

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1609-01
Bill No.: SB 348
Subject: Corporations; Fees; Secretary of State
Type: Original
Date: February 9, 2017

Bill Summary: This proposal extends the sunset provisions for fees to be credited to the Technology Trust Fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Technology Trust Fund	\$1,461,896	\$3,035,188	\$3,150,829
Total Estimated Net Effect on <u>Other</u> State Funds	\$1,461,896	\$3,035,188	\$3,150,829

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the Secretary of State (SOS)** state the Technology Trust Fund supports the SOS IT Division in supplying updated servers, computers, paying vendors for system support and providing updated technology for the office.

Since go-live of the current corporate filing system in June 2014, there has not been a year-on-year decrease in Technology Fund deposits. The monies deposited into the Technology Fund for FY 2013 through FY 2016 are as follows:

FY 2013 = \$2,428,598
FY 2014 = \$2,420,388
FY 2015 = \$2,516,135
FY 2016 = \$2,713,114

The last three fiscal years (FY 2014, FY 2015 and FY 2016) were used to determine an increase/decrease between the years. The average was then calculated and applied to get the estimated Technology Fund deposits for FY 2018, FY 2019, and FY 2020.

Percentage of Increase/Decrease between Fiscal Years

FY 2014 - FY 2013 = Increase/Decrease
 $\$2,420,388 - \$2,428,598 = -\$8,570$
 $-\$8,570 / \$2,428,598 * 100 = -.33\%$ decrease FY 2014

FY 2015 - FY 2014 = Increase/Decrease
 $\$2,516,135 - \$2,420,388 = \$95,747$
 $\$95,747 / \$2,420,388 * 100 = 3.95\%$ increase FY 2015

FY 2016 - FY 2015 = Increase/Decrease
 $\$2,713,114 - \$2,516,135 = \$196,979$
 $\$196,979 / \$2,516,135 = 7.82\%$ increase FY 2016

FY 2017 - FY 2016 = Increase/Decrease (FY 2017 is being estimated with the yearly average in order to find FY 2018's total loss)
 $\$2,713,114 * .0381 = \$103,369.64$
 $\$2,713,114 + \$103,369.64 = \$2,816,483.64$ FY 2017 estimate Technology Fund deposit

ASSUMPTION (continued)

Average

Change percentages to a decimal (percentage / 100)

FY 2014 = .33% / 100 = -.0033

FY 2015 = 3.95% / 100 = .0395

FY 2016 = 7.82% / 100 = .0782

$-.0033 + .0395 + .0782 / 3 = .0381$

$.0381 * 100 = 3.81\%$ average yearly increase

FY 2018 (6 months is used for the estimated deposit for 1/2018 to 6/2018)

FY 2017 * 3.81% = \$2,816,483.64 * .0381 = \$107,308.02

\$2,816,483.64 + \$107,308.02 = \$2,923,791.66

\$2,923,791.66 / 12 months = \$243,649.31 monthly deposit

\$243,649.31 * 6 months = \$1,461,895.86 estimated Technology Fund deposit FY 2018

FY 2019

FY 2018 * 3.81% = \$2,923,791.66 * .0381 = \$111,396.46

\$2,923,791.66 + \$111,396.46 = \$3,035,188.12 estimated Technology Fund deposit FY 2019

FY 2020

FY 2019 * 3.81% = \$3,035,188.12 * .0381 = \$115,640.67

\$3,035,188.12 + \$115,640.67 = \$3,150,828.79 estimated Technology Fund deposit FY 2020

As of November 2016, the Technology Trust Fund has a balance of \$4,658,660.45.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
TECHNOLOGY TRUST FUND			
<u>Revenue - SOS - fees from extension of sunset from 12/31/17 to 12/31/25</u>	<u>\$1,461,896</u>	<u>\$3,035,188</u>	<u>\$3,150,829</u>
ESTIMATED NET EFFECT ON THE TECHNOLOGY TRUST FUND	<u>\$1,461,896</u>	<u>\$3,035,188</u>	<u>\$3,150,829</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<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.

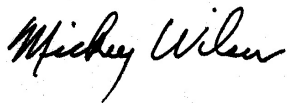
FISCAL DESCRIPTION

Several provisions in current law allow the Secretary of State to collect an additional \$5 fee on fees for filings relating to business organizations, commercial transactions, and trademarks, names and private emblems to be credited to the state's technology trust fund. These provisions are set to sunset on December 31, 2017. The proposal extends the sunset to December 31, 2025.

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



Mickey Wilson, CPA
Director
February 9, 2017

Ross Strobe
Assistant Director
February 9, 2017