

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1045-01
Bill No.: SB 240
Subject: Licenses - Professional; Boards, Commissions, Committees, Councils; Political Subdivisions
Type: Original
Date: February 24, 2017

Bill Summary: This proposal creates a statewide license for electrical contractors.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Professional Registration Fees	(\$229,900)	\$0	\$0
Missouri Electrical Industry Licensing Board	\$0	\$574,559	(\$205,734)
Total Estimated Net Effect on Other State Funds	(\$229,900)	\$574,559	(\$205,734)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Professional Registration Fees	3	3	3
Total Estimated Net Effect on FTE	3	3	3

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	(Unknown, Greater than \$100,000)	(Unknown, Greater than \$100,000)	(Unknown, Greater than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state based on a projection from a representative of the group seeking legislation, it is estimated that approximately 2,005 individuals in the state of Missouri will be required to be licensed. In addition, a 3% growth rate has been estimated.

The following board specific expenses were calculated based on existing boards of similar size to determine the additional appropriation needed by DIFP to support the board. In regards to staffing, 3 FTE are necessary to comply with the proposal, 1 Executive Director at \$60,000/year, 1 Processing Technician II at \$27,180/year, and 1 Investigator II at \$38,304/year.

Other annual expenses associated with this legislation include:

Printing and Postage Expenses: 2,005 Licensees x \$12.50 = \$25,063

Program changes for the licensure system: 18 Hours for design, program and implementation x \$30 per hour = \$540

Complaints and investigation: 3 anticipated complaints requiring overnight stay x \$159 per investigation = \$477

Division Wide Expenses:

Maintenance of Licensing System - \$4,306

Division Operating Expenses - \$1,905

Division Personal Service Expenses - \$8,855

Department Cost Allocation - \$854

Total Division Wide Expenses: \$16,020

Attorney General's Office: \$8,560

Administrative Hearing Commission: \$485

In summary, DIFP assumes a cost of \$229,990 in FY 2018, \$227,441 in FY 2019 and \$229,794 in FY 2020 to provide for the implementation of the changes in this proposal.

DIFP projects a revenue of \$802,000 (\$400 fee x 2,005 individuals) in FY 2019. In addition, a 3% growth rate for following years. It is estimated that the collection of the initial license fees will begin in FY19 and renewal fees will not be collected until FY20. It is assumed that all fees collected would be deposited into the Missouri Electrical Industry Licensing Board Fund and that all expenses would be paid out of that fund. It is assumed no revenue will be generated the first year, therefore, expenses incurred by the board will be paid back to the PR Fees Fund by a lending board within the division, pursuant to section 324.016, RSMo.

ASSUMPTION (continued)

It also estimated payback of any outstanding loans would be made in FY20. However, should the number of licensees largely vary from the number estimated, the licensure fees will be adjusted accordingly.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

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.

Officials from the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **County of St. Louis** assume programming costs to their master permit system to recognize a state license will be required. Costs are undetermined but expected to be substantial. Additional inspection staff would be needed as inspection time increases if contractors are licensed to work in St. Louis County but have not had to strictly comply with the codes in the past. Costs would be incurred if a complaint is filed and several staff members including their attorney would need to travel to administrative hearings to present evidence to support charges filed with the board. Approximately \$75,000 annually for an inspector. If passed, the proposal would remove about \$60,000 annually. Revenue would be lost from license fees as their local license would be made irrelevant. These fees fund the position responsible for licensing and maintaining the bond and insurance. The workload would not decrease because a position is still needed to maintain the state license holders in a data base for permit issuance as well as verification of open permits pursuant to 324.935.1(3).

Officials from the **Callaway County** assume the current proposal would not fiscally impact their local government.

ASSUMPTION (continued)

Oversight assumes this proposal will result in a negative fiscal impact of Unknown, Greater than \$100,000 to local political subdivisions.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
PROFESSIONAL REGISTRATION FEES FUND			
<u>Costs - DIFP</u>			
Salaries	(\$104,570)	(\$126,739)	(\$128,006)
Fringe Benefits	(\$54,318)	(\$65,524)	(\$65,870)
Equipment and Expense	<u>(\$46,037)</u>	<u>(\$9,486)</u>	<u>(\$9,584)</u>
<u>Total Costs - DIFP</u>	<u>(\$204,925)</u>	<u>(\$201,749)</u>	<u>(\$203,460)</u>
FTE Change - DIFP	3 FTE	3 FTE	3 FTE
<u>Costs - DIFP</u>			
Administrative Costs	(\$25,065)	(\$25,692)	(\$26,334)
<u>Transfer In - From Missouri Electrical Industry Licensing Fund Reimbursement</u>	<u>\$0</u>	<u>\$227,441</u>	<u>\$229,794</u>
ESTIMATED NET EFFECT ON PROFESSIONAL REGISTRATION FEES FUND	<u>(\$229,990)</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on Professional Registration Fees Fund	3 FTE	3 FTE	3 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2018 (10 Mo.)	FY 2019	FY 2020
MISSOURI ELECTRICAL INDUSTRY LICENSING BOARD FUND			
<u>Revenue - DIFP</u>			
Initial Licensure/Renewal Fee	\$0	\$802,000	\$24,060
<u>Transfer Out - Reimburse PR Fee Fund</u>	\$0	(\$227,441)	(\$229,794)
ESTIMATED NET EFFECT ON MISSOURI ELECTRICAL INDUSTRY LICENSING BOARD FUND	<u>\$0</u>	<u>\$574,559</u>	<u>(\$205,734)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss - Reduction of Local License Fees</u>	(Unknown)	(Unknown)	(Unknown)
<u>Costs - Programming and administrative costs associated with permits issued to state licensed contractors</u>	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown, Greater than \$100,000)</u>	<u>(Unknown, Greater than \$100,000)</u>	<u>(Unknown, Greater than \$100,000)</u>

FISCAL IMPACT - Small Business

This proposal could fiscally impact electrical contractors.

FISCAL DESCRIPTION

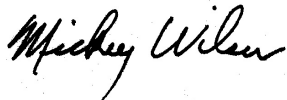
This proposal creates the Missouri Electrical Industry Licensing Board. The Board shall consist of nine members from various districts created in the act. The Board along with the Division of Professional Registration shall adopt rules regarding licensure, professional conduct, and competency requirements. The Division in conjunction with the Board may negotiate reciprocal licensing agreements with other states.

The proposal provides license requirements for a statewide electrical contractor's license. Electrical contractors who hold a license that was issued in this state which required, prior to 2016, the passage of an examination, and who have completed twelve thousand hours of practical experience shall be issued a statewide license. Each electrical contracting firm must have at least one licensed electrical contractor at a supervisory level.

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

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration
Office of the Secretary of State
Attorney General's Office
Callaway County
County of St. Louis



Mickey Wilson, CPA
Director
February 24, 2017

Ross Strobe
Assistant Director
February 24, 2017