

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0621S.14P
 Bill No.: Perfected SS for SB 80
 Subject: Professional Registration and Licensing; Commerce and Insurance, Department of; Licenses - Miscellaneous; Political Subdivisions
 Type: Original
 Date: April 20, 2023

Bill Summary: This establishes the Missouri Statewide Mechanical Contractors Licensing Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Professional Registration Fees Fund (0689)	(\$297,923)	\$0	\$0
Missouri Mechanical Contractor Licensing Fund	(\$0)	Could exceed \$420,602	(Could be less than \$289,298)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$297,923)	Could exceed \$420,602	(Could be less than \$289,298)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Professional Registration 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 \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints of less than 2 hours, **Oversight** was unable to wait for agency responses and we performed limited analysis before the fiscal note was required to be completed. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Section 324.950 -324.974 - Missouri Statewide Mechanical Contractor Licensing Act

In response to a previous version, officials from the **Department of Commerce and Insurance (DCI)** assumed the following:

Licensee/Revenue

2,000	Estimated Licensees (US Labor census & Mechanical Engineers Association)
\$375.00	Initial License Fee
\$375.00	Renewal License Fee
Biennial	Renewal Cycle

- In the current language of this proposed legislation, Professional Registration assumes one license holder per corporation, firm, institution, organization, or company will register with the department.
- Projected revenue reflects fees collected for all categories of licensure.
- A 3% growth rate has been estimated (60 additional initial licensees).
- It is estimated that the collection of initial license fees will begin in FY 2025 and renewal fees will not be collected until FY 2027.
- 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 \$750,000 (2,000 x \$375) in FY 2025 and \$22,500 (2,000 x 3% x \$375) in FY 2026 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 FTE Principal Assistant at \$68,400 annually needed to serve as the senior executive officer of the registration agency.

1 FTE Customer Service Representative at \$35,000 annually needed to provide technical support, process applications for licensure, and respond to inquiries related to the licensure law and/or rules and regulations.

1 FTE Non-Commissioned Investigator at \$46,000 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 33 complaints. The division does not anticipate receiving any complaints until FY 2025. 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.

In summary, DCI assumes a cost of \$297,923 in FY 2024, \$329,398 in FY 2025 and \$311,798 in FY 2026 to provide for the implementation of the changes in this proposal.

Oversight assumes the Senate Substitute adds professions that are able to acquire the statewide mechanical contractor license and therefore will reflect the estimated revenues as could exceed DCI's estimates of potential licenses and renewals. Oversight also notes the SS changes the renewal period from 24 months to 3 years.

Oversight will reflect the DCI estimated revenues and cost. Oversight will reflect the board-specific expenses to the Professional Registration 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 in FY 25 and FY 26. Oversight notes the PR Fees Fund (0689) balance at the end of December 2022 was \$608,605.

In response to a similar proposal from last year (HB 2050), officials from the **City of Kirksville** stated that if this proposal passes, it would impact the contractor testing requirements of the City. The decrease in revenues would be less than \$1,000 annually, however, the more significant impact would be the loss of oversight on projects completed by out-of-town contractors who fail to notify the City of work being completed and fail to follow the City's municipal code. The bill only requires one contractor be licensed in a firm, but does not specify that contractor be on the job site for all work completed. In addition, with the proposed State license valid for two years, contractors do not need to show proof of liability or worker's compensation insurance when completing a project for a citizen. This could leave citizens vulnerable to losses.

In response to a previous version, officials from the **City of Springfield** assumed this proposal could have a minor negative fiscal impact from lost licensing fees.

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.

In response to a previous version, officials from the **Office of the State Public Defender (SPD)** stated the creation of new offenses under section 324.983, which would be class B and class C misdemeanors, would have an unknown fiscal impact on SPD. It is unknown how many additional cases would be eligible for SPD representation.

Oversight notes in FY22 the SPD was appropriated moneys for 53 additional FTE. Oversight assumes this proposal will create a minimal number of new cases and that the SPD can absorb the additional caseload required by this proposal with current staff and resources. Therefore, Oversight will reflect no fiscal impact to the SPD for fiscal note purposes. However, if multiple bills pass which require additional staffing and duties, the SPD may request funding through the appropriation process.

In response to a previous version, officials from the **Office of Administration - Administrative Hearing Commission**, the **Department of Revenue**, the **Missouri Department of Agriculture**, the **Office of the State Courts Administrator** and the **Office of the State Treasurer** and **Kansas City** each assumed the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal from this year (HB 368), officials from the **Office of the State Treasurer** assumed the proposal will have no fiscal impact on their organization.

In response to a similar proposal from last year (HB 500), officials from the **Office of the State Missouri Office of Prosecution Services** 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 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 received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
PR FEES FUND (0689)			
<u>Transfer In</u> - from Missouri Mechanical Contractor Licensing	\$0	Could exceed \$329,398	Could exceed \$311,798
<u>Cost – DCI</u>			
Salaries	(\$124,500)	(\$152,388)	(\$155,436)
Fringe Benefits	(\$85,540)	(\$103,766)	(\$104,906)
Equipment and Expense	(\$48,500)	(\$0)	(\$0)
Other Fund Cost	(\$39,383)	(\$73,244)	(\$51,456)
<u>Total Cost – DCI</u>	<u>(\$297,923)</u>	<u>(\$329,398)</u>	<u>(\$311,798)</u>
FTE Change – DCI	3 FTE	3 FTE	3 FTE
ESTIMATED NET EFFECT TO THE PR FEES FUND	<u>(\$297,923)</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change to the PR Fees	3 FTE	3 FTE	3 FTE
MISSOURI MECHANICAL CONTRACTOR LICENSING FUND			
<u>Revenue</u> - DCI Licensing Fee	\$0	Could exceed \$750,000	Could exceed \$22,500
<u>Transfer Out</u> - to PR Fee Fund (0689)	\$0	(\$329,398)	(\$311,798)
ESTIMATED NET EFFECT ON THE MISSOURI MECHANICAL CONTRACTOR LICENSING FUND	<u>\$0</u>	<u>Could exceed \$420,602</u>	<u>(Could be less than \$289,298)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss</u> Potential loss of licensing fees	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>

FISCAL IMPACT – Small Business

This small business mechanical contractors would be impacted by this proposal

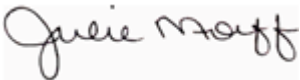
FISCAL DESCRIPTION

This proposal establishes the Missouri Statewide Mechanical Contractors Licensing Act.

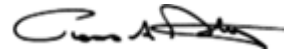
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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
Office of Administration
Administrative Hearing Commission
City of Kansas City
City of Springfield
City of Kirksville



Julie Morff
Director
April 20, 2023



Ross Strobe
Assistant Director
April 20, 2023