

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1318-01  
Bill No.: HB 553  
Subject: Licenses - Professional; Boards, Commissions, Committees, Councils;  
 Construction and Building Codes; Property, Real and Personal  
Type: Original  
Date: April 12, 2011

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Bill Summary: Establishes the Missouri Home Inspectors Professional Competency and Financial Responsibility Act.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Missouri Home Inspectors'	\$0	\$276,050	(\$176,711)
PR Fees	(\$124,964)	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$124,964)</b>	<b>\$276,050</b>	<b>(\$176,711)</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Missouri Home Inspectors'	2	2	2
<b>Total Estimated Net Effect on FTE</b>	<b>2</b>	<b>2</b>	<b>2</b>

- 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of State Courts Administrator, Missouri Senate, Office of Prosecution Services, Office of State Treasurer** and **St. Louis County** assume the proposal would have no fiscal impact on their agencies.

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

Officials from the **Office of the Governor (GOV)** do not anticipate the GOV will incur added costs as a result of this bill. However, if additional duties are placed on the office related to appointments in other TAFP legislation, there may be the need for additional staff resources in future years.

Officials from the **Department of Corrections (DOC)** state the DOC cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase operational cost through supervision provided by the Board of Probation and Parole (FY 10 average of \$3.92 per offender, per day, or an annual cost of \$1,431 per offender).

Therefore, supervision by the DOC through probation would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

Officials from the **Office of the State Public Defender (SPD)** assume increasing penalties on existing crimes, or creating new crimes, will require more SPD resources. While the number of new cases (or cases with increased penalties) may be too few or uncertain to request additional appropriations for this specific bill, the SPD will continue to request sufficient appropriations to provide competent and effective representation in all its cases. SPD assumes a minimal unknown impact.

**Oversight** assumes the Office of the State Public Defender (SPD) could absorb the costs of the proposed legislation within existing resources. **Oversight** assumes any significant increase in the workload of the SPD would be reflected in future budget requests.

ASSUMPTION (continued)

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Office of Attorney General (AGO)** state the proposal requires home inspectors to be licensed by the Division of Professional Registration and contains the licensing, discipline and rule-making provisions. Section 339.915 specifies that the AGO will represent the board in all actions and proceedings. The AGO assumes the number of referrals would be unknown, but assumes that 0.5 Assistant Attorney General I (AAG I) would be needed to adequately represent the new board and assist with rulemaking. If there is an increase in cases over time, the AGO would seek an additional appropriation.

The AGO assumes FY 12 costs of \$35,864; FY 13 costs of \$38,693; and FY 14 costs of \$39,170.

**Oversight** assumes the Department of Insurance, Financial Institutions, and Professional Registration will reimburse the AGO for all costs incurred in representing the board.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP) - Division of Professional Registration (DPR)** assume, based on a projection from the Missouri Economic Research and Information Center, it is estimated that 2,310 individuals in the state of Missouri will be required to be licensed. The DPR estimates licensing and renewal fees at \$200, biennially. However, should the number of licensees vary significantly from the number estimated, the licensure fees will be adjusted accordingly. It is further assumed that there will be a 3% growth rate.

The DPR assumes no revenue will be generated by the board until FY 13. Therefore, expenses incurred by the board in FY 12 will be paid by the PR Fees Fund from a lending board within the division. It is estimated payback of any outstanding loans would be made in FY 15. The DPR notes that once the fees for the board are established by rule, other fees could offset the estimated costs.

Based on boards of similar size, it is assumed that 2 FTE will be needed: One (1) FTE Principal Assistant/Executive Director (\$49,104 annually) will be needed to work with the board and serve as the senior executive officer of the licensing agency and one (1) FTE Investigator II (\$35,592

ASSUMPTION (continued)

annually) will be needed to conduct investigations and inspections, service notices, gather information required by the board and respond to inquiries related to the licensure law and/or rules and regulations.

The DPR estimates the board will receive approximately 29 complaints annually, but does not anticipate receiving any complaints until FY 13. It is estimated that 15% of the complaints filed will require field investigations (4) and that 50% of those (2) will require an investigator to incur overnight expenses. The DPR estimates \$548 in annual investigative expenses.

The DPR assumes that board meetings will cost approximately \$4,860 per year (5 board members) and that the board will meet 4 times per year. It is also assumed that printing and postage costs will be approximately \$28,875 for FY 12 and \$8,038 per year for FY 13 and FY 14. Attorney General Office and Administrative Hearing Commission (AHC) costs will be approximately \$17,200 per year. AGO and AHC costs will not be incurred until FY 13. These costs are based on boards of a similar size.

During the first year of implementation, licensure system costs are calculated for the design, program and implementation of the licensure system for new boards. One time licensure system costs are estimated to be \$540 for FY 12.

Boards within the division incur division-wide expenses based on specific board licensee averages, in addition to the department and Office of Administration cost allocation plans. Based on boards of similar size, the new board will incur additional costs of \$13,278 annually. These costs are considered in calculating the anticipated license and renewal fees but will not require additional appropriation for the Professional Registration Transfer Core budget.

**Oversight** assumes the division-wide expenses allocated to the Missouri Home Inspectors' Fund will result in an equal reduction in expenses allocated to other Boards within the Division of Professional Registration.

No other Counties responded to **Oversight's** request for a statement of fiscal impact.

**This proposal will result in an increase in total state revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>MISSOURI HOME INSPECTORS' FUND</b>			
<u>Transfer-In - DIFP</u>			
Transfer-in from PR Fees Fund	\$124,964	\$0	\$0
<u>Income - DIFP</u>			
License/renewal fees	\$0	\$462,000	\$13,860
<u>Costs - DIFP</u>			
Personal service (2 FTE)	(\$42,348)	(\$85,543)	(\$86,398)
Fringe benefits	(\$22,165)	(\$44,773)	(\$45,221)
Equipment and expense	(\$60,451)	(\$38,434)	(\$41,322)
AGO and AHC costs	\$0	(\$17,200)	(\$17,630)
Total <u>Costs - DIFP</u>	<u>(\$124,964)</u>	<u>(\$185,950)</u>	<u>(\$190,571)</u>
FTE Change - DIFP	2 FTE	2 FTE	2 FTE
<b>ESTIMATED NET EFFECT ON MISSOURI HOME INSPECTORS' FUND</b>			
	<u>\$0</u>	<u>\$276,050</u>	<u>(\$176,711)</u>
Estimated Net FTE Change on Missouri Home Inspectors' Fund	2 FTE	2 FTE	2 FTE
<b>PR FEES FUND</b>			
<u>Transfer-out - DIFP</u>			
Transfer to Missouri Electrical Industry Licensing Fund	<u>(\$124,964)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON MISSOURI HOME INSPECTORS' FUND</b>			
	<u>(\$124,964)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal would have a direct fiscal impact on small business home inspectors as they would be required to obtain a state license.

FISCAL DESCRIPTION

This proposal establishes the Missouri Home Inspectors Professional Competency and Financial Responsibility Act to promote consumer protection, ensure professional competency, and ensure the presence of a viable home inspection industry in Missouri. In its main provisions, the proposal: (1) Requires, on or after January 1, 2012, any person conducting a home inspection to be registered with the Division of Professional Registration within the Department of Insurance, Financial Institutions and Professional Registration; (2) Establishes the five-member Missouri Home Inspectors Registration Board to implement the registration program and specifies its duties, powers, membership, and the members' terms of office; (3) Creates the Home Inspectors Registration Fee Fund to be administered by the division for use by the board; (4) Authorizes the board to establish registration qualifications, an application process, examination content, the licensing fee, criteria for courses of instruction, continuing education requirements, and procedures for the issuance of a license on a reciprocal basis and to develop and publish standards of professional conduct; (5) Exempts certain individuals from registering as a home inspector; (6) Specifies that anyone performing a home inspection without being registered will be guilty of a class A misdemeanor; and (7) Authorizes the board to refuse to issue or renew, suspend, deny, or revoke any registration or impose probationary conditions on an applicant or registrant for certain specified actions.

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  
Office of State Courts Administrator  
Department of Insurance, Financial Institutions, and Professional Registration  
Department of Corrections  
Office of the Governor  
Office of Prosecution Services  
Missouri Senate  
Office of Secretary of State  
Office of State Public Defender  
Office of State Treasurer  
St. Louis County



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April 12, 2011