

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4067H.011
Bill No.: HB 2063
Subject: Business and Commerce; Banks and Financial Institutions
Type: Original
Date: January 26, 2024

Bill Summary: This proposal modifies laws relating to commercial financing disclosures.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Local Government	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

FISCAL ANALYSIS

ASSUMPTION

Section 427.300 - Commercial Financing Disclosures

Officials from the **Department of Commerce and Insurance - Division of Finance (DOF)** state there are very few companies that provide the types of commercial financing products described in this section, though DOF does not have an exact number. When California passed something similar, they had two companies, DOF assumes Missouri will have less than five. The initial registration would be set at \$100 each, so up to \$500 total revenue in the first year. If all of the companies renewed annually, at \$50 each, subsequent years' revenue would be \$250. The registration process is not work intensive and would cost about \$36.53 to process (½ hour for an AOSA @\$19.91/hour + ½ hour for an Examiner @ \$53.15/hour = \$36.53). For five registrations, each year would cost \$182.61. Since there is no review or enforcement authority granted in the language, that is the extent of the fiscal impact.

Revenue FY 25 - \$0-\$500 FY 26 - \$0-\$250 FY 27 - \$0-250
Expense FY 25 - (\$183-\$0) FY 26 - (\$186-\$0) FY 27 (\$190-\$0)
Net Effect FY 25 - \$0-\$317 FY 26 - \$0-\$64 FY 27 \$0-\$60

Oversight assumes this proposal will result in a non-material amount of registration revenue and administrative expense, therefore, Oversight will reflect a zero impact in the fiscal note for DOF.

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.

Officials from the **Office of the Secretary of State (SOS)** note 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.

Oversight also notes §427.300.6 requires that any person who violates this section shall be punished by a fine of \$500 per incident, not to exceed \$20,000 for all aggregated violations. Any person who violates this section after receiving written notice of prior violation from the AGO shall be punished by a fine of \$1,000 per incident, not to exceed \$50,000 for all aggregated

violations. Oversight will assume any potential fine revenue generated from this subsection will be distributed to local school districts instead of being credited to the state’s Merchandising Practices Revolving Fund. For simplicity, Oversight will reflect a \$0 or Unknown amount of fine revenue received by school districts. Oversight notes these amount may act as a deduction in the following year school funding formula; however, Oversight will simply reflect a possible positive impact to schools from the fine revenue.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
SCHOOL DISTRICTS			
<u>Fine Revenue</u> – to school districts - \$427.300.6	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT TO SCHOOL DISTRICTS	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill creates the "Commercial Financing Disclosure Law". The bill defines a "provider" as a person who consummates more than five commercial financing products to a business located in Missouri in a calendar year. Under the provisions of the bill, the provider is required to make certain disclosures to the business with regard to the product. The disclosures are required at or before the consummation of the transaction. Specifically, the provider is required to disclose the following:

- (1) The total amount of funds provided to the business under the terms of the commercial financing product;
- (2) The total amount of funds disbursed to the business under the terms of the commercial financing product, if less than the total amount of funds provided, as a result of any fees deducted or withheld at disbursement and any amount paid to a third party on behalf of the business;

- (3) The total amount to be paid to the provider pursuant to the commercial financing product agreement;
- (4) The total dollar cost of the commercial financing product under the terms of the agreement, obtained by subtracting the total amount of funds provided from the total of payments;
- (5) The manner, frequency and amount of each payment; and
- (6) A statement of whether there are any costs or discounts associated with prepayment of the commercial financing product.

This bill contains various exemptions and includes provisions requiring all persons engaged in business as a commercial financing broker within the state to file a registration and post a surety bond in the amount of \$10,000 with the Division of Finance within the Department of Commerce and Insurance. A broker must renew their registration on or before January 31st of each year. Violations of this bill are punishable by a fine of \$500 per incident, not to exceed \$20,000 for all aggregated violations.

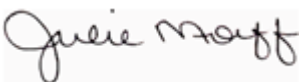
Any person who violates any provision of this bill after receiving written notice of a prior violation from the Attorney General shall be subject to a fine of \$1,000 per incident, not to exceed \$50,000 for all aggregated violations arising from the use of the transaction documentation or materials found to be in violation of this bill.

The Attorney General is given authority to enforce the provisions of this bill. The provisions requiring a provider to file a disclosure regarding a commercial financing transaction and a registration will be effective six months after the Division finalizes promulgating rules or February 28, 2025, if the Division does not intend to promulgate rules.

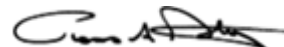
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Commerce and Insurance
Office of the Secretary of State
Joint Committee on Administrative Rules



Julie Morff
Director
January 26, 2024



Ross Strobe
Assistant Director
January 26, 2024