

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4534-01
Bill No.: Perfected HB 1769
Subject: Crimes and Punishment; Mortgages and Deeds; Identity Theft and Protection
Type: Original
Date: January 30, 2018

Bill Summary: This proposal establishes the offenses of filing false documents.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	(\$80,668)	(\$97,554)	(\$98,314)
Total Estimated Net Effect on General Revenue	(\$80,668)	(\$97,554)	(\$98,314)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Technology Trust Fund	(\$80,000)	\$0	\$0
Total Estimated Net Effect on Other State Funds	(\$80,000)	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume all changes to software would require working with a third party vendor and/or the Information Technology department.

SOS anticipates a cost of \$80,000 to change the current software operated by the Business Services Division. The estimate for a one-time IT costs (\$80,000) is based on previous experiences contracting with vendors to make changes to existing software.

SOS files more than 155,000 UCC filings per year, so additional staff would be needed to conduct the additional review this proposal requires. SOS anticipates two new FTEs would need to be created with salaries at \$29,000 per year. Missouri law requires our office to file UCC filing within three business days of receipt, so we would have to prioritize this additional review to comply with these guidelines. RSMo 400.9-519(h). The estimate that two additional full-time employees (each at \$29,000 annually) would be needed is based upon the estimate of how many UCC filings would be reviewed per year (150,000).

Officials from the **Office of the State Public Defender** assume for the purpose of the proposed legislation, and as a result of excessive caseloads, the Office of the State Public Defender cannot assume existing staff will provide competent, effective representation for any new cases where indigent persons are charged with the proposed new crime of intentionally filing a fraudulent financing statement or any financing statement with the Secretary of State with the intent to harass or defraud any other person. This offense would be a new Class D Felony, unless the offense meets other circumstances, then it becomes a new Class C Felony. The Missouri State Public Defender System is currently providing legal representation in caseloads in excess of recognized standards.

While the number of new cases may be too few or uncertain to request additional funding for this specific bill, the Office of the State Public Defender will continue to request sufficient appropriations to provide competent and effective representation in all cases where the right to counsel attaches.

Officials from the **Office of State Courts Administrator** assume there may be some impact but there is no way to quantify that currently. Any significant changes will be reflected in future budget requests.

ASSUMPTION (continued)

Officials from the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources. Attorney General's Office may seek additional appropriations if there is a significant increase in litigation.

Officials from the **Department of Health and Senior Services, Department of Public Safety-Missouri State Highway Patrol, and Department of Insurance, Financial Institutions and Professional Registration** assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Department of Corrections and Office of Prosecution Services** each assumed the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Boone County Sheriff's Department** assumed the proposal will have no fiscal impact on their organization.

In response to a previous version, officials from the **St. Charles County Recorder of Deeds' Office** assumed the proposal will have no fiscal impact on their organization.

Officials from **Department of Mental Health** did not respond to Oversight's request for a statement of fiscal impact.

HA 1, as amended, HA 2 and HA 3

Officials from the **Office of the Secretary of State** assume the amendments would not change their response.

Officials from the following **law enforcement agencies**: Buchanan County Sheriff's Department, Callaway County Sheriff's Office, Cass County Sheriff's Office, Clark County Sheriff's Department, Clay County Sheriff's Department, Cole County Sheriff's Department, Franklin County Sheriff, Greene County Sheriff's Department, Jackson County Sheriff's Department, Jasper County Sheriff's Department, Jefferson City Police Department, Jefferson County Sheriff's Department, Lawrence County Sheriff's Department, Platte County Sheriff's Department, did not respond to **Oversight's** request for a statement of fiscal impact.

Officials from the St. Louis City Recorder of Deeds, Cape Girardeau County Recorder of Deeds, Johnson County Recorder of Deeds, Laclede County Recorder, and Mississippi County Recorder of Deeds, did not respond to **Oversight's** request for a statement of fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Cost - SOS</u>			
Salaries	(\$48,333)	(\$58,580)	(\$59,166)
Fringe Benefits	(\$32,335)	(\$38,974)	(\$39,148)
<u>Total Cost - SOS</u>	<u>(\$80,668)</u>	<u>(\$97,554)</u>	<u>(\$98,314)</u>
FTE change - SOS	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$80,668)</u>	<u>(\$97,554)</u>	<u>(\$98,314)</u>
Estimated Net FTE Change on the General Revenue Fund	2 FTE	2 FTE	2 FTE
 TECHNOLOGY TRUST FUND			
<u>Cost - SOS</u>			
Software Changes	(\$80,000)	\$0	\$0
ESTIMATED NET EFFECT ON TECHNOLOGY TRUST FUND	<u>(\$80,000)</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<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 proposal creates the offense of filing a false document, which is committed if, with intent to defraud, deceive, harass, alarm, or negatively impact financially, a person files, causes to be filed, or attempts to file, creates, uses as genuine, transfers or has transferred, presents, or prepares with knowledge or belief that it will be filed, presented, or transferred to the Secretary of State or his or her designee, any county recorder of deeds or his or her designee, any municipal, county, district, or state government entity or office, or any credit bureau or financial institution specified documents. For the first offense, filing a false document is a class D felony. Filing false documents is a class C felony in certain specified instances. Any person who is found guilty of committing such offense will be ordered to make full restitution to any person or entity that has sustained any actual losses as a result of the commission of such offense.

The proposal specifies that a system must be created, by January 1, 2019, in which suspicious filings are logged, and outlines the process for petitioning the court when a person has probable cause to believe a filing is fraudulent.

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
Office of the State Public Defender
Office of State Courts Administrator
Attorney General's Office
Department of Corrections
Department of Public Safety-Missouri State Highway Patrol
Department of Insurance, Financial Institutions and Professional Registration
Office of Prosecution Services
Department of Health and Senior Services
Boone County Sheriff's Department
St. Charles County Recorder of Deeds' Office

Ross Strope



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Acting Director
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