

**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, 2006

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

INTRODUCTION

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., 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. The Report for FY 2005 outlined continued Fund growth and the reasons that revenues exceeded direct and indirect costs during the first two years.

This report covers the Fund through its third year of operation. Attachment I presents, revenue, expenditure and fund balance summaries, covering the three year period from July 1, 2003 through June 30, 2006. Attachment II provides individual Board and aggregate detail of FY 2006 expenditures charged against the Fund including both direct and indirect costs, consistent with the requirements of Business Regulation Article Section 2-106.2(a)(1).

FUND BALANCE

Through the third year of operation, the fund balance stands at \$642,238 as detailed in the attachments. FY 2006 (year three) growth in the fund balance was \$50,520. This is in contrast to FY 2004 and FY 2005 totals of \$255,386 and \$334,559 respectively. Several factors contributed to this change including the absence of significant turnover, the growth of budgeted personnel costs and adjusted charging of costs for legal services. The latter item was expected and commented on in the preceding Annual Report.

REVENUE

The three year record confirms that the revenue stream for the cluster is stable. The variance between high and low year during the three year period was \$9,000 out of an annual total of revenues in excess of \$1,150,000. The total number of licensees and permit holders remains approximately 22,500.

EXPENDITURES

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. During FY 2006 the Boards hired a contractual publications and outreach coordinator who assumed responsibility for the *By Design* quarterly electronic newsletter, website content and brochure development. To date, brochures titled "Design Board Complaint Process" and "Understanding Professional Engineers' Licensure" have been completed and a schedule for analogous informational material for the remaining Boards put in place. During FY 2007, the Real Estate Commission will begin to co-fund this position as the Publications Coordinator will assume similar duties with respect to that special fund agency.

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 also charged to the fund. Finally, services provided to the Boards by Assistant Attorney's General and support personnel are charged to each Board based on actual hours worked by each attorney.

ELECTRONIC INITIATIVES

The Boards have considered the state of the Fund and have outlined a plan of action to further enhance the quality, of service to applicants and licensees, and the efficiency of daily operations. Specifically, the Boards wish to apply a significant level of resources on a one time basis to extending DLLR's groundbreaking E-licensing system to an array of application processes, that are presently only subject to paper processing and payment by check. This would include all examination-related applications. The ability to fill out, file and pay for such applications electronically would bring to applicants and the Boards the same convenience and efficiencies brought to the Division by E-licensing. Staff time currently devoted to moving paper and conducting audit related cash management functions could be redirected to more productive and substantive customer service activities. A pilot program in this regard, by the Board of Public Accountancy, has shown overwhelming applicant use of such a system at a rate exceeding 95%.

The cost of this E-application system for the Design Boards has been estimated at \$200,000. The Board has asked the Department to proceed in this regard, consistent with state budgetary and procurement processes.

The Boards are further considering the development of an electronic Board Room and paperless agenda process to replace the current paper-laden agendas for the over 50 business meetings conducted annually, by the five Design Boards and the

Design Board Chairs. Agenda material, correspondence, additional information, committee work, etc., could be posted to a secure Board website where Members could review and annotate items prior to meetings. Reference material, such as statutes and COMAR could be available electronically on laptop computers at meetings, as well as the agenda items themselves. The Boards and the Department are evaluating the costs and benefits of moving to such a system.

FEE REDUCTION

Considering the fund balance at the conclusion of FY 2006, the stability of the licensee base, current and projected on-going expenditure levels, as well as projected one time spending for the electronic initiatives, the Boards feel that a reduction of the common original and renewal licensing fee for individuals is both fair and appropriate. This fee is currently set at \$78. A reduction of \$10 to \$68 would reduce the revenue stream to the Fund by approximately \$100,000 to \$110,000 each year. Factoring in this reduction, the Department and the Boards believe that the fund balance could be reduced to \$300,000 by the end of FY 2008, with additional reduction in subsequent years, should the life of the fund be extended. An ongoing fund balance between \$150,000 and \$200,000 would be a prudent level of protection against any unanticipated future diminution of revenues.

Accordingly, the Boards have begun the process of promulgating regulations to reduce original and renewal license fees for individuals by \$10, in order that those reductions will be in place no later than January 31, 2007.

ATTACHMENT I

FY '04, FY '05 & FY '06 Design Boards 'Special Fund Summary'

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 DESIGNERS	\$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 DESIGNERS	\$14,747	\$72,522	(\$57,775)
TOTALS	\$1,160,167	\$825,608	\$334,559

ADJUSTMENT POST 10/01/05 Report	\$1,773
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Design Boards	FY '06 Actual Revenues	FY '06 Actual Expenditures	GRAND TOTAL SURPLUS/(DEFICIT)
ARCHITECTS	\$280,065	\$237,649	\$42,416
LAND SURVEYORS	\$47,394	\$197,977	(\$150,583)
PROFESSIONAL ENGINEERS	\$768,280	\$464,794	\$303,486
LANDSCAPE ARCHITECTS	\$47,890	\$97,835	(\$49,945)
INTERIOR DESIGNERS	\$15,338	\$110,192	(\$94,854)
TOTALS	\$1,158,967	\$1,108,447	\$50,520

FY '04, '05 & '06 GRAND TOTALS	\$3,470,281	\$2,829,816	\$642,238
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**FY '06 Summary of Actual Expenditures for the Design Boards
Covering The Period 07/01/05 - 06/30/06**

ACCOUNTS	ARCHITECTS	LAND SURVEYORS	PROFESSIONAL ENGINEERS	LANDSCAPE ARCHITECTS	INTERIOR DESIGNERS	GRAND TOTALS
Personnel Costs	\$142,124	\$113,944	\$267,101	\$56,928	\$72,865	\$652,962
Tech & Spec. Fees	\$5,413	\$4,524	\$5,185	\$3,293	\$3,160	\$21,575
Postage/Telephone etc.	\$1,136	(\$335)	\$15,953	\$665	\$615	\$18,034
Travel	\$546	\$4,998	\$4,953	\$460	\$299	\$11,256
Motor Vehicle	\$515	\$177	\$1,196	\$110	\$68	\$2,066
Contractual	\$17,285	\$18,833	\$52,801	\$4,465	\$2,772	\$96,156
Equipment, Supplies, & Materials	\$1,294	\$863	\$21,642	\$703	\$750	\$25,252
Fixed Charges (Dues, Rent, Ins.)	\$9,080	\$5,379	\$5,636	\$5,431	\$4,512	\$30,038
Legal Services (Salaries & Benefits)	\$42,578	\$34,255	\$55,032	\$16,228	\$15,802	\$163,895
DLLR - Indirect	\$17,678	\$15,339	\$35,295	\$9,552	\$9,349	\$87,213
GRAND TOTAL	\$237,649	\$197,977	\$464,794	\$97,835	\$110,192	\$1,108,447