



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Fiscal Note

Short Title: Private Commercial Building Inspection.
Bill Number: House Bill 893 (Second Edition)
Sponsor(s): Rep. Brody, Rep. B. Jones, Rep. Pyrtle, and Rep. Hardister

SUMMARY TABLE

FISCAL IMPACT OF H.B.893, V.2

	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>
State Impact					
Special Fund Revenues	-	-	-	-	-
Less Expenditures	-	\$85,546	\$89,787	\$94,192	\$98,740
Special Fund Impact	-	(\$85,546)	(\$89,787)	(\$94,192)	(\$98,740)
NET STATE IMPACT	-	(\$85,546)	(\$89,787)	(\$94,192)	(\$98,740)
Local Impact					
Local Revenue	-	Unknown Local Loss-See Fiscal Analysis Section			
Less Local Expenditures	-	-	-	-	-
NET LOCAL IMPACT	-	Unknown Local Loss-See Fiscal Analysis Section			

FISCAL IMPACT SUMMARY

The bill directs the North Carolina Code Officials Qualification Board (Q-Board) which is staffed by the Department of Insurance (DOI) to certify and register a new class of building code inspectors known as private commercial inspectors and to provide online access to the list of private commercial inspectors. The bill also authorizes the Board to establish associated fees. Since this class of inspectors does not currently exist, the bill is projected to have a fiscal impact on the Board and the State budget (see Fiscal Analysis section).

The bill would have a fiscal impact on local governments because it allows permit holders to have private inspectors conduct final commercial building inspections rather than local government inspectors, who are currently the only individuals who can conduct such inspections. To the extent permit holders use private inspectors rather than ones employed by local governments, the local governments will lose any associated fee revenue.

FISCAL ANALYSIS

North Carolina Code Officials Qualification Board (Q-Board) Operating Costs

The estimated cost to implement the requirements of the bill includes one full-time administrative officer position at a cost of \$85,546 in FY 2024-25. The cost to post the registry of commercial inspectors' information online will be absorbed within DOIs operating budget.

Board Fees

The bill would authorize the Q-Board to establish the following fees to certify and register private inspectors to conduct inspections of commercial buildings and structures for compliance with the State Building Code (Code) and to issue certificates of compliance with the Code.

Private Commerical Inspector	Fee
Certification Application	\$ 200
Renewal	\$ 50
Registry	\$ 20

Since private commercial inspectors currently do not operate in the State, the number of individuals that might apply for certification and registration is indeterminable. However, it is anticipated that there would be sufficient interest in applying and registering with the Board to cover the projected increase in operating costs.

Local Government Inspection Fees

Currently, local governments must enforce State and local laws relating to the construction of buildings and other structures, along with the installation of plumbing, electrical, heating, refrigeration, and air-conditioning systems. Once all work under a building permit is concluded, the local government inspector (who must be certified by the Q-Board as a code enforcement official) conducts a final inspection and, if the completed work complies with all applicable State and local laws and with the building permit, issues a certificate of compliance. Under current law, only local governments can conduct such inspections, and thus are the only entities receiving fee revenue from permit holders for performing these inspections.

The bill adds Private Commercial Inspectors (PCIs) as eligible individuals to conduct these required final inspections of commercial properties effective July 1, 2024.¹ Permit holders seeking a commercial building inspection by a PCI would post to the local government a payment guarantee of 125% of the local government's inspection costs in the event the PCI ceases inspecting or abandons a project; in these cases, the local government may claim against the payment guarantee for its costs in assuming responsibility for the inspection.

The bill will reduce local governments' revenues because permit holders could pay the inspection fees to PCIs rather than local governments. The fees permit holders pay local government inspection offices are a primary method by which these offices are funded. Under the bill, local government inspection receipts would be reduced to the extent permit holders choose to use a PCI

¹ Local government inspectors will remain an option for those with commercial building permits.

rather than inspectors employed by the local government. FRD cannot confidently estimate the revenues local governments would likely lose for two primary reasons: first, inspection costs vary greatly between local governments, and second, the number or percentage of permit holders that will use this new option of a private inspector rather than one a local government employs for inspections of commercial buildings and structures is unknown.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

DEPARTMENT OF INSURANCE.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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