

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2581-02
Bill No.: SB 1273
Subject: Licenses - Professional; Economic Development Dept.; Employees - Employers
Type: Original
Date: March 30, 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 STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Security Guard Licensing	\$0	\$118,274	(\$83,986)
PR Fees	(\$3,652)	\$3,652	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$3,652)	\$121,926	(\$83,986)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 8 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 - Administrative Hearing Commission** anticipate the proposal will not significantly alter its caseload. However, if other similar proposal also pass, if there are more cases, or the cases are more complex, there could be a fiscal impact.

Officials from the **Department of Public Safety - Missouri State Highway Patrol (MHP)** state the MHP obtained the number of security companies (609) from the Department of Economic Development's Division of Professional Registration. Based on that information, the number of background checks would be minimal and the MHP anticipates no fiscal impact.

Officials from the **Office of the Secretary of State (SOS)** state this proposal requires security guards and security guard firms to be licensed by the Department of Economic Development. The Department of Economic Development could promulgate rules to enact this proposal. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Economic Development could require as many as 4 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 future years is unknown and depends

ASSUMPTION (continued)

upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$246 [(4 pp x \$27) + (6 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)** state provide the following assumptions related to this proposal:

Based on an estimate from an internet search for security guards and guard services, it is estimated there are approximately 203 businesses with at least two (2) individuals working for each business in the state of Missouri that will be required to be licensed. DED-PR assumes a fee of \$410 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 Private Security Licensing Fund of \$246,690 in FY 06. Revenues for FY 07 are estimated to be \$2,741.

DED-PR assumes all fees collected and all expenses would be deposited into and paid out of the Private Security 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 or FY 07.

DED-PR assumes implementation of the proposal will require hiring an additional 1.5 FTE in FY 06, as follows: Principal Assistant - 0.5 FTE at \$53,484 to serve as the senior executive officer of the agency and a 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 & regulations.

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 \$2,325.

DED-PR assumes two (2) complaints would be received each year and would require, on average, five hours each to complete. DED-PR estimates 15% of these complaints (1) will require field investigations, each needing 30 hours of field work and one night's lodging. Travel expenses for the investigation are estimated at \$335 annually. DED-PR assumes complaints and investigations would not start until FY 07.

ASSUMPTION (continued)

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 \$3,806. Subsequent years' printing and postage costs are expected to be \$2,500 annually, based on a similarly-sized board.

DED-PR assumes licensed security guards 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 full-time and one additional part time FTE. Additional furniture and equipment will not be required for the 0.5 FTE positions.
- 3) **Oversight** has, for fiscal note purposes only, changed the starting salary for the Licensure Technician 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.
- 4) Fees have been adjusted to reflect an amount needed to cover operations of the board. Biennial fees of \$350 result in revenue of \$213,150 for the Security Guard Licensing Fund for FY 06 and \$3,197 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.

ASSUMPTION (continued)

DED-PR assumes one 0.5 Principal Assistants will be needed to serve as the senior executive officers and one full-time Licensure Technician II will be needed to provide support.

Officials from the **Office of Attorney General (AGO)** state the proposal creates a new licensing board within the Division of Professional Registration. The AGO assumes it would need 0.5 Assistant Attorney General I to represent the DED-PR in appearances before the Administrative Hearing Commission. The AGO estimates costs of \$19,023 for FY 05; \$23,397 for FY 06; and \$23,983 for FY 07.

Oversight assumes costs incurred by the AGO's office will be reimbursed by the Security Guard Licensing Fund.

This proposal will result in an increase in Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
SECURITY GUARD LICENSING FUND			
<u>Income - DED-PR</u>			
Licensure Fees/Renewals	\$0	\$213,150	\$3,197
<u>Costs - DED-PR</u>			
Transfers to PR Fees Fund	<u>\$0</u>	<u>(\$94,876)</u>	<u>(\$87,183)</u>
ESTIMATED NET EFFECT O SECURITY GUARD LICENSING FUND	<u>\$0</u>	<u>\$118,274</u>	<u>(\$83,986)</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 Security Guard Licensing Fund	\$0	\$94,876	\$87,183
<u>Costs - DED-PR</u>			
Personal Service (1.5 FTE)	\$0	(\$51,395)	(\$52,679)
Fringe Benefits	\$0	(\$21,278)	(\$21,809)
Expense and Equipment	\$0	(\$14,899)	(\$3,643)
AGO Costs	<u>(\$3,652)</u>	<u>(\$3,652)</u>	<u>(\$9,052)</u>
Total <u>Costs</u> - DED-PR	<u>(\$3,652)</u>	<u>(\$91,224)</u>	<u>(\$87,183)</u>
ESTIMATED NET EFFECT ON PR FEES FUND	<u>(\$3,652)</u>	<u>\$3,652</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 will fiscally impact small business security guard firms.

DESCRIPTION

This proposal requires security firms providing patrol, watchman, guard, courier, armored car, and bodyguard services to be licensed. Each applicant for a license must pay a fee, which will cover the costs of the licensing program.

This proposal requires employer-licensees to register employees within thirty days of his or her hiring. The employee must be at least 18 years old, a citizen of United States or a registered resident alien, have a command of the English language, be of good moral character, and not be convicted of a felony involving moral turpitude or a dangerous weapon. The employee must also have completed 30 hours of classroom training and passed a written examination approved by the Department. The employee's application for registration must be accompanied by two sets of

DESCRIPTION (continued)

fingerprints and one photograph. Upon receiving a registration card, the employee must wear the card at all times during work.

This proposal requires any employee of a private security business that uses firearms as part of its business to be 21 years old, have a command of the English language, and complete a 20 hour firearm training. Individuals wishing to be security guards must meet the same type of requirements for employment as firms.

This proposal does not apply to any peace officer or active military personnel.

This proposal gives rule making authority to the Department of Economic Development.

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 Administration -
 Administrative Hearing Commission
Department of Economic Development -
 Division of Professional Registration
Department of Public Safety -
 Missouri State Highway Patrol
Office of Secretary of State



Mickey Wilson, CPA

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