

Department of Legislative Services  
 Maryland General Assembly  
 2018 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1407 (Delegate Hornberger)  
 Economic Matters

Maryland Electricians Act - Revisions

This bill generally repeals local authority to license electricians and requires an individual to be licensed by the State Board of Electricians as a master electrician or journeyman electrician, as appropriate. The requirement is delayed until July 1, 2021, for a master electrician holding a local license but not a State license on July 1, 2018; there is no delay for journeymen holding a local license (there is currently no State journeyman license). Local jurisdictions retain the ability to establish a local board, and they are authorized to regulate electricians by establishing a system of *registrations* (as opposed to licenses), in addition to the currently authorized permits, fees, and inspections. **The bill takes effect July 1, 2018.**

Fiscal Summary

**State Effect:** General fund revenues decrease by \$42,100 in FY 2019 from foregone general fund reversions, as discussed below. Future years reflect annualization, the elimination of one-time costs, and ongoing reversions. Special fund revenues and net expenditures each increase by \$87,500. Net special fund expenditures reflect \$129,600 for implementation less the reduced reversions to the general fund; out-year net special fund expenditures are generally stable. The bill’s penalty provisions are not anticipated to materially affect State finances.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Revenue	(\$42,100)	(\$29,400)	(\$32,500)	(\$37,000)	(\$41,700)
SF Revenue	\$87,500	\$87,500	\$87,500	\$87,500	\$87,500
SF Expenditure	\$87,500	\$87,500	\$87,500	\$87,500	\$87,500
Net Effect	(\$42,100)	(\$29,400)	(\$32,500)	(\$37,000)	(\$41,700)

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

**Local Effect:** Local governments that license master electricians (nearly all counties) and journeyman electricians (five counties) are affected by the bill beginning in FY 2019. However, as local governments retain their existing ability to regulate electricians through a system of permits, fees, and inspections and are authorized to *register* electricians in lieu of licensing, overall local government operations and finances are not materially affected – assuming that existing fees are adjusted and new registration fees are set so as to be revenue neutral. The bill’s penalty provisions are not anticipated to materially affect local finances. **This bill may impose a mandate on a unit of local government.**

**Small Business Effect:** Meaningful.

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## Analysis

**Bill Summary:** “License” for purposes of the State electrician law, means, unless the context requires otherwise, a license that is issued by the State Board of Electricians to a master electrician or a journeyman electrician.

Generally, an individual must be licensed by the State board by the bill’s July 1, 2018 effective date before the individual may provide or assist in providing electrical services as a master electrician or a journeyman electrician, as appropriate. Statutory fees are repealed and the board is authorized to establish fees in regulation, subject to specified requirements. An individual holding a local license but not a State license on July 1, 2018, may continue to provide electrical services under the local license through June 30, 2021, and apply one time for a two-year renewal of the local license. The Department of Legislative Services (DLS) notes that only 5 counties license journeymen, so all journeymen who work in the remaining 19 counties without a local license must get a State license by July 1, 2018. Beginning July 1, 2021, any local license issued by a local jurisdiction of the State to provide or assist in providing electrical services is no longer valid, regardless of the expiration date of the license. Conforming and technical changes are made to generally remove provisions related to local licenses.

The bill also establishes civil and criminal penalties for specified violations of the Maryland Electricians Act. Penalty revenue accrues to the general fund.

**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 and enforce compliance with State licensing requirements. 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, Allegany and Garrett 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. The State board does not issue journeyman electrician licenses.

**Background:** The State 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 – also 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.

#### *Statewide Regulation of Electricians*

The 2010 [sunset review](#) of the State board conducted by DLS examined the issue of a statewide electrician license. The evaluation concluded that, to ensure that electricians are operating in a safe manner throughout the State, a uniform licensing system should be adopted 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 current State board be allowed to terminate and that it be replaced by a new State Board of Electricians with statewide regulatory authority, in addition to other recommendations. 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.

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 and (2) review appropriate approaches for the licensure of electricians at the State and local level. The [final report](#) makes a number of recommendations, including the adoption of a statewide master electrician license.

**State Fiscal Effect:** Chapter 254 of 2017 establishes the Mechanical Boards' Special Fund and redirects the licensing revenue associated with four mechanical boards from the general fund to the new special fund, effective July 1, 2018. The State Board of Master Electricians is one of the four affected boards. At the end of each fiscal year, any unspent and unencumbered portion of the special fund in excess of \$100,000 reverts to the general fund.

The bill modifies the amount of surplus in excess of \$100,000 in the Mechanical Boards' Special Fund paid to the general fund as a reversion. Specifically, the bill increases both revenue for the fund and expenditures to license and regulate a larger number of licensees, with expenditures for implementation exceeding the new revenues. The net effect is that the bill reduces annual general fund reversions/revenues.

Accounting for the net effects of the increased revenues and implementation costs, general fund revenues decrease by \$42,147 in fiscal 2019 and by between \$29,400 and \$41,700 annually thereafter under the assumptions discussed below.

#### *Licensing Revenues*

DLLR estimates that approximately 7,000 individuals will eventually require a new State license. Licenses are assumed to be \$25 and must be renewed every two years. Accordingly, special fund revenues increase by approximately \$87,500 annually beginning in fiscal 2019 from additional licenses issued to master and journeyperson electricians. This estimate assumes that 3,500 licenses are issued annually in each of fiscal 2019 and 2020. However, special fund revenues may be less in those years if individuals with a valid local license elect to renew their local license for one two-year cycle (as allowed by the bill) instead of applying for a State license when their local license expires. In that case, a portion of the anticipated revenue does not materialize until fiscal 2021, when those individuals must hold a State license. This estimate does not account for any further change in the number of licenses issued by the State board.

Absent additional implementation and assuming sufficient fund balance, these revenues would fully revert to the general fund (as a special fund expenditure).

#### *Implementation Costs*

DLLR advises that it requires additional staff to handle the increase in license applications, complaints, and any potential litigation. Currently, a single staff person is shared between two boards (master electricians and stationary engineers) and the board does not have a dedicated investigator. Any incremental work on behalf of the board requires additional staff.

The expenditures from the Mechanical Boards’ Special Fund needed to implement the bill are \$129,647 in fiscal 2019. This estimate reflects the bill’s July 1, 2018 effective date because a substantial number of journeypersons and all new master electricians must be licensed by that date. The estimate includes the cost of hiring three *half-time* staff, an administrative specialist, an investigator, and an assistant Attorney General, to implement the statewide licensing and regulation of master and journeyperson electricians. It includes salaries, fringe benefits, one-time start-up costs, travel expenses, and ongoing operating expenses.

Half-time Positions	3
Salaries and Fringe Benefits	\$112,789
Other Operating Expenses	<u>16,858</u>
<b>Total FY 2019 DLLR Implementation Costs</b>	<b>\$129,647</b>

Future year special fund expenditures (general fund revenue decreases) of about \$117,000 to \$129,000 annually reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

As noted above, any operating surplus in the Mechanical Boards’ Special Fund in excess of \$100,000 reverts to the general fund each year. The bill results in new operating expenses exceeding new revenues for the fund, so the operating surplus in the fund is reduced. Assuming that the total surplus would otherwise remain above \$100,000, this has the net effect of reducing the amount that reverts to the general fund by \$42,147 in fiscal 2019 and by similar amounts in the out-years. To the extent that expenditures are greater or less than estimated in any particular year, general fund revenues are likewise inversely affected.

**Local Fiscal Effect:** Local governments that license master electricians (nearly all counties) and journeyperson electricians (five counties) are affected by the bill’s phase out of all local licensing by July 1, 2021. Many counties collect a moderate amount of revenue from licensing fees. Under the bill, beginning July 1, 2018, local master electrician licenses held by licensees that also hold a State license are no longer valid. For individuals who hold only local licenses (some master electrician licenses, all journeyperson licenses) on that date, the local licenses allow the individuals to work through June 30, 2021. However, it is assumed that half of these individuals elect to get a State license rather than renew their local license in fiscal 2019 and the other half do so in fiscal 2020.

Despite the loss of local licensing revenues, local governments retain their existing ability to regulate electricians through a system of permits, fees, and inspections and they are authorized to register electricians in lieu of licensing, so overall local government operations and finances are not materially affected. This assumes that existing fees are adjusted and new registration fees are set so as to be revenue neutral.

**Small Business Effect:** Generally, 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. Establishing a single license and replacing local licenses with local registrations removes a significant portion of the administrative time and expense necessary to comply with the existing local licensing laws.

**Additional Comments:** It is not clear whether journeyman licenses from the five counties that license journeymen remain valid after the bill's July 1, 2018 effective date. The bill specifies that an individual holding a local license, but no State license, may continue to *provide* electrical services until the earlier of the expiration of the license or July 2021. Generally, only a master electrician can *provide* electrical services, whereas a journeyman can *assist* in providing electrical services under the supervision of a master electrician. Thus, it is not clear if the delayed implementation applies to local journeyman licenses.

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### **Additional Information**

**Prior Introductions:** HB 1368 of 2017, a similar bill, received an unfavorable report from the House Economic Matters Committee.

**Cross File:** None.

**Information Source(s):** Department of Labor, Licensing, and Regulation; Prince George's County; Maryland Association of Counties; Department of Legislative Services

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