

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5614-01
Bill No.: HB 2050
Subject: Economic Development Dept.; Fire Protection; Licenses - Professional
Type: Original
Date: April 11, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(\$95,311)	(\$113,262)	(\$109,510)
Total Estimated Net Effect on General Revenue Fund	(\$95,311)	(\$113,262)	(\$109,510)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Other PR	\$3,498	\$20,387	\$14,733
Total Estimated Net Effect on <u>Other</u> State Funds	\$3,498	\$20,387	\$14,733

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Attorney General** and **Department of Public Safety** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal to the SOS for administrative rules is less than \$1,500. The SOS does not expect additional funding would be required to meet these costs. However, the SOS 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 its 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.

Officials from the **Department of Economic Development - Division of Professional Registration (DED-PR)** state based on information from the association seeking this licensure, it is estimated that 1,500 individuals would obtain a license as a fire sprinkler installer/contractor. A 3% growth rate has been estimated.

As this proposal does not establish a fund for the collection of fees, the DED-PR is not estimating license fees or license fee revenue.

ASSUMPTION (continued)

The DED-PR assumes the following personnel will be needed to administer the provisions of this proposal: 0.5 FTE Principal Assistant (\$59,532 annual salary) to serve as the senior executive officer of the licensing agency and 1.0 FTE Licensure Technician II (\$26,292 annual salary) to provide technical support, process applications for licensure, and respond to inquiries related to the licensure law and/or rules and regulations.

The DED-PR assumes 44 complaints would be received each year and would require, on average, five hours each to complete. The DED-PR estimates 30% of these complaints (13) will require investigations and 30% of the investigated complaints would require field investigations. The DED-PR estimates that 50% of these field investigation (2), each needing 30 hours of field work, would require one night's lodging. Travel expenses for the investigation are estimated at \$343 annually. The DED-PR assumes complaints and investigations would not start until FY 08.

The DED-PR assumes there will be a cost associated with needing the services of the Attorney General's Office (AGO) and the Administrative Hearing Commission (AHC). The AGO will provide assistance with board meetings, opinions, the promulgation of rules and regulations, interpretation of legislation, and litigation. AGO and AHC costs are based on the costs incurred by boards of similar size. AGO costs are estimated to be \$5,424 annually beginning in FY 07 and AHC costs are estimated to be \$1,175 annually beginning in FY 08.

The DED-PR assumes printing and postage costs will be incurred in the first year for statute and rule mailings and for startup printing of rules, applications, letterhead and envelopes. The DED-PR estimates printing and postage costs at \$6.25 per licensee in the first year, for a total cost of \$9,375. Subsequent years' printing and postage costs are expected to cost \$4,841 annually, based on a similarly sized board. The DED-PR assumes existing staff would design, program, and implement a computer licensure program.

The DED-PR assumes licensed fire sprinkler installers will represent 0.50% of DED-PR's overhead. As such, the board will be required to reimburse the Division and the Department of Economic Development for its share of administrative overhead costs. These costs are estimated to be \$16,064 for FY 08 and \$10,280 for FY 09.

Oversight has, for fiscal note purposes only, changed the starting salary for the Licensure Technician II to correspond to the first step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

ASSUMPTION (continued)

Oversight notes that the inclusion of rent expense and administrative overhead costs in the total costs to be incurred by the licensed fire sprinkler installers will result in a lower allocation of these expenses to other licensing boards. As a result, **Oversight** has shown a savings to Other Professional Registration (PR) Funds in an amount equal to the expense of the licensed fire sprinkler installers.

Oversight assumes since the proposal does not establish a fund to deposit licensure fees into and pay expenses out of, the impact of this proposal is to General Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND			
<u>Costs - Department of Economic Development</u>			
Personal service costs (1.5 FTE)	(\$44,746)	(\$55,429)	(\$56,615)
Fringe benefits	(\$19,715)	(\$24,422)	(\$24,945)
Equipment and expense	(\$21,928)	(\$6,425)	(\$6,618)
Rent and allocatable expenses	(\$3,498)	(\$20,387)	(\$14,733)
AGO and AHC	<u>(\$5,424)</u>	<u>(\$6,599)</u>	<u>(\$6,599)</u>
Total <u>Costs</u> - Department of Economic Development	<u>(\$95,311)</u>	<u>(\$113,262)</u>	<u>(\$109,510)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$95,311)</u>	<u>(\$113,262)</u>	<u>(\$109,510)</u>
OTHER PR FUNDS			
<u>Savings - Other PR Funds</u>			
Reduction in allocated costs	<u>\$3,498</u>	<u>\$20,387</u>	<u>\$14,733</u>
ESTIMATED NET EFFECT ON OTHER PR FUNDS	<u>\$3,498</u>	<u>\$20,387</u>	<u>\$14,733</u>

FISCAL IMPACT - Local Government

FY 2007
(10 Mo.)

FY 2008

FY 2009

\$0

\$0

\$0

FISCAL IMPACT - Small Business

The proposal would have a fiscal impact on small business fire sprinkler installation companies that would be required to become licensed or that paid the licensing fees of employees.

DESCRIPTION

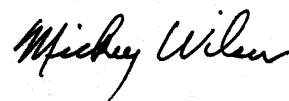
This proposal requires fire sprinkler contractors, installers, and installer assistants to be licensed with the Division of Professional Registration within the Department of Economic Development. A person cannot install, inspect, dismantle, maintain, or repair any fire sprinkler system unless they are duly licensed by the division.

The division director is authorized to promulgate rules to implement the provisions of the proposal.

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

Office of Attorney General
Department of Economic Development -
 Division of Professional Registration
Department of Public Safety -
 Director's Office
 Division of Fire Safety
Office of Secretary of State



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