

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4989-02
Bill No.: HB 1541
Subject: Banks and Financial Institutions; Consumer Protection; Savings and Loan
Type: Original
Date: January 2, 2018

Bill Summary: This proposal changes the laws regarding consumer credit interest rates.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|---------------------------------------|------------|------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| General Revenue Fund | \$0 or (More than \$7,800,000) | \$0 | \$0 |
| Total Estimated Net Effect on General Revenue | \$0 or (More than \$7,800,000) | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| | | | |
| | | | |
| 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 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 |
| | | | |
| | | | |
| 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 2019 | FY 2020 | FY 2021 |
| Local Government* | \$0 | \$0 | \$0 |

* Transfer-in and Cost net to zero.

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the Secretary of State (SOS)** assume a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, §115.063.2, RSMo, requires the state to pay the costs. The cost of the special election has been estimated to be \$7.8 million based on the cost of the 2016 Presidential Preference Primary. This figure was determined through analyzing and totaling expense reports from the 2016 Presidential Preference Primary received from local election authorities.

The SOS is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. Through FY 2013, the appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation. In FY 2017, the SOS was appropriated \$2.6 million to publish the full text of the measures. In FY 2017, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$2.4 million to publish (an average of \$400,000 per issue). The SOS will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

ASSUMPTION (continued)

Oversight has reflected in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2018. This reflects the decision made by the Joint Committee on Legislative Research, that the cost of the elections should be shown in the fiscal note. The next scheduled statewide primary election is in August 2018 and the next scheduled general election is in November 2018 (both FY 2019). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2019.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Public Safety - Directors Office**, the **Office of the State Courts Administrator**, the **Joint Committee on Administrative Rules**, the **Office of the State Public Defender** and the **Office of Prosecution Services** each assume the proposal will have no fiscal impact on their respective organizations.

| <u>FISCAL IMPACT - State Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
|---|---|-------------------|-------------------|
| GENERAL REVENUE FUND | | | |
| <u>Transfer- Out - SOS - reimbursement of local election authority election costs if a special election is called by the Governor</u> | \$0 or (More than <u>\$7,800,000</u>) | <u>\$0</u> | <u>\$0</u> |
| ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND | \$0 or (Greater than <u>\$7,800,000</u>) | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
|--|--------------------------------------|-------------------|-------------------|
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Transfer- In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election | \$0 or More than \$7,800,000 | \$0 | \$0 |
| <u>Costs</u> - Local Election Authorities - cost of a special election if called for by the Governor | \$0 or (More than \$7,800,000) | \$0 | \$0 |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

If the proposal is approved by popular vote, small businesses which make consumer credit loans would be affected.

FISCAL DESCRIPTION

This proposal changes the laws regarding consumer credit interest rates.

The proposal requires that any person making or offering a consumer credit loan to contract for and receive interest and fees in accordance with Sections 408.100, 408.140, and 408.170, RSMo, relating to small loans.

The proposal also reduces the annual percentage rate for payday, title, installment, and other high-cost consumer credit and small loans from triple-digit interest rates to 36% per year, including for veterans and active-duty military families, as required under federal law.

A person may not engage in any subterfuge intended to evade the requirements of Chapter 408, relating to legal tender and interest, through any method including, but not limited to, mail, telephone, Internet, or any electronic means

The bill contains a referendum clause and will be submitted to qualified voters in November 2018.


FISCAL DESCRIPTION (continued)

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 Prosecution Services
Office of the State Public Defender
Office of the State Courts Administrator
Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Public Safety

Ross Strobe



Acting Director
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