STATE OF MARYLAND
DEPARTMENT OF LABOR, LICENSING AND REGULATION
FISCAL YEAR 2005 BUDGET PRESENTATION

Testimony of James D. Fielder, Jr. Ph.D.
Secretary of Labor, Licensing and Regulation

FRIDAY, FEBRUARY 27, 2004

SENATE EDUCATION, BUSINESS AND ADMINISTRATION SUBCOMMITTEE

Accompanied by: John M. Wasilisin, Deputy Secretary

We come before you today to present the budget of the Department of Labor, Licensing and Regulation and to respond to the requests and recommendations of the Department of Legislative Services regarding the Department and its budget. We thank you for this opportunity and for the excellent staff work that has gone into the preparation for this hearing.

The Department of Labor, Licensing and Regulation defines its mission as "safeguarding and protecting Maryland citizens and supporting the economic stability of the State by providing business, the workforce and consumers with high-quality customer-focused regulatory, employment and training services." The Department, funded with general, federal and special funds, pursues this mission with a staff of 1,681, who work in a number of operational programs.

The Department of Labor, Licensing and Regulation is comprised of seven divisions: Office of the Secretary, Division of Financial Regulation, Division of Labor and Industry, Division of Occupational and Professional Licensing, Division of Unemployment Insurance, Division of Workforce Development, and Division of Racing. The Department administers the unemployment insurance program, oversees and coordinates the state's workforce development initiatives, regulates financial institutions, licenses and regulates 24 businesses, professions and trades, enforces occupational safety and health laws, and regulates the racing industry.

Upon assuming the duties of the Secretary of Labor, Licensing and Regulation in January 2003, I found that the Department faced a number of organizational and audit challenges. Actions taken to address these challenges include:

- **Restructuring of Organization and Key Senior Department Personnel Changes**

  My first year at the Department of Labor, Licensing and Regulation was marked with changes in leadership that signaled a commitment to excellence and change. Leadership changes that were implemented include:

  - Appointing a new Deputy Secretary with extensive administrative and workforce development experience;

  - Moving the Governor's Workforce Investment Board under the auspices of the Department of Labor, Licensing and Regulation, appointing a new Chairman and Executive Director, and moving its offices into the Department's Eutaw Street building;

  - Creating a new Division of Workforce Development, including the appointment of an experienced workforce development professional as Assistant Secretary, to spearhead the Department's efforts to streamline and strengthen the delivery of workforce development services at both the State and local level;

  - Establishing a separate Division of Unemployment Insurance (UI) and appointing the existing Director of UI, who has overseen the award-winning UI program for 15 years, as Assistant Secretary for the newly formed Division;

  - Appointing a new Commissioner of Financial Regulation, with a focus on effective and professional enforcement, including a proactive approach to protect Maryland citizens against financial predators;

  - Appointing a new Commissioner of Occupational and Professional Licensing with a charge to strengthen the management of the Division, improve the relationship with the Boards and Commissions, and ensure the success of the changeover to special-funding for the Design Boards;

  - Appointing the Deputy Commissioner of Labor and Industry, as Commissioner, ensuring competent technical and professional leadership to the Division;

  - Appointing the Deputy Director of Racing, as Executive Director, to allow the Racing Commission to capitalize on his experience and expertise.

- **Resolution of Audit Issues**

  Beginning at the time of my appointment, I placed a high priority on resolving longstanding audit issues, including findings that had been pending since 1995. Through meeting with state and federal officials, working with internal staff, and

providing comprehensive documentation to state and federal auditors, the Department has made substantial strides in resolving $51.7 million of questioned costs in audit findings.

I am pleased to inform you that we just received the report on "Statewide Review of Closeout Transactions for Fiscal Year 2003" from the Office of the Legislative Audit. As you can see from Attachment A, with regard to the Department, there is only one finding remaining, which involves $5.9 million in unsubstantiated Federal fund accrued revenues. The budget I bring before you today seeks resolution of this issue by use of a deficit appropriation from a one-time Securities and Exchange Commission settlement.

Equally significant is the fact that systems have been implemented to prevent the reoccurrence of these problems. The Department takes its responsibilities for financial management and oversight very seriously and has taken and continues to take actions to address the underlying problems. For example:

- Entering into an Indirect Cost Agreement with the United States Department of Labor, for the first time in the Department's history, to ensure proper recovery of indirect costs from the federal government.

- Appointing a permanent Director of the Office of Budget and Fiscal Services, a Manager for the newly created Federal Grants Management Unit and a Budget Manager. The new appointments, the realignment of existing resources, and the training of existing staff has allowed for more effective budgeting, timely reporting, and monitoring of revenues and expenditures.

- Ongoing efforts to improve and automate the documentation of staff time distribution to ensure compliance with federal guidelines.

- Using audit reports as a blueprint for management to follow in determining what problems have existed in the past and where improvements need to be made in the future.

Other Major Activities and Initiatives

In addition to the organizational changes and the resolution of audit issues, there were a number of significant accomplishments attained by the Department in Fiscal Year 2004 that are important in continuing to provide effective delivery of services. A number of these initiatives and activities, which demonstrate the breadth of the Department's responsibility, attainment and future direction, are highlighted below:

- **Healthcare Workforce Shortage Initiative**

  The Governor's Workforce Investment Board (GWIB) initiated and coordinated the Healthcare Workforce Shortage Initiative. This initiative was a private/public

partnership where members of the private sector, government and education came together to form a steering committee to address the workforce needs in the healthcare industry. Many months of work culminated in the "Governor's Healthcare Workforce Summit" where a detailed action plan was completed to take specific actions to address the shortages.

The Summit was only the beginning, as those in attendance are continuing to work to implement strategies to achieve real change in the employment and training of healthcare workers. Comments from the Maryland Hospital Association indicate that they are already sensing some relief of the shortage, due to a slight reduction in nurse turnover. This initiative has been highly supported by our federal partners at the United States Department of Labor, and is a model that will be replicated to address workforce needs of other industry clusters.

- **Demand Driven Workforce Investment System**

The GWIB, in conjunction with our Division of Workforce Development, other State partner agencies, and local workforce investment areas, is working closely with business to build a "Demand Driven" workforce investment system that recognizes the role that employers play in building a world-class workforce.

A major focus of the Department and the Board will be the identification of high-demand industries and the development of strategies to address the workforce needs of such industries. The strategy used to address the workforce needs of the healthcare industry (Industry Forums) will be applied to other "High Growth" industries such as the manufacturing sector, aerospace, digital technology, hospitality/tourism, information technology, transportation logistics, construction, retail, higher education (as a business), and biotechnology.

- **Relationship with the United States Department of Labor**

The Department has significantly improved its working relationship with the United States Department of Labor and with the corresponding national and regional office staff. The Department is now viewed as an important partner in federal initiatives ranging from IT improvements, to Workforce Investment Act (WIA) reauthorization, to the Healthcare Workforce Shortage Initiative.

The Department has requested and received preliminary approval for approximately $2.5 million of federal funding from the United States Department of Labor to support our efforts to establish the "Maryland Center for Sector-Based Workforce Development", as well as funds to continue our efforts with the "Maryland Healthcare Workforce Initiative". The Center will be the catalyst to bring together stakeholders at both the state and local levels to expand Maryland's movement towards a "demand driven" workforce investment system. Funds will also be provided to help with our continuing efforts to implement the strategies and plans that

have emerged from Maryland's first statewide sector effort, the Healthcare Workforce Initiative.

- **Report on Improving Maryland's Workforce Delivery System**

  At the direction of the General Assembly of 2003, the GWIB, in partnership with the sub-cabinet, is coordinating a review of the entire "Maryland Workforce Development System" to identify areas of opportunity to improve effectiveness and/or reduce costs. The sub-cabinet has taken the initiative to bring a system-wide partner-coordinated approach to this project. An Interim Report was submitted to the General Assembly in January 2004. That report noted several significant areas of opportunity. Action is already underway on some of these items. Recommendations for further improvements and identification of potential need for legislative action will be included in the final report due to the General Assembly in June of 2004.

- **Maryland Business Works Program**

  The Department, using $1 million in federal WIA incentive funds, created ***Maryland Business Works***, an incumbent worker training program. ***Maryland Business Works*** provides a dollar-for-dollar match with an employer for the cost of upgrading the occupational skill levels of employees, with a priority for small businesses and the healthcare industry. This statewide program, implemented in October 2003, provides funds to the local Workforce Investment Boards to develop training projects with businesses located within their local jurisdictions. This initiative helps make businesses more competitive and encourages increased wages and promotional opportunities for incumbent workers, while also providing new entry-level openings. Since the inception of the program, over 75 Maryland businesses have applied for funds to upgrade the skills of approximately 850 of their workers, at a cost of approximately $500 per employee.

- **Unemployment Insurance (UI) Program**

  The Division of UI paid almost $700 million in UI benefits during the last twelve months, and projects to pay approximately $550 million in benefits (extended benefits program has expired) during Fiscal Year 2005. The Division also estimates that it will collect approximately $490 million in taxes from Maryland employers.

  The solvency of the UI Trust Fund continues to be an important issue for the UI Division. The Assistant Secretary of the Division of Unemployment Insurance is participating on the UI Task Force that is legislatively mandated to improve the financial solvency of the UI Trust Fund, and to look at ways to improve benefits and coverage for Maryland unemployed citizens.

- **Electronic Licensing**

  The Division of Occupational and Professional Licensing's Electronic Licensing system continues to perform in a highly successful manner. During the first 6 1/2

months of Fiscal Year 2004, approximately 77% of 42,790 licensing renewal transactions were completed electronically. Over 60% of the 11,000 original licensing transactions were initiated electronically. The Board of Public Accountancy is currently implementing a CPA Examination electronic application adjunct to E-licensing. Through the efforts of Board staff and the Department's Office of Information Management, nearly 2,000 paper transactions will now be handled electronically and ultimately allow for ongoing electronic communication with applicants including grade notification.

The Division of Occupational and Professional Licensing will continue to build on the success of E-Licensing. Staff will continue to review the various processes and procedures of the 23 regulatory Boards and Commissions to identify processes which are amenable to inclusion in electronic services or commerce, similar to the CPA application process identified during FY 2004.

- **Maryland Home Improvement Commission (MHIC)**

  Within the Division of Occupational and Professional Licensing, the MHIC took prompt action to provide support and information to the victims of Tropical Storm Isabel at key FEMA/MEMA locations around the State. MHIC was successful in communicating through media outlets the suspicious activities of unlicensed contractors and the protections afforded the homeowner through the use of licensed contractors. We anticipate a delayed increase in the number of complaints as a result of Tropical Storm Isabel.

- **Division of Labor and Industry**

  Within the Division of Labor and Industry, the Maryland Occupational Safety and Health (MOSH) Program continues to demonstrate its commitment to work cooperatively with regulated entities by providing training to private and public organizations, expanding Cooperative Partnership Programs, and developing partnerships with public sector insurance entities.

  MOSH's work, in conjunction with the United States Department of Labor, resulted in the first two awards for national compliance "Partnership Projects", the Northrop-Gruman Voluntary Protection Program and the Clark Compliance Partnership Program at the BWI airport. The effective use of cooperative efforts and compliance initiatives are critical to keeping Maryland a leader in the occupational safety and health arena. Recent reports show Maryland to be the fourth safest state in the nation when gauged by the percentage of occupational fatalities. Attachment B includes a 2003 report prepared by the United Health Foundation that provides state rankings on occupational fatalities.

  The Division also successfully demonstrated that public safety could be improved by reducing boiler inspection and elevator inspection backlogs. A pilot project by the Board of Boiler Rules helped reduce backlogs by altering inspection frequencies based on age, automation, improved designs and operation of certain boilers.

Legislation is currently pending before the General Assembly to allow this pilot project to be implemented in a comprehensive manner. Elevator inspection backlogs were reduced through the implementation of another pilot project that undertook risk-based assessments based on maintenance and technology improvements.

The Division is also seeking to capitalize on the special fund status its safety programs recently attained, by identifying personnel needs, moving forward to hire staff and conducting comprehensive training. Attracting and retaining technical staff continues to be a major challenge in the Division.

- **Division of Financial Regulation**

The Office of the Commissioner will process a record number of 7000+ new and renewal license applications in FY 2004, generating $4,686,950 in general revenue for Maryland. All of the 6000+ licenses issued by the Commissioner to non depository providers of financial services (mortgage lenders, check cashers, collection agencies, sales finance companies, consumer lenders, installment lenders, credit reporting agencies, and mortgage servicers) expired on Dec. 31, 2003.

In response to customer abuse, the legislature passed the Maryland Debt Management Services Act, which became effective October 1, 2003. Maryland became one of an increasing number of states that license and regulate firms that, for a fee, collect funds from a consumer for the purpose of distributing the funds among the consumer's creditors in full or partial payment of the consumer's debts. Regulations were issued and 14 applications have been approved, with others pending.

In November, the Office entered into a consent agreement with Fairbanks Capital Corporation, a major servicer of sub-prime residential mortgages. The consent agreement applied to all loans currently or previously serviced by Fairbanks that are/were secured by real property located in Maryland (approximately 12,000 Maryland borrowers). Six different fees are to be refunded to Maryland borrowers by the end of February. A long list of abusive practices was curtailed and $90,000 in investigation expenses was recovered for the general fund. New management is in place at Fairbanks and there is every reason to believe that the business will be conducted in a lawful manner in the future.

In FY 2005 the Office intends to:

- Stagger the licensing process to avoid an overwhelming biennial licensing crunch and stabilize revenue generation for the State of Maryland. Existing law authorizes staggering the licensing process.

- Focus on improving the examination, compliance, and enforcement capabilities of the Office. One of the best ways to enforce Maryland law in regard to the delivery of financial services is to have a trained and knowledgeable examiner walk through the front door of a licensee and examine the manner in which the licensee conducts their business. Currently, with existing resources, only about

27% of the examinations are occurring that should occur in order to have effective regulation of Maryland financial services licensees. The industry standard calls for an examination of an organization at least once every three years. The cost of examiners is partly absorbed by the industries through the payment of examination fees (generally $250 per day). The enforcement effort is being reconstituted with a new Director of Enforcement arriving on March 1st and the hiring to two new enforcement officers to follow.

- Work with other members of the Maryland government, the Conference of State Bank Supervisors, Consumer Groups and representatives of other states to prevent the emasculation of state regulation of consumer financial services by Federal Preemption. The regulator of National Banks, the Office of the Comptroller of the Currency ("OCC") has issued a regulation purporting to preempt much of state law and regulation previously applicable to the subsidiaries of national banks and the banks themselves. Under the new regulation, the rest of the consumer credit industry will follow the model of the credit card industry (largely national banks) and operate from states with few if any consumer protections. Federal legislation of a basic consumer credit code for mortgage and consumer lending is necessary to correct the process and level the playing field for Maryland banks as opposed to Delaware banks, and allow Maryland regulators to protect Maryland citizens from abusive credit practices.

- **Maryland Racing Commission**

The Maryland Racing Commission continues to perform vital functions in the regulatory process at the thoroughbred and harness tracks operated under its auspices, specifically performing activities to safeguard the participants in racing as well as the betting public. The Racing Commission laboratory continues to be recognized as an efficient deterrent to the abuse of medications used in race horses. The laboratory analyzes blood and urine samples from horses that compete at Maryland tracks. On a fee basis, the laboratory performs these same functions on specimens received from racing in Virginia and West Virginia.

National Recognition and Awards

- **Unemployment Insurance Program**

The Maryland Unemployment Insurance Program is currently ranked as a top performer by the United States Department of Labor, in terms of accuracy and timeliness of its benefits, tax and appeals functions. Maryland is the only state in the country that has exceeded all federal performance standards for the last five years in a row.

- **Workforce Investment Act Program**

Maryland was the only state in the Mid-Atlantic region, and one of only 16 states in the nation to meet its 17 Workforce Investment Act (WIA) Performance Standards.

As a result, the State received nearly $2 million of WIA incentive funds in Fiscal Year 2004. Maryland is also eligible for a repeat award this fiscal year.

- **National Association of State Workforce Agencies**

  The National Association of State Workforce Agencies (NASWA) honored the Department of Labor, Licensing and Regulation, in collaboration with the Prince George's County Workforce Development Partnership, with its prestigious national "Pyramid Prize". The prize, including a $25,000 grant award, recognizes the nation's leader for collaborative improved customer service.

- **Division of Financial Regulation**

  The Office of the Commissioner of Financial Regulation's bank regulatory program received re-accreditation from the Conference of State Bank Supervisors. The Accreditation program identifies banking departments around the country that serve the citizens of the state by operating a capable and professional regulatory program.

Fiscal Year 2005 Budget Issues

- **Inspections and Examinations**

  The Department's budget will present challenges in terms of meeting core mandates and providing quality customer services, specifically in our ability to conduct timely inspections and examinations due to limited resources for the Divisions of Labor and Industry, Financial Regulation and Occupational and Professional Licensing. Steps already taken to obtain adequate resources to provide quality customer service include:

  - requesting and obtaining freeze exemptions for our vacant positions so that needed inspectors and examiners are hired in a timely manner;

  - From a legislative standpoint, the Division of Occupational and Professional Licensing is focused on addressing several critical needs. First, the Department is seeking special fund status for its Public Accountancy Board and Real Estate Commission. This action is being taken at the request of the respective industries. Effective oversight of these two industries is critical. Additional resources and flexibility are required to perform the mandates as set forth by the General Assembly.

  - Additionally, the Division of Labor and Industry is seeking to implement a risk-based inspection process for its boiler units. Historically the Division has been unable to meet the frequency of inspections called for in the law. Passage of this legislation would allow for the current resources to be applied at the point of greatest risk, by identifying the different risk status of certain types of boilers and pressure vessels.

In light of the significant loss of positions during the past two years, a critical aspect of effective management of the Department involves identifying alternative funding sources. As detailed above, the shift to special funding has been significant. There remain critical need areas that also need to change over to special funding to ensure that the state retains its ability to meet its mandates. Identifying opportunities to bring in additional federal funds to provide for workforce development enhancements is proving an effective way to grow capacity in the state.

The Department is continuing to seek legislative authorization to move additional spending to special funding to allow the programs to have sufficient resources to handle their mandated duties and to reduce reliance on general funds. Programs operated by the Board of Public Accountancy and the Real Estate Commission have been identified, as being in critical need of additional resources and the move to special funding would allow them to become fully self-supporting. Special fund initiatives are critical to allowing the Department to meet vital protective mandates in these programs.

Attachment C (Occupational and Professional Licensing) and Attachment D (Financial Regulation) includes several charts that demonstrate examples of current workload/capacity comparisons of the Department to meet our mandates to conduct timely inspections and examinations.

- **Reorganization of the Division of Workforce Development**

The Department will continue with the restructuring and consolidation of the Division of Workforce Development in an effort to:

- provide a more streamlined and effective delivery of workforce development services at the state level;
- provide better leadership and support to local workforce development programs throughout the State;
- integrate Apprenticeship & Training and Labor Market Analysis & Information into the structure; and
- support the proposed reauthorization of the federal Workforce Investment Act (WIA), including the consolidation of WIA and Wagner-Peyser Act funding streams to provide more seamless and effective services for our customers, both businesses and job seekers.

The Department's goal in this area is to guide a nationally recognized workforce development system that aligns itself with the educational system as the prime driver for economic development in the state, a system that magnifies the "Power of Three" (Education, Economic Development and Employment) in a coordinated manner.

Responses to Issues Identified by Legislative Analyst

- **Performance Analysis: Managing for Results**

  The Budget Analyst requested that DLLR comment on three separate MFR issues. They are discussed below:

  - **Customer Satisfaction Not Improving - DLLR should comment on whether it views these results as an acceptable level of performance or if it has plans to improve its satisfaction ratings.**

    DLLR has undertaken an extensive effort to measure the satisfaction of its customers. The goals set in the MFR took into account the resources and the nature of the programs in the Department. Given the diminishing resources to administer and operate programs, the Department is pleased that it has been able to hold customer satisfaction constant and achieve a level that is generally above the targeted goal for our programs. The two internal programs both have a control function; the state-funded external programs are regulatory in nature; the federally funded programs have their measure definitions set by the federal government, which also sets what it believes to be realistic targets for the measures.

    Inevitably the internal programs on the list (Program Analysis and Audit, and Personnel Services) will have to give some of their customers negative feedback. These customers are more likely to respond to surveys, bringing the overall average response down. This is known as “regression to the mean” in statistical terms.

    The Appeals unit is an extreme case, where literally half their "customers" win and half lose in each case handled by the unit. In such a circumstance, for the program to score above a "5," which on average it does, some of its customers who lose must indicate they are satisfied or very satisfied with the services they receive. The regulatory programs included on the list (Employment Standards, Apprenticeship and Training, Occupational Licensing) also deal with customer groups that include some individuals who would prefer not to be regulated at all and some that are affected negatively for all the right reasons. These customers are generally motivated to express their opinions when given the opportunity. It should not be expected, therefore, that such programs will only receive the most positive ratings from their customers.

    For the surveys conducted, a score of 7 or 8 was generally defined for the respondents to mean "Satisfied" and a score of 9 or 10 was generally defined to mean "Very Satisfied." For the federal programs on the list, customer satisfaction measures and recommended targets are established by federal guidelines. For the Employment Services program, these measures have been in a state of flux at the federal level, with the result that the measure definitions changed significantly from 2002 and 2003. Comments about trends (up/down/flat) may not be valid,

since there is only one actual data point. The Unemployment Insurance program footnoted its customer satisfaction measure with the following highly relevant comment: "Reduction of estimates to the federal DLA of 6+ is due to anticipated higher levels of unemployment and increase in numbers of people reaching the end of eligibility. The Department expects people affected by these trends to be unhappy about their circumstances and less likely to be satisfied with related services."

- **The Commissioner of Financial Regulation Lowers Its Depository Goals - The department should explain the cause of these trends, their significance to the financial services industry in Maryland, and the department's need to complete its audits.**

  The Department appreciates the Budget Analyst pointing out concerns regarding the MFR measures for the Division of Financial Regulation. The Department will reevaluate the practice of using the baseline in its objective as the estimates for performance. Given the limitations in staffing and resources, the agency established as its FY 2004 estimated performance the goal contained in its objective, rather than providing an estimate of actual performance of the industry. With the vibrant economy and low interest rates, the regulated depository institutions are generally improving their financial condition. Currently the Department anticipates that depository institutions regulated by the office, will meet or exceed the performance noted in 2003.

  In regard to a decrease in the number of completed exams, while we have lengthened the time period between exams for some well-rated institutions due to lack of examiners, the Office does plan to complete all scheduled exams. The Federal Deposit Insurance Corporation (FDIC), the Federal Reserve and this office have a reduced number of examiners available. The Commissioner's office now conducts joint examinations with the FDIC and the Federal Reserve for about half of the institutions each year. In this way, we can rely on each other's examiners and conduct the required examinations with fewer examiners. Given the good economic times and the current status of the depository institutions, this arrangement is working.

- **Downward Trends in Office of Employment Training (Selected Performance Measures) - DLLR should be prepared to explain these trends, their significance and what is required to reverse them**.

  The entered employment rate for older youth increased significantly from Fiscal Year 2002 to Fiscal Year 2003 while there was a slight downward trend in the other four entered employment and employment retention measures for adults and dislocated workers. Although the downturn in the economy over the past several years has had an impact on job placement activities, with even highly skilled applicants finding that their job search more difficult and prolonged, the slight

difference in performance outcomes between Fiscal Year 2002 and Fiscal Year 2003 is not significant.

The benchmarks established for Fiscal Years 2004 and 2005 are anticipated standards that will be established for Maryland by the United States Department of Labor. It is anticipated that the actual performance outcomes for these fiscal years will be consistent with the actual performance levels for the two prior years. It should be noted that Maryland was the only state in the Mid-Atlantic region, and one of only 16 states in the nation to meet its 17 federal Workforce Investment Act (WIA) Performance Standards in Fiscal Year 2002. As a result, the State received nearly $2 million of WIA incentive funds. Maryland is also eligible for a repeat award this fiscal year as a result of meeting all federal standards for Fiscal Year 2003.

- **Issues**

  - **Financial Reconciliation - The Department needs to explain its plan to develop or obtain a system that will enable it to accurately and quickly reconcile its federal funds.**

    Since federal funds are such a large part of the Department's budget, a system that will accurately and quickly reconcile federal funds is an important issues facing the Department. The agency has recently begun discussions with DBM and the State CIO. The discussions center on the topic of federal grant labor distribution and an automated reconciliation of the labor distribution with R*STARS (the state accounting system). These discussions are at early stage but DLLR plans to continue to seek a resolution to this problem using internal or external resources.

  - **Job Services - DLLR should explain what other changes it is undertaking. The department should also explain the impact of the deletion of the 17 filled positions and how all these changes will improve services to the labor force and employers of Maryland, and how the changes will provide for a more efficient use of resources.**

    The Division of Workforce Development (DWD) currently includes the Office of Employment Services, Office of Employment Training and the Office of Labor Market Analysis and Information. The activities of these offices are interrelated and proper coordination of their activities is important to ensure effective delivery of workforce development services. The Department is working to consolidate the functions of the three current DWD offices as well as incorporate the Apprenticeship and Training Program into the new DWD organizational structure. The Division will undergo an extensive reorganization into a more functional and coordinated operation rather than a structure that is organized by specific programs and funding streams. The consolidated organization will include an Office of Administration, an Office of Field Operations and an Office of Workforce Information. Staff from these offices will be responsible for the respective activities for all workforce development programs rather than an office

that only handles those activities for its specific and distinct programs as is currently the case.

The purpose of this restructuring is to streamline the delivery of workforce development services, provide better leadership and support to the local delivery system, and ensure better coordination of services at both the State and local levels. This new structure, in addition to improving the delivery of services, will also consolidate the administrative, including financial management, and oversight functions of the Division. The consolidated structure will result in a more efficient use of federal funding and require fewer state employees to administer the programs at the state central office level. The elimination of 17 positions is possible because certain functions in the current structure are duplicative, no longer required, or will be handled in a different way.

As the U.S. Congress continues to work on the reauthorization of the federal Workforce Investment Act (WIA), now is an excellent opportunity to strengthen the workforce development system in Maryland. The House version of the reauthorization bill as well as the President's budget request for Fiscal Year 2005 consolidates the WIA Adult, the WIA Dislocated Worker and the Wagner-Peyser (Employment Service) funding streams into a single formula grant. Our reorganization of the DWD is consistent with the direction being taken at the federal level for the delivery of workforce development services. Staff from the federal Department of Labor were briefed and are very supportive of our plans to reorganize and consolidated functions within our DWD. In addition, other states have moved in this direction and have found it to be a more efficient and effective way to deliver services. With the support of the United States Department of Labor, we are working to make Maryland a national leader in workforce development, and the restructuring of our DWD central office will result in a more flexible, comprehensive and effective delivery of services.

- **Analyst's Recommended Actions**

	Recommended Action	Reduction	DLLR's Response
1	**Add budget language to delete general funds contingent upon enactment of HB144 and HB110.**		**The Department concurs with this recommended action, and respectfully requests an opportunity to review language.**
2	**Reduce education expenses on the Office of Professional Licensing to fiscal 2004 working appropriation level.**	**$ 20,000**	**The Department concurs with this recommended action.**
3	**Reduce funding for the Russian Immigrant Program**	**$ 75,000**	**The Department does not concur with this recommended action.**
4	**Reduce federal funds**	**$2,998,000**	**The Department concurs with this recommended action. Since this request is for a pending IT related project, the Department will wait for confirmation of actual grant funding for FY 2005 and request a budget amendment at that time.**
5	**Delete over budgeted funds in the Unemployment Insurance Program.**	**$ 468,000**	**The Department concurs with this action. This is a technical correction to an expenditure object in the UI program.**
	Total Reduction to Allowance	**$3,561,000**	
	♦ **Total GF Reductions**	**$ 95,000**	
	♦ **Total FF Reductions**	**$3,466,000**	

ATTACHMENTS:

Attachment A – Summary of Statewide Review of Closeout Transactions
(Fiscal Years 2003, 2002 and 2001)

Attachment B – United Health Foundation: State Rankings on Occupational Fatalities

Attachment C – Division of Occupational and Professional Licensing,
Charts on Workload/Capacity Comparisons

Attachment D – Office of the Commissioner of Financial Regulation,
Charts on Workload/Capacity Comparisons

Attachment A

Exhibit 1

Summary of Fiscal Year 2003 Closeout Review
Findings by State Agency

Agency	Finding No.	Finding Description
Department of Labor, Licensing and Regulation	1	$5.9 million – unsubstantiated Federal fund accrued revenues.
Department of Human Resources	1 2 4	$22.6 million – unsubstantiated Federal fund accrued revenues. $2.8 million – non-budget fund clearing accounts balances were not analyzed. $10.4 million – inappropriate transfer of expenditures from General fund to Federal fund appropriations.
Department of Health and Mental Hygiene	1 3 5 7	$51 million – unsubstantiated Federal fund accrued revenues *(Mental Hygiene Administration)*. $5.3 million – unsubstantiated General fund accrued expenditures *(Community Health Administration)*. *Developmental Disabilities Administration* could not demonstrate that its use of Federal funds was consistent with the applicable budget law requirement. Deficit balance of $905,643 maintained in a non-budgeted holding account *(Medical Care Programs Administration)*.
Department of Budget and Management	2	$1.4 million – special fund clearing account balance was not analyzed.
Executive Department – Boards, Commissions, and Offices	1	$3.8 million – unsubstantiated Federal fund accrued revenues.
Department of General Services	2	$2.3 million – non-budget fund clearing account balance was not analyzed.
State Treasurer's Office	6	Bank account reconciliation disclosed unreconciled differences.

Statewide Review of
Budget Closeout Transactions for
Fiscal Year 2003

January 2004

Exhibit 1

Summary of Fiscal Year 2002 Closeout Review
Findings by State Agency

Agency	Finding No.	Finding Description
Department of Labor, Licensing and Regulation	**1**	$7.8 million – unsubstantiated Federal fund accrued revenues.
	2	Schedule G (Schedule of Active Federal Grants) was not adequately reconciled to R*STARS.
	9	$19.9 million – Federal fund recoveries were not reverted to the General Fund.
	10	$9.8 million – Federal audit disallowances may have to be paid with General funds.
Department of Human Resources	**1**	$3.0 million – unsubstantiated Federal fund accrued revenues.
	4	$2.0 million – General fund unprovided for payables were not reported to the General Accounting Division.
	5	$34.0 million – inappropriate transfer of expenditures between Federal programs.
	7	$7.0 million – unsubstantiated General and Federal fund accrued expenditures.
Department of Health and Mental Hygiene	**1**	$4.2 million – unsubstantiated Federal fund accrued revenues.
	4	$2.3 million – General fund unprovided for payables of the *Mental Hygiene Administration* were not reported to the General Accounting Division.
	8	*Developmental Disabilities Administration* could not demonstrate that its use of Federal funds was consistent with the applicable budget law requirement.
Department of Budget and Management	**3**	$3.7 million – revenues improperly deferred to fiscal year 2003.
	6	$7.5 million – encumbrances should be cancelled and related appropriations reverted to the General Fund.
Department of Agriculture	**4**	$1.7 million – General fund unprovided for payables were not reported to the General Accounting Division.
Department of General Services	**3**	$2.5 million – non-budget fund clearing account balance was not analyzed.
Department of Juvenile Justice	**7**	$843,000 – unsubstantiated General fund accrued expenditures.
Department of Public Safety and Correctional Services	**4**	$232,000 – General fund unprovided for payables were not reported to the General Accounting Division.

Statewide Review of
Budget Closeout Transactions for
Fiscal Year 2002

January 2003

Exhibit 1

Summary of Fiscal Year 2001 Closeout Review
Findings by State Agency

Agency	Finding No.	Finding Description
Department of Labor, Licensing and Regulation	**1**	$17.3 million – unsubstantiated Federal fund accrued revenues.
	4	Schedule G (Schedule of Active Federal Grants) was not adequately reconciled to R*STARS.
	7	Use of Federal funds was not consistent with the applicable budget law requirement.
	8	$11.2 million – Federal audit disallowances may have to be paid with General funds.
	9	$4.7 million – special fund expenditures resulted in funds not being reverted to the General fund.
Department of Planning	**2**	$5.8 million – transactions recorded in a manner that violated the intent of State budgetary law.
Department of Human Resources	**1**	$2.0 million – unsubstantiated Federal fund accrued revenues.
	3	$6.8 million – clearing accounts not investigated and allocated to appropriate revenue accounts at year end.
	5	$600,000 – unprovided for payables were not reported to the General Accounting Division.
	6	$1 million – unsubstantiated General fund accrued expenditures.
Military Department	**1**	$1.4 million – unsubstantiated Federal fund accrued revenues.
Department of Environment	**4**	Schedule G (Schedule of Active Federal Grants) was not adequately reconciled to R*STARS.
Department of Health and Mental Hygiene	**5**	$16.5 million – unprovided for payables of the *Mental Hygiene Administration* were not reported to the General Accounting Division.
	6	$3.0 million – unsubstantiated General fund negative accrued expenditures of the *Community and Public Health Administration*.
	7	Use of Federal funds by the *Developmental Disabilities Administration* was not consistent with the applicable budget law requirement.

Statewide Review of
Budget Closeout Transactions for
Fiscal Year 2001

January 2002

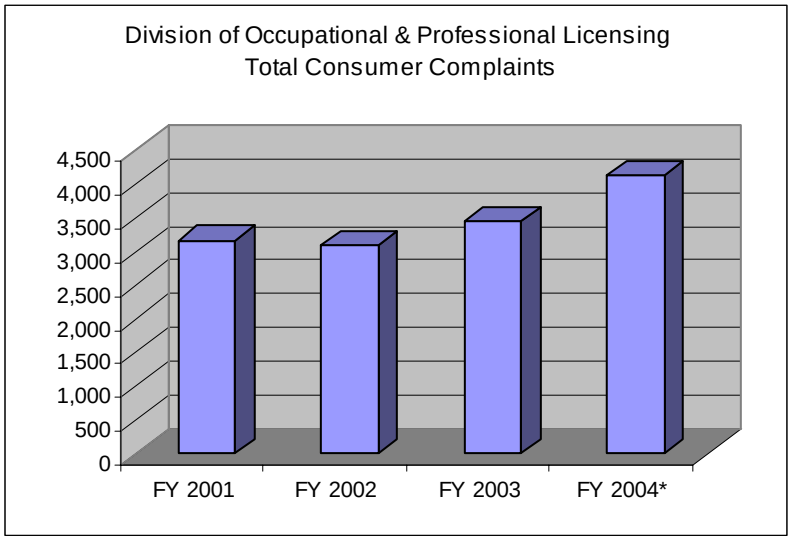
Attachment B

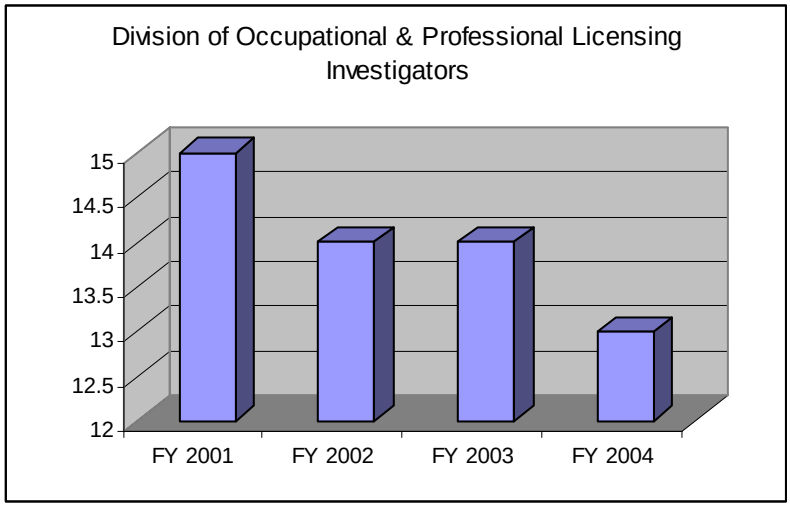
This attachment is being included in the hard copy of our agency's responses. It can also be found at:

http://unitedhealthfoundation.org/shr2003/components/occufatal.html

Attachment C

Department of Labor, Licensing, and Regulation
Division of Occupational & Professional Licensing





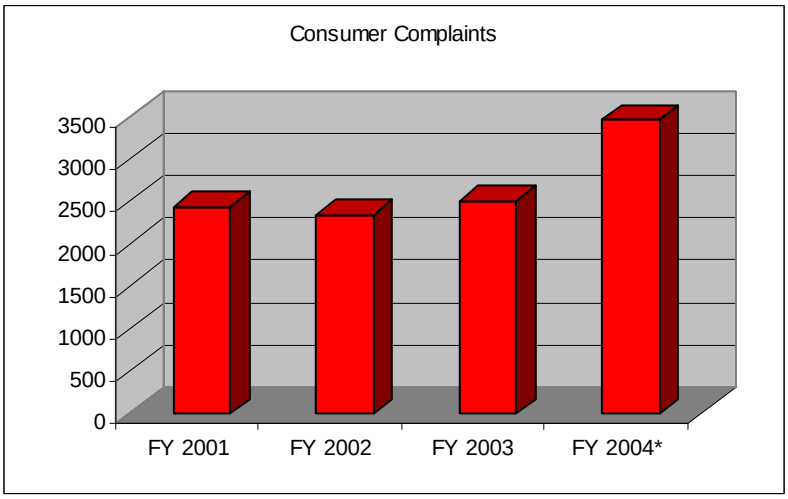
FY	Investigators	% Change	Complaints	% Change
FY 2001	15	-----	3,168	-----
FY 2002	14	(6.7%)	3,089	(2.5%)
FY 2003	14	-----	3,449	11.62%
FY 2004	13	(7.1%)	4,138	20.0%
Change FY 01-04	(2)	(13.3%)	970	30.6%

*Projected consumer complaints

Department of Labor, Licensing, and Regulation

Division of Occupational & Professional Licensing

Maryland Home Improvement Commission



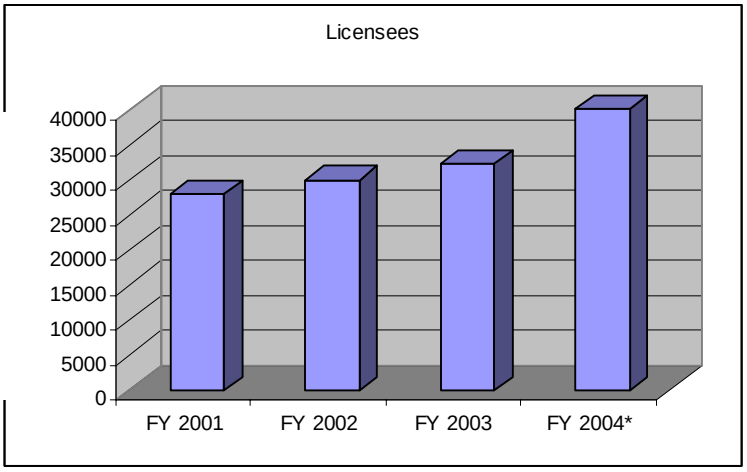
FY	Complaints	% Change
FY 2001	2,436	-----
FY 2002	2,337	(4.0%)
FY 2003	2,505	7.2%
FY 2004*	3,462	38.2%
Change FY 01- 04	1,026	42.1%

* Projected complaints received for FY 2004

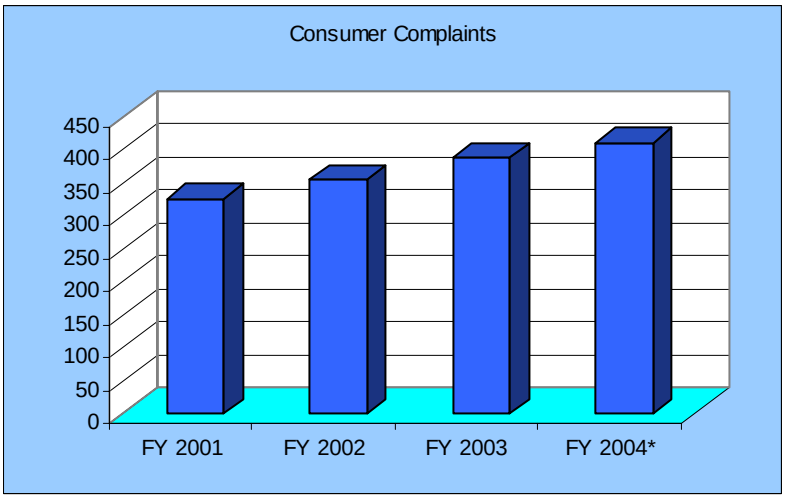
** Nine MHIC investigators – level unchanged

Department of Labor, Licensing, and Regulation
Division of Occupational & Professional Licensing
Maryland Real Estate Commission Workload

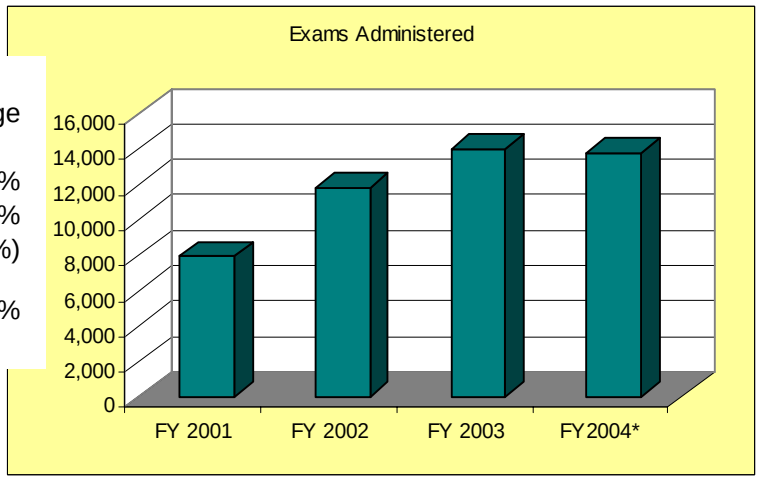
FY	Licensees	% Change
FY 2001	28,856	-----
FY 2002	31,476	9.1%
FY 2003	33,683	7.0%
FY 2004*	40,000	18.8%
Change FY 01- 04	11,144	38.6%



FY	Complaints	% Change
FY 2001	325	-----
FY 2002	353	8.6%
FY 2003	388	9.9%
FY 2004*	410	5.7%
Change FY 01-04	85	26.2%



FY	Exams Administered	% Change
FY 2001	7,960	-----
FY 2002	11,846	48.8%
FY 2003	14,013	18.3%
FY2004*	13,770	(1.7%)
Change FY 01-04	5,810	73.0%



* Projected licensees, consumer complaints, and examinations administered.

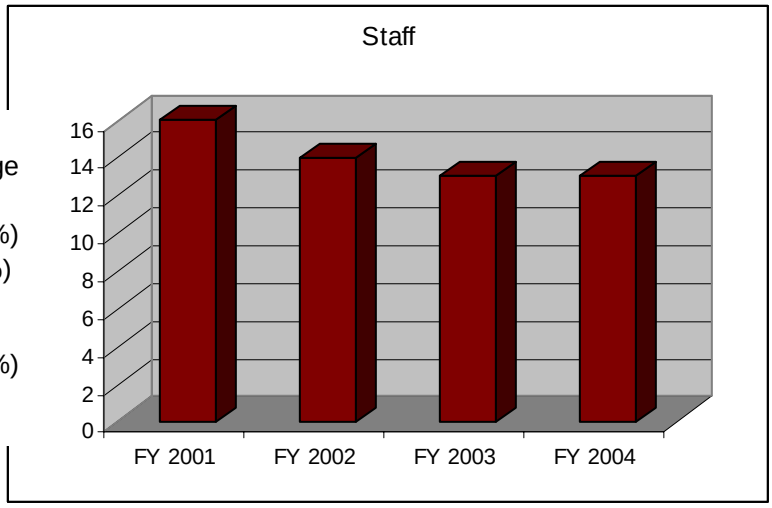
Department of Labor, Licensing, and Regulation

Division of Occupational & Professional Licensing

Maryland Real Estate Commission

Staff

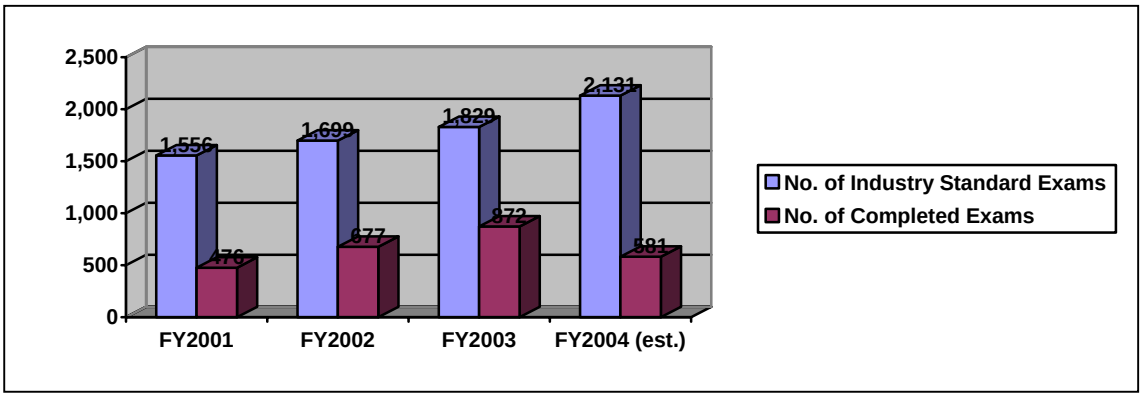
FY	Staff	% Change
FY 2001	16	----
FY 2002	14	(12.5%)
FY 2003	13	(7.1%)
FY 2004*	13	----
Change FY 01- 04	(3)	(18.8%)



Attachment D

Department of Labor, Licensing & Regulation
Office of the Commissioner of Financial Regulation
Compliance Unit

The Compliance Unit is responsible for the examination of all non-depository financial institutions, such as mortgage companies and other consumer lending financial entities. The Unit examines licensees for compliance of state and federal laws and regulations.

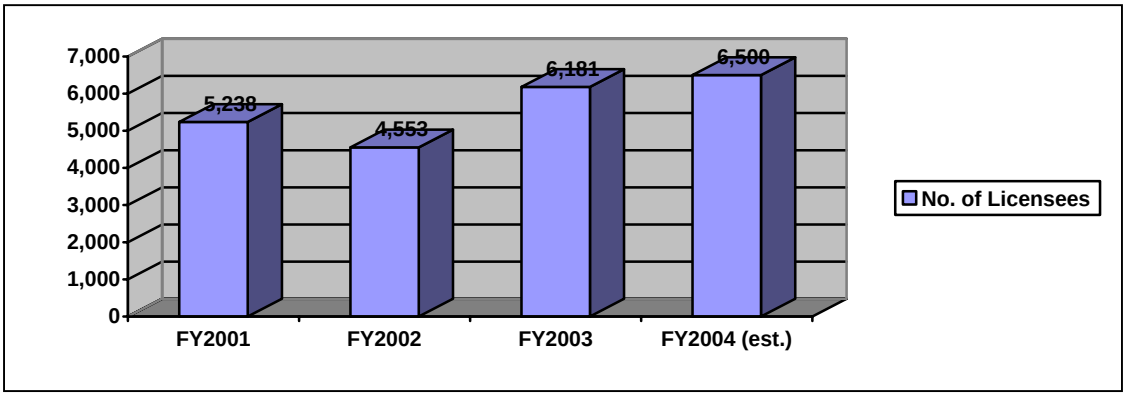


FY	Fin. Examiners	Percent Change	Standard Exams	Completed Exams	Percent Completed
FY2001	5		1,556	476	30.6%
FY2002	7	40%	1,699	677	39.8%
FY2003	9	28%	1,829	872	47.7%
FY2004*	6	(33%)	2,131	581	27.3%

*Projected examinations.

Department of Labor, Licensing & Regulation
Office of the Commissioner of Financial Regulation
Licensing Unit

The Licensing Unit is responsible for the review of all new applications filed with the agency for licenses to conduct mortgage lending activities, consumer finance lending, debt collection, money transmission, or check cashing. The agency averages over 1,700 applications annually, and has received over 2,000 applications in FY2003, and will exceed 2,000 applications in FY2004.

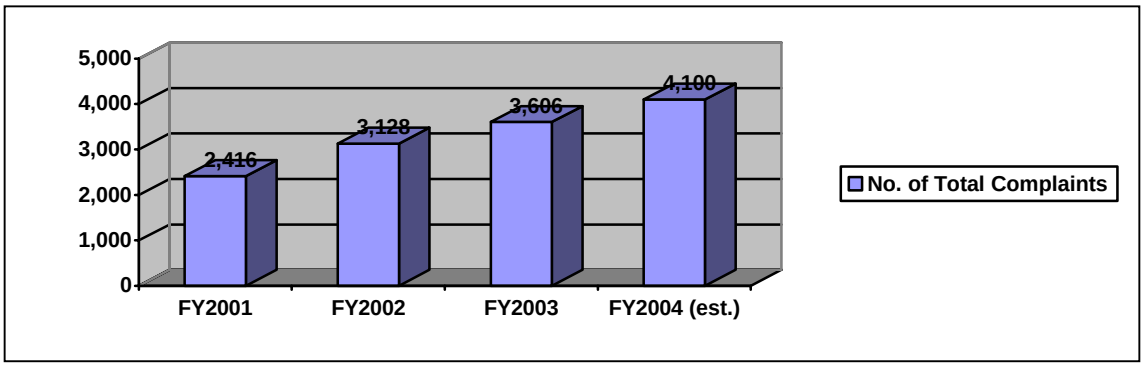


Fiscal Year	Licensing Staff**	No. of Licensees	Percentage Change
FY2001	8	5,238	
FY2002	9	4,553	(13%)
FY2003	9	6,181	35.7%
FY2004*	9	6,500	5%

*Projected Number of Total Licensees
**The number of licensing staff who review and approve all applications, review and approve all corporate structure changes and handle all revenue collection processes has remained constant throughout the growth of the number of licensees.

Department of Labor, Licensing & Regulation
Office of the Commissioner of Financial Regulation
Complaint Unit

The Complaint Unit investigates all consumer complaints of licensed and non-licensed financial entities filed with the agency. The investigation can involve the analysis of possible violations of state and federal laws or regulations, and can result in monetary restitution to the citizens of Maryland.



Fiscal Year	No. of Financial Examiners	No. of Total Complaints	Percentage Change in Complaints
FY2001	**7**	**2,416**	**N/A**
FY2002	**7**	**3,128**	**29.4%**
FY2003	**6**	**3,606**	**15.3%**
FY2004*	**7**	**4,100**	**13.7%**

*Projected number of Complaints

The number of complaint staff who investigates and analyzes all complaints has remained constant throughout the growth of the number of complaints.

STATE OF MARYLAND
DEPARTMENT OF LABOR, LICENSING AND REGULATION
FISCAL YEAR 2005 BUDGET PRESENTATION

Testimony of James D. Fielder, Jr. Ph.D.
Secretary of Labor, Licensing and Regulation

WEDNESDAY, MARCH 10, 2004

HOUSE EDUCATION AND ECONOMIC DEVELOPMENT SUBCOMMITTEE

Accompanied by: John M. Wasilisin, Deputy Secretary

We come before you today to present the budget of the Department of Labor, Licensing and Regulation and to respond to the requests and recommendations of the Department of Legislative Services regarding the Department and its budget. We thank you for this opportunity and for the excellent staff work that has gone into the preparation for this hearing.

The Department of Labor, Licensing and Regulation defines its mission as "safeguarding and protecting Maryland citizens and supporting the economic stability of the State by providing business, the workforce and consumers with high-quality customer-focused regulatory, employment and training services." The Department, funded with general, federal and special funds, pursues this mission with a staff of 1,681, who work in a number of operational programs.

The Department of Labor, Licensing and Regulation is comprised of seven divisions: Office of the Secretary, Division of Financial Regulation, Division of Labor and Industry, Division of Occupational and Professional Licensing, Division of Unemployment Insurance, Division of Workforce Development, and Division of Racing. The Department administers the unemployment insurance program, oversees and coordinates the state's workforce development initiatives, regulates financial institutions, licenses and regulates 24 businesses, professions and trades, enforces occupational safety and health laws, and regulates the racing industry.

Upon assuming the duties of the Secretary of Labor, Licensing and Regulation in January 2003, I found that the Department faced a number of organizational and audit challenges. Actions taken to address these challenges include:

- **Restructuring of Organization and Key Senior Department Personnel Changes**

  My first year at the Department of Labor, Licensing and Regulation was marked with changes in leadership that signaled a commitment to excellence and change. Leadership changes that were implemented include:

  - Appointing a new Deputy Secretary with extensive administrative and workforce development experience;

  - Moving the Governor's Workforce Investment Board under the auspices of the Department of Labor, Licensing and Regulation, appointing a new Chairman and Executive Director, and moving its offices into the Department's Eutaw Street building;

  - Creating a new Division of Workforce Development, including the appointment of an experienced workforce development professional as Assistant Secretary, to spearhead the Department's efforts to streamline and strengthen the delivery of workforce development services at both the State and local level;

  - Establishing a separate Division of Unemployment Insurance (UI) and appointing the existing Director of UI, who has overseen the award-winning UI program for 15 years, as Assistant Secretary for the newly formed Division;

  - Appointing a new Commissioner of Financial Regulation, with a focus on effective and professional enforcement, including a proactive approach to protect Maryland citizens against financial predators;

  - Appointing a new Commissioner of Occupational and Professional Licensing with a charge to strengthen the management of the Division, improve the relationship with the Boards and Commissions, and ensure the success of the changeover to special-funding for the Design Boards;

  - Appointing the Deputy Commissioner of Labor and Industry, as Commissioner, ensuring competent technical and professional leadership to the Division;

  - Appointing the Deputy Director of Racing, as Executive Director, to allow the Racing Commission to capitalize on his experience and expertise.

- **Resolution of Audit Issues**

  Beginning at the time of my appointment, I placed a high priority on resolving longstanding audit issues, including findings that had been pending since 1995. Through meeting with state and federal officials, working with internal staff, and

providing comprehensive documentation to state and federal auditors, the Department has made substantial strides in resolving $51.7 million of questioned costs in audit findings.

I am pleased to inform you that we just received the report on "Statewide Review of Closeout Transactions for Fiscal Year 2003" from the Office of the Legislative Audit. As you can see from Attachment A, with regard to the Department, there is only one finding remaining, which involves $5.9 million in unsubstantiated Federal fund accrued revenues. The budget I bring before you today seeks resolution of this issue by use of a deficit appropriation from a one-time Securities and Exchange Commission settlement.

Equally significant is the fact that systems have been implemented to prevent the reoccurrence of these problems. The Department takes its responsibilities for financial management and oversight very seriously and has taken and continues to take actions to address the underlying problems. For example:

- Entering into an Indirect Cost Agreement with the United States Department of Labor, for the first time in the Department's history, to ensure proper recovery of indirect costs from the federal government.

- Appointing a permanent Director of the Office of Budget and Fiscal Services, a Manager for the newly created Federal Grants Management Unit and a Budget Manager. The new appointments, the realignment of existing resources, and the training of existing staff has allowed for more effective budgeting, timely reporting, and monitoring of revenues and expenditures.

- Ongoing efforts to improve and automate the documentation of staff time distribution to ensure compliance with federal guidelines.

- Using audit reports as a blueprint for management to follow in determining what problems have existed in the past and where improvements need to be made in the future.

Other Major Activities and Initiatives

In addition to the organizational changes and the resolution of audit issues, there were a number of significant accomplishments attained by the Department in Fiscal Year 2004 that are important in continuing to provide effective delivery of services. A number of these initiatives and activities, which demonstrate the breadth of the Department's responsibility, attainment and future direction, are highlighted below:

- **Healthcare Workforce Shortage Initiative**

  The Governor's Workforce Investment Board (GWIB) initiated and coordinated the Healthcare Workforce Shortage Initiative. This initiative was a private/public

partnership where members of the private sector, government and education came together to form a steering committee to address the workforce needs in the healthcare industry. Many months of work culminated in the "Governor's Healthcare Workforce Summit" where a detailed action plan was completed to take specific actions to address the shortages.

The Summit was only the beginning, as those in attendance are continuing to work to implement strategies to achieve real change in the employment and training of healthcare workers. Comments from the Maryland Hospital Association indicate that they are already sensing some relief of the shortage, due to a slight reduction in nurse turnover. This initiative has been highly supported by our federal partners at the United States Department of Labor, and is a model that will be replicated to address workforce needs of other industry clusters.

- **Demand Driven Workforce Investment System**

The GWIB, in conjunction with our Division of Workforce Development, other State partner agencies, and local workforce investment areas, is working closely with business to build a "Demand Driven" workforce investment system that recognizes the role that employers play in building a world-class workforce.

A major focus of the Department and the Board will be the identification of high-demand industries and the development of strategies to address the workforce needs of such industries. The strategy used to address the workforce needs of the healthcare industry (Industry Forums) will be applied to other "High Growth" industries such as the manufacturing sector, aerospace, digital technology, hospitality/tourism, information technology, transportation logistics, construction, retail, higher education (as a business), and biotechnology.

- **Relationship with the United States Department of Labor**

The Department has significantly improved its working relationship with the United States Department of Labor and with the corresponding national and regional office staff. The Department is now viewed as an important partner in federal initiatives ranging from IT improvements, to Workforce Investment Act (WIA) reauthorization, to the Healthcare Workforce Shortage Initiative.

The Department has requested and received preliminary approval for approximately $2.5 million of federal funding from the United States Department of Labor to support our efforts to establish the "Maryland Center for Sector-Based Workforce Development", as well as funds to continue our efforts with the "Maryland Healthcare Workforce Initiative". The Center will be the catalyst to bring together stakeholders at both the state and local levels to expand Maryland's movement towards a "demand driven" workforce investment system. Funds will also be provided to help with our continuing efforts to implement the strategies and plans that

have emerged from Maryland's first statewide sector effort, the Healthcare Workforce Initiative.

- **Report on Improving Maryland's Workforce Delivery System**

  At the direction of the General Assembly of 2003, the GWIB, in partnership with the sub-cabinet, is coordinating a review of the entire "Maryland Workforce Development System" to identify areas of opportunity to improve effectiveness and/or reduce costs. The sub-cabinet has taken the initiative to bring a system-wide partner-coordinated approach to this project. An Interim Report was submitted to the General Assembly in January 2004. That report noted several significant areas of opportunity. Action is already underway on some of these items. Recommendations for further improvements and identification of potential need for legislative action will be included in the final report due to the General Assembly in June of 2004.

- **Maryland Business Works Program**

  The Department, using $1 million in federal WIA incentive funds, created ***Maryland Business Works***, an incumbent worker training program. ***Maryland Business Works*** provides a dollar-for-dollar match with an employer for the cost of upgrading the occupational skill levels of employees, with a priority for small businesses and the healthcare industry. This statewide program, implemented in October 2003, provides funds to the local Workforce Investment Boards to develop training projects with businesses located within their local jurisdictions. This initiative helps make businesses more competitive and encourages increased wages and promotional opportunities for incumbent workers, while also providing new entry-level openings. Since the inception of the program, over 75 Maryland businesses have applied for funds to upgrade the skills of approximately 850 of their workers, at a cost of approximately $500 per employee.

- **Unemployment Insurance (UI) Program**

  The Division of UI paid almost $700 million in UI benefits during the last twelve months, and projects to pay approximately $550 million in benefits (extended benefits program has expired) during Fiscal Year 2005. The Division also estimates that it will collect approximately $490 million in taxes from Maryland employers.

  The solvency of the UI Trust Fund continues to be an important issue for the UI Division. The Assistant Secretary of the Division of Unemployment Insurance is participating on the UI Task Force that is legislatively mandated to improve the financial solvency of the UI Trust Fund, and to look at ways to improve benefits and coverage for Maryland unemployed citizens.

- **Electronic Licensing**

  The Division of Occupational and Professional Licensing's Electronic Licensing system continues to perform in a highly successful manner. During the first 6 1/2

months of Fiscal Year 2004, approximately 77% of 42,790 licensing renewal transactions were completed electronically. Over 60% of the 11,000 original licensing transactions were initiated electronically. The Board of Public Accountancy is currently implementing a CPA Examination electronic application adjunct to E-licensing. Through the efforts of Board staff and the Department's Office of Information Management, nearly 2,000 paper transactions will now be handled electronically and ultimately allow for ongoing electronic communication with applicants including grade notification.

The Division of Occupational and Professional Licensing will continue to build on the success of E-Licensing. Staff will continue to review the various processes and procedures of the 23 regulatory Boards and Commissions to identify processes which are amenable to inclusion in electronic services or commerce, similar to the CPA application process identified during FY 2004.

- **Maryland Home Improvement Commission (MHIC)**

  Within the Division of Occupational and Professional Licensing, the MHIC took prompt action to provide support and information to the victims of Tropical Storm Isabel at key FEMA/MEMA locations around the State. MHIC was successful in communicating through media outlets the suspicious activities of unlicensed contractors and the protections afforded the homeowner through the use of licensed contractors. We anticipate a delayed increase in the number of complaints as a result of Tropical Storm Isabel.

- **Division of Labor and Industry**

  Within the Division of Labor and Industry, the Maryland Occupational Safety and Health (MOSH) Program continues to demonstrate its commitment to work cooperatively with regulated entities by providing training to private and public organizations, expanding Cooperative Partnership Programs, and developing partnerships with public sector insurance entities.

  MOSH's work, in conjunction with the United States Department of Labor, resulted in the first two awards for national compliance "Partnership Projects", the Northrop-Gruman Voluntary Protection Program and the Clark Compliance Partnership Program at the BWI airport. The effective use of cooperative efforts and compliance initiatives are critical to keeping Maryland a leader in the occupational safety and health arena. Recent reports show Maryland to be the fourth safest state in the nation when gauged by the percentage of occupational fatalities. Attachment B includes a 2003 report prepared by the United Health Foundation that provides state rankings on occupational fatalities.

  The Division also successfully demonstrated that public safety could be improved by reducing boiler inspection and elevator inspection backlogs. A pilot project by the Board of Boiler Rules helped reduce backlogs by altering inspection frequencies based on age, automation, improved designs and operation of certain boilers.

Legislation is currently pending before the General Assembly to allow this pilot project to be implemented in a comprehensive manner. Elevator inspection backlogs were reduced through the implementation of another pilot project that undertook risk-based assessments based on maintenance and technology improvements.

The Division is also seeking to capitalize on the special fund status its safety programs recently attained, by identifying personnel needs, moving forward to hire staff and conducting comprehensive training. Attracting and retaining technical staff continues to be a major challenge in the Division.

- **Division of Financial Regulation**

The Office of the Commissioner will process a record number of 7000+ new and renewal license applications in FY 2004, generating $4,686,950 in general revenue for Maryland. All of the 6000+ licenses issued by the Commissioner to non depository providers of financial services (mortgage lenders, check cashers, collection agencies, sales finance companies, consumer lenders, installment lenders, credit reporting agencies, and mortgage servicers) expired on Dec. 31, 2003.

In response to customer abuse, the legislature passed the Maryland Debt Management Services Act, which became effective October 1, 2003. Maryland became one of an increasing number of states that license and regulate firms that, for a fee, collect funds from a consumer for the purpose of distributing the funds among the consumer's creditors in full or partial payment of the consumer's debts. Regulations were issued and 14 applications have been approved, with others pending.

In November, the Office entered into a consent agreement with Fairbanks Capital Corporation, a major servicer of sub-prime residential mortgages. The consent agreement applied to all loans currently or previously serviced by Fairbanks that are/were secured by real property located in Maryland (approximately 12,000 Maryland borrowers). Six different fees are to be refunded to Maryland borrowers by the end of February. A long list of abusive practices was curtailed and $90,000 in investigation expenses was recovered for the general fund. New management is in place at Fairbanks and there is every reason to believe that the business will be conducted in a lawful manner in the future.

In FY 2005 the Office intends to:

- Stagger the licensing process to avoid an overwhelming biennial licensing crunch and stabilize revenue generation for the State of Maryland. Existing law authorizes staggering the licensing process.

- Focus on improving the examination, compliance, and enforcement capabilities of the Office. One of the best ways to enforce Maryland law in regard to the delivery of financial services is to have a trained and knowledgeable examiner walk through the front door of a licensee and examine the manner in which the licensee conducts their business. Currently, with existing resources, only about

27% of the examinations are occurring that should occur in order to have effective regulation of Maryland financial services licensees. The industry standard calls for an examination of an organization at least once every three years. The cost of examiners is partly absorbed by the industries through the payment of examination fees (generally $250 per day). The enforcement effort is being reconstituted with a new Director of Enforcement arriving on March 1st and the hiring to two new enforcement officers to follow.

- Work with other members of the Maryland government, the Conference of State Bank Supervisors, Consumer Groups and representatives of other states to prevent the emasculation of state regulation of consumer financial services by Federal Preemption. The regulator of National Banks, the Office of the Comptroller of the Currency ("OCC") has issued a regulation purporting to preempt much of state law and regulation previously applicable to the subsidiaries of national banks and the banks themselves. Under the new regulation, the rest of the consumer credit industry will follow the model of the credit card industry (largely national banks) and operate from states with few if any consumer protections. Federal legislation of a basic consumer credit code for mortgage and consumer lending is necessary to correct the process and level the playing field for Maryland banks as opposed to Delaware banks, and allow Maryland regulators to protect Maryland citizens from abusive credit practices.

- **Maryland Racing Commission**

The Maryland Racing Commission continues to perform vital functions in the regulatory process at the thoroughbred and harness tracks operated under its auspices, specifically performing activities to safeguard the participants in racing as well as the betting public. The Racing Commission laboratory continues to be recognized as an efficient deterrent to the abuse of medications used in race horses. The laboratory analyzes blood and urine samples from horses that compete at Maryland tracks. On a fee basis, the laboratory performs these same functions on specimens received from racing in Virginia and West Virginia.

National Recognition and Awards

- **Unemployment Insurance Program**

The Maryland Unemployment Insurance Program is currently ranked as a top performer by the United States Department of Labor, in terms of accuracy and timeliness of its benefits, tax and appeals functions. Maryland is the only state in the country that has exceeded all federal performance standards for the last five years in a row.

- **Workforce Investment Act Program**

Maryland was the only state in the Mid-Atlantic region, and one of only 16 states in the nation to meet its 17 Workforce Investment Act (WIA) Performance Standards.

As a result, the State received nearly $2 million of WIA incentive funds in Fiscal Year 2004. Maryland is also eligible for a repeat award this fiscal year.

- **National Association of State Workforce Agencies**

  The National Association of State Workforce Agencies (NASWA) honored the Department of Labor, Licensing and Regulation, in collaboration with the Prince George's County Workforce Development Partnership, with its prestigious national "Pyramid Prize". The prize, including a $25,000 grant award, recognizes the nation's leader for collaborative improved customer service.

- **Division of Financial Regulation**

  The Office of the Commissioner of Financial Regulation's bank regulatory program received re-accreditation from the Conference of State Bank Supervisors. The Accreditation program identifies banking departments around the country that serve the citizens of the state by operating a capable and professional regulatory program.

Fiscal Year 2005 Budget Issues

- **Inspections and Examinations**

  The Department's budget will present challenges in terms of meeting core mandates and providing quality customer services, specifically in our ability to conduct timely inspections and examinations due to limited resources for the Divisions of Labor and Industry, Financial Regulation and Occupational and Professional Licensing. Steps already taken to obtain adequate resources to provide quality customer service include:

  - requesting and obtaining freeze exemptions for our vacant positions so that needed inspectors and examiners are hired in a timely manner;

  - From a legislative standpoint, the Division of Occupational and Professional Licensing is focused on addressing several critical needs. First, the Department is seeking special fund status for its Public Accountancy Board and Real Estate Commission. This action is being taken at the request of the respective industries. Effective oversight of these two industries is critical. Additional resources and flexibility are required to perform the mandates as set forth by the General Assembly.

  - Additionally, the Division of Labor and Industry is seeking to implement a risk-based inspection process for its boiler units. Historically the Division has been unable to meet the frequency of inspections called for in the law. Passage of this legislation would allow for the current resources to be applied at the point of greatest risk, by identifying the different risk status of certain types of boilers and pressure vessels.

In light of the significant loss of positions during the past two years, a critical aspect of effective management of the Department involves identifying alternative funding sources. As detailed above, the shift to special funding has been significant. There remain critical need areas that also need to change over to special funding to ensure that the state retains its ability to meet its mandates. Identifying opportunities to bring in additional federal funds to provide for workforce development enhancements is proving an effective way to grow capacity in the state.

The Department is continuing to seek legislative authorization to move additional spending to special funding to allow the programs to have sufficient resources to handle their mandated duties and to reduce reliance on general funds. Programs operated by the Board of Public Accountancy and the Real Estate Commission have been identified, as being in critical need of additional resources and the move to special funding would allow them to become fully self-supporting. Special fund initiatives are critical to allowing the Department to meet vital protective mandates in these programs.

Attachment C (Occupational and Professional Licensing) and Attachment D (Financial Regulation) includes several charts that demonstrate examples of current workload/capacity comparisons of the Department to meet our mandates to conduct timely inspections and examinations.

- **Reorganization of the Division of Workforce Development**

The Department will continue with the restructuring and consolidation of the Division of Workforce Development in an effort to:

- provide a more streamlined and effective delivery of workforce development services at the state level;
- provide better leadership and support to local workforce development programs throughout the State;
- integrate Apprenticeship & Training and Labor Market Analysis & Information into the structure; and
- support the proposed reauthorization of the federal Workforce Investment Act (WIA), including the consolidation of WIA and Wagner-Peyser Act funding streams to provide more seamless and effective services for our customers, both businesses and job seekers.

The Department's goal in this area is to guide a nationally recognized workforce development system that aligns itself with the educational system as the prime driver for economic development in the state, a system that magnifies the "Power of Three" (Education, Economic Development and Employment) in a coordinated manner.

Responses to Issues Identified by Legislative Analyst

- **Performance Analysis: Managing for Results**

  The Legislative Analyst requested that DLLR comment on three separate MFR issues. They are discussed below:

  - **Customer Satisfaction Not Improving - DLLR should comment on whether it views these results as an acceptable level of performance or if it has plans to improve its satisfaction ratings.**

    DLLR has undertaken an extensive effort to measure the satisfaction of its customers. The goals set in the MFR took into account the resources and the nature of the programs in the Department. Given the diminishing resources to administer and operate programs, the Department is pleased that it has been able to hold customer satisfaction constant and achieve a level that is generally above the targeted goal for our programs. The two internal programs both have a control function; the state-funded external programs are regulatory in nature; the federally funded programs have their measure definitions set by the federal government, which also sets what it believes to be realistic targets for the measures.

    Inevitably the internal programs on the list (Program Analysis and Audit, and Personnel Services) will have to give some of their customers negative feedback. These customers are more likely to respond to surveys, bringing the overall average response down. This is known as “regression to the mean” in statistical terms.

    The Appeals unit is an extreme case, where literally half their "customers" win and half lose in each case handled by the unit. In such a circumstance, for the program to score above a "5," which on average it does, some of its customers who lose must indicate they are satisfied or very satisfied with the services they receive. The regulatory programs included on the list (Employment Standards, Apprenticeship and Training, Occupational Licensing) also deal with customer groups that include some individuals who would prefer not to be regulated at all and some that are affected negatively for all the right reasons. These customers are generally motivated to express their opinions when given the opportunity. It should not be expected, therefore, that such programs will only receive the most positive ratings from their customers.

    For the surveys conducted, a score of 7 or 8 was generally defined for the respondents to mean "Satisfied" and a score of 9 or 10 was generally defined to mean "Very Satisfied." For the federal programs on the list, customer satisfaction measures and recommended targets are established by federal guidelines. For the Employment Services program, these measures have been in a state of flux at the federal level, with the result that the measure definitions changed significantly from 2002 and 2003. Comments about trends (up/down/flat) may not be valid,

since there is only one actual data point. The Unemployment Insurance program footnoted its customer satisfaction measure with the following highly relevant comment: "Reduction of estimates to the federal DLA of 6+ is due to anticipated higher levels of unemployment and increase in numbers of people reaching the end of eligibility. The Department expects people affected by these trends to be unhappy about their circumstances and less likely to be satisfied with related services."

- **The Commissioner of Financial Regulation Lowers Its Depository Goals - The department should explain the cause of these trends, their significance to the financial services industry in Maryland, and the department's need to complete its audits.**

  The Department appreciates the Budget Analyst pointing out concerns regarding the MFR measures for the Division of Financial Regulation. The Department will reevaluate the practice of using the baseline in its objective as the estimates for performance. Given the limitations in staffing and resources, the agency established as its FY 2004 estimated performance the goal contained in its objective, rather than providing an estimate of actual performance of the industry. With the vibrant economy and low interest rates, the regulated depository institutions are generally improving their financial condition. Currently the Department anticipates that depository institutions regulated by the office, will meet or exceed the performance noted in 2003.

  In regard to a decrease in the number of completed exams, while we have lengthened the time period between exams for some well-rated institutions due to lack of examiners, the Office does plan to complete all scheduled exams. The Federal Deposit Insurance Corporation (FDIC), the Federal Reserve and this office have a reduced number of examiners available. The Commissioner's office now conducts joint examinations with the FDIC and the Federal Reserve for about half of the institutions each year. In this way, we can rely on each other's examiners and conduct the required examinations with fewer examiners. Given the good economic times and the current status of the depository institutions, this arrangement is working.

- **Downward Trends in Office of Employment Training (Selected Performance Measures) - DLLR should be prepared to explain these trends, their significance and what is required to reverse them**.

  The entered employment rate for older youth increased significantly from Fiscal Year 2002 to Fiscal Year 2003 while there was a slight downward trend in the other four entered employment and employment retention measures for adults and dislocated workers. Although the downturn in the economy over the past several years has had an impact on job placement activities, with even highly skilled applicants finding that their job search more difficult and prolonged, the slight

difference in performance outcomes between Fiscal Year 2002 and Fiscal Year 2003 is not significant.

The benchmarks established for Fiscal Years 2004 and 2005 are anticipated standards that will be established for Maryland by the United States Department of Labor. It is anticipated that the actual performance outcomes for these fiscal years will be consistent with the actual performance levels for the two prior years. It should be noted that Maryland was the only state in the Mid-Atlantic region, and one of only 16 states in the nation to meet its 17 federal Workforce Investment Act (WIA) Performance Standards in Fiscal Year 2002. As a result, the State received nearly $2 million of WIA incentive funds. Maryland is also eligible for a repeat award this fiscal year as a result of meeting all federal standards for Fiscal Year 2003.

- **Issues**

  - **Financial Reconciliation - The Department needs to explain its plan to develop or obtain a system that will enable it to accurately and quickly reconcile its federal funds.**

    Since federal funds are such a large part of the Department's budget, a system that will accurately and quickly reconcile federal funds is an important issue facing the Department. The agency has recently begun discussions with DBM and the State CIO. The discussions center on the topic of federal grant labor distribution and an automated reconciliation of the labor distribution with R*STARS (the state accounting system). These discussions are at early stage but DLLR plans to continue to seek a resolution to this problem using internal or external resources.

  - **Job Services - DLLR should explain what other changes it is undertaking. The department should also explain the impact of the deletion of the 17 filled positions and how all these changes will improve services to the labor force and employers of Maryland, and how the changes will provide for a more efficient use of resources.**

    The Division of Workforce Development (DWD) currently includes the Office of Employment Services, Office of Employment Training and the Office of Labor Market Analysis and Information. The activities of these offices are interrelated and proper coordination of their activities is important to ensure effective delivery of workforce development services. The Department is working to consolidate the functions of the three current DWD offices as well as incorporate the Apprenticeship and Training Program into the new DWD organizational structure. The Division will undergo an extensive reorganization into a more functional and coordinated operation rather than a structure that is organized by specific programs and funding streams. The consolidated organization will include an Office of Administration, an Office of Field Operations and an Office of Workforce Information. Staff from these offices will be responsible for the respective activities for all workforce development programs rather than an office

that only handles those activities for its specific and distinct programs as is currently the case.

The purpose of this restructuring is to streamline the delivery of workforce development services, provide better leadership and support to the local delivery system, and ensure better coordination of services at both the State and local levels. This new structure, in addition to improving the delivery of services, will also consolidate the administrative, including financial management, and oversight functions of the Division. The consolidated structure will result in a more efficient use of federal funding and require fewer state employees to administer the programs at the state central office level. The elimination of 17 positions is possible because certain functions in the current structure are duplicative, no longer required, or will be handled in a different way.

As the U.S. Congress continues to work on the reauthorization of the federal Workforce Investment Act (WIA), now is an excellent opportunity to strengthen the workforce development system in Maryland. The House version of the reauthorization bill as well as the President's budget request for Fiscal Year 2005 consolidates the WIA Adult, the WIA Dislocated Worker and the Wagner-Peyser (Employment Service) funding streams into a single formula grant. Our reorganization of the DWD is consistent with the direction being taken at the federal level for the delivery of workforce development services. Staff from the federal Department of Labor were briefed and are very supportive of our plans to reorganize and consolidated functions within our DWD. In addition, other states have moved in this direction and have found it to be a more efficient and effective way to deliver services. With the support of the United States Department of Labor, we are working to make Maryland a national leader in workforce development, and the restructuring of our DWD central office will result in a more flexible, comprehensive and effective delivery of services.

- **Analyst's Recommended Actions**

	Recommended Action	Reduction	DLLR's Response
1	**Add budget language to delete general funds contingent upon enactment of HB144 and HB110.**		**The Department concurs with this recommended action, and respectfully requests an opportunity to review language.**
2	**Reduce education expenses on the Office of Professional Licensing to fiscal 2004 working appropriation level.**	**$ 20,000**	**The Department concurs with this recommended action.**
3	**Reduce funding for the Russian Immigrant Program**	**$ 75,000**	**The Department does not concur with this recommended action.**
4	**Reduce federal funds**	**$2,998,000**	**The Department concurs with this recommended action. Since this request is for a pending IT related project, the Department will wait for confirmation of actual grant funding for FY 2005 and request a budget amendment at that time.**
5	**Delete over budgeted funds in the Unemployment Insurance Program.**	**$ 468,000**	**The Department concurs with this action. This is a technical correction to an expenditure object in the UI program.**
	Total Reduction to Allowance	**$3,561,000**	
	♦ **Total GF Reductions**	**$ 95,000**	
	♦ **Total FF Reductions**	**$3,466,000**	

ATTACHMENTS:

Attachment A – Summary of Statewide Review of Closeout Transactions
(Fiscal Years 2003, 2002 and 2001)

Attachment B – United Health Foundation: State Rankings on Occupational Fatalities

Attachment C – Division of Occupational and Professional Licensing,
Charts on Workload/Capacity Comparisons

Attachment D – Office of the Commissioner of Financial Regulation,
Charts on Workload/Capacity Comparisons

Attachment E – Comparison of Funding Sources: Fiscal Years 2003 and 2004
(Federal, General and Special Funds)

Attachment A

Exhibit 1

Summary of Fiscal Year 2003 Closeout Review
Findings by State Agency

Agency	Finding No.	Finding Description
Department of Labor, Licensing and Regulation	1	$5.9 million – unsubstantiated Federal fund accrued revenues.
Department of Human Resources	1 2 4	$22.6 million – unsubstantiated Federal fund accrued revenues. $2.8 million – non-budget fund clearing accounts balances were not analyzed. $10.4 million – inappropriate transfer of expenditures from General fund to Federal fund appropriations.
Department of Health and Mental Hygiene	1 3 5 7	$51 million – unsubstantiated Federal fund accrued revenues *(Mental Hygiene Administration)*. $5.3 million – unsubstantiated General fund accrued expenditures *(Community Health Administration)*. *Developmental Disabilities Administration* could not demonstrate that its use of Federal funds was consistent with the applicable budget law requirement. Deficit balance of $905,643 maintained in a non-budgeted holding account *(Medical Care Programs Administration)*.
Department of Budget and Management	2	$1.4 million – special fund clearing account balance was not analyzed.
Executive Department – Boards, Commissions, and Offices	1	$3.8 million – unsubstantiated Federal fund accrued revenues.
Department of General Services	2	$2.3 million – non-budget fund clearing account balance was not analyzed.
State Treasurer's Office	6	Bank account reconciliation disclosed unreconciled differences.

Statewide Review of
Budget Closeout Transactions for
Fiscal Year 2003

January 2004

Exhibit 1

Summary of Fiscal Year 2002 Closeout Review
Findings by State Agency

Agency	Finding No.	Finding Description
Department of Labor, Licensing and Regulation	**1**	$7.8 million – unsubstantiated Federal fund accrued revenues.
	2	Schedule G (Schedule of Active Federal Grants) was not adequately reconciled to R*STARS.
	9	$19.9 million – Federal fund recoveries were not reverted to the General Fund.
	10	$9.8 million – Federal audit disallowances may have to be paid with General funds.
Department of Human Resources	**1**	$3.0 million – unsubstantiated Federal fund accrued revenues.
	4	$2.0 million – General fund unprovided for payables were not reported to the General Accounting Division.
	5	$34.0 million – inappropriate transfer of expenditures between Federal programs.
	7	$7.0 million – unsubstantiated General and Federal fund accrued expenditures.
Department of Health and Mental Hygiene	**1**	$4.2 million – unsubstantiated Federal fund accrued revenues.
	4	$2.3 million – General fund unprovided for payables of the *Mental Hygiene Administration* were not reported to the General Accounting Division.
	8	*Developmental Disabilities Administration* could not demonstrate that its use of Federal funds was consistent with the applicable budget law requirement.
Department of Budget and Management	**3**	$3.7 million – revenues improperly deferred to fiscal year 2003.
	6	$7.5 million – encumbrances should be cancelled and related appropriations reverted to the General Fund.
Department of Agriculture	**4**	$1.7 million – General fund unprovided for payables were not reported to the General Accounting Division.
Department of General Services	**3**	$2.5 million – non-budget fund clearing account balance was not analyzed.
Department of Juvenile Justice	**7**	$843,000 – unsubstantiated General fund accrued expenditures.
Department of Public Safety and Correctional Services	**4**	$232,000 – General fund unprovided for payables were not reported to the General Accounting Division.

Statewide Review of
Budget Closeout Transactions for
Fiscal Year 2002

January 2003

Exhibit 1

Summary of Fiscal Year 2001 Closeout Review
Findings by State Agency

Agency	Finding No.	Finding Description
Department of Labor, Licensing and Regulation	**1**	$17.3 million – unsubstantiated Federal fund accrued revenues.
	4	Schedule G (Schedule of Active Federal Grants) was not adequately reconciled to R*STARS.
	7	Use of Federal funds was not consistent with the applicable budget law requirement.
	8	$11.2 million – Federal audit disallowances may have to be paid with General funds.
	9	$4.7 million – special fund expenditures resulted in funds not being reverted to the General fund.
Department of Planning	**2**	$5.8 million – transactions recorded in a manner that violated the intent of State budgetary law.
Department of Human Resources	**1**	$2.0 million – unsubstantiated Federal fund accrued revenues.
	3	$6.8 million – clearing accounts not investigated and allocated to appropriate revenue accounts at year end.
	5	$600,000 – unprovided for payables were not reported to the General Accounting Division.
	6	$1 million – unsubstantiated General fund accrued expenditures.
Military Department	**1**	$1.4 million – unsubstantiated Federal fund accrued revenues.
Department of Environment	**4**	Schedule G (Schedule of Active Federal Grants) was not adequately reconciled to R*STARS.
Department of Health and Mental Hygiene	**5**	$16.5 million – unprovided for payables of the *Mental Hygiene Administration* were not reported to the General Accounting Division.
	6	$3.0 million – unsubstantiated General fund negative accrued expenditures of the *Community and Public Health Administration*.
	7	Use of Federal funds by the *Developmental Disabilities Administration* was not consistent with the applicable budget law requirement.

Statewide Review of
Budget Closeout Transactions for
Fiscal Year 2001

January 2002

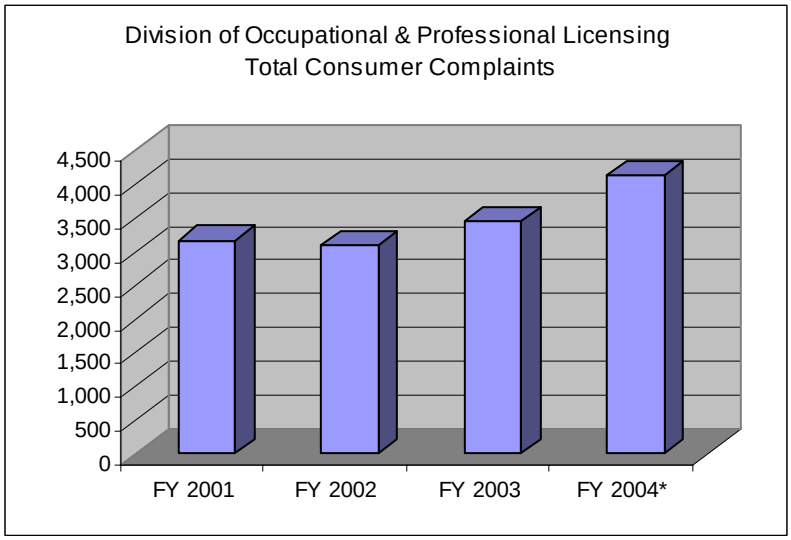
Attachment B

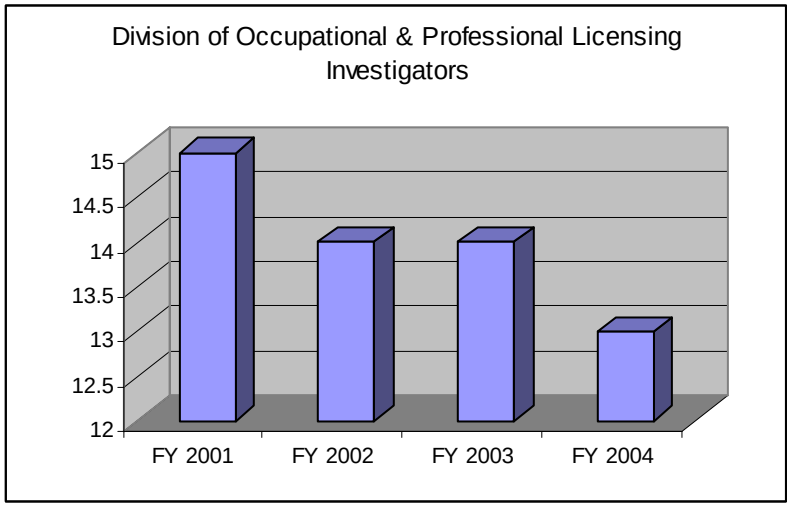
This attachment is being included in the hard copy of our agency's responses. It can also be found at:

http://unitedhealthfoundation.org/shr2003/components/occufatal.html

Attachment C

Department of Labor, Licensing, and Regulation
Division of Occupational & Professional Licensing





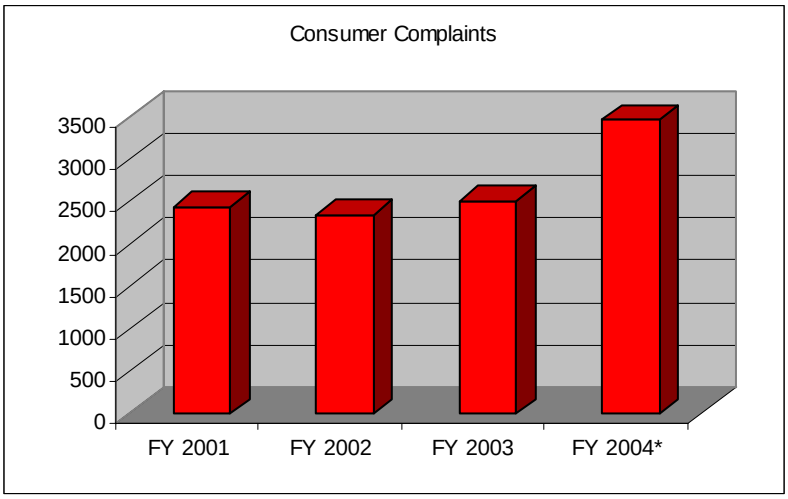
FY	Investigators	% Change	Complaints	% Change
FY 2001	15	-----	3,168	-----
FY 2002	14	(6.7%)	3,089	(2.5%)
FY 2003	14	-----	3,449	11.62%
FY 2004	13	(7.1%)	4,138	20.0%
Change FY 01-04	(2)	(13.3%)	970	30.6%

*Projected consumer complaints

Department of Labor, Licensing, and Regulation

Division of Occupational & Professional Licensing

Maryland Home Improvement Commission



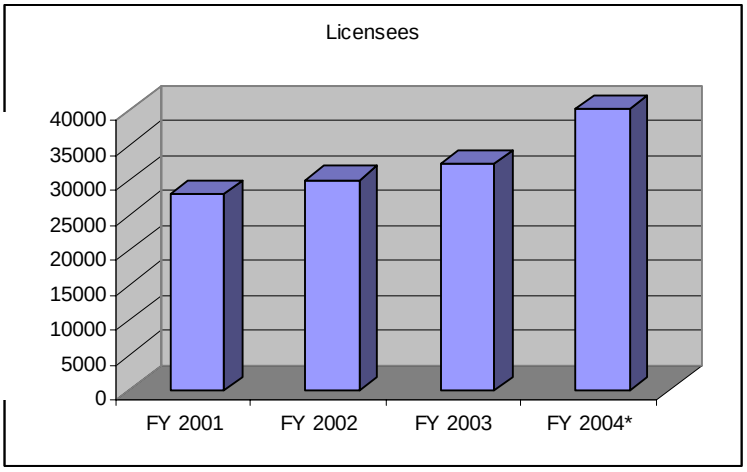
FY	Complaints	% Change
FY 2001	2,436	-----
FY 2002	2,337	(4.0%)
FY 2003	2,505	7.2%
FY 2004*	3,462	38.2%
Change FY 01- 04	1,026	42.1%

* Projected complaints received for FY 2004

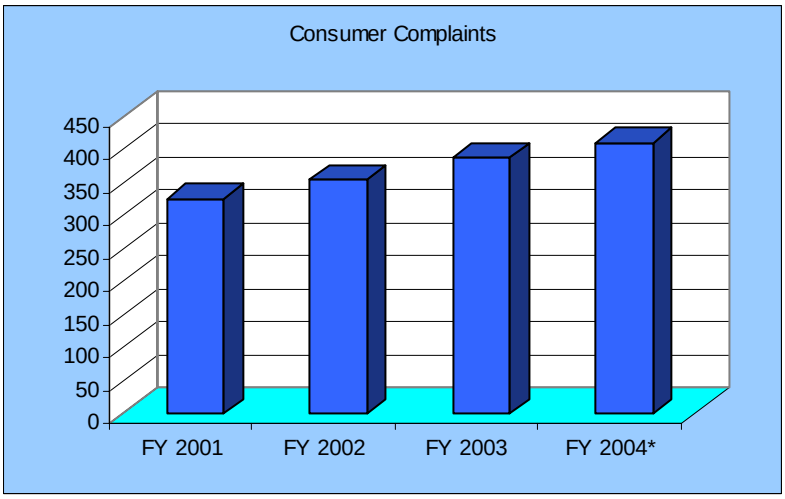
** Nine MHIC investigators – level unchanged

Department of Labor, Licensing, and Regulation
Division of Occupational & Professional Licensing
Maryland Real Estate Commission Workload

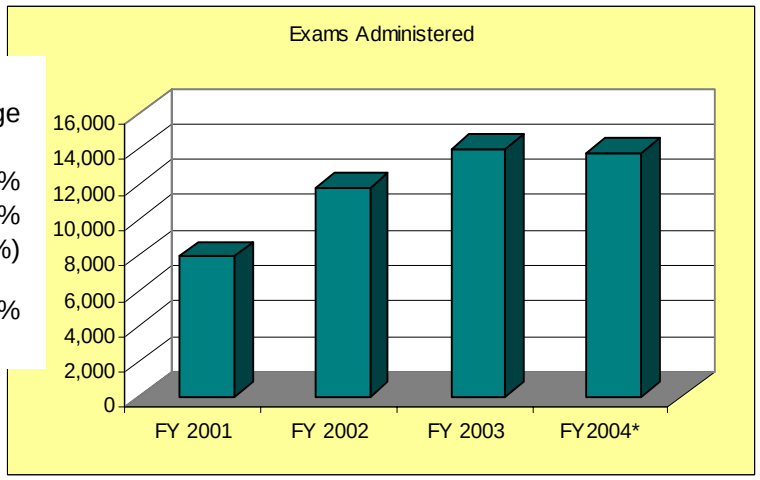
FY	Licensees	% Change
FY 2001	28,856	-----
FY 2002	31,476	9.1%
FY 2003	33,683	7.0%
FY 2004*	40,000	18.8%
Change FY 01- 04	11,144	38.6%



FY	Complaints	% Change
FY 2001	325	-----
FY 2002	353	8.6%
FY 2003	388	9.9%
FY 2004*	410	5.7%
Change FY 01-04	85	26.2%



FY	Exams Administered	% Change
FY 2001	7,960	-----
FY 2002	11,846	48.8%
FY 2003	14,013	18.3%
FY2004*	13,770	(1.7%)
Change FY 01-04	5,810	73.0%



* Projected licensees, consumer complaints, and examinations administered.

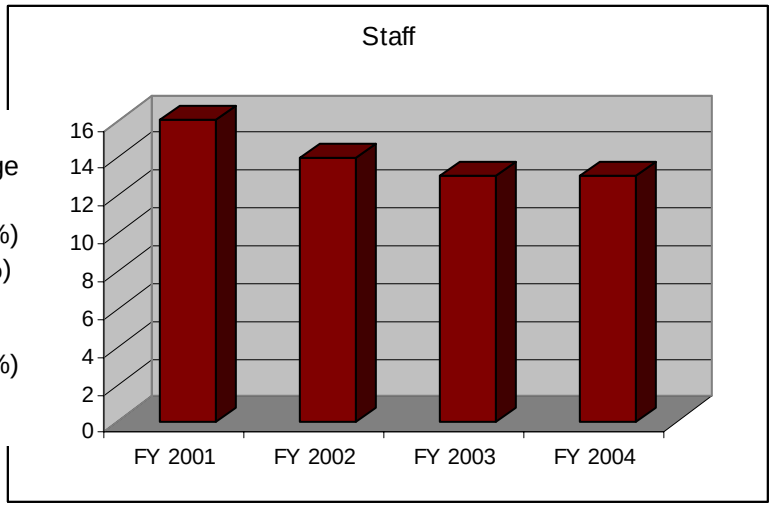
Department of Labor, Licensing, and Regulation

Division of Occupational & Professional Licensing

Maryland Real Estate Commission

Staff

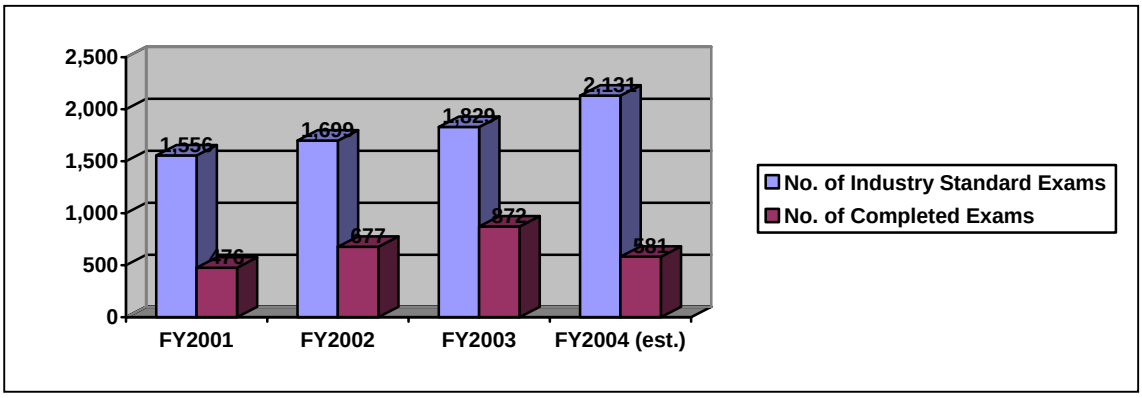
FY	Staff	% Change
FY 2001	16	----
FY 2002	14	(12.5%)
FY 2003	13	(7.1%)
FY 2004*	13	----
Change FY 01- 04	(3)	(18.8%)



Attachment D

Department of Labor, Licensing & Regulation
Office of the Commissioner of Financial Regulation
Compliance Unit

The Compliance Unit is responsible for the examination of all non-depository financial institutions, such as mortgage companies and other consumer lending financial entities. The Unit examines licensees for compliance of state and federal laws and regulations.

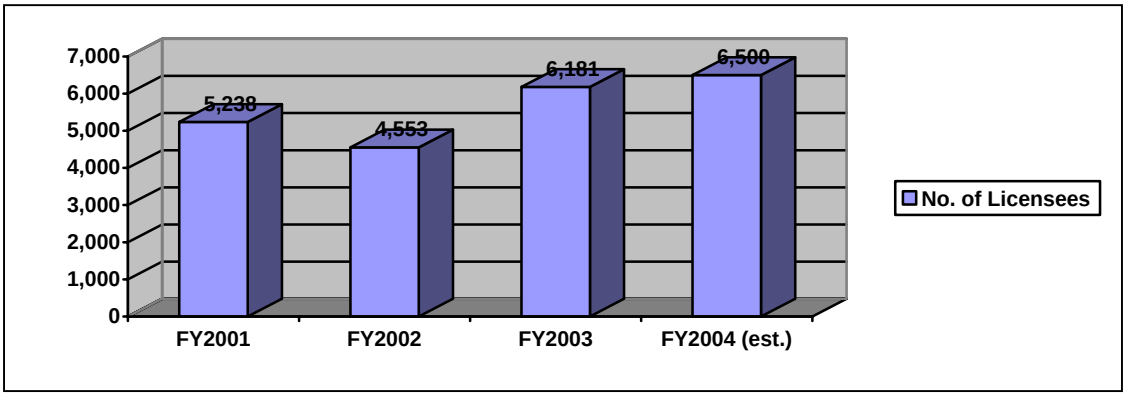


FY	Fin. Examiners	Percent Change	Standard Exams	Completed Exams	Percent Completed
FY2001	5		1,556	476	30.6%
FY2002	7	40%	1,699	677	39.8%
FY2003	9	28%	1,829	872	47.7%
FY2004*	6	(33%)	2,131	581	27.3%

*Projected examinations.

Department of Labor, Licensing & Regulation
Office of the Commissioner of Financial Regulation
Licensing Unit

The Licensing Unit is responsible for the review of all new applications filed with the agency for licenses to conduct mortgage lending activities, consumer finance lending, debt collection, money transmission, or check cashing. The agency averages over 1,700 applications annually, and has received over 2,000 applications in FY2003, and will exceed 2,000 applications in FY2004.

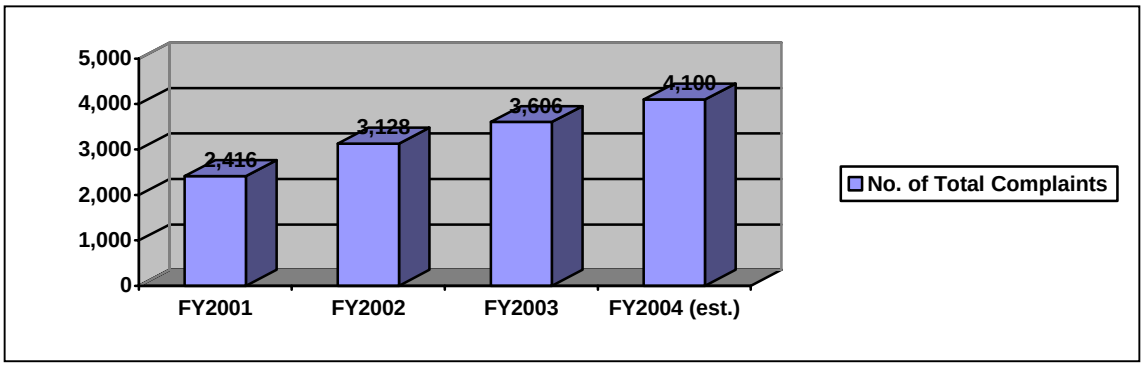


Fiscal Year	Licensing Staff**	No. of Licensees	Percentage Change
FY2001	8	5,238	
FY2002	9	4,553	(13%)
FY2003	9	6,181	35.7%
FY2004*	9	6,500	5%

*Projected Number of Total Licensees
**The number of licensing staff who review and approve all applications, review and approve all corporate structure changes and handle all revenue collection processes has remained constant throughout the growth of the number of licensees.

Department of Labor, Licensing & Regulation
Office of the Commissioner of Financial Regulation
Complaint Unit

The Complaint Unit investigates all consumer complaints of licensed and non-licensed financial entities filed with the agency. The investigation can involve the analysis of possible violations of state and federal laws or regulations, and can result in monetary restitution to the citizens of Maryland.



Fiscal Year	No. of Financial Examiners	No. of Total Complaints	Percentage Change in Complaints
FY2001	**7**	**2,416**	**N/A**
FY2002	**7**	**3,128**	**29.4%**
FY2003	**6**	**3,606**	**15.3%**
FY2004*	**7**	**4,100**	**13.7%**

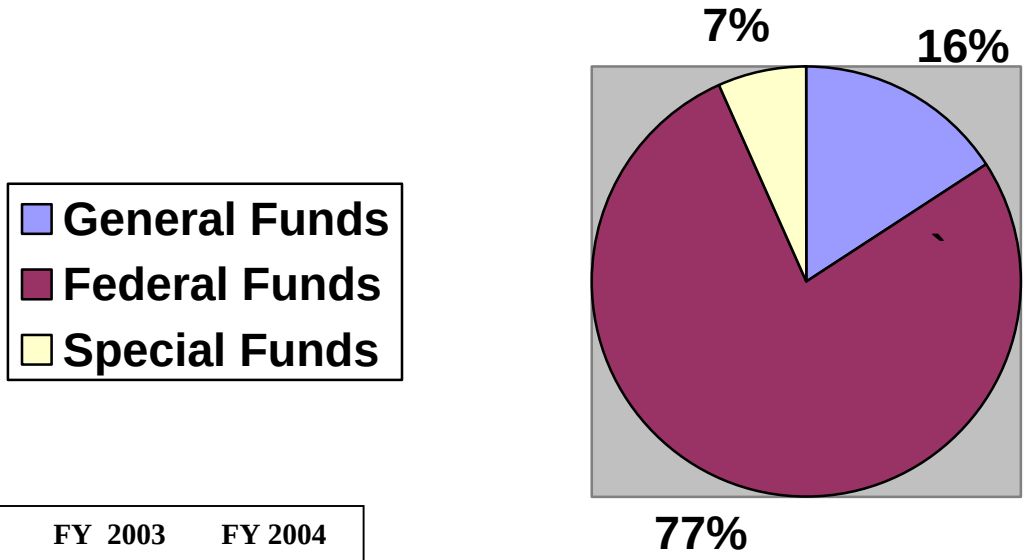
*Projected number of Complaints

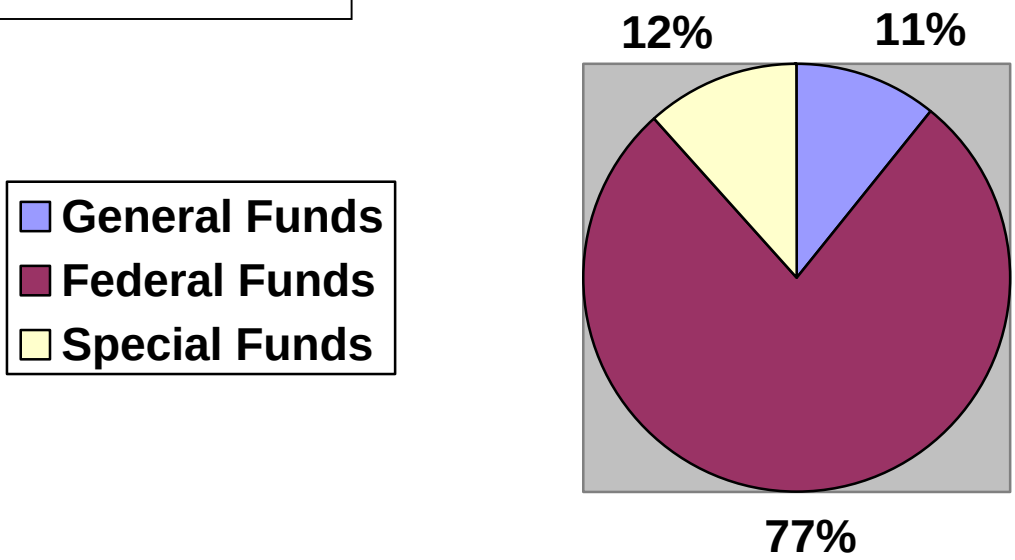
The number of complaint staff who investigates and analyzes all complaints has remained constant throughout the growth of the number of complaints.

Attachment E

Department of Labor, Licensing and Regulation
Comparison of Funding Sources

Fiscal Year 2003



	FY 2003	FY 2004
General Funds	$29,130,554	$18,768,534
Special Funds	$12,383,553	$20,390,053
Federal Funds	$142,426,372	$135,712,644
Totals	$183,940,479	$174,871,231

Fiscal Year 2004