

*Colorado Legislative Council Staff Fiscal Note*

**STATE and LOCAL  
FISCAL IMPACT**

<b>Drafting Number:</b> LLS 15-0506	<b>Date:</b> March 24, 2015
<b>Prime Sponsor(s):</b> Rep. Melton; Priola Sen. Holbert	<b>Bill Status:</b> House Education
	<b>Fiscal Analyst:</b> Alex Schatz (303-866-4375)

**BILL TOPIC:** ELECTRICAL AND PLUMBING INSPECTIONS BY CU

<b>Fiscal Impact Summary*</b>	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>
<b>State Revenue</b>	Potential decrease.	
Cash Funds	See State Revenue section.	
<b>State Expenditures</b>	Workload shift. See State Expenditures section.	
<b>FTE Position Change</b>		
<b>TABOR Set-Aside</b>	Potential decrease.	
<b>Appropriation Required:</b> None.		

\* This summary shows changes from current law under the bill for each fiscal year.

**Summary of Legislation**

This bill enlarges the scope of work that may be overseen by building departments at qualified institutions of higher education:

- The bill adds certain properties within the University of Colorado at Denver and the University of Colorado Anschutz Medical campuses to the definition of a qualified institution of higher education, allowing these campus building departments to process building permits and conduct inspections for electrical and plumbing work on their campus.
- The bill extends the authority of the building department at an institution of higher education to both buildings and land, leased or owned, and to any work benefitting the institution (including the work of employees, contractors, and subcontractors).

For FY 2015-16 only, the bill allows a qualified institution of higher education to commence performing electrical and plumbing inspections without providing notice to the Department of Regulatory Affairs (DORA), which conducts these inspections if the institution does not. The bill also permits any local building department or qualified institution of higher education to change its plumbing inspection status by providing notice to DORA one month prior to the fiscal year in which the change will take place, on June 1 of any given year.

Finally, the bill provides direction to a qualified institution of higher education regarding the credentials required of an electrical or plumbing inspector employed by the institution's building department.

## **Background**

Under current law, the University of Colorado at its Boulder campus and Colorado State University at its Fort Collins campus may establish a building department to process permits and conduct inspections for electrical and plumbing work in buildings on certain campuses. Current law also establishes procedures for the building departments of local governments and these qualified institutions of higher education to assert or cede authority for electrical and plumbing inspections.

Within DORA, the State Electrical Board (SEB) and Examining Board of Plumbers (EBP) provide state inspectors. Under current law, a local government or qualified institution of higher education must provide notice to DORA by October 1 of the year proceeding the fiscal year in which the local building department seeks to change its status with regard to state inspections.

All University of Colorado ("CU") campuses issued building permits and inspected electrical and plumbing work on their own campuses until late 2013, when DORA ordered in a letter that CU obtain all electrical and plumbing permits and inspections from either the state or a local building department. The current limited exemption for qualified institutions of higher education was enacted by House Bill 14-1387 and became effective on June 6, 2014. However, the definition of a qualified institution of higher education in HB 14-1387 did not include the CU Denver or Anschutz Medical campuses.

In practice, CU uses the services of its own building department on routine projects but seeks inspection assistance from the SEB or EBP on larger projects or when the CU building department's capacity is otherwise constrained. The actual demand for permitting and inspection services depends largely on the capital development program of each campus at any given time.

## **State Revenue**

The bill potentially decreases fee revenue collected by DORA for state inspection of electrical and plumbing work at qualified institutions of higher education, primarily the CU Anschutz Medical campus. Although CU's Denver and Anschutz Medical campus building departments are required by current law to obtain state inspection, including paying applicable fees to DORA, the timing and extent of construction projects varies. Because of uncertainties regarding CU's capital project schedules and CU's option to continue to receive state inspections, this analysis does not estimate future electrical and plumbing inspection fee revenue that will no longer be received by DORA.

## **TABOR Impact**

This bill potentially decreases state revenue from fees, which potentially decreases the amount required to be refunded under TABOR. TABOR refunds are paid from the General Fund.

## **State Expenditures**

Overall, the bill shifts workload for electrical and plumbing inspection from state inspectors employed by DORA to inspectors employed by CU, with no required change in resources or appropriations to affected agencies. Because CU building departments assume responsibility for plan reviews from local government, as well as inspection workload from DORA, the bill results in a minimal net increase in state workload. No significant change in workload is expected due to the inclusion of land, leased buildings, or the work of subcontractors in the scope of an institution's building department oversight, as this generally clarifies current practice.

**DORA.** Workload for state electrical and plumbing inspectors is reduced by the bill. Current staffing in the SEB and EBP is based on budget levels established when all CU campuses presumed that they had building permit and inspection authority. Thus, the bill changes workload in DORA by a minimal amount and does not require any change in appropriations.

The fiscal note assumes that local building departments will conform to the current schedule (October 1) to notify DORA of any changes in their provision of electrical and plumbing inspections. Based on this assumption, no new adjustments in DORA's staffing levels will be required by the bill. See the Technical and Mechanical Defects section for further discussion of this assumption.

**Institutions of higher education — CU.** The bill increases CU's workload for plan review and electrical and plumbing inspections. Implementation of the bill can be accomplished within the resources of current CU building departments. The bill may also result in savings to CU due to certain efficiencies, such as the immediate availability of inspectors and clearances to access secure areas, but these savings are not estimated and assumed to be relatively small compared to other capital project costs.

### **Local Government Impact**

The bill may result in a workload decrease for certain local building departments. The bill shifts workload for plan review and building permit issuance from plans examiners employed by the city and county of Denver and the city of Aurora to employees of the building departments of the CU Denver and CU Anschutz Medical campuses. Because CU building departments have continuously maintained resources to conduct plans review, and DORA's 2013 letter order concerned inspections only, the overall effect of the bill on local government revenue and expenditures is anticipated to be minimal.

### **Technical or Mechanical Defects**

Changing the notification date for assertion or cessation of local plumbing inspections from October 1 (nine months in advance of the fiscal year in which the change will occur) to June 1 (one month in advance of the change) will potentially result in a variety of problems for the EBP in DORA. Under current law, DORA is able to adjust its budget request for the subsequent fiscal year to reflect utilization of state inspection services, with an appropriate staff level in place at the beginning of the fiscal year. By providing only a one month window for DORA to adjust its plumbing inspection resources, the bill may result in either overappropriation or supplemental budget requests, delays in state inspections, and consequential legal and administrative costs. The fiscal note does not assess the impact of this provision on DORA, but the monetary impact could be significant.

### **Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

### **State and Local Government Contacts**

Regulatory Agencies  
Local Affairs

Higher Education  
Municipalities

Law