

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** SB 396 <1<sup>st</sup> Edition>

**SHORT TITLE:** Electrical Contractors

**SPONSOR(S):** Sen. Miller

<b>FISCAL IMPACT</b>					
	<b>Yes (x)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b>(Dollars)</b>				
	<b><u>FY 2001-02</u></b>	<b><u>FY 2002-03</u></b>	<b><u>FY 2003-04</u></b>	<b><u>FY 2004-05</u></b>	<b><u>FY 2005-06</u></b>
<b>REVENUES</b>					
<b>General Fund</b>	<b><u>* No General Fund Impact *</u></b>				
<b>Exam. Board</b>					
License Fees	\$364,225	\$1,012,525	\$1,042,901	\$1,074,188	\$1,106,413
Exam Fees	48,225	174,475	174,475	174,475	174,475
<b>Review Fee</b>	<b>4,500</b>	<b>4,500</b>	<b>4,500</b>	<b>4,500</b>	<b>4,500</b>
<b>TOTAL</b>	<b>\$416,950</b>	<b>\$1,191,500</b>	<b>\$1,221,876</b>	<b>\$1,253,163</b>	<b>\$1,285,388</b>
<b>EXPENSES</b>					
<b>General Fund</b>	<b><u>* No General Fund Impact *</u></b>				
<b>Exam. Board</b>	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> State Board of Examiners of Electrical Contractors.					
<b>EFFECTIVE DATE:</b> When it becomes law.					

**BILL SUMMARY:** Section 1 of the bill authorizes the State Board of Examiners of Electrical Contractors to acquire, rent, encumber, lease, sell, and otherwise deal with real property in the same manner as a private person or corporation. However, use of this power is subject to approval by the Governor and the Council of State. It also clarifies that the Board may only pledge the assets, income and revenue of the Board as collateral. Section 2 increases the maximum fee the Board may charge for a variety of electrical contracting licenses. It also instructs the board to shift from a single annual expiration date for all licenses to a staggered system. This section reclassifies the \$25.00 late renewal fee as an administrative fee, and changes the maximum examination fee from the fee for that respective license to a flat \$125.00. Finally Section 2 increases the fee associated with a supervised review of a failed examination from \$10.00 to \$25.00. Section 3 effectively limits the fees listed above to a lower amount unless authorized through the permanent rule making process.

**ASSUMPTIONS AND METHODOLOGY:** Several portions of the bill will have a fiscal impact on the Board.

**Real Estate:** Section 1 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. The Board is interested in purchasing its own office space.

**Annual License Fees:** Section 2 changes the maximum annual fee on several licenses. The Board reports that they are currently charging the maximum fees allowed by law. The maximum fee limitation was last adjusted in 1979. The number of licenses granted in each category, the existing and proposed maximum fees, as well as the revenue implications are found in the chart below.

License Type and Associated Fees	Number of Annual Licenses	Current Fee	Current Revenue	Proposed <u>Maximum</u> Fee	Proposed Revenue	Revenue Increase
Limited	10,110	30	303,300	100	1,011,000	707,700
Intermediate	565	75	42,375	150	84,750	42,375
Unlimited	3,065	150	459,750	200	613,000	153,250
Special Restricted	1,030	30	30,900	100	103,000	72,100
Single Family Detached	530	30	15,900	100	53,000	37,100
<b>TOTAL</b>	<b>15,300</b>	<b>n/a</b>	<b>852,225</b>	<b>n/a</b>	<b>1,864,750</b>	<b>1,012,525</b>

This suggests that the Board could see a revenue increase of \$1,012,525 as a result of the maximum license fee increases in the bill. This amount is increased by 3% a year to account for the increasing number of licenses granted and renewed each year.

However, Section 3 of the bill effectively limits the maximum license fees until the Board is able to navigate the permanent rule making process. This section of the bill includes fees that are above the current level but below the maximums set in Section 2. The fiscal impact of those fee increases is as follows:

License Type and Associated Fees	Number of Annual Licenses	Current Fee	Current Revenue	Proposed <u>Interim</u> Fee	Proposed Revenue	Revenue Increase
Limited	10,110	30	303,300	60	606,600	303,300
Intermediate	565	75	42,375	100	56,500	14,125
Unlimited	3,065	150	459,750	150	459,750	-
Special Restricted	1,030	30	30,900	60	61,800	30,900
Single Family Detached	530	30	15,900	60	31,800	15,900
<b>TOTAL</b>	<b>15,300</b>	<b>n/a</b>	<b>852,225</b>	<b>n/a</b>	<b>1,216,450</b>	<b>364,225</b>

It is not anticipated that the Board will be able to increase the fees beyond the interim rate before the beginning of the 2001-02 fiscal year. Therefore, the interim revenue increase

estimate is used for the fiscal estimate in 2001-02. Because the Board could increase the fee to the maximum amount in FY 2002-03 and beyond that higher number is used for the fiscal estimate.

**Exam Fees:** Under current law the exam fee for a particular electrical contractor license cannot exceed the annual license fee. The exam fees are currently set at the maximums of \$30 (limited, special restricted, and single family detached), \$75 (intermediate), and \$150 (unlimited) respectively. The legislation sets the maximum fee for all exams at \$125. The Board has indicated that they will charge a \$75 across the board exam fee in 2001. No significant growth in the number of exams is expected. Assuming the board charges \$75 in FY 2001-02 and the maximum amount of \$125 in future years, the fiscal impact is as follows:

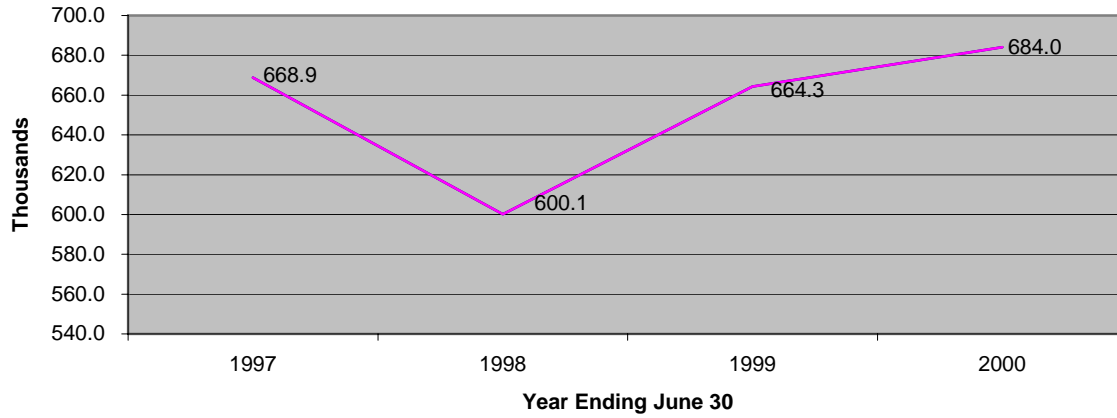
Exam Type and Associated Fees	Number of Exams	Current Fee	Current Revenue	2001-02 Fee	2001-02 Revenue	2001-02 Increase	2002-03+ Fee	2002-03+ Revenue	2002-03+ Revenue Increase Over 2000-01
Limited, Special Restricted, & Single Family Detached	1,905	30	57,150	75	142,875	85,725	125	238,125	180,975
Intermediate	120	75	9,000	75	9,000	-	125	15,000	6,000
Unlimited	500	150	75,000	75	37,500	(37,500)	125	62,500	(12,500)
<b>TOTAL</b>	<b>2,525</b>	<b>n/a</b>	<b>141,150</b>	<b>n/a</b>	<b>189,375</b>	<b>48,225</b>	<b>125</b>	<b>315,625</b>	<b>174,475</b>

**Exam Review Fee:** The legislation increases the fee for a supervised review of a failed exam. The rate is currently \$10. The legislation raised that fee by \$15 to \$25. The Board estimates that they receive approximately 300 review requests annually. This results in an annual revenue gain of \$4500. No significant growth in the number of requests is expected.

**Expenditures:** The Board estimates that they process approximately 15,000 license renewals during a two to three month period. Because of the increased volume during these periods the Board is often required to hire temporary staff. Shifting to a staggered system should eliminate the need for temporary staffing.

According to the Board's annual financial statement, on June 30, 2000 the State Board of Examiners of Electrical Contractors had an end of year fund balance of \$684,008. This is an increase over the previous year of \$19,753. The chart below details the end of year fund balance for the Board over the last four years.

**State Board of Examiners of Electrical Contractors: Year End Fund Balance**



**FISCAL RESEARCH DIVISION 733-4910**

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**DATE:** April 3, 2001



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