

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1985-02
Bill No.: HCS for HB 811
Subject: Insurance Dept.; Motor Vehicles; Licenses - Professional
Type: Original
Date: April 11, 2011

Bill Summary: Modifies the law with respect to the sale of motor vehicle extended service contracts.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| | | | |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| Insurance Dedicated | Unknown | Unknown | Unknown |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | Unknown | Unknown | Unknown |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator, Office of Prosecution Services and Office of State Public Defender** assume the proposal would have no fiscal impact on their agency.

Officials from the **Office of Administration - Administrative Hearing Commission** anticipate this legislation will not significantly alter its caseload. However, if other similar bills also pass, there are more cases, or the cases are more complex, there could be a fiscal impact.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS 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 SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs 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 **Department of Corrections (DOC)** state penalty provisions, the component of the bill to have a potential fiscal impact for the DOC, is for an unclassified felony that shall not exceed ten years imprisonment. Currently, the DOC cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on 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 of direct offender costs either through incarceration (FY 10 average of \$16.397 per offender, per day, or an annual cost of \$5,985 per inmate) or through supervision provided by the Board of Probation and Parole (FY 10 average of \$3.92 per offender, per day, or an annual cost of \$1,431 per offender). The DOC assumes the narrow scope of the crime will not encompass a large number of offenders and the low felony status enhances the possibility of plea-bargaining or imposition of a probation sentence. The probability also exists that offenders would be charged with a similar, but more serious offense, or that sentences may run concurrent to one another. Therefore, supervision by the DOC through probation 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.

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state they are unable to determine how many producers would need to be licensed as business entity producers due to licensure exemptions listed in the proposal. It is assumed, at this time, that the requirements of this proposal can be completed within current appropriations. However, should the workload be more than anticipated, FTE and expenses will be requested through the budget process.

Officials from the **Office of Attorney General** did not respond to **Oversight's** request for a statement of fiscal impact.

| <u>FISCAL IMPACT - State Government</u> | FY 2012 (10 Mo.) | FY 2013 | FY 2014 |
|---|---------------------|----------------|----------------|
| INSURANCE DEDICATED FUND | | | |
| <u>Income - DIFP</u> | | | |
| Licensure fees | <u>Unknown</u> | <u>Unknown</u> | <u>Unknown</u> |
| ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND | | | |
| | <u>Unknown</u> | <u>Unknown</u> | <u>Unknown</u> |
| <u>FISCAL IMPACT - Local Government</u> | | | |
| | FY 2012 (10 Mo.) | FY 2013 | FY 2014 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact on small businesses selling extended service contracts.

FISCAL DESCRIPTION

This proposal modifies the law regarding motor vehicle extended service contracts.

LICENSING - The proposal modifies who may sell motor vehicle extended service contracts. Licensed motor vehicle dealers holding an organizational credit entity license may sell such products along with their employees who are properly licensed as credit insurance producers when such service contracts are sold in connection with the sale of a motor vehicle or vehicle

FISCAL DESCRIPTION (continued)

services. Business entity producers or individual producers licensed as insurance producers for the limited line of motor vehicle extended service contracts may sell such contracts. Individual producers selling motor vehicle extended service contracts must obtain a resident or nonresident insurance producer license for either a personal lines property and casualty license or the limited line of motor vehicle extended service contracts. The proposal further delineates the application and testing requirements for obtaining a license for a limited line of motor vehicle extended service contracts license.

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 Administration -
Administrative Hearing Commission
Office of State Courts Administrator
Department of Insurance, Financial Institutions, and Professional Registration
Department of Corrections
Office of Prosecution Services
Office of Secretary of State
Office of State Public Defender

NOT RESPONDING: Office of Attorney General



Mickey Wilson, CPA
Director
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