

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1269-02
Bill No.: HCS for SB 221
Subject: Political Subdivisions
Type: Original
Date: April 16, 2015

Bill Summary: This proposal would modify provisions relating to political subdivisions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$128,126)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$128,126)	\$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 8 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 Unknown	\$0 or Unknown	\$0 or Unknown

FISCAL ANALYSIS

ASSUMPTION

Section 66.620, RSMo. - Distribution of St. Louis County Sales Tax:

In response to a similar proposal (HCS for HB 812), officials from the **Department of Revenue (DOR)** stated this proposal would revise the distribution formula for sales tax revenue generated in St. Louis County. DOR would be required, beginning January 1, 2016, to distribute to all group A cities, towns, and villages in St. Louis County a portion of taxes based on the location where the sales is consummated under Section 66.630 and Subsection 32.087.12 based on the formula in Subsection 66.620.5. Once the Department distributes funds to group A entities, it would be required to distribute funds to group B entities following guidelines in Subsection 66.620.5.

DOR officials noted the Department would also be required to ensure each city receives no less than 50 percent of the tax generated within that city, rather than relying solely on the distribution from the pool.

Administrative Impact

DOR officials noted that St. Louis County currently takes care of the distribution, so unless they agree to continue to perform this action, the Department would need to develop a distribution system for this proposal.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal including \$68,510 for contract changes to the current design of the Integrated Revenue System including a Distribution Credit Reallocation program, a report on the reallocation, and minimal reference table configuration resulting in a cost of \$65,510.

ASSUMPTION (continued)

DOR officials also included an estimated cost of \$59,616 for 795 hours of contract programming to make change to DOR systems.

Oversight will include the DOR cost estimate in this fiscal note.
(((\$65,510 + \$59,616) = \$128,126)

In response to a previous version of HB 812, officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted the proposal would alter how the Department of Revenue (DOR) distributes local sales taxes to municipal governments in St. Louis County. BAP officials deferred to DOR for any change in programming or administration costs which would be involved in implementing the changes in the distribution formula, and assume the proposal would have no direct impact on general and Total State Revenues.

Oversight assumes this proposal would have no net effect on local governments although individual cities may receive more or less revenue than is the case under current provisions.

Section 72.150 - Municipal Consolidations

Oversight assumes this part of the proposal is permissive and that costs, if any, would depend upon actions of affected entities.

Section 72.401 - Annexation Approvals

In response to a similar proposal, officials at the **Office of the State Courts Administrator** assumed no fiscal impact from this proposal.

In response to a similar proposal, officials at the **St. Louis County Board of Election Commission**, the **Platte County Board of Election Commission** and the **City of Columbia** each assumed no fiscal impact to their respective entities from this proposal.

In response to similar legislation filed in 2014, (HCS for HB 1667), officials at the **Kansas City Board of Election Commission** and the **City of Jefferson** each assumed no fiscal impact to their respective entities from this proposal.

Section 94.860, Rsmo. - St. Louis County Law Enforcement Sales Tax:

Officials from the **Department of Revenue (DOR)** stated this proposal would authorize a new

ASSUMPTION (continued)

local sales tax in St. Louis County of one-half percent for law enforcement purposes.

Administrative impact

DOR officials assumed this proposal would result in the need to mail approximately 25,000 rate change letters to businesses and taxpayers, and provided an estimate of cost of $(25,000 \times \$0.555) = \$13,875$.

Oversight assumes DOR could provide the information to taxpayers and businesses through regularly scheduled DOR communications including the department website and will not include those costs in this fiscal note.

Officials from the **Office of Administration - Division of Budget and Planning** did not respond to our request for information on this provision.

Oversight assumptions

Oversight notes the DOR report of taxable sales for FY 2014 indicates taxable sales for sales/use tax purposes of \$16.4 billion for St. Louis County. The sales tax would become effective the first day of the second quarter after the election in which the tax is approved. This proposal does not include a specific effective date and if it is approved by the General Assembly and the Governor, would become effective August 28, 2015. The first date available for an election to approve the tax would be in November, 2015 and if the sales tax is approved by the voters at that election, could become effective April 1, 2016 (FY 2016).

Oversight will assume the vote would be scheduled on the first available election, and will indicate a fiscal impact of \$0 (no vote or tax not approved by the voters) or an unknown amount of revenue from the tax. The proposal sales tax appears to apply only to unincorporated areas of St. Louis County. Due to time constraints, Oversight was not able to calculate the potential sales tax revenue if voters approved this measure.

For simplicity, **Oversight** will not include any collection cost reimbursement to the Department of Revenue in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
Computer programming	<u>(\$128,126)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$128,126)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
ST. LOUIS COUNTY POLITICAL SUBDIVISIONS			
<u>Additional revenue</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Countywide law enforcement sales tax			
<u>Income</u> - Some political subdivisions within St. Louis County may receive additional sales tax proceeds	Unknown	Unknown	Unknown
<u>Loss</u> - Some political subdivisions within St. Louis County may receive less sales tax proceeds	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ST. LOUIS COUNTY POLITICAL SUBDIVISIONS	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

FISCAL IMPACT - Small Business

This proposal could have a direct impact on small businesses which make purchases subject to sales or use tax.

FISCAL DESCRIPTION

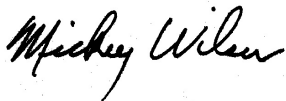
The proposed legislation would:

- 1) revise the distribution of St. Louis County sales tax revenues,
- 2) add an optional half-cent sales and use tax for St. Louis County law enforcement purposes,
- 3) allow certain entities in Callaway County to consolidate, and
- 4) allow some annexations in St. Louis County to proceed without review by the St. Louis Country Boundary Commission.

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
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue
St. Louis County Board of Election Commissioners
Platte County Board of Election Commissioners
City of Columbia



Mickey Wilson, CPA
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