

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2235-05
Bill No.: Truly Agreed To and Finally Passed CCS #2 for SCS for HCS for HB 1035
Subject: Taxation and Revenue - Property; Political Subdivisions; Auditor, State
Type: Original
Date: June 6, 2013

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$500,000	\$500,000	\$500,000
Total Estimated Net Effect on General Revenue Fund	\$500,000	\$500,000	\$500,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Insurance Dedicated	(\$10,500,000)	(\$500,000)	(\$500,000)
MO Health & Educational Facilities Authority	(\$4,000,000)	\$0	\$0
Rebuild Damaged Infrastructure Fund*	\$0	\$0	\$0
Blind Pension	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds	(Unknown greater than \$14,500,000)	(Unknown greater than \$500,000)	(Unknown greater than \$500,000)

* Transfers In and Costs net to zero.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 15 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government*	(Unknown - Expected to exceed \$10,000,000)	(Unknown - Expected to exceed \$10,000,000)	(Unknown - Expected to exceed \$10,000,000)

*Offsetting \$7.1 million revenue reduction and additional revenue beginning in FY 2017 for §137.720.

FISCAL ANALYSIS

ASSUMPTION

§§ 33.080, 33.295, 360.045, & 374.150 - Rebuild Damaged Infrastructure Fund

Officials at the **Office of Administration - Budget and Planning (BAP)** assume this proposal would positively impact General Revenue as it requires a \$500,000 annual transfer from the Insurance Dedicated Fund to General Revenue.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assume §33.080.2 requires a one-time transfer of funds from the Insurance Dedicated Fund in the amount of \$10 million to the Rebuild Damaged Infrastructure Fund.

Oversight assumes this proposal allows the General Assembly to appropriate money for the Rebuild Damaged Infrastructure Fund. This fund has a \$15 million cap. Oversight will reflect only money coming from the three stated sources and assume the fund will not get additional appropriations from the General Revenue Fund.

Oversight will reflect the one time transfer from the Insurance Dedicated Fund to the Rebuild Damaged Infrastructure Fund.

Oversight will reflect all money received by the Rebuild Damaged Infrastructure Fund being used in accordance with the guidelines of the proposal.

§374.150 - Insurance Dedicated Fund transfer to General Revenue

Officials at **BAP** assume this proposal would positively impact General Revenue due to the transfer required from the Insurance Dedicated Fund.

Officials at **DIFP** assume an annual transfer of \$500,000 from the Insurance Dedicated Fund to General Revenue.

Oversight assumes this proposal requires a yearly transfer of \$500,000 from the Insurance Dedicated Fund to General Revenue. Oversight will reflect that transfer in the fiscal note.

ASSUMPTION (continued)

§§ 67.463 and 67.469 - Neighborhood Improvement District Special Assessments

Officials from the **City of Kansas City** assume the extent of revenue losses to the city is dependent upon the extent to which Jackson County elects to collect or deduct a fee from the special assessment collections.

Oversight assumes this proposal is permissive, and for fiscal note purposes, will assume no direct fiscal impact on the City of Kansas City, St. Louis City, and Jackson County.

Officials from the **Department of Revenue, Department of Insurance, Financial Institutions and Professional Registration**, and the **Office of the Attorney General** each assume this section would not fiscally impact their respective agencies

In response to Perfected SB 138 (0102-02), officials from the **Department of Transportation, Missouri Tax Commission**, and **St. Louis County** each assumed the proposal would not fiscally impact their respective agencies.

§67.457 - Neighborhood Improvement District filings

Officials from the **City of Kansas City** assume there would be internal/staff costs incurred in compiling the information in the format required by this bill and in recording, but they would be nominal as this information is already in the city's possession and/or required to be generated in making the assessments.

In response to the introduced version of this bill, officials from the **City of Columbia** assumed there would be a cost to record the document in addition to staff time to develop the document being recorded, which will vary based on the size of the neighborhood improvement district. Accurate estimates were not available.

Oversight assumes implementation of the provisions of this proposal would be minimal and could be absorbed by the entities involved.

Officials from the **Missouri State Tax Commission** and **St. Louis County** each assume the proposal would not fiscally impact their respective agencies.

ASSUMPTION (continued)

§71.011-Annexation of certain property in Kansas City

Officials from the **City of Kansas City** indicated no fiscal impact associated with this section.

§ 96.229 - Local Hospitals Selling, Leasing, or Transferring Property

Oversight assumes this section requires a resolution adopted by at least two-thirds of the members of the board of trustees of the hospital in question, a majority vote of the city council, and approval by the voters of the city. A ballot measure cannot be resubmitted to the voters sooner than 12 months from the date of last question.

Oversight assumes this section requires additional action to be taken by the board of trustees, city council, and voters. Therefore, Oversight will assume no direct fiscal impact on hospitals and cities from this section.

In response to HB 163, officials from the **Department of Health and Senior Services** assumed no fiscal impact.

This legislation was sent to several **Hospitals**, none of which responded to a request for fiscal impact.

§ 99.845- Emergency Communications Services Tax

This provision would exempt emergency communications services taxes from the set-aside requirement in a redevelopment area.

Oversight notes this provision would alter the allocation of tax collections from one local government to another and assumes it would have no net effect on the state or on local governments as a whole.

§137.073 - Amended property tax rate filings

Officials from the **Department of Revenue, Office of State Auditor, and the Joint Committee on Administrative Rules** each assume the proposal would not fiscally impact their respective agencies.

In response to the House Committee Substitute, officials from the **Missouri State Tax**

ASSUMPTION (continued)

Commission assumed this section of the proposal would not fiscally impact their agency.

§§ 137.090 & 137.095 - Assessed Value of Tractor Trailers

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this section of the proposal establishes a new method to determine the assessed valuation of certain tractors and trailers. This proposal will not have a direct impact on general revenues, but local revenues, including those for schools, could be reduced if subdivisions are unable to adjust their levies. This proposal could also reduce Blind Pension Fund revenues.

Oversight assumes this section of the proposal would reduce the assessed valuations of tractor trailers resulting in lower property tax bills for tractor trailer owners.

Oversight assumes an unknown reduction of revenues to local political subdivisions and the State Blind Pension Trust Fund as a result of owners of tractor trailers paying lower property taxes.

ASSUMPTION (continued)

§137.115 - Determination of trade-in value of vehicles for personal property tax assessments

According to officials from the **Missouri State Tax Commission (TAX)**, the change in this section does not have a fiscal impact on TAX. However, it will affect the assessed valuations of nearly half the counties in Missouri currently using a value that is greater than the average trade-in value, required in this bill. The amount of impact this will have is not possible to calculate exactly due to the unavailability of data. An estimation based on the following assumptions is the best estimation of TAX.

Current statewide Assessed Value of Vehicles* \$8,615,506,920

Percentage difference in value of "Average Trade-in " and
the category nearly half the counties are currently using. 10%
(Based on discussions with assessors)

10% loss in value of 50% of the statewide Assessed Value of Vehicles \$430,775,346

POTENTIAL LOSS IN REVENUE STATE WIDE

Statewide average levy \$6.37 (per hundred dollars of assessed valuation)

$\$430,775,346 \times \$6.37 =$ \$27,440,390

*Not an exact amount. It is based on estimation that vehicles account for 75% of Personal Property Valuation. Although not exact, this estimate should be close.

Oversight will show a revenue reduction to local political subdivisions of (Unknown - Expected to exceed \$10,000,000) and an (Unknown) revenue reduction to the Blind Pension Trust Fund.

§137.720 - Assessment Fund withholding

Officials from the **City of Kansas City** stated that under current law, Kansas City is required to pay five-eighths of one percent of all ad valorem property tax collections to the assessment fund of each of the four counties in which the city is located: Jackson, Clay, Platte and Cass counties. This payment includes a component of one-eighth of one percent which would expire on December 31, 2015 under current law. This section of the proposal would make the one-eighth of one percent payment to the county assessment funds permanent. The additional one-eighth of

ASSUMPTION (continued)

one percent Kansas City payment to the county assessment funds in fiscal year 2016 is estimated to be \$75,840.

In response to similar language in HB 602 (1585-01) and in SB 315 (1602-01), the following responses were submitted:

Officials from **Boone County** stated the current withholding for their county is limited to \$125,000 per year, and this section of the proposal would extend the authorization for that withholding beyond December 31, 2015.

Officials from the **City of St. Louis** stated the 1/8th percent tax generates about \$350,000 for the City each year to help cover the expenses of the Assessor's Office.

Officials from the **Missouri State Tax Commission (TAX)** assumed the proposal would have no fiscal impact for their organization. TAX officials advised Oversight that the assessment fund withholding for FY 2010, as reported to their office, was \$6.9 to \$7.1 million.

Officials from the **St. Louis County** assumed this section of the proposal would not fiscally impact their agency.

Oversight assumes this section of the proposed legislation would extend an existing provision by removing or changing the expiration date. Oversight assumes removing or changing the expiration date would also extend any fiscal impact associated with the existing provision.

For fiscal note purposes, **Oversight** would indicate a revenue reduction from withholding of \$7.1 million from local governments which levy taxes and the same amount of additional revenue for counties (including the City of St. Louis) for assessment funding. Oversight notes that current provisions allow the withholding through December 31, 2015 (FY 2016) and virtually all assessment fund withholding for FY 2016 would be completed by December 31, 2015. Therefore, the first fiscal impact for this section of the proposal would be in FY 2017 which is beyond the time covered by this fiscal note.

§138.431 - State Tax Commission - Hearing Officers

Officials from the **Missouri State Tax Commission** assumed no fiscal impact associated with this section.

ASSUMPTION (continued)

§238.272 - Transportation Development District audits

Officials from the **Office of the State Auditor** assume the proposal will have no fiscal impact on their organization.

Officials from the **Department of Transportation** did not respond to our request for fiscal impact.

Bill as a Whole

Officials from the **Office of Attorney General, Department of Economic Development, Department of Natural Resources, Department of Revenue, Joint Committee on Administrative Rules, Office of State Treasurer, City of Columbia, St. Louis County Board of Elections, Special School District of St. Louis County, and the Parkway School District** each assume there is no fiscal impact to their organization from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
<u>Transfer In</u> - from the Insurance Dedicated Fund (§374.150)	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$500,000</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$500,000</u>
INSURANCE DEDICATED FUND			
<u>Transfer Out</u> - to Rebuild Damaged Infrastructure Program (§33.080)	(\$10,000,000)	\$0	\$0
<u>Transfer Out</u> - to General Revenue (§375.150)	<u>(\$500,000)</u>	<u>(\$500,000)</u>	<u>(\$500,000)</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$10,500,000)</u>	<u>(\$500,000)</u>	<u>(\$500,000)</u>
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MISSOURI HEALTH & EDUCATIONAL FACILITIES AUTHORITY			
<u>Transfer Out</u> - to Rebuild Damaged Infrastructure Fund (§360.045)	<u>(\$4,000,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON MISSOURI HEALTH & EDUCATIONAL FACILITIES AUTHORITY	<u>(\$4,000,000)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
REBUILD DAMAGED INFRASTRUCTURE FUND			
<u>Transfer In</u> - from the Insurance Dedicated Fund (§33.080)	\$10,000,000	\$0	\$0
<u>Transfer In</u> - from MO Health & Educational Facilities Authority (§360.045)	\$4,000,000	\$0	\$0
<u>Cost</u> - Infrastructure repair (§33.295)	<u>(\$14,000,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT REBUILD DAMAGED INFRASTRUCTURE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
BLIND PENSION TRUST FUND			
<u>Revenue Reduction</u> - New valuation method for tractor trailers (§§137.090 & 137.095)	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - Reduced property taxes due to lower assessed value of vehicles (§137.115)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON BLIND PENSION TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Reduction</u> - New valuation method for tractor trailers (§§137.090 & 137.095)	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - Reduced property taxes due to lower assessed value of vehicles (§137.115)	(Unknown - Expected to exceed \$10,000,000)	(Unknown - Expected to exceed \$10,000,000)	(Unknown - Expected to exceed \$100,000)
<u>Revenue Reduction</u> - Local governments Assessment Fund withholding (§137.720)*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
	(Unknown - Expected to exceed	(Unknown - Expected to exceed	(Unknown - Expected to exceed
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>

Offsetting fiscal impact of \$7.1 million revenue reduction and additional revenue beginning in FY 2017 for §137.720.

FISCAL IMPACT - Small Business

§§ 33.080, 33.295, 360.045, & 374.150 - Rebuild Damaged Infrastructure Fund

Small businesses in disaster areas could be positively impacted by this proposal.

§§137.090 and 137.095 - Assessed Value of Tractor Trailers

This section of the proposal would have a direct fiscal impact to small business tractor trailer owners.

§137.115 - Determination of trade-in value of vehicles for personal property tax assessments

This section of the proposal could have a direct positive fiscal impact on small business owners.

FISCAL DESCRIPTION

This bill changes the laws regarding political subdivisions.

§§33.080, 33.295, 360.045, and 374.150

This portion of the bill establishes the Rebuild Damaged Infrastructure Program to provide funding for the reconstruction, replacement, or renovation of or repair to any infrastructure damaged by a presidentially declared natural disaster including, but not limited to, the physical components of interrelated systems providing essential commodities and services to the public including transportation, communication, sewage, water, and electric systems as well as public elementary and secondary school buildings.

On July 1, 2013, \$10 million from the Insurance Dedicated Fund and \$4 million from the Health and Educational Facilities Authority must be transferred into the newly created Rebuild Damaged Infrastructure Fund to be used solely for the purposes of the program. Any moneys in excess of \$15 million in the Rebuild Damaged Infrastructure Fund must be transferred into the General Revenue Fund.

On July 1, beginning with Fiscal Year 2014, \$500,000 from the Insurance-Dedicated Fund must be annually transferred into the General Revenue Fund.

There is an emergency clause for this portion of the legislation.

§ 96.229 - Local Hospitals Selling, Leasing, or Transferring Property

This section prohibits, regarding the lease of substantially all of a hospital where the board of trustees is lessor, a city in which a hospital is located that is organized and operated under Chapter 96, has not received money from the city during the prior 20 years, and is licensed by the Department of Health and Senior Services for 200 or more beds from selling, leasing, or otherwise transferring all or substantially all of the property without a resolution adopted by at least two-thirds of the members of the board of trustees, a majority vote of the city council, and the approval of the voters of the city. A ballot measure may not be submitted sooner than 12 months from the date of the last question, after the adoption of another resolution by not less than two-thirds of the board of trustees, and a subsequent vote by a majority of the city council to submit the question to the voters again. The criteria for the sale of property, the payment of interest and principal on outstanding debt, and the use of assets donated to the hospital are specified in the bill.

FISCAL DESCRIPTION (continued)

There is an emergency clause for this section of the proposal.

§§137.090 and 137.095 - Assessed Value of Tractor Trailers

These sections require assessors to apportion tractors and trailers used in interstate commerce based on the ratio of miles traveled in-state to miles traveled in the United States for property tax assessed valuation purposes.

§137.115 - Determination of trade-in value of vehicles for personal property tax assessments

This section requires a county assessor to perform a physical inspection if he or she uses a value greater than the average trade-in value in determining the true value of a motor vehicle unless the vehicle's model year is two years old or newer.

§137.720 - Assessment Fund withholding

This section repeals the expiration date of December 31, 2015, from the provisions requiring certain counties and the City of St. Louis to deduct an additional percentage of all property tax collections to be deposited into the county's assessment fund for payment of assessment costs. The percentage deducted is either .125% or .5% and the income limits are \$125,000 in any year for first classification and charter counties and \$75,000 for second, third, and fourth classification counties. If the commission withholds state assessment reimbursement funds from a county for

FISCAL DESCRIPTION (continued)

three consecutive quarters, the extra .125% or .5% collection revenues in the county assessment fund will be forfeited and returned by the county to the political subdivisions within the county.

The provisions regarding the Rebuild Damaged Infrastructure Program will expire on June 30, 2014.

The provisions of the bill regarding the Rebuild Damaged Infrastructure Program and the transfer of hospital assets contain an emergency clause. (§§33.080, 32.295, 96.229, 302.309, 360.045 & 374.150)

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

L.R. No. 2235-05

Bill No. Truly Agreed To and Finally Passed CCS #2 for SCS for HCS for HB 1035

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SOURCES OF INFORMATION

Department of Economic Development

Department of Insurance, Financial Institutions and Professional Registration

Department of Revenue

Joint Committee on Administrative Rules

Office of Administration

Division of Budget and Planning

Office of the Secretary of State

Administrative Rules Division

Office of the State Treasurer

Missouri State Tax Commission

Department of Health and Senior Services

Office of State Auditor

Cities

Columbia

Kansas City

School Districts

Special School District of St. Louis County

Parkway School District

Counties

Boone

St. Louis County

St. Louis County

Not Responding:

Hospitals

Department of Transportation



Ross Strope
Acting Director
June 6, 2013

LMD:LR:OD