

**P00C**  
**Business Regulation**  
**Department of Labor, Licensing, and Regulation**

## ***Executive Summary***

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The Department of Labor, Licensing, and Regulation (DLLR) includes many of the State's agencies and boards responsible for licensing and regulating various businesses, professions, and trades. DLLR is also responsible for administering workforce development, adult education, and unemployment insurance programs that are discussed in a separate analysis.

## ***Operating Budget Data***

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(\$ in Thousands)

	<b><u>FY 18</u></b> <b><u>Actual</u></b>	<b><u>FY 19</u></b> <b><u>Working</u></b>	<b><u>FY 20</u></b> <b><u>Allowance</u></b>	<b><u>FY 19-20</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Fund	\$8,291	\$5,620	\$5,914	\$294	5.2%
Adjustments	0	38	77	39	
<b>Adjusted General Fund</b>	<b>\$8,291</b>	<b>\$5,658</b>	<b>\$5,991</b>	<b>\$334</b>	<b>5.9%</b>
Special Fund	154,342	192,950	199,666	6,716	3.5%
Adjustments	0	140	627	486	
<b>Adjusted Special Fund</b>	<b>\$154,342</b>	<b>\$193,090</b>	<b>\$200,292</b>	<b>\$7,202</b>	<b>3.7%</b>
Federal Fund	5,053	5,292	5,404	111	2.1%
Adjustments	0	33	122	89	
<b>Adjusted Federal Fund</b>	<b>\$5,053</b>	<b>\$5,325</b>	<b>\$5,526</b>	<b>\$201</b>	<b>3.8%</b>
Reimbursable Fund	1,201	1,296	1,417	120	9.3%
Adjustments	0	0	0	0	
<b>Adjusted Reimbursable Fund</b>	<b>\$1,201</b>	<b>\$1,296</b>	<b>\$1,417</b>	<b>\$120</b>	<b>9.3%</b>
<b>Adjusted Grand Total</b>	<b>\$168,887</b>	<b>\$205,370</b>	<b>\$213,226</b>	<b>\$7,856</b>	<b>3.8%</b>

Note: The fiscal 2019 appropriation includes deficiencies, a one-time \$500 bonus, and general salary increases. The fiscal 2020 allowance includes general salary increases.

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

For further information contact: Sierra S. Boney

Phone: (410) 946-5530

***Analysis of the FY 2020 Maryland Executive Budget, 2019***

*P00C – DLLR – Business Regulation*

- The adjusted fiscal 2020 allowance increases \$7.8 million from the adjusted fiscal 2019 working appropriation. Increases are largely due to an increase in community impact aid and personnel costs.

## ***Personnel Data***

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	<b><u>FY 18</u></b> <b><u>Actual</u></b>	<b><u>FY 19</u></b> <b><u>Working</u></b>	<b><u>FY 20</u></b> <b><u>Allowance</u></b>	<b><u>FY 19-20</u></b> <b><u>Change</u></b>
Regular Positions	350.10	350.10	352.10	2.00
Contractual FTEs	<u>50.09</u>	<u>62.90</u>	<u>85.40</u>	<u>22.50</u>
<b>Total Personnel</b>	<b>400.19</b>	<b>413.00</b>	<b>437.50</b>	<b>24.50</b>

### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	20.77	6.00%
Positions and Percentage Vacant as of 12/31/18	43.50	12.43%

- There are a total of 6 new positions added to the Division of Labor and Industry for implementation of the Maryland Healthy Working Families Act and 4 abolished positions across the agency.
- Budgeted turnover increases from 4.5% in fiscal 2019 to 6% in fiscal 2020. Even with the increase in turnover expectancy, the current number of vacancies are more than double of what is necessary.
- There is an increase of 22.50 contractual positions across several divisions within the agency.

## ***Key Observations***

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- DLLR administers the gaming revenues for horseracing purses, racetrack facility enhancements, and local community aid for jurisdictions near horse racetracks. Revenue allocations to the Purse Dedication Account do not comply with statutory requirements.
- Maryland Occupational Safety and Health metrics have improved since additional staff have been added to the unit.

## **Operating Budget Recommended Actions**

	<b><u>Funds</u></b>	<b><u>Positions</u></b>
1. Delete 2.5 vacant positions (033048, 084423, and 088004).	\$ 164,228	2.5
2. Delete funding for the Electronic Licensing Modernization Information Technology project for fiscal 2020 based on project schedule.	2,000,000	
<b>Total Reductions</b>	<b>\$ 2,164,228</b>	<b>2.5</b>

## **Updates**

- The 2018 *Joint Chairmen's Report* requested a report on the availability of credit in Maryland, and there is an update to provide highlights of that report.

**P00C**  
**Business Regulation**  
**Department of Labor, Licensing, and Regulation**

## ***Operating Budget Analysis***

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### **Program Description**

The Department of Labor, Licensing, and Regulation (DLLR) includes many of the State's agencies and boards responsible for licensing and regulating various businesses, professions, and trades. DLLR also administers a variety of federally funded employment service programs. This analysis focuses on the following DLLR business regulation divisions:

- ***The Division of Labor and Industry (DLI)*** 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.
- ***The Division of Occupational and Professional Licensing (DOPL)*** 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. This oversight seeks to ensure that commercial services are conducive to the health, safety, and welfare of Maryland consumers.
- ***The Division of 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.
- ***The Division of Financial Regulation*** regulates commercial banks, trust companies, credit unions, mortgage lenders and originators, collection agencies, and consumer loan companies. The division's mission is to protect financial services consumers, ensure appropriate licensing, and maintain safety and soundness in Maryland's financial services industry.

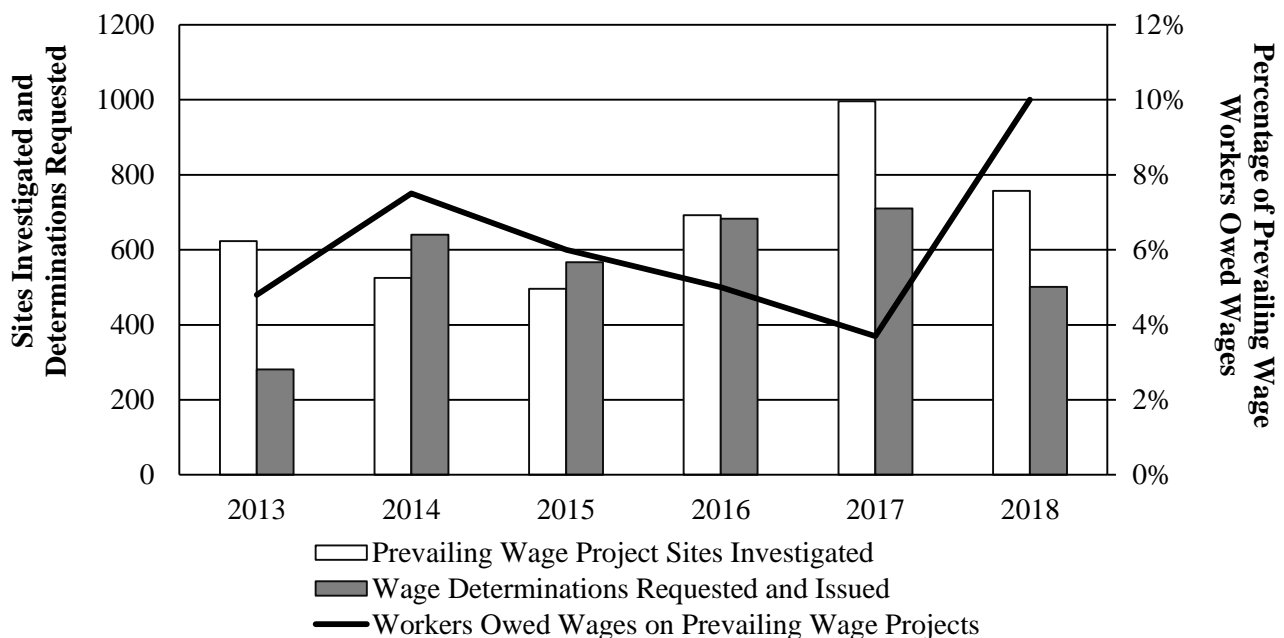
A separate analysis discusses the department's Division of Workforce Development and Adult Learning, the Division of Unemployment Insurance, and the Division of Administration.

## Performance Analysis: Managing for Results

### 1. Prevailing Wage

The prevailing wage is the hourly wage normally paid to the majority of workers within a particular occupational area. Prevailing wage law in Maryland applies to a construction project valued at \$500,000 or more if the project is funded, in part or completely, by the State. The prevailing wage is determined annually for each classification of worker in each locality for each type of project. In the case that workers are underpaid, the hiring business is subject to a fine of \$20 per day for each worker paid less than the current prevailing wage. **Exhibit 1** shows the number of prevailing wage sites investigated and the number of wage determination requests from fiscal 2013 to 2018. In fiscal 2018, there was a decrease in both the number of project sites investigated and the number of wage determinations requested as a result of turnover within the prevailing wage unit. One position has since been filled, and DLLR anticipates that the number of sites investigated will increase. There has also been a significant increase in the percentage of workers owed wages because there was a project at the Back River Wastewater Treatment Plant that had a large number of workers that were not being paid the prevailing wage. As a result of the investigation by the prevailing wage unit, there was over \$1 million in back wages paid to employees on this project.

**Exhibit 1**  
**Prevailing Wage**  
**Fiscal 2013-2018**



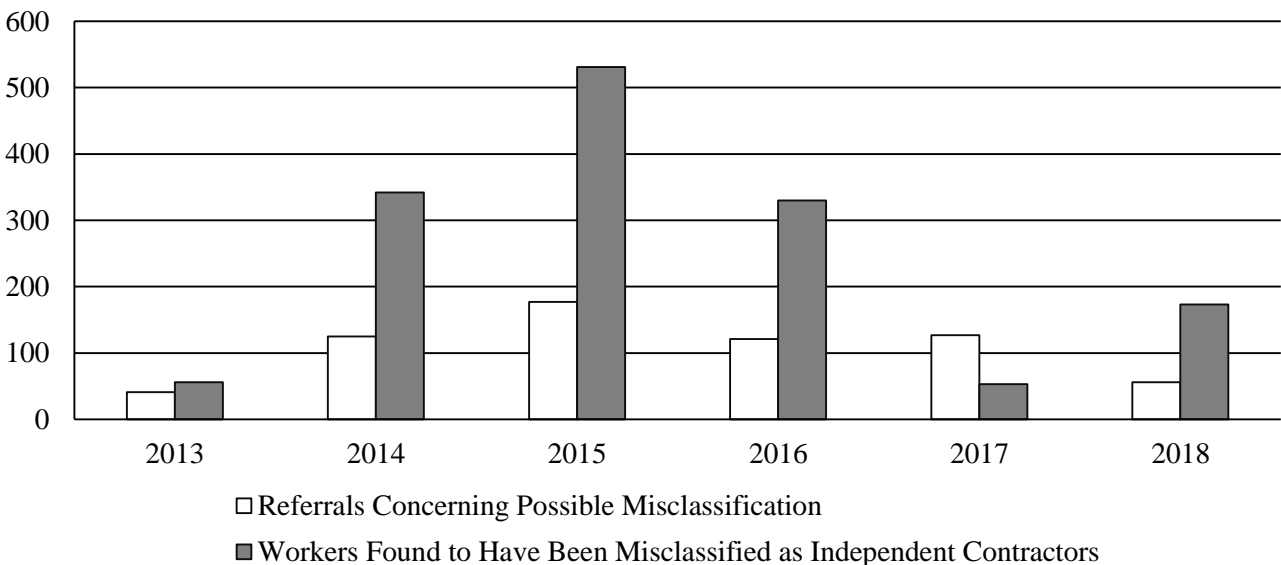
Source: Department of Labor, Licensing, and Regulation

## 2. Workers Classification

Misclassification occurs when an employer incorrectly classifies its workers as independent contractors. Some employers who have misclassified workers honestly believe that they have classified their workers correctly as independent contractors due to a lack of legal knowledge or misunderstanding of the law. **Exhibit 2** shows that in fiscal 2018, while there has been a decrease in the number of referrals concerning possible misclassification, there has been an increase in the number of misclassified independent contractors. The increase in the misclassified workers is due to an investigation of one contractor where a large number of workers were found to be misclassified. A citation was issued against the contractor, and the contractor has since come into compliance.

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**Exhibit 2**  
**Worker Misclassification**  
**Fiscal 2013-2018**



Source: Department of Labor, Licensing, and Regulation

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## Fiscal 2019 Actions

### Proposed Deficiency

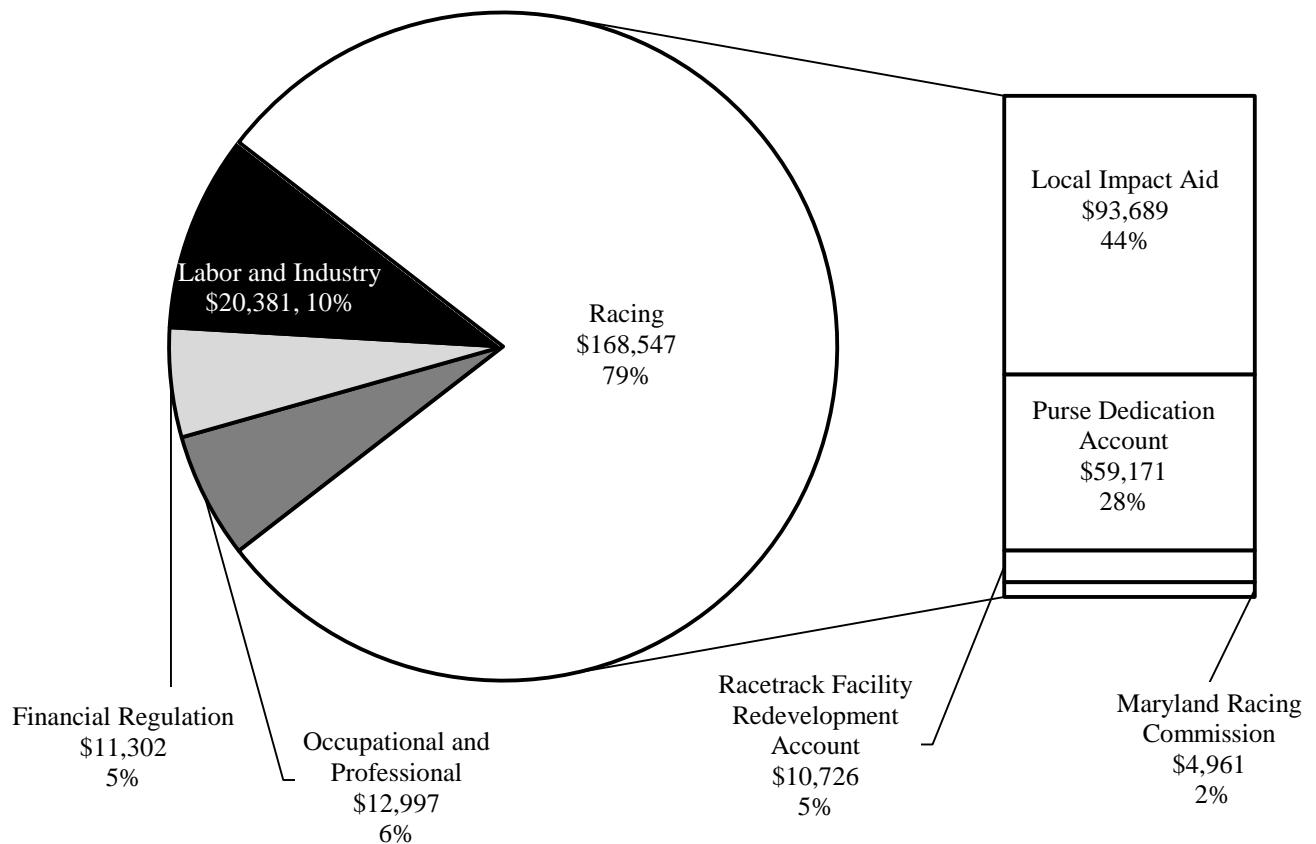
DLLR – Business Regulation will receive \$211,193 (\$37,961 in general funds, \$140,431 in special funds, and \$32,801 in federal funds) in centrally budgeted funding for costs associated with the April 1, 2019 one-time \$500 bonus and the 0.5% general salary increase.

## Fiscal 2020 Allowance

### Overview of Agency Spending

The fiscal 2020 allowance for the DLLR – Business Regulation is \$213 million. Almost 80% of the allowance can be attributed to the Division of Racing and the associated gaming revenue. As shown in **Exhibit 3**, of the gaming revenue, 44%, or \$93.7 million, is for local impact aid that is distributed to localities that house racetracks.

**Exhibit 3**  
**Programmed Expenditures by Division**  
**Fiscal 2020**  
(\$ in Thousands)



Source: Department of Labor, Licensing, and Regulation

## **Proposed Budget Change**

As shown in **Exhibit 4**, there are 6 new positions within the agency for the implementation of Chapter 1 of 2018, the Maryland Healthy Working Families Act in the Employment Standards Services unit (ESS). ESS currently handles claims for unpaid sick leave, and the new staff are necessary to ensure enforcement of the expansion of sick leave. At the same time, there are 4 long-term vacant positions abolished within DLLR across departments for a net increase of 2 regular positions. The largest decrease for personnel is \$944,000 that represents an increase in the agencywide turnover expectancy from 4.5% to 6%.

There has also been an increase of 22.5 full-time equivalent (FTE) contractual positions within DLLR – Business Regulation. Specifically:

- ***Financial Regulation:*** 9.15 FTE contractual positions for additional examiners and administrative staff. There is also a decrease in temporary office administrative costs because staff that provided licensing and administrative support for the mortgage licensing unit have been transitioned into the contractual positions. In addition, a departmental bill, HB 59 of 2019, requires National Mortgage Licensing System and Registry registration for providers of debt settlement services. If passed, the implementation of this bill will also be done through contractual positions;
- ***General Administration:*** 2.0 FTE contractual positions for DLI outreach programs;
- ***ESS:*** 3.0 FTE contractual positions added to support the implementation of the Sick and Safe Leave Act;
- ***Railroad Safety:*** 0.05 contractual positions for a railroad inspector position;
- ***Safety Inspection:*** 2.0 FTE contractual positions to help with a backlog in the unit;
- ***MOSH:*** 1.0 FTE contractual position to assist with the citation and complaints within the unit; and
- ***Occupational and Professional Licensing:*** 5.30 FTE contractual positions to support the various licensing board operations, including the Board of Cosmetologists and the Athletic Commission.

**Exhibit 4**  
**Proposed Budget**  
**DLLR – Business Regulation**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
Fiscal 2018 Actual	\$8,291	\$154,342	\$5,053	\$1,201	\$168,887
Fiscal 2019 Working Appropriation	5,658	193,090	5,325	1,296	205,370
Fiscal 2020 Allowance	<u>5,991</u>	<u>200,292</u>	<u>5,526</u>	<u>1,417</u>	<u>213,226</u>
Fiscal 2019-2020 Amount Change	\$334	\$7,202	\$201	\$120	\$7,856
Fiscal 2019-2020 Percent Change	5.9%	3.7%	3.8%	9.3%	3.8%

**Where It Goes:**

**Personnel Expenses**

Regular earnings for positions hired at higher than base salary and the annualization of the 2019 general salary increase .....	\$1,130
General salary increase (3% effective July 1, 2019, and annualizing 0.5% increase effective April 1, 2019).....	795
Retirement contributions.....	476
6 new positions to implement Chapter 1 of 2018 Maryland Healthy Working Families Act.....	314
Other fringe benefit adjustments.....	167
Employee and retiree health insurance .....	102
Fiscal 2019 \$500 bonus effective April 1, 2019 .....	-180
4 abolished vacant positions .....	-282
Turnover adjustments.....	-944

**Other Changes**

Community impact aid based on the Board of Revenue Estimates (BRE) revenue estimates	6,445
22 additional contractual positions across the agency .....	1,222
Racetrack facility redevelopment account based on BRE revenue estimates .....	930
DLLR indirect cost recovery.....	147
Computer equipment to support the implementation of the Financial Consumer Protection Act of 2018 .....	111
Trucks to drive to safety inspection sites for the Safety Inspection Unit.....	104
Rent costs.....	82
Contract for office assistance in financial regulation no longer needed because of filled vacancies.....	-220

*P00C – DLLR – Business Regulation*

**Where It Goes:**

Contract for the foreclosure property registry as the registry is completed .....	-262
Reduction in the Purse Dedication Account .....	-1,000
Transition to third party testing vendor for CPAs and professional engineers .....	-1,306
Other .....	25
<b>Total</b>	<b>\$7,856</b>

CPA: certified public accountant

DLLR: Department of Labor, Licensing, and Regulation

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

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**Division of Racing**

DLLR is responsible for administering video lottery terminal (VLT) and table game funding to several horseracing funds. Gaming revenues are distributed from the lottery to DLLR in the form of special funds to the horseracing special fund, the Purse Dedication Account, and the Racetrack Facilities Renewal Account. At the end of fiscal 2018, the three accounts collectively canceled \$44 million in special fund revenues (see **Appendix 1**).

The community impact grants are 5.5% of VLT revenues and 5% of the revenues from table games. In fiscal 2018, there was over \$5 million in canceled appropriation for these grants due to lower than anticipated revenues from \$93 million to \$88 million.

The racetrack facilities renewal account also had over \$5 million in canceled funds because of lower than anticipated reimbursements for racetrack renewal. Racetracks are required to execute the facility enhancements and submit documentation to the Maryland Racing Commission to be reimbursed.

The Purse Dedication Account receives 6% of VLT revenues not to exceed \$100 million annually. Of this annual funding, 80% is dedicated to enhance purses for the thoroughbred racing industry, and 20% is dedicated to the Standardbred industry. The 80% dedicated to the thoroughbred industry is further divided with 89% being dedicated to enhancing purses at the thoroughbred racing facilities and the other 11% being dedicated to the Maryland-bred Fund. In fiscal 2018, there was \$33 million in canceled appropriations to the Purse Dedication Account. However, these disbursements were, in fact, made to the Purse Dedication Account. Rather, a letter from the board chairman of the Maryland Racing Commission to the State Lottery and Gaming Control Agency requested that the funding be transferred directly to the accounts instead of to DLLR. This arrangement was made to resolve cash flow shortages in Purse Dedication Accounts. As a result, when the budget closed, it appeared that the funds were not received or spent. The Department of Legislative Services (DLS) would note that the State Lottery and Gaming Control Agency has no appropriation or statutory authority to directly disburse the funding. While the appropriate funding is being distributed to the

appropriate accounts, it is not being properly appropriated. **DLS recommends that DLLR comment on the current status of the Purse Dedication Account distributions and how they plan to correct the accounting for the account.**

In addition, the Board of Revenue Estimates (BRE) estimates \$65.6 million in revenues for the Purse Dedication Account in fiscal 2020. The fiscal allowance is customarily aligned with the BRE estimates, but the fiscal 2020 allowance at \$60.8 million is lower than the estimate.

### **Electronic Licensing Modernization**

In fiscal 2019, there was \$2.1 million in funding for the Electronic Licensing Modernization Effort (ELMo) major information technology project (see **Appendix 3**) intended to result in a modernized licensing system with more features and increased flexibility. This project is, in part, a response to concerns discovered in the most recent Office of Legislative Audits report on DOPL. Specifically, auditors were unable to verify that applicants for real estate and home improvement contractor licenses met all of the required qualifications for licensure. In the fiscal 2019 funding projection for the project, there was \$2.1 million for fiscal 2019, with \$110,000 annually in fiscal 2020 through 2022, for a total of \$2.4 million. The fiscal 2020 projection shows \$2 million in fiscal 2019 and each additional year through fiscal 2022 with a total of \$8 million for the project. While the total project costs have increased, the funding allocated in fiscal 2019 has not yet been spent. Delays with the project include the Request for Proposals (RFP) not being completed or disseminated, no project manager currently in place to support the project or the RFP process, and no clear timelines for when the RFP will be released or when each phase of the process will be completed. **DLS recommends a reduction of \$2 million for the ELMo project in fiscal 2020.**

## ***Issues***

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### **1. MOSH**

The Williams-Steiger Occupational Safety and Health Act of 1970 required the U.S. Department of Labor to establish a program “to assure so far as possible every working man and woman in the nation with safe and healthful working conditions.” The federal legislation added that states may assume the responsibility for development and management of a state occupational safety and health program as long as standards under the state program meet the minimum federal requirements. In 1971, DLI assumed responsibility for MOSH Administration.

In response to concerns regarding MOSH, the fiscal 2018 budget included language requesting DLLR to submit a report on its current levels of staffing and operations at MOSH. The same language was requested in fiscal 2019 to provide and update on the MOSH program. The report requested information on:

- (1) a current organizational chart outlining the staff, vacant positions, the hierarchy of the department, and the Spanish-speaking employees;
- (2) the actions that have been or will be taken to attract new employees and improve retention;
- (3) the metric used to determine the optimum number of health and safety inspectors;
- (4) the total number of FTEs dedicated to the Voluntary Protection Program (VPP) and the number of VPP site visits conducted;
- (5) a detailed explanation for the decrease in the number of inspections opened and investigated;
- (6) a detailed explanation for failing to meet the annual enforcement goals as described in the Federal Annual Monitoring and Evaluation Reports and what actions the agency is taking or plans to take to improve performance in order to meet these goals;
- (7) a detailed explanation for the decline in annual inspections and what actions have been or will be taken to address known or foreseeable challenges to performing inspection and enforcement responsibilities;
- (8) the procedures used to gather, review, and utilize enforcement data, including geographic location and demographic data, and the planned enforcement activities for scheduling and prioritizing programmed inspections, including written documentation of the site-specific targeting program; and
- (9) the procedures for reviewing and adopting federal Occupational Safety and Health Act directives and standard notices and a list of all directives and standard notices received, noting the date received, the action taken, and if rejected, a reason for the rejection.

### **Staffing (Items 1-4)**

As of September 2018, there were a total of 96 staff positions in MOSH with 91 positions filled. There were 7 Spanish-speaking staff members, including 1 member of the outreach team, 1 industrial hygienist, 2 compliance officers, and 3 office secretaries.

DLLR asserts that it has worked to hire a training class for MOSH in an effort to attract new employees and has offered professional certification and training with the help of matching federal grant funds. It is important to note that higher paying positions at the federal level and the private sector play a role in the retention of staff. The optimum number of safety inspectors is 36, and the optimum number of health inspectors is 18, as outlined in the Maryland plan approved by the federal Occupational Safety and Health Administration (OSHA). MOSH has reduced the number of vacant compliance positions from 14 in June 2017 to 3 in September 2018.

The VPP encourages participating employers to have exemplary worker safety and health programs. Under the program, the Commissioner of Labor and Industry must recognize employers that have voluntarily implemented exemplary worker safety and health management systems that exceed basic compliance with occupational safety and health laws and regulations. The program currently has 1 supervisor with additional compliance officers supporting site visits. The VPP also uses the Special Government Employees program that is a lending program managed by OSHA. There are currently 21 VPP employer sites.

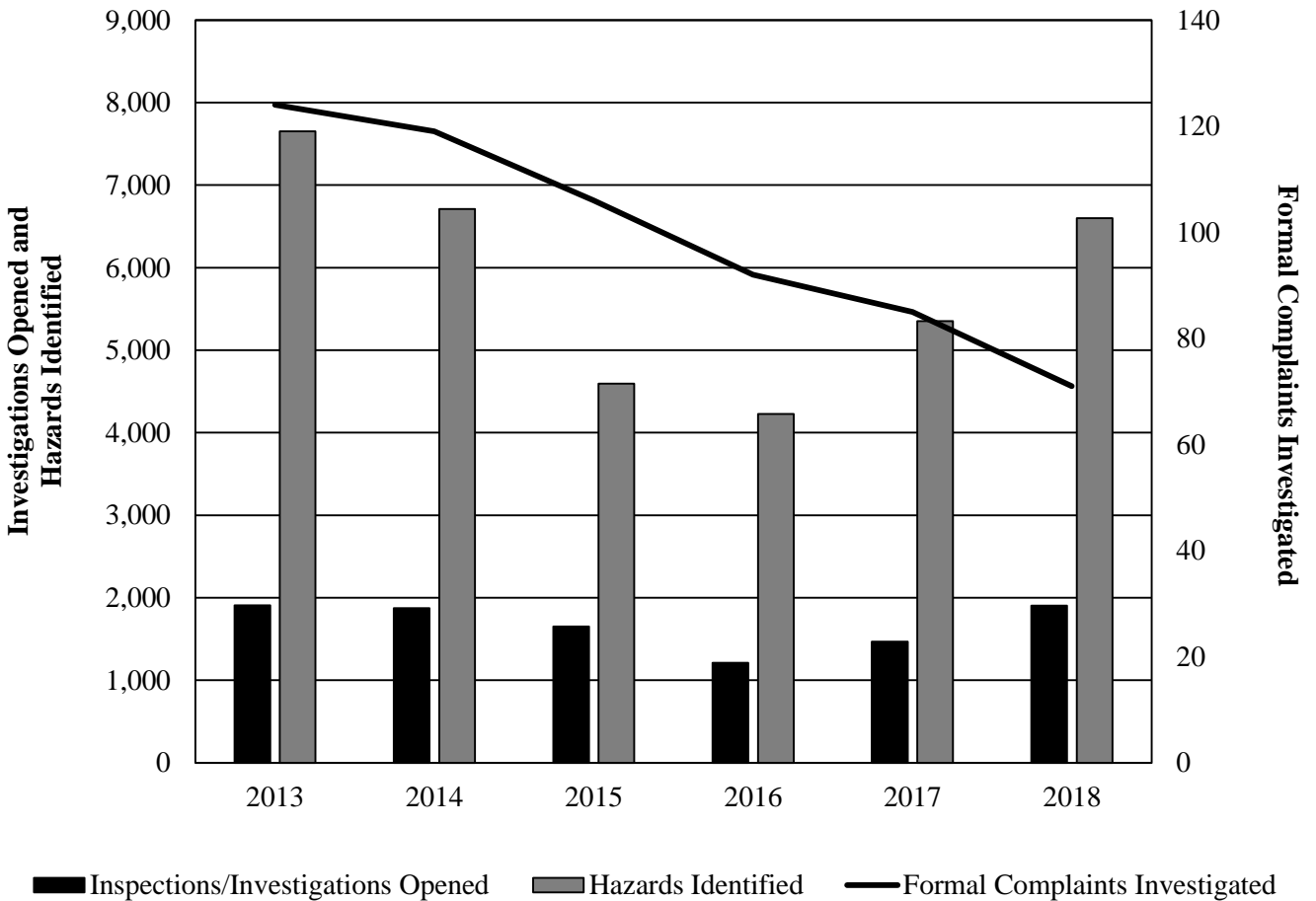
### **Inspections and Enforcement (Items 5-7)**

Inspections conducted by MOSH are usually focused on high-hazard industries such as manufacturing or construction, but inspections can also be prompted by fatalities, serious accidents, employee complaints, and professional referrals. Employers may be exempt from traditional compliance inspections by participating in a voluntary compliance program. These programs include the Cooperative Compliance Partnership, the Safety and Health Achievement Recognition Program, and the VPP.

**Exhibit 5** shows the number of inspections and investigations opened, hazards identified, and formal complaints investigated by MOSH from fiscal 2013 to 2018. Until fiscal 2017, there had been a steady decline in the number of investigations opened and number of hazards identified. There has also been a notable decrease in the number of formal complaints investigated, a trend that has continued in fiscal 2018. DLLR asserts that the decline in the number of inspections was because several inspectors retired.

However, the number of investigations opened and the number of hazards identified increased in fiscal 2018. DLLR has conducted 88% of the projected safety inspections and 74% of the projected health inspections. This change is likely due to the increase in trained staff.

**Exhibit 5**  
**MOSH Inspections, Hazards Identified, and Formal Complaints Investigated**  
**Fiscal 2013-2018**



MOSH: Maryland Occupational Safety and Health

Source: Department of Labor, Licensing, and Regulation

### Review of Procedures (Items 8-9)

MOSH uses the Bureau of Labor Statistics Survey of Occupational Injuries and Illnesses program as well as a collection of data gathered from the U.S. Census Bureau and its own internal Office of Workforce Information and Performance to determine site locations for which inspections and other enforcement activities may be warranted. This is in addition to the Local Emphasis Program in which the MOSH compliance officers conduct inspections. DLLR also reviews and decides to adopt OSHA directives and standards based on its current State Plan and regulatory manuals. As of fiscal 2018, there were no new OSHA directives or standards for MOSH to review.

## ***Operating Budget Recommended Actions***

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	<b><u>Amount Reduction</u></b>	<b><u>Position Reduction</u></b>
1. Delete of 2.5 vacant positions (033048, 084423, and 088004).	\$ 57,272 GF \$ 106,956 SF	2.5
2. Delete funding for the Electronic Licensing Modernization Information Technology project for fiscal 2020 based on project schedule.	2,000,000 SF	
<b>Total Reductions</b>	<b>\$ 2,164,228</b>	<b>2.5</b>
<b>Total General Fund Reductions</b>	<b>\$ 57,272</b>	
<b>Total Special Fund Reductions</b>	<b>\$ 2,106,956</b>	

## ***Updates***

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### **1. Financial Regulation**

The 2018 *Joint Chairmen's Report* requested that DLLR provide data on the availability of credit in Maryland for fiscal 2014 to 2017. The request for data included several Maryland-specific data points that DLLR currently does not have access to or the capacity to collect. At the same time, the agency provided information on national trends regarding credit availability that generally parallel the borrowing trends in the State.

Some of the findings from the report include recognizing that the amount of loans provided in Maryland has increased \$8.2 billion since fiscal 2014. This is in large part due to the improvement of the economy and the decline of unemployment in the State. In addition, Maryland has been vigilant in protecting consumers from fraudulent and predatory lending practices. This includes policies like the small loan rate cap that puts limits on the interest that can be applied to loans. Because of the protections in Maryland, there are some loans that are offered in other states that are currently prohibited in Maryland. While this does limit the sub- and near-prime consumer personal loan options, there are still enough options available for a viable and competitive marketplace.

While Maryland prohibits some loan options, many of these high interest rate loans can be accessed online. The Office of Financial Regulation has received over 1,750 complaints from fiscal 2012 through 2017 in reference to these high-interest loan options. Because the loans are illegal in Maryland, the Office of Financial Regulation has been successful at convincing lenders that Maryland courts will not enforce contracts for illegally made loans.

**Appendix 1**  
**Current and Prior Year Budgets**  
**Department of Labor, Licensing, and Regulation – Business Regulation**  
**(\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2018</b>					
Legislative Appropriation	\$8,804	\$202,500	\$5,300	\$1,259	\$217,862
Deficiency/Withdrawn Appropriation	-101	-289	-64	0	-454
Cost Containment	-216	-350	0	0	-566
Budget Amendments	0	35	0	0	35
Reversions and Cancellations	-196	-47,554	-183	-59	-47,991
<b>Actual Expenditures</b>	<b>\$8,291</b>	<b>\$154,342</b>	<b>\$5,053</b>	<b>\$1,201</b>	<b>\$168,887</b>
<b>Fiscal 2019</b>					
Legislative Appropriation	\$5,277	\$192,539	\$5,257	\$1,296	\$204,369
Budget Amendments	343	411	36	0	790
<b>Working Appropriation</b>	<b>\$5,620</b>	<b>\$192,950</b>	<b>\$5,292</b>	<b>\$1,296</b>	<b>\$205,159</b>

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. Numbers may not sum to total due to rounding.

## **Fiscal 2018**

The fiscal 2018 legislative appropriation for the Department of Labor, Licensing, and Regulation (DLLR) – Business Regulation decreased by \$49.0 million. There was a \$512,000 decrease in general funds, including a \$101,000 withdrawn appropriation in Section 19 of the fiscal 2019 Budget Bill due to a surplus in the health insurance account, \$216,000 for cost containment, and \$195,000 in reversions due to vacancies.

The special fund appropriation decreased \$48.2 million. There was a \$289,000 withdrawn appropriation in Section 19 of the fiscal 2019 Budget Bill, \$350,000 for cost containment, a \$35,000 increase by budget amendment for the racetrack operation program, and \$47.6 million in cancellations. Cancellations included \$44.7 million related to horseracing based on available revenues and also because of the way in which certain revenues are appropriated (see the discussion in the Proposed Budget section for more detail), \$1.7 million for vacancies, and \$1.1 million related to administrative expenses.

The federal fund appropriation decreased \$64,000 in Section 19 of the fiscal 2019 Budget Bill and \$183,000 in cancellations due to vacant positions.

There was \$59,000 in canceled reimbursable funds for unexpended contract costs.

## **Fiscal 2019**

To date, the fiscal 2019 legislative appropriation increased by \$790,000. Of this, \$563,000 related to the transfer of the building codes unit from the Department of Housing and Community Development to DLLR and \$227,000 for a general salary increase effective January 1, 2019, that was centrally budgeted.

## Appendix 2 Audit Findings

### Division of Racing

Audit Period for Last Audit:	April 24, 2014 – June 13, 2017
Issue Date:	January 2018
Number of Findings:	1
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

**Finding 1:** The Division of Racing did not establish adequate procedures to ensure that hours worked by its employees were properly recorded in the Statewide Personnel System to support payroll expenditures.

### Division of Labor and Industry

Audit Period for Last Audit:	May 19, 2014 – March 18, 2018
Issue Date:	November 2018
Number of Findings:	5
Number of Repeat Findings:	3
% of Repeat Findings:	60%
Rating: (if applicable)	n/a

**Finding 1:** The Division of Labor and Industry (DLI) did not have a process to ensure the consistent issuance of citations to, or assessments of allowed penalties on, entities that failed to obtain and pass the required elevator, boiler, or pressure vessel inspections.

**Finding 2:** **DLI lacked assurance that the outsourced management system was protected against operational and security risks.**

**Finding 3:** DLI did not perform periodic reviews of user access capabilities for the regulatory management system, resulting in several users with inappropriate access.

**Finding 4:** **DLI was not effectively monitoring and enforcing contractor compliance with the State's prevailing wage requirements. The automated system was not properly flagging questionable contractor payroll reports, required payroll report reviews were not conducted, and fines were not assessed.**

**Finding 5:** **DLI had not established adequate accountability and control over certain collections.**

\*Bold denotes item repeated in full or part from preceding audit report.

**Appendix 3**  
**Major Information Technology Projects**  
**Department of Labor, Licensing, and Regulation – Business Regulation**  
**Electronic Licensing Modernization Effort**

Project Status	Planning.			New/Ongoing Project:		Ongoing.		
Project Description:	The new modernized system will streamline office procedures and enhance online services to applicants, licensees, and consumers. Select features will include the ability to store documents electronically, generate mail-merge letters/forms, store email communications, interface using tablet-smart devices, and <i>ad hoc</i> reporting.							
Project Business Goals:	The goal of this project is to help foster economic growth by assisting our customers in a timely, professional manner while protecting the health, safety, and welfare of the public by assuring that licensees have met a standard of expertise.							
Estimated Total Project Cost:	\$ 8,000,000			Estimated Planning Project Cost:		\$100,000		
Project Start Date:	June 2019.			Projected Completion Date:		2022		
Schedule Status:	This project received initial funding for fiscal 2019. There have since been delays, and it is unclear if the Request for Proposals for the project will be released before the end of the fiscal year.							
Cost Status:	There is an initial cost of \$2,000,000 for the system and \$100,000 for the project oversight costs. There are also three years of estimated implementation and maintenance costs associated with the project. Costs associated with the project have increased significantly. The initial cost projection was \$2.4 million in fiscal 2019. The fiscal 2020 total cost projection is currently \$8 million.							
Scope Status:	This project will enhance both the front end and back end capabilities of the E-licensing system to make licensing processes more efficient.							
Project Management Oversight Status:	There is currently no project manager associated with the project.							
Identifiable Risks:	The project is still very early in the planning stages. The initial delay is a cause for concern as well as the significant increase in out-year funding.							
Additional Comments:	n/a							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Balance to Complete	Total
Personnel Services	\$2,000.0	\$2,000.0	\$2,000.0	\$2,000.0	\$0.0	\$0.0	\$6,000.0	\$8,000.0
Professional and Outside Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$2000.0	\$2,000.0	\$2,000.0	\$2,000.0	\$0.0	\$0.0	\$6,000.0	\$8,000.0

**Appendix 4**  
**Object/Fund Difference Report**  
**Department of Labor, Licensing, and Regulation – Business Regulation**

<u>Object/Fund</u>	<u>FY 18 Actual</u>	<u>FY 19 Working Appropriation</u>	<u>FY 20 Allowance</u>	<u>FY 19 - FY 20 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	350.10	350.10	352.10	2.00	0.6%
02 Contractual	50.09	62.90	85.40	22.50	35.8%
<b>Total Positions</b>	<b>400.19</b>	<b>413.00</b>	<b>437.50</b>	<b>24.50</b>	<b>5.9%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 28,830,690	\$ 30,884,443	\$ 31,831,718	\$ 947,275	3.1%
02 Technical and Special Fees	2,121,251	2,791,041	4,012,586	1,221,545	43.8%
03 Communication	635,961	679,699	628,414	-51,285	-7.5%
04 Travel	839,134	1,296,244	1,291,787	-4,457	-0.3%
06 Fuel and Utilities	15,526	7,565	5,161	-2,404	-31.8%
07 Motor Vehicles	312,366	261,475	365,737	104,262	39.9%
08 Contractual Services	4,769,822	8,280,431	6,707,818	-1,572,613	-19.0%
09 Supplies and Materials	291,861	271,895	307,506	35,611	13.1%
10 Equipment – Replacement	209,518	235,708	230,328	-5,380	-2.3%
11 Equipment – Additional	58,015	31,417	143,041	111,624	355.3%
12 Grants, Subsidies, and Contributions	129,228,066	158,835,221	165,210,252	6,375,031	4.0%
13 Fixed Charges	1,574,560	1,583,364	1,665,829	82,465	5.2%
<b>Total Objects</b>	<b>\$ 168,886,770</b>	<b>\$ 205,158,503</b>	<b>\$ 212,400,177</b>	<b>\$ 7,241,674</b>	<b>3.5%</b>
<b>Funds</b>					
01 General Fund	\$ 8,291,419	\$ 5,619,855	\$ 5,914,267	\$ 294,412	5.2%
03 Special Fund	154,341,595	192,949,794	199,665,571	6,715,777	3.5%
05 Federal Fund	5,053,040	5,292,368	5,403,737	111,369	2.1%
09 Reimbursable Fund	1,200,716	1,296,486	1,416,602	120,116	9.3%
<b>Total Funds</b>	<b>\$ 168,886,770</b>	<b>\$ 205,158,503</b>	<b>\$ 212,400,177</b>	<b>\$ 7,241,674</b>	<b>3.5%</b>

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases.

**Appendix 5**  
**Fiscal Summary**  
**Department of Labor, Licensing, and Regulation – Business Regulation**

<u>Program/Unit</u>	<u>FY 18 Actual</u>	<u>FY 19 Wrk Approp</u>	<u>FY 20 Allowance</u>	<u>Change</u>	<u>FY 19 - FY 20 % Change</u>
01 Division of Financial Regulation	\$ 9,575,578	\$ 9,965,094	\$ 11,095,245	\$ 1,130,151	11.3%
01 Division of Labor and Industry	17,590,931	19,351,328	20,174,073	822,745	4.3%
01 Division of Racing	132,278,976	162,004,276	168,340,013	6,335,737	3.9%
01 Division of Occupational and Professional	9,441,285	13,837,805	12,790,846	-1,046,959	-7.6%
<b>Total Expenditures</b>	<b>\$ 168,886,770</b>	<b>\$ 205,158,503</b>	<b>\$ 212,400,177</b>	<b>\$ 7,241,674</b>	<b>3.5%</b>
General Fund	\$ 8,291,419	\$ 5,619,855	\$ 5,914,267	\$ 294,412	5.2%
Special Fund	154,341,595	192,949,794	199,665,571	6,715,777	3.5%
Federal Fund	5,053,040	5,292,368	5,403,737	111,369	2.1%
<b>Total Appropriations</b>	<b>\$ 167,686,054</b>	<b>\$ 203,862,017</b>	<b>\$ 210,983,575</b>	<b>\$ 7,121,558</b>	<b>3.5%</b>
Reimbursable Fund	\$ 1,200,716	\$ 1,296,486	\$ 1,416,602	\$ 120,116	9.3%
<b>Total Funds</b>	<b>\$ 168,886,770</b>	<b>\$ 205,158,503</b>	<b>\$ 212,400,177</b>	<b>\$ 7,241,674</b>	<b>3.5%</b>

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases.