

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0455-13
Bill No.: HCS for SS for SCS for SB 5
Subject: Cities, Towns, and Villages; Courts; Transportation; Crimes and Punishment
Type: Original
Date: April 20, 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	(\$3,253,950)	(\$757,813)	(\$760,420)
Total Estimated Net Effect on General Revenue	(\$3,253,950)	(\$757,813)	(\$760,420)

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 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Federal Funds	\$0 or (\$31,000,000)	\$0 or (\$62,000,000)	\$0 (\$62,000,000)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0 or (\$31,000,000)	\$0 or (\$62,000,000)	\$0 or (\$62,000,000)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	4 FTE	4 FTE	4 FTE
Total Estimated Net Effect on FTE	4 FTE	4 FTE	4 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 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

*Some distribution increase (decrease) net to zero.

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the State Auditor (SAO)** assumes this legislation requires the SAO to notify by certified mail any city, town or village failing to make the required filing or excess payment per §476.056 of this fiscal note. In addition this legislation requires the SAO to determine whether the city, town or village failed to pay the excess amount required. If the excess was not paid, the SAO is required to send the notice of failure to pay the excess amount.

For the FTE estimated, the SAO would be making this notification based on a calculation that is not audited by the SAO. Therefore the SAO wouldn't have any verification if the numbers provided are accurate unless the office did an audit or a review of each city, town or village. The FTE estimated does not include the cost of notifying these entities by certified mail or the review/audit it would take to accurately determine whether each city, town or village paid the excess amount required.

The SAO does not have the authority to audit city, towns or villages without a petition or a governor request. If the SAO did have the authority to audit these entities, the SAO's staff would have to increase significantly in size. At this point it is undeterminable how many extra staff it would take to do these audits/reviews in addition to the 3 FTE that would be required at a minimum, to handle the additional requirements in this legislation. It's also impossible to determine the amount it would cost to send notices by certified mail since the number mailed would be unknown. With at least 632 entities with a municipal court it could be up to \$2,180 in postage.

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.

ASSUMPTION (continued)

In response to a previous version, 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.

Officials at the **City of Independence** assume a significant fiscal impact on municipalities. The bill reduces the authority of the court to impose fines on minor traffic violations by restricting the amount of fines the judge can levy. More importantly, it eliminates the ability for the court to order someone incarcerated for paying fines. Cities already have a difficult time collecting for unpaid fines and without the possibility of imposing jail time, the number of people failing to pay their court fines will only increase. There will be no incentive for violators to pay the court fines and no ability for the court to enforce their imposed penalty. With people refusing to pay the fines, the amount of fines collected will definitely decrease significantly impacting municipal budgets.

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.

Officials at **St. Louis County** assume a potential savings from this proposal if the courts are prohibited from sending a person to confinement for failure to pay fines. This could result in a reduced jail population, however the actual savings is difficult to estimate.

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 the repeal of §302.341 removes the requirement for the courts to order the director of revenue to suspend a defendant's driving privilege for failure to pay fines or appear in court. This legislative change could result in a reduction of federal highway funds to the state of Missouri for noncompliance with requirements for state commercial driver license programs.

ASSUMPTION (continued)

Failure to comply with federal regulations (49 CFR Part § 384) could result in the loss of Missouri's portion of federal highway funds, with the first year of non-compliance resulting in 4% reduction (approximately \$31 million), and each subsequent year subject to an 8% reduction (approximately \$62 million). Missouri may lose the ability to issue CDLs if not compliant.

Due to the uncertainty if this proposal would put Missouri out of compliance, **Oversight** will reflect the possibility as \$0 or (\$62,000,000) impact to federal highway funding.

Administrative Impact

Driver License Bureau:

The Driver License Bureau will require overtime and programming changes to implement the repeal of this section.

Update Web Forms - Administrative Analyst III	20 hrs @ \$23.00 = \$ 460
Update Forms - Management Analysis Spec I	40 hrs @ \$21.00 = \$ 840
Update Communications Management Analysis Spec I	20 hrs @ \$21.00 = \$ 420
	Total = \$1,720

Review all forms and communications, draft changes, define system changes required and complete end user testing by DLB for driver license system changes.

Administrative Analyst I -	240 hrs @ \$25.00 (1 1/2) per hr =	\$6,000
Management Analyst Spec. II -	260 hrs @ \$24.00 per hr =	\$6,240
Revenue Band Manager Band I -	40 hrs @ \$27.00 per hr =	<u>\$1,080</u>

Total = \$13,320

As of April 17, 2015, the Department estimates there are 150,400 open and active in-state Failure to Appear in Court (FACT) suspensions that are less than two years old. Assuming all the current suspensions would be reinstated, the estimated one time revenue impact would be a loss of \$3,008,000. (150,400 X \$20.00 = \$3,008,000). DOR assumes this would be a loss to the General Revenue Fund.

In FY 2014 the Driver License Bureau central office processed 24,979 FACT reinstatements and collected \$499,580 in fees. (24,979 X \$20.00). We assume an estimated ongoing annual loss of revenue of approximately \$500,000.

ASSUMPTION (continued)

§479.359 requires the Department to create a rule to provide guidance as to the procedure for sending excess revenues to the Department. This legislation further requires the Department to distribute excess revenues annually to schools of the county.

Administrative Impact:

Sales Tax:

Sales tax requires one (1) Revenue Processing Technician I (Range 10, Step L) for the distribution of revenues to county schools.

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 **Office of the State Courts Administrator** assume the proposed legislation modifies distribution of traffic fines and court costs collected by municipal courts. There may be some impact but there is no way to quantify that currently. Any significant changes will be reflected in future budget requests.

Officials at the **Office of the State Public Defender**, the **Department of Corrections**, the **Office of Prosecution Services**, the **Joint Committee on Administrative Rules**, the **State Tax Commission**, the **Missouri Senate** and the **Department of Public Safety's Missouri Highway Patrol** each assume no fiscal impact to their respective agencies from this proposal.

ASSUMPTION (continued)

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

Officials at the **Cole County Sheriff's Office**, the **Jackson 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 **Platte County Board of Election Commission**, the **Callaway County Commission** and the **City of Ashland** each assumed no fiscal impact to their respective entities from this proposal.

In response to a previous version, officials at the **Everton R-III School District**, the **Kansas City Public Schools**, the **Special School District of St. Louis County** and the **Malta Bend School District** each 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 20% 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.

ASSUMPTION (continued)

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.

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>Cost - DOR</u>			
Personal Service	(\$22,210)	(\$26,919)	(\$27,188)
Fringe Benefits	(\$11,549)	(\$13,999)	(\$14,139)
Equipment and Expense	<u>(\$18,987)</u>	<u>(\$1,126)</u>	<u>(\$1,153)</u>
Total Costs - DOR	<u>(\$52,746)</u>	<u>(\$42,044)</u>	<u>(\$42,480)</u>
FTE Change - DOR	1 FTE	1 FTE	1 FTE
 <u>Loss - DOR - revenue from FACT suspensions being reinstated</u>			
	(\$3,008,000)	(\$500,000)	(\$500,000)
 <u>Costs - SAO</u>			
Personal Service	(\$116,588)	(\$141,305)	(\$142,718)
Fringe Benefits	(\$60,632)	(\$73,486)	(\$74,220)
Equipment and Expense	<u>(\$15,984)</u>	<u>(\$978)</u>	<u>(\$1,002)</u>
Total Costs - SAO	<u>(\$193,204)</u>	<u>(\$215,769)</u>	<u>(\$217,940)</u>
FTE Change - SAO	3 FTE	3 FTE	3 FTE
 ESTIMATED NET EFFECT ON GENERAL REVENUE			
	<u>(\$3,253,950)</u>	<u>(\$757,813)</u>	<u>(\$760,420)</u>
 Estimated Net FTE Change for General Revenue Fund			
	4 FTE	4 FTE	4 FTE
 FEDERAL FUNDS			
 <u>Loss - DOR - potential loss of federal highway funding if proposal puts Missouri out of compliance</u>			
	\$0 or <u>(\$31,000,000)</u>	\$0 or <u>(\$62,000,000)</u>	\$0 or <u>(\$62,000,000)</u>
 ESTIMATED NET EFFECT ON FEDERAL FUNDS			
	\$0 or <u>(\$31,000,000)</u>	\$0 or <u>(\$62,000,000)</u>	\$0 or <u>(\$62,000,000)</u>

<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> - limitation placed on fine amounts	(Unknown)	(Unknown)	(Unknown)
<u>Revenue</u> - School Districts increase in revenue from excess traffic fines	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</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 would modify distribution of traffic fines and court costs collected by municipal courts.

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's Missouri Highway Patrol
- Department of Revenue
- City of Kansas City

SOURCES OF INFORMATION (continued)

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
Office of the State Public Defender
Department of Corrections
Office of Prosecution Services
Joint Committee on Administrative Rules
Missouri Senate

Mickey Wilson, CPA

Director
April 20, 2015



Ross Strope
Assistant Director
April 20, 2015