

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

House Bill 1589
 Economic Matters

(Delegate Krysiak)

Finance

Maryland Stationary Engineers Act

This bill extends the Board of Examining Engineers to October 1, 2005 and then repeals the authority governing the board under the Public Local Laws of Baltimore City on October 1, 2005. The bill creates, effective October 1, 2005, a statewide Board of Stationary Engineers.

The bill takes effect July 1, 2005, but certain provisions take effect October 1 or 2, 2005.

Fiscal Summary

State Effect: Special fund revenues and expenditures for the Board of Examining Engineers would continue until October 1, 2005. General fund revenues would increase by \$114,200 and general fund expenditures would increase by \$104,300 in FY 2006 for the new Board of Stationary Engineers. General fund revenue and expenditure increases reflect new license fees, the need to hire one new staff person in FY 2006, and associated start-up costs.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	\$114,200	\$178,600	\$196,400	\$216,000	\$220,000
SF Revenue	13,800	0	0	0	0
GF Expenditure	104,300	101,900	106,300	110,900	115,900
SF Expenditure	13,800	0	0	0	0
Net Effect	\$9,900	\$76,700	\$90,100	\$105,100	\$104,100

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill: (1) provides for board membership and sets the terms of the new members; (2) establishes responsibilities of and procedures for the new board; (3) requires stationary engineers to be licensed under one of five classes of licensure; (4) establishes requirements for licensure as an stationary engineer, including examination of applicants; (5) authorizes the board to contract with a testing service for such examinations; (6) requires the board to issue licenses to qualified applicants; (7) establishes biennial license renewal requirements and requirements for reinstatement of licenses that have expired or been revoked; (8) establishes fees for specified activities and authorizes the board to set other fees; (9) authorizes the board to investigate complaints, issue subpoenas, and enforce any provision of the bill by injunction; (10) provides licensees a right to a hearing before the board; (11) authorizes the board to deny a license to any applicant, reprimand any licensee, or suspend or revoke a license in specified circumstances; (12) authorizes the imposition of civil penalties for any violation of the bill as well as in addition to or instead of taking disciplinary action again a licensee; (13) requires all penalties collected to be paid to the general fund; and (14) establishes criminal penalties.

The bill establishes new license fees as follows: (1) \$65 for a Grade 1 license; (2) \$50 for a Grade 2 or Grade 3 license; and (3) \$35 for a Grade 4 or a Grade 5 license.

The bill provides for the smooth transition from the existing board to the new board with statewide jurisdiction in several ways. In particular, individuals who are licensed by the existing board will be considered licensed by the new board for the remainder of the term of their license and may qualify for an equivalent license on renewal without meeting the bill's education, experience, and examination requirements. Also, the functions, powers, duties, equipment, assets, liabilities, records, and employees of the existing board will be transferred to the new board, effective October 1, 2005.

The bill provides for termination of the State Board of Stationary Engineers on July 1, 2014 and requires the new board to be evaluated as part of the Maryland Program Evaluation Act, with the preliminary sunset review to be undertaken in 2011.

Current Law: The Board of Examining Engineers has regulatory authority over licensed examining engineers in Baltimore City. The board was established by Chapter 448 of 1892, and the enacting statute is found in Article 4, Subtitle 4 of the Code of Public Local Laws of Baltimore City. The board is housed in the Division of Occupational and Professional Licensing within the Department of Labor, Licensing, and Regulation (DLLR). The board promotes safety and efficiency in the operation, use, and inspection of steam and power generators, heating plants, hoisting machines, boilers, and

pressure valves. The board regulates examining engineers by examination, licensure, limited disciplinary action, and adoption of standards of performance.

Initial examination for licensure is \$55, and current license fees are \$20 for a First Grade examining engineer; \$15 for a Second Grade examining engineer; and \$10 for both the Third and Fourth Grade examining engineers.

All fines and penalties collected by the board are paid into the general fund.

The board is scheduled to terminate on July 1, 2005.

Background: The Board of Examining Engineers regulates approximately 6,000 licensees who perform work in the operation, regulation, maintenance, and repair of machinery that provides heat, air-conditioning, and ventilation in large buildings and complexes – generally boilers and pressure vessels. The board is the only regulatory board that is enacted in public local law. The board was established to regulate examining engineers, more commonly known as stationary engineers, within Baltimore City, but the board actually provides licenses to stationary engineers throughout the State, usually for insurance purposes. All stationary engineers who work for the State are required to be licensed regardless of where they work. However, as the board only has regulatory authority over stationary engineers in Baltimore City, it handles few complaints.

The bill arises, in part, out of the sunset evaluation of the Board of Boiler Rules, with a concurrent analysis of the Board of Examining Engineers, performed by the Department of Legislative Services (DLS) in 2001. In its report, DLS recommended the repeal of the authority for the Board of Examining Engineers and, in its place, the creation of a State Board of Stationary Engineers that would also be subject to sunset review. Although not similar, HB 488 and SB 455 of 2002 were introduced to implement a statewide stationary engineer licensing program. However, DLLR expressed concern that the bills' requirements would generate significant opposition; the bills were amended to extend the termination date of the board so that a workgroup could consider the scope of practice for proposed categories of licensure and outline the education, experience, prelicensing, and examination requirements.

In October 2003, DLLR presented to the Senate Education, Health, and Environmental Affairs Committee and the House Economic Matters Committee a report on the proposed structure and implementation of a statewide stationary engineering licensing program.

State Effect: The proposed fiscal 2006 budget projects \$87,000 in revenues generated from fees from the existing board, assuming a full year of operation at the existing fee levels, and the fiscal 2005 budget allowance for the board is \$55,252. The Board of

Examining Engineers is currently a special funded board; however, any excess revenues do not carry over to the next fiscal year but are deposited in the State's general fund at the end of the year. The existing board would continue to operate for the first quarter of fiscal 2006; accordingly, it would realize approximately one-fourth of the budgeted special fund revenues and expenditures. However, as any excess special fund revenues would be transferred to the general fund when the board terminates, they are only shown as general fund revenues in this analysis.

The new State Board of Stationary Engineers would begin operation in the second quarter of fiscal 2006. DLLR anticipates a 20% increase in the number of licensees due to the statewide nature of the new board. Given this increase in licensees, combined with the new fees that are effective October 1, 2005, general fund revenues would increase by approximately \$114,187 in fiscal 2006. This estimate reflects new license fees and the transfer of \$7,937 in excess special fund revenues on October 1. It is anticipated that revenues would increase by about 10% annually in fiscal 2007 through 2009 and then level out at about a 2% increase per year in fiscal 2010 and beyond.

General fund expenditures would increase by \$104,287 in fiscal 2006, which reflects the hiring of one full-time staff to manage the additional requirements of the statewide board, contractual services for examination development and database modifications, and additional operating costs. The estimate below includes the new salary and related fringe benefits, one-time start-up costs, ongoing operating expenses including modifications to licensing software and communication with licensees.

Salary and Fringe Benefits	\$28,522
Database Modifications and Exam Services	25,000
Other Operating Expenses	<u>50,765</u>
Total FY 2006 State Expenditures	\$104,287

Future year expenditures reflect: (1) the new salary with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in the new ongoing operating expenses.

Additional Information

Prior Introductions: A similar bill was introduced as HB 1093 in the 2004 session. No action was taken by the House Economic Matters Committee.

Cross File: None.

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

Fiscal Note History: First Reader - March 21, 2005
ncs/ljm

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