

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0174-07
Bill No.: SB 157
Subject: Business and Commerce; Banks and Financial Institutions; Cooperatives;
 Corporations
Type: Original
Date: January 13, 2015

Bill Summary: This proposal modifies provisions relating to business filing fees.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$5,940,000)	(\$5,920,000)	(\$5,920,000)
Total Estimated Net Effect on General Revenue	(\$5,940,000)	(\$5,920,000)	(\$5,920,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Secretary of State Technology Trust	\$0	\$0	\$1,201,621
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$1,201,621

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the Secretary of State (SOS)** analyzed each section of this proposal to determine which business filings were affected and by how much each fee was reduced. SOS then multiplied the total number of these affected filings that SOS received in FY 2014 by the new fee amount, which equaled nearly \$5.6 million. SOS tracks nearly all of their filings, but there are several filings (roughly 15% of our total) that are not tracked. These untracked filings were estimated to total \$325,000 and added to the total, which came to \$5.92 million annually. SOS anticipates this to remain fairly consistent each year.

SOS would also have to contract with a vendor to change the amount customers are charged for filing fees. SOS anticipates a one time cost of \$20,000 to change the current software operated by the Business Services Division.

Officials from the **Office of the Secretary of State (SOS)** state 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 SOS 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, 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 office can sustain with the core budget. Therefore, the SOS reserves 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.

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.

Oversight notes that current statute sections 347.740, 351.127, 356.233, 359.653 and 417.018 each allow for the collection of a \$5 fee into the Technology Trust Fund until December 31, 2017. This proposal extends the sunset date to December 31, 2021. Over the past 3 fiscal years, the Secretary of State Technology Fund has received an average of \$2,403,241 each year (FY 2012 - \$2,395,113; FY 2013 - \$2,403,059; FY 2014 - \$2,411,552; for an annual average of \$2,403,241. For fiscal note purposes, Oversight assumes the extension of the sunset date will cause the Secretary of State Technology Fund to receive an additional \$1,201,621 in FY 2018 ($\$2,403,241/2 = \$1,201,621$) had the December 2017 expiration been allowed to occur.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Costs</u> - Secretary of State - revenue loss due to lower business filing fees	(\$5,920,000)	(\$5,920,000)	(\$5,920,000)
<u>Costs</u> - Secretary of State - software programming changes	<u>(\$20,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT OF GENERAL REVENUE	<u>(\$5,940,000)</u>	<u>(\$5,920,000)</u>	<u>(\$5,920,000)</u>

**SECRETARY OF STATE
 TECHNOLOGY TRUST FUND**

<u>Income</u> - Secretary of State - extension of the sunset date; filing fees - from 2017 to 2021	<u>\$0</u>	<u>\$0</u>	<u>\$1,201,621</u>
ESTIMATED NET EFFECT TO THE SECRETARY OF STATE TECHNOLOGY TRUST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$1,201,621</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses will realize a savings because of lower business filing fees.

FISCAL DESCRIPTION

This act removes filing fees relating to the formation, registration, maintenance, termination, and dissolution of cooperative marketing companies, limited liability companies, corporations, nonprofit organizations, personal corporations, cooperative companies, partnerships, limited liability partnerships, limited partnerships, telephone and telegraph companies, and trademarks and fictitious names.

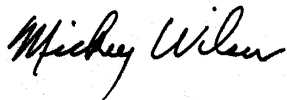
The act lowers the fee for the Secretary of State to make a preclearance examination and report regarding a document from fifty dollars to twenty dollars. The fee for furnishing a certificate to corporations is also lowered from twenty dollars to five dollars.

The act permits the Secretary of State to collect a fee of five dollars for each fee required for certain limited liability companies, nonprofit corporations, professional corporations, partnerships, limited partnerships, and other general business corporations as of August 28, 2015. The Secretary of State is required to publish a schedule of fees required as of August 28, 2015. The act further requires that such fees shall be deposited into the state treasury and credited to the Secretary of State's Technology Trust Fund account. Moreover, the act extends the sunset for certain fees to be deposited into the Technology Trust Fund to December 31, 2021.

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 the Secretary of State



Mickey Wilson, CPA
Director
January 13, 2015

Ross Strobe
Assistant Director
January 13, 2015