

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 895 (Delegate Hornberger)
 Economic Matters

State Board of Electricians - Limited Energy Contractors and Limited Energy Integrators - Licensing

This bill generally incorporates the licensure and regulation of limited energy contractors and limited energy integrators into the existing framework for the licensure and regulation of electricians. It establishes licensing requirements for limited energy contractors and limited energy integrators and requires an individual to be licensed by the State Board of Electricians before providing limited energy services. However, a local jurisdiction may continue to issue (or begin issuing) local *registrations* for those classifications, subject to specified requirements. The bill also expands the State Board of Electricians to include a member who is a licensed limited energy contractor. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: Special fund expenditures increase by approximately \$152,500 in FY 2024 and by \$108,400 in FY 2025 for additional contractual staff to handle an influx of licensees; subsequent years reflect the elimination of the contractual positions. Special fund revenues also increase beginning in FY 2024, under the assumptions discussed below.

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	-	-	-	-	-
SF Expenditure	\$152,500	\$108,400	\$0	\$0	\$0
Net Effect	(\$152,500)	(\$108,400)	-	-	-

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

Local Effect: The bill likely does not materially affect local government finances or operations, as discussed below.

Small Business Effect: Meaningful.

Analysis

Bill Summary/Current Law: The bill defines “limited energy contractor” as a person who (1) provides, installs, services, maintains, designs, repairs, or consults in the design of limited energy systems for a consumer and (2) employs limited energy integrators. A “limited energy integrator” is defined as an individual who (1) has experience, knowledge, and skill to provide limited energy services in a manner that complies with applicable plans, specifications, codes, or laws and (2) is employed by a limited energy contractor. A “limited energy system” is a Class 2 or 3 circuit, as defined in the National Electrical Code, including remote control, signaling, and power limited circuits and optical fiber cable, other cabling, or communication circuits, including raceways.

The bill does not require a licensed limited energy contractor to hold a master electrician license to provide limited energy services. Additionally, a person is not required to hold a limited energy license if the person:

- provides or installs hardwired fire, burglary, or robbery alarm systems;
- provides installation, testing, routine maintenance, factory servicing, selling, or monitoring of a personal emergency response system;
- sells limited energy systems at a retail establishment to a consumer for self-installation;
- does not provide direct sales, monitoring, or installation of limited energy systems to a consumer and meets other specified requirements;
- is an officer or employee of the United States, the State, or any political subdivision while engaged in the performance of the individual’s duties within the scope of employment;
- is installing a limited energy system on a motor vehicle or boat; or
- is personally installing a limited energy system within the individual’s own dwelling unit or other building.

The limited energy contractor added to the State Board of Electricians must hold an active State license and have been engaged actively in providing limited energy services as a contractor for at least five years immediately before the appointment.

Expansion of Maryland Electricians Act

Although there are no provisions in current law for the licensure and regulation of limited energy contractors or limited energy integrators, the State does license and regulate electricians. The bill expands numerous statutory provisions governing the licensing and regulation of electricians to apply to limited energy contractors and limited energy

integrators. The provisions below that currently apply only to electricians are generally expanded to apply to limited energy contractors and limited energy integrators.

General Requirements for Licensing/Registration of Electricians

An individual must be licensed by the State board as a master, journeyman, or apprentice electrician, as appropriate, before engaging in the activities covered by each license. However, a local jurisdiction may issue local *registrations* for those classifications, subject to specified requirements. Local jurisdictions may establish a local board and require permits, fees, and inspections. Among other requirements, the Maryland Electricians Act:

- requires the State board to adopt specified continuing education requirements for electricians;
- requires the State board to enforce minimum standards for the provision of electrical services; and
- establishes specified consumer protections, violations, and associated fines and penalties.

Authorization for Local Permits

Under current law, an electrician may obtain an electrical permit or any other similar permit from a local jurisdiction if the electrician (1) is actively registered locally (if required) *or* holds a State license; (2) shows proof of the State license; and (3) pays any permit fee required by the local jurisdiction. A person seeking such a permit must hold a State license and provide proof of the required insurance.

On payment of the permit fee that the local jurisdiction requires, the locality generally must issue the appropriate permit to each applicant who meets the requirements noted above. However, a local jurisdiction may delay the issuance of an electrical permit if, for a particular job, the local jurisdiction requires the issuance of other permits (including a building permit) before issuance of the electrical permit.

General Liability and Property Insurance Requirements

Under current law, a master electrician who is licensed by the State Board of Electricians and provides electrical services (or a person to whom a licensed master electrician licensed by the board assigns a local registration under the Maryland Electricians Act) must:

- maintain general liability insurance of at least \$300,000;
- maintain property damage insurance of at least \$100,000; and
- submit proof of the required insurance to the board.

The bill requires licensed limited energy contractors and limited energy integrators to maintain the same level of insurance as master electricians.

State Fiscal Effect: The State Board of Electricians advises that it expects a significant influx of applicants for State licensure as limited energy contractors and that additional contractual staff are necessary to process applications. Board expenses are covered by the Occupational Mechanical Licensing Boards' Fund; licensing fees also accrue to the fund.

Thus, special fund expenditures increase by \$152,492 in fiscal 2024; as the bill requires limited energy contractors to be licensed as of July 1, 2023, this analysis assumes that the fiscal effect begins on that date so that the State board can begin issuing licenses. This estimate reflects the cost of hiring two contractual administrative specialists to process the short-term influx of applicants. It includes salaries, fringe benefits, one-time start-up and programming costs, and ongoing operating expenses.

Contractual Positions	2.0
Salaries and Fringe Benefits	\$112,144
Programming Costs	25,000
Other Operating Expenses	<u>15,348</u>
Total FY 2024 State Expenditures	\$152,492

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. Although the Maryland Department of Labor (MDL) anticipates maintaining the contractual staff through fiscal 2028, the Department of Legislative Services (DLS) assumes the additional influx of licensees can likely be handled within two years. Therefore, expenditures end after fiscal 2025.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

MDL anticipates that it may receive as many as 10,000 applications in fiscal 2024, with a corresponding revenue increase of about \$150,000. In later years, the number of applications is assumed to vary, with special fund licensing revenues expected to increase by \$50,000 in fiscal 2025 and by \$180,000 by fiscal 2028. This analysis assumes that most new licenses are issued in fiscal 2024, with a smaller number issued in fiscal 2025. A license is valid for two years; thus, revenues likely fluctuate in alternate years, reflecting the large number of initial two-year licenses issued in fiscal 2024 and a smaller number issued in fiscal 2025.

DLS advises the exact number of licensing applications that will be received cannot be determined without additional data; however, this analysis assumes that additional fee revenues collected each year approximate the additional expenditures, as required by statute.

Local Fiscal Effect: Local governments that license limited energy contractors and limited energy integrators are affected by the bill's elimination of local licensing. Many counties are assumed to collect revenue from licensing fees. However, local governments may continue to issue or begin issuing registrations for these types of licensees, as is the case with licensed electricians. Local governments also retain their ability to regulate any such licensees through a system of permits, fees, and inspections. Relevant fees can be adjusted as necessary to offset any costs associated with the bill. Therefore, the bill likely has a minimal overall effect on local government finances and operations.

Small Business Effect: Small businesses that provide limited energy services must ensure compliance with the State licensure requirements established by the bill, including the costs and time associated with licensure, continuing education, and minimum insurance requirements.

Potentially, establishing single statewide licensing requirements removes a significant portion of the administrative time and expense necessary to comply with multiple existing local licensing laws. However, the benefit to an individual is lessened by the likely transition to a local registration system, which may ultimately have similar overall requirements.

MDL advises that many localities require businesses to employ a master electrician in order to obtain local permits for limited energy services. Under the bill, businesses may not need to meet that requirement, and may also hire individuals as technicians rather than having to hire a journeyman electrician to do the same type of work.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 444 (Senator Brooks) - Education, Energy, and the Environment.

Information Source(s): Charles and Garrett counties; Maryland Department of Labor; Public Service Commission; Department of Legislative Services

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js/mcr

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