

10/18/93

STATE OF MINNESOTA

MINNESOTA DEPARTMENT OF HEALTH

In the Matter of Proposed Rules
of the Minnesota Department of
Health Relating to Plumbers, Water
Conditioning Contractors and
Installers and Fees, Minnesota
Rules parts 4715.3140 to 4715.3170
and parts 4715.5900 and 4715.6000.

STATEMENT OF NEED
AND REASONABLENESS

The Minnesota Department of Health is proposing amendments to adopted rules governing plumbers and water conditioning contractors. Parts 4715.3140 to 4715.3170 relate to the registration of plumber's apprentices, experience requirements and fees for examination, licensure and registration of plumbers and plumber's apprentices. Parts 4715.5000 to 4715.6000 relate to fees for licensure and examination of water conditioning contractors and installers.

I. STATUTORY AUTHORITY.

Authority for the commissioner of health to adopt and amend rules relating to the licensure of plumbers and registration of plumber's apprentices is contained in Minnesota Statutes, section 326.37 to 326.45.

Authority for the commissioner of health to adopt and amend rules relating to water conditioning contractors and installers is contained in Minnesota Statutes, sections 326.57 to 326.65.

The commissioner has general regulatory authority authorized under Minnesota Statutes, section 144.12, subdivision 1, clauses (2), (5) and (10) which govern the disposal of sewage, pollution and distribution of water for drinking or domestic use, and the accumulation of filthy and unwholesome matter and its removal.

With respect to fees, Minnesota Statutes, section 144.122, paragraph (a) provides direction when adopting fees for regulatory programs administered by the commissioner of health. The department followed the requirements in Minnesota Statutes, section 16A.1285 as adopted in Laws of Minnesota 1993 with respect to notice and comment from the commissioner of finance. The department followed the provisions in section 16A.128, subdivision 2a as amended by Laws of Minnesota 1993, chapter 4, section 9. (Minnesota Statutes, section 16A.128, subdivision 2a was also repealed in Laws of Minnesota 1993, Chapter 192, section 110. However, subdivision 2a was amended by Laws 1993, chapter 4, section 9. The Office of the Revisor has codified both section 16A.1285 and the amended portions of 16A.128 with a NOTE.)

II. NOTICE OF SOLICITATION; USE OF ADVISORY COUNCIL.

The Notice of Solicitation for Comment on this matter was published in the State Register on June 28, 1993 at 17 S. R. 3415. In accordance with Minnesota Statutes, section 14.10 as amended by the 1993 legislature (Laws of Minnesota Chapter 370, Section 10) the department also mailed copies of the notice to persons who have registered their names pursuant to section 14.14, subdivision 1a, 14.22, or 14.30 as well as to parties on a discretionary mailing list. The content of the notice incorporated those requirements for a summary of issues that may be considered, a statement of the agency's intentions about the formation of an advisory task force, and a timeframe for adoption. [The department notes that the requirements in section 14.10 as amended are technically not effective until January 1, 1994 (Laws of Minnesota 1993, chapter 370, section 14)]. A copy of the notice as published in the State Register, along with a copy of the notice as mailed as well as a certificate of the agency list and affidavit of mailing are included in the record on this matter.

The department discussed the proposed criteria for apprentice registration and the proposed fee increases with the Minnesota Advisory Council on the Plumbing Code and Examination established under Minnesota Statutes, section 326.41. The proposed amendments were recommended by this council.

III. REVIEW AND COMMENT FROM THE COMMISSIONER OF FINANCE; SUBMISSION TO HOUSE AND SENATE COMMITTEES.

In accordance with Minnesota Statutes, section 16A.1285, subdivision 5, a copy of the rules on fees, a draft Statement of Need and Reasonableness including the Department of Finance's Earning Report, and the Finance Department's Form FI-0039-01 was submitted to the commissioner of finance for review and comment. (Exhibit A is the 1994-95 Departmental Earning Report submitted to the legislature by the Department of Finance. The income figures estimated on this report are within \$6,000 of the estimated revenue figures estimated on chart A above and the approved expenditures for fiscal years 1994 and 1995 are accurately reflected in chart B. Exhibit B is Form FI-0039-01 required by the Department of Finance to implement Minnesota Statutes, section 16A.1285.)

The Department of Finance's review of Form FI-00399-01 constitutes compliance with Minnesota Statutes, section 16A.1285, subdivision 5 which requires the commissioner of finance to review and comment on all departmental charges submitted for approval under chapter 14. According to subdivision 5, the commissioner of finance's comments and recommendations must be included in the statement of need and reasonableness and must address any fiscal and policy concerns raised during the review process. The commissioner's comments and recommendations are attached to this Statement of Need and Reasonableness as exhibit C.

In accordance with Minnesota Statutes, section 16A.128, subdivision 2a, as amended by Laws of Minnesota 1993, chapter 4, section 9, before the department submits notice of the proposed rules to the State Register, a copy of the proposed rules, the notice to adopt the rules, and a copy of the Statement of Need and Reasonableness was submitted to the house ways and means committee

and senate finance committee. Copies of the notices to the legislative committees are attached to the Statement of Need and Reasonableness as exhibits D and E.

IV. FISCAL IMPACT: COST OF IMPLEMENTATION TO STATE AND LOCAL AGENCIES.

Pursuant to Minnesota Statutes, section 14.11, subdivision 1 and 15.065, the Department is compelled to assess the net cost of the proposed rules on state and local public bodies. The proposed rules will not require the expenditure of monies in excess of \$100,000 by public bodies in either of the two years following adoption.

V. IMPACT ON AGRICULTURAL LAND.

As required by Minnesota Statutes, section 14.11, subdivision 2, the proposed rules will have no direct or substantial adverse impact on agricultural land.

VI. SMALL BUSINESS CONSIDERATIONS.

Minnesota Statutes, section 14.115 requires that an agency consider five factors for reducing the impact of proposed rules on small businesses, these being:

1. less stringent compliance or reporting requirements;
2. less stringent schedules or deadlines for compliance or reporting;
3. consolidation or simplification of compliance or reporting requirements;
4. the establishment of performance standards for small businesses to replace design or operational standards required in the rules; and
5. exemption of small businesses from the proposed rules.

Small business is defined as "...a business entity, including its affiliates that (a) is independently owned and operated; (b) is not dominant in its field; and (c) employs fewer than 50 full time employees or has gross annual sales of less than four million dollars...."

The small businesses affected by the proposed rules are plumbing contractors. Most plumbing contractors are small businesses.

1. and 2. The rules as proposed must provide for the protection of public health. The proposed rules do not change standards for schedules, deadlines, reporting or compliance in these proceedings. The primary impact of the plumbing licensure regulation is to protect public health. The size of the regulated entity is usually not a factor when work that is incorrect is found. Incorrect work may impact many persons. The size of the contractor has no direct relationship to the number of person who may be impacted by noncomplying work.

3. The major emphasis of the proposed rules is to clarify requirements, not to provide additional requirements. Most requirements are statutorily mandated. Clarification will make it easier for all regulated parties to comply with the adopted rules.

4. The proposed rules do not establish design or operational standards.

5. Most plumbing contractors are small businesses. The statute requires licensure and registration and makes no provision for exemption.

VII. NEED FOR AND REASONABLENESS OF THE PROPOSED RULES.

Part 4715.3140. EXAMINATION AND LICENSING OF PLUMBERS.

Subpart 1. **Examinations.** This subpart is proposed for amendment to clarify that passing the examination is a prerequisite for licensure. In 1986 Minnesota Statutes, section 326.401, was adopted in Laws of Minnesota Chapters 402 and 444. Section 326.401 requires:

Subdivision 1. **Registration.** A plumber's apprentice must be registered with the commissioner of health on a registration application form supplied by the commissioner showing the date of beginning training, age, schooling, previous experience, employer, and other information required by the commissioner.

Subdivision 2. **Journeyman exam.** A plumber's apprentice who has completed four years of practical plumbing experience is eligible to take the journeyman plumbing examination. Up to 24 months of practical plumbing experience prior to registration as an apprentice may be applied to the four-year experience requirement. However, none of this practical plumbing experience may be applied if the person did not have any practical plumbing experience in the 12-month period immediately prior to registration. The commissioner may adopt rules to evaluate whether the person's past practical plumbing experience is applicable in preparing for the journeyman's examination. If two years after completing the training the person has not taken the examination, the four years of experience shall be forfeited.

The commissioner may allow an extension of the two-year period for taking the exam for cases of hardship or other appropriate circumstances.

Subp. 3. **Fees.** The department of health may assess fees to pay for the administration of the apprentice registration program.

Section 326.401 requires that a person gain plumbing experience as a registered apprentice to qualify for the journeyman plumber's examination, but was silent with respect to the master plumber's examination. A person could circumvent the apprentice registration law and apply for the master plumber's examination without ever being a registered apprentice. The proposed rule requirement provides that the fifth year of experience must be gained working as a journeyman to learn the responsibilities of working a job without direct supervision before becoming a master plumber who can contract on his or her own.

Subitem (2) is needed to provide criteria for the evaluation of applicants from outside the state of Minnesota for master plumber examination. The provision is reasonable in that it allows people to take the Minnesota test if they have a similar license in another state based on equivalent experience

and examination requirements.

Subitem (3) is needed to allow an unlicensed contractor an avenue to pursue master plumber licensure. The proposed five year requirement is reasonable because it is consistent with the existing requirement of five years of practical plumbing experience to qualify for the master plumber examination in rule part 4715.3140, subpart 2.

Item B is needed to provide criteria for the evaluation of applicants from outside the state of Minnesota for the journeyman plumber examination. It is reasonable in that it allows people to take the Minnesota test if they have a similar license, based on equivalent experience and exam requirements from another state.

Item C adds a requirement for at least 500 hours of classroom or correspondence instruction for an apprentice. This requirement is needed to assure that an applicant for licensure has instruction in the principles and practice of plumbing design sufficient to understand the reasoning behind the plumbing code requirements and practical installation experience which is received in the field. The apprentice can learn good technique through the practical field experience, but may not be a good plumber without instruction on the principles of plumbing, design criteria, code requirements, and other related training. The state of Wisconsin requires 580 hours of apprentice instruction.

The voluntary apprenticeship program sponsored by the Department of Labor and Industry requires at least 144 hours per year of related instruction for at least five years (720 hours total). (This voluntary Department of Labor and Industry program is limited to apprentices who have a formal apprenticeship agreement with a contractor who actually sponsors the apprentice. The program is limited to a few hundred at any one time and is generally serving apprentices who are involved in a labor union apprenticeship training program. There are over a thousand other individuals working as apprentices who are not in the DLI program and are therefore registered with the commissioner of health. The requirements of the DLI program are sometimes greater and more restrictive than what is required by law to qualify for state licensure, therefore the requirement for the DLI program and MDH rules will not be exactly the same.)

The department notes that comment in response to the Notice of Solicitation was received requesting clarification on the criteria for course approval as it relates to national courses. National courses may follow the national plumbing code. The national code differs from the requirements of the state plumbing code. The department has proposed language to address the question of whether course which follow the national plumbing code will be approved. The department policy is that to gain approval of course curriculum from the department, the curriculum must provide instruction consistent with the requirements of the Minnesota Plumbing Code which is contained in Minnesota Rules chapter 4715. This is a reasonable requirement since the examinations given for plumbers reflect the requirements in the state's plumbing code.

Subp. 2. **Experience.** Subpart 2 is amended to clarify the existing rule

which requires practical experience to qualify for licensure by stating that the experience must be gained as a condition to qualify for the examination.

Item A is necessary to indicate what a year of practical plumbing experience is. One year of practical experience consists of at least 1,750 hours. Individuals do a wide variety of work related to plumbing during a twelve-month period. The practical experience requirement of at least 1,750 hours per year results in a total of 7,000 hours over the four required years of practical plumbing experience. The voluntary apprentice program provided through the Department of Labor and Industry requires a total of 8,750 hours of practical experience for a plumber's apprentice, however the DLI program also addresses occupations other than plumbing, such as pipefitters. Four years of practical experience was the amount recommended by the state plumbing code advisory council and is currently in rule.

Item B limits the practical plumbing experience from a state other than Minnesota to not more than two years unless the applicant first obtains a plumber's license in the other state. This provision is needed to maintain the integrity of a plumbing licensure program when apprentice registration and practical experience requirements exist. Without it, people could claim four years of experience from outside the state, but it would be difficult, if not impossible to verify that the experience is obtained through the apprentice registration program. The provision assures that at least two years of the apprentice's experience is gained using the Minnesota Plumbing Code. It is reasonable because it is consistent with Minnesota Statutes, section 326.401, subdivision 2, which states that "Up to 24 months of practical experience prior to registration as an apprentice may be applied to the four-year experience requirement."

Item C is needed to clarify that the applicant for licensure is responsible for verifying any experience claimed, and that the commissioner makes the final decision on acceptability. Without this provision, it is not clear that the commissioner can deny claimed experience when the applicant is not responsive to requests for documentation. This is a reasonable requirement because the types of records requested for verification are not unusual and should not be troublesome to produce.

Part 4715.3150 FEES.

Subpart 1. **Examination application fee.** Subpart 1 is amended to increase the examination application fee from \$30 to \$50, and to make the fee not refundable. The cost in staff time, facilities, and materials to process an application and prepare and conduct the exam far exceeds the former \$30 fee, and is at least \$50 on the average. The fee is not refundable because it is needed to cover the costs of reviewing and responding to the application. The cost of processing a refund would have to be unfairly covered by other fees. These provisions are reasonable; the well management program has a \$50 examination application fee which is not refundable. This provision is proposed in accordance with Minnesota Statutes, section 144.122 and 326.42.

Subp. 2. **Fees for license.** This provision is proposed in accordance with Minnesota Statutes, section 144.122 and 326.42. Subpart 2 is amended to

increase the plumbers' license fees from \$45 to \$55 for a journeyman plumber's license and from \$80 to \$120 for the master plumber's license. The increase is needed to cover the cost of the code and licensing enforcement program. The fees have not been increased for seven years, while costs have steadily increased, and are projected to continue to increase (see attached projection of Revenue and Expenditures). The cost increases are occurring without expansion of the program. They result from incremental increases over time for the cost of travel, equipment, supplies, communications, and salaries. The fee for a master plumber has been increased by a greater percentage than the increase for a journeyman plumber because a proportionally greater percent of enforcement effort is directed toward master plumbers who are ultimately responsible for all the work done. The license fees for a three-month or less initial license period are increased by the same percent as an annual license.

The fees are reasonable as shown by comparison with neighboring states.

	<u>Master</u>	<u>Journeyman</u>
Minnesota	\$120	\$55
Wisconsin	\$125	\$45
North Dakota	\$150	\$60
South Dakota	\$150	\$50

PART 4715.3160. EXPIRATION OF LICENSES.

Subp. 2. **License renewals.** This provision is proposed in accordance with Minnesota Statutes, section 144.122 and 326.42. Subpart 2 is amended to increase plumbers' license renewal fees consistent with the license fee increases proposed in part 4715.3150. The rationale is the same as that provided for part 4715.3150. Subpart 2 is further amended to increase the late fee for a late license renewal from \$8 to \$25. This increase is needed for two reasons: (1) the processing needed for a late fee costs at least \$25 in staff time; and (2) an increase is needed as a deterrent because about 500 licenses each year are delinquent in submitting renewals. The amount is reasonable, as the well management program requires a \$50 late fee for renewals.

PART 4715.3170 REGISTRATION OF PLUMBER'S APPRENTICE.

This part is amended in accordance with Minnesota Statutes, section 326.401 and section 144.122. Part 4715.3170 is amended to increase the plumbers' apprentice registration fee from \$15 to \$25. The increased amount is needed and reasonable because the average cost of reviewing forms, verifying work experience, processing the renewal, recording and filing, and sending information to apprentices is at least \$25 a year. This part is further amended in Item A to require a plumber's apprentice to be 18 years old or a high school graduate, unless employed and supervised by a parent. This requirement is consistent with Minnesota Statutes, section 181A.04, subdivision 5 and Minnesota Rules, part 5200.0910, item F, governing child labor which does not allow persons under 18 years of age to work on

construction and building sites unless they are a high school graduate or employed by their parent. This part is further amended in Item B to specify what information an apprentice must provide to the commissioner at the time of registration. The information listed is needed to assure positive identification of the individual and the ability to evaluate required experience and training.

This part is further amended in Item C to require that the practical experience of an apprentice plumber include a minimum number of hours in each of three specific areas of plumbing: water distribution (2,000 hours), drain and vent (2,000 hours), and fixtures (1,000 hours). This requirement is needed to assure that experience is broadly based and includes all aspects of plumbing. Without this requirement an applicant may seek licensure with practical experience only in service work, such as drain cleaning or minor repairs. Since the licensure examination serves only to demonstrate a working knowledge of the plumbing code, the practical experience must be verified to give the applicant adequate training in all aspects of plumbing to be able to function independently as a competent plumber.

Item D is added to this part to require that an apprentice's experience be certified by a licensed plumber or plumbing contractor. This requirement is necessary to provide accountability and integrity. The concept of supervision here of certifying practical plumbing experience does not mean that the licensed plumber or plumbing contractor issuing the certificate must personally have direct and immediate oversight of all work done. An apprentice may work for several different master or journeymen plumbers in a firm. What is required is that a licensed plumber or the plumbing contractor certify all the practical experience of the apprentice. This is a reasonable requirement because it allows the apprentice to secure a single certificate from a single individual and means the apprentice does not have to seek certificates or signatures from several parties. The department does require that when engaged in work, that the apprentice be immediately and personally supervised by a master or journeyman plumber or plumbing contractor when learning and assisting in the installation of plumbing. The requirement when work is actually being performed is in compliance with Minnesota Statutes, section 326.01, subdivision 9.

Item E is proposed to permit credit only for experience gained in the twelve months prior to renewal. This provision is needed to maintain the integrity of the apprentice registration program. Some apprentices have been deferring renewal until they apply for the plumber's licensing examination and then want credit for three or four years of past experience. The provision is reasonable because it allows up to three months of grace time for a late submittal.

Item F is proposed to permit the 1,750 hours of experience needed for one year credit to be worked in more than one twelve-month period, but doesn't allow more than 1,750 hours in one twelve-month period. This is reasonable because it allows a part-time employee, or one who also works in areas other than plumbing, to still work toward the necessary four years of experience, but also doesn't allow someone working overtime or extra days to gain more than one year of credit in one twelve-month period.

PART 4715.5900 FEES.

Subpart 1. **Examination application fee.** This provision is adopted in accordance with Minnesota Statutes, section 326.60, subdivision 3 (d); section 326.62 and section 144.122. Subpart 1 is amended to increase the examination application fee for water conditioning contractors and installers from \$30 to \$50, and to make the fee not refundable. The cost of staff time, facilities, and materials to process an application and prepare and conduct the examination exceeds the former \$30 fee. It is at least \$50 on the average. The fee is not refundable because it is needed to cover the costs of reviewing and responding to the application. The cost of processing a refund would unfairly have to be covered by other fees. These provisions are reasonable; the well management program has a \$50 examination application fee that is not refundable.

Subp. 2. **License fee.** This subpart is adopted in accordance with Minnesota Statutes, section 326.62 and section 144.122. Subpart 2 is amended to increase the water conditioning installer license fee from \$30 to \$35 and the water conditioning contractor license fee from \$50 to \$70. The increase is needed to cover the cost of the code and licensing enforcement program. These fees have not been increased for seven years while costs have steadily increased. Costs are projected to continue to increase however the cost increases are occurring without expansion of the program and result from incremental increases over time for the cost of travel, equipment, supplies, communications, and salaries. The fee for a contractor is increased by a greater percent than the fee for an installer, because a proportionally greater percent of enforcement effort is directed toward contractors who are ultimately responsible for all work done. The license fees for a three-month or less initial license period are increased by the same percent as an annual license. Although the following comparison with other states shows the Minnesota fee to be higher than some other states, the amount of the increases is reasonable; it is slightly less percentage wise than the increase for the plumbing license classifications.

	<u>WCC</u>	<u>WCI</u>
Minnesota	\$70	\$35
Wisconsin (restricted plumbing license)	\$125	\$45
North Dakota	\$40	\$20
South Dakota	\$60	\$30

PART 4717.6000 RENEWAL.

This part is proposed in accordance with Minnesota Statutes, section 326.62 and section 144.122. Part 4717.6000 is amended to increase the late fee for water conditioning licenses from \$5 to \$25. The proposed increase is needed to cover the costs of special processing, which is at least \$25, and to serve as a deterrent to late renewal. About fifty licenses are delinquent each year. The amount is reasonable. The well management program requires a \$50 late fee for license renewals.

PROGRAM REVENUE AND EXPENDITURE PROJECTIONS.

Chart A shows estimate program revenue projections for fiscal year 1994 based on the proposed fee increases. Annual revenue based on the estimated number of licenses, registration and bonds at the proposed rates is estimated to be \$506,595.

CHART A ESTIMATED ANNUAL REVENUE FOR FISCAL YEAR 1994
BASED ON PROPOSED FEES

Current Fee		Number	Proposed Fee	Projected Revenue
80	Master	2,438	120	292,560
45	Journeyman	2,394	55	131,600
15	Apprentice	650	25	16,250
40	Bond	600	40	24,000
30	Exam	500	50	25,000
50	WCC	157	70	10,990
30	WCI	175	35	6,125
5 or 8	Late Fee		25	_____
TOTAL ANNUAL PROGRAM REVENUE				506,595

Chart B shows the estimated expenditures for the program for fiscal years 1993 to 1997.

CHART B ESTIMATED EXPENDITURES
PLUMBING AND WATERING CONDITIONING PROGRAM
(1=1000)

	FY93	FY94	FY95	FY96	FY97
Personal Services	363	375	389	404	420
Supplies and Equipment	15	15	15	15	15
Travel	29	29	29	29	29
Indirect Costs	59	61	63	66	68
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TOTAL EXPENDITURES	466	480	496	514	532

Chart C shows the accumulated balance which is the difference between the annual revenue estimates in chart A and the expenditures in chart B. Chart C shows that the program will cover its operating expenses with the proposed fee rates through fiscal year 1996. After 1996, the program will begin to show an operating deficit of \$14,000.

CHART C

ACCUMULATED PROGRAM BALANCE

	Program Costs	Accumulated Balance
FY 93	466,000	(16,000)
FY 94	480,000	10,000
FY 95	496,000	20,000
FY 96	514,000	12,000
FY 97	532,000	(14,000)

10-18-93
Date

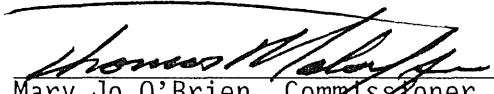

Mary Jo O'Brien, Commissioner
Minnesota Department of Health

Exhibit A

MN DEPARTMENT OF FINANCE
 FI-00395-01

1994-95 DEPARTMENTAL EARNINGS REPORT

Collecting Agency Name: Health, Department of	Sec./Seq.: 306	Earnings Group: Plumbers and Water Conditioner Installers
Brief Description of Item or Group of Items Reported Below: License, examination and bond filing fees for plumbers and water conditioner installers.		
Fee set by Statute <input type="checkbox"/> or Agency <input checked="" type="checkbox"/>	Legal Citation: M.S. 326.40, M.S. 326.60	Date Prepared: 20-Jan-93
Purpose: To recover the costs of administering the plumbing and water conditioning program which includes licensing, testing, inspection, plan review, and complaint investigation.		
<input type="checkbox"/> Dedicated or <input checked="" type="checkbox"/> Non-dedicated	APID: 40000:99-10 / 40300:61-17	Revenue Code(s): 310

Fiscal Information Section

(\$1,000,000 = 1,000)

	ACT.	ACT.	EST.	Current Law		Agency Plan		Recommended	
	1991	1992	1993	EST. 1994	EST. 1995	EST. 1994	EST. 1995	EST. 1994	EST. 1995
<u>Actual and Estimated Resources</u>									
Accumulated balance forward	69	81	45	(16)	(91)	(16)	4		
<u>Type of Departmental Income</u>									
1. User/Service Charge									
2. Occupational Licensure Charges	399	405	405	405	405	500	500		
3. Business/Industrial Regulatory Charges									
4. Special Taxes and Assessments									
5. Other.(Specify)									
<u>Less Refunds:</u>									
Plus Earnings transferred from Other APIDs									
Total Resources Available	399	405	405	405	405	500	500		
<u>Transfers Out:</u>									
<u>Actual and Est. Expenditures (Specify APID)</u>									
Direct Expenditure	339	396	407	419	433	419	433		
Indirect Expenditure	48	55	59	61	63	61	63		
Total Expenditures:	387	451	466	480	496	480	496		
Current Difference:	12	(46)	61	(75)	(91)	20	4		
Accumulated Ending Balance	81	45	(16)	(91)	(182)	4	8		

1994-95 DEPARTMENTAL EARNINGS REPORT

Collecting Agency Name: Health, Department of	Sec./Seq.: 306	Earnings Group: Plumbers and Water Conditioner Installers
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Agency Remarks (including explanation of agency plan):

The department will maintain the same level of activity for this function. The department will monitor expenditure and revenue for the balance of the current biennium and does anticipate raising fees approximately 24% for the next biennium so that fees cover the cost of operations. Fees have not been increased since 07-01-86. The Governor's budget recommendations for F.Y. 1994 and 1995 include the transfer of this fee generating activity in the Department of Health from the General fund to the State Government Special Revenue (SGSR) fund.

Department of Finance Comments:

Department of Finance
Departmental Earnings: Reporting/Approval

Exhibit C
 Exhibit B,

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OCT 18 1993

FINANCIAL
 MANAGEMENT

Part A: Explanation

Earnings Title: Plumbers and Water Conditioning Contractors and Installers Licensing and Examination Fees	Statutory Authority: M.S. 326.37 to 326.45, 326.57 to 326.65, 144.122(a), 144.12, subd. 1, 16A.1285 and 16A.128	Date: October 11, 1993
Brief Description of Item: The department assesses plumbers, water conditioner installers, and water conditioner contractors examination fees, and licensing fees to recover the cost of operating the enforcement activities assigned in the above statutes.		
Earnings Type (check one): 1. <input type="checkbox"/> Service/User 2. <input type="checkbox"/> Business/Industry Regulating 3. <input checked="" type="checkbox"/> Occupational Licensure 4. <input type="checkbox"/> Special Tax/Assessment 5. <input type="checkbox"/> Other (specify):		
Submission Purpose (check one): 1. <input checked="" type="checkbox"/> Chap. 14 Review and Comment 2. <input type="checkbox"/> Approval of Allowable Inflationary Adjustment 3. <input type="checkbox"/> Reporting of Agency Initiated Change in Departmental Earnings Rate 4. <input type="checkbox"/> Other (specify):		
If reporting an agency initiated action (option 3 above), does agency have explicit authority to retain and spend receipts? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, cite pertinent statutes: N/A		
Impact of Proposed Change (change in unit rate, number of payees impacted, etc.): The department intends to raise examination fees from \$30 to \$50 for all applications, and make the fee not refundable. This action is taken to recover the cost of staff time, facilities and materials used in processing applications, preparation of the examination, and the conducting of the examinations. The department also intends to raise the license fees for journeyman plumber, master plumber, water conditioning installer and water conditioning contractor rates (see attached chart). Finally, the department intends to increase the fee for the registration of a plumber apprentice from \$15 to \$25. These fees have not been raised for seven years.		

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Departmental Earnings: Reporting/Approval (Cont.)

(\$1,000,000 = 1,000)

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OCT 18 1993

FINANCIAL MANAGEMENT

Part B: Fiscal Detail

APID: 40000:99-10 and 40300:61-17		AID: 388322 388934		Rev. Code(s): 310		___ Dedicated <u>X</u> Non-Dedicated ___ Both	
Item	F.Y. 1991 Revenues:	F.Y. 1992	F.Y. 1993	F.Y. 1994 As Shown in Biennial Budget	F.Y. 1995 As Shown in Biennial Budget	F.Y. 1994 As Currently Proposed	F.Y. 1995 As Currently Proposed
Plumbing and Water Conditioning Licensing Program Fees	399	405	405	500	500	506	506
Expenditures:							
Direct	339	396	407	419	433	419	433
Indirect	48	55	59	61	63	61	63
Total	387	451	466	480	496	480	496
Current Deficit/Excess	12	(46)	(61)	20	4	26	10
Accumulated Excess/Deficit*	81	35	(26)	4	8	0	10

As necessary, attach detailed schedule/listing of proposed changes in departmental earnings rates.

Agency Signature:

Thomas Maloy

* F.Y. 1990 beginning accumulated balance to include amount of accumulated excess/deficit (if any) carried forward from F.Y. 1990

Title: Plumbers and Water Conditioning Contractors and
Installers Licensing and Examination Fees

Attachment to Department Earnings: Reporting/Approval

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FINANCIAL
MANAGEMENT

Estimated Annual Revenue for Fiscal Year 1994
Based on Proposed Fees

<u>Fee Name</u>	<u>Number</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Projected Revenue</u>
Master	2,438	\$80	\$120	\$292,560
Journeyman	2,394	45	55	131,670
Apprentice	650	15	25	16,250
Bond	600	40	40	24,000
Exam	500	30	50	25,000
WCC	157	50	70	10,990
WCI	175	30	35	<u>6,125</u>
TOTAL ANNUAL PROGRAM REVENUE				\$506,595

STATE OF MINNESOTA

Office Memorandum

Department: of Finance

Date: October 19, 1993

To: Dave Hovet
Department of Health

From: Kirsten J. Libby
Executive Budget Officer

Phone: 296-8674

Subject: Departmental Earnings

I have reviewed Form FI-00399-01/Departmental Earnings: Reporting/Approval for plumbers and water conditioning contractors and installers licensing and examination fees.

Revenues are proposed to increase from \$405,000 per year to \$506,000 by raising exam fees, license fees and plumber apprentice registration fees.

The purpose of the revenue increase is to recover cost of staff time, facilities and materials used in processing applications, preparing and conducting examinations.

Expenditures were \$451,000 in FY92 and \$466,000 in FY93. If continued this will result in the program operating at a greater deficit.

I recommend the fee increase for several reasons:

1. The 1993 Legislature transferred the Department of Health's fee related programs from the general fund to the state government special revenue fund. This is still an appropriated fund, however, the idea behind MDH's transfer was to compel each activity to live within its revenues and authorized appropriated expenditures.
2. On pages 207 and 208 of the 1994-95 Departmental Earnings Report MDH proposes a fee increase as outlined in the agency plan. This is the next step of the agency plan.
3. If the fee is not raised, the result will be a reduction of staff time spent on this activity, which in turn will delay the affected group's ability in carrying out their work, since MDH must approve the plans before work can begin. MDH has consulted with the industry and was told this is not a desirable option.

The fee as MDH proposes will only cover projected program expenditures for the FY94-95 biennium. The issue will need to be reviewed for FY96. (see attached)

cc: Bruce Reddeman, Department of Finance
Tom Maloy, Department of Health
Christine Moore Rice, Department of Health

FEE SCHEDULE

	FY91	FY92	FY93	FY94	FY95	FY96	FY97
Revenue	395	405	405	506	506	506	506
Expenditures:							
Direct	399	398	407	419	433	445	458
Indirect	48	55	59	61	63	65	87
Total	387	451	466	480	496	510	525
Current def/ex	12	(45)	(61)	26	10	(4)	(19)
Accum. def/ex	61	35	(25)	0	10	6	(13)

*3% inflation calculated on expenditures



Minnesota Department of Health

Division of Environmental Health
925 Delaware Street Southeast
P.O. Box 59040
Minneapolis, MN 55459-0040
(612) 627-5100

October 18, 1993

The Honorable Gene Merriam
Minnesota Senate Finance Committee
Room 121
State Capitol Building
St. Paul, Minnesota 55155

Dear Senator Merriam:

Pursuant to Minnesota Statutes, section 16A.128, subdivision 2a, as amended by laws of Minnesota 1993, chapter 4, section 9, the Department is notifying you of the submission of a permanent rule relating to Plumbers, Water Conditioning Contractors and Installers and Fees to the State Register for publication on October 25, 1993.

Attached to this letter is a copy of the proposed rule, the notice to adopt and the notification to the commissioner of finance in accordance with Minnesota Statutes, section 16A.1285, subdivision 5.

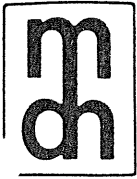
If you have any questions about this matter, please contact me at 627-5038.

Sincerely yours,

A handwritten signature in cursive script that reads "Jane A. Nelson".

Jane A. Nelson, Rules Coordinator
Division of Environmental Health
Minnesota Department of Health

Enclosures



Minnesota Department of Health

Division of Environmental Health
925 Delaware Street Southeast
P.O. Box 59040
Minneapolis, MN 55459-0040
(612) 627-5100

October 18, 1993

The Honorable Loren Solberg
Minnesota House of Representatives
Wayne and Means Committee
Room 365
State Capitol Building
St. Paul, Minnesota 55155

Dear Representative Solberg:

Pursuant to Minnesota Statutes, section 16A.128, subdivision 2a as amended by Laws of Minnesota 1993, chapter 4, section 9, the Department is notifying you of the submission of a permanent rule relating to Plumbers, Water Conditioning Contractors and installers and Fees to the State Register for publication on October 25, 1993.

Attached to this letter is a copy of the proposed rule, the notices to adopt, and the notification to the commissioner of finance in accordance with Minnesota Statutes, section 16A.1285, subdivision 5.

If you have any questions about this matter, please contact me at 627-5038.

Sincerely yours,

Jane A. Nelson, Rules Coordinator
Division of Environmental Health
Minnesota Department of Health

Enclosures

STATE OF MINNESOTA

Office Memorandum

DEPARTMENT : Health

DATE : October 18, 1993

TO : Legislative Commission to Review Administrative Rules
55 State Office Building

FROM : Jane A. Nelson, rules coordinator
Division of Environmental Health JW

PHONE : 627-5038

SUBJECT :

Submission of Statement of Need and Reasonableness pursuant to Minnesota Statutes, sections 14.131 and 14.23

In accordance with the above statute, the Minnesota Department of Health is submitting to you the Statement of Need and Reasonableness on proposed rules relating to Plumbers, Water Conditioning Contractors and Installers and Fees. These rules are scheduled for publication in the State Register October 25, 1993.

Enclosure