

**FISCAL AND ECONOMIC IMPACT STATEMENT
FOR ADMINISTRATIVE RULES**

Person
Preparing
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Return
Address: 5825 Florida Blvd., Suite 3003 Rule
Baton Rouge, LA 70806 Title: LAC 7:XXV. Structural Pest Control
(LAC 7:XXV.101, 105, 107, 113, 117, 141)

Date Rule
Takes Effect: February 20, 2016

SUMMARY
(Use complete sentences)

In accordance with Section 953 of Title 49 of the Louisiana Revised Statutes, there is hereby submitted a fiscal and economic impact statement on the rule proposed for adoption, repeal or amendment. THE FOLLOWING STATEMENTS SUMMARIZE ATTACHED WORKSHEETS FOR PUBLICATION IN THE LOUISIANA REGISTER WITH THE PROPOSED AGENCY RULE.

I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The proposed rule changes will not result in any costs or savings to state or local governmental units.

II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

Pursuant to Act 201 of 2015 and existing authority in LA R.S. 3:3374, LDAF anticipates the proposed rule changes will result in a revenue increase of approximately \$335,000 annually beginning in FY 17. Due to the proposed rules being in effect for only a portion of FY 16, LDAF anticipates a revenue increase of approximately \$175,400.

The proposed amendment for Rule 105 increases permit fees for operators of structural pest control (SPC) businesses by \$25. LDAF issues two permits for SPC firms, one for firms that employ two or less employees, and one for firms that employ three or more employees. Permit fees for firms employing two or less employees will increase from \$125 to \$150. Similarly, permit fees for firms employing three or more employees will increase from \$175 to \$200. Based upon three-year averages of permit issuances for firms that employ two or less employees (205) and firms that employ three or more employees (341), LDAF will generate an additional \$13,700 in revenue, increasing total revenue from approximately \$85,300 to \$99,000. Due to the rule being in effect only for the 3rd and 4th quarters of FY 16, when the department issues 170 permits on average for firms with two or less employees and 284 permits on average for firms with three or more employees, LDAF anticipates a revenue increase of approximately \$11,300 for the current fiscal year.

The proposed amendment for Rule 113 raises the administrative fee for processing of a technician registration certificate by \$5, from \$20 to \$25. Based upon a three-year average of LDAF processing 1,574 technician registration certificates annually, the fee increase will generate an additional \$8,000 each fiscal year, raising total revenue from approximately \$31,000 to \$39,000. Due to the rule being in effect only for the 3rd and 4th quarters of FY 16, when LDAF processes 1,371 pest control certificates on average, the department anticipates a revenue increase of \$6,900 for the current fiscal year.

The first proposed amendment for Rule 117 raises the annual fee for licensed pest control operations by \$5, from \$5 to \$10 per phase in which the pest control operator is licensed. Based upon a three-year average of LDAF issuing licenses for 2,256 phases annually, the fee increase will generate an additional \$11,300 each fiscal year, raising total revenue from approximately \$11,300 to \$22,600. Due to the rule being in effect only for the 3rd and 4th quarters of FY 16, when LDAF licenses 1,915 pest control phases on average, the department anticipates a revenue increase of \$9,600 for the current fiscal year.

The second proposed amendment for Rule 117 raises the fee for wood destroying insect reports and contracts by \$4, from \$8 to \$12 per contract. Based upon a four-year average of LDAF receiving 75,605 contracts and reports combined annually, the fee increase will generate an additional \$302,000 each fiscal year, raising total revenue from approximately \$605,000 to \$907,000. Due to the rule being in effect only for the 3rd and 4th quarters of FY 16, when LDAF receives 36,907 reports and contracts on average, the department anticipates a revenue increase of \$147,600 for the current fiscal year.

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NON-GOVERNMENTAL GROUPS (Summary)

Pest control companies will be charged an additional \$4 per reported contract and report filed with LDAF, an additional \$25 for place of business permits, and an additional \$5 for registering a technician. The anticipated cost to pest control operators will be an additional \$5 per phase in which they are licensed. Based upon the department's current activity, the proposed rule changes will result in an aggregate amount of approximately \$175,400 paid by industry in FY 16 and approximately \$335,000 in FY 17 and subsequent fiscal years

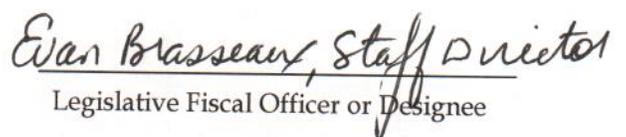
IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

The proposed rule changes will not have an effect on competition and employment.


Signature of Agency Head or Designee

Dane Morgan, Assistant Commissioner
of Management and Finance, LDAF

11/6/15
Date of Signature


Legislative Fiscal Officer or Designee

11/6/15
Date of Signature

**FISCAL AND ECONOMIC IMPACT STATEMENT
FOR ADMINISTRATIVE RULES**

The following information is required in order to assist the Legislative Fiscal Office in its review of the fiscal and economic impact statement and to assist the appropriate legislative oversight subcommittee in its deliberation on the proposed rule.

- A. Provide a brief summary of the content of the rule (if proposed for adoption, or repeal) or a brief summary of the change in the rule (if proposed for amendment). Attach a copy of the notice of intent and a copy of the rule proposed for initial adoption or repeal (or, in the case of a rule change, copies of both the current and proposed rules with amended portions indicated).

The amendments to Rule 101 define and clarify regulated terms used by the structural pest control industry. The amendments to Rule 105 raise the fee from \$125 to \$150 for issuance of a permit for firms that employ two or less employees and from \$175 to \$200 for firms which employ three or more employees. The amendments to Rule 107 require written notification to the department if telephone answering services or call centers are utilized. The amendments to Rule 113 raise the fee from \$20 to \$25 for administrative processing of a technician registration certificate. The amendments to Rule 117 make the following changes: (i) raise the annual fee for licensed pest control operations from \$5 to \$10 for each phase in which the pest control operator is licensed; (ii) raise the fees for wood destroying insect reports and contracts from \$8 to \$12; and (iii) obligate the licensed operator to use backflow prevention to protect water sources, to use listed telephone numbers, and to record completion date for new construction. Finally, the amendments to Rule 141 do the following: (i) provide homeowners and pest control operators additional treatment options for control of termites while still providing for minimum treatment specifications and include pier type construction in pre-construction; (ii) modify the required information on pre-treatment notifications; (iii) modify the requirements of pest control operators when bait contracts are terminated; (iv) remove the requirement of a pilot program for bait and baiting system products; and (v) permit the use of rodding around utility equipment.

- B. Summarize the circumstances, which require this action. If the Action is required by federal regulation, attach a copy of the applicable regulation.

The proposed rule changes clarify sections of the regulation for better understanding by the pest control industry and consumers, add requirements to increase consumer protection, and delete areas of regulation that are no longer applicable. The fee increases allow for continued oversight of the structural pest control industry.

The changes in fees in the proposed rule are authorized by R.S. 3:3374, as amended by Act No. 201 of the 2015 Legislative Session.

C. Compliance with Act 11 of the 1986 First Extraordinary Session

- (1) Will the proposed rule change result in any increase in the expenditure of funds? If so, specify amount and source of funding.

It is not anticipated that the proposed rule change will result in any increase in the expenditure of funds.

- (2) If the answer to (1) above is yes, has the Legislature specifically appropriated the funds necessary for the associated expenditure increase? Not applicable.

(a) _____ Yes. If yes, attach documentation.

(b) _____ NO. If no, provide justification as to why this rule change should be published at this time

FISCAL AND ECONOMIC IMPACT STATEMENT

WORKSHEET

I. A. COSTS OR SAVINGS TO STATE AGENCIES RESULTING FROM THE ACTION PROPOSED

1. What is the anticipated increase (decrease) in costs to implement the proposed action?

It is not anticipated that implementation of the proposed rule will result in an increase or decrease of costs.

COSTS	FY 16	FY 17	FY 18
Personal Services	0	0	0
Operating Expenses	0	0	0
Professional Services	0	0	0
Other Charges	0	0	0
Equipment	0	0	0
Major Repairs & Constr.	0	0	0
TOTAL	0	0	0
POSITIONS (#)	0	0	0

2. Provide a narrative explanation of the costs or savings shown in "A. 1.", including the increase or reduction in workload or additional paperwork (number of new forms, additional documentation, etc.) anticipated as a result of the implementation of the proposed action. Describe all data, assumptions, and methods used in calculating these costs.

It is not anticipated that the proposed rule will have a direct material effect on governmental expenditures.

3. Sources of funding for implementing the proposed rule or rule change.

It is not anticipated that the proposed rule will require any direct or indirect material funding.

SOURCE	FY 16	FY 17	FY 18
State General Fund	0	0	0
Agency Self-Generated	0	0	0
Dedicated	0	0	0
Federal Funds	0	0	0
Other (Specify)	0	0	0
TOTAL	0	0	0

4. Does your agency currently have sufficient funds to implement the proposed action? If not, how and when do you anticipate obtaining such funds?

It is not anticipated that the proposed rule will require any funds to implement.

B. COST OR SAVINGS TO LOCAL GOVERNMENTAL UNITS RESULTING FROM THE ACTION PROPOSED.

1. Provide an estimate of the anticipated impact of the proposed action on local governmental units, including adjustments in workload and paperwork requirements. Describe all data, assumptions and methods used in calculating this impact.

It is not anticipated that the proposed rule will have an impact on local governmental units.

2. Indicate the sources of funding of the local governmental unit, which will be affected by these costs or savings.

Not applicable.

FISCAL AND ECONOMIC IMPACT STATEMENT

WORKSHEET

II. EFFECT ON REVENUE COLLECTIONS OF STATE AND LOCAL GOVERNMENTAL UNITS

A. What increase (decrease) in revenues can be anticipated from the proposed action?

It is estimated that the proposed rules will result in an increase in revenue collected by the department by \$335,266 annually beginning in FY 17. It is estimated that the proposed rules will result in an increase in revenue collected by the department by \$175,332 in FY 16.

The amendments to Rule 105 raise the fee from \$125 to \$150 for issuance of a permit for firms that employ two or less employees and from \$175 to \$200 for firms which employ three or more employees. It is anticipated that this amendment will result in increased revenue of approximately \$13,654 annually beginning in FY 17. The amendments to Rule 113 raise the fee from \$20 to \$25 for administrative processing of a technician registration certificate. It is anticipated that this amendment will result in increased revenue of approximately \$7,874 annually beginning in FY 17. The amendment to Rule 117 raises the annual fee for licensed pest control operations from \$5 to \$10 for each phase in which the pest control operator is licensed. It is anticipated that this amendment will result in increased revenue of approximately \$11,277 annually beginning in FY 17. The amendment to Rule 117 also raises the fees for wood destroying insect reports and contracts from \$8 to \$12. It is anticipated that this amendment will result in increased revenue of approximately \$302,421 annually beginning in FY 17.

The proposed rules will not be in effect until January 2016, therefore, the revenue received in FY 16 will only reflect the 3rd and 4th quarters. It is anticipated that the amendments to Rule 105 will increase revenue by approximately \$11,275 in FY 16. It is anticipated that the amendments to Rule 113 will increase revenue by approximately \$6,854 in FY 16. It is anticipated that the amendment to Rule 117 regarding each phase in which a pest control operator is license will increase revenue by approximately \$9,575 FY 16. Finally, it is anticipated that the amendment to Rule 117 that raises the fees for wood destroying insect reports and contracts will increase revenue by approximately \$147,628 in FY 16.

REVENUE INCREASE/DECREASE	FY 16	FY 17	FY 18
State General Fund	0	0	0
Agency Self-Generated	0	0	0
Restricted Funds*	\$175,332	\$335,266	\$335,266
Federal Funds	0	0	0
Local Funds	0	0	0
TOTAL	\$175,332	\$335,266	\$335,266

*Specify the particular fund being impacted: Structural Pest Control Fund

B. Provide a narrative explanation of each increase or decrease in revenues shown in "A." Describe all data, assumptions, and methods used in calculating these increases or decreases.

Amendment One: The amendments to Rule 105 raise the fee from \$125 to \$150 for issuance of a permit for firms which employ two or less employees and from \$175 to \$200 for firms which employ three or more employees. The department has collected an average of approximately \$85,296 per year over the last three years from funds generated by this fee. Approximately 70% of the permits issued under Rule 105 are for firms that employ three or more employees; 30% of the permits are for firms that employ two or less employees. Therefore, we estimate that approximately \$59,708 of the fees collected are for firms which employee three or more employees and that approximately \$25,588 of the fees collected are for firms which employee two or less employees. By dividing \$59,708 by \$175, we conclude the department issues approximately 341 permits annually for firms which employee three or more employees. By dividing \$25,588 by \$125, we conclude the department issues approximately 205 permits annually for firms which employee two or less employees. Assuming the department continues to issue the same number of permits in both categories, the new fee will generate approximately \$68,200 per year in fees for

permits issued for firms which employ three or more employees and approximately \$30,750 in fees for permits issued for firms which employ two or less employees. This results in an anticipated increase in revenue of approximately \$13,654 annually, beginning in FY 17.

Because the proposed rule will only be in effect during the 3rd and 4th quarters of FY 16, it is anticipated that the proposed rule will increase revenues by \$11,275 in FY 16. Over the past three years, the fee in Rule 105 has generated an average of approximately \$71,025 during the months of January to June. Most of the permits issued under this rule by the department are issued in the 4th quarter because the permits expire each year on June 30. Again, approximately 70% of the permits issued under Rule 105 are for firms that employ three or more employees; 30% of the permits are for firms which employ two or less employees. Therefore, we estimate that approximately \$49,718 of the fees collected during the 3rd and 4th quarters are for firms which employ three or more employees and that approximately \$21,308 of the fees collected during the 3rd and 4th quarters are for firms which employ two or less employees. By dividing \$49,718 by \$175, we conclude the department issues approximately 284 permits during the 3rd and 4th quarters for firms which employ three or more employees. By dividing \$21,308 by \$125, we conclude the department issues approximately 170 permits during the 3rd and 4th quarters for firms which employ two or less employees. Assuming the department continues to issue the same number of permits in both categories from January to June of 2016, the new fee will generate approximately \$56,800 in fees for permits issued for firms which employ three or more employees and approximately \$25,500 in fees for permits issued for firms which employ two or less employees. This results in an anticipated increase in revenue of approximately \$11,275 for the same time period over the past three years.

Amendment Two: The amendments to Rule 113 raise the fee from \$20 to \$25 for administrative processing of a technician registration certificate. The department has collected an average of \$31,476 per year over the last three years from funds generated by this fee. By dividing \$31,476 by \$20, we conclude the department has processed an average of 1,574 technician registration certificates each year. Assuming the department continues to process the same number of certificates each year, the new fee will generate approximately \$39,350 per year, which will be an increase of approximately \$7,874 received by the department annually, beginning in FY 17.

Because the proposed rule will only be in effect during the 3rd and 4th quarters of FY 16, it is anticipated that the proposed rule will increase revenues by \$6,854 in FY 16. Over the past three years, the fee in Rule 113 has generated an average of \$27,421 during the months of January to June. By dividing \$27,421 by \$20, we conclude the department has processed an average of 1,371 technician registration certificates each year between the months of January and June. Most of the technician registration certificates are processed during this time period because the certificates expire each year on June 30. Assuming the department continues to process the same number of certificates from January to June of 2016, the fee under the proposed rule will generate approximately \$34,275, which is an increase of \$6,854 for the same time period over the past three years.

Amendment Three: The amendment to Rule 117 raises the annual fee for licensed pest control operations from \$5 to \$10 for each phase in which the pest control operator is licensed. The department has collected an average of \$11,283 per year over the last three years from funds generated by this fee. By dividing \$11,283 by \$5, we conclude the department has issued licenses in approximately 2,256 phases. Assuming the department continues to process the same number of phases for licensed pest control operators each year, the new fee will generate approximately \$22,560, which will be an increase of approximately \$11,277 received by the department annually, beginning in FY 17.

Because the proposed rule will only be in effect during the 3rd and 4th quarters of FY 16, it is anticipated that the proposed rule will increase revenues by \$9,575 in FY 16. Over the past three years, the fee in Rule 17 has generated an average of \$9,575 during the months of January to June. This is because licenses expire June 30 of each year; therefore, the department renews the most licenses in May and June of each year. By dividing \$9,575 by \$5, we conclude the department has issued licenses in approximately 1,915 phases each year between the months of January and June. Assuming the department continues to process the same number of phases for licensed pest control operators from January to June of 2016, the fee under the proposed rule will generate approximately \$19,150, which is an increase of \$9,575 for the same time period over the past three years.

Amendment Four: The amendment to Rule 117 also raises the fees for wood destroying insect reports and contracts from \$8 to \$12. The department has received an average of 75,605 wood destroying insect reports and contracts per year over the last four years. Each wood destroying insect reports and contract is submitted with an \$8 fee; therefore, for the past four years, the department has collected approximately \$604,842 per year in fees on wood destroying insect reports and contracts. Assuming the department continues to receive the same number of wood destroying insect reports and contracts each year, the new fee will generate approximately \$907,263 per year, which will be an increase of approximately \$302,421 annually, beginning in FY 17.

Because the proposed rule will only be in effect during the 3rd and 4th quarters of FY 16, it is anticipated that the proposed rule will increase revenues by \$147,628 in FY 16. Over the past four years, the

department has received an average of 36,907 wood destroying insect reports and contract during the 3rd and 4th quarters. The department has collected approximately \$295,256 per year on these contracts and reports during the 3rd and 4th quarters of the past four years. Assuming the department continues to receive the same number of wood destroying insect reports and contracts from January to June of 2016, the fee under the proposed rule will generate approximately \$442,884, which is an increase of \$147,628 for the same time period over the past three years.

FISCAL AND ECONOMIC IMPACT STATEMENT

WORKSHEET

III. COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NONGOVERNMENTAL GROUPS

- A. What persons or non-governmental groups would be directly affected by the proposed action? For each, provide an estimate and a narrative description of any effect on costs, including workload adjustments and additional paperwork (number of new forms, additional documentation, etc.), they may have to incur as a result of the proposed action.

Structural pest control operators are the non-governmental group affected by the proposed action. The anticipated cost to pest control companies will be an additional \$4 per reported contract and/or report, an additional \$25 for place of business permits and an additional \$5 for registering a technician. The anticipated cost to individual pest control operators will be an additional \$5 per phase for a licensee. No additional workload or paperwork is anticipated as a result of the proposed action.

- B. Also provide an estimate and a narrative description of any impact on receipts and/or income resulting from this rule or rule change to these groups.

It is not anticipated that the proposed rule will have a direct material effect on the revenues of any group.

IV. EFFECTS ON COMPETITION AND EMPLOYMENT

Identify and provide estimates of the impact of the proposed action on competition and employment in the public and private sectors. Include a summary of any data, assumptions and methods used in making these estimates.

It is anticipated that the implementation of this proposed rule will not have an effect on competition and employment in either the public or private sector.