

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3617-01
Bill No.: SB 862
Subject: Consumer Protection; Cities, Towns and Villages; Housing; Economic
 Development Dept; Licenses - Professional
Type: Original
Date: February 12, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Professional Registration Fees Fund	(\$3,652)	\$3,652	\$0
Home Builders Licensure Fund	\$0	\$46,279	\$46,442
Recovery Fee Fund	\$0	\$106,560	\$109,757 to (UNKNOWN)
Total Estimated Net Effect on <u>All</u> State Funds	(\$3,652)	\$156,491	\$156,199 to (UNKNOWN)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Treasurer**, the **Office of State Courts Administrator**, and the **Office of Administration - Administrative Hearing Commission**, stated there would be no fiscal impact to their agencies as a result of this proposed legislation.

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Home Builders Licensure Board within the Department of Economic Development 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* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$1,107 for FY 2003. 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of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.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 from the **Department of Economic Development—Professional Registration (DPR)** estimate the proposed legislation would result in potential licensure of 3,552 residential home builders, based on information from the Missouri Department of Labor Quarterly Contributions and Wage Report.

The revenue projected by DPR reflects an estimated \$100 fee for both initial licensure and annual renewal for all categories of licensure, to be set by rule. This fee includes an annual fee of \$30 to be placed in a Recovery Fee Fund for payments, as determined by the board, to aggrieved parties for actual economic damages. Revenue for FY 2003 would be \$355,200. A 3% growth rate has been assumed. It is assumed the Home Inspectors Fund would reimburse the PR Fees Fund for all expenses paid by the PR Fees Fund.

DPR is requesting an additional 3 FTE to carry out duties created by this proposal. The additional employees include a Principal Assistant (1 FTE @ \$48,240 per year) to serve as senior executive officer of the licensing agency; a Licensure Technician II (1 FTE @ \$24,492 per year) to provide technical support directly to the Principal Assistant and to be responsible for processing applications for licensure, as well as responding to any inquiries relating to the licensure law or rules and regulations; an Account Clerk II (.5 FTE @ \$ 11,592 per year) to provide support for the Division's Central Accounting Section and Central Cash Receiving

ASSUMPTION (continued)

Room; and an Investigator II (.5 FTE @ \$18,744 per year) to assist in the Central Investigative Union in conducting investigations and inspections .

This proposal establishes the Home Builders Licensure Board comprised of seven members. It is assumed that the board will meet at least four times per year for two days and all meetings would be held in Jefferson City. This proposal does not provide for board member compensation or reimbursement of expenses.

DPR estimates printing and postage costs for FY 2003 at \$6.19 per licensee, or \$21,987. DPR has based postage and printing costs for subsequent years on the actual FY 2002 usage for a board of similar size and has estimated costs \$12,250 per year. Office and communication expenses and equipment are based on estimated existing costs within the Division and follow Office of Administration guidelines.

Based on FY 2000 complaints for an agency of similar type, DPR officials assume it would be reasonable to assume there would be 81 consumer complaints filed yearly, with an estimate of 15% of the complaints requiring an investigation, resulting in 12 investigations. It is estimated that an average investigation will require 30 hours of field work. Travel costs to conduct investigations are estimated at \$3,060 yearly. It is assumed the complaints and investigations will not begin until FY 2005.

It is assumed by DPR that existing staff would design, program, and implement a computer licensure program (8 hours x \$21.65 per hour = \$173.20).

It is estimated that the **Office of the Attorney General (AGO)** would provide approximately 60 hours of assistance per year with rules, opinions and meetings. Based on an hourly cost of \$60.87, the annual total would be \$3,652. It is estimated that three investigations may be forwarded to the AGO for further action. It is assumed there would not be any cases until FY 2005. At a cost of \$5,400 per case, the annual cost would be \$16,200.

DPR estimates administration services from the Division and from the Department of Economic Development will increase by \$24,880 as a result of this proposal, as the 3,552 licensees represent 1.27% of the total number licensed by the Division.

Oversight assumes that, based on proposals with a similar number of potential licensees, this board could be managed with 2.0 FTE and has adjusted costs accordingly. Also, Oversight assumes the additional administrative services could also be absorbed. If multiple bills pass, increasing the administrative workload, the Division and the Department of Economic Development may seek additional funding through the appropriations process. If the number of licensees significantly increases, fees can be adjusted to offset personnel expenses. The annual

ASSUMPTION (continued)

fee of \$100 has been adjusted to \$80, for total annual income of \$284,160 (\$177,600 for the Home Builders Licensure Fund and \$106,560 for the Recovery Fund).

Officials from the **Office of Attorney General (AGO)** indicated they would need one Assistant Attorney General I to handle licensing matters resulting from this legislation. **Oversight** assumes additional workload created for the AGO by the proposal would be reimbursed by the DPR. Costs for such services are noted in the DPR response and included in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
HOME BUILDERS LICENSURE FUND			
<u>Income</u> - Professional Registration License Fees/Renewals		\$177,600	\$182,928
<u>Costs</u> - Professional Registration Transfers to PR Fees Fund	<u>\$0</u>	<u>(\$131,321)</u>	<u>(\$136,486)</u>
ESTIMATED NET EFFECT TO HOME BUILDERS LICENSURE FUND	<u>\$0</u>	<u>\$46,279</u>	<u>\$46,442</u>
RECOVERY FEE FUND			
<u>Income</u> - License Fees/Renewals	\$0	\$106,560	\$109,757
<u>Costs</u> - Damage payments	<u>\$0</u>	<u>\$0</u>	<u>\$0 to (UNKNOWN)</u>
ESTIMATED NET EFFECT ON RECOVERY FEE FUND	<u>\$0</u>	<u>\$106,560</u>	<u>\$109,757 to (UNKNOWN)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
PR FEES FUND			
<u>Income - Professional Registration</u>			
Transfer from Home Inspectors Fund	\$0	\$131,321	\$136,486
<u>Costs - Professional Registration</u>			
		(\$70,766)	(\$72,535)
Personnel (2 FTE)	\$0		
Fringe Benefits	\$0	(\$25,483)	(\$26,120)
Equipment	\$0	(\$4,435)	\$0
Printing/Postage	\$0	(\$21,987)	(\$12,250)
Office Expense/Telephone	\$0	(\$1,236)	(\$1,274)
Investigator Expense	\$0	\$0	(\$3,246)
Other Costs - AGO Costs	<u>(\$3,652)</u>	<u>(\$3,762)</u>	<u>(\$21,061)</u>
<u>Total Costs - Professional Registration</u>	<u>(\$3,652)</u>	<u>(\$127,669)</u>	<u>(\$136,486)</u>
ESTIMATED NET EFFECT TO PR FEES FUND	<u>(\$3,652)</u>	<u>\$3,652</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>			
	FY 2003 (10 Mo.)	FY 2004	FY 2005
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

It is expected that small businesses would have a direct fiscal impact as a result of the fees initiated by this proposal.

DESCRIPTION

This proposed legislation creates a Home Builders Licensure Board to license and regulate home builders. After January 1, 2003, 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).

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
DESCRIPTION (continued)

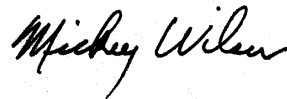
of residential home building. In addition to disciplinary action, the Board may impose administrative penalties for violations of the home builders licensure law and the rules and regulations of the Board. Building officials or other authorities charged with the duty of issuing building permits shall not issue such permits unless the home builder is licensed.

This proposal 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 or rental space. This proposal would increase state revenue.

SOURCES OF INFORMATION

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



Mickey Wilson, CPA
Acting Director
February 12, 2002