P00C
Business Regulation
Department of Labor, Licensing, and Regulation

Operating Budget Data

($ in Thousands)

	FY 10 Actual	FY 11 Working	FY 12 Allowance	FY 11-12 Change	% Change Prior Year
General Fund	$8,978	$8,424	$8,549	$125	1.5%
Contingent & Back of Bill Reductions	0	0	-95	-95	
Adjusted General Fund	**$8,978**	**$8,424**	**$8,454**	**$30**	**0.4%**
Special Fund	22,845	43,412	85,193	41,781	96.2%
Contingent & Back of Bill Reductions	0	0	-43	-43	
Adjusted Special Fund	**$22,845**	**$43,412**	**$85,150**	**$41,738**	**96.1%**
Federal Fund	4,778	4,950	4,566	-384	-7.8%
Contingent & Back of Bill Reductions	0	0	-179	-179	
Adjusted Federal Fund	**$4,778**	**$4,950**	**$4,388**	**-$563**	**-11.4%**
Reimbursable Fund	1,505	1,537	1,485	-52	-3.4%
Contingent & Back of Bill Reductions	0	0	-17	-17	
Adjusted Reimbursable Fund	**$1,505**	**$1,537**	**$1,468**	**-$69**	**-4.5%**
Adjusted Grand Total	**$38,106**	**$58,323**	**$99,460**	**$41,137**	**70.5%**

- The fiscal 2012 allowance grows by over $41.1 million, or 70.5%, from the fiscal 2011 working appropriation. This increase is almost solely attributable to expenditures within the Division of Racing associated with the proceeds from the video lottery terminal program.

- Federal funds decline in the fiscal 2012 allowance due largely to the removal of a federal grant to the Division of Financial Regulation for mortgage fraud investigations. These funds are expected to return via a budget amendment during fiscal 2012. General funds remain fairly flat in fiscal 2012.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	FY 10 Actual	FY 11 Working	FY 12 Allowance	FY 11-12 Change
Regular Positions	369.22	368.45	367.45	-1.00
Contractual FTEs	112.33	38.32	132.12	93.80
Total Personnel	**481.55**	**406.77**	**499.57**	**92.80**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	14.62	3.98%
Positions and Percentage Vacant as of 12/31/10	43.25	11.74%

- One position was transferred to a division of the department that is discussed in the Workforce Development analysis. Vacancies are significantly higher than what is required to meet turnover. However, the majority of the vacancies are funded with special and federal funds.

- Contractual staff increases by 93.8 full-time equivalents under the Division of Occupational and Professional Licensing for licensing exam proctors. Funds for the contractual staff increase by about $134,500.

Analysis in Brief

Major Trends

Department Increases Wage Enforcement Actions: The Employment Standards Unit was not funded in fiscal 2006. Since that time, funding has returned, and wage investigative actions have steadily increased. However, the increase in the caseload has lead to a decline in efficiency.

Consumer Complaints Take Longer to Process: The Division of Occupational and Professional Licensing handles calls and complaints from consumers against those licensed by the department or against those individuals or companies that should be licensed by the department. Despite attempts to mitigate the use of the time consuming hearing process, the average time to resolve consumer complaints increased sharply in fiscal 2010.

Issues

State Strikes Accord to Continue Thoroughbred Racing in 2011: An agreement was reached between the State, the Maryland Jockey Club, and the Maryland Thoroughbred Horsemen's Association to prevent closure of thoroughbred tracks and allow the racetracks to operate a 2011 racing schedule with a 146-day live racing season that includes the 136th running of the Preakness at Pimlico. The agreement calls for budgeted racetrack redevelopment funds to instead be used as operating funds for the tracks in 2011. The funds are being advanced to the racetracks by the Maryland Economic Development Corporation (MEDCO) and the Budget and Reconciliation Act (BRFA) of 2011. **The Department of Legislative Services (DLS) recommends that the BRFA of 2011 be amended to allow the transfer of racetrack redevelopment funds to MEDCO after all appeals by Laurel Racing Association, Inc. relating to the rejection of its proposal for a Video Lottery operation license are withdrawn or exhausted. DLS further recommends that the Racing Commission brief the budget committees on the agreement to ensure continued thoroughbred racing in 2011.**

Audit Notes Backlog of Mortgage Lender Examinations: In August 2010, the Office of Legislative Audits released an audit that included a finding that the Division of Financial Regulation did not perform examinations of mortgage lenders within the timeframe required by State law. An additional backlog exists in the resolution of mortgage complaints. **DLS recommends that the department comment on its response to the audit findings, its progress in eliminating the examination backlog, and the decline in efficiency in processing mortgage complaints.**

Recommended Actions

		Funds
1.	Delete horse racing impact aid.	$ 1,205,600
	Total Reductions	**$ 1,205,600**

Business Regulation

Department of Labor, Licensing, and Regulation

Operating Budget Analysis

Program Description

The Department of Labor, Licensing, and Regulation (DLLR) includes many of the State's agencies and boards responsible for licensing and regulating various businesses, professions, and trades. The department also administers a variety of federally funded employment service programs. This analysis focuses on the department's business regulation divisions.

- **The Division of Labor and Industry** is responsible for safety inspections of boilers, elevators, amusement rides, and railroads. It also enforces certain protective labor laws and administers the Maryland Occupational Safety and Health Act. Its mission is to protect the health, safety, and employment rights of Maryland citizens.

- **The Division of Occupational and Professional Licensing** licenses, regulates, and monitors 24 different professions and trades through boards and commissions. All but seven boards are supported by the general fund. Its mission is to ensure that practitioners of occupations and professions regulated by the agency are qualified, competent, and compliant with State laws, regulations, and standards so that the provision of their commercial services is conducive to the health, safety, and welfare of Maryland consumers.

- **The Division of Racing** regulates thoroughbred and harness racing at tracks across the State. Responsibilities include assigning racing days, regulating wagering on races, collecting the wagering tax, licensing all racetrack employees, and operating a testing laboratory. The division also pays the salaries and stipends of all racetrack employees who are appointed by the State Racing Commission.

- **The Division of Financial Regulation** regulates commercial banks, trust companies, credit unions, mortgage lenders and originators, collection agencies, and consumer loan companies. Its mission is to protect financial services consumers, ensure appropriate licensing, and maintain safety and soundness in Maryland's financial services industry.

A separate analysis discusses the department's Division of Workforce Development and Adult Learning; Division of Unemployment Insurance; and administrative units.

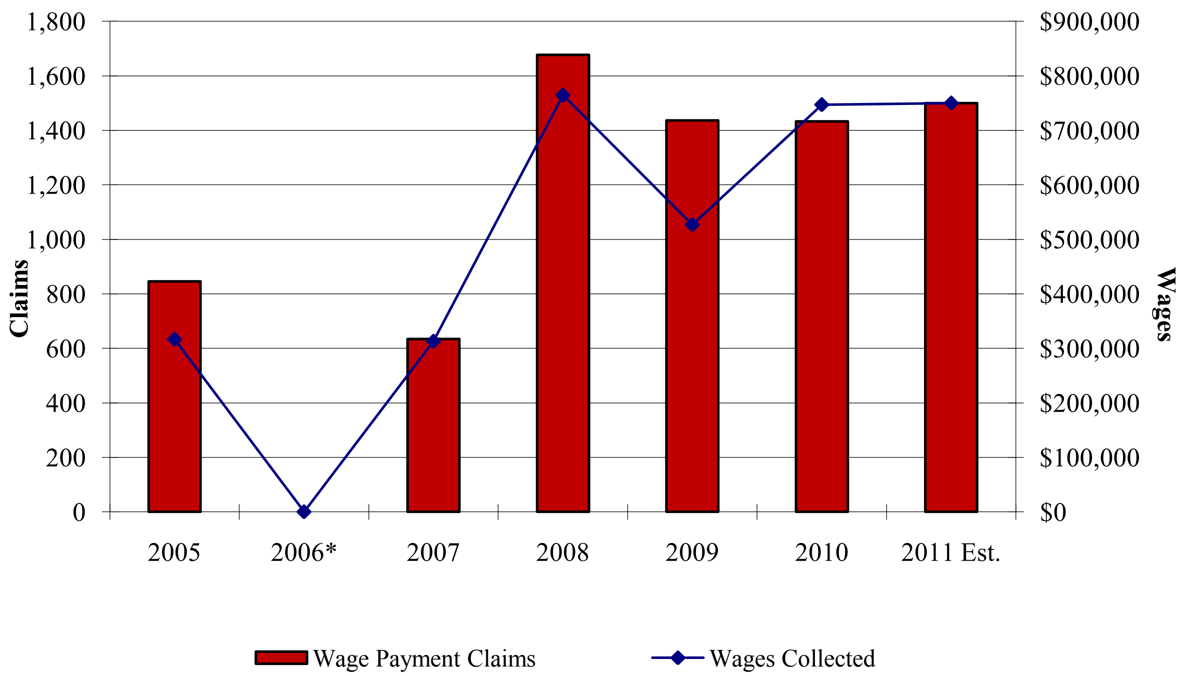
Performance Analysis: Managing for Results

Department Increases Wage Enforcement Actions

The department's Employment Standards Unit is responsible for the enforcement of the State's Wage Payment and Collection Law. Under the direction of the Commissioner of Labor and Industry, the unit is required to administer and enforce provisions of the law concerning the employment of minors, wages and hours, wage and payment collection, and equal pay for equal work.

The fiscal 2006 budget as proposed did not include funding for this unit; however, legislation was passed during the 2005 session mandating an appropriation of at least $315,000 for the Employment Standards Unit beginning in fiscal 2007 and for each subsequent year. As shown in **Exhibit 1**, no data was reported in fiscal 2006 because the lack of funding left the unit defunct. Even when funding returned in fiscal 2007, it was difficult for the unit to achieve performance marks comparable to before the loss of funding.

Exhibit 1
Employment Standards
Wage Claim Activity
Fiscal 2005-2011



*Program not funded.

Source: Department of Labor, Licensing, and Regulation

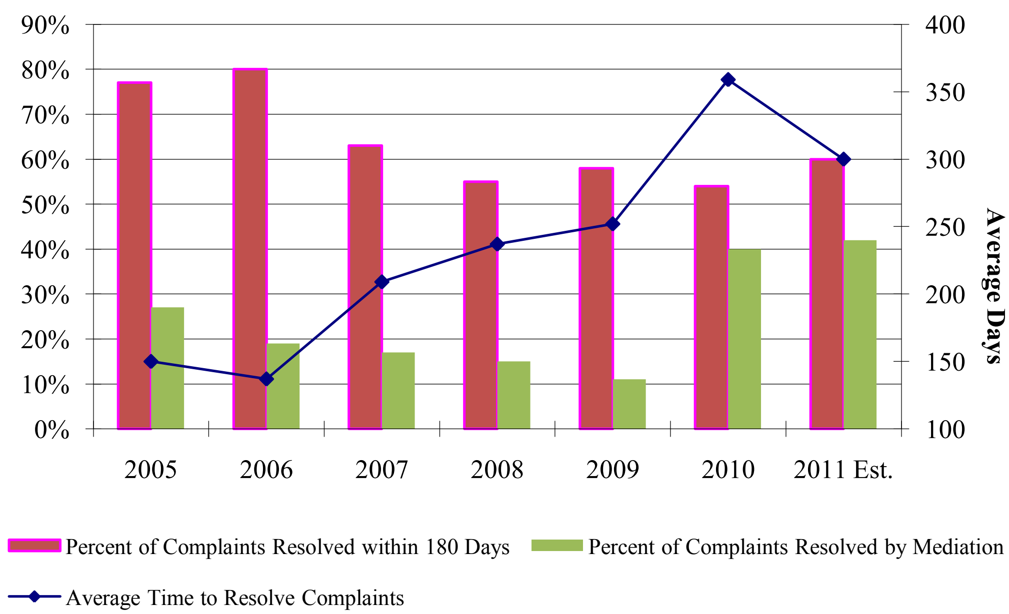
Beginning in fiscal 2008, the unit experienced a large gain in the number of wage payment claims processed to disposition and in the amount of total wages collected. However, the unit is failing to meet its performance objective of reaching disposition on 75% of wage claims within 90 days. In fact, having reached this goal in fiscal 2008, the unit has fallen to 62% in fiscal 2009 and fallen again to 51% in fiscal 2010.

The department should comment on how the increase in claims has affected its efficiency and on any plans to reduce the number of days to reach a resolution on wage claims.

Consumer Complaints Take Longer to Process

The Division of Occupational and Professional Licensing handles calls and complaints from consumers against those licensed by the department or against those individuals or companies that should be licensed by the department. The division's goal is to protect the public health and safety by the efficient review, resolution, and adjudication of consumer complaints. It measures attainment of this goal by the percentage of complaints resolved within 180 days. However, as shown in **Exhibit 2**, the percentage of complaints resolved within 180 days has been declining since fiscal 2005. In fact, the average length of time to resolve a complaint increased from 252 days in fiscal 2009 to 359 days in fiscal 2010, a 42% increase.

Exhibit 2
Occupational and Professional Licensing
Complaint Resolution
Fiscal 2005-2011



Source: Governor's Budget Books, Fiscal 2006-2010

The vast majority of complaints involve the Home Improvement Commission. The commission has made an effort to significantly increase the number of complaints that are resolved using alternative dispute resolution (ADR) in order to avoid a lengthy formal hearing process. Further, the commission believes that the use of ADR contributes significantly to the money recovered for consumers. In fiscal 2010, 40% of cases were resolved using ADR, compared to 17% in 2007, for example. However, the data shows that the increase in the use of ADR did not reduce the amount of time to resolve complaints. Also, the data shows that monetary recoveries did not significantly increase. The commission recovered $2.7 million for consumers in fiscal 2010, the same amount that it recovered in 2007.

The department should comment on the increase in complaint resolution time and the impact of using alternative dispute resolution.

Fiscal 2011 Actions

Impact of Cost Containment

Section 44 of the fiscal 2011 budget bill required the Governor to abolish 500 positions in the Executive Branch as of June 30, 2011. The positions and the funds associated with them have been removed from the fiscal 2011 working appropriation. This agency's share of the reduction was 1.2 full-time equivalent positions and $72,462 dollars in fiscal 2011, which represents an ongoing annualized savings of $199,449 for employee salary and fringe benefit expenditures.

Proposed Budget

As shown in **Exhibit 3**, after contingent and across-the board reductions, the fiscal 2012 allowance grows by over $41.1 million. The vast majority of the increase is for horse racing aid derived from video lottery terminal (VLT) revenues.

Exhibit 3
Proposed Budget
DLLR – Business Regulation
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2011 Working Appropriation	$8,424	$43,412	$4,950	$1,537	$58,323
2012 Allowance	8,549	85,193	4,566	1,485	99,793
Amount Change	$125	$41,781	-$384	-$52	$41,470
Percent Change	1.5%	96.2%	-7.8%	-3.4%	71.1%
Contingent Reduction	-$95	-$43	-$179	-$17	-$334
Adjusted Change	$30	$41,738	-$563	-$69	$41,137
Adjusted Percent Change	0.4%	96.1%	-11.4%	-4.5%	70.5%

Where It Goes:

Personnel Expenses	
Salaries and wages (including restoration of furlough reduction)	$111
Transferred position	-58
Employee retirement (net of contingent reductions)	216
Employee and retiree health insurance (net of contingent and across-the-board reductions)	-44
Other fringe benefit adjustments	17
Other Changes	
Horse racing purse enhancements due to video lottery terminal (VLT) revenues	19,085
Local impact aid due to VLT revenues	14,996
Horse racetrack facility grants due to VLT revenues	6,816
Horse racing local impact aid to mandated level	500
Contractual staff for professional licensing	134
Federal funds available for financial regulation	-394
Other	-242
Total	**$41,137**

Note: Numbers may not sum to total due to rounding.

Impact of Cost Containment

The fiscal 2012 budget reflects several across-the-board actions. In fiscal 2012, this agency's share of the reduction is $17,191 in general funds, $16,133 in special funds, $65,272 in federal funds, and $6,414 in reimbursable funds for changes in employee health insurance. Reductions contingent upon statutory changes include $28,454 in general funds, $26,705 in special funds, $111,347 in federal funds, and $10,614 in reimbursable funds for retiree prescription drug benefits and $49,420 in general funds for retirement benefits. To the extent that the agency has positions abolished under the Voluntary Separation Program, additional reductions will be implemented by the Administration.

Personnel

In the fiscal 2012 allowance, the department transferred 1 internal auditor position from the Railroad Safety Unit to the Program Analysis and Audit unit which is reviewed under a separate budget analysis. The transfer of this position moves approximately $58,000 in general, special, and federal funds to the audit unit.

The Division of Occupational and Professional Licensing increased its contractual staff by 93.8 full-time equivalents in the fiscal 2012 allowance, thereby increasing the allowance by approximately $134,000 in general and special funds. As part of its licensing role, the division administers exams to prospective licensees. In the allowance, the division is reporting the number of design board exam proctors who are paid on a per diem basis. The proctors typically work five or fewer days each year as the design board exams is only administered semi-annually. The division may privatize a significant portion of the examinations in fiscal 2012 and, therefore, the need for the contractual staff may decline.

Division of Racing

Video Lottery Terminal Special Funds

Chapter 4 of the 2007 special session authorized up to 15,000 VLTs in five locations across that State and provided for the distribution of the VLT proceeds. Two VLT facilities have opened to date, and one is expected to open during fiscal 2012. The Division of Racing's fiscal 2012 allowance includes the following special funds for the following purposes:

- $27.8 million – to a purse dedication account to enhance horse racing purses and bred funds. Of this amount, 80% is allocated to the thoroughbred industry and 20% to the standardbred industry.

- $9.9 million – to a racetrack renewal account for racetrack facility capital construction and improvements. Of this amount, 80% is allocated to Pimlico Race Course, Laurel Park, and the Racecourse at Timonium and 20% to Rosecroft Raceway and Ocean Downs Race Course.

- $21.8 million – for local impact grants. Of this amount, 82% is allocated to local jurisdictions with VLT facilities, based on each jurisdiction's percentage of overall gross revenues from VLTs. The remaining 18% is allocated to Baltimore City on behalf of the Pimlico Community Development Authority (of this amount, $1.0 million is re-allocated to Prince George's County for capital projects around the Rosecroft Raceway).

Horse Racing Special Funds

Horse racing impact aid involved grants to counties and municipal corporations that contain or are located close to thoroughbred racetracks. The aid has been in place since 1975 and is derived from the collection of the tax on horse racing based on wagering. The amounts granted to each jurisdiction are mandated by statute and are based, in large part, on the number of racing days held each year. In the prior and current fiscal years, despite cost containment reductions, the revenues have been insufficient to fulfill the expected allocation to each jurisdiction. This is due, in large part, to the reduction in racing days, mostly associated with the inoperative Rosecroft Raceway.

For example, in fiscal 2010, the original appropriation was about $1.2 million reflecting what is mandated in statute. As shown, in **Exhibit 4**, the appropriation was reduced due to the cost containment effort. However, actual revenues collected in fiscal 2010 after the cost containment transfer to the general fund could not support the remaining uses, and each jurisdiction's aid was further reduced.

Exhibit 4

Horse Racing Impact Aid

Fiscal 2010

	Original Appropriation	Cost Containment Level	Allocation Based On Actual Revenues
Baltimore City	$609,000	$331,000	$251,000
Anne Arundel County	339,000	166,000	122,000
Howard County	84,000	41,000	30,000
Laurel	50,000	25,000	18,000
Bowie	18,000	9,000	7,000
Baltimore County	50,000	25,000	18,000
Prince George's County	100,000	50,000	37,000
Total	**$1,250,000**	**$647,000**	**$483,000**

Note: The allocation includes $76,000 that was paid out of fiscal 2011 revenues due to a revenue shortfall in fiscal 2010.

Source: Division of Racing

It is expected that a similar level of reduced revenues will continue through fiscal 2011. The fiscal 2012 allowance shows an increase in funds to the mandated level ($1.2 million). However, it is again expected that revenues will not reach that level. Any excess appropriation would be cancelled at the end of the fiscal year. It should also be noted that these reduced revenues will also affect grants to the agricultural fairs and boards, which are included under the Maryland Department of Agriculture's budget.

Division of Financial Regulation

In fiscal 2011, the Division of Financial Regulation received federal funds from the U.S. Department of Justice for its mortgage fraud prevention initiative. The initiative was designed to identify and investigate mortgage fraud and partner with federal, state, and local agencies to combat and prosecute instances of fraud. The funds totaled $393,556 in fiscal 2011 and specifically funded two attorneys, a paralegal, and an investigator and related expenses. Although the department advises that the federal grant will continue in fiscal 2012 through a budget amendment, the federal funds are not evident in the fiscal 2012 allowance.

Issues

1. State Strikes Accord to Continue Thoroughbred Racing in 2011

Chapter 4 of the 2007 special session authorized up to 15,000 VLTs in five locations across that State. In 2009, the Video Lottery Facility Location Commission rejected the Laurel Racing Association's bid to install VLTs at Laurel Racetrack due to a failure to pay the initial license fee. After a ballot measure to officially allow VLTs at a different location in Anne Arundel County, the owners of the racetracks submitted a severely reduced 2011 racing schedule to the Maryland Racing Commission, claiming that an ongoing operating deficit made it impossible to maintain the same level of racing.

In December 2010, the racing commission rejected the Maryland Jockey Club's proposal to significantly reduce the number of scheduled racing days, from 146 racing days in 2010 at Laurel Park and Pimlico to 77 racing days in 2011. As a result, the Jockey Club announced that it may need to lay off hundreds of employees and close Laurel Park and the Bowie training facility.

In order to prevent that eventuality, an agreement was reached between the State, the Jockey Club, the Maryland Horse Breeders' Association, and the Maryland Thoroughbred Horsemen's Association. In order to subsidize the racetrack operations for 2011, the State will advance $3.6 million and the breeders/horsemen will contribute $1.7 million to the Jockey Club. The State funds will be advanced using the Maryland Economic Development Corporation (MEDCO), which will be repaid from VLT proceeds dedicated to racetrack capital improvements at Laurel and Pimlico.

The Budget Reconciliation and Financing Act (BRFA) of 2011 includes a provision to allow racetrack capital renewal funds to be used to repay the advance from MEDCO. As mentioned above, there are funds in the allowance for the racetrack renewal account for racetrack facility capital construction and improvements ($9.9 million). Because two VLT facilities are operational in fiscal 2011, the working appropriation also contains funds for this purpose ($3.1 million). Of this amount, 80% is allocated to Pimlico Race Course, Laurel Park, and the Racecourse at Timonium and 20% to Rosecroft Raceway and Ocean Downs Race Course. This entire amount will be used to repay MEDCO, and the standardbred share will be repaid out of the fiscal 2012 allotment.

This agreement will allow the racetracks to operate a 2011 live racing schedule similar to the 2010 racing schedule with a 146-day racing season that includes the 136th running of the Preakness at Pimlico. The agreement will also provide for the continued year-round operation of the Bowie Training Center.

The Administration has announced the intention to introduce legislation that would codify a similar agreement for the out-years for both the thoroughbred and standardbred tracks. It is expected that the legislation will have some restrictions on additional funding such as reporting requirements. Finally, it should be noted that the Laurel Racing Association is appealing the rejection of its proposal by the Video Lottery Facility Location Commission to the State Board of Contract Appeals.

The Department of Legislative Services (DLS) recommends that the Budget Reconciliation and Financing Act of 2011 be amended to allow the transfer of racetrack redevelopment funds to MEDCO after all appeals by Laurel Racing Association, Inc. relating to the rejection of its proposal for a Video Lottery operation license are withdrawn or exhausted. DLS further recommends that the Racing Commission brief the budget committees on the agreement to ensure continued thoroughbred racing in 2011 and the outlook for continuing operations in 2012 and beyond.

2. Audit Notes Backlog of Mortgage Lender Examinations

The Division of Financial Regulation strives to protect financial services customers, ensure appropriate licensing, and maintain soundness in the State's financial landscape. It accomplishes this, in part, by conducting examinations on new and existing licenses to ensure compliance with applicable laws and regulations.

Chapter 691 of 2000, among other provisions, established a timeframe within which licensees must be examined by the division. Every new licensee must be examined within 18 months of the date of license issuance, and each existing licensee must be examined at least once during any 36-month period.

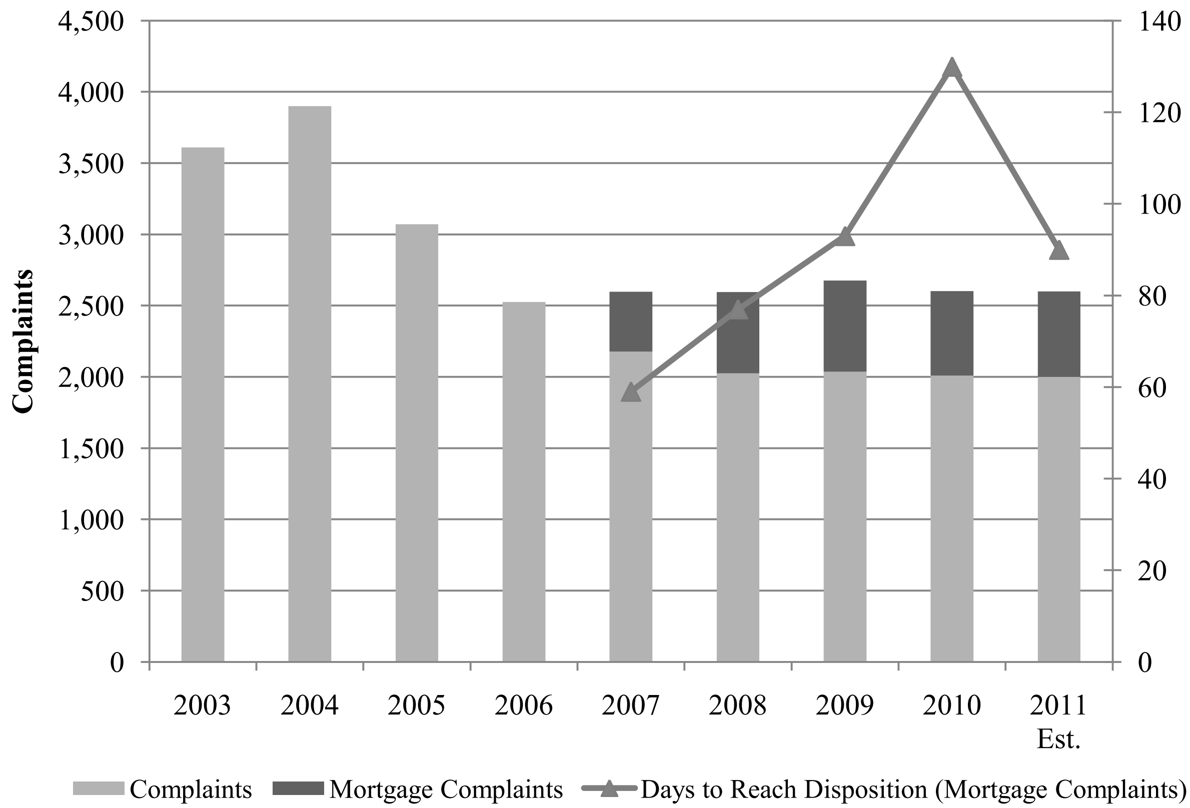
In August 2010, the Office of Legislative Audits released an audit that included a finding that the Division of Financial Regulation did not perform examinations of mortgage lenders within the timeframe required by State law. The audit reports that as of November 2009, the division had not performed the required examinations on 363 of 2,093 licensed mortgage lenders. Further, of those unexamined mortgage lenders, 107 were past due for examination from at least 12 months to more than five years.

The division reports that a contributing factor to the backlog was the examination of mortgage servicers. A new examination program had to be launched for servicers as no separate exam existed prior to 2008. Since the time of the audit, a servicer examination program has been created, and according to the division, the backlog has been significantly reduced.

Additional Backlog in Mortgage Complaint Resolution

The division has a goal to reach disposition on 100% of mortgage complaints and inquiries within 90 days. In order to measure its performance in response to the mortgage crisis, beginning in 2007, the division began to distinguish between consumer complaints regarding mortgage and nonmortgage issues. As shown in **Exhibit 5**, the division met its goal in fiscal 2007 and 2008 and nearly did so in fiscal 2009. However, efficiency significantly dropped in fiscal 2010 as the number of days to reach disposition on mortgage complaints increased from 93 days to 130 days.

Exhibit 5
Financial Regulation
Complaint Resolution
Fiscal 2003-2011



Note: Data for fiscal 2003-2006 includes both mortgage and nonmortgage complaints.

Source: Department of Labor, Licensing, and Regulation

According to the division's Managing for Results data, in fiscal 2010, the division closed only 61% of mortgage complaints within 90 days, compared to 97% in fiscal 2009. The increase in mortgage complaints and the increase in time to dispose of the complaints had led to a backlog within the division. It should be noted, however, that complaints are becoming increasingly complex as the problems of fraud and foreclosures persist. Further, the division advises that it will address all consumer concerns regarding the mortgage industry – even those complaints regarding activities or entities that are not licensed or regulated by the division.

DLS recommends that the department comment on its response to the audit findings, its progress in eliminating the examination backlog, and the decline in efficiency in processing mortgage complaints.

Recommended Actions

		Amount Reduction	
1.	Delete horse racing local impact aid. Fewer racing days over recent years have led to much less impact to the local jurisdictions. Additionally, racing revenues have been dramatically lower and are not likely to support the amount provided in the allowance. Further, revenues from video lottery terminals will provide significant local impact aid for several jurisdictions. Elimination of this aid may allow for sufficient revenues to fund agricultural boards and fairs.	$ 1,205,600	SF
	Total Special Fund Reductions	**$ 1,205,600**	

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
Department of Labor, Licensing, and Regulation – Business Regulation
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2010					
Legislative Appropriation	$9,275	$26,334	$3,972	$1,509	$41,090
Deficiency Appropriation	300	0	0	0	300
Budget Amendments	260	-18	832	147	1,221
Cost Containment	-856	-1,052	0	0	-1,908
Reversions and Cancellations	0	-2,419	-26	-151	-2,596
Actual Expenditures	**$8,979**	**$22,845**	**$4,778**	**$1,505**	**$38,107**
Fiscal 2011					
Legislative Appropriation	$8,424	$43,412	$4,556	$1,445	$57,837
Budget Amendments	0	0	394	93	486
Working Appropriation	**$8,424**	**$43,412**	**$4,950**	**$1,537**	**$58,323**

Note: Numbers may not sum to total due to rounding.

Fiscal 2010

Actual expenditures under the business regulations divisions of the department were somewhat less than what was originally appropriated in fiscal 2010.

The fiscal 2010 cost containment initiative reduced the department's business regulation original appropriation by over $1.9 million. The majority of the reduction is due to savings related to position reductions and to the employee furlough. Most of the position and salary reductions occurred within the Financial Regulation and Occupational and Professional Licensing. General fund savings were also realized, as the department transferred several general funded positions to the newly created Workplace Fraud Unit and other special funded programs. Also, the department relinquished over $84,000 in general funds, due to fewer than expected racing days and over $61,000 in general funds to eliminate routine inspections under the boards of barbers and cosmetologists. Finally, horse racing impact aid was halved for fiscal 2010. The BRFA of 2010 includes a provision to transfer these special funds to the general fund.

General funds did increase slightly in fiscal 2010. There was a fiscal 2010 general fund deficiency of $300,000 for the Division of Financial Regulation. The deficiency provided funds for salaries and benefits for financial examiners in the Mortgage Originator Program. Also, budget amendments increased reimbursable funds by about $147,000. The Governor's Office of Crime Control and Prevention (GOCCP) provided about $121,000 to the divisions of Occupational and Professional Licensing and Financial Regulation to investigate complaints of precious metal and gem dealers and mortgage fraud respectively. Additional reimbursable funds ($25,000) were provided to Financial Regulation by the Department of Human Resources (DHR) for expenses related to overseeing Intent to Foreclose notices. However, the Division of Occupational and Professional Licensing overbudgeted its reimbursable funds and canceled over $140,000.

Special funds of $2.4 million were canceled at the end of fiscal 2010. This was largely due to unrealized special fund income, primarily under the Division of Financial Regulation. Other changes to the original appropriation resulted from budget amendments that realigned funds, in part, between business regulation components of the department and the workforce development divisions of the department which are discussed in another analysis.

Fiscal 2011

Federal funds increased by $393,556 in fiscal 2011 as a result of a budget amendment that realigned the funds from the Division of Unemployment Insurance to the Division of Financial Regulation. Funds will be used to cover salaries and other operating expenses associated with the division's mortgage fraud prevention initiative.

Two budget amendments increased reimbursable funds by $92,672 in fiscal 2011. GOCCP provided grant funding ($73,635) to the Division of Financial Regulation to assist the division in the reducing a backlog of mortgage fraud cases. The division also received reimbursable funds ($19,037) from DHR to process Notice of Intent to Foreclose notices. These funds were provided through

Temporary Assistance for Needy Families monies through an agreement between the two departments.

Appendix 2

Audit Findings

Audit Period for Last Audit:	September 1, 2007 – March 28, 2010
Issue Date:	October 2010
Number of Findings:	4
Number of Repeat Findings:	4
% of Repeat Findings:	100%
Rating: (if applicable)	n/a

This audit applies only to the Division of Occupational and Professional Licensing within the department.

Finding 1: **Adequate accountability and control had not been established over certain collections.**

Finding 2: **The division did not maintain adequate accounts receivable records and cash balance control accounts for the Home Improvement and Real Estate Guaranty Funds.**

Finding 3: **The division did not always take appropriate action regarding licensees who had not reimbursed the Home Improvement or Real Estate Guaranty Funds for claims paid on the licensees' behalf.**

Finding 4: **The division did not always conduct timely audits of continuing education required for certain renewal licenses, nor take appropriate follow-up actions to ensure that licensees complied with those requirements.**

*Bold denotes item repeated in full or part from preceding audit report.

Object/Fund Difference Report
DLLR – Business Regulation

Object/Fund	FY 10 Actual	FY 11 Working Appropriation	FY 12 Allowance	FY 11 - FY 12 Amount Change	Percent Change
Positions					
01 Regular	369.22	368.45	367.45	-1.00	-0.3%
02 Contractual	112.33	38.32	132.12	93.80	244.8%
Total Positions	**481.55**	**406.77**	**499.57**	**92.80**	**22.8%**
Objects					
01 Salaries and Wages	$ 24,905,968	$ 27,207,860	$ 27,805,696	$ 597,836	2.2%
02 Technical and Spec. Fees	1,285,153	1,660,050	1,549,840	-110,210	-6.6%
03 Communication	641,607	713,974	674,816	-39,158	-5.5%
04 Travel	882,869	707,015	696,397	-10,618	-1.5%
06 Fuel and Utilities	15,604	22,792	15,604	-7,188	-31.5%
07 Motor Vehicles	234,335	280,421	216,727	-63,694	-22.7%
08 Contractual Services	7,326,965	5,653,293	5,433,859	-219,434	-3.9%
09 Supplies and Materials	419,978	449,156	387,893	-61,263	-13.6%
10 Equipment – Replacement	244,366	50,865	55,796	4,931	9.7%
11 Equipment – Additional	143,575	61,270	23,550	-37,720	-61.6%
12 Grants, Subsidies, and Contributions	1,028,512	20,526,095	61,664,195	41,138,100	200.4%
13 Fixed Charges	977,477	990,052	1,268,701	278,649	28.1%
Total Objects	**$ 38,106,409**	**$ 58,322,843**	**$ 99,793,074**	**$ 41,470,231**	**71.1%**
Funds					
01 General Fund	$ 8,978,460	$ 8,423,756	$ 8,549,197	$ 125,441	1.5%
03 Special Fund	22,844,933	43,411,660	85,192,635	41,780,975	96.2%
05 Federal Fund	4,778,295	4,950,053	4,566,147	-383,906	-7.8%
09 Reimbursable Fund	1,504,721	1,537,374	1,485,095	-52,279	-3.4%
Total Funds	**$ 38,106,409**	**$ 58,322,843**	**$ 99,793,074**	**$ 41,470,231**	**71.1%**

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.

Appendix 3

Fiscal Summary
DLLR – Business Regulation

Program/Unit	FY 10 Actual	FY 11 Wrk Approp	FY 12 Allowance	Change	FY 11 - FY 12 % Change
01 Division of Financial Regulation	$ 8,304,044	$ 9,166,407	$ 8,851,031	-$ 315,376	-3.4%
01 Division of Labor and Industry	15,031,292	16,722,614	16,840,813	118,199	0.7%
01 Division of Racing	3,439,487	22,814,959	63,800,794	40,985,835	179.6%
01 Division of Occupational and Professional Licensing	11,331,586	9,618,863	10,300,436	681,573	7.1%
Total Expenditures	**$ 38,106,409**	**$ 58,322,843**	**$ 99,793,074**	**$ 41,470,231**	**71.1%**
General Fund	$ 8,978,460	$ 8,423,756	$ 8,549,197	$ 125,441	1.5%
Special Fund	22,844,933	43,411,660	85,192,635	41,780,975	96.2%
Federal Fund	4,778,295	4,950,053	4,566,147	-383,906	-7.8%
Total Appropriations	**$ 36,601,688**	**$ 56,785,469**	**$ 98,307,979**	**$ 41,522,510**	**73.1%**
Reimbursable Fund	$ 1,504,721	$ 1,537,374	$ 1,485,095	-$ 52,279	-3.4%
Total Funds	**$ 38,106,409**	**$ 58,322,843**	**$ 99,793,074**	**$ 41,470,231**	**71.1%**

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.