

P00
Department of Labor, Licensing, and Regulation

Operating Budget Data

	(\$ in Thousands)				
	FY 02	FY 03	FY 04	FY 03 - 04	FY 03 - 04
	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
General Funds	\$28,390	\$29,351	\$28,751	-\$600	-2.0%
FY 2003 Cost Containment	0	-1,396	0	1,396	
FY 2003 Deficiencies	0	750	0	-750	
Contingent & Back of Bill Reductions	0	-35	-143	-108	307.5%
Adjusted General Funds	28,390	28,670	28,608	-62	-0.2%
Special Funds	7,642	13,783	11,706	-2,077	-15.1%
Contingent & Back of Bill Reductions	0	0	-6	-6	
Adjusted Special Funds	7,642	13,783	11,700	-2,083	-15.1%
Federal Funds	135,425	151,944	136,355	-15,589	-10.3%
Contingent & Back of Bill Reductions	0	-64	-320	-256	
Adjusted Federal Funds	135,425	151,879	136,035	-15,845	-10.4%
Reimbursable Funds	0	2,470	3,284	814	33.0%
Contingent & Back of Bill Reductions	0	0	-10	-10	
Adjusted Reimbursable Funds	0	2,470	3,274	804	32.6%
Adjusted Grand Total	\$171,457	\$196,802	\$179,616	-\$17,186	-8.7%

- A \$750,000 fiscal 2003 deficiency is requested to cover salaries and staffing needs.
- Federal employment training grants decline by \$14.9 million in the fiscal 2004 allowance.
- There is a \$1.5 million increase provided in the allowance for 19 net new contractual employees for the Unemployment Insurance Division.
- Completion of the Maryland Automated Benefit System provides a \$1.5 million decrease in fiscal 2004.

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

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Personnel Data

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Working</u>	<u>FY 04</u> <u>Allowance</u>	<u>Change</u>
Regular Positions	1,706.00	1,617.00	1,549.05	-67.95
Contractual FTEs	176.23	155.30	174.61	19.31
Total Personnel	1,882.23	1,772.30	1,723.66	-48.64

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	71.41	4.61%
Positions Vacant as of 12/31/02	132.55	8.20%

- The fiscal 2004 allowance deletes 68 regular positions.
- The fiscal 2004 allowance provides 19.31 new contractual positions.

Analysis in Brief

Major Trends

Safety Seminars Seem to Have Minimal Affect: The Maryland Occupational Safety and Health program, (in the Division of Labor and Industry) provides safety-training seminars.

Division of Financial Regulation Not Completing Its Scheduled Bank Examinations: The Commissioner of Financial Regulation reports that the division is completing about 70% of the scheduled exams.

Maryland Equipment Is Safe: The number of fatalities and injuries related to railroads, amusement rides, boilers, and elevators/escalators is low.

Issues

Statewide Review of Budget Closeout Transactions for Fiscal 2002: The Office of Legislative Audits reported several problems in its fiscal 2002 closeout report.

The Department of Labor, Licensing, and Regulation (DLLR) Appears Ill Equipped to Manage Diverse Programs and Account for Federal Funds: DLLR is assigned with many diverse tasks that prevent any meaningful development of economies of scale or the leveraging of institutional expertise and managerial talent.

Recommended Actions

	<u>Funds</u>
1. Add budget language to delete general funds contingent upon enactment of SB 303, which makes certain units of the Division of Labor and Industry a special funded agency.	
2. Add budget language requiring a report to transfer the Division of Employment and Training out of the department.	
3. Reduce postage to growth rate in first class rate.	\$ 5,053
4. Reduce fiscal 2004 allowance for replacement equipment.	10,417
5. Reduce fiscal 2004 allowance for motor vehicles.	29,898

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6.	Add language deleting general funds for the Railroad Safety and Health program.	
7.	Delete the Mediation and Conciliation Program.	161,131
8.	Add language reducing general funds contingent upon passage of House Bill 650.	
9.	Delete grants to aid Russian immigrants.	150,000
10.	Reduce deficiency per agency revision.	85,062
	Total Reductions to Fiscal 2003 Deficiency Appropriation	\$ 85,062
	Total Reductions to Allowance	\$ 356,499

P00
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. In addition to the Office of the Secretary, the department has five operating 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 (MOSH) Act.
- **The Division of Employment and Training** operates the federally funded Unemployment Insurance (UI), Job Service, Trade Adjustment Assistance, and Work Force Investment Act (WIA) programs. The division is also the pass-through agency for Welfare-to-Work grants.
- **The Division of Occupational and Professional Licensing** works with 22 different boards and commissions to license, regulate, and monitor a wide variety of professions and trades. All but four boards are supported by the general fund. For three of the four special fund boards, unspent money reverts to the general fund. The special fund for the Office of Cemetery Oversight is continuous and nonlapsing.
- **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 race track 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, collection agencies, and consumer loan companies.

Each division has its own set of goals and objectives based on its mission, but the department's general goals are to:

- provide a worker safety net, protect workers' rights, and foster work force development;
- improve workplace safety and worker health;
- prevent injuries and save lives of people using railroads, boilers, escalators, pressure vessels, and amusement rides;
- assure the basic competence and regulation compliance of occupational and professional licensees;

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- maintain the integrity of the horse racing industry; and
- protect consumers of financial services.

Performance Analysis: Managing for Results

Provide a Worker Safety Net, Protect Worker’s Rights, and Foster Workforce Development

Two divisions are responsible for meeting this goal, the Division of Labor and Industry and the Division of Employment and Training. The Division of Labor and Industry reports that it is meeting its goals for disposing wage payment claims. It also reports that it is meeting its employer satisfaction goals on its surveys for the Employment Standards program.

The primarily federally funded Division of Employment and Training also administers programs relevant to this goal. While the various measures provided for the Division of Employment and Training’s performance indicate general satisfaction from its client groups, DLLR does report an expected decline in the satisfaction level with the UI office. In fiscal 2002 the customer satisfaction rating was 8.8 (on a 10 point scale) while it is estimated that the satisfaction levels for fiscal 2003 and 2004 will be around 6.

DLLR should comment on the office of UI’s satisfaction ratings and the causes for this expected decline.

Improve Workplace Safety and Worker Health

Workplace safety is primarily the responsibility of MOSH, which is in the Division of Labor and Industry. **Exhibit 1** presents some selected workplace safety statistics from MOSH’s Managing for Results (MFR) report.

Exhibit 1

Statistics on Workplace Safety in Maryland

<u>Measure</u>	<u>2001</u>	<u>2002</u>	<u>2003*</u>	<u>2004*</u>
# of hazards abated in all construction SIC	3,670	3,552	3,659	3,769
# of employees removed from exposure in construction sites	6,322	4,807	4,951	5,100
# of hazards abated in all manufacturing SIC	2,103	2,300	2,369	2,440
# of employees removed from exposure in manufacturing sites	18,742	8,490	8,745	9,007
# of safety and health seminars	59	118	122	126
# of individuals receiving training in high hazard SICs	555	1,640	1,689	1,739

SIC=Standard Industry Classification

*Part of fiscal 2003 and all of fiscal 2004 are estimates

Source: Department of Labor, Licensing, and Regulation

It is noted that even though the number of seminars being held in four years has increased from 59 to

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126 there seems to be minimal affect on the number of hazards. While there may be more job sites and potential hazards, it would seem that a doubling of the number of seminars and a tripling of the number of attendees would have some noticeable affect on the number of hazards.

DLLR should be prepared to comment on the relationship between training seminars and the incidences of workplace hazards.

Prevent Injuries and Save Lives Of People Using Railroads, Boilers, Escalators, Pressure Vessels and Amusement Rides

This goal is primarily the Division of Labor and Industry’s responsibility. **Exhibit 2** presents selected safety data.

Exhibit 2

**Safety Record for the Division of Labor and Industry
(Fiscal Years)**

<u>Object</u>	<u>2002</u>	<u>Injuries</u> <u>2003 Est.</u>	<u>2004 Est.</u>	<u>2002</u>	<u>Fatalities</u> <u>2003 Est.</u>	<u>2004 Est.</u>
Railroads	9	17	17	0	2	2
Amusement Rides	18	14	12	0	0	0
Boilers	10	10	8	0	0	0
Elevator/Escalator	38	40	35	0	1	1

Source: Department of Labor, Licensing and Regulation

While it would be useful if DLLR provided some national or regional statistics to which these number could be compared, it appears that railroads et. al. are reasonably safe in Maryland.

Maintain the Integrity of the Horse Racing Industry

The Division of Racing regulates all aspects of the horse racing industry and has developed a number of measures to evaluate its performance. The best measure of the division’s performance is the “average overall satisfaction score of horsemen”, which has been and is expected to continue to be about 8 (on a 10 point scale).

Protect Consumers of Financial Services

The Division of Financial Regulation reports that no State chartered banks in Maryland have failed in at least the last four fiscal years, and no Maryland institution has had its depositors receive payments from the Federal Deposit Insurance Company over that period of time as well. However, the MFR report does note that it only expects to examine about 70% of the institutions scheduled for examination in fiscal 2003

and 2004. **Exhibit 3** presents the details.

Exhibit 3

Division of Financial Regulation Bank Examinations (Fiscal Years)

<u>Measure</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004 Est.</u>
# of Depository Institutions Regulated	74	81	76	78
# of Scheduled Examinations	44	52	46	48
# of Examinations Performed	37	63	34	34
% of Scheduled Examinations Performed	84%	121%	74%	71%
% of Regulated Institutions Examined	50%	78%	48%	44%

Source: Department of Labor, Licensing, and Regulation

DLLR should be prepared to explain why financial institution examinations are being missed or done late and what affect this may have on the safety and security of Maryland's financial sector.

Fiscal 2003 Actions

Proposed Deficiency

The budget contains a \$750,000 deficiency request. There are two parts to this request: one is \$500,000 for salaries for existing staff in the Office of the Secretary (about 220 employees) and the remainder is to fill critical positions in Office of Budget and Fiscal Services, Division of Financial Regulation, and Office of the Executive Direction. The department reports that this deficiency is needed due to the affects of fiscal 2003 cost containment.

Impact of Cost Containment

Cost containment reduced the fiscal 2003 working appropriation by roughly \$1.5 million.

DLLR realized \$0.6 million of this savings through increased turnover including leaving the chief financial officer, budget manager, and a budget analyst position open as well as a deputy secretary position. DLLR will realize another \$0.7 million in savings by appropriating through amendment previously unappropriated revenues and then applying these revenues toward expenses in lieu of general funds. DLLR also reduced contractual services by \$0.1 million and is subject to the reversion of appropriations to support free transit ridership for State employees (\$99,000).

Budget Reconciliation and Financing Act of 2003

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The 2003 Budget Reconciliation and Financing Act (BRFA) proposes two, partially offsetting, transfers affecting the uncashed tickets portion of the Racing Facility Redevelopment Fund for fiscal 2003. A provision of the BRFA of 2002 (Chapter 440 of 2002) transferred \$3.7 million from the Redevelopment Fund to the general fund. However, only \$2.21 million was actually available to transfer from the fund; therefore the funds available for use in fiscal 2003 are reduced by \$1.48 million, the difference between the planned \$3.7 million and the actual \$2.21 million. This proposal also transfers \$1.69 million from the Racing Commission in fiscal 2003. The two fiscal 2003 transfers offset resulting in a net transfer of \$203,284 from the Racing Commission to the general fund. There is also a \$393,100 transfer in fiscal 2004.

Governor's Proposed Budget

The fiscal 2004 allowance is presented in detail in **Exhibit 4**. The allowance is \$17.2 million (8.7%) lower than the fiscal 2003 working appropriation.

Exhibit 4

Governor's Proposed Budget					
Department of Labor, Licensing, and Regulation					
(\$ in Thousands)					
	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 03 - 04</u>	<u>FY 03 - 04</u>
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Where It Goes:

Personnel Expenses

Turnover adjustments	\$2,086
Employee and retiree health insurance	2,051
Pay for performance bonuses	297
Retirement.....	286
Annual leave payout to former employees	262
Cost of reclassifying employees	194
Employee transit subsidy.....	86
Deletion of 68 regular positions	-2,978
Deletion of funds associated with reduction of 89 PINs in fiscal 2003.....	-2,235
Deletion of one-time bonuses provided in fiscal 2003 budget	-801
Deletion of deferred compensation.....	-480
Workers' compensation premium assessment	-349
Other fringe benefit adjustments	-36

Other Changes

Office of the Secretary

Rental for copiers and printers	209
DBM allocation of capital lease expenses	175
Other supplies.....	156

Division of Labor and Industry

Computer usage allocation per the recommendations of the federal audit conducted in 2002	103
Other	-56

Division of Employment and Training

19,31 new contractual employees for the unemployment insurance program.....	1,478
Increase in grants for the Mid-Atlantic Career Consortium	875
Reduction grants: \$5 million decrease due to the expiration of a Welfare to Work grant, and \$7.443 million decrease due to a decrease in the federal Dislocated Worker and the Workforce Investment Act grant programs as well as partial accounting reallocation	-12,443
Reduction primarily due to the elimination of the JTPA – federal job service/training program that was replaced by the Workforce Investment Act.....	-2,504
Reduction due to full implementation of the Maryland Automated Benefits System (MABS)	-1,477
Reduction in telecommunications due to closing of field offices and centralization of employment service centers.....	-424
Other operating expenses	-312

Division of Occupational and Professional Licensing

Increase due to one-time cost containment actions in fiscal 2003.....	597
Reduction in payments to licensing testing contractors	-413
Printing services for licenses	-267
Electronic licensing services.....	-200
Reduction in use of expert witnesses at Office of Administrative Hearings	-110

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Where It Goes:

Maryland Racing Commission

Laboratory services for test of blood gas level etc. of horses	28
Reduction in grants to MEDCO related to the racing facility redevelopment fund.....	-267

Other Operating Changes

Miscellaneous Changes	-588
Rent for office at 500 Calvert Street in Baltimore.....	197
Reduction in Annapolis Data Center Charges	-435
Electricity.....	109

Total	-\$17,186
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Note: Numbers may not sum to total due to rounding.

Cost Containment

The fiscal 2004 allowance reflects the elimination of the appropriation for matching employee deferred compensation contributions up to \$600, contingent upon enactment of a provision in the BRFA of 2003. This amounts to approximately \$86,000 for DLLR.

Personnel

The fiscal 2004 allowance provides a net \$1.6 million decrease from the fiscal 2003 working appropriation. There are several components to this change; the largest of which is a \$2.9 million decrease associated with the deletion of 68 PINs. These position changes are distributed as shown in **Exhibit 5**. More detail is presented in **Appendix 4**.

Exhibit 5

Fiscal 2004 Position Deletions

<u>Program</u>	<u># of Positions</u>
Office of the Secretary	15.2
Division of Financial Regulation	4.0
Division of Labor and Industry	12.0
Occupational and Professional Licensing	7.75
Division of Employment and Training	29.0

Source: Department of Legislative Services

The fiscal 2004 allowance also includes a \$2.2 million reduction for the deletion of funds associated with 89 positions that were eliminated in fiscal 2003. Of these 89 positions, 86.25 were deleted from the Division of Employment and Training.

DLLR should comment on how the reduction of 157 positions will affect its ability to perform its duties and functions.

Division of Employment and Training

The Division of Employment and Training (DET) is the largest part of DLLR’s budget and consequently incurs the most budget activity. The fiscal 2004 allowance provides a net decrease of approximately \$14.2 million, or approximately 83%, of the department’s \$17.2 million dollar decrease. The bulk of this change is due to a combined \$12.4 million decrease in three federal grant programs, Welfare-to-Work, Dislocated Worker, and Workforce Investment Act, partially offset by a combined \$2.5 million increase in two other grant programs.

In addition to the budgetary changes, the majority of the new contractual positions in the fiscal 2004 allowance will be assigned to the Division of Employment and Training’s Office of UI. This contractual increase is due to the 20 positions deleted from UI over the last two fiscal years, and is approximately \$1.5 million.

Issues

1. Statewide Review of Budget Closeout Transactions for Fiscal 2002

In fiscal 2001 the Office of Legislative Audits (OLA) noted in its closeout report of January 2002 that DLLR had significant closeout issues, as shown in **Exhibit 6**.

Exhibit 6

Fiscal 2001 Closeout Issues

1. Potential federal fund deficits totaling \$17.3 million – deficit balances of approximately \$17.3 million existed in several federal programs.
2. Compliance with the budgetary law that federal funds be used before general funds could not be demonstrated.
3. Federal audits disallowed costs totaling \$11.2 million – this disallowance is a result of overstated indirect cost claims.
4. Improper use of special funds totaling \$4.7 million – this is a result of misuse of special administrative expense funds.
5. Federal fund record keeping differences of \$2.7 million – this was a reconciliation issue between Schedule G (schedule of active federal grants) and R*STARS.

Source: Department of Legislative Services

In response to these issues the legislature withheld \$250,000 of general fund appropriations from DLLR pending the submission of an action plan to improve DLLR's office of budget and fiscal services. This plan was received, and the funds were subsequently appropriated.

In its fiscal 2002 closeout audit released January 2003, OLA noted that DLLR has made little if any improvement on these issues, and in some cases, some of the practices that troubled the auditors initially seemed to have continued. Below is a detailed description of the OLA's findings and recommendations.

Finding 1

Approximately \$7.8 Million in Accrued Federal Fund Revenues Could Not Be Substantiated

The department recorded \$7.8 million in federal revenues to eliminate deficits in several federal programs at the end of fiscal 2002. The OLA reports that \$6.5 million of this \$7.8 million cannot be collected from the federal government because the associated federal grant has expired. This means that it is very likely that at least \$6.5 million of this expenditure will have to be covered by a general fund deficiency appropriation.

Finding 2

Year-end Closing Schedule G Was Not Adequately Reconciled to R*STARS

DLLR did not adequately reconcile the difference between the federal grant activity reported on its Schedule G (schedule of active federal grants) with the federal grant activity recorded in R*STARS, the State's accounting system. In its Schedule G, DLLR reported that it had federal grant receivables of approximately \$5.1 million, while the corresponding entry in R*STARS was approximately \$7.0 million. The difference is primarily due to unsubstantiated federal grants receivables recorded in R*STARS. This is not a new problem (see item number 5 in Exhibit 6).

Finding 3

Federal Funds Recovered During Fiscal 2001 Totaling \$19.9 Million Were Not Reverted to the General Fund or Approved for Use

In both its fiscal 2002 statewide closeout report and the fiscal 2002 compliance report on DLLR – Office of the Secretary, OLA reported that the department had recorded unsubstantiated federal fund accrued revenue totaling \$17.3 million (see item number 1 in Exhibit 5) during fiscal 2001 closing process to eliminate several deficits in federal programs including in the Division of Employment and Training.

It was also reported that DLLR requested and received federal fund reimbursement of \$19.9 million relating to expenditures that had been improperly charged to the general fund on behalf of the Office of UI (within the Division of Employment and Training).

In the fiscal 2002 closeout process, it was disclosed that the department retained the \$19.9 million and used it to cover several deficits in federal programs without obtaining proper appropriation authority to do so. Specifically, two transfers, one for \$14.1 million and one for \$5.3 million, were made to several programs within the Office of the Secretary and to the Employment and Training program; the remaining \$500,000 was retained by the Office of UI.

DLLR maintains that these transfers were proper and in accordance with the law but as of February 2003 could not provide any substantiating documentation and doubts that the documentation exists anymore.

Finding 4

Federal Disallowances Totaling about \$9.8 Million Have Not Been Resolved

OLA found in fiscal 2001 that DLLR had \$11.2 million in accumulated disallowed claims for federal funds (see item number 3 in Exhibit 5). The federal government opted not to pursue \$1.4 million of this leaving \$9.8 million to be resolved. This is an amount that has been accumulating as improperly charged federal reimbursements since fiscal 1996. DLLR has submitted paperwork to the federal government to

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substantiate \$6.5 million; however, DLLR advises that it will not be able to substantiate the balance of \$3.3 million. The federal granting agency has yet to decide whether to accept the DLLR's justifications on the \$6.5 million. This means that DLLR will require at least \$3.3 million, and possibly as much as \$9.8 million, in general funds to cover this deficiency. No funding is included in the allowance to address this issue. **DLLR received approval of a new indirect cost allocation plan from the federal government in early February 2003, but the accumulated problems remain. DLS recommends that:**

- **DLLR aggressively seek to resolve its issues with the federal government.**
- **DLLR diligently and frequently reconcile its Schedule G and R*STARS federal grants accounts.**
- **DLLR prepares a comprehensive and detailed action plan on how these accounting and deficiency issues will be resolved.**

In general, the audit findings are a continuation of the problems reported in the fiscal 2001 closeout. The pattern that has emerged is that most of DLLR's audit and closeout issues involve federal fund management. Many of the problems discussed in this section began when DLLR assumed responsibility for the Division of Employment and Training in fiscal 1996.

2. DLLR Appears Ill Equipped to Manage Diverse Programs and Account for Federal Funds

In fiscal 1996 the Department of Licensing and Regulation was reorganized and many of the employment services of the former Department of Employment and Economic Development (DEED) were transferred to the newly named DLLR. Before it assumed the employment training and unemployment insurance functions contained in DEED, DLLR had a \$24 million budget and was primarily responsible for regulating and licensing all the non-health occupations and professions as well as certain objects such as boilers and amusement rides. Of its \$24 million annual appropriation about \$3 million was federal funds.

Managing and Accounting for Federal Funds Overwhelms Department

After the reorganization, DLLR's annual appropriation increased to \$170 million with almost the entire increase due to federal funds and related to the employment services functions it had assumed. As discussed above, fiscal 1996 was also the first year DLLR inappropriately charged indirect costs to the federal government. DLLR's institutional infrastructure was apparently not prepared to absorb the 400% staffing increase and 600% (over 4,000% in federal funds) budget increase in one year. The continuing audit problems discussed in Issue 1 suggest that, seven years after the reorganization, the department still lacks the expertise and infrastructure necessary to oversee the volume of federal grants that it receives.

Diversity of Responsibilities

Before the reorganization, DLLR focused almost exclusively on regulation of industries and professionals. The reorganization added responsibility for managing many of the State's employment training programs and distributing unemployment insurance benefits. There is little managerial efficiency between administering unemployment insurance and regulating amusement rides or licensing hair stylists. These require different sets of skills and different managerial approaches. Indeed, the entire Division of Employment and Training is a poor fit for the rest of DLLR, both as a functional fit and as an attempt to leverage managerial talent.

The serious financial oversight problems facing DLLR are directly and primarily due to its federal funds, which are almost entirely for employment services. To the extent it is able, DLLR should comment on the benefits of transferring the Division of Employment and Training out of the department.

Recommended Actions

1. Add the following language:

Provided that \$8,105,566 of the general funds for the Division of Labor and Industry is deleted from this appropriation contingent upon enactment of Senate Bill 303.

Explanation: Senate Bill 303 provides that all the general funds appropriated to the Division of Labor and Industry shall be replaced by special funds from the Workers' Compensation Commission.

2. Add the following language:

Provided that the Departments of Budget and Management and Labor, Licensing, and Regulation shall submit a report evaluating the potential benefits and costs of transferring the functions performed by the Division of Employment and Training out of the department.

Explanation: Most of the department's financial oversight issues are related to federal funds and can be traced back to fiscal 1996 when the department assumed all the functions that are now within the Division of Employment and Training. These problems have been ongoing and transferring these functions out of the department may be the best solution.

Information Request	Authors	Due Date
Report on transferring the Division of Employment and Training out of the Department of Labor, Licensing, and Regulation.	DLLR DBM	October, 1, 2003

- | | <u>Amount
Reduction</u> |
|--|------------------------------------|
| 3. Reduce postage to the growth rate (8.8%) in the cost of first class mail. | \$ 5,053 GF |
| 4. Reduce the fiscal 2004 general fund allowance for replacement equipment due to the large growth over the fiscal 2003 working appropriation (26%). Most of the growth is in federal funds, this reduction still allows some growth in general funds. | 10,417 GF |

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5. Reduce fiscal 2004 allowance for motor vehicles. With 29,898 GF
157 fewer staff than in fiscal 2002 motor vehicle expenditures can be reduced with minimal affect on the department's operations. This still leaves a 29% increase over the fiscal 2002 actual expenditure.
6. Add the following language to the general fund appropriation:

, provided that \$392,744 of this appropriation is deleted contingent upon enactment of legislation providing that the Railroad Safety and Health program is special funded.

Explanation: Chapter 487, Acts of 2002 established that various health and safety programs within the Division of Labor and Industry are special funded. In an oversight, the Railroad Safety and Health program was omitted from the bill. It is anticipated that the 2003 Budget Reconciliation and Financing Act will correct this oversight.

**Amount
Reduction**

7. Delete the Mediation and Conciliation program. The 161,131 GF
department reports that the services of this program were used twice in fiscal 2002 and only once in fiscal 2001. With such infrequent use and private sector alternatives available, the deletion of this program will not adversely affect services to the taxpayers.
8. Add the following language to the general fund appropriation:

, provided that \$1,275,565 of this appropriation is reduced contingent upon enactment of House Bill 650.

Explanation: House Bill 650 proposes to create a special fund for the five design boards in Occupational and Professional Licensing. These are the Boards of Architects, Professional Engineers, Examiners of Landscape Architects, Certified Interior Designers, and Professional Land Surveyors.

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	<u>Amount Reduction</u>	
9. Delete grants given to certain charities to aid immigrants from Russia. The Department of Labor, Licensing, and Regulation reports that there were 412 clients last year. However, with the initial wave of immigration lessening since the collapse of the Soviet Union, this program can be deleted.	150,000	GF
10. Reduce the deficiency request for fiscal 2003 per the agency revision.	85,062	GF
Total Reductions to Fiscal 2003 Deficiency	\$ 85,062	GF
Total General Fund Reductions to Allowance	\$ 356,499	

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2002					
Legislative Appropriation	\$26,800	\$7,211	\$141,014	\$0	\$175,025
Deficiency Appropriation	2,492	0	0	0	2,492
Budget Amendments	-835	3,971	13,778	0	16,914
Reversions and Cancellations	-68	-3,540	-19,366	0	-22,974
Actual Expenditures	\$28,390	\$7,642	\$135,425	\$0	\$171,457
Fiscal 2003					
Legislative Appropriation	\$29,351	\$9,629	\$151,765	\$2,134	\$192,879
Budget Amendments	0	4,154	179	335	4,668
Cost Containment	-1,431	0	-64	0	-1,495
Deficiency Approp.	750	0	0	0	750
Working Appropriation	\$28,670	\$13,783	\$151,880	\$2,470	\$196,802

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

There are over \$4 million in special fund budget amendments in fiscal 2003. Approximately \$1.1 million of this amount is an appropriation to support the cost of administering professional exams, and \$700,000 is cost allocation recoveries not included in the fiscal 2003 budget. The balance is spread over a variety of smaller appropriations none individually exceeding \$100,000.

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Appendix 2

Object/Fund Difference Report Department of Labor, Licensing, and Regulation						
Object/Fund	FY 02	FY 03	FY 04	FY 03 – FY 04	Percent Change	
	Actual	Working Appropriation	Allowance	Amount Change		
Positions						
01 Regular	1706.00	1617.00	1549.05	-67.95	-4.2%	
02 Contractual	176.23	155.30	174.61	19.31	12.4%	
Total Positions	1882.23	1772.30	1723.66	-48.64	-2.7%	
Objects						
01 Salaries and Wages	\$ 86,324,642	\$ 86,688,767	\$ 85,451,497	-\$ 1,237,270	-1.4%	
02 Technical & Spec Fees	5,132,246	2,858,127	4,654,192	1,796,065	62.8%	
03 Communication	2,898,005	2,996,241	2,849,539	-146,702	-4.9%	
04 Travel	1,046,394	1,375,951	1,195,965	-179,986	-13.1%	
06 Fuel & Utilities	373,278	422,960	555,006	132,046	31.2%	
07 Motor Vehicles	359,482	469,515	494,982	25,467	5.4%	
08 Contractual Services	10,604,525	18,302,165	12,348,441	-5,953,724	-32.5%	
09 Supplies & Materials	1,910,090	2,719,526	2,037,732	-681,794	-25.1%	
10 Equip - Replacement	616,667	852,449	1,074,952	222,503	26.1%	
11 Equip - Additional	423,580	1,100,605	237,187	-863,418	-78.4%	
12 Grants, Subsidies, Contr	58,342,054	75,745,636	65,404,000	-10,341,636	-13.7%	
13 Fixed Charges	3,294,423	4,015,435	3,792,480	-222,955	-5.6%	
14 Land & Structures	131,298	0	0	0	0.0%	
Total Objects	\$ 171,456,684	\$ 197,547,377	\$ 180,095,973	-\$ 17,451,404	-8.8%	
Funds						
01 General Fund	\$ 28,389,563	\$ 29,350,959	\$ 28,750,595	-\$ 600,364	-2.0%	
03 Special Fund	7,642,057	13,782,689	11,706,020	-2,076,669	-15.1%	
05 Federal Fund	135,425,064	151,943,640	136,354,941	-15,588,699	-10.3%	
09 Reimbursable Fund	0	2,470,089	3,284,417	814,328	33.0%	
Total Funds	\$ 171,456,684	\$ 197,547,377	\$ 180,095,973	-\$ 17,451,404	-8.8%	

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

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Fiscal Summary
Department of Labor, Licensing, and Regulation

<u>Unit/Program</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 03</u>	<u>FY 02 – FY 03</u>	<u>FY 03 – FY 04</u>
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>% Change</u>	<u>% Change</u>
		<u>Appropriation</u>	<u>Appropriation</u>		<u>Allowance</u>
0A Department Of Labor, Licensing, And Regulation	\$ 16,586,819	\$ 17,323,413	\$ 17,577,659	6.0%	\$ 17,576,100
0C Division Of Financial Regulation	4,572,896	4,473,178	4,476,854	-2.1%	4,726,129
0D Division Of Labor And Industry	11,462,549	12,044,676	12,323,886	7.5%	12,175,686
0E Division Of Racing	6,136,312	9,432,473	12,375,261	101.7%	10,641,822
0F Division Of Occupational & Professional Licensing	7,181,987	7,381,350	8,523,440	18.7%	7,668,547
0G Division of Employment and Training	125,516,121	142,224,277	142,270,277	13.3%	127,307,689
Total Expenditures	\$ 171,456,684	\$ 192,879,367	\$ 197,547,377	15.2%	\$ 180,095,973
General Fund	\$ 28,389,563	\$ 29,350,959	\$ 29,350,959	3.4%	\$ 28,750,595
Special Fund	7,642,057	9,628,511	13,782,689	80.4%	11,706,020
Federal Fund	135,425,064	151,765,302	151,943,640	12.2%	136,354,941
Total Appropriations	\$ 171,456,684	\$ 190,744,772	\$ 195,077,288	13.8%	\$ 176,811,556
Reimbursable Fund	\$ 0	\$ 2,134,595	\$ 2,470,089	N/A	\$ 3,284,417
Total Funds	\$ 171,456,684	\$ 192,879,367	\$ 197,547,377	15.2%	\$ 180,095,973

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

Detailed Chart of Position Abolitions in Fiscal 2004 Allowance

<u>Position</u>	<u>FTE</u>	<u>Base Salary</u>
Office of the Secretary		
Special Assistant	1.0	\$44,314
Office Clerk	2.0	20,894
Administrative Officer	1.0	34,908
Fiscal Specialist	1.0	34,908
Administrative Program Manager	1.0	51,697
Plumber	1.0	23,722
Office Appliance Clerk	1.0	24,275
Police Officer	3.0	26,958
Police Officer II	1.0	28,749
Assistant Attorney General V	0.2	10,339
Personnel Officer III	1.0	37,255
Personnel Officer II	1.0	34,908
Personnel Clerk	1.0	23,722
Division of Financial Regulation		
Administrative Officer I	1.0	30,664
Administrator I	1.0	37,255
Legal Assistant I	1.0	23,722
Financial Examiner III	1.0	34,908
Division of Labor and Industry		
Executive VI	1.0	85,465
Administrator VII	1.0	55,219
Administrator I	1.0	37,255
Deputy Boiler Inspector	1.0	34,908
Wage Hour Investigator I	1.0	25,545
MOSH Compliance Officer II	1.0	30,664
Electronic Technician II	1.0	25,286
Industrial Hygienist	1.0	30,664
MOSH Compliance Officer Lead	1.0	34,908
MOSH Compliance Officer I	1.0	28,749
MOSH Compliance Officer III	1.0	38,037
Office Secretary I	1.0	28,337
Division of Occupational and Professional Licensing		
Office Processing Clerk	1.0	19,617
Office Services Clerk	1.0	22,260
Office Secretary I	2.0	22,260
Office Clerk II	1.0	20,894
Assistant Attorney General V	0.2	7,755
License Investigator I	1.0	23,722
Chief Financial Examiner	1.0	45,329
Assistant Attorney General VI	0.6	42,536

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<u>Position</u>		<u>FTE</u>	<u>Base Salary</u>
Division of Employment and Training			
Administrative Officer I	2	1.0	41,504
Administrative Officer II		1.0	44,314
Job Service Specialist II		0.8	28,592
Employment Training Specialist Trainee		0.2	4,744
Program Manager I		1.0	45,329
Job Service Specialist III		1.0	38,880
Job Service Specialist III		1.0	35,345
Job Service Specialist IV		1.0	41,504
Job Service Specialist II		1.0	35,740
Job Service Specialist Supervisor II		1.0	44,670
Administrator I		1.0	49,572
Job Service Specialist IV		0.8	32,574
Job Service Specialist IV		0.2	6,133
Job Service Specialist Supervisor II		1.0	47,319
Job Service Specialist III		1.0	36,024
Job Service Specialist III		0.8	30,516
Job Service Specialist III		0.2	5,750
Computer Operator Supervisor		1.0	44,314
DP Programming Analyst – Lead		0.8	41,882
DP Processing Program. Analyst		0.2	6,543
Employment Training Office Manager II		1.0	37,255
Fiscal Accounts Technician		0.8	26,290
Office Secretary III		0.2	5,057
Unemployment Insurance Specialist II		1.0	35,066
Unemployment Insurance Specialist Supervisor II		1.0	34,908
Accountant		0.9	42,931
Accountant Auditor IV		0.2	3,066
Fiscal Compliance Auditor		0.9	48,578
Fiscal Accounts Tech Supervisor		0.9	34,603
Fiscal Associate II		0.1	2,529
Fiscal Accounts Technicians		1.0	34,135
Administrative Specialist		0.5	13,479
Unemployment Insurance Staff Specialist II		0.5	20,752
Unemployment Insurance Specialist II		0.8	25,319
Unemployment Insurance Specialist II		0.8	6,740
Unemployment Insurance Specialist Supervisor		1.0	32,715
Unemployment Insurance Staff Specialist I		0.5	19,073
Unemployment Insurance Staff Specialist I		0.5	14,375
Unemployment Insurance Specialist I		1.0	30,153
Total		68.0	

MOSH= Maryland Occupational Safety and Health