

P00
Department of Labor, Licensing, and Regulation

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Operations	\$102,510	\$103,691	\$101,606	-\$905	\$110,674	\$9,068
Contractual Services	10,605	11,550	12,102	1,497	16,807	4,705
Grants	58,342	71,103	64,904	6,562	53,426	-11,478
FY 2004 Deficiencies	0	0	6,000	6,000	0	-6,000
Contingent & Back of Bill Reductions	0	0	0	0	-556	-556
Adjusted Grand Total	\$171,457	\$186,345	\$184,611	\$13,154	\$180,350	-\$4,261
General Funds	28,390	29,131	18,769	-9,621	18,418	-351
FY 2004 Deficiencies	0	0	6,000	6,000	0	-6,000
Contingent & Back of Bill Reductions	0	0	0	0	-88	-88
Adjusted General Funds	\$28,390	\$29,131	\$24,769	-\$3,621	\$18,330	-\$6,439
Special Funds	7,642	12,384	20,390	12,748	20,092	-298
Contingent & Back of Bill Reductions	0	0	0	0	-61	-61
Adjusted Special Funds	\$7,642	\$12,384	\$20,390	\$12,748	\$20,031	-\$359
Federal Funds	135,425	142,426	135,713	288	139,586	3,873
Contingent & Back of Bill Reductions	0	0	0	0	-407	-407
Adjusted Federal Funds	\$135,425	\$142,426	\$135,713	\$288	\$139,179	\$3,466
Reimbursable Funds	0	2,404	3,740	3,740	2,811	-929
Adjusted Grand Total	\$171,457	\$186,345	\$184,611	\$13,154	\$180,350	-\$4,261
Annual %Change		8.7%	-0.9%		-2.3%	

- Between fiscal 2002 and 2004 the department reduced its general fund appropriation by \$3.6 million. Part of this was due to the transferring of several programs from general funds to special funds, which also partially explains the increase in special funds, and part was due to PIN reductions.

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

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- The fiscal 2005 allowance provides a \$6,000,000 general fund deficiency appropriation for fiscal 2004. The deficiency is requested to offset inappropriate charges to federal funds in prior years.
- The fiscal 2005 allowance provides a \$16.6 million increase to the Unemployment Insurance Program.
- The fiscal 2005 allowance assumes a reduction of \$13.9 million in federal Workforce Investment Act funds.

Personnel Data

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Regular Positions	1,706.0	1,627.0	1,519.1	-186.9	1,502.1	-17.0
Contractual FTEs	176.2	113.7	159.3	-16.9	178.6	19.3
Total Personnel	1,882.2	1,740.7	1,678.4	-203.8	1,680.7	2.3

Vacancy Data: Regular Positions

Turnover Expectancy	57.68	3.84%
Positions Vacant as of 12/31/03	66.60	4.38%

- The department has deleted 187 regular positions since fiscal 2002. These reductions have affected every division in the department.
- The fiscal 2005 allowance deletes 17 filled regular positions due to a reorganization in the job services program.
- The fiscal 2005 allowance provides 19.32 new contractual positions.

Analysis in Brief

Major Trends

Customer Satisfaction Not Improving: The Department of Labor, Licensing, and Regulation (DLLR) measures customer and user satisfaction for many of its programs, and the recent trends in these measures are flat across the department.

The Commissioner of Financial Regulation Lowers Its Depository Institutions Goals: Various measures of the strength of the State’s depository institutions are declining.

Downward Trends in Office of Employment Training: A broad range of measures for the Office of Employment Training have been trending downward over the past few years.

Issues

Financial Reconciliation: DLLR has made progress on its long running audit issues but has not solved a major underlying problem.

Jobs Services: DLLR is the primary provider of federally funded job and employment services. These programs are often redundant and overlapping in both the services they deliver and the market they seek to serve.

Recommended Actions

	<u>Funds</u>
1. Add budget bill language to reduce general funds contingent on legislation making two boards special funded.	
2. Reduce education expenses in Office of Professional Licensing.	\$ 20,000
3. Reduce funding for the Russian Immigrant Program.	75,000
4. Reduce federal funds.	2,998,000
5. Delete overbudgeted funds in the Unemployment Insurance Program.	468,000
Total Reductions	\$ 3,561,000

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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 federal funded employment service programs. In addition to the Office of the Secretary, the department has six 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 Act.
- **Division of Workforce Development** operates workforce development programs including job services, Workforce Investment Act, and labor market information programs.
- **Division of Unemployment Insurance** operates the federally funded unemployment insurance programs including paying benefits, collecting unemployment taxes and the Trade Adjustment Assistance programs.
- **The Division of Occupational and Professional Licensing** works with 23 different boards and commissions to license, regulate, and monitor a wide variety of professions and trades. All but seven boards are supported by the general fund. For one of the seven special fund boards, unspent money reverts to the general fund.
- **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;

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- assure the basic competence and regulation compliance of occupational and professional licensees;
- maintain the integrity of the horse racing industry; and
- protect consumers of financial services.

Performance Analysis: Managing for Results

Customer Satisfaction Not Improving

DLLR has a broad range of programs and responsibilities, making it difficult to summarize its performance with a few concise measures from the Managing for Results (MFR) report. However, one indicator of DLLR's mission accomplishment is the customer/client satisfaction surveys it conducts for many of its programs. **Exhibit 1** details the recent fiscal years (when available) and fiscal 2005 estimates of survey results.

Exhibit 1 gives an overall measure of the department and how it is perceived in fulfilling many of its duties. Most measures are relatively flat over the years. While one way to view these numbers is that DLLR is very consistent, none of these measures indicate exemplary service. Several are barely meeting the department's stated goal for the particular measure, and only one measure scores over a nine in four years.

DLLR can literally count hundreds of thousands of Marylanders as part of its customer base – job seekers, employers, professionals, and riders of amusement rides and trains are only a few of the groups DLLR affects.

DLLR should comment on whether it views these results as an acceptable level of performance or if it has plans to improve its satisfaction ratings.

The Commissioner of Financial Regulation Lowers Its Depository Institutions Goals

The Commissioner of Financial Regulation has lowered its stated goals in its MFR. The commissioner has lowered the number of depository institutions it expects to give a strong one or two composite score. The composite score is a rating system developed by the Federal Financial Institutions Council called the Uniform Financial Institutions Rating Systems (UFIRS). The UFIRS measures an institution's strength in the following six essential areas:

- adequacy of capital;
- quality of assets;

Exhibit 1
Customer and User Satisfaction Levels with Various DLLR Programs
Fiscal 2002 – 2005 Estimates

<u>Program</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>(Est.) FY 2004</u>	<u>(Est.) FY 2005</u>
Usefulness of Program – Office of Program Analysis and Audit (Goal: 7.0)	8.17	7.21	7.30	7.50
Satisfaction – Appeals Division (Goal: 5% increase each year)	5.39	5.52	5.67	5.80
Satisfaction – Office of Personnel Services (Goal: 7.75)	7.69	n/a	7.75	7.85
Employer Satisfaction – Employment Standards and Services (Goal: 7.5)	7.24	7.30	7.50	7.50
Employee Satisfaction – Employment Standards and Services (Goal: 7.5)	7.74	8.00	7.50	7.50
Program Sponsor Satisfaction – Maryland Apprenticeship and Training (Goal: 8.0)	8.33	8.23	8.00	8.00
Participant Satisfaction – Maryland Apprenticeship and Training (Goal: 8.5)	8.89	9.00	8.50	8.50
Satisfaction with Complaint Process – Occupational and Professional Licensing (Goal: 7.3)	7.30	7.20	7.30	7.30
Business Satisfaction with Office of Employment Services Workforce Development (Goal: 6.0)	n/a	6.83	6+	6+
Job Seeker Satisfaction with Office of Employment Services Workforce Development (Goal: 6.0)	n/a	6.99	6+	6+
Satisfaction – Office of Unemployment Services (Goal: 6.0)	8.82	8.71	6+	6+

All scales are 1 to 10 with 10 being best.

Source: Governor’s Budget Books

- capacity of management;
- level of earnings;
- adequacy of liquidity; and
- sensitivity to market risk.

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An institution's composite score is not a mathematical average of its rating in the individual categories but more of a qualitatively adjusted weighted average. If a certain component seems to be more important to a particular institution (i.e., an exceptionally strong management team) that component is given more weight in the composite of that particular institution.

The commissioner's goals show an expectation that fewer poor performing institutions will improve their outcomes. The commissioner also expects to complete examinations for only half of the institutions scheduled for an audit. **Exhibit 2** presents the details.

Exhibit 2
Selected Measures from the Commissioner of Financial Regulation
Fiscal 2002 – 2005 Estimates

<u>Measure</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>(Est.) FY 2004</u>	<u>(Est.) FY 2005</u>
% of depository institutions rated above two*	90%	93.5%	85%	85%
% of depository institutions rated above three that are expected to improve*	100%	50%	25%	25%
Scheduled exams	52	61	63	65
Completed exams	63	64	34	34
Number of complaints filed	2,964	3,610	3,610	3,610

* Target score is a one or two.

Source: Governor's Budget Books

The decline in completed exams could be the result of understaffing. It is noted that in a separate research project during the 2003 interim, the Department of Legislative Services (DLS) determined that the commissioner is about seven examiners short of having the labor-hour capacity to complete the required examinations within the designated amount of time.

The department should explain the cause of these trends, their significance to the financial services industry in Maryland, and the department's need to complete its audits.

Downward Trends in Office of Employment Training

Exhibit 3 presents a variety of measures from the MFR report for the Office of Employment Training. Most of them show a downward trend.

Exhibit 3
Selected Measures for the Office of Employment Training
Fiscal 2002 – 2005 Estimates

<u>Measure</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>(Est.) FY 2004</u>	<u>(Est.) FY 2005</u>
Entered employment rate (older youth)	60.1%	76.1%	65.0%	65.0%
Entered employment rate (dislocated workers)	95.2%	91.0%	75.0%	75.0%
Employment retention rate (older youth)	89.5%	87.3%	78.0%	78.0%
Employment retention rate (adults)	96.8%	91.9%	82.0%	82.0%
Employment retention rate (dislocated workers)	98.1%	95.6%	88.0%	88.0%

Note: “Entered employment” is the number of people who complete a job training program and obtain a job.
“Retention” is a measure of how many who find a job, keep it for six months.

Source: Governor’s Budget Books

There may be several reasons for these trends: the target population may be a harder to employ demographic than in previous years or it could be that the slower economy has made it more difficult to find employment for the lower-skilled. Regardless of the cause, fewer program participants (as a percentage) are entering the workforce, and fewer of those are being retained longer than six months.

DLLR should be prepared to explain these trends, their significance, and what is required to reverse them.

Fiscal 2004 Actions

Proposed Deficiency

The budget contains a \$6,000,000 deficiency request. This deficiency is requested as a one-time offset against the federal fund shortfalls the department has incurred over the past seven fiscal years.

Impact of Cost Containment

As a result of the Board of Public Works action in July 2003, DLLR took cost containment actions totaling \$1.19 million. The department achieved these reductions by the allocation shown in **Exhibit 4**.

Exhibit 4
Allocation of Board of Public Works Cost Containment
Fiscal 2004

<u>Action</u>	<u>FY 2004</u> <u>Savings</u>
Reduce STEP Program	\$500,000
Eliminate vacant positions/maintain other vacant positions	421,633
New hires at lower salaries	70,000
Fund switch – DLLR is using special funds in lieu of general funds in the Division of Labor and Industry	200,000
Total	\$1,191,633

STEP = Skills-based training for employment promotion

Source: Department of Budget and Management

Governor's Proposed Budget

Exhibit 5 presents the details of the Governor's fiscal 2005 allowance. DLLR's allowance decreases by \$4.3 million (2.3%) over the fiscal 2004 working appropriation. However, this decrease is somewhat misleading, inasmuch as most of the changes are focused in a few programs.

Impact of Cost Containment

DLLR has eliminated the Skills-based Training for Employment Promotion (STEP) program from the fiscal 2005 allowance, which represents a \$500,000 decrease. Other ongoing cost containment actions include an increase in turnover (\$241,000), rent reductions (\$273,000), PIN reductions (\$223,000), and \$769,000 in departmental wide reductions.

Personnel

The fiscal 2005 allowance provides a \$1.3 million increase over the fiscal 2004 working appropriation for personnel. This increase is a function of several factors. The single largest increase in personnel is \$1.2 million in increments, but there are also significant increases in health insurance (\$1.1 million), turnover (\$948,000), and job reclassifications in the UI Program (\$922,000).

Exhibit 5
Governor's Proposed Budget
Department of Labor, Licensing, and Regulation
(\$ in Thousands)

	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Approp.</u>	<u>FY 05</u> <u>Allowance</u>	<u>FY 04-05</u> <u>Change</u>	<u>FY 04-05</u> <u>% Change</u>
General Funds	\$29,131	\$18,769	\$18,418	-\$351	-1.9%
FY 2004 Deficiencies	0	6,000	0	-6,000	
Contingent & Back of Bill Reductions	0	0	-88	-88	
Adjusted General Funds	\$29,131	\$24,769	\$18,330	-\$6,439	-26.0%
Special Funds	\$12,384	\$20,390	\$20,092	-\$298	-1.5%
Contingent & Back of Bill Reductions	0	0	-61	-61	
Adjusted Special Funds	\$12,384	\$20,390	\$20,031	-\$359	-1.8%
Federal Funds	\$142,426	\$135,713	\$139,586	\$3,873	2.9%
Contingent & Back of Bill Reductions	0	0	-407	-407	
Adjusted Federal Funds	\$142,426	\$135,713	\$139,179	\$3,466	2.6%
Reimbursable Funds	\$2,404	\$3,740	\$2,811	-\$929	-24.8%
Adjusted Grand Total	\$186,345	\$184,611	\$180,350	-\$4,261	-2.3%

Where It Goes:

Personnel Expenses

Increments and other compensation.....	\$1,228
Employee and retiree health insurance	1,108
Turnover and cost containment adjustments	948
Increase in federal funds due to reclassification of claims examiners in the UI Program	922
Reduction in funds related to 39 PINs deleted in fiscal 2004 by the Board of Public Works	-1,702
Abolition of 17 positions	-955
Retirement	-135
Other fringe benefit adjustments.....	-65

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Where It Goes:

Other Changes

UI Program

Increase in federal grants for the Information Technology Service Centers to develop information technology applications for the processing and monitoring of unemployment insurance data	4,800
Contractual fees for programming services, system upgrades, and work stations for the Maryland Imaging Data Access System (MIDAS)	6,241
Purchase 300 personal computers, 76 laptop computers, 2 printers, and various other technological equipment.....	1,332
Purchase of office equipment and data processing hardware.....	1,025
Increase in licenses for forms processing, scanning, and workflow software	973
Increase in phone and communication expenses	785
Computer upgrades	727
Printing expenses for pamphlets, literature, etc.....	211
Contractual payroll for seasonal staff at offices around the State	122
Maintenance for current imaging system until new one is operational	108
Rental costs of copiers and postage machines.....	101
Numerous small repairs to offices around State and travel.....	130

Racing Commission

Decrease in grants, uncashed ticket revenues, previously channeled through the Maryland Economic Development Corporation and back to the racing commission.....	-2,168
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Division of Workforce Development

Increase to replace data processing equipment per departmental schedule	131
Increase in funding for Workforce Investment Board Coordination agreements.....	65
Decrease in grants due to a reduction in the federal appropriation for WIA	-13,900
Decrease in expenditure on Mid-Atlantic Career Consortium	-175
One-time decrease in data processing contracts related to web site work for the Mid-Atlantic Career Consortium.....	-450
Decrease in software upgrade expenses	-68

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Where It Goes:

Division of Administration

Increase in State computer usage for various programs.....	199
Elevator maintenance, security locks, and building maintenance	60
Departmental reductions in rent paid to the Department of General Services	-545
Decrease in software licenses	-136

Miscellaneous Changes

Department of Budget and Management telecommunications charges.....	724
Rental for copiers, postage machines, and office cleaning equipment	90
Communication expenses for programs other than UI	48
Decrease due to one time deficiency in fiscal 2004.....	-6,000
Replacement computers, printers, and monitors mostly for the Occupational Safety program and Financial Regulation	-109

Other 69

Total **-\$4,261**

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

These increases are offset by a few significant decreases as well. The largest decrease is the deletion of funds associated with 39 PINs that were deleted in previous cost containment actions. The other large decrease in personnel is the abolishment of 17 PINs. These are currently filled positions and represent layoffs the department is making as part of reorganization of its Division of Workforce Development. **Exhibit 6** presents the details of these positions.

Exhibit 6
Abolished PINs in the Department of Labor, Licensing, and Regulation's
Fiscal 2005 Allowance

<u>Program</u>	<u>Position</u>	<u>Salary</u>
Office of Employment Services	Administrator I	\$50,535
	Administrator III	59,358
	Administrator I	45,029
	Office Secretary III	33,814
	Administrative Officer III	47,779
	Administrative Officer III	47,779
	Administrative Officer II	40,656
	Administrator I	51,027
	Management Specialist IV	48,627
	Office Secretary I	27,291
Office of Employment Training	Agency Grants Specialist II	48,238
	Administrator II	46,287
	Administrator II	55,564
	Administrator II	55,027
	Administrative Specialist II	36,428
	Administrative Specialist I	32,863
	Administrator II	55,564
Total		\$781,866

Source: Department of Labor, Licensing, and Regulation

UI Program

The changes to the UI Program dominate DLLR's fiscal 2005 allowance. While the total fiscal 2005 allowance decreases by 2.3%, the UI Program increases by 42.8% (\$16.6 million) over the fiscal 2004 working appropriation and 16.4% over the fiscal 2003 actual expenditures, all in federal funds. Almost all of this increase is driven by large scale technology acquisitions. The largest item the UI Program plans to purchase is a new imaging system. The department reports that the Maryland Imaging Data Access System was created in 1995, and its technology is no longer

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supported. DLLR reports that the new system is needed to maintain reliability, speed, and serviceability.

In addition to the imaging system, the UI Program also plans to purchase 370 new computers, a variety of data processing equipment, and software upgrades for 540 personal computers.

Division of Workforce Development

The Workforce Development Program decreases by \$14.4 million. This is almost entirely due to the reduction the federal government has made to the WIA. Maryland's WIA grant is \$13.9 million less than it was in (State) fiscal 2004. This reduces the amount of funds that will be passed through to the local workforce development programs. It is expected that this reduction will result in less job training and employment services.

Other Changes

Significant decreases in other programs include a \$2.2 million reduction in the facility redevelopment fund of the racing commission and a \$545,000 decrease in rent. These reductions, in addition to the elimination of the \$6 million deficiency for fiscal 2004 and the reductions in the division of workforce development, offset the increase in the UI Program.

Issues

1. Financial Reconciliation

As has been noted in a variety of DLS' documents over the past few years, DLLR has had significant problems managing and reconciling its federal funds. In the Statewide Review of Budget Closeout Transactions for Fiscal Year 2003, released in January 2004, the Office of Legislative Audits reported that DLLR recorded \$5.9 million in unsubstantiated federal funds. This is a continuation of a previously reported finding of \$17.3 million in unsubstantiated federal funds recorded in fiscal 2001. In negotiations since 2001 with the U.S. Department of Labor, DLLR was able to reduce the amount from \$17.3 million to \$7.8 million (as reported in the 2003 session). The balance is now a non-negotiable \$5.9 million. DLLR proposes to address the remaining balance with a fiscal 2004 deficiency appropriation provided in the fiscal 2005 allowance.

Of DLLR's other major audit issues, the department was able to reconcile the \$19.9 million in un-reverted federal funds with a plan approved by the budget committees, and the department was able to reconcile its \$9.8 million in disallowed indirect costs reimbursements with the U.S. Department of Labor.

This leaves one audit issue yet unresolved: the improper use of \$4.7 million of Special Administrative Expense Funds. DLLR, upon advice of counsel, maintains that it used these funds in accordance with the law while DLS, also upon the advice of counsel, respectfully disagrees. Resolution of this issue is pending an Attorney General's opinion.

DLLR has made progress on its audit issues and obtained more training for its staff regarding federal funds management, but one fundamental problem remains – DLLR has not developed a reliable way to reconcile its federal funds to R*STARS, the State accounting system. DLLR conducted its most recent reconciliation by hand. This is a most difficult way to manage and track \$140 million and is prone to error. Improper reconciliation may cost the State \$5.9 million in fiscal 2004 plus lost interest and use of funds for carrying improper balances. A reliable reconciliation system is an urgent need.

The department needs to explain its plan to develop or obtain a system that will enable it to accurately and quickly reconcile its federal funds.

2. Jobs Services

A large part of what DLLR does is job service related. Through primarily two programs, the Office of Employment Services and the Office of Employment Training, the fiscal 2005 allowance provides \$55.1 million in funding for job services programs. In addition to these major programs, there are also smaller job service programs such as the Russian Immigrants Program. These programs contain redundant functions and often provide overlapping services. In addition to the many job service programs within DLLR, the Department of Human Resources offers a variety of

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State and federal funded job service programs. This presents a rather complex maze for the job seeker and employer to navigate.

One example of the problems that DLLR faces is a failure to meet a deadline in the Welfare-to-Work Program. The Welfare-to-Work Program failed to receive \$5 million in federal fiscal 1999 matching funds because DLLR's local grantees did not budget the pace of their spending in such a way as to guarantee the matching grant would be allocated. The deadline to qualify for these funds just recently passed. These types of problems can and should be avoided. By streamlining the delivery of job services and knowing the target populations, problems can be avoided. DLLR recognizes these problems and has begun the process of reorganizing its job services programs. The abolition of the general funded skills based training for employment promotion program is an example of one action DLLR has taken. However, it must be pointed out that since many of these programs are federal funded, the federal government has placed certain restrictions and restraints on how the funds may be used. This will limit DLLR's ability to conduct wholesale revisions to the programs but still allows flexibility to make some important changes.

In its response to the *2003 Joint Chairmen's Report*, the department briefly discussed the reorganization of the Division of Employment and Training into two entities to help with services delivery and fund management. **DLLR should explain what other changes it is undertaking. The department should also explain the impact of the deletion of the 17 filled positions and how all these changes will improve services to the labor force and employers of Maryland, and how the changes will provide for a more efficient use of resources.**

Recommended Actions

1. Add the following language:

. provided that \$1,397,000 of this general fund appropriation is reduced contingent upon the enactment of House Bill 144. Further provided that \$434,000 of this general fund appropriation is reduced contingent upon the enactment of House Bill 110.

Explanation: House Bill 144 would change the Real Estate Commission from a general funded commission to a special funded commission. House Bill 110 would change the Board of Public Accountancy from a general funded board to a special funded board.

- | | <u>Amount
Reduction</u> | |
|---|------------------------------------|----|
| 2. Reduce education expenses in the Office of Professional Licensing to fiscal 2004 working appropriation level. | \$ 20,000 | GF |
| 3. Reduce funding for the Russian Immigrant Program. The need for this program continues to wane. Since the collapse of the Soviet bloc, the immigration from the former republics has decreased. In fiscal 2003 records show that 412 clients were aided by the programs these grants funds. In fiscal 2004 the Department of Labor, Licensing, and Regulation reports that 185 clients are being helped. In both years all the grant was exhausted which means that the cost per client more than doubled in one year. | 75,000 | GF |
| 4. Reduce federal funds. The department has shown that it has significant difficulties managing its federal funds. This reduction reduces the department's federal fund fiscal 2005 appropriation to approximately the fiscal 2004 working appropriation. The department may submit budget amendments for the federal funds subject to the provision in section 24 subparagraph 3 of House Bill 200/Senate Bill 125 (the fiscal 2005 budget bill) which requires any federal fund budget amendment in excess of \$100,000 must be accompanied by documentation certifying that the funds are available. | 2,998,000 | FF |

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5.	Delete over budgeted funds in the Unemployment Insurance Program. The department states that this appropriation increase was made in error and should be deleted.	468,000	FF
	Total Reductions	\$ 3,561,000	
	Total General Fund Reductions	\$ 95,000	
	Total Federal Fund Reductions	\$ 3,466,000	

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 2003					
Legislative Appropriation	\$29,351	\$11,029	\$151,765	\$2,189	\$194,333
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	1,479	6,335	6,498	1,135	15,446
Cost Containment	-1,618	0	0	0	-1,618
Reversions and Cancellations	-312	-5,011	-15,909	-1,417	-22,649
Actual Expenditures	\$28,900	\$12,353	\$142,354	\$1,906	\$185,512
GWIB	230	31	73	499	833
Adjusted Total	\$29,131	\$12,384	\$142,426	\$2,404	\$186,345
Fiscal 2004					
Legislative Appropriation	\$20,011	\$11,699	\$135,713	\$3,817	\$171,240
Cost Containment	-1,243	-6	0	-77	-1,326
Budget Amendments		8,697			8,697
Working Appropriation	\$18,769	\$20,390	\$135,713	\$3,740	\$178,611

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

Fiscal 2003

During the 2003 interim, the Governor's Workforce Investment Board (GWIB) was transferred to DLLR. As a result, the Department of Budget and Management made a retro-active adjustment to the appropriation numbers so the inclusion of GWIB did not skew any increases and decreases. The GWIB numbers are included in the fiscal 2004 working appropriation figures.

In fiscal 2003 DLLR had \$6.3 million in special fund budget amendments. This amount is primarily due to additional takeout revenue for the Racing Commission (\$4.3 million) but also includes the cost of professional exams for the Office of Professional Licensing (\$1 million) and several other smaller expenses. DLLR also reverted \$5 million in special funds. This amount includes \$1.8 million for the Racing Bond Fund and \$1.2 million for the Maryland Economic Development Corporation. There is also a reversion related to Special Administrative Expense Fund (\$800,000).

DLLR also had \$6.5 million in federal fund budget amendments which were primarily federal Reed Act (unemployment insurance-related) money that had accumulated since fiscal 1998 in small amounts. DLLR decided to appropriate these funds in fiscal 2003. DLLR also had \$15.9 million in federal fund reversions. This amount includes reversions in the Welfare-to-Work Program (\$6.8 million), UI Program (\$5.7 million), and the Job Service Program (\$2.4 million).

The fiscal 2004 special fund amendments are due to Chapter 277, Acts of 2003 which made the five design boards within Occupational and Professional Licensing special funded.

**Object/Fund Difference Report
Department of Labor, Licensing, and Regulation**

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1627.00	1519.05	1502.05	-17.00	-1.1%
02 Contractual	113.70	159.26	178.58	19.32	12.1%
Total Positions	1740.70	1678.31	1680.63	2.32	0.1%
Objects					
01 Salaries and Wages	\$ 85,948,005	\$ 84,807,141	\$ 86,719,022	\$ 1,911,881	2.3%
02 Technical & Spec Fees	4,799,679	4,655,506	4,818,389	162,883	3.5%
03 Communication	3,423,273	2,761,763	4,344,199	1,582,436	57.3%
04 Travel	877,747	1,208,343	1,266,180	57,837	4.8%
06 Fuel & Utilities	650,113	551,256	634,954	83,698	15.2%
07 Motor Vehicles	359,682	465,992	480,093	14,101	3.0%
08 Contractual Services	11,550,379	12,101,653	16,806,504	4,704,851	38.9%
09 Supplies & Materials	1,904,133	2,045,205	2,754,437	709,232	34.7%
10 Equip - Replacement	598,754	1,067,493	4,197,596	3,130,103	293.2%
11 Equip - Additional	490,737	237,187	2,057,017	1,819,830	767.3%
12 Grants, Subsidies, and Contracts	71,103,244	64,904,000	53,426,000	-11,478,000	-17.7%
13 Fixed Charges	3,235,372	3,805,643	3,329,706	-475,937	-12.5%
14 Land & Structures	1,403,859	0	72,263	72,263	N/A
Total Objects	\$ 186,344,977	\$ 178,611,182	\$ 180,906,360	\$ 2,295,178	1.3%
Funds					
01 General Fund	\$ 29,130,554	\$ 18,768,534	\$ 18,417,941	-\$ 350,593	-1.9%
03 Special Fund	12,383,553	20,390,053	20,091,698	-298,355	-1.5%
05 Federal Fund	142,426,372	135,712,644	139,585,590	3,872,946	2.9%
09 Reimbursable Fund	2,404,498	3,739,951	2,811,131	-928,820	-24.8%
Total Funds	\$ 186,344,977	\$ 178,611,182	\$ 180,906,360	\$ 2,295,178	1.3%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.

**Fiscal Summary
Department of Labor, Licensing, and Regulation**

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
0A Office of the Secretary	\$ 11,731,262	\$ 17,384,079	\$ 10,767,471	-8.2%	\$ 10,651,814	-1.1%
0B Division of Administration	15,667,966	0	17,023,000	8.6%	17,611,567	3.5%
0C Division of Financial Regulation	4,761,586	4,642,749	4,592,365	-3.6%	4,875,818	6.2%
0D Division of Labor And Industry	11,242,795	4,024,663	11,959,098	6.4%	12,670,105	5.9%
0E Division of Racing	10,751,598	10,599,859	10,513,546	-2.2%	8,234,253	-21.7%
0F Div. of Occupational & Professional Licensing	7,387,028	7,081,318	7,300,541	-1.2%	7,589,869	4.0%
0G Division of Workforce Development	76,485,169	126,770,877	77,067,163	0.8%	59,340,692	-23.0%
0H Division of Unemployment Insurance	48,317,573	0	39,387,998	-18.5%	59,932,242	52.2%
Total Expenditures	\$ 186,344,977	\$ 170,503,545	\$ 178,611,182	-4.2%	\$ 180,906,360	1.3%
General Fund	\$ 29,130,554	\$ 19,807,079	\$ 18,768,534	-35.6%	\$ 18,417,941	-1.9%
Special Fund	12,383,553	11,699,403	20,390,053	64.7%	20,091,698	-1.5%
Federal Fund	142,426,372	135,712,643	135,712,644	-4.7%	139,585,590	2.9%
Total Appropriations	\$ 183,940,479	\$ 167,219,128	\$ 174,871,231	-4.9%	\$ 178,095,229	1.8%
Reimbursable Fund	\$ 2,404,498	\$ 3,284,417	\$ 3,739,951	55.5%	\$ 2,811,131	-24.8%
Total Funds	\$ 186,344,977	\$ 170,503,545	\$ 178,611,182	-4.2%	\$ 180,906,360	1.3%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.