

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1838-01
Bill No.: SB 430
Subject: Banks and Financial Institutions; Corporations; Secretary of State
Type: Original
Date: March 6, 2017

Bill Summary: This proposal creates new provisions establishing family trust companies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(\$48,409)	(\$58,273)	(\$58,394)
Total Estimated Net Effect on General Revenue	(\$48,409)	(\$58,273)	(\$58,394)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Technology Trust Fund	(\$59,800)	\$265	\$290
Total Estimated Net Effect on <u>Other</u> State Funds	(\$59,800)	\$265	\$290

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 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
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 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 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to a similar proposal from 2017 (HB 291), officials from the **Office of the Secretary of State (SOS)** stated 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.

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.

In an updated response to a similar proposal from 2017 (HB 291), officials from the **Office of the Secretary of State (SOS)** also assumed they will have to contract with the vendor to change the automated processes performed by their business software. The vendor would need to add a new process which includes a new filing type, a new notification that is sent to this type of business about their annual report requirements, new forms, and new fees. They anticipate a one-time cost to the Office of the Secretary of State of \$60,000 to change the current software operated by the Business Services Division.

It is unknown how many Missouri Family Trust Companies will be created. However, each one will need to register with the SOS at a cost of either \$53.00 (for-profit registration fee without the tech fund), \$45.00 (online LLC creation without the tech fund), or \$100.00 (paper LLC registration without the tech fund). Each trust company that registers will need to file an annual report at a cost of \$45.00 paper fee or \$20.00 online fee. Also, if the trust company fails to file an annual report there is a fine of \$100.00 for each day the report is overdue and a \$500.00 late fee. Because this is a new filing type, SOS estimates 4 filings per month at an average filing fee of \$66.00 each. An estimated deposit (without late fees and tech fund) to General Revenue (GR) will be (4 filings x 12 months = 48 filings yearly x \$66.00 average filing fee) \$3,168 total. As this new filing type becomes more popular, an estimated yearly increase of 10% is being estimated.

ASSUMPTION (continued)

FY 2018

$\$53 + \$100 + \$45 = 198/3 = \66.00 average filing fee
4 filings per month x 10 months = 40 FY 2018 filings
40 FY 2018 filings x $\$66.00$ average filing fee = $\$2,640$ GR deposit

$\$5.00$ Tech Fund Fee per filing x 40 FY 2018 filings = $\$200$ Technology Fund (TF) deposit

FY 2019

$\$53 + \$100 + \$45 = 198/3 = \66.00 average filing fee
4 filings per month x 12 months = 48 filings
48 filings x 10% FY 2019 increase = 4.8 additional FY 2019 filings
4.8 additional filings + 48 filings = 52.8 total FY 2019 filings (rounded to 53)
53 FY 2019 filings x $\$66.00$ average filing fee = $\$3,498.00$ GR deposit

$\$5.00$ Tech Fund Fee per filing x 53 FY 2019 filings = $\$265.00$ TF deposit

FY 2020

$\$53 + \$100 + \$45 = 198/3 = \66.00 average filing fee
53 yearly filings x 10% FY 2020 increase = 5.3 additional FY 2020 filings
5.3 additional filings + 53 filings = 58.3 total FY 2020 filings (rounded to 58)
58 filings x $\$66.00$ average filing fee = $\$3,894.00$ GR deposit

$\$5.00$ Tech Fund Fee per filing x 58 FY20 filings = $\$290.00$ TF deposit

SOS assumes an additional FTE for an investigator in Securities will be needed to fulfill the fiduciary duties in this proposal. The position will be an Investigator III at an annual salary of $\$40,188$ in FY 2018.

Officials from the **Department of Corrections** and **Department of Insurance, Financial Institutions and Professional Registration** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE			
<u>Income</u> - SOS - filing fees	\$2,640	\$3,498	\$3,894
<u>Cost</u> - SOS			
Personal Services	(\$33,490)	(\$40,590)	(\$40,996)
Fringe Benefits	(\$17,559)	(\$21,181)	(\$21,292)
<u>Total Costs</u> - SOS	(\$51,049)	(\$61,771)	(\$62,288)
FTE Change - SOS	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$48,409)</u>	<u>(\$58,273)</u>	<u>(\$58,394)</u>
Estimated Net FTE change for General Revenue Fund	1 FTE	1 FTE	1 FTE
TECHNOLOGY TRUST FUND			
<u>Income</u> - SOS - filing fees	\$200	\$265	\$290
<u>Cost</u> - SOS - one-time vendor cost to change software	(\$60,000)	\$0	\$0
ESTIMATED NET EFFECT ON TECHNOLOGY TRUST FUND	<u>(\$59,800)</u>	<u>\$265)</u>	<u>\$290)</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

This act creates new provisions relating to family trust companies. A family trust company is a corporation or limited liability company owned and exclusively controlled by, directly or indirectly, one or more family members. The company must operate exclusively for the benefit of a family member, as that term is defined in the act.

Under this act, a family trust company is not permitted to conduct business in Missouri without first registering with the Secretary of State and maintaining a capital account of not less than \$250,000. Furthermore, the company shall also maintain a physical office in Missouri, a registered agent who maintains an office in Missouri, and a deposit account with a state-chartered or national financial institution that has a principal or branch office in Missouri. A family trust company is also thereafter required to file annual registration reports with the Secretary of State reaffirming the company's compliance with the this act. These reports must be signed under penalty of perjury. Failure to file such report may be subject to a fine of up to \$100 for each day the report is overdue. Failure to file the report within 60 days will result in termination of the company's registration as a family trust company.

A family trust company may not engage in commercial banking or advertise its services to the public.

The Secretary of State is permitted to examine or investigate a family trust company at any time deemed necessary to determine if the company violated certain provisions of this act. The Secretary may additionally examine the books and records of the company as necessary to determine if the company is complying with this act. The company is responsible for paying the costs of such examinations.

The Secretary of State may issue and serve upon the family trust company or a family trust company affiliated party a notice of charges when the Secretary has reason to believe that the company, party, or any individual named in the charge is engaging or has engaged in certain actions which are contrary to the provisions of this act. Such notices issued by the Secretary shall contain a statement of the facts as well as an opportunity for a hearing. If the Secretary finds that the conduct engaged in is likely to cause substantial prejudice to the trust accounts of the company, the Secretary may issue a cease and desist order.

The CEO of a family trust company is required to notify the Secretary of State if he or she has actual knowledge that a affiliated party of the company is charged with a felony in a state or federal court. Additionally, if such a party is charged with a felony in a state or federal court, or certain crimes in foreign countries with which the United State maintains diplomatic relations, then the Secretary may enter an emergency order suspending the party.

FISCAL DESCRIPTION (continued)

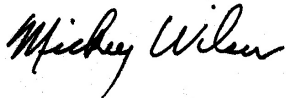
The books and records of each family trust company are confidential and available for inspection and examination only by certain entities, including the Secretary of State. The willful unlawful disclosure of confidential information in violation of this provision is a Class E felony.

Additionally, the act outlines certain types of information held by the Secretary of State which shall remain confidential and not subject to the Sunshine law. This information may be disclosed by the Secretary under certain circumstances, but generally the willful disclosure of such information is a Class E felony.

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 Corrections
Department of Insurance, Financial Institutions and Professional Registration
Office of the Secretary of State
Attorney General's Office



Mickey Wilson, CPA
Director
March 6, 2017

Ross Strobe
Assistant Director
March 6, 2017