

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE
Revised

Senate Bill 681

Chairman EEA (Dept)

(Departmental – Labor, Licensing, and Regulation)

Economic and Environmental Affairs

Economic Matters

Department of Labor, Licensing, and Regulation - Occupational and Professional Licensing Boards and Commissions - Creation of Fund and Regulation of Fees

This departmental bill establishes a continuing, nonlapsing Occupational and Professional Licensing Fund for the deposit of all fees generated by 18 regulatory programs within the Division of Occupational and Professional Licensing of the Department of Labor, Licensing, and Regulation (DLLR). The fund will be used to cover the actual documented direct and indirect costs of fulfilling the statutory and regulatory duties of each program.

Fiscal Summary

State Effect: General fund revenues could decrease by \$3.8 million and general fund expenditures could decrease by \$7.0 million in FY 2002. Out-year estimates reflect annualization. Special fund revenues and expenditures could increase by \$7.0 million in FY 2002. Out-year estimates reflect annualization.

(\$ in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
GF Revenue	(\$3.8)	(\$5.1)	(\$5.1)	(\$5.1)	(\$5.1)
SF Revenue	7.0	9.4	9.4	9.4	9.4
GF Expenditure	(7.0)	(9.4)	(9.4)	(9.4)	(9.4)
SF Expenditure	7.0	9.4	9.4	9.4	9.4
Net Effect	\$3.2	\$4.3	\$4.3	\$4.3	\$4.3

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

Local Effect: None.

Small Business Effect: DLLR has determined that this bill has minimal or no impact on small business (attached). Legislative Services disagrees with this assessment as discussed below. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: Each board may set reasonable fees for its services so as to produce funds to approximate the cost of maintaining the board. In order to establish fees that more equitably distribute the costs associated with the operation of each program among similar programs, the Secretary may average the direct and indirect costs of one or more programs, if the programs consent to having their direct and indirect costs averaged together and the programs regulate individuals in similar occupations or professions. However, the current fee schedule will remain effective until the new fees can be set and no fee may be increased by more than 12.5% a year. The bill affects the following regulatory programs:

- State Board of Public Accountancy;
- State Board of Architects;
- State Board of Barbers;
- State Board of Cosmetologists;
- State Board of Master Electricians;
- State Board of Foresters;
- State Board of Certified Interior Designers;
- State Board of Examiners of Landscape Architects;
- State Board of Pilots;
- State Board of Plumbing;
- State Board for Professional Engineers;
- State Board for Professional Land Surveyors;
- State Commission of Real Estate Appraisers;
- State Real Estate Commission;
- State Athletic Commission;
- Maryland Home Improvement Commission;
- State Board of Heating, Ventilation, Air-Conditioning, and Refrigeration Contractors; and
- the Secretary of Labor, Licensing, and Regulation with regards to Secondhand Precious Metal Object Dealers and Pawnbrokers.

The bill repeals all the fees that are set in statute related to these regulatory programs, except for fees related to the guaranty funds.

Current Law: Except for the guaranty funds, all revenues and expenditures related to the programs referenced in the bill are general funds. Most of the fees related to the programs referenced in the bill are set in statute and each is required to generate enough revenues to cover all direct and indirect costs. The Maryland Home Improvement Commission and the Real Estate Commission are the programs with guaranty funds.

Background: The budget committees have expressed their concern regarding the regulatory board's funding in the 1998 and 1999 *Joint Chairmen's Report* (JCR). In October 1999, the House Economic Matters Committee formed a work group to study issue. This bill is in response to the 1999 JCR. Language in the 1999 JCR required DLLR to address the growing problem of regulatory program funding after DLLR ignored a similar request in the 1998 JCR. Over the past two years only three of the referenced boards have generated enough revenues to cover all their direct and attributable indirect costs and the cumulative deficit over the past two fiscal years has been \$7.1 million. The bill, which is modeled after the funding method used by the health occupations regulatory programs, is an attempt to provide a better funding mechanism for the regulatory activities and provide DLLR with more flexibility in setting and adjusting fees.

State Fiscal Effect: The fiscal 2002 aggregate budget allowance for the programs referenced in the bill is \$6.7 million plus allocated indirect costs of \$2.7 million (\$9.4 million in total costs). The estimated general fund revenues generated by these programs is \$5.1 million, creating a deficit of \$4.3 million.

General fund revenues could decrease by \$3,825,000 (\$5.1 million prorated for nine months) in fiscal 2002 which accounts for the bill's October 1, 2001 effective date.

General fund expenditures could decrease and special fund revenues could increase by an estimated \$7.0 million (\$9.4 million prorated for nine months) in fiscal 2002. The special fund revenue increase reflects the \$3.8 million general fund revenue decrease and an estimated \$3.2 million in new special fund revenues from anticipated regulatory program fee increases. These estimates reflect the bill's October 1, 2001 effective date. Out-year estimates reflect annualization.

Small Business Effect: The regulatory programs referenced in the bill will no longer be able to rely on the general fund transfers to cover any budgetary shortfalls. Consequently, fees could be increased in many professions and occupations. This would have an adverse impact on small businesses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

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