

# STATE and LOCAL FISCAL IMPACT

**Drafting Number:** LLS 13-0160**Date:** February 25, 2013**Prime Sponsor(s):** Sen. Tochtrop**Bill Status:** Senate Business, Labor, & Technology

Rep. Kraft-Tharp

**Fiscal Analyst:** Jonathan Senft (303-866-3523)**TITLE:** CONCERNING THE CONTINUATION OF THE EXAMINING BOARD OF PLUMBERS.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
<b>State Revenue</b>		
Cash Funds		<u>\$1,798,720</u>
Professions and Occupations Cash Fund - Base Funding		\$1,500,000
Professions and Occupations Cash Fund - New Funding	\$298,720*	\$298,720
<b>State Expenditures</b>		
Cash Funds		<u>\$1,748,953</u>
Professions and Occupations Cash Fund - Base Expenditures		\$1,500,000
Professions and Occupations Cash Fund - New Expenditures	\$259,175	248,953
<b>FTE Position Change</b>	3.6 FTE	16.5 FTE
<b>Effective Date:</b> Upon signature of the Governor, or upon becoming law without his signature.		
<b>Appropriation Summary for FY 2013-2014:</b> See State Appropriations section.		
<b>Local Government Impact:</b> See Local Government Impact section.		

\* State revenue exceeds state expenditures to pay for expenses as noted in the Expenditures Not Included section.

## Summary of Legislation

This bill continues the regulation of plumbers until September 1, 2024, and implements the recommendations of the sunset review on the plumbers licensing program. Specifically, this bill:

- repeals the requirement that the state plumbing inspectors be certified by the Division of Fire Safety in the Department of Public Safety;
- requires the plumbing board of examiners (the board) to adopt a Colorado Fuel Code and Gas Code for piping installations;
- requires the board to be governed by the International Plumbing Code;
- authorizes the board to inspect plumbing installations in local jurisdictions where the local jurisdiction does not conduct inspections and issue permits;
- requires a local jurisdiction to notify the board on or before October 1 that it will cease or commence plumbing inspection on the following July 1; and
- clarifies that locally licensed plumbers must also register with the board.

### **Fiscal Impact of Programs Set to Expire**

This bill continues a program in the Division of Professions and Occupations (division), within the Department of Regulatory Agencies (DORA), that is set to repeal, effective July 1, 2013. Under current law, state agencies may be appropriated funds to wind up the affairs of an expiring program for 12 months following the repeal date. To account for the wind-up period, the impact of extending the program beyond the current repeal date is shown as beginning in FY 2014-15, one year after the repeal date. There is no need for an appropriation of the division's base funding in FY 2013-14, since the program's authorization has not yet expired, and ongoing funding for the program is included in DORA's base budget request for FY 2013-14.

The state revenue and state expenditures impact for FY 2014-15 reflect the program's anticipated fee revenue and base budget request beginning that year. DORA's request for the regulation of plumbers in FY 2013-14 is \$1.5 million and 12.9 FTE which carries forward to FY 2014-15 and beyond, if this bill were to pass.

### **State Revenue**

Fee revenue to the Division of Professions and Occupations Cash Fund will increase by **\$298,720** to cover the increased costs due to the additional anticipated workload and rulemaking of the program for FY 2013-14. This represents an increase of \$34 per licensee estimated on a yearly basis, as shown in Table 1. Base revenue will increase by **\$298,720** in FY 2014-15.

***Fee impact on license plumbers.*** Section 2-2-322, C.R.S., requires legislative service agency review of measures that create or increase any fee collected by a state agency. The fee amounts displayed in Table 1 are estimates only; actual fee calculations are set administratively by DORA based on the cash fund balance, estimated program costs, and the estimated number of registrations. 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 whether renewals can be completed every two years based on the fund balance, program costs, and fee amounts. Table 1 displays the estimated fee impact on licensed plumbers.

<b>Table 1. Fee Impact on Plumbers for FY 2013-14</b>					
<b>Type of Fee</b>	<b>Current Fee</b>	<b>Proposed Fee</b>	<b>Fee Change</b>	<b>Number Affected</b>	<b>Total Fee Impact</b>
Original License - Master	\$140	\$174	\$34	120	\$4,020
Original License - Journeyman	120	154	34	130	4,420
Original License - Residential	100	134	34	20	680
Original License - Contractor	210	244	34	140	4,760
Renewal License - Master	140	174	34	3,683	125,222
Renewal License - Journeyman	120	154	34	2,267	77,078
Renewal License - Residential	100	134	34	179	23,986
Renewal License - Contractor	210	244	34	1,659	56,406
<b>TOTAL</b>					<b>\$296,572</b>

It should be noted that the bill allows local governments to conduct their own inspections, if they notify the state under certain time lines. If state inspectors are required, then the local government must reimburse the board for the inspections. This revenue is not calculated because it is not possible to estimate how many jurisdictions will conduct their own inspections, if at all. However, to the extent local governments reimburse the state for inspections, the fee increases noted in Table 1 above will be reduced accordingly.

### **State Expenditures**

This bill is expected to increase state expenditures by **\$259,175** in FY 2013-14 and **3.6 FTE**, and **\$248,953** and **3.6 FTE** in FY 2014-15 and thereafter, from the Division of Professions and Occupations Cash Fund.

This bill authorizes the board to inspect plumbing installations in local jurisdictions where the local jurisdiction does not conduct inspections and issue permits. This fiscal note estimates this will add 3,263 inspections annually, within 13 counties, which require an additional 3.6 FTE to conduct. The average number of inspections of this type per inspector is approximately 900 per year, given that these inspections are likely to occur in rural areas, and involve substantial travel time. Travel costs, vehicle rental, and mileage are also included in this estimate.

The division will hold rule making hearings to address the bill's changes to the regulation of plumbers. This is expected to require 75 hours of legal services from the Department of Law at a rate of \$77.25 per hour for a total of \$5,794. These costs are shown in Table 2.

<b>Table 2. Expenditures Under SB13-162</b>		
<b>Cost Components</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Personal Services	\$190,338	\$190,338
FTE	3.6	3.6
Operating Expenses and Capital Outlay	7,848	3,420
Travel (Lease, expenses and mileage)	55,195	55,195
Legal Services	5,794	0
<b>TOTAL</b>	<b>\$259,175</b>	<b>\$248,953</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 summarized in Table 3.

<b>Table 3. Expenditures Not Included Under SB 13-162*</b>		
<b>Cost Components</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$24,170	\$24,170
Supplemental Employee Retirement Payments	11,683	13,218
<b>TOTAL</b>	<b>\$35,853</b>	<b>\$37,388</b>

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

### **Local Government Impact**

This bill may increase local government expenditures to the extent that local governments opt to conduct inspections within their own jurisdictions, which they may do under this bill. Local governments must provide the board with notification that they intend to conduct their own inspections by October 1 each year (for work to begin on July 1 of the following year) or state inspectors will be required. If state inspectors are required, then the local government must reimburse the board for the inspections.

### **Departmental Difference**

The Department of Regulatory Agencies believes this bill requires additional contractors to conduct inspections during the peak summer season, and to account for additional travel time that may be necessary to inspect within rural counties. Costs for this contract workload are estimated at \$52,000 per year. This fiscal note disagrees with this assessment because it is estimated that 3,263 inspections will be required under this bill, and the average inspector will be able to conduct 900 inspections per year, which is consistent with the workload for those currently performing inspections.

### **State Appropriations**

For FY 2013-14, the Division of Professions and Occupations in the Department of Regulatory Agencies requires an appropriation of \$259,175 and 3.6 FTE from the Division of Professions and Occupations Cash Fund, of which \$5,794 will be reappropriated to the Department of Law.

### **Departments Contacted**

Law                      Regulatory Agencies