

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1119
Economic Matters

(Delegate Haddaway-Riccio)

Education, Health, and Environmental Affairs

**Board of Electricians - Licensing and Regulation of Electricians - Phase Out of
Apprentice, Journeyman, and Master Level Local Licenses**

This bill phases out the local licensing of master, journeyman, and “apprentice” electricians by October 1, 2019, and replaces the system with uniform statewide licensing under the renamed Board of Electricians, which has expanded authority and modified membership. The bill also establishes a special fund, requires the adoption of a State electrical code, and establishes various consumer protections and enforcement measures.

Sections of the bill related to the phasing out of local licenses terminate October 1, 2019, and are replaced by permanent sections.

Fiscal Summary

State Effect: Total expenditures increase by \$186,100 in FY 2015. Of that amount, general fund expenditures increase by more than \$99,100 and special fund expenditures increase by about \$86,900. This assumes that the board’s entire FY 2015 general fund appropriation is retained and supplemented with additional general funds to continue current board operations, support information technology and/or other initial implementation costs, and/or for additional staff. Future year expenditures reflect annualization, the elimination of one-time costs, and a full transition to special funded status by the board. General fund revenues decrease by \$86,900 in FY 2015, with a corresponding special fund revenue increase. Future year revenues reflect full transition to special funding, expanded licensure, biennial renewal, and required general fund reversions. The Governor’s proposed FY 2015 general fund appropriation for the board is \$113,290.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Revenue	(\$86,900)	(\$38,500)	(\$123,000)	(\$17,100)	(\$130,500)
SF Revenue	\$86,900	\$405,000	\$287,500	\$417,500	\$370,000
GF Expenditure	\$99,100	(\$116,700)	(\$120,200)	(\$123,800)	(\$127,500)
SF Expenditure	\$86,900	\$294,600	\$292,900	\$301,700	\$310,900
Net Effect	(\$186,100)	\$188,700	(\$8,300)	\$222,500	\$56,100

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

Local Effect: Local government finances for counties that license individuals who provide electrical services are significantly affected, but the impact is largely delayed until FY 2019.

Small Business Effect: Meaningful.

Analysis

Bill Summary: In addition to phasing out local master, journeyman, and apprentice electrician licenses, the bill also (1) establishes the Board of Electricians Fund as a special, nonlapsing fund, removes statutory fees, and authorizes the board to set reasonable fees by regulation, subject to specified conditions; (2) establishes State licenses and specified requirements for licensure; (3) alters the membership and name of the existing State Board of Master Electricians; (4) requires the board to adopt, and then requires each county to enforce, a State electrical code; (5) establishes specified consumer protections; (6) establishes additional violations and associated fines and penalties; and (7) makes various conforming changes generally required to phase out local licensing of individuals who provide electrical services. The board must adopt regulations to implement the bill.

The bill does *not* require a person to hold a State license if the person (1) is providing “limited energy services” as defined in the bill; (2) licensed or registered to provide security systems services; or (3) holds a license issued by either the State Board of Plumbing or by the State Board of Heating, Ventilation, Air-Conditioning, and Refrigeration Contractors while acting within the scope of the license.

Phase Out of Local Licensing

A local government that issues a local license authorizing the holder to provide or assist in providing electrical services before October 1, 2014, may continue to issue local master, journeyman, or apprentice licenses until March 31, 2019. Beginning October 1, 2019, any master, journeyman, or apprentice license issued by a local government to provide or assist in providing electrical services is no longer valid,

regardless of the expiration date of the license. However, if a local government issues a classification of license that the board does not issue, the local government may continue to issue a local license for that classification on or after October 1, 2019. Before October 1, 2019, in a local jurisdiction that requires a local license, the license issued by the Board of Electricians serves only as a mechanism that helps a licensee in obtaining a local license. If a local government does not require a local license, the license issued by the Board of Electricians authorizes the licensee to (1) provide or assist in providing electrical services as a master, journeyman, or apprentice electrician or (2) be the representative of another person who engages in the business of providing electrical services.

Following this five-year phase-out period, all master, journeyman, and apprentice electricians must be licensed by the board. Provisions related to the phase-out period remain in effect until October 1, 2019, and are replaced by permanent provisions at that time.

The bill does not affect the right of any local jurisdiction of the State to (1) regulate locally the quality and character of work of a person who engages in the business of providing electrical services by establishing a system of *registrations* (as opposed to licenses under current law), permits, fees, and inspections; (2) establish a local board to do so; (3) take action against the authority of the registrant or permit holder to provide electrical services in that jurisdiction and report any enforcement activity to the State board; and (4) otherwise regulate the provision of electrical services as authorized in current law.

Electrician Licenses and Requirements

“Apprentice electrician” means an individual licensed by the board to assist a master electrician in providing electrical services while (1) under the direction and control of the master electrician and (2) in training to become a journeyman electrician. No other licensure qualifications are established.

“Journeyman electrician” means an individual who is licensed by the board to provide electrical services under the direction and control of a master electrician or who is licensed as a journeyman electrician before March 31, 2019, by Calvert, Charles, Harford, Montgomery, or Prince George’s counties.

Every applicant for a journeyman electrician license must be at least age 21. In addition, an applicant must (1) have been employed by a master electrician for at least four years and (2) generally, pass an examination administered by the board. Alternatively, an applicant may instead hold a certificate of completion from a specified electrical apprenticeship program that consists of at least 576 hours of classroom training

and at least 8,000 hours of on-the-job training. One year of experience means at least 2,000 hours of on-the-job experience. Journeyman electricians must complete and submit adequate evidence of compliance with continuing education requirements as adopted in regulation by the board prior to license renewal. Various other changes are made to align the licensure of journeymen by the board with existing requirements for master electricians.

“Master electrician” means an individual who is licensed by the board to provide electrical services. An applicant for a master electrician license must pass an examination administered by the board and must (1) have held a journeyman electrician license for at least three years immediately preceding the date of the application and, during that time, been engaged or employed regularly and principally in providing electrical services while under the direction of a master electrician or similarly qualified employee of a governmental unit or (2) have been engaged or employed in providing electrical services for at least seven years immediately preceding the date of the application while under the direction and supervision of a master electrician or a similarly qualified employee of a governmental unit.

The board may award up to three years of credit toward the experience requirement for journeymen and master electricians if the board determines that the applicant has completed a formal course of study or professional training comparable to the required experience. The board must waive the licensure examination requirements for an individual who holds a local master, journeyman, or apprentice license and submits an application to the board by March 31, 2019.

Board of Electricians Fund and Fee-setting Authority

The Board of Electricians Fund is established as a special, nonlapsing fund, subject to specified conditions, and consists of fees collected by the board and distributed to the fund. Interest earned by the fund accrues to the general fund. At the end of each even-numbered fiscal year, any unspent and unencumbered portion of the fund in excess of 10% of the actual expenses of operating the board reverts to the general fund. The Secretary must calculate the direct and indirect costs attributable to the board each year. Beginning on October 1, 2014, the board must establish fees based on these calculations. Each fee established by the board may not be increased by more than 12.5% each year. The fees must be set so as to produce funds to approximate the cost of regulating the occupation. Fees currently established in statute remain in effect until fees are adopted by regulation. The board must publish the fee schedule.

Board Name and Membership

The State Board of Master Electricians is renamed as the Board of Electricians to reflect the board's expanded regulatory authority over the licensing of additional individuals who provide or assist in providing electrical services in the State. A consumer member is removed from the board membership and replaced by an electrical inspector, subject to specified requirements.

State Electrical Code

The board must adopt and enforce a code that sets minimum standard for providing electrical services. Each county must enforce the State electrical code or adopt and enforce a local electrical code that meets or exceeds the minimum standards of the State electrical code. The board must enforce the State electrical code unless the board determines that a county is adequately enforcing either the State electrical code or a local electrical code that meets or exceeds the minimum standards of the State electrical code.

Consumer Protections

Various consumer protections are specified, including that advertisements for electrical services must contain the license number and name of the master electrician designated to direct and control the provision of electrical services. Master electricians are required to display the license and license number conspicuously in the licensee's place of business, and on a vehicle used on the job. A person may not represent to the public that the person is authorized to provide electrical services in the State unless the person is licensed to do so by the board. A licensee must inform the board 10 days prior to a change of address.

Prohibited Acts and Penalties

A person may not provide or assist, attempt to provide or assist, or offer to provide or assist in providing electrical services for compensation in the State without an appropriate license issued by the board. A person may not provide electrical services for compensation without obtaining a permit for such services required by a local jurisdiction. A person may not provide electrical services beyond the scope of the license issued by the board.

Generally, a person may not employ an individual to provide or assist in providing electrical services unless the individual is licensed by the board as a master electrician or as journeyman electrician and the individual provides or assists in providing the electrical services within the scope of the license.

A person may not employ an individual to provide or assist in providing electrical services under a public works contract subject to specified procurement law unless the individual is licensed by the board. A person may not classify an employee under a public works contract subject to specified procurement law who is licensed by the board at a specific work classification that is higher than the license type of the employee.

Any person who violates these provisions or consumer protection provisions is guilty of a misdemeanor and subject to a fine of up to \$1,000 and/or six months imprisonment for a first offense and a fine of up to \$5,000 and/or two years imprisonment for a second or subsequent offense.

Any person who violates the general liability and property damage insurance requirements for master electricians specified in current law is guilty of a misdemeanor and is subject to a fine of up to \$1,000 and/or six months imprisonment.

In addition to any other penalties, the board may impose on a person who violates any provision of the bill a civil penalty of up to \$5,000 for each violation. All penalty revenue accrues to the general fund.

In addition to the above penalties, subject to specified hearing requirements, the board may deny a license to any applicant, reprimand a licensee, or suspend or revoke a license for specified acts of fraud, misrepresentation, and other violations.

Current Law: The State Board of Master Electricians in the Department of Labor, Licensing, and Regulation (DLLR) issues master electrician licenses to qualified individuals under the Maryland Master Electricians Act. Each county is required to adopt licensing qualifications comparable to or more stringent than specified State qualifications or require a State license. In a local jurisdiction that requires a local license, the State license does not authorize the provision of electrical services but serves only as a mechanism for obtaining licenses in each local jurisdiction. In the two jurisdictions that do not have local licensing requirements, Garrett and Allegany counties, an electrician must have a State license to provide electrical services as a master electrician.

To obtain a State license as a master electrician, the applicant must have seven years of experience providing electrical services for all types of electrical equipment and apparatus, under the supervision of a master electrician or a similarly qualified employee of a governmental unit. With the board's approval, the applicant may count up to three years of formal education and training toward the experience requirement. All applicants, except those seeking inactive status, must maintain general liability insurance of at least \$300,000 and property damage insurance of at least \$100,000.

Background: The board shares licensing authority with county governments, all but two of which have a licensing program for master electricians. Five counties – Calvert, Charles, Harford, Montgomery, and Prince George’s – license journeyman electricians.

Statute requires local jurisdictions to enforce licensing requirements. The local policing of the electrical profession primarily occurs through locally issued permits and locally conducted inspections. Every jurisdiction in Maryland has a building permit office that is generally separate from the local licensing board.

Task Force to Study Licensing and Continuing Education Requirements for Electricians

Chapter 579 of 2013 established the Task Force to Study Licensing and Continuing Education Requirements for Electricians. The task force had to, among other duties, (1) examine proposed changes to the State licensing requirements for electricians in the State; (2) review appropriate approaches for the licensure of electricians at the State and local level; (3) if a new approach to licensure is deemed appropriate, consider how this change affects currently licensed electricians and associated boards; (4) make recommendations relating to statewide continuing education requirements for electricians; and (5) make recommendations for other legislation relating to licensing requirements for electricians. The bill incorporates the findings and recommendations of the task force.

Sunset Review Findings and Recommendations

The 2010 sunset review of the State board conducted by the Department of Legislative Services (DLS) examined the issue of a statewide electrician license. The evaluation highlighted the variation in laws among the counties, including in the electrical codes. The evaluation found that merely providing a passport license to master electricians fails to adequately protect Maryland citizens from incompetent or untrustworthy electrical contractors. Further, the evaluation found that, as the State license serves only as a passport license, county regulation of licensees is very important but has been shown to be inconsistent.

The evaluation concluded that, to ensure that electricians are operating in a safe manner throughout the State, a uniform licensing system needed to be in place across the State and recommended that this be accomplished by establishing a new State Board of Electricians modeled after other statewide regulatory licensing boards.

In its evaluation, DLS recommended that the State board be allowed to terminate and that it be replaced by a new State Board of Electricians with statewide regulatory authority. The evaluation further recommended that the board have authority over multiple

licensing levels and that DLLR seek special funding authority for the board. However, these recommendations were not adopted by the General Assembly.

The evaluation provided an alternative set of recommendations to continue the existing board's regulatory authority with minor changes, such as the adoption of continuing education requirements and the enforcement of certain reporting requirements. Chapter 201 of 2011 incorporated the alternative set of recommendations.

State Fiscal Effect: Total expenditures increase by \$186,074 in fiscal 2015. Of that amount, general fund expenditures increase by \$99,149 and special fund expenditures increase by \$86,925. This assumes that the board's entire fiscal 2015 general fund appropriation is retained and supplemented with additional general funds to continue current board operations, support information technology and/or other initial implementation costs, and/or for additional staff. Future year expenditures reflect annualization, the elimination of one-time costs, and a full transition to special funded status by the board. The Governor's proposed fiscal 2015 general fund appropriation for the board is \$113,290.

DLS assumes that revenue from licenses issued to master electricians, beginning October 1, 2014, accrues to the Board of Electricians Fund rather than the general fund and that license renewals are spaced evenly throughout the year. All special fund revenues collected in fiscal 2015 are expended to support the board. DLS also assumes that the board establishes fees for licensure effective July 1, 2015, and that current statutory fees remain in effect through fiscal 2015. As there are no fees established in statute for journeyman or apprentice electricians, DLS assumes that no licenses are issued for these categories until fiscal 2016. Under these assumptions, general fund revenues decrease by \$86,925 in fiscal 2015, and all fee revenue thereafter accrues to the special fund rather than the general fund. Accordingly, in the out-years, general fund revenues from fees decrease by more than \$115,000 annually. However, some of this revenue loss is offset by required reversions beginning in fiscal 2016.

Given the enhanced regulatory oversight authority of the board under the bill, DLLR advises that two and one-half staff are needed to begin the process of implementing the regulatory program beginning in fiscal 2015. Therefore, an investigator and half-time assistant Attorney General are added and an existing clerk is retained (and converted to special fund status). These staff must develop regulations, investigate complaints, implement the licensure of additional individuals, and generally support statewide regulation of electricians. Expenditures also increase by \$50,000 in fiscal 2015 and by \$20,000 in fiscal 2016 for the board to implement an e-licensing program for journeymen and apprentices and for database upgrades. Likewise, expenditures increase by \$50,000 in fiscal 2015 for exam development costs.

The estimate below reflects a 90-day start-up delay; thus, additional expenditures are incurred beginning January 1, 2015, and one-half of the proposed general fund appropriation is still available to help cover ongoing and new costs. Once fully converted to special fund status, special fund expenditures increase by \$294,577 in fiscal 2016 as shown below. This estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses – including indirect cost allocations.

	<u>GF/SF</u>	<u>SF</u>
	<u>FY 2015</u>	<u>FY 2016</u>
Positions	2.5	2.5
Salaries and Fringe Benefits	\$80,684	\$166,248
Other Operating Expenses	137,035	93,329
Indirect Costs	25,000	35,000
Existing Costs for Board	<u>-56,645</u>	<u>--</u>
Total State Expenditures	\$186,074	\$294,577

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

The above expenditures reflect the direct costs of *expanding* the regulatory authority of the board, the indirect costs that DLLR attributes to each regulatory program within the Division of Occupational and Professional Licensing for the use of division and departmental resources, and the need to cover existing costs with the new special fund.

Direct costs include necessary expenditures for personnel, equipment and supplies, contractual services, and fixed charges. Indirect costs – such as usage of the central licensing system, general services offices, and a portion of the salaries of some senior staff – are allocated to each program by a formula based on the program’s usage of these services. Thus, special fund expenditures for indirect costs under the bill are anticipated to be approximately \$25,000 in fiscal 2015 and \$35,000 annually in future years.

Revenue Stream for the Board

The bill removes all statutory fees and requires the board to set reasonable fees that approximate the costs of its services. The bill also prohibits the board from raising fees by more than 12.5% annually and requires a general fund reversion of any fund balance in excess of 10% of the actual expenses of operating the board in each even-numbered fiscal year.

Licenses must be renewed every two years. The board is currently authorized to stagger the issuance of master electrician licenses, and that ability is maintained under the bill

and expanded to include journeyman and apprentice licenses. The board currently renews approximately half of all master electrician licenses each year.

Due to the bill’s reversion provisions, DLLR estimates that adequate revenue beginning in fiscal 2016 will be generated by setting \$100 fees for masters, \$50 fees for journeymen, and \$10 fees for apprentices.

For illustrative purposes only, Exhibit 1 shows the out-year revenue pattern based on the projected number of licensees and projected out-year expenditures to cover the costs of services provided by DLLR. This estimate assumes that master electrician licensing patterns continue and that journeyman licenses are issued in fiscal 2016 for all journeymen except for those in the five counties that currently license journeymen. Fiscal 2019 revenue estimates reflect the full phase out of local licensing of master, journeyman, and apprentice electricians. The estimate also assumes that 500 apprentice licenses are issued in fiscal 2016 and 250 annually thereafter. In subsequent years, the illustrative estimate assumes that all holders of licenses continue to renew and that additional individuals apply for electrician licenses each year. The estimate also reflects required general fund reversions in fiscal 2016 and 2018.

Exhibit 1
Projected Revenues and Expenditures of the Board When Fully Special Funded
Fiscal 2016-2019

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Beginning Balance	\$0	\$29,458	\$24,011	\$30,170
Revenues	405,000	287,500	417,500	370,000
Expenditures	\$294,577	\$292,947	\$301,703	\$310,864
Direct Costs	259,577	257,947	266,703	275,864
Indirect Costs	35,000	35,000	35,000	35,000
Annual Surplus	110,423	-5,447	115,797	59,136
General Fund Reversion	80,965	0	109,637	0
Ending Balance	\$29,458	\$24,011	\$30,170	\$89,306

Notes: The bill requires any balance in the fund of more than 10% of the actual expenses of operating the board to revert to the general fund at the end of each even-numbered fiscal year. Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

The requirement that individuals be licensed by the board and properly classified to work on public works projects to provide or assist in providing electrical services does not materially affect State finances or operations.

The penalty provisions of the bill do not have a material effect on State revenues.

Local Fiscal Effect: Revenues may decrease significantly by 2019 for local governments that license individuals who provide electrical services. Revenue losses are mitigated to the extent local governments impose a registration fee as authorized under the bill. Local expenditures may likewise decrease as the local licensing of individuals who provide electrical services is no longer required.

Small Business Effect: Currently, electricians must have licenses issued in each local jurisdiction to provide electrical services in that jurisdiction. DLLR advises that some licensees carry as many as 22 different licenses in order to be able to work statewide. Although the State passport license is available, it only expedites reciprocity; an individual must still obtain the license in each local jurisdiction to work – and pay the licensing fee and meet continuing education requirements. Assuming that fees are set to cover the costs of regulating the profession, the State master electrician license fee is anticipated to be less than many current county license fees, and much less than the cumulative total of licensing fees from multiple jurisdictions.

Additional Information

Prior Introductions: None.

Cross File: SB 877 (Senator Klausmeier) - Education, Health, and Environmental Affairs.

Information Source(s): Department of Labor, Licensing, and Regulation; Charles and Montgomery counties; Department of Legislative Services

Fiscal Note History: First Reader - February 20, 2014
mm/mcr Revised - House Third Reader - March 31, 2014

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