

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5419-05
Bill No.: SCS for HB 2257
Subject: Insurance - Property; Consumer Protection; Attorneys; Landlords and Tenants;
Property, Real and Personal; Credit and Bankruptcy; Secretary of State; Notary
Public
Type: Original
Date: April 25, 2016

Bill Summary: This proposal modifies title insurance law, provisions regarding notary publics and allows security deposits to be exempt from bankruptcy proceedings.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$35,996)	(\$43,526)	(\$43,861)
Total Estimated Net Effect on General Revenue	(\$35,996)	(\$43,526)	(\$43,861)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

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 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Prosecution Services**, the **Office of the State Courts Administrator**, and the **Department of Insurance, Financial Institutions and Professional Registration** each assume the current proposal would not fiscally impact their respective agencies.

For the purpose of this proposed legislation, officials at the **Office of State Public Defender (SPD)** cannot assume that existing staff will provide effective representation for any new cases arising where indigent persons are faced with the enhanced penalties for impersonating a notary public, which will become a new Class D felony. The SPD is currently providing legal representation in caseloads in excess of recognized standards.

While the number of new cases (or cases with increased penalties) may be too few or uncertain to request additional funding for this specific bill, the SPD will continue to request sufficient appropriations to provide effective representation in all cases where the right to counsel attaches.

Oversight assumes the SPD can absorb the additional caseload that may result from this proposal.

In response to a similar proposal from this session, HB 2724, officials at the **Office of the Secretary of State (SOS)** assumed §486.245.2 and §486.285.1 introduces a new process for the Commissions Unit that is located within the Business Services Division.

§486.245.2 would require the ability to search for old notary information such as old expiration dates and old commission numbers which is not currently searchable. This would require modifications to the current notary system by the SOS IT Division.

§486.285.1 requires manufacturers of notary seals to register with the Secretary of State's office. SOS assumed the registration would be with the Commissions Unit. The registration would require a database be created that contains the registration information along with the communication from the manufacturer that they issued a notary seal to a Missouri notary and information on the approval of the notary seal, which is approved by the Commissions Unit, from the manufacturer.

Each year SOS receives thousands of notary filings that would require a new notary seal or an issuance of a new notary seal (due to a lost notary seal etc.).

ASSUMPTION (continued)

To verify the manufacturer is registered and then approve each notary seal, within 10 days, that the manufacturer has issued would require additional staff. We anticipate 1 FTE would be needed to be created with a salary of \$26,000 per year.

There would be no cost to modify the current notary filing system or to implement the new database that would store the manufacturer's information as the SOS IT Division would be able to make the required changes and create the database. The estimate that one additional full-time employee would be needed is based upon the estimate of how many notary filings would be processed per year divided by the number of working days per year.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Cost - SOS</u>			
Salaries (1 FTE)	(\$21,667)	(\$26,260)	(\$26,523)
Fringe Benefits	(\$14,329)	(\$17,266)	(\$17,338)
<u>Total Cost - SOS</u>	<u>(\$35,996)</u>	<u>(\$43,526)</u>	<u>(\$43,861)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$35,996)</u>	<u>(\$43,526)</u>	<u>(\$43,861)</u>
Estimated Net FTE Change for General Revenue	1 FTE	1 FTE	1 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<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

The act provides that a title insurer, title agency, or title agent may perform escrow or closing services in residential real estate transactions by giving notice to affected persons that their interests are not protected by the title insurer, agency, or agent in situations where the title insurance policy is not being issued by the title insurer, agency, or agent performing the escrow or closing services. In situations where title insurers, agencies, and agents are exclusively performing escrow, settlement, or closing services, it is unlawful for the entities to do so unless they clearly disclose to the sellers, buyers, and lenders involved in the escrows, settlements, or closings that no title insurer is providing any protection for closing or settlement funds.

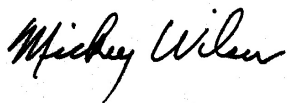
It also specifies that the Secretary of State must maintain a database that includes information contained on each notary public's seal or any lost seal of a notary public. A manufacturer of a notary public seal is required to register with the Secretary of State and notify the Secretary of State when a seal is issued. The Secretary of State must approve any seal issued by the manufacturer within 10 days. A copy of the commission must be maintained by the manufacturer and if a manufacturer violates this provision, they are subject to a \$1,000 fine for each violation.

The bill increases the penalty for acting as, or willfully impersonating a notary public while not lawfully appointed and commissioned to perform notarial acts from a misdemeanor to a class D felony.

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

Department of Insurance, Financial Institutions and Professional Registration
Office of the Secretary of State
Office of Prosecution Services
Office of the State Public Defender
Office of the State Courts Administrator



Mickey Wilson, CPA
Director

Ross Strobe
Assistant Director

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