COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1769-03
Bill No.: Truly Agreed To and Finally Passed HCS for HBs 654 and 938
Subject: Gambling; Veterans
Type: Original
Date: May 31, 2007

Bill Summary: This proposal allows the Veterans' Commission to issue $1 million annually (up from $750,000 currently) in matching grants for veterans' service officer programs. It also creates the Stolen Valor Act of 2007as well as exempts property belonging to veterans' organizations from taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(Less than $100,000)	(Less than $100,000)	(Less than $100,000)
Total Estimated Net Effect on General Revenue Fund	**(Less than $100,000)**	**(Less than $100,000)**	**(Less than $100,000)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Veterans Commission Capital Improvement Trust	($250,000)	($250,000)	($250,000)
Total Estimated Net Effect on Other State Funds	**($250,000)**	**($250,000)**	**($250,000)**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
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 2008	FY 2009	FY 2010
Local Government*	**$0**	**(Unknown)**	**(Unknown)**

* Unknown expected to be less than $100,000.

FISCAL ANALYSIS

ASSUMPTION

Allowing Veterans Commission to issue $1 million annually for service programs (Section 313.835);

Officials from the **Missouri Gaming Commission** assume the proposal would not fiscally impact their agency.

Officials from the **Missouri Veterans Commission** assume this would result in an annual cost of $250,000 to the Veterans Commission Capital Improvement Trust Fund.

According to the Department of Public Safety's budget request for 2008, the Veterans Service Officer Grants had the following expenditures in the recent past:

FY 2004 - $652,093
FY 2005 - $726,577
FY 2006 - $723,148
FY 2007 - $750,000 (appropriation)

Therefore, **Oversight** will assume that raising the annual appropriation from $750,000 to $1,000,000 will result in an increased expenditure from the Veterans Commission Capital Improvement Trust Fund of $250,000 annually.

The Stolen Valor Act of 2007 (Section 578.510);

In response to a similar proposal from this year (HCS for HB 938), officials from the **Department of Public Safety – Missouri State Highway Patrol, – Missouri Veterans Commission, – Office of the Adjutant General,** and the **– Director's Office** assumed the proposal would have no fiscal impact on their agencies.

Officials from the **Office of State Courts Administrator** assume the proposed legislation would have no fiscal impact on the courts.

In response to a previous version of this proposal, officials from the **Department of Corrections (DOC)** assumed they 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.

<u>ASSUMPTION</u> (continued)

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 (FY06 average of $39.43 per inmate per day, or an annual cost of $14,394 per inmate) or through supervision provided by the Board of Probation and Parole (FY06 average of $2.52 per offender per day, or an annual cost of $920 per offender).

In summary, supervision by the DOC through probation or incarceration would result in additional unknown costs to the department. Seven (7) persons would have to be incarcerated per fiscal year to exceed $100,000 annually. Due to the narrow scope of this new crime, it is assumed the impact would be less than $100,000 per year for the DOC.

Officials from the **Office of Prosecution Services (OPS)** assume this proposed legislation includes provisions for new criminal acts and therefore creates new obligations for prosecuting attorneys. Any increase in the number of cases referred for criminal prosecution and any new statutory obligations for prosecutors will have an additional fiscal impact on County Prosecutors. However, officials from the OPS are not aware of any estimates of the number of additional criminal cases that would be referred to County Prosecutors for charges because of this proposed legislation. Additionally, the OPS is not otherwise able to establish a workable estimate of the number of additional criminal cases that would be referred to County Prosecutors for charges or how many additional hours the proposed statutory obligations would require of prosecutors. It is therefore, not possible to determine the extent to which this proposal would have a direct fiscal impact on county prosecutors or the OPS.

Oversight assumes the Office of Prosecution Services (OPS) and county prosecutors could absorb any costs associated with the proposal within existing resources. If the OPS and county prosecutors experience an increase that would require additional funding, they could request the funding through the appropriation process.

Officials from the **Office of the State Public Defender (SPD)** assume this new crime will require more SPD resources. While the number of new cases (or cases with increased penalties) may be too few or uncertain to request additional appropriations for this specific bill, the SPD will continue to request sufficient appropriations to provide competent and effective representation in all its cases.

Oversight assumes the Office of the State Public Defender (SPD) could absorb the costs of the proposed legislation within existing resources. Oversight assumes any significant increase in the workload of the SPD would be reflected in future budget requests.

ASSUMPTION (continued)

Exemption of veterans' organizations property from taxation (Section 137.100);

In response to a similar proposal from this year (HB 306), officials from **St. Louis County** assumed the proposal would have an impact to their organization. St. Louis County officials estimated the cost at $ 50 per application to process an application, $75 to perform a field review of the property, and $200 a hearing, for a total of $325 per applicant. The number of potential applicants is unknown. Further there would be a reduction in assessed value based on the total assessed value removed from the tax rolls. The dollar amount of loss is unknown because the taxing authorities may be able to increase their tax rate to compensate for part or all of the loss.

Oversight assumes that the proposal would make the veterans organizations exempt from tax and that applications, field reviews, and hearings would not be required.

In response to a similar proposal from this year (HB 306), officials from the **Office of the Cole County Assessor** assumed this proposal would have no impact on their office or on political subdivisions in Cole County since property owned by veterans' organizations is not currently being assessed or taxed.

Officials from the **City of Centralia** assumed a similar proposal (HB 608, LR 1597-01) would result in a minimal loss of tax revenue to their organization.

Officials from the **Boone County Collector's Office** assumed a similar proposal in the previous session (HJR 28 LR 3155-01, 2006) would have no impact on their office or on political subdivisions in Boone County since property owned by veterans' organizations is not currently being assessed or taxed.

Officials from the **City of West Plains** assumed a similar proposal (HB 608, LR 1597-01) could have an unknown negative fiscal impact to their organization.

Officials from the **Parkway School District** and **Texas County** assumed a similar proposal (HB 608, LR 1597-01) would have no fiscal impact to their organizations.

In response to a similar proposal from this year (HB 306), officials from the **State Tax Commission** (TAX) assumed this proposal would exempt from taxation all property owned by veterans' organizations. TAX is unable to determine the impact of this proposal because there is no information available on the number of veteran organizations or the amount of taxable property they own.

ASSUMPTION (continued)

In 2006, TAX conducted a telephone survey with numerous counties regarding the question of taxing property owned by veterans' organizations. Only one of the seventeen first-class counties we contacted confirmed they assess taxes on a portion of the property owned by veterans' organizations. We believe there may be one other first-class county that assesses taxes on a portion of the property owned by veterans' organizations. Of the six second-class counties and fourteen third-class counties we contacted, only one county assessed taxes on such property. The City of St. Louis does not tax such property.

For the purposes of estimating a potential loss of revenue, TAX assumed the assessed valuation for all property owned by veterans' organizations currently being taxed is $500,000. Assuming the average state-wide tax rate is $6.15 per hundred dollars of assessed valuation, the potential loss of revenue would be $30,750.

Oversight assumes this part of the proposal would have an unknown negative impact to local governments beginning January 1, 2008 (FY 2009) and expected to be less than $100,000 per year. Oversight assumes that the impact to the Blind Pension Fund, at 1/2 of 1% of the local government impact, would be minimal.

FISCAL IMPACT - State Government	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
Costs - Department of Corrections Incarceration and/or supervision	(Less than $100,000)	(Less than $100,000)	(Less than $100,000)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	**(Less than $100,000)**	**(Less than $100,000)**	**(Less than $100,000)**

VETERANS COMMISSION CAPITAL IMPROVEMENT TRUST FUND			
Cost - increase of annual grants from $750,000 to $1,000,000 for veterans' service officer programs	($250,000)	($250,000)	($250,000)
ESTIMATED NET EFFECT TO THE VETERANS COMMISSION CAPITAL IMPROVEMENT TRUST FUND	**($250,000)**	**($250,000)**	**($250,000)**

FISCAL IMPACT - Local Government	FY 2008 (10 Mo.)	FY 2009	FY 2010
LOCAL GOVERNMENTS			
Revenue reduction - exemption of veterans organization property. *	$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS *	**$0**	**(Unknown)**	**(Unknown)**

* Unknown expected to be less than $100,000 per year.

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal raises the amount of annual matching grants to be made for veterans' service officer programs by the Missouri Veterans' Commission from seven hundred fifty thousand to one million dollars.

FISCAL DESCRIPTION (continued)

This proposal also establishes the Stolen Valor Act of 2007 which makes it unlawful for any person to knowingly misrepresent himself or herself as a veteran or a medal recipient. Any violation of the provisions of the bill will be a class A misdemeanor for the first offense and a class D felony for any second or subsequent offense. If a decoration or medal involved is the Medal of Honor, the offender is guilty of a class C felony.

The proposal would also exempt real and personal property of veterans' organizations from taxation.

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

Missouri Gaming Commission
Missouri Veterans Commission
Office of State Courts Administrator
Department of Corrections
Department of Public Safety
Office of Prosecution Services
Office of the State Public Defender
State Tax Commission
St. Louis County
Office of the Cole County Assessor
City of Centralia
Boone County Collector
City of West Plains
Parkway School District
Texas County

Mickey Wilson

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Director
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