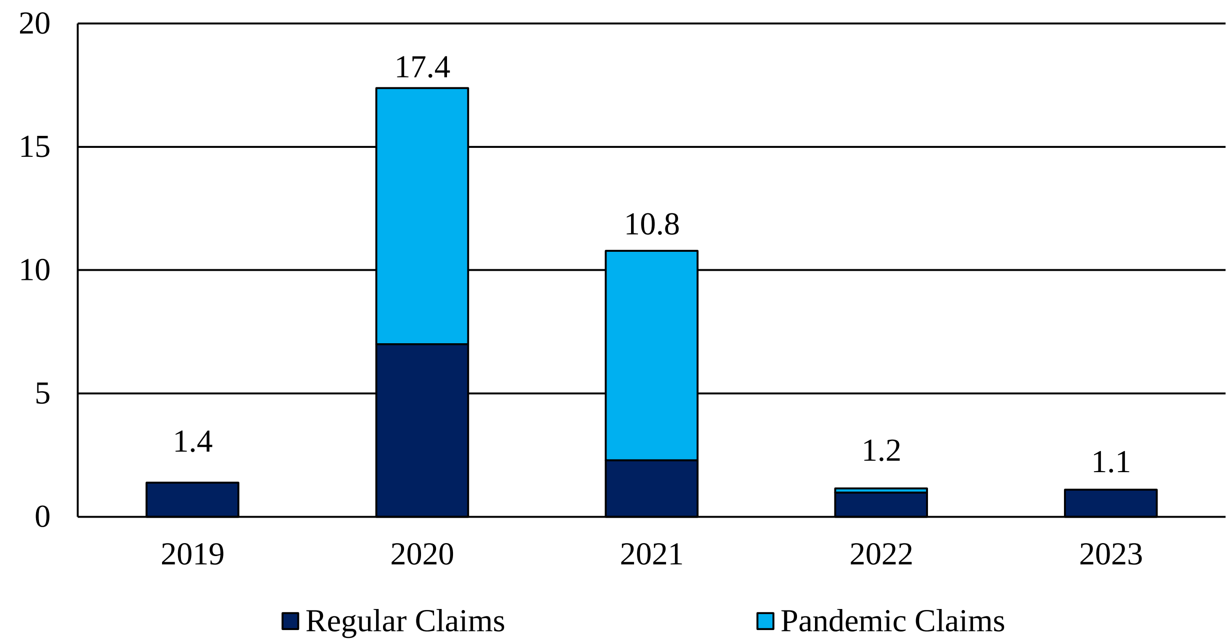
2. Unemployment Insurance

UI provides partial wage replacement to workers who become unemployed through no fault of their own and meet the necessary eligibility criteria. Overall, MDL's budget for administering the UI program decreases by $33.8 million from the fiscal 2024 working appropriation to a total of $95.7 million in the fiscal 2025 allowance. This is primarily due to $26.1 million in federal ARPA funds to supplement MDL's regular administrative funding that is included in the fiscal 2024 working appropriation but not continued in the fiscal 2025 allowance. Funding for contracts also decreases by $7.2 million, and funding for contractual staffing declines by $3.2 million, while regular personnel costs increase by $2.1 million.

Claims Volume Decreases but Processing and Appeals Backlogs Remain

As shown in **Exhibit 6**, MDL handled an unprecedented volume of claims during the COVID-19 pandemic, due both to regular claims as well as the major expansion in eligibility from the newly created federal pandemic UI programs. Following the end of the pandemic programs in September 2021 and as the economy improved and more people returned to work, claims volume declined and returned to a level consistent with prepandemic levels.

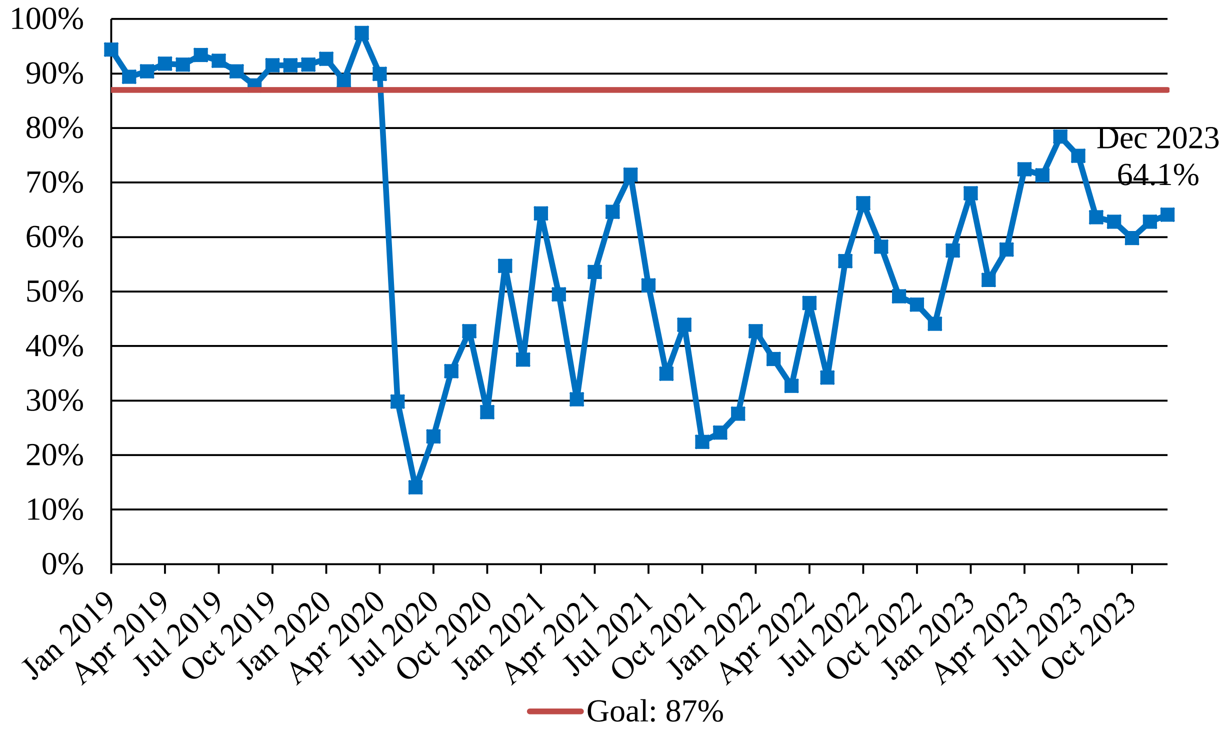
Exhibit 6
Unemployment Insurance Continued Claims Volume
Calendar 2019-2023
(in Millions)



Source: U.S. Department of Labor

Given the high volume of claims during the pandemic, MDL struggled to pay benefits to claimants in a timely manner. The U.S. Department of Labor (DOL) has set a timeliness standard that 87% of claimants receive benefits within three weeks of filing an initial claim. As shown in **Exhibit 7**, MDL has historically achieved this goal but has fallen far short since the beginning of the pandemic because of the overwhelming number of claims filed. MDL continues to perform well below prior levels despite lower claims volume and the end of federal programs, with fewer than 65% of initial claims paid within 21 days in each month since August 2023. MDL contends that the DOL timeliness data is not reflective of how quickly MDL makes initial determinations on claims because, for example, if an individual was initially denied within the three-week timeframe but later won an appeal, this individual would not count in the DOL data as receiving a first payment within three weeks. MDL provided data instead on the percentage of claims for which an appealable determination is made within 21 days, with a goal of 92%. Based on this measure, MDL has also not achieved the goal of 92% in any week in calendar 2023.

Exhibit 7
Unemployment Insurance Claims Paid within 21 Days of Initial Claim
Calendar 2019-2023

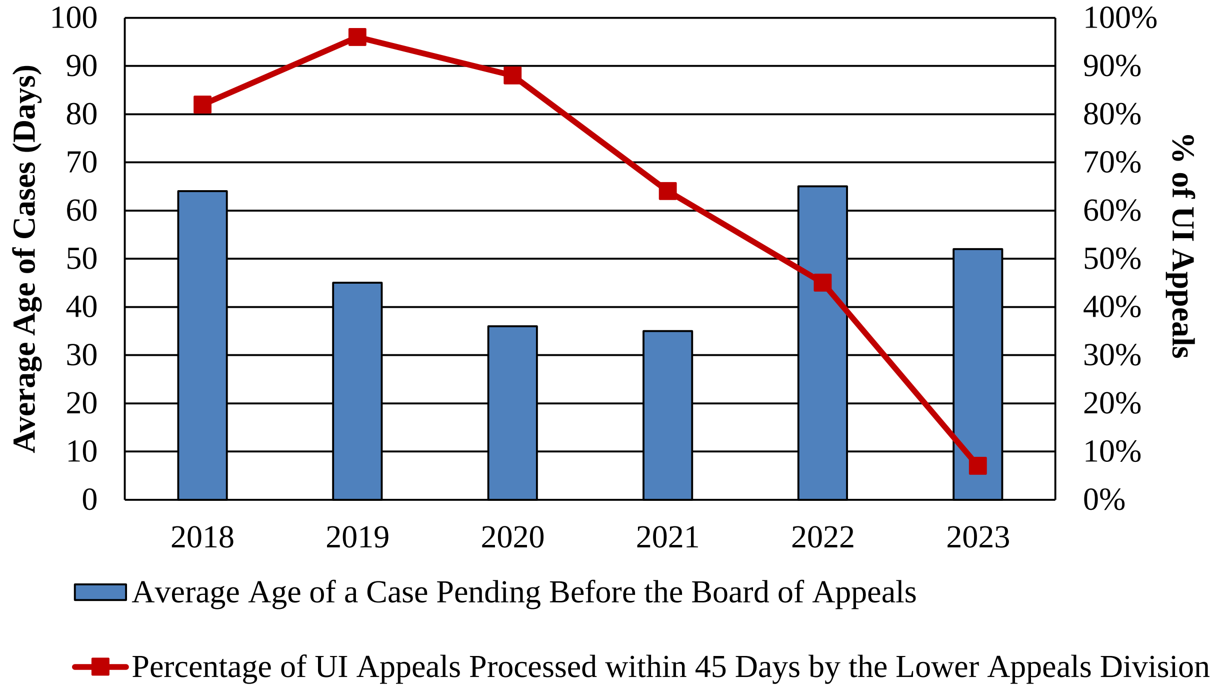


Note: This data is for regular unemployment insurance claims only. Neither the U.S. Department of Labor nor the Maryland Department of Labor report timeliness data for the federal COVID-19 unemployment insurance programs.

Source: U.S. Department of Labor

The timeline to process appeals has also lagged behind established targets. The industry standard for an appeal to be processed by the Lower Appeals Division (LAD) is within 45 days. In the case that a claimant is not satisfied with the decision of LAD, they may request an appeal from the Board of Appeals that has a processing time goal of 40 days. **Exhibit 8** shows that while the Board of Appeals was generally handling appeals cases within the 40-day timeframe in fiscal 2020 and 2021, the appeals backlog grew in fiscal 2022, and there was still an average pending case age of 52 days in fiscal 2023. LAD only processed 7% of appeals cases within its 45-day target in fiscal 2023, a steep decline compared to prior years. LAD is facing a high caseload due to appeals from the elevated claims during the pandemic as well as an increase in proof-of-identity claims appeals, and MDL reports that the department has insufficient staff to address the backlog. LAD has hired 3 additional full-time hearing examiners in December 2023 and January 2024, and hearing examiners have also volunteered to conduct overtime hearings on Saturday mornings and Tuesday evenings in an attempt to address the backlog.

Exhibit 8
Case Processing Time for the Lower Appeals Division and Board of Appeals
Fiscal 2018-2023



UI: unemployment insurance

Source: Governor's Fiscal 2025 Budget Books

Staffing and Contracts

MDL plans to continue to use a mix of regular, contractual, and vendor staff to administer the UI program. As of January 2024, MDL reported 336 filled regular staff positions in the Office of Unemployment Insurance. This represents a vacancy rate of 11%, which is an improvement from 14% one year prior. The fiscal 2025 allowance also includes 101 contractual FTEs in the Office of Unemployment Insurance.

In order to handle the claims volume during the pandemic, MDL contracted with several vendors for UI call center staffing, adjudicating claims, and dealing with increased fraud. Funding for contracts for the Office of Unemployment Insurance declines by $7.2 million from the fiscal 2024 working appropriation to a total of $32.4 million in the fiscal 2025 allowance. MDL's contract for claims adjudication services ended in May 2022, while MDL has continued to rely on outsourced call center staffing. MDL plans to maintain its call center contract with Accenture until the first phase of the new Labor Omni-channel Contact Center System (LOCCS) major IT project is operational, currently expected by fall 2024. The Accenture contract has been extended through December 2024 to allow more time to transition.

MDL selected a vendor for the LOCCS project in September 2023, but subsequently the vendor indicated that it would be unable to meet the established Minority Business Enterprise (MBE) goal, and MDL decided to move forward with an alternative vendor. MDL anticipates presenting the new contract to BPW by April 2024. Additional details on the LOCCS project can be found in **Appendix 2**.

Supplemental Funding

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.

Update on Audit Corrective Actions

The Office of Legislative Audits (OLA) released two audits related to the UI program in calendar 2022 – one related to employer contributions and one related to benefits payments. Given that the benefits payments audit contained more than four repeat audit findings, the fiscal 2024 Budget Bill included language restricting $100,000 in administrative funding pending a report to be submitted by OLA with determinations that each repeat finding was corrected. In December 2023, MDL presented to the Joint Audit and Evaluation Committee on the status of corrective actions for both audits and acknowledged that the agency was still working toward resolving several issues. MDL reported that 13 findings were fully resolved, while corrective actions for 6 findings were still in progress (1 related to employers and 5 related to benefits). **Exhibit 9** shows a summary of the findings still to be addressed. MDL contends that the outstanding findings primarily deal with reconciling issues that occurred during the pandemic, rather than issues that are ongoing.

Exhibit 9

Status of Unemployment Insurance Audit Corrective Actions

Finding	Status	Expected Completion
DUI did not reconcile tax collections from employers to amounts posted to employer accounts receivable records to ensure amounts posted to employer accounts were valid and complete.	Partially implemented: legacy accounting system requires manual reconciliation.	September 2024
DUI did not conduct certain critical matches used to identify potentially fraudulent or improper claims.	Partially implemented: most crossmatch deficiencies in BEACON have been resolved; correction of remainder is underway.	February 2024
DUI did not ensure that claimants who were full-time students were eligible for benefits and that all claimants were enrolled in the Maryland Workforce Exchange System, as required.	Partially implemented: a solution to address Maryland Workforce Exchange registration is underway.	February 2024
DUI did not establish sufficient controls over reissued debit cards and did not ensure the proper disposition of funds remaining on expired debit cards.	Pending until banking vendor negotiations are resolved.	TBD
DUI did not properly account for potentially fraudulent benefits totaling $493.9 million that were removed from claimants' debit cards.	Pending until banking vendor negotiations are resolved.	TBD
DUI did not ensure amounts disbursed from the Unemployment Insurance Trust Fund were properly transferred to the bank account used to make benefit payments.	Partially implemented: legacy accounting system requires manual reconciliation.	September 2024

DUI: Division of Unemployment Insurance
TBD: to be determined

Source: Maryland Department of Labor

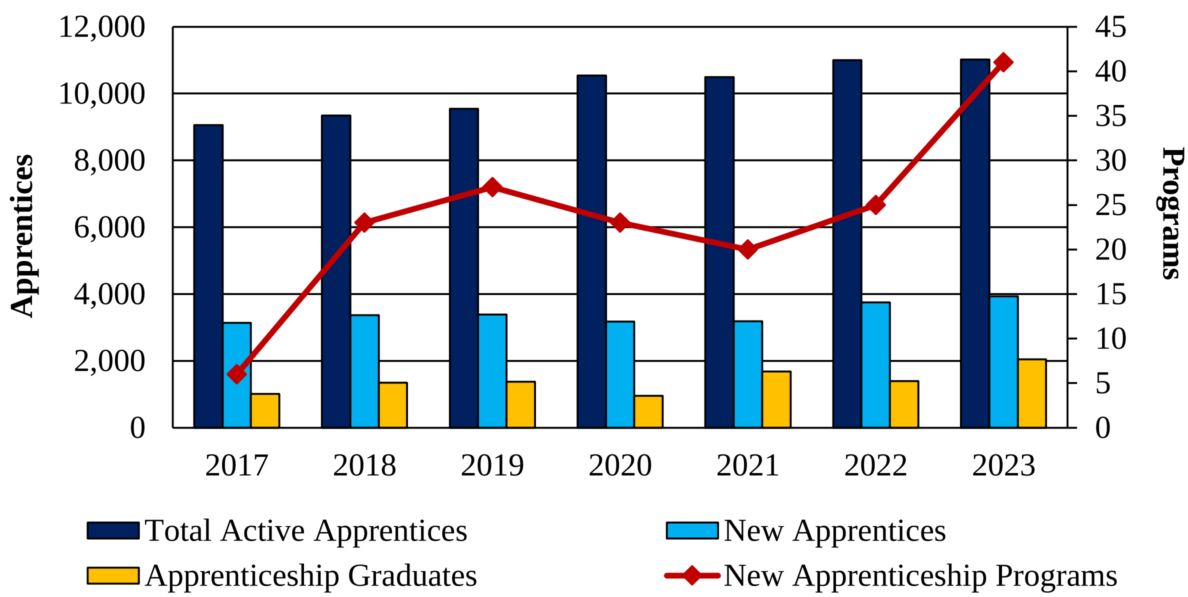
3. Apprenticeships

Apprenticeship programs have garnered attention in recent years as a way to alleviate workforce challenges and serve the needs of a diverse set of employers and workers. MDL is responsible for approving new apprenticeship programs as well as changes to current programs and ensuring compliance with State and federal requirements. Apprenticeships are available to individuals aged 16 and older and may last from one to six years, although most are three to four years, and involve a minimum of 144 hours of classroom instruction per year and at least 2,000 hours per year of on-the-job training.

Funding for Maryland's registered apprenticeship programs has increased significantly, and the State has engaged in increased efforts to study and improve the State's apprenticeship system, including through the Apprenticeship 2030 Commission established by Chapter 168 as well as public sector apprenticeship workgroups created through the 2022 *Joint Chairman's Report* (JCR).

Exhibit 10 shows the growth in active apprentices to more than 11,000 in each of fiscal 2022 and 2023, as well as the increasing pace of the creation of new registered apprenticeship programs in recent years. This growth is due in part to the expansion of the careers in which apprenticeships can be obtained beyond traditional construction trades.

Exhibit 10
Participation in Registered Apprenticeship Programs
Fiscal 2017-2023



Source: Governor's Fiscal 2025 Budget Books

Funding in MDL and Dedicated Purpose Account

The fiscal 2025 allowance includes $7.5 million in MDL for apprenticeship programs, including $4.5 million in federal funds for apprenticeship expansion efforts, $1.0 million in general funds for the apprenticeship income tax credit, $750,000 in general funds for a law enforcement cadet apprenticeship program, and $400,000 in special funds from the State Apprenticeship Training Fund for grants for pre-apprenticeship programs. This represents an increase of $3.3 million, or 78%, compared to the fiscal 2024 working appropriation. However, the fiscal 2024 working appropriation does not yet reflect $2.1 million in federal funds that were recently added by budget amendment.

In June 2023, MDL was awarded $6.0 million in new DOL State Apprenticeship Expansion Grants. Funding of $2.1 million was added by budget amendment for fiscal 2024, and the fiscal 2025 allowance includes $3.0 million. MDL is using the award for three initiatives: $3.0 million for a new Public Sector Apprenticeship Innovation Fund; $1.6 million for a new Maryland Hospitality Management Apprenticeship Program; and $1.0 million for data system modernization for Maryland's Youth Apprenticeship Program. The remaining funding will cover administrative costs. The Public Sector Apprenticeship Innovation Fund will provide grants to State or local government entities for creating or expanding apprenticeship programs within public sector agencies. The Maryland Hospitality Management Apprenticeship Program is providing $1.1 million to six community colleges to develop apprenticeship programs for individuals in the hospitality industry to advance into management-level careers while simultaneously earning an associate degree.

In addition to funding in MDL's budget, there is $25.0 million still available for apprenticeship initiatives in the DPA that was appropriated in fiscal 2023. Although $5.0 million was transferred by budget amendment to MDL in fiscal 2023, MDL reverted all $5.0 million back to the DPA, and the full $25.0 million remains available. The recommendations of the Apprenticeship 2030 Commission, which is scheduled to complete its work by December 2024, may guide the use of this funding. The fiscal 2025 allowance also includes a new proposed appropriation of $2.5 million in the DPA for apprenticeships in State government, although it is unclear how those funds are expected to be used.

Apprenticeship 2030 Commission

The Apprenticeship 2030 Commission was established by Chapter 168 to examine and make recommendations to reduce skill shortages in high-demand occupations and provide affordable training for career pathways for young people by:

- expanding registered apprenticeships in industry sectors with skill shortages;
- growing the number of registered apprentices to at least 60,000 by 2030; and

- reaching the Blueprint for Maryland's Future (Blueprint) goal for 45% of high school graduates completing the high school level of a registered apprenticeship.

The commission met four times in 2023 and released its interim report in January 2024. The commission will continue its work in the 2024 interim before terminating in December 2024. In its interim report, the commission established the following key priorities: activating employer demand; developing an interoperable education and apprenticeship ecosystem; and removing barriers by focusing on outcomes not outputs. The commission used these priorities to guide their recommendations, which included 22 recommendations categorized as able to be addressed through administrative action and 7 recommendations that require further study and possible legislative action.

The first 12 recommendations were related to high school apprenticeships and included:

- the Career and Technical Education (CTE) Committee should issue guidance on desired outcomes and priorities as well as clarification related to the Blueprint's 45% goal;

- ensuring the CTE Committee is properly resourced;

- forming a workgroup to address barriers to high school apprenticeship participation, such as transportation to employer sites, workers' compensation insurance, and employer biases against hiring students under 18 years of age; and

- developing adaptable high school schedules to support employer on-the-job requirements.

Other recommendations for administrative actions included:

- studying the use of existing State and federal funding to scale apprenticeships;

- studying how quality intermediaries can support registered apprenticeships;

- adapting State hiring processes for apprentices; and

- piloting the use of registered apprentices in certain State agencies for IT and cybersecurity programs.

Finally, the report's recommendations for further study and potential legislative action included:

- considering the creation of a new entity dedicated to the recruitment of employers, joint labor-management partnerships, and intermediaries;

- exploring incentives to accelerate adoption such as State procurement preferences or subsidies for related technical instruction or on-the-job training and evaluating the impact of the State's current apprenticeship tax credit;

- establishing a workgroup to simplify the sponsorship registration process and reduce manual reporting requirements for registered apprenticeships; and

- establishing a workgroup led by MDL to develop plans for research and data, evaluating issues such as the potential to publish longitudinal data studies to help evaluate program outcomes, publish effective skills standards, quantify apprentice-ready youth each year by region, and develop a survey or scorecard to obtain employer or potential sponsor input.

Public Sector Apprenticeship Workgroups

Committee narrative in the 2022 JCR requested that MDL establish three workgroups on public sector apprenticeships at the State and local level, focusing on the health care, transportation, and public safety sectors. Each workgroup was tasked with (1) identifying the extent of public sector vacancies in each sector; (2) reviewing related apprenticeship programs in other states or internationally; and (3) identifying apprenticeship opportunities in jobs with the greatest barriers to recruitment and training, including opportunities for degree apprenticeship programs and high school apprenticeship programs. Each workgroup submitted an interim report in December 2022 and a final report in June 2023. Analysis and recommendations from the final reports are summarized as follows:

- ***Health Care:*** The report discussed general factors constraining the supply of nurses in Maryland's workforce, including nursing education program capacity and clinical site capacity, financial and opportunity costs of nursing programs for prospective students, the licensure and examination process, and attrition and career advancement issues for existing nurses. Apprenticeship programs could potentially help address some of these factors, such as by paying wages while students are in school and reducing students' instructional costs. As of the report in June 2023, Maryland has two active registered apprenticeship programs for licensed practical nurses, which have the potential to serve as model programs for other nursing and health occupations. The report recommended expanding existing nursing apprenticeship programs, conducting a systematic survey on nursing education, investing in the capacity of nursing programs and clinical sites, and working to improve academic readiness among prospective students.

- ***Transportation:*** The report identified progress made on apprenticeship program development in the Maryland Department of Transportation (MDOT) Secretary's Office, the State Highway Administration, the Maryland Port Administration, the Maryland Transit Administration, and the Maryland Transportation Authority, including new programs registered in March 2023 for cybersecurity and heavy equipment maintenance positions as well as programs in development for facilities maintenance, auto diesel mechanics, and bus maintenance mechanics, among others. Recommendations included

(1) using best practices from industry joint and labor-management apprenticeship programs; (2) building partnerships with local school districts, workforce boards, bargaining units, and training providers; and (3) coordinating MDOT's efforts with apprenticeship initiatives in other State and local agencies.

- ***Public Safety:*** The report identified various structural and cultural factors constraining Maryland's public safety workforce, including degree and age requirements, lengthy screening and onboarding processes, workforce competition and attrition, and perceptions of workplace culture and law enforcement generally. The report assessed which factors may be able to be addressed through apprenticeships, such as restructuring cadet and explorer programs as youth apprenticeships to connect youth to public safety careers sooner, or onboarding candidates as apprentices while screening processes are still in progress. The report recommended (1) encouraging government agencies to partner with MDL, DBM, local workforce boards, and bargaining units to explore apprenticeship options; (2) promoting group, regional, and jurisdictional apprenticeship programs; and (3) assessing and reforming policies, processes, and hiring requirements that may be limiting the success of workers, employers, and apprentices. Current apprenticeship development efforts in public safety include an initiative by Employ Prince George's to develop a multiple-employer program for various county and municipal agencies, as well as ongoing discussions between MDL, DBM, and DPSCS related to potential apprenticeship pathways for parole and probation agents.

Operating Budget Recommended Actions

		Amount Change	
1.	Delete $2.0 million in funding for the newly proposed Talent Innovation Program as well as $2.0 million in increased funding for the Employment Advancement Right Now program.	-$ 4,000,000	GF
2.	Delete funding for the Electronic Licensing Modernization project. These funds were included in the allowance in error.	-$ 2,793,000	SF
	Total Net Change	**-$ 6,793,000**	
	Total General Fund Net Change	**-$ 4,000,000**	
	Total Special Fund Net Change	**-$ 2,793,000**	

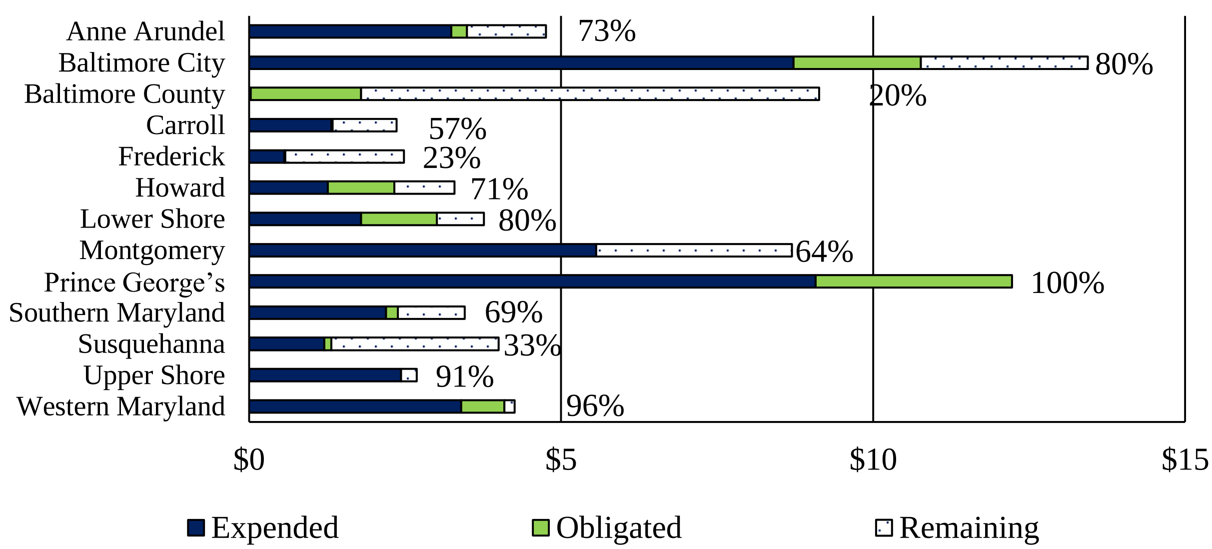
Updates

1. American Rescue Plan Act Funding for Workforce Development

The fiscal 2022 and 2023 budgets provided a total of $75 million in federal funds from the ARPA to supplement regular WIOA program funding. All of the fiscal 2022 funding was distributed to LWAs according to the same formula as WIOA adult program funds, while language in the fiscal 2023 Budget Bill restricted $430,000 to be retained by MDL for oversight purposes with the remainder distributed to LWAs.

MDL reviews quarterly programmatic and fiscal reports submitted by each LWA. **Exhibit 11** shows the progress each LWA has made in expending funds from its ARPA awards, as of January 2024. The exhibit also shows the percentage of funds obligated by each LWA. Overall, LWAs have expended $40.8 million, or 55%, of the $74.6 million available and committed a further $10.5 million for an overall obligation rate of 69%. LWAs have until June 2026 to expend these funds.

Exhibit 11
ARPA Workforce Development Expenditures by Local Workforce Area
As of January 2024
($ in Millions)



ARPA: American Rescue Plan Act

Source: Maryland Department of Labor

In general, there are fewer restrictions on the use of ARPA funds compared to regular funding through the WIOA. In addition to using the funds to provide training, job search assistance, and supportive services, many jurisdictions elected to spend funds on one-time investments such as mobile career centers or on uses not supported by regular WIOA funding, including offering training outside the regular WIOA training system in in-demand skills such as welding, coding, and biotechnology. LWAs are directing funding to serve populations disproportionately impacted by the pandemic, such as low-income households and individuals that lost jobs due to pandemic closures; to support pandemic-impacted small businesses through wage subsidies; and to provide training in impacted or high-growth sectors such as health care, biotechnology, and IT. Several LWAs are also using ARPA funds to provide digital literacy training.

Appendix 1
2023 *Joint Chairmen's Report* Responses from MDL

The 2023 JCR requested that MDL and OLA prepare three reports. In addition, the 2022 JCR requested that MDL prepare additional reports due in the 2023 interim based on the continued work of apprenticeship workgroups. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Status of Corrective Actions Related to the MDL Division of Unemployment Insurance – Part 2 Audit:*** Given that the audit of MDL's UI program issued in November 2022 contained more than four repeat audit findings, the fiscal 2024 Budget Bill included language restricting $100,000 in administrative funding pending a report to be submitted by OLA with determinations that each repeat finding was corrected. In December 2023, MDL presented to the Joint Audit and Evaluation Committee on the status of corrective actions and acknowledged that the agency was still working toward resolving several issues identified in the audit. Further discussion of this audit can be found in Issue 2 of this analysis.

- ***Four-day Workweek:*** The committees requested a report on the feasibility of creating a four-day workweek program. The report summarized three studies of existing four-day workweek programs, noting that the studies found increased productivity, improved retention, and increased job satisfaction at participating companies; and that most participating companies intended to continue with a permanent four-day workweek schedule following the trial periods. However, the benefits were not spread evenly among all staff, and in each study a subset of employees' work hours actually stayed the same or increased, particularly managerial staff. In analyzing potential employer incentives, MDL noted that the State could consider providing grants or tax credits to participating employers in addition to conducting a statewide marketing campaign to highlight potential employer benefits. The report stated that while there could be potential benefits to shifting State employees to a four-day workweek schedule, including the possibility of improving retention and increasing the competitiveness of Maryland as an employer, the results from the existing studies may not be applicable to Maryland's context and successfully transitioning the State to a four-day workweek may require significant planning and investment in technology enhancements to manage needed changes to current workflow.

- ***Report on the Electronic Licensing Modernization (ELMo) Project:*** The fiscal 2024 Budget Bill contained language restricting $2.8 million provided for the ELMo project until MDL submits an implementation plan for the project, including details on the project requirements, vendor selection process, costs, and timeline. MDL submitted the report in January 2024, noting that the department received approval to hire a project manager to oversee the project in December 2023. MDL plans to hire both the project manager and a business analyst to update project requirements and develop a project strategy before the end of fiscal 2024. The ELMo project is discussed further in the Proposed Budget section of this analysis and in **Appendix 3**.

- ***Final Reports on Public Sector Apprenticeship Pathways:*** In the 2022 JCR, the committees directed MDL to establish three workgroups on public sector apprenticeships at the State and local level, focusing on the health care, transportation, and public safety sectors. Each workgroup was tasked with identifying the extent of public sector vacancies in each sector; reviewing related apprenticeship programs in other states or internationally; and identifying apprenticeship opportunities in jobs with the greatest barriers to recruitment and training, including opportunities for degree apprenticeship programs and high school apprenticeship programs. Each workgroup submitted a final report in June 2023. Further discussion of these workgroups and apprenticeship programs can be found in Issue 3 of this analysis.

Appendix 2

Labor Omni-Channel Contact Center System

Major Information Technology Development Project

Maryland Department of Labor

This project is discussed further in Issue 2 of this analysis.

New/Ongoing: Ongoing								
Start Date: October 2021				**Est. Completion Date:** October 2024				
Implementation Strategy: Agile								
($ in Millions)	**Prior Years**	**2024**	**2025**	**2026**	**2027**	**2028**	**Remainder**	**Total**
GF	$0.000	$0.000	$0.132	$0.000	$0.000	$0.000	$0.000	$0.132
FF	3.315	3.261	2.632	0.000	0.000	0.000	0.000	9.208
Total	**$3.315**	**$3.261**	**$2.764**	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$9.340**

- ***Project Summary***: LOCCS is intended to manage call center interactions between UI claimants and Division of Unemployment Insurance staff. The project will deploy a commercial off-the-shelf solution that will provide interactive voice response, workforce optimization, quality management, voice recording, and transcription, among other functionalities. The project has three phases: (1) ability to support UI claimants calling the department; (2) adding functionality to support calls for other users, such as employers, as well as handling public-facing emails and webforms; and (3) integration of LOCCS with the BEACON and Salesforce systems.

- ***Need:*** The volume of UI claims during the COVID-19 pandemic stressed MDL's existing UI call center beyond what the department could manage, and MDL procured outside call center services to handle the increased workload. Once the current contract for outsourced call center services ends, the LOCCS project will provide a modernized and consolidated platform for managing the call center needs of the Division of Unemployment Insurance.

- ***Observations and Milestones:*** MDL awarded the contract for the LOCCS project to Voxai Solutions in September 2023. Subsequently, Voxai Solutions indicated that it would be unable to meet the established MBE goal, and MDL decided to move forward with an alternative vendor. MDL anticipates presenting the new contract to the BPW by April 2024. The completion of all three project phases may be delayed beyond the planned timeline of October 2024, which was already delayed from June 2024 as expected during the 2023 session.

- ***Concerns*****:** MDL must maintain its current contract for outsourced call center resources until the first phase of the LOCCS project is operational, now anticipated by fall 2024. The existing contract has been extended through December 2024 to allow more time to transition. The department has identified several risk factors for the project, including insufficient staffing, user training, dependence on Department of Information Technology infrastructure, and data migration from the current outsourced system. MDL is in the process of hiring 100 additional staff to answer calls and take claims through the LOCCS, with four waves of 25 individuals hired between February and October 2024. MDL indicated that an RFP to augment its existing staff may be needed.

Appendix 3
Electronic Licensing Modernization Project
Major Information Technology Development Project
Maryland Department of Labor

This project is discussed further in the Proposed Budget section of this analysis.

New/Ongoing: Ongoing								
Start Date: September 2022				**Est. Completion Date:** June 2026				
Implementation Strategy: Agile								
($ in Millions)	**Prior Years**	**2024**	**2025**	**2026**	**2027**	**2028**	**Remainder**	**Total**
GF	$3.300	$0.000	$0.023	$2.382	$0.000	$0.000	$0.000	$5.706
SF	0.000	2.793	0.000	0.000	0.000	0.000	0.000	2.793
Total	**$3.300**	**$2.793**	**$0.023**	**$2.382**	**$0.000**	**$0.000**	**$0.000**	**$8.499**

- ***Project Summary***: The ELMo project will modernize and update both the back- and front-end licensing systems for the Division of Occupational and Professional Licensing in order to streamline office procedures and enhance online services to applicants, licensees, and consumers.

- ***Need:*** The department uses the licensing system to oversee 26 licensing boards and commissions. The current system is outdated, and many system customers use technologies not supported by the legacy system.

- ***Observations and Milestones:*** MDL received approval to hire a project manager to oversee the project in December 2023. MDL plans to hire both the project manager and a business analyst to update project requirements and develop a project strategy before the end of fiscal 2024. The team plans to solicit requests for information and an RFP by March 2025 and anticipates that a solution will be implemented by March 2026, with additional enhancements and bug fixes completed by June 2026.

- ***Concerns*:** The fiscal 2024 Budget Bill contained language restricting the $2.8 million provided for the ELMo project until MDL submits an implementation plan for the project, including details on the project requirements, vendor selection process, costs, and timeline. MDL submitted the report in January 2024.

  This project is the second attempt to modernize the system, after the first attempt stalled, and the contractor filed for bankruptcy. Available funding has been identified as high risk for this project, as $1.1 million was already expended on the first attempt, and MDL is not confident in the current cost estimates for the project. General funds are now planned for fiscal 2026, whereas only special funds from MDL licensing boards and commissions were anticipated during the 2023 session.

- ***Other Comments:*** DBM did not identify fiscal 2025 funding for this project, although DLS notes that the fiscal 2025 allowance includes $2.8 million in special funds in error for the ELMo project.

Appendix 4
Object/Fund Difference Report
Maryland Department of Labor

Object/Fund	FY 23 Actual	FY 24 Working Appropriation	FY 25 Allowance	FY 24 - FY 25 Amount Change	Percent Change
Positions					
01 Regular	1,356.17	1,441.57	1,784.57	343.00	23.8%
02 Contractual	219.67	230.58	227.99	-2.59	-1.1%
Total Positions	**1,575.84**	**1,672.15**	**2,012.56**	**340.41**	**20.4%**
Objects					
01 Salaries and Wages	$139,940,773	$159,479,868	$186,108,127	$26,628,259	16.7%
02 Technical and Special Fees	9,825,831	16,732,247	13,162,295	-3,569,952	-21.3%
03 Communication	1,695,844	3,611,771	4,939,227	1,327,456	36.8%
04 Travel	903,781	1,837,856	2,296,014	458,158	24.9%
06 Fuel and Utilities	574,175	813,241	893,035	79,794	9.8%
07 Motor Vehicles	572,100	624,457	811,884	187,427	30.0%
08 Contractual Services	90,323,557	109,602,030	85,875,304	-23,726,726	-21.6%
09 Supplies and Materials	1,265,071	1,964,467	2,350,202	385,735	19.6%
10 Equipment – Replacement	2,090,158	1,476,513	2,111,020	634,507	43.0%
11 Equipment – Additional	776,841	70,921	469,129	398,208	561.5%
12 Grants, Subsidies, and Contributions	350,333,627	320,364,890	301,388,882	-18,976,008	-5.9%
13 Fixed Charges	6,283,327	4,355,284	7,014,366	2,659,082	61.1%
Total Objects	**$604,585,085**	**$620,933,545**	**$607,419,485**	**-$13,514,060**	**-2.2%**
Funds					
01 General Fund	$55,678,500	$60,853,313	$83,953,236	$23,099,923	38.0%
03 Special Fund	248,081,390	279,912,035	262,313,235	-17,598,800	-6.3%
05 Federal Fund	292,359,077	270,840,024	251,550,003	-19,290,021	-7.1%
09 Reimbursable Fund	8,466,118	9,328,173	9,603,011	274,838	2.9%
Total Funds	**$604,585,085**	**$620,933,545**	**$607,419,485**	**-$13,514,060**	**-2.2%**

Note: The fiscal 2024 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2025 allowance does not include contingent reductions or cost-of-living adjustments.

Appendix 5
Fiscal Summary
Maryland Department of Labor

Program/Unit	FY 23 Actual	FY 24 Wrk Approp	FY 25 Allowance	Change	FY 24 - FY 25 % Change
0A Department of Labor	$32,051,904	$35,443,354	$41,134,535	$5,691,181	16.1%
0B Division of Administration	20,533,418	20,705,976	21,326,259	620,283	3.0%
0C Division of Financial Regulation	12,113,689	14,557,156	17,324,771	2,767,615	19.0%
0D Division of Labor and Industry	20,191,417	25,937,937	26,048,477	110,540	0.4%
0E Division of Racing	206,481,882	210,909,390	203,721,230	-7,188,160	-3.4%
0F Division of Occupational and Professional Licensing	10,209,128	15,652,375	16,489,218	836,843	5.3%
0G Division of Workforce Development and Adult Learning	192,785,774	125,602,268	142,590,981	16,988,713	13.5%
0H Division of Unemployment Insurance	109,968,440	132,775,327	98,338,865	-34,436,462	-25.9%
0J Division of Family and Medical Leave Insurance	249,433	39,349,762	40,445,149	1,095,387	2.8%
Total Expenditures	**$604,585,085**	**$620,933,545**	**$607,419,485**	**-$13,514,060**	**-2.2%**
General Fund	$55,678,500	$60,853,313	$83,953,236	$23,099,923	38.0%
Special Fund	248,081,390	279,912,035	262,313,235	-17,598,800	-6.3%
Federal Fund	292,359,077	270,840,024	251,550,003	-19,290,021	-7.1%
Total Appropriations	**$596,118,967**	**$611,605,372**	**$597,816,474**	**-$13,788,898**	**-2.3%**
Reimbursable Fund	$8,466,118	$ 9,328,173	$ 9,603,011	$ 274,838	2.9%
Total Funds	**$604,585,085**	**$620,933,545**	**$607,419,485**	**-$13,514,060**	**-2.2%**

Note: The fiscal 2024 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2025 allowance does not include contingent reductions or cost-of-living adjustments.