

**STATEMENT OF NEEDS AND REASONABLENESS**

**STATEMENT OF NEED AND REASONABLENESS:  
HIGH PRESSURE PIPING INSPECTION FEE INCREASES**

August, 1990

The authority to establish the amount of fees charged by Code Enforcement, Department of Labor and Industry (hereinafter referred to as Code), is found in M.S. 16A.128. This section requires that the fees charged by the agency must be equal to, or greater, than the amount appropriated to the organization plus the agency support and indirect costs attributable to Code operations. The fees presented in the proposed amendments are needed to comply with the requirements of the statute. The authority for changes related to fees for high pressure piping is found in M.S. 326.47, Subdivision 6.

In fiscal year 1989 Code had \$ 1,513,500 in receipts and expenses of \$ 1,489,000. In fiscal year 1990 receipts were less than the amount required for unit operations. Without an increase of fees, the revenues for 1991 will again not equal revenues.

The additional revenue is required as the high pressure piping licensing and inspection activity fees are not providing sufficient revenues to cover the costs of the operation. The Boiler Inspection and Licensure activity is providing more revenue at this time that is required for the costs of the operation and allocated indirect costs. Accordingly, no additional fees in this activity can be supported. However, the amount of additional revenue generated by that activity is not sufficiently excessive to warrant a decrease in fees.

**SMALL BUSINESS IMPACT OF THESE RULES**

The increase in permit application and inspection fees affect small businesses. The effect will be two-fold. Indirectly small businesses in the business of installing high pressure and ammonia refrigeration piping will be affected as they will have to pay the required fees. These fees will have to be included in the price they quote to their clientele. However, all contractors are in competition with, and will have to pay the same fee if theirs is the low bid, as the successful bidder for the job. Therefore the affect on these businesses will be minimal as all high pressure and ammonia refrigeration piping contractors will be treated alike.

However, small businesses requiring steam, such as dry cleaners and small plants requiring ammonia refrigeration, such as food processing plants, will be required to pay the additional cost for the permit and inspection fees. This additional charge will be included in the basic bid by the high pressure piping contractor.

Small businesses generally have smaller high pressure or ammonia refrigeration piping projects. The largest percentage of the high pressure piping projects would have an increase of less than \$100 per year. This figure amounts to less than 3% of the total cost of the project, including the permit fee increase. The average increase in fees for over 60% of the projects would be less than \$60. The average increase in fees for over 80% of the projects would be less than \$100.

#### **AGRICULTURE IMPACT OF THESE RULES**

There would not be any direct impact on agriculture based on these proposed changes. Ammonia refrigeration piping does not include agricultural ammonia. Ammonia refrigeration piping is commonly found in food processing of food products such as dairy and meat. Any effect on small business, as noted above, would have an impact on small business agricultural food processors.

#### **LOCAL GOVERNMENT IMPACT OF THESE RULES**

These fee increases would affect units of local government as high pressure piping work would be part of their capital budgeting such as new city offices or maintenance facilities. The additional costs would be passed through from the contractor as part of the cost of the project. School districts that are planning to build new facilities would be effected by high pressure piping fee increases. These fee increases could increase the cost of a new school by up to \$250.

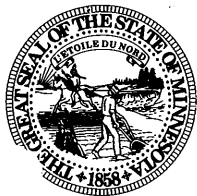
#### **5230.0100 Fees.**

This part is changed to reflect, and clarify, the 1989 legislative action expanding the definition of high pressure piping to include ammonia refrigeration piping. The permit fee is increased from \$25 to \$50 and the inspection fee schedule is changed by increasing the percent of the project labor and materials cost from 1% to 2%.

The language clarifying coverage for ammonia refrigeration piping is intended to clarify coverage for those installations. The language of the statutory change expanded the definition of high pressure piping to include ammonia refrigeration piping. However, to provide clarify for our constituency, the rule language is amended to state clearly that ammonia piping is covered under this rule.

The fee increase is needed to provide sufficient revenues to cover the cost of the activity including allocated indirect costs. This increase is required to comply with the provisions of M.S. 16A.128.

8/20/90



**Minnesota  
Department of Labor and Industry**

Code Enforcement  
Labor and Industry Building  
443 Lafayette Road  
St. Paul, Minnesota 55155-4304  
(612) 296-6107  
**(612) 296-4530 Boiler Inspection**  
**(612) 296-2193 High Pressure Piping**  
**(612) 296-1189 Elevator Inspection**  
**(612) 297-1329 Fax**

September 25, 1990

Maryanne Hruby, Executive Director  
Legislative Commission to Review Administrative Rules  
Room 55 State Office Building  
St. Paul, Minnesota 55155

Re: Proposed Elevator and High Pressure Piping Fee Rules  
Minnesota Rules Chapter 5226 and 5230 Respectively

Dear Ms. Hruby:

When you were sent a copy of the Needs and Reasonableness Statements for the two sets of proposed rules, the indication of approval from the Department of Finance was inadvertently left off. A copy of the letters of approval from Bruce Reddeman, Budget Operations Director is attached for both.

Sincerely,

  
B. James Berg, Director  
Code Enforcement

BJB:rb

DEPARTMENT : LABOR AND INDUSTRY

STATE OF MINNESOTA

## Office Memorandum

DATE : July 11, 1990

TO : Peter Hutchinson  
Department of Finance

FROM : Jim Berg

PHONE : 7-1727

SUBJECT : Proposed Increase of Fees

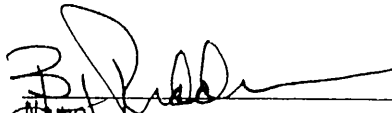
## Elevator Permit and Fee Requirement

The Department of Labor and Industry is responsible for generating revenue sufficient to cover the direct and indirect cost of operation of the Code Enforcement Program. The fees charged to clientele are based on the estimated cost of delivery of services and is reflected in the department's biennial budget request.

The projected revenue will cover estimated cost and is needed and reasonable. The proposed fee increases have been presented to key representatives of the effected clientele groups and no objections have been received to the proposed increases, it is our opinion that the increase will not adversely effect program clientele.

Pursuant to the provisions of M. S. 16A.128, Subdivision 1a approval of the proposed increase in fees is requested.

Approved

  
Name  
Budget Operations Director  
Title  
8-7-90  
Date

DEPARTMENT : LABOR AND INDUSTRY

STATE OF MINNESOTA

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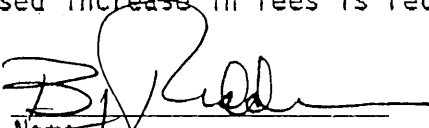
## Steamfitters and Power Piping Systems

The Department of Labor and Industry is responsible for generating revenue sufficient to cover the direct and indirect cost of operation of the Code Enforcement Program. The fees charged to clientele are based on the estimated cost of delivery of services and is reflected in the department's biennial budget request.

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Approved



Name

DIRECTOR, Budget Operations

Title

8-1-90

Date

**STATEMENT OF NEEDS AND REASONABLENESS**

**STATEMENT OF NEED AND REASONABLENESS:  
ELEVATOR INSPECTION FEES**

August, 1990

The authority to establish the amount of fees charged by Code Enforcement, Department of Labor and Industry (hereinafter referred to as Code), is found in M.S. 16A.128. This section requires that the fees charged by the agency must be equal to, or greater, than the amount appropriated to the organization plus the agency support and indirect costs attributable to Code operations. The fees presented in the proposed amendments are needed to comply with the requirements of the statute.

In fiscal year 1989 Code had \$ 1,513,500 in receipts and expenses of \$ 1,489,000. In fiscal year 1990 receipts were less than the amount required for unit operations. Without an increase of fees, the revenues for 1991 will again not equal revenues. The authority for establishment of fees related to elevators is found in M.S. 183.357, Subdivision 1.

**SMALL BUSINESS IMPACT OF THESE RULES**

Small business enterprises frequently are involved in elevator projects. Typical projects include: apartment buildings, small office buildings and small manufacturing facilities that require an elevator if the facility has more than one level (i.e. a ground level and a main entry level or a main entry and an upper story). The cost of the proposed permit and inspection fees would increase the cost of a building project by approximately \$300 to \$500 for a two level structure with a typical elevator which is intended for passenger use and to provide accessibility to both levels of the structure.

Routine inspection fees would be less than \$75 per year for most small businesses.

Contractor license fees will have an effect on less than 10 individuals as most elevator installation firms are large businesses.

#### **AGRICULTURE IMPACT OF THESE RULES**

The proposed fees for elevator inspection would not directly impact on agricultural enterprises.

#### **LOCAL GOVERNMENT IMPACT OF THESE RULES**

The proposed fee increases would affect units of local government and school districts as elevator installations are part of capital budgeting for new construction projects. The additional costs would be passed through from the contractor as part of the cost of the project. These fees could increase the cost of a new school or city office building by \$250 to \$2,500. In addition, routine inspection would cost smaller school districts and local government units less than \$250 per year. Larger school districts and communities would be subject to additional charges of up to \$1,000 per year depending on the number and size of equipment.

#### **5226.0100 Permit to construct or install elevators and escalators.**

This rule requires a permit for installation of elevators or escalators, sets a fee for the permit application, sets a fee for inspection of elevators and escalators, sets a minimum fee for inspection, and clarifies inspection requirements from this office for vertical reciprocating conveyors.

Fees are established pursuant to the commissioner of labor and industry authority under M.S. 183.358 and the requirements of M.S. 16A.128 for this activity to provide sufficient revenue to defray the costs of the operation, including allocated indirect costs. The permit fee is needed to provide revenues sufficient to cover the costs of monitoring the project including data entry and retrieval and issuance of a permit.

The inspection fee is required to cover the costs of responding to inquiries regarding the installation and inspection of elevators and escalators, reviewing planning documents as necessary and to inspect the installation. Also included in this fee is the cost of routine re-inspections. A complex installation may require one or two pre-installation inspections and two, three and perhaps four installation inspections. The requirement for a minimum fee is to assure that even smaller projects will provide sufficient revenue to cover the cost of inspection.

STATEMENT OF NEEDS AND REASONABLENESS  
PROPOSED ELEVATOR INSPECTION FEES  
August, 1990  
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The clarification of inspection of vertical reciprocating conveyors is to assure that installation inspection is made by staff knowledgeable in the standards for installation of this type equipment. Vertical reciprocating conveyors are basically materials handling devices, and once installed, do not present the same concerns for public safety as would an elevator. However, safety concerns for workers using the equipment requires visual inspection on an infrequent basis to assure that personnel are not endangered.

5226.0200. Fee for routine inspection of elevators and escalators.

Provides a fee for inspection of routine inspection of existing elevators and escalators.

The fee for routine inspection is needed to defray the costs of inspection including allocated indirect costs. Fees are established pursuant to the commissioner of labor and industry authority under M.S. 183.358 and the requirements of M.S. 16A.128 for this activity to provide sufficient revenue to defray the costs of the operation including allocated indirect costs.

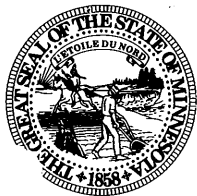
5226.0300 Contractor License Fee.

Provides a fee for the examination and licensure of elevator contractors. Provides contractors be responsible for carrying appropriate insurance, meet bonding requirements and comply with all laws, rules and applicable codes.

This fee is needed to cover the costs of evaluating the experience of the applicant and preparing the necessary documents required for issuance of the license. The other requirements are reiteration of general compliance requirements of all business.



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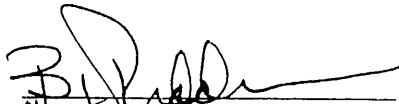
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The projected revenue will cover estimated cost and is needed and reasonable. The proposed fee increases have been presented to key representatives of the effected clientele groups and no objections have been received to the proposed increases, it is our opinion that the increase will not adversely effect program clientele.

Pursuant to the provisions of M. S. 16A.128, Subdivision 1a approval of the proposed increase in fees is requested.

Approved



Name

Budget Operations Director

Title

8-7-90

Date

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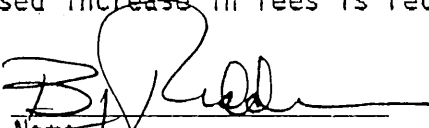
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