

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1007 (Delegate Weir, *et al.*)

Environmental Matters

Referred to Economic & Environmental Affairs

State Fire Prevention Commission - Fire Sprinklers - Licensure and Regulation

This enrolled bill requires that persons who install fire sprinkler systems or provide certain fire sprinkler contractor services be licensed by the State Fire Commission in order to conduct business in the State, except in Montgomery County. The bill authorizes the commission to establish: (1) standards; (2) requirements for liability insurance; (3) requirements for licensure; (4) a schedule of fees; (5) regulations and exemptions to those regulations; and (6) procedures for the Fire Marshal to suspend, revoke, or deny a license to a person who does not comply with the commission's licensing and regulatory requirements. The bill also specifies that an individual may not provide services as a fire sprinkler contractor in the State unless licensed by the Fire Marshal, and requires that the Fire Marshal establish a schedule of fees for licenses that will recover but not exceed the direct and indirect costs associated with the issuance of the licenses. The bill does not supersede any local law or ordinance that establishes standards or qualifications for fire sprinkler contractors.

Fiscal Summary

State Effect: Potential increase in revenues of \$13,000. Expenditures could increase as discussed below.

Local Effect: None.

Small Business Effect: Meaningful impact on small businesses as discussed below.

Fiscal Analysis

State Effect: The State Fire Marshal advises that licensing and regulating fire sprinkler installers can be handled with existing budgeted staff resources and an additional expenditure of \$2,800 for printing and postage.

The Department of Fiscal Services (DFS), however, advises that given the agency's current workload and recent turnover, it is unclear whether the Fire Marshal can perform all the inspections required under current law if it takes on the additional responsibilities specified in the bill. Using existing staff to meet the requirements of the bill could reduce the number of fire inspections performed annually. Accordingly, the Fire Marshal may need additional resources that cannot be quantified at this time. Such resources may impact the cost of fire sprinkler licenses.

The State Fire Marshal advises that the total cost of the resources necessary to provide licensing and regulation, for the estimated 260 providers of fire sprinkler installation services is approximately \$9,750 in fiscal 1998. This cost is based on the part-time allocation of two existing staff members (one Office Secretary III and one Engineer), postage and printing costs and the bill's October 1, 1997 effective date. Based on these costs, the Fire Marshal proposes to collect \$13,000 in revenues annually to cover the administration of the licensing program. The revenue increase would be generated by a \$50 charge for each fire sprinkler system installation license and license renewal.

The bill requires that the Fire Marshal establish a schedule of fees to recover, but not exceed the direct and indirect costs associated with the issuance of licenses. DFS notes the reallocation of the time of two existing staff members does not increase the Fire Marshal's actual expenditures.

For informational purposes it is noted that other occupational boards with similar responsibilities often employ one part-time Administrator and one part-time Office Clerk at an annual cost of approximately \$35,000. This estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Small Business Effect: There are 100 fire sprinkler installation businesses in the State, the majority of these companies are small businesses. There are also 182 master plumbers in the State that perform fire sprinkler installation services, however, approximately 22 of these may not be required to be licensed based on an exemption in the bill for plumbers who install fire sprinklers under limited circumstances. Thus, 160 master plumbers would be subject to fire sprinkler installation licensure. The majority of these master plumbers are employed by small businesses.

This bill would require all of these businesses that provide fire sprinkler systems installation to be licensed and regulated based on standards and requirements set by the State Fire Prevention Commission. The licensing and renewal fees allowed under the bill would increase the cost of doing business and create barriers to market entry for new small businesses. Depending upon the regulations promulgated, additional administrative requirements could be imposed on such businesses.

Information Source(s): Department of Labor, Licensing, and Regulation; State Fire Marshal

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