



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

STATEMENT OF NEEDS AND REASONABLENESS

HIGH PRESSURE PIPING (POWER PIPING SYSTEMS) INSPECTION FEE INCREASES

October, 1990

In the matter of the Proposed Amendment of Rules of the Minnesota Department of Labor and Industry, Code Enforcement, Governing High Pressure Piping (Power Piping Systems)

The authority to set fees charged by Code Enforcement, Department of Labor and Industry (hereinafter referred to as Code), is found in M.S. 326.47 Subdivision 6. M.S. 16A.128 requires that the fees charged by the agency for the account must be equal to, or greater than, the sum of funds appropriated to the organization, plus the agency support and indirect costs attributable to the account. The fees presented in the proposed amendment are needed to comply with the requirements of the M.S. 16A.128. The proposed fees have been reviewed and approved by the Commissioner of Finance (see attachment).

The proposed amendment increases the application part of the permit fee from \$25 to \$50 and the inspection part of the permit fee from 1 to 2 percent of the project labor and materials costs.

Without the fee increase, predicted high pressure piping revenues for next fiscal year of approximately \$235,000 will fall below required expenditures of \$435,000 by \$200,000. With the increase, the predicted revenues will be approximately \$470,000.

At the public hearing on the proposed amendment, the Department will present the legal authority for the rules and summarize the financial basis for the proposed fee as stated above. B. James Berg, Director of Code Enforcement will present the agency position. Steve Pettersen of the Minnesota Mechanical Contractor's Association will testify that safety has always been a priority of the major firms installing high pressure piping and that the Association supports the concept of safety inspection for all contracting firms, and the related fee system required to support the inspection program. Larry Jordan of NewMech Mechanical Contractors will affirm the statements of Mr. Pettersen.

Minnesota Rules, Part 5230.0100, is rephrased to reflect the 1989 legislative action expanding the definition of high pressure piping to include ammonia piping. The language stating coverage of ammonia piping is intended to clarify coverage for ammonia installations and is not an expansion of the agency's authority.

The language of the 1989 statutory change expanded the definition of high pressure piping to include ammonia piping. However, to highlight the change, as a matter of convenience to agency clientele, the proposed rule language reiterates the coverage of ammonia piping.

Comments received regarding the proposed amendment were mostly expressing grave concern about the proposed change. No specific information was given about the nature of the concern. Two associations whose members would be affected by the proposed amendment requested rephrasing of the Revisor's headnote. Their recommended change was supported by the Department of Agriculture, Agronomy Services Division. As this change did not affect the substance of the fee change, the proposed change was accepted.

SMALL BUSINESS IMPACT OF THESE RULES

The increase in permit application and inspection fees affect small businesses installing high pressure piping. Those small businesses installing high pressure piping will be affected as they will pay the required fees. These fees will presumably be included in the price they quote to their customers. All contractors will pay the same permit and inspection fees. Therefore, the effect on these businesses will be minimal as all high pressure piping contractors will be treated alike.

Small businesses requiring steam, such as dry cleaners; and small plants requiring ammonia, such as food processing plants; will be required to pay the additional cost as part of the cost of installation, but the additional costs related to inspection will be minimal. The additional charge will be included in the basic bid by the high pressure piping contractor.

Small businesses generally have smaller high pressure or ammonia piping projects. Most of the small businesses with high pressure piping installations would see an increase of less than \$100 per project. 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.

The proposed amendment does not create any additional reporting or compliance requirements for small businesses.

AGRICULTURAL LAND IMPACT OF THESE RULES

There would not be any direct impact on agricultural land based on the proposed amendment.

LOCAL GOVERNMENT IMPACT OF THESE RULES

These fee increases would not affect units of local government as stated in M.S. 3.982, as these fees do not mandate any action by local governmental entities.



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February 14, 1991

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

Re: Proposed Amendment to Minnesota Rules Chapter 5230.0110
High Pressure Piping (Power Piping Systems) Fees

Dear Ms. Hruby:

A copy of the AMENDMENT TO: Statement of Needs and Reasonableness,
and related exhibits, for the proposed amendment is attached.

Also attached, is a copy of the Notice of Reconvened Hearing.

Sincerely,



B. James Berg, Director
Code Enforcement

attachments

BJB:rb

Proposed Amendment to Rules Governing High Pressure Piping (Power Piping Systems)

Notice of Reconvened Hearing

Notice is hereby given that the public hearing in the above-captioned matter originally held on December 5, 1990 will be reconvened on March 28, 1991, at 9:00 A.M. in Room 339, Department of Labor and Industry Building, 443 Lafayette Road, St. Paul, Minnesota 55155 for the purpose of addressing specific cost and revenue information associated with the proposed fee increase. This additional hearing is required pursuant to the report issued by Administrative Law Judge Peter C. Erickson dated January 17, 1991 resulting from the initial hearing on December 5, 1990.

An amended Statement of Need and Reasonableness is available which more fully documents the cost and revenue information regarding the proposed fee increase and can be obtained by calling B. James Berg, Director, Code Enforcement at (612) 297-1727.

In all other respects the Notice of Hearing and Proposed Rules published at 15 S.R. 1053 on Monday, November 5, 1990 remains applicable.

2 / 7 / 91

Dated: _____

/ sgnd /

John Lennes, Commissioner
Department of Labor and Industry

AMENDMENT TO:
Statement of Need and Reasonableness:
Proposed Amendment to Rules Governing High Pressure
Piping (Power Piping Systems)

Three Exhibits are attached to the Statement of Need and Reasonableness to graphically illustrate the need for the proposed fee increase. The exhibits are:

- #1 Current Year - Assuming No Fee Increases,
- #2 Fiscal Years 1992/3 - Assuming High Pressure Piping Fee Increase, and
- #3 Fiscal Year 1992/3 - Assuming No High Pressure Piping Fee Increase.

The exhibits separate the Boiler, Elevator and High Pressure Piping activities and their related expenses and revenues. As Code Enforcement does not budget at the level shown in the exhibits, the figures shown are approximations based on time allocation for the personnel assigned to each activity. These figures do not reflect expenditure reductions due to the State revenue shortfall for the current fiscal year.

No growth is estimated for Boiler Inspection activities and the revenue figures correspondingly show no increase. Costs reflect wage and fringe benefit increases and cost of living increases for indirect costs and supplies.

Minimal growth is expected in Elevator Inspection and revenues are predicted accordingly. Costs reflect wage and fringe benefit increases and cost of living increases for indirect costs and supplies.

High Pressure Piping is shown separating licensing costs and revenues from inspection costs and revenues. No increase is shown in licensing revenues as no growth in the number of licensed personnel is predicted. Historically, the number of non-renewals has been approximately equal to new applicants. Again, expenses are shown to increase over time.

Licensure is expected to cover the costs of that part of the operation without any increase in fees required. Therefore no fee increase for licensure is requested at this time. The inspection portion of the activity is not covering its costs and the fee increase has been proposed to cover the almost \$150,000 deficit.

Without a fee increase, High Pressure Piping is expected to have a deficit of over \$110,000 during fiscal year 1993 (see Exhibit 3). With a fee increase, as proposed, a positive balance of \$3,700 is predicted (see Exhibit 2).

Overall, Code Enforcement would have enough revenue, with the proposed fee increase, to cover its costs of operation through fiscal year 1992 (see Exhibit 2). After that, fees for boiler inspection, elevator inspection, and high pressure piping inspection and licensing will be reviewed for possible increases.

CURRENT YEAR - ASSUMING NO FEE INCREASES

Projected Expenses	Elevator	HPP Licensing	HPP Inspection	High Pressure Piping - Total	Boiler	Subtotal	TOTAL

Personal Services	\$199,500	\$59,850	\$179,550	\$239,400	\$891,100	\$1,330,000	
Supplies & Expenses	\$44,400	\$13,320	\$39,960	\$53,280	\$198,320	\$296,000	
Allocated Legal Fees	\$300	\$90	\$270	\$360	\$1,340	\$2,000	
Subtotal							\$1,628,000
Statewide Indirect	\$4,648	\$1,395	\$4,184	\$5,578	\$20,763	\$30,989	
Allocated Indirect *	\$40,239	\$12,072	\$36,215	\$48,287	\$179,735	\$268,261	
Subtotal							\$299,250
Total Projected Expenses	\$289,088	\$86,726	\$260,179	\$346,905	\$1,291,258		
Subtotal							\$1,927,250
Projected Revenues	\$0	\$109,000	\$113,750	\$222,750	\$1,465,067		

Subtotal							\$1,687,817
Surplus (Deficit)	(\$289,088)	\$22,274	(\$146,429)	(\$124,155)	\$173,810		
TOTAL SURPLUS (DEFICIT)							(\$239,433)
* Agency General Support							

CURRENT YEAR - ASSUMING FEE INCREASES **

Projected Expenses	Elevator	HPP Licensing	HPP Inspection	High Pressure Piping - Total	Boiler	Subtotal	TOTAL

Personal Services	\$199,500	\$59,850	\$179,550	\$239,400	\$891,100	\$1,330,000	
Supplies & Expenses	\$44,400	\$13,320	\$39,960	\$53,280	\$198,320	\$296,000	
Allocated Legal Fees	\$300	\$90	\$270	\$360	\$1,340	\$2,000	
Subtotal							\$1,628,000
Statewide Indirect	\$4,648	\$1,395	\$4,184	\$5,578	\$20,763	\$30,989	
Allocated Indirect *	\$40,239	\$12,072	\$36,215	\$48,287	\$179,735	\$268,261	
Subtotal							\$299,250
Total Projected Expenses	\$289,088	\$86,726	\$260,179	\$346,905	\$1,291,258		
Subtotal							\$1,927,250
Projected Revenues	\$125,625	\$109,000	\$187,993	\$296,993	\$1,465,067		

Subtotal							\$1,887,685
Surplus (Deficit)	(\$163,463)	\$22,274	(\$72,186)	(\$49,912)	\$173,810		
TOTAL SURPLUS (DEFICIT)							(\$39,565)
* Agency General Support							
** Assumes Elevator Fees Effective 2/15/91, High Pressure Piping Fees Effective 5/1/91							

CODE ENFORCEMENT, DEPARTMENT OF LABOR AND INDUSTRY
EXPENSE AND REVENUE ESTIMATIONS

FISCAL YEAR 1992 - ASSUMING HIGH PRESSURE PIPING FEE INCREASE

EXHIBIT 2

Projected Expenses	Elevator	HPP Licensing	HPP Inspection	High Pressure Piping - Total	Boiler	Subtotal	TOTAL

Personal Services	\$222,750	\$66,825	\$200,475	\$267,300	\$994,950	\$1,485,000	
Supplies & Expenses	\$46,500	\$13,950	\$41,850	\$55,800	\$207,700	\$310,000	
Allocated Legal Fees	\$300	\$90	\$270	\$360	\$1,340	\$2,000	
Subtotal							\$1,797,000
Statewide Indirect	\$5,190	\$1,557	\$4,671	\$6,228	\$23,182	\$34,601	
Allocated Indirect *	\$44,929	\$13,479	\$40,436	\$53,914	\$200,681	\$299,525	
Subtotal							\$334,125
Total Projected Expenses	\$319,669	\$95,901	\$287,702	\$383,603	\$1,427,854		
Subtotal							\$2,131,125
Projected Revenues	\$302,825	\$109,000	\$260,000	\$369,000	\$1,465,067		

Subtotal							\$2,136,892
Surplus (Deficit)	(\$16,844)	\$13,099	(\$27,702)	(\$14,603)	\$37,214		
TOTAL SURPLUS (DEFICIT)							\$5,767
* Agency General Support							

FISCAL YEAR 1993 - ASSUMING HIGH PRESSURE PIPING FEE INCREASE

Projected Expenses	Elevator	HPP Licensing	HPP Inspection	High Pressure Piping - Total	Boiler	Subtotal	TOTAL

Personal Services	\$230,550	\$69,165	\$207,495	\$276,660	\$1,029,790	\$1,537,000	
Supplies & Expenses	\$48,750	\$14,625	\$43,875	\$58,500	\$217,750	\$325,000	
Allocated Legal Fees	\$300	\$90	\$270	\$360	\$1,340	\$2,000	
Subtotal							\$1,864,000
Statewide Indirect	\$5,372	\$1,612	\$4,835	\$6,446	\$23,994	\$35,812	
Allocated Indirect *	\$46,502	\$13,951	\$41,852	\$55,802	\$207,709	\$310,013	
Subtotal							\$345,825
Total Projected Expenses	\$331,474	\$99,442	\$298,326	\$397,769	\$1,480,583		
Subtotal							\$2,209,825
Projected Revenues	\$333,375	\$109,000	\$292,500	\$401,500	\$1,465,067		

Subtotal							\$2,199,942
Surplus (Deficit)	\$1,901	\$9,558	(\$5,826)	\$3,732	(\$15,515)		
TOTAL SURPLUS (DEFICIT)							(\$9,883)
* Agency General Support							

CODE ENFORCEMENT, DEPARTMENT OF LABOR AND INDUSTRY
EXPENSE AND REVENUE ESTIMATIONS

FISCAL YEAR 1992 - ASSUMING NO HIGH PRESSURE PIPING FEE INCREASE

EXHIBIT 3

Projected Expenses	Elevator	HPP Licensing	HPP Inspection	High Pressure Piping - Total	Boiler	Subtotal	TOTAL

Personal Services	\$222,750	\$66,825	\$200,475	\$267,300	\$994,950	\$1,485,000	
Supplies & Expenses	\$46,500	\$13,950	\$41,850	\$55,800	\$207,700	\$310,000	
Allocated Legal Fees	\$300	\$90	\$270	\$360	\$1,340	\$2,000	
Subtotal							\$1,797,000
Statewide Indirect	\$5,190	\$1,557	\$4,671	\$6,228	\$23,182	\$34,601	
Allocated Indirect *	\$44,929	\$13,479	\$40,436	\$53,914	\$200,681	\$299,525	
Subtotal							\$334,125
Total Projected Expenses	\$319,669	\$95,901	\$287,702	\$383,603	\$1,427,854		
Subtotal							\$2,131,125
Projected Revenues	\$333,375	\$109,000	\$145,603	\$254,603	\$1,465,067		

Subtotal							\$2,053,046
Surplus (Deficit)	\$13,706	\$13,099	(\$142,099)	(\$128,999)	\$37,214		
TOTAL SURPLUS (DEFICIT)							(\$78,079)
* Agency General Support							

FISCAL YEAR 1993 - ASSUMING NO HIGH PRESSURE PIPING FEE INCREASE

Projected Expenses	Elevator	HPP Licensing	HPP Inspection	High Pressure Piping - Total	Boiler	Subtotal	TOTAL

Personal Services	\$230,550	\$69,165	\$207,495	\$276,660	\$1,029,790	\$1,537,000	
Supplies & Expenses	\$48,750	\$14,625	\$43,875	\$58,500	\$217,750	\$325,000	
Allocated Legal Fees	\$300	\$90	\$270	\$360	\$1,340	\$2,000	
Subtotal							\$1,864,000
Statewide Indirect	\$5,372	\$1,612	\$4,835	\$6,446	\$23,994	\$35,812	
Allocated Indirect *	\$46,502	\$13,951	\$41,852	\$55,802	\$207,709	\$310,013	
Subtotal							\$345,825
Total Projected Expenses	\$331,474	\$99,442	\$298,326	\$397,769	\$1,480,583		
Subtotal							\$2,209,825
Projected Revenues	\$333,375	\$109,000	\$177,429	\$286,429	\$1,465,067		

Subtotal							\$2,084,871
Surplus (Deficit)	\$1,901	\$9,558	(\$120,898)	(\$111,340)	(\$15,515)		
TOTAL SURPLUS (DEFICIT)							(\$124,954)
* Agency General Support							