

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1630-01
Bill No.: HB 935
Subject: Boards, Commissions, Committees, Councils; Department of Insurance; Boards - Surety
Type: Original
Date: April 20, 2015

Bill Summary: This proposal establishes a board to determine whether sufficient financial assets exist to back individual sureties and to rate providers of individual sureties.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
Total Estimated Net Effect on General Revenue	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

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
General Revenue	Possibly 1 or more	Possibly 1 or more	Possibly 1 or more
Total Estimated Net Effect on FTE	Possibly 1 or more	Possibly 1 or more	Possibly 1 or more

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

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Officials from the **Missouri Senate** and the **Joint Committee on Administrative Rules** assume the current proposal would not fiscally impact their respective agencies.

Officials from the **Office of the Governor** assume there should be no added cost to their office as a result of this measure. 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.

Without a response from the Department of Insurance, Financial Institutions and Professional Registration (DIFP), **Oversight** will assume that DIFP could hire one or more specialized FTE to assist the new board with their duties. Oversight assumes the cost to DIFP to exceed \$100,000 per year.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Costs</u> - DIFP - of the Bonding Review Board including potential FTE	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
Estimated Net FTE Change for the General Revenue Fund	Possibly 1 or more	Possibly 1 or more	Possibly 1 or more

<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

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill establishes the Bonding Review Board within the Department of Insurance, Financial Institutions and Professional Registration consisting of one member appointed by the Governor upon the advice and consent of the Senate, two members appointed by the President Pro Tem of the Senate, and two members appointed by the Speaker of the House of Representatives. The board must establish criteria and procedures to create credit ratings for any individual, partnership, or corporation that markets or provides individual sureties for the satisfaction of bonding requirements and assign the credit ratings; establish procedures to register with the board as a provider of individual sureties and accept the registrations; conduct, at the request of a petitioner, investigations into an individual surety provider's financial solvency; and submit an annual report by January 1 to the Governor and the General Assembly detailing specified information regarding surety providers. Any party to a contract involving the use of an individual surety may petition the board for an investigation into the reliability of the surety.

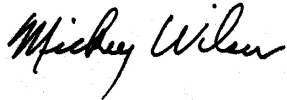
The bill specifies that in the event of a default by the principal, the guarantor of an individual surety must disburse the appropriate funds no later than 15 business days from the time of the default.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

L.R. No. 1630-01
Bill No. HB 935
Page 5 of 5
April 20, 2015

SOURCES OF INFORMATION

Missouri Senate
Joint Committee on Administrative Rules
Office of the Governor



Mickey Wilson, CPA
Director
April 20, 2015

Ross Strobe
Assistant Director
April 20, 2015