

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4776-01
Bill No.: HB 1116
Subject: Taxation and Revenue - Property; Counties; Courts; Cities, Towns and Villages
Type: Original
Date: February 7, 2012

Bill Summary: This proposal allows the City of Kansas City to establish a land bank agency for the management, sale, transfer, and other disposition of tax delinquent land to return it to effective use and provide specified benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
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 2013	FY 2014	FY 2015
Local Government	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Auditor, Department of Insurance, Financial Institutions and Professional Registration, Office of Prosecution Services, Office of the State Public Defender, Office of the State Courts Administrator, State Tax Commission and Department of Revenue** state the current proposal would not fiscally impact their agencies.

Officials from the **County of St Louis** state the current proposal would not fiscally impact their agency.

Officials from the **Attorney General's Office** state that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **City of Kansas City** state this legislation would have a positive fiscal impact on the City of Kansas City, Missouri, because the City would spend less on maintaining Land Trust properties. It could save the City around \$500,000 per year (mowing, boarding, demolishing).

Oversight assumes that this proposal could result in savings to the City of Kansas City if properties could be resold more quickly than under existing provisions. Oversight is not able to determine the number or value of properties which could be rehabilitated under this provision. Accordingly, Oversight will indicate savings to the City of Kansas City of \$0 (no properties qualify) to unknown (multiple properties qualify).

Officials from the **Department of Corrections** state the penalty provisions, the component of the bill to have potential fiscal impact for DOC, is for an unclassified felony with a between two and five year imprisonment in DOC. 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 were sentenced to the custody of the DOC due to the provisions of this legislation, the DOC would incur a corresponding increase in operational costs either through incarceration (FY 11 average \$16.878 per inmate, per day or an annual cost of \$6,160 per inmate) or through supervision provided by the Board of Probation and Parole (FY 11 average \$5.12 per offender, per day or an annual cost of \$1,869 per offender).

ASSUMPTION (continued)

In summary, supervision by the DOC through probation or incarceration would result in additional unknown costs to the department. Seventeen (17) persons would have to be incarcerated per each fiscal year to exceed \$100,000 annually. Due to the narrow scope of this crime, it is assumed the impact would be less than \$100,000 per year for the DOC.

Oversight assumes it is unknown how many persons may be convicted and incarcerated from this proposal; therefore, Oversight assumes cost associated with this proposal could be absorbed with current resources. If additional resources would be needed, the agency could submit requests through the appropriation process.

Officials from the **Counties of Jackson, St Charles, Jefferson, Clay and Buchanan** did not respond to Oversight's request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015

LOCAL GOVERNMENTS

Savings - City of Kansas City

Land bank agency for properties with delinquent taxes

\$0 to Unknown \$0 to Unknown \$0 to Unknown

ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS

\$0 to Unknown **\$0 to Unknown** **\$0 to Unknown**

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill allows the City of Kansas City to establish a land bank agency for the management, sale, transfer, and other disposition of tax delinquent lands and other lands in its possession in order to return it to effective use to provide housing, new industry, and jobs and to create new revenue for the city. The agency must be established by order or ordinance as provided by the city's charter and will only have authority over tax delinquent lands and other lands in its possession located within the city.

The agency is authorized to accept the grant of any interest in real property made to it or to accept gifts and grant-in-aid assistance. It is to exercise all powers that are conferred by Sections 141.210 - 141.810, RSMo, and Sections 141.980 - 141.982, relating to the Land Tax Collection Law, and will be deemed a public corporation acting in a governmental capacity.

The beneficiaries of the agency will be the taxing authorities that held or owned tax bills against the respective parcels of real estate acquired by the agency at a sheriff's foreclosure sale or by deed from land trustees, and each taxing authority's respective interests in each parcel will be to the extent and in the proportion and according to the priorities determined by the court based on the principal amount of their respective tax bills bore to the total principal amount of all the tax bills described in the judgment.

The agency will be composed of three commissioners appointed by specified officials; and each commissioner must furnish a surety bond, if the bond is not already covered by a governmental surety bond, in an amount of up to \$25,000 to be paid out of city funds.

The agency is authorized to sue and issue deeds in its name and will have the power to operate as any other corporate body. It can convey title to any real estate it has sold or conveyed by general or special warranty deed. A deed must include the selling price and whether the selling price represents a value equal to or greater than two-thirds of the appraised value of the real estate. If the selling price is less than two-thirds of the appraised value, the commissioners must first procure the consent of at least two of the three appointing authorities.

The agency must maintain a perpetual inventory of all acquired real estate. All land owned by the agency can be used as it sees fit including consolidating the land or grouping or regrouping it for economy, utility, or convenience.

The annual budget of the agency must be prepared by December 1 and delivered to the ad valorem taxing authorities that appointed commissioners for its review and approval. The bill specifies the procedure if one of the taxing authorities does not approve the proposed budget.

FISCAL DESCRIPTION (continued)

If at any time there are not enough funds available to pay the salaries and other expenses of the agency, sufficient funds will be advanced and paid to the agency upon its requisition from the ad valorem taxing authorities in the county that are not appointing authorities of which 7% will be paid by the county commission and 93% from the other ad valorem taxing authorities. The amount cannot exceed 25% of the agency's annual budget unless agreed to and approved by the taxing authorities. These funds will be considered advances and subject to repayment from funds subsequently collected by the agency.

A land bank commissioner or salaried agency employee is prohibited from receiving any compensation, emolument, or other profit from the rental, management, purchase, sale, or other disposition of any lands held by the agency other than the salaries, expenses, and emoluments provided by law and is prohibited from having any relationship with, being employed by, or receiving compensation from any contractor or developer who purchases property from the agency. Anyone convicted of violating this provision will be guilty of a felony and, upon conviction, sentenced to between two and five years in the state penitentiary.

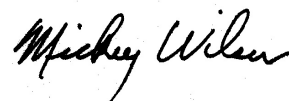
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Corrections
Office of the State Public Defender
Office of Prosecution Services
Attorney General's Office
Office of the State Courts Administrator
Department of Revenue
State Tax Commission
Office of the State Auditor
Department of Insurance, Financial Institutions
and Professional Registration
City of Kansas City
County of St Louis

NOT RESPONDING

County of Jackson
County of St Charles
County of Jefferson
County of Clay
County of Buchanan



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Director
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