



BUSINESS REGULATION GROUP

**HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON EDUCATION AND ECONOMIC DEVELOPMENT
DELEGATE ADRIENNE A. JONES, CHAIR
FEBRUARY 18, 2015**

**SENATE COMMITTEE ON BUDGET AND TAXATION
SUBCOMMITTEE ON EDUCATION, BUSINESS & ADMINISTRATION
SENATOR NANCY J. KING, CHAIR
FEBRUARY 19, 2015**

KELLY M. SCHULZ, SECRETARY, DLLR



AGENDA

INTRODUCTION

EXECUTIVE SUMMARY

AUDITS

FINANCIAL REGULATION

LABOR AND INDUSTRY

MARYLAND RACING COMMISSION

OCCUPATIONAL AND PROFESSIONAL LICENSING



EXECUTIVE SUMMARY

- The services of the Department of Labor, Licensing and Regulation's Business Regulation group are provided in a high-quality, customer-focused environment for the citizens and businesses of Maryland.
- The Department of Labor, Licensing and Regulation's Business Regulation group is comprised of four divisions: the Office of the Commissioner of Financial Regulation, the Division of Labor and Industry, the Division of Racing (a.k.a. the Maryland Racing Commission) and the Division of Occupational and Professional Licensing.



EXECUTIVE SUMMARY

- The **Division of Financial Regulation** is responsible for supervising the activities of banks, trust companies, savings banks, credit unions, money transmitters, debt collection and management companies, mortgage lenders, servicers and originators, check cashers, and many other financial institutions and transactions. The division is responsible for licensing or chartering financial institutions and individuals; conducting examinations; responding to consumer complaints; undertaking investigations; and implementing enforcement actions. The division is also responsible for regulations implementing key elements of the recent reforms to the foreclosure process and mediation.

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: General Administration; Employment Standards, which includes the Workplace Fraud Unit; Railroad Safety and Health; Safety Inspections; Apprenticeship and Training; Prevailing Wage and Occupational Safety and Health Administration. The division's workplace protection activities include the determination of wage rates and fringe benefits through jurisdictional surveys and evaluations. In addition, the division is dedicated to promoting and assuring workplace safety and health by reducing workplace fatalities, injuries, and illness through its occupational safety and health programs.

EXECUTIVE SUMMARY



- The **Division of Racing** is dedicated to regulating the pari-mutuel betting in Maryland through implementation and enforcement of policies, and safeguarding participants and the betting public in horse racing. In addition, the Division of Racing receives and distributes racing and video slots revenues to local subdivisions in the form of impact aid grants to those counties and municipalities containing or located near thoroughbred tracks, or those jurisdictions where video slot facilities are located.



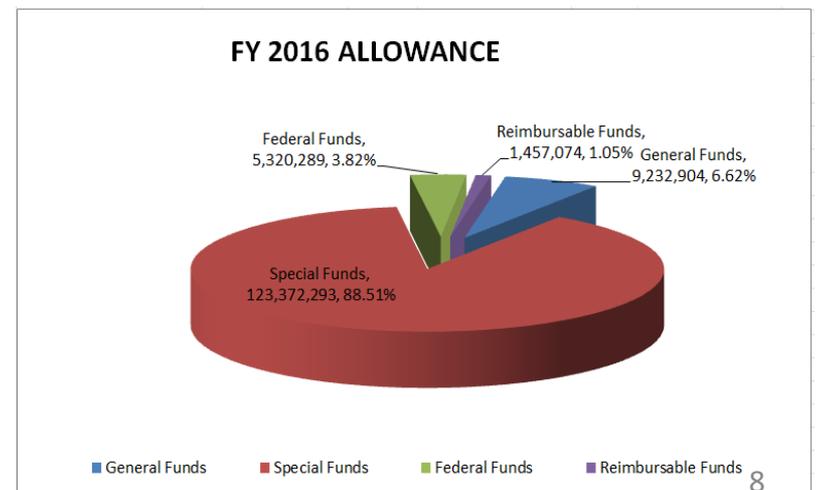
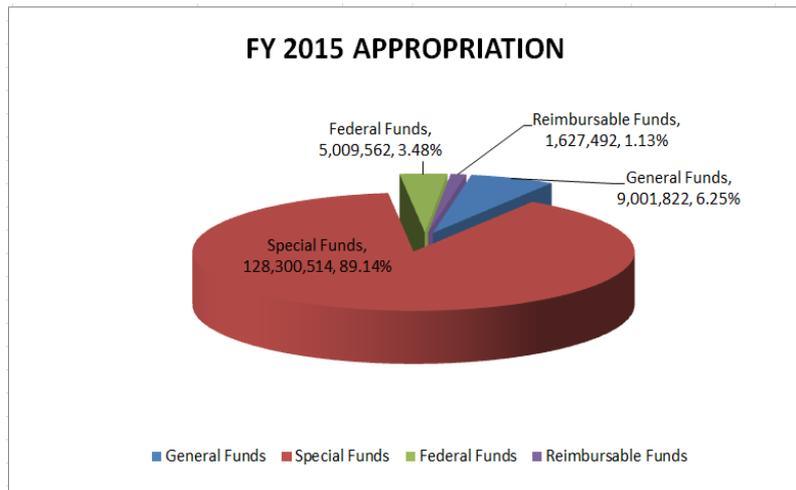
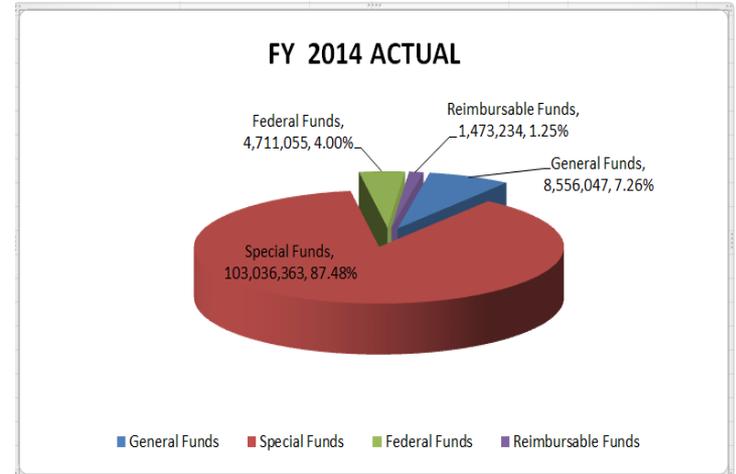
EXECUTIVE SUMMARY

- 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.



Business Regulation Group is supported by a combination of general, special, federal and reimbursable funding as follows:

BUSINESS						
	FY 2014		FY 2015		FY 2016	
	ACTUAL	%	APPROPRIATION	%	ALLOWANCE	%
General Funds	8,556,047	0.073	9,001,822	0.063	9,232,904	0.066
Special Funds	103,036,363	0.875	128,300,514	0.891	123,372,293	0.885
Federal Funds	4,711,055	0.040	5,009,562	0.035	5,320,289	0.038
Reimbursable Funds	1,473,234	0.013	1,627,492	0.011	1,457,074	0.010
Total	117,776,699.00	1.000	143,939,390.00	1.000	139,382,560.00	1.000



Fiscal Year 2016 Allowance Does Not Include Contingent and "Back of the Budget bill" Reductions



AUDITS

Finding 1: Proper controls had not been established over certain collections.

Corrective Actions: Effective April 2014 DLLR developed a comprehensive remediation plan and implementation of training, segregation of staff duties and follow up counseling in accordance with the State Treasurer's Policy on the *Use of Remote Deposit Services by Maryland State Agencies*.
RESOLVED.

Finding 2: Accounts receivable and cash balance records were not established.

Corrective Actions: By December 2015, DLLR will enhance the capabilities of its existing AS400 system to establish and maintain detailed accounts receivable records and cash control accounts for the Home Improvement and the Real Estate Guaranty Funds. **PARTIALLY RESOLVED.**



AUDITS

Finding 3: Licensees that failed to reimburse the funds for claim payments were not always referred timely to the State's Central Collection Unit (CCU).

Corrective Actions: As of April 2014, the Real Estate Commission purchased new complaint management software to track, flag, send automatic reminders and automatic letter generation that assist users in meeting their various time sensitive obligations, including payout related suspensions and referrals to CCU. **RESOLVED.**



FINANCIAL REGULATION

DLLR's Office of the Commissioner of Financial Regulation ("the Office" or "OCFR") continued to protect Maryland consumers, to promote a safe and healthy financial services system and to play a central role in Maryland's effort to combat the financial and foreclosure crises on multiple fronts:

- **Fighting Foreclosure, Protecting Consumers:** In partnership with DHCD, OCFR led the state's response to the foreclosure crisis including, among other things, implementing foreclosure reforms and delivering outreach to over 125,000 borrowers in Maryland facing mortgage difficulty. OCFR also implemented a foreclosed property registry which went "live" in November 2012. This registry tracks the owners of foreclosed properties during the period prior to recordation of the deed in order to assist local government maintain these properties and avoid neighborhood decay. From October 2012 thru January 2014, over 14,300 properties have been registered. OCFR enforcement has also taken a lead role in combating mortgage rescue scams, undertaking numerous enforcement actions against those charging illegal upfront fees to consumers in exchange for promises of help getting a loan modification.



FINANCIAL REGULATION

- **Promoting a safe and successful state chartered bank and credit union industry.** The OCFR continued to support a safe and sound banking system. In addition to its ongoing supervisory efforts, OCFR continued to assist with applications for a wide variety of transactions, ranging from the conversion of banks from a federal savings bank to a state chartered commercial bank, the conversion of federal credit union to state credit union charter and acquisitions of the assets and deposits of federally chartered mutual savings bank.



FINANCIAL REGULATION

- **Closing Payday Lending Loopholes:** OCFR has aggressively targeted illegal online payday lending. Despite longstanding licensing requirements and interest rate limits for consumer lending that are intended to protect Marylanders, online lenders continue to evade state law with loans at interest rates that are well above 100% per year. The loans are marketed as short term cash advances, but the average online payday loan ends up being a five month loan in which the consumer pays \$520 in interest and fees on a \$375 loan. OCFR launched an initiative in FY 2013 that has served as a national model to identify banks that process the funding and payment on behalf of illegal lenders and refer these institutions to their relevant state or federal regulator.



DIVISION OF LABOR AND INDUSTRY (DLI)



**Employment
Standards
Service**



- Wage Payment & Collection including Workplace Fraud and Misclassification Enforcement
- Overtime Payment
- Wage Liens
- Fair Credit Reporting Protections
- Child Labor Restrictions & Permits
- Minimum Wage Enforcement

**Employment
Standards
Service**



Minimum Wage Act of 2014

- Statewide increase to \$8.00 effective 1/1/2015
- Exception, Montgomery & Prince Georges: \$8.40, effective 10/1/2014
- Exemptions from minimum wage: agricultural, seasonal, recreational and tipped employees
- DLLR to increase outreach, staff training, and information pamphlets
- Enforcement is complaint driven
- New staff on board 3/8/2015
- Next increase to \$8.25 effective 7/1/2015



**Statutory Wages
(Living & Prevailing)**

- Wage Determination
- Annual Consumer Price Index Adjustment
- Payroll Collection / Review
- Site Education, Outreach and Inspections
- Contract Closeout

Maryland Apprenticeship and Training (MATC)



- Ensure Quality Programs and that program sponsors meet required standards
- Increase Apprentices by Introducing Strategies to Leverage Public Policies that Increase Demand
- Identify Career Pathways to Encompass Apprenticeship Programs





Public Safety Inspections

- **Boilers and Pressure Vessels (BPV)**
 - 52,676 BPV Objects– 32,938 Inspections
- **Elevators**
 - 22,772 Units – 29,057 Inspections
- **Amusement Rides**
 - 4,291 Rides– 5,861 Inspections
- **Railroads**
 - 11 Companies – 660 Inspections – 2,236 miles of track





Public Safety Inspections

Elevator Safety Inspections

- Economic growth added 1380 units to the workload between 2012 to 2014
- Two pronged approach to inspections:
 - State inspectors responsible for public elevators
 - 3rd party inspectors responsible for annual inspections of private units
- Enforcement tools available to leverage owner compliance
- Overdue inspections down from 28% to 5% in 2014

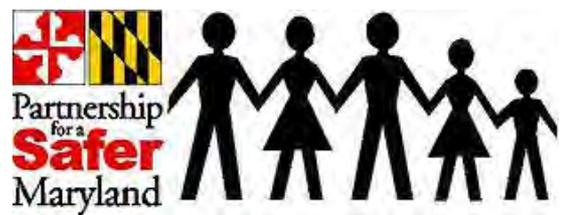
**Maryland
Occupational
Safety and Health
(MOSH)**



- **Compliance Inspection Program**
 - Risk Based and Reactive
 - Safety / Industrial Hygiene
 - Ergonomic / Chemical
- **Consultation Program**
 - Small Business and Focused Initiative
- **Outreach Programs**
 - Cooperative Compliance
 - Voluntary Protection
 - Educational Programs
- **Data Collection and Statistics**
 - Days Away Restricted Work Transfer (DART) / Lost Workday Incident (LWI) Rates
 - Census of Occupational Deaths



Partnerships are Critical to Our Success!



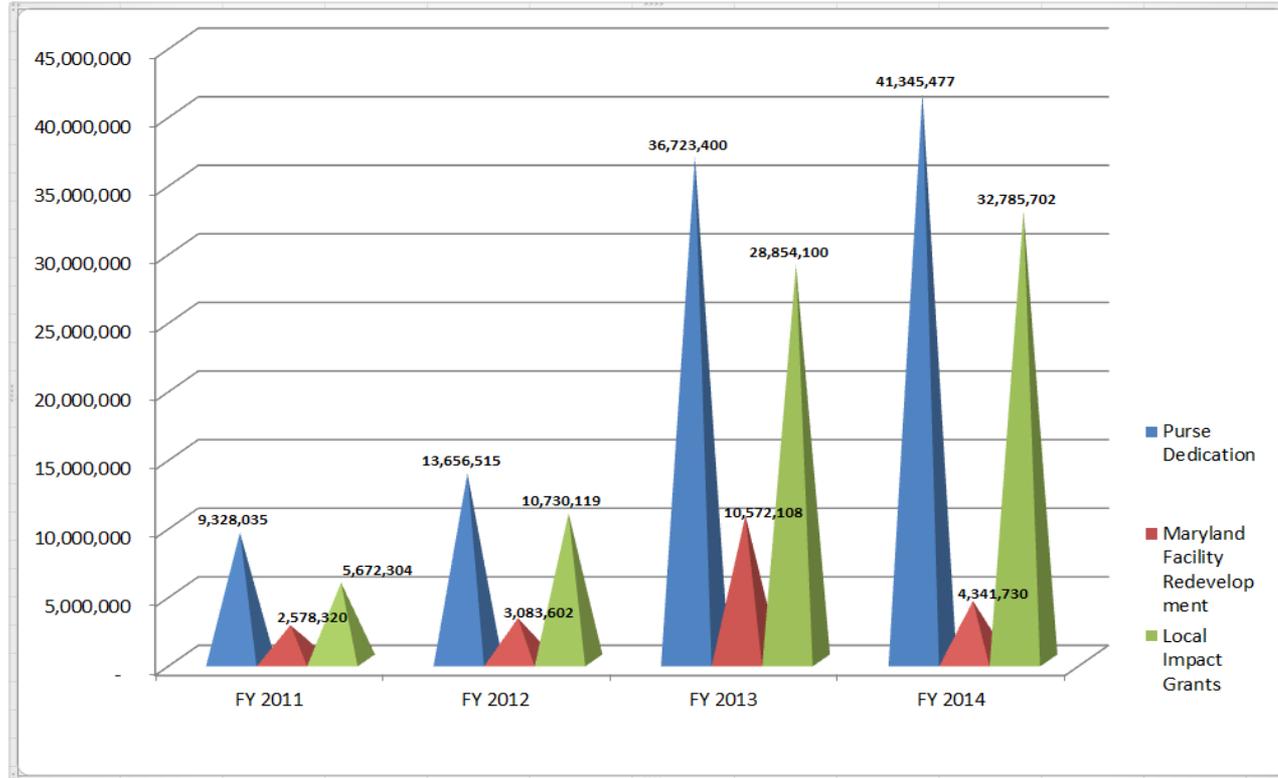


Division of Racing

Maryland Racing Commission

Video Lottery Terminal Distribution FY 2011 through FY 2014

Description	FY 2011	FY 2012	FY 2013	FY 2014
Purse Dedication	9,328,035	13,656,515	36,723,400	41,345,477
Maryland Facility Redevelopment	2,578,320	3,083,602	10,572,108	4,341,730
Local Impact Grants	5,672,304	10,730,119	28,854,100	32,785,702



FY 2011 first year of active VLT proceeds



MARYLAND RACING COMMISSION

- **Positive impact of video gaming:** Since the video slot facilities began operating during FY 2011 revenues from video gaming have allowed the racing and breeding industries to continue operating and observe a positive impact from the revenues generated from those facilities. In September 2013 the Maryland Bred Fund bonus program was restructured to reward Maryland Bred horses competing in Maryland. Since then the number of mares bred in Maryland have increased and a new breeding facility has opened in Cecil County.
- As one of the few agency programs supported entirely by State General Funds, the Racing Commission experienced cuts required by recent cost containment actions. In FY 2015, the number of live racing days will be approximately 256 days because of the continued live racing at Rosecroft Raceway and Ocean Downs. During fiscal years 2013 and 2014, the following events occurred regarding the status of the racetracks:



MARYLAND RACING COMMISSION

- **Race Track Facility Redevelopment:** Six million dollars of the thoroughbred share of the Race Track Facility Redevelopment Fund was used during calendar year 2013 to assist in offsetting qualified expenditures of the Maryland Jockey Club and to guarantee the holding of 146 days of live racing. The provision in the State Government Article which provided this assistance for calendar year 2013 is abrogated and is no longer in effect. The Maryland Jockey Club has submitted preliminary requests for 2014.
- **Long Term racing schedule and revenue sharing agreement:** In December 2012, the Maryland Jockey Club, Maryland Thoroughbred Horsemen's Association and the Maryland Horse Breeders' Association entered into a 10 year agreement which provides for a long term thoroughbred racing schedule, an adjusted revenue sharing agreement which excludes the sharing of any revenue derived from the slot revenue, construction of new stabling at both Laurel and Pimlico, the closing of Bowie as a training center provided the Maryland Jockey Club maintains a certain number of stalls at Laurel and Pimlico. Laurel and Pimlico will remain open for training on a year round basis. As of January 2015 the Maryland Jockey Club has begun construction of 150 new stalls at Laurel Park and is expected to be completed by April 2015.



MARYLAND RACING COMMISSION

- **The 2012 General Assembly passed SB 794** which redirected up to \$1.2 million of Ocean Down's portion of the Purse Dedication Account to be used to offset certain qualified expenditures incurred by Ocean Downs for calendar years 2012, 2013, 2014 and 2015. The same legislation also permits Rosecroft Raceway to use the same amount from their share of the Purse Dedication Account provided they meet certain additional restrictions. Ocean Downs has applied and received approval to access these funds each year. Rosecroft has not applied in any year.
- **Simulcasting and inter-track wagering agreement:** On December 18, 2012 the Maryland Jockey Club, Maryland Thoroughbred Horsemen's Association, Maryland Horse Breeders' Association, Prince George's Racing Ventures (Rosecroft), Cloverleaf Standardbred Owners Association and the Maryland Standardbred Breeders entered into an agreement whereby all the parties provided their consent to allow for the simulcasting and intertrack wagering of all races regardless of breed into their respective facilities for a two year period beginning January 1, 2013, which negates the legislated requirement that the parties be subjected to binding arbitration. Since that agreement has terminated the parties are pursuing arbitration as required by the agreement.



Division of Occupational and Professional Licensing (O&P)

The Division of Occupational and Professional Licensing administers regulatory programs that govern the practice of 24 occupations and professions in the State. The activities of the Division are primarily conducted through licensing boards and commissions that are established in State law. The Division **licenses 225,000 individuals and businesses**. Each year the Division **administers over 17,000 licensing exams** and **processes approximately 3,000 consumer complaints against licensees**. The Division's programs provide many vital services, including protecting Maryland consumers in real estate and home improvement transactions, ensuring stringent regulation of the public accountancy profession, safeguarding the potable water supply, and assuring the structural integrity and functionality of buildings and mechanical systems in the commercial and residential contexts.



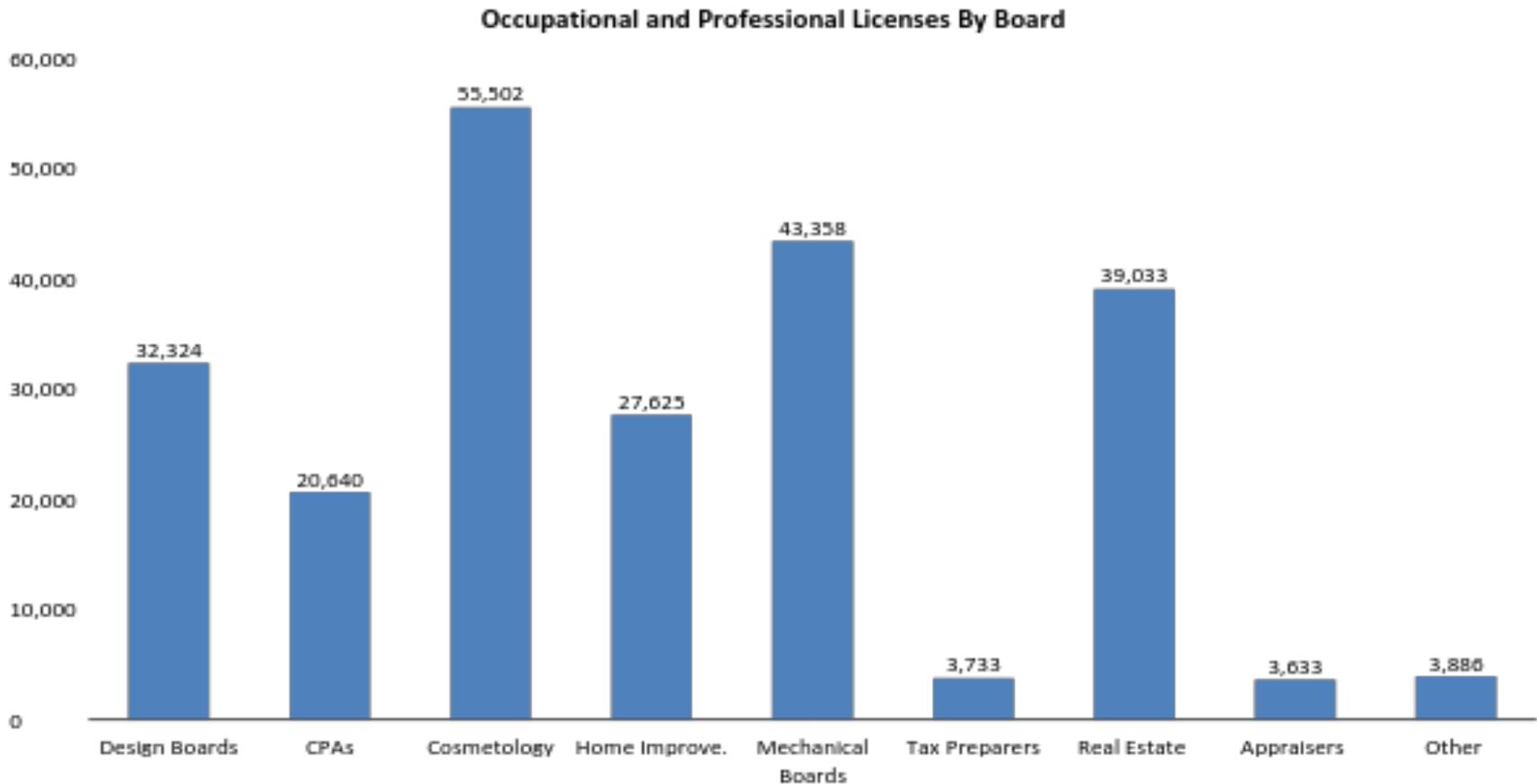
24 Professions Under O&P's Purview

Here are just some of the occupations O&P regulates:

- Real Estate Agents
- Design Professionals (Engineers, Architects, Surveyors)
- Certified Public Accountants
- Home Improvement Contractors
- Mechanical Trades (Plumbing, HVAC, Electric)
- Barbers and Cosmetologists
- Real Estate Appraisers and Home Inspectors
- Tax Preparers
- Bay Pilots
- Athletic Commission
- Many Others – But Not Health Fields!



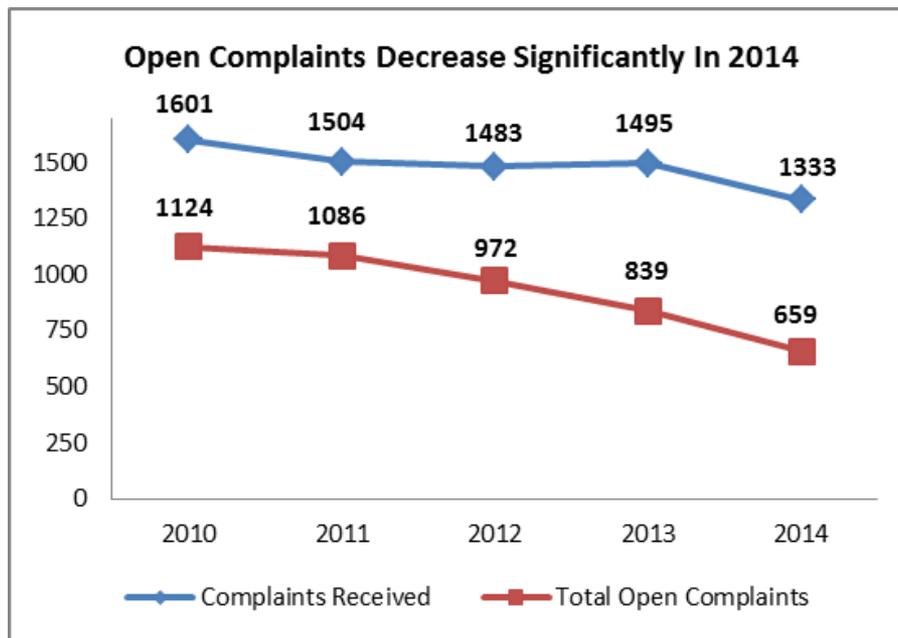
O&P Licenses More Than 225,000 Individuals and Businesses





Increased Efficiency Improves Customer Service – Despite Funding Constraints

New management staff, operational efficiencies, and management strategies have resulted in increased economic recovery for consumers, a decrease in the number of open complaints against licensees, and faster application processing times for licensees and businesses.



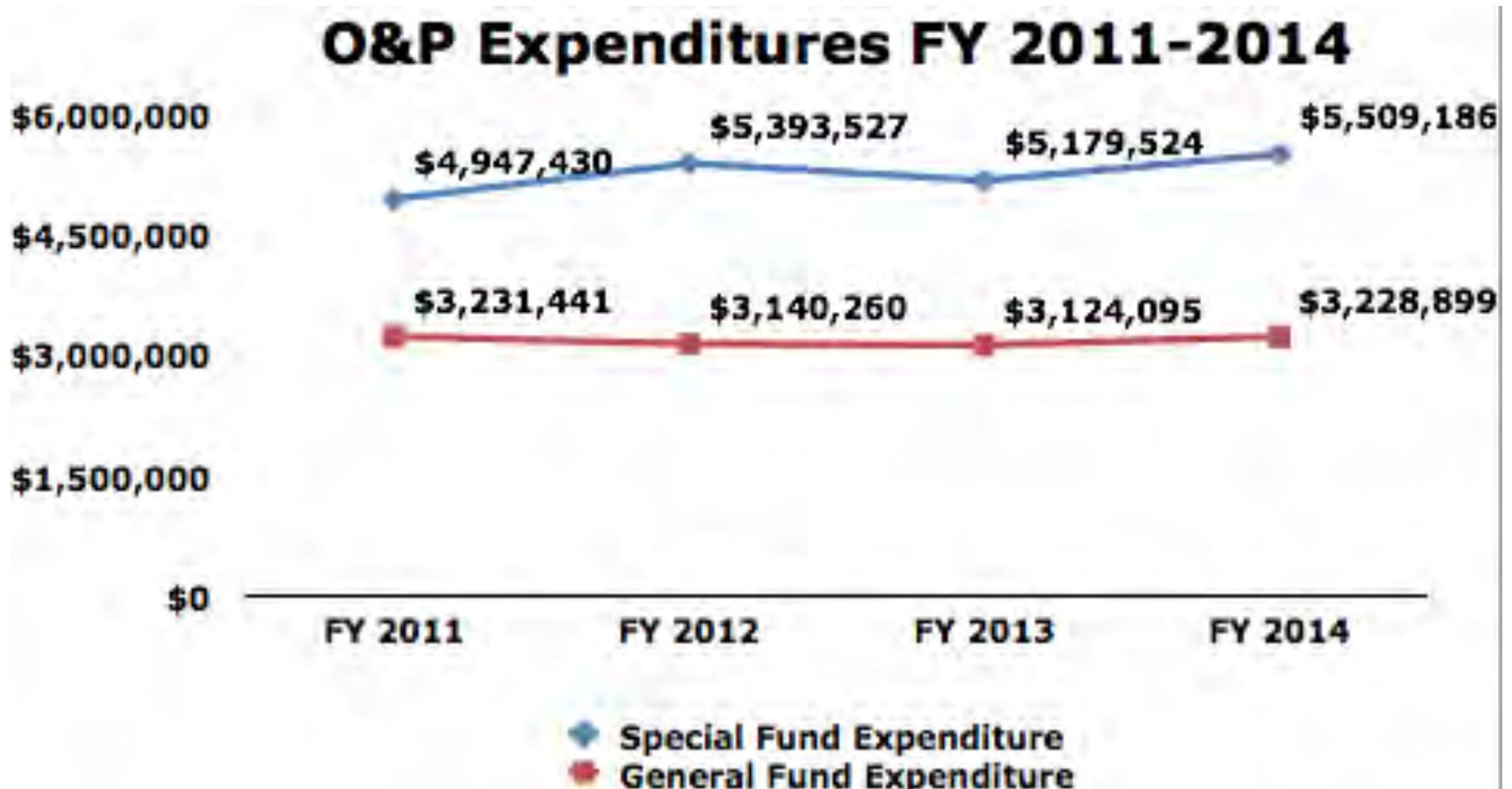


OCCUPATIONAL AND PROFESSIONAL LICENSING

- **Division Conducts Complaint Investigations *Faster*.**

Five years ago 54% of complaints filed against licensees with the Division were closed within 180 days. Currently more than 65% of these complaints are closed within 180 days. Average complaint resolution time dropped by 59 days over this period.
- **Division Complaint Backlogs *Drop Significantly*.** Over the last year:
 - Open cosmetology complaints decreased from 669 to 94.
 - Open home improvement complaints decreased from 839 to 659.
 - Open plumbing/HVACR complaints decreased from 418 to 98.
- **Division Provides Direct Assistance to Clients and Consumers.** Call center received 100,000 calls in FY 2014. Investigations are typically resolved within 90 days.
- **Division Works Across State Government** with Attorney Generals and county State's Attorneys on many issues including unlicensed practice investigations and prosecutions.
- **Division hosts 180 board and commission meetings annually.**

A Tale of Two Funding Models: General and Special Funds Support O&P Programs





General Fund Model:

- **General Fund Programs:**
 - Fee levels set in statute
 - Revenue from fees may or may not cover costs
 - Programs tend to be more sensitive to overall State budget constraints/cost containment
 - Programs must be creative to do more with less
 - Example: Cosmetology Board

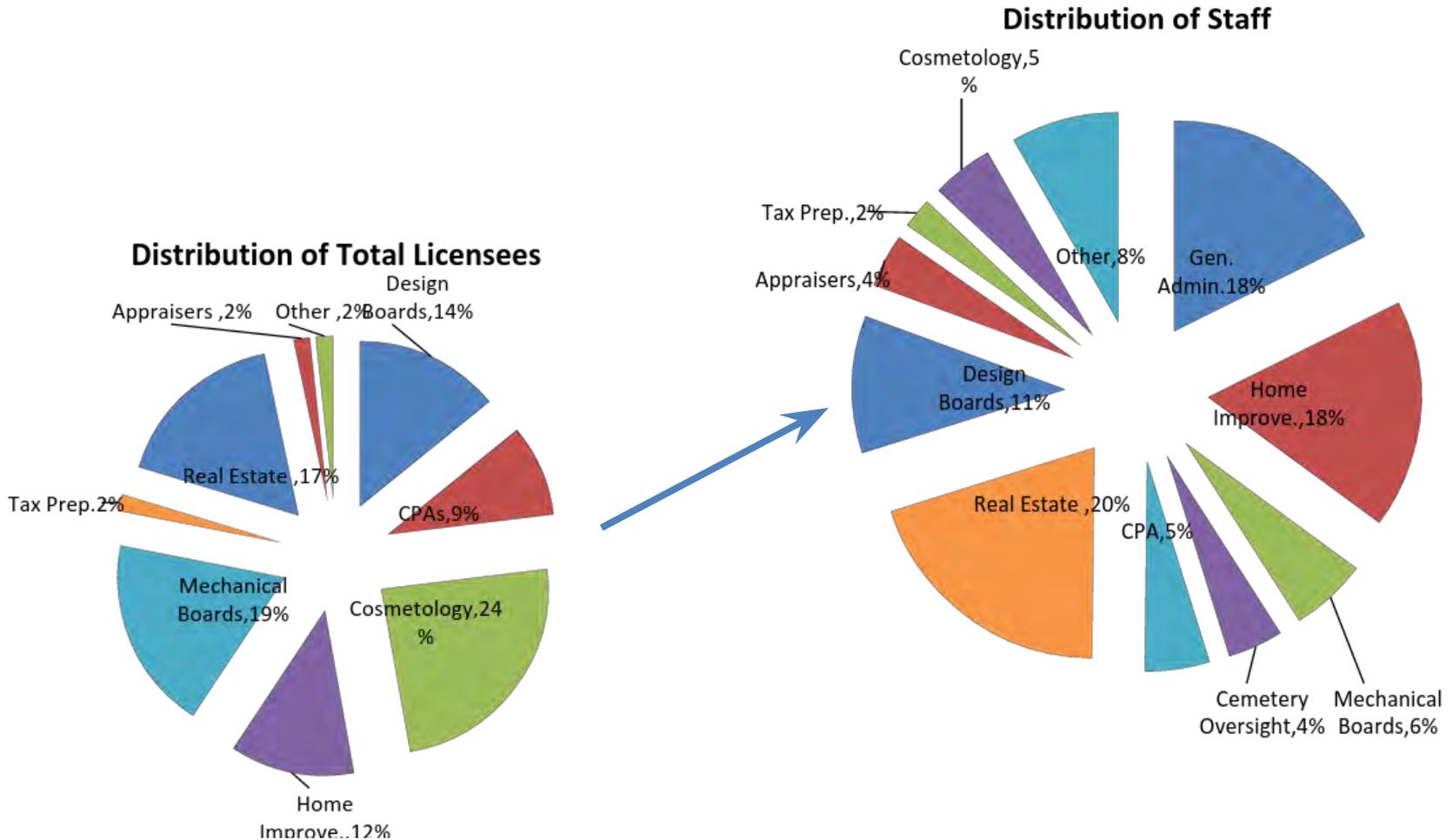


Special Fund Model:

- **Special Fund Programs:**
 - Revenues must cover all documented costs
 - Boards have fee setting authority
 - Fees cannot increase by more than 12.5% annually
 - May maintain reasonable fund balance
 - Tend to have greater spending authority
 - Are able to innovate to better serve consumers and regulated industry
 - Example: Real Estate Commission



Funding Status Affects Staffing Level





Management Philosophy

- ★ Any operational activity that does not exist to protect consumers should not hinder licensees or businesses.
- ★ We are committed to providing timely, efficient, helpful and friendly customer service critical and essential to protecting consumers and maintaining fair competition in the marketplace.



Thank You!

We are happy to answer any questions.