

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5063-02
Bill No.: Perfected HCS for HB 1225
Subject: Insurance - General; Licenses - Miscellaneous; Insurance Department
Type: Original
Date: March 25, 2014

Bill Summary: This proposal modifies provisions relating to self storage facilities and insurance.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Insurance Dedicated	\$32,097	(\$84,471)	(\$25,504)
Total Estimated Net Effect on <u>Other</u> State Funds	\$32,097	(\$84,471)	(\$25,504)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Insurance Dedicated	2	2	2
Total Estimated Net Effect on FTE	2	2	2

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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Sections 379.1640-1690

In response to a similar proposal from this session, HB 1385, officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assumed their department would collect licensure fees for all licensed producers as specified in the proposal. These fees would be deposited in the Insurance Dedicated Fund and should not exceed the cost to meet the requirements of this proposal. The department estimates there are at least 1,200 self-storage facilities in Missouri. Those facilities could be owned by the same individual or company, so to get a revenue estimate the department used 600 as the minimum estimated number of potential licensees. The department estimates new 100 applications each year plus a biennial renewal of the original 600 in FY2017.

Oversight assumes according to the proposal the new license fee can be no higher than \$150, while the license renewal fee will be no higher than \$100. If the existing 600 potential licensees apply, as well as 100 new applicants, this will create 700 new license fees in FY16. At a rate of no higher than \$150, this will create revenues of \$90,000. After two years, the licensees will need to renew, with a fee of no higher than \$100. The estimate new 100 applications, as well as the 600 renewals, will create revenues of \$75,000 in FY 17.

DIFP believes in order to comply with the proposal 2 FTE will be needed.

One Licensing Technician II FTE will be needed to provide technical support, process applications for licensure, and respond to inquiries related to the licensure law and/or rules and regulations. Also provides administrative support; track complaints and discipline and respond to inquiries relating to the licensure laws or rules and regulations.

One Investigator II FTE will be needed as it will be necessary for the department, upon receipt of an application for licensure which contains affirmative answers to background questions, to fully investigate to determine if such background information poses a potential threat to consumer protection, and thus would preclude such applicant from obtaining licensure with the department. This position would also investigate consumer complaints on licensees. This will be similar to the existing process the department employs for an insurance producer license.

Should the extent of the work be more than anticipated, the department would request additional appropriation and/or FTE through the budget process.

ASSUMPTION (continued)

In response to a similar proposal from this session, HB 1385, officials from the **Joint Committee on Administrative Rules** stated that the proposal is not anticipated to cause a fiscal impact to their agency beyond its current appropriation.

In response to a similar proposal from this session, HB 1385, officials from the **Office of the Secretary of State (SOS)** stated 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 \$2,500. 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 the 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 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.

Sections 415.400-415.425

Officials from the **Office of the State Courts Administrator, Department of Insurance, Financial Institutions and Professional Registration, Office of the State Treasurer and Department of Revenue** each assume the current proposal would not fiscally impact their respective agencies.

This proposal will increase total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (6 Mo.)	FY 2016	FY 2017
INSURANCE DEDICATED FUND			
<u>Revenue</u> - Licensure Fees	\$90,000	\$15,000	\$75,000
<u>Cost</u> -			
Personal Service	(\$31,780)	(\$64,196)	(\$64,838)
Fringe Benefits	(\$16,210)	(\$32,743)	(\$33,071)
Equipment and Expenses	<u>(\$9,913)</u>	<u>(\$2,532)</u>	<u>(\$2,595)</u>
<u>Total Costs</u> - DIFP	<u>(\$57,903)</u>	<u>(\$99,471)</u>	<u>(\$100,504)</u>
FTE Change - DIFP	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$32,097</u>	<u>(\$84,471)</u>	<u>(\$25,504)</u>
Estimated Net FTE Change on the Insurance Dedicated Fund	2 FTE	2 FTE	2 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Self storage facility owners would be required to be licensed producers if they are selling or soliciting self storage facility insurance. Insurance producers selling self storage insurance would be required to be licensed to sell, as well.

FISCAL DESCRIPTION

The proposal prohibits vendors of self storage units from selling or soliciting the sale of self storage insurance coverage unless duly licensed by the state.

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

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SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration
Joint Committee on Administrative Rules
Office of the Secretary of State
Office of the State Courts Administrator
Office of the State Treasurer
Department of Revenue

Mickey Wilson, CPA
Director
March 25, 2014



Ross Strobe
Assistant Director
March 25, 2014

LO:LR:OD