

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

**Drafting Number:** LLS 13-0388  
**Prime Sponsor(s):** Rep. Gardner  
 Sen. Cadman

**Date:** February 4, 2013  
**Bill Status:** House Local Government  
**Fiscal Analyst:** Alex Schatz (303-866-4375)

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

<b>Fiscal Impact Summary</b>	<b>FY 2013-2014</b>	<b>FY 2014-2015</b>
<b>State Revenue</b>		
Cash Funds		
Div. of Professions and Occupations Cash Fund - <i>reduction</i>		Up to (\$19,904)
<b>State Expenditures</b>		
Cash Funds		
Div. of Professions and Occupations Cash Fund - <i>reduction</i>		Up to (\$19,904)
<b>FTE Position Change</b>		Up to (0.3 FTE)
<b>Effective Date:</b> August 7, 2013, if the General Assembly adjourns on May 8, 2013, as scheduled, and no referendum petition is filed. School inspections transition to local governments on July 1, 2014, for notifications received by the Department of Regulatory Agencies by October 1, 2013.		
<b>Appropriation Summary for FY 2013-2014:</b> None required.		
<b>Local Government Impact:</b> See Local Government Impact and School District Impact sections.		

### Summary of Legislation

Under current law, the inspection of electrical and plumbing systems in public schools must be performed by state inspectors employed by the Department of Regulatory Agencies (DORA). State inspection is required for new construction, remodeling, or repair involving these systems. This bill authorizes local governments, including code compliance authorities contracted by 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 adopted by the State Electrical Board and the Examining Board of Plumbers. At its discretion, a school district may opt to be inspected by either a state inspector or a local inspector.

Each year, a school district must designate its intent to use either a state inspector or local inspector by filing a notification with the DORA. The annual notification submitted by school districts must list any school facilities outside the jurisdiction of a designated local inspection authority that will be inspected by the state. In addition, a city or county that changes its plumbing inspection responsibilities must file a notification with the DORA by October 1 of the preceding fiscal year. The local government must reimburse state inspection costs if the local government ceased performing inspections without filing a notice with the DORA.

## **Background**

In FY 2011-12, the State Electrical Board collected a total of \$163,830 from 215 school inspections (approximately 0.7 percent of the total number of state electrical inspections) in jurisdictions with building departments capable of implementing local inspections under this bill. In the same fiscal year, the Examining Board of Plumbers collected a statewide total of \$40,500 for 90 school inspections in such jurisdictions (approximately 1.1 percent of total state plumbing inspections).

The actual number of local jurisdictions that will perform school electrical and plumbing inspections cannot be quantified. Not all capable local jurisdictions will perform inspections under the bill. Local inspection is most advantageous where large, multijurisdictional local building departments present efficiencies to constituent school districts. In geographically large school districts, subject to multiple local building departments, school districts are likely to opt for continued "one stop" state inspection. If fewer than the total number of capable local governments notify the state of their intent to conduct inspections by October 1, 2013, the net impact identified below will be smaller.

The electrical inspection statute currently requires notification of DORA by October 1 in situations where a local government will assume inspection functions. Based on this provision and the equivalent provision in the bill concerning plumbing inspections, **the earliest implementation of the bill is in FY 2014-15. Because any change in inspections depends on future actions by local governments, the impact is considered conditional.**

## **State Revenue**

**Beginning in FY 2014-15, this bill decreases state revenue from fees to the DORA by a net amount of up to \$19,904 annually.** The overall number of state electrical and plumbing inspections is reduced by 0.8 percent, with a resulting reduction in fee revenue. However, inspection fees for the remaining caseload will be adjusted to cover the DORA's remaining workload and costs. Table 1 summarizes revenue changes from state inspection fees.

***Electrical and plumbing inspections - fee increases.*** State electrical and plumbing inspection fees will increase to compensate for all but the \$19,904 in cost savings to the DORA under the bill. This remaining \$184,426 will be assessed in inspection fee increases averaging \$4.79 per inspection for both electrical and plumbing work.

***Fee impact on property owners inspected by DORA.*** Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. The table below identifies the fee impact of this bill, assuming that half the school inspection caseload in capable jurisdictions will be taken over by local building departments in FY 2014-15.

<b>Table 1. Fee Impact on Property Owners Inspected by DORA</b>				
<b>Type of Fee</b>	<b>Current Fee</b>	<b>Fee Change</b>	<b>Number Affected</b>	<b>Total Fee Impact</b>
Electrical Inspection - Schools	varies	\$762 (avg.)	(215)	(\$163,830)
Remaining Electrical Inspections	varies	\$4.79 (avg./insp.)	30,485	145,998
Plumbing Inspection - Schools	varies	\$450 (avg.)	(90)	(40,500)
Remaining Plumbing Inspections	varies	\$4.79 (avg./insp.)	8,024	38,428
Electrical and Plumbing License (individuals)	\$30 to \$210	decrease of less than \$1/license	approximately 26,858	n/c
<b>TOTAL</b>				<b>(\$19,904)</b>

\* n/c = not calculated. The fiscal note estimates minimal savings to individual electrical and plumbing licensees.

## State Expenditures

If all capable local governments choose to conduct inspections locally, with school districts opting for local inspection, **costs to the Department of Regulatory Agencies will be reduced by \$19,904 and 0.3 FTE per year beginning in FY 2014-15.** Potential cost savings to the department are summarized in Table 2.

<b>Table 2. Potential Savings in the DORA Under HB13-1133</b>		
<b>Savings Components</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Personal Services - reduction		Up to (\$17,828)
FTE - reduction		Up to (0.3 FTE)
Operating Expenses - reduction		Up to (2,076)
<b>TOTAL</b>		<b>At least \$19,904</b>

Assuming local school districts will opt for local inspection in half the potentially affected cases in FY 2014-15, this reduces the need for personal services by at least \$12,009 and 0.2 FTE under the State Electrical Board, and \$5,819 and 0.1 FTE under the Examining Board of Plumbers. Operating costs are reduced in proportion to the reduction in personal services.

## 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. Because this bill reduces costs in the Department of Regulatory Agencies, Table 3 reports savings under the bill.

<b>Table 3. Savings Not Included Under HB13-1133*</b>		
<b>Cost Components</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)		(\$2,017)
Supplemental Employee Retirement Payments		(1,213)
<b>TOTAL</b>		<b>(\$3,230)</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.

### **School District Impact**

Statewide, the bill requires all school districts to file an annual notification with the DORA, designating state or local inspection and listing all schools outside any designated local inspector's jurisdiction. Increased administrative costs associate with this notification are minimal for individual school districts.

Under current law, school districts coordinate all electrical and plumbing inspections with the DORA and pay state inspection fees. 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.

### **Departments Contacted**

Education

Local Affairs

Regulatory Agencies

Public Safety