

**Maryland General Assembly
Department of Legislative Services**

**Proposed Regulation
Department of the Environment
(DLS Control No. 16-086)**

Overview and Legal and Fiscal Impact

The regulation reduces the license application fee, initial license fee, and license renewal fee for several different classes and categories of licenses issued by the Board of Well Drillers.

The regulation presents no legal issues of concern.

General fund revenues decrease annually beginning in fiscal 2017 due to the reduction in well driller license fees. State expenditures are not affected.

Regulation of COMAR Affected

Department of the Environment:

Board of Well Drillers: Issuance, Renewal, and Reinstatement of Licenses:
COMAR 26.05.02.10

Legal Analysis

Background

On September 15, 2015, Governor Larry Hogan announced a plan to reduce or eliminate a number of fees across State government. Governor Hogan announced a second round of fee reductions or eliminations on May 12, 2016. These regulations are not part of these reductions or eliminations, but are in response to the regulatory reform effort in the State. Additional information regarding Governor Hogan's fee reduction initiative may be found [here](#).

Summary of Regulation

The regulation reduces by 50% the license application fee, initial license fee, and license renewal fee for several different classes and categories of licenses issued by the board.

Legal Issues

The regulation presents no legal issues of concern.

Statutory Authority and Legislative Intent

The Department of the Environment cites Title 13 of the Environment Article as statutory authority for the regulation. More specifically, under § 13-206(a), the board has broad authority to adopt regulations to carry out the provisions of Title 13 (Well Drillers). Additionally, § 13-207(a)(1) requires the board to set reasonable fees necessary to carry out its responsibilities under Title 13 and authorizes the board to set fees for the issuance and renewal of licenses according to class of license. The remaining cited authority is not relevant to this regulation.

The relevant cited authority is correct and complete. The regulation complies with the legislative intent of the law.

Fiscal Analysis

General fund revenues decrease annually beginning in fiscal 2017 due to the reduction in well driller license fees. State expenditures are not affected.

Agency Estimate of Projected Fiscal Impact

The department advises that the regulation results in a decrease in general fund revenues of approximately \$60,000 annually due to the fee reductions. This estimate is based on an analysis completed in 2010, when the department last increased well driller license fees. The Department of Legislative Services (DLS) concurs that general fund revenues decrease as a result of the regulation; however, DLS did not receive sufficient information on the class and category of licensed well drillers to independently verify the specific dollar estimate provided by the department.

Even so, DLS anticipates that the revenue decrease is at most \$120,000 over the two-year licensing cycle for well drillers. DLS further notes that, because all well drillers renew their licenses in odd-numbered fiscal years, fee revenues in even-numbered fiscal years are lower and generally represent new licensees. Accordingly, 80% to 90% of revenues collected by the board over each two-year licensing cycle have been collected in odd-numbered fiscal years. Thus, the decrease in general fund revenues will fluctuate considerably each year with a much greater impact in odd-numbered fiscal years than in even-numbered fiscal years. Using the \$120,000 likely total decrease in revenues over a two-year licensing cycle, approximately \$102,000 will be realized in fiscal 2017 and \$18,000 in fiscal 2018.

DLS also advises that the State Board of Well Drillers is general funded and, as such, the decrease in fee revenues does not have a direct impact on board operations. Further, although there is no requirement that the revenues generated by the board cover its expenditures, the General Assembly has a policy of regulatory boards and commissions being self-supporting to the extent possible. DLS completed a preliminary sunset evaluation of the board in 2008. At that time, DLS concluded that the board's fee structure was insufficient to cover board costs and recommended that the board increase fees to the appropriate level to cover associated costs. In

response to that recommendation, the board increased its fees in 2010 for the first time since 1994. This regulation reduces initial licensure and renewal fees back to the 1994 fee levels.

Impact on Budget

Although general fund revenues decrease beginning in fiscal 2017, there is no material impact on the State operating or capital budget.

Agency Estimate of Projected Small Business Impact

The department advises that the regulation has a meaningful economic impact on small businesses in the State. The department reports that well drilling companies in the State are largely small businesses and that many of those businesses employ multiple individuals with active licenses. Thus, the fee reductions could result in a meaningful benefit to at least some small businesses. The Department of Legislative Services concurs.

Contact Information

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