

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5565-01
Bill No.: HB 2063
Subject: Boards, Commissions, Committees, Councils; Professional Registration and Licensing; Political Subdivisions
Type: Original
Date: January 29, 2016

Bill Summary: This proposal creates the Missouri Electrical Industry Licensing Board and licensure requirements for a statewide electrical contractor's license.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Professional Registration Fees	(\$232,375)	\$0	\$0
MO Electrical Industry Licensing Board	\$0	\$568,975	(\$211,448)
Total Estimated Net Effect on Other State Funds	(\$232,375)	\$568,975	(\$211,448)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Professional Registration Fees	3	3	3
Total Estimated Net Effect on FTE	3	3	3

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 2017	FY 2018	FY 2019
Local Government	(Unknown, Greater than \$100,000)	(Unknown, Greater than \$100,000)	(Unknown, Greater than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

In response to a similar proposal from this session, SB 773, Oversight received the following responses:

Officials from the **Department of Insurance, Financial Institutions and Professional (DIFP) Registration** stated based on a projection from a member of the Electrical Contractors Association, that it is estimated that approximately 2,005 individuals in the state of Missouri will be required to be licensed. In addition, a 3% growth rate has been estimated.

The following board specific expenses were calculated based on existing boards of similar size to determine the additional appropriation needed by DIFP to support the board. In regards to staffing, 3 FTE are necessary to comply with the proposal, 1 Principle Assistant (Executive Director) at \$58,816/year, 1 Processing Technician II at \$26,652/year, and 1 Investigator II at \$37,548/year.

Other annual expenses associated with this legislation include:

Printing and Postage Expenses: 2,005 Licensees x \$12.50 = \$5,526

Board Meeting Expenses: 9 Board Members x \$249 = \$2,241

Program changes for the licensure system: 18 Hours for design, program and implementation x \$30 per hour = \$540.00

Complaints and investigation: 4 anticipated complaints requiring overnight stay x \$143 per investigation = \$572.00

Division Wide Expenses:

Maintenance of Licensing System - \$4,454

Division Operating Expenses - \$1,819

Division Personal Service Expenses - \$8,184

Department Cost Allocation - \$859

Total: \$15,316

Attorney General's Office: \$4,620

Administrative Hearing Commission: \$290.00

ASSUMPTION (continued)

The projected revenue reflects the fees, in addition to a 3% growth rate. It is estimated that the collection of the initial license fees will begin in FY18 and renewal fees will not be collected until FY19. It is assumed that all fees collected would be deposited into the Missouri Electrical Industry Licensing Board Fund and that all expenses would be paid out of that fund. It is assumed no revenue will be generated the first year, therefore, expenses incurred by the board will be paid back to the PR Fees Fund by a lending board within the division, pursuant to section 324.016, RSMo. It is also estimated payback of any outstanding loans would be made in FY19.

However, should the number of licensees largely vary from the number estimated, the licensure fees will be adjusted accordingly.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

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.

Officials from the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **County of St. Louis** assume programming costs to their master permit system to recognize a state license will be required. Costs are undetermined but expected to be substantial. Additional inspection staff would be needed as inspection time increases if contractors are licensed to work in St. Louis County but have not had to strictly comply with the codes in the past. Costs would be incurred if a complaint is filed and several staff members including their attorney would need to travel to administrative hearings to present evidence to support charges filed with the board. Approximately \$75,000 annually for an inspector. If passed, the proposal would remove about \$60,000 annually. Revenue would be lost from license fees as their local license would be made irrelevant. These fees fund the position responsible for

ASSUMPTION (continued)

licensing and maintaining the bond and insurance. The workload would not decrease because a position is still needed to maintain the state license holders in a data base for permit issuance as well as verification of open permits pursuant to 324.935.1(3).

Oversight assumes this proposal will result in a negative fiscal impact of Unknown, Greater than \$100,000 to local political subdivisions.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
PROFESSIONAL REGISTRATION FEES FUND			
<u>Costs - DIFP</u>			
Salaries	(\$106,713)	(\$129,336)	(\$130,630)
Fringe Benefits	(\$53,237)	(\$64,220)	(\$64,560)
Equipment and Expense	<u>(\$52,199)</u>	<u>(\$18,737)</u>	<u>(\$19,068)</u>
<u>Total Costs - DIFP</u>	(\$212,149)	(\$212,293)	(\$214,258)
FTE Change - DIFP	3 FTE	3 FTE	3 FTE
<u>Costs - DIFP</u>			
Administrative Costs	(\$20,226)	(\$20,732)	(\$21,250)
<u>Transfer - Reimbursement</u>	<u>\$0</u>	<u>\$233,025</u>	<u>\$235,508</u>
ESTIMATED NET EFFECT ON PROFESSIONAL REGISTRATION FEES FUND	<u>(\$232,375)</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on Professional Registration Fees Fund	3 FTE	3 FTE	3 FTE
MO ELECTRICAL INDUSTRY LICENSING BOARD FUND			
<u>Revenue - DIFP</u>			
Initial licensure/Renewal Fee	\$0	\$802,000	\$24,060
<u>Transfer Out - Reimburse PR Fee Fund</u>	<u>\$0</u>	<u>(\$233,025)</u>	<u>(\$235,508)</u>
ESTIMATED NET EFFECT ON MO ELECTRICAL INDUSTRY LICENSING BOARD FUND	<u>\$0</u>	<u>\$568,975</u>	<u>(\$211,448)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss</u> - Reduction of local License Fees	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> - Programming and administrative costs associated with permits issued to state licensed contractors	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown, Greater than \$100,000)</u>	<u>(Unknown, Greater than \$100,000)</u>	<u>(Unknown, Greater than \$100,000)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal creates the Missouri Electrical Industry Licensing Board. The Board shall consist of nine members from various districts created in the act. The Board along with the Division of Professional Registration shall adopt rules regarding licensure, professional conduct, and competency requirements. The Division in conjunction with the Board may negotiate reciprocal licensing agreements with other states.

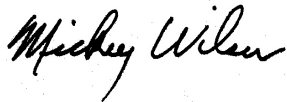
The proposal provides license requirements for a statewide electrical contractor's license. Electrical contractors who hold a license that was issued in this state which required, prior to 2016, the passage of an examination, and who have completed twelve thousand hours of practical experience shall be issued a statewide license. Each electrical contracting firm must have at least one licensed electrical contractor at a supervisory level.

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

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SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration
Office of the Secretary of State
Attorney General's Office
City of Kansas City
County of St. Louis



Mickey Wilson, CPA
Director
January 29, 2016

Ross Strobe
Assistant Director
January 29, 2016