

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6720-03
Bill No.: HCS for HB 2673
Subject: Professional Registration and Licensing; Licenses - Miscellaneous
Type: Original
Date: April 3, 2018

Bill Summary: This proposal creates a statewide license for mechanical contractors.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
PR Fee Fund*	\$0	\$0	\$0
Missouri Mechanical Industry Licensing Fund	\$769,922	(\$407,485)	\$1,049,345
Total Estimated Net Effect on Other State Funds	\$769,922	(\$407,485)	\$1,049,345

* Cost and Transfer-Ins from the Mechanical Industry Licensing Fund net to zero.

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
PR Fee Fund	5 FTE	5 FTE	5 FTE
Total Estimated Net Effect on FTE	5 FTE	5 FTE	5 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 2019	FY 2020	FY 2021
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

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

Licensee/Revenue

18,923	Estimated Licensees (2015 US Census + 3% growth each year)
\$75.00	Initial License Fee
\$75.00	Renewal License Fee
2 year	Renewal Cycle starting FY2021, initial licensing in FY 2019

- In the current language of this proposed legislation, an individual is required to register with the department according to the provisions of section 324.953.
- Projected revenue reflects fees collected for all categories of licensure
- A 3% growth rate has been estimated (568 additional initial licensees in 2020)
- It is estimated that the collection of initial license fees will begin in FY 2019 with the first renewal in FY 2021 per section 324.968 and every 3 years thereafter
- If the number of licensees largely vary from the number estimated above, the licensure fees will be adjusted accordingly

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.

In summary, DIFP assumes a revenue of \$1,419,225 (18,923 x \$75) in FY 2019, \$42,577 (18,923 x 3% x \$75) in FY 2020 and \$1,505,656 (18,923 x 3% x 3% x \$75) to the Missouri Mechanical Industry Licensing Fund in FY 2021 to provide for the implementation of the changes in this proposal.

Staffing

- 1 Executive Director at \$60,000 annually.

- 1 Processing Technician Supervisor at \$33,276 annually.

- 2 Processing Technician II each at \$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.

ASSUMPTION (continued)

- 1 Investigator II at \$38,304 annually needed to conduct investigations and inspections, serve notices, and gather information required by the board.

In summary, DIFP assumes a cost of \$649,303 in FY 2019, \$450,062 in FY 2020 and FY 456,311 in FY 2021 to provide for the implementation of the changes in this proposal.

Officials from the **Department of Revenue**, 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.

In response to a previous version, officials from the **Office of the State Treasurer** assumed the proposal will have no fiscal impact on their organization.

In response to a previous version, officials from the **Office of the State Public Defender (SPD)** assumed as a result of excessive caseloads, SPD cannot assume existing staff will provide competent, effective representation for any new cases where indigent persons are charged with the proposed new crime of violating the provisions of being a mechanical contractor in Missouri - 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 assumes the SPD can absorb the additional caseload that may result from this proposal.

Oversight assumes there could be a potential loss to local municipalities that currently license mechanical contractors as this legislation would require them to recognize a statewide license for the purposes of performing contracting work or obtaining permits to perform work within the political subdivision.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
PR FEES FUND			
<u>Transfer In</u> - from Missouri Mechanical Industry Licensing Fund	\$649,303	\$450,062	\$456,311
<u>Cost - DIFP</u>			
Salaries	(\$154,950)	(\$187,800)	(\$189,677)
Fringe Benefits	(\$90,970)	(\$109,717)	(\$110,274)
Equipment and Expense	(\$304,398)	(\$22,295)	(\$22,853)
Other Fund Cost	(\$98,985)	(\$130,250)	(\$133,507)
<u>Total Cost - DIFP</u>	<u>(\$649,303)</u>	<u>(\$450,062)</u>	<u>(\$456,311)</u>
FTE Change - DIFP	5 FTE	5 FTE	5 FTE
ESTIMATED NET EFFECT TO THE PR FEES FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change to the PR Fee Fund	5 FTE	5 FTE	5 FTE
MISSOURI MECHANICAL INDUSTRY LICENSING FUND			
<u>Revenue - DIFP</u> Licensing Fee	\$1,419,225	\$42,577	\$1,505,656
<u>Transfer Out</u> - to PR Fee Fund	<u>(\$649,303)</u>	<u>(\$450,062)</u>	<u>(\$456,311)</u>
ESTIMATED NET EFFECT ON THE MISSOURI MECHANICAL INDUSTRY LICENSING FUND	<u>\$769,922</u>	<u>(\$407,485)</u>	<u>\$1,049,345</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss</u>	\$0 or	\$0 or	\$0 or
Potential loss of licensing fees	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT - Small Business

This proposal will have a fiscal impact on certain small businesses who would now be required to pay a fee to be state-licensed.

FISCAL DESCRIPTION

This bill establishes a statewide mechanical license for mechanical contractors. Each corporation, firm, institution, organization, company, or representative thereof engaging in mechanical contracting shall have in its employ at least one statewide license holder. A statewide licensed mechanical contractor can only represent one entity at a time.

Any person operating as a mechanical contractor in a political subdivision that does not require the mechanical contractor to hold a local license shall not be required to possess a statewide license to operate as a mechanical contractor in such political subdivisions.

Political subdivisions shall not be prohibited from establishing their own local electrical contractor's licenses, but must recognize a statewide license in lieu of a local license for the purposes of performing contracting work or obtaining permits to perform work with the political subdivision.

This bill mandates political subdivisions to require a separate individual mechanical trade license in addition to the statewide license.

In order to obtain a statewide mechanical license an applicant must be at least 21 years old, provide proof of liability insurance in the amount of \$500,000, post a bond in each political subdivision in which he or she works, pass a standardized and nationally accredited mechanical assessment exam, and have completed 7,500 hours of verifiable field experience in the mechanical industry or a degree in mechanical or civil engineering with a minimum of three years verifiable experience directing and supervising at least one field employee.

FISCAL DESCRIPTION (continued)

Certain individuals holding mechanical contractor licenses from political subdivisions can qualify for a statewide license.

This bill states that holders of statewide mechanical licenses are authorized to perform all mechanical work as defined by the codes written and published by the International Code Council, work relating to backflow preventers if the individual performing the work has a state backflow certification, and water heaters according to the International Mechanical Code.

The provisions of this bill shall not apply to any work regulated by the Public Service Commission or any exemptions provided by a political subdivision.

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 the State Treasurer
Office of the State Courts Administrator
Office of the State Public Defender
Office of Prosecution Services

Ross Strobe



Acting Director
April 3, 2018