

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1099-02
Bill No.: SCS for SB 368
Subject: Business and Commerce
Type: Original
Date: March 9, 2007

Bill Summary: Modifies requirements for corporate filings.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$265,300	(\$347,374)	(\$778,735)
Total Estimated Net Effect on General Revenue Fund	\$265,300	(\$347,374)	(\$778,735)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Technology	\$112,500	\$77,500	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$112,500	\$77,500	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of the Secretary of State - Business Services Division (SOS)** assume this proposal will allow the SOS to charge an additional fee for expedited filings; it will allow corporations to change the due date of their corporate registration report; it will allow corporations to elect to file their corporate registration report biennially; and it will reduce the fee for LLC's organizing online.

Officials estimate that Total State Revenue will increase in FY 08 because of corporations electing to pay an additional fee to change the due date of their corporate registration report and electing to file their report biennially rather than annually; this increase will offset the decrease in revenue associated with a reduction in the online filing fee for LLC's. Officials estimate the increase in revenue for FY 08 at \$265,300.

Officials estimate that in FY 09 and FY 10 there will be a decrease in Total State Revenue because the reduction in filing fees for LLC's will exceed the increase in fees associated with biennial filing and the change of the corporate registration report due date. Officials estimate the reduction in revenue at \$347,374 in FY 09; and \$778,735 in FY 10.

SOS officials based their estimates on the following assumptions:

Expedited fees: Estimated 2 expedited requests per week at \$200 per filing.

Reduction of online filing fees for LLC's: It is assumed that 50% of the 30,000 LLC's formed each year will file online (15,000 x \$55 = \$825,000)

Option to change the due date of the corporate registration report: It is assumed that 30% of the 124,000 general business corporations will opt to change their due date in 2008; of those, 75% will change in FY 08 and 25% will change in FY 09.

Option for a biennial corporate registration report: It is assumed that 50% of the 124,000 general business and 50% of the non-profit corporations will elect to file biennially. Corporations formed in odd numbered years can opt in an odd numbered filing year; corporations formed in an even numbered year can opt in an even numbered filing year. It is assumed that 40% will opt to file biennially, with 70% of the general business and 55% of the non-profit filing online; the remainder will file paper reports.

ASSUMPTION (continued)

The change will occur over two fiscal years, with 75% of the general business changing in FY 08 and 25% changing in FY 09. For non-profits, the first year change will occur in FY 09.

Officials estimate cost avoidance of \$12,126 in FY 09 and \$25,465 in FY 10 for the General Revenue Fund due to reduced postage and printing because of biennial filing.

Officials estimate fiscal impact generated from changes in filing fees, to the State General Revenue Fund in FY 08 at \$265,300; and in FY 09 at (\$347,374); and in FY 10 (\$778,735).

Officials estimate expense to the Technology Fund of \$120,000 in FY 08 which is for one time contract programming with the KB system vendor. Officials estimate income to the Technology Fund from biennial filing fees of \$232,500 in FY 08, and \$77,500 in FY 09. Officials estimate annual Technology Fund balances of \$112,500 in FY 08 and \$77,500 in FY 09 and \$0 in 10.

Secretary of State's - Administrative Rules response:

Many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$2,500. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE FUND			
Revenue - SOS Changes in LLC and Corporate Filing Fees.	\$265,300	(\$359,500)	(\$804,200)
Savings - SOS Postage, and Mailings	\$0	\$12,126	\$25,465
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	<u>\$265,300</u>	<u>(\$347,374)</u>	<u>(\$778,735)</u>
TECHNOLOGY FUND			
Income - from fees	\$232,500	\$77,500	\$0
Cost - one-time programming change.	<u>(\$120,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO TECHNOLOGY FUND	<u>\$112,500</u>	<u>\$77,500</u>	<u>\$0</u>
FISCAL IMPACT - Local Government			
	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

A small business organizing as a limited liability company and filing online will save \$55 per business. There will be a fee of \$20 for each corporation that opts to change the month its corporate registration report is due; it is assumed that this cost will be more than offset in cost savings/avoidance by completing this requirement at the same time other business and tax filings are completed. A corporation electing to file its corporate registration report biennially rather than annually will presumably, over a two year period, expend one half the cost of preparing the report. Biennial filing would save an estimated 8,000 hours by business filers every year.

FISCAL DESCRIPTION

This act allows a corporation to change the filing month for its corporate registration report in return for an additional \$20 filing fee. Corporations may also opt to file the corporate registration report biennially rather than annually. The filing fee for choosing this option will be twice the fee currently required for filing annually. The Secretary of State may collect an additional \$10 fee, for deposit in the Secretary of State technology fund, for each biennial report. If the corporate registration report is not filed within 90 days, the Secretary of State may proceed with corporate dissolution.

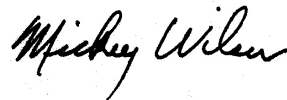
This act includes a provision that grants the Secretary of State the authority to establish a premium and expedited services program. These services allow customers to purchase services that guarantee rapid processing on filings or other special handling.

A limited liability corporation may electronically file its original articles of incorporation for a fee of \$45 rather than the \$100 currently required for paper filings.

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 - Business Services



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