

DEPARTMENT OF LABOR AND INDUSTRY  
STATEMENT OF NEED AND REASONABLENESS

The following amendments to the existing rules of the Department of Labor and Industry governing High Pressure Steam Piping and Appurtenances are required by Minn. Laws 1984, chapter 481 which amended Minn. Stat. §§ 326.46 through 326.50. The admendments comply with the provisions of Minn. Stat. § 16A.128 governing fee adjustments by rule.

Minnesota Laws 1984, chapter 481, prohibits any person or firm from constructing or installing high pressure piping systems unless the firm or person has first filed an application for a permit with the Department of Labor and Industry or certain authorized municipalities. This chapter also authorizes the Commissioner of Labor and Industry to collect fees for:

1. Filing of application(s) to construct or install high pressure piping systems;
2. The inspection of high pressure piping systems for which permits to construct or install have been issued;
3. Examination and licensing of Journey or Contracting (master) Pipefitters;

4. Temporary licenses issued to individuals with specific skills that a contractor or employer may require to construct or install a high pressure piping system;
5. Processing of contracting pipefitters' bonds; and
6. License renewals and late renewal fees.

The authority to establish the specific amount of the fees to be charged is contained in Minn. Stat. § 16A.128. This statute requires that the total amount of fees collected must be approximately the amount appropriated, plus general support cost, and statewide indirect costs of the agency attributable to the function for which the fee is charged. In the Fiscal Note attached to House File 1264 (chapter 481), the agency estimated a projected cost of \$283,425 for administering high pressure piping standards in fiscal year 1985. This note also projected income in fiscal year 1985 from license, permit and inspection fees utilizing the proposed rates in these amendments. The projected income was also \$283,425. The fees presented in the proposed amendments are therefore reasonable, comply with the requirements of Minn. Stat. § 16A.128, and directly relate to the costs attributable to the function.

**Part 5230.0100/Amount of Fee(s) for Examination and Licensing.**

(Paragraphs three, four and five.)

Paragraph three is new and is a listing of the specific amount of the fee(s) that will be charged for the examination, licensing and renewal of license for journey or contracting pipefitters. Also listed is the amount of the fee(s) that will be charged for processing of contracting pipefitter bonds and insurance and for late request for renewal of license. These amounts have not been increased and are being listed in the rules because they were deleted from Minn. Stat. § 326.50 by 1984 Minn. Laws, chapter 481 in anticipation of the promulgation of these rules. It is reasonable to list the fees in one place to conveniently revise the fees and to promote accessibility of the information

**Part 5230.0100/Permit Fees.**

(Paragraph six.)

Paragraph six is new and establishes the filing inspection fees that will be charged to comply with 1984 Minn. Laws, chapter 481, section 3, which prohibits any person or firm from constructing or installing high pressure piping systems without first filing an application for a permit with the Department of Labor and Industry or with a municipality that is authorized by law to issue permits to construct and install high pressure piping systems.

The amount of the fee for filing of an application for a permit to construct or install high pressure piping systems was determined after researching the fee structures of other governmental agencies in Minnesota and four other states that have processing functions similar to that which the Department of Labor and Industry intends to implement. The application filing fees are comparable to fees charged by these other agencies and states.

The amount of the Inspection Fee was determined after researching the fee structures of other states, consulting with labor organizations, pipefitter contractors and firms that utilize high pressure piping systems. The data compiled and the proposed fee rate was presented to the Minnesota Advisory Council for Steamfitting. After review of the data, the Council recommended the fee rate that is presented in this proposed amendment.

The amounts of the inspection and permit fees are subject to review in accordance with the provisions of Minn. Stat. § 16A.128 and will be adjusted if the total fees collected are greater than the amount of funds appropriated to carry out the inspection functions related to the construction or installation of high pressure piping systems.

**IMPACT ON SMALL BUSINESS:**

Since the amendments proposed are not dependent on the number of employees a company has on its payroll, the department declines the option provided by Minn. Stat. § 14.115, subd. 1(c). Minn. Stat. § 14.115, subd. 2 requires an agency to consider 5 methods of reducing the impact of the amendments on small business. The department has considered each of the five methods and has reached the following conclusions:

1. Establishing less stringent compliance or reporting requirements. Because the basic intent of establishing rules governing high pressure steam piping and appurtenances is to prevent injuries, loss of life and property damage, less stringent reporting requirements would be contrary to the objectives of Minn. Stat. §§ 326.46 through 326.51.
  
2. Less stringent schedules or deadlines for compliance or reporting requirements. The rule requires every person or firm to file an application for a permit prior to constructing or installing high pressure piping systems. It is necessary that the permit be filed prior to construction so that the inspectors can monitor all of the construction to ensure that it is done in a safe manner. To allow less stringent deadlines would jeopardize the safety of the public.

3. Consolidation or simplification of compliance or reporting requirements. Nothing contained in the rules on reporting or compliance requirements can be consolidated or simplified. The application for a permit is a one-page document that provides only the basic information necessary to express intent to construct or install a high pressure steam piping system.
4. Establishment of performance standards to replace design or operational standards. This criteria does not apply to the proposed amendments. Any design or operational standards contained in the rules must apply to all businesses if injuries, loss of life and property damage are to be prevented.
5. Exemption of small business from any or all requirements. A small business exemption could result in unsafe high pressure piping systems being built which would endanger workers as well as the general public. An exemption would be contrary to the statutory objective that constitute the basis of the proposed amendments to the rule.

The economic impact of this rule should not disproportionately disadvantage small businesses. The permit inspection fee is a graduated fee based on a percentage of the cost of construction. This structure was chosen rather than a flat rate or minimum fee in order to evenly distribute the inspection costs between large and small businesses.

#### **FISCAL IMPACT ON LOCAL PUBLIC BODIES.**

The estimated total cost of these amendments to public bodies will not exceed the \$100,000 threshold amount in Minn. Stat. § 14.11, subd. 1. The fees for examinations and licensing should have no fiscal impact on local public bodies because they apply to individuals and firms rather than public bodies. The fees for permits and inspections are paid by building contractors and will indirectly impact on the cost of construction for public bodies installing high pressure piping systems. However, the cost to public bodies should be substantially less than \$100,000. The total income projected from permits and inspection fees for all construction in the state in fiscal year 1985 is \$227,000. Only 10 to 15 percent of this is expected to be raised from construction for public bodies. The dollar amounts and percentages are not expected to increase substantially in fiscal year 1986. An estimate of the total cost to all public bodies in the state is therefore unnecessary at this time.



**APPROVAL BY COMMISSIONER OF FINANCE.**

The proposed amendments have been reviewed and approved by the Commissioner of Finance in accordance with Minn. Stat. § 16A.128, subd. 1.

*for* Allen D. Johnson 9/28/84  
Commissioner of Finance