

February 12, 2016

The Honorable Nancy King
Chair, Senate Subcommittee on Education, Business and Administration
3 West
Miller Senate Office Building
Annapolis, MD 21401

RE: Business Regulation Group response to the Department of Legislative Services
recommended budget actions

Dear Chairman King:

The Business Regulation Group within the Department of Labor, Licensing, and Regulation (DLLR) appreciates the opportunity to comment on the Department of Legislative Services (DLS) budget analysis of our FY 2017 budget allowance and the DLS recommended actions. As you know, the Business Regulation Group at DLLR consists of the Division of Labor and Industry, the Division of Occupational and Professional Licensing, the Division of Financial Regulation and the Maryland Racing Commission.

The DLS budget analysis includes one recommended action: Increase turnover from 3% to 4% because the fiscal 2017 budgeted turnover is significantly lower than the actual vacancy rate. According to the DLS analyst, this is projected to reduce the total budget by \$232,634.

The Department of Labor, Licensing and Regulation respectfully disagrees with this recommended action for following reasons.

1. Over the past year, the Department has worked vigorously on strategic plans designed to reduce overall costs and ensure our continued fiscal responsibility as we change Maryland for the better. These plans included a review of current capacities, a needs assessment, and where warranted, an aggressive hiring plan. For instance, in Financial Regulation, three offers to fill vacant positions have been made and accepted, and the new employees will start February 17 and March 2. The Division of Labor and Industry is actively recruiting for 16 vacant positions in Maryland Occupational Safety and Health (MOSH). These positions are part of a planned class of compliance officers and industrial hygienists that will be trained in this work over several months. In addition, five vacant positions in safety inspection and three vacant positions in employment standards are under active recruitment.
2. Reducing budgets in these programs before the hiring plans are complete is premature and will negatively impact outcomes in these Divisions. For instance, in the Division of Occupational and Professional Licensing, reducing the funding allocations to the Boards will reduce salary expense and potentially impact inspection, enforcement, and licensing actions and outputs.

3. The Maryland Department of Labor's 2015 two percent mid-year reduction was allocated among all general fund programs within the Department. Because of the timing, and the already tight general fund budgets, many of the smaller programs received a reallocation of appropriation within the Department before year end to balance the close of FY 2015. The programs with a high percentage of general funds are high priority education, workforce and employment training, and adult and correctional education programs.

In FY 2017, the Department will continue to keenly assess our resources and opportunities to ensure the agency operates with maximum efficiency. This includes:

- Consolidating functions (e.g. investigative)
- Capturing efficiencies (pooling purchasing, eliminating duplication)
- Re-evaluating and revising workforce needs and practices (e.g. telecommuting)
- Encouraging cross-functional operations and resource allocation (e.g. copiers)
- Implementing mandatory periodic internal reviews and controls in the areas of budget (quarterly) and strategic planning (annually) agency wide
- Review of contracts within each division to see how resources can be shared and integrated for higher efficiency
- Reduction of rent/lease space through consolidation of offices
- Continue IT infrastructure improvements to reduce costly customer service operations allowing customer to have quicker service through electronic resources
- Legislative initiative to roll current general funded license programs into special funds to address financial needs of poorly functioning boards

A reduction in FY 2017 like the one recommended will impede our progress toward these goals. For these reasons, we respectfully request that this recommendation be rejected.

Thank you for the opportunity to respond to the Department of Legislative Services budget analysis. If you have any follow-up questions, please do not hesitate to contact me or my Policy Director Michael Harrison at (410) 230-6008 or Michael.Harrison@Maryland.gov.

Best Regards,



Kelly M. Schulz
Secretary



BUSINESS REGULATION GROUP

SENATE COMMITTEE ON BUDGET AND TAXATION
SUBCOMMITTEE ON EDUCATION, BUSINESS & ADMINISTRATION
SENATOR NANCY J. KING, CHAIR
FEBRUARY 12, 2016

HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON EDUCATION AND ECONOMIC DEVELOPMENT
DELEGATE ADRIENNE A. JONES, CHAIR
DELEGATE BEN BARNES, VICE-CHAIR
FEBRUARY 15, 2016

KELLY M. SCHULZ, SECRETARY



Agenda

INTRODUCTION
BUDGET OVERVIEW
EXECUTIVE SUMMARY
FINANCIAL REGULATION
LABOR AND INDUSTRY
MARYLAND RACING COMMISSION
OCCUPATIONAL AND PROFESSIONAL LICENSING

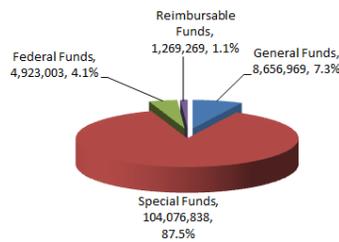




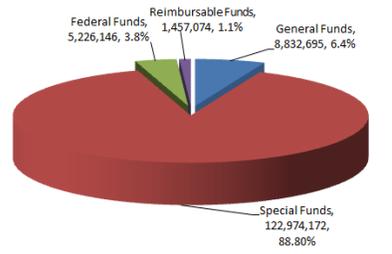
FY 2015 Actual and FY 2016 Appropriation

	BUSINESS					
	FY 2015 ACTUAL		FY 2016 APPROPRIATION		FY 2017 ALLOWANCE	
		%		%		%
General Funds	8,656,969	0.073	8,832,695	0.064	8,916,895	0.051
Special Funds	104,076,838	0.875	122,974,172	0.888	158,826,995	0.912
Federal Funds	4,923,003	0.041	5,226,146	0.038	5,174,425	0.030
Reimbursable Funds	1,269,269	0.011	1,457,074	0.011	1,305,354	0.007
Total	118,926,079.00	1.000	138,490,087.00	1.000	174,223,669.00	1.000

FY 2015 ACTUAL



FY 2016 APPROPRIATION



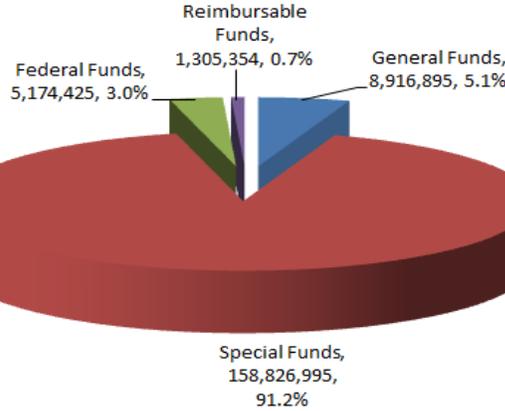
■ General Funds ■ Special Funds ■ Federal Funds ■ Reimbursable Funds

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Special Funds Increase due to Video Lottery Terminal Revenue



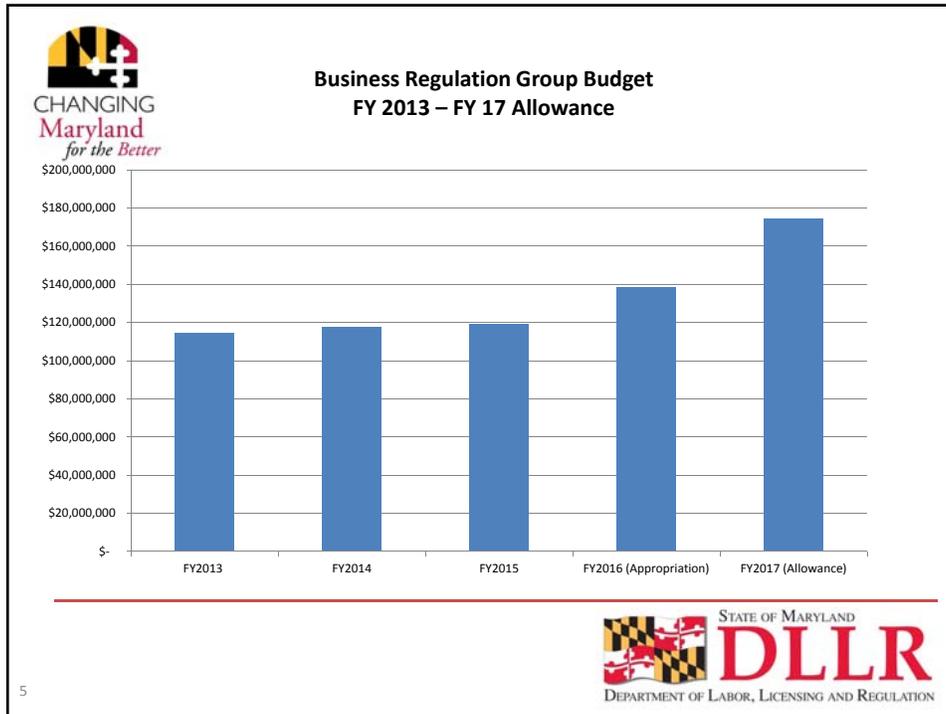
FY 2017 ALLOWANCE



■ General Funds ■ Special Funds ■ Federal Funds ■ Reimbursable Funds

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Executive Summary

The **Division of Financial Regulation** charters and supervises, both on-site and remotely, 60 banks, credit unions, and trust companies.

- The Division licenses and supervises/ monitors some 14,500 businesses and individuals engaged in the businesses of:
 - mortgage lending, servicing, brokering, and originating, debt management, debt settlement, debt collection, check cashing, money transmission, consumer lending (including installment and sales finance), credit services, and credit reporting.
- The Division maintains the Notice of Intent to Foreclose and the Foreclosed Property Registry databases, and is responsible for certain forms and practices mandated in the foreclosure process.

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Executive Summary

The **Division of Labor and Industry's** mission is to protect and promote the health, safety and employment rights of the citizens of Maryland through the administration of seven budgeted programs:

1. General Administration;
2. Employment Standards;
3. Worker Classification;
4. Safety Inspections;
5. Apprenticeship and Training;
6. Prevailing and Living Wage; and
7. Occupational Safety and Health Administration.



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Executive Summary

The **Maryland Racing Commission** oversees and regulates pari-mutuel betting and both the harness and thoroughbred horse racing industry in Maryland, including the state's two off-track betting sites.

In addition, the Racing Commission receives and distributes racing and video slots revenues to local subdivisions - \$114,511,589 since 2011. Distribution is through impact aid grants to counties and municipalities containing or located near thoroughbred tracks, or those jurisdictions where video slot facilities are located.



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Executive Summary

- The **Division of Occupational and Professional Licensing** administers regulatory programs governing the practice of 26 occupations and professions in Maryland.
- The activities of the division are primarily conducted through licensing boards and commissions, established by statute and empowered to regulate the occupations and professions.
- The boards and commissions oversee the licensing systems by qualifying and testing individuals for licensing; issuing and renewing licenses; establishing ethical and other standards of practice for the occupation or profession; and enforcing compliance of licensees with practice standards and Maryland law.



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Financial Regulation



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Financial Regulation

Promote a safe and successful state chartered bank and credit union industry:

- Growth in assets
- Growth in deposits
- Growth in capital levels

Consumer Protection is strengthened as measured by all MFR performance metrics, such as:

- Percentage of consumer non-mortgage complaints completed within 60 days has increased from 89% in 2011 to 92% in 2015.
- Percentage of consumer mortgage complaints completed within 90 days has increased from 72% in 2011 to 96% in 2015.

Encourage business development:

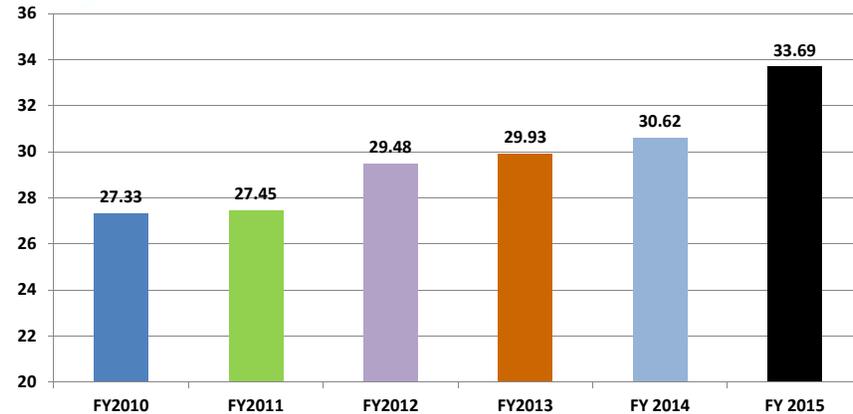
- License categories saw increase in numbers of licensees year over year
- License categories experienced an increased rate of renewal applications year over year (for period ending 12/31/15).
- Received applications from 3 banks to convert to a Maryland state charter



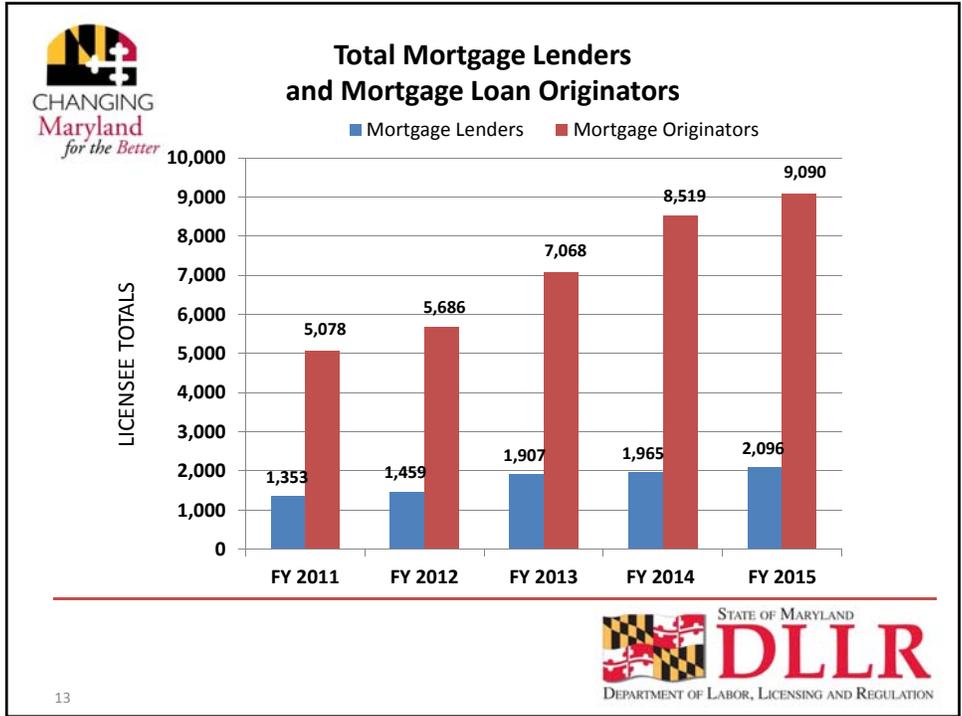
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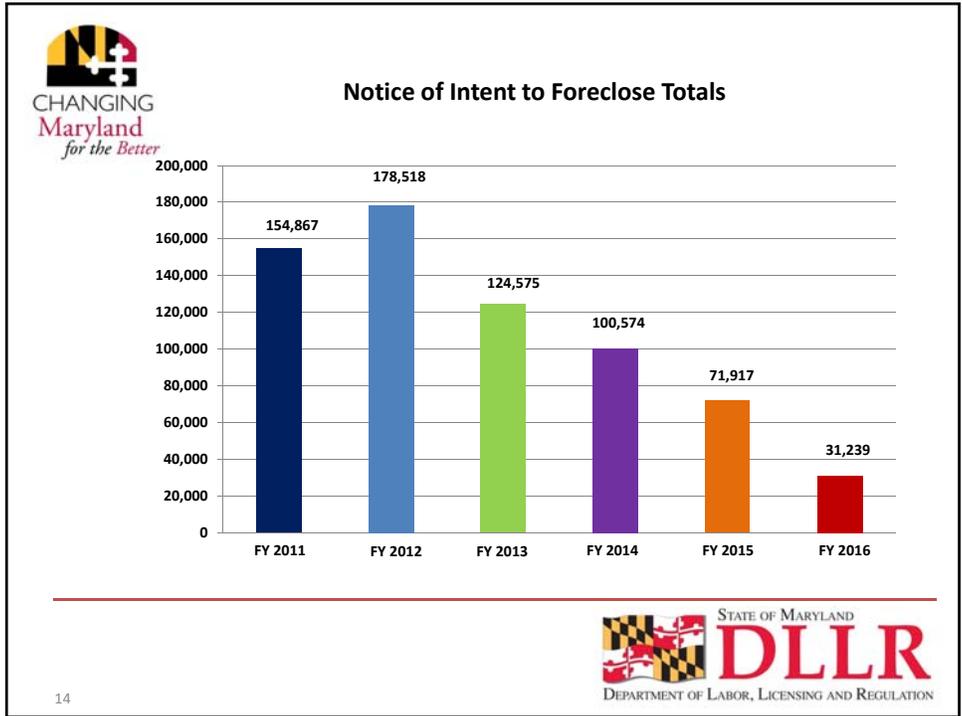
Maryland State Banks and Credit Unions Total Assets(in \$ Billions)



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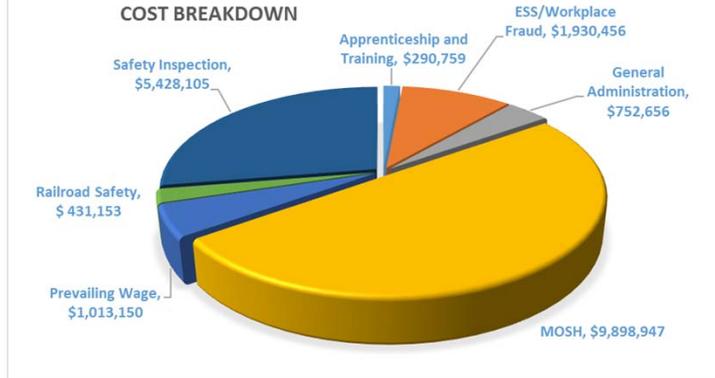


Division of Labor and Industry



Division of Labor and Industry

DIVISION OF LABOR AND INDUSTRY UNIT
COST BREAKDOWN

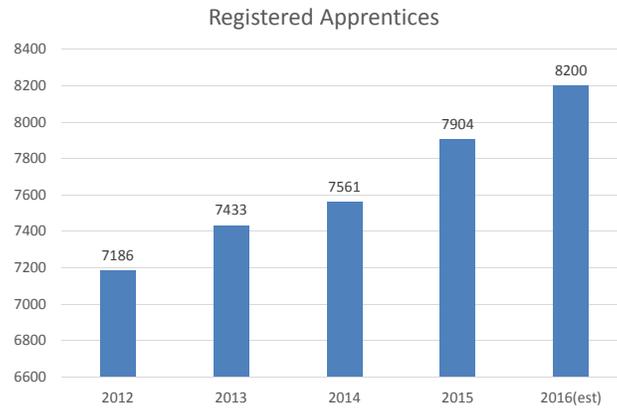


2017 Budget Allowance





Apprenticeship and Training



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Labor and Industry Apprenticeship and Training

Registered Apprenticeship

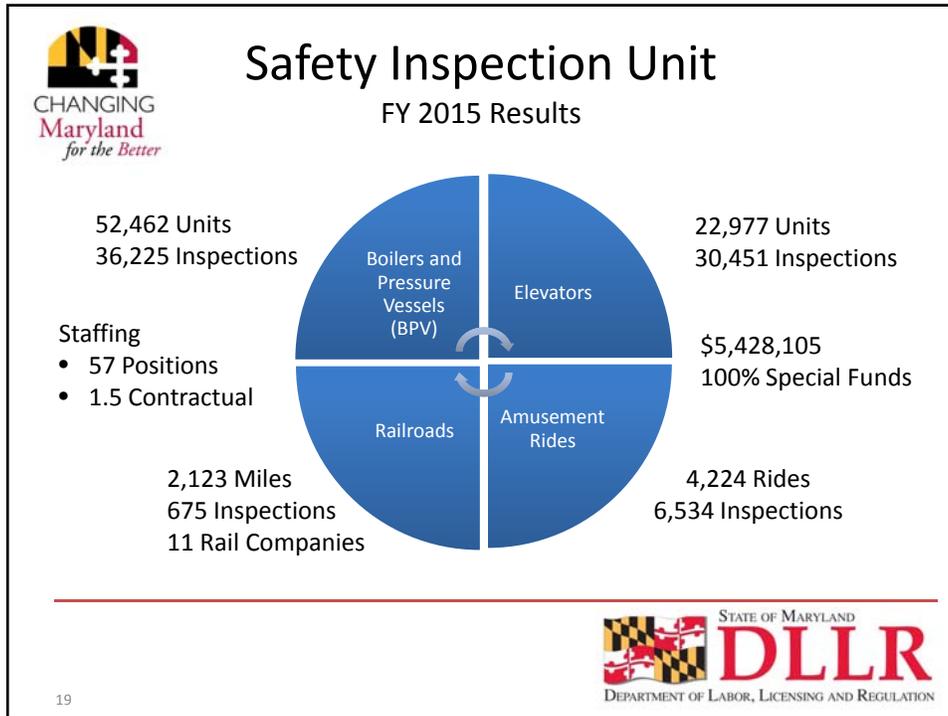
- Maryland Apprenticeship and Training Council
- Industry Driven-Industry Specific
- On Job Training and Classroom Instruction
- Apprenticeship and Training Fund

Youth Apprenticeship

- Pilot Program – Washington and Frederick counties
- STEM Focus
- 60 Students Each



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CHANGING Maryland for the Better

Employment Standards Service

Enforce Laws Covering:

- Minimum Wage
- Wage Disputes
- Overtime
- Other Federal, State and Local labor laws...

Worker Classification

- Construction
- Landscaping

Performance:

- 40,188 Inquiries Responded to
- \$874,000+ in Unpaid Wages Collected for 528 Marylanders
- 5 Child Labor Complaints Resolved
- 18,058 Outreach contacts in FY2015 to Counties, Business Groups and Businesses

STATE OF MARYLAND
DLLR
DEPARTMENT OF LABOR, LICENSING AND REGULATION

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Prevailing Wage/ Living Wage

Prevailing Wage

- Public Works Contracts in Excess of \$500,000
 - with 50% State Funding
 - 25% School Construction
- Annual Survey
- Applied by County
- On Site Meetings and Audits

Living Wage

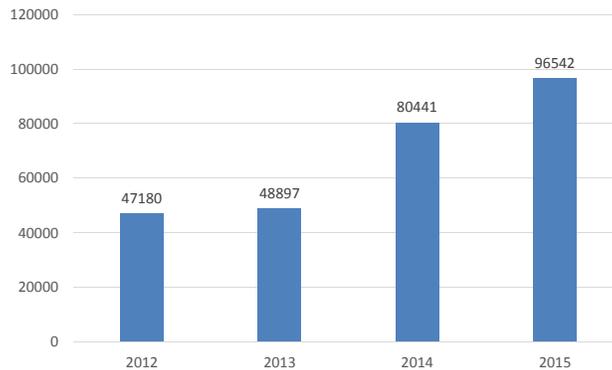
- State Service Contracts (security, housekeeping etc.)
- Annual Determination – CPI
- Tiers
 - Metro
 - Others
- Unfunded (Prevailing Wage Supports)

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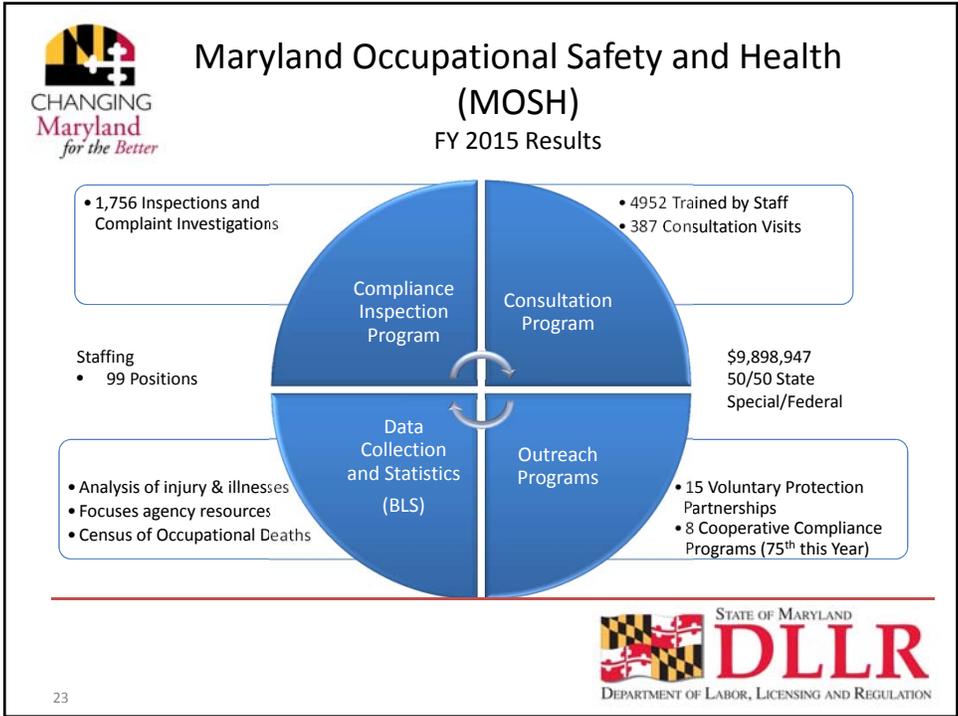
Prevailing Wage

Payroll Reports



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Maryland Racing Commission

Positive Impact of video gaming:

- Contrary to downward national trends, video slot revenue continues to provide the racing industry increases in purses, field sizes, and an additional 11 days of live thoroughbred racing in 2016.
- Since the restructuring of the Maryland Bred Fund bonus program in the fall of 2013, the number of mares bred in Maryland to Maryland stallions has increased from 642 in 2013, to 751 in 2014, and 788 in 2015.
- The standardbred breeding industry has also seen an increase from 119 mares bred in 2013, to 228 in 2015.

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Maryland Racing Commission

Racetrack Facility Redevelopment Fund - All eligible racetracks have utilized the benefit of the Racetrack Facility Redevelopment Fund for capital improvements, such as:

- Pimlico and Laurel racetracks continue to see investments by the Maryland Jockey Club to improve the experience for the horses and fans with grandstand improvements, new barns, new wash facilities, and more.
- The Maryland State Fair has utilized funds for the construction of a maintenance building, Grandstand reconstruction and stabling facilities.
- Ocean Downs has completed Clubhouse restoration, the construction of a new paddock area and parking facilities.
- Rosecroft has expended funds for materials to upgrade the racing surface, stabling facility improvements, and repairs and improvements to the inside of the facility utilized by the wagering public.

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150 stall barn at Laurel Park



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Inside the 150 stall barn at Laurel Park



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Grand Stand at Laurel Park



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Grand Stand at Laurel Park



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Division of Occupational and Professional Licensing

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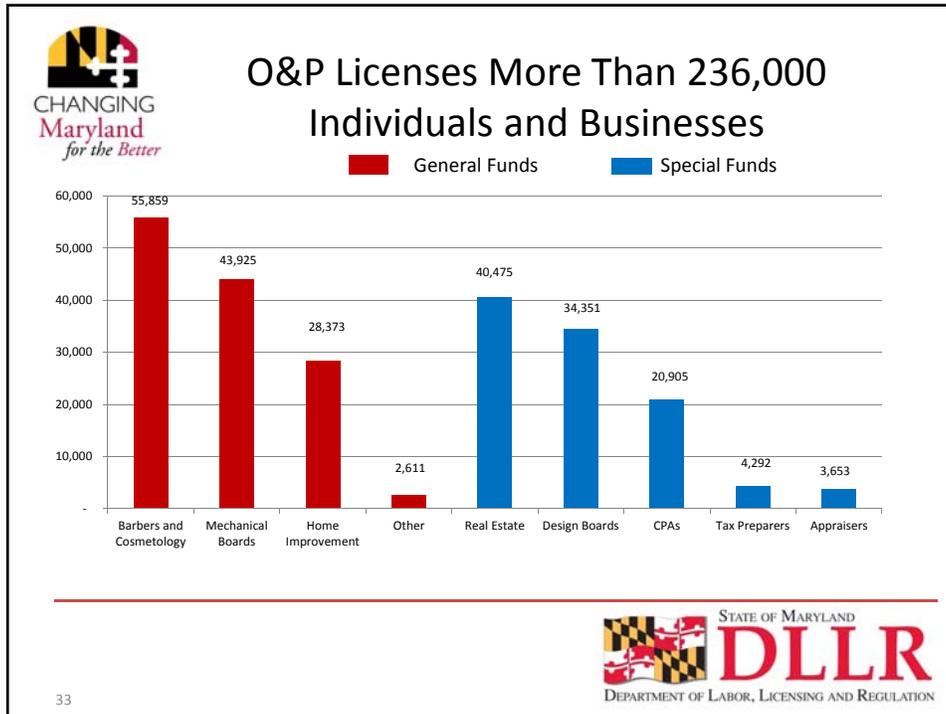


26 Professions Under O&P's Purview

1. Cosmetology
2. Barbers
- Mechanical Boards
 3. Plumbing
 4. Heating, Ventilation, Air Conditioning and Refrigeration
 5. Master Electricians
 6. Stationary Engineers
 7. Elevator Safety Review Board
8. Home Improvement
9. Real Estate Commission
- Design Boards
 10. Architects
 11. Certified Interior Designers
 12. Landscape Architects
 13. Land Surveyors
 14. Professional Engineers
15. Public Accountancy
16. Individual Tax Preparers
17. Real Estate Appraisers, Appraisal Management Companies and Home Inspectors
- Other
 18. Athlete Agents
 19. Athletic Commission
 20. Cemetery Oversight
 21. Foresters
 22. Locksmiths
 23. Bay Pilots
 24. Secondhand Precious Metal Objects Dealers and Pawnbrokers
 25. Oil and Gas Professionals
 26. Automated Purchasing Machines

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 Boards and Commissions
What do they do?

- Most boards/commissions publicly meet each month to:
 - Consider complex licensing applications
 - Review and resolve complaints
 - Hold formal or informal hearings
 - Address inquiries from the public
 - Review local and national industry trends
 - Consider and propose policy changes



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O&P Operational Activities: Quick Facts

95 staff members handle:

- 21,314 new licenses in FY 2015
- 236,000 active licenses in FY 2015
- Roughly 3,000 complaints per year
- Receive 100,000 calls per year
- 180 board meetings annually

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Accomplishments

- Top-down review of all fees - resulting in reductions for contractors, real estate professionals and appraisal management companies
- Reorganization of staffing and processes to maximize productivity and eliminate inefficiencies
- Automated processes that benefitted more than half of all licensees
 - Electronic applications
 - Uploading of information
- Provided customer service training to all employees

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Questions

