

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0448-05
Bill No.: HCS for SS for SCS for SB 87
Subject: Political Subdivision
Type: Original
Date: May 11, 2015

Bill Summary: This proposal modifies provisions related to 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 9 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 (Less than \$100,000)	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to a previous version, officials from the **Office of the State Auditor** assumed the proposal will have no fiscal impact on their organization.

In response to a previous version, officials from the **City of Kansas City** assumed the proposal would have no fiscal impact on their organization.

Section 52.260

In response to a similar proposal (HB 1269) from this year, officials at the **Department of Revenue** and the **State Tax Commission** each assumed no fiscal impact to their respective agencies from this proposal.

In response to a similar proposal (HB 1269) from this year, 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.

Section 65.620

In response to a similar proposal, HCS for SCS for SB 245, officials at the **Office of the State Auditor** and the **State Tax Commission** each assumed no fiscal impact to their respective agencies from the proposal.

In response to a similar proposal, HCS for SCS for SB 245, officials at the **Platte County Board of Election Commission** and **St. Louis County** each assumed no fiscal impact to their respective entities from the proposal.

Under current law, once a township is abolished, property taxes are not collected for the abolished township. Under this proposal, property taxes would continue to be collected for a period of one calendar year following the abolishment of the township or until the voters of the

ASSUMPTION (continued)

county have approved a tax levy for road and bridge purposes, whichever occurs first. Therefore, **Oversight** will reflect a \$0 to unknown impact to counties in the fiscal note.

Section 94.902

In response to similar legislation this year, HCS for 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, HCS for 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.

In response to similar legislation this year, HCS for HB 566, officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted 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.

ASSUMPTION (continued)

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.

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, HCS for 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.

ASSUMPTION (continued)

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.

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, HCS for 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.

In response to similar legislation this year, HCS for HB 566, officials from the **Joint Committee on Administrative Rules** assumed this proposal would have no impact on their organization.

Section 108.280

In response to a similar proposal (HCS for HB 1154) from this year, officials from the **Office of the State Auditor** assumed 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.

Section 221.407

In response to a similar proposal (HCS for SCS for SB 245) from this year, officials at the **Office of Administration's Division of Budget and Planning** and the **Office of the State Treasurer** each assumed no fiscal impact to their respective agencies from this proposal.

In response to similar legislation, HB 639, officials at the **Department of Revenue**, the **Office of the Secretary of State**, the **State Tax Commission** and the **Office of the State Auditor** each assumed no fiscal impact to their respective agencies from this proposal.

Oversight assumes regional jail districts may submit sales tax ballots from September 30, 2015 to September 30, 2027. Oversight assumes this to be permissive and will show this as a no fiscal impact to the proposal.

ASSUMPTION (continued)

Section 347.048

In response to similar legislation this year, HB 1154, 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 affidavit listing the name and street address of a person who has control of property.

In response to a similar proposal (HCS for SCS for SB 245), officials at the **Office of the State Courts Administrator** assumed no fiscal impact from this proposal.

In response to similar legislation this year, HB 1154, officials at the **Office of the Secretary of State** assumed no fiscal impact from this proposal.

In response to a similar proposal (SB 245), 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.

Section 2

Oversight assumes this section of the proposal could reduce taxes paid by hotel and motels. Oversight will show a \$0 or (Unknown) loss to Cities.

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

<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>Income</u> - Counties - in revenue from property taxes from abolished townships (§65.620)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<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>Cost</u> - City of North Kansas City Election (§94.902)	\$0 or (Less than \$100,000)	\$0	\$0
<u>Loss</u> - Cities Reduction in taxes paid by hotels/motels (Section 2)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or (Unknown)</u>	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses from \$65.620.

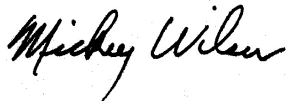
FISCAL DESCRIPTION

This proposal modifies provisions related to political subdivisions.

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

Office of the State Auditor
State Tax Commission
Department of Revenue
Joint Committee on Administrative Rules
Office of the Secretary of State
Office of Administration - Budget and Planning



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Director
May 11, 2015

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May 11, 2015