

**P00**  
**Department of Labor, Licensing, and Regulation**

***Operating Budget Data***

(\$ in Thousands)

|                    | <b><u>FY 05</u></b><br><b><u>Actual</u></b> | <b><u>FY 06</u></b><br><b><u>Working</u></b> | <b><u>FY 07</u></b><br><b><u>Allowance</u></b> | <b><u>FY 06-07</u></b><br><b><u>Change</u></b> | <b><u>% Change</u></b><br><b><u>Prior Year</u></b> |
|--------------------|---|--|--|--|--|
| General Fund       | \$18,035                                    | \$17,585                                     | \$26,118                                       | \$8,533  | 48.5%  |
| Special Fund       | 19,376                                      | 19,374                                       | 25,583   | 6,209  | 32.0%  |
| Federal Fund       | 133,511                                     | 134,787                                      | 136,203  | 1,416  | 1.1%   |
| Reimbursable Fund  | <u>2,281</u>                                | <u>1,870</u>                                 | <u>6,780</u>                                   | <u>4,911</u>                                   | <u>262.7%</u>                                      |
| <b>Total Funds</b> | <b>\$173,203</b>                            | <b>\$173,616</b>                             | <b>\$194,685</b>                               | <b>\$21,069</b>                                | <b>12.1%</b>                                       |

- The allowance provides a \$1.1 million fiscal 2006 deficiency to provide funds for statewide indirect cost recovery for the department.
- The allowance includes \$10 million within the Division of Racing for the purpose of horse racing purse enhancements. Other significant changes include increases in federal grants for workforce development (\$1.2 million) and trade readjustment assistance (\$2 million).
- The department's Office of Information Technology will be a fully reimbursable operation in fiscal 2007.

***Personnel Data***

|                        | <b><u>FY 05</u></b><br><b><u>Actual</u></b> | <b><u>FY 06</u></b><br><b><u>Working</u></b> | <b><u>FY 07</u></b><br><b><u>Allowance</u></b> | <b><u>FY 06-07</u></b><br><b><u>Change</u></b> |
|------------------------|---|--|--|--|
| Regular Positions      | 1,490.05                                    | 1,459.55                                     | 1,472.55                                       | 13.00  |
| Contractual FTEs       | <u>181.58</u>                               | <u>177.40</u>                                | <u>194.00</u>                                  | <u>16.60</u>                                   |
| <b>Total Personnel</b> | <b>1,671.63</b>                             | <b>1,636.95</b>                              | <b>1,666.55</b>                                | <b>29.60</b>                                   |

***Vacancy Data: Regular Positions***

|                                   |        |       |
|-----------------------------------|--------|-------|
| Turnover, Excluding New Positions | 61.99  | 4.21% |
| Positions Vacant as of 12/31/05   | 114.00 | 7.81% |

- The fiscal 2007 allowance includes funds for an additional 13 regular full-time equivalents; 6 of which are to be used to re-staff the Employment Standards Unit.

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

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## *Analysis in Brief*

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### Major Trends

**Department Improves Its Federal Report Filing Rate:** The department has reversed a past trend and is meeting its goals for federal report submissions.

**Mixed Performance Within Division of Occupational and Professional Licensing:** There is a recent dip in the efficiency of the division’s handling of consumer complaints.

**The Department Is Customer Oriented:** The department distributes approximately 22,000 surveys annually to gauge customer satisfaction.

### Issues

**Audits and Sunset Review Findings Question Department’s Special Funding:** Several legislative reports have questioned the department’s ability to appropriately manage its special funds. **The department should comment on the issues associated with special funded boards and commissions and how it will ensure self-sufficiency and proper documentation of the boards’ financial activities.**

**Funding Enhancements for the Horse Racing Industry:** In efforts to make the State’s horse racing industry more competitive, the legislature has approved numerous monetary enhancements over the last decade. **The department should discuss the improvements to competitiveness that resulted from the financial assistance provided to the industry.**

### Recommended Actions

|   | <u>Funds</u>         | <u>Positions</u> |
|---|----------------------|------------------|
| 1. Delete 13 full-time equivalent new positions.                                  | \$ 484,479           | 13.0             |
| 2. Reduce funds for 8 regular positions that have been vacant for over 18 months. | 407,356              | 8.0              |
| 3. Delete funds for new grant program in the Horse Racing Commission.             | 10,000,000           |                  |
| 4. Reduce funds for contractual staff from the Unemployment Insurance Division.   | 328,641              |                  |
| <b>Total Reductions</b>   | <b>\$ 11,220,476</b> | <b>21.0</b>      |

## **Updates**

*Prevailing Wage and Employment Standards:* Funding for the Prevailing Wage Unit and the Employment Standards Unit has been restored in the fiscal 2007 allowance as required by statute.

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

*Operating Budget Analysis*

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**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 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.
- **The Division of Workforce Development** operates workforce development programs including job services, Workforce Investment Act, and labor market information programs.
- **The Division of Unemployment Insurance** operates the federally funded unemployment insurance programs.
- **The Division of Occupational and Professional Licensing** licenses, regulates, and monitors 21 different professions and trades through boards and commissions. All but 7 boards are supported by 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 and originators, 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 workforce 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 regulatory compliance of occupational and professional licensees;
- maintain the integrity of the horse racing industry; and
- protect consumers of financial services.

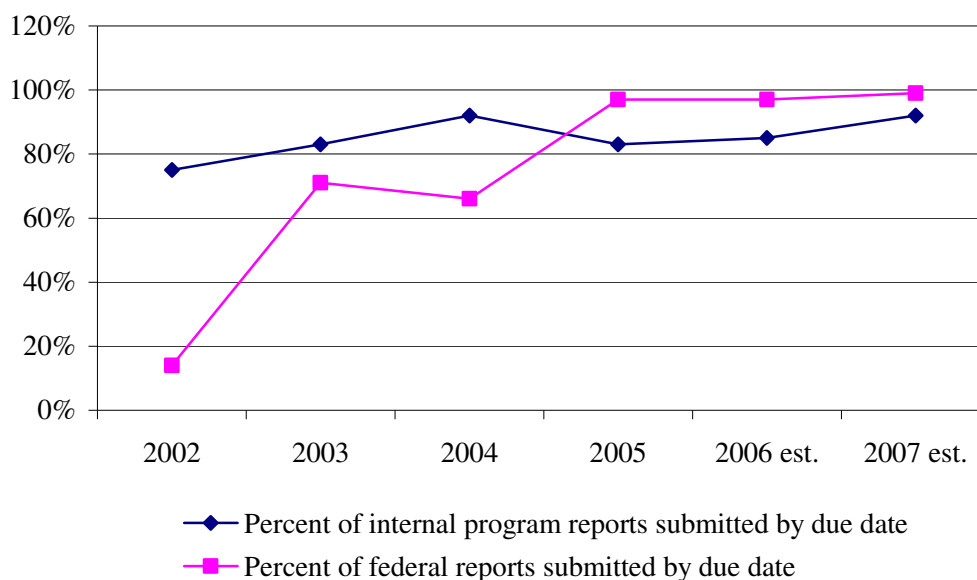
## Performance Analysis: Managing for Results

### Department Improves Its Federal Report Filing Rate

In response to an audit of its federal funds management, DLLR has significantly improved the timeliness of its federal grant report submissions. In fiscal 2005, the department submitted 97% of such reports by the required due date. This is a significant improvement from a low of 14% in fiscal 2002. However, as shown in **Exhibit 1**, this effort may have negatively affected the submission rate for the department's internal program reports. In fiscal 2005, internal program reports were filed by the due date 83% of the time, a decline from 92% the prior year.

**The department should discuss how it plans to maintain acceptable submission rates for all its reporting requirements.**

**Exhibit 1**  
**Timeliness of Report Submissions**  
Fiscal 2002 – 2007



Source: Governor's budget book

## Mixed Performance within Division of Occupational and Professional Licensing

The Division of Occupational and Professional Licensing regulates the practice of 21 occupations and professions. Among its duties, it is charged with resolving consumer complaints against the regulated industries. Its Managing for Results goal is to have at least 80% of complaints closed within 180 days. According to the data, the division was reaching this goal in 2002 – 2004. (See **Exhibit 2**)

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### Exhibit 2 Division of Occupational and Professional Licensing Selected Performance Measures Fiscal 2003 – 2007

|   | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>Est.</u><br><u>2006</u> | <u>Est.</u><br><u>2007</u> |
|---|-------------|-------------|-------------|-------------|----------------------------|----------------------------|
| Percent of complaints closed within 180 days of receipt | 82%         | 82%         | 81%         | 77%         | 80%                        | 80%                        |
| Average days to complete complaint process              | 130         | 126         | 118         | 150         | 135                        | 135                        |

Source: Governor's budget books

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In fiscal 2004, the division posted an 81% resolution rate, and its average time to complete the case reached a low of 118 days. It expected to continue this positive trend in fiscal 2005. However, in fiscal 2005 the resolution rate dropped to 77% and the average days to resolve the complaint rose to 150, 27% longer than just the year before. Conversely, the division's customer satisfaction rating went up to 7.2 in fiscal 2005 (on a 10 point scale), up from a low of 6.1 in fiscal 2004. The decline in its efficiency in fiscal 2005 did not negatively impact the customer's rating of the complaint process.

**The department should discuss why its performance declined in fiscal 2005 and how it will ensure efficiency in the complaint process.**

### The Department Is Customer Oriented

The department, through its multiple divisions, serves a wide variety of customers. In order to assess how well the department meets the needs and expectations of these customers, the department has developed several survey tools. The surveys are applicable to customers served by most of the department's units. **Exhibit 3** provides a list of which programs are subject to customer surveys and the survey results. While each one has some variation in scale, the higher number represents a better rating for all of them. Most programs showed stable or improved customer satisfaction (with the exception of Employment Standards).

**Exhibit 3**  
**Customer Survey Results**  
**Fiscal 2003 – 2005**

| <u>Program</u>                 | <u>Unit</u>                      | <u>2003<br/>Results</u> | <u>2004<br/>Results</u> | <u>2005<br/>Results</u> | <u>2006<br/>Est.</u> | <u>2007<br/>Est.</u> |
|--------------------------------|----------------------------------|-------------------------|-------------------------|-------------------------|----------------------|----------------------|
| Office of Secretary            | Program Analysis and Audit       | 7.2                     | 7.8                     | 8.0                     | 8.0                  | 8.0                  |
|                                | Office of Equal Opportunity      | 95%                     | 96%                     | 98%                     | 90%                  | 90%                  |
|                                | Board of Appeals                 | 5.5                     | 5.8                     | 6.2                     | 6.5                  | 6.8                  |
|                                | Lower Appeals                    | 7.0                     | 7.2                     | 6.8                     | 7.0                  | 7.0                  |
|                                | Governor's Workforce Investment  | n/a                     | n/a                     | n/a                     | 80%                  | 80%                  |
| Division of Administration     | Office of Information Technology | n/a                     | 8.7                     | 7.2                     | 8.0                  | 8.0                  |
|                                | Office of Personnel Services     | n/a                     | 6.5                     | 7.1                     | 6.9                  | 6.8                  |
| Division of Policy Program     | Financial Regulation             | 73%                     | 70%                     | 71%                     | 75%                  | 75%                  |
|                                | Occupational and Professional    | 7.2                     | 6.1                     | 7.2                     | 7.2                  | 7.2                  |
| Labor and Industry             | Employment Standards Service     | 8.0                     | 8.3                     | 5.6                     | n/a                  | 5.0                  |
|                                | Occupational Safety and Health   | 98%                     | 96%                     | 96%                     | 96%                  | 96%                  |
|                                | Safety Inspection                | n/a                     | n/a                     | 8.7                     | 8.8                  | 8.8                  |
|                                | RR Inspection                    | n/a                     | n/a                     | 8.7                     | 8.8                  | 8.8                  |
| Div. of Workforce Development  | Labor Market and Analysis        | *                       | *                       | *                       | *                    | *                    |
| Div. of Unemployment Insurance | Unemployment Insurance           | 8.7                     | 9.1                     | 9.0                     | 7.0                  | 7.0                  |

Scale: 1 poor and 10 excellent  
0% poor and 100% excellent

\* This service receives a rating, but it is regarding its dealings with the federal government, not Maryland taxpayers.

Source: Department of Labor, Licensing, and Regulation

The department distributes approximately 22,000 surveys annually to gauge customer satisfaction. Response rates vary from 3.6 to 87%, but in general, response rates are adequate to ensure a meaningful interpretation of satisfaction.

**The department should discuss how it uses the results of customer surveys to improve service delivery.**

## **Fiscal 2006 Actions**

### **Proposed Deficiency**

There is a proposed fiscal 2006 deficiency of \$1,128,000 included in the budget bill. The Department of Budget and Management (DBM) had previously granted the department exemptions so that it could keep its statewide share of the cost of administering federal grants. Fiscal 2006 budget language has prohibited the use of these exemptions.

### **Governor's Proposed Budget**

As shown in **Exhibit 4**, the fiscal 2007 allowance grows \$21,068,732, or 12.1%, over the fiscal 2006 working appropriation. Excluding reimbursable funds, the allowance increases by \$16,157,923 or 9.4%.

**Exhibit 4**  
**Governor's Proposed Budget**  
**Department of Labor, Licensing, and Regulation**  
**(\$ in Thousands)**

| <b>How Much It Grows:</b>  | <b><u>General</u><br/><u>Fund</u></b> | <b><u>Special</u><br/><u>Fund</u></b> | <b><u>Federal</u><br/><u>Fund</u></b> | <b><u>Reimb.</u><br/><u>Fund</u></b> | <b><u>Total</u></b> |
|----------------------------|---------------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|---------------------|
| 2006 Working Appropriation | \$17,585                              | \$19,374                              | \$134,787                             | \$1,870                              | \$173,616           |
| 2007 Governor's Allowance  | <u>26,118</u>                         | <u>25,583</u>                         | <u>136,203</u>                        | <u>6,780</u>                         | <u>194,685</u>      |
| Amount Change              | \$8,533                               | \$6,209                               | \$1,416                               | \$4,911                              | \$21,069            |
| Percent Change             | 48.5%                                 | 32.0%                                 | 1.1%                                  | 262.7%                               | 12.1%               |

**Where It Goes:**

**Personnel Expenses**

|   |       |
|---|-------|
| New positions .....                             | \$485 |
| Increments and other compensation .....         | 2,902 |
| Employee and retiree health insurance .....     | 1,843 |
| Health insurance shortfall in fiscal 2006 ..... | 1,475 |
| Employee retirement.....                        | 933   |
| Workers' compensation premium assessment .....  | 33    |
| Turnover adjustments .....                      | -360  |
| Overtime and shift differential.....            | 187   |
| Deferred compensation match .....               | 310   |
| Other fringe benefit adjustments .....          | 315   |

**Other Changes**

***Office of the Secretary***

|   |      |
|---|------|
| Decline in education grants related to the expiration of GWIB's "Teach for the Health of It" federal grant..... | -624 |
| Reduction of 4.75 full-time equivalents in contractual payroll .....  | -196 |

***Division of Administration***

|  |      |
|--|------|
| Reduction of .5 full-time equivalents in contractual payroll .....       | -27  |
| Increase in DBM paid telecommunications.....                             | 200  |
| Decrease in computer related expenses to reflect actual experience ..... | -308 |

***Division of Financial Regulation***

|  |     |
|--|-----|
| Increase in travel for 5 additional examiners.....               | 111 |
| Increase in equipment purchases for 5 additional examiners ..... | 75  |

***Division of Labor and Industry***

|  |     |
|--|-----|
| Re-staff Employment Standards Unit (communications, travel, contractual services, supplies, and equipment) ..... | 315 |
|--|-----|

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|   |                 |
|---|-----------------|
| <b><i>Division of Racing</i></b>  |                 |
| Purse enhancement (net of other changes) .....  | 9,679           |
| <b><i>Division of Occupational and Professional Licensing</i></b>   |                 |
| Increase of 8.25 full-time equivalents in contractual payroll (Real Estate Commission, Elevator Safety Board, and Home Inspection Commission).....                                | 228             |
| Increase for administrative hearings per DBM.....   | 545             |
| Decrease in contractual testing services due to increase in online testing.....   | -523            |
| <b><i>Division of Workforce Development</i></b>   |                 |
| Increase of 1.7 full-time equivalents in contractual payroll .....  | 65              |
| Increase in in-state service computer usage due to new fully reimbursable status of Office of Information Technology.....   | 1,321           |
| Increase in aid to political subdivisions related to a U.S. Department of Labor grant for BRAC-related workforce infrastructure projects .....                                    | 1,236           |
| Grants for youth empowerment and urban youth programs .....   | 394             |
| Decrease in training expenses for staff .....   | -258            |
| Decrease in purchase of new office equipment .....  | -115            |
| Decrease in DGS rent .....  | -88             |
| <b><i>Division of Unemployment Insurance</i></b>  |                 |
| Increase of 12.15 full-time equivalents in contractual payroll .....  | 264             |
| Increase in federal grants for the Information Technology Service Centers to develop information technology applications .....  | 2,800           |
| Increase in federal Trade Readjustment Allowance grants which provide benefits to those who are unemployed or underemployed due to increased imports or shifts in production..... | 2,000           |
| Decreases in communication, travel, motor vehicles, contractual services, supplies , and equipment reflecting an expected decrease in federal funding .....                       | -4,329          |
| <b><i>Other Changes</i></b>   |                 |
| Miscellaneous .....   | 181             |
| <b>Total</b>  | <b>\$21,069</b> |

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

## **Personnel**

The allowance provides funds for the addition of 13 regular positions, increasing personnel expenditures by approximately \$484,500. The new positions include:

- 6 to re-staff Employment Standards Unit;
- 1 to add an assistant attorney general to the Prevailing Wage Unit;
- 5 under the Division of Financial Regulation to fulfill the requirements of Chapter 590, Acts of 2005 which required the licensure of mortgage originators; and
- 1 within the Division of Occupational and Professional Licensing due to workload increases within the Real Estate Commission.

The allowance also includes funds for the addition of 16.6 full-time equivalents in contractual payroll. The majority of the increased contractual full-time equivalents are within the Division of Unemployment Insurance for expected peaks in the workload and in anticipation of the retirement of regular full-time employees.

## **Workforce Development**

### **Federal Grants**

The fiscal 2007 allowance includes Workforce Investment Act Base Realignment and Closure Planning Funds in the amount of \$1,237,500. These funds are earmarked to assist with community planning for the realignment of employment levels based on Department of Defense reorganization decisions at Fort Meade, Aberdeen Proving Ground, National Geospatial Center, and the Bethesda Naval Hospital. In addition to the department, the planning effort will involve the Department of Business and Economic Development, the three local workforce investment boards, local economic development, base personnel, and other local and State agencies.

### **General Fund Grants**

The allowance includes increased general funds of \$394,110 for youth programs. The funds include \$250,000 for a new Urban Youth Empowerment Program and \$144,110 for the National Urban League Incentives to Excel and Succeed program. The programs are aimed at providing educational and employment opportunities to youth in and around Baltimore.

## **Maryland Racing Commission**

The allowance includes \$10 million in general funds for the purpose of purse enhancements at Maryland racetracks. This item is discussed in further detail within the Issues section of this analysis.

## **Division of Unemployment Insurance**

The allowance also provides for increased grants within the Division of Unemployment Insurance. An additional \$2 million is included under the Trade Readjustment Act to assist workers displaced due to increased imports or to shifts in production overseas. This division is also responsible for the administration of the U.S. Department of Labor's (DOL) funding for the Unemployment Insurance Information Technology Support Center, which is located in Maryland. The allowance includes an increase of \$2.8 million for this purpose. The division's increase is largely offset by a decline in the DOL's Unemployment Grant based upon the expected decline in unemployment claims and other work load indicators. The division makes significant reductions in various expenditures in anticipation of this reduced grant.

## **Office of Information Technology**

The department's Office of Information Technology will be a fully reimbursable operation in fiscal 2007. Each division will reimburse the office for any and all information technology services provided throughout the year. Accordingly, reimbursable funds increase by \$4.9 million in fiscal 2007.

## ***Issues***

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### **1. Audits and Sunset Review Findings Question Department's Special Funding**

Seven of the 19 boards and commissions housed within the Division of Occupational and Professional Licensing are special funded. Through this financial structure, these boards and commissions are required to generate an appropriate amount of revenue to cover their own expenses. The special funded boards and commissions are also required to carefully document their self-sufficiency and to properly account for financial activity. Recently, legislative audit reports and sunset evaluations have questioned the department's ability to properly manage its special funds.

In October 2005, the Department of Legislative Services (DLS) released its Sunset Review of the Office of Cemetery Oversight. The enabling legislation for the office created a special fund, the Cemetery Oversight Fund, to be used to cover the actual documented direct and indirect costs of fulfilling the statutory and regulatory duties of the office. The enabling legislation for the office also required the director to establish, by regulation, fees for the issuance and renewal of registrations and permits. Fees charged are to be set so as to approximate the direct and indirect costs of maintaining the office.

However, the office has not used its fee-setting authority to ensure financial self-sufficiency as a special-funded regulatory entity. While examining the office's fund balance data from the past eight fiscal years, DLS concluded that the fund has not had sufficient collections to cover office expenditures in five of the eight years the office has been in operation. If projections for fiscal 2006 are realized, the office will have outspent its special fund revenues by almost \$200,000 since its inception. DLS recommended in its report that the statute be amended to repeal the Cemetery Oversight Fund and the special-fund status of the office.

Also special funded are the Design Boards: (1) the State Board of Certified Interior Designers; (2) the State Board of Architects; (3) the State Board for Professional Engineers; (4) the State Board of Professional Land Surveyors; and (5) the State Board of Examiners of Landscape Architects. The Office of Legislative Audits (OLA) reviewed the Division of Occupational and Professional Licensing for the period beginning August 15, 2001, and September 30, 2004, and issued its report in May 2005. It found that there was inadequate documentation maintained to support the Design Boards' Fund expenditures and the accuracy of expenditures reported to the General Assembly may have been affected. Details of the full audit are included in **Appendix 2**.

In January 2006, OLA released its Statewide Review of Budget Closeout Transactions for Fiscal 2005. Within this report, OLA noted that DLLR failed to revert approximately \$858,000 in special funds from the Licensing Test Fund to the general fund as required by State law.

**The department should comment on the issues associated with special funded boards and commissions and how it will ensure self-sufficiency and proper documentation of the boards' financial activities.**

## **2. Funding Enhancements for the Horse Racing Industry**

In efforts to make the State's horse racing industry more competitive, the legislature has approved numerous monetary enhancements over the last decade. Included in DLLR's fiscal 2007 allowance is \$10 million for purse enhancements for the horse racing industry. The department advises that it intends to disperse the funds in a manner modeled on past practices. However, each prior enhancement has been provided for by legislation, not solely through the budget.

In 1997, the General Assembly provided \$5 million in purse supplements for the industry. The funds came from over attainment of lottery revenues that would have otherwise gone to the general fund. About 70% of the money went to thoroughbred purses and bred funds and 30% to standardbred purses and bred funds. Annual purse supplements of \$10 million were also provided in each of the next three years, bringing the total to \$35 million from 1997 – 2000.

During the 2000 session, in addition to the purse supplements, the General Assembly established a Maryland Racing Facility Redevelopment Program to assist horse racing facilities with capital improvements. To carry out the bond program, the State Racing Commission and the Stadium Authority would have reviewed racing facility master plans submitted by racetracks and provided approval to use proceeds from bonds issued by the Maryland Economic Development Corporation (MEDCO) for capital improvements or related expenditures.

To finance the debt service on the bonds issued by MEDCO, the legislation increased or reallocated the "takeout" (the commission that is deducted from betting pools) on thoroughbred and standardbred races and required additional takeout allocations from mile thoroughbred licensees to be paid into a new special fund, the Racing Facility Redevelopment Bond Fund. In addition, the legislation provided for the allocation of uncashed pari-mutuel tickets from the existing horse racing special fund to the bond fund, under certain circumstances.

In 2001, the Senate passed a \$10 million purse supplement bill for the industry, but that bill failed in the House Ways and Means Committee. In 2002, a provision of the Budget Reconciliation and Financing Act took up to \$4.5 million from the Racing Facility Redevelopment Bond Fund and provided that money to purse and bred fund supplements from the funds allocated in fiscal 2002 and 2003.

No purse supplements were provided in 2003 or 2004. In addition, the racetracks never developed capital improvement plans and thus never took advantage of the bond fund. It was subsequently repealed during the 2004 legislative session.

The recent enhancements represent a significant investment in the horse racing industry. It is, therefore, important to ensure that the funds are actually improving the competitiveness of the industry in the region. The department should be able to quantify the impact of this public investment. It is also important to ensure that the funds are allocated in a manner that provides the maximum benefit to the future of the industry. As discussed, the 2007 allowance includes an additional enhancement of \$10 million in general funds. It is unclear, however, how the department specifically will use the funds or how it will impact the health of the industry.

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**The department should discuss the specific improvements to competitiveness that resulted from the financial assistance provided to the industry over the past decade. Additionally, DLS recommends deleting the funds budgeted for purse enhancements. Any purse enhancements should be considered through legislation, reflecting past practice. The legislation should direct the department on the specific manner of fund allocation and should identify a fund source, such as lottery over attainment monies.**

## ***Recommended Actions***

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|  | <b><u>Amount<br/>Reduction</u></b> |    | <b><u>Position<br/>Reduction</u></b> |
|--|------------------------------------|----|--------------------------------------|
| 1. Delete funding for 13 new positions. The department is carrying far more vacancies than are necessary to reach its turnover rate. The existing vacancies should be reclassified to meet any additional staffing needs.  | \$ 289,543                         | GF | 13.0                                 |
|  | \$ 194,936                         | SF |                                      |
| 2. Reduce funds for 8 regular full-time equivalent positions that have been vacant for over 18 months. The following PINs have been vacant for 19 – 24 months: 073673, and 051534. The following PINs have been vacant for over 24 months: 033053, 033234, 033084, 033106, 033110, and 033228. | 264,114                            | SF | 8.0                                  |
|  | 143,242                            | FF |                                      |
| 3. Delete funds for purse enhancements in the Horse Racing Commission. Legislation should be considered to divert lottery over-attainment funds up to \$10 million for this purpose.   | 10,000,000                         | GF |                                      |
| 4. Reduce funds for additional contractual staff from the Unemployment Insurance Division. The department expects that there will be no increase in workload, and, therefore, additional staff is not warranted.   | 328,641                            | FF |                                      |
| <b>Total Reductions</b>  | <b>\$ 11,220,476</b>               |    | <b>21.0</b>                          |
| <b>Total General Fund Reductions</b>   | <b>\$ 10,289,543</b>               |    |                                      |
| <b>Total Special Fund Reductions</b>   | <b>\$ 459,050</b>                  |    |                                      |
| <b>Total Federal Fund Reductions</b>   | <b>\$ 471,883</b>                  |    |                                      |

## Updates

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### 1. Prevailing Wage and Employment Standards

The Prevailing Wage Law regulates hours of labor, rates of pay, conditions of employment, obligations of employers, and the powers and duties of certain public officials under contracts and subcontracts for public works projects in Maryland. Coverage of the Prevailing Wage Law extends to any public works contract funded 50% or more by the State and valued at or above \$500,000. The Prevailing Wage Unit within the Division of Labor and Industry in DLLR issues a wage determination for a project that specifies the wage and fringe benefit rates for each worker classification, determined to be prevailing in that locality for that type of construction. The unit also conducts project site investigations.

Under the direction of the Commissioner of Labor and Industry, the Employment Standards Service 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 the two units; however, the General Assembly restricted an appropriation in DLLR's Division of Racing to ensure sufficient funding. Legislation passed during the 2005 session mandated an appropriation of at least \$315,000 for the Employment Standards Service Unit and \$385,000 for the prevailing Wage Unit beginning in fiscal 2007, and for each subsequent fiscal year. These funds are provided in the fiscal 2007 allowance.

The following table details workload and performance measures for the two units for fiscal 2002 – 2007.

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**Exhibit 5**  
**Prevailing Wage and Employment Standards Unit**  
**Selected Performance Measures**  
**Fiscal 2002 – 2007**

|   | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| <b><u>Prevailing Wage Unit</u></b>          |             |             |             |             |             |             |
| Project Sites Investigated                  | 624         | 530         | 465         | 254         | 300         | 300         |
| Wages Recovered                             | \$575,013   | \$778,309   | \$333,436   | \$696,750   | \$450,000   | \$450,000   |
| <b><u>Employment Standards Services</u></b> |             |             |             |             |             |             |
| Wage Payment Claims                         | 1,456       | 1,235       | 1,127       | 846         | *           | 675         |
| Wages Collected                             | \$411,823   | \$411,781   | \$409,407   | \$316,655   | *           | \$225,000   |

\* Not budgeted in fiscal 2006

Source: Governor's budget books

## ***Current and Prior Year Budgets***

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

|                                  | <b><u>General<br/>Fund</u></b> | <b><u>Special<br/>Fund</u></b> | <b><u>Federal<br/>Fund</u></b> | <b><u>Reimb.<br/>Fund</u></b> | <b><u>Total</u></b> |
|----------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|---------------------|
| <b>Fiscal 2005</b>               |                                |                                |                                |                               |                     |
| Legislative<br>Appropriation     | \$18,219                       | \$19,976                       | \$135,695                      | \$2,804                       | \$176,694           |
| Deficiency<br>Appropriation      | 0                              | 0                              | 0                              | 0                             | 0                   |
| Budget<br>Amendments             | 286                            | 2,113                          | 5,300                          | 0                             | 7,699               |
| Reversions and<br>Cancellations  | -470                           | -2,713                         | -7,484                         | -523                          | -11,190             |
| <b>Actual<br/>Expenditures</b>   | <b>\$18,035</b>                | <b>\$19,376</b>                | <b>\$133,511</b>               | <b>\$2,281</b>                | <b>\$173,203</b>    |
| <b>Fiscal 2006</b>               |                                |                                |                                |                               |                     |
| Legislative<br>Appropriation     | \$17,421                       | \$19,374                       | \$134,787                      | \$1,870                       | \$173,452           |
| Budget<br>Amendments             | 164                            | 0                              | 0                              | 0                             | 164                 |
| <b>Working<br/>Appropriation</b> | <b>\$17,585</b>                | <b>\$19,374</b>                | <b>\$134,787</b>               | <b>\$1,870</b>                | <b>\$173,616</b>    |

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

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## **Fiscal 2005**

Fiscal 2005 expenditures were \$3.5 million less than the legislative appropriation due in large part to special and federal fund cancellations. Special fund cancellations occurred within the Racing Division's Maryland Facility Redevelopment Fund. The fiscal 2005 budget was prepared anticipating the final year of the bond fund to be approximately \$1 million, but actual revenues and expenditures were much less. Additional special fund savings occurred within the Division of Occupational and Professional Licensing due to outside testing service fees paid by test participants. Federal fund cancellations under Labor Market Analysis, Employment Services and the Workforce Investment Act were due to divisional reorganization and overall grant reductions at the federal level.

The reversions and cancellations were partially offset by budget amendments totaling \$7.7 million. The significant increases by amendment include \$185,000 in general funds for an employee cost-of-living adjustment; a \$3.6 million federal fund appropriation for expenses related to unemployment insurance; and a \$1.3 million special fund appropriation for the Special Administrative Fund to acquire office space for a new call center in Salisbury.

## **Fiscal 2006**

\$164,358 was added to the general fund appropriation to reflect the 1.5% cost-of-living adjustment. Funds had been budgeted in the Department of Budget and Management and subsequently distributed to the agencies.

## ***Audit Findings***

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|                              |                                      |
|------------------------------|--------------------------------------|
| Audit Period for Last Audit: | August 15, 2001 – September 30, 2004 |
| Issue Date:                  | May 2005                             |
| Number of Findings:          | 6                                    |
| Number of Repeat Findings:   | 2                                    |
| % of Repeat Findings:        | 33%                                  |
| Rating: (if applicable)      | n/a                                  |

The audit was of the Department of Labor, Licensing, and Regulation – Division of Occupational and Professional Licensing, which is responsible for the regulation of 21 different professions and trades.

***Finding 1:*** Adequate accountability and control had not been established over collections processed directly by certain boards and commissions.

***Finding 2:*** Division of Occupational and Professional Licensing (DOPL) had not established adequate control to ensure that certain licenses were issued only to qualified applicants.

***Finding 3:*** DOPL had not conducted audits of continuing education requirements for certain renewal licenses or established a policy specifying the frequency for conducting such audits.

***Finding 4:*** Adequate documentation was not always maintained supporting the Design Boards' Fund expenditures and the accuracy of certain expenditures reported to the General Assembly may have been affected.

***Finding 5:*** DOPL had not licensed elevator mechanics and contractors as required by State law.

***Finding 6:*** DOPL did not maintain certain accounts receivable records or cash balance control activities.

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

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

| <u>Object/Fund</u>                      | <u>FY05<br/>Actual</u> | <u>FY06<br/>Working<br/>Appropriation</u> | <u>FY07<br/>Allowance</u> | <u>FY06 - FY07<br/>Amount Change</u> | <u>Percent<br/>Change</u> |
|---|------------------------|---|---------------------------|--------------------------------------|---------------------------|
| <b>Positions</b>                        |                        |   |                           |                                      |                           |
| 01 Regular                              | 1490.05                | 1459.55                                   | 1472.55                   | 13.00                                | 0.9%                      |
| 02 Contractual                          | 181.58                 | 177.40                                    | 194.00                    | 16.60                                | 9.4%                      |
| <b>Total Positions</b>                  | <b>1671.63</b>         | <b>1636.95</b>                            | <b>1666.55</b>            | <b>29.60</b>                         | <b>1.8%</b>               |
| <b>Objects</b>                          |                        |   |                           |                                      |                           |
| 01 Salaries and Wages                   | \$ 84,842,944          | \$ 87,071,485                             | \$ 95,194,128             | \$ 8,122,643                         | 9.3%                      |
| 02 Technical & Spec Fees                | 5,733,390              | 5,232,162                                 | 5,694,865                 | 462,703                              | 8.8%                      |
| 03 Communication                        | 2,901,547              | 3,352,005                                 | 3,584,814                 | 232,809                              | 6.9%                      |
| 04 Travel                               | 934,260                | 1,152,638                                 | 1,226,001                 | 73,363                               | 6.4%                      |
| 06 Fuel & Utilities                     | 606,014                | 710,252                                   | 756,489                   | 46,237                               | 6.5%                      |
| 07 Motor Vehicles                       | 618,741                | 362,080                                   | 490,453                   | 128,373                              | 35.5%                     |
| 08 Contractual Services                 | 12,794,890             | 12,796,761                                | 14,131,084                | 1,334,323                            | 10.4%                     |
| 09 Supplies & Materials                 | 1,775,708              | 2,863,015                                 | 1,729,028                 | -1,133,987                           | -39.6%                    |
| 10 Equip - Replacement                  | 2,121,373              | 3,055,503                                 | 586,902                   | -2,468,601                           | -80.8%                    |
| 11 Equip - Additional                   | 627,606                | 2,088,711                                 | 229,952                   | -1,858,759                           | -89.0%                    |
| 12 Grants, Subsidies, and Contributions | 55,471,675             | 51,628,880                                | 67,575,519                | 15,946,639                           | 30.9%                     |
| 13 Fixed Charges                        | 2,974,469              | 3,043,602                                 | 3,229,344                 | 185,742                              | 6.1%                      |
| 14 Land & Structures                    | 1,800,000              | 258,959                                   | 256,206                   | -2,753                               | -1.1%                     |
| <b>Total Objects</b>                    | <b>\$ 173,202,617</b>  | <b>\$ 173,616,053</b>                     | <b>\$ 194,684,785</b>     | <b>\$ 21,068,732</b>                 | <b>12.1%</b>              |
| <b>Funds</b>                            |                        |   |                           |                                      |                           |
| 01 General Fund                         | \$ 18,034,578          | \$ 17,585,299                             | \$ 26,118,101             | \$ 8,532,802                         | 48.5%                     |
| 03 Special Fund                         | 19,376,148             | 19,374,312                                | 25,583,364                | 6,209,052                            | 32.0%                     |
| 05 Federal Fund                         | 133,510,983            | 134,786,847                               | 136,202,916               | 1,416,069                            | 1.1%                      |
| 09 Reimbursable Fund                    | 2,280,908              | 1,869,595                                 | 6,780,404                 | 4,910,809                            | 262.7%                    |
| <b>Total Funds</b>                      | <b>\$ 173,202,617</b>  | <b>\$ 173,616,053</b>                     | <b>\$ 194,684,785</b>     | <b>\$ 21,068,732</b>                 | <b>12.1%</b>              |

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.

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

| <u>Program/Unit</u>                              | <u>FY05<br/>Actual</u> | <u>FY06<br/>Wrk Approp</u> | <u>FY07<br/>Allowance</u> | <u>Change</u>        | <u>FY06 - FY07<br/>% Change</u> |
|--|------------------------|----------------------------|---------------------------|----------------------|---------------------------------|
| 01 Executive Direction                           | \$ 1,354,882           | \$ 1,272,121               | \$ 1,281,783              | \$ 9,662             | 0.8%                            |
| 02 Administrative Adjudication                   | 335,912                | 341,649                    | 349,506                   | 7,857                | 2.3%                            |
| 05 Legal Services                                | 2,969,407              | 2,677,408                  | 2,849,301                 | 171,893              | 6.4%                            |
| 08 Equal Opportunity and Program Equity          | 437,426                | 448,808                    | 475,125                   | 26,317               | 5.9%                            |
| 09 Governor's Work Force Investment Board        | 1,141,884              | 1,872,285                  | 1,295,609                 | -576,676             | -30.8%                          |
| 10 Capital Acquisition Fund                      | 1,800,000              | 0                          | 0                         | 0                    | 0%                              |
| 11 Appeals                                       | 4,709,679              | 4,805,283                  | 4,853,375                 | 48,092               | 1.0%                            |
| 03 Office of Budget and Fiscal Services          | 3,370,504              | 4,012,413                  | 4,337,290                 | 324,877              | 8.1%                            |
| 04 Office of General Services                    | 5,021,732              | 5,497,561                  | 5,699,398                 | 201,837              | 3.7%                            |
| 05 Office of Information Technology              | 6,455,781              | 6,055,871                  | 6,106,782                 | 50,911               | 0.8%                            |
| 06 Office of Personnel Services                  | 1,596,721              | 1,719,105                  | 1,878,073                 | 158,968              | 9.2%                            |
| 02 Commissioner Of Financial Regulation          | 4,968,397              | 5,332,530                  | 6,706,164                 | 1,373,634            | 25.8%                           |
| 01 General Administration                        | 448,712                | 435,628                    | 535,537                   | 99,909               | 22.9%                           |
| 02 Employment Standards Services                 | 299,251                | 0                          | 315,000                   | 315,000              |                                 |
| 03 Railroad Safety and Health                    | 333,971                | 388,575                    | 416,465                   | 27,890               | 7.2%                            |
| 05 Safety Inspection                             | 3,345,484              | 3,617,552                  | 3,848,275                 | 230,723              | 6.4%                            |
| 07 Prevailing Wage                               | 354,339                | 384,682                    | 385,284                   | 602                  | 0.2%                            |
| 08 Occupational Safety and Health Administration | 6,676,034              | 7,068,286                  | 8,072,899                 | 1,004,613            | 14.2%                           |
| 02 Maryland Racing Commission                    | 2,417,219              | 2,123,627                  | 11,848,085                | 9,724,458            | 457.9%                          |
| 03 Racetrack Operation Reimbursement             | 3,148,917              | 3,294,414                  | 3,713,017                 | 418,603              | 12.7%                           |
| 04 Racing Revenues Special Funds                 | 1,312,100              | 1,341,400                  | 1,341,400                 | 0                    | 0%                              |
| 05 Maryland Facility Redevelopment Program       | 141,892                | 0                          | 0                         | 0                    | 0%                              |
| 01 General Administration                        | 6,900,773              | 7,599,415                  | 8,344,008                 | 744,593              | 9.8%                            |
| 01 Assistant Secretary                           | 40,258,712             | 39,485,509                 | 43,422,808                | 3,937,299            | 10.0%                           |
| 03 Office of Employment Training                 | 13,667,061             | 15,170,902                 | 15,364,915                | 194,013              | 1.3%                            |
| 08 Russian Immigrants Program                    | 0                      | 75,000                     | 75,000                    | 0                    | 0%                              |
| 01 Office of Unemployment Insurance              | 57,065,997             | 58,596,029                 | 61,169,686                | 2,573,657            | 4.4%                            |
| 02 Division of Unemployment Insurance            | 2,669,830              | 0                          | 0                         | 0                    | 0%                              |
| <b>Total Expenditures</b>                        | <b>\$ 173,202,617</b>  | <b>\$ 173,616,053</b>      | <b>\$ 194,684,785</b>     | <b>\$ 21,068,732</b> | <b>12.1%</b>                    |
| General Fund                                     | \$ 18,034,578          | \$ 17,585,299              | \$ 26,118,101             | \$ 8,532,802         | 48.5%                           |
| Special Fund                                     | 19,376,148             | 19,374,312                 | 25,583,364                | 6,209,052            | 32.0%                           |

|                             |                       |                       |                       |                      |              |
|-----------------------------|-----------------------|-----------------------|-----------------------|----------------------|--------------|
| Federal Fund                | 133,510,983           | 134,786,847           | 136,202,916           | 1,416,069            | 1.1%         |
| <b>Total Appropriations</b> | <b>\$ 170,921,709</b> | <b>\$ 171,746,458</b> | <b>\$ 187,904,381</b> | <b>\$ 16,157,923</b> | <b>9.4%</b>  |
| Reimbursable Fund           | \$ 2,280,908          | \$ 1,869,595          | \$ 6,780,404          | \$ 4,910,809         | 262.7%       |
| <b>Total Funds</b>          | <b>\$ 173,202,617</b> | <b>\$ 173,616,053</b> | <b>\$ 194,684,785</b> | <b>\$ 21,068,732</b> | <b>12.1%</b> |

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.