

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0148-03
Bill No.: HCS for SB 114
Subject: County Government; County Officials; Elections; Political Subdivisions
Type: Original
Date: April 28, 2017

Bill Summary: This proposal changes the laws regarding political subdivisions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	\$0	\$0 or Up to \$118,092	\$0 or Up to \$244,825
Total Estimated Net Effect on General Revenue	\$0	\$0 or Up to \$118,092	\$0 or Up to \$244,825

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Supplemental Tax Increment Financing Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Distribution increase (decrease) net to zero.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 14 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	\$0	\$0 or Up to \$18,361,881	\$0 or Up to \$24,482,508

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Section 49.060

In response to a similar proposal (LR 0751-02 HB 234), officials at the **Office of the Governor** assumed there should be no added cost to the Governor's Office as a result of this measure. However, if there is an increase in the volume of gubernatorial appointments, there may be the need for additional staff resources in future years.

In response to a similar proposal (LR 0751-02 HB 234), officials from the **Kansas City Election Board, Platte County Board of Elections and St. Louis County Board of Election Commissioners** each assumed the proposal will have no fiscal impact on their respective organizations.

Sections 50.622 and 50.740

In response to similar proposal (LR #1781-03 SCS for HB 843), officials from the **Office of the State Auditor (SAO)** assume this proposal will produce a small savings for mailing costs but it is difficult to calculate because it is unknown how many counties will use the electronic option.

Sections 50.1190, 52.290, 137.280 and 137.345

In response to similar proposal (LR 2021-02 HCS for HB 979), officials from the **County Employees' Retirement Fund (CERF)** assumed the proposed legislation increases various existing fees that are deposited in the County Employees' Retirement Fund and creates a new fee to be paid into the Fund.

The estimated increase in revenues is as follows:

Section 50.1190	\$ 2,125,000
Section 137.280 & 137.345	\$ 875,000
Section 52.290	\$ 5,295,000
Section 140.100	\$ 1,845,000
Total	\$10,140,000

ASSUMPTIONS (continued)

In response to similar proposal (LR 2021-02 HCS for HB 979), officials from the **Joint Committee on Public Retirement** assumed the legislation indicates that the legislation serves to increase several existing fees and penalties that are used to fund the County Employees' Retirement Fund (CERF).

Current System Status As of January 1, 2016		
Market Value	\$432,504,491	68% (Funded Ratio)
Actuarial Value	\$448,784,038	70% (Funded Ratio)
Liabilities	\$640,399,679	
Current Annual Required Contribution Rate		
Employer (FY16/17)	6.54%	\$25,608,251
Covered Payroll	\$391,801,920	

In response to (LR 2021-01 HB 979), officials from **St. Louis County**, the **Platte County Board of Elections** and the **Jackson County Election Board** each assumed the proposal will have no fiscal impact on their respective organizations.

CERF is not a local political subdivision; therefore, **Oversight** will not reflect a fiscal impact to their organization.

Sections 64.002, 65.702 & 89.020

In response to similar proposal (LR 1568-01 HB 719), officials from the **State Tax Commission (TAX)** assumed this proposal would have no fiscal impact on their organization. TAX officials noted that sawmills were designated as agricultural and horticultural property for assessment purposes in Section 137.016, RSMo.

In response to similar proposal (LR 1568-01 HB 719), officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, **Callaway County**, **St. Louis County**, the **Jackson County Election Board**, the **Platte County Board of Elections**, and the **St. Louis County Directors of Elections** assumed this proposal would have no fiscal impact on their organizations.

ASSUMPTIONS (continued)

Oversight assumes this proposal would restrict local governments as to zoning, code, and planning practices but would have no direct fiscal impact to the state or to local governments.

Section 67.142

In response to a similar proposal (LR 1886-02 HB 905), officials at the **Department of Agriculture** assumed no fiscal impact from this proposal.

In response to a similar proposal (LR #1886-02 HB #905), officials at the **City of Kansas City** assumed no fiscal impact from this proposal.

In response to similar legislation from FY 2014 (LR #4675-02 HCS/HB 1116), officials at the **City of Columbia**, the **City of O'Fallon**, the **City of West Plains** and the **City of Jefferson** each assumed no fiscal impact to their respective entities from this proposal.

Sections 94.900, 94.902, 94.903 - ½% Sales Tax increase on certain cities

In response to a similar proposal (LR 0166-05 HB Nos.48, 69, 495 and 589), officials at the **Department of Public Safety's Office of the Director** assumed no fiscal impact from this proposal.

Oversight assumes this proposal is enabling legislation and would have no fiscal impact unless the governing body would request the voters of their city to approve the imposition of a sales tax. Should the voters approve the imposition of a sales tax, the city could expect revenue to be generated and there would be costs for improving the public safety of the city. Oversight assumes the Department of Revenue would collect the sales tax and retain a 1% collection fee which would be deposited into the State's General Revenue Fund.

Oversight notes that sections 94.902.1 and 94.903.1 appear to achieve the same purpose. This analysis assumes that the impacted cities in each section will each levy a 0.5% public safety sales tax.

Oversight assumes the amounts collected would be spent for public safety purposes but will not include those expenditures in this fiscal note.

ASSUMPTION (continued)

Oversight notes, according to the bill description, 28 cities would now qualify to put the ½% sales tax for public safety purposes on the ballot. Page 7 of the note lists the cities and the potential sales tax proceeds if the ballot question is approved.

According to information found on the Tax and Fee Distribution Summary for Cities from the Department of Revenue's Financial and Statistical Report, the following are the local sales tax revenues for FY16, FY15 and FY14. The additional ½ tax rate would yield \$23,994,349 in additional tax revenue.

ASSUMPTION (continued)

	<u>Tax Rate</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>3 Year</u> <u>Average</u>	<u>Tax Sales Base</u>	<u>Adding ½ tax rate</u>
Bolivar	2.500%	4,855,996	4,609,123	4,367,389	4,610,836	194,239,840	971,199
Branson	1.500%	17,149,452	16,440,333	15,453,917	16,347,901	1,143,296,800	5,716,484
Carl Junction	2.500%	717,051	708,644	621,382	682,359	28,682,040	143,410
Dexter	1.875%	3,003,459	3,134,157	2,931,613	3,023,076	160,184,480	800,922
Eldon	2.900%	1,887,669	1,955,081	1,902,211	1,914,987	65,092,034	325,460
Eureka	1.000%	2,547,485	2,416,480	2,233,936	2,399,300	254,748,500	1,273,743
Harrisonville	1.875%	4,088,704	3,985,818	3,840,645	3,971,722	218,064,213	1,090,321
Higginsville	2.250%	1,426,309	1,374,066	1,329,781	1,376,719	63,391,511	316,958
Jackson	2.000%	4,413,152	4,364,016	4,087,896	4,288,355	220,657,600	1,103,288
Jennings	1.250%	1,628,854	1,786,042	1,735,602	1,716,833	130,308,320	651,542
Lake St. Louis	2.000%	6,587,036	6,155,522	4,548,428	5,763,662	329,351,800	1,646,759
Lamar	2.000%	1,469,486	1,392,778	1,357,856	1,406,707	73,474,300	367,372
Lebanon	2.000%	7,144,879	6,691,768	6,280,483	6,705,710	357,243,950	1,786,220
Lexington	2.500%	920,148	939,668	847,497	902,438	36,805,920	184,030
Mountain Grove	2.000%	2,000,811	1,982,157	1,786,109	1,923,026	100,040,550	500,203
Mount Vernon	2.000%	1,614,123	1,361,809	1,064,555	1,346,829	80,706,150	403,531
Oak Grove	3.000%	2,216,456	2,118,668	1,998,803	2,111,309	73,881,867	369,409
Pacific	2.000%	1,293,369	1,319,327	1,135,241	1,249,312	64,668,450	323,342
Peculiar	2.500%	1,068,950	1,065,027	973,010	1,035,662	42,758,000	213,790
Platte City	2.375%	2,399,263	2,373,673	2,122,575	2,298,504	101,021,600	505,108
Republic	2.375%	5,604,326	4,998,885	4,435,397	5,012,869	235,971,621	1,179,858
Rock Hill	1.500%	1,167,572	1,060,899	940,831	1,056,434	77,838,133	389,191
St. Clair	3.000%	1,160,572	1,107,268	1,009,203	1,092,348	38,685,733	193,429
Salem	1.875%	1,909,659	1,683,183	1,691,993	1,761,612	101,848,480	509,242
Sullivan	2.500%	3,144,341	3,002,303	2,873,392	3,006,679	125,773,640	628,868
Troy	2.000%	5,172,685	4,870,470	4,377,057	4,806,737	258,634,250	1,293,171
Union	3.000%	3,772,282	3,675,993	3,410,325	3,619,533	125,742,733	628,714
Warrenton	2.750%	2,633,327	2,395,897	2,419,628	2,482,951	95,757,345	478,787
		92,997,416	88,969,055	81,776,755	87,914,409	4,798,869,862	23,994,349

Therefore, **Oversight** will assume \$0 (not approved) or up to \$23,994,349 for a fiscal impact for this proposal. Oversight also assumes a municipal election in April 2018. If the new tax rate for the cities is approved by the majority of voters, the additional tax would begin October 1, 2018 (FY 2019).

ASSUMPTION (continued)

Section 105.030

In response to a similar proposal (LR 0538-05 SCS for HCS for HB 54), officials at the **Office of the State Courts Administrator** and the **Office of the Governor** each assume no fiscal impact to their respective agencies from this proposal.

In response to a similar proposal (LR 0538-05 SCS for HCS for HB 54), officials at the **St. Louis County Board of Election Commission**, the **Platte County Board of Election Commission**, the **Jackson County Board of Election Commission**, the **St. Louis County** and the **Callaway County Commission** each assume no fiscal impact to their respective entities from this proposal.

Sections 182.640, 182.660 - Board of Trustees of Libraries

In response to a similar proposal (LR 1283-01 HB 568), officials at the **Callaway County Commission**, **Boone County** and the **City of Kansas City** each assume no fiscal impact to their respective entities from this proposal.

In response to a similar proposal (LR 0169-02 SB 112), officials at the **City of Kansas City** and **St. Louis County** each assumed no fiscal impact to their respective entities from this proposal.

Sections 321.242 and 321.246 - Additional Sales Tax for Ripley County Rural Fire Protection District

In response to similar legislation from the 2017 session, HB 69, officials from **Ripley County** advised us there was not currently an organized Rural Fire Protection District in Ripley County.

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (EPARC)** provided the following information.

This proposal would authorize the Ripley County Rural Fire Protection District to submit a proposal for a sales tax to the voters for up to one-half of one percent.

The Ripley County sales tax base has averaged \$98,130,757 over the last three years. Should a new one-half percent sales tax be implemented throughout Ripley County causing the after-tax price for all goods to increase by one-half percent, we estimate an approximate one-half percent decline in the demand for all goods reducing the tax base to \$97,642,544.

ASSUMPTION (continued)

EPARC officials assumed the sales tax on this base would yield new collections of \$488,213; \$483,331 for Ripley County for a rural fire protection district and \$4,882 to General Revenue for the state collection fee of 1%.

EPARC officials assume a reduction in the sales tax base by approximately ½ % would reduce all other sales tax collections within Ripley County by approximately ½ %, an aggregate reduction of \$12,710 of which \$254 represents the decrease in the 2% General Revenue Collection Fee. The reduction in the Ripley County sales tax base would reduce the 3% General Revenue Sales Tax collection from \$2,943,923 to \$2,929,276, a reduction of \$14,646.

Oversight will not include any potential secondary impacts from this proposal in this fiscal note.

Oversight reviewed information available from Department of Revenue reports and noted that sales tax collections for Ripley County for the years ended June 30, 2014, 2015, and 2016 were \$1,386,463, \$1,542,970, and \$1,463,995, respectively. Therefore, average annual collections would be $((\$1,386,463 + \$1,542,970 + \$1,463,995) = \$4,393,428 / 3) = \$1,464,476$ with a tax rate of 1.5%.

Oversight assumes a one-half percent sales tax rate would generate $(\$1,464,476/3) = \$488,159$ if the proposition is approved by the voters and will include an impact of \$0 or that amount for fiscal note purposes. Oversight assumes a municipal election in April 2018. If the new tax rate for the cities is approved by the majority of voters, the additional tax would begin October 1, 2018 (FY 2019). Therefore, Oversight will assume the following:

FY18 - \$0
FY19 - \$366,119 (9 months)
FY20 - \$488,159

Oversight assumes the amounts collected for a Fire Protection District would be spent for fire safety purposes but will not include those expenditures in this fiscal note.

ASSUMPTIONS (continued)

Section 473.730, 473.743 and 475.120

In response to a similar proposal (LR 0441-03 HCS for SB 111), officials at the **Department of Insurance, Financial Institutions and Professional Registration** and the **Department of Social Services** each assume no fiscal impact to their respective agencies from this proposal.

In response to a similar proposal (LR 0441-03 HCS for SB 111), officials at the **Jackson County Board of Election Commissioners** assume no fiscal impact from this proposal.

In response to a similar proposal (LR 0441-01 SB 111), officials at the **Platte County Board of Election Commissioners**, the **Callaway County Commission**, **Johnson County** and **St. Louis County** each assume no fiscal impact to their respective entities from this proposal.

Bill as a whole

In response to a similar proposal (LR 0166-05 HB 48), officials at the **Office of Administration's Division of Budget and Planning (B&P)** assume using the most recent available data (FY16), the B&P estimated that the affected cities and counties had total taxable sales and use revenues of \$4,434,754,344. All of the proposed taxes in this bill are capped at 0.5%. This means that the taxes included in the bill could yield \$21,952,034 per fiscal year after DOR retains \$221,738.

The earliest possible effective date for any of these taxes is the final quarter of FY18, so the first full fiscal year impact would not occur until FY19. The B&P notes this legislation could also impact other cities and counties.

B&P notes that sections 94.902.1 and 94.903.1 appear to achieve the same purpose. This analysis assumes that the impacted cities in each section will each levy a 0.5% public safety sales tax.

In summary, the B&P will assume the following additional revenues for this proposal:

FY18 - \$55,434
FY19 - \$221,738
FY20 - \$221,738

ASSUMPTIONS (continued)

Oversight assumes a municipal election in April 2018. If the new tax rate for the cities is approved by the majority of voters, the additional tax would begin October 1, 2018 (FY 2019). Therefore, Oversight will assume the following for the general revenue fund:

FY18 - \$0
FY19 - \$166,304 (9 months)
FY20 - \$221,738

Officials at the **Department of Revenue (DOR)** assume this proposal will allow certain cities of the fourth classification to impose a one-half of one percent sales tax for improving public safety. Sales tax imposed under the provisions of section 94.902 expires December 31, 2038. If sales taxes are enacted, the integrated tax system incurs additional costs of \$65,520 to implement the provisions of this proposal.

Oversight assumes a cost of \$65,520 to the general revenue fund in FY 2019 based on the earliest possible effective date DOR would need to implement the provisions of this proposal.

Officials from the **Office of the State Auditor, Office of the Secretary of State, City of Kansas City** and the **Platte County Board of Election Commissioners** assume the proposal will have no fiscal impact on their organization.

Officials from the following counties: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Boone, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cole, Cooper, Daviess, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Mississippi, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne, Webster and Worth did not respond to **Oversight's** request for information.

Officials the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Grandview, Harrisonville, Independence, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, and Weldon Spring did not respond to **Oversight's** request for information.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE			
<u>Revenue</u> - DOR - Collection charges on sales tax	\$0	\$0 or Up to \$183,612	\$0 or Up to \$244,825
<u>Cost</u> - DOR - Programming	<u>\$0</u>	<u>(\$65,520) or \$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	\$0	\$0 or Up to <u>\$118,092</u>	\$0 or Up to <u>\$244,825</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (6 Mo.)	FY 2019	FY 2020
LOCAL POLITICAL SUBDIVISION FUNDS			
<u>Revenue</u> - Ripley County Fire Protection District (321.242, 321.246)	\$0	\$0 or 366,119	\$0 or \$488,159
<u>Revenue</u> - from additional sales tax increase (94.900, 94.902, 94.903)	\$0	\$0 or Up to \$17,992,762	\$0 or Up to \$23,994,349
<u>Revenue</u> - increase in various existing fees and a creation of a new fee (137.280, 137.345)	\$5,070,000	\$10,140,000	\$10,140,000
<u>Cost</u> - transfer to CERF (137.280, 137.345)	<u>(\$5,070,000)</u>	<u>(\$10,140,000)</u>	<u>(\$10,140,000)</u>

**ESTIMATED NET EFFECT ON
LOCAL POLITICAL SUBDIVISION
FUNDS**

	\$0 or Up to	\$0 or Up to
<u>\$0</u>	<u>\$18,361,881</u>	<u>\$24,482,508</u>

FISCAL IMPACT - Small Business

Small businesses which collect (or pay) sales taxes in certain jurisdictions could be affected as a result of this proposal.

FISCAL DESCRIPTION

This bill adds certain cities to the list of cities authorized to impose, upon voter approval, a retail sales tax of up to 0.5% for improving public safety including compensation, pension programs, health care, and additional equipment and facilities for police, fire, and emergency medical providers (Sections 94.900, 94.902, and 94.903, RSMo).

The bill also adds certain fire protection districts to the list of fire protection districts authorized to impose, upon voter approval, a sales tax not to exceed 0.5% for the purpose of providing revenues for the operation of the fire protection district. The additional fire protection districts currently include those located in Ripley and Mississippi counties (Section 321.246).

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

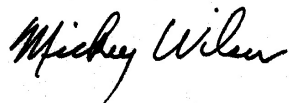
SOURCES OF INFORMATION

Department of Economic Development
Office of the Secretary of State
City of Kansas City
Platte County Board of Election Commissioners
Missouri State Tax Commission
Joint Committee on Administrative Rules
Callaway County
St. Louis County
Jackson County Election Board
Platte County Board of Election
Department of Agriculture
City of Kansas City
City of Columbia

City of Jefferson
City of West Plains

SOURCES OF INFORMATION (continued)

City of O'Fallon
Department of Public Safety
 Office of the Director
Department of Revenue
Office of Administration
 Budget and Planning
Department of Insurance, Financial Institutions and Professional Registration
Department of Social Services
Jackson County Election Board
St. Louis County Directors of Elections
Department of Agriculture
Joint Committee on Public Retirement
Office of the State Courts Administrator
County Employees' Retirement Fund
Office of the Governor
Kansas City Election Board
Platte County Board of Elections



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