

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4227-03  
Bill No.: HCS for HB 1418  
Subject: Auditor, State; Transportation  
Type: Original  
Date: February 11, 2016

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Bill Summary: This proposal changes the laws regarding audits for transportation development districts.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$18,112)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$18,112)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any Of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume this legislation requires the State Auditor to notify the Department of Revenue that a transportation development district (TDD) failed to timely submit a copy of its annual financial statement. The Department then must notify the TDD by certified mail of non-compliance. This violation subjects the TDD to a fine of \$500 per day, which the Department may collect through an offset of sales and use tax distributions due the district. TDD's that have annual gross revenues under \$5,000 are not subject to the fine authorized in this section.

#### Administrative Impact:

##### Sales Tax

The Department must develop a process in conjunction with the State Auditor to document receipt of the annual financial statement and create a letter to notify the district by certified mail the annual financial statement is not timely. The Department must create a process to offset sales and use tax distributions due the district's non-compliance.

##### Administrative Division

The Department would incur postage costs for the certified mailing requirement. As of January 1, 2016, there will be 190 transportation districts in Missouri. It would cost \$682 annually for the Department to send notices via certified mail if all 190 transportation districts were to fail to file their annual financial statement with the state auditor's office.

##### Integrated Tax System:

The integrated tax system incurs additional costs of \$18,112 to implement the provisions of this legislation.

**Oversight** assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the postage cost in FY '18 and FY '19. Oversight also assumes DOR will incur a one-time cost of \$18,112 to implement the integrated tax system in FY' 17 only.

ASSUMPTION (continued)

**Oversight** notes that the Office of the State Auditor (SAO) issued report No. 2013-065 in 2013 entitled Transportation Development Districts regarding their financial statement reporting requirements. The report stated as of December 31, 2011, 49 districts (of the 176 at the time) filed financial statements/audit reports late or did not file financial statements with the Office of the State Auditor at all. While a fine for late filing of financial statements is provided, Section 105.145.8 currently does not establish the agency responsible for the assessment or a collection mechanism for these fines; therefore, no fine revenue has been collected to date. The report also stated, as of February 1, 2013, the potential accumulated fine amounts were \$16,859,000.

This proposal provides that future fine revenue would be distributed to local school districts (after the Department of Revenue retains a collection fee of not more than two percent) in the same manner that proceeds for all penalties, forfeitures, and fines collected for any breach of the penal law of the state are distributed. **Oversight** assumes the \$500 fine is already established in statutes and that Transportation Development Districts (currently 195 districts) will timely submit their financial statements. Therefore, Oversight will assume no additional fiscal impact from this proposal.

Officials from the **State Auditor's Office, Department of Transportation and Department of Elementary and Secondary Education** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>GENERAL REVENUE</b>			
<u>Cost - DOR</u>			
Change to integrated tax system	<u>(\$18,112)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE</b>	<b><u>(\$18,112)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<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.

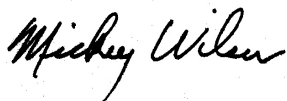
FISCAL DESCRIPTION

This proposal requires the State Auditor's office to report any transportation development district (TDD) failing to submit its annual financial statement to the Department of Revenue (DOR). DOR will notify the non-compliant district by certified mail it has 30 days from the postmarked date to submit the required statement to the State Auditor's office. If the statement is not received the district will be fined \$500 per day beginning on the 31st day from the postmarked date. Any transportation development district with gross revenues of less than \$5,000 in the fiscal year in which the annual financial statement was not timely filed will not be subject to the fine. Audits performed by the State Auditor's office shall be paid by the TDD and the cost shall not exceed 3% of gross revenues of the district. Any costs exceeding that shall be absorbed by the state auditor's office.

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

Department of Revenue  
State Auditor's Office  
Department of Transportation  
Department of Elementary and Secondary Education



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Director  
February 11, 2016

Ross Strobe  
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February 11, 2016