

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4497-04
Bill No.: SS for SCS for HB 1291 with SSA 1 for SA 2 and SA 3
Subject: Counties; Roads and Highways; Taxation and Revenue - General
Type: Original
Date: March 22, 2018

Bill Summary: This proposal modifies provisions relating to political subdivisions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	\$0	\$0 or Up to \$14,375	\$0 or Up to \$19,034
Total Estimated Net Effect on General Revenue	\$0	\$0 or Up to \$14,375	\$0 or Up to \$19,034

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 16 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	\$0 or Unknown to (Unknown)	\$0 or Unknown, less than \$1,428,456	\$0 or Unknown, less than \$1,882,363

FISCAL ANALYSIS

ASSUMPTION

§41.657

In response to similar legislation this year, SS for HB 1504, officials at the **Missouri National Guard** assumed no fiscal impact from this proposal.

In response to similar legislation this year, SS for HB 1504, officials at **Newton County** assumed no fiscal impact from this proposal.

Officials at **McDonald County** did not respond to Oversight's request for fiscal impact.

Oversight assumes this proposal would have no local fiscal impact without the action of the governing body to adopt ordinances regulating incompatible land uses and structures once the counties have participated in the completion of a joint land use study associated with the National Guard training center. Oversight will reflect a \$0 impact for this proposal.

§§56.363, 56.805, 56.807, 56.814, 56.833, 56.840 PACARS Retirement System

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** state the proposal may constitute a substantial proposed change in future plan benefits as defined in Section 105.660(10), RSMo. On March 7, 2018, an actuarial cost statement was filed with the Chief Clerk of the Missouri House of Representatives, the Secretary of the Senate, and the Joint Committee on Public Employee Retirement as public information.

PACARS Current System Status: (as of July 1, 2016)

Market Value:	\$37,851,019	Funded Ratio:83.9%
Actuarial Value:	\$37,851,019	Funded Ratio: 83.9%
Liabilities:	\$45,074,928	

Recommended contribution for 2016/2017: \$2,037,365

Anticipated contribution for 2016/2017:

Expected Monthly County Contribution	\$ 860,030
Expected \$4 Surcharge Contribution	\$1,248,337
Interest Credit	<u>\$ 72,545</u>
Total Anticipated 2016 Contribution	\$2,180,912

ASSUMPTION (continued)

Current Monthly County Contribution:

1st Class Counties	\$646
2nd Class Counties	\$271
3rd Class Counties	\$187
4th Class Counties	\$187

Covered Payroll: \$9,910,390

Officials from the **Prosecuting and Circuit Attorney's Retirement System (PACARS)** have reviewed the bill and, based on that review, state we are of the view that the bill was intended by the drafters to be at least revenue neutral, and, possibly, to improve the future fiscal health of the system, as compared to the existing statutory provisions.

There are provisions in the bill which correlate the way in which creditable service is accumulated more closely with the way the retirement benefits are calculated, so as to make the contributions to the system more closely relate to the expected retirement payments. Also, the bill requires new full time prosecutors to contribute to their retirement funds, in a manner similar to other retirement systems.

The bill also addresses certain issues presented by the current language of Sections 56.800 et seq. For example, the current language now allows members who qualified for a retirement benefit as a part-time prosecutor, and returned to serve as a full time prosecutor, to obtain a retirement benefit equal to 50% of the Final Average Compensation as a full time prosecutor. Provisions in HB 1291 would make the benefits and the payments into the System correspond. In this way the bill addresses a "loophole" which currently allows certain members to qualify for a retirement benefit which costs the System more than the payments into the system would have "paid for". According to the System's actuaries, each such individual currently reduces the System's funded ratio by 1%. The bill also addresses transfers of creditable service between the System, and other retirement systems of the State, as well as the effect of returning to work as a prosecutor after leaving the position (having already fully vested) for a significant period of time.

Oversight assumes, based on the response from PACARS, that the proposal will have no fiscal impact on PACARS. Oversight also assumes this proposal is **not** making changes to section 56.807 that would change the monthly contributions from counties or from the City of St. Louis into PACARS; therefore, Oversight will not show a fiscal impact to local governments.

In response to a similar proposal from this year SB 892, officials from **Boone County** assumed the proposal will have no fiscal impact on their organization.

ASSUMPTION (continued)

In response to a similar proposal HCS/SB 639 from 2016, officials from the **City of Columbia** and the **City of Kansas City** each assumed the proposal will have no fiscal impact on their respective organizations.

§59.800 - Statutory County Recorder's Fund

Oversight inquired the Mississippi County Recorder of Deeds Office. If this proposal is enacted, there will be a decrease in the amount of subsidies received from the state for the County. The decrease would be a small impact to the County between \$5,000 and \$7,000 per year. Oversight assumes that multiple counties could be affected from this legislation. Oversight also assumes the reduction in losses to counties will be less than under current law. Therefore, Oversight will reflect an unknown reduction in loss to County Recorder of Deeds Offices.

In response to similar legislation from this year, HB 2243, officials at **St. Louis County** and the **St. Charles County Recorder's Office** each assumed no fiscal impact to their respective entities from this proposal.

§§65.610 & 65.620

In response to a similar proposal from this year, SB 940, officials at **Dade County** assumed at the time the County was a township form of government, the County generated approximately \$500,000 in road tax per tax collecting year. Each township had its own distinct levy which lead to the approximate amount. Now that the County is not a township form of government, the County is allowed by statute to collect the lowest township tax that was in place prior to the abolishment of townships, or \$.22. This generated approximately \$250,000 per year. In the upcoming General Municipal Election, April 3, 2018, the County will be asking for a \$.50 tax rate. That proposed amount will generate approximately \$588,000 per year.

In response to a similar proposal from this year SB 940, officials at **Stoddard County** assumed a negative unknown fiscal impact. There are 7 townships in the County.

In response to a similar proposal from this year SB 940, officials at **Linn County** assumed this legislation would not have a fiscal impact, as long as, the new tax collected is equal to what the township was receiving before abolishment.

Oversight assumes that with the removal of subsection 65.620.4 could allow the county to immediately set a rate on the ballot that would allow the county to collect an amount which is equal to the current amount being collected by the townships for road and bridge funding. Under

ASSUMPTION (continued)

current law the affected county's tax rate is, for a year, the lowest tax rate charged by any of the former townships within the county. This removal also allows the question to be answered at the time it is put on the ballot, instead of waiting an extra amount of time, even up to a calendar year, to set the rate. Oversight assumes this could prevent a decrease in road and bridge funding for counties which would abolish townships compared to current statute. Oversight assumes the language in this proposal could avert losses of road and bridge funds by counties which abolish the township form of government. Therefore, Oversight will reflect a \$0 (if no abolition of townships or the county does not choose to have an election to set tax rates) or a positive unknown (if there is an abolition of townships and the county government has a successful election to set a countywide property tax rate for roads and bridges) for this proposal.

§87.135 - St. Louis City Firefighter's Retirement

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** state that the review of this section would not constitute a "substantial proposed change" in future plan benefits as defined in section 105.660(10).

§94.900 - Public Safety Sales Tax

In response to a similar proposal from this year SB 885, officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed this proposal allows voters in the City of Centralia to impose a sales tax up to 0.50% for the purpose of funding public safety for the city. Using forecast estimates for statewide average growth in local sales taxes and state taxes (including food), the estimated average growth for FY 2018 and FY 2019 is 2.5% and 1.90%, respectively. Budget and Planning estimates the City of Centralia FY 2019 taxable sales totals \$40 million. The bill indicates that this sales tax would take effect starting April 1, thus only impacting Q4 of FY 2019 sales collections. With estimated Q4 sales collections of \$10.1 million, this proposed sales tax could generate approximately \$51,349 for the city for FY 2019. As a voter approved tax, the collected revenues will not impact General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, that portion could increase General and Total State Revenues by approximately \$509 in FY 2019.

ASSUMPTION (continued)

Using the same methodology to estimate FY 2020 and FY 2021 sales, we estimate taxable sales in the City of Centralia to total \$40.7 million in FY 2019. This proposed sales tax might generate approximately \$201,397 for the city in FY 2020, and annually thereafter. The collected revenues will have no impact on General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, General and Total State Revenues could increase by approximately \$2,034 in FY 2020 and annually thereafter if the county sales tax is approved.

B&P deferred to DOR for estimates of actual collection costs.

In response to similar legislation from this year, HCS for HB 2186, officials at the **City of Centralia** assumed the City would reap almost all of the revenue, except the small percentage retained by the Department of Revenue for collection and disbursement. A ½ cent sales tax for transportation is anticipated to raise \$210,000 annually for the City of Centralia. Most of those funds would come from expenditures by Centralia residents.

Oversight notes this proposal would give the City of Centralia the option to vote to increase their local sales tax by .50% in order to fund public safety. Oversight notes the effective date of this proposal would be August 28, 2018. Oversight assumes the question would be put before the voters at the general municipal election in April 2019 (FY 2019). Therefore, the earliest the sales tax could become effective would be the first day of the second calendar quarter after the Department of Revenue is notified of voter approval. In this case, the earliest effective date assuming voter approval at the April 2019 general municipal election would be October 1, 2019 (FY 2020). Therefore, only nine months of taxes would be collected in FY 2020.

Oversight notes that if the proposal is adopted DOR would be allowed to keep 1% of the amount of sales tax collected to cover their expenses. Oversight notes that DOR would retain \$2,034 Oversight will show the fee as \$0 (no sales tax increase is adopted by voters) to up to the amount listed for the City.

For fiscal note purposes, **Oversight** will indicate a range of additional local government revenue from \$0 (the sales tax is not adopted by the City of Centralia and/or voters fail to approve the sales tax) to up to \$201,397 for a full year of tax collections estimated by B&P.

ASSUMPTION (continued)

City of Centralia - Taxable Sales Report	
FY 2017	\$19,490,976 (6 month total)
FY 2016	\$38,458,884
FY 2015	\$37,677,040

Source: Department of Revenue website

City of Lebanon

In response to similar legislation from this year, HB 2712, officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed the stated intent of this proposal is to allow voters in the City of Lebanon to impose a sales tax up to 0.50% for the purpose of funding public safety for the city. Using forecast estimates for statewide average growth in local sales taxes and state taxes (including food), the estimated average growth for FY 2018 and FY 2019 is 2.50% and 1.90%, respectively.

Budget and Planning estimates the City of Lebanon's FY 2019 taxable sales at \$363 million. The bill indicates that this sales tax would take effect starting April 1, thus only impacting Q4 of FY 2019 sales collections. For the City of Lebanon, with estimated Q4 sales collections of \$90.8 million, this proposed sales tax could generate approximately \$454,298 for the city for FY 2019. As a voter approved tax, the collected revenues will not impact General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, that portion could increase General and Total State Revenues by approximately \$4,543 in FY 2019.

Using the same methodology to estimate FY 2020 and FY 2021 sales, we estimate taxable sales in the City of Lebanon to total \$363 million. This proposed sales tax might generate approximately \$1.8 million for the city in FY 2020, and annually thereafter. The collected revenues will have no impact on General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, General and Total State Revenues could increase by approximately \$18,172 in FY 2020 and annually thereafter if the county sales tax is approved.

Budget and Planning defers to DOR for more specific estimates of actual collection costs.

Officials at the **City of Lebanon** assume they would generate approximately \$1,700,000 annually in sales tax if adopted.

ASSUMPTION (continued)

Oversight notes this proposal would give the City of Lebanon the option to vote to increase their local sales tax by .50% in order to fund public safety. Oversight notes the effective date of this proposal would be August 28, 2018. Oversight assumes the question would be put before the voters at the general municipal election in April 2019 (FY 2019). Therefore, the earliest the sales tax could become effective would be the first day of the second calendar quarter after the Department of Revenue is notified of voter approval. In this case, the earliest effective date assuming voter approval at the April 2019 general municipal election would be October 1, 2019 (FY 2020). Therefore, only nine months of taxes would be collected in FY 2020.

Oversight notes that if the proposal is adopted DOR would be allowed to keep 1% of the amount of sales tax collected to cover their expenses. Oversight notes that DOR would retain \$17,000. Oversight will show the fee as \$0 (no sales tax increase is adopted by voters) to up to the amount listed for the City.

For fiscal note purposes, **Oversight** will indicate a range of additional local government revenue from \$0 (the sales tax is not adopted by the City of Lebanon and/or voters fail to approve the sales tax) to up to \$1,700,000 for a full year of tax collections estimated by the City of Lebanon.

City of Lebanon - Taxable Sales & Use Report	
FY 2017	\$173,735,023 (6 month total)
FY 2016	\$351,609,337
FY 2015	\$340,006,611

Source: Department of Revenue website

§§108.120 and 137.555

In response to similar legislation this year, HB 2352, officials at the **Callaway County Commission**, the **City of Kansas City** and the **City of Springfield** each assumed no fiscal impact to their respective entities from this proposal.

ASSUMPTION (continued)

§137.556

In response to similar legislation from 2017, SCS for HB 87, officials at **St. Francois County** stated this proposal would save the county twenty five percent of the taxes collected in the city which will allow the county to maintain the county roads. County officials estimated the savings from the City of Farmington would be \$130,000 for 2016.

Oversight assumes the proposal updates the description of St. Francois County in Section 137.556, RSMo and would not have a fiscal impact.

§162.441

In response to a similar proposal SB 990, officials from the **Kirkville R-III School District** assumed the proposal will have no fiscal impact on their organization.

Oversight will reflect a potential fiscal impact to community college districts for costs of holding the elections.

§§227.600 and 227.601

Officials at the **City of Kansas City** assume this section of the proposal could have a negative fiscal impact on the City if the City decides to enter into a “concession agreement” because it will require the City to follow a competitive bidding process which includes advertising in a newspaper and at least one national trade publication. There would be costs associated with this proposal.

Oversight assumes concession agreements between the commission (the MO Highway and Transportation Commission) and a political subdivision would have no local fiscal impact without action by the governing body of the political subdivision which shall be subject to voter approval if required by law. Oversight will not reflect a fiscal impact to Local Political Subdivisions from this proposal.

ASSUMPTION (continued)

Bill as a Whole

Officials at the **Department of Revenue, Office of the State Treasurer, the State Emergency Management Agency, the Missouri Ethics Commission, the Office of the Governor, the Office of Prosecution Services, the Missouri Local Government Employees Retirement System, the Department of Elementary and Secondary Education, the Department of Higher Education** and the **Missouri Department of Transportation** each assume no fiscal impact to their respective agencies from this proposal.

In response to a previous version, officials at the **Office of State Auditor** and the **State Tax Commission** each assumed no fiscal impact to their respective agencies from this proposal.

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 **Jackson County Board of Election Commission, the Mississippi County Recorder of Deeds Office, Missouri Western State University, the State Technical College of Missouri, Missouri State University** and the **University of Missouri** each assume no fiscal impact to their respective entities from this proposal.

In response to a previous version, officials at the **St. Louis County Board of Election Commission, the Platte County Board of Election Commission** and the **Wellsville-Middletown R-a School District** each assume no fiscal impact to their respective entities from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE			
<u>Revenue</u> - DOR - 1% collection charge on sales tax in Centralia (\$94,900)	\$0	\$0 or Up to \$1,625	\$0 or Up to \$2,034
<u>Revenue</u> - DOR - 1% collection charge on sales tax in Lebanon (\$94,900)	<u>\$0</u>	<u>\$12,750</u>	<u>\$17,000</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 or Up to \$14,375</u>	<u>\$0 or Up to \$19,034</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
LOCAL POLITICAL SUBDIVISIONS			
<u>Savings</u> - on road and bridge funding in counties with townships who abolish their government (§§65.610, 65.620)	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Revenue</u> - City of Centralia - additional half cent sales tax for public safety (§94.900)	\$0	\$0 or Up to \$167,831	\$0 or Up to \$201,397
<u>Revenue</u> - City of Lebanon - additional half cent sales tax for public safety (§94.900)	\$0	\$0 or Up to \$1,275,000	\$0 or Up to \$1,700,000
<u>Reduction</u> - Recorder of Deeds - modifying provisions of county subsidies on recorder fees (§59.800)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Loss - Collection Fee kept by DOR (§94.900) Centralia	\$0	\$0 or (Up to \$1,625)	\$0 or (Up to \$2,034)
Loss - Collection Fee kept by DOR (§94.900) Lebanon	\$0	\$0 or (Up to \$12,750)	\$0 or (Up to \$17,000)
<u>Cost</u> - Community College Districts - election costs regarding plan of attachment of the school district and the community college district (§162.441)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 or Unknown to (Unknown)	\$0 or Unknown, less than \$1,428,456	\$0 or Unknown, less than \$1,882,363

FISCAL IMPACT - Small Business

There could be a direct fiscal impact to small businesses as a result of this proposal.

FISCAL DESCRIPTION

§59.800

This bill provides a method by which distributions from the statutory county recorder's fund will be allocated among counties if collections fall below distributions.

§§65.610, 65.620

This proposal specifies that ballot questions to abolish the township form of government in a county shall also provide for a countywide tax for road and bridge purposes.

§94.900

This proposal adds the City of Centralia and the City of Lebanon to the list of cities authorized to propose a sales tax for the purposes of improving public safety. Such sales tax, if approved by the voters, would be at a rate of 0.5%.

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

§162.441

Under current law, in order for a school district to become attached to a community college district, a petition must be submitted to the school board of the school district signed either by voters of the district equal in number to ten percent of those voting in the last school election at which school board members were elected or by a majority of the voters of the district, at which point an election must be called. This act provides that a community college district may, by a majority vote of its board of trustees, propose a plan to the voters of the school district to attach the school district to the community college district and call an election upon the question of such plan. The community college district shall be responsible for the costs associated with the election.


SOURCES OF INFORMATION

Department of Public Safety
 State Emergency Management Agency
 Missouri National Guard
Newton County
Joint Committee on Public Retirement
Missouri Local Government Employees Retirement System
Prosecuting and Circuit Attorney's Retirement System
Missouri Ethics Commission
Office of the Governor
Office of Prosecution Services
Department of Revenue
Office of the State Treasurer
Department of Elementary and Secondary Education
Department of Higher Education
Office of State Auditor
Missouri Department of Transportation
State Tax Commission
Office of the Secretary of State
Boone County
City of Kansas City
Callaway County Commission
City of Springfield
City of Columbia
Mississippi County Recorder of Deeds Office
St. Louis County
St. Charles County Recorder's Office
Dade County
Stoddard County
Linn County
City of Centralia
City of Lebanon
St. Louis County Board of Election Commission
Jackson County Board of Election Commission
Platte County Board of Election Commission
Missouri Western State University
State Technical College of Missouri
Missouri State University
University of Missouri

SOURCES OF INFORMATION (continued)

Wellsville-Middletown R-1 School District
St. Francois County
Kirksville R-III School District

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope". The signature is stylized with a large initial "R" and a long horizontal stroke at the end.

Acting Director
March 22, 2018