

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 93

(Chair, Education, Health, and Environmental Affairs
Committee)(By Request - Departmental - Agriculture)

Education, Health, and Environmental Affairs

Environmental Matters

Agriculture - Pest Control - Fees and Registration

This departmental bill requires pest control businesses to register annually with the Maryland Department of Agriculture (MDA) each employee, other than a certified applicator, who offers or performs pest control at each business location. The initial application fee and the annual renewal fee are both \$30. The bill also establishes a \$30 late fee applicable to late license, certification, or registration renewals under the Pesticide Applicator's Law. Finally, the bill clarifies the department's authority to charge a \$10 fee for pest control exams retaken after the initial exam.

Fiscal Summary

State Effect: Special fund revenues increase by \$112,700 in FY 2011, reflecting additional fee collections. Special fund expenditures increase by \$5,500 in FY 2011 due to one-time costs and ongoing operating expenses. Future years reflect continuing fee collections and ongoing operating expenses.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
SF Revenue	\$112,700	\$137,400	\$131,500	\$128,500	\$128,500
SF Expenditure	\$5,500	\$800	\$800	\$800	\$800
Net Effect	\$107,200	\$136,600	\$130,700	\$127,700	\$127,700

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

Local Effect: None.

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

Analysis

Current Law: MDA regulates the sale, distribution, exchange, use, storage, and disposal of pesticides. The department certifies consultants and applicators in various categories of pest control activities. Prior to certification, applicants must pass an exam. There is no charge for the initial exam, but each applicator/consultant must pay \$10 for each category of examination after the initial exam. The department also licenses/permits pest control and pest control consulting businesses and public agencies that apply pesticides. All fees collected under the Pesticide Applicator's Law are placed in the Pesticide Fund and are used to partially defray the expenses of administering the Pesticide Applicator's Law. Any unexpended money in the Pesticide Fund reverts to the general fund at the end of the fiscal year.

Licensees and permittees are required to register with MDA any employee who performs pest control. Prior to registration, an employee other than a certified applicator must complete department-approved training. Pursuant to regulation, MDA provides an identification card to each registered employee that the employee must carry and show to any interested person upon request. Licensees and permittees must give written notice to the department of a registered employee's termination within 30 days of the termination, and the employee must return the identification card. Neither the statute or regulations require a fee to be paid for employee registration, nor is the registration required to be renewed annually.

Background: MDA indicates it has been registering employees of pest control licensees and permittees for nearly 40 years at no charge and has absorbed the costs of processing registered employee identification card transactions with general funds and the special funds generated from license, certificate, and permit fees. The program's loss of general funds after fiscal 2007 and increasing costs have made it difficult to continue issuing identification cards at no cost. Since fiscal 2007, special funds from MDA's State Chemist Section that are generated from pesticide product registration fees have been transferred to the Pesticide Regulation Section (which administers the Pesticide Applicator's Law) to account for the loss in general funds.

MDA indicates that certification examinations consist of a core exam (covering laws and regulations) and one or more examinations relating to the pest control categories or sub-categories for which the applicant wants to become certified. According to MDA, under current law, which references each "category" of examination after the initial examination, a fee cannot be charged for the core exam or sub-category exams. The bill clarifies MDA's authority to charge a fee for each exam retaken.

According to MDA, the proposed changes are necessary to recover administrative costs to conduct pesticide applicator certification examinations and to register employees of

pest control firms. In addition, approximately \$100,000 of the revenue estimated to be generated by this bill will be used for existing personnel costs currently covered by special funds transferred from the State Chemist's Section. MDA indicates those freed up State Chemist special funds will then be used for operating expenses in the State Chemist Section's laboratory and regulatory programs.

The Governor's proposed fiscal 2011 budget for the Pesticide Regulation Program includes approximately \$670,000 in special funds and \$290,000 in federal funds. Approximately \$490,000 in special funds is expected to be generated from licensing fees under the Pesticide Applicator's Law and the remaining \$180,000 will come from revenue generated under the State Chemist Program.

State Revenues: Special fund revenues increase by \$112,701 in fiscal 2011, reflecting collection of employee registration fees and additional fees for retaken exams. Future years reflect continuing collection of employee registration fees and additional fees for retaken exams as well as late renewal fees. The estimated special fund revenue increases are shown in **Exhibit 1**.

Exhibit 1
Special Fund Revenue Increase Under SB 93

<u>Fee</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Employee Registration	\$111,051*	\$123,390	\$123,390	\$123,390	\$123,390
Additional Retaken Exam	1,650**	2,200	2,200	2,200	2,200
Late Renewal	0	11,790	5,895	2,948	2,948
Total Revenues	\$112,701	\$137,380	\$131,485	\$128,538	\$128,538

*Assumes employee registration renewal fees will initially be due by June 30, 2011, and that 10% of registrations will be renewed after the end of the fiscal year, causing only 90% of the registration renewal fees to be collected in fiscal 2011. A small number of registration renewal fees are expected to be due December 31, 2010, for employees of pest control consulting firms, but for the purposes of this estimate all employee registration renewals are assumed to be due June 30, 2011.

**Reflects a 25% reduction due to the bill's October 1, 2010 effective date.

Source: Department of Legislative Services

Assumptions used to estimate the fee revenue increases include:

- 1,371 pest control firms will register an average of three employees (based on the number of pest control firms licensed for the term beginning July 1, 2009, and MDA's estimate of the average number of registered employees per firm that are not certified applicators);
- 220 core and sub-category exams will be retaken each year (based on the number of retaken exams in fiscal 2009 and an assumption that two-thirds were core and sub-category exams);
- late renewal fees (that are paid on renewals more than 30 days late) will be paid on 5% of licenses/certificates/registrations (generally based on past percentages of licenses and certifications renewed late) and will not accrue until fiscal 2012; and
- late renewals will decrease by 50% in fiscal 2013, by another 50% in fiscal 2014, and then remain constant.

State Expenditures: Special fund expenditures increase by \$5,500 in fiscal 2011. This estimate reflects one-time costs and operating expenses, including postage, travel, and printing associated with providing information about the bill's changes to the regulated community and printing of employee registration applications and renewal notices.

Printing	\$3,000
Postage	2,000
In-State Travel	<u>500</u>
Total FY 2011 State Expenditures	\$5,500

Future year expenditures reflect 1% annual increases in ongoing operating expenses.

Small Business Effect: Given the relatively small fee established for employee registration, Legislative Services generally concurs with MDA's determination that the bill has minimal or no impact on small business. Legislative Services notes, however, that the additional fees could notably increase the fee amount a given pest control business pays to MDA. Licensed pest control businesses currently pay an annual \$150 license fee. A company with five registered employees would have the amount paid each year doubled as a result of the bill.

MDA estimates that 90% or more of licensed pest control businesses are small businesses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Agriculture, Maryland State Pest Control Association, Maryland Turfgrass Council, Department of Legislative Services

Fiscal Note History: First Reader - January 25, 2010
ncs/lgc Revised - Senate Third Reader - April 5, 2010

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Agriculture – Pest Control – Fees and Registrations

BILL NUMBER: SB 93

PREPARED BY: Maryland Department of Agriculture

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.