

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4002S.01I  
Bill No.: SB 753  
Subject: Banks and Financial Institutions; Department of Commerce and Insurance;  
Attorney General; Fees  
Type: Original  
Date: December 27, 2023

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Bill Summary: This proposal creates the commercial financing disclosure law.

**FISCAL SUMMARY**

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

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

Numbers within parentheses: () indicate costs or losses.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Local Government</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Commerce and Insurance (DCI)** state (Section 427.300) there are very few companies that provide the types of commercial financing products described in this section, though the Division of Finance (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.

	FY 2024	FY 2025	FY 2026
Revenue	\$0-\$500	\$0-\$250	\$0-250
Expense	(\$183-\$0)	(\$186-\$0)	(\$190-\$0)
Net Effect	\$0-\$317	\$0-\$64	\$0-\$60

**Oversight** assumes these amounts are not material and will not reflect them in the fiscal note.

In response to a similar proposal from 2023 (SB 187), officials from the **Attorney General's Office (AGO)** assumed no fiscal impact from the proposal.

### 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
<b>SCHOOL DISTRICTS</b>			
<u>Potential Fine Revenue – to school districts – RSMo §427.300.6</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<b>ESTIMATED NET EFFECT TO SCHOOL DISTRICTS</b>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

FISCAL IMPACT – Small Business

Certain small financing businesses may be impacted by this proposal.

FISCAL DESCRIPTION

This act creates the "Commercial Financing Disclosure Law". Under this act, any person who consummates more than 5 commercial financing transactions, as defined in the act, to a business located in this state in a calendar year is required to make certain disclosures to the business with regard to the transaction.

The act requires registration with the Division of Finance prior to engaging in business as a broker for commercial financing. Specifically, the act requires filing a registration form,

submitting a fee of \$100, and obtaining a surety bond in the amount of \$10,000. A registration renewal is required every year, not later than January 31st.

Violations of this act 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 act after receiving written notice of a prior violation from the Attorney General shall be punishable by 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 act.

Violation of any provision of this act does not affect the enforceability or validity of the underlying agreement.

This act does not create a private cause of action against any person or entity based upon noncompliance with this act.

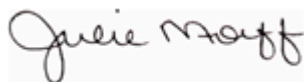
The Attorney General is given exclusive authority to enforce the provisions of this act. This act contains various exemptions.

The registration and disclosure requirements of this act take effect either (1) 6 months after the Division of Finance finalizes promulgating rules, if the Division intends to promulgate rules; or (2) February 28, 2025, if the Division does not intend to promulgate rules.

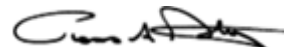
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Department of Commerce and Insurance  
Attorney General's Office  
Office of the Secretary of State  
Joint Committee on Administrative Rules



Julie Morff  
Director  
December 27, 2023



Ross Strobe  
Assistant Director  
December 27, 2023