

**Department of Legislative Services**  
 Maryland General Assembly  
 2015 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 940

(The Speaker, *et al.*) (By Request - Maryland Economic  
 Development and Business Climate Commission)

Economic Matters

Finance

**Office of the Business Ombudsman - State Customer Service and Business  
 Development Efforts Training Program**

This bill establishes the State Customer Service and Business Development Efforts Training Program, overseen and administered by the Office of the Business Ombudsman in the Governor’s Office, to increase the responsiveness of and improve customer service provided by State agencies to businesses and the public. The office must develop State customer service standards that identify best practices for providing excellent customer service. Five specified State agencies must participate in the program, subject to specified requirements, including customer service training for each employee who interacts with businesses and the public on a regular basis.

**Fiscal Summary**

**State Effect:** General fund expenditures by the Governor’s Office increase by \$100,000 (the midpoint of an estimated \$75,000 to \$125,000 range) in FY 2016 for consultant services to develop State customer service standards and by \$40,000 annually thereafter for ongoing contractual services related to the program. Assuming an online training program can be procured and made available for use by each of the affected agencies, general fund expenditures further increase by approximately \$65,200 beginning in FY 2016 for initial and ongoing information technology costs. Revenues are not affected.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	165,200	105,200	105,200	105,200	105,200
Net Effect	(\$165,200)	(\$105,200)	(\$105,200)	(\$105,200)	(\$105,200)

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

**Local Effect:** None.

**Small Business Effect:** Potential meaningful. Small businesses may benefit from enhanced customer service from State agencies under the bill.

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## Analysis

**Bill Summary:** The Department of Business and Economic Development (DBED); the State Department of Assessments and Taxation (SDAT); the Maryland Department of the Environment (MDE); the Department of Labor, Licensing, and Regulation (DLLR); and the State Highway Administration (SHA) must participate in the program. Each agency must:

- create a customer service improvement plan;
- review and incorporate the office's State customer service standards in the agency's customer service improvement plan;
- develop and conduct customer service training for each employee who interacts with businesses and members of the public on a regular basis;
- adopt and distribute a standard customer service satisfaction survey for each person the agency serves; and
- establish an incentive or recognition program for employees who provide excellent customer service.

Each agency must also report annually on:

- the training provided to employees, including the number and frequency of trainings and the specific subject of each training;
- the responses received from customer service satisfaction surveys distributed under the program;
- the progress of the agency's customer service, including the metrics the agency uses to assess the customer service of the agency; and
- the agency's measurable goals for continuing to improve customer service for the upcoming year.

The office must annually evaluate the program and make recommendations regarding the program in its annual report to the Governor and the General Assembly.

**Current Law:** No statewide law dedicated specifically to improving the customer service of State agencies exists.

## **Background:**

### *Maryland Economic Development and Business Climate Commission*

In March 2014, the President of the Senate and the Speaker of the House of Delegates established and appointed the Maryland Economic Development and Business Climate Commission (MEDBCC) to focus on the State's economic development structure and incentive programs in order to make recommendations to the Presiding Officers.

The commission's 21 members come from a broad spectrum of backgrounds and have had business involvement in many states, as well as abroad. In 2014, the commission held 8 public meetings, including hearings in 7 parts of the State involving over 100 witnesses; reviewed well over 100 relevant documents; and discussed pertinent issues informally with a large number of individuals and organizations from the business, labor, government, academic, and related communities.

A report containing 10 findings and 32 recommendations, which were unanimously endorsed by the members of the commission, was submitted to the Presiding Officers in February 2015. The principal finding of the commission is that Maryland has not nearly reached its potential in growing business and creating jobs. The recommendations in the report address various short- and long-term aspects of this principal finding and related findings. At the request of the Presiding Officers, a subsequent report is anticipated later in 2015 that will investigate in further depth certain tax issues affecting economic development and the State's business climate. The report can be found [here](#).

The commission also found that the State is viewed as deficient in providing customer service (finding 4), which led to several specific recommendations, including:

- provide continuous customer service and business development training to State agencies with frequent interaction with the business community and the public;
- create within the Maryland Technology Development Corporation a "concierge service" to assist start-up businesses seeking to establish operations in the State;
- expand and publicize the State's Central Business Licensing System; and
- require State entities with functions affecting business to provide a plan that outlines the steps it will take to facilitate the growth of businesses and jobs in Maryland while fully carrying out the organization's basic responsibilities.

The bill generally implements the first of these recommendations (recommendation 8): that State agencies with frequent interaction with the business community and the public should receive continuous customer service and business development training. Specific to this issue, the report concludes:

Businesses must interact with the State government for a variety of reasons including highway access issues, professional licensing, tax filings, environmental permits, and regulatory permits. MEDBCC heard testimony from numerous businesses that far too often these interactions are frustrating, confrontational, inconsistent, time consuming, arbitrary, and generally unhelpful. Even absent any changes to the regulations that dictate the interactions, State service employees should have a responsibility to provide efficient and responsive interactions while carrying out the intent of regulations. Employee customer service training should be designed to improve efficiency, responsiveness, and consistency, thereby improving the relationship between State government and the business community. There should be follow-through in the form of customer surveys conducted by independent entities and corrective action taken where appropriate.

### *Office of the Business Ombudsman*

Chapter 641 of 2014 established the Office of the Business Ombudsman in the Governor's Office. The purpose of the office is to (1) resolve problems encountered by businesses interacting with State agencies; (2) facilitate responsiveness of State government to business needs; (3) serve as a central clearinghouse of information for business services or assistance requested; (4) assist businesses by referring businesses and individuals to resources that provide the business services or assistance requested; (5) provide comprehensive permit information and assistance; (6) establish and maintain metrics in order to monitor the progress of the office and report the data to the Governor and the General Assembly; and (7) report and make recommendations to the Governor and the General Assembly regarding breakdowns in the delivery of economic development resources and programs, including problems encountered by businesses interacting with State agencies.

The office must (1) establish, maintain, and update each year a list of the business assistance programs and services in the State, including specified identifying information of the entities providing the programs and services; (2) implement a business fairness and responsiveness service; (3) develop and maintain a program to provide comprehensive information to the public regarding permits required for business initiatives, projects, and activities; and (4) establish and implement procedures to assist permit applicants who have encountered difficulties in obtaining timely and efficient permit review.

Beginning in fiscal 2016, the Governor must include funds in the annual State budget to implement the Act, including funds to employ a full-time ombudsman and operate and maintain an office. The Governor's Office advises that it filled the ombudsman position with existing budgeted resources.

**State Expenditures:** The Office of the Business Ombudsman does not have the necessary expertise to establish State customer service standards. Therefore, general fund expenditures by the Governor’s Office increase in fiscal 2016 for consultant services to develop State customer service standards. General fund expenditures increase annually thereafter for contractual services to provide oversight and evaluation of the training program and make annual recommendations. The Governor’s Office is unable to provide an estimate of the cost at this time, but indicates that it is substantial. The Department of Legislative Services (DLS) advises that, consistent with the costs for procuring single-agency and statewide consulting services, this cost is likely to be at least \$75,000 and could be up to \$125,000 in fiscal 2016. Likewise, based on the ongoing costs for the Department of Information Technology (DoIT) for contractual monitoring services, general fund expenditures increase by approximately \$40,000 annually beginning in fiscal 2017 for ongoing oversight and evaluation of the program.

Assuming a single online training program can be procured and made available for use by each of the affected agencies, general fund expenditures increase further – by \$65,200 – beginning in fiscal 2016 for initial and ongoing information technology costs.

This estimate is based on the recent experience of DoIT, which implemented a statewide “Security Mentor” training program in 2014. The program sends frequent, short, online training modules via email. Monitoring and reporting of results is also centralized. A vendor runs the program and an additional contractor manages the system in-house at DoIT. The cost of the program is about \$4 per employee per year, plus \$40,000 annually for the contractor to monitor the system.

The agencies required to conduct customer service training have approximately 6,300 regular and contractual positions in total. Assuming \$4 per position, plus an equivalent annual cost of \$40,000 for contractual monitoring services, general fund expenditures increase by \$65,200 annually.

Alternatively, if each of the five specified agencies must each develop and conduct customer service training for each employee who interacts with businesses and members of the public on a regular basis, the cost is likely higher. Of the specified agencies, only SDAT indicated that the training can be provided with existing staff resources (SDAT has 31 positions). The other agencies provided the following annual cost estimates to provide the training:

- DBED: \$10,000
- MDE: \$70,000
- DLLR: \$42,500
- SHA: \$30,000

DLS notes that the per-employee cost reported by each agency varies widely. For example, DBED estimates about \$20 per employee and DLLR estimates \$25 per employee, while MDE's cost averages about \$117 per employee. MDE's cost estimate is based on a recent solicitation for leadership development training, which is provided in-person (not online). SHA's cost estimate is based on a proposed annual customer service and business development program developed by a consultant that is currently under consideration.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 774 (The President, *et al.*) (By Request - Maryland Economic Development and Business Climate Commission) - Finance.

**Information Source(s):** Governor's Office; State Department of Assessments and Taxation; Department of Business and Economic Development; Maryland Department of the Environment; Department of Labor, Licensing, and Regulation; Maryland Department of Transportation; Department of Information Technology; Maryland Economic Development and Business Climate Commission; Department of Legislative Services

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