

Report of the Department of Labor, Licensing and Regulation
(DLLR)

and

The State Boards of Architects, Certified Interior Designers,
Professional Engineers, Professional Land Surveyors and
Examiners of Landscape Architects
(Design Boards)

**Implementation of the Special Fund of the Occupational
and Professional Licensing Design Boards
Pursuant to Chapter 227 of the Acts of 2003**

October 1, 2008

Thomas E. Perez, Secretary
Charles E. Maloy, Ed.D., Chairman

INTRODUCTION

Pursuant to the provisions of Chapter 227 of the Acts of 2003, and on behalf of the Department of Labor, Licensing and Regulation and the Design Boards we are pleased to report to the:

- Senate Committee on Budget and Taxation,
- Senate Committee on Education, Health and Environmental Affairs,
- House Committee on Appropriations, and
- House Committee on Economic Matters;

regarding the implementation of the Occupational and Professional Licensing Design Boards' Special Fund established under the Act. Our first report was submitted on October 1, 2004 and has been filed annually since that time. This report covers the Fund through its fifth year of operation. Chapter 227 (2003) established the fund for a five year period ending June 30, 2008. During the 2008 Session of the General Assembly, Chapter 273 was enacted extending the operation of the fund for an additional five year period.

Attachment I presents an aggregate revenue, expenditure and fund balance summary, covering the five years that the fund has been in operation. Attachment II presents an FY 2008 revenue versus cost summary by Board. Attachment III provides individual Board and aggregate detail of FY 2008 expenditures charged against the Fund. It includes both direct and indirect costs, consistent with the requirements of Business Regulation Article Section 2-106.2(a) (I).

FUND BALANCE

Through the first five years of operations, the Fund balance stands at \$679,991 as detailed in the attachments. FY 2008 saw a decline in the Fund balance of \$4,373. As has been noted in previous reports, the bulk of the Fund balance was generated during the first two years of the life of the Fund.

REVENUES

The license fees for individual practitioners of the five professions were reduced from \$78 to \$68 in the spring of 2007 by the Boards in recognition of the growth of the accumulated surplus. Accordingly, FY 2008 was the first full year that the impact of the fee reduction on revenues could be measured. However, most of the projected decline was offset by an unanticipated increase of over 1000 individual licensees in the cluster, as well as significant growth in the number of firms registered, especially for the Board of Architects and the Board of Examiners for Landscape Architects. Revenues for FY 2008 when compared to revenues for FY 2006 (the analogous year in the two year cycle) declined by only \$9,535.

ELECTRONIC APPLICATIONS

The first phase of the E-Application initiative was completed during FY 2008 at a cost below original estimates. Phase one covered re-examination applications and moved hundreds of annual applications from paper filings to the Internet, providing convenience and speed to the customer and relieving staff of hand processing responsibilities. The Boards had expected to complete two additional phases in FY 2008. However, a surge in Information technology and programming requests within DLLR required the re-scheduling of these phases, now to be completed in FY 2009. An additional \$150,000 is projected to be expended to complete the project.

IDENTIFIED FY 09-FY 10 FUND CHARGES/COMMITMENTS

A review of expenditure detail made in connection with this report revealed the apparent incorrect charging of the Board's communications specialist to another program during FY 08. When a final review is completed, an additional \$45,000 will be charged against the Fund. It is noted that this correction along with the referenced \$150,000 in expected charges for the E-applications project will reduce the Fund balance by \$195,000. This leaves an "available" balance of approximately \$484,000.

In light of the fund balance, the Design Board Chairs are reviewing the current schedule of fees to identify means by which the direct burden on applicants who become licensed via examination could be lessened. One option would be the elimination of the "non-refundable application fee" set by each Board. Costs to these applicants could be reduced in a range of \$25 to \$50. These fees are separate and apart from examination fees established to recover actual examination costs.

ADDITIONAL DISCUSSION

The Boards are increasingly concerned that the constraints placed on the expenditure of funds in pursuit of cost containment and restraint in the growth of overall government spending are unreasonably affecting the ability of the Design Board cluster to offer enhanced services to both consumers and licensees. Support and advocacy for the creation of this cluster by the Boards was premised on having the capacity to seek and receive approval to spend the funds to improve services. It was fully understood that the Boards would need to fully justify proposed spending. While this was the case in the first years after the Fund was created, the Boards now believe that the overall system built to restrain spending is not reasonably able to consider the needs of the program. It has always been a fundamental premise of occupational and professional licensing programs across the country that the regulated group pays for the cost of regulation, not the taxpayer. The Boards believe it is incumbent on both the executive and legislative branches to find a way to accommodate programs such as these that can both justify and pay for a reasonable growth in program activity.

Attachment I

FY 2004 to FY 2008 Design Boards Special Fund Summary

Fiscal Year	Revenues	Expenditures	GRAND TOTAL SURPLUS/(DEFICIT)
04	\$1,151,147	\$895,761	\$255,386
05	\$1,160,167	\$825,608	\$334,559
06	\$1,158,967	\$1,108,447	\$50,520
07	\$1,152,133	\$1,108,234	\$43,899
08	\$1,149,432	\$1,153,805	(\$4,373)
FY 04 - FY 08 GRAND TOTALS	\$5,771,846	\$5,091,855	\$679,991

Design Boards Grand Total Summary

Design Boards	FY '08 Revenues	FY '08 Expenditures	GRAND TOTAL SURPLUS/(DEFICIT)
ARCHITECTS	\$272,076	\$266,408	\$5,668
LAND SURVEYORS	\$49,572	\$133,569	(\$83,997)
PROFESSIONAL ENGINEERS	\$764,438	\$622,688	\$141,750
LANDSCAPE ARCHITECTS	\$47,614	\$93,182	(\$45,568)
INTERIOR DESIGN	\$15,732	\$37,958	(\$22,226)
TOTALS	\$1,149,432	\$1,153,805	(\$4,373)

**FY '08 Summary of Actual Expenditures for the Design Boards
Covering The Period 07/01/07 - 6/30/08**

ACCOUNTS	ARCHITECTS	LAND SURVEYORS	PROFESSIONAL ENGINEERS	LANDSCAPE ARCHITECTS	INTERIOR DESIGN	GRAND TOTALS
Personnel Costs	\$112,660	\$34,259	\$208,405	\$22,840	\$14,275	\$392,439
Tech & Spec. Fees	\$15,161	\$9,097	\$85,960	\$6,064	\$3,790	\$120,072
Postage/Telephone etc.	\$2,198	\$2,009	\$14,338	\$1,016	\$415	\$19,976
Travel	\$50	\$2,140	\$10,528	\$921	\$101	\$13,740
Motor Vehicle	\$277	\$28	\$127	\$18	\$12	\$462
Contractual	\$60,277	\$43,829	\$187,004	\$37,524	\$10,839	\$339,473
Equipment, Supplies, & Materials	\$1,084	\$64	\$9,032	\$54	\$29	\$10,263
Fixed Charges (Dues, Rent, Ins.)	\$9,859	\$6,500	\$6,809	\$11,100	\$0	\$34,268
Legal Services (Salaries & Benefits)	\$46,780	\$30,011	\$58,894	\$9,796	\$6,092	\$151,573
DLLR - Indirect	\$18,062	\$5,632	\$41,591	\$3,849	\$2,405	\$71,539
GRAND TOTAL	\$266,408	\$133,569	\$622,688	\$93,182	\$37,958	\$1,153,805