

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0094-02  
Bill No.: HB 425  
Subject: Professional Registration and Licensing; Contracts and Contractors  
Type: Original  
Date: April 11, 2017

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Bill Summary: This proposal creates provisions relating to the registering of roofing contractors.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
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>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Professional Registration Fees	(\$205,957)	\$0	\$0
Missouri State Board of Roofers	\$0	\$68,326	\$203,790
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$205,957)</b>	<b>\$68,326</b>	<b>\$203,790</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
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>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Professional Registration Fees	3 FTE	3 FTE	3 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>3 FTE</b>	<b>3 FTE</b>	<b>3 FTE</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.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assume that, based on information received from a representative of the group seeking legislation, 1,374 individuals in the state of Missouri will be required to be licensed. In addition, a 3% growth has been estimated.

### Staffing:

The following board-specific expenses (based on a similar sized board, Board of Psychology) are being calculated to determine the additional appropriation needed by the division to support the board. The department assumes there are 3 FTE required by this proposal, 1 Executive Director (\$60,000 annually) needed to serve as the senior executive officer of the licensing agency, 1 Processing Technician II (\$27,180 annually) needed to provide technical support, process applications for licensure, and respond to inquiries related to the licensure law and/or rules and regulations, and 1 Investigator II (\$38,304 annually) needed to conduct investigations and inspections, serve notices, and gather information required by the board.

### Printing and Postage:

Printing and postage expenses for the first year include printing of rules, applications, letterhead and envelopes, as well as costs associated with mailings associated with initial licensure.

Subsequent year's printing and postage is based on a board of similar size.

1,374	Number of Licensees
<u>\$12.50</u>	<u>Postage and Printing Costs</u>
<u>\$17,175</u>	<u>Total FY18 Printing and Postage Expense</u>
 \$1,271	 FY19 and FY20 Printing and Postage

ASSUMPTION (continued)

Licensure System:

During the first year of implementation, costs are calculated for the design, program, and implementation of the licensure program for new boards.

18	Hours for design, program, and implementation
<u>\$30.00</u>	<u>Cost per hour</u>
<u>\$540.00</u>	<u>Total Licensure System Costs</u>

Complaints and Investigations:

Based on a board of similar size, it is estimated that the board will receive approximately 11 complaints. The division does not anticipate receiving any complaints until FY19. It is estimated that 30% of the complaints filed would require field investigations. It is estimated that 50% of the complaints that are investigated would require an investigator to incur overnight expenses. Therefore, the following travel expenses have been calculated for investigations:

2	No. of Anticipated Investigations Requiring Overnight Stay
<u>\$159.00</u>	<u>Cost Per Investigation</u>
<u>\$318.00</u>	<u>Annual Investigative Expenses</u>

Boards within the division incur division-wide expenses based on specific board licensee averages, in addition to the department and Office of Administration cost allocations plans. The following expenses are based on a board of similar size and will not require additional appropriation for the PR Transfer Core budget; however, these costs will be considered in calculating the anticipated license and renewal fees.

\$2,398.00	Maintenance of Licensing System
\$1,061.00	Division Operating Expenses
\$4,930.00	Division Personal Service Expenses
\$ 531.00	Department Cost Allocation
\$-	<u>Office of Administration Cost Allocation</u>
<u>\$8,920.00</u>	<u>Total of Additional Expenses</u>

ASSUMPTION (continued)

Revenue:

The projected revenue reflects the fees listed below for all categories of licensure. In addition, a 3% growth rate has been estimated. It is estimated that the collection of initial license fees will begin in FY19 and renewal fees will not be collected until FY20. It is also important to note, that once the fees for the board are established by rule other fees could offset the estimated costs.

Registration Fee = \$200/ Annually  
Renewal Fee = \$300/ Annually

Funding:

It is assumed that all fees collected would be deposited into the State Roofing Contractors Fund and all expenses would be paid out of that fund. It is assumed no revenue will be generated by the State Roofing Contractors Fund in the first year, therefore, expenses incurred by the board will be paid back to the PR Fees Fund by a lending board within the division, pursuant to section 324.016, RSMo. It is estimated payback of any outstanding loans would be made in FY 2019.

Officials from the **Department of Revenue** and the **Office of Prosecution Services** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal from this year (SB 216), official from the **Office of State Public Defender (SPD)** stated the SPD cannot assume that existing staff will provide effective representation for any new cases arising where indigent persons are charged with the proposed new crimes relating to the violation of new roofing contractor regulations, which would become a new class D misdemeanor. Subsequent violations would be charged as a new Class B misdemeanor.

While the number of new cases (or cases with increased penalties) may be too few or uncertain to request additional funding for this specific bill, the SPD will continue to request sufficient appropriations to provide effective representation.

**Oversight** assumes the SPD can absorb the additional caseload that may result from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>PROFESSIONAL REGISTRATION FEES FUND</b>			
<u>Cost - DIFP</u>			
Personal Service	(\$104,570)	(\$126,739)	(\$128,006)
Fringe Benefits	(\$54,318)	(\$65,524)	(\$65,870)
Equipment and Expense	(\$38,149)	(\$5,068)	(\$5,162)
Other Fund Cost	(\$8,920)	(\$9,143)	(\$9,372)
<u>Total Cost - DIFP</u>	<u>(\$205,957)</u>	<u>(\$206,474)</u>	<u>(\$208,410)</u>
FTE Change - DIFP	3 FTE	3 FTE	3 FTE
<u>Transfer In - From Missouri State Board of Roofers Fund</u>	<u>\$0</u>	<u>\$206,474</u>	<u>\$208,410</u>
<b>ESTIMATED NET EFFECT ON PROFESSIONAL REGISTRATION FEES FUND</b>	<b><u>(\$205,957)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
Estimated Net FTE Change on the Professional Registration Fees Fund	3 FTE	3 FTE	3 FTE
<b>MISSOURI STATE BOARD OF ROOFERS FUND</b>			
<u>Income - Licensing Fees</u>	\$0	\$274,800	\$412,200
<u>Transfer Out - To Professional Registration Fees Fund</u>	<u>\$0</u>	<u>(\$206,474)</u>	<u>(\$208,410)</u>
<b>ESTIMATED NET EFFECT ON MISSOURI STATE BOARD OF ROOFERS FUND</b>	<b><u>\$0</u></b>	<b><u>\$68,326</u></b>	<b><u>\$203,790</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### FISCAL IMPACT - Small Business

Roofing contractors will be required to be licensed, and may be fiscally impacted by this proposal.

### FISCAL DESCRIPTION

Starting in January 1, 2019, a person who is a roofing contractor or offers services as a roofing contractor in the state of Missouri may register with the Department of Insurance, Financial Institutions and Professional Registration. The Department is authorized to promulgate rules and regulations necessary for the administration of this act.

An applicant for registration shall submit a completed application to the Department along with a non-refundable fee of up to two hundred dollars. An applicant has 90 days from the day the application is submitted to complete the application process. In order to receive a certificate of registration an applicant must file proof of motor vehicle insurance, a current worker's compensation policy, and liability insurance. If an out-of-state applicant has had a license revoked or suspended in another state he or she will not be issued a certificate of registration. An out-of-state applicant must also have a no tax due statement from the Department of Revenue before he or she is issued a certificate of registration.

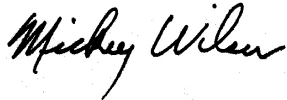
A registered roofing contractor must affix the registration number and the registrant's name to all of his or her contracts and bids. The official issuing building permits must affix the contractor's registration number to each application for a building permit and on each building permit issued and recorded.

Any complaints received by the Department must be recorded, and the Department must investigate all complaints concerning alleged violations of this act. The Department may refuse to issue, renew, suspend, or revoke a certificate of registration for failure to meet the requirements of this act. Any person in violation of the act shall be found guilty of a Class D Misdemeanor. A second conviction within ten years after the first conviction is 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

Department of Insurance, Financial Institutions and Professional Registration  
Department of Revenue  
Office of Prosecution Services  
Office of the State Public Defender

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
April 11, 2017

Ross Strobe  
Assistant Director  
April 11, 2017