

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4113-04
Bill No.: Perfected SS for SCS for SB 825
Subject: Compacts: Missouri and Kansas
Type: Original
Date: April 4, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on General Revenue Fund	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Missouri Department of Transportation** assume no fiscal impact.

Officials of the **Missouri Department of Revenue** assume no fiscal impact.

Officials of the **Missouri Department of Conservation** assume no fiscal impact.

Officials of the **Department of Natural Resources** assumes no fiscal impact.

Officials of the **Kansas City Area Transit Authority** assumes this proposal allows counties to place a county sales tax on the ballot in support of public transportation. Officials assume no fiscal impact without voter approval.

Oversight assumes this is enabling legislation and would have no fiscal impact without action by the local governing bodies with approval of the voters. **Oversight** assumes this proposal does not mandate local governments to contribute to the Regional Investment District, or establish a tax to fund administration costs or regional project costs approved by the Commission.

ASSUMPTION (continued)

Oversight assumes this proposal provides for counties to place on the ballot the question of approving a sales tax for the purpose of funding regional projects, including a public transit system. **Oversight** assumes money would be raised from the voter approved sales tax, grants, donations etc. The moneys would be appropriated annually by the Kansas and Missouri Regional Commission to pay for projects within the Kansas City Metropolitan District.

Oversight assumes that annual costs of providing projects would not exceed income appropriated. Therefore, **Oversight** assumes the annual fund balance for the Kansas and Missouri Regional Investment Sales Tax Fund to be either a positive fund balance or a \$0 fund balance.

Although this proposal does not directly provide for the Director of Revenue to withhold a 1% collection fee, Oversight assumes for the purpose of this fiscal note that the Director of Revenue would retain a 1% collection fee which would be deposited in the State General Revenue Fund.

Since it is not known if a compact would be created, and if any counties would receive voter approval to impose a sales tax, **Oversight** will show fiscal impact to the State General Revenue Fund as \$0 or Unknown.

Oversight sent response requests to the **City of Kansas City, City of Independence, Jackson County, Clay County, Cass County, and Platte County**; **Oversight** has not received a response.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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GENERAL REVENUE FUND

<u>Income</u> to General Revenue Fund from 1% sales tax collection fee	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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ESTIMATED NET EFFECT TO STATE GENERAL REVENUE FUND	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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CERTAIN LOCAL GOVERNMENTS

<u>Income</u> to Certain Local Governments from voter approved sales tax	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
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<u>Cost</u> to Certain Local Governments for funding of regional projects.	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
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ESTIMATED NET EFFECT TO CERTAIN LOCAL GOVERNMENTS*	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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**KANSAS AND MISSOURI
REGIONAL INVESTMENT SALES
TAX FUND**

<u>Income</u> to K and M Regional Investment Sales Tax Fund from transfer of certain local governments sales tax, gifts, etc.	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
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<u>Cost</u> to K and M Regional Investment Sales Tax Fund for funding operation of the Commission and regional projects.	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
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ESTIMATED NET EFFECT TO KANSAS AND MISSOURI REGIONAL INVESTMENT SALES TAX FUND *	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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ESTIMATED NET EFFECT TO LOCAL GOVERNMENT *	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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* Oversight assumes if the compact is established and certain counties would receive voter approval to impose a sales tax to fund the commission and projects, that the annual fund

ASSUMPTION (continued)

balance would be either a positive unknown, or \$0. Oversight assumes annual costs cannot exceed income.

FISCAL IMPACT - Small Business

Small businesses located within a county that would receive voter approval to levy a sales tax would be expected to pay, collect, and account for the sales tax.

DESCRIPTION

This act creates the Kansas and Missouri Regional Investment District Compact. Under the act, the compact between Missouri and Kansas allows the Kansas City metro area to pool funds raised across the region to pay for improvements that are regional in nature (and benefit residents throughout the metro area.

GEOGRAPHY OF REGIONAL INVESTMENT DISTRICT - The Residential Investment District created by the compact include the following counties in Missouri: Clay County, Platte County, Jackson County, Cass County, Ray County. The district would include the following Kansas counties: Wyandotte County, Johnson County, Buchanan County and Leavenworth County. Other cities and counties which become members of the Mid-America Regional Council (MARC) will become part of the district.

COMMISSION - The governing body of the district shall be a commission. The commission shall be composed of the board of directors of MARC. All of the members of the commission shall be elected officials from the jurisdiction that appointed them as voting members of MARC's Board of Directors. A commission member's term is tied with the member's tenure as an elected official of the jurisdiction that is a party to MARC. The compact allows the commission to appoint officers, agents and employees, and allows the commission to determine their qualifications and fix their salaries. All commission meeting shall be open to the public. A simple majority of the commissioners from each state is required to conduct official commission business. The compact provides that the commissioners shall follow the laws of the states they live in regarding conflicts of interest. Commissioners shall be held harmless in legal actions arising out the performance of their duties and will be defended at the expense of the commission. The members of the commission shall serve without compensation, but shall receive payment for their actual and necessary expenses.

POWERS AND DUTIES OF THE COMMISSION – The commission shall function as the planning and administrative arm for the district. The commission shall undertake community

DESCRIPTION (continued)

planning to identify regional programs and initiatives that will produce significant benefit to the Kansas City metropolitan area. The commission shall prepare program plans for certain regional programs and initiatives in consultation with local officials and the public; prepare ballot questions for programs and initiatives that the commission determines could appropriately be supported by a sales tax authorized by this Compact.

PROGRAM PLAN - The commission shall develop one program plan which describes the content of each regional program. These program plans could be for a public transit system. The program plan will list which county or counties must pass a ballot issue before a sales tax can be imposed. The program plan will establish the duration of the sales tax either by amount of money raised, length of time, or another reasonable measure provided that the sales tax shall not extend beyond the 15 years following the date of the first receipt by the County Treasurer. The program plan shall designate the composition of the oversight committee for each regional program.

The commission shall set the election dates for the ballot measures and sales taxes. The commission must submit each ballot measure to the governing body of each county within the district.

The commission may provide grants, contributions, donations or other support for program plans. The commission will execute contracts and agreements according to the directives it receives from the oversight committee for each regional program. The compact allows the commission to form partnerships or other business affiliations. The commission may work with MARC and other entities to carry out the purposes of the compact. The commission shall submit an annual report of its operations to the Missouri and Kansas general assemblies, the governors of each state, and the governing bodies of the cities and counties that are members of MARC on or before March 15th of each calendar year.

BALLOT QUESTIONS – IMPOSITION OF SALES TAX – The commission shall prepare and make available to the public a program plan for each regional program to be voted upon no later than 120 days prior to the election date. The governing body of each county in the district will

determine by resolution, by 2/3 majority vote whether it is in the best interests of the residents of that county to provide financial support for the proposed regional program. If the governing body adopts the resolution, the governing body shall ensure that the ballot question appears in the next primary or general election.

The act outlines what the ballot language must conform to (description of the use and allocation

DESCRIPTION (continued)

of sales tax proceeds) and limits any proposed sales tax to one-half percent.

The first election held under the proposed compact will include the question of whether a sales tax should be imposed for supporting a public transit system.

If a governing body does not initially decide to put the ballot question up for an election, the governing body may adopt a resolution at a later time to hold an election on the issue. A majority affirmative vote is required to approve the ballot question in each county. The defeat of the ballot question in one county shall not affect the approval of the ballot question in other counties. The defeat of a ballot question does not prohibit the governing body to put the question on the ballot again.

A county which approves the sales tax shall not levy the tax until all the counties listed in the program plan have also passed the sales tax. When all of the counties in the program plan have passed the sales tax, the governing body of each county shall implement the sales tax as soon as feasible.

TERMINATION OF SALES TAX - Under the act, a county that has approved a sales tax levy may terminate the tax by submitting the issue to the voters. The vote to terminate the levy of the sales tax shall not take place any earlier than five years from the date the sales was first approved. A county that terminates the levying of a sales tax must agree in writing with the commission to:

- (1) Pay its fair share of outstanding obligations incurred by the district;
- (2) Pay for ongoing operations and maintenance of facilities built within the county; and
- (3) Pay for any costs associating with terminating the services within the county.

ELIGIBLE USES OF FUNDS – Under the compact created by this act, the monies may be used for the following purposes:

- (1) Actual and reasonably necessary expenses of the commission and the oversight committee (staff personnel, budget and financial consultation, legal assistance, administrative, operational, planning and engineering consultation, marketing and expenses of individual commissioners and committee members);
- (2) Support of voter approved regional programs within the district; and

DESCRIPTION (continued)

(3) Public transit systems, provided the commission contracts with a public entity to provide the transit services and under the commission's discretion allow a competitive bidding process with third parties to provide the services.

OVERSIGHT COMMITTEE – Under the act, the commission shall appoint an oversight committee. The committee shall consist of local elected officials from each of the counties where the voters approved the ballot measure. The program plan developed by the commission for the ballot measure will specify the composition of the oversight committee. If counties from both Missouri and Kansas pass a ballot proposition, the oversight committee shall include an equal number of representatives from each state. In order for the oversight committee to conduct business, a majority of the committee members from each state must be present at the meeting and must vote in favor of the proposed action. The oversight committee shall be appointed within 45 days after the ballot question has been certified by the county election boards. If one or more counties vote on and approve the program plan at a later date, the commission will add representatives from those counties to the oversight committee. The oversight committee shall fix the time and place of its meetings. Such meetings shall be open to the public. Oversight committee members will be subject to the conflict of interest laws of the state in which the members reside. If a committee member has a conflict of interest, that interest must be disclosed in writing, and the committee member shall abstain voting on the particular matter. The commission shall cover the legal expenses of any committee member which are related to the committee members' duties. The oversight committee for each program plan shall terminate when all the moneys derived from the sales tax have been collected and spent.

POWERS AND DUTIES OF THE OVERSIGHT COMMITTEE – The oversight committee for each regional plan is charged with overseeing the appropriation and use of sales tax monies. The oversight committee is limited in the use of the funds to expenditures that are consistent with the program plan approved by the voters. If there is an uncertainty in whether the use of the funds would be inconsistent with the program plan, the oversight committee will seek a determination from the commission. Each oversight committee shall request that the commission execute contracts necessary to implement the program plans developed by the commission. The act requires the information provided by the oversight committee to include an annual financial statement prepared in accordance with general accepted accounting principles. The oversight committee for a public transit service regional program shall also provide a report on the operational statistics.

FINANCE – The commission will receive funds from each county whose voters have approved a sales tax. The commission or any oversight committee may not incur any debt. The budget of the district shall be prepared, adopted and published for other political subdivisions of Missouri

DESCRIPTION (continued)

and Kansas. The commission and each oversight committee must keep accurate records of all receipts and expenditures, and have an annual audit by a public accountant. The annual audit shall become part of the commission's annual report. The commission's accounts shall be open to inspection by authorized representatives of the two states and the various political subdivisions participating in the district.

ENTRY INTO FORCE - The compact will become effective when both Missouri and Kansas have passed legislation incorporating the compact.

TERMINATION - The compact shall remain in force until one of the states passes legislation repealing the enabling statute and sends written notice to the other state. If repealing legislation is passed, and once all the outstanding financial obligations are met, the compact will terminate, the district will be dissolved and the commission shall be abolished. Any remaining funds may be distributed by the commission to organizations for purposes consistent with the program plan.

CONSTRUCTION AND SEVERABILITY – The provisions of the compact shall be liberally construed. The provisions of the compact shall remain in force even if part of the compact is declared unconstitutional by either state. If the entire compact is found to be unconstitutional by either state, the compact shall be void and have no further force or effect.

SOVEREIGN IMMUNITY APPLICABLE – The provisions of the sovereign immunity law shall apply to the regional investment district and the Missouri members of the commission.

COUNTYWIDE SALES TAX FOR DISTRICT – RATE – ADMINISTRATION AND COLLECTION – FUND CREATED - The governing body of any county that has been authorized by a majority of the electors of the county to levy and collect a tax for the purpose of contributing to the financial support of the district shall adopt a resolution imposing a countywide sales tax. The rate of this tax shall be fixed at an amount of not more than one-half percent in the aggregate. Any county levying a countywide sales tax is prohibited from administering or collecting the tax locally, but shall utilize the services of the state Department of Revenue to administer, enforce and collect the tax. The sales tax shall be administered, enforced and collected in the same manner and by the same procedure as other countywide sales taxes are levied and collected and shall be in addition to any other sales tax authorized by law. The director of the Department of Revenue shall cause this tax to be collected at the same time and in the same manner provided for the collection of the state sales tax. All moneys derived from the countywide sales tax shall be credited to the "Regional Investment Fund." All revenue from a countywide sales tax shall be appropriated by the county to commission within 60 days of receipt of the funds by the county for expenditure by the commission. The countywide sales tax shall

DESCRIPTION (continued)

not be levied for a period of more than 15 years from the date of first receipt by the county treasurer of revenue unless renewed by the qualified electors prior to its expiration.

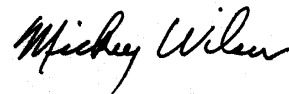
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation
Department of Conservation
Department of Revenue
Department of Natural Resources
Kansas City Area Transit Authority

NOT RESPONDING

Oversight sent the **City of Kansas City, City of Independence, and Jackson County, Clay County, Cass County, and Platte County**, a response request. Oversight has not received a response.



Mickey Wilson, CPA
Director
April 4, 2006