Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. S.B. 78 of the 130th G.A. **Date**: May 20, 2014

Status: As Reported by House Policy and Legislative Oversight **Sponsor**: Sen. Hughes

Local Impact Statement Procedure Required: No

Contents: Makes changes to the law regulating specialty construction contractors governed by the Ohio Construction Industry Licensing Board

State Fiscal Highlights

- The bill would likely result in a slight decrease in administrative costs to the Industrial Compliance Operating Fund (Fund 5560), as well as a potential gain in revenues from additional fines assessed to violators.
- The above fiscal effects could be offset by a minimal decline in the number of specialty contractor license applications and license holders, since the bill establishes more rigorous licensing and enforcement standards.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Background

The Ohio Construction Industry Licensing Board (OCILB) licenses specialty contractors in various construction-related professions who perform commercial work in Ohio. The Board is comprised of four sections: an Administrative Section and three specialty sections responsible for regulating specific construction trades, including (1) the Plumbing and Hydronics Section, (2) the Electrical Section, and (3) the Heating, Ventilating and Air Conditioning (HVAC) and Refrigeration Section. No person can act as or claim to be a specialty contractor in one of the above trades unless that person is licensed by OCILB. At the end of FY 2013, OCILB oversaw approximately 16,000 active licenses, as shown in the table below. There was an increase of 949 active licenses in these trades from FY 2012 to FY 2013, a 6.3% rise between these years.

OCILB currently employs two investigators and seven other office employees. The Board is supported by license fees and related income that is deposited into the Industrial Compliance Operating Fund (Fund 5560). The Board collected $1.3 million in revenue in FY 2013, while expenditures amounted to around $780,000. For FY 2014, the Board has an operating budget of $1.2 million.

OCILB Licenses by Trade, FY 2012 - FY 2013

Trade	FY 2012	FY 2013
Electrical	4,977	5,341
HVAC	3,589	3,846
Plumbing	3,537	3,751
Hydronics	1,630	1,682
Refrigeration	1,245	1,307
Total	**14,978**	**15,927**

Fiscal effects

The bill includes numerous adjustments to the Construction Industry Licensing Law. Most of these changes give the specialty sections greater capacity to enforce the law and penalize violators. The bill would likely result in a slight decrease in administrative costs to the Industrial Compliance Operating Fund (Fund 5560), as well as a potential gain in revenues to the fund from additional fines assessed to violators. However, since the bill tightens licensing and enforcement standards that apply to the various specialty trades, there might also be a decline in the number of licenses overseen by OCILB.

The potential reduction in administrative cost stems from a provision that modifies the current process for conducting administrative hearings. Specifically, the bill states that the Board is not required to hold a hearing to take action against a licensee if the licensee does not request a hearing within 30 days of receiving notice of the Board's intent to act against the licensee. This may result in a decrease in Board meetings or the length of Board hearings, which could lead to reduced operating costs. To provide an example of a possible rise in fines assessed to violators, the bill allows discipline to be imposed on a licensee who has had their registration with another governmental agency suspended or revoked. Fines of up to $1,000 per day of violation can be imposed at the discretion of the applicable specialty section. OCILB assessed a total of $8,000 in fines in calendar year 2011 and $11,000 in fines in calendar year 2012. Any additional revenue from OCILB fines would be deposited into Fund 5560. Overall, the Department of Commerce indicated to LSC that the bill will not result in the need for OCILB to hire additional investigators or other personnel.

Finally, the bill requires the Board to place licenses in inactive status in cases where a license is not assigned to a contracting company. Uncodified law in the bill allows licensees 60 days to comply with this provision, and thereafter the assignment will be made upon license renewal. At least in the short term, this may result in an increase in licensees having their licenses put in inactive status, although presumably this change in the law will be communicated to licensees through their continuing education courses. A $60 re-activation fee is charged to those who apply to have their licenses returned to active status after being inactive. Any additional revenue from this fee would be deposited into Fund 5560.

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