

Economic Impact Statement

LSA Document #08-538

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses**1. Estimated Number of Small Businesses Subject to this Rule:**

NAICS Code – Plumbers: 238220

Plumbing Apprenticeship Schools: 20

The types of small businesses most likely to be affected by this proposed rule are plumbing apprenticeship schools. There are 20 plumbing apprenticeship schools. The number of small businesses affected by this proposed rule will be less than that; however, the Commission is unable to determine the actual number of small businesses. Plumbing apprenticeship schools are institutions where the prospective plumbers get the required education and training in order to be qualified to take the examination and obtain licensure. Journeyman plumbers and plumbing contractors must be licensed to practice plumbing in the state of Indiana. In the proposed rule, the Commission will no longer administer the practical examination; instead the practical exam will be a requirement of graduating from the apprenticeship program. In addition, the agency is currently seeking a professional examination service provider to develop, maintain, and administer computer-based licensing examinations for the journeyman plumbers and plumbing contractors. To enter into a contract, the Commission must revise its fee schedule to reflect procedures for applicants to purchase the examinations directly from the provider. Currently, candidates for the plumbing examination pay the agency a fee for his or her examination, and the agency administers and grades the examination and issues a license to successful candidates. In addition, the Commission will revise its rule to require apprenticeship schools to administer and grade the practical examinations for journeyman plumbers and plumbing contractors as a condition for graduation.

The Indiana Plumbing Commission has the authority to promulgate rules in accordance with [IC 25-28.5-1-8](#) and [IC 25-28.5-1-38](#) to establish all rules and regulations necessary for the proper administration and enforcement of [IC 25-28.5](#), including entering into such contracts and authorizing expenditures as its duties require. The proposed rules amend the process of the administration of the examination for licensure.

2. Estimated Average Annual Administrative Costs That Small Businesses Will Incur:

The Board estimates that the proposed rule will have an insignificant fiscal impact on small businesses, in that the plumbing apprentice schools currently test their students' practical plumbing skills.

3. Estimated Administrative Costs:

The Indiana Professional Licensing Agency provides administrative services to 40 boards, commissions, and committees. These boards, commissions, and committees are charged with regulating a wide range of professionals and entities. The statutes include both standard setting and regulatory authority. By statute, IPLA consolidates budget requests and is urged to consolidate and coordinate operations of the various boards, commissions, and committees where feasible in order to provide efficient and cost-effective services.

Currently, in order to administer the licensing examination, the agency has to enter into a lease agreement for a testing facility to accommodate both the written and practical examination. The practical examination requires the use of chemicals and pipes so the testing facility must be equipped with air ventilation and large rooms for the specialized testing. In fiscal year 2007-2008, the agency spent \$3,600 on the lease agreement and \$10,555 to reimburse proctors for the plumbing licensing examinations. In fiscal year 2008-2009, the agency will spend \$1,800 on the lease agreement and \$5,277.50 to reimburse proctors for the plumbing examinations. In the proposed contract, applicants for the journeyman plumber and plumbing contractor examination will pay the providers directly for the examination. With outsourcing the administration of the journeyman plumber and plumbing contractor licensing examinations, the agency expects to save approximately \$10,555 per fiscal year.

4. Estimated Total Annual Economic Impact on Small Businesses:

The Commission estimates that the cost for the administration of the practical exam by the schools is estimated to be \$100 per examinee. The agency determined that there will be no annual revenue generated by this rulemaking action. The estimated annual impact is based on the average number of exams that the Commission administered in 2007, which included:

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| • | Journeyman plumber | 1,871 |
| • | Plumbing contractor | 937 |
| • | Total examinees per year | 2,808 |

This number is an estimated number of applicants registered to take the exam. Based on the current number of examinees, the possible revenue that would be generated by businesses, namely the apprenticeship schools

or the professional examination service provider would be as follows:

- 2,808 examinees × \$100 per examinee for the cost of administration = \$280,800

5. Supporting Data, Studies, or Analyses:

The agency compared the costs of outsourcing the examination to keeping it in house. After balancing the staff time in reviewing and signing lease agreements for space to give the exams, contracting and paying proctors, and preparing the exams for the administration as well as for review of appeals, it was determined that outsourcing the exam is the most cost-effective approach. All journeymen and contractor plumbers must take an exam to be licensed. This rule will assist in making the exam more accessible. Currently, examinees are paying a fee to take the exam and will continue to do so. There is no increase in fees to the agency in implementing this rule.

6. Regulatory Flexibility Analysis of Alternative Methods:

The proposed rule creates the requirement for apprenticeship schools to administer the practical exam as a requirement for graduating and allows for an examination service to administer the written and drawing portions of the licensing exam. This will allow for a more streamlined and fair process for applicants. Having a uniform exam which is multiple-choice should alleviate appeals for failing the exam. The Commission did consider alternate examination avenues; however, this approach seemed to be the most cost-effective, both time and money, and the most fair for the examinees. There are no new reporting or record keeping requirements for small businesses as a result of this proposed rule.

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