

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: SB 395 (2nd Edition)

SHORT TITLE: Plumbing and Heating Contractors

SPONSOR(S): Sen. Miller

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES					
General Fund	* No General Fund Impact *				
Board					
License Fees	334,000	984,000	984,000	984,000	984,000
Exams	60,000	200,000	200,000	200,000	200,000
TOTAL	394,000	1,184,000	1,184,000	1,184,000	1,184,000
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors.					
EFFECTIVE DATE: When it becomes law.					

BILL SUMMARY: Section 1 of the bill expands the powers of the Board of Examiners of Plumbing, Heating, and Fire Sprinkler Contractors (the Board) to include the authority to acquire, hold, rent, encumber, alienate, and otherwise deal with real property in the same manner as a private person or corporation. This power is subject to the approval of the Governor and the Council of State. Only the assets, income, and revenues of the Board can be pledged as collateral. Section 2 makes several definitional changes to G.S. 87-21. Specifically the bill clarifies that systems installed in a single-family residence are a part of “heating, group number three” regardless of system size. It also expands this definition of group three to include cooling systems that have a mechanical refrigeration capacity of 15 tons or less. This section also eliminates an outdated effective date reference and makes technical changes to the definition of a system as it relates to fuel piping license requirements. Section 2 also authorizes the Board to require that a professional license applicant establish that they are at least 18 years old and is “of good moral character” before they are allowed to take the appropriate occupational exam. This section of the bill also requires that the Board offer exams at least twice a year and removes the previous requirements that the exams be given in April and October. It also removes provisions allowing a special oral examination for those that cannot write, and authorizes the Board to offer written or computer-based exams within 30 days after an application is approved. It clarifies that a license shall be issued after an applicant passes the exam and pays the appropriate fee. Finally, Section 2 also clarifies that an applicant who fails the exam must wait 90 days before they can retake the exam, and requires that any applicant who fails the

exam three times receive additional education before they are allowed to retake the test. Section 3 eliminates the current annual license fee structure and replaces it with a higher, flat, annual fee cap of \$150.00. Section 3 also allows the Board to notify license holders by mail or e-mail that a renewal payment is due. It clarifies that the Board can hold a license until all unpaid annual fees are submitted to the Board. This Section also shifts the late fee structure from a stepped system to a flat \$25.00 charge for a late renewal. Section 4 increases the exam fee cap from \$50.00 to \$150.00 and clarifies that both the application and the exam fee shall be retained by the Board whether or not a license is granted. Section 5 sets the annual license fee at \$100.00 and the exam fee at \$80.00 until a permanent rule change allows the fees to increase to the cap.

ASSUMPTIONS AND METHODOLOGY: Because all fees and revenue generated with the Board remain with the Board, the bill will have no fiscal impact on the General Fund. However, the legislation will have an impact on the revenues and expenditures of the Board.

Section 1: This portion of the bill extends the contracting power of the Board and does not have a direct fiscal impact. In the future the Board could use this authority, with the approval of the Governor and Council of State, to increase their assets and liabilities. These would become assets and liabilities of the Board and not the State.

Section 2: Section 2(a)(3) and (4) make definitional changes. The Board believes these changes only clarify existing law and will have no fiscal impact on the Board. Section 2(b)(3) places additional restrictions on who may apply for a license. However, the Board does not believe these changes will have any fiscal impact. Under OSHA regulations no one under 18 is suppose to be involved in this type of work. Therefore, the Board is only clarifying that these individuals who are barred from this type of work are also barred from taking the exam. As such, there is no fiscal impact.

Section 2(b)(6) shifts the testing requirement from April and November to twice a year, and allows for computer testing. In reality, the Board already relies on computer testing which is offered through a vendor in eight locations during normal business hours. Therefore, the Board does not expect a change in their testing schedule as a result of the bill. (According to the Board they have only asked to retain the twice a year language in case a problem develops with the computer based system).

Section 3: Section 3 of the bill addresses the annual license fees. Under current law a statewide license is available for \$75 annually and a limited, local license for small communities is available for \$45. The law caps these fees at \$75 and \$50 respectively. The Board estimates that they will issue 13,000 licenses a year. Only 300 of these will be issued at the lower rate. Under the bill there will only be one license with a capped fee of \$150. However, under Section 5 that fee has an interim cap of \$100, with any increases over that amount subject to the rule making process. The current and expected revenue from licenses under the new system is as follows:

License Type	Current			Interim			Final		
	Fee	# Offered	Revenue	Fee	# Offered	Revenue	Fee	# Offered	Revenue
Statewide	75	12,700	952,500	100	13,000	1,300,000	150	13,000	1,950,000
Local	45	300	13,500	100	-	-	150	-	-
TOTAL		13,000	966,000		13,000	1,300,000		13,000	1,950,000

This suggests that the Board will see a \$334,000 increase in the interim period and will eventually see a total license fee revenue increase of \$984,000. The fiscal note assumes that the interim fee will apply in 2001-02 and the higher fee will take effect in 2002-03.

Section 3 also provides for e-mail renewal notification and a flat late charge of \$25. The Board believes they will eventually see a small cost savings from shifting at least a portion of their licensees to e-mail notification. However, because the program is still in a preliminary stage and has yet to be piloted there is no reasonable method for estimating that potential future savings. The Board does not expect a significant revenue change from introducing the \$25 late fee. Under current law there is a stepped scale for late fees that is linked to how late the payment was made. This creates complications for the Board when licensees provide the wrong amount. The Board believes shifting from this stepped scale to a set fee will ease administration and retain approximately the same revenue stream.

Section 4: Section 4 of the bill deals with exam fees. Under current law the maximum fee for an exam is \$50. The Board now charges the maximum amount. Section 4 of the bill increases the cap on exam fees to \$150. However, Section 5 of the bill limits the exam fee to \$80 until fee changes are made through the rule making process. The number of examinees has varied over the past five years from a high of 2,736 to a low of 1,860. The Board believes 2,000 examinees is a reasonable annual estimate given the more stringent requirements for maintaining this license. Assuming the Board gives 2,000 exams annually the fiscal impact of this section is as follows:

# Exams	Current Fee	Revenue	Interim Fee	Revenue	Final Fee	Revenue
2,000	50	100,000	80	160,000	150	300,000

This suggests that during the interim period the Board will see a \$60,000 increase. This number is used as the 2001-02 fiscal impact from this portion of the bill. In 2002-03 and beyond the final fee revenue increase of \$200,000 is used as the fiscal impact.

Section 5: This section of the bill has a fiscal impact as it limits the license and exam fees to a lower amount until these provisions are examined in the rulemaking process. However, these elements have been including as the interim numbers for estimates in Sections 3 and 4.

FISCAL RESEARCH DIVISION 733-4910

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