

Colorado Legislative Council Staff Fiscal Note

**STATE
FISCAL IMPACT**

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| Drafting Number: LLS 15-0824 | Date: March 10, 2015 |
| Prime Sponsor(s): Sen. Balmer Rep. Pabon | Bill Status: Senate Business, Labor, & Technology Fiscal Analyst: Erin Reynolds (303-866-4146) |

BILL TOPIC: EXCLUDE WATER CONDITIONING APPLIANCE FROM PLUMBING

| Fiscal Impact Summary* | FY 2015-2016 | FY 2016-2017 |
|--------------------------------------|---|---------------------|
| State Revenue | Fee revenue impact. | |
| State Expenditures | Minimal workload impact. See State Expenditures section. | |
| FTE Position Change | | |
| Appropriation Required: None. | | |

** This summary shows changes from current law under the bill for each fiscal year. Parentheses indicate a decrease in funds.*

Summary of Legislation

The bill excludes the design, installation, and repair of water conditioning appliances connected to the potable water system with a pipe that is greater than two inches nominal diameter from the definition of "plumbing." It also excludes from the definition of "plumbing contractor" a person who subcontracts with a plumber if all plumbing performed pursuant to the person's contract is completed by a licensed plumber.

Background

While the State Plumbing Board had previously interpreted state law to include water conditioning appliances, and enforced the law on a complaint-driven basis, the board's sunset bill, Senate Bill 13-162, formally added "all water conditioning appliances connected to the potable water system" to the definition of plumbing. As such, plumbing contractors that work with water conditioning appliances were formally required to be registered with the Division of Professions and Occupations (DPO) in the Department of Regulatory Agencies (DORA) when the bill was signed into law on May 24, 2013. Initial registration fees for plumbing contractors are currently set at \$210, and the biennial renewal fee is \$130.

State Revenue

This bill is expected to decrease the population of registered plumbing contractors, which will decrease fee revenue to the Division of Professions and Occupations (DPO) Cash Fund in the DPO in the Department of Regulatory Agencies (DORA).

Assumptions. The number of water conditioning appliance companies in the state is unknown. Based on information provided by the DORA and industry representatives, it is assumed that around 50 such companies are currently operating in the state and that the majority of these companies—around 85 percent—are not currently registered with the DPO. A review of DORA records indicates that at least eight such companies are currently registered with DORA, but because these companies do more than install water conditioning appliances, they will continue to register as plumbing contractors.

Division of Professions and Occupations—DORA. Fee revenue to the DPO in DORA is expected to decrease in FY 2015-16 and each year thereafter. The fiscal note assumes that DORA will lose all potential fee revenue that would have been collected for the over 40 companies assumed to be currently operating without registration. Under the current fee schedule, this revenue is \$210 upon initial registration, and \$130 for biennial renewal. Since this revenue has not been collected, however, the fiscal impact is minimal. To the extent that additional water conditioning appliances companies would have registered as plumbing contractors with DORA in the future, this is additional revenue that will not be credited to the DPO Cash Fund.

State Expenditures

This bill is expected to have a minimal workload impact on the DPO in the DORA. The DPO may be required to conduct rulemaking to interpret and implement the act. The DPO is also expected to see a slight reduction in plumbing contractor registrations, which would result in a minimal workload decrease in terms of application processing and consumer complaints. Finally, the DPO will be required to update its outreach materials and website. These workload impacts are expected to be minimal and can be accomplished within existing appropriations.

Technical Issues

The title of the bill limits its scope to the regulation of water conditioning appliances and makes no mention of subcontractors. However, the bill (page 3, lines 6–9) appears to exempt from the definition of "plumbing contractor," and thus regulation, any person who subcontracts with a licensed plumber, as long as a licensed plumber performs all plumbing work. This broad language could affect a larger segment of plumbing contractors, as it is not specific to those contractors performing water conditioning appliance installation. The fiscal note assumes that the title accurately reflects the bill's intent; therefore, no assessment of the potential impact of exempting plumbing contractors who subcontract has been made.

Effective Date

The bill takes effect August 5, 2015, if the General Assembly adjourns on May 6, 2015, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Personnel and Administration

Regulatory Agencies