

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5766 SB	<b>Title:</b> Pump installers	<b>Agency:</b> 235-Department of Labor and Industries
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
General Fund-State 001-1	5,000	5,000	10,000	10,000	10,000
Electrical License Account-State 095-1	85,488	35,550	121,038	71,100	71,100
Plumbing Certificate Account-State 885-1	125,813	75,875	201,688	151,750	151,750
<b>Total \$</b>	216,301	116,425	332,726	232,850	232,850

### Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	1.5	1.5	1.5	1.5	1.5
<b>Fund</b>					
General Fund-State 001-1	26,123	0	26,123	0	0
Electrical License Account-State 095-1	108,150	57,601	165,751	115,201	115,201
Plumbing Certificate Account-State 885-1	108,151	57,600	165,751	115,201	115,201
<b>Total \$</b>	242,424	115,201	357,625	230,402	230,402

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 02/18/2005
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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

REVISED 03/02/05. See attached.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

See attached.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

See attached.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	1.5	1.5	1.5	1.5	1.5
A-Salaries and Wages	54,306	54,306	108,612	108,612	108,612
B-Employee Benefits	13,788	13,788	27,576	27,576	27,576
C-Personal Service Contracts					
E-Goods and Services	55,607	39,774	95,381	79,548	79,548
G-Travel	7,333	7,333	14,666	14,666	14,666
J-Capital Outlays	111,390		111,390		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	\$242,424	\$115,201	\$357,625	\$230,402	\$230,402

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2006	FY 2007	2005-07	2007-09	2009-11
Customer Service Specialist 2	29,616	1.0	1.0	1.0	1.0	1.0
Pump Installer Technical Specialist	49,380	0.5	0.5	0.5	0.5	0.5
Total FTE's		1.5	1.5	1.5	1.5	1.5

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

See attached.

## **Part II: Explanation**

This bill allows certain individuals/contractors to perform electrical and plumbing installations without the requirements of plumbing certification, electrical licensing or certification.

### **II. A – Brief Description of What the Measure Does that Has Fiscal Impact**

The work that the sub-category of a specialty individual/contractor is allowed to perform is restricted to potable water and wastewater pump system work and creates a new program in the Department of Labor and Industries.

Section 2 amends RCW 18.27.010: This change states a specialty contractor with a potable water and wastewater system pump endorsement will be competent to engage in both plumbing and electrical work relating only to potable water or wastewater system pump work.

Section 3 amends RCW 18.27.040: The bill creates a \$9,000 bond requirement for a specialty contractor with a potable water and wastewater system pump endorsement who is not an employee of another contractor.

New Section 4 is added to chapter 18.27 RCW:

- Subsection (1) Requires a registered specialty contractor with a potable water and wastewater pump endorsement who is installing or maintaining electrical wiring, or equipment supplying the potable water or wastewater pump equipment to have a valid:
  - electrical contractor license,
  - master journeyman electrician certificate,
  - journeyman electrician certificate,
  - master specialty electrician certificate,
  - specialty residential electrician certificate,
  - be a supervised electrical trainee,
  - or be a registered potable water and wastewater system pump endorsement.

This subsection also allows a contractor with a potable water and wastewater system pump endorsement to work on electrical circuits from the potable water and wastewater system pump equipment back to and including the service of the structure.

- Subsection (2) requires an individual/contractor to be:
  - a registered specialty contractor with a potable water and wastewater pump endorsement,
  - have a journeyman plumber certificate,
  - specialty plumber certificate,
  - be a supervised plumber trainee,

- or be a specialty contractor registered with potable water and wastewater system pump endorsement.
- Subsection (4) requires the installer to follow all applicable codes and allows the potable water and wastewater system pump endorsement to install and repair:
  - all pumps,
  - pump stations,
  - effluent or lift pumps,
  - conveyance systems,
  - ground source heat pump loops,
  - and irrigations pumps relating to potable water and wastewater systems.

This section includes commercial and institutional systems that provide service to residences and businesses.

- Subsection (5) allows hour-to-hour experience in potable water or wastewater system pump work to be applied in a one to one ratio toward testing as a pump and irrigation specialty electrician as well as a specialty plumber. The electrical and plumbing experience will be coincidental.

Section 5 is added to Chapter 18.27 RCW: This section establishes and defines classifications for potable water and wastewater system pump endorsements. It also mentions additional items in the scope of work, in addition to those mentioned in Section 4.

- Subsection (1) specifies the limited endorsements a person can receive to specific occupancies, types of installations, and 250 volts AC single phase.
- Subsection (2) specifies general endorsements a person can receive to an unlimited to type of occupancy, type of installation, and voltage.

Section 6 is added to Chapter 18.27 RCW: This section describes qualifications to take the endorsement examinations.

- Subsection (1) outlines the requirements for registration in order to apply for a potable water and wastewater endorsement.
- Subsection (2) describes the qualifications for the examination. The bill will allow a person to take an abbreviated examination of the general endorsement, if the individual meets certain employment requirements. If the applicant does not meet the requirements for the abbreviated examination for general endorsement standard examination, the applicant must have four thousand hours of supervised or unsupervised work experience on the pressurization and filtration components of potable water or wastewater systems. The bill will also allow for abbreviated examination of the limited endorsement for individuals who meet certain employment requirements. If the applicant does not meet the requirements for the abbreviated examination for limited endorsement standard examination, the applicant must have four thousand hours of supervised or unsupervised work experience on the pressurization and filtration components of potable water or wastewater systems.

Section 7 is added to Chapter 18.27 RCW:

- Subsection (1) requires a designated administrator to take an endorsement administrator's examination.
- Subsection (2) restricts the designated administrator to one contractor and sets up a requirement for notification to L&I upon separation from the company.
- Subsection (3) requires L&I to issue an administrator's certificate to qualifying applicants, which must be renewed every two years.
- Subsection (4) allows the department to determine a fee for an administrator's certificate.
- Subsection (5) allows for denial or suspension of a certificate for a serious violation.

New Section 8: Is added to Chapter 18.27 RCW:

- Subsection (1) establishes an advisory board consisting of 10 members, including:
  - Director's designee,
  - one general endorsement contractor,
  - one limited endorsement contractor,
  - one general endorsement contractor's employee,
  - one limited endorsement contractor's employee,
  - one licensed water well operator,
  - two people on or nominated by the Electrical Board,
  - and two people on or nominated by the Plumbing Board.
- Subsection (2) allows the director to appoint the advisory board members and sets guidelines for where applicants' names may be found.
- Subsection (3) sets the members terms and allows for due cause removal from the board.
- Subsection (4) sets quarterly meetings for the board.
- Subsection (5) sets the duties of the board, allows a 60 percent vote of the board to waive the requirement for testing. L&I is required to consult with the board when developing rules, preparing training programs, administering continuing education programs, and determining the applicability of evidence supporting an application.
- Subsection (6) allows travel and per diem expense reimbursement for board members.

Section 9 is added to Chapter 18.27 RCW: Sets specific requirements on the content and duties involved with creating the examination.

- Subsection (1) states the department in conjunction with the pump installer advisory board will establish examinations and sets the expectations of the examinations.

- Subsection (2) states the department shall administer the examinations.
- Subsection (3) states the department shall certify the examinations and provide notifications. It also allows candidates to take examinations as many times as necessary.

Section 10 is added to Chapter 18.27 RCW to address registration and certification.

- Subsection (1) states the department will issue registrations to applicants who pass the examination. The registration is renewable, every two years, upon payment of a fee and providing 8 hours of continuing education each year. There is a penalty for late renewal. There is also a restriction on other government entities requiring a registration process.
- Subsection (2) states an apprentice or properly supervised trainee may receive a certificate to perform potable water and wastewater system pump work. The apprentice/trainee will need to document all training experience.
- Subsection (3) sets the supervision and ratio requirements for an apprentice/trainee.
- Subsection (4) allows an apprentice or student in an approved technical school to work the last six months of their training period unsupervised if certain requirements are met.
- Subsection (5) requires a minimum of 16 hours of classroom training, for an individual to become registered as a specialty contractor with potable water and wastewater system pump work, established by L& I with advice of the pump installer advisory board.

Section 11 is added to Chapter 18.27 RCW: Submitting of trainee hours and audit capability.

- Subsection (1) states contractors are responsible to accurately verify and attest to an apprentice or trainees experience.
- Subsection (2) states L&I may audit the contractor's training records.
- Subsection (3) sets a penalty for false reporting.

Section 12 is added to Chapter 18.27 RCW: Continuing education requirements and approved criteria.

- Subsection (1) requires continuing education for potable water and wastewater contractors.
- Subsection (2) sets the requirements for becoming and approving a continuing education provider.
- Subsection (3) allows L& I to adopt rules to set continuing education approvals and set minimum requirements for courses. It also allows pre or post approval of classes.

Section 13 is added to Chapter 18.27 RCW: Fees.

- Subsection (1) allows the department to set fees in rule
- Subsection (2) requires the fees to cover costs of administering the program

- Subsection (3) states director must deposit the money in the Plumbing or Electrical License Funds.

Section 14 is added to Chapter 18.27 RCW: Will allow an authorized L&I representative to investigate alleged or apparent violations. It also requires individuals to show their endorsement to the authorized L&I representative upon request.

Section 15 is added to Chapter 18.27 RCW: Issuance of infractions.

- Subsection (1) allows L&I to issue an infraction under certain circumstances.
- Subsection (2) requires that the infraction be personally served.

Section 18 amends RCW 19.28.131: Allows appeals violations of potable water and wastewater system pump under Chapter 18.27 RCW to be transferred and heard by the pump installer advisory board.

## **II. B – Cash Receipt Impact**

The electrical and plumber programs anticipate net revenue increases resulting from individuals/contractors deregistering from the electrical program and then reregistering in the new pump installer program, which will share revenues between the electrical and plumber programs.

- Electrical Program Revenue Reductions:
  - 120 contractors at \$116 per year = \$13,920 per year
  - 125 specialty electricians at \$23 per year = \$2,875 per year
  - 250 trainees at \$23 per year = \$5,750 per year
  - 120 Administrators at \$44 per year = \$5,280 per year
  - 50 Electrical citations at \$250 per year = \$12,500 per year

Total revenue loss for the electrical program: \$40,325 per year.

In the 2003-05 Biennium contractors, electricians, and trainees were required to renew their license annually, however under this bill they would be required to renew their license biennially. In order to ensure a steady stream of revenue, L&I will require that individuals/contractors with an even numbered unified business identification number (UBI) purchase a one year license in Fiscal Year 2006 and will begin purchasing a two year license in Fiscal Year 2007 and continue this renewing every two years thereafter. Individuals/contractors with an odd numbered unified business identification number (UBI) will purchase a two year license in Fiscal Year 2006 and continue this renewal every two years. This will result in 150 percent revenue collected in Fiscal Year 2006 and regularly projected revenue thereafter. (See table below.)

The annual revenue under the new fee structure for those licenses that will be renewed biennially would be:

- Electrical and Plumbing Program Revenue Increases (50 percent / 50 percent):

- 60 contractors at \$1,000 every two years = \$60,000 every year
- 62.5 specialty electricians at \$300 every two years = \$18,750 every year
- 125 trainees at \$200 every two years = \$25,000 every year

Total revenues to be shared between the two programs for purchases of two year licenses will be \$60,000 each year after the first year phase in period.

In the 03-05 Biennium administrators were required to renew their license annually, however under this bill they would be required to renew their license every three years. In order to ensure a steady stream of revenue, L&I will require that:

- Individuals/contractors with unified business identification number (UBI) that ends in a 1 thru 4 purchase a three year license in Fiscal Year 2006.
- Individuals/contractors with unified business identification number (UBI) that ends in a 5 thru 7 purchase a two year license in Fiscal Year 2006 and will begin purchasing a three year license in Fiscal Year 2008 and continue this renewing every three years thereafter.
- Individuals/contractors with unified business identification number (UBI) that ends in a 8 thru 0 purchase a one year license in Fiscal Year 2006 and will begin purchasing a three year license in Fiscal Year 2007 and continue this renewing every three years thereafter.

This will result in 200 percent revenue collected in Fiscal Year 2006 and regularly projected revenue thereafter. (See table below.)

The annual revenue under new fee structure for those licenses that will be renewed biennially would be:

- Electrical and Plumbing Program Revenue Increases (50 percent / 50 percent):
  - 40 Administrators at \$1200 every three years = \$48,000 every year

Total revenues to be shared between the two programs: \$151,750 every year once the phasing in has been completed.

- General Fund Revenue Increase
  - Assuming that twenty \$1,000 infractions will be written each year, and a penalty collection rate of 25 percent, \$5,000 would be deposited into the State General Fund each year.



## Summary of Revenue Increases and Decreases:

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
<b>Electrical Program Revenue Reductions (All in 095 Electrical Fund)</b>						
<i>One year renewal required</i>						
120 Contractors	(\$13,920)	(\$13,920)	(\$13,920)	(\$13,920)	(\$13,920)	(\$13,920)
125 Specialty electricians	(2,875)	(2,875)	(2,875)	(2,875)	(2,875)	(2,875)
250 Trainees	(5,750)	(5,750)	(5,750)	(5,750)	(5,750)	(5,750)
120 Administrators	(5,280)	(5,280)	(5,280)	(5,280)	(5,280)	(5,280)
50 Electrical citations	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)	(12,500)
<b>Subtotal</b>	<b>(\$40,325)</b>	<b>(\$40,325)</b>	<b>(\$40,325)</b>	<b>(\$40,325)</b>	<b>(\$40,325)</b>	<b>(\$40,325)</b>
<b>Electrical and Plumbing Program Increases in Revenue (50% 095 Electrical &amp; 50% 885 Plumbing Funds)</b>						
<i>Two year renewal required (phased in)</i>						
60 Contractors each year	\$90,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
62.5 Specialty electricians each year	28,125	18,750	18,750	18,750	18,750	18,750
125 Trainees each year	37,500	25,000	25,000	25,000	25,000	25,000
<i>Three year renewal required (phased in)</i>						
40 Administrators each year	96,000	48,000	48,000	48,000	48,000	48,000
<b>Subtotal</b>	<b>\$251,625</b>	<b>\$151,750</b>	<b>\$151,750</b>	<b>\$151,750</b>	<b>\$151,750</b>	<b>\$151,750</b>
Electrical 50% subtotal Revenue	\$125,813	\$75,875	\$75,875	\$75,875	\$75,875	\$75,875
Plumbing 50% Revenue	\$125,813	\$75,875	\$75,875	\$75,875	\$75,875	\$75,875
<b>General Fund Revenue Increase (All in 001 General Fund )</b>						
20 Infractions	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
<b>095 Electrical TOTAL Revenue</b>	<b>\$85,488</b>	<b>\$35,550</b>	<b>\$35,550</b>	<b>\$35,550</b>	<b>\$35,550</b>	<b>\$35,550</b>
<b>885 Plumbing TOTAL Revenue</b>	<b>\$125,813</b>	<b>\$75,875</b>	<b>\$75,875</b>	<b>\$75,875</b>	<b>\$75,875</b>	<b>\$75,875</b>
<b>001 General Fund TOTAL Revenue</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>

## II. C – Expenditures

The following costs are anticipated in order to create a new pump installer's program:

- Electrical and Plumbing Program Expenditures (50 percent / 50 percent)
  - A 0.5 Technical Specialist FTE will be needed to develop the program's examination and licensing processes and to provide technical guidance to the program and board. This was based on the size of the program and ratio of technical assistance needed compared to other licensing and regulatory programs in the department.
  - 1.0 Customer Service Specialist 2 FTE will be needed to administer and provide clerical support to the new program and board. This is consistent with the size of the program, the number of certifications/licensing anticipated and the examine processes.
  - \$5,000 per year in travel and per diem expense reimbursement for board members.
  - \$96,000 would be needed to develop a new computer program to track contractor registration, worker certification, individual's continuing education, and approval of continuing education courses. This is based

on computer programs used in similar programs. (1200 hours times \$80 per hour equals \$96,000.)

- A minimum of four rule hearings (Tumwater, Everett, Yakima, Spokane) will be held. The department determined one public hearing costs \$7,978 (for mailings, travel, court reporter, and facilities) and each additional public hearing cost \$2,500. The four public hearings would cost \$15,478.
- Outreach to affected contractors and individuals (including printing, materials and mailing), as well as the typical costs associated with a board (quarterly meetings costs) will be an estimated \$10,000 per year.
- Appeals costs are estimated at \$2,000 per appeal. Five appeals are expected per year (assuming a 25 percent appeal rate on the issuance of 20 infractions) for a total cost of \$10,000 per year.

## **Indirect Costs**

### **L&I Administration and IS Allocation**

In addition to the direct costs estimates with this fiscal note, L&I included funding to cover agency wide indirect costs for the Administrative Services and Information Services programs. The amount included in this fiscal note for indirect is \$1,688 in Fiscal Year 2006 and \$1,333 in each Fiscal Year thereafter. This amount is based on a rate of 1.9 percent in Fiscal Year 2006 and at rate of 1.5 percent in Fiscal Year 2007 and beyond is applied to cost estimates for FTEs and the standard costs associated with the addition of new FTEs, the exception being the cost of equipment purchases. These indirect rates for Specialty Compliance Services programs are based on the cost allocation methodology adopted by L&I in 2003 (with the funding realignment approved in the 2004 Supplemental budget) and the model update completed in July 2004.

Depending on the needs of the agency, activities covered by the indirect funding include the handling and processing of vendor payments and payroll; equipment purchase, delivery, inventory, storage and set-up; technical assistance to employees; desk-top and network support; internal IT systems support; contract administration; legislative services and public affairs; library; public disclosure; personnel and employee services; budget; accounting; facilities management; and other indirect support services functions.

The amount included in this fiscal note for indirect is:

<b>Fund Name, Fund #</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>
095 Electrical Fund	\$844	\$666	\$667	\$666	\$667	\$666
885 Plumbing Fund	844	667	666	667	666	667
<b>TOTAL</b>	<b>\$1,688</b>	<b>\$1,333</b>	<b>\$1,333</b>	<b>\$1,333</b>	<b>\$1,333</b>	<b>\$1,333</b>

Summary of Expenditures for the 2005-2007 Biennium:

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
<b>Electrical &amp; Plumbing Expenditures (50% 095 &amp; 50% 885 )</b>						
0.5 Tech Spec	\$48,207	\$40,054	\$40,054	\$40,054	\$40,054	\$40,054
1 CSS2	57,739	50,147	50,147	50,147	50,147	50,147
Board member travel & per diem	5,000	5,000	5,000	5,000	5,000	5,000
New computer program	96,000					
4 rule hearings	15,478					
Outreach costs	10,000	10,000	10,000	10,000	10,000	10,000
Appeal costs	10,000	10,000	10,000	10,000	10,000	10,000
<b>Subtotal</b>	<b>\$242,424</b>	<b>\$115,201</b>	<b>\$115,201</b>	<b>\$115,201</b>	<b>\$115,201</b>	<b>\$115,201</b>
<b>095 Electrical 50% Expenditures</b>	<b>\$121,212</b>	<b>\$57,601</b>	<b>\$57,601</b>	<b>\$57,601</b>	<b>\$57,601</b>	<b>\$57,601</b>
<b>885 Plumbing 50% Expenditures</b>	<b>\$121,212</b>	<b>\$57,601</b>	<b>\$57,601</b>	<b>\$57,601</b>	<b>\$57,601</b>	<b>\$57,601</b>

Revenue Transfer:

A one time appropriation of \$26,124 from the State General Fund would be needed in Fiscal Year 2006 to ensure program solvency during initial implementation.

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
Electrical	\$85,488	\$35,550	\$35,550	\$35,550	\$35,550	\$35,550
Plumber	125,813	75,875	75,875	75,875	75,875	75,875
General Fund-State	5,000	5,000	5,000	5,000	5,000	5,000
<b>Total revenues</b>	<b>\$216,301</b>	<b>\$116,425</b>	<b>\$116,425</b>	<b>\$116,425</b>	<b>\$116,425</b>	<b>\$116,425</b>
Electrical	\$121,212	\$57,601	\$57,601	\$57,601	\$57,601	\$57,601
Plumber	121,212	57,601	57,601	57,601	57,601	57,601
<b>Total Expenditures</b>	<b>\$242,424</b>	<b>\$115,201</b>	<b>\$115,201</b>	<b>\$115,201</b>	<b>\$115,201</b>	<b>\$115,201</b>
<b>Net Revenue Impact</b>	<b>(\$26,123)</b>	<b>\$1,224</b>	<b>\$1,224</b>	<b>\$1,224</b>	<b>\$1,224</b>	<b>\$1,224</b>

**Part IV: Capital Budget Impact**

None.

**Part V: New Rule Making Required**

New rules would be needed to address changes to:

- Chapter 296-46B WAC; sections 900 through 998.
- Chapter 296-200A WAC; all sections will need to be reviewed, plus a new rule will be added to implement the statute.
- Chapter 296-400 AWAC; sections 005 through 300