

*Colorado Legislative Council Staff Fiscal Note*  
**STATE and LOCAL**  
**CONDITIONAL FISCAL IMPACT**

**Drafting Number:** LLS 12-0845  
**Prime Sponsor(s):** Rep. Gardner B.

**Date:** March 12, 2012  
**Bill Status:** House Local Government  
**Fiscal Analyst:** Alex Schatz (303-866-4375)

**TITLE:** CONCERNING BUILDING INSPECTIONS RELATING TO UTILITIES.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
<b>State Revenue</b>		
Cash Funds		
Division of Registrations Cash Fund - fee reduction		Up to (\$41,724)
<b>State Expenditures</b>		
Cash Funds		
Division of Registrations Cash Fund - savings		Up to (\$41,724)
<b>FTE Position Change</b> - reduced workload		Up to (0.6 FTE)
<b>Effective Date:</b> August 8, 2012, if the General Assembly adjourns on May 9, 2012, as scheduled, and no referendum petition is filed. School inspections transition to local governments on July 1, 2013, for notifications received by the Department of Regulatory Agencies by October 1, 2012.		
<b>Appropriation Summary for FY 2012-2013:</b> None required.		
<b>Local Government Impact:</b> See Local Government Impact and School District Impact sections.		

**Summary of Legislation**

Under current law, electrical and plumbing inspection of public schools must be performed by state electrical and plumbing inspectors employed by the Department of Regulatory Agencies (DORA). State inspection is required for new construction, remodeling, or repair involving electrical or plumbing systems. This bill authorizes local governments to perform electrical and plumbing inspections of public schools in lieu of the state, providing these inspections are in compliance with state standards, as adopted by the State Electrical Board and the Examining Board of Plumbers. Both state and local plumbing inspections must be conducted by licensed journeymen or master plumbers.

A city or county that changes its plumbing inspection responsibilities must file with the DORA. The filing must be made by October 1 of the year prior to the July in which the local jurisdiction will either begin or cease to perform school inspections. This aligns the plumbing inspection statute with the electrical inspection statute. Based on this provision, the earliest implementation of the bill is in FY 2013-14.

**State Revenue**

In jurisdictions that choose to perform school electrical or plumbing inspections, the DORA will no longer collect inspection fees. If all local governments capable of implementing the bill take action to notify the DORA of their intent to perform school electrical and plumbing inspections by October 1, 2012, **state revenue will decrease by \$41,724 per year, beginning in FY 2013-14.** Because any change in inspections depends on future actions by local governments, the impact is considered conditional.

In FY 2010-11, the State Electrical Board collected a statewide total of \$368,551 from 485 school inspections in jurisdictions with building departments capable of implementing the bill. In the same fiscal year, the Examining Board of Plumbers collected a statewide total of \$94,780 for 212 school inspections.

Assuming that local jurisdictions will perform inspections according to capability, school inspection fees collected by the DORA will decrease by up to \$463,000 annually. However, some capable building departments may not perform school inspections (e.g., deferring to local school districts that prefer to coordinate with state inspectors). The reduction of inspection revenue may be substantially less if not all capable local jurisdictions choose to perform inspections.

State electrical and plumbing inspection fees will increase to compensate for any loss of revenue that is not commensurate with a decrease in expenditures. As detailed in the State Expenditures section, costs in the DORA are reduced by up to \$41,724 under the bill. The remaining \$421,276 will be assessed in inspection fee increases averaging \$11 per inspection for both electrical and plumbing work.

The decrease in FTE costs in the division will result in a negligible reduction in electrical and plumbing license fees (less than \$1 per license).

**State Expenditures**

If all capable local governments choose to conduct inspections locally, **costs to the Department of Regulatory Agencies will be reduced by \$41,724 and 0.6 FTE per year beginning in FY 2013-14.** Cost savings to the department are summarized in Table 1.

<b>Table 1. Estimated Savings in the Department of Regulatory Agencies Under HB12-1319</b>		
<b>Savings Components</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>
Personal Services - reduction		Up to (\$37,583)
FTE - reduction		Up to (0.6 FTE)
Operating Expenses - reduction		Up to (4,141)
<b>TOTAL</b>		<b>Up to \$41,724</b>

According to statistics concerning school inspections as a percentage of overall caseload, the maximum reduction in state expenditures under the bill occurs if the overall caseload is reduced by approximately 1.5 percent for state electrical inspectors and reduced by approximately 2.3 percent for state plumbing inspectors. Assuming all local jurisdictions capable of implementing the bill do so in FY 2013-14, this reduces the need for personal services under the State Electrical Board by \$24,704 and 0.4 FTE and under the Examining Board of Plumbers by \$12,879 and 0.2 FTE. Operating costs are reduced in proportion to the reduction in personal services.

As noted above in the State Revenue section, implementation of the bill in FY 2013-14 will likely exclude a number of otherwise capable local building departments. The actual number of local jurisdictions that will perform school electrical and plumbing inspections cannot be quantified for this analysis. If only a portion of capable districts notify the state of their intent to conduct inspections on October 1, 2012, the impact identified above will be smaller.

### **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 summarized in Table 2. Because this bill reduces costs in the Department of Regulatory Agencies, Table 2 reports savings under the bill.

<b>Table 2. Savings Not Included Under HB12-1319*</b>		
<b>Cost Components</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)		(\$3,689)
Supplemental Employee Retirement Payments		(2,307)
<b>TOTAL</b>		<b>(\$5,996)</b>

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

### **Local Government Impact**

Local governments may experience increased revenue and expenditures if they choose to perform electrical or plumbing inspections at schools. Fees collected by local building departments will increase in jurisdictions that add school inspections. The revenue collected for inspections will offset costs for the local building department.

Local government expenditures will increase to provide qualified electrical and plumbing inspectors on staff at local building departments. Currently, plumbing inspectors at the local government level are not required to be licensed plumbers, and electrical inspectors may also perform residential inspections without a journeyman or master electrician license. Hiring a sufficient number of journeyman or master licensees to cover school inspections will increase costs for local building departments that do not have workload capacity for more inspections or that lack staff with the required credentials.

If the bill preempts local electrical standards in settings other than school inspections (e.g., commercial buildings), the bill could result in significant additional effects on local governments. Depending on the experience level of building inspectors and the characteristics of local buildings subject to inspection, local building departments may experience increased costs to train current inspectors or hire new qualified inspectors. The applicability of the bill to non-school inspections is further discussed in the Technical Note section below.

### **School District Impact**

Under current law, school districts coordinate all electrical and plumbing inspections with the DORA and pay state inspection fees. State inspection fees are higher than local inspection fees in many jurisdictions, due in part to a state fee structure that must account for the travel cost of inspectors serving large territories. In cases where local inspection fees are lower, the bill may result in savings for local school districts. Costs may increase, however, for school districts, especially geographically large districts, that experience significant administrative costs coordinating with multiple local jurisdictions in the place of the current state inspection authority.

### **Technical Note**

The introduced bill provides that "electrical inspectors performing inspections for any local jurisdiction shall inspect to" the state standards adopted by the State Electrical Board. An analogous provision of the bill concerning plumbing standards states that "plumbing inspectors performing *school* inspections for any local jurisdiction" (emphasis added) must adhere to the code adopted by the state's Examining Board of Plumbers. Omission of the word "school" in reference to electrical inspections results in state standards supplanting all local electrical codes. To the extent the bill is intended to apply only to school inspections, an amendment clarifying this provision may be necessary.

### **Departments Contacted**

Education

Local Affairs

Regulatory Agencies

Public Safety