

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0735-04
Bill No.: HCS for HB 483
Subject: Professional Registration and Licensing; Property, Real and Personal; Political Subdivisions
Type: Original
Date: March 26, 2019

Bill Summary: This proposal modifies the laws regarding the issuance of certain building permits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	(Unknown, could exceed \$1,000,000)	(Unknown, could exceed \$1,000,000)	(Unknown, could exceed \$1,000,000)

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 previous version, officials at the **City of Kansas City** assumed this legislation will have a negative fiscal impact on the City of an indeterminate amount because the City would likely need to hire 2 to 3 additional staff to ensure it can meet the deadlines established by this legislation.

Oversight inquired the City of Kansas City on the amount of salary and fringe for additional staff that would need to be hired. The City of Kansas City states the additional employees who could review plans would consist of either Registered Engineers, Graduate Engineers or Registered Architects. The cost to the City of hiring such an employee would be a starting annual salary, including benefits, of at least approximately \$63,000 to \$72,000. Therefore, if the City of Kansas City would need to hire between 2 to 3 additional staff, Oversight will assume the additional cost would be between \$126,000 (for 2 staff) to \$216,000 (for 3 staff) each year.

In response to a previous version, officials at the **City of Springfield** assumed a negative fiscal impact to the City that is unquantifiable without knowing how the proposed legislation will affect the administration cost related to permit issuance. The loss is likely less than \$1,000,000.

In response to a previous version, officials at the **City of Osage Beach** assumed costs may increase as periodic additional plan review capability may be necessary to meet the five-day plan review and turnaround time. The length of time it takes to review a plan is dependent on the quality and completeness of what is submitted by the applicant. The same applies to resubmission of plans. Approximately 125 plans per year would require the additional capacity to meet the time frame at a cost of 800 hours (at \$45 per hour) for a total anticipated increase in costs of \$36,000 per year.

In response to a previous version, officials at the **City of Raymore** assumed there would be a savings from this proposal of \$74,694 per year because it would reduce the need for a full time residential building inspector. There would also be a loss of \$142,500 in residential building permits. The City would have to reduce permit fees based on less inspections being performed. The City estimates they would only bill 5% of their current permit fees.

ASSUMPTION (continued)

Oversight assumes this proposal could affect multiple cities and counties around the State. Therefore, based upon the responses we have received, Oversight will assume a fiscal impact of a negative unknown cost that could exceed \$1,000,000 for this proposal.

In response to a previous version, officials at the **Office of Administration's Division of Budget and Planning (BAP)** assumed section 67.279 establishes the Fairness to Homeowners Act and sets forth definitions and terms by which residential building plans are to be evaluated and approved. While the act sets a penalty and class A misdemeanor for political subdivisions that fail to adhere to the terms, the penalty is paid to the building permit applicant and not the state.

Oversight notes from BAP's response there would be no costs to the state for penalties when there is a violation of this section and will assume a \$0 fiscal impact for this proposal.

Officials at the **Missouri Department of Transportation** assume no fiscal impact from this proposal.

In response to a previous version, officials at the **Department of Insurance, Financial Institutions and Professional Registration** and the **Department of Conservation** each assumed no fiscal impact to their respective agencies from this proposal.

Oversight notes that the Department of Insurance, Financial Institutions and Professional Registration, the Missouri Department of Transportation and the Department of Conservation each has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

In response to a previous version, officials at the **Monroe County Assessor's Office** and the **City of Keytesville** each assumed no fiscal impact to their respective entities from this proposal.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost/Loss - potential for additional staff needed; loss in permit fees collected and potential penalties paid out by LPSs</u>	(Unknown, could exceed <u>\$1,000,000</u>)	(Unknown, could exceed <u>\$1,000,000</u>)	(Unknown, could exceed <u>\$1,000,000</u>)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(Unknown, could exceed <u>\$1,000,000</u>)	(Unknown, could exceed <u>\$1,000,000</u>)	(Unknown, could exceed <u>\$1,000,000</u>)

FISCAL IMPACT - Small Business

Small business in the construction industry including builders, developers, architects, and engineers could be impacted by this proposal.

FISCAL DESCRIPTION

This bill creates the "Fairness to Homeowners Act" and establishes a process and schedule for the submission and approval of building permits and certificates of occupancy in certain political subdivisions.

A political subdivision shall evaluate and approve or deny a building plan, or application or inspection for a certificate of occupancy, not signed and sealed by an engineer or architect licensed in this state within five days of the plan's submission or one day of the application's or inspection's submission. A denial must include the reason therefor, specific citations to the building code, and the actions required to receive approval.

Resubmissions of a denied plan shall be evaluated within five business days of resubmission while resubmission of a denied application or inspection shall be evaluated within one business day. A new plan, application, or inspection shall be approved if it includes changes that remedy all reasons for its original denial. Resubmitted plans cannot be denied for any requirement not stated in the initial denial. If a political subdivision fails to evaluate and approve or deny a plan, application, or inspection within the required time, the plan will be deemed approved and a permit shall be issued within seven business days of submission or resubmission while the application or inspection shall be deemed approved and a certificate of occupancy shall be issued within two business days.

A political subdivision shall approve a residential building plan signed and sealed by an engineer

FISCAL DESCRIPTION (continued)

or architect licensed in this state and issue a permit within two days of the plan's submission.

An application or inspection for a certificate of occupancy signed and sealed by an engineer or architect licensed in this state shall be approved and a certificate issued within one business day of the application's or inspection's submission.

In lieu of a political subdivision conducting building permit inspections, the recipient of the permit may hire an architect or engineer licensed in this state to inspect the work and report the results to the political subdivision using uniform inspection forms.

Each violation by any member of a political subdivision is a class A misdemeanor and shall make the political subdivision liable to the applicant for a civil penalty of \$5,000 per violation.

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

City of Kansas City
City of Springfield
City of Osage Beach
City of Raymore
Office of Administration
 Division of Budget and Planning
Department of Insurance, Financial Institutions and Professional Registration
Missouri Department of Transportation
Department of Conservation
Monroe County Assessor's Office
City of Keytesville



Kyle Rieman
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L.R. No. 0735-04
Bill No. HCS for HB 483
Page 7 of 7
March 26, 2019

March 26, 2019

March 26, 2019