

2011 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2064

# 2011 SENATE STANDING COMMITTEE MINUTES

Senate Industry, Business and Labor Committee  
Roosevelt Park Room, State Capitol

SB 2064  
1/11/2011  
Job Number 12666

Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

Relating to inspection and certificate fees and certificates of inspection of boilers

## Minutes:

1 testimony attached

**Chairman Klein:** Opened the meeting and attendance was taken

**Jeff Bitz, Administrator, Special Funds Division, North Dakota Insurance Department:**  
Written testimony attached

Question asked and then answered from testimony sheet. See attachment.

**Senator Schneider:** Would increasing the fee cap allow you to recover the \$50,000 that you have drawn down from the Fire and Tornado Fund?

**Jeff:** Yes

**Chairman Klein:** Looks like you will have a cushion of \$150,000 to work with.

**Jeff:** Yes, that will allow us to adjust the fee schedule accordingly through the next ten years.

Discussion continued, going over the bill items.

**Robert Reetz, Chief Boiler Inspector at the North Dakota Insurance Department:**  
Answered questions about the number of different boiler operators and the increase in inspection fee.

**Senator Nodland:** Asked Jeff if every boiler was inspected by them the first time.

**Jeff:** Yes, we inspect them and then set the due date for the insurance companies if it is going to be an insured object.

**Chairman Klein:** Closed the meeting

**Senator Larsen:** Discussed the inspector cards for the welder and hobby boiler license. Increasing these fees over 50%, no increase forever, but continuing to add these fees, he disagrees with it. He would like to leave it the way it is twenty five for all of them, no change.

**Senator Klein:** Looking at 9 – 13 section that just deals with personal licensing.

**Senator Larsen:** Correct

**Senator Andrist:** What is a reciprocal commission card? What does it take?

**Senator Klein:** We have some folks inspecting who are not state employees. They would have to have passed or have knowledge of doing inspections as a state inspector, but would have the reciprocity of having the ability of doing it both for the state or independently but not as a state employee.

**Senator Larsen:** Talked about the certification card he is familiar with from working as a DOT inspector and that it doesn't cost anything to have that certification card, but it costs you the time and energy to get the information and take the testing to become an inspector. If you work out of a dealership you can inspect those vehicles and pass them and that type of certification doesn't cost any money. Felt with the new technology that they should retest and because current technology has become available they have to know it. Said that the boilers from hobby to the threshing machine to boiler used at the Coal Creek Station the theory is the same, but technology between those are quite different.

**Senator Klein:** This goes to the difference between inspecting the boiler where you travel to the site. Saying their fee is due for your welding certificate but we would like to raise it even though they didn't have to travel any distance, they just send you a statement in the mail.....stating your fee is due. Cost involved in just getting a license is \$20 and up, or should it be \$40? Or \$10 and up should be \$20? That's the issue. But they don't have a major investment as they do try to drive around the oil field looking for the boiler on that rig.

**Senator Larsen:** They are investing their time and money into the education process, not the certification. They have to pay for the materials to become certified. That's why I am against the added money to keep that certification. They are already investing money to stay up with the current practices of being an inspector for welding or hobby boiler. They are staying current.

**Senator Klein:** Difference between hobby boilers operating license and actually going to certify their little boiler at the Threshing show. There's a fee for inspecting those little stationary engines to run them, you need an operating license.

**Senator Schneider:** Not against this idea, my concern is they have been drawing down from the fire and tornado fund, funds that paid off claims to the Northwood School disaster. They have drawn down about \$50,000 from that fund to pay for these inspection services. He felt it would benefit the committee if they would hear more testimony on the financial impact of what Senator Larsen is talking about. Whether it is 10, 15, 20, I would like to hear what kind of impact that is going to have, especially considering that oil boilers

inspection are expected to increase to 180 and up from a handful in 2001. We need more information.

**Senator Larsen:** Two different questions.....One they are getting paid for the inspection and that went up to \$500, they are not getting additional revenue from people holding the certificate, so still getting revenue from them but not getting the 50% increase. They are going from \$300 to \$500 so it is going to generate some revenue for them. And in talking about the people who are already certified he felt they should not continue burdening them with another certification fee increase.

**Senator Murphy:** How do you think this would impact the fiscal note on this one?

**Senator Klein:** Eric find out how many holders of inspection commissioner cards, welder cards, how many take the hobby boiler exam? How would this affect the bottom line....if we left it just as is? If only 5 cards, we could ignore, but if 500 and a major issue, we might have to address it.

**Senator Murphy:** I believe he gave us the number of 48? In that case, it would be a minor impact on the fiscal note.

**Senator Klein:** If we get the number in each category we would know how many that will affect.

**Senator Nodland:** I think that will tell us where the money is coming from. They are showing \$2,300 in revenue, who is paying it?

**Senator Klein:** We have done work with that committee and will get more information and continue to move forward.

Meeting adjourned.

# 2011 SENATE STANDING COMMITTEE MINUTES

Senate Industry, Business and Labor Committee  
Roosevelt Park Room, State Capitol

SB 2064  
1/11/2011  
12770

Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

Continued discussion

## Minutes:

No attachments

**Chairman Senator Klein:** Called the meeting back to order. We have brought Jeff Bitz back to answer any questions, asked for him to explain a reciprocal commission card.

**Jeff Bitz, Administrator, Special Funds Division, North Dakota Insurance Department:** Is an insurance company or other carrier inspector who has a national board commissioned and is licensed in another state to do inspections of boilers. We will give them a reciprocal commission card, without having to take a test.

**Senator Andrist:** Why does it need to be renewed in the first place?

**Jeff Bitz:** We review the reports of all these commissioned card holders for inspection. We make sure what we are seeing on paper represents the code which we have in state.

Continued discussion on bill and more questions for Jeff Bitz, it was stated that the fee cap will allow them to make adjustments without going through the administrative process again.

**Robert Reese, Chief Boiler Inspector in the North Dakota Insurance Department:** Has been with the National Board for 32 years. He knows the national program and North Dakota's program very well. Renewing all the commission cards for the welders and the inspectors, I have a good idea where we are at.

**Chairman Klein:** How many welder cards do you issue?

**Robert:** We have issued around 70 and it cost \$10 a card to issue. Stated they are not breaking even on the cost. We certify for boiler pressure welds and for anhydrous ammonia piping. Everyone else has to be national board commissioned and they don't have to have a separate welder card.

**Chairman Klein:** Recess for today. Adjourned the meeting.

# 2011 SENATE STANDING COMMITTEE MINUTES

Senate Industry, Business and Labor Committee  
Roosevelt Park Room, State Capitol

SB 2064  
January 17, 2011  
Job Number 12938

Conference Committee

Committee Clerk Signature	<i>Erin L. Smith</i>
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## Explanation or reason for introduction of bill/resolution:

Relating to inspection and certificates of inspection of boilers

## Minutes:

Committee discussion
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**Chairman Senator Klein:** Opened the discussion on Senate Bill 2064.

**Senator Larsen:** Explains the amendment.

Discussion followed about amendment changes and a new amendment will be done.

**Senator Larsen:** Moved a do pass on the amendment.

**Senator Nodland:** Seconded the motion.

Discussion followed about amendment changes and a new amendment will be done.

**Senator Murphy:** States that he is against the motion. He feels that the board is losing money and it is taking from the school and the fire and tornado fund.

**Senator Nodland:** Agrees with Senator Larsen. The welders gave us a number of \$10, that is \$700 for the department to receive and the hobby boilers were a small number also. I don't think we are talking about a lot of money that would help the department recoup what there are missing. The first three inspections are where the money is at. I agree with the motion.

**Senator Andrist:** I also agree with Senator Nodland. It is certainly proper that the cost of doing these boiler inspections be compensated. I just can't see that looking at an application and issuing a card really has a cost factor. I support the motion.

**Senator Schneider:** To some extent I do agree with Senator Larsen these fees are irritating. On the other hand I realize someone has to pay for these, we heard the individual who stated they are losing their shirts on these ten dollar fees. I do feel we are setting into law what these fees are. As an alternative, if we wanted to allow these individual to set a

lower rate, we could state not to exceed twenty five or thirty, then they would have to come back to the rules committee and justify that.

**Chairman Senator Klein:** Said he had asked that question of the agency and they said this gives them that flexibility, if they are only going to come back every ten years. Inspections cost money and we are sending these guys out. I know we are trying to limit to that one area.

**Senator Schneider:** We're setting into statute "is" that's the word we use. If the department thinks they have the flexibility, I am not sure they do. We could give them the flexibility to do that. Then they could set rates. One way or the other we are talking about a minimal amount of money. I just offer that out as a potential alternative.

**Senator Nodland:** It does say the inspection above says not to exceed. The last three says fee is. Is that what you are saying?

**Senator Schneider:** That's what I was trying to point out.

**Senator Larsen:** It is the education that an individual puts into getting a better license or a different certificate on that license; it's still twelve dollars but the investment that those people are taking to put in there. If they want to have another five dollars on their certificate fee they can recoup those through the increase of what they are inspecting the boilers at now. They are going from three hundred to five hundred dollars. I am just looking out for the individuals.

**Chairman Senator Klein:** With the concern that Senator Schneider has brought out, we will recess and I will get more information. The motion is on the floor to this amendment. Eric will have it cleared up and drafted. I will get clarification. We are adjourned.

# 2011 SENATE STANDING COMMITTEE MINUTES

Senate Industry, Business and Labor Committee  
Roosevelt Park Room, State Capitol

SB 2064

January 18, 2011

Job Number 12988

Conference Committee

Committee Clerk Signature

*En Latah*

## Explanation or reason for introduction of bill/resolution:

Relating to inspection and certificates of inspection of boilers

## Minutes:

Discussion and Vote

**Chairman Senator Klein:** Senator Larsen amendment would remove the overstrikes and put back to the original fee.

Roll call vote taken on Senator Larsen's amendment.

Roll Call Vote: Yes – 3 No – 4 Senator Larsen's amendment failed.

**Senator Nodland:** Would like to propose a different amendment to have the hobby boiler license stay where it is at and have the rest of the fees be increased. He then motioned a do pass on the amendment changes.

**Senator Murphy:** Seconded the motion.

Roll Call Vote: Yes – 6 No – 1

**Senator Andrist:** Motioned a do pass as amended.

**Senator Schneider:** Seconded the motion.

Roll Call Vote: Yes – 6 No – 1

Senator Andrist to carry the bill

# FISCAL NOTE

Requested by Legislative Council  
01/21/2011

Amendment to: SB 2064

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$203,080		\$203,080
Expenditures						
Appropriations						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill increases the caps and fees collected by the Department for boiler and other inspections, the annual fee for a reciprocal commission card and a welder-qualified card, the fee hobby boiler operating examination and the hobby boiler operating license.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 of the bill increases the fee caps for boiler inspections and special inspections and eliminates the fee caps for steam traction engines or Hobby Boiler as a separate type of inspection. This section also increases the fees for annual inspector commission cards, welder qualification cards, hobby boiler exams and hobby boiler licenses. Section 3 increases the Certificate of Inspection fee from \$20.00 per certificate to \$20.00 per year of certificate.

The amendment to this bill removes the increases for hobby boiler exams and hobby boiler licenses.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The bill increases fee caps per boiler inspection from \$150 to \$200, and increases the fees for special inspections requested by the owner/user and for shop reviews and surveys made by the Boiler Inspection Program from \$350 per day and \$200 per half-day to a maximum of \$500 per day and \$300 per half-day. The increase in revenue for the higher inspection fee caps is estimated at \$21,000 per year. The increase in the Certificate of Inspection fee from \$20.00 per certificate to \$20.00 per year of certificate is expected to generate an additional \$80,540 per year. Revenue from the change in fees for annual inspector commission cards, welder qualification cards, hobby boiler exams and hobby boiler licenses is expected to be nominal.

The amendment will have a minimal impact on revenues.

Revenues from the Boiler Inspection Program are deposited in the State Fire and Tornado Fund.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line*

*item, and fund affected and the number of FTE positions affected.*

This bill will not affect expenditures.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

This bill will not affect appropriations.

<b>Name:</b>	LARRY MARTIN	<b>Agency:</b>	ND Insurance Department
<b>Phone Number:</b>	701-328-2930	<b>Date Prepared:</b>	01/24/2011

# FISCAL NOTE

Requested by Legislative Council  
12/22/2010

Bill/Resolution No.: SB 2064

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$203,080		\$203,080
Expenditures						
Appropriations						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill increases the caps and fees collected by the Department for boiler and other inspections, the annual fee for a reciprocal commission card and a welder-qualified card, the fee hobby boiler operating examination and the hobby boiler operating license.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 of the bill increases the fee caps for boiler inspections and special inspections and eliminates the fee caps for steam traction engines or Hobby Boiler as a separate type of inspection. This section also increases the fees for annual inspector commission cards, welder qualification cards, hobby boiler exams and hobby boiler licenses. Section 3 increases the Certificate of Inspection fee from \$20.00 per certificate to \$20.00 per year of certificate.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The bill increases fee caps per boiler inspection from \$150 to \$200, and increases the fees for special inspections requested by the owner/user and for shop reviews and surveys made by the Boiler Inspection Program from \$350 per day and \$200 per half-day to a maximum of \$500 per day and \$300 per half-day. The increase in revenue for the higher inspection fee caps is estimated at \$21,000 per year. The increase in the Certificate of Inspection fee from \$20.00 per certificate to \$20.00 per year of certificate is expected to generate an additional \$80,540 per year. Revenue from the change in fees for annual inspector commission cards, welder qualification cards, hobby boiler exams and hobby boiler licenses is expected to be nominal.

Revenues from the Boiler Inspection Program are deposited in the State Fire and Tornado Fund.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

This bill will not affect expenditures.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

This bill will not affect appropriations.

<b>Name:</b>	Larry Martin	<b>Agency:</b>	Insurance Department
<b>Phone Number:</b>	701-328-2930	<b>Date Prepared:</b>	01/07/2011



January 18, 2011

*[Handwritten signature]*  
1-19-11

PROPOSED AMENDMENTS TO SENATE BILL NO. 2064

Page 2, line 11, remove the overstrike over "~~twenty five~~"

Page 2, line 11, remove "forty"

Page 2, line 12, remove the overstrike over "~~twenty five~~"

Page 2, line 12, remove "forty"

Renumber accordingly





**REPORT OF STANDING COMMITTEE**

**SB 2064: Industry, Business and Labor Committee (Sen. Klein, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). SB 2064 was placed on the Sixth order on the calendar.

Page 2, line 11, remove the overstrike over "~~twenty-five~~"

Page 2, line 11, remove "forty"

Page 2, line 12, remove the overstrike over "~~twenty-five~~"

Page 2, line 12, remove "forty"

Renumber accordingly

2011 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2064

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Industry, Business and Labor Committee  
Peace Garden Room, State Capitol

SB 2064  
March 2, 2011  
14836

Conference Committee

Committee Clerk Signature

*Ellen Letang*

## Explanation or reason for introduction of bill/resolution:

Inspection and certificate fees and certificates of inspection of boilers

## Minutes:

**Chairman Keiser:** Opens the hearing on SB 2064.

**Jeff Bitz~Administrator of the Special Funds Division with the North Dakota Insurance Department:** (See attached testimony 1).

**Representative Ruby:** On the second page of your testimony, you show the funds are about a little over \$50,000 but the changes you make, according to the fiscal note, are a little over \$200,000, why the big jump?

**Jeff Bitz:** That represents our biennium, not our annual basis.

**Representative Ruby:** Your testimony says \$354,376 for the last biennium with expenses of \$404,650. The short fall is about a little over \$50,000 per biennium but the changes according to the fiscal note, showed \$203,080 per biennium. It's quite a jump over expenses.

**Jeff Bitz:** Yes, it is quite a jump. In order to do the fiscal note we basically took the maximum. Actually, what we are going to bill out for isn't probably going to be the maximum on every inspection with respect to any type of boiler. The only way we could determine the fiscal note is to take the total number of boilers and compute that fiscal note based upon what the maximum increase would be, not on what the time spent. In doing the boiler inspection because, the actual fee is set in a fee schedule under administrative rule. This only reflects the cap in what I'm asking here. We have seen our costs increase even in 2009 and 2010; losses have continued to escalate up.

**Representative Ruby:** How do the costs the state charges for these inspections compare with the private sector inspectors?

**Jeff Bitz:** The private sector in terms of the insurance, that is built into the premium that they pay, the equipment breakdown carrier who provides that coverage to them. It's difficult to determine what their costs are because they are built into the premium. The

majority of their premium is basically to do with the inspection because that is what they are. We can't compare what a carrier would charge versus what the insurance would charge because we are trying to recoup what our costs actually are.

**Representative Gruchalla:** Are we comparable with the surrounding states with their charges?

**Jeff Bitz:** Minnesota's fees are a revenue generator and ours is to basically recover our costs. It's hard to come up with a comparison because it's difficult to answer.

**Representative N Johnson:** There is some liability, what kind of liability do you have?

**Jeff Bitz:** If their inspector doesn't do the inspection of that object that we mandate in code in terms of what we require and the boiler blows up, we sign off on it, we could be sued. We have to support internally, that we have done everything and that the insurance carrier representative did all the requirements at the time of the inspection to ensure that object was operating effectively. If we don't inspect and review their inspection reports, then we are at a greater degree of exposure in terms of liability.

**Representative N Johnson:** Do you have the liability insurance to cover that loss or is that a state's liability hanging out there? How is that liability covered within the state?

**Jeff Bitz:** That would be an exposure to the state and as a state entity, we would have to present through the Attorney General's office who would be our representative to defend us, that we did all the requirements. It would be an exposure to the state through the risk management program.

**Representative M Nelson:** The portable boilers like the hobbyist, is there reciprocity with other states or are they inspected by each state that they go to?

**Jeff Bitz:** Oil field boilers are portable boilers; they should be inspected in every state.

**Representative M Nelson:** A hobbyist like a steam thresher that comes to North Dakota, should he be inspected before he operates it at that show?

**Jeff Bitz:** A hobby boiler would be considered a portable boiler. If that boiler was inspected in North Dakota, that certificate of inspection will be accepted by out of state for hobby boilers.

**Representative M Nelson:** These pressure vessels, that takes, out of definition of boilers, are they going to be inspected by someone or are they just out of the code.

**Jeff Bitz:** They will still be inspected by us, it's just that the definition is being redefined.

**Representative M Nelson:** So, they are covered under a different section.

**Jeff Bitz:** Yes.

**Chairman Keiser:** Now what would be the fee for those steam tractor engines? We are striking the \$75 fee, what will they be charged?

**Jeff Bitz:** They would be charged and it would follow under the normal fee cap under the administrative rule.

**Chairman Keiser:** What's the new fee?

**Jeff Bitz:** It could be \$80 for inspection for the boiler because it will take two inspectors and will take an hour for the internal inspection.

**Chairman Keiser:** I'm confused, you have a list, you have hobby boiler exam and that \$25. You have now struck the language that said that it would be \$75 for that special group.

**Jeff Bitz:** There is an exam fee for the actual written exam and a commission for hobby boiler operators.

**Chairman Keiser:** So they are going to be charged \$50.

**Jeff Bitz:** That doesn't change. This doesn't affect the exam fee for the test exam for the operator of the hobby boiler or for their hobby boiler operator license. This inspection of the actual pressure vessel of the hobby boiler has nothing to do with the exam fee or their card license.

**Chairman Keiser:** Where in this schedule do you see \$80? This schedule doesn't apply?

**Jeff Bitz:** The schedule applies. The fee cap is \$200.

**Chairman Keiser:** These are maximum charges?

**Jeff Bitz:** Yes.

**Chairman Keiser:** So you can be less than that?

**Jeff Bitz:** Yes.

**Representative Sukut:** How often does the owner of the boiler call for an inspection and what kind overall revenues does that type of action present?

**Jeff Bitz:** The owner would never call unless it's leaking and there was some kind of problem. We have an inspection schedule set up within the boiler inspection program to tell us when we last inspected it and then we will set up an inspection date.

**Representative Sukut:** On page 2, lines 2 & 3, would you clarify that for me?

**Jeff Bitz:** That's where you have certain select firms in North Dakota that have to meet national board code to manufacture or repair a pressure object. You have to look at their complete chain of control of all the responsibilities they have to do. They are on a schedule,

get our stamp every two years and have to be recertification in order to maintain to a qualified repair shop.

**Representative Sukut:** Is this a major or minor part of your overall revenues?

**Jeff Bitz:** A small component but it takes a considerable amount of time.

**Representative Clark:** Where does the requirement for annual inspections comes from? The second question is, how often do you find problems that need corrections? Third, when is the last time we had a boiler explosion in North Dakota?

**Jeff Bitz:** Because of our outstanding inspections of boilers, we haven't had one in a long time. We find many deficiencies that we have to follow up and correct but we haven't had one blow up in a long time. We credit that to our detailed inspections.

**Chairman Keiser:** We had two more questions.

**Jeff Bitz:** The set inspection intervals are in statute or administrative rule in terms of the type of boiler.

**Representative Ruby:** The shortfall is covered by the fire and tornado fund, how much is in the fund?

**Jeff Bitz:** We have roughly 25 million dollars in state fire and tornado fund.

**Representative Gruchalla:** A leaky hobby boiler, does that call for a special inspection for \$350 a day or is it you're regular \$75 or \$80 for a hobby boiler inspection.

**Jeff Bitz:** They won't even come to us, they are going to have to call a repair shop to set up a repair for the leaky boiler and the inspection. When they set up the repair, we will be notified and we will then observe the final product of repair to make sure that it's to code. So it will be a \$40 charge.

**Chairman Keiser:** The key point is this fiscal note will be difficult to defend. The first thing they are going to say on our floor is you have a 300 to 400 percent increase in fees. Well, we really don't. If we are going to employ that then we need the fiscal note. If we are going to do hobby people at \$80, the fiscal note should reflect that. We agree, you currently have a deficit at \$50,000 on your fiscal note, if you follow it through, it says we are going to generate \$100,000 plus in the biennium. I know they are going to ask why the fees are going up so much. You might want to revisit the fiscal note to find a more valid way to approach what your intentions are or otherwise this will be an interesting debate on the floor. Honestly, we could lose this one if we don't find numbers that have reasonable percentages.

**Rebecca Ternes~Representing the Insurance Commissioner:** We can do a new fiscal note, we would be assuming that the rules committee would pass the note. It's been 10 years since we raised them, we know we are going to have more activity in the oil field, but we can estimate.

**Chairman Keiser:** I'm just sharing with you with a few years of experience.

**Vice Chairman Kasper:** Are you adding other FTEs?

**Jeff Bitz:** No, we are not looking for additional FTEs, we are trying to recover and anticipate what our costs will be down the road.

**Rebecca Ternes:** This program sits in the special funds division. We are not sure why the overages have been taken out the fire and tornado funds but that's why we would like to see it pay for itself versus have the overages covered by SFD. We hope we don't have to do this every two years.

**Chairman Keiser:** That's the balance we are having a discussion about. The people who pay the fee would rather have you revisit them than overcharge them.

**Representative N Johnson:** Would it be accurate to say that these would be the caps, the maximums in going to the administrative rules process? You would set what each thing would be and during the course of the next five or six years, you could go back to administrative rules to incrementally raise them, is that what you are trying to get to?

**Jeff Bitz:** Yes, you have the hourly rates in terms of the inspection except for the certificate fees themselves.

**Representative Ruby:** I think that the people who pay the fees would be more comfortable if the fee structure were set to only ask for what will cover costs but yet the fiscal note is based on the worst case scenario, which could happen. So, we are giving you the authority to go over what the cost is and whether or not you present that to administrative rules which can change from interim to interim.

**Jeff Bitz:** Yes, we can only charge per hour what is set in the administrative rules and the fee caps are only being adjusted so that we can recover our costs instead of be subsidized by fire and tornado fund. Same thing with increasing the fee cap from \$350 to \$500 because of all the time preparation, we will only be charging what actually is there, it will be our direct costs. We don't intend to use all that in charging the maximum rate, we will only be charging what we are putting into that inspection and getting that back in terms of our costs.

**Representative Sukut:** Other side of the formula, the cost side, if we are looking at drilling another 1500 wells over the course of the next year, I guess that your costs are going to increase substantially also. When you start putting your numbers and working projections, I think that is one side of the formula that you would have to take into consideration.

**Jeff Bitz:** You are absolutely correct.

**Chairman Keiser:** Anyone else here to testify in support of SB 2064, in opposition, in a neutral position? Closes the hearing, what are the wishes of the committee?

**Representative M Nelson:** Could we hold.

**Chairman Keiser:** Yes, we will certainly hold it and let the committee think about it.

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Industry, Business and Labor Committee  
Peace Garden Room, State Capitol

SB 2064  
March 9, 2011  
15202

Conference Committee

Committee Clerk Signature
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**Explanation or reason for introduction of bill/resolution:**

Inspection and certificate fees and certificates of inspection of boilers

**Work Committee Minutes:**

**Chairman Keiser:** Opens the hearing on SB 2064. What are the wishes of the committee?

**Representative Kreun:** Moves a Do Pass.

**Representative N Johnson:** Second.

**Chairman Keiser:** Further discussion?

**Roll call was taken for a Do Pass on SB 2064 with 12 yeas, 1 nay, 1 absent and Representative Gruchalla is the carrier.**

Date: March 9, 2011

Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2064

House House Industry, Business and Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment

Motion Made By Rep Kraun Seconded By Rep Johnson

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	✓		Representative Amerman	✓	
Vice Chairman Kasper	✓		Representative Boe	✓	
Representative Clark	✓		Representative Gruchalla	✓	
Representative Frantvog	✓		Representative M Nelson	✓	
Representative N Johnson	✓				
Representative Kreun	✓				
Representative Nathe	✓				
Representative Ruby		✓			
Representative Sukut	✓				
Representative Vigesaa	Ab				

Total Yes 12 No 1

Absent 1

Floor Assignment Rep Gruchalla

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2064, as engrossed: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends DO PASS (12 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2064 was placed on the Fourteenth order on the calendar.**

2011 TESTIMONY

SB 2064

**SENATE BILL NO. 2064**

**Presented by:** Jeff Bitz  
Administrator, Special Funds Division  
North Dakota Insurance Department

**Before:** Senate Industry, Business and Labor Committee  
Senator Jerry Klein, Chairman

**Date:** January 10, 2011

**TESTIMONY**

Good morning, Chairman Klein and members of the committee. My name is Jeff Bitz and I am the Administrator of the Special Funds Division with the North Dakota Insurance Department which is responsible for the Boiler Inspection Program. I am here in support of Senate Bill No. 2064.

The Boiler Inspection Program is responsible for the inspection of 9,382 boilers at this time. Fifty percent of these boilers (4,697) are directly inspected by Department inspectors. The other 50 percent are inspected by licensed boiler inspectors employed by various insurance and inspection companies. All new boilers are inspected initially by Department inspectors regardless of whether they are insured or not. Inspections are at intervals of twice per year for high-pressure steam boilers; once per year for low-pressure steam boilers and for water heaters and boilers in schools, nursing homes and day-care centers; once every two years for hot water boilers; and once every three years for hot water boilers in apartments and condominiums. Roughly 5,355 inspections are made annually by Department and insurance/inspection company inspectors and all are processed by the Boiler Inspection Program.

The Department receives all inspection reports from our inspectors and insurance company inspectors. We assign new inspection due dates. We review all reports for accuracy and problems and enter all data from inspections into our database. Violations are tracked and written notice of violations is sent to owners/users and

installers. We follow up until all repairs are complete, issue certificates, and invoice fees to owners/users.

The boiler inspection program generated revenue of \$354,376 last biennium with expenses of \$404,650. Since 2008 this program has run at a loss with that loss being covered by the Fire and Tornado Fund.

### **Section 1 – Amendment**

Section 1 of the bill changes the definition of a boiler in Section 26.1-22.1-01 to eliminate fired units for heating liquids other than water when these units are separate from processing systems and complete within themselves. The reason for this change is because the American Society of Mechanical Engineers (ASME) Boiler & Pressure Vessel Codes have designated these units as pressure vessels and not boilers. We adopt the ASME Codes by reference in our administrative rules. Please note that those units vaporizing the same liquids other than water are still classified as boilers.

### **Section 2 – Amendments**

Fee caps for boiler inspection are set by statute and the actual fees are set by administrative rule. Fees were last increased in 2001. This amendment increases fee caps per boiler inspection from \$150 to \$200. This increase is needed to set fees adequate to cover our costs for inspection of larger boilers such as portable boilers used on oil drilling rigs and for new large industrial boilers now being installed in biofuel processing plants, electrical generating plants and other agriculture-related processing plants. Both types of inspections are time consuming and for oil drilling rigs, boilers are difficult to access. We have seen the number of oil drilling boiler inspections increase to 180 annually, compared to just a handful back in 2001.

Fee caps for inspections of steam traction engines (hobby boilers) are eliminated as a separate fee cap and treated as boilers. The lower fee cap functioned as a subsidized fee for this class of boiler.

The fees for special inspections requested by the owner/user and for shop reviews and surveys made by the Boiler Inspection Program are increased from \$350 per day and \$200 per half-day to a maximum of \$500 per day and \$300 per half-day. These inspections, reviews and surveys go beyond just the day or half day on-site; it requires many hours/days of preparation. These preparation costs need to be recovered.

These increases in fees for annual inspector commission cards, welder qualification cards, hobby boiler exams and hobby boiler licenses are more in line with the actual costs incurred in administering and issuing these cards.

### **Section 3 – Amendment**

Section 3 of the bill changes the Certificate of Inspection fee from \$20 per certificate to \$20 per year of certificate. Currently, depending on the type of boiler and use, boiler fees vary. Making the fee the same for all owner/users will reduce our administrative burden, simplify the fee structure and increase revenue by approximately \$80,540 per year, which will offset current deficits. The largest increase that any one owner/user will experience with this change will be \$40.

The fee for a Certificate of Inspection is now \$20 regardless of how long the certificate is valid. Owners of high pressure boilers pay this fee yearly. Our judgment is that just increasing the certificate fee would continue to create an inequity for those issued an annual certificate. In a three-year period an owner of a high pressure boiler now pays \$60 for certificate fees. Our recommendation is that we charge per year for all Certificates of Inspection. All owner/users would pay the same fee. Many states already use this method of charging for certificate fees.

## Summary

The existing fee caps and fees were last changed in 2001.

	<b>2001 Fee or Fee Cap</b>	<b>New Fee or Fee Cap</b>
Boiler Inspections	\$150 per inspection	\$200 per inspection
Special Inspections and Shop Reviews	\$350 per day \$200 per ½ day	\$500 per day \$300 per ½ day
Hobby Boiler	\$75 per inspection	See "Boiler Inspections"
Inspector Commission Card	\$25	\$40
Welder Card	\$10	\$20
Hobby Boiler Exam	\$25	\$40
Hobby Boiler License	\$25	\$40
Certificate Fee	\$20 per certificate	\$20 per year of certificate

The Boiler Inspection Program issues Certificates of Inspection for all certificate inspections whether made by Department boiler inspectors or by insurance/inspection company boiler inspectors. This has been unchanged since the program started in 1953. The Department has some liability for inspections made by any inspector, and insurance/inspection company inspectors are closely monitored. The number of boilers have increase since 2001 from 8,401 to 9,382 today. The complexity of inspections and the costs to complete an inspection has also increased in that same period of time.

Mr. Chairman and members of the committee, I thank you for your time and respectfully ask for your support of Senate Bill No. 2064. I would be happy to answer any questions you may have. Thank you.

**SENATE BILL NO. 2064**

**Presented by:** Jeff Bitz  
Administrator, Special Funds Division  
North Dakota Insurance Department

**Before:** House Industry, Business and Labor Committee  
Representative George Keiser, Chairman

**Date:** March 2, 2011

**TESTIMONY**

Good morning, Chairman Keiser and members of the committee. My name is Jeff Bitz and I am the Administrator of the Special Funds Division with the North Dakota Insurance Department which is responsible for the Boiler Inspection Program. I am here in support of Engrossed Senate Bill No. 2064.

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