

## Colorado Legislative Council Staff Fiscal Note



# STATE FISCAL IMPACT

Drafting Number: LLS 14-0826

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Prime Sponsor(s): Rep. Sonnenberg  
Sen. Brophy

Bill Status: House SVMA

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**SHORT TITLE:** EASE PLUMBING LICENSE REQUIREMENTS IN RURAL AREAS

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
<b>State Revenue</b>	<b>(\$619,437)</b>	<b>(\$619,437)</b>
Cash Funds	(619,437)	(619,437)
<b>State Expenditures</b>	<b>(\$160,921)</b>	<b>(\$139,704)</b>
Cash Funds	(128,983)	(106,918)
Centrally Appropriated Costs**	(31,938)	(32,786)
<b>FTE Position Change</b>	<b>(1.9 FTE)</b>	<b>(1.9 FTE)</b>
<b>Appropriation Required:</b> Reduction of \$128,983 - Dept. of Regulatory Agencies (FY 2014-15)		

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

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

## Summary of Legislation

The bill exempts business and residential plumbing work in counties with a population of less than 30,000 from state license, registration, and permit requirements. County population for the exemption is measured according to the most recent Census figures available. The fiscal note assumes that the permit exemption in the bill applies to both permits for new plumbing projects and for plumbing inspections.

## Background

State inspection of plumbing projects is required in counties where there is not a local inspection process. State inspections are conducted in 37 counties, of which 34 have a population of less than 30,000. In total, 46 counties have a population of less than 30,000. Plumbers are licensed with the Division of Professions and Occupations in the Department of Regulatory Agencies (DORA). State plumbing inspection staff are also located in DORA. Plumbing regulation and oversight is governed by the State Plumbing Board.

## State Revenue

The bill decreases revenue to the Division of Professions and Occupations Cash Fund in DORA by **\$619,437 per year beginning in FY 2014-15** from eliminating state inspection and licensure of plumbing in small-population counties. This revenue impact is summarized below.

**Assumptions.** The fiscal note makes the following assumptions:

- a total of 71 new plumbing license applicants are submitted and 1,464 license renewals occur annually in small-population counties;
- plumbers renew licenses annually;
- licenses and renewals will be reduced by 80 percent in small-population counties if licensure is not mandatory, resulting in a loss of 57 new and 1,171 renewal license applications each year;
- 20 percent of plumbers in small-population counties will continue to be licensed voluntarily or to continue working in neighboring counties, schools, or other places requiring a plumbing license;
- the average license cost is \$153.38 for new licenses and \$148.98 for renewals (based on a weighted average of the various types and levels of plumbing licenses);
- 1,701 state plumbing inspections occur in small-population counties annually, all of which will be discontinued under the bill; and
- the average cost of a state plumbing inspection in small-population counties is \$256.46.

**Plumbing inspection revenue.** Cash fund revenue to DORA for plumbing inspections is expected to decrease by \$436,238 per year (1,701 inspections x \$256.46). This revenue supports both the plumbing inspection and licensing activities in DORA.

**Plumbing licensing revenue.** Licensing revenue to DORA is reduced by \$183,198 per year beginning in FY 2014-15 (\$8,734 from fewer new applicants and \$174,456 from fewer license renewals). This fee reduction is summarized in Table 2 below.

**Fee impact on individuals and business.** 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 sections below identify the fee impact of this bill.

**Fee reduction.** Based on the assumption above, the number of plumbers required to be licenses is expected to decrease. Table 1 shows the reduction in fee revenue collected from this group.

Table 1. Fee Impact on Individuals and Business (Reduction) - FY 2014-15*			
Type of Fee	Current Fee**	Number Affected	Total Fee Impact
Original Plumbing License	\$153.38	(57)	(\$8,743)
Renewal Plumbing License	\$148.98	(1,171)	(\$174,456)
Plumbing Inspection	\$256.46	(1,701)	(\$436,238)
TOTAL			(\$619,437)

\* Parentheses indicate a reduction in the number of persons or inspections affected.

\*\* The current fee is based on the weighted average for the various license categories (i.e., master plumber, journeyman plumber, contractor registrations, etc.). The plumbing inspection fee is the average based on current revenue from inspections in small counties.

*Fee increase.* Based on the reduced licensing and inspection revenue in small-population counties, DORA will be required to increase fees for plumbers licensed in, and inspections conducted in, non-exempt parts of the state. Taking into account both this revenue reduction and reduced costs discussed in the State Expenditures section, Table 2 shows the estimated fee impact for plumbing licensing and inspection. Actual fees will be set by DORA. The fee increase is not included in the overall revenue impact of the bill, as DORA is required under current law to set its fees to cover the direct and indirect costs of its regulatory programs.

<b>Table 2. Fee Impact on Individuals and Business (Increase)</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>
<b>Original Plumbing License</b>	<b>\$153.38</b>	<b>\$208.38</b>	<b>\$55.00</b>	<b>313</b>	<b>\$17,215</b>
<b>Renewal Plumbing License</b>	<b>\$148.98</b>	<b>\$203.98</b>	<b>\$55.00</b>	<b>7,403</b>	<b>\$407,165</b>
<b>Plumbing Inspection</b>	<b>\$335.95</b>	<b>\$405.95</b>	<b>\$70.00</b>	<b>716</b>	<b>\$50,120</b>
<b>TOTAL</b>					<b>\$474,500</b>

\* The number affected is based on plumbers in non-exempt counties and 20 percent of plumbers in exempt counties.

\*\* The current fee is based on the weighted average for the various license categories (i.e., master plumber, journeyman plumber, contractor registrations, etc.). The plumbing inspection fee is the average based on current revenue from inspections in large counties.

## State Expenditures

The bill reduces costs in DORA by **\$160,921 and 1.9 FTE in FY 2014-15 and by \$153,744 and 1.9 FTE in FY 2015-16** and future fiscal years. This reduction results from 1,701 fewer inspections being conducted each year in exempt small-population counties. This workload reduction is based on the assumption that an inspector can do 900 inspections per year. By reducing inspection staff, personal services (\$105,113), operating (\$1,805 per year) and capital costs (\$8,936 in the first year) are reduced. A reduction of 62,400 miles in a state fleet vehicle travel (\$14,040) is also realized. DORA will have a one-time costs of \$911 for 10 hours of legal services for rulemaking on the rural plumbing exemption.

<b>Table 3. Expenditures Under HB 14-1189</b>		
<b>Cost Components</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
Personal Services	(\$105,113)	(\$105,113)
FTE	(1.9 FTE)	(1.9 FTE)
Operating Expenses and Capital Outlay Costs	(10,741)	(1,805)
Travel	(14,040)	(14,040)
Legal Services	911	0
Centrally Appropriated Costs*	(31,938)	(32,786)
<b>TOTAL</b>	<b>(\$160,921)</b>	<b>(\$153,744)</b>

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

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee (JBC) 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 4.

<b>Table 4. Centrally Appropriated Costs Under 14-1189*</b>		
<b>Cost Components</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	(\$11,618)	(\$11,618)
Supplemental Employee Retirement Payments	(7,299)	(8,147)
Indirect Costs	(13,021)	(13,021)
<b>TOTAL</b>	<b>(\$31,938)</b>	<b>(\$32,786)</b>

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

### **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 Appropriations**

The bill requires a reduction in appropriations from the Division of Professions and Occupations Cash Fund to DORA of \$128,983 in FY 2014-15 and a reduction of 1.9 FTE.

### **State and Local Government Contacts**

Regulatory Agencies