

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3329-04
Bill No.: SCS for SB 559
Subject: Contracts and Contractors; Department of Commerce and Insurance; Licenses - Miscellaneous; Political Subdivisions; Professional Registration and Licensing
Type: Original
Date: February 21, 2020

Bill Summary: This proposal establishes the Statewide Mechanical Contractor Licensing Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
PR Fees Fund (0689)	\$0	\$0	\$0
Missouri Mechanical Contractor Licensing Fund	(\$278,568)	\$445,735	(\$235,889)
Total Estimated Net Effect on Other State Funds	(\$278,568)	\$445,735	(\$235,889)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
PR Fees Fund	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 2021	FY 2022	FY 2023
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 324.953 - Missouri Statewide Mechanical Contractor Licensing Act

Officials from the **Department of Commerce and Insurance (DCI)** assume the following:

Licensee/Revenue

2,000	Estimated Licensees (US Labor census & Mechanical Engineers Association)
\$350.00	Initial License Fee
\$350.00	Renewal License Fee
Biennial	Renewal Cycle

- In the current language of this proposed legislation, the Division of Professional Registrations assumes one license holder per corporation, firm, institution, organization, or company will register with the department according to the provisions of Section 324.953.
- Projected revenue reflects fees collected for all categories of licensure.
- A 3% growth rate has been estimated (568 additional initial licensees).
- It is estimated that the collection of initial license fees will begin in FY 2022 and renewal fees will not be collected until FY 2024.
- If the number of licensees largely vary from the number estimated above, the licensure fees will be adjusted accordingly.

In summary, DCI assumes a revenue of \$700,000 (2,000 x \$350) in FY 2022 and \$21,000 (2,000 x 3% x \$350) in FY 2023 to the Missouri Mechanical Industry Licensing Fund to provide for the implementation of the changes in this proposal.

The following board-specific expenses are being calculated to determine the additional appropriation needed by the division to support the board and to assist in calculating the anticipated license and renewal fees.

Staffing

- 1 Principal Assistant at \$67,000 annually needed to serve as the senior executive officer of the registration agency.
- 1 Processing Technician II at \$30,089 annually needed to provide technical support, process applications for licensure, and respond to inquiries related to the licensure law and/or rules and regulations.

ASSUMPTION (continued)

- 1 Investigator II at \$45,000 annually needed to conduct investigations and inspections, serve notices, and gather information required by the board.

Complaints and Investigations

It is estimated the board will receive approximately 21 complaints. The division does not anticipate receiving any complaints until FY 2022. 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 eventually replace based upon usage. Therefore the vehicle cost is considered an ongoing expense and appropriation need.

In summary, DCI assumes a cost of \$278,568 in FY 2021, \$254,265 in FY 2022 and \$256,889 in FY 2023 to provide for the implementation of the changes in this proposal.

Oversight will reflect the DCI estimated revenues and cost. Oversight will reflect the board-specific expenses to the PR Fees Fund. Oversight assumes the revenue collected from the licensure fees will be deposited into the Missouri Mechanical Contractor Licensing Fund and then will be transferred to the PR Fees Fund resulting in an estimated net effect of zero to the PR Fees Fund.

For the purpose of the proposed legislation, and as a result of excessive caseloads, the **Office of the State Public Defender (SPD)** cannot assume existing staff will provide competent, effective representation for any new cases where indigent persons are charged with the proposed new crime of violating the provisions of being a mechanical contractor in Missouri - a new Class B Misdemeanor. The Missouri State Public Defender System is currently providing legal representation in caseloads in excess of recognized standards.

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 \$153 of General Revenue appropriations (\$2 out of \$28.0 million in FY 2017; and \$150 out of \$42.5 million in FY 2018 and \$1 out of \$46.0 million in FY 2019). 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.

ASSUMPTION (continued)

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 **Department of Revenue**, the **Office of the State Treasurer**, the **Office of the State Courts Administrator**, the **Office of Prosecution Services** and **Kansas City** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Office of Administration - Administrative Hearing Commission** assumed the proposal would 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 respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

Oversight assumes there could be a potential loss to local municipalities that currently license mechanical contractors as this legislation would require them to recognize a statewide license for the purposes of performing contracting work or obtaining permits to perform work within the political subdivision. Oversight assumes the Department of Revenue shall withhold any moneys the noncompliant political subdivision would otherwise be entitled to from local sales tax, until the director has received notice from the division that the political subdivision is in compliance with this section.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE			
<u>Cost</u> - Office of the State Public Defender Potential FTE Cost §324.983	(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	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
PR FEES FUND (0689)			
<u>Transfer In</u> - from Missouri Mechanical Contractor Licensing Fund	\$278,568	\$254,265	\$256,889
<u>Cost</u> - DCI			
Salaries	(\$118,408)	(\$143,510)	(\$144,945)
Fringe Benefits	(\$68,123)	(\$82,220)	(\$82,696)
Equipment and Expense	(\$72,793)	(\$8,810)	(\$9,030)
Other Fund Cost	<u>(\$19,244)</u>	<u>(\$19,725)</u>	<u>(\$20,218)</u>
<u>Total Cost</u> - DCI	<u>(\$278,568)</u>	<u>(\$254,265)</u>	<u>(\$256,889)</u>
FTE Change - DCI	3 FTE	3 FTE	3 FTE
ESTIMATED NET EFFECT TO THE PR FEES FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change to the PR Fees Fund	3 FTE	3 FTE	3 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
MISSOURI MECHANICAL CONTRACTOR LICENSING FUND			
<u>Revenue</u> - DCI Licensing Fee	\$0	\$700,000	\$21,000
<u>Transfer Out</u> - to PR Fee Fund (0689)	<u>(\$278,568)</u>	<u>(\$254,265)</u>	<u>(\$256,889)</u>
ESTIMATED NET EFFECT ON THE MISSOURI MECHANICAL CONTRACTOR LICENSING FUND	<u>(\$278,568)</u>	<u>\$445,735</u>	<u>(\$235,889)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss</u> Potential loss of licensing fees	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT - Small Business

This proposal will have a fiscal impact on certain small businesses who would now be required to pay a fee to be state-licensed.

FISCAL DESCRIPTION

This act shall be known as the Missouri Statewide Mechanical Contractor Licensing Act. Under this act, the statewide mechanical license for mechanical contractors shall be regulated by the Division of Professional Registration, within the Department of Commerce and Insurance. This act creates the Office of Mechanical Contractors within the Division, to carry out the provisions of this act.

FISCAL DESCRIPTION (continued)

Applicants for a statewide mechanical license must meet certain criteria set forth in the act. A corporation, firm, institution, organization, company, or representative seeking to engage in mechanical contracting, is required to employ at least one license holder. A statewide licensed mechanical contractor may represent only one entity at a time.

A mechanical contractor shall have one license holder responsible for offering field employees eight contact hours of industry training each year, and mechanical contractors shall be responsible for providing proof of such training to the Division upon request.

In the event of a loss of a license holder, a mechanical contractor shall remain in good standing with the Division for six months after notifying the Division of such change. Within the six month period, a new license holder shall be registered with the Division. If no license holder is registered within such six month period, the Division shall declare the mechanical contractor inactive.

Political subdivisions may establish their own local mechanical contractor's license, but must recognize a statewide license in lieu of a local license for the purposes of performing contracting work or obtaining permits to perform work within such political subdivision. No political subdivision may require the employees of a statewide licensed mechanical contractor or its subcontractors or manufacturers' representatives to obtain journeymen licenses, apprenticeship licenses, or occupational licenses that require passing any examination or any special requirements to assess proficiency.

If a political subdivision does not recognize a statewide license in lieu of a local license, a statewide mechanical contractor licensee may file a complaint with the Division, which may investigate such complaint. If the Division finds that the political subdivision failed to recognize a statewide license, the Division shall notify the political subdivision of such violation and grant them 30 days to comply. If after 30 days the political subdivision does not comply, the Division shall notify the director of the Department of Revenue, who shall withhold any moneys the political subdivision would otherwise be entitled to from local sales tax until the political subdivision is in compliance.

This act establishes the Missouri Mechanical Contractor Licensing Fund in the state treasury, which shall be expended for the administration of this act.

FISCAL DESCRIPTION (continued)

Mechanical contractor licenses shall expire on a renewal date established by the Division. The Division shall, prior to the renewal date, mail a renewal notice to the last known address of each person licensed under this act. Failure to provide the Division with the information required for renewal or to pay the required fee shall result in the license being declared inactive. The license shall remain inactive until the licensee applies for reinstatement and pays the required fees, so long as the application for reinstatement is received within two years of the renewal date.

Any person operating as a mechanical contractor in a political subdivision shall not be required to possess a statewide license to operate as a mechanical contractor in such political subdivision.

The Division may refuse to issue any certificate of registration or license, and may cause a complaint to be filed with the Administrative Hearing Commission against any holder of a certificate of registration or license for causes set forth in the act. Upon a finding by the Administrative Hearing Commission that grounds for disciplinary action are met, the Division may censure or place such a person on probation for a period not to exceed five years, or may suspend, for a period not to exceed three years, or revoke any license. Upon a judicial or administrative finding of a violation of this act, the Division may assess fines up to \$5,000.

Any person who knowingly violates the provisions of this act is guilty of a Class B misdemeanor.

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

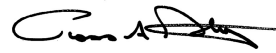
Department of Commerce and Insurance
Department of Revenue
Office of the State Treasurer
Office of the State Courts Administrator
Office of the State Public Defender
Office of Prosecution Services

SOURCES OF INFORMATION (continued)

Office of Administration
Administrative Hearing Commission
City of Kansas City



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February 21, 2020



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