

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4267S.01I
 Bill No.: SB 1116
 Subject: Professional Registration and Licensing; Department of Commerce and Insurance; Licenses - Miscellaneous; Political Subdivisions
 Type: Original
 Date: March 26, 2024

Bill Summary: This proposal establishes the Missouri Statewide Mechanical Contractors Licensing Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Professional Registration Fees Fund (0689)	(\$331,745)	\$0	\$0
Missouri Mechanical Contractor Licensing Fund	\$0	\$466,255	(\$317,281)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$331,745)	\$466,255	(\$317,281)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Professional Registration Fees Fund	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 \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 324.950-324.974 - Missouri Statewide Mechanical Contractor Licensing Act

Officials from the **Department of Commerce and Insurance (DCI)** assume the following:

Licensee/Revenue

200 Estimated Licensees

\$200 Initial License Fee – Apprentice

\$200 Renewal License Fee – Apprentice

2,000 Estimated Licensees (US Labor census & Mech Engineers Assn.)

\$375 Initial License Fee – Mechanical Contractor

\$375 Renewal License Fee – Mechanical Contractor

200 Estimated Licensees

\$200 Initial License Fee – Journeyman

\$200 Renewal License Fee – Journeyman

- In the current language of this proposed legislation, Professional Registration assumes one license holder per corporation, firm, institution, organization, or company will register with the department.
- Projected revenue reflects fees collected for all categories of licensure.
- A 3% growth rate has been estimated (60 additional initial licensees).
- It is estimated that the collection of initial license fees will begin in FY 2025 and renewal fees will not be collected until FY 2027.
- If the number of licensees largely vary from the number estimated above, the licensure fees will be adjusted accordingly.

In summary, DCI assumes revenue of \$830,000 ($\200×200 Apprentice + $(\$375 \times 2,000)$ Mechanical Contractor + $\$200 \times 200$ Journeyman) in FY 2026 and \$24,900 ($\$830,000 \times 3\%$) in FY 2027 to the Missouri Mechanical Contractor Licensing Fund as a result of the changes in this proposal.

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.

Staffing

1 FTE Principal Assistant at \$82,000 annually needed to serve as the senior executive officer of the registration agency.

1 FTE Customer Service Representative at \$38,100 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 FTE Non-Commissioned Investigator at \$49,600 annually needed to conduct investigations and inspections, serve notices, and gather information required by the board.

Complaints and Investigations

DCI defers to the Department of Public Safety on the cost to investigate complaints and report findings under section 324.953, RSMo. The complaint investigations are to be conducted by the boiler and pressure vessel safety unit of the Division of Fire Safety.

For all other complaints, it is estimated the division will receive 27 complaints. The division does not anticipate receiving any complaints until FY 2026. 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, DCI assumes a cost of \$331,744 in FY 2025, \$363,745 in FY 2026 and \$342,181 in FY 2027 to provide for the implementation of the changes in this proposal.

Oversight will reflect the DCI estimated revenues and costs. Oversight will reflect the board-specific expenses to the Professional Registration Fees Fund. Since the Missouri Mechanical Contractor Licensing Fund is a newly created fund, Oversight will reflect the cost in FY 25 to the PR Fees Fund. Oversight assumes the revenue collected from the licensure fees will be deposited into the Missouri Mechanical Contractor Licensing Fund and then will be transferred to the PR Fees Fund resulting in an estimated net effect of zero to the PR Fees Fund in FY 26 and FY 27. Oversight notes the PR Fees Fund (0689) balance at the end of February 2024 was \$759,698.

Officials from the **Department of Revenue (DOR)** assume this proposal establishes the Statewide Mechanical Contractors Licensing Act. In Section 324.965.4 this proposal states that if a local political subdivision fails to recognize the statewide license, they can be subject to an investigation. If during the investigation they continue to fail to recognize the statewide license, the Department of Commerce & Insurance (DCI) is to notify the Department of Revenue (DOR). DOR is to withhold any and all local distributions of sales tax until notified the local political subdivision is in compliance again.

DOR notes this would be a manual process completed by the local's tax team. DOR would need to manually key records during the time distribution is stopped. It should be noted that once DOR is notified that distribution can restart, the release of funds would not be until the following month during the distribution period. The Department assumes they can absorb this requirement with existing staff. Should the number of holds on distribution become justified to need new FTE, then they will seek them through the appropriations process.

Oversight notes DOR assumes they can absorb the cost of this proposal within existing staff. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for their agency.

In response to a similar proposal from 2022 (HB 2050), officials from the **City of Kirksville** stated that if this proposal passes, it would impact the contractor testing requirements of the City. The decrease in revenues would be less than \$1,000 annually, however, the more significant impact would be the loss of oversight on projects completed by out-of-town contractors who fail to notify the City of work being completed and fail to follow the City's municipal code. The bill only requires one contractor be licensed in a firm, but does not specify that contractor be on the job site for all work completed. In addition, with the proposed State license valid for two years, contractors do not need to show proof of liability or worker's compensation insurance when completing a project for a citizen. This could leave citizens vulnerable to losses.

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. Oversight assumes the Department of Revenue shall withhold any moneys the noncompliant political subdivision would otherwise be entitled to from local sales tax, until the director has received notice from the division that the political subdivision is in compliance with this section.

Officials from the **Office of Administration - Administrative Hearing Commission**, the **Missouri Department of Agriculture**, the **Office of the State Public Defender** and the **Office of the State Treasurer** and **Kansas City** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal from 2022 (HB 500), officials from the **Office of the State Missouri Office of Prosecution Services** assume the proposal will have no fiscal impact on their organization.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
PR FEES FUND (0689)			
<u>Transfer In - from Missouri Mechanical Contractor Licensing Fund</u>	\$0	\$363,745	\$342,181
<u>Cost – DCI</u>			
Salaries	(\$141,417)	(\$173,094)	(\$176,556)
Fringe Benefits	(\$92,361)	(\$112,148)	(\$113,490)
Equipment and Expense	(\$57,466)	\$0	\$0
Other Fund Cost	(\$40,501)	(\$78,503)	(\$52,135)
<u>Total Cost – DCI</u>	<u>(\$331,745)</u>	<u>(\$363,745)</u>	<u>(\$342,181)</u>
FTE Change – DCI	3 FTE	3 FTE	3 FTE
ESTIMATED NET EFFECT TO THE PR FEES FUND	<u>(\$331,745)</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change to the PR Fees	3 FTE	3 FTE	3 FTE
MISSOURI MECHANICAL CONTRACTOR LICENSING FUND			
<u>Revenue – DCI</u>			
Licensing Fee	\$0	\$830,000	\$24,900
<u>Transfer Out - to PR Fee Fund (0689)</u>	<u>\$0</u>	<u>(\$363,745)</u>	<u>(\$342,181)</u>
ESTIMATED NET EFFECT ON THE MISSOURI MECHANICAL CONTRACTOR LICENSING FUND	<u>\$0</u>	<u>\$466,255</u>	<u>(\$317,281)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
Loss - Potential loss of licensing fees	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (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 small business mechanical contractors would be impacted by this proposal

FISCAL DESCRIPTION

This act establishes the Missouri Statewide Mechanical Contractor Licensing Act. Under this act, the Division of Professional Registration, within the Department of Commerce and Insurance, shall regulate the statewide mechanical contractor license, the statewide mechanical journeyman license, and the statewide mechanical apprentice license for mechanical work. The provisions of this act shall not apply to mechanical work performed in Greene, Newton, and Jasper counties. This act establishes the Missouri Mechanical Contractor Licensing Fund in the state treasury, which shall be expended for the administration of this act.

If a political subdivision does not recognize a statewide license in lieu of a local license, a statewide mechanical contractor license holder may file a complaint with the Division, which may investigate such complaint. If the Division finds that the political subdivision failed to recognize a statewide mechanical contractor license, the Division shall notify the political subdivision of such violation and grant the political subdivision thirty days to comply. If after thirty days the political subdivision does not comply, the Division shall notify the Director of the Department of Revenue, who shall withhold any moneys the political subdivision would otherwise be entitled to from local sales tax until the political subdivision is in compliance. Applicants for the statewide licenses shall meet certain training, education, and experience criteria set forth in the act equal to those of the mechanical code of St. Louis County as of April 18, 2023.

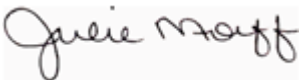
A corporation, firm, institution, organization, or company seeking to engage in mechanical work shall have a least one statewide mechanical contractor licensee in its employ if the political subdivision requires a license. For the purposes of performing residential work, a statewide mechanical contractor or statewide mechanical journeyman, or the equivalent local licensee, shall perform, direct, inspect, or supervise the work. For all other mechanical work, at least one statewide mechanical journeyman shall be on site for every statewide mechanical apprentice performing the work, or the equivalent local licensee.

The Division may refuse to issue any license, and may cause a complaint to be filed with the Administrative Hearing Commission against any holder of a license for causes set forth in the act. Upon a finding by the Administrative Hearing Commission that grounds for disciplinary action are met, the Division may censure or place such a person on probation for a period not to exceed five years, or may suspend, for a period not to exceed three years, or revoke any license. Upon a judicial or administrative finding of a violation of this act, the Division may assess fines up to \$5,000.

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 Commerce and Insurance
Department of Revenue
Office of the State Treasurer
Office of the State Courts Administrator
Office of the State Public Defender
Office of Prosecution Services
Office of Administration
Administrative Hearing Commission
City of Kansas City
City of Kirksville



Julie Morff
Director
March 26, 2024



Ross Strobe
Assistant Director
March 26, 2024