

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 877 (Senator Klausmeier)
Education, Health, and Environmental Affairs

**Board of Electricians - Licensing and Regulation of Electricians - Phase Out of
Local Licenses**

This bill phases out local licensing of individuals who provide or assist in providing electrical services by October 1, 2019, which is replaced with uniform statewide regulation by the (renamed) Board of Electricians. The bill requires journeyman and “apprentice” electricians to be licensed by the board beginning October 1, 2014; however, the five counties that currently issue journeyman electrician licenses may continue to do so until March 31, 2019. Following this phase out period, all local licenses become invalid and all master, journeyman, and “apprentice” electricians must be licensed by the board effective October 1, 2019.

Sections of the bill related to the phasing out of local licenses terminate October 1, 2019, and are replaced by permanent sections.

Fiscal Summary

State Effect: Total expenditures increase by \$186,100 in FY 2015. Of that amount, general fund expenditures increase by more than \$99,100 and special fund expenditures increase by about \$86,900. This assumes that the board’s entire FY 2015 general fund appropriation is retained and supplemented as noted above to continue current board operations, support information technology and/or other initial implementation costs, and/or for additional staff. Future year expenditures reflect annualization, the elimination of one-time costs, and a full transition to special funded status by the board. General fund revenues decrease by \$86,900 in FY 2015, with a corresponding special fund revenue increase. Future year revenues reflect expanded licensure, biennial renewal, and required reversions. The Governor’s proposed FY 2015 general fund appropriation for the board is \$113,290.

| (in dollars) | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| GF Revenue | (\$86,900) | (\$119,400) | (\$123,000) | (\$86,700) | (\$95,400) |
| SF Revenue | \$86,900 | \$372,000 | \$257,000 | \$400,300 | \$346,000 |
| GF Expenditure | \$99,100 | (\$116,700) | (\$120,200) | (\$123,800) | (\$127,500) |
| SF Expenditure | \$86,900 | \$294,600 | \$292,900 | \$301,700 | \$310,900 |
| Net Effect | (\$186,100) | \$74,700 | (\$38,800) | \$135,700 | \$67,300 |

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

Local Effect: Local government finances for counties that license individuals who provide electrical services are significantly affected, but the impact is largely delayed until FY 2019.

Small Business Effect: Meaningful.

Analysis

Bill Summary: In addition to phasing out local electrician licenses, the bill also (1) establishes the Board of Electricians Fund as a special, nonlapsing fund, removes statutory fees, and authorizes the board to set reasonable fees by regulation, subject to specified conditions; (2) establishes State licenses and specified requirements for licensure; (3) alters the membership and name of the State Board of Master Electricians; (4) requires the board to adopt, and then requires each county to enforce, a State electrical code; (5) establishes specified consumer protections; (6) establishes additional violations and associated fines and penalties; and (7) makes various conforming changes generally required to phase out local licensing of individuals who provide electrical services. The board must adopt regulations to implement the bill.

Phase Out of Local Licensing

Beginning October 1, 2019, any license issued by a local government to provide or assist in providing electrical services is no longer valid, regardless of the expiration date of the license. Before October 1, 2019, in a local jurisdiction that requires a local license, the license issued by the Board of Electricians serves only as a mechanism that helps a licensee in obtaining a local license. If a local government does not require a local license, the license issued by the Board of Electricians authorizes the licensee to (1) provide or assist in providing electrical services as a master electrician, journeyman electrician, or apprentice electrician or (2) be the representative of another person who engages in the business of providing electrical services.

Following this five-year phase-out period, all master, journeyman, and “apprentice” electricians must be licensed by the board. Provisions related to the phase-out period

remain in effect until October 1, 2019, and are replaced by permanent provisions at that time.

Generally, journeyperson and “apprentice” electricians must be licensed by the board beginning October 1, 2014; however, the five counties that currently *issue* journeyperson electrician licenses – Calvert, Charles, Harford, Montgomery, and Prince George’s – *may* continue to do so until March 31, 2019.

The bill does not affect the right of any local jurisdiction of the State to (1) issue or require that a licensee obtain a registration or permit before providing electrical services in that jurisdiction or (2) take action against the authority of a registrant or permit holder to provide electrical services in that jurisdiction.

Electrician Licenses and Requirements

“Apprentice electrician” means an individual licensed by the board to assist a master electrician in providing electrical services while (1) under the direction and control of the master electrician and (2) in training to become a journeyperson electrician. No other licensure qualifications are established.

“Journeyperson electrician” means an individual who is licensed by the board to provide electrical services under the direction and control of a master electrician or was licensed as a journeyperson electrician before March 31, 2019, by Calvert, Charles, Harford, Montgomery, or Prince George’s counties.

Every applicant for a journeyperson electrician license must be at least age 21. In addition, an applicant must (1) have held a license issued by a local jurisdiction prior to March 1, 2019, or another state license for at least four years; (2) have been employed by a master electrician for at least four years; and (3) generally, pass an examination administered by the board. Alternatively, an applicant may instead hold a certificate of completion from a specified electrical apprenticeship program that consists of at least 576 hours of classroom training and at least 8,000 hours of on-the-job training. One year of experience means at least 2,000 hours of on-the-job experience. Journeyperson electricians must complete and submit adequate evidence of compliance with continuing education requirements as adopted in regulation by the board prior to license renewal. Various other changes are made to align the licensure of journeymen by the board with existing requirements for master electricians.

“Master electrician” means an individual who is licensed by the board to provide electrical services. An applicant for a master electrician license must (1) have held a journeyperson electrician license for at least three years and, during that time, been engaged or employed regularly and principally in providing electrical services while

under the direction of a master electrician or similarly qualified employee of a governmental unit and (2) pass an examination administered by the board.

The board may award up to three years of credit toward the experience requirement for journeypersons and master electricians if the board determines that the applicant has completed a formal course of study or professional training comparable to the required experience. The board must waive the licensure examination requirements for an individual who holds a local license and submits an application to the board by March 31, 2019.

Board of Electricians Fund and Fee-setting Authority

The Board of Electricians Fund is established as a special, nonlapsing fund, subject to specified conditions, and consists of fees collected by the board and distributed to the fund. Interest earned by the fund accrues to the general fund. At the end of each fiscal year, any unspent and unencumbered portion of the fund in excess of \$100,000 reverts to the general fund. The Secretary must calculate the direct and indirect costs attributable to the board each year. Beginning on October 1, 2014, the board must establish fees based on these calculations. Each fee established by the board may not be increased by more than 12.5% each year. The fees must be set so as to produce funds to approximate the cost of regulating the occupation. Fees currently established in statute remain in effect until fees are adopted by regulation. The board must publish the fee schedule.

Board Name and Membership

The State Board of Master Electricians is renamed as the Board of Electricians to reflect the board's expanded regulatory authority over the licensing of additional individuals who provide or assist in providing electrical services in the State. A consumer member is removed from the board membership and replaced by an electrical inspector, subject to specified requirements.

State Electrical Code

The board must adopt and enforce a code that sets minimum standard for providing electrical services. Each county must enforce the state electrical code or adopt and enforce a local electrical code that meets or exceeds the minimum standards of the State electrical code. The board must enforce the State electrical code unless the board determines that a county is adequately enforcing either the State electrical code or a local electrical code that meets or exceeds the minimum standards of the State electrical code.

Consumer Protections

Various consumer protections are specified, including that advertisements for electrical services must contain the license number and name of the master electrician designated to direct and control the provision of electrical services. Master electricians are required to display the license and license number conspicuously in the licensee's place of business, and on a vehicle used on the job. A person may not represent to the public that the person is authorized to provide electrical services in the State unless the person is licensed to do so by the board. A licensee must inform the board 10 days prior to a change of address.

Prohibited Acts and Penalties

A person may not provide or assist, attempt to provide or assist, or offer to provide or assist in providing electrical services for compensation in the State without an appropriate license issued by the board. A person may not provide electrical services for compensation without obtaining a permit for such services required by a local jurisdiction. A person may not provide electrical services beyond the scope of the license issued by the board.

Generally, a person may not employ an individual to provide or assist in providing electrical services unless the individual is licensed by the board as a master electrician or as journey person electrician and the individual provides or assists in providing the electrical services within the scope of the license.

A person may not employ an individual to provide or assist in providing electrical services under a public works contract subject to specified procurement law unless the individual is licensed by the board. A person may not classify an employee under a public works contract subject to specified procurement law who is licensed by the board at a specific work classification that is higher than the license type of the employee.

Any person who violates these provisions or consumer protection provisions is guilty of a misdemeanor and subject to a penalty of up to \$1,000 and/or six months imprisonment for a first offense and a penalty of up to \$5,000 and/or two years imprisonment for a second or subsequent offense.

Any person who violates the general liability and property damage insurance requirements for master electricians specified in current law is guilty of a misdemeanor and is subject to a penalty of up to \$1,000 and/or six months imprisonment.

In addition to any other penalties, the board may impose on a person who violates any provision of the bill a civil penalty of up to \$5,000 for each violation. All penalty revenue accrues to the general fund.

In addition to the above penalties, subject to specified hearing requirements, the board may deny a license to any applicant, reprimand a licensee, or suspend or revoke a license for specified acts of fraud, misrepresentation, and other violations.

Current Law: The State Board of Master Electricians in the Department of Labor, Licensing, and Regulation (DLLR) issues master electrician licenses to qualified individuals under the Maryland Master Electricians Act. Each county is required to adopt licensing qualifications comparable to or more stringent than specified State qualifications or require a State license. In a local jurisdiction that requires a local license, the State license does not authorize the provision of electrical services but serves only as a mechanism for obtaining licenses in each local jurisdiction. In the two jurisdictions that do not have local licensing requirements, Garrett and Allegany counties, an electrician must have a State license to provide electrical services as a master electrician.

To obtain a State license as a master electrician, the applicant must have seven years of experience providing electrical services for all types of electrical equipment and apparatus, under the supervision of a master electrician or a similarly qualified employee of a governmental unit. With the board's approval, the applicant may count up to three years of formal education and training toward the experience requirement. All applicants, except those seeking inactive status, must maintain general liability insurance of at least \$300,000 and property damage insurance of at least \$100,000.

Background: The board shares licensing authority with county governments, all but two of which have a licensing program for master electricians. Five counties – Calvert, Charles, Harford, Montgomery, and Prince George's – license journeyman electricians.

Statute requires local jurisdictions to enforce licensing requirements. The local policing of the electrical profession primarily occurs through locally issued permits and locally conducted inspections. Every jurisdiction in Maryland has a building permit office that is generally separate from the local licensing board.

Task Force to Study Licensing and Continuing Education Requirements for Electricians

Chapter 579 of 2013 established the Task Force to Study Licensing and Continuing Education Requirements for Electricians. The task force had to, among other duties, (1) examine proposed changes to the State licensing requirements for electricians in the State; (2) review appropriate approaches for the licensure of electricians at the State and

local level; (3) if a new approach to licensure is deemed appropriate, consider how this change affects currently licensed electricians and associated boards; (4) make recommendations relating to statewide continuing education requirements for electricians; and (5) make recommendations for other legislation relating to licensing requirements for electricians. The bill incorporates the findings and recommendations of the task force.

Sunset Review Findings and Recommendations

The 2010 sunset review of the State board conducted by the Department of Legislative Services (DLS) examined the issue of a statewide electrician license. The evaluation highlighted the variation in laws among the counties, including in the electric codes. The evaluation found that merely providing a passport license to master electricians fails to adequately protect Maryland citizens from incompetent or untrustworthy electrical contractors. Further, the evaluation found that, as the State license serves only as a passport license, county regulation of licensees is very important but has been shown to be inconsistent.

The evaluation concluded that, to ensure that electricians are operating in a safe manner throughout the State, a uniform licensing system needed to be in place across the State and recommended that this be accomplished by establishing a new State Board of Electricians modeled after other statewide regulatory licensing boards.

In its evaluation, DLS recommended that the State board be allowed to terminate and that it be replaced by a new State Board of Electricians with statewide regulatory authority. The evaluation further recommended that the board have authority over multiple licensing levels and that DLLR seek special funding authority for the board. However, these recommendations were not adopted by the General Assembly.

The evaluation provided an alternative set of recommendations to continue the board in its regulatory authority with minor changes, such as the adoption of continuing education requirements and the enforcement of certain reporting requirements. Chapter 201 of 2011 incorporated the alternative set of recommendations.

State Fiscal Effect: Total expenditures increase by \$186,074 in fiscal 2015. Of that amount, general fund expenditures increase by \$99,149 and special fund expenditures increase by \$86,925. This assumes that the board's entire fiscal 2015 general fund appropriation is retained and supplemented as noted above to continue current board operations, support information technology and/or other initial implementation costs, and/or for additional staff. Future year expenditures reflect annualization, the elimination of one-time costs, and a full transition to special funded status by the board. The Governor's proposed fiscal 2015 general fund appropriation for the board is \$113,290.

DLS assumes that revenue from licenses issued to master electricians, beginning October 1, 2014, accrues to the Board of Electricians Fund rather than the general fund and that license renewals are spaced evenly throughout the year. All special funds collected in fiscal 2015 are expended to support the board. DLS also assumes that the board establishes fees for licensure effective July 1, 2015, and that current statutory fees remain in effect through fiscal 2015. As there are no fees established in statute for journey person or apprentice electricians, DLS assumes that no licenses are issued for these categories until fiscal 2016. Under these assumptions, general fund revenues decrease by \$86,925 in fiscal 2015, and all fee revenue thereafter accrues to the special fund rather than the general fund. Accordingly, in the out-years general fund revenues from fees decrease by more than \$115,000 annually. However, some of this revenue loss is offset by required reversion beginning in fiscal 2018.

Given the enhanced regulatory oversight authority of the board under the bill, DLLR advises that two and one-half staff are needed to begin the process of implementing the regulatory program beginning in fiscal 2015. Therefore, an investigator and half-time assistant Attorney General are added and an existing clerk is retained (and converted to special fund status). These staff must develop regulations, investigate complaints, implement the licensure of additional individuals, and generally support statewide regulation of electricians. Expenditures also increase by \$50,000 in fiscal 2015 and by \$20,000 in fiscal 2016 for the board to implement an e-licensing program for journey persons and apprentices and for database upgrades. Likewise, expenditures increase by \$50,000 in fiscal 2015 for exam development costs.

The estimate below reflects a 90-day start-up delay; thus, additional expenditures are incurred beginning January 1, 2015, and one-half of the proposed general fund appropriation is still available to help cover ongoing and new costs. Once fully converted to special fund status, special fund expenditures increase by \$294,577 in fiscal 2016 as shown below. This estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses – including indirect cost allocations.

| | <u>GF/SF</u> | <u>SF</u> |
|---------------------------------|-----------------------|-----------------------|
| | <u>FY 2015</u> | <u>FY 2016</u> |
| Positions | 2.5 | 2.5 |
| Salaries and Fringe Benefits | \$80,684 | \$166,248 |
| Other Operating Expenses | 137,035 | 93,329 |
| Indirect Costs | 25,000 | 35,000 |
| Existing Costs for Board | <u>-56,645</u> | <u>--</u> |
| Total State Expenditures | \$186,074 | \$294,577 |

Future year expenditures reflect full salaries with annual increases and employee turnover, as well as annual increases in ongoing operating expenses.

The above expenditures reflect the direct costs of *expanding* the regulatory authority of the board, the indirect costs that DLLR attributes to each regulatory program within the Division of Occupational and Professional Licensing for the use of division and departmental resources, and the need to cover existing costs with the new special fund.

Direct costs include necessary expenditures for personnel, equipment and supplies, contractual services, and fixed charges. Indirect costs – such as usage of the central licensing system, general services offices, and a portion of the salaries of some senior staff – are allocated to each program by a formula based on the program’s usage of these services. Thus, special fund expenditures for indirect costs under the bill are anticipated to be approximately \$25,000 in fiscal 2015 and \$35,000 annually in future years.

Revenue Stream for the New Board

The bill removes all statutory fees and requires the board to set reasonable fees that approximate the costs of its services. The bill also prohibits the board from raising fees by more than 12.5% annually and requires a general fund reversion of any fund balance in excess of \$100,000 at the end of each fiscal year.

Licenses must be renewed every two years. The board is currently authorized to stagger the issuance of master electrician licenses, and that ability is maintained under the bill and expanded to include journeyman and apprentice licenses. The board currently renews approximately half of all master electrician licenses each year.

DLLR estimates that adequate revenue beginning in fiscal 2016 will be generated by setting \$90 fees for masters, \$50 fees for journeymen, and \$25 fees for apprentices.

For illustrative purposes only, **Exhibit 1** shows the out-year revenue pattern based on the projected number of licenses, and projected out-year expenditures, to cover the costs of services provided by DLLR. This estimate assumes that master electrician licensing patterns continue and that journeyman licenses are issued in fiscal 2016 for all journey persons except for those in the five counties that currently license journeymen. Fiscal 2019 revenue estimates reflect the full phase out of local licensing of master electricians and journeyman electricians. The estimate also assumes that 500 apprentice licenses are issued in fiscal 2016. In subsequent years, the illustrative estimate assumes that all holders of licenses continue to renew, and that additional individuals apply for electrician licenses each year.

Exhibit 1
Projected Revenues and Expenditures of the Board When Fully Special Funded
Fiscal 2016-2019

| | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2019</u> |
|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Anticipated Revenues | \$372,000 | \$257,000 | \$400,250 | \$346,000 |
| Total Costs | \$294,577 | \$292,947 | \$301,703 | \$310,864 |
| Direct Costs | 259,577 | 257,947 | 266,703 | 275,864 |
| Indirect Costs | 35,000 | 35,000 | 35,000 | 35,000 |
| Annual Surplus | 77,423 | -35,947 | 98,547 | 35,136 |
| General Fund Reversion | 0 | 0 | 40,023 | 35,136 |
| Fund Balance | \$77,423 | \$41,476 | \$100,000 | \$100,000 |

Note: The bill requires any balance in the fund above \$100,000 revert to the general fund at the end of each fiscal year.

Source: Department of Legislative Services

The requirement that individuals be licensed by the board and properly classified to work on public works projects to provide or assist in providing electrical services does not materially affect State finances or operations.

The penalty provisions of the bill do not have a material effect on State revenues.

Local Fiscal Effect: Revenues decrease significantly by 2019 for local governments that license individuals who provide electrical services. Revenue losses are mitigated to the extent local governments impose a registration fee as authorized under the bill. Local expenditures likewise decrease as the local licensing of individuals who provide electrical services is no longer required.

Small Business Effect: Currently, electricians must have licenses issued in each local jurisdiction to provide electrical services in that jurisdiction. DLLR advises that some licensees carry as many as 22 different licenses in order to be able to work statewide. Although the State passport license is available, it only expedites reciprocity: an individual must still obtain the license in each jurisdiction to work – and pay the licensing fee and meet continuing education requirements. Assuming that fees are set to cover the costs of regulating the profession, the State master electrician license fee is anticipated to be less than many current county license fees, and much less than the cumulative total of licensing fees from multiple jurisdictions.

Additional Information

Prior Introductions: None.

Cross File: HB 1119 (Delegate Haddaway-Riccio) - Economic Matters.

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

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