

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1693-02  
Bill No.: HB 869  
Subject: Insurance - General; Political Subdivisions; Economic Development; Liability  
Type: Original  
Date: February 22, 2017

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Bill Summary: This proposal prohibits municipalities from imposing certain requirements on construction industry employers.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Local Government</b>	<b>Unknown to (Unknown)</b>	<b>Unknown too (Unknown)</b>	<b>Unknown to (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at **St. Louis County** assume thirty-five (35) municipalities within St. Louis County currently contract with the jurisdiction of Unincorporated County (hereafter called "County") to do Residential Code Enforcement for them on the construction of approximately 250 new houses, 950 existing houses being renovated or expanded, and some 900 backyard structures (detached garages, decks, pools, etc.) built annually. If HB 869 passes, the County believes it would have to comply with Section 71.961 relative to issuing residential building permits for work authorized in each of the contracting municipalities.

The County currently issues a single integrated residential building permit that authorizes not only the building work, but also authorizes the electrical, plumbing, and/or mechanical work on a residential project and in the process requires verification that the electrical, plumbing, and mechanical contractors are licensed as required by law. Thus if this proposal passes, the County would have to issue separate individual electrical, plumbing, and mechanical permits, rather than incorporating the electrical, plumbing, and/or mechanical work into an integrated building permit, in order to be able to verify that the electrical, plumbing, and mechanical contractors are appropriately licensed under a permit other than the building permit. This means that up to four (4) individual discipline permits will be required for many residential projects, rather than the current single integrated permit, resulting in higher permit fee costs to the contractors and ultimately the homeowner. It also means that individual discipline inspectors will be inspecting the project instead of the single multi-discipline inspector currently used thus requiring additional inspectors and costs for the jurisdiction.

The multi-discipline inspector approach is very efficient since one inspector can conduct up to 4 inspections (an inspection of each discipline) on a single trip to the project. The County estimates, based on 2016 permitting data, that 2,400 additional permits will be required annually resulting in 6,500 additional individual discipline inspection trips in order to separate the single integrated permit into separate discipline permits so that appropriated electrical, plumbing, and mechanical contractor's licenses can be verified under a permit other than the building permit.

In order to cover the associated costs the County would charge at least our minimum two inspection (rough and final inspection) fee amount of \$156 for each individual electrical, plumbing, and mechanical discipline permit required. These fees and processes are already in place and would generate approximately \$234,000 additional revenue which will be used to cover the costs of additional staff to implement.

ASSUMPTION (continued)

The County would have to hire 1 permit processor and 3 inspectors in order to issue 2,400 additional permits annually and conduct 6,500 additional inspections annually. This would be at a cost of \$350,000. The costs and thus losses would ultimately be borne by the homeowner. We would anticipate a 21% increase in fees for homeowners totaling approximately \$350,000

**Oversight** assumes multiple counties and cities could be affected by this proposal and will reflect a positive unknown fiscal impact for inspection fees and a negative unknown fiscal impact for the additional workforce needed.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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**LOCAL POLITICAL SUBDIVISIONS**

<u>Revenue</u> - Local Political Subdivisions - inspection fees	Unknown	Unknown	Unknown
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<u>Cost</u> - Local Political Subdivisions - hiring additional workforce to handle increase in inspection permits	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>Unknown to <u>(Unknown)</u></b>	<b>Unknown to <u>(Unknown)</u></b>	<b>Unknown to <u>(Unknown)</u></b>
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FISCAL IMPACT - Small Business

There could be a direct fiscal impact to small businesses as a result of this proposal.

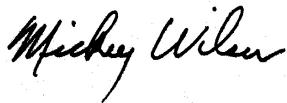
### FISCAL DESCRIPTION

This bill prohibits any municipality from requiring a construction industry employer to maintain any policy of insurance other than workers' compensation and general liability as a condition prior to issuing a residential building permit. In addition, the bill prohibits a municipality from requiring the construction industry employer to hold a certificate, license or degree.

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

St. Louis County  
Department of Insurance, Financial Institutions and Professional Registration



Mickey Wilson, CPA  
Director  
February 22, 2017

Ross Strope  
Assistant Director  
February 22, 2017