

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 651

(Chairman, Economic Matters Committee)

Economic Matters

Finance

**Division of Labor and Industry and Associated Boards and Councils - Sunset
Extension and Program Evaluation**

This bill extends sunset dates applicable to various boards and programs in the Division of Labor and Industry. Duplicative regulations are repealed. References to funding sources for several programs are corrected. Licensure and regulation of nurse registries is moved from the division to the Department of Health and Mental Hygiene (DHMH). The division is required to report to the Senate Finance and House Economic Matters committees on specified topics by October 1, 2003.

The bill takes effect July 1, 2003.

Fiscal Summary

State Effect: General fund revenues and expenditures in the Department of Labor, Licensing, and Regulation (DLLR) would decrease by \$7.9 million and special fund revenues and expenditures in DLLR would increase by \$7.9 million due to the shifting of funding of the Maryland Occupational Safety and Health (MOSH), Amusement Ride Safety, and Boiler and Pressure Vessel Safety programs and the Railroad Safety program to special funding. Out-year special fund revenues and expenditures related to this shift are expected to remain relatively constant.

General fund revenues for DLLR would decrease by \$17,500 due to repeal of licensing requirements for employment agencies and increase by \$24,000 due to the fee-for-service provision of mediation and conciliation services for a net increase of \$6,500 in FY 2004. General fund revenues for DHMH would increase by \$13,300 annually beginning in FY 2004 due to licensure fees from nurse registries. General fund expenditures in DLLR would increase by \$24,000 in FY 2004 for provision of fee-for-service mediation and

conciliation services. General fund expenditures in DDMH would increase by \$53,600 in FY 2004 due to licensure inspections of nurse registries, for a total increase of \$77,600.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
GF Revenue	(\$7,914,600)	\$19,800	\$19,800	\$19,800	\$19,800
SF Revenue	7,934,400	-	-	-	-
GF Expenditure	(7,856,800)	89,400	93,000	96,900	101,200
SF Expenditure	7,934,400	-	-	-	-
Net Effect	(\$57,800)	(\$69,600)	(\$73,200)	(\$77,100)	(\$81,400)

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

Local Effect: None.

Small Business Effect: Meaningful impact for employment agencies due to repeal of licensure requirements. Agencies will no longer be required to pay licensure fees. Prohibiting the charging of advance fees and requiring that these agencies be bonded are maintained. No other provisions significantly alter current regulation of any private sector small businesses.

Analysis

Fiscal and Policy Effect: During the 2002 interim, the Department of Legislative Services (DLS) conducted a full evaluation of the Division of Labor and Industry under the Maryland Program Evaluation Act (sunset review). This bill embodies the statutory recommendations developed by DLS during the evaluation.

The Division of Labor and Industry is required to report to the Senate Finance and House Economic Matters committees by October 1, 2003 on: (1) efforts of the Maryland Apprenticeship and Training Council to coordinate with the Maryland State Department of Education regarding accessing adult literacy and education programs such as the Lifetime Experience Program and the External Diploma Program; (2) efforts of the Boiler and Pressure Vessel Inspection Unit to coordinate with the insurance industry when developing inspection procedures for boilers and pressure vessels; and (3) efforts of the Boiler and Pressure Vessel Inspection Unit to reduce the inspection backlog of public buildings, which are the direct responsibility of the unit.

Sunset Extensions / Repeals

This bill extends the sunset date for the Division of Labor and Industry, the Amusement Ride Safety Advisory Board, the State Mediation and Conciliation Service, the Maryland Occupational Safety and Health Advisory Board, the State Wage and Hour Law, the

Employment of Minors Act, the Advisory Council on Prevailing Wage Rates, and the Apprenticeship and Training Council from July 1, 2004 to July 1, 2014. New sunset reviews are required by July 1, 2013. This bill also requires the Elevator Safety Review Board to be subject to the Maryland Program Evaluation Act and provides a termination date of July 1, 2014 for the board. A sunset evaluation must be completed by July 1, 2013. The division is required to report to the Senate Finance and House Economic Matters committees on the implementation of provisions of this bill and nonstatutory recommendations contained in the program evaluation by October 1, 2003.

Programs that are extended are funded for fiscal 2003 and are budgeted for fiscal 2004. Extending the sunset date does not impact expected revenues or expenditures.

The bill removes unnecessary language related to the already terminated Advisory Committee on the Wage and Hour Law. Removal of this language has no fiscal impact. The bill repeals the Advisory Committee on Safety Training Programs for Power Equipment Operators. The Commissioner of Labor and Industry will no longer be authorized to develop a training program.

Regulation of Employment Agencies / Home-based Health Care Providers

This bill repeals portions of the Maryland Employment Agency Act that require employment agencies and employment counselors to be licensed by the Commissioner of Labor and Industry. Approximately half of the licensees are home-based health care agencies. This bill requires those agencies to be subject to the same quality of care standards that apply to other agencies that send workers into the home to provide health care services under the Health – General Article.

Funding to enforce the Maryland Employment Agency Act was eliminated in 1991. Since then, staff in the division has performed limited program activities. In DLLR, general fund revenues from annual licensing of employment agencies would decrease by approximately \$17,500 annually while expenditures would remain unchanged.

DHMH indicates that it will be required to license and regulate 38 nurse registries. DHMH intends to charge \$350 for licensure fees of nurse registries. General fund revenues from nurse registry licensing fees would increase by \$13,300 annually.

General fund expenditures will increase by an estimated \$53,627 in fiscal 2004, which accounts for a 90-day start-up delay. This estimate reflects the cost of hiring one health services facilities nurse to conduct annual licensure inspections. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

Salary and Fringe Benefits	\$44,239
Operating Expenses	<u>9,388</u>
Total FY 2004 State Expenditures	\$53,627

Future year expenditures reflect: (1) a full salary with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Regulation of Scaffolding

This bill repeals duplicative portions of the Public Safety Act related to regulation of unsafe scaffolding. Unsafe scaffolding is currently regulated by federal standards adopted by the Maryland Occupational Safety and Health (MOSH) program. The federal standards are the most up-to-date and comprehensive.

Funding Sources for Programs within the Division

This bill conforms the Labor and Employment Article to Chapter 487 of 2002. That Act altered State funding of MOSH and the division's Amusement Ride and Boiler Safety Inspection programs from a general fund appropriation that was reimbursed by the Workers' Compensation Commission (WCC) to the general fund to a special fund appropriation directly from WCC. This bill conforms the Labor and Employment Article to Chapter 494 of 2002. That Act altered State funding of the Railroad Safety and Health program from a general fund appropriation that was reimbursed by the Public Service Commission (PSC) to a special fund appropriation directly from the PSC's Public Utility Regulation Fund (PURF). There is no net fiscal effect to the State.

For fiscal 2002, the actual general fund cost of MOSH and the division's Amusement Ride and Boiler Safety Inspection programs totaled \$6,239,521 in direct costs and \$1,501,322 in indirect costs. The fiscal 2004 budget for these programs is \$7,541,661. For fiscal 2002, the actual general fund cost of the Railroad Safety and Health program totaled \$316,785 in direct costs and \$87,407 in indirect costs. The fiscal 2004 budget for this program is \$392,774.

The net effect of these funding shifts will be a reduction in general fund revenues and expenditures of \$7,934,435. This bill will increase special fund revenues and expenditures by an equal amount. Out-year special fund revenues and expenditures will be subject to budget formulation and legislative action, but should remain relatively constant.

Funding of the Mediation and Conciliation Services Program

This bill requires the Commissioner of Labor and Industry to charge a fee to cover the cost of providing mediation services. The division estimates that there would be two labor elections a year that would request mediation services. It is also estimated that each election would take 20 workdays at \$150 per hour, or \$24,000 per election. Costs would be recovered from the parties involved.

Additional Information

Prior Introductions: None.

Cross File: SB 303 (Chairman, Finance Committee) – Finance.

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

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Analysis by: Daniel P. Tompkins

Direct Inquiries to:

(410) 946-5510

(301) 970-5510