

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2731H.011  
 Bill No.: HB 1378  
 Subject: Cities, Towns and Villages; Contracts and Contractors; Internet and E-Mail;  
 Political Subdivisions; Taxation and Revenue - Sales and Use;  
 Telecommunications  
 Type: Original  
 Date: April 6, 2021

Bill Summary: This proposal allows two or more partnering entities to form a broadband infrastructure improvement district or partnership for the delivery of broadband internet service to the residents of such municipalities or service areas.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0	\$0 or Unknown	\$0 or Unknown
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

\*The General Revenue impact represents IF municipalities establish a broadband infrastructure improvement district AND impose a sales tax – the Department of Revenue would collect the sales tax and retain one percent for collection fees on services. Oversight assumes this would not reach the Fiscal Review \$250,000 threshold.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
<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 2022</b>	<b>FY 2023</b>	<b>FY 2024</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 2022</b>	<b>FY 2023</b>	<b>FY 2024</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 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Local Government*</b>	<b>\$0</b>	<b>\$0 or Unknown to (Unknown)</b>	<b>\$0 or Unknown</b>

\*Oversight notes the proposal is permissive.

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Revenue (DOR)** state this proposal allows two or more municipalities to elect to form a broadband infrastructure improvement district upon a vote of their citizens. The district can impose a sales tax not to exceed 1% for the funding of projects in the district. The DOR will be required to collect the tax as they do other sales tax. This proposal would allow the DOR to retain the customary 1% collection fee to cover expenses. The DOR is unable to estimate how many municipalities may wish to adopt a broadband infrastructure improvement district. This will not impact the DOR unless a district is formed and then the DOR will receive the 1% collection fee to cover administrative costs.

**Oversight** also notes per §71.1000.5, the district may impose a sales tax that shall not exceed one percent and such tax shall not become effective unless the governing body of each municipality of the district submits a proposal to the voters at an election to authorize such tax. This tax would be in addition to any and all taxes imposed and the proceeds of such tax shall be used solely to provide broadband service to residents of the district. Oversight assumes two or more municipalities would not take action from this proposal unless there was an economic benefit to the municipalities and approval by the majority of voters to form a broadband infrastructure improvement district. If the voters are in favor of this additional tax, then the tax would be effective in the quarter following the election. In this case, it would be in January of 2023 (FY 2023). The Department of Revenue (DOR) would collect a 1% collection fee for the administration of this new sales tax on the broadband infrastructure improvement district. Therefore, Oversight will show a \$0 or unknown revenue gain for DOR's collection fee to General Revenue and a cost of DOR's collection fee to local political subdivisions and a \$0 or unknown revenue gain for the sales tax collected for the improvement district to local political subdivisions.

Officials from the **Department of Commerce and Insurance** and the **Department of Economic Development** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

### 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** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize 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 our office can sustain with our core budget. Therefore, they reserve 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.

Officials from the **City of Claycomo**, the **City of Corder**, the **City of Hughesville**, the **City of Kansas City**, the **City of Springfield**, the **Platte County Board of Elections**, the **St. Louis County Board of Elections**, the **Cass County PWS #2**, the **Corder Water/Wastewater Department**, the **Glasgow Village Street Light District**, the **Hancock Street Light District**, the **Hughesville Water/Wastewater Department**, the **Jefferson County PWS #7**, the **Lexington Water/Wastewater Department**, the **Little Blue Valley Sewer District**, the **Metropolitan St. Louis Sewer District**, the **Schell City Water Department**, the **South River Drainage District**, the **St. Charles County PWS #2** and the **Wayne County PWS #2** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, local election authorities and utility departments were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>GENERAL REVENUE</b>			
<u>Revenue – DOR – 1% collection fee</u>	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue Gain</u> – sales tax collected on broadband improvement districts	\$0	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> – DOR’s 1% collection fee	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> – election costs to form a broadband improvement district	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>\$0 or Unknown to (Unknown)</u></b>	<b><u>\$0 or Unknown</u></b>

FISCAL IMPACT – Small Business

Small businesses that service broadband internet services within these districts could have a direct fiscal impact as a result of this proposal.

FISCAL DESCRIPTION

This bill authorizes two or more partnering entities to form a broadband infrastructure improvement district for the delivery of broadband Internet service to their residents. A district has the power to contract with a broadband Internet service provider to provide broadband Internet service to the residents of the district.

If the partnering entities are all municipalities, the proposal must be approved by a majority of qualified voters in each municipality. A district may finance the provision or expansion of broadband Internet service through grants, loans, bonds, or user fees. The bill also establishes the composition and operation of the District Governing Board. Additional municipalities may join a district upon application to the Governing Board. If the Board offers admission to the district, it must specify all terms and conditions upon which admission is predicated. A municipality may withdraw from a district in the same manner.

If the partnering entities include a municipal utility, electric cooperative, or a public utility, the entities may enter into a broadband infrastructure partnership. Partnering entities may provide broadband Internet service within the corporate limits or service territories of any partner and within a two-mile radius of the corporate limits or service territory if 70% of the area does not have broadband service otherwise. A partnership may finance the provision or expansion of broadband Internet service through grants, loans, bonds, user fees, or any other methods that does not negatively impact the cost of service provided to the partnering entities residents, customers, or rate-payers.

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 Revenue  
Department of Commerce and Insurance  
Department of Economic Development  
Joint Committee on Administrative Rules  
Office of the Secretary of State  
City of Claycomo  
City of Corder  
City of Hughesville  
City of Kansas City  
City of Springfield  
Platte County Board of Elections  
St. Louis County Board of Elections  
Cass County PWSD #2  
Corder Water/Wastewater Department  
Glasgow Village Street Light District  
Hancock Street Light District  
Hughesville Water/Wastewater Department  
Jefferson County PWSD #7  
Lexington Water/Wastewater Department  
Little Blue Valley Sewer District  
Metropolitan St. Louis Sewer District  
Schell City Water Department

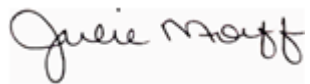
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South River Drainage District  
St. Charles County PWSD #2  
Wayne County PWSD #2



Julie Morff  
Director  
April 6, 2021



Ross Strobe  
Assistant Director  
April 6, 2021