

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0455-09
Bill No.: Perfected SS for SCS for SB 5
Subject: Cities, Towns, and Villages; Counties; County Government; Revenue Department; Auditor, State; Elections; Courts; County Government; Taxation and Revenue - Sales and Use
Type: Original
Date: February 10, 2015

Bill Summary: This proposal modifies distribution of traffic fines and court costs collected by municipal courts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$55,557)	(\$61,202)	(\$61,820)
Total Estimated Net Effect on General Revenue	(\$55,557)	(\$61,202)	(\$61,820)

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 10 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
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

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	\$0	\$0

*Distribution increase (decrease) net to zero.

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the State Auditor (SAO)** assume that the required duties in relation to this bill would require 1 FTE at the Staff Auditor III level for the SAO to review the reports received and report to the city, town village or county.

In response to the previous version, officials at the **City of Weldon Springs** assumed a negative impact of up to 5% of their general revenue or \$30,750 from this proposal. SB 5 further reduces and caps the amount of revenue that can be generated from traffic citations bringing the total down to 10% of general revenue. Weldon Spring currently generates approximately 15% of our general revenue from fines and forfeitures or approximately \$90,000. Keep in mind that Weldon Spring runs a very streamlined operation, we do not have a lot of staff or overhead and in turn we have very low taxes. So it appears the amended language which now provides for a phased in implementation in 2016 and 2017 would just stave off laying off police officers and/or shutting down municipal police departments.

In response to the SCS for SB 5, officials at the **City of Columbia** assumed the SCS may have more potential to affect the City than the original bill. Bond forfeitures would be part of the collective revenue measured and fines for offenses on interstate highways would go directly to schools and bypass the municipal court. The City can not specifically quantify the potential effects.

Additionally if this proposal enlarges the pool of funds exempt from "general", and if percentage thresholds for total fine revenue remain the same, then this should diminish fiscal impact.

In response to a previous version, officials at the **City of Independence** assumed this bill does have the potential to significantly impact the City of Independence. By restricting the sources of revenue for the City to the point that eventually no more than 10% of the revenues can come from fines, could significantly impact the City budget. Additionally, the City through a mutual agreement with the State of Missouri, currently handles enforcement as well as investigates all Interstate highway accidents. The fines resulting from this enforcement helps to off-set the cost associated with this enforcement and investigation responsibilities. By taking all fines resulting from Interstate enforcement and sending them to the State, would dramatically impact our enforcement efforts and impact our budget.

ASSUMPTION (continued)

In response to a previous version, officials at the **City of Kansas City** assumed a one-time cost of as much as \$75,000 in the programming enhancement to its municipal court computer system that would be needed to track and segregate the fines associated with traffic violations on the interstate highways.

In response to a previous version, officials at the **City of Maryland Heights** assumed the proposed legislation, while such revenue represents approximately 5% of our total revenues as defined in the proposed bill, the fiscal impact of the bill would be the loss of approximately \$250,000 per year in annual revenue resulting from the requirement that fines from violations on the interstate system be transmitted to the state. Interstate I 270 bisects the City of Maryland Heights. The northbound section of the highway between Dorsett and I 70 was once determined to be the most dangerous stretch of highway in the state and while accidents have been reduced as the result of the completion of I 364 there are still numerous accidents on this road.

In response to a previous version, officials at the **City of Pineville** assumed the amount of change in income for the City would be as follows: 30% would generate a loss of \$190,642, 20% would generate a loss of \$127,095 and 10% would generate a loss of \$63,547. This is based on an average since the City gets option use tax which changes month to month and year to year.

Officials at the **Department of Revenue (DOR)** assume IT Consultant costs of \$11,907 from this proposal. This legislation will require the DOR to distribute local taxes outside the normal distribution rules for those municipalities that violate the provisions of this section. The DOR assumes the current sales tax distribution adjustment process can be modified to allow for this new process and possibly other additional reports.

Oversight assumes DOR can absorb the IT costs within the Department's current appropriation levels.

ASSUMPTION (continued)

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** stated 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 a 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.

Officials at the **Office of the Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials at the **Missouri Department of Transportation**, the **Office of the State Courts Administrator** and the **Department of Public Safety's Missouri Highway Patrol** each assume no fiscal impact to their respective agencies from this proposal.

In response to a previous version, officials at the **State Tax Commission** and the **Department of Elementary and Secondary Education** each assumed no fiscal impact to their respective agencies from this proposal.

Officials at the **Cole County Sheriff's Office**, the **Platte County Board of Election Commission** and the **St. Louis County Board of Election Commission** each assume no fiscal impact to their respective entities from this proposal.

In response to a previous version, officials at the **Callaway County Commission**, **St. Louis County**, the **Jackson County Board of Election Commission** and the **City of Ashland** each assumed no fiscal impact to their respective entities from this proposal.

Officials at the **Special School District of St. Louis County** and **Malta Bend School District** each assume no fiscal impact to their respective entities from this proposal.

ASSUMPTION (continued)

In response to a previous version, officials at the **Everton R-III School District** and **Kansas City Public Schools** assumed no fiscal impact to their respective entities from this proposal.

Oversight inquired with officials at the Department of Revenue regarding the number of payments that have been redirected from local political subdivisions to schools for traffic fines:

Year	Amount
2011	\$19,205.47
2012	\$107.07
2013	\$0.00
2014	\$5,000.00

Oversight assumes that there are numerous local political subdivisions that could potentially realize more than 10% of their annual general operating revenues from traffic fines. This could result in increased revenues to schools and a loss in revenue to local political subdivisions. Oversight assumes this impact would net to zero across all local political subdivisions, collectively.

Officials at the following cities: Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Jefferson, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City and West Plains did not respond to **Oversight's** request for fiscal impact.

Officials at the following schools: Blue Springs Public Schools, Branson Public Schools, Caruthersville School District, Cole R-I Schools, Columbia Public Schools, Fair Grove Schools, Fulton Public School, Harrisonville School District, Independence Public Schools, Jefferson City Public Schools, Kirksville Public Schools, Kirbyville R-VI Schools, Lee Summit Public Schools, Macon School, Mexico Public Schools, Monroe City R-I Schools, Nixa Public Schools, Parkway Public Schools, Pattonville Schools, Raymore-Peculiar R-III Schools, Raytown School District, Riverview Gardens School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, Spickard School District, Springfield School District, St Joseph School District, St Louis Public Schools, St. Charles Public Schools, Sullivan Public Schools, Warren County R-III School District and Waynesville Public School did not respond to **Oversight's** request for fiscal impact.

ASSUMPTION (continued)

Officials at the following counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Pulaski, Scott, Shelby, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Costs - SAO</u>			
Personal Service	(\$33,044)	(\$40,049)	(\$40,450)
Fringe Benefits	(\$17,185)	(\$20,827)	(\$21,036)
Equipment and Expense	<u>(\$5,328)</u>	<u>(\$326)</u>	<u>(\$334)</u>
<u>Total Costs - SAO</u>	<u>(\$55,557)</u>	<u>(\$61,202)</u>	<u>(\$61,820)</u>
FTE Change - SAO	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE			
	<u>(\$55,557)</u>	<u>(\$61,202)</u>	<u>(\$61,820)</u>
Estimated Net FTE Change for General Revenue Fund	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss</u> - Revenue from excess traffic fines to Local Political Subdivisions	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> - revenue from traffic tickets on Interstate Highways now going to local schools	(Unknown)	(Unknown)	(Unknown)
<u>Revenue</u> - School Districts increase in revenue from excess traffic fines and tickets on Interstate Highways	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act modifies the law commonly referred to as "Macks Creek Law". This act reduces the threshold at which a city, town, village, or county must send excess revenues from traffic violations to the Director of the Department of Revenue ("Director") to be distributed annually to the schools of the county in the same manner other penalty proceeds are distributed from 30% to 20% beginning January 1, 2016. This act further reduces the threshold to 10% beginning January 1, 2017. This act also prohibits any municipality located in St. Louis County that participates in the sales tax pool under current law from receiving any amount of moneys to which the municipality would otherwise be entitled to the extent that the municipality receives more than proscribed percentage of its annual general operating revenue from traffic violations. Any excess amount of such sales tax revenue shall remain in the sales tax pool to be distributed to municipalities not prohibited from receiving the funds under this section. This act also requires that all revenue from fines and court costs for traffic violations occurring on the interstate highway system shall be sent to the Director for distribution to schools within the county in the same manner that all penalty proceeds are distributed.

FISCAL DESCRIPTION (continued)

This act requires all cities, towns, villages, and counties to submit an addendum with their comprehensive annual financial report to the State Auditor with an accounting of total revenues from fines, bond forfeitures, and court costs for traffic violations and the percent of annual general operating revenue from traffic violations. This act also requires the State Auditor to notify any city, town, village, or county required to remit excess revenues to the Director that excess revenues must be remitted to the Director within sixty days and shall notify the Director of the same.

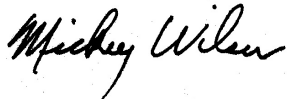
This act also defines "annual general operating revenue" to be revenue that can be used to pay any bill or obligation of a city, town, village, or county, including certain taxes, but does not include revenue designated for a specific purpose. This act adds bond forfeitures as a form of revenue in the calculation for the percentage of annual general operating revenue made up by traffic fines and court costs.

If any city, town, or village is found to fail to send excess revenues to the Director, this act requires that any amount of moneys to which the city, town, or village is entitled to receive under the Sales Tax Law or County Sales Tax Trust Fund must be turned over to the Director for distribution to schools within the county in the same manner that all penalty proceeds are distributed to the extent the municipality failed to remit excess revenues. If any city, town, or village is found to fail to send excess revenues to the Director, this act also requires an election automatically be held upon the question of disincorporation for such city, town, or village. The Director is required to notify the election authorities and the county governing body in which the city, town, or village is located of the election. The county governing body is required to give notice of the election for eight consecutive weeks prior to the election by publication. Upon the affirmative vote of sixty percent of those persons voting on the question, the county governing body is required to disincorporate the city, town, or village.

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 Secretary of State
Office of the Attorney General
Department of Elementary and Secondary Education
Office of the State Auditor
Office of the State Courts Administrator
Department of Public Safety
 Missouri Highway Patrol
Department of Revenue
City of Kansas City
Platte County Board of Election Commission
St. Louis County Board of Election Commission
City of Columbia
Everton R-III School District
Kansas City Public Schools
Special School District of St. Louis County
Malta Bend School District
Jackson County Board of Election Commission
City of Ashland
City of Weldon Springs
City of Independence
City of Maryland Heights
City of Pineville
Missouri Department of Transportation
State Tax Commission
Cole County Sheriff's Office
Callaway County Commission
St. Louis County



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