

Department of Legislative Services
Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 686
Appropriations

(Delegate Szeliga, *et al.*)

Professional Boards Special Funds - Transfer of Funds - Three-Fifths Committee
Vote

This bill prohibits any part of a professional fund from being transferred or credited to the general fund unless the transfer or credit is approved through legislation passed by a three-fifths majority of specified full standing committees in each of the two houses of the General Assembly and then enacted into law. A “professional fund” is a fund or account established to receive fees, dues, or other payments from members of a profession and dedicated for use in the regulation or activities of the profession.

Fiscal Summary

State Effect: The bill limits budget flexibility by making it more difficult to transfer professional funds to the general fund beginning in FY 2014. To the extent the bill prevents professional funds from being transferred to the general fund, general fund revenues decrease.

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

Small Business Effect: To the extent the bill prevents professional funds from being transferred to the general fund, small businesses in affected professional areas may benefit.

Analysis

Current Law: Numerous State regulatory boards and commissions are supported by fee revenue from the professionals they regulate. Some boards and commissions are supported by general funds, as fee revenue accrues to the general fund. However, others

have dedicated special funds, where fee revenue is deposited and from which most or all costs are paid. For example, all but two of the health occupations boards in the Department of Health and Mental Hygiene are special funded; the Maryland Department of Agriculture's State Board of Veterinary Medical Examiners is special funded and most regulatory boards in the Department of Labor, Licensing, and Regulation are general funded but some are special funded. The Maryland Insurance Administration's Insurance Regulation Fund is a special fund supported in part by fees from licensed insurance providers.

Background: Regulatory boards and commissions, supported by fee revenue from the community they regulate, often have their own nonlapsing special fund. The licensing activities of some of these entities may occur on a biennial basis; consequently, revenues may be alternatively high in one year and low in the other. The ability to carry over a fund balance allows boards and commissions to save money for large planned expenditures, address unanticipated expenditures, and keep fees at the same level for several years.

Budget reconciliation legislation in the past proposed transfers from board and commission special funds to the general fund, and some of these proposed transfers were ultimately implemented. Such transfers took place several times, and repayment from the general fund to the special fund for the transfer was not provided. For example, Chapter 397 of 2011 (HB 72) authorized the following transfers from professional funds to the general fund: \$150,000 from the Board of Veterinary Medical Examiners Fund in fiscal 2011, \$237,888 from the Board of Pharmacy Fund in fiscal 2012, and \$44,888 from the Board of Examiners of Psychologists Fund in fiscal 2012. While Chapter 1 of the 2012 first special session (SB 1301) authorized the transfer of \$426,530 from professional funds, the revenue was allocated directly to the Budget Restoration Fund, a newly established special fund, rather than the general fund.

While the Governor's Budget Reconciliation and Financing Act of 2013 (SB 127/HB 102) proposes to redirect special fund revenue and transfer special fund balances to the general fund, professional funds are not directly affected.

Additional Information

Prior Introductions: None; however, related legislation has been considered. HB 1357 of 2010 received a hearing in the House Appropriations Committee, but no further action was taken. Likewise, HB 1431 of 2009 received an unfavorable report from the House Appropriations Committee.

Cross File: None.

Information Source(s): Maryland Department of Agriculture; Department of Budget and Management; Maryland Insurance Administration; Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - February 22, 2013
mlm/ljm

Analysis by: Amanda Mock

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