

**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, 2005

James D. Fielder, Jr., Ph.D., Secretary

Pursuant to the provisions of Chapter 227 of the Acts of 2003, and on behalf of Robert L. Ehrlich, Jr., Governor; James D. Fielder, Jr., Ph.D., Secretary; and Charles E. Maloy, Ed.D., Joint Design Board Chairman, 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 (the Fund) established under the Act. In our first report, submitted on October 1, 2004, we focused on the establishment of the fund, the initial determination of costs, the establishment of a uniform schedule of license fees by the five Boards, first year program enhancements, and preliminary revenue and expenditure accounting for Fiscal Year 2004.

This report covers the Fund through its second year of operation. Attachment 1 and Attachments 2.0 through 2.5 provide revenue, expenditure and fund balance detail covering the two year period from July 1, 2003 through June 30, 2005. Financial reporting in this document supersedes the preliminary reporting submitted for FY 2004 contained in the October 1, 2004 report. Final revenue total for the Design Boards in FY 2004 were \$1,151,147, approximately \$100,000 above the 2004 preliminary numbers. Final expenditures were \$895,761 or approximately \$50,000 below the 2004 preliminary numbers. The final fund balance for FY 2004 was \$255,386.

Through the second year of operation, the fund balance stands at \$589,945 as detailed in the attachments. We can attribute the size of the fund balance for the two-year period as follows: annual revenues of \$100,000 each year above initial estimates; unanticipated vacancies, including a one year vacancy in the Executive Director position - totaling \$100,000 combined in salaries and benefits; and posted costs for legal services at a lower than anticipated rate of \$100,000. It should be noted that the \$100,000 vacancy related number is non-recurring and that the charge rate for legal services is under review and subject to upward adjustment for FY 06 and beyond.

It appears from two years experience that the revenue stream for the cluster is relatively stable. This is supported by recent licensing trends. There are approximately 22,000 licensees and permit holders regulated by the Boards.

Architects and Professional Engineers account for more than 90% of total licenses and licensing levels are stable for both groups. The percentage of revenues generated by each type of transaction for the five boards is as follows:

<u>Category</u>	<u>Percentage</u>	<u>Fee</u>
Renewals	69.50%	\$78
Original Licenses	8.25%	\$78
Reinstatement (Late)	8.90%	\$100
Application	7.65%	\$35
Firm permits	3.70%	\$100
Miscellaneous	2.00%	various

Expenditures supported by the Fund include an Executive Director, Assistant Director, four Board Secretaries and a contractual clerical assistant. The latter is the additional position made possible by the establishment of the Fund. In addition, the Fund supports an allocated share of central services provided by the Division of Occupational and Professional Licensing (Office of the Commissioner, central licensing unit, telephone center, etc.) An allocated share of costs incurred at the Departmental level (Budget, Personnel and Training, General Services, Office of the Secretary, etc.) is charged to the fund. Finally, services provided to the Boards by Assistant Attorney's General are charged to each Board based on actual hours worked by each attorney.

The *By Design* newsletter established in FY 2004 is now on a regular distribution cycle and disseminated electronically to Design Board licensees. *By Design* provides regular updates on Board activities, practice issues, and examination content and administration. Copies of the newsletter may be accessed at www.dllr.state.md.us/license/design. The added contractual position was filled for the full fiscal year and continued to have a demonstrable impact on the Boards' ability to process applications and license verifications in a timely manner.

The Design Boards, working in concert with the Division of Occupational and Professional Licensing, are undertaking an assessment of prudent resource allocation and spending in the context of the two-year experience of the operation of the fund. This includes a review of best practices by other design regulatory boards across the nation. Among items for consideration include creation of a publications and outreach coordinator who could ultimately be cooperatively shared with other special fund units within the Division, particularly the Real Estate Commission, effective July 1, 2006. Such an individual would upgrade and oversee newsletter content and would manage broader written and oral outreach/education efforts to the public and licensees. Given, the current and projected net positive fund balance, this position will augment greatly the boards' communication and public advocacy initiatives.

The Boards are subject to a high volume of both email and telephone contact, especially from applicants and licensees. Accordingly the assessment will include whether the Boards require another staff person to specifically address the volume of electronic and telephone inquiries.

During Fiscal Year 2006, the unit will continue to address physical plant and equipment issues. Modern lateral files now house the unit's hard copy records, providing increased organization and ease of access to staff on a daily basis. Solutions are being sought for the problem of the Boards' increasingly degraded microfilm records produced in the 1970's, which are utilized for the preparation of license verifications for individuals examined and initially licensed during that decade.

The Boards and DLLR recognize that additional spending must be considered in the context of current resources, maintenance of a prudent fund balance, and the existing revenue stream, both in the context of fee increases if required, as well as possible decreases in fee if a projected fund balance is determined to be excessive. Any fee adjustments would be implemented by regulation submitted through the AELR Committee. These judgments will occur during Fiscal Year 2006 and be reported to the four standing Committees in the October 2006 submittal.

ATTACHMENT 1**FY '04 & FY '05
YEAR END REVENUE REPORT FOR DESIGN BOARDS**

PROG.	Design Boards	# of Licensees	FY '04 TOTAL REVENUES	FY '05 TOTAL REVENUES	GRAND TOTALS
FA19	BOARD OF ARCHITECTS	5,560	\$284,110	\$277,383	\$561,493
FA20	LAND SURVEYORS	920	\$50,941	\$42,716	\$93,657
FA21	PROFESSIONAL ENGINEERS	14,660	\$757,441	\$783,131	\$1,540,572
FA25	LANDSCAPE ARCHITECTS	810	\$42,780	\$42,190	\$84,970
FA31	INTERIOR DESIGNERS	280	\$15,875	\$14,747	\$30,622
	Grand Total	22,230	\$1,151,147	\$1,160,167	\$2,311,314

ATTACHMENT 2.0

FY ' 04 & FY '05 Actual Revenues and Expenditures For Design Board

Design Boards Grand Total Summary's

Design Boards	FY '04 Actual Revenues	FY '04 Actual Expenditures	GRAND TOTAL SURPLUS/(DEFICIT)
ARCHITECTS	\$284,110	\$159,358	\$124,752
LAND SURVEYORS	\$50,941	\$191,412	(\$140,471)
PROFESSIONAL ENGINEERS	\$757,441	\$379,232	\$378,209
LANDSCAPE ARCHITECTS	\$42,780	\$89,409	(\$46,629)
INTERIOR DESIGNS	\$15,875	\$76,350	(\$60,475)
TOTALS	\$1,151,147	\$895,761	\$255,386

Design Boards	FY '05 Actual Revenues	FY '05 Actual Expenditures	GRAND TOTAL SURPLUS/(DEFICIT)
ARCHITECTS	\$277,383	\$165,843	\$111,540
LAND SURVEYORS	\$42,716	\$131,911	(\$89,195)
PROFESSIONAL ENGINEERS	\$783,131	\$372,055	\$411,076
LANDSCAPE ARCHITECTS	\$42,190	\$83,277	(\$41,087)
INTERIOR DESIGNS	\$14,747	\$72,522	(\$57,775)
TOTALS	\$1,160,167	\$825,608	\$334,559

FY '04 & FY '05 GRAND TOTALS	\$2,311,314	\$1,721,369	\$589,945
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