

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1969-01
Bill No.: SB 554
Subject: Boards, Commissions, Committees, Councils; Business and Commerce
Type: Original
Date: April 1, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Business Brokers	\$0	\$137,830	(\$69,923)
PR Fees Fund	(\$3,652)	\$3,652	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(\$3,652)	\$141,482	(\$69,923)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Senate** assume the proposal would have no fiscal impact on their organization.

Officials from the **Department of Economic Development - Division of Professional Registration (DED-PR)** provide the following assumptions related to this proposal:

Based on an estimate of Superpages.com for business brokers, it is estimated there are approximately 208 individuals in the state of Missouri that will be required to be licensed. The DED-PR assumes a fee of \$1,100 will be paid for all categories of licensure with biennial renewal. The DED-PR estimates a 3% growth rate and assumes licensure begins in FY 07, resulting in revenue to the Business Broker Fund of \$228,800 in FY 07. Revenues for FY 08 are estimated to be \$1,638.

The DED-PR assumes all fees collected and all expenses would be deposited into and paid out of the Business Brokers Fund. The DED-PR notes expenses occurring prior to an appropriation (FY 06) would be borrowed from another fund within Professional Registration and paid back in FY 07 or FY 08.

ASSUMPTION (continued)

The DED-PR assumes implementation of the proposal will require hiring an additional 1.0 FTE in FY 07, as follows: Principal Assistant (0.5 FTE at \$59,532) to serve as the senior executive officer of the agency and Licensure Technician II (0.5 FTE at \$26,292) to provide technical support, process applications for licensure and respond to any inquiries related to the licensure law or rules & regulations. The DED-PR assumes rental space will be needed for these additional FTE at an annual cost of approximately \$2,770.

The DED-PR assumes the five (5) member board would meet four (4) times per year for two (2) days per meeting, in Jefferson City. The DED-PR notes the Principal Assistant, Licensure Technician and an Attorney General representative will also attend the meeting. The DED-PR assumes there would be four (4) meetings in FY 06 to promulgate rules and regulations. The proposal does not authorize members to receive expense reimbursement or any other compensation.

The DED-PR assumes 4 complaints would be received each year and would require, on average, five hours each to complete. The DED-PR estimates 30% of these complaints (1) will require field investigations, needing 30 hours of field work and one night's lodging. Travel expenses for the investigation are estimated at \$335 annually. The DED-PR assumes complaints and investigations would not start until FY 08.

The DED-PR assumes there will be a cost associated with needing the services of the Attorney General's Office (AGO). The DED-PR estimates 25% of investigations (1) would be forwarded to the AGO for further action. The DED-PR estimates \$5,400 annually for the costs of the AGO's work, beginning in FY 08. The DED-PR also estimates the AGO would provide approximately 60 hours of assistance with rules, opinions and meetings per year. Assuming an hourly rate of \$60.87, these costs are estimated at \$3,652 yearly beginning in FY 06.

The DED-PR assumes printing and postage costs will be incurred in the first year for statute and rule mailings and for startup printing of rules, applications, letterhead and envelopes. The DED-PR estimates printing and postage costs at \$6.25 per licensee in the first year, for a total cost of \$1,300. Subsequent years' printing and postage costs are expected to be \$500 annually, based on a similarly-sized board.

The DED-PR assumes licensed business brokers will represent 0.50% of DED-PR's overhead. As such, the board will be required to reimburse the Division and the Department of Economic Development for its share of administrative overhead costs, \$14,055 per annum. The DED-PR assumes these costs will begin in FY 06.

ASSUMPTION (continued)

For fiscal note purposes only, **Oversight** assumes the following:

- 1) The \$14,055 in administrative costs will generally offset the required reimbursement of other funds, and will not be used for the new FTE.
- 2) Rental space will not be required for two additional part time FTE. Additional furniture and equipment will not be required for the 0.5 FTE positions.
- 3) **Oversight** has, for fiscal note purposes only, changed the starting salary for the Licensure Technician II to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.
- 4) Fees have been adjusted to reflect an amount needed to cover operations of the board. Biennial fees of \$1,000 result in revenue of \$208,000 for the Business Brokers Fund for FY 07 and \$3,120 for the fund for FY 08. Sufficient fee income should be generated during each biennial fee cycle to cover expenses of operations during the second year of the cycle.

Officials from the **Office of Attorney General (AGO)** state the proposal creates and additional board and an additional category of licensees within the Division of Professional Registration. The AGO assumes it would need 0.5 FTE Assistant Attorney General I to assist the Board in the rule-making and licensing process. The AGO estimates FY 06 costs of \$27,890; FY 07 costs of \$33,569; and FY 08 costs of \$34,458.

Oversight assumes costs incurred by the AGO will be reimbursed by the Business Brokers Fund.

Officials from the **Office of Secretary of State (SOS)** state the proposal creates licensing for business brokers. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Economic Development, Division of Professional Registration could require as many as 4 pages in the Code of State Regulations. For any given rule, roughly one-half again as many pages are published in the Missouri Register as are published in the Code because of cost statements, fiscal notes and notices that are not published in the Code. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded, and withdrawn. The SOS estimates the cost of the proposal to be \$246 [(4 pgs. X \$27) + (6 pgs. X \$23)] for FY 06.

ASSUMPTION (continued)

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of the Governor** did not respond to our request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
BUSINESS BROKERS FUND			
<u>Transfer-In - DED-PR</u>			
Transfer from PR Fees Fund	\$3,652	\$0	\$0
<u>Income - DED-PR</u>			
Licensure Fees/Renewals	\$0	\$208,000	\$3,120
<u>Costs - DED-PR</u>			
Personal Service (1.0 FTE)	\$0	(\$43,156)	(\$44,235)
Fringe Benefits	\$0	(\$18,410)	(\$18,871)
Expense and Equipment	\$0	(\$1,300)	(\$885)
AGO Costs	<u>(\$3,652)</u>	<u>(\$3,652)</u>	<u>(\$9,052)</u>
Total <u>Costs</u> - DED-PR	(\$3,652)	(\$66,518)	(\$73,043)
<u>Transfer-Out - DED-PR</u>			
Transfer to PR Fees Fund	<u>\$0</u>	<u>(\$3,652)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON BUSINESS BROKERS FUND			
	<u>\$0</u>	<u>\$137,830</u>	<u>(\$69,923)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
PR FEES FUND			
<u>Transfer-In - DED-PR</u>			
Transfer from Business Brokers Board Fund	\$0	\$3,652	\$0
<u>Transfer-Out - DED-PR</u>			
Transfer to Business Brokers Board Fund	<u>(\$3,652)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON PR FEES FUND	<u>(\$3,652)</u>	<u>\$3,652</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal may fiscally impact small businesses or small businesses that employ business brokers.

DESCRIPTION

This proposal creates the Business Broker Board. The board shall regulate the licensing and discipline of persons who act as a broker in order to assist a person to procure an existing business.

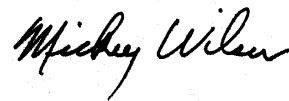
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Office of Attorney General
Department of Economic Development -
Division of Professional Registration
Missouri Senate
Office of Secretary of State

NOT RESPONDING: Office of the Governor



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Director
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