

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1230-02
Bill No.: HB 562
Subject: Attorney General, State: Business and Commerce; Consumer Protections;
Contracts and Contractors
Type: Original
Date: March 16, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Schools for the Future Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

* Offsetting Income and Transfers Out not expected to exceed \$100,000

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government*	Unknown	Unknown	Unknown

* Not expected to exceed \$100,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Department of Economic Development - Division of Finance, Office of Secretary of State - Business Services Division and Securities Division, and the Office of State Public Defender** stated this proposal would have no fiscal impact on their respective agencies.

Officials from the **Office of State Courts Administrator** assume there will be no fiscal impact on the Courts.

Officials from the **Office of Prosecution Services** state this proposal will not have a significant direct fiscal impact on county prosecutors.

Officials from the **Office of Secretary of State (SOS)** assumed the rules, regulations and forms issued by the Office of Attorney General could require as many as 6 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$369 for FY 2006. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

ASSUMPTION (continued)

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 **Department of Elementary and Secondary Education (DESE)** stated there is no state cost to the foundation formula associated with this proposal. Should the amendments to current law result in additional fines levied by the Attorney General, DESE cannot determine how much additional money might be deposited into the Schools for the Future Fund and distributed to schools.

Officials from the **Department of Corrections (DOC)** state that this proposal amends buyer's club laws, adding travel club language. 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 creation 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 (FY04 average of \$38.37 per inmate, per day or an annual cost of \$14,005 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 following factors contribute to DOC's minimal assumption:

1. DOC assumes the narrow scope of the crime will not encompass a large number of offenders.
2. The low felony status of the crime enhances the possibility of plea-bargaining or imposition of a probation sentence
3. 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 it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

ASSUMPTION (continued)

Officials from the **Office of Attorney General (AGO)** indicated a paralegal (.5 FTE) and associated equipment and expense would be needed to maintain and file evidence of bonding and collections of claims on bonds filed by travel-related service companies.

Oversight assumes potential costs arising from this proposal can be absorbed with existing resources. If multiple proposals pass during the legislative session requiring additional personal services, the AGO can request additional staff through the appropriations process to handle the increase in workload.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (6 mo)	FY 2007	FY 2008
SCHOOLS FOR THE FUTURE FUND			
<u>Income</u> - Fines levied by Attorney General pursuant to Section 407.694 RSMo*	Unknown	Unknown	Unknown
<u>Transfer Out</u> - Transfer to School Districts*	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOLS FOR THE FUTURE FUND*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

* Not expected to exceed \$100,000

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (6 mo)	FY 2007	FY 2008
SCHOOL DISTRICTS			
<u>Income</u> - Distributions from the Schools for the Future Fund*	Unknown	Unknown	Unknown
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS*	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

* Not expected to exceed \$100,000

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposed legislation requires travel clubs and vacation clubs to keep their registration or certificate of authority to do business on file and in good standing with the Secretary of State. These clubs are required annually to file and maintain a bond with corporate surety or a letter of credit from a bank with the Attorney General in an amount equal to \$100,000 or more if there are claims filed against the bond. The information clubs are required to provide the Attorney General are specified. In lieu of the bond or letter of credit, a club can annually provide proof that it carries a current insurance policy insuring its customers against non-performance covering losses of at least \$100,000. The Attorney General can waive the bond or letter of credit requirement if the club has contracted for at least the last two years with the Airlines Reporting Corporation. The bond or letter of credit will be in favor of the state for the benefit of any private claimant who suffers a loss.

The seller of a travel club membership is required to deliver a fully completed contract to the purchaser at the time the contract is signed. The proposal specifies what must be included in the contract, including the member's right to cancel. Anyone who purchases a travel club membership may cancel by providing written notice within three business days following the purchase date. The seller must provide the purchaser with a confirmation number within three business days of the sale. If the confirmation number is not postmarked prior to the third day, the customer's right of cancellation extends to the fourteenth business day following the purchase. If a purchaser cancels the contract, he or she is entitled to a full refund, with the exception of any non-refundable deposits. The refund will be delivered to the purchaser within 30 days after the notice of cancellation is given. The right to cancel cannot be waived. Notice of cancellation must be written and will take effect upon the deposit in a mailbox with the proper postage and address.

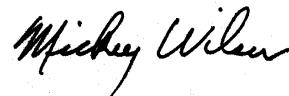
Violations of the bill will be subject to all penalties pursuant to the merchandising practice laws. All fines collected which are not used by the Attorney General will be deposited into the Schools of the Future Fund.

The bill will become effective January 1, 2006.

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 Secretary of State
 Administrative Rules Division
 Business Services Division
 Securities Division
Department of Insurance
Department of Elementary and Secondary Education
Office of State Courts Administrator
Office of State Public Defender
Department of Economic Development
 Division of Finance
Department of Corrections
Office of Prosecution Services



Mickey Wilson, CPA
Director
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