

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2485-02
Bill No.: HCS for HB 1154
Subject: Political Subdivisions
Type: Original
Date: April 13, 2015

Bill Summary: This proposal changes the laws regarding political subdivisions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 17 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0 or (Unknown)	\$0 to Unknown	\$0 to Unknown

FISCAL ANALYSIS

ASSUMPTION

§67.010

In response to a previous version, officials at the **City of Kansas City, St. Louis County** and the **Platte County Board of Election Commission** each assumed no fiscal impact to their respective entities from this proposal.

§52.260

Officials at the **State Tax Commission** assume no fiscal impact from this proposal.

In response to similar legislation this year, HB 1269, officials at the **Department of Revenue** assumed no fiscal impact from this proposal.

In response to similar legislation this year, HB 1269, officials at the **Platte County Board of Election Commission, St. Louis County** and the **Callaway County Commission** each assumed no fiscal impact to their respective entities from this proposal.

Oversight assumes that although the taxes collected won't change, some county collectors will receive more money and the county general funds will receive less under the terms of this proposal. Therefore, Oversight will show an increase in fees distributed to county collectors and a reduction in fees distributed to the county general fund netting to \$0 from this proposal.

§67.145

Officials at the **Office of the State Courts Administrator** the **Department of Public Safety's Missouri Highway Patrol** each assume no fiscal impact to their respective agencies from this proposal.

In response to similar legislation from 2013, SB 216, officials from the **City of Kansas City** and the **Office of Secretary of State** each assumed this proposed section would not fiscally impact their respective agencies.

ASSUMPTION (continued)

§67.1360

Although they did not respond to our request for information, officials from the **Department of Revenue** assumed a similar proposal in a previous session (HB 140, LR 0448-01, 2013) would have no fiscal impact to their organization.

Officials at the **Joint Committee on Administrative Rules** assume no fiscal impact from this proposal.

Officials from the **Department of Economic Development** and the **Office of Administration - Division of Budget and Planning** each assume this proposal would have no impact on their organizations.

In response to similar legislation from this year, HB 1075, officials from the **Office of the Secretary of State, Cass County**, and the **City of Archie** did not respond to our request for information.

Oversight assumptions

Oversight notes this proposal would allow the City of Archie to impose a transient guest tax, upon voter approval, for the promotion of tourism; however, Oversight has no information as to the number of facilities nor to the rental revenues which would be subject to the tax.

Oversight notes the election to approve the sales tax could be held in April 2016 (FY 2016) or in August or November 2016 (FY 2017); the earliest the sales tax could become effective would be the first day of the second calendar quarter after the Department of Revenue is notified of voter approval. In this case, the earliest effective date (assuming voter approval at the April 2016 municipal election) would be October 1, 2016 (FY 2017).

Oversight will assume the election would be held at the first opportunity, and will include election costs in FY 2016 for this proposal from \$0 (no election held) or Unknown. Oversight will also indicate additional tax revenues for FY 2017 and FY 2018 of \$0 (no taxable entities, no election held, or the voters disapprove the tax) or Unknown.

ASSUMPTION (continued)

§67.1790

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would allow voters in Greene County, as well as cities in that county, to impose a sales tax up to 0.25% for early childhood education purposes. BAP officials stated that according to Department of Revenue (DOR) reports, taxable sales in Greene County totaled \$4,713.1 million in calendar year 2013. Therefore, this sales tax might generate $(\$4,731,000 \times .0025) = \11.8 million annually for the county, and additional amounts might be generated if cities in the county separately approve this tax.

BAP officials stated the revenues collected would have no impact on general and Total State Revenues; however, 1% would be retained in the General Revenue Fund to offset DOR collection costs. Therefore, general and Total State Revenues could increase by \$0.1 million if the county sales tax is approved. BAP officials deferred to DOR for estimates of actual collection costs.

Although they did not respond to our request for information, officials from the **Department of Revenue (DOR)** provided a response to a similar proposal in the previous session (SB 947 LR 6252-01) which did not indicate a fiscal impact for their organization.

Oversight assumes DOR could absorb any cost to implement this proposal with existing resources.

DOR officials also provided an estimate of the IT cost to implement the proposal based on 168 hours of programming to DOR systems.

Oversight notes the IT cost to implement this proposal based on the current state contract rate for programming services of \$75 would be $(168 \times \$75) = \$12,600$. Oversight assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year and could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the appropriation process.

In response to similar legislation this year, HB 706, officials from the **Republic School District** assumed a 1/4 cent sales tax would generate approximately \$500,000 in additional revenue. School district officials also stated at this time it is uncertain what this sales tax would generate for the Republic School District in the municipalities that include other school districts within their boundaries. These municipalities include Springfield and Battlefield.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education (DESE)** assume that, contingent upon the actions of voters (and subsequently the governing bodies of Greene County and cities within) this proposal would have an impact on the revenues received into the "Early Childhood Education Sales Tax Trust Fund"; however, DESE had no means to calculate the potential impact.

Officials at the **Joint Committee on Administrative Rules** assume no fiscal impact from this proposal.

In response to similar legislation this year, HB 706, officials from the **Office of the Secretary of State** assumed this proposal would have no fiscal impact on their organizations.

Oversight assumptions

Oversight assumes the BAP estimate is the best available and for fiscal note purposes, will use the BAP estimate. Oversight will indicate a range of additional local government revenue from \$0 (no local government approves the sales tax) to more than \$11.8 million per year (the county and one or more other local governments approve the sales tax).

Oversight notes the election to approve the sales tax could be held in April 2016 (FY 2016) or in August or November 2016 (FY 2017); the earliest the sales tax could become effective would be the first day of the second calendar quarter after the Department of Revenue is notified of voter approval. In this case, the earliest effective date (assuming voter approval at the April 2016 municipal election) would be October 1, 2016 (FY 2017).

Oversight will assume the election would be held at the first opportunity, and will include election costs in FY 2016 for this proposal from \$0 (no election held) to Unknown.

For simplicity, **Oversight** will not include the 1% withholding for DOR collections costs in this fiscal note.

Not responding:

Officials from Greene County, the Springfield School District, the City of Springfield, Fair Grove Schools, and the City of Republic did not respond to our request for information.

ASSUMPTION (continued)

§92.402

Officials from the **City of Kansas City** assume this proposal would maintain revenues from the public mass transportation sales tax in the following amounts.

Fiscal Year 2016: \$12,166,667 (period of 1/1/16 to 4/30/16)
Fiscal Year 2017: \$36,500,000
Fiscal Year 2018: \$36,500,000

Oversight has no independent information regarding transportation sales tax revenues and will assume for fiscal note purposes the City of Kansas City response is the best available estimate of the impact of this proposal.

Oversight notes that current provisions would let a portion of the sales tax expire on December 31, 2015 (FY 2016) and the proposal would extend the sales tax indefinitely. If the sales tax expired, the revenue reduction for the City of Kansas City from January 1, 2016 to June 30, 2016 (FY 2016) would be $(\$36,500,000 \times 6/12) = \$18,250,000$ (disregarding reporting and distribution delays), and the fiscal impact of this proposal for FY 2017 and FY 2018 would be \$36,500,000 per year. Oversight will include these amounts in this fiscal note.

For simplicity, **Oversight** will not include any impact for the Department of Revenue's collection costs. Oversight will also assume that all or substantially all of the sales tax revenues would be expended on transportation costs and will so indicate in this fiscal note.

Officials at the **Joint Committee on Administrative Rules** and the **Office of Administration - Division of Budget and Planning** each assume no fiscal impact to their respective agencies from this proposal.

In response to similar legislation this year, HB 739, officials from the **Jackson County Election Board**, and the **Platte County Board of Elections** each assumed this proposal would have no fiscal impact on their organizations.

Although they did not respond to our request for information, officials from the **Office of the Secretary of State** and the **Department of Revenue** assumed a similar proposal (SB 1490 LR 805-01) would have no fiscal impact on their organizations.

ASSUMPTION (continued)

§94.902

In response to similar legislation this year, HB 566, officials from the **City of Liberty** stated their estimate of revenue from a one-half cent sales tax would be approximately \$1,700,000 per year and the election cost would be approximately \$30,000. City officials did not indicate any additional cost to their organization to implement this proposal, and **Oversight** assumes any additional cost could be absorbed with existing resources. Oversight will include the city's estimated municipal election cost in this fiscal note.

In response to similar legislation this year, HB 566, officials from the **City of North Kansas City** stated their estimate of revenue from a one-half cent sales tax would be approximately \$1,575,000 each year if the entire half-cent sales tax was levied. City officials did not indicate any additional cost to their organization to implement this proposal, and **Oversight** assumes any additional cost could be absorbed with existing resources. The city did not provide an estimate of election costs for this proposal, and Oversight will include an unknown but less than \$100,000 estimated election cost in this fiscal note for the city.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** note the proposal would allow voters in certain cities to approve a sales tax up to ½ of one percent to improve public safety of the city.

BAP officials provided information from the Department of Revenue (DOR) 2014 sales tax report which indicated taxable sales in Liberty totaled \$428.8 million in fiscal year 2014. Therefore, BAP officials estimated the proposed sales tax could generate up to $(\$428,800,000 \times .005) = \2.14 million (rounded) annually for the city beginning as early as two weeks after the 2016 August primary election, unless a special election is called before such date. BAP officials assume up to \$1.79 million would be collected for FY 2017.

BAP officials also provided information from the Department of Revenue (DOR) 2014 sales tax report which indicated taxable sales in North Kansas City totaled \$365 million in fiscal year 2014. Therefore, BAP officials estimated the proposed sales tax could generate up to $(\$365,000,000 \times .005) = \1.825 million (rounded) annually for the city beginning as early as two weeks after the 2016 August primary election, unless a special election is called before such date. BAP officials assume up to \$1.544 million would be collected for FY 2017.

BAP officials also noted the revenues collected would have no direct impact on Total State Revenues; however 1% would be retained to offset DOR collection costs, and Total State Revenues could be increased by \$39,650 if the sales tax proposals are approved.

ASSUMPTION (continued)

For simplicity, **Oversight** will not include the one percent additional collection deduction in this fiscal note.

Oversight assumes the BAP revenue estimates for this proposal are the best estimates available and will use those estimates for this fiscal note. Oversight assumes the additional revenues would be spent for public safety purposes and will also include additional cost for local governments equal to the additional revenue in this fiscal note.

Oversight also assumes the proposals could be submitted to the voters as early as the April, 2016 (FY 2016) municipal elections. If a sales tax is approved by the voters, it would become effective on the first day of the second calendar quarter after the election. The proposed sales tax could therefore become effective as early as October 1, 2016 (FY 2017).

For fiscal note purposes, **Oversight** will assume the election would be held with the April, 2016 municipal elections and sales tax could be collected from October 1, 2016 to June 30, 2017 (FY 2017). Oversight is also aware there is some delay in collecting, reporting, accounting, and remitting sales tax to local governments; however, we will indicate revenue up to nine months (75%) of the annual estimate for FY 2017.

For the City of Liberty, the estimate would be $(\$2,140,000 \times .75) = \$1,605,000$, and for FY 2018 and following years, the sales tax revenue estimate would be \$2,140,000.

For the City of North Kansas City, the estimate would be $(\$1,825,000 \times .75) = \$1,369,000$ (rounded) and for FY 2018 and following years, the sales tax revenue estimate would be \$1,825,000.

Finally, **Oversight** notes this proposal would allow but not require the cities to propose a public safety sales tax to the voters, and the fiscal impact will be presented as \$0 (no election held) or the estimated election costs above and \$0 (no election or voters do not approve the sales tax) or the estimated sales tax revenue above.

In response to similar legislation this year, HB 566, officials from the **Department of Revenue (DOR)** stated this proposal would authorize these cities to impose a one-half percent sales tax for improving public safety but would have no impact on their organization.

DOR officials provided an estimate of the IT cost to implement the proposal of \$3,000 based on 40 hours of programming at \$75 per hour to make changes to DOR systems.

ASSUMPTION (continued)

Oversight assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year, and assumes OA - ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the budget process.

In response to similar legislation this year, HB 566, officials from the **Office of the Secretary of State (SOS)** assumed a previous version of this proposal would have no impact on their organization.

Officials from the **Joint Committee on Administrative Rules** assume this proposal would have no impact on their organization.

§108.280

Officials from the **Office of the State Auditor** assume the current proposal would not fiscally impact their agency.

In response to similar legislation this year, HB 273, officials from the **Kansas City Public School District, St. Louis County** and the **City of Columbia** each assumed the current proposal would not fiscally impact their local political subdivisions.

§§190.055, 321.017, 321.130, 321.210

Officials at the **St. Louis County Board of Election Commission** assume no fiscal impact from this proposal.

In response to similar legislation this year, HB 530, officials at **St. Louis County, the Platte County Board of Election Commission, the Jackson County Board of Election Commission** and the **Callaway County Commission** each assumed no fiscal impact to their respective entities from this proposal.

Officials at the **Central County Fire and Rescue District** assume no fiscal impact from this proposal.

Oversight assumes this proposal prohibits ambulance and fire protection district board members from being hired by the board within 12 months of serving on the board. Oversight assumes there would be no cost associated with this proposal.

ASSUMPTION (continued)

§§67.950, 204.475, 204.641, 249.495, 249.809, 249.1120

In response to similar legislation this year, HB 1057, officials at the **Platte County Board of Election Commission** assumed the cost of holding an election for a district for one question is about \$6,500. This cost could decrease if other entities are participating in the election.

Oversight assumes local political subdivisions would place these issue on the ballot on a regularly scheduled election date. Therefore, Oversight assumes no additional costs to locals.

Officials at the **Department of Economic Development**, the **Office of the State Courts Administrator** and the **State Tax Commission** each assume no fiscal impact to their respective agencies from this proposal.

In response to similar legislation this year, HB 1057, officials at the **Office of the Secretary of State**, the **Department of Health and Senior Services** and the **Department of Natural Resources** each assumed no fiscal impact to their respective agencies from this proposal.

Officials at the **Metropolitan St. Louis Sewer District** and **St. Louis County Board of Election Commission** each assume no fiscal impact to their respective entities from this proposal.

In response to similar legislation this year, HB 1057, officials at **St. Louis County** and the **Jackson County Board of Election Commission** each assumed no fiscal impact to their respective entities from this proposal.

§347.048

Officials at the **City of Kansas City** assume the time spent locating and contacting a responsible party would allow the inspector to use the time for other cases. Costs are for service of the petition, attorney time in preparation and prosecution of the suit, and enforcement of a judgement. Since the amendment struck the language that trial is without a jury, there will be significant delay in the process and increased time spent by attorneys.

Oversight assumes that potential costs and savings to the City of Kansas City would depend upon actions taken by the City and affected LLCs. The direct fiscal impact would be zero. Oversight also assumes this proposal is permissive in nature to other local political subdivisions and would have no fiscal impact without action by a governing body to enact an ordinance requiring limited liability companies located within the local political subdivision to file an

ASSUMPTION (continued)

affidavit listing the name and street address of a person who has control of property.

Officials at the **Office of the State Courts Administrator** assume no fiscal impact from this proposal.

In response to similar legislation this year, HB 864, officials at the **Office of the Secretary of State** assumed no fiscal impact from this proposal.

In response to similar legislation this year, HB 864, officials at **St. Louis County**, the **Platte County Board of Election Commission** and the **Callaway County Commission** each assumed no fiscal impact to their respective entities from this proposal.

Bill as a whole

Officials at the **Department of Social Services** and the **Department of Public Safety's Missouri Gaming Commission** each assume no fiscal impact to their respective agencies from this proposal.

Officials at the **City of Jefferson** assume no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL POLITICAL SUBDIVISIONS			
<u>Savings</u> - County Collectors - increase in fees distributed (§52.260)	Unknown	Unknown	Unknown
<u>Loss</u> - Reduction in fees distributed to Local Political Subdivisions within that county (§52.260)	(Unknown)	(Unknown)	(Unknown)
<u>Additional Revenues</u>			
Sales taxes (§67.1790)	\$0	\$0 to More than \$11,800,000	\$0 to More than \$11,800,000
<u>Additional cost</u>			
Elections (§67.1790)	\$0 to (Unknown)	\$0	\$0
<u>Additional revenue</u> - City of Kansas City			
Sales tax - removal of 12/31/15 expiration date (§92.402)	\$18,250,000	\$36,500,000	\$36,500,000
<u>Additional expenditures</u> - City of Kansas City			
Transportation (§92.402)	(\$18,250,000)	(\$36,500,000)	(\$36,500,000)
<u>Additional revenue</u> - City of Liberty Sales Tax (§94.902)			
	\$0	\$0 or Up to \$1,605,000	\$0 or \$2,140,000
<u>Cost</u> - City of Liberty Public Safety (§94.902)			
	\$0	\$0 or (Up to \$1,605,000)	\$0 or (\$2,140,000)
<u>Cost</u> - City of Liberty Election (§94.902)	\$0 or (\$30,000)	\$0	\$0
<u>Additional revenue</u> - City of North Kansas City sales tax (§94.902)			
	\$0	\$0 or Up to \$1,369,000	\$0 or \$1,825,000
<u>Cost</u> - City of Liberty Public Safety (§94.902)			
	\$0	\$0 or (Up to \$1,369,000)	\$0 or (\$1,825,000)

<u>FISCAL IMPACT - Local Government</u> (continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
<u>Cost - City of North Kansas City Election</u> (\$94.902)	\$0 or (Less than \$100,000)	\$0	\$0
<u>Additional Revenues - City of Archie</u> Transient Guest Tax (§67.1360)	\$0	\$0 to Unknown	\$0 to Unknown
<u>Cost - City of Archie</u> Election (§67.1360)	\$0 or (Unknown)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 or (Unknown)	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill removes an intersectional reference to a section that was repealed in 1977 in Section 67.010, RSMo, requiring certain political subdivisions to prepare an annual budget. HCA 1: Makes the following changes to the laws regarding political subdivisions:

- (1) Changes the amount of fees a county collector must collect for collecting local taxes. In counties where the total amount levied in a year is between \$350,000 and \$2 million, the fee is 2.5% on the first \$350,000 collected and 1% on any amount over that amount. In counties where the total amount levied exceeds \$2 million, the fee is 1% on all amounts collected. The bill raises the outer threshold amount for a county to be eligible to collect the 2.5% on the first \$350,000 to \$3 million;
- (2) Removes, in Section 67.145, an intersectional reference to a section that was repealed in 2014 defining “first responder”;
- (3) Adds the City of Archie and the City of Winnebago Falls to the list of cities and counties that may impose, upon voter approval, a transient guest tax of between 2% and 5% per occupied room per night for the promotion of tourism;
- (4) Authorizes Greene County or any city within the county to impose, upon voter approval, a sales tax not to exceed .25% on all retail sales within the county or city for the

FISCAL DESCRIPTION (continued)

purpose of funding early childhood education. Any tax imposed under these provisions must be submitted to the voters of the taxing jurisdiction for retention or repeal every five years using the same procedure by which the imposition of the tax was voted;

(5) Removes the expiration date for the part of the public mass transportation sales tax imposed by the City of Kansas City in excess of 7.5% which expires on December 31, 2015;

(6) Authorizes the cities of Liberty and North Kansas City to impose, upon voter approval, a sales tax of up to .5% solely for the purpose of improving the public safety of the city, including expenditures on equipment, salaries and benefits, and facilities for police, fire, and emergency medical providers;

(7) Specifies that the levy rate for certain local government general obligation bond issues must be set at the rate needed to meet the bond payment obligation and may be adjusted solely to meet that obligation. The levy rate set by a drainage or levee district for the payment of bonds must be set at a rate determined by the boards of supervisors;

(8) Prohibits an ambulance or fire protection district board member from being eligible for employment by the board upon which he or she served within 12 months of termination of service as a board member, except for employment on a volunteer basis or without compensation;

(9) Sets the candidate filing fee for a fire protection district board seat at the amount equal to the filing fee for a candidate for county office, which currently is \$50;

(10) Establishes a dissolution procedure for special districts that is based upon the existing dissolution procedure for public water supply districts and establishes a detachment procedure for common sewer districts, reorganized common sewer districts, county sewer districts, sewer districts in counties of the second classification, and consolidated sewer districts in Jefferson County that is based upon the existing detachment procedure for public water supply districts; and

(11) Authorizes counties, cities other than Kansas City, towns, and villages to enact an ordinance requiring limited liability companies that own or rent real property or own unoccupied property within the county, city, town, or village to file an affidavit with the clerk of the governing entity specifying the name and street address of a natural person with management control or responsibility for the real property. Currently, only Kansas City requires the affidavit. The limited liability company must file a successor affidavit within 30 days of a change in the natural person with management control or responsibility for the real property. If a limited liability company fails or refuses to file the affidavit, any person adversely affected by the failure or refusal may petition the circuit court in the county where the property is located to direct the completion and filing of the affidavit.

FISCAL DESCRIPTION (continued)

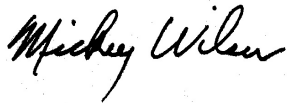
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

State Tax Commission
Department of Revenue
Office of the State Courts Administrator
Office of the Secretary of State
Department of Public Safety
 Missouri Highway Patrol
Joint Committee on Administrative Rules
Department of Economic Development
Office of Administration
 Budget and Planning
Department of Elementary and Secondary Education
Office of the State Auditor
Department of Health and Senior Services
Department of Natural Resources
Department of Social Services
Department of Public Safety
 Missouri Gaming Commission
City of Kansas City
St. Louis County
Platte County Board of Election Commission
Callaway County Commission
Cass County
City of Archie
Republic School District
Jackson County Board of Election Commission
City of Liberty

SOURCES OF INFORMATION (continued)

City of North Kansas City
Kansas City Public School District
City of Columbia
St. Louis County Board of Election Commission
Central County Fire and Rescue District
Metropolitan St. Louis Sewer District
City of Jefferson



Mickey Wilson, CPA
Director
April 13, 2015

Ross Strobe
Assistant Director
April 13, 2015