

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0160-02
Bill No.: SB 210
Subject: Licenses–Professional; Housing; Consumer Protection; DED; Cities, Towns, and Villages
Type: Original
Date: January 29, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
PR Fees Fund	\$0	\$0	\$0
Home Builders Licensure Fund	\$78,691	\$68,368	\$71,553
Recovery Fees Fund	\$121,530	\$121,176	\$128,931
Total Estimated Net Effect on All State Funds	\$200,221	\$193,544	\$200,484

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development–Division of Professional Registration (DPR)** assume 4,051 home builders will be licensed based on the number of such businesses provided by the Missouri Department of Labor Quarterly Contributions & Wage Report (DPR estimates a growth rate of 3%). An annual license fee of \$60 will generate \$243,060 for the Home Builders Licensure Fund, and a fee of \$30 will be paid by each licensee to the Recovery Fee Fund, for a total of \$121,530.

DPR estimates the proposal would require three FTE. The positions would be a Principal Assistant, a Licensure Technician II, and two half-FTE positions: an Account Clerk II and an Investigator II. Filling these positions is expected to cost \$135,641 in FY 2002, \$146,542 in FY 2003, and \$150,215 in FY 2004.

DPR estimates mailing costs of \$25,076 in the first year (\$6.19 per licensee) and \$12,250 in subsequent years, based on postage expenses for board of similar size in FY 2001.

DPR assumes that yearly, beginning in FY 2003, a complaint will be filed for 2% of licensees (81 complaints) and that an investigation will be conducted on 15% of complaints (twelve investigations). Travel costs of \$255 per investigation are estimated at \$3,152 in FY 2003 and \$3,246 in FY 2004. DPR assumes costs from the Attorney General's Office (AGO) in FY 2002 of \$3,652 for assistance with rules, opinions, and meetings. In subsequent years, DPR also assumes that three investigations (25% of the total) will result in a referral to the AGO, at a cost of \$5,400 per case. This results in a total cost from the AGO of \$19,852 in FY 2003 and 2004.

DPR also estimates an increase in administrative costs for the division and for the Department of Economic Development of \$27,210 in FY 2002, \$27,704 in FY 2003, and \$28,396 in FY 2004. These figures are based on a 1.27% increase in administrative costs which is equal to the increase in the number of individuals licensed by the division. DPR assumes an increase in rent of \$8,100 for 600 sq. ft. of space needed for the three new FTE.

Oversight assumes the administrative workload increase can be handled by existing staff, and that the new FTE will be located in existing office space. These costs are not included in the fiscal note.

Officials from the **Office of the Attorney General (AGO)** assume the proposal would require an additional .5 FTE for the additional workload due to the creation of the new licensing board, at a cost of \$27,062 in FY 2002, \$28,011 in FY 2003, and \$28,742 in FY 2004.

ASSUMPTION (continued)

Oversight assumes that any workload created for the AGO by the proposal would be reimbursed by the DPR. Cost for such services are noted above and included in the fiscal note.

This bill creates the Home Builders Licensure Board within the Department of Economic Development. The Home Builders Licensure Board will promulgate rules to implement the bill. Based on experience with other divisions the **Office of the Secretary of State (SOS)** assumes the rules, regulations and forms issued by the Home Builders Licensure Board could require as many as 18 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register in the Code because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23.00. The estimated cost of a page in the Code of State Regulations is \$27.00. 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 or withdrawn.

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 with the **Office of Administration—Administrative Hearing Commission** assume the proposal will have no fiscal impact on their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
HOME BUILDERS LICENSURE FUND			
<u>Income—DPR</u>			
Licensure Fees/Renewals	\$243,060	\$250,532	\$257,862
<u>Costs—DPR</u>			
Transfer to PR Fees Fund	(\$164,369)	(\$182,164)	(\$186,309)
ESTIMATED NET EFFECT TO HOME BUILDERS LICENSURE FUND:	<u>\$78,691</u>	<u>\$68,368</u>	<u>\$71,553</u>

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
PR FEES FUND			
<u>Income-DPR</u>			
Transfer from Home Builders Licensure Fund	\$164,369	\$182,164	\$186,309
<u>Costs-DPR</u>			
Personal Service (3 FTE)	(\$88,034)	(\$108,286)	(\$110,993)
Fringe Benefits	(\$29,342)	(\$36,092)	(\$36,994)
Expense & Equipment	(\$43,341)	(\$17,934)	(\$18,470)
AGO Costs	<u>(\$3,652)</u>	<u>(\$19,852)</u>	<u>(\$19,852)</u>
<u>Total:</u>	(\$164,369)	(\$182,164)	(\$186,309)
ESTIMATED NET EFFECT TO PR FEES FUND:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
RECOVERY FEE FUND			
<u>Income-DPR</u>			
Licensure Fees/Renewals	<u>\$121,530</u>	<u>\$125,176</u>	<u>\$128,931</u>
ESTIMATED NET EFFECT-ALL STATE FUNDS	<u>\$200,221</u>	<u>\$193,544</u>	<u>\$200,484</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would directly impact small businesses operating as residential homebuilders.

DESCRIPTION

Under this act, a Home Builders Licensure Board is created to license and regulate home builders. After January 1, 2002, each home builder will have to be licensed by this agency in order to engage in the home building industry. Certain builders are exempted from obtaining a license (people who build their own house or those who manufacture mobile homes for instance).

DESCRIPTION (continued)

Under this act, the Board, by filing a complaint with the Administrative Hearing Commission, may revoke or suspend the license of any licensee who, in the opinion of the Board, has committed fraud in obtaining a license, or is guilty of gross negligence, incompetence, or misconduct in the practice of residential home building. Filing false information for the purpose of obtaining a license is a criminal offense. In addition to disciplinary action, the Board may impose administrative fines for violations of the home builders licensure law and the rules and regulations of the Board. Building officials or other authorities charged with the duty of issuing building permits shall not issue such permits unless the home builder is licensed. If a home builder without a license builds a home, such builder will be guilty of a Class C misdemeanor. An unlicensed home builder may not maintain an action at law or in equity against a home buyer for compensation.

This act establishes a special fund so that home buyers can collect damages caused by the home builder. This fund is subsidized by the home builders when they apply for a license. After a home buyer has successfully sued a home builder in court, the buyer can collect the unpaid judgment from the fund.

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

SOURCES OF INFORMATION

Department of Economic Development
Division of Professional Registration
Office of the Attorney General
Office of the Secretary of State
Office of Administration
Administrative Hearing Commission



Jeanne Jarrett, CPA
Director
January 29, 2001