

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0561-01  
Bill No.: SB 209  
Subject: Agriculture and Animals; Commercial Code; Secretary of State  
Type: Original  
Date: March 16, 2009

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Bill Summary: This proposal creates a central filing system for filing financing statements to perfect a security interest in farm products.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$226,400)	(\$48,934)	(\$50,702)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$226,400)</b>	<b>(\$48,934)</b>	<b>(\$50,702)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Technology Fund	\$100,000	\$119,600	\$119,600
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$100,000</b>	<b>\$119,600</b>	<b>\$119,600</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
Secretary of State	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Local Government</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Agriculture** assume that there is no fiscal impact from this proposal.

Officials at the **Office of the Secretary of State (SOS)** estimates (based on information obtained from the Missouri Bankers' Association) that there will be approximately 12,000 financing statements filed annually with the SOS. It is further assumed that the financing statements will be filed both online and by paper, with 50% utilization of each method. It is estimated that approximately 1/5 of the filings will be terminations and lapses and 4/5 will be new filings, continuations, or other amendments.

The SOS, Business Services Division, will require 1 FTE (Processing Technician II) to process approximately 6,000 paper financing statements, respond to all searches and inquiries, conduct annual registration of those requesting reports and work with the vendor to produce special reports and lists as required in the legislation.

It is assumed the central filing system will be incorporated into the Knowledge Base filing system used by the Business Services Division to process Uniform Commercial Code filings. This system was developed and is maintained by a third party vendor, FileOne. All current system development, enhancements and maintenance will be contracted to FileOne.

This proposal will increase the Technology Trust Fund each year by the amount of the revenue collected for filing agricultural product liens, registrations, and the production of reports as required.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

ASSUMPTION (continued)

**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.

**Oversight** assumes that the County Clerks may collect a fee for the oral and written inquiries regarding the information provided on the financing statements. It is assumed this amount is unknown.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>GENERAL REVENUE</b>			
<u>Cost - Secretary of State</u>			
Personal Service	(\$21,094)	(\$26,073)	(\$26,855)
Fringe Benefits	(\$10,258)	(\$12,679)	(\$13,060)
Equipment and Expense	<u>(\$5,248)</u>	<u>(\$4,902)</u>	<u>(\$4,979)</u>
<u>Total Cost - Secretary of State</u>	(\$36,600)	(\$43,654)	(\$44,894)
FTE Change - SOS	1 FTE	1 FTE	1 FTE
 <u>Cost - Secretary of State</u>			
computer programming and maintenance	<u>(\$189,800)</u>	<u>(\$5,280)</u>	<u>(\$5,808)</u>
 <b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	 <b><u>(\$226,400)</u></b>	 <b><u>(\$48,934)</u></b>	 <b><u>(\$50,702)</u></b>
 Estimated Net FTE Change on General Revenue	 1 FTE	 1 FTE	 1 FTE
 <b>TECHNOLOGY TRUST FUND</b>			
<u>Revenue - Secretary of State</u>			
filing fees, registrations & reports	<u>\$100,000</u>	<u>\$119,600</u>	<u>\$119,600</u>
 <b>ESTIMATED NET EFFECT ON TECHNOLOGY TRUST FUND</b>	 <b><u>\$100,000</u></b>	 <b><u>\$119,600</u></b>	 <b><u>\$119,600</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>LOCAL GOVERNMENT FUNDS</b>			
<u>Revenue</u> - County Clerks report fees	Unknown	Unknown	Unknown
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENT FUNDS</b>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT - Small Business

Businesses may be impacted if they are required to file the financing statement or need to purchase the reports provided by the Secretary of State.

FISCAL DESCRIPTION

This act creates a central filing system in the office of the Secretary of State for filing financing statements to perfect a security interest in farm products. The Secretary of State shall operate and maintain the system and compile information from all the statements into a master list organized according to farm product and further arranged in alphabetical order by last name of the debtor, by social security number of the debtor, geographically by county, and by crop year. Individuals may register with the Secretary of State to receive the list in return for a \$30 registration fee and an annual fee, the sum of which depends on the type of list requested. Requirements relating to additional fees and electronic requests are provided and all fees collected by the Secretary of State shall be deposited in the Secretary of State's technology trust fund. The Secretary of State is given the authority to promulgate rules to implement the system.

In accordance with the Food Security Act, 7 U.S.C. 1631, the Secretary of State shall apply to the Secretary of the United States Department of Agriculture for certification of the central filing system.

Requirements for an effective filing statement are provided and such statements shall remain effective for 5 years from the date of filing, subject to extensions for additional periods of 5 years by refileing or filing a continuation statement within 6 months before the 5 year expiration.

When there is no outstanding secured obligation and no commitment to give value, the secured party shall notify the debtor of his or her right to receive a notice of lapse of the financing statement which shall lead to the removal of the name of the debtor from the files and lists compiled by the Secretary of State. In lieu of this notice, the secured party may acquire a waiver

FISCAL DESCRIPTION (continued)

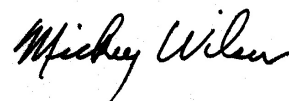
of the debtor of such right and a request by the debtor that the statement be retained on file. If the secured party does not furnish the notice or obtain the waiver, the secured party shall provide the debtor with a written notification of the debtor's right to have a notice of lapse filed within 10 days of final payment of all secured obligations.

A buyer in the ordinary course of business buying farm products covered by the central filing system shall take subject to the security interest identified under the system unless the buyer makes an inquiry into the system and the system does not correctly identify the debtor. Buyers take free of any security interest if the buyer obtains a waiver or release of the interest from the secured party.

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 Agriculture  
Office of the Secretary of State



Mickey Wilson, CPA  
Director  
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