

**ECONOMIC AND FISCAL IMPACT STATEMENT
(REGULATIONS AND ORDERS)**

STD. 399 (REV. 12/2013)

ECONOMIC IMPACT STATEMENT

DEPARTMENT NAME <u>State Fire Marshal (OSFM)</u>	CONTACT PERSON <u>Diane Arend</u>	EMAIL ADDRESS <u>diane.arend@fire.ca.gov</u>	TELEPHONE NUMBER <u>(916) 324-9592</u>
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400			NOTICE FILE NUMBER <u>Z</u>

A. ESTIMATED PRIVATE SECTOR COST IMPACTS *Include calculations and assumptions in the rulemaking record.*

1. Check the appropriate box(es) below to indicate whether this regulation:

- | | |
|--|--|
| <input checked="" type="checkbox"/> a. Impacts business and/or employees | <input checked="" type="checkbox"/> e. Imposes reporting requirements |
| <input checked="" type="checkbox"/> b. Impacts small businesses | <input checked="" type="checkbox"/> f. Imposes prescriptive instead of performance |
| <input type="checkbox"/> c. Impacts jobs or occupations | <input checked="" type="checkbox"/> g. Impacts individuals |
| <input type="checkbox"/> d. Impacts California competitiveness | <input type="checkbox"/> h. None of the above (Explain below): |

*If any box in Items 1 a through g is checked, complete this Economic Impact Statement.
If box in Item 1.h. is checked, complete the Fiscal Impact Statement as appropriate.*

2. The OSFM estimates that the economic impact of this regulation (which includes the fiscal impact) is:
(Agency/Department)

- Below \$10 million
 Between \$10 and \$25 million
 Between \$25 and \$50 million
 Over \$50 million *[If the economic impact is over \$50 million, agencies are required to submit a [Standardized Regulatory Impact Assessment](#) as specified in Government Code Section 11346.3(c)]*

3. Enter the total number of businesses impacted: Est. 2,600

Describe the types of businesses (Include nonprofits): Fire Protection Contractors (C-16 Licensee) and their employees.

Enter the number or percentage of total businesses impacted that are small businesses: Unknown

4. Enter the number of businesses that will be created: None eliminated: None

Explain: This would certify individuals installing water-based fire protection systems for existing Fire Protection Contractors.

5. Indicate the geographic extent of impacts: Statewide
 Local or regional (List areas): _____

6. Enter the number of jobs created: None and eliminated: None

Describe the types of jobs or occupations impacted: Fire protection Contractors (C-16 Licensee) and their employees.

7. Will the regulation affect the ability of California businesses to compete with other states by making it more costly to produce goods or services here? YES NO

If YES, explain briefly: Certification applies to both in-state and out-of-state Fire protection Contractors and their employees that install water-based fire protection systems.

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ECONOMIC IMPACT STATEMENT (CONTINUED)**ESTIMATED COSTS** *Include calculations and assumptions in the rulemaking record.*

1. What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime? \$ 960,000-1,266,000
- a. Initial costs for a small business: \$ _____ Annual ongoing costs: \$ _____ Years: _____
- b. Initial costs for a typical business: \$ _____ Annual ongoing costs: \$ _____ Years: _____
- c. Initial costs for an individual: \$ 150.00 Annual ongoing costs: \$ 150.00 Years: N/A
- d. Describe other economic costs that may occur: Only certified sprinkler fitters enrolled in or who will be enrolled in a state approved or federally approved fire sprinkler apprenticeship program can install water based fire protection systems.
2. If multiple industries are impacted, enter the share of total costs for each industry: Not Applicable
3. If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. *Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted.* \$ Not Applicable
4. Will this regulation directly impact housing costs? YES NO
If YES, enter the annual dollar cost per housing unit: \$ _____
Number of units: _____
5. Are there comparable Federal regulations? YES NO
- Explain the need for State regulation given the existence or absence of Federal regulations: OSFM needs to establish a certification program to address public safety and industry concerns that fire sprinklers are not being installed in accordance with California law.
- Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: \$ None

C. ESTIMATED BENEFITS *Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.*

1. Briefly summarize the benefits of the regulation, which may include among others, the health and welfare of California residents, worker safety and the State's environment: Ensure public safety regarding fire protection system installation, testing, inspection, and maintenance.
Provide necessary training of public safety agencies and industry regarding fire protection systems laws and regulations.
Further assist in public safety and provide the public with ongoing education efforts.
2. Are the benefits the result of: specific statutory requirements, or goals developed by the agency based on broad statutory authority?
Explain: HSC 13110 authorizes the OSFM to propose and administer the regulations in order to ensure building fire safety.
3. What are the total statewide benefits from this regulation over its lifetime? \$ Not quantifiable
4. Briefly describe any expansion of businesses currently doing business within the State of California that would result from this regulation: Not Applicable

D. ALTERNATIVES TO THE REGULATION *Include calculations and assumptions in the rulemaking record. Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.*

1. List alternatives considered and describe them below. If no alternatives were considered, explain why not: There are no alternatives. Without a fire sprinkler functioning at 100%, there is a significant public safety risk. Of equal concern are the recent reports of fraud in the fire sprinkler industry. These reports include the installation of fake sprinkler heads.

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ECONOMIC IMPACT STATEMENT (CONTINUED)

Summarize the total statewide costs and benefits from this regulation and each alternative considered:

Regulation: Benefit: \$ Unqualifiable Cost: \$ 886,000

Alternative 1: Benefit: \$ _____ Cost: \$ _____

Alternative 2: Benefit: \$ _____ Cost: \$ _____

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives:

The benefit is reduced likelihood of a system failure due to an improperly installed system. Benefits to potentially saving lives can not be quantified.

4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards considered to lower compliance costs?
-
- YES
-
- NO

Explain: A minimum standard or measurement for training, education, and experience requires a prescriptive standard. A performance standard would not adequately protect lives, property and general public welfare.**E. MAJOR REGULATIONS** *Include calculations and assumptions in the rulemaking record.**California Environmental Protection Agency (Cal/EPA) boards, offices and departments are required to submit the following (per Health and Safety Code section 57005). Otherwise, skip to E4.*

1. Will the estimated costs of this regulation to California business enterprises exceed \$10 million?
-
- YES
-
- NO

*If YES, complete E2. and E3**If NO, skip to E4*

2. Briefly describe each alternative, or combination of alternatives, for which a cost-effectiveness analysis was performed:

Alternative 1: _____

Alternative 2: _____

(Attach additional pages for other alternatives)

3. For the regulation, and each alternative just described, enter the estimated total cost and overall cost-effectiveness ratio:

Regulation: Total Cost \$ _____ Cost-effectiveness ratio: \$ _____

Alternative 1: Total Cost \$ _____ Cost-effectiveness ratio: \$ _____

Alternative 2: Total Cost \$ _____ Cost-effectiveness ratio: \$ _____

4. Will the regulation subject to OAL review have an estimated economic impact to business enterprises and individuals located in or doing business in California exceeding \$50 million in any 12-month period between the date the major regulation is estimated to be filed with the Secretary of State through 12 months after the major regulation is estimated to be fully implemented?

 YES NO*If YES, agencies are required to submit a Standardized Regulatory Impact Assessment (SRIA) as specified in Government Code Section 11346.3(c) and to include the SRIA in the Initial Statement of Reasons.*

5. Briefly describe the following:

The increase or decrease of investment in the State: Not ApplicableThe incentive for innovation in products, materials or processes: Not ApplicableThe benefits of the regulations, including, but not limited to, benefits to the health, safety, and welfare of California residents, worker safety, and the state's environment and quality of life, among any other benefits identified by the agency: OSFM will be able to set up a new certification program for sprinkler fitters and mitigate or reduce public safety risk.

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FISCAL IMPACT STATEMENT

FISCAL EFFECT ON LOCAL GOVERNMENT *Indicate appropriate boxes 1 through 6 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

- 1. Additional expenditures in the current State Fiscal Year which are reimbursable by the State. (Approximate)
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

\$ _____

- a. Funding provided in _____
Budget Act of _____ or Chapter _____, Statutes of _____

- b. Funding will be requested in the Governor's Budget Act of _____
Fiscal Year: _____

- 2. Additional expenditures in the current State Fiscal Year which are NOT reimbursable by the State. (Approximate)
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

\$ _____

Check reason(s) this regulation is not reimbursable and provide the appropriate information:

- a. Implements the Federal mandate contained in _____

- b. Implements the court mandate set forth by the _____ Court.

Case of: _____ vs. _____

- c. Implements a mandate of the people of this State expressed in their approval of Proposition No. _____

Date of Election: _____

- d. Issued only in response to a specific request from affected local entity(s).

Local entity(s) affected: _____

- e. Will be fully financed from the fees, revenue, etc. from: _____

Authorized by Section: _____ of the _____ Code;

- f. Provides for savings to each affected unit of local government which will, at a minimum, offset any additional costs to each;

- g. Creates, eliminates, or changes the penalty for a new crime or infraction contained in _____

- 3. Annual Savings. (approximate)

\$ _____

- 4. No additional costs or savings. This regulation makes only technical, non-substantive or clarifying changes to current law regulations.

- 5. No fiscal impact exists. This regulation does not affect any local entity or program.

- 6. Other. Explain _____

**ECONOMIC AND FISCAL IMPACT STATEMENT
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FISCAL IMPACT STATEMENT (CONTINUED)

FISCAL EFFECT ON STATE GOVERNMENT Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.

1. Additional expenditures in the current State Fiscal Year. (Approximate)

\$ _____

It is anticipated that State agencies will:

a. Absorb these additional costs within their existing budgets and resources.

b. Increase the currently authorized budget level for the _____ Fiscal Year

2. Savings in the current State Fiscal Year. (Approximate)

\$ _____

3. No fiscal impact exists. This regulation does not affect any State agency or program.

4. Other. Explain A Fiscal Year 2015-16 budget and revenue adjustment was made for this new program.

C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.

1. Additional expenditures in the current State Fiscal Year. (Approximate)

\$ _____

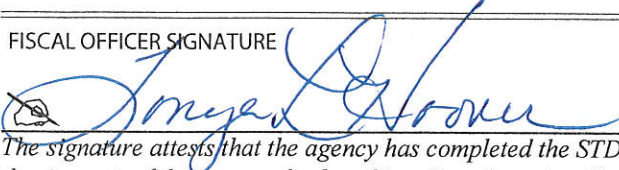
2. Savings in the current State Fiscal Year. (Approximate)

\$ _____

3. No fiscal impact exists. This regulation does not affect any federally funded State agency or program.

4. Other. Explain _____

FISCAL OFFICER SIGNATURE

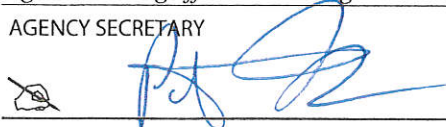


DATE

1/19/2016

The signature attests that the agency has completed the STD. 399 according to the instructions in SAM sections 6601-6616, and understands the impacts of the proposed rulemaking. State boards, offices, or departments not under an Agency Secretary must have the form signed by the highest ranking official in the organization.

AGENCY SECRETARY



DATE

1/25/16

Finance approval and signature is required when SAM sections 6601-6616 require completion of Fiscal Impact Statement in the STD. 399.

DEPARTMENT OF FINANCE PROGRAM BUDGET MANAGER

DATE



**CHAPTER 5.5 CERTIFICATIONS
COST IMPACT ANALYSIS - Non-Union (Year 1)**

	COST EA.	QTY	TOTAL
NON-UNION GOVERNMENTAL FEES:			
Journeyman Certification Fees	\$150.00	1,000	\$150,000.00
Apprentice Registration Fees	\$150.00	3,000	\$450,000.00
Trainee Registration Fees	\$150.00	2,000	\$300,000.00
Non-Union Governmental Fees - TOTAL IMPACT:			\$900,000.00

	COST EA.	QTY	TOTAL
TRAINING AND CERTIFICATION:			
Journeyman:			
Continuing Education (per year)	\$250.00	1,000	\$250,000.00
Apprentice:			
App. Program Endenturement	\$500.00	3,000	\$1,500,000.00
Training Costs (per year)*	\$2,050.00	3,000	\$6,150,000.00
Non-Union Training Cost - TOTAL IMPACT:			\$7,900,000.00

- *Includes:
- Monthly Program Fees
 - Books
 - Miscellaneous Certification

LABOR WAGE IMPACT:
Journeyman: NA

	COST EA.	QTY	TOTAL
Apprentice: (300 App X 1800 hrs/yr ea.)			
1st Period	\$9.12	513,000	\$4,678,560.00
2nd Period	\$9.12	513,000	\$4,678,560.00
3rd Period	\$9.12	513,000	\$4,678,560.00
4th Period	\$9.12	513,000	\$4,678,560.00
5th Period	\$9.12	513,000	\$4,678,560.00
6th Period	\$9.12	513,000	\$4,678,560.00
7th Period	\$9.12	513,000	\$4,678,560.00
8th Period	\$9.12	513,000	\$4,678,560.00
9th Period	\$9.12	513,000	\$4,678,560.00
10th Period	\$9.12	513,000	\$4,678,560.00
Trainee	NA		
Non-Union Cost of Labor - TOTAL IMPACT:	\$9.12	5,130,000	\$46,785,600.00

EMPLOYER ADMINISTRATION
Assumption - Average 8 hrs/wk/employer*
* Est. 1000 Employers Impacted
Formula: (8 X 52)*(1000) = 416,000 hours
Non-Union - TOTAL FISCAL IMPACT: \$74,305,600.00

- Program requires 24 CEU's over 3 years, \$250 / 8 CEU
- Program Fees = \$150 per mo. X 12 = \$1,800; Certifications = \$250 annually

- 540,000 annual hours Reduced by 5% for SFH
- Hourly rate assumes Non-Union entry level wage of \$10.00 / hour.
- Apprentice Standards require \$14.00 / hour
- Non-Union "Initial" wage impact across all apprentice levels labor force of \$4.00/hour

Formula:

Wage Increase	\$4.00
PR Taxes (18%)	\$0.72
Insurance (20%)	\$0.80
OH & Burden (80%)	\$3.20
Profit (10%)	\$0.40
Total Impact per hr.	\$9.12

• 8 hrs per week includes office administration and field supervision as required to track and report to UAC.