

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2193-02
Bill No.: HB 1066
Subject: Professional Registration and Licensing
Type: Original
Date: April 1, 2019

Bill Summary: This proposal adds provisions relating to the licensing of home inspectors.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue Fund	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on General Revenue	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Professional Registration Administration Fund (0689)	(\$295,119)	\$0	\$0
Home Inspector Fund	\$0	\$370,332	(\$257,557)
Total Estimated Net Effect on Other State Funds	(\$295,119)	\$370,332	(\$257,557)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 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
Professional Registration Administration Fund (0689)	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 FTE

☒ 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	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** estimate the following:

Licensee/Revenue

1,840	Estimated Licensees (US Labor census)
\$350.00	Initial License Fee
\$350.00	Renewal License Fee
Biennial	Renewal Cycle

- In the current language of this proposed legislation, Professional Registrations 1,840 will register with the department according to the provisions of section 339.903.
- Projected revenue reflects fees collected for all categories of licensure.
- A 3% growth rate has been estimated (55 additional initial licensees).
- It is estimated that the collection of initial license fees will begin in FY 2021 and renewal fees will not be collected until FY 2023.
- If the number of licensees largely vary from the number estimated above, the licensure fees will be adjusted accordingly.

In summary, DIFP assumes a revenue of \$644,000 (1,840 x \$350) in FY 2021 and \$19,250 (1,840 x 3% (55) x \$350) in FY 2022 to the Home Inspector Fund.

Staffing

The following board-specific expenses are being calculated to determine the additional appropriation needed by the division to support the board and to assist in calculating the anticipated license and renewal fees.

1 Principal Assistant (\$65,000/annually) needed to serve as the senior executive officer of the registration agency.

1 Processing Technician II (\$29,388/annually) needed to provide technical support, process applications for licensure, and respond to inquiries related to the licensure law and/or rules and regulations.

1 Investigator II (\$45,000/annually) needed to conduct investigations and inspections, serve notices, and gather information required by the board.

ASSUMPTION (continued)

Complaints and Investigations

It is estimated the board will receive approximately 15 complaints. The division does not anticipate receiving any complaints until FY 2021. It is estimated 15% of the complaints filed will require field investigations with 50% requiring overnight travel. A car is needed to conduct investigations and will need to be eventually replaced based upon usage. Therefore, the vehicle cost is considered an ongoing expense and appropriation need.

In summary, DIFP assumes a cost of \$295,119 in FY 2020, \$273,668 in FY 2021 and \$276,807 in FY 2022 to provide for the implementation of the changes in this proposal.

Oversight assumes the revenue generated by the filing fee to the Home Inspection Fund will not begin until 2021. Therefore, Oversight will reflect a \$295,119 cost (staffing, complaints and investigations) to the Professional Registration Administration Fund (0689) in FY 2020 with no reimbursement from the Home Inspectors Fund. Oversight will reflect the DIFP estimated revenues generated to the Home Inspection Fund (and then transferred to the Professional Registration Administration Fund as needed to reimburse the cost of the proposal) and the cost to the Professional Registration Administration Fund in FY 2021 and FY 2022.

For the purpose of the proposed legislation, and as a result of excessive caseloads, officials from the **Office of the State Public Defender (SPD)** cannot assume existing staff will provide competent, effective representation for any new cases where indigent persons are charged with the proposed new crimes relating to the violation of new home inspector regulations would be charged with a new Class B misdemeanor. The Missouri State Public Defender System is currently providing legal representation in caseloads in excess of recognized standards.

While the number of new cases may be too few or uncertain to request additional funding for this specific bill, the Office of the State Public Defender will continue to request sufficient appropriations to provide competent and effective representation in all cases where the right to counsel attaches

Oversight notes over the last three fiscal years, the SPD has lapsed a total of \$152 of General Revenue appropriations (\$0 out of \$36.4 million in FY 2016; \$2 out of \$28.0 million in FY 2017; and \$150 out of \$42.5 million in FY 2018). Therefore, Oversight assumes the SPD is at maximum capacity and the increase in workload resulting from this bill cannot be absorbed within SPD's current resources.

ASSUMPTION (continued)

Adding one additional Assistant Public Defender 1 (APD) with a starting salary of \$47,000, will cost approximately \$74,500 per year in personal service and fringe benefit costs. One additional APD II (\$52,000 per year; eligible for consideration after 1 year of successful performance at APD I) will cost the state approximately \$81,000 per year in personal service and fringe benefit costs.

When expense and equipment costs such as travel, training, furniture, equipment and supplies are included, Oversight assumes the cost for a new APD could approach \$100,000 per year.

Oversight assumes the SPD cannot absorb the additional caseload that may result from this proposal within their existing resources and, therefore, will reflect a potential additional cost of (Less than \$100,000) per year to the General Revenue Fund.

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 SOS for Administrative Rules is less than \$5,000. 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 require additional resources.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

ASSUMPTION (continued)

Officials from **Department of Revenue**, the **Office of the State Treasurer**, the **Office of Administration - Administrative Hearing Commission**, the **Office of the State Courts Administrator** and the **Office of Prosecution Services** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies have 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.

FISCAL IMPACT - State Government	FY 2020 (6 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
Cost - SPD	(Less than	(Less than	(Less than
Potential FTE to handle new crime caseload	\$100,000)	\$100,000)	\$100,000)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
PROFESSIONAL REGISTRATION ADMINISTRATION FUND (0689)			
Transfer In - from the Home Inspector Fund	\$0	\$273,668	\$276,807
Cost - DIFP			
Salaries	(\$116,157)	(\$140,782)	\$142,190
Fringe Benefits	(\$66,923)	(\$80,732)	(\$81,161)
Equipment and Expense	(\$73,912)	(\$13,074)	(\$13,400)
Other Fund Cost	(\$38,127)	(\$39,080)	(\$40,056)
Total Cost - DIFP	(\$295,119)	\$273,668	(\$276,807)
FTE Change - DIFP	3 FTE	3 FTE	3 FTE
ESTIMATED NET EFFECT TO PROFESSIONAL REGISTRATION ADMINISTRATION FUND	(\$295,119)	\$0	\$0
Estimated Net FTE Change to the Professional Registration Administration Fund	3 FTE	3 FTE	3 FTE

FISCAL IMPACT - State Government (continued)	FY 2020 (6 Mo.)	FY 2021	FY 2022
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HOME INSPECTOR FUND

Revenue - DIFP \$350 filing fee	\$0	\$644,000	\$19,250
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Transfer Out - to the Professional Registration Administration Fund	\$0	(\$273,668)	(\$276,807)
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ESTIMATED NET EFFECT TO THE HOME INSPECTOR FUND	\$0	\$370,332	(\$257,557)
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FISCAL IMPACT - Local Government	FY 2020 (10 Mo.)	FY 2021	FY 2022
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FISCAL IMPACT - Small Business

Small business home inspectors could be potentially fiscally impacted by this proposal.

FISCAL DESCRIPTION

This bill requires any person conducting a home inspection to be licensed by the Division of Professional Registration within the Department of Insurance, Financial Institutions and Professional Registration. In its main provisions, the bill:

- (1) Establishes the Missouri Home Inspectors' Board within the division to implement the licensure program and specifies its duties, powers, membership, and the members' terms of office;
- (2) Establishes the criteria for the supervision, training, and licensure of home inspector apprentices;
- (3) Prohibits a license from being issued to a partnership, association, corporation, firm, LLC, or group;

FISCAL DESCRIPTION (continued)

(4) Creates the Missouri Home Inspectors' Fund to be administered by the division for use by the board;

(5) Authorizes the board to establish licensing qualifications, an application process, the licensing fee, criteria for courses of instruction, continuing education requirements, and procedures for the issuance of a license on a reciprocal basis; develop and publish standards of professional conduct; and specify the form and content of examinations; and

(6) Authorizes the board to refuse to issue or renew, suspend, or revoke any license and to cause a complaint to be filed against a licensee with the Administrative Hearing Commission as specified in the bill.

Any person or corporation who knowingly violates any provision of the bill will be guilty of a class B misdemeanor.

This bill has an effective date of January 1, 2020.

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 State Treasurer
Department of Revenue
Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
Administrative Hearing Commission
Office of the State Courts Administrator
Office of the State Public Defender
Office of Prosecution Services



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April 1, 2019

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April 1, 2019