

Colorado Legislative Council Staff Fiscal Note

**FINAL
FISCAL NOTE**

Drafting Number: LLS 08-0157	Date: July 8, 2008
Prime Sponsor(s): Rep. Mitchell V. Sen. Taylor	Bill Status: Signed into Law
	Fiscal Analyst: Clare Pramuk (303-866-2677)

TITLE: CONCERNING BUILDING INSPECTION REQUIREMENTS FOR EDUCATIONAL INSTITUTIONS, AND MAKING AN APPROPRIATION IN CONNECTION THEREWITH.

Fiscal Impact Summary	FY 2008-2009	FY 2009-2010
State Revenue*		
Cash Funds - Total**	<u>\$362,600</u>	<u>\$348,600</u>
Fire Safety Inspection Cash Fund	284,600	265,800
Public Safety Inspection Cash Fund	\$78,000	82,800
State Expenditures		
Cash Funds - Total**	<u>\$314,400</u>	<u>\$315,400</u>
Fire Safety Inspection Cash Fund	243,400	240,300
Public Safety Inspection Cash Fund	71,000	75,100
FTE Position Change	4.2 FTE	4.5 FTE
Effective Date: The Governor signed the bill into law on May 22, 2008, and unless a referendum petition is filed, the bill will take effect August 5, 2008.		
Appropriation Summary for FY 2008-2009: See State Appropriations section of the fiscal note.		
Local Government Impact: See Local Government Impact section of the fiscal note.		

* Fees are set to cover both the direct and indirect costs of a program's implementation. Pursuant to JBC policy, the fiscal note does not include all costs incurred under the bill. See **Expenditures Not Included** section of the fiscal note for these costs.

** Rounded

Summary of Legislation

The bill, addresses deficiencies in the Public School Construction Program of the Department of Labor and Employment, Division of Oil and Public Safety (DOPS), as identified in a 2007 performance audit. The bill also requires the Department of Public Safety, Division of Fire Safety (DFS) to assist the DOPS in tracking building plans that have been referred to fire departments for review or to conduct the reviews when the appropriate fire department is unwilling or unable to do so. The DFS is authorized to pursue enforcement actions for fire code violations and to charge fees set by rule, to cover the costs for fire inspections of buildings.

To increase the resources available for plan reviews and inspections, the DOPS is required to certify and contract with third-party inspectors for the inspection of construction projects for public schools and junior college district buildings. The affected board of education, state charter

school institute, charter school, or junior college district, will hire and pay the inspectors. If these inspections are not completed satisfactorily or all violations are not corrected, the DOPS is authorized to take enforcement action.

Pursuant to a memorandum of understanding, the DOPS may prequalify a local building department to perform plan reviews, issue building permits and certificates of occupancy, conduct inspections and take enforcement action. If no certified, third-party inspector is available, a prequalified building department can oversee the project. If neither entity is available, the DOPS would conduct the inspections.

The statutory \$200 fee limit for inspections conducted by the DOPS, is repealed and will instead be set by rule by the division director to cover the actual, reasonable, and necessary expenses of the division. Beginning in FY 2008-09, the Public Safety Inspection Fund will not be subject to the limit on uncommitted reserve funds.

Background of HB06-1158

Under HB06-1158, the DFS was charged with ensuring that fire and life safety inspections of public schools and junior colleges are performed, both during construction and on a regular basis. Under current appropriations, less than 1 percent of regular fire inspections, less than 50 percent of plan reviews, and less than 18 percent of construction inspections are completed as required by statute. HB08-1027 authorizes the DFS to collect a new fee for conducting construction and maintenance inspections to cover actual costs.

State Revenue

State cash funds revenue is anticipated to increase \$362,600 in FY 2008-09 and \$348,600 in FY 2009-10 from fees as described below.

Department of Labor and Employment, Division of Oil and Public Safety — State cash funds revenue to the Public Safety Inspection Fund is anticipated to increase \$78,000 for FY 2008-09 and \$82,800 for FY 2009-10. The division director is authorized to set inspection fees by rule to cover the additional state expenditures required to implement this bill. Inspection fees will be paid by the affected board of education, state charter school institute, charter school, or junior college district.

The division currently utilizes a method to set fees for plan review that considers the number and valuation of projects received in the prior year, and appropriated annual expenses. This method includes a multiplier that is adjusted to increase or decrease the fees based on the actual number and costs of projects received. The fee applied to a project comes from the fee schedule in effect on the date of issuance of the construction permit. The division director is expected to adopt a similar method for setting inspection fees. Current fees for plan review range from \$50 for a project valued up to \$2,000 and \$10,251 and up for projects greater than \$64,000,000.

Department of Public Safety, Division of Fire Safety — State cash funds revenue to the newly created Fire Safety Inspection Cash Fund of \$284,600 is expected for FY 2008-09 and \$265,800 for FY 2009-10. The division director is authorized to set a fee by rule to cover the actual, reasonable, and necessary costs of the inspections of buildings and structures. The division expects to collect the fees on a total of 300 construction projects and 1,215 maintenance inspections. Inspection fees will be paid by the affected board of education, state charter school institute, charter school, or junior college district.

State Expenditures

This bill has a cash funds fiscal impact of \$314,400 and 4.2 FTE for FY 2008-09 and \$315,400 and 4.5 FTE for FY 2009-10.

Department of Labor and Employment, Division of Oil and Public Safety — Costs of \$71,000 and 0.9 FTE in FY 2008-09 and \$75,100 and 1.0 FTE in FY 2009-10 are expected:

- to establish and operate the inspector certification program; and
- to initiate enforcement actions for violations.

Building inspections that are not conducted by third party inspectors or local authorities will be performed by existing division staff inspectors.

Department of Public Safety, Division of Fire Safety — H08-1027 adds a tracking requirement to existing statutory requirements. The bill is expected to generate cash funds revenue to allow the division to perform the following functions in timely manner:

- tracking the status of plan reviews and construction inspections;
- performing construction and maintenance fire inspections; and
- enforcing violations of fire codes.

The fiscal impact for the division is \$243,400 and 3.3 FTE for FY 2008-09 and \$240,300 for and 3.5 FTE for FY 2009-10 from the Fire Safety Inspection Cash Fund.

Table 1. Expenditures Under HB08-1027		
Cost Components	FY 2008-09	FY 2009-10
Department of Labor and Employment		
Personal Services	\$66,700	\$74,100
FTE	0.9	1.0
Operating Expenses	4,300	1,000
Subtotal	\$71,000	\$75,100
Department of Public Safety		
Personal Services	\$160,700	\$171,000
FTE	3.3	3.5
Operating Expenses	82,700	69,300
Subtotal	\$243,400	\$240,300
TOTAL	\$314,400	\$315,400

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, funding for the items noted below will not be included in fiscal note expenditure estimates. However, indirect costs are calculated for the purpose of identifying the "per applicant" cost of a new or revised fee to reflect the total direct and indirect costs required to support a particular program. These total \$48,135 for HB08-1027.

- group health, life and dental insurance (\$26,456)
- short-term disability (\$265)
- amortization equalization disbursements (\$3,260)
- supplemental amortization equalization disbursements (\$1,019)
- indirect costs (\$17,135)

Local Government Impact

This bill will have a fiscal impact on local governments but the amount cannot be determined at this time. Local building departments are authorized to oversee school construction projects and charge fees sufficient to cover their costs. School districts, charter school institutes, charter schools, and junior colleges will likely pay higher fees than in the past whether their inspections are done by a third-party inspector, local building department, DFS, or DOPS.

State Appropriations

To implement this bill, the following appropriations are required for FY 2008-09:

- ▶ Department of Labor and Employment - \$70,986 and 0.9 FTE from the Public Safety Inspection Fund;
- ▶ Department of Public Safety - \$243,436 and 3.3 FTE from the Fire Safety Inspection Cash Fund.

Departments Contacted

Education
Public Safety
Higher Education

Labor and Employment
Treasury

Local Affairs
Revenue