

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4745-02
Bill No.: HCS for HB 1587
Subject: Professional Registration and Licensing; Political Subdivisions
Type: Original
Date: January 31, 2018

Bill Summary: This proposal creates new provisions of law related to professional registration.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	(\$49,702) to (Could exceed \$149,702)	(\$49,702) to (Could exceed \$149,702)	(\$41,062) to (Could exceed \$149,062)
Total Estimated Net Effect on General Revenue	(\$49,702) to (Could exceed \$149,702)	(\$49,702) to (Could exceed \$149,702)	(\$41,062) to (Could exceed \$149,062)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Various State Funds	Less than (\$5,000,000)	Less than (\$5,000,000)	Less than (\$5,000,000)
Missouri Public Health Services*	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	Less than (\$5,000,000)	Less than (\$5,000,000)	Less than (\$5,000,000)

* Transfer In and Loss Net to zero.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

☒ 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 2019	FY 2020	FY 2021
Local Government	(Potentially substantial Unknown loss)	(Potentially substantial Unknown loss)	(Potentially substantial Unknown loss)

FISCAL ANALYSIS

ASSUMPTION

Section 324.015

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assume this proposal would add a new section 324.015 allowing low-income individuals and military families to apply for waivers of occupational fees and any other fees associated with licensing requirements, and requires all state and political subdivision licensing authorities to waive those fees.

While the exact fiscal impact would be unknown and depend upon how many department licensees qualify as military families and/or low-income individuals and how many of those individuals who do qualify would be aware of and apply for a waiver, the department has prepared a fiscal estimate based upon 2016 US Census data which indicates 7% of Missourians are veterans and the 14% of Missourians are in poverty. When applying these percentages to department licensees as potential waivers, it is estimated that department license fee revenue could decrease up to \$5,000,000 in each of the three fiscal years in this fiscal note should the bill become law.

Depending upon the current fund balance in impacted funds, the exact fee revenue lost and the effort needed to update department licensing systems and the extent of the change required to make our licensing processes compliant with the new waiver process (i.e. affidavits vs. income determinations, documentation of veteran's status, etc.), to meet the department's statutory requirements to process licenses and protect consumers, the department may be required to request general revenue or increase licensure fees for those licensees that do not qualify for the waiver to cover any funding shortfall. Again, it is unknown at this time to the exact extent each regulatory fund may be affected should the bill become law and the exact level of detail of documentation and system changes required to grant the waiver to the licensee.

The Department assumes these occupational fees do not include continuing education course fees, testing fees and other fees required in addition to licensure fees. If these fees are also meant to be included in the waiver, the fiscal impact would be much greater and also established national and vendor contracts would be need to be reestablished under the new law, as many vendors would not be able to give the tests and courses free of charge for the waived individuals. If individual businesses were meant to be allowed to receive waivers under this bill, there could be a much larger fiscal impact to the Department, in the form of reduced licensing fees collected, though it is unknown how many of those business entities are operated by military families or low-income individuals that would potentially be eligible for waivers under this bill.

ASSUMPTION (continued)

The Department would also be required to develop a list of criminal offenses that would be applied to assess the character or moral fitness of a licensee applicant per licensee type. The department would need to continually maintain and update this list for each license type to ensure compliance with current state law, federal law and crimes in other states. The department would need to request additional appropriation and FTE through the budget process, which is unknown at this time, but would depend upon the extent of the research /work to create, maintain and update these lists for each Department division and board.

In summary, DIFP assumes an impact of up to a \$5,000,000 loss of revenue to Various State Funds and an unknown greater than \$100,000 cost to the General Revenue Fund.

For fiscal note purposes, **Oversight** assumes DIFP is provided with core funding to handle a certain amount of activity each year. Oversight will reflect a “\$0 or” unknown greater than \$100,000 cost to the General Revenue Fund, depending upon DIFP’s ability to absorb some of the additional costs from this bill.

In response to a previous version, officials from the **Department of Health and Senior Services - Division of Regulation and Licensure (DHSS)** assumed Board of Nursing Home Administrators (BNHA) collects fees associated with licensing nursing home, residential care, and assisted living administrators. It is assumed that up to 10 percent of licensees would fall within the waiver criteria proposed within this legislation. In 2017, BNHC collected fees totaling \$131,415. The impact of this legislation could be a loss of revenue up to \$13,142 ($\$131,415 \times .10 = \$13,141.50$).

DHSS assumes the Division of Community and Public Health issues occupation licenses for the Onsite Wastewater Treatment Program (OWTP) and the Lead Licensing Program (LLP).

Based on data from the Missouri Census Data Center -ACS report it is estimated that potentially 20% of the population would be eligible for the waiver:

- 15.6% of Missouri residents are below the Federal Poverty Line.
- 10% of Missouri adults are veterans.
- With a total 25.6% of the population meeting one of these eligibilities, given that there will be overlap of eligibility between categories, it is assumed for fiscal note purposes that 20% of those licensed by DCPH would be eligible for waiving the license fees.

ASSUMPTION (continued)

In FY17, LLP collected approximately \$86,400 in licensing fees that are deposited in the Missouri Public Health Services (MOPHS) Fund and used for program operations. Assuming 20% of applicants would receive a fee waiver as described above, LLP would lose \$17,280 in revenue to the MOPHS Fund the first two years because all applicants would be eligible for this new waiver. Because the bill allows each individual to receive a waiver only once, each license is issued for two years, and about half of all applicants each year are new applicants, LLP would lose \$8,640 in revenue to the MOPHS Fund each year thereafter. These funds would have to be made up by a request in general revenue funds to continue program operations.

In FY17, OWTP collected approximately \$96,400 in licensing fees that are deposited in the MOPHS Fund and used for program operations. The OWT license is a three year license, and assuming 20% of applicants would receive a fee waiver as described above, OWTP would lose \$19,280 annually from licensing for the first three years. This number would continue to grow as the number of professionals increase each year. There is also an unknown cost to the amount of additional staff that may be needed to process a waiver instead of a payment.

In summary, DHSS assumes a loss of income of \$13,142 to the General Revenue Fund in FY 2019, FY 2020 and FY 2021 and also a transfer of funds from the General Revenue Fund to the Missouri Public Health Service Fund of \$36,560 in FY 2019 and FY 2020 and \$27,920 in FY 2021 as a result of loss of licensing fees to the Missouri Public Health Service Fund.

Officials from the **City of Kansas City** assume this legislation would have a negative fiscal impact. By capping Occupational and Licensing fees at twenty-five dollars per year, the City would lose license fee revenues of approximately \$121 million a year. This amount includes \$24 million in business licensing fees and \$97 million in utility taxes.

Utility taxes are included because the bill defines "Occupational fee" as a fee or tax on professionals or businesses that is charged for the privilege of providing goods or services within a certain jurisdiction and includes any fee to obtain a license or renew a license. Kansas City's business license code imposes a quarterly license fee on an electric light or power company based upon the business done derived from the sale of electrical energy within the city (for consumption; not for resale).

In response to a previous version, officials from the **City of Springfield** assume this proposal will have a potential negative fiscal impact to their organization. Any exemption from or elimination of, the City's occupational license fees will affect the City's tax fund and thus, many important City programs. The impact of this proposal is likely more than \$100,000.

ASSUMPTION (continued)

Officials from the **St. Louis County Government** assume this legislation would have a negative fiscal impact to their organization. The County would lose license fee revenues of approximately \$31 million a year. This amount includes \$853,000 in license fees and \$30 million in utility taxes.

Officials from **Boone County** assume this proposal will have a minimal fiscal impact on their organization.

Oversight assumes this proposal will have an effect on all local political subdivisions and, based upon the above local government responses, will reflect a negative unknown - potentially substantial fiscal impact to local political subdivisions as a result of this proposal.

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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, 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.

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 **Joint Committee on Administrative Rules** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Department of Mental Health**, the **Department of Social Services**, the **Department of Labor and Industrial Relations**, the **Department of Natural Resources** and the **Department of Agriculture** each assume the proposal will have no fiscal impact on their respective organizations.

ASSUMPTION (continued)

Oversight has no information regarding the percentage of license holders that would qualify for this two-year exemption. Oversight assumes the percentage of license holders that would qualify as a “low-income individual” is not as high as the general population as assumed by DIFP (14%), but we do not have better data to put forth an estimate. Therefore, Oversight will assume a fiscal impact to license fee revenue of “less than” the estimate provided by DIFP.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Cost</u> - DIFP - costs to implement the changes in the proposal	\$0 or (Unknown - could exceed \$100,000)	\$0 or (Unknown - could exceed \$100,000)	\$0 or (Unknown - could exceed \$100,000)
<u>Loss</u> - DHSS Loss of Licensing Fees	(\$13,142)	(\$13,142)	(\$13,142)
<u>Transfer Out</u> - to Missouri Public Health Service Fund -DHSS Loss of Licensing Fees	<u>(\$36,560)</u>	<u>(\$36,560)</u>	<u>(\$27,920)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$49,702) to (Could exceed \$149,702)</u>	<u>(\$49,702) to (Could exceed \$149,702)</u>	<u>(\$41,062) to (Could exceed \$141,062)</u>
VARIOUS STATE FUNDS			
<u>Loss</u> - DIFP Loss of Licensing Fees	Less than <u>(\$5,000,000)</u>	Less than <u>(\$5,000,000)</u>	Less than <u>(\$5,000,000)</u>
ESTIMATED NET EFFECT TO VARIOUS STATE FUNDS	Less than <u>(\$5,000,000)</u>	Less than <u>(\$5,000,000)</u>	Less than <u>(\$5,000,000)</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
--	---------------------	---------	---------

**MISSOURI PUBLIC HEALTH
SERVICES FUND**

<u>Transfer In</u> - from the General Revenue Fund - DHSS	\$36,560	\$36,560	\$27,920
--	----------	----------	----------

<u>Loss</u> - DHSS Loss of Licensing Fees	<u>(\$36,560)</u>	<u>(\$36,560)</u>	<u>(\$27,920)</u>
--	-------------------	-------------------	-------------------

ESTIMATED NET EFFECT TO MISSOURI PUBLIC HEALTH SERVICES FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
---	-------------------	-------------------	-------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
---	---------------------	---------	---------

LOCAL POLITICAL SUBDIVISIONS

<u>Loss</u> Loss of Licensing Fees and Taxes	<u>(Potentially substantial Unknown loss)</u>	<u>(Potentially substantial Unknown loss)</u>	<u>(Potentially substantial Unknown loss)</u>
---	---	---	---

ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Potentially substantial Unknown loss)</u>	<u>(Potentially substantial Unknown loss)</u>	<u>(Potentially substantial Unknown loss)</u>
---	--	--	--

FISCAL IMPACT - Small Business

Small businesses where the owner/operator is required to have an occupational license and meets the qualifications for the exemption and an impact on those businesses that have employees meeting qualifications for the exemption if the business reimburses the employee for the occupational license.

FISCAL DESCRIPTION

This bill prevents any political subdivision from adopting any new occupational fees or licensing requirements. A political subdivision cannot collect more than \$25 from one individual under any existing occupational fee requirement. The bill also prevents any political subdivision from imposing any licensing requirements for an occupation or profession already regulated by the state.

This bill requires all state and local licensing boards or entities to waive, for up to two years, any fees charged to obtain or renew occupational licenses for military families and low-income individuals.

This bill requires all licensing authorities to publish a list of criminal offenses for which the authority would deny licensure. To be included a criminal offense must directly relate to the duties and responsibilities of the licensed occupation or profession.

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
Department of Labor and Industrial Relations
Department of Health and Senior Services
Department of Natural Resources
Department of Agriculture
Department of Social Services
Department of Mental Health
Office of the Secretary of State
Joint Committee on Administrative Rules
City of Kansas City
City of Springfield
St. Louis County Government
Boone County

Ross Strope



Acting Director
January 31, 2018