

**HB**

**262**

SFIN

FILE

**SENATE FINANCE COMMITTEE REPORT**

DATE: 4/3/02

REPORTED OUT  
APR 17 2002  
SENATE FINANCE  
COMMITTEE

FURTHER:

DATE TURNED IN TO OFFICE: 04/17/02

Finance Committee considered **HOUSE BILL NO. 262**  
*HB 262 BUILDING SAFETY ACCOUNT*

"An Act relating to accounting for and appropriations of receipts from fees collected by the Department of Labor and Workforce Development for certain inspections and for certain plumbing and electrical worker certificates of fitness; establishing a building safety account; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
D Labor	3/19/02	234.10		3

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
→				

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Lydia Green</i>			✓	
<i>William Gustafson</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>Loren D. Leman</i>			✓	
COCHAIR: <i>[Signature]</i>			✓	
COCHAIR: <i>[Signature]</i>	✓			

**FISCAL NOTE**

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

APR 17 2002

SENATE FINANCE  
COMMITTEE

Fiscal Note Number: 3  
Bill Version: HB 262  
(S) Publish Date: 3/22/02

Revision Date/Time (Note if correction): 3/19/02 2:38 PM Department: Labor and Workforce Development  
Title: Building Safety BRU: Labor Standards and Safety  
Component: Mechanical Inspection  
Sponsor: House L&C  
Requester: Senate L&C Component No. 346

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	173.1	35.4			(70.2)	
Travel	30.0	6.0			(12.0)	
Contractual	22.5				(7.5)	
Supplies	9.0				(3.0)	
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>234.6</b>	<b>41.4</b>	<b>0.0</b>	<b>0.0</b>	<b>(92.7)</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES (1172)</b>	<b>242.8</b>	<b>49.7</b>			<b>(112.5)</b>	
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(345.7)					
1005 GF/Program Receipts	(695.5)					
1037 GF/Mental Health						
1172 Building Safety Account	1,275.8	41.4			(92.7)	
<b>TOTAL</b>	<b>234.6</b>	<b>41.4</b>	<b>0.0</b>	<b>0.0</b>	<b>(92.7)</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: None

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time	3				(1)	
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The bill creates the Building Safety Account in the state treasury, and designates certain fees collected by the Department of Labor and Workforce Development to be deposited into the fund. These fees include fees collected for boiler inspections, elevator inspections, and electrical and plumbing worker certificates of fitness. The Mechanical Inspection program within the Division of Labor Standards and Safety has collected program receipts in excess of appropriated authority for a number of years, while at the same time funding part of the program with general funds. Creating the Building Safety Account would consolidate collections into a single account and allow replacement of all program receipt and most general fund authorization. The division proposes establishing two additional Boiler/Pressure Vessel inspectors and an additional Elevator Inspector, which would generate additional operating funds to the Building Safety Account while addressing the inspection backlog that currently exists within the program.

Prepared by: Richard Mastriano, Director Phone 269-4900  
Division: Labor Standards and Safety Date/Time 3/19/02 2:38 PM  
Approved by: Ed Flanagan, Commissioner Date 3/19/2002  
Agency: Department of Labor and Workforce Development

**STATE OF ALASKA  
2002 LEGISLATIVE SESSION**

**BILL NO. HB 262 #3**

**ANALYSIS CONTINUATION**

The change in personal services costs from FY03 to FY04 is due to the anticipation that the newly created positions will remain vacant for approximately two months at the beginning of FY03. The increase in FY04 is the annualization of position costs for twelve months. Travel costs reflect the additional working months in FY04.

The increase in revenues for FY04 is directly related to an increased number of inspections being completed and the fees collected respectively.

In FY07 the department anticipates that the inspectors will no longer have a backlog and that one Boiler/Pressure Vessel Inspector position will no longer be needed. A reduction in operating expenditures and the revenues collected are shown in the FY07 column of this fiscal note.

# ALASKA STATE LEGISLATURE

Representative Lisa Murkowski Chair  
Representative Andrew Halcro Vice-Chair  
Representative Pete Kott  
Representative Kevin Meyer  
Representative Norman Rokeberg  
Representative Harry Crawford  
Representative Joe Hayes



Alaska State Capitol  
Juneau, AK 99801-1182  
Telephone: (907) 465-4954  
Fax: (907) 465 2293  
Representative\_Lisa\_Murkowski@legis.state.ak.us

## HOUSE LABOR AND COMMERCE COMMITTEE

### Sponsor Statement HB 262 Building Safety Account

House Bill 262 is a fees-for-service measure establishing a building safety account to allow the Department of Labor to collect fees to support its mechanical inspections program and eventually to eliminate the sizeable backlog of elevator and boiler inspections.

In the mid-1990s there were five electrical inspectors, two elevator inspectors, and five boiler/pressure vessel inspectors to inspect the state's boilers and elevators. Currently there are two electrical inspectors, one elevator inspector, and three boiler/pressure inspectors. While the number of inspectors has decreased, the number of boilers has increased to 44,000, and with the enactment of the Americans with Disabilities Act, the number of elevators has nearly doubled to 900. With that, the backlog of boilers has increased to 6,100 and 300 for elevator inspections.

Passage of House Bill 262 will provide the mechanism and proper funding for the mechanical inspections program to generate enough funds to not only become self sufficient, but to restore three new inspectors to the program, and to eliminate the sizeable backlog of inspections in approximately two years.

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## HOUSE LABOR AND COMMERCE COMMITTEE

### Talking Points House Bill 262 Building Safety Account

It is a "fees-for-service" measure establishing a building safety account to allow the department to collect fees to support its Mechanical Inspections program and more importantly to catch up on the serious and sizeable backlog of boiler and elevator inspections.

Currently, the Mechanical Inspection section generates just over \$1 million in general funds and is allotted about \$695,000. House Bill 262 allows the department to collect fees and gives the authority to utilize all the money generated from those fees.

Fees range from \$40 to about \$105 depending on the type of vessel; certificates of fitness for both electricians and plumbers also generate fees.

The sizeable backlog of boiler and elevator inspections is a growing safety concern. The backlog has reached about 6,000 for boiler vessels and 300 for elevators. Incidentally, the American with Disabilities Act has caused the number of elevators to roughly double in the last eight years.

Passage of HB 262 will give the mechanical inspections program the ability to restore three new inspectors to the program and to generate enough revenue to eliminate the backlog of boilers and elevators in approximately two years.

*Make collecting  
if they like them  
from 2004 has full authority*

# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE



### Division of Legislative Finance

P.O. Box 113200  
Juneau, AK 99811-3200  
(907) 465-3795  
FAX (907) 465-1327

### MEMORANDUM

**DATE:** April 15, 2002

**TO:** Pete Kelly, Co-Chair  
Senate Finance Committee

**FROM:** Ginger Blaisdell  
Fiscal Analyst

**SUBJ:** HB 262 Fiscal Note

Remond Henderson, Administrative Services Director, Department of Labor and Workforce Development, requested that I send you a memorandum explaining fiscal note for HB262, specifically identifying why there is no fiscal impact for fiscal years 2005 and 2006.

Fiscal Year 2003 identifies the changes from HB414 as introduced in the Senate (and House). This fiscal note identifies a fund change of \$345 GF and \$695.5 GF/Prgm Rcpts to \$1,041.2 Building Safety Account. This fund change nets zero but moves the funding from the general fund group to the "other: funds group. This change occurs by approving the action (shown in parenthesis) and an equal amount of the Building Safety Account funding requested under the FUND SOURCE area of the fiscal note.

Under the OPERATING EXPENDITURES area of the fiscal note, an increase of \$234.6 is requested to add three new staff to complete inspections and reduce the existing backlog. The increased costs for the program will be paid through additional fees collected from the added inspections. The increase of Building Safety Account funding is added to the amount from the fund source change for a total of \$1,275.8.

In FY04, an additional \$41.4 Building Safety Account funding is requested to fully fund the inspectors for twelve months. The FY03 request anticipates that it will take approximately two months to hire the additional inspectors.

The program will remain status quo for fiscal years 2005 and 2006, therefore no changes are noted on the fiscal note.

FY07 shows a reduction in costs for one inspector as well as a reduction in Building Safety Account receipts. It is anticipated that by FY07 the backlog should be eliminated and one inspector no longer needed to maintain adequate service to Alaskans.

FY08 reflects no change from the FY07 request.

Please let me know if I can help clarify this fiscal note further. I can be reached at 723-2303 (cell phone) or you may contact Anna Kim 465-5410.

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

**DEPARTMENT OF LABOR**  
**ADMINISTRATIVE SERVICES DIVISION**

P.O. BOX 21149  
JUNEAU, ALASKA 99802-1149  
PHONE: (907) 465-2720  
FAX: (907) 465-2107

April 12, 2002

The Honorable Pete Kelly  
Co-Chair, Senate Finance Committee  
Alaska State Senate  
State Capitol, Room 518  
Juneau, AK 99801

Dear Senator Kelly:

During the April 8<sup>th</sup> Senate Finance meeting many issues arose regarding HB 262, its related fiscal note and the Boiler Inspection program in general. The following information is provided from Department of Labor and Workforce Development staff in order to address some of the questions that arose.

***Are there inspectors other than state inspectors that perform Boiler/Pressure vessel inspections and can this program be privatized?***

There are three classes of inspectors: State, Insurance and Owner-User. Currently there are no private inspectors who work independently. Owners are responsible for getting their boilers inspected. If the owner is not an Owner-User, the owner has the option of using the State inspectors or obtaining insurance coverage which enables an insurance inspector to inspect the owner's boiler. The more remote the location, the less likely an insurance company will cover the vessel.

The State charges the same inspection fee anywhere in the state. The State maximizes the number of inspections when traveling to rural parts of Alaska to keep the program as cost effective as possible.

**Insurance Inspectors**

These inspections are performed at the request of the owner and will only be performed by insurance companies in cases where the insurance company insures the boiler which is a statutory requirement. Depending on location, all costs for these inspections are either added to insurance premiums or billed directly to the owner in the case of remote locations not accessible by commercial carriers. In addition, the owner must pay the state the certificate of operation

The Honorable Pete Kelly  
April 12, 2002  
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operation fee. Again, the more remote the location, the less likely an insurance company will cover the vessel.

### Owner User Program

The four companies that have gone through the process of obtaining the Owner-User accreditation in Alaska are Phillips Alaska, BP Exploration, Unocal Alaska and Agrium.

The process to obtain the Owner-User accreditation is as follows:

- 1) write a manual that meets the requirements of the National Board Inspection Code and State statutes;
- 2) employ commissioned inspectors;
- 3) review of the written program by either the state or a representative of the National Board every three years (owner/requestor pays all costs including travel, hotel, meals and time);
- 4) annual program audit by State (owner pays all costs);
- 5) provide annual training of inspectors; and,
- 6) pay certificate fees.

The Owner-User program is the only program with a three-year interval; it is not an inspection cycle, but rather a re-certification of an internal program.

### *HB 262 Fiscal Note*

The question arose as to why there were no revenues and costs presented for fiscal years 05 and 06. As stated during the legislative hearing, this fiscal note was prepared in consultation with the Legislature's Legislative Finance Division. As a result of this meeting, a fiscal note was prepared showing the additional costs and revenues in the years in which the additional costs occur. Therefore, in FY 03 there were additional costs of 234.6 for three new positions (10-month funding) and 242.8 of additional revenues generated by the new positions. In FY 03 there were additional costs of 41.4 for two additional months and additional revenues of 49.7. If the Finance Committee deems it is more appropriate to show the total costs and revenues for FY 04, 05 and 06 in lieu of additional costs only, the Department will revise the fiscal note accordingly. An alternative would be to attach an additional sheet as back up showing all costs and revenues for the entire period.

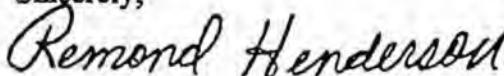
### *General Merits of HB 262*

In summary, this legislation reduces the overall general fund cost of state services by approximately 1.3 million dollars and enables the department to address a backlog of over 6000 boilers and 300 elevator inspections that pose a clear and immediate risk to life and property. Although creating the Building Safety Account reduces the general fund budget, it obviously does not reduce the overall costs of state services. It does however, create a mechanism and funding to address current safety issues resulting from inspection backlogs by establishing a program that generally pays for itself.

The Honorable Pete Kelly  
April 12, 2002  
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If you have any questions, please do not hesitate to contact me.

Sincerely,



Remond Henderson  
Administrative Services Director

cc: Senator Dave Donley, Co-Chair Senate Finance Committee  
Senator Jerry Ward, Vice-Chair Senate Finance Committee  
Senator Alan Austerman  
Senator Lyda Green  
Senator Loren Leman  
Senator Gary Wilken  
Senator Lyman Hoffman  
Senator Donny Olson

HB 262-BUILDING SAFETY ACCOUNT  
SENATE FINANCE COMMITTEE

SIGN-IN

NAME: MASTRAND Subject/Bill No: 262  
Co./Dept./Title: DOL WF Deal. Phone: 269-4914  
Address: 3301 Eagle Street ANCH AK Zip: 99503  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

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