

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 1348, House Bill 1351

SHORT TITLE: Well and Pump Contractors

SPONSOR(S): Senators Odom, Blackmon and Plexico; Representative Culp

FISCAL IMPACT: Expenditures: Increase (X) Decrease ()
Revenues: Increase (X) Decrease ()
No Impact ()
No Estimate Available ()

FUNDS AFFECTED: General Fund () Highway Fund () Local Fund ()
Other Fund (X) Well Construction Fund

BILL SUMMARY: Creates Well Contractors and Pump Contractors Certification Commission to consist of seven members appointed by the Governor. Authorizes the commission to adopt rules governing the certification of well and pump contractors, to exercise powers under the administrative procedure act and to make final agency determinations on the imposition of civil finds for violations of the well and pump contractors' certification act. Requires well and pump contractors to be certified by the commission. Requires the commission to establish rules providing for certification of different types of well and pump contractors, to establish requirements for education, experience and knowledge of each type of well and pump contractor, including continuing education requirements. Exempts from certification requirement those who work under the personal supervision of a certified contractor and those who perform contracting activities on land they own or lease. Further exempts from examination requirements well and pump contractors who have been actively engaged in the business for 10 years before January 1, 1996 and who have been continuously registered under existing law since 1992 or who have been working for a registered firm since 1992. Also exempts from examination requirements those who as of July 1, 1996 held a grade A, B, or C water treatment facility operator certificate and are employed by government of a public utility. Provides for issuance, renewal, suspension and revocation of certificates. Permits commission to charge an examination fee of up to \$150 and an annual certification fee of up to \$350. Proceeds are to be credited to the Well Construction Fund, a non-reverting account established in the Department of Environment, Health and Natural Resources. Fund is to be used to administer the program. Amends GS 87-94 governing the assessment of civil penalties for violations of existing NC Well Construction Act. Repeals GS 87-91(b) governing notification to violators of well construction act. Requires pump contractors to register with DEHNR. Repeals registration requirements for well and pump contractors effective July 1, 1997.

EFFECTIVE DATE: Upon Ratification, except Section 6, which is effective July 1, 1996

PRINCIPAL DEPARTMENT(S)/PROGRAM(S) AFFECTED: Department of Environment, Health, and Natural Resources; Division of Environmental Management.

FISCAL IMPACT

	<u>FY</u> 1996-97	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	2000-01	<u>FY</u>
* EXPENDITURES	(14,100)	(7,800)	(5,700)	(5,700)		(5,700)
** <u>REVENUES/RECEIPTS</u>	<u>28,350</u>	<u>0</u>	<u>465,750</u>	<u>411,250</u>		<u>436,250</u>
NET IMPACT	14,250	(7,800)	460,050	413,050		430,500

POSITIONS:

* Includes member subsistence, travel and administrative costs of the commission only. Training and educational assistance that the commission and the Secretary of DEHNR may provide are not included. The commission is responsible for establishing minimum requirements, and the estimated cost should be based on the commission's requirements.

** Revenue estimates are based on the maximum fee allowed under the legislation; the Commission may set fees for examination and certification at lower rates, commensurate with program costs.

ASSUMPTIONS AND METHODOLOGY: According to the bill, the Well and Pump Contractors Certification Commission may set examination and certification renewal fees, not to exceed the maximums stated in the bill, to cover the costs of implementing the North Carolina Well Contractors and Pump Contractors Certification Act. All application, certification and permit fees collected are to be credited to a non-reverting account, the Well Construction Fund, for the purposes of administering this act. Therefore, there will be no impact on the general fund.

Expenditures

The Department of Environment, Health, and Natural Resources (DEHNR) expects it to take the Commission up to two years to adopt rules to meet the requirements of the bill under the Administrative Procedures Act. Until such time, costs incurred by the Commission are expected to be limited to allowable per diem, travel and subsistence for commission members, clerical support and operation expenses, such as postage, telephone and printing. Expenses for the Commission are calculated using the Budget Worksheet for Legislative, Study and Other Commissions.

The Commission is expected to meet more frequently during the first two years to adopt formal rules governing the certification of well and pump contractors; therefore per diem and travel expenses for the commission will be higher the first two years. For the purpose of estimating commission expenses, it is assumed the commission will hold 12 meetings in 1996-97, 6 meetings in 1997-98 and quarterly meetings each year thereafter.

According to the department, additional staff support is not required at this time. DEHNR already employs an Office Assistant III assigned to work on well driller registration, as currently required in GS 143-355(e). This person will also perform duties related to the registration of pump installers, as required by Section 5 of the bill and provide clerical support to the commission.

Revenues

The bill authorizes DEHNR to collect a \$50 pump installer registration fee each year from persons registering with the department (DEHNR already has authority to charge a \$50 registration fee for well drillers). Annual revenue from this fee is estimated to be \$28,350, as there are approximately 567 pump installers in North Carolina. This revenue will be collected for the 1996-97 fiscal year only, as section 6 of the bill repeals this provision effective July 1, 1997.

Because it will take up to two years to adopt rules to implement this act, and the provision allowing the department to collect a registration fee for well drillers and pump installers will be repealed effective July 1, 1997, no revenues are projected for the 1997-98 fiscal year. However, the balance remaining in the Well Construction Fund at the end of the 1996-97 fiscal year should be sufficient to cover the expenses of the commission during the 1997-98 fiscal year.

The department predicts that as many as 60 percent of current well and pump contractors will be exempt from the examination requirements expected to be in effect by the 1997-98 fiscal year. Currently, there are 1,075 well and pump contractors registered with DEHNR. Of these, 430 (40 percent) will be required to pay the examination fee of up to \$150. In addition, the department expects approximately 50 additional persons to seek certification each year and pay the examination fee. Everyone, including existing contractors who are exempt from the examination requirements (645) will be required to pay the annual certification fee up to \$350 each year.

The table below shows the estimated revenues (using the maximum fee allowed) for the various fees, based on the estimated number of contractors over the next five years:

	<u>FY</u> 1996-97	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01
Pump Contractors					
Registration Fee *	28,350				
Examination Fee			72,000	7,500	7,500
<u>Certification Fee</u>			<u>393,750</u>	<u>411,250</u>	<u>428,750</u>
Total	28,350	0	465,750	418,750	436,250

* One year only; the provision requiring registration is repealed effective July 1, 1997 in section 6 of the bill.

Computation of number of contractors subject to fees over the next five years:

	<u>FY</u> 1996-97	<u>FY</u> 1997-98	<u>FY</u> 1998-99	<u>FY</u> 1999-00	<u>FY</u> 2000-01
Beginning Balance		1,075	1,125	1,175	1,225
Well Contractors	508				
Pump Contractors	567				
<u>Additional Persons</u>		<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>
Ending Balance	1,075	1,125	1,175	1,225	1,275

SOURCES OF DATA: The Department of Environment, Health, and Natural Resources; Division of Environmental Management

TECHNICAL CONSIDERATIONS: At this time, DEHNR plans to provide technical assistance to the commission on an as needed basis and does not anticipate the need for full time staff assignments to the commission. However, if the commission adopts rules that require more technical assistance from the department, funding for any additional positions will come from the Well Construction Fund receipts.

The bill allows the commission and the Secretary of DEHNR to provide training for well and pump contractors in cooperation with educational institutions, professional associations and others. If the commission and the Secretary decide to make training and continuing education offerings available to well and pump contractors, the costs associated with those offerings will be funded with receipts from the Well Construction Fund, as required by the bill.

Until the scope of any proposed educational requirements/offerings is defined, the costs of implementing training and education programs for contractors cannot be estimated. However, according to the department, some professional associations offer well drilling review courses at a cost of \$100 per course. A more comprehensive training program is expected to require additional staff and operating support.

FISCAL RESEARCH DIVISION

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PREPARED BY: Mona M. Moon

APPROVED BY: Tom L. Covington /s/ TomC

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