

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1166H.07C
 Bill No.: HCS for SS for SB 181
 Subject: Insurance - General; Workers Compensation; Banks and Financial Institutions;
 Department of Commerce and Insurance; Insurance - Property; Mortgages and
 Deeds
 Type: Original
 Date: April 14, 2023

Bill Summary: This proposal modifies provisions relating to contractual agreements.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Division of Finance Fund	\$85 to \$335	\$85 to \$335	\$85 to \$335
Total Estimated Net Effect on <u>Other</u> State Funds	\$85 to \$335	\$85 to \$335	\$85 to \$335

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Commerce and Insurance (DCI) – Division of Finance (DOF)** assume the following:

Section 361.749

DOF assumes this section creates a registration requirement for businesses that provided earned wage access services with an annual registration fee of \$1,000 due on July 1 each year. For the purposes of this estimate, DOF assumes ten providers would register and renew annually, generating \$10,000 in revenue each fiscal year.

DOF is required to create forms and processes for initial registrations and reporting changes material to the registrant's information. The Division would also issue certificates of registration. Development of and revisions to forms and processes for the program is estimated to take 40 hours annually at \$25.00 per hour for a cost of \$1,000. Additionally, DOF assumes registration would be allowed via paper and electronically, which would require website development and maintenance at a cost of \$75 per hour, for an estimated 40 hours annually, resulting in a cost of \$3,000.

Review of registration applications by a Consumer Credit Examiner would take approximately one hour each, at an average of \$43.63 per hour. The processing and issuance of registration certificates by an Administrative Office Support Assistant would require an hour each at \$20.76 per hour. The total processing cost for each registration would be \$64.39. For the estimated 10 registrants, the estimated total annual cost is \$644.

Subsection 361.749.7

DOF assumes this subsection allows the Commissioner or a representative to make necessary investigations. The Division assumes each registrant would be examined every two years resulting in five examinations each year. Each exam is expected to take an estimated sixteen hours. At an average hourly rate of \$43.63, DOF estimates examination expenses at \$9,865 annually.

The Commissioner of the Division of Finance is also granted power to promulgate any necessary rules for administration of this section in Subsection nine. Promulgation and revision of administrative rules would require an estimated 40 hours annually by Associate Legal Counsel X \$43.27 per hour = \$1,731.

Subsection ten allows for the imposition of penalties for failure to comply with this section. DOF

assumes registrants would be compliant, and therefore, assumes no income from penalties.

In summary, DCI assumes a net income of \$135 from this section in each year to provide for the implementation of the changes in this proposal to the Division of Finance Fund.

Sections 436.550 – 436.570 - Consumer Legal Funding Model Act

Section 436.570

DOF assumes section 436.570 requires consumer legal finance companies to be licensed by the Division of Finance. Applicants would be required to submit an initial application fee of \$550 and an annual license renewal fee \$550. For the purposes of this estimate, DOF has assumed the same number of businesses would participate in this program as are currently licensed under Chapter 367 which would generate revenue of \$5,500-\$8,250 annually, which would be credited to the Division of Finance Fund (0550).

Processing of applications and licenses and overhead costs are estimated at \$150 per license. For 10-15 licensees, the estimated annual cost is (\$1,500-\$2,250). Additional hours and costs would be necessary if hearings are requested. For the purposes of this estimate, DOF assumes there would be no hearings required for Consumer Legal Funding Licensees.

Subsection 12 makes each licensee subject to an examination by DOF every two years. DOF assumes that these exams would be divided so that one-half of the licensees would be examined each year. Examinations are estimated to take 8.53-9.53 hours at an hourly rate of \$85.00 per hour for personal services and expenses. For 5-8 examinations per year, the estimated cost is (\$4,050-\$5,800).

DOF is allowed to impose administrative fines of up to \$1,000 on Consumer Legal Funding companies that knowingly and willfully violate these sections. For the purposes of this estimate, DOF assumes there will be no violations of these sections.

DOF assumes the workload for Sections 436.550-436.572 would be shifted to existing staff, replacing the workload lost from Chapter 367 licenses and paid by the Division of Finance Fund (0550).

Listed below is a summary of revenue and expenses to the Division of Finance Fund as estimated by DCI:

Revenue/Expenses	FY 2024	FY 2025	FY 2026
Licenses (Chapter 436)	\$5,550 - \$8,250	\$5,550 - \$8,250	\$5,550 - \$8,250
Processing & Applications/Administrative Cost	(\$1,500) – (\$2,250)	(\$1,500) – (\$2,250)	(\$1,500) – (\$2,250)
Investigations & Examinations	(\$4,050) – (\$5,800)	(\$4,050) – (\$5,800)	(\$4,050) – (\$5,800)
Chapter 367 Revenue Loss	(\$5,000- \$7,500)	(\$5,000- \$7,500)	(\$5,000- \$7,500)
Chapter 367 Savings	\$5,000 - \$7,500	\$5,000 - \$7,500	\$5,000 - \$7,500
Total Expenses – Division of Finance Fund	(\$50) – \$200	(\$50) – \$200	(\$50) – \$200

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the fiscal impact as estimated by DCI-DOF.

Bill as whole:

In response to a similar proposal from this year (HCS for HB 628), officials from the **Office of the State Public Defender (SPD)** stated the proposed legislation creates a new offense under section 290.686 which could result in additional cases eligible for SPD representation. The number of additional cases is unknown and as a result the fiscal impact is unknown.

Oversight notes in FY22 the SPD was appropriated moneys for 53 additional FTE. Oversight assumes this proposal will create a minimal number of new cases and that the SPD can absorb the additional caseload required by this proposal with current staff and resources. Therefore, Oversight will reflect no fiscal impact to the SPD for fiscal note purposes. However, if multiple bills pass which require additional staffing and duties, the SPD may request funding through the appropriation process.

In response to a similar proposal from this year (HB 759), officials from the **Department of Labor and Industrial Relations** deferred to the Department of Commerce and Insurance for the potential fiscal impact of this proposal.

Officials from the **Attorney General’s Office**, the **Department of Corrections** and the **Department of Public Safety - Missouri Highway Patrol** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight notes Sections 287.900 – 287.920 RSMo, creating the Missouri Employers Mutual Insurance Company were established in law in 1993 (SB 251) and the sections have not been altered in subsequent years. The repeal of these sections and the repeal and reenactment of sections 287.690 and 375.1275 have a delayed effective date of January 1, 2025.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** noted 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 \$5,000. 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 its 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.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
DIVISION OF FINANCE FUND (0550)			
<u>Revenue – DCI</u> Registration Fees §361.749.2 (p.3-4)	\$10,000	\$10,000	\$10,000
<u>Revenue – DCI</u> Licenses Fees §§436.550-436.572 (p.5)	\$5,550 to \$8,250	\$5,550 to \$8,250	\$5,550 to \$8,250
<u>Savings – DCI</u> Chapter 367 Administrative Cost §§436.550-436.572 (p.5)	\$5,000 to \$7,500	\$5,000 to \$7,500	\$5,000 to \$7,500
<u>Cost – DCI</u> Administrative Cost §361.479 (p.3-4)	(\$9,865)	(\$9,865)	(\$9,865)

<u>Loss – DCI</u> Chapter 367 Licenses Fee §§436.550-436.572 (p.5)	<u>(\$5,000) to</u> <u>(\$7,500)</u>	<u>(\$5,000) to</u> <u>(\$7,500)</u>	<u>\$5,000 to</u> <u>\$7,500</u>
ESTIMATED NET EFFECT TO THE DIVISION OF FINANCE FUND (0550)	<u>\$85 to \$335</u>	<u>\$85 to \$335</u>	<u>\$85 to \$335</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

A direct fiscal impact to a business that engages in the business of earned wage access services would be expected as a result of this proposal.

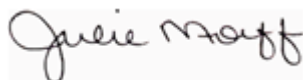
FISCAL DESCRIPTION

Establishes provisions relating to consumer activities regulated by the division of finance.

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

Attorney General’s Office
 Office of the Secretary of State
 Department of Commerce and Insurance
 Joint Committee on Administrative Rules
 Missouri Office of Prosecution Services
 Office of the State Public Defender
 Department of Public Safety - Missouri Highway Patrol
 Office of the State Courts Administrator



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 April 14, 2023



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 April 14, 2023