

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4994-01  
Bill No.: HB 1975  
Subject: Corporations; Political Subdivisions; Secretary of State; Business and Commerce;  
Department of Revenue  
Type: Original  
Date: March 26, 2018

---

Bill Summary: This proposal changes the laws regarding businesses established from agreements between political subdivisions by limiting such a business's conduct to the purposes of its formation or subjecting the business to for-profit status.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
General Revenue Fund	(\$53,973)	(\$63,443)	(\$63,974)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$53,973)</b>	<b>(\$63,443)</b>	<b>(\$63,974)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Technology Trust Fund	(\$73,600)	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$73,600)</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<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>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	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 Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** state the following:

351.725 3. The SOS does not investigate filing entities for compliance with state laws. The function is to be a ministerial filing office, which collects and aggregates information to be used by the public to make various economic and business decisions. The filing requirements are based on statutes. SOS has no investigatory powers or enforcement actions to question or inquire about a business other than the requirement that the documentation for the type of business they applying is properly filled out.

Paragraph 1 of subsection 3 calls for the revocation of not-for-profit status by the SOS. SOS does not confer a status on an entity, as such SOS cannot revoke a status. In order to be a not-for-profit corporation the articles of incorporation are required to include certain provisions. The enforcement of those provisions is not the purview of SOS. SOS only examines these provisions at the time of creation.

Portions of this bill appear to be outside the scope of the Secretary of State and further have legal implications that are not fully addressed. If an entity is not conducting business according to law, action would be required through the judicial system based on evidence brought forth for an aggrieved party.

SOS would have to conduct a business analysis in order to change the automated processes performed by our business software. The IT department would need to create new tables, reports, and software application process to allow for this new filing type for creation and amending, change the wording on certain screens through the online application, and update forms. SOS anticipates a one-time cost of \$70,000 to change the current software operated by the Business Services Division.

SOS will need 3 additional FTEs: an Examiner/Processor Tech II (\$25,000 annually), an Enforcer Specialist (\$35,000 annually), and a Supervisor (\$40,000 annually).

**Oversight** assumes, due to the limited number of entities that would meet the criteria specified in the bill, the SOS will not require 3 additional FTE to implement this bill, but would be able to accomplish the enforcement with 1 additional FTE, a Supervisor (\$40,000 annually).

ASSUMPTION (continued)

In addition, the SOS assumes 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 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, 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 our core budget. Therefore, 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.

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

Officials from the **Department of Revenue-Taxation** assume the proposal will have no fiscal impact on their organization.

Officials from the **Jackson County Election Board, Platte County Board of Elections, St. Louis County Board of Election Commissioners, Boone County, and City of Kansas City** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the following **cities**: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark City, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles City Administrator, St. Louis City Budget Division, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

Officials from the following **counties**: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Clinton, Cole, Cooper, Davies, Dekalb, Dent, Franklin, Greene, Holt, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne, and Worth did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE FUND</b>			
<u>Cost - SOS - Salaries</u>	(\$33,333)	(\$40,400)	(\$40,804)
Fringe Benefits	(\$18,890)	(\$22,787)	(\$22,907)
Equipment and Expense	(\$1,750)	(\$256)	(\$263)
<u>Total Cost - SOS</u>	(\$53,973)	(\$63,443)	(\$63,974)
FTE Change - SOS	1 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$53,973)</u></b>	<b><u>(\$63,443)</u></b>	<b><u>(\$63,974)</u></b>
Estimated Net FTE Change on the General Revenue Fund	1 FTE	1 FTE	1 FTE
<b>TECHNOLOGY TRUST FUND</b>			
<u>Cost - SOS - one time software changes</u>	(\$73,600)	\$0	\$0
<b>ESTIMATED NET EFFECT ON TECHNOLOGY TRUST FUND</b>	<b><u>(\$73,600)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

### FISCAL DESCRIPTION

This proposal requires that any entity created pursuant to Section 70.220, RSMo, to provide a public service to both St. Louis City and St. Louis County must be treated as a for-profit corporation for any services it provides to any individual, entity, or political subdivision other than St. Louis City and St. Louis County.

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  
Joint Committee on Administrative Rules  
Department of Revenue-Taxation  
Jackson County Election Board  
Platte County Board of Elections  
St. Louis County Board of Election Commissioners  
Boone County  
City of Kansas City

Ross Strope



Acting Director  
March 26, 2018