

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3711-12
Bill No.: HCS for SS for SCS for SB 1034
Subject: State Attorney General; Consumer Protection; Surety Bonds
Type: Original
Date: May 6, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$61,601) to Unknown	(\$75,812) to Unknown	(\$77,752) to Unknown
Total Estimated Net Effect on General Revenue Fund	(\$61,601) to Unknown	(\$75,812) to Unknown	(\$77,752) to Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
State School Moneys	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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 **Department of Economic Development** and the **Department of Public Safety – Missouri State Highway Patrol** assume the proposal would have no fiscal impact on their agencies.

In response to a previous version of the proposal (Perfected SS for SCS for SB 1034, LR 3711-09), officials from the **Office of the State Public Defender** assumed the proposal would have no fiscal impact on their agency.

Officials from the **Office of State Courts Administrator** assume the proposed legislation would have no fiscal impact on the courts.

In response to a previous version of the proposal (Perfected SS for SCS for SB 1034, LR 3711-09), officials from the **Office of Prosecution Services** assume prosecutors could absorb the costs of the proposed legislation within existing resources.

ASSUMPTION (continued)

Officials from the **Office of Attorney General (AGO)** assume they would require 2 FTE Paralegals (each at \$22,500 per year) to maintain and file evidence of bonding and collections of claims on bonds filed by travel-related service companies. AGO estimated the cost to be \$61,601 in FY 05; \$75,812 in FY 06; and \$77,752 in FY 07.

Officials from the **Department of Corrections (DOC)** assume this proposal regulates vacation clubs. Penalty provisions, the component of the bill to have potential fiscal impact for DOC, is for a class D felony.

Currently, the DOC cannot predict the number of new commitments which may result from the enhancement of the offense(s) outlined in this proposal. An increase in commitments 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 either through incarceration (FY03 average of \$38.10 per inmate per day, or an annual cost of \$13,907 per inmate) or through supervision provided by the Board of Probation and Parole (FY03 average of \$3.15 per offender, per day or an annual cost of \$1,150 per offender).

The DOC does not anticipate the need for capital improvements at this time. It must be noted that the cumulative effect of various new legislation, if passed into law, could result in the need for additional capital improvements funding if the total number of new offenders exceeds current planned capacity.

The following factors contribute to DOC's minimal assumption:

- ▶ 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 imposition of a probation sentence; and
- ▶ The probability exists that offenders would be charged with a similar but more serious offense or that sentences may run concurrent to one another.

In summary, supervision by the DOC through probation or incarceration would result in some additional costs, but DOC assumes the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

ASSUMPTION (continued)

Officials from the **Office of Secretary of State (SOS)** assume the proposal would give the Attorney General's Office the authority to adopt rules to implement the provisions of this act. These rules would be published in the Missouri Register and the Code of State Regulations. These rules could require as many as 8 pages in the Code of State Regulations and half again as many pages in the Missouri Register, as cost statements, fiscal notes, and the like are not repeated in the Code. The estimated cost of a page in the Missouri Register is \$23 and the estimated cost of a page in the Code of State Regulations is \$27. Based on these costs, the estimated cost of the proposal is \$492 in FY 05 and unknown in subsequent years. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded, or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which would require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

In response to a previous version of the proposal (Perfectured SS for SCS for SB 1034, LR 3711-09), officials from the **Department of Elementary and Secondary Education (DESE)** assume there is no state cost to the foundation formula associated with this proposal. DESE does not know how much additional fine money might be collected by the Department of Revenue to distribute to schools. Any increase in this money distributed to schools becomes a deduction in the foundation formula the following year. Therefore, the affected districts will see an equal decrease in the amount of funding received through the formula the following year, unless the affected districts are hold-harmless, in which case the districts will not see a decrease in the amount of funding received through the formula (any increase in fine money distributed to the hold-harmless districts will simply be additional money). An increase in the deduction (all other factors remaining constant) reduces the cost to the state of funding the formula with a proration factor of 1.00.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Savings</u> – Reduced appropriations to State School Moneys Fund	Unknown	Unknown	Unknown
<u>Costs</u> – Office of the Attorney General			
Personal Service (2 FTE)	(\$38,438)	(\$47,278)	(\$48,460)
Fringe Benefits	(\$15,913)	(\$19,573)	(\$20,062)
Equipment and Expense	(\$7,250)	(\$8,961)	(\$9,230)
<u>Total Costs – (AGO)</u>	<u>(\$61,601)</u>	<u>(\$75,812)</u>	<u>(\$77,752)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$61,601) to Unknown</u>	<u>(\$75,812) to Unknown</u>	<u>(\$77,752) to Unknown</u>
 STATE SCHOOL MONEYS FUND			
<u>Savings</u> – Reduced distributions to school districts	Unknown	Unknown	Unknown
<u>Losses</u> – Reduced appropriations from General Revenue Fund	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
POLITICAL SUBDIVISIONS			
<u>Income</u> – Local School Districts			
From fines	Unknown	Unknown	Unknown
<u>Losses</u> – Local School Districts			
Reduced distributions from State School Moneys Fund	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposed legislation could have a fiscal impact on small business.

DESCRIPTION

The proposed legislation would regulate the business practice of vacation clubs. Vacation clubs would be required to maintain an effective registration statement with the Attorney General's Office and pay the amount of \$250 to the Attorney General. The Attorney General could charge an annual renewal fee of no more than \$250 for registration statements.

Vacation clubs seeking registration would be required to have a surety bond, corporate guaranty, letter of credit, certificate of deposit, or other financial assurance in the amount of \$50,000. The bond or letter of credit would serve as a source of funds to reimburse purchasers who, upon exercising their rights of rescission, are not satisfactorily refunded the purchase price of unused vacation benefits or to reimburse purchasers who are victims of fraud.

A county commission could establish a board of vacation club mediation. A vacation club purchaser who has a grievance would have the option to file a written complaint with the Office of the Attorney General, the county prosecuting attorney, or any existing county vacation club mediation board.

DESCRIPTION (continued)

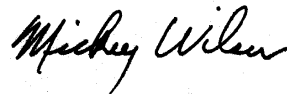
A person who violates these sections would be guilty of a class D felony and subject to a penalty of \$10,000. Any fines collected pursuant to this subsection would be transferred to the state school moneys fund and distributed to public schools.

The provisions in Sections 407.682 to 407.699 would not apply to certain publicly held corporations.

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 Attorney General
Office of State Courts Administrator
Department of Economic Development
Department of Elementary and Secondary Education
Department of Corrections
Department of Public Safety
 – Missouri State Highway Patrol
Office of Prosecution Services
Office of Secretary of State
Office of State Public Defender



Mickey Wilson, CPA
Director
May 6, 2004

L.R. No. 3711-12
Bill No. HCS for SS for SCS for SB 1034
Page 8 of 8
May 6, 2004