

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0455-18
Bill No.: CCS for HCS for SS for SCS for SB 5
Subject: Cities, Towns, and Villages; Courts; Transportation; Crimes and Punishment
Type: Original
Date: May 6, 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	(\$135,157)	(\$126,130)	(\$127,440)
Total Estimated Net Effect on General Revenue	(\$135,157)	(\$126,130)	(\$127,440)

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 12 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	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 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

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 Springs 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 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.

In response to a previous version, 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.

ASSUMPTION (continued)

In response to a previous version, 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)** assumes under §479.356, if a person defaults on a payment of court costs, fines, or other sums order by a court, the municipal court may report the delinquency to the Department and request a set-off of income tax refund.

Because the delinquencies must be submitted through the fine collection center administered by the Office of State Courts Administrator, the Department will not need to enter into separate agreements with the municipal courts. No additional programming is required but the volume of debts received from the Office of State Courts Administrator will increase.

Administrative Impact:

Collections & Tax Assistance:

This section will see additional customer contacts for the new offset of income tax refund and notice of adjustments. Collections and Tax Assistance requires two (2) Tax Collection Technicians I (Range 10, Step L) for contacts on the delinquent and non-delinquent tax lines. Each technician requires CARES equipment and license.

§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.

§479.362 states that the auditor must transmit to the Department whether or not the addendum required by Section 479.359 was timely filed. The Department then must examine the addendum and determine if the county, city, town, or village failed to file the addendum or failed to remit to the Department the excess amounts reported. If the Department determines that the county, city, town, or village has not made the required filing or remitted the excess payment the Department must notify them by certified mail.

ASSUMPTION (continued)

If a county, city, town, or village files the addendum after receiving notice from the Department and the Department determines that the county, city, town, or village has not paid the amount required then the Department must send notice of failure to pay to the entity.

Administrative Impact:

Sales Tax:

Sales tax requires one (1) Revenue Processing Technician I (Range 10, Step L) to administer the provisions of §§479.359 and 479.362.

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 (AGO)** assume §67.287.3 of the proposal authorizes the AGO to file suit in the event that municipalities fail to comply with certain standards. The AGO assumes that the costs associated with this proposal can be absorbed with existing resources. The AGO may seek additional appropriation if the workload increases significantly as the result of this proposal.

In response to a previous version, 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.

ASSUMPTION (continued)

Officials at the **Department of Public Safety's Missouri Highway Patrol** assume no fiscal impact from this proposal.

In response to a previous version, 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** and the **Missouri Senate** each assume no fiscal impact to their respective agencies from this proposal.

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.

In response to a previous version, 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.

ASSUMPTION (continued)

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.

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	(\$66,630)	(\$80,756)	(\$81,563)
Fringe Benefits	(\$34,651)	(\$41,997)	(\$42,417)
Equipment and Expense	<u>(\$33,876)</u>	<u>(\$3,377)</u>	<u>(\$3,460)</u>
Total Costs - DOR	<u>(\$135,157)</u>	<u>(\$126,130)</u>	<u>(\$127,440)</u>
FTE Change - DOR	3 FTE	3 FTE	3 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$135,157)</u>	<u>(\$126,130)</u>	<u>(\$127,440)</u>
Estimated Net FTE Change for General Revenue Fund	3 FTE	3 FTE	3 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> - 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.

MUNICIPAL COURT JUDGE CONDUCT (Section 479.020)

This provision adds a new subsection which requires conduct of municipal court judges to conform to the rules governing the judiciary set forth in the Supreme Court Rules.

NOTIFICATION OF CREATION AND DISSOLUTION OF MUNICIPAL COURTS (Section 479.155)

This provision requires the presiding judge of the circuit court in which each municipal division is located to notify the clerk of the Supreme Court of the name and address of the municipal division by September 1, 2016. This provision also requires the presiding judge of the circuit court in which each municipal division is located to notify the clerk of the Supreme Court if a municipality elects to abolish the municipal division. This provision also requires the Missouri Supreme Court to develop rules regarding conflict of interest for any prosecutor, defense attorney, or judge that has a pending case before the municipal division of any circuit court.

CONDITIONS FOR MINOR TRAFFIC VIOLATIONS (Section 479.353)

These provisions create conditions for the prosecution of minor traffic violations including: limiting the fines imposed when combined with court costs to \$200, prohibiting sentencing to confinement for the underlying violation or failure to pay a fine, and requiring criminal case court costs to be assessed unless the defendant is indigent or the case is dismissed.

MACK'S CREEK LAW (Section 479.359)

This provision replaces the restrictions on annual general operating revenue from traffic fines originally contained in section 302.341, which this act repeals. This provision requires the limit on annual general operating revenue from traffic fines to be reduced from 30% to 20% effective January 1, 2016, except for municipalities with a fiscal year beginning on any date other than January 1, in which case the reduction shall begin on the first day of the immediately following fiscal year. St. Louis county, and municipalities within the county, are restricted to 15% of annual general operating revenue from traffic fines.

FINANCIAL REPORT ADDENDUMS (Section 479.359)

These provisions require all counties, cities, towns, and villages to submit an addendum with their annual financial report to the State Auditor with an accounting of annual general operating revenue, total revenues from fines, bond forfeitures, and court costs for traffic violations, and the

FISCAL DESCRIPTION (continued)

percent of annual general operating revenue from traffic violations. This addendum shall be signed by a representative with knowledge of the subject matter as to the accuracy of the addendum contents, under oath and under penalty of perjury, and witnessed by a notary public. These provisions also require all counties, cities, towns, and villages to submit an addendum signed by its municipal judge certifying substantial compliance with certain municipal court procedures.

REVIEW OF ANNUAL GENERAL OPERATING REVENUE (Section 479.362)

These provisions require the Director of Revenue to report any excess amount received from any municipality to the State Auditor. These provisions also require the State Auditor to review the report of the Director of Revenue and addendums filed by municipalities as required in section 479.359 to determine if any municipality failed to file the required addendums or excess revenues. Municipalities determined by the State Auditor to have failed to remit the excess amount of annual general operating revenue or file the required addendums may seek judicial review of the finding by the state auditor under certain circumstances. Upon final determination made that a municipality failed to remit excess revenues or timely file the addendums, any matters pending in the municipal court shall be reassigned to other divisions within the circuit court and all revenues generated shall be considered excess revenues and the municipal court with original jurisdiction shall not be entitled to the revenues.

FAILURE TO REMIT EXCESS REVENUES (Section 479.368)

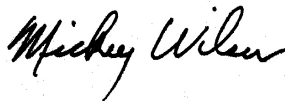
These provision provides that any county, city, town, or village failing to remit excess revenues from traffic fines shall not receive any amount of moneys to which the county, city, town, or village would otherwise be entitled to receive from local sales tax revenues in the amount that the county, city, town, or village failed to remit to the Director of the Department of Revenue. These provisions also an election automatically be held upon the question of disincorporation for any county, city, town, or village which has failed to remit excess revenues. 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. For disincorporation of a county, the procedure shall comply with Article VI, Section 5 of the Constitution of Missouri.

This proposal contains a severability clause.

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 Courts Administrator
Department of Public Safety's 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
Office of the State Public Defender
Department of Corrections
Office of Prosecution Services
Joint Committee on Administrative Rules
Missouri Senate



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