

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 336** SLS 16RS 436

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 23, 2016	9:13 AM	<b>Author:</b> MARTINY
<b>Dept./Agy.:</b> Louisiana State Licensing Board for Contractors		<b>Analyst:</b> Mason Hess
<b>Subject:</b> Relative to the State Licensing Board for Contractors		

CONTRACTORS RE INCREASE SG RV See Note  
Provides relative to the State Licensing Board for Contractors. (8/1/16)

Page 1 of 2

Proposed law removes the definitions home improvement contracting and home improvement contractor in present law. Proposed law replaces these terms with residential contracting, and defines it as undertaking or offering to undertake the construction or supervision of the construction of a residential structure whose project cost exceeds \$50,000 and is not rendered gratuitously or as undertaking or offering to undertake certain work on a residential structure or an adjacent structure whose project cost exceeds \$7,500. Proposed law requires applicants for a residential contractor license to: apply to the Board; submit proof of workers' compensation and general liability insurance in the amount of \$100,000; and pass business, law, and/or trade examination(s) required by the Board. Proposed law provides that the Board can fine licensed residential contractors up to \$1,000 plus any costs or attorney fees for each offense and fine unlicensed residential contractors up to 10% of a project's contract plus any costs or attorney fees for each offense should they violate certain provisions of present and proposed law. Proposed law takes effect on August 1, 2016. **CONTINUED ON PAGE 2**

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Proposed law should not result in additional expenditures for the Louisiana State Licensing Board of Contractors. The Legislative Fiscal Office believes that all of the work resulting from the proposed law could be absorbed into the Board's existing operations and staff tasks.

However, the Board indicated that personnel costs will be \$220,800 (2 compliance investigators with salary and related benefits totaling \$77,500 per year and 1 administrative coordinator with salary and related benefits totaling \$65,800 in the first year and then \$65,700 in subsequent fiscal years). The Board also projects operating expenses to be \$92,380 in FY 16-17 (with increasing totals in subsequent fiscal years) that involve the purchase of office supplies, printing, services, advertising, postage, and travel. The Board also projects expenditures for professional services to be \$12,000 in FY 16-17 (with decreasing totals in subsequent fiscal years) that involve attorney fees and computer programming services. The Board projects equipment expenses to be \$5,000 in FY 16-17 (and \$3,000 in subsequent fiscal years).

**REVENUE EXPLANATION**

Proposed law creates an additional residential specialty license in addition to the six residential specialty licenses already specified in present law by making "home improvement" into the seventh specialty under the residential building construction contractor classification. The Board projects 500 new home improvement specialty applications in FY 16-17 under proposed law at \$385 per application, which is a \$310 increase over the current home improvement registration fee of \$75 in present law, resulting in new self-generated revenues (SGR) of \$155,000 (500 applications X \$310 increase). The Board also projects 250 new applications per year beginning FY 18 and subsequent fiscal years for the home improvement specialty license under proposed law. The Board anticipates a renewal rate of 50% beginning in FY 18 and in subsequent fiscal years for the home improvement specialty license as a result of proposed law, resulting in SGR of \$13,000 annually (250 applicants X \$52 renewal fee increase per application). The current renewal fee is \$75 annually under present law, but would increase to \$127 under proposed law. Additionally, the Board projects 250 new applications per year beginning in FY 18 and in subsequent fiscal years, which would result in \$77,500 of additional SGR (250 applicants X \$310 fee increase). Thus, the overall SGR increase in FY 18 and in subsequent fiscal years equals to \$90,500.

It is the opinion of the Legislative Fiscal Office that the Board may also realize a revenue increase of an indeterminable amount to the extent that the Board collects fines and recoups legal fees pursuant to proposed law from residential contractors.

- |   |  |              |
|---|--|--------------|
| <u>Senate</u>   | <u>Dual Referral Rules</u>   | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}       | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                    |              |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |              |

*Evan Brasseaux*

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**Staff Director**

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**CONTINUED EXPLANATION from page one:**

**CONTINUED FROM SUMMARY SECTION ON PAGE 1**

Proposed law redefines several terms, including: "commercial purposes" to mean any construction project except residential structures with four or less dwelling units; "contractor" to mean undertaking construction of cost totaling \$50,000 or more; "electrical contractor" to any person who undertakes any residential, commercial, or other project(s) with cost exceeding \$10,000; and "residential contractor" to mean any corporation, partnership, or individual who is a contractor, subcontractor, architect, or engineer, but does not include the manufactured housing industry or residential structures mounted on metal chassis or wheels.

Proposed law defines "cost of project" as the value of all labor, materials, subcontractors, overhead, and supervision.

Proposed law incorporates the definition of "residential contracting" throughout present law.

Proposed law defines a "residential structure" as any building or structure that shall be used as a residence or an accessory building, and is not more than three floors in height or more than four dwelling units.

Proposed law authorizes a subcommittee to exempt any person working in the residential building industry who holds a builder construction license issued by the Board prior to February 1, 1996, with the classification of building construction from the examination and grant such a person a residential contractor's license. Proposed law authorizes the subcommittee to deny licensure or renewal of a license if an applicant commits one or more of the following offenses: omitted or misrepresented a fact or facts in the registration or renewal application; failed to pay either the licensing or renewal fee; and/or failed to perform contracts, failed to perform contracts in an unworkmanlike manner, failed to complete contracts without good cause, or engaged in fraud or bad faith in a contract.

Proposed law exempts the following individuals and entities from licensing requirements: a homeowner who physically performs residential contracting services on his personal residence; a state or any political subdivision; any person who performs labor or services for a residential contractor for wages or salary and who is not acting in the capacity of a residential contractor; an individual who physically performs residential work on other property owned by him when the residential work has a value of less than \$7,500; and/or any person who works exclusively in landscaping and interior painting or wall covering where the costs of the project do not exceed \$50,000.

Present law provides for the duties of the board and its membership. Proposed law allows the Board to hold meetings outside of Baton Rouge.

Present law provides relative to the State Licensing Board of Contractor and the regulations of contractors in the state.

Senate      Dual Referral Rules      House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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