

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0750-01
Bill No.: SB 153
Subject: Contracts and Contractors; Department of Insurance, Financial Institutions and Professional Registration; Professional Registration and Licensing
Type: Original
Date: February 15, 2019

Bill Summary: This proposal authorizes roofing contractors in this state to register with the Department of Insurance, Financial Institutions and Professional Registration.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on General Revenue	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Professional Registration Fees (0689)	(\$271,504)	\$0	\$0
Missouri State Board of Roofers	\$0	\$25,122	(\$244,019)
Total Estimated Net Effect on Other State Funds	(\$271,504)	\$25,122	(\$244,019)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Professional Registration Fees (0689)	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 FTE

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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 324.800 - 324.860

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assume the following:

Revenue:

1,374	Estimated Licensees
\$200.00	Initial License Fee
\$725.00	Renewal License Fee
Biennial	Renewal Cycle

- In the current language of this proposed legislation, an individual "may" register with the department according to the provisions of section 341.305.
- Projected revenue reflects fees collected for all categories of licensure.
- A 3% growth rate has been estimated (41 additional initial licensees each year).
- It is estimated that the collection of initial license fees will begin in FY 2020 and renewal fees will not be collected until FY 2022.
- If the number of licensees largely vary from the number estimated above, the licensure fees will be adjusted accordingly.

Oversight assumes all fees collected will be deposited into the State Roofing Contractors Fund and all expenses would be paid out of that fund. Oversight also assumes no revenue will be generated by the State Roofing Contractors Fund in the first year.

Staffing:

DIFP assumes the following board-specific expenses (based on a similar sized board, Board of Psychology) are being calculated to determine the additional appropriation needed by the division to support the board and assist in calculating the anticipated license and renewal fees. The department assumes there are 3 FTE required by this proposal, 1 Principal Assistant (\$65,000 annually) to serve as the senior executive officer of the licensing agency, 1 Processing Technician II (\$29,388 annually) to provide technical support, process applications for licensure, and respond to inquiries related to the licensure law and/or rules and regulations, and 1 Investigator II (\$45,000 annually) to conduct investigations and inspections, serve notices, and gather information required by the board.

ASSUMPTION (continued)

Complaints and Investigations:

DIFP estimated the board will receive approximately 21 complaints. The division does not anticipate receiving any complaints until FY 2021. It is estimated 15% of the complaints filed will require field investigations with 50% requiring overnight travel. A car is needed to conduct investigations and will need to be eventually replaced based upon usage. Therefore, the vehicle cost is considered an ongoing expense and appropriation need.

Licensure System:

OA-ITSD services will be required at a cost of **\$1,350**;

- \$1,350 (18 hours x \$75 per hour) of IT Consultant

Oversight notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out the programming during the first year of implementation. Costs are calculated for the design, program, and implementation of the licensure program for new boards. ITSD estimates the project would take 18 hours at a contract rate of \$75 per hour for a total cost to the state of \$1,350. Oversight notes that an average salary for a current IT Specialist within ITSD is \$51,618, which totals roughly \$80,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional IT Specialist to perform the work required from this bill. However, due to the limited number of programming hours involved (18), Oversight will utilize DIFP's estimated cost for contracting out the programming work.

Officials from the **Office of the State Public Defender (SPD)** state that for the purpose of the proposed legislation, and as a result of excessive caseloads, the Office of the State Public Defender cannot assume existing staff will provide competent, effective representation for any new cases where indigent persons are charged with the proposed new crimes relating to the violation of new roofing contractor regulations would be charged with a new Class D misdemeanor. Subsequent violations would be charged as a new Class B misdemeanor.

The Missouri State Public Defender System is currently providing legal representation in caseloads in excess of recognized standards.

ASSUMPTION (continued)

While the number of new cases may be too few or uncertain to request additional funding for this specific bill, the Office of the State Public Defender will continue to request sufficient appropriations to provide competent and effective representation in all cases where the right to counsel attaches.

Oversight notes over the last three fiscal years, the SPD has lapsed a total of \$152 of General Revenue appropriations (\$0 out of \$36.4 million in FY 2016; \$2 out of \$28.0 million in FY 2017; and \$150 out of \$42.5 million in FY 2018). Therefore, **Oversight** assumes the SPD is at maximum capacity and the increase in workload resulting from this bill cannot be absorbed within SPD's current resources.

Adding one additional Assistant Public Defender 1 (APD) with a starting salary of \$47,000, will cost approximately \$74,500 per year in personal service and fringe benefit costs. One additional APD II (\$52,000 per year; eligible for consideration after 1 year of successful performance at APD I) will cost the state approximately \$81,000 per year in personal service and fringe benefit costs. When expense and equipment costs such as travel, training, furniture, equipment and supplies are included, **Oversight** assumes the cost for a new APD could approach \$100,000 per year.

Oversight assumes the SPD cannot absorb the additional caseload that may result from this proposal within their existing resources and, therefore, will reflect a potential additional cost of (Less than \$100,000) per year to the General Revenue Fund.

Officials from the **Office of the State Treasurer**, the **Department of Revenue**, the **Office of Prosecution Services**, the **Office of the State Courts Administrator** and the **Office of Administration - Administrative Hearing Commission** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal from this year (SB 153), officials from the **Department of Public Safety - Missouri Highway Patrol** assumed the proposal will have no fiscal impact on their organization.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Cost - SPD</u>			
Potential additional caseload	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
PROFESSIONAL REGISTRATION FEES FUND			
<u>Transfer In</u> - from Missouri State Board of Roofers Fund	\$0	\$249,679	\$252,219
<u>Cost - DIFP</u>			
Personal Service	(\$116,157)	(\$140,782)	(\$142,190)
Fringe Benefits	(\$66,923)	(\$80,732)	(\$81,161)
Equipment and Expense	(\$66,669)	(\$7,250)	(\$7,430)
ITSD cost	(\$1,350)	\$0	\$0
Other Cost	(\$20,405)	(\$20,915)	(\$21,438)
<u>Total Cost - DIFP</u>	<u>(\$271,507)</u>	<u>(\$249,679)</u>	<u>(\$252,219)</u>
FTE Change - DIFP	3 FTE	3 FTE	3 FTE
ESTIMATED NET EFFECT TO THE PROFESSIONAL REGISTRATION FEES FUND	<u>(\$271,504)</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change to the Professional Registration Fees Fund	3 FTE	3 FTE	3 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
MISSOURI STATE BOARD OF ROOFERS FUND			
<u>Income</u> - Licensing Fees	\$0	\$274,800	\$8,200
<u>Transfer Out</u> - To Professional Registration Fees Fund	<u>\$0</u>	<u>(\$249,679)</u>	<u>(\$252,219)</u>
ESTIMATED NET EFFECT ON MISSOURI STATE BOARD OF ROOFERS FUND	<u>\$0</u>	<u>\$25,121</u>	<u>(\$244,019)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could impact small business roofing companies.

FISCAL DESCRIPTION

Starting January 1, 2021, a person who is a roofing contractor or offers services as a roofing contractor in the state of Missouri may register with the Department of Insurance, Financial Institutions and Professional Registration.

An applicant for registration shall submit a completed application to the Department along with a non-refundable fee of up to \$200. An applicant has 90 days from the day the application is submitted to complete the application process. In order to receive a certificate of registration, an applicant shall file proof of motor vehicle insurance, a current worker's compensation policy, and liability insurance. If an out-of-state applicant has had a license revoked or suspended in another state, he or she shall not be issued a certificate of registration. An out-of-state applicant shall also have a no tax due statement from the Department of Revenue before he or she is issued a certificate of registration.

FISCAL DESCRIPTION (continued)

Liability insurance shall be for not less than \$1,000,000. If a registered roofing contractor is found to be operating without proper insurance the contractor's certificate of registration shall be suspended until the contractor furnishes proof of insurance to the Department. Additionally, such contractor shall be required to report proof of such insurance to the Department quarterly for two consecutive years.

No political subdivision of the state shall require a roofing contractor to be registered under the act in order to operate as a roofing contractor within the boundaries of such political subdivision. No political subdivision of the state shall require the inspection of a roof more than one time if the cost to construct or repair such roof is less than \$10,000.

A registered roofing contractor shall affix the registration number and the registrant's name to all of his or her contracts and bids.

The Department shall maintain a list of registered roofing contractors on its website. Inclusion on the list does not constitute an endorsement by the Department.

After a storm event occurs, as defined in the act, the Department shall notify the public that roofing contractors may register with the Department. The notice shall be limited to those parts of the state where the storm event occurred. The notice may be given in formats that include the use of advertisements and public service announcements in print, radio, television, and online media. Expenses related to such notice shall be paid out of the Roofing Contractor Fund established under the act.

Any complaints received by the Department shall be recorded, and the Department shall investigate all complaints concerning alleged violations of this act. The Department may refuse to issue, renew, suspend, or revoke a certificate of registration for failure to meet the requirements of this act. Any person in violation of the act shall be found guilty of a Class D Misdemeanor. A second conviction within ten years after the first conviction is a Class B Misdemeanor.

The provisions of this act expire on August 29, 2024.

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 State Treasurer
Department of Revenue
Office of Prosecution Services
Department of Public Safety
 Missouri Highway Patrol
Office of the State Courts Administrator
Office of Administration
 Administrative Hearing Commission
Office of the State Public Defender



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February 15, 2019

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