

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 694 (Chair, Environment and Transportation Committee and
Chair, Economic Matters Committee)(By Request -
Departmental - Housing and Community Development)
Environment and Transportation and Judicial Proceedings
Economic Matters

Public Safety - Building Codes - Transfer of Administration to Department of
Labor, Licensing, and Regulation

This departmental bill transfers the Maryland Building Codes Administration (MBCA) and related duties from the Department of Housing and Community Development (DHCD) to the Department of Labor, Licensing, and Regulation (DLLR). All appropriations held by DHCD to carry out the exclusive functions transferred under the bill are transferred to DLLR. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: Overall State expenditures are likely not materially affected. The effects on both DHCD and DLLR are discussed below. Moving costs for four individuals are assumed to be minimal and absorbable within existing budgeted resources.

Local Effect: None.

Small Business Effect: The Department of Housing and Community Development has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law/Background: DHCD is responsible for the administration of statewide building and materials codes, and does so through MBCA. Among other things, MBCA:

- provides technical assistance and training to local governments, industry and the public to ensure that buildings are energy efficient and accessible to individuals with disabilities;
- adopts and updates a Model Performance Code, which applies to industrialized/modular buildings and buildings that are owned, leased, operated, and controlled by the State;
- helps to ensure buildings meet applicable standards for health and safety; and
- establishes and enforces standards for industrialized/modular buildings and is responsible for inspecting and certifying these building units at the factory.

The Governor's proposed fiscal 2019 budget includes \$627,490 in special funds for MBCA. However, according to DHCD, this includes funding for an extra position that has already been transferred out of MBCA. Accounting for this difference, MBCA's projected fiscal 2019 budget is \$547,505. Of that amount, \$307,505 is from the General Bond Reserve Fund (GBRF), which is a special fund in DHCD used to maintain required excess reserves for the department's debt obligations. Excess money in the fund is also used to support the administrative costs of many DHCD programs. The remaining \$240,000 is considered "MBCA Revenues" by the department and comes from the sale of insignias to builders of certain industrialized buildings. According to DHCD, MBCA has three full-time staff and one full-time contractual staff.

The fiscal 2019 budget bill authorizes the Governor to transfer positions and funding by approved budget amendment from DHCD to DLLR, contingent on the passage of this bill.

DHCD advises that the department is primarily a finance agency, and that MBCA's role as a regulatory entity is an outlier within the department.

State Fiscal Effect: Overall State expenditures are likely not materially affected. The effects on DHCD and DLLR are discussed separately below. Moving costs for four individuals are assumed to be minimal and absorbable within existing budgeted resources.

DHCD

MBCA is funded through two sources of special funds: GBRF and "MBCA Revenues." DHCD and DLLR both indicate that GBRF funds cannot transfer to DLLR. Instead, DHCD intends to transfer an equivalent amount of general funds and backfill with the available GBRF funds. Under this assumption, DHCD general fund expenditures decrease by \$307,505 in fiscal 2019, reflecting the transfer of that money to DLLR, while overall GBRF expenditures are unchanged. DHCD special fund revenues and expenditures

decrease by \$240,000 in fiscal 2019, reflecting the transfer of MBCA revenues from the sale of insignias.

Future years assume inflation, ongoing general funds budgeted for MBCA, and level special fund revenue for MBCA. Under these assumptions, DHCD general fund expenditures decrease by about \$321,000 in fiscal 2020, decreasing further over time to about \$363,000 by fiscal 2023.

This estimate does not include MBCA's indirect costs at DHCD, which are approximately \$94,000 annually. Indirect costs are discussed separately below.

DLLR

As discussed above, DHCD intends to transfer general funds to DLLR instead of GBRF funds. Under this assumption, DLLR general fund expenditures increase by \$307,505 in fiscal 2019, reflecting the transfer of that money to DLLR. DLLR special fund revenues and expenditures increase by \$240,000 in fiscal 2019, reflecting the transfer of MBCA revenues from the sale of insignias. DLLR also indicates that it has concerns related to the transfer of an MBCA database and online payment system. If it cannot be transferred, DLLR general fund expenditures further increase to build and maintain a new one.

Future years assume inflation, ongoing general funds budgeted for MBCA, and level special fund revenue for MBCA. Under these assumptions, DLLR general fund expenditures increase by about \$321,000 in fiscal 2020, escalating to about \$363,000 by fiscal 2023.

This estimate does not include MBCA's indirect costs at DLLR, which are estimated to be approximately \$67,000 annually. Indirect costs are discussed separately below.

Indirect Costs

Indirect costs, which are assessments on individual units for department-wide services, are allocated differently between the two departments. DHCD does not include indirect costs in its units' budgets, while DLLR does. Whether or not DHCD will transfer additional general funds to pay for DLLR's indirect cost assessment, and how much of that amount, if any, is offset by reduced indirect costs for DHCD, is unknown at this time. To the extent that DHCD transfers additional funds, DHCD general fund expenditures decrease, backfilled by additional special fund expenditures, and DLLR general fund expenditures increase.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Housing and Community Development;
Department of Labor, Licensing, and Regulation; Department of Budget and Management;
Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2018
mm/mcr Third Reader - April 9, 2018

Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Statewide Building Codes – Transfer

BILL NUMBER: HB 694

PREPARED BY Department of Housing and Community Development

PART A. ECONOMIC IMPACT RATING

X 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