

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1306-02
Bill No.: HB 384
Subject: Fire Protection; Licenses - Professional; Contracts and Contractors
Type: Original
Date: February 18, 2013

Bill Summary: This proposal allows any contractor who engages in the installation or service of fire sprinkler systems to register with the State Fire Marshall.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$0	\$14,673	\$0
Total Estimated Net Effect on General Revenue Fund	\$0	\$14,673	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Fire Sprinkler Contractor Registration	\$25,219	(\$25,219)	\$28,100
Total Estimated Net Effect on <u>Other</u> State Funds	\$25,219	(\$25,219)	\$28,100

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Division of Fire Safety (DFS)** state they could potentially incur a fiscal impact due to the passing of this bill. This legislation would create a new program within DFS, with a new fund to administer, the Fire Sprinkler Contractor Registration Fund (which is to be swept biennially). The language in this bill is somewhat problematic, in that it does not mandate contractors to register, but instead allows them to if they so wish. It is hard to determine exactly how many would choose to register. There are approximately 100 Fire Sprinkler Contractors in the State of Missouri, and another 40 out of state who may seek licensure in Missouri. Based on those numbers, the Division would request a 1,000 hour clerical position to administer this program. Costs, including \$10,000 of salary and \$8,448 of expenses, total \$16,781 annually. Registration fees would be set at \$300 per contractor, generating \$42,000 in the first year. Fees would generate a positive net effect over a two-year span, at which time contractors would renew.

Officials from the **Office of the Secretary of State** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$2,500. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of the State Treasurer** and the **Joint Committee on Administrative Rules** each assume the proposal would not have a fiscal impact on their respective agencies.

Officials from the **Administrative Hearing Commission** anticipate that the legislation would not significantly alter its caseload. If similar bills pass, resulting in more cases, there will be fiscal impact.

Section 320.408.8 specifies that "any money remaining in the fund at the end of the biennium shall revert to the credit of the General Revenue Fund." Therefore, **Oversight** will reflect a transfer from the new Fire Sprinkler Contractor Registration Fund to the General Revenue Fund

ASSUMPTION (continued)

in FY 2015 of the net balance of the fund from FY 2014 and FY 2015.

Oversight also assumes Subsections 320.402.2 and 320.402.3 allow local political subdivisions to continue to require contractors to obtain local permits. Therefore, Oversight assumes the proposal will not fiscally impact municipalities, counties or other local governments.

This proposal could increase Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Transfer In</u> - from the Fire Sprinkler Contractor Registration Fund - Section 320.408.8 - any monies in the new Fire Sprinkler Contractor Registration Fund at the end of the biennium shall revert to General Revenue	<u>\$0</u>	<u>\$14,673</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$14,673</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
FIRE SPRINKLER CONTRACTOR REGISTRATION FUND			
<u>Income</u> - Division of Fire Safety (DFS)			
Registration Fee - authorized in Section 320.406 to be set at a level to produce revenue which shall not exceed the cost and expenses of administering the program (estimated to be \$300) x 140 projected applicants	\$42,000	\$3,000	\$42,000
<u>Expense</u> - Division of Fire Safety			
1,000 hour clerical support	(\$8,333)	(\$10,250)	(\$10,506)
equipment and expense	<u>(\$8,448)</u>	<u>(\$3,296)</u>	<u>(\$3,394)</u>
Total Expense - DFS	(\$16,781)	(\$13,546)	(\$13,900)
<u>Transfer Out</u> - to General Revenue Fund fund balance reverts to the credit of GR biennially	<u>\$0</u>	<u>(\$14,673)</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO THE FIRE SPRINKLER CONTRACTOR REGISTRATION FUND	<u>\$25,219</u>	<u>(\$25,219)</u>	<u>\$28,100</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small fire sprinkler businesses may want to be registered by the state as a result of this proposal.

FISCAL DESCRIPTION

This bill allows any contractor who engages in the installation or service of fire sprinkler systems to register with the State Fire Marshal. In its main provisions, the bill:

- (1) Allows a municipality, county, or any other local governmental body or jurisdiction to require a contractor to obtain a permit and pay a fee for the installation of a fire sprinkler system and the installation to be in conformance with its building code or other construction requirements;
- (2) Authorizes the Office of the State Fire Marshal within the Department of Public Safety to establish rules and regulations regarding the application content and the procedures for filing an application for a certificate of registration or a renewal of certification, all applicable fees, and establishing procedures for granting reciprocity with other states;
- (3) Establishes requirements which a contractor must meet in order to obtain a certificate of registration, including demonstrating his or her own knowledge or the employment of a person with specified training or certification in the area of fire sprinkler installation and service;
- (4) Specifies the procedure for the certification renewal process;
- (5) Requires the certificate of registration to be displayed conspicuously in the contractor's place of business;
- (6) Creates the Fire Sprinkler Contractor Registration Fund for the deposit of fees collected for the administration of the provisions of the bill;
- (7) Requires the fire marshal to send a written notice at least 30 days prior to the expiration of a certificate;
- (8) Requires an applicant to provide evidence of liability insurance in the amount of at least \$1 million for all occurrences per policy year;
- (9) Authorizes the fire marshal to file a complaint with the Administrative Hearing Commission against certified contractors for specific violations. If grounds for discipline are found, the fire marshal is authorized to censure or place a contractor on probation for up to five years or suspend for up to three years or revoke the contractor's certificate of registration; and
- (10) Authorizes the fire marshal to seek an injunction, restraining order, or other order, if appropriate, to prevent a person or organization from holding himself, herself, or itself out as a certified fire sprinkler contractor.

FISCAL DESCRIPTION (continued)

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 Public Safety
Office of the Secretary of State
Joint Committee on Administrative Rules
Office of the State Treasurer
Administrative Hearing Commission



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Acting Director
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