

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3985-01
Bill No.: HB 1328
Subject: Construction and Building Codes; Contracts and Contractors; Economic Development Dept.
Type: Original
Date: March 5, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
MO Electrical Industry Fund	\$0	\$165,732	(\$113,486)
PR Fees Fund	(\$15,446)	\$15,446	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$15,446)	\$181,178	(\$113,486)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (COA) - Division of Facilities Management, COA - Division of Purchasing & Materials Management, Office of State Courts Administrator, Office of the Governor, Office of State Public Defender, and Office of State Treasurer** assume the proposal will have no fiscal impact on their organizations.

Officials from the **COA - Administrative Hearing Commission** anticipate the proposal will not significantly alter its caseload. However, if other similar proposals also pass, there are more cases, or more complex cases, there could be a fiscal impact.

Officials from the **Office of the Secretary of State (SOS)** state this proposal establishes the Missouri High Voltage Electrical Industry Licensing Board. The Division of Professional Registration, in collaboration with the Missouri High Voltage Electrical Industry Licensing Board could promulgate rules to enact this proposal. Based on experience with other divisions, the rules, regulations and forms issued by the Department could require as many as 14 pages in the *Code of State Regulations*. For any given rule, roughly one-half again as many pages are published in the *Missouri Register* as are published in the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. The actual costs could be more or less than the numbers given. The fiscal impact of this legislation in

ASSUMPTION (continued)

future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$861 [(14 pp x \$27) + (21 pp x \$23)].

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. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Economic Development (DED) - Division of Professional Registration (PR)** provide the following assumptions related to this proposal:

Based on an estimate from an internet search for electrical contractors, it is estimated there are approximately 1,526 individuals in the state of Missouri that will be required to be licensed. DED-PR assumes a fee of \$225 will be paid for all categories of licensure with biennial renewal. DED-PR estimates a 3% growth rate and assumes licensure begins in FY 06, resulting in revenue to the Missouri High Voltage Electrical Industry Licensing Fund in FY 06 of \$343,350. Revenues for FY 07 are estimated to be \$6,867.

DED-PR assumes all fees collected and all expenses would be deposited into and paid out of the Missouri High Voltage Electrical Industry Licensing Fund.. DED-PR notes expenses occurring prior to an appropriation (FY 05) would be borrowed from another fund within Professional Registration and paid back in FY 06.

DED-PR assumes implementation of the proposal will require hiring an additional 2 FTE in FY 06, as follows: Principal Assistant - 0.5 FTE at \$53,484 to serve as the senior executive officer of the agency, Licensure Technician II (1 FTE at \$25,092) to provide technical support, process applications for licensure and respond to any inquiries related to the licensure law or rules and regulations, and an Account Clerk II (0.5 FTE at \$23,784) to provide support for DED-PR Central Accounting and Central Cash Receiving Room. DED-PR assumes rental space will be needed for these additional FTE at an annual cost of approximately \$3,100.

DED-PR assumes the seven (7) member boards would meet four (4) times per year for two (2) days per meeting, in Jefferson City. DED-PR notes the Principal Assistant, Licensure Technician and an Attorney General representative will also attend the meeting. DED-PR assumes there would be four (4) meetings in FY 05 to promulgate rules and regulations. It is estimated that each board member will receive \$50 per diem for each day conducting board business.

ASSUMPTION (continued)

DED-PR assumes twenty-three (23) complaints would be received each year and would require, on average, five hours each to complete. DED-PR estimates 15% of these complaints (4) will require field investigations, each needing 30 hours of field work and one night's lodging. Travel expenses for the investigations are estimated at \$1,340 annually. DED-PR assumes complaints and investigations would not start until FY 07.

DED-PR assumes there will be a cost associated with needing the services of the Attorney General's Office (AGO). DED-PR estimates 25% of investigations (1) would be forwarded to the AGO for further action. Assuming \$5,400 cost per case, DED-PR estimates \$5,400 annually beginning in FY 07. DED-PR also estimates the AGO would provide approximately 60 hours of assistance with rules, opinions and meetings per year. Assuming an hourly rate of \$60.87, these costs are estimated at \$3,652 yearly beginning in FY 05.

DED-PR assumes printing and postage costs will be incurred in the first year for statute and rule mailings and for startup printing of rules, applications, letterhead and envelopes. DED-PR estimates printing and postage costs at \$6.25 per licensee in the first year, for a total cost of \$9,538. Subsequent years' printing and postage costs are expected to be \$2,500 annually, based on a similarly-sized board.

DED-PR assumes licensed electrical contractors will represent 0.50% of DED-PR's overhead. As such, the board will be required to reimburse the Division and the Department of Economic Development for its share of administrative overhead costs, \$12,633 per annum. DED-PR assumes these costs will begin in FY 05.

For fiscal note purposes only, **Oversight** assumes the following:

- 1) The \$12,633 in administrative costs will generally offset the required reimbursement of other funds, and will not be used for the new FTE.
- 2) Rental space will not be required for one additional full time FTE; the other positions are .5 FTE. Additional furniture and equipment will not be required for the .5 FTE positions.
- 3) **Oversight** has, for fiscal note purposes only, changed the starting salary for the Licensure Technician II and the Account Clerk II to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

ASSUMPTION (continued)

4) Fees have been adjusted to reflect an amount needed to cover operations of the board. Biennial fees of \$200 result in revenue of \$305,200 for the High Voltage Electrical Industry Licensing Board Fund for FY 06 and \$4,600 for the fund for FY 07. Sufficient fee income should be generated during each biennial fee cycle to cover expenses of operations during the second year of the cycle.

DED-PR assumes a one 0.5 Principal Assistant will be needed to serve as the senior executive officer.

Officials from the **Office of Attorney General (AGO)** state because the proposal creates a new licensing board within the Division of Professional Registration, the AGO would require an additional 0.5 FTE Assistant Attorney General to assist in the rule making process and licensing matters. The AGO estimates costs of \$22,193 for FY 05; \$27,297 for FY 06; and \$27,980 for FY 07.

Oversight assumes the AGO will be reimbursed for services from the Missouri High Voltage Electrical Industry Licensing Board.

Officials from the **Office of Prosecution Services (OPS)** did not respond to our request for a statement of fiscal impact. However, in response to a similar proposal introduced this year, the OPS assumed any costs incurred would be absorbable within current funding levels.

This proposal will increase Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
MISSOURI HIGH VOLTAGE ELECTRICAL INDUSTRY LICENSING BOARD FUND			
<u>Income - DED-PR</u>			
Licensure Fees/Renewals	\$0	\$305,200	\$4,600
<u>Costs - DED-PR</u>			
Transfers to PR Fees Fund	<u>\$0</u>	<u>(\$139,468)</u>	<u>(\$118,086)</u>
ESTIMATED NET EFFECT ON MISSOURI HIGH VOLTAGE ELECTRICAL INDUSTRY LICENSING BOARD FUND	<u>\$0</u>	<u>\$165,732</u>	<u>(\$113,486)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
PR FEES FUND			
<u>Income - DED-PR</u>			
Transfer from Missouri Electrical Industry Licensing Board Fund	\$0	\$139,468	\$118,086
<u>Costs - DED-PR</u>			
Personal Service (2 FTE)	\$0	(\$63,025)	(\$64,600)
Fringe Benefits	\$0	(\$26,092)	(\$26,744)
Expense and Equipment	(\$11,794)	(\$31,253)	(\$17,690)
AGO Costs	<u>(\$3,652)</u>	<u>(\$3,652)</u>	<u>(\$9,052)</u>
Total <u>Costs</u> - DED-PR	<u>(\$15,446)</u>	<u>(\$124,022)</u>	<u>(\$118,086)</u>
ESTIMATED NET EFFECT ON PR FEES FUND	<u>(\$15,446)</u>	<u>\$15,446</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal may fiscally impact small electrical businesses or small businesses that employ electrical contractors.

DESCRIPTION

This proposal creates the Missouri High Voltage Electrical Industry Licensing Board within the Division of Professional Registration. The board's seven members are appointed by the Governor and approved by the Senate. Members will serve four-year staggered terms with an eight-year term limit. Six members must have been electrical contractors for at least five years preceding their appointment, with the Associated Builders and Contractors, the Independent Electrical Contractors Association, and the National Electrical Contractors Association each having two representatives. The seventh member represents the public. The board will meet at least four times annually, and board members may be reimbursed for expenses and receive compensation of up to \$50 per day.

The proposal also establishes state licensing requirements for electrical contractors. Contractors practicing prior to August 28, 2004, may apply for a waiver if they hold a license issued by

DESCRIPTION (continued)

any authority that requires a written test. Other practicing contractors may apply for a two-year limited, non-renewable license while they await passing a state examination. The division may establish licensing fees to cover administrative costs and develop reciprocal licensing agreements with other states.

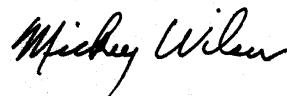
The board may file complaints against contractors with the Administrative Hearing Commission and suspend or revoke licenses if warranted by the commission's findings. Violators of licensing requirements are guilty of a class B misdemeanor.

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

Office of Attorney General
Office of the Governor
Office of Administration -
 Administrative Hearing Commission
Office of State Courts Administrator
Department of Economic Development -
 Division of Professional Registration
Office of Secretary of State
Office of State Public Defender
Office of State Treasurer

NOT RESPONDING: Office of Prosecution Services



Mickey Wilson, CPA
Director
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