

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1800H.01I  
Bill No.: HB 914  
Subject: Corporations; Secretary Of State; Business And Commerce  
Type: Original  
Date: March 5, 2021

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Bill Summary: This proposal changes the laws regarding the regulation of certain companies.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
General Revenue	(\$420,178)	(\$359,531)	\$36,975	\$244,488
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$420,178)</b>	<b>(\$359,531)</b>	<b>\$36,975</b>	<b>\$244,488</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
Technology Trust Fund	\$150	(\$77,384)	\$290,979	\$501,198
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$150</b>	<b>(\$77,384)</b>	<b>\$290,979</b>	<b>\$501,198</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$0</b>

- ☒ 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2025)
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume state General Revenue regarding these particular filings will decrease, for Limited Liability Company, and decrease for Limited Liability Partnerships in the first five years.

A new filing of Information Statement for LLCs will start in 2024 and affect LLCs every five years thereafter for each new registration resulting in a positive fiscal impact.

State revenue in 10 years would then level back as the fee cut shifts to the information statement required every five years.

These estimates assume various rate(s) of participation and use of an averaging of historical data to determine estimations.

#### 347.044-347.183 (LLC)

<u>FY</u>	<u>GR 0101</u>	<u>TECH 0266</u>
FY2022	\$ (503,649)	\$ 180
FY2023	\$ (358,941)	\$ 216
FY2024	\$ 37,520	\$ 225

#### 358.460-358.470 (LLP)

<u>FY</u>	<u>GR 0101</u>	<u>TECH 0266</u>
FY2022	\$ (565.00)	
FY2023	\$ (590.00)	
FY2024	\$ (545.00)	

Current customer ratio of paper vs online is 25% to 75% for creation filings the change in fees would strive to move that ratio to 5% paper and 95% online. Filing online will have a cost savings as the system is set up to auto process creation documents. While this cost saving is not true for all filings, as manual review by an examiner is required for those documents, there are added benefits to customer submitting online.

It is assumed that 30% of the current LLCs listed as active are actually doing business and will file an information statement as required under 347.044, with an increase rate over time as new LLCs will know before creating that an information statement will be required in five years. The

first LLC was created in December of 1993, since that time over 600,000 entities have been created, or converted to the entity type of Limited Liability Company.

Series LLC is a growing area of the LLC entity type. It is unknown how many filings will be effected by the change in cost, as we do not currently have revenue collected for these filings. The best estimate is based on what an examiner thinks they file per month annualized.

The technology trust fund is not impacted until January of 2024 when 347.044 starts.

SOS states the overall impact is estimated at:

<b>Fund Affected</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>General Revenue</b>	(\$420,178)	(\$359,531)	\$36,975	\$244,488	(\$10,444)	(43,526)
<b>Technology Trust Fund</b>	\$150	(\$77,384)	\$290,979	\$501,198	\$279,210	\$244,000
<b>Total Estimated Net Effect on All State Funds</b>	<b>(\$420,028)</b>	<b>(\$436,915)</b>	<b>\$327,954</b>	<b>\$745,686</b>	<b>\$268,766</b>	<b>\$200,474</b>

The Secretary of State reserves the right to offset or request additional resources for estimated fiscal note impacts during the budget process.

Secretary of State's office is a silo IT department. All changes to software would require working with a third party vendor and/or the Information Technology department. Resulting in an estimated expenditure of \$77,600

Our vendor has standard rates for determining cost per hour.

Project Manager	\$ 180.00 x 40 hr. = \$7,200
Technical Architect	\$ 165.00 x 80 hr. = \$13,200
Senior RegSys Developer	\$ 150.00
RegSys Developer	\$ 130.00 x 160 hr. = \$20,800
Business Analyst	\$ 145.00 x 160 hr. = \$23,200
Database Administrator	\$ 150.00

Quality Assurance (QA) Analyst TOTAL	\$ 110.00 x 120 hr. = \$13,200  <b>\$77,600</b>
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\*An estimation was done on the hours required for this changed based on past PAQs

**Oversight** will reflect the estimated fiscal impact as provided by SOS

Officials from the **Department of Commerce, Office of the State Treasurer, and Insurance** and **Department of Revenue** each assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>FISCAL</u> <u>IMPACT – State</u> <u>Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2025)
<b>GENERAL REVENUE</b>				
<u>Loss-SOS-fee</u> Revenue reduction (LLC)	(\$423,358)	(\$365,145)	(\$340,460)	(\$407,070)
<u>Loss-SOS-fee</u> Revenue reduction (LLP)	(\$470)	(\$590)	(\$545)	\$0
<u>Income-SOS-fee</u> Revenue for LLC	<u>\$3,650</u>	<u>\$6,204</u>	<u>\$377,980</u>	<u>\$651,557</u>
<b>ESTIMATED NET EFFECT TO GENERAL REVENUE</b>	<b><u>(\$420,178)</u></b>	<b><u>(\$359,531)</u></b>	<b><u>\$36,975</u></b>	<b><u>\$244,488</u></b>
<b>TECHNOLOGY TRUST FUND</b>				
<u>Loss-SOS-filing</u> fees	\$150	\$216	\$290,979	\$501,198

<u>Cost-SOS</u> software changes	<u>\$0</u>	<u>(\$77,600)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT TO THE TECHNOLOGY TRUST FUND</b>	<b><u>\$150</u></b>	<b><u>(\$77,384)</u></b>	<b><u>\$290,979</u></b>	<b><u>\$501,198</u></b>

<u>FISCAL</u> <u>IMPACT –</u> <u>Local</u> <u>Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2025)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

The fees that small businesses pay to the Office of the Secretary of State could change as a result of this proposal.

FISCAL DESCRIPTION

This bill changes the filing fees for specified company filings filed with the Secretary of State (SOS) and creates an information statement to be filed every five years by every Limited Liability Company and foreign limited liability company operating in the state. The bill adds to the filings that may be filed electronically with the SOS and allows the SOS to collect a fee for filing a withdrawal of an erroneously or accidentally filed notice of winding up or articles of termination. The bill includes procedures for the SOS to cancel the registration of any limited liability company that does not file updated information statements, and a reinstatement process, with fees.

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

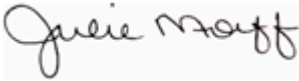
Office of the Secretary of State  
Department of Commerce and Insurance  
Department of Revenue  
Office of the State Treasurer

L.R. No. 1800H.01I

Bill No. HB 914

Page **7** of **7**

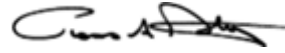
March 5, 2021

A handwritten signature in cursive script, appearing to read "Julie Morff", written in black ink on a light-colored background.

Julie Morff

Director

March 5, 2021

A handwritten signature in cursive script, appearing to read "Ross Strobe", written in black ink on a light-colored background.

Ross Strobe

Assistant Director

March 5, 2021