

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 14-0377
Prime Sponsor(s): Sen. Herpin
 Rep. Gardner

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Bill Status: Senate Business, Labor, & Technology
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SHORT TITLE: SCHOOL BUILDING INSPECTIONS PLUMBING & ELECTRICAL

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		<u>Up to (\$20,167)</u>
Cash Funds		Up to (\$20,167)
State Expenditures		<u>Up to (\$20,167)</u>
Cash Funds		Up to (\$17,606)
Centrally Appropriated Costs**		Up to (\$2,561)
FTE Position Change		Up to (0.3 FTE)
Appropriation Required: None.		

* This summary shows changes from current law under the bill for each fiscal year. Parentheses indicate a decrease in funds.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

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 2012-13, the State Electrical Board collected a total of \$116,906 from 151 school inspections (approximately 0.5 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 \$28,523 for 63 school inspections in such jurisdictions (approximately 0.8 percent of total state plumbing inspections). Relative to prior years, school inspections have declined in the overall caseload of DORA inspection personnel.

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, 2014, 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 2015-16**. The fiscal impact of the bill depends on the extent to which building departments and school districts opt in to a local inspection process under the bill.

State Revenue

The bill results in a net reduction in state revenue generated by DORA inspection fees. To cover fixed and other ongoing costs in DORA, inspection fees will have to increase across the remaining inspection caseload. State revenue impacts under the bill affect the Division of Professions and Occupations Cash Fund.

Assumptions. The fiscal note assumes that statistical information for the most recent fiscal year most closely resembles caseload in the immediate future. It should be noted, however, that, based on year-to-year trends, school construction activity was at a relatively low level in FY 2012-13.

Overall 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. Table 1 identifies the maximum fee impact of this bill, assuming that the school inspection caseload in capable jurisdictions will be taken over by local building departments in FY 2015-16. As detailed in Table 1, the bill results in a reduction of \$145,429 in school inspection fee revenue to the Division of Professions and Occupations Cash Fund, and an increase of \$125,262 to the same cash fund from fee increases for state electrical and plumbing inspection of any property.

Table 1. Fee Impact on Property Owners Inspected by DORA				
Type of Fee	Current Fee	Fee Change	Number Affected	Total Fee Impact
Electrical Inspection - Schools	varies	\$774 (avg.)	(151)	(\$116,906)
Remaining Electrical Inspections	varies	\$2.94 (avg./insp.)	31,157	91,467
Plumbing Inspection - Schools	varies	\$453 (avg.)	(63)	(28,523)
Remaining Plumbing Inspections	varies	\$4.18 (avg./insp.)	8,093	33,795
Electrical and Plumbing License (individuals)	\$30 to \$210	decrease of less than \$1/license	approximately 27,000	n/c
TOTAL				(\$20,167)

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

Fee impact on school districts. Beginning in FY 2015-16, this bill decreases state revenue from fees to DORA by a net amount of up to \$20,167 annually. The overall number of state electrical and plumbing inspections is reduced by up to 0.7 percent, with a resulting reduction in state fee revenue paid by school districts. However, inspection fees for school inspections will be due to local government inspection authorities. The net change in school district fee payments is minimal and varies based on the local fee schedule.

Electrical and plumbing inspections - fee increases. State electrical and plumbing inspection fees will increase to compensate for \$125,262 in lost revenue (all but the \$20,167 in cost savings to DORA) under the bill. For all property owners, including both schools and private parties) inspection fee increases will average \$2.94 per inspection for electrical work and \$4.18 per inspection for plumbing work.

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 2015-16.** Potential cost savings to the department are summarized in Table 2.

Table 2. Potential Savings in the DORA Under SB 14-081		
Savings Components	FY 2014-15	FY 2015-16
Personal Services - reduction		Up to (\$15,530)
FTE - reduction		Up to (0.3 FTE)
Operating Expenses - reduction		Up to (2,076)
Centrally Appropriated Costs - reduction		Up to (2,561)
TOTAL		Up to (\$20,167)

* Centrally appropriated costs are not included in the bill's appropriation.

Department of Regulatory Agencies. Assuming local school districts will opt for local inspection in all the potentially affected cases in FY 2015-16, this reduces the need for personal services by at least \$11,635 and 0.2 FTE under the State Electrical Board, and \$3,895 and 0.1 FTE under the Examining Board of Plumbers. Operating costs are reduced in proportion to the reduction in personal services.

Centrally appropriated costs. 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 the fiscal note for informational purposes and summarized in Table 3.

Table 3. Centrally Appropriated Costs Under SB 14-081*		
Cost Components	FY 2014-15	FY 2015-16
Employee Insurance (Health, Life, Dental, and Short-term Disability)		Up to (\$1,357)
Supplemental Employee Retirement Payments		Up to (1,204)
TOTAL		Up to (\$2,561)

*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.

Pursuant to Section 22-32-143, C.R.S., school districts and Boards of Cooperative Educational Services (BOCES) may submit estimates of fiscal impacts within seven days of a bill's introduction. As of the date of this fiscal note, no summaries of fiscal impacts were submitted by districts or BOCES for this bill. If summaries of fiscal impacts are submitted by districts or BOCES in the future, they will be noted in subsequent revisions to the fiscal note and posted at this address: <http://www.colorado.gov/lcs>

Effective Date

The bill takes effect August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Regulatory Agencies
Public Safety
Municipalities

Labor and Employment
Local Affairs
Special Districts

Education
Counties