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Department of Labor, Licensing, and Regulation

Operating Budget Data

(\$ in Thousands)

	FY 01	FY 02	FY 03		% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$26,468	\$25,965	\$30,699	\$4,734	18.2%
Special Fund	15,745	12,175	9,655	(2,520)	(20.7%)
Federal Fund	133,501	154,698	154,137	(562)	(0.4%)
Reimbursable Fund	<u>2,800</u>	<u>0</u>	<u>2,189</u>	<u>2,189</u>	_____
Total Funds	\$178,514	\$192,839	\$196,679	\$3,841	2.0%

- There are two fiscal 2002 deficiencies totaling \$2,492,154 in general funds and \$89,608 in federal funds.
- The fiscal 2003 allowance contains a \$2.2 million increase for in-state computer usage.
- The fiscal 2003 allowance contains a \$1.2 million increase for outside systems consulting.
- The fiscal 2003 allowance contains a \$1.0 million increase for building and maintenance.

Personnel Data

	FY 01	FY 02	FY 03	
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	1,708.00	1,706.00	1,716.00	10.00
Contractual FTEs	<u>131.97</u>	<u>91.45</u>	<u>106.70</u>	<u>15.25</u>
Total Personnel	1,839.97	1,797.45	1,822.70	25.25

Vacancy Data: Regular Positions

Budgeted Turnover: FY 03	99.01	5.77%
Positions Vacant as of 12/31/01	175.10	10.26%

- The fiscal 2003 allowance includes 10 new regular positions in response to various legislative initiatives including credit union modernization and boiler safety.
- The fiscal 2003 allowance includes 15.25 new contractual positions mostly for the Division of Employment and Training and for Occupational and Professional Licensing.

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

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Analysis in Brief

Issues

Statewide Review of Budget Closeout Transactions for Fiscal 2001: The Office of Legislative Audits (OLA) has released its special report on budget closeout transactions. The report includes findings related to the Department of Labor, Licensing, and Regulation (DLLR).

Performance Audit: OLA conducted a performance audit of DLLR's Cost Allocation Methodology for the Boards and Commissions.

The United States Department of Labor Audit: The U.S. Department of Labor conducted an audit of DLLR regarding their use and accounting of federal funds.

Federal Fund Cancellations: Over the past three fiscal years (2000 through 2002), DLLR has canceled a large portion of its federal fund appropriation.

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Delete new contractual positions.	\$ 592,302	
2. Delete the educational grant.	50,000	
3. Delete new general funded regular positions.	398,365	10.0
4. Delete PINs that have been vacant in excess of 12 months.	1,053,001	28.0
5. Reduce the allowance for peripheral data processing equipment.	229,717	
6. Reduce building and maintenance allowance to conform to three-year historical average.	962,500	
Total Reductions	\$ 3,285,885	38.0

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Updates

Sunset Reviews Continue throughout the Department: During the 2001 interim, the Department of Legislative Services conducted five full evaluations and eight preliminary evaluations of agencies in DLLR. The update highlights the significant findings.

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Operating Budget Analysis

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. In addition to the Office of the Secretary, the department has five operating divisions.

- The Division of Financial Regulation regulates commercial banks, trust companies, credit unions, mortgage lenders, collection agencies, and consumer loan companies.
- The Division of Labor and Industry is responsible for safety inspections of boilers, elevators, amusement rides, and railroads; enforces certain protective labor laws; and administers the Maryland Occupational Safety and Health Act (MOSHA). This division also administers the Maryland Apprenticeship and Training Program.
- The Division of Racing regulates thoroughbred and harness racing at tracks across the State. Responsibilities include assigning racing days, regulating wagering on races, collecting the wagering tax, licensing all race track employees, and operating a testing laboratory. The division also pays the salaries and stipends of all race track employees who are appointed by the State Racing Commission.
- The Division of Occupational and Professional Licensing works with 21 different boards and commissions to license, regulate, and monitor a wide variety of professions and trades. All but four boards are supported by the general fund. For three of the four special fund boards, unspent money reverts to the general fund. The special fund for the Office of Cemetery Oversight is continuous and nonlapsing.
- The Division of Employment and Training operates the federally funded Unemployment Insurance (UI), Job Service, Trade Adjustment Assistance, and Work Force Investment Act (WIA) programs. In addition, the division now acts as the pass-through agency for Welfare-to-Work grants. A small State program assists Russian immigrants in the Washington, DC and Baltimore metropolitan areas.

Adjustments to Fiscal 2002

Due to worsening economic conditions, most State agencies were directed to take cost containment actions affecting the fiscal 2002 appropriation. DLLR's cost containment actions consisted of a hiring freeze and a 1.5% across the board operating costs reduction. These actions will result in \$835,000 of general fund savings and \$29,000 in special fund savings.

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Hiring Freeze

DLLR realized the bulk of its \$762,000 savings in general funds and \$6,000 in special funds through the hiring freeze. To achieve this savings, the department will need a 6.8% turnover rate for fiscal 2002. The department had a 10.26% turnover rate at the end of calendar 2001. The hiring freeze has affected various programs including financial regulation, occupational and professional licensing, and labor and industry. Examples of the hiring freeze effects:

- two vacancies in the central licensing unit;
- one vacant real estate investigator position; and
- one vacant clerical position in the plumbing board.

There are also vacancies in several other programs with the highest vacancy rate (14.8%) in the Maryland Occupational Safety and Health program. **DLLR should be prepared to comment on how these vacancies will affect its ability to fulfil its mission.**

1.5% Cost Reduction

The department realized \$73,000 in general fund savings and \$23,000 in special fund savings from cost reduction efforts. Among the items that were curtailed or deferred to meet the reduction were out-of-state travel, purchasing of noncritical supplies and equipment, and some training programs.

Proposed Deficiency

There are two deficiencies for fiscal 2002 contained in the fiscal 2003 budget. **Exhibit 1** below details the deficiencies. The larger deficiency is for \$2.3 million divided among six different programs, and the smaller one is for the Office of Information Management to upgrade its mainframe computer. **DLLR should be prepared to explain the need for these deficiencies.**

Exhibit 1

**Budget Deficiencies for the Department of Labor, Licensing, and Regulation
Contained in the Fiscal 2003 Budget**

<u>First Deficiency</u>	<u>Purpose of Deficiency</u>	<u>\$ Amount</u>	<u>Fund Source</u>
Executive Direction	Ongoing departmental operations	\$779,732	GF
Fiscal Services	Ongoing operations	138,610	GF
Administrative Services	Ongoing operations	315,054	GF
Legal Services	Ongoing operations	95,806	GF
Office of Information Technology	Ongoing operations	823,260	GF
Personnel and Training	Ongoing operations	170,008	GF
 <u>Second Deficiency</u>			
Office of Information Management	Mainframe computer upgrade	169,684	GF
		89,608	FF
Total for Both Deficiencies		\$2,492,154	GF
		\$89,608	FF

Source: Department of Labor, Licensing, and Regulation

Governor's Proposed Budget

Exhibit 2 presents the fiscal 2003 allowance in more detail.

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Exhibit 2

**Governor's Proposed Budget
Department of Labor, Licensing, and Regulation
(\$ in Thousands)**

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2002 Working Appropriation	\$25,965	\$12,175	\$154,698	\$0	\$192,838
2003 Governor's Allowance	30,699	9,655	154,137	2,189	196,679
Amount Change	\$4,734	(\$2,520)	(\$561)	\$2,189	\$3,841
Percent Change	18.2%	(20.7)%	(0.4)%	n/a	2.0%

Where It Goes:

Personnel Expenses

New positions	\$398
Annualize fiscal 2002 general salary increase	1,411
Retirement	856
Fiscal 2003 increments	854
Health insurance	765
Net fiscal 2003 cost containment	(391)
Early retirement surcharge	(785)
Other adjustments	(164)

Personnel Subtotal **2,944**

Other Changes - Department

In-state computer usage fees paid to the Office of Information Management	2,161
Outside services - systems analysis costs for various programs including some e-licensing	1,192
Building maintenance which includes paint, new roof, renovations, and electrical upgrades to various facilities	1,003
Special payments payroll for 15.25 new contractual positions	573
Data processing - microcomputer	558
Software licenses	376

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Where It Goes:

Other supplies and materials	342
Data processing equipment	294
Unemployment insurance and Welfare to Work program	(4,625)
Contracts with private vendors for various services	(1,206)
Other	228
Total	\$3,840

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

Personnel

The fiscal 2003 allowance includes ten new regular positions. **Exhibit 3** details these positions.

Exhibit 3

New Positions for DLLR in Fiscal 2003 Allowance

<u>Position Title</u>	<u>Salary and Fringes</u>
Financial Examiner	\$40,336
Administrative Officer	38,162
Deputy Boiler Inspector	42,064
Administrator I	44,517
Fiscal Clerk III	28,845
Office Secretary I	29,882
Office Secretary II	31,465
Administrator III	51,746
Licensing Regulations Investigator	33,158
Assistant Attorney General IV	58,190
Total	\$398,365

Source: Governor's Budget Books

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New Contractual Positions

The 2003 allowance also includes \$573,000 for 15.25 new contractual positions. **Exhibit 4** shows how these positions are to be allocated.

Exhibit 4

Allocation of Contractual Positions for Fiscal 2003

<u>Program</u>	<u>Number of Positions</u>
Division of Labor and Industry	3.00
Occupational and Professional Licensing	2.25
Employment and Training	8.00
Office of the Secretary	1.00
Commissioner of Financial Regulation	1.00
Total	15.25

Source: Department of Labor, Licensing, and Regulation

In-state Computer Usage

The largest single increase in the fiscal 2003 allowance is the \$2,161,000 increase for in-state computer usage. The in-state computer usage fee is the fee on internal transfer of funds to the Office of Information Management from the other programs within DLLR for information management services.

Outside Services

Another large increase over the fiscal 2002 working appropriation is in outside services. This amount is divided among several programs and is related to computer activities such as e-licensing programs.

Building and Maintenance

This figure is more than \$1,000,000 greater than the fiscal 2002 working appropriation, resulting in a 775% increase. The department reports that it intends to use the \$1.10 million allowance as shown in **Exhibit 5**; however, the Department of Legislative Services (DLS) notes that the three-year (fiscal 2000 through 2002) historical average for building and road repairs and maintenance has been \$102,289. In addition, the Governor's allowance exceeds the department's original request by \$962,5000, or 569%.

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Exhibit 5

**Intended Allocation of Building/Road Repairs and
Maintenance Allowance for Fiscal 2003**

<u>Facility to Be Repaired</u>	<u>\$ Amount</u>
Towson	\$114,000
Southwest Claim Center	24,000
Waldorf	24,000
College Park	26,000
Cumberland	28,000
1100 Eutaw Street, Baltimore	808,000
Total	\$1,024,000

Source: Department of Labor, Licensing, and Regulation

DLS has asked DLLR to comment on why the allowance is \$962,500 larger than its request and why the allowance is significantly greater than the historical average.

Performance Analysis: Managing for Results

Exhibit 6 presents selected entries from the department's Managing for Results (MFR) plan. The plan is not as informative as it should be. There are several entries that contain no data or limited data and are represented with a "n/a" entry in the chart below.

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Exhibit 6

**Program Measurement Data
Department of Labor, Licensing, and Regulation
Fiscal 1999 through 2003**

	<u>Actual 1999</u>	<u>Actual 2000</u>	<u>Est. 2001</u>	<u>Actual 2001</u>	<u>Est. 2002</u>	<u>Est. 2003</u>	<u>Ann. Chg. 99-01</u>	<u>Ann. Chg. 01-03</u>
Office of the Secretary								
Fiscal Services								
% of federal reports submitted by due date	n/a	16%	n/a	45%	55%	65%	n/a	20.2%
# of errors in federal grant reports	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Office of Information Management								
# of completed web-requested work orders	n/a	1,204	n/a	654	660	660	n/a	0.5%
Division of Financial Regulation								
# of consumer complaints filed	n/a	2,625	n/a	2,329	2,800	2,900	n/a	11.6%
Percentage of consumer complaints resolved within 45 days	80%	80%	80%	64%	85%	85%	-10.6%	15.2%
Division of Labor and Industry								
Amount of federal \$ approved (millions)	n/a	\$4.4	n/a	\$4.7	\$4.4	\$4.4	n/a	0.0%
% of federal \$ approved	n/a	100%	n/a	97%	100%	100%	n/a	2%
Amusement rides:								
# registered	n/a	4,901	n/a	5,310	5,200	5,250	n/a	-1%
# of accidents	n/a	44	n/a	41	50	50	n/a	10%
Division of Occupational and Professional Licensing								
Average length of time to finish complaint process (days)	n/a	n/a	n/a	178	173	168	n/a	-3%
Percent of renewals via Internet/telecommunications	34%	44%	37%	39%	43%	47%	7%	10%

Source: Governor's Budget Books

Federal Reports

The department has had some difficulty in reconciling its federal funds receivables. The MFR plan above shows that the department filed 45% of its fiscal 2001 reports to the federal government late and is unaware of the total number of errors contained in these reports. Given that DLLR has been very late in filing for

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federal reimbursements and also has unsubstantiated federal reimbursements, it would seem prudent for DLLR to improve internal oversight in this particular area of its operation. DLS understands that some of these problems pre-date the current management team, but it appears that there has been little progress in correcting these problems. Indeed, the very fact that DLLR was unaware of these problems for so long, demonstrates concerns with the oversight of these areas.

The ineffectiveness of the changes DLLR has made to correct this problem is a concern to the General Assembly. **Regarding its federal funds management, DLLR needs change. Therefore, DLS requests DLLR to be prepared to discuss what changes it has made to its internal management system and specifically address any internal auditing and quality control measures it has taken or plans to take. Furthermore, DLS requests that DLLR provide a specific timetable for when future changes will be implemented or past changes were implemented. If DLLR has not made plans to make significant changes in this regard, DLS recommends that the General Assembly require DLLR to submit quarterly reports to the Office of Legislative Audits (OLA) regarding its internal controls and financial accountability.**

Financial Regulation

The MFR plan shows that DLLR expects the number of consumers' complaints regarding financial institutions to increase for at least the next two fiscal years. The MFR plan also shows that the number of complaints resolved within 45 days dropped dramatically in fiscal 2001 but that this is expected to be a one-time occurrence. **DLS requests that the department be prepared to comment on why complaints are expected to increase and why fiscal 2001 complaints resolution fell so much from the previous year.**

Issues

1. Statewide Review of Budget Closeout Transactions for Fiscal 2001

Legislative Audit Findings – DLLR Budget Closeout Issues

In a report dated January 30, 2002, OLA issued the results of its annual review of State budgetary closeout transactions. Certain significant issues pertaining to a review of the DLLR fiscal 2001 closeout were reported.

- **Potential Federal Fund Deficits Totaling \$17.3 Million:** Deficit balances totaling approximately \$17.3 million existed in several federal programs as of June 30, 2001. DLLR officials advised the auditors that there were no federal grant funds available in these specific programs. DLLR, however, believes that federal fund recoveries totaling approximately \$19.9 million received in July 2001 applicable to fiscal 1995 to 2001 expenditures in another federal program should be used to cover the deficit balances. DLLR could not provide any documentation supporting its contention. If these revenues are not available, or cannot be used, to cover the deficits, a general fund appropriation (or deficiency appropriation) may be ultimately needed to eliminate the deficits. A similar condition pertaining to DLLR has been commented upon in the auditor's four preceding annual closeout reports.
- **Compliance with a Certain Budgetary Law Requirement Could Not Be Demonstrated:** DLLR could not demonstrate compliance with the budgetary law requirement that states that when expenditures may be charged to either State or federal funds, federal funds shall be fully used before State funds may be charged. DLLR appears to have erroneously charged the aforementioned federal fund expenditures incurred during fiscal 1995 to 2001 totaling approximately \$19.9 million to State funds. After its discovery, DLLR requested and received reimbursement of these funds in July 2001. This situation also delayed the recovery of federal funds, resulting in a loss of interest income to the State estimated by OLA to be approximately \$5.8 million.
- **Federal Audits Disallowed Costs Totaling \$11.2 Million:** Federal audits of DLLR have resulted in disallowed claims totaling approximately \$11.2 million resulting primarily from overstated indirect costs claimed and recovered by DLLR during fiscal 1996 through 2000. While DLLR disagreed with the disallowances, it was notified by the federal grantor agency that sufficient evidence had not been provided to warrant modification of the disallowances. If the department is ultimately required to reimburse the federal government for these disallowances, general fund appropriations (or deficiency appropriations) may be needed.
- **Improper Use of Special Funds Totaling \$4.7 Million:** State law established the Special Administrative Expense Fund within DLLR for certain specific expenditures, such as the acquisition of office space through lease or purchase. Fund revenues are derived primarily from fines, interest and penalties collected by DLLR – Unemployment Insurance Administration. Based on the auditor's review and discussions with legal counsel to the Maryland General Assembly, it appears that during fiscal 1999 through 2001, DLLR improperly used funds totaling \$4.7 million for routine operating expenses (such as telecommunications). Instead of being used in this manner, the related funds should have been reverted

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to the State's general fund in accordance with State law. Certain department officials believe that they had authorization to use the funds for these expenditures via the budget law.

- **Federal Fund Record Keeping Differences:** DLLR could not adequately explain differences between its records of federal grant activity and the State's accounting records. During the closeout process, DLLR reported to the Comptroller of the Treasury federal fund grant receivables totaling \$2.7 million higher than the receivables recorded on the State's records.

DLLR should brief the budget committees on what action it is taking to address these issues.

DLLR should be prepared to address this problem and both the short-run solution and the long-run systematic solution to insure that the department cures the current problem and prevents a recurrence.

2. Performance Audit

In September 2001, OLA issued a performance audit report on DLLR's method for allocating support service costs to its occupational and professional licensing boards and commissions. This audit was conducted in response to a request included in the 2001 *Joint Chairmen's Report*. Although the audit found that DLLR's cost allocation methodology was reasonable, the auditors concluded that, until certain improvements were made, the methodology would not provide a reliable basis for determining the full cost of operating the boards and commissions or their individual financial self-sufficiency.

Presently, DLLR uses these cost allocations for internal budget and management purposes only. That is because it is not authorized by statute to charge the full costs of operating the boards and commissions to their appropriations. Specifically, the costs of support services provided by other DLLR units are absorbed in the budgets of those units rather than being charged to the boards and commissions. This audit report contained four findings with recommendations for improving the reliability and usefulness of DLLR's cost allocation methodology.

Major findings are as follows:

- DLLR's cost allocations were prepared using budgeted cost data without subsequent adjustment for actual costs. This prevented DLLR from identifying the true operational cost of the boards and commissions, and ultimately the self-sufficiency of each. The audit found that by using actual cost data, fiscal 2001 operating costs for all boards and commissions would have increased by \$479,000 over the budgeted amount of \$8.4 million. For the individual boards and commissions, using actual expenditures would have had a more dramatic effect. For example, if actual expenditures were used in the cost allocation process, the fiscal 2001 operating cost of one commission would have decreased by \$632,689.
- The basis for allocating certain departmental support service costs to the boards and commissions could not be substantiated. Fifty percent of DLLR's Legal Services and Office of Information Management units' costs, or about \$2 million, were annually allocated to the boards and commissions because DLLR believed that those units spent 50% of their time working on behalf of the boards and commissions.

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- Because certain revenues could not be identified, the actual revenues of the boards and commissions for fiscal 2000 and 2001 could not be determined. For example, in fiscal 2000, revenues of \$613,000 could not be attributed to any specific board or commission. This condition could also impact assessments of self-sufficiency.

DLLR should brief the committees on the status of its actions to improve the method for allocating costs to its occupational and professional licensing boards.

3. The United States Department of Labor Audit

During the 2001 interim, the department was subject to an audit by the U.S. Department of Labor (DOL). The audit was conducted by Tichenor & Associates, LLP, who were under contract with the federal DOL and the focus of the audit was DLLR's indirect cost reimbursement claims to the federal government for State fiscal 1996 through 2000. The results were not positive.

The federal Office of Management and Budget requires that indirect costs be allocated to cost objectives on the basis of "relative benefits received." According to the audit findings, DLLR failed to comply with this requirement. During the five-year period under review, DLLR billed and received \$50,523,999 in indirect costs but was only entitled to receive \$40,690,940, an overcharge of \$9,833,059. **Exhibit 7** details each year's activity.

Exhibit 7

**Indirect Costs Activity for DLLR
Fiscal 1996 through 2000
(\$ in Thousands)**

<u>Description</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>Total</u>
DLLR claimed costs	\$13,669	\$13,490	\$14,475	\$14,999	\$16,463	\$73,096
Questionable claims	3,664	3,214	3,698	4,015	4,256	18,847
Allowable claims	10,005	10,276	10,777	10,984	12,207	54,249
Indirect costs allocable to DOL	7,584	7,733	8,144	8,064	9,166	40,691
Indirect costs paid by DOL	10,044	10,316	9,340	10,162	10,662	50,524
Over Charge to DOL	\$2,460	\$2,583	\$1,196	\$2,098	\$1,496	\$9,833

Source: Final Report No. 03-01-006-03-315 Audit of Indirect Costs Charged To Employment and Training Grants Awarded by U.S. Department of Labor from July 1, 1995, through June 30, 2000

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The auditors made the following recommendations:

- DLLR should pay back the \$9.8 million to DOL (this amount is under negotiation and may change before a final settlement is reached);
- DLLR should develop and implement internal control policies and procedures to ensure that it complies with federal rules concerning indirect costs; and
- DLLR should provide training to key personnel.

DLLR should be prepared to comment on these findings and recommendations and the actions it has taken, or plans to take, in response to the audit.

4. Federal Fund Cancellations

Over the past three fiscal years (1999 through 2001), DLLR has canceled an average of \$20,684,000 of its federal funds; this is an average of 14% of the total federal appropriation over those years. Given the problems the department has with its federal fund accounting, DLS questions whether appropriating this much excess in federal funds is wise.

The department should be prepared to explain why it consistently overbudgets its federal funds each year and what adjustments it will make with regard to this issue.

Recommended Actions

	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Delete 15.25 new contractual positions from the 2003 allowance. These positions do not meet the guidelines established by the Spending Affordability Committee. The new positions were to be allocated as follows:	\$ 156,436	GF	
8.0 – Division of Employment and Training	435,866	FF	
3.0 – Division of Labor			
2.25 – Division of Occupational and Professional Licensing			
1.0 – Office of the Secretary			
1.0 – Commissioner of Financial Regulation			
2. Delete the educational grant contained in the allowance for the Office of the Secretary. The department did not offer an educational grant in fiscal 2001 or 2002.	9,850	GF	
	5,150	SF	
	35,000	FF	
3. Delete ten new positions that do not meet the Spending Affordability Committee's guidelines. These PINs were to be allocated as follows:	398,365	GF	10.0
● two in financial regulation;			
● three in safety inspection; and			
● five in legal/administrative positions.			
4. Delete PINs that have been vacant in excess of 12 months that the department confirms are vacant.	1,053,001	FF	28.0
5. Reduce the allowance for peripheral data processing equipment by 50%. The allowance after the reduction is still a 38% increase over fiscal 2002 working appropriation.	5,277	GF	
	224,440	FF	
6. Reduce building and maintenance allowance to conform to three-year historical average. The department originally requested an amount (\$169,000) in excess of, but more in line with, the historical average for this activity. This action reduces the allowance to the department's original request.	962,500	FF	
Total Reductions	\$ 3,285,885		38.0
Total General Fund Reductions	\$ 569,928		
Total Special Fund Reductions	\$ 5,150		
Total Federal Fund Reductions	\$ 2,710,807		

Updates

1. Sunset Reviews Continue throughout the Department

During the 2001 interim, DLS conducted five full sunset evaluations of agencies in DLLR. **Exhibit 8** lists each report and its major findings.

Exhibit 8

DLS Recommendations from Full Sunset Reviews

Agency Reviewed

Selected Recommendations

- | | | |
|--|---|--|
| State Board of Boiler Rules | ● | Board of Boiler Rules should be continued. |
| Board of Examining Engineers | ● | The Board of Examining Engineers should be allowed to sunset. |
| | ● | A new State Board of Stationary Engineers should be established in statute. It should have statewide regulatory authority that reflects current industry standards. |
| | ● | The newly established board should be general funded until there is a clear legislative directive on the appropriateness of special funding boards housed within DLLR. |
| State Board of Master Electricians | ● | The General Assembly should extend the termination date of the State Board of Master Electricians to July 1, 2013. |
| | ● | DLLR should continue to work with the General Assembly to address the budgetary problems of the State Board of Master Electricians and similarly affected boards, taking into account the Office of Legislative Audits' recommendations on allocation of indirect costs. |
| State Board of Pilots | ● | The General Assembly should extend the termination date of the State Board of Pilots to July 1, 2013. |
| | ● | The General Assembly should make the State Board of Pilots a general fund board and require that all license fees collected biennially by the board be deposited into the general fund. |
| State Commission of Real Estate Appraisers and Home Inspectors | ● | Legislation should be enacted to continue the State Commission of Real Estate Appraisers and Home Inspectors by extending its termination date to July 1, 2013. |
| | ● | DLLR should request additional funding in its fiscal 2003 budget submission to cover the costs of contracting expert review appraisers to review complaints against appraiser licensees and certificate holders. |

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Agency Reviewed

Selected Recommendations

- | | |
|--|--|
| State Commission of Real Estate Appraisers and Home Inspectors (continued) | <ul style="list-style-type: none">● DLLR should seek a deficiency appropriation to recruit and hire one additional part-time administrative staff member for the commission in fiscal 2002 to assist with the additional administrative duties of licensing home inspectors and the workload related to the regulation of real estate appraisers.● Legislation should be adopted in the 2002 session establishing the following fees:<ul style="list-style-type: none">• a renewal fee of \$125 for all licensed and certified appraisers, which would be revenue neutral; and• an application fee of \$75 for appraiser trainees and licensed appraisers, which is the same fee set in current regulations. |
|--|--|

Source: Department of Labor, Licensing, and Regulation

During the 2001 interim, DLS also conducted eight preliminary evaluations of agencies in DLLR. **Exhibit 9** lists each agency and DLS recommendations.

Exhibit 9

DLS Recommendations from Preliminary Sunset Reviews

Agency

Recommendations

- | | |
|---|---|
| State Amusement Ride Safety Advisory Board | <ul style="list-style-type: none">● Waive from full evaluation● Extend termination date by ten years to July 1, 2014 |
| Apprenticeship and Training Council | <ul style="list-style-type: none">● Waive from full evaluation● Extend termination date by ten years to July 1, 2014 |
| State Board of Certified Interior Designers | <ul style="list-style-type: none">● Full evaluation |
| State Board of Foresters | <ul style="list-style-type: none">● Waive from full evaluation● Extend termination date by 11 years to July 1, 2015● Require follow-up report by October 1, 2002 |
| Division of Labor and Industry and Associated Boards and Councils | <ul style="list-style-type: none">● Full evaluation |
| Occupational Safety and Health Advisory Board | <ul style="list-style-type: none">● Waive from full evaluation● Extend termination date by ten years to July 1, 2014 |
| Advisory Council on Prevailing Wage Rates | <ul style="list-style-type: none">● Full evaluation |
| State Board of Public Accountancy | <ul style="list-style-type: none">● Waive from full evaluation● Extend termination date by ten years to July 1, 2014● Require follow-up report by October 1, 2002 |

Source: Department of Legislative Services

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2001					
Legislative Appropriation	\$24,096	\$2,588	\$154,907	\$2,800	\$184,391
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	2,489	13,673	1,972	0	18,134
Reversions and Cancellations	(117)	(516)	(23,379)	0	(24,012)
Actual Expenditures	\$26,468	\$15,745	\$133,500	\$2,800	\$178,513
Fiscal 2002					
Legislative Appropriation	\$26,800	\$6,596	\$141,014	\$0	\$174,410
Budget Amendments	(835)	5,579	13,685	0	18,429
Working Appropriation	\$25,965	\$12,175	\$154,699	\$0	\$192,839

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

P.00 - Department of Labor, Licensing, and Regulation

Appendix 2

Object/Fund Difference Report
Department of Labor, Licensing, and Regulation

Object/Fund	FY01	FY02	FY03	FY02 - FY03	Percent Change
	Actual	Working Appropriation	Allowance	Amount Change	
Positions					
01 Regular	1708.00	1706.00	1716.00	10.00	0.6%
02 Contractual	131.97	91.45	106.70	15.25	16.7%
Total Positions	1839.97	1797.45	1822.70	25.25	1.4%
Objects					
01 Salaries and Wages	\$ 81,850,388	\$ 86,272,345	\$ 89,215,937	\$ 2,943,592	3.4%
02 Technical & Spec Fees	4,160,762	2,376,161	2,957,166	581,005	24.5%
03 Communication	2,829,765	3,757,274	2,997,507	(759,767)	(20.2%)
04 Travel	1,150,662	1,346,933	1,384,425	37,492	2.8%
06 Fuel & Utilities	236,114	430,040	422,333	(7,707)	(1.8%)
07 Motor Vehicles	566,621	478,450	480,258	1,808	0.4%
08 Contractual Services	8,089,250	12,731,024	17,352,088	4,621,064	36.3%
09 Supplies & Materials	2,439,457	2,313,212	2,700,697	387,485	16.8%
10 Equip - Replacement	1,359,878	1,045,683	1,242,987	197,304	18.9%
11 Equip - Additional	1,627,389	610,774	1,106,851	496,077	81.2%
12 Grants, Subsidies, Contr	70,230,586	78,338,921	72,821,523	(5,517,398)	(7.0%)
13 Fixed Charges	3,697,081	3,137,775	3,997,678	859,903	27.4%
14 Land & Structures	275,657	0	0	0	0.0%
Total Objects	\$ 178,513,610	\$ 192,838,592	\$ 196,679,450	\$ 3,840,858	2.0%
Funds					
01 General Fund	\$ 26,468,082	\$ 25,964,937	\$ 30,698,797	\$ 4,733,860	18.2%
03 Special Fund	15,745,095	12,175,163	9,655,450	(2,519,713)	(20.7%)
05 Federal Fund	133,500,787	154,698,492	154,136,650	(561,842)	(0.4%)
09 Reimbursable Fund	2,799,646	0	2,188,553	2,188,553	N/A
Total Funds	\$ 178,513,610	\$ 192,838,592	\$ 196,679,450	\$ 3,840,858	2.0%

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.

P.00 - Department of Labor, Licensing, and Regulation

Appendix 3

Fiscal Summary
Department of Labor, Licensing, and Regulation

Unit/Program	FY01	FY02		FY01 - FY02	FY03	FY02 - FY03
	Actual	Legislative Appropriation	Working Appropriation	% Change	Allowance	% Change
01 Executive Direction	\$ 2,916,547	\$ 1,987,132	\$ 2,746,595	(5.8%)	\$ 2,955,094	7.6%
03 Fiscal Services	2,039,774	2,072,361	2,168,594	6.3%	2,639,338	21.7%
04 Administration Services	5,142,619	4,566,416	4,847,344	(5.7%)	5,242,292	8.1%
05 Legal Services	2,289,177	2,476,097	2,569,922	12.3%	2,696,835	4.9%
06 Office of Information Management	2,310,238	1,224,288	2,042,452	(11.6%)	2,188,553	7.2%
07 Personnel and Training	1,764,628	1,571,754	1,731,073	(1.9%)	1,927,386	11.3%
02 Commissioner of Financial Regulation	3,712,263	4,000,499	4,239,572	14.2%	4,539,224	7.1%
01 General Administration	498,065	608,352	558,426	12.1%	643,573	15.2%
02 Employment Standards Services	238,309	239,444	239,444	0.5%	279,260	16.6%
03 Railroad Safety and Health	346,858	366,235	331,888	(4.3%)	378,774	14.1%
04 Mediation and Conciliation	0	0	142,895		159,254	11.4%
05 Safety Inspection	2,802,250	2,949,994	2,836,036	1.2%	3,246,765	14.5%
06 Maryland Apprenticeship and Training	354,611	377,498	376,498	6.2%	371,374	(1.4%)
07 Prevailing Wage	317,253	307,995	307,995	(2.9%)	316,240	2.7%
08 Occupational Safety and Health Administration	6,857,893	6,761,550	6,715,537	(2.1%)	7,042,792	4.9%
02 Maryland Racing Commission	366,889	964,276	1,732,534	372.2%	1,346,798	(22.3%)
03 Racetrack Operation Reimbursement	13,508,805	2,968,228	2,895,294	(78.6%)	3,179,446	9.8%
04 Racing Revenues Special Funds	1,330,800	894,353	1,341,400	0.8%	1,341,400	0%
05 Maryland Facility Redevelopment Program	0	1,700,000	3,307,000		3,607,000	9.1%
01 General Administration	6,229,240	7,005,451	6,881,812	10.5%	8,190,015	19.0%
01 Assistant Secretary	497,861	772,889	626,559	25.9%	743,968	18.7%
02 Labor Market Analysis and Information	2,012,840	2,120,970	2,120,970	5.4%	2,263,701	6.7%
04 Office of Employment Services and Training	28,713,517	19,019,576	18,964,831	(34.0%)	19,917,487	5.0%
05 Office of Information Technology	4,078,771	4,098,565	4,098,565	0.5%	5,019,759	22.5%
06 Office of Unemployment Insurance	42,066,743	45,013,331	44,984,331	6.9%	46,097,743	2.5%
07 Welfare to Work	14,000,000	0	13,688,041	(2.2%)	10,000,000	(26.9%)
08 Russian Immigrants Program	150,000	150,000	150,000	0%	150,000	0%
10 Benefits Appeal	3,618,583	3,894,384	3,894,384	7.6%	4,823,680	23.9%
11 Office of Employment Training	30,349,076	56,298,600	56,298,600	85.5%	55,371,699	(1.6%)
Total Expenditures	\$ 178,513,610	\$ 174,410,238	\$ 192,838,592	8.0%	\$ 196,679,450	2.0%
General Fund	\$ 26,468,082	\$ 26,799,937	\$ 25,964,937	(1.9%)	\$ 30,698,797	18.2%
Special Fund	15,745,095	6,596,415	12,175,163	(22.7%)	9,655,450	(20.7%)
Federal Fund	133,500,787	141,013,886	154,698,492	15.9%	154,136,650	(0.4%)
Total Appropriations	\$ 175,713,964	\$ 174,410,238	\$ 192,838,592	9.7%	\$ 194,490,897	0.9%
Reimbursable Fund	\$ 2,799,646	\$ 0	\$ 0	(100.0%)	\$ 2,188,553	N/A
Total Funds	\$ 178,513,610	\$ 174,410,238	\$ 192,838,592	8.0%	\$ 196,679,450	2.0%