

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0455-18
Bill No.: Truly Agreed To and Finally Passed CCS for HCS for SS for SCS for SB 5
Subject: Cities, Towns, and Villages; Courts; Transportation; Crimes and Punishment
Type: Original
Date: June 8, 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 | (\$291,886) | (\$126,130) | (\$127,440) |
| Total Estimated Net Effect on General Revenue | (\$291,886) | (\$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 14 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 Springs 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.

Officials at the **City of Independence** assume a significant fiscal impact on the City. The accreditation requirement will add additional cost to each law enforcement agency's budget. As a previous CALEA agency, the City budgeted \$5,000 each year for CALEA. For a medium sized agency, it typically requires a dedicated staff member working year round on the CALEA process. For either CALEA or state accreditation, assessors must be brought in to review the proofs every three years. That involves the agency budgeting travel funds for each of the three assessors. That is in addition to annual dues and membership fees.

In addition, the new provisions restricting Municipal Judges from being able to sentence violators to jail for most violations and for failure to pay fines will also significantly impact Municipal budgets. When violators learn that there are minimal consequences for failing to pay their fines, many will refuse to pay. This will directly have a negative impact on budgets and create numerous warrants that the police will be unable to enforce.

Officials at the **City of Springfield** assume a negative fiscal impact of more than \$250,000 each year due to the inability to collect payments by non requirement of court appearances.

ASSUMPTION (continued)

Officials at the **City of Kansas City** assume the \$300 cap for "minor traffic violations" will have a loss in revenue to the City of \$550,000 if amended charges are included. If amended charges are not included, then there will be a loss in revenue to the City of \$115,000.

Officials at **St. Louis County** assume a potential cost savings from this proposal if fewer people were sent to confinement at the justice center. The County cannot determine what the savings could be because the reduction in confinements are unknown. There could be other savings but it is difficult to determine what those savings could be. There could be cost to the County from this proposal but it is difficult to determine what any of those circumstances and costs would be. The portions of the bill requiring municipal standards to be achieved in three years could lead to future disincorporations of St. Louis County municipalities and the County would become responsible for serving those areas.

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 the new language under §302.341 replaces the current subsection 2 limiting the underlying violations that can be used to add an Instate Failure to Appear suspension to a driver's record. The administrative impact to the Driver License Bureau would be updates to forms, procedures and DOR's website. 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. DOR will need to enter into separate agreements with the municipal courts.

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.

ITSD-DOR

Because the DOR will now be required to enter into separate agreements with each municipal court, the programming cost for ITSD will be contingent on the number of courts that request an agreement. Based on information from the Office of State Courts Administrator, there are currently 647 municipal courts that would each require separate agreements and programming.

ASSUMPTION (continued)

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

§479.362 states that the auditor must notify the DOR whether or not the addendum required by §§479.359 and 479.360 was timely filed. The DOR 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 DOR the excess amounts reported. If the DOR determines that the county, city, town, or village has not made the required filing or remitted the excess payment, the DOR must notify them by certified mail.

If a county, city, town, or village files the addendum after receiving notice from the DOR and the DOR determines that the county, city, town, or village has not paid the amount required, then the DOR must send notice of failure to pay to the entity. If the entity fails to file an accurate or timely addendum or send excess revenue to the DOR within the 60 days prescribed, the DOR sends a final notice to the clerk of the municipal court. If the entity does not comply within five days of the final notice, the Department sends a notice of noncompliance to the presiding judge of the circuit court.

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.

ITSD-DOR: MITS (Sales/Use Tax)

This will impact Sales Tax Distribution. Cities, towns and villages that fail to remit their excess traffic violation moneys to the director of the DOR shall not receive any local sales tax revenues. This money is to be distributed annually to the schools of the county.

ASSUMPTION (continued)

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 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 under this proposal the AGO has the duty to review and to determine whether or not a municipality is operating below minimum standards and to file suit to enforce its provisions under §67.287.3. The AGO assumes that the costs associated with this proposal can be absorbed with existing resources. The AGO may seek additional resources if there is a significant increase in its caseload.

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 **Office of the State Auditor**, the **Department of Elementary and Secondary Education**, the **Missouri Department of Transportation**, the **Department of Corrections**, the **Missouri House of Representatives**, the **Department of Public Safety's Missouri Highway Patrol**, the **Office of Prosecution Services**, the **Joint Committee on Administrative Rules** and the **State Tax Commission** each assume no fiscal impact to their respective agencies from this proposal.

ASSUMPTION (continued)

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

Officials at the **Everton R-III School District** and the **Special School District of St. Louis County** each assume minimal fiscal impact to their respective entities.

In response to a previous version, officials at the **Kansas City Public Schools** 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.

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.

ASSUMPTION (continued)

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 | (\$73,350) | (\$80,756) | (\$81,563) |
| Fringe Benefits | (\$34,648) | (\$41,997) | (\$42,417) |
| Equipment and Expense | <u>(\$183,888)</u> | <u>(\$3,377)</u> | <u>(\$3,460)</u> |
| Total Costs - DOR | <u>(\$291,886)</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>(\$291,886)</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 | \$0 or <u>(Unknown)</u> | \$0 or <u>(Unknown)</u> | \$0 or <u>(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 modifies provisions relating to local government.

MUNICIPAL MINIMUM STANDARDS (Section 67.287)

This provision creates minimum standards for municipal governance and creates a remedy process for citizens who believe the minimum standards are not being met.

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 \$300, prohibiting sentencing to confinement for the underlying violation (except for certain classes of violation) or failure to pay a fine (except when a violation of terms of probation), and requiring criminal case court costs to be assessed unless the defendant is indigent or the case is dismissed.

INCOME TAX REFUND SETOFF TO PAY FINES (479.356)

This provision allows for a request for an income tax refund setoff for unpaid court costs, fines, fees, or other sums ordered by a municipal court in excess of twenty-five dollars.

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 that county are restricted to 12.5% of annual general operating revenue from traffic fines.

FISCAL DESCRIPTION (continued)

FINANCIAL REPORT ADDENDUMS (Sections 479.359 and 479.360)

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 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 State Auditor to report to the Director of Revenue whether or not the financial report addendums were timely filed and to forward all addendums to the Director of Revenue. These provisions also require the Director of Revenue to review the addendums filed by municipalities as required in section 479.359 and 479.360 to determine if any municipality failed to file the required addendums or remit excess revenues. Municipalities determined by the Director of Revenue 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 Director of Revenue 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 certified to the circuit court in which the municipal division is located and 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 TIMELY FILE OR REMIT EXCESS REVENUES (Section 479.368)

These provisions provide that any county, city, town, or village failing to timely file or 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 during the period of noncompliance for failure to file and the amount that the county, city, town, or village failed to remit to the Director of the Department of Revenue shall be distributed to the schools in the county. These provisions also provide that any county, city, town, or village failing to timely file or 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 county sales tax pool revenues during the period of noncompliance for failure to file and the amount that the county, city, town, or village failed to remit to the Director of the Department of Revenue shall be distributed to the schools in the county.

FISCAL DESCRIPTION (continued)

These provisions also require 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.

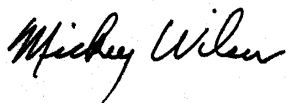
SEVERABILITY

This provision provides that if any provision of this act or their application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this act which can be given effect without the invalid provision or application, and to this end the provisions of this act are severable.

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 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
City of Springfield
Office of the State Auditor
Missouri House of Representatives



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