



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0709 Introduced on May 8, 2017
Author: Hembree
Subject: Fire and Safety Inspections
Requestor: Senate Education
RFA Analyst(s): Shuford, Gable, and Heineman
Impact Date: August 4, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	Undetermined	\$0
Other and Federal	Undetermined	\$0
Full-Time Equivalent Position(s)	Undetermined	0.00
State Revenue		
General Fund	Undetermined	\$0
Other and Federal	Undetermined	\$0
Local Expenditure	Undetermined	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill would have an undetermined fiscal impact on the Office of State Fire Marshal (OSFM) under the Department of Labor, Licensing, and Regulation (LLR), the South Carolina Department of Education Office of School Facilities (OSF), and local governments from the required fire and safety inspections. The fiscal impact is undetermined since the bill is unclear as to who is responsible for performing the annual school fire and safety inspections or the party responsible for paying these inspections.

For discussion purposes, this fiscal impact statement examines four options for fire and safety inspections. Each option yields a different expenditure and revenue estimate which is discussed in the analysis below.

Explanation of Fiscal Impact

Introduced on May 8, 2017

State Expenditure

This bill requires fire and safety inspections to occur in all new and existing operating public school facilities at least annually. If an annual inspection discovers a fire or safety hazard, a compliance inspection must occur within 180 days of the initial inspection, to determine if the public school facility has corrected the hazard. An inspection required by this bill may be performed only by inspectors who are approved and registered with OSFM. Further, OSFM would work with the State Department of Education's Office of School Facilities (OSF) to ensure an inspection of each new public school is conducted prior to occupancy and any

additions or alternations to schools are inspected. A report of every inspection must be filed with OSFM and OSF within thirty days.

Further, this bill grants OSFM the authority to promulgate regulations governing the fire and safety inspections of new and existing public schools. These regulations may include: setting a registration procedure and qualification requirements for inspectors, requiring conformance with national fire prevention and protection standards, setting the amount of fees charged for inspections of new and existing public schools, and having the authority to create regulations the OSFM considers necessary related to fire safety and prevention. Further, OSFM may promulgate other regulations to implement the provisions of this chapter.

Currently, school buildings are subject to inspection based upon requirements set forth by the local government, which varies between the different local governments. Additionally, a new school facility and new construction on a school is subject to an inspection by the Department of Education's Office of School Facilities (OSF) before occupancy.

Department of Labor, Licensing, and Regulation (LLR). This bill requires OSFM, in conjunction with others, to ensure annual inspections occur for all new and existing public school facilities. According to OSFM, an inspection would include a visual inspection of the facility while the building is fully occupied, meaning all inspections must occur within the 180 day school year. Additionally, an inspection would ensure that all required fire safety equipment is on-site and audit paperwork showing that a vendor has tested that all equipment is in good working order. However, an inspection would not test that the fire safety equipment is properly maintained and in good working condition.

There are currently 1,252 existing operating public schools in South Carolina that would be subject to a fire inspection. OSFM estimates an average of 8 hours per school to perform an inspection, resulting in a total of 10,016 hours to perform on-site inspections. Additionally, OSFM indicates there are 670 South Carolina Certified Fire Marshalls but only one-half have the higher International Code Council or National Fire Protection Association certificates. Currently, local jurisdictions may not need certification to perform fire and safety inspections, and private inspectors are not registered or certified with OSFM.

While OSFM is responsible for ensuring the inspections, there are multiple options for who may actually perform the inspections. LLR posed three possibilities in response to this bill. Option one is third party private inspectors perform the inspections. Option two is OSFM performs the inspections. Option three is the local fire districts perform the inspections. For option three, either OSFM or private inspectors would perform the inspections for those local jurisdictions that are unable or unwilling to do so.

Option One - Private Inspectors. LLR contacted three private fire and safety inspection companies and the hourly rate for these companies ranged between \$60 and \$95. If private inspectors perform all 10,016 hours' worth of inspections, as calculated above, recurring Other Funds expenditures would increase by \$600,960 to \$951,520 in FY 2018-19. The bill does not specify whether OSFM or the schools being inspected should bear the cost of third party

inspections. Therefore, the bill may impact General Fund, Other Funds, or local expenditures depending upon which party is found to be responsible for paying for the inspections.

Option Two - OSFM Inspectors. If OSFM performs all of the fire and safety inspections, they indicate that the additional inspections will require hiring thirteen Deputy Inspectors and one Senior Deputy Inspector. Each Deputy Inspector would increase Other Funds expenditures by \$62,000, which includes salary and fringe. The Senior Deputy Inspector would increase Other Funds expenditures by \$75,300, which includes salary and fringe. These 14 FTEs would increase recurring Other Funds expenditures by \$881,300 beginning in FY 2018-19. Additionally, vehicle purchases, uniforms, information technology equipment, and inspection equipment would increase non-recurring Other Funds expenditures by \$602,000 in FY 2018-19.

Option Three - Local Jurisdiction Inspectors. OSFM performed a survey of the local fire districts in response to this bill to determine which local jurisdictions would be willing and able to perform the annual fire and safety inspections for the school facilities in their district. Based on the responses received, it is assumed that fifty percent of local jurisdictions would be able to perform the inspections. Therefore, under this scenario, 626 public schools would be inspected by local jurisdiction inspectors and the other 626 public schools would be inspected either by OSFM or third party inspectors.

If a private inspector performed those inspections that local jurisdictions did not, the anticipated expenditure impact would range from \$300,480 to \$475,760. This is based, again, on the assumption that a school would take on average 8 hours to inspect that the cost of a private inspector would range from \$60 to \$95 per hour. Also as discussed previously, the source of funding for this expense is undetermined.

If OSFM performed those inspections that local jurisdiction did not, OSFM Other Funds expenditures will increase by approximately \$447,300 in recurring costs and \$301,000 in nonrecurring costs, for a total of \$748,300 in FY 2018-19. This is approximately one-half the cost of performing inspections on all existing public schools as discussed in option two above.

The annual expenditure for public school inspections for all three options would increase based on the number of new schools built annually. This increase is undetermined as the number of new public schools built each year varies. Additionally, the total expenditure cost for OSFM is undetermined as the cost to OSFM is dependent upon the determination of who is responsible for performing the safety and fire inspections.

South Carolina Department of Education. Currently, the department conducts initial, but not recurring inspections on new school buildings and school renovations and additions. For new schools, the inspection includes a fire and safety inspection; however, inspections done on renovations or additions do not include a fire and safety inspection. The department indicates that conducting annual fire and safety inspections on all existing schools and school renovations and additions would be an additional responsibility for the Office of School Facilities (OSF) that cannot be incorporated into current staffing levels. OSF currently has eight FTEs including five engineers, and an operating budget of approximately \$800,000.

To meet the requirements of this bill, OSF assumes they would perform the fire and safety inspections. This would require an additional fourteen FTEs at an estimated salary of \$53,842 and fringe of \$23,660. Recurring costs for salary and fringe to the General Fund would total \$1,085,028 for FY 2017-18. In addition to salary and fringe costs, OSF would incur General Fund recurring costs for information technology, fuel, vehicle maintenance, and supplies totaling \$133,210 in FY 2017-18. Further, OSF would incur non-recurring General Fund costs for vehicle purchases, safety and inspection equipment, uniform costs, office equipment, information technology equipment, and supplies totaling \$608,118 in FY 2017-18. Combining recurring and non-recurring costs, the expenditure impact to the General Fund would total \$1,826,356 in FY 2017-18 and \$1,218,238 in FY 2018-19. However, the General Fund expenditure impact for OSF is undetermined since the bill does not specify who is responsible for conducting the fire and safety inspections.

State Revenue

This bill grants OSFM the authority to levy a fee on schools to offset the cost of the fire and safety inspection through regulation. Also, §40-1-50 specifies that Professional and Occupational Licensing programs must set fees to cover the operational expenses of their boards. Any necessary fee increase to offset the expenditures required pursuant to this bill would increase Other Funds revenue. Additionally, pursuant to Proviso 81.3 of the FY 2016-17 Appropriations Act, LLR is required to remit an equal amount to 10 percent of expenditures to the General Fund. Since the bill does not specify the party responsible for the inspections, the cost of the inspections is unknown, and the revenue to Other Funds is undetermined.

The revenue generated by fees would be used to offset OSFM's expenses associated with performing the fire and safety inspections. OSFM anticipates an inspection fee of \$1,185 per school for the initial inspection for the first year of the inspection program and \$705 per school in consecutive years. This assumes that the agency performs all of the inspections. This results in total revenue of \$1,483,620 for the first year FY2017-18 of the program and \$882,660 in subsequent years. If the OSFM performs half of the inspections, the agency anticipates having to charge a fee of \$1,195 per school initially to establish the program and a fee of \$715 per school in the following years resulting in revenue of \$748,070 in the first year FY2017-18 and \$447,590 in subsequent years. These fees would only cover the initial inspection. Any compliance inspections resulting from violations found during the initial inspection would have an undetermined total amount of revenue as there is insufficient data to determine the number of follow up inspections that would be needed.

The amount of revenue generated would depend greatly on who is tasked to perform and pay for the inspections.

South Carolina Department of Education. There would be no revenue impact for the agency since any fees received for fire and safety inspections of public schools would only go to OSFM.

Local Expenditure

This bill requires schools facilities to be inspected for fire safety at least annually. Currently, some school facilities are subject to annual fire and safety inspections by its local fire district. If local governments are found to be responsible for performing the fire and safety inspections,

OSFM suggests that approximately 50 percent would be willing and able to do them. This assumption is based on a survey performed by OSFM in response to this bill. Of that half, some local governments are already performing this task and would not incur additional expenditures. Other local jurisdictions would need to hire additional staff and provide additional training in order to perform the inspections.

Additionally, if school districts are required to pay additional fees for the annual fire and safety inspections, school district expenditures will increase. If OSF is tasked with performing the annual fire and safety inspections, we anticipate local school districts would not pay inspection fees. If the OSFM performs the other half of the inspections, the agency anticipates having to charge a fee of \$1,195 per school initially to establish the program and a fee of \$715 per school in the following years resulting in expenditures of \$748,070 in the first year FY2017-18 and \$447,590 in subsequent years.

Regardless of who performs the inspections, school districts may have expenditures from addressing any violations found during the inspections. The extent of the expenditures would vary depending on the condition of the school facilities. Therefore, any additional expenditures to the school districts are undetermined.

The local expenditure impact is undetermined as the cost to each local government would vary depending upon its ability to perform an inspection and assuming local governments are determined to be the party responsible for the performance of the inspections.

Local Revenue

This bill requires schools facilities to be inspected for fire safety at least annually. Currently, some school facilities are subject to annual fire and safety inspections by their local fire districts. If local governments are found to be responsible for performing the fire and safety inspections, OSFM suggests that approximately 50 percent would be capable to do them. If local governments are found to be responsible for the inspections, they may be able to charge a fee to the schools to offset the expense of the inspection, thereby increasing fee revenue in FY 2018-19.



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