

**STATE and LOCAL  
FISCAL IMPACT**

**Drafting Number:** LLS 11-0496

**Date:** April 13, 2011

**Prime Sponsor(s):** Sen. Tochtrop

**Bill Status:** Senate Business, Labor and Technology

**Fiscal Analyst:** Josh Abram (303-866-3561)

**TITLE:** CONCERNING THE REGULATION OF ROOFERS BY THE DIVISION OF REGISTRATIONS IN THE DEPARTMENT OF REGULATORY AGENCIES.

<b>Fiscal Impact Summary</b>	<b>FY 2011-2012</b>	<b>FY 2012-2013</b>
<b>State Revenue*</b>		
General Fund	< \$5,000	< \$5,000
Cash Funds		
Division of Registrations Cash Fund	272,000	303,000
<b>State Expenditures</b>		
Cash Funds		
Division of Registrations Cash Fund	\$218,393	\$247,561
<b>FTE Position Change</b>	3.0 FTE	3.3 FTE
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.		
<b>Appropriation Summary for FY 2011-2012:</b> See State Appropriations section.		
<b>Local Government Impact:</b> See Local Government Impact section.		

\* *Fee revenue exceeds state expenditures in order to pay for costs noted in the Expenditures not Included section of this fiscal note.*

**Summary of Legislation**

This bill creates a registration program for professional roofers in the Division of Registrations in the Department of Regulatory Agencies (DORA). Beginning March 1, 2012, roofers who receive in excess of \$1,000 per contract to perform roofing work on either residential or commercial property must have a valid registration with the division. After that date, persons who perform roofing work without a registration commit a class 2 misdemeanor.

The division will create separate registration categories for a residential roofer, a master roofer, and a roofing contractor. Residential roofers are individual or sole proprietorships who perform roofing work only on residential property; master roofers perform roofing work on either residential or commercial properties; and roofing contractors are businesses that perform roofing work, and that employ at least one full-time residential roofer or master roofer.

To be registered, roofers must apply to the division, pay a registration fee, pass a nationally recognized examination approved by the director of the division, obtain general liability insurance in specified amounts, and post a surety bond in specified amounts. The bill permits the division to issue a provisional registration to a residential or master roofer who has not yet passed the examination and who applies for a registration on or after March 1, 2012, but prior to a date determined by the director. The director of the division is given authority to establish a schedule for renewal and reinstatement of registrations, deny or revoke registrations, charge fees, take disciplinary actions against registered roofers, and impose fines.

Prior to engaging in any roofing work, a registered roofer must provide a written contract to the client that includes, in addition to other provisions, all contact information for the roofer, the scope of services and material to be provided, the approximate dates of service, the costs, the roofers' surety and liability coverage insurer and related contact information, and cancellation or rescission provisions. The program to register and regulate roofers is repealed effective September 1, 2017, following a sunset review.

**State Revenue**

*In FY 2011-12, this bill will increase revenue from fees by an estimated \$272,000. In FY 2012-13, increased fee revenue is estimated at \$303,000.* Fees are credited to the Division of Registrations Cash Fund at the DORA.

**Fee impact on roofing contractors.** Section 2-2-322 (2), C.R.S., requires legislative service agency review of measures that create or increase any fee collected by a state agency. Fee calculations are based on the estimated costs of the program distributed across the estimated number of registrations. The estimated number of registrations and renewals comes from the 2010 DORA Sunrise Review for Roofing Contractors, and from information from professional associations. This fiscal analysis is based on annual registrations; however, the actual renewal schedule is left to the discretion of the division. During annual fee setting for the program, it will be determined if renewals can be completed every two years based on the fund balance, program costs, and fee amounts.

<b>Table 1. Fee Impact on Roofing Contractors</b>			
Type of Fee	Proposed Fee	Number Affected	Total Fee Impact
FY 2011-12 Initial Registration	\$68	4,000	\$272,000
FY 2012-13 Initial Registration	\$68	1,500	\$102,000
FY 2012-13 Renewal Registration*	\$67	3,000	\$201,000
FY 2011-12			\$272,000
FY 2012-13			\$303,000
<b>2-YEAR TOTAL</b>			<b>\$575,000</b>

\* Registration renewals are anticipated to decrease by 1,000 registrants due to the added requirement that roofers pass a qualifying examination beginning in FY 2012-13.

**Fines.** The bill may increase state revenue from fines, although less than \$5,000 in new state revenue is expected per year. Fines from disciplinary actions taken by the division are deposited in the General Fund.

The bill may also increase state revenue from fines for misdemeanor convictions. According to Section 18-1.3-501, C.R.S., the penalty for a class 2 misdemeanor is 3 to 12 months imprisonment in a county jail, a fine of \$250 to \$1,000, or both. Fine revenue that is not otherwise appropriated is deposited into the Fines Collection Cash Fund. Because the courts have the discretion of ordering incarceration, imposing a fine, or both, the impact to state revenue cannot be determined.

**State Expenditures**

***In FY 2011-12, this bill will result in total costs of \$218,393 and 3.0 FTE in the DORA. In FY 2012-13, total costs are 247,561 and 3.3 FTE.*** Major cost components are discussed below and summarized in Table 2.

The DORA will require 3.0 FTE plus temporary contract personnel in FY 2011-12 and 3.3 FTE and temporary contract personnel in FY 2012-13. Staff are needed to research and adopt rules, implement the program, provide general direction and oversight, manage registration and renewal data, and provide outreach to newly regulated professionals. New staff are also required to respond to numerous inquiries, to analyze and investigate complaints, coordinate formal responses, and to represent the division in disciplinary actions. In addition to new staff and related operating costs, the DORA will have expenses for travel, printing, and legal services. Beginning in FY 2012-13, the Department of Personnel and Administration (DPA) will have costs to provide Administrative Law Judges for an estimated 29 cases each year. Total expenditures are listed in Table 2.

<b>Table 2. Total Expenditures Under SB 11-207</b>		
<b>Cost Components</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>
Personal Services	\$146,624	\$165,639
FTE	3.0	3.3
Operating Expenses and Capital Outlay	16,959	3,135
Travel/Outreach/Printing	6,366	3,761
Contract Personal Services	37,438	37,438
Legal Services	11,006	33,383
Administrative Law Judge	-	4,205
<b>TOTAL</b>	<b>\$218,393</b>	<b>\$247,561</b>

**Expenditures Not Included**

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in Table 3.

<b>Cost Components</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$22,621	\$25,291
AED and Supplemental AED	1,341	1,341
Indirect Costs	20,054	22,433
Leased Space	12,390	-
Workers Compensation	307	343
Risk Management	106	119
<b>TOTAL</b>	<b>\$56,816</b>	<b>\$49,527</b>

*\*More information is available at: <http://colorado.gov/fiscalnotes>*

**Local Government Impact**

The penalty for a class 2 misdemeanor is 3 to 12 months imprisonment in a county jail, a fine of \$250 to \$1,000, or both. Because the courts have the discretion of ordering incarceration or imposing a fine, the impact at the local level cannot be determined. The cost to house an offender in county jails varies from \$45 to \$50 per day in smaller rural jails to \$62 to \$65 per day for larger Denver-metro area jails. For the current fiscal year, the state reimburses county jails a daily rate of \$50.44 to house state inmates. It is assumed that the impact of this new misdemeanor will be minimal and will not create the need for additional county jail space.

**State Appropriations**

This bill requires an appropriation of \$218,393 from the Division of Registrations Cash Fund and 3.0 FTE to the Department of Regulatory Agencies. Of this amount, the Department of Law requires \$11,006 in reappropriated funds.

**Departments Contacted**

Law                      Personnel                      Regulatory Agencies