

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3585-09
Bill No.: HCS for SCS for SBs 1027 & 896
Subject: Bonds - Bail; Law Enforcement Officers and Agencies; Insurance Dept.
Type: Original
Date: May 10, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Insurance Dedicated Fund	\$22,548	\$39,939	\$36,855
Total Estimated Net Effect on <u>All</u> State Funds	\$22,548	\$39,939	\$36,855

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (COA)- Division of Budget and Planning, Office of State Courts Administrator, Office of State Treasurer, Missouri Department of Transportation, Missouri Department of Conservation, Department of Public Safety (DPS) - Capitol Police and Department of Economic Development - Division of Professional Registration** assume the proposal will have no fiscal impact on their organizations.

Officials from the **COA - Administrative Hearing Commission** assume the proposal will not significantly alter their caseload. However, if other similar proposals also pass, there are more cases or the cases are more complex, there could be a fiscal impact.

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

Officials from the **Department of Corrections (DOC)** state the DOC cannot predict the number of new commitments which may result from the creation of the offenses(s) outlined in this proposal. An increase in commitment depends on the utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in operational cost through either incarceration (FY 03 average of \$38.10 per inmate per day or an annual cost of \$13,907 per

ASSUMPTION (continued)

inmate) or through supervision provided by the Board of Probation and Parole (FY 03 average of \$3.15 per offender, per day or an annual cost of \$1,150 per offender per year).

DOC assumes the narrow scope of the crime will not encompass a large number of offenders. The low felony status of the crime enhances the possibility of plea-bargaining or the imposition of a probation sentence. The probability also exists that offenders would be charged with a similar but more serious offence of which sentences may run concurrent to one another.

Supervision by the DOC through probation or incarceration would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

Officials from the **Department of Insurance (INS)** state Missouri currently has 836 bail bond agents, 80 general bail bond agents and 34 bail bond corporations. If a bail bond agent performs his own fugitive recovery, then they would be required to be licensed as a surety recovery agent. Based on these totals, INS is estimating that approximately 1,000 surety recovery agents may become licensed.

Based on the anticipated number of surety recovery agents, the Licensing Section would need one (1) additional FTE as a Licensing Tech. I. This position would be responsible for processing applications, reviewing hours of courses taken as part of application, producing licenses, mailing renewals, answering phone and correspondence inquiries, related data entry and other clerical work related to this license. If number of surety recovery agents surpasses this estimate, additional staff may be needed.

The INS is also requesting one (1) Investigator II to investigate complaints against surety recovery agents and to review applications of existing licensees as needed for violations, suspensions or revocations.

The INS assumes that the examination process will be contracted out and the applicant will be responsible for paying the cost of examination directly to contractor. A copy of photo identification is part of application requirements, but the INS assumes a standard license without photo will be issued to licensee.

The INS does not have the staff or the expertise to provide the training required for bail bond or surety recovery agents. The INS assumes that it would approve other organizations to provide this training at the specified limits of \$200 for initial and \$150 for continuing education.

Application fees and renewals are to be set by the INS, not to exceed \$150 for two years. The application and/or renewal fee is estimated to be \$150 for biennial license. This would generate

ASSUMPTION (continued)

approximately \$75,000 for each year of the two year license. Fees will be deposited into the Insurance Dedicated Fund. Licensing would occur on a two-year cycle but revenue is shown on a yearly basis as all applications and renewals will not occur on the same date and would be spread over two fiscal years. A biennial fee of \$150 will not be sufficient to cover the cost of administering the licensing program for surety recovery agents.

The proposal allows for a fee up to \$150 for two year license for bail bond and general bail bond agents. Currently the license and renewal fee is \$25 annually. If this fee were raised to \$150 each year for the approximately 1,000 bail bond and general bail bond agents, then an additional \$50,000 per year would be generated ($\$150 \text{ new fee} - \$50 (\$25 \text{ each year for two years}) = \$100 \times 1,000 = \$100,000$ for two years or \$50,000 each year).

Oversight has, for fiscal note purposes only, changed the starting salary for the Licensing Tech I and Investigator II to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

Officials from the **Office of the Secretary of State (SOS)** state this proposal makes changes to the bail bondsmen and surety recovery agents licensing provisions. The Department of Insurance may promulgate rules to implement this proposal. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Insurance could require as many as 25 pages in the *Code of State Regulations*. For any given rule, roughly one-half again as many pages are published in the *Missouri Register* as are published in the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. The actual costs could be more or less than the numbers given. The fiscal impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$1,550 [$(25 \text{ pp} \times \$27) + (38 \text{ pp} \times \$23)$].

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. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **DPS - Missouri State Highway Patrol (MHP)** provided, in response to an earlier version of this proposal (LR# 3585-06), that its Training Division assumed that it will not be involved in the training of the agents. Therefore, the MHP anticipated no fiscal impact from the proposal.

ASSUMPTION (continued)

Officials from the **Office of Prosecution Services** provided, in response to an earlier version of this proposal (LR# 3585-06), that they assumed any costs associated with this proposal would be absorbable within current funding levels.

Officials from the **DPS - Missouri State Water Patrol** provided, in response to an earlier version of the proposal (LR# 3585-04), that the proposal would have no fiscal impact on their organization.

This proposal would increase Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Licensing fees and renewals	\$104,167	\$125,000	\$125,000
<u>Costs - Department of Insurance</u>			
Personal service costs (2 FTE)	(\$44,147)	(\$53,671)	(\$55,658)
Fringe benefits	(\$18,277)	(\$22,220)	(\$23,042)
Equipment and expense	<u>(\$19,195)</u>	<u>(\$9,170)</u>	<u>(\$9,445)</u>
Total <u>Costs</u> - Department of Insurance	<u>(\$81,619)</u>	<u>(\$85,061)</u>	<u>(\$88,145)</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$22,548</u>	<u>\$39,939</u>	<u>\$36,855</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal could have an impact on small bail bondsmen and surety recovery businesses.

DESCRIPTION

This proposal changes the laws regarding bail bond agents and establishes a licensing procedure for surety recovery agents, generally known as bounty hunters. The proposal specifies the

DESCRIPTION (continued)

requirements for obtaining a license to be a bail bond agent or surety recovery agent, establishes fees to cover the administration of the licensing, and grants authority to the Director of the Department of Insurance to regulate those agents. The proposal:

- (1) Prohibits anyone from engaging in the bail bond business without being licensed by the department. Violation is a class A misdemeanor, and any subsequent offense is a class D felony;
- (2) Requires bail bond agents and surety recovery agents to receive at least 24 hours of basic training and eight hours of biennial continuing education, with a curriculum approved by the department. The costs of the training are to be paid by the applicant, but in no case will the cost be more than \$200 for the basic training and \$150 for the biennial continuing education. Persons with at least two years of peace officer experience are exempt from the required training as a surety recovery agent;
- (3) Requires a \$150 licensing fee, with the licenses valid for two years;
- (4) Allows the department to demand additional assignment of assets from a bail bond agent if circumstances warrant, up to \$25,000. Current law allows up to \$10,000;
- (5) Requires the collateral demanded by bail bond agents to be reasonable in relation to the amount of the bond;
- (6) Allows the department to establish reciprocal agreements with other states which have similar qualifications and training requirements for bail bond industry licensees;
- (7) Prohibits the granting of a bail bond agent license or surety recovery agent license to anyone who, within the last 15 years, has been convicted of a felony, a crime involving moral turpitude, child molestation, or any crime involving the use of a weapon;
- (8) Grants the department authority to issue cease and desist orders to any person violating any of the provisions of the proposal;
- (9) Grants the department subpoena power to compel testimony regarding possible violations;
- (10) Authorizes the department to file complaints with the Administrative Hearing Commission against licensees; and
- (11) Allows bail bond agents to detain subjects in a lawful manner and enter upon public or private property in order to execute apprehension of a subject, if the agent has probable grounds

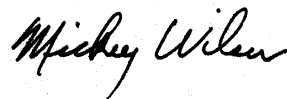
DESCRIPTION (continued)

to believe the subject breached the terms of the surety agreement. Agents may not detain subjects for more than 72 hours.

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 Attorney General
Office of Administration -
 Administrative Hearing Commission
 Division of Budget and Planning
Office of State Courts Administrator
Department of Economic Development -
 Division of Professional Registration
Department of Public Safety -
 Capitol Police
 Missouri State Highway Patrol
 Missouri State Water Patrol
Department of Corrections
Missouri Department of Transportation
Department of Insurance
Missouri Department of Conservation
Office of Prosecution Services
Office of Secretary of State
Office of State Treasurer



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