

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0710-03  
Bill No.: HCS for SB 134  
Subject: Elections; Boards, Commission, Committees and Councils; County Government;  
County Officials; Political Subdivisions; Roads and Highways; Libraries and  
Archives; Taxation and Revenue - General; Economic Development; Cities,  
Towns and Villages  
Type: Original  
Date: May 1, 2017

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	\$0	\$0 or (Could exceed \$22,500,000) or Up to \$118,092	\$0 or (Could exceed \$22,500,000) or Up to \$244,825
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0 or (Could exceed \$22,500,000) or Up to \$118,092</b>	<b>\$0 or (Could exceed \$22,500,000) or Up to \$244,825</b>

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

\*Distribution increase (decrease) net to zero.

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 15 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<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>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<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>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Local Government</b>	<b>\$0</b>	<b>\$0 or Could exceed \$40,861,881</b>	<b>\$0 or Could exceed \$46,982,508</b>

## **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.

#### **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** assume this proposal would have no fiscal impact on their organizations.

**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.

ASSUMPTION (continued)

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

In response to a similar proposal (LR #0166-05 HB #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.

**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 4 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	<u>478,787</u>
Total		92,997,416	88,969,055	81,776,755	87,914,409	4,798,869,862	23,994,349

ASSUMPTION (continued)

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).

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

In response to a similar proposal (LR #0679-01 HB 69), officials from **Ripley County** advised Oversight that 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.

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.

ASSUMPTIONS (continued)

**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. For simplicity, Oversight will not include the 1% withholding for Department of Revenue collection costs in this fiscal note.

Section 99.845.10 (3)

In response to similar proposal (LR# 0894-01 SB 199), officials at the **Department of Economic Development (DED)** assumed this proposal would not have a fiscal impact, as the prerequisite for the project to receive funding is that it must have a positive fiscal impact to the state. Oversight notes the fiscal impact to the state, as estimated by DED, would include estimates of induced and indirect effects which are not calculated in the fiscal impact as estimated by Oversight.

This proposal excludes from this cap any annual amounts generated by any single plan or project which is estimated to create in excess of fifteen thousand new jobs with an average annual wage of more than \$75,000. For example, if one project were authorized the amount of net new General Revenue that may be transferred to the single project would be at least up to \$22,500,000 (15,000 new jobs x \$75,000 average annual salary x 4% estimated withhold tax rate x 50%). This would be transferred upon appropriation to the local political subdivision (through the Missouri Supplemental Tax Increment Financing Fund (0848)) where the project is developed to help pay for infrastructure improvements within the redevelopment area.

ASSUMPTION (continued)

**Oversight** assumes this proposal would not be effective until August 28, 2017. Oversight is unaware of how many of these projects may be authorized by the Department of Economic Development. Oversight will show the impact as \$0 (no projects authorized) or could exceed \$22,500,000, the amount that would be generated by just one project meeting the minimum qualifications of this proposal.

**Oversight** notes the current law caps the annual amount of new state revenues that may be appropriated to the Missouri Supplemental Tax Increment Financing Fund for redevelopment projects at \$32 million for projects approved prior to August 28, 2017. Under this program, an applicant may be approved to receive up to 50 percent of the net new state tax revenue (General Revenue portion only) generated in the project area.

Section 99.845.10 (4) & (5)

In response to a similar proposal, **Department of Economic Development** assumed this proposal would not have a fiscal impact.

**Oversight** assumes this proposal reduces the cap to \$10 million annually for projects approved on or after August 28, 2017 and before August 27, 2027 and reduces the cap to \$22 million for projects approved on or after August 28, 2027. Additionally, this proposal establishes an individual project cap of \$3 million annually for expansions and new projects approved on or after August 28, 2017.

**Oversight** notes that State Tax Increment Financing funds may be awarded to projects over a period of up to 23 years. Oversight notes the cap will only affect newly approved projects as of August 28, 2017. Due to the delay between the approval of the project and the awarding of funds due to the construction time lines and employment requirements, Oversight will show the savings impact as \$0 as the potential savings from the cap would likely occur outside the scope of this fiscal note.

ASSUMPTION (continued)

Funds utilized for the State Tax Increment Financing program are subject to appropriation. For FY 2018, \$30,103,350 has been appropriated to the Missouri Supplemental Tax Increment Financial Fund.

Fund Appropriation by Year - Supplemental Tax Increment Financial Fund

FY 2014	\$12,365,000 (Actual)
FY 2015	\$13,760,000 (Actual)
FY 2016	\$16,400,000 (Actual)
FY 2017	\$23,772,860 (Appropriated)
FY 2018	\$30,103,350 (Amount in HB 7 2017)

In summary, **Oversight** will show the impact as \$0 (no cap-exception projects authorized) or could exceed \$22,500,000 (the amount that would be generated by just one cap-exception project meeting the minimum qualifications of this proposal) and \$0 in potential savings as the savings would likely occur outside the scope of this fiscal note

In response to a similar proposal, officials from the **City of Kansas City** assumed this proposal may have a negative fiscal impact on the City of Kansas City, Missouri, of an indeterminate amount. Section 99.845 reduces the caps on the supplemental TIF assistance that can be provided by the state and imposes a new cap on any single distribution (whereas there currently isn't one). The City of Kansas City, Missouri, may receive less assistance from the state on projects and therefore the City might not undertake the projects or would have to pay more for these projects because the state has reduced the supplemental TIF assistance.

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 assumed 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.

ASSUMPTION (continued)

Section 235.140

In response to a similar proposal (LR #0822-01 HB 443), officials at the **St. Louis County Board of Election Commission** and the **City of St. Louis** did not respond to Oversight's request for fiscal impact.

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

**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

ASSUMPTIONS (continued)

Officials at the **Department of Revenue (DOR)** assume businesses in multiple cities in Missouri may need to collect and remit an additional sales tax of one-half of one percent for public safety issues in the city. If sales taxes are enacted, the integrated tax system incurs additional costs of \$65,520 to implement the provisions of this legislation.

**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 at the **Joint Committee on Administrative Rules** assume no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State** 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
<b>GENERAL REVENUE</b>			
<u>Revenue</u> - DOR - Collection charges on sales tax	\$0	\$0 or Up to \$183,612	\$0 or Up to \$244,825
<u>Loss</u> - DED - transfer of incremental new state revenues for each 15,000 job project	\$0	\$0 or (Could exceed \$22,500,000)	\$0 or (Could exceed \$22,500,000)
<u>Cost</u> - DOR - Programming	<u>\$0</u>	<u>\$65,520</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b>\$0</b>	<b>\$0 or (Could exceed \$22,500,000) or Up to <u>\$118,092</u></b>	<b>\$0 or (Could exceed \$22,500,000) or Up to <u>\$244,825</u></b>
<b>SUPPLEMENTAL TAX INCREMENT FINANCING FUND</b>			
<u>Loss or Transfer In</u> - from GR of incremental new state revenues for each 15,000 job project	\$0	\$0 or Could exceed \$22,500,000	\$0 or Could exceed \$22,500,000
<u>Loss or Transfer Out</u> - to political subdivisions for each 15,000 job project	<u>\$0</u>	<u>\$0 or (Could exceed \$22,500,000)</u>	<u>\$0 or (Could exceed \$22,500,000)</u>
<b>ESTIMATED NET EFFECT ON SUPPLEMENTAL TAX INCREMENT FINANCING FUND</b>	<b>\$0</b>	<b>\$0</b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>LOCAL POLITICAL SUBDIVISION FUNDS</b>			
<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 \$17,995,762	\$0 or Up to \$23,994,349
<u>Transfer In</u> - incremental new state revenues for each 15,000 job project	<u>\$0</u>	Could exceed <u>\$22,500,000</u>	Could exceed <u>\$22,500,000</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION FUNDS</b>	<b><u>\$0</u></b>	<b>\$0 or Could exceed <u>\$40,861,881</u></b>	<b>\$0 or Could exceed <u>\$46,982,508</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act moves elections for street light maintenance district board members from the November general election to the April general municipal election. It also provides that a board may provide for nominations to be filed with the local election authority.

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).

FISCAL DESCRIPTION (continued)

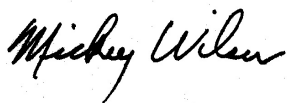
The bill also adds certain fire protection districts to the list of fire protection districts authorized to impose, upon voter approval, a sales tax not to exceed 0.5% for the purpose of providing revenues for the operation of the fire protection district. The additional fire protection districts currently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

Current law caps the annual amount of new state revenues that may be appropriated to the Missouri Supplemental Tax Increment Financing Fund for redevelopment projects under the Real Property Tax Increment Allocation Redevelopment Act at \$32 million. This act excludes from this cap any annual amounts generated by any single plan or project which is estimated to create in excess of fifteen thousand new jobs with an average annual wage of more than \$75,000.

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  
City of O'Fallon  
Department of Public Safety  
Department of Revenue  
Office of Administration  
Budget and Planning



Mickey Wilson, CPA  
Director  
May 1, 2017

Ross Strobe  
Assistant Director  
May 1, 2017