

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4984-01
Bill No.: HB 2132
Subject: Fire Protection; Contracts and Contractors; Licenses - Professional
Type: Original
Date: April 20, 2010

Bill Summary: This proposal provides for the registration and regulation of fire sprinkler contractors.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	\$0	\$0	\$36,688
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$36,688

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Fire Sprinkler Contractor Registration	\$101,311	(\$64,623)	\$69,103
Total Estimated Net Effect on Other State Funds	\$101,311	(\$64,623)	\$69,103

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Fire Sprinkler Contractor Registration	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1	1	1

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Division of Fire Safety (DPS)** state this legislation establishes a new program for the certification of fire sprinkler contractors. Section 320.404 establishes a new board within the Division of Fire Safety - the Fire Sprinkler System Advisory Council. This board would be comprised of 7 members including the State Fire Marshal.

Section 320.402 requires fire sprinkler contractors to register with the State Fire Marshal and for the State Fire Marshal to review the documentation and accept a registration fee to be established in rule. Section 320.408.8 creates the Fire Sprinkler Contractor Registration Fund to consist of monies collected under sections 320.400 to 320.416 to support the administration of the program. This fund would be swept biennially. Contractors are to renew every two years with the State Fire Marshal. Section 320.414 states the Fire Marshal may deny the request for registration. Rule authority is granted to the Fire Sprinkler System Advisory Council under 320.406 for the administration of this program.

A representative from the National Fire Sprinkler Association indicated there to be approximately 100 fire sprinkler contractors in the State of Missouri, and approximately 40 fire sprinkler contractors from surrounding states who would want to be registered in Missouri in order to be able to conduct business here.

Based on this information, the Division would need to hire a 1,000 hour clerical employee and a Fire Safety Inspector to process the applications, review the documentation, issue the registration certificates for the fire sprinkler contractors, conduct quality control of contractors, and investigate all complaints. Related expense and equipment funding would also be requested. Total costs for FY11 would be \$86,189. However, the fees set by rule would offset this expense. The registration fee of \$1500 for each of the anticipated 140 contractors would generate \$187,500 in the first year, and \$15,000 in the second year. Fees would generate a positive net effect over two-year span.

Officials from the **Office of Administration - Administrative Hearing Commission** anticipate that this legislation will not significantly alter its caseload. However, if other similar bills also pass, there will be fiscal impact. If there are more cases, or more complex cases, there could be fiscal impact.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from **St. Louis County** state the current licensing provisions allow them to suspend or revoke licenses for actions such as failing to obtain permits, using unlicensed installers, defective work, etc. This bill would not allow St. Louis County to utilize these provisions and, therefore, we would have no recourse but to pay to take contractors to court to correct such violations. St. Louis County assumes a loss of licensing fee revenue of \$7,000 per year from this proposal.

Section 320.402.2 states that 'a municipality, county, or any other local governmental body or jurisdiction may not enact an order, ordinance, rule or regulation requiring a person or organization to obtain a certificate of registration or license from the municipality or county.' **Oversight** assumes this part of the proposal will result in a potential loss of income to cities or counties that already require such registration.

Officials from the **Office of the State Treasurer** did not respond to our request for fiscal impact.

Section 320.408.8 states 'any money remaining in the fund at the end of the biennium shall revert to the credit of the general revenue fund.' Therefore, **Oversight** will assume the net balance of the fund after the first biennium period will revert to the General Revenue fund in FY 2013. The net of fiscal years 2011 and 2012 is estimated to be \$36,608 (\$101,311 - \$64,623); therefore, Oversight will reflect this as an inflow into General Revenue in FY 2013.

This proposal will increase Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE			
<u>Income</u> - Section 320.408.8 - any monies in the new Fire Sprinkler Contractor Registration Fund at the end of the biennium shall revert to General Revenue	<u>\$0</u>	<u>\$0</u>	<u>\$36,688</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$36,688</u>
 FIRE SPRINKLER CONTRACTOR REGISTRATION FUND			
<u>Income</u> - Division of Fire Safety for registration fees	\$187,500	\$15,000	\$187,500
<u>Costs</u> - Division of Fire Safety			
Personal Service (1 FTE)	(\$29,736)	(\$36,754)	(\$37,856)
Fringe Benefits	(\$15,593)	(\$19,273)	(\$19,851)
Temporary employee (1,000 hour)	(\$8,333)	(\$10,000)	(\$10,000)
Expense and Equipment	(\$32,527)	(\$13,596)	(\$14,002)
<u>Total Costs</u> - Fire Safety	<u>(\$86,189)</u>	<u>(\$79,623)</u>	<u>(\$81,709)</u>
<u>Loss</u> - Section 320.408.8 states monies in the fund at the end of the biennium shall revert to General Revenue	<u>\$0</u>	<u>\$0</u>	<u>(\$36,688)</u>
ESTIMATED NET EFFECT TO THE FIRE SPRINKLER CONTRACTOR REGISTRATION FUND	<u>\$101,311</u>	<u>(\$64,623)</u>	<u>\$69,103</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
LOCAL POLITICAL SUBDIVISION			
<u>Loss</u> - cities and counties - no longer allowed to require local certificates of registration or licensure.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

Small fire sprinkler businesses would need to be registered by the state as a result of this proposal.

FISCAL DESCRIPTION

This bill requires any contractor who engages in the installation or service of fire sprinkler systems to register with the State Fire Marshal. In its main provisions, the bill:

- (1) Establishes the Fire Sprinkler System Advisory Council within the Office of the State Fire Marshal to establish rules and regulations regarding the application content and the procedures for filing an application for a certificate of registration or a renewal of certification, education or experience requirements, standards and methods for assessing the competency of applicants, setting licensing fees, and establishing procedures for granting reciprocity with other states;
- (2) Establishes requirements which a contractor must meet in order to obtain a certificate of registration, including demonstrating his or her own knowledge or the employment of a person with experience and certification in the area of fire sprinkler installation and service;
- (3) Specifies the procedure for the certification renewal process;
- (4) Requires the certificate of registration to be displayed conspicuously in the contractor's place of business;

FISCAL DESCRIPTION (continued)

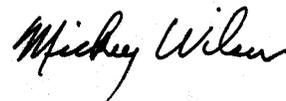
- (5) Creates the Fire Sprinkler Contractor Registration Fund for the deposit of fees collected by the council for the administration of the provisions of the bill;
- (6) Requires the fire marshal to send written notices at least 30 days prior to the expiration of a certificate;
- (7) Requires an applicant to provide evidence of liability insurance in the amount of at least \$1 million per policy year;
- (8) Authorizes the fire marshal to file a complaint with the Administrative Hearing Commission against certified contractors for specific violations. If grounds for discipline are found, the council is authorized to censure or place a contractor on probation for up to five years or suspend or revoke the contractor's certification;
- (9) Authorizes the fire marshal to seek an injunction, restraining order, or other order against a contractor who operates without a certificate or presents a probability of serious danger to any resident of this state; and
- (10) Allows a municipality, county, or any other local governmental body or jurisdiction to require a contractor to obtain a permit and pay a fee for the installation of a fire sprinkler system and the installation to be in conformance with its building code or other construction requirements but cannot impose qualification or financial responsibility requirements other than proof of a valid certificate of registration.

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 Public Safety
Office of the Secretary of State
Office of Administration
St. Louis County

NOT RESPONDING:
Office of the State Treasurer



Mickey Wilson, CPA
Director
April 20, 2010