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FISCAL IMPACT REPORT

SPONSOR:	Lyons	DATE TYPED:	02/9/00	HB	
SHORT TITLE:	Abolish Construction Industries Commission			SB	352
				ANALYST:	Valdes

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY01		
			\$ (5,604.6)	Non-recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring	Fund
FY00	FY01		or Non-Rec	Affected
	\$ (6,112.0)		Non-recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates/Conflicts with/Companion to/Relates to NA

SOURCES OF INFORMATION

Regulation and Licensing Department

SUMMARY

Synopsis of Bill

Senate Bill 352 would abolish the Constructions Industries Commission and the Construction Industries Division of the Regulation and Licensing Department. Additionally it would transfer the responsibilities of regulating construction activities to county and municipal governments electing to establish contractor licensing and building code/inspections program.

Significant Issues

This bill grants local governments the opportunity to establish individual contractor licensing criteria, establish local building codes and enforce local inspection requirements. An amended version of the existing Construction Industries Licensing Act is the basis for the establishment of each program. Each local government entity could develop and implement construction regulations tailored to local needs. State accessibility codes could also be modified at the local level. Local governments implementing building codes automatically assume additional liability relating to the Americans with Disabilities Act.

The cost associated with transitioning the responsibility for plan review and inspecting of public buildings can vary widely from community to community. The minimum requirements to oversee plan review and field inspection of electrical, mechanical and general construction is 3 FTE. Certified plan review and building inspector salary ranges are \$14 to \$22 per hour.

A number of other states have construction enforcement arrangements similar to those proposed in this bill. The systems in the states of Texas, Pennsylvania, Illinois and Missouri are closest to this bill proposal.

Studies conducted by the National Conference of States on Building Codes and Standards, National Governor's Association, National Institute of Science and Technology and the White House's regulatory streamlining project have concluded that statewide adopted and enforced of building codes are the most beneficial to a state's economic development. Uniform design and enforcement standards are inherently efficient. Single statewide licensure programs accommodate rapid deployment of industry and facilitate predictable cost projections. In addition, the National Insurance Rating Service assigns a lower premium rate to states and communities that have adopted a national model code. Communities without an adopted code and enforcement program receive higher premium rating factors.

In the year 2000, the Federal Emergency Management Agency may bar any municipality without a building code from receiving disaster relief funds. A statewide building code is required to be in place in order to be eligible for federal assistance for the reconstruction of any publicly owned building damaged in a disaster.

FISCAL IMPLICATIONS

Revenues collected by the state for construction related activities would transition to local governments adopting construction regulation/inspection activities. The anticipated revenue to the General Fund in FY01 from the Construction Industries Division is \$6.1 million. Appropriations to the Regulation and Licensing Department would be reduced by \$5.6 million in FY01.

Future costs incurred as a result of multiple licensing, individualized permit fee structures and enforcement fees by owners of public buildings and local government public works departments are unknown.

The cost to operate a statewide contracting or sub-contracting company may increase, limiting competitiveness and increasing costs to rural areas. Most local building departments now charge fees higher than the state. If the fees are passed on to the public, construction cost may increase.

ADMINISTRATIVE IMPLICATIONS

The Regulation and Licensing Department would be required to terminate 96.5 FTEs in the Construction Industries Division and phase-out operations of the division.

The transition to local governments would take six months to one year. Therefore, it is recommended that the Construction Industries Division be allowed an additional year to phase-out regulating responsibilities.

Many New Mexico local government entities are unprepared to establish construction regulation programs due to financial constraints.

CONFLICT/DUPLICATION/COMPANIONSHIP/RELATIONSHIP

Senate Bill 167 transfers the State Fire Marshal's Office and Training Academy to the Construction Industries Division.

TECHNICAL ISSUES

Without uniform code adoption and maintenance at the state level, enforcement at the local level will be inefficient and difficult to administer consistently.

OTHER SUBSTANTIVE ISSUES

The assumption of liability for public buildings could be substantial.

The assumption of responsibility for accessibility code enforcement may be substantial.

The Attorney General assumes prosecutorial responsibility for cases that currently come before the Construction Industries Commission. Code/inspection authority will require enforcement be transitioned to local governments. Counties/municipalities will have to establish an enforcement approach as part of their regulatory initiatives to ensure that infractions, once identified are properly addressed.

MFV/njw