

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6357-01
Bill No.: HB 2118
Subject: Contracts and Contractors; Licenses - Professional
Type: Original
Date: March 21, 2014

Bill Summary: This proposal establishes the Missouri Electrical Industry Licensing Board to regulate and license electrical contractors.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
PR Fees Fund	(\$217,752)		\$0
MO Electrical Industry Licensing Board	\$0	\$483,429	(\$212,203)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$217,752)	\$483,429	(\$212,203)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
PR Fees Fund	3	0	0
MO Electrical Industry Licensing Board	0	3	3
Total Estimated Net Effect on FTE	3	3	3

☐ 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 2015	FY 2016	FY 2017
Local Government	(Unknown > \$100,000)	(Unknown > \$100,000)	(Unknown > \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **County of St. Louis** assume this proposal will have a negative fiscal impact on their county government. The County assumes there will be travel costs associated with license hearings that result from complaints and charges. The County will need to send witnesses to Jefferson City to testify to support cases or charges. Lost wages, per diem, and mileage could exceed \$10,000 per year. In addition, there will be costs relating to the master permit system, which issues electrical permits based on electrical license numbers. The re-programming costs would be a one-time cost of approximately \$25,000. Additional costs may result from tracking and policing unpermitted work within the County. Licensed contractors are required to know the local electrical code and permitting requirements.

In addition, the County would lose about \$50,000 per year in license fees. These fees assist in funding electrical inspections office staff and are not offset by a comparative reduction in costs. The County would still be required to monitor license holders, bonds and insurance records.

Officials from the **Department of Insurance, Financial Institutions and Professional (DIFP) Registration** based on a projection from a member of the Electrical Contractors Association, that it is estimated that approximately 1,000 licensees 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), 1 Processing Technician II, and 1 Investigator II. Other expenses associated with this legislation include printing and postage expenses, board meeting costs, board member per diem, program changes for the licensure system and complaints and investigation.

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 FY16 and renewal fees will not be collected until FY 18. 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. In it also estimated payback of any outstanding loans would be made in FY18. However, should the number of licensees largely vary from the number estimated, the licensure fees will be adjusted accordingly.

Oversight assumes the reimbursement from MO Electrical Industry Licensing Board could occur as early as FY 16, if the fund preforms as planned. DIFP does not expect it to occur until FY18.

ASSUMPTIONS (continued)

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.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
PROFESSIONAL REGISTRATION FEE FUND			
<u>Costs - DIFP</u>			
Salaries	(\$105,770)	\$0	\$0
Fringe Benefits	(\$51,663)	\$0	\$0
Equipment and Expense	<u>(\$39,885)</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Costs - DIFP</u>	(\$197,318)	\$0	\$0
FTE Change - DIFP	3 FTE	0 FTE	0 FTE
<u>Costs - DIFP</u>			
Administrative Costs	(\$20,434)	\$0	\$0
ESTIMATED NET EFFECT ON PROFESSIONAL REGISTRATION FEE FUND	<u>(\$217,752)</u>	<u>\$0</u>	<u>\$0</u>
MO ELECTRICAL INDUSTRY LICENSING BOARD FUND			
<u>Costs - DIFP</u>			
Salaries	\$0	(\$127,243)	(\$128,471)
Fringe Benefits	\$0	(\$62,615)	(\$63,242)
Equipment and Expense	<u>\$0</u>	<u>(\$15,769)</u>	<u>(\$19,785)</u>
<u>Total Costs - DIFP</u>	\$0	(\$205,627)	(\$211,498)
FTE Change - DIFP	0 FTE	3 FTE	3 FTE
<u>Costs - DIFP</u>			
Administrative Costs	<u>\$0</u>	(\$20,944)	(\$22,005)
<u>Revenue - DIFP</u>			
Initial licensure/Renewal Fee	\$0	\$710,000	\$21,300
ESTIMATED NET EFFECT ON MO ELECTRICAL INDUSTRY LICENSING BOARD FUND	<u>\$0</u>	<u>\$483,429</u>	<u>(\$212,203)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> - Administrative costs to comply with legislation	(Unknown > \$100,000)	(Unknown > \$100,000)	(Unknown > \$100,000)
<u>Loss</u> - License Fee Revenue	(Unknown > \$100,000)	(Unknown > \$100,000)	(Unknown > \$100,000)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown > \$100,000)</u>	<u>(Unknown > \$100,000)</u>	<u>(Unknown > \$100,000)</u>

FISCAL IMPACT - Small Business

Small businesses will be fiscally impacted by this proposal. Electrical contractors will have a change in their licensing process. Most likely, contracting electrical work will change as well, regarding permits and codes.

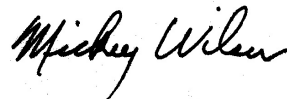
FISCAL DESCRIPTION

This proposal establishes the Missouri Electrical Industry Licensing Board in the Division of Professional Registration within the Department of Insurance, Financial Institutions and Professional Registration to regulate and license electrical contractors.

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

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 21, 2014

Ross Strobe
Assistant Director
March 21, 2014