

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 164 (Chair, Economic Matters Committee)(By Request -
 Departmental - Labor, Licensing and Regulation)

Economic Matters

Business Occupations and Professions - Licensing and Regulation of Electricians

This departmental bill phases out local licensing of master, journeyman, and apprentice electricians by October 1, 2024, which is replaced with uniform statewide licensing by the (renamed) Board of Electricians. Local jurisdictions retain the ability to establish a local board and may regulate electricians by establishing a system of *registrations*, in addition to existing permits, fees, and inspections, and may also issue licenses for other electrician classifications. Beginning October 1, 2019, individuals *without* a local license must be licensed by the State board before providing or assisting in providing electrical services. **The bill takes effect October 1, 2019; provisions related to the phasing out of local licenses are repealed October 1, 2024, and are replaced by permanent provisions.**

Fiscal Summary

State Effect: General fund revenues decrease by \$2,600 in FY 2020 and about \$20,000 annually thereafter, as discussed below. Special fund revenues and expenditures increase by \$100,000 to \$115,300 annually beginning in FY 2020. The bill’s penalty provisions are not anticipated to materially affect State finances.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GF Revenue	(\$2,600)	(\$19,800)	(\$18,900)	(\$18,100)	(\$22,600)
SF Revenue	\$100,000	\$105,000	\$110,000	\$115,300	\$115,300
SF Expenditure	\$100,000	\$105,000	\$110,000	\$115,300	\$115,300
Net Effect	(\$2,600)	(\$19,800)	(\$18,900)	(\$18,100)	(\$22,600)

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

Local Effect: Meaningful for local governments that license master electricians (nearly all counties) and journeyman electricians (five counties). However, overall local government operations and finances are not materially affected, as discussed below. 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: The Department of Labor, Licensing, and Regulation (DLLR) has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services (DLS) concurs with this assessment.

Analysis

Bill Summary: Local jurisdictions that currently issue master, journeyman, or apprentice licenses may continue to do so until March 31, 2024. While not yet required to be licensed by the State, local master and journeyman license holders are eligible to receive a State license without passing an accompanying examination through that date. Beginning October 1, 2019, individuals *without* a local license must be licensed by the State board before providing, or assisting in providing, electrical services (this provision generally affects journeymen and apprentices in the 19 jurisdictions that do not issue licenses at those levels).

On October 1, 2024, all local licenses become invalid and all master, journeyman, and apprentice electricians must be licensed by the State board. The bill makes various conforming changes generally required to phase out the local licenses. In addition, the bill:

- alters the membership and name of the State Board of Master Electricians, which becomes the Board of Electricians;
- establishes qualifications for State journeyman and apprentice licenses issued by the board;
- extends the termination date of the board by 5 years, to July 1, 2028; requires the board to adopt, and then requires local jurisdictions to enforce, a State electrical code (counties may also adopt and enforce a local code that meets or exceeds the State code);
- requires the board to adopt continuing education requirements for journeyman electricians (which are already required of master electricians under current law);
- specifically authorizes the board to take certain actions against a licensee who falsely certifies completion of continuing education requirements;
- establishes specified consumer protections, additional violations, and associated fines and penalties; and
- defines “limited energy services” and makes related changes, specifies that the bill does not require State licensure for such services, and requires DLLR to work with representatives of the limited energy services industry to study the need for and feasibility of establishing an applicable State license.

The board must adopt regulations to implement the bill.

Current Law: The State Board of Master Electricians in 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 reciprocal mechanism for obtaining licenses in each local jurisdiction. In the two jurisdictions that do not have local licensing requirements, 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 or apprentice electrician licenses. The board is authorized to establish fees by regulation. The initial fee is \$20 and the renewal fee is \$25.

Background: The State board shares licensing authority with local jurisdictions, all but two of which, Allegany and Garrett counties, have a licensing program for master electricians. Five counties – Calvert, Charles, Harford, Montgomery, and Prince George’s – also license journeyman electricians. The local jurisdictions that license apprentices are unknown. In fiscal 2019, the State board licenses approximately 5,400 master electricians; it is estimated that about 2,000 master electricians have only a local license because they work in just one jurisdiction and, therefore, have no need for a State license.

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](#) made a number of recommendations, including the adoption of a statewide master electrician license.

State Fiscal Effect: The State Board of Master Electricians is one of four boards at DLLR that operate out of the Mechanical Boards' Fund. At the end of each fiscal year, any unspent and unencumbered portion of the special fund in excess of \$100,000 (*i.e.*, the operating surplus) reverts to the general fund. For example, if the fund had \$130,000 at the end of a fiscal year, then \$30,000 would revert to the general fund. The bill's implementation costs, even with the bill's additional revenues, require the board to spend money that would have otherwise reverted to the general fund. This reduces general fund revenues.

Specifically, accounting for the effects of both implementation costs and increased special fund revenues, general fund revenues decrease by \$2,599 in fiscal 2020 and by between \$18,900 and \$22,600 annually thereafter, under the assumptions discussed below. General fund revenues may vary significantly from this estimate, depending on the number and timing of licenses issued, and the associated fees.

Implementation Costs

Given the enhanced regulatory oversight authority of the board under the bill, additional staff are needed beginning in fiscal 2020. 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.

Special fund expenditures needed to implement the bill are \$102,599 in fiscal 2020, which reflects the bill's October 1, 2019 effective date. The estimate includes the cost of hiring one administrative specialist and one investigator to implement the statewide licensing and regulation of master, journeyman, and apprentice electricians. It includes salaries, fringe benefits, one-time start-up costs, travel expenses, and ongoing operating expenses.

Positions	2
Salaries and Fringe Benefits	\$92,033
Other Operating Expenses	<u>10,566</u>
Total FY 2020 DLLR Implementation Costs	\$102,599

Future year special fund expenditures (implementation costs) of about \$125,000 to \$138,000 annually reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

As noted above, due to the existing operating surplus reversion requirement, these implementation costs decrease general fund revenue.

Licensing Revenues

The precise number of individuals that ultimately receive a State license under the bill is unknown. Previous estimates indicate that approximately 12,000 to 14,000 individuals may receive a State license. Based on the electrician business model (often one master electrician and several assistants), and because most master electricians already have a State license, new licensees are assumed to be primarily journeypersons and apprentices.

This analysis assumes that most master electricians and journeypersons that have only a local license take advantage of the short-term incentive to get a State license without having to pass an exam and, therefore, begin applying for a State license in fiscal 2020. It further assumes that roughly half of the local licensees get a State license in fiscal 2020 and half get one in fiscal 2021. Finally, although the bill requires that all unlicensed journeypersons and apprentices (those in counties without local licenses in those categories) become licensed by the State by October 2019, this analysis assumes that, due to delays in implementation and dissemination of information, those individuals become licensed over two years. Assuming existing master electrician fees are maintained, journeyperson fees are established at \$20, and apprentice fees are established at \$10, special fund revenues increase by about \$100,000 to \$115,000 annually beginning in fiscal 2020. Revenues may vary significantly from this estimate, depending on the number and timing of licenses issued, and the associated fees.

Under these assumptions, new revenues are slightly less than new implementation costs. As noted above, due to the existing operating surplus reversion requirement, this decreases general fund revenue.

Other Effects

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.

Extending the termination date of the board continues special fund revenues and expenditures for the Mechanical Boards' Fund beyond fiscal 2023.

DLLR can work with representatives of the limited energy services industry to study the need and feasibility of establishing a State limited energy services license with existing resources.

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

Local Fiscal Effect: Local governments that license master electricians (nearly all counties) and journeyman electricians (five counties) are affected by the bill's phase-out of all local licensing. Many counties collect a moderate amount of revenue from licensing fees. Under the bill, local governments may not issue new master, journeyman, or apprentice electrician licenses after March 31, 2024.

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 by the bill to register electricians in lieu of licensing. Thus, overall local government operations and finances are likely not materially affected. This assumes that existing fees are adjusted and new registration fees are set so as to be revenue neutral.

Additional Comments: Although the bill extends the termination date of renamed Board of Electricians by five years, it does not make a corresponding change to the date of the preliminary evaluation required under the Maryland Program Evaluation Act, which is typically conducted three years prior to an entity's termination.

Additional Information

Prior Introductions: Similar legislation has been considered in recent legislative sessions. HB 1407 of 2018 and HB 1368 of 2017 both received an unfavorable report from the House Economic Matters Committee. SB 616 of 2015 was withdrawn without a hearing. HB 1119 of 2014 passed the House and was referred to the Senate Education, Health, and Environmental Affairs Committee, but no further action was taken. Its cross file, SB 877, received a hearing from the Senate Education, Health, and Environmental Affairs Committee, but no further action was taken.

Cross File: None.

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

Fiscal Note History: First Reader - February 4, 2019
mm/mcr

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Business Occupations and Professions – Licensing and Regulation of Electricians

BILL NUMBER: HB164

PREPARED BY: John Papavasiliou

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

Many electricians own their own small businesses and under current law they must have licenses issued in each local jurisdiction in order to provide electrical services in that jurisdiction. Some licensees may carry as many as 22 different licenses in order to be able to work statewide. Currently the state license acts like acts like a passport; 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. Under the proposed legislation, the state license would still be a passport, but the local license would be eliminated. The jurisdictions could instead charge a registration fee, but a license would no longer have to be reciprocated. The time and cost of this process could be reduced significantly, and continuing education could possibly be eliminated on the local level. Revenues from the added licensees will offset any expenditures associated with setup and ongoing operations.