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FISCAL IMPACT REPORT

SPONSOR Lunstrum **DATE TYPED** 03/05/05 **HB** 1075

SHORT TITLE Construction Industries Publication Fund Fees **SB** _____

ANALYST McSherry

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	NFI		(\$54.0)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	\$54.0	\$54.0	Recurring	Construction Industries Revolving Fund

(Parenthesis () Indicate Revenue Decreases)

House Bill 1075 relates to Senate Bill 712 and House Bill 736 (Creating the Construction Industries Enterprise Fund)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulations and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

House Bill 1075 proposes to amend the Construction Industries Licensing Act, to provide that all convenience fees paid to the division made by credit card would be deposited into the Construction Industries Publications Revolving Fund.

Significant Issues

The Construction Industries Division (CID) reports that the Division began offering credit card purchase services in October of 2003 and has absorbed the increased costs of offering the service.

RLD charges a service fee for the use of online credit card purchases. The fee is \$5/transaction and the amount collected in FY 05 by the department will be approximately \$54,000.

The Division estimates that credit card transactions account for approximately 43% of all permits issued on line. The Division reports the cost of offering the service as approximately \$52 thousand and as being related to the level of activity which takes place online.

The Division asserts that if an alternative way of paying for the credit card purchases is not secured, the division could be forced to discontinue the service.

PERFORMANCE IMPLICATIONS

The Department cites the online service for purchasing as a success with just under half of all permits issued by the division on line purchased with a credit card.

FISCAL IMPLICATIONS

There is a direct relationship between the number of transactions and the level of customer service revenues generated and deposited in the general fund currently. Revenue = (\$5) x (the number of online credit card transactions). The level of the service's expense to the Department, however, is not a direct relationship with the use of the service. It is not clear how the service's expense will change as the Division achieves greater customer use levels of the online credit card services.

The Department reports spending approximately \$52 thousand in service fees to provide the credit card purchase option.

The Department reports collecting \$54 thousand in general fund revenues from the \$5/transaction customer service fee and would like to garner this revenue through this legislation.

This bill provides for continuing appropriations. The LFC objects to including continuing appropriation language; earmarking reduces the ability of the legislature to establish spending priorities.

ADMINISTRATIVE IMPLICATIONS

Credit card transactions do not require the processing that is involved in cash and check transactions.

According to the Divisions, credit card transactions are used in approximately 43% of all CID on-line transactions.

The division asserts that resources that do not have to be used to handle paper transactions can be re-deployed on customer service activity.

It is not clear what the level of resources being saved is, as cited by the division, and if these resources are being used to offset the costs of the online services.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill SB 712 and HB 736: These bills would establish an enterprise fund for CID and, if either passes and is signed into law, this legislation would not be necessary. If they do not pass, this bill would preserve the division's ability to offer credit card purchase services.

OTHER SUBSTANTIVE ISSUES

It is not clear what the relationship of revenues from user fees and service costs to the Department will be as users of the service increase. Currently service costs are slightly less than revenue generated by the user fees. It is possible that the trend would continue and that as the online service gains users, the costs of service could be diminished on a per/customer basis which would result in greater net gains in revenue.

ALTERNATIVES

The division could determine if service costs could be reduced, or covered with current division funding levels.

A portion of user fees could be accrued by the department not equal to the total amount currently accrued by the general fund.

User fees could be raised and the increased portion could be used to offset the cost.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

The Department asserts that it will have to determine an alternate method to pay for the service costs which it has been paying up until this point and suggests seeking a supplemental appropriation, or discontinuing the service.

According to budget projections received by the LFC, the division and department will be able to cover expenses for FY05 by continuing the budgeting and expending of resources appropriated for the fiscal year.

EM/rs