

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0083-05
Bill No.: HCS for SB 152
Subject: Housing, Kansas City, St. Louis City; Political Subdivisions; Fire Protection;
Taxation and Revenue - Sales and Use; Tourism; Motels and Hotels
Type: Original
Date: May 9, 2019

Bill Summary: This proposal changes the law regarding political subdivisions, court fees, state and local expenditures for sports and entertainment venues, and a state-wide telecommunication tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(Unknown, less than \$2,697,151)	(Unknown, less than \$2,584,537)	(Unknown, less than \$7,585,325)
Total Estimated Net Effect on General Revenue	(Unknown, less than \$2,697,151)	(Unknown, less than \$2,584,537)	(Unknown, less than \$7,585,325)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 27 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
School District Trust Fund	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Conservation Commission Fund	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Parks, Soil & Water Fund	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
DNA Profiling Analysis Fund	\$1,028,041	\$1,233,649	\$1,233,649
Department of Public Safety	\$1,824,003	\$1,824,003	\$1,824,003
Missouri State Capitol Commission	(\$1,824,003)	(\$1,824,003)	(\$1,824,003)
Total Estimated Net Effect on <u>Other</u> State Funds	Up to \$1,028,041 to (Unknown)	Up to \$1,233,649 to (Unknown)	Up to \$1,233,649 to (Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
Department of Public Safety*	-40 FTE	-40 FTE	-40 FTE
Missouri State Capitol Commission*	40 FTE	40 FTE	40 FTE
Total Estimated Net Effect on FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

* Reallocation of funds and FTE nets to zero.

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 2020	FY 2021	FY 2022
Local Government	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

§§8.007 & 8.177 - Authorizes Missouri State Capitol Commission to employ Capitol Police Officers

In response to similar legislation from this year, SCS for HCS for HB 982, officials from the **Department of Public Safety - Capitol Police (CP)** stated this bill would remove Missouri Capitol Police from the Department of Public Safety (DPS) and place it under the direction of the Missouri State Capitol Commission (Commission). The bill authorizes the commission to employ and supervise Missouri Capitol Police officers as outlined in §8.177, RSMo. It also gives the Commission the authority to appoint a sufficient number of Capitol Police officers to patrol the capitol grounds and handle all traffic and parking upon the capitol grounds and the grounds of other state-owned or leased properties in the capital city and the county which contains the seat of government.

The transfer from DPS to the Commission would require Capitol Police to replace the current department patch to reflect the division name change. Because the redesigned patch may not cover old stitching, it may be difficult for a local vendor to remove and replace all department patches and provide quality service in completing the order within the required time frame. Therefore, it is suggested to purchase new uniform shirts with the new department patch for each of the 34 officers. Each officer would receive two long-sleeve and two short-sleeve shirts which equates to 136 shirts (34 * 4) requiring patches. In addition, the department would need to replace all vehicle decals and office emblems.

The following equipment items and costs will be considered a one-time expense:

Vehicle/office emblems	\$700 per emblem x 10	=	\$7,000
Long-sleeve police uniform shirts	\$78 per shirt x 68 shirts	=	\$5,304
Short-sleeve police uniform shirt	\$66 per shirt x 68 shirts	=	\$4,488
1,000 replacement uniform patches	\$2 per patch x 1,000	=	\$2,000
Replacement of coat patch	\$12 per coat x 34 coats	=	<u>\$ 408</u>
Total costs			\$19,200

Capitol Police consulted with the Office of Administration/Information and Technology Systems Division (OA/ITSD) to determine technology-related costs associated with the bill. At this time, it is unknown which ITSD section would provide services to Capitol Police.

ASSUMPTION (continued)

OA/ITSD indicated there would be a cost associated with moving Capitol Police information and programs from the Department of Public Safety to a new server under the Commission. However, the cost estimate is unknown at this time.

Oversight notes the one-time costs as outlined by Capitol Police to replace existing emblems, department patches, and uniforms. Oversight assumes each shirt and coat (one inner coat and one outer coat) would require two patches, one for each sleeve. In addition, vehicle and office emblems would also need to be replaced to reflect this change.

Oversight notes OA/ITSD is unable to provide an estimate of the cost associated with moving the information and programs from the Department of Public Safety to a new server under the Commission, Oversight will reflect CP's impact as (\$19,200 to Unknown) for fiscal note purposes.

Oversight notes this proposal would transfer the Capitol Police from the Department of Public Safety to the Missouri State Capitol Commission. The Capitol Police has been the primary law enforcement agency for the 72-acre state office building campus known as the Capitol Complex since 1983. Officers patrol the buildings and grounds in their jurisdiction 24 hours a day, seven days a week. Patrols are made on foot, by vehicle and on bicycle. Criminal investigations, medical emergencies, traffic accidents, security and fire alarms and security escorts are only a few of the many incidents and calls for service officers provide to over 15,000 state employees and over 200,000 annual visitors to the seat of government. Using the Governor's Executive Budget recommendation for FY 2020, Oversight will show a transfer of \$1,824,003 and 40 FTE from the Department of Public Safety to the Missouri State Capitol Commission.

In response to similar legislation from this year, SCS for HCS for HB 982, officials from the **Office of Administration (OA)** stated no fiscal impact. OA does not assume any added responsibilities as a result of this legislation. OA states the Capitol Commission currently does not have sufficient appropriation authority to pay the officer's salaries nor do they have staff to oversee the Capitol Police and the day-to-day operations.

In response to similar legislation from this year, SCS for HCS for HB 982, **Oversight** notes that the **Department of Public Safety - Office of the Director** and the **Missouri House of Representatives** have stated the proposal would not have a direct fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

ASSUMPTION (continued)

§§67.392, 67.505 to 67.590, 67.671 to 67.997, 67.1303 to 94.705, 94.805 to 94.1012 - Clean up language

Officials at the **City of Kansas City** assume section 92.338.05 may have a negative fiscal impact on the City by making the Conventions & Tourism tax subject to the provisions of 67.495 like the other sales taxes.

Oversight notes this proposal would require all ballot language proposing sales and use tax increases to include certain information about the current sales and use tax rates of that taxing jurisdiction. Oversight notes this proposal would not have a fiscal impact until such time as a local political subdivision would want to place a tax increase/decrease on the ballot. Oversight notes this could increase ballot and publication costs to locals and will show the impact as \$0 to (Unknown).

§67.495

In response to similar legislation from this year, HCS for HB 374, officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed that Section 67.495 establishes a methodology that political subdivisions must use when presenting sales tax increases to the voters for approval. The provision has no impact on total state revenue or the calculation for Title X, Section 18(e).

Section 67.1300 codifies existing current taxing authority for local governments and makes technical clean-up changes to subdivision numbering. The rest of the provisions in this proposal make clean-up changes, and intersectional references to the new provision in section 67.495. BAP defers to DOR for any detailed explanations and estimates on this proposal.

In response to similar legislation from this year, HCS for HB 374, officials at the **City of Kansas City** assumed this legislation would likely have a negative fiscal impact on the City of Kansas City, Missouri, because of the difficulties in implementing §67.495. This is because Kansas City is in four counties but this legislation would mandate non-uniform ballot language for all of Kansas City's voters. A Kansas City resident who is also a Cass County resident has a different sales tax than a Kansas City resident who is also a Clay County resident; and this situation would be the same for Kansas City residents living in Platte County or Jackson County. Kansas City residents would be voting on different versions of the same measure. The problem becomes even worse when all the various taxing jurisdictions, which vary within a county, are factored in.

ASSUMPTION (continued)

In response to similar legislation from this year, HCS for HB 374, officials at the **City of Liberty** assumed while difficult to calculate any fiscal impact this may have on the City, it creates a situation that makes local taxing jurisdictions to be in competition with one another. Who might be the political subdivision who causes the cumulative rate to be too much for the local voters? Further, the methodology used to calculate the average sales tax rate would require inclusion of any CID or TDD development district(s) rates.

The City has a ½ cent Transportation Sales Tax that sunsets in 2030. All of Missouri struggles to maintain its road infrastructure. If the proposed law's disclosures caused competition within the local taxing entities and provided an inflated cumulative rate due to the inclusion of any CID or TDD district rates, the City could well lose this important revenue source which provides \$2.5 million in annual revenues for road maintenance and street improvements.

Liberty always discloses its collective City rate within its voter education information prior to ballot questions. Some of our local sales taxes sunset. CID and TDD Districts do not require a city-wide vote to implement their sales taxes. Further to require the inclusion of CID and TDD rates in the calculation methodology could potentially harm economic development efforts.

In response to similar legislation from this year, HCS for HB 374, officials at the **St. Louis County** assumed that the additional information required on future ballot language would not cause any significant increase in cost.

In response to similar legislation from this year, HCS for HB 374, officials at **Ray County** assumed there was no fiscal impact from this proposal.

In response to similar legislation from this year, HCS for HB 374, officials at the Wellsville-Middletown R-1 School District responded to **Oversight's** request but did not indicate a fiscal impact.

Oversight notes this proposal would require all ballot language proposing sales and use tax increases to include certain information about the current sales and use tax rates of that taxing jurisdiction. Oversight notes this proposal would not have a fiscal impact until such time as a local political subdivision would want to place a tax increase/decrease on the ballot. Oversight notes this could increase ballot and publication costs to locals and will show the impact as \$0 to (Unknown).

ASSUMPTION (continued)

§§67.641 & 99.585 - Certain tourism infrastructure facilities

Regarding changes to Section 67.641, according to the Office of Administration - Division of Accounting's State Debt Report as of July 1, 2018, \$5,000,000 in annual state payments are authorized for thirty years and will be paid annually through FY 2021. Therefore, **Oversight** will assume this bill will extend the time frame from 30 years to 40 years (another 10 years) of \$3,000,000 annual payments from the state for the Jackson County projects (Kauffman/Arrowhead Stadiums) as well as the \$2,000,000 annual payments for Bartle Hall beginning in FY 2022 through FY 2031.

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal will have no direct impact on General and Total State Revenues or the calculation pursuant to Article X, Section 18e.

This proposal could result in additional General Revenue expenditures of up to \$2.5 million annually for twenty years for land clearance projects for any fiscal year ending on or before June 20, 2029, and \$4.5 million annually for any fiscal year thereafter. The proposal also allows for an additional ten years of appropriations for sports complex funds. B&P notes any such expenditures would be subject to appropriation. To the extent new appropriations are made from general revenue, resources otherwise available for other budget priorities will be reduced.

This proposal may result in additional induced revenues, which B&P cannot estimate.

Officials at the **Office of Administration's Division of Facilities Management, Design and Construction (FMDC)** assume §99.585.1 of this legislation is regarding the planning, undertaking, or carrying out of a land clearance project or projects within the area in which the public body is authorized to act to develop, construct, reconstruct, rehabilitate, repair, or improve any tourism infrastructure facilities existing as of August 28, 2019, and for which application is made and approved by the department of economic development no later than August 28, 2020, and states "Any annual expenditure by a public body for such land clearance projects related to tourism infrastructure facilities shall be limited to a portion of tax revenues derived directly or indirectly from any such land clearance project or projects supported by such annual expenditure within such designated land clearance project area or areas". Subsection (2) of this section changes to twenty years for the term of any such agreement and limits the state appropriation authorized under this section to an annual amount not to exceed \$2.5 million for any fiscal year ending before June 30, 2029, and \$4.5 million for any fiscal year thereafter.

FMDC has not been appropriated funding from such tax revenues or spending authority for such tax revenues. As a result, FMDC would be unable to make such expenditures without additional appropriation. FMDC assumes that if such appropriation was made, it would be in addition to,

ASSUMPTION (continued)

and separate from, existing FMDC appropriations in order to ensure that expenditures did not exceed the level of tax revenues. The land clearance project or projects are not specified by the legislation. Therefore FMDC assumes its fiscal impact as a result of this legislation is an unknown amount not to exceed \$2.5 million (7/1/2020 – 6/30/2029) to \$4.5 million (every fiscal year after 6/30/2029) subject to new appropriation(s).

Officials at the **Department of Agriculture, Department of Health and Senior Services, Department of Natural Resources** and the **Office of the State Treasurer** each assume there is no fiscal impact from this proposal.

In response to similar legislation filed this year, SB 57, officials of the **Department of Economic Development (DED)** assumed this legislation amends §67.641 governing appropriations of convention and sports complex funds to allow repayment over 40 years instead of 30. It also creates §99.585, which allows the state of MO, acting through DED and OA, to appropriate funds for the purpose of land clearance projects or projects located within a city not within a county in order to develop, construct, reconstruct...any tourism infrastructure facilities existing as of 8-28-19 for which application is made and approved on or before 8-28-20. Appropriation is limited to portion of tax revenues derived directly or indirectly from the projects.

This proposal could result in additional expenditures to the state, subject to appropriation, and DED would need to hire 1 Economic Development Incentive Specialist III (\$51,108) to administer the program. It is possible that the impact will be offset by the requirement for a net positive fiscal impact.

At this time, **Oversight** has no information to verify DED's stated need for an FTE to administer this program. Therefore, Oversight will range the fiscal impact to DED from \$0 (department can administer this program with existing resources) to the 1 FTE estimate.

Oversight notes that the SB 57 set the cap on the land clearance projects at a different amount (\$6,000,000 per year) than this proposal (\$2,500,000).

Oversight notes this proposal states any agreement shall be determined to produce a positive net fiscal impact for the state over the term of such agreement. Oversight considers the positive benefits of the agreement to be an indirect impact and will not reflect it in the fiscal note.

Oversight notes this proposal (§99.585.1(2)) states the State shall not expend more than \$2.5 million until June 30, 2029, per year and \$4.5 million per year annually thereafter. Therefore, Oversight will show the fiscal impact as Up to \$2,500,000 in the fiscal note period.

In response to similar legislation from this year, HB 294, officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed this proposal will have no

ASSUMPTION (continued)

direct impact on General and Total State Revenues or the calculation pursuant to Article X, Section 18e.

This proposal could result in additional General Revenue expenditures of up to \$6 million annually for thirty years for land clearance projects. The proposal also allows for an additional ten years of appropriations for sports complex funds. B&P notes any such expenditures would be subject to appropriation. To the extent new appropriations are made from General Revenue, resources otherwise available for other budget priorities will be reduced.

This proposal may result in additional induced revenues, which B&P cannot estimate.

Officials at the **City of Kansas City** assume section 67.641 could have a positive fiscal impact on the City because the additional 10 years would continue the state subsidy for Bartle Hall. Also, section 99.585 may have a positive fiscal impact if the City were able to obtain the authorized funding for a tourism infrastructure facility.

§67.662 & §94.802 - Transient Guest Taxes

In response to similar legislation from this year, HCS for HB 863, officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed that §67.662 would broaden the entities subject to transient guest taxes. While the existing transient guest taxes have been voter approved, the broadening of their application could generate additional revenue that impacts local 18(e).

Section 94.802 - Currently, out-of-state ticket vendors who purchase tickets from a venue in Missouri pay sales and tourism taxes on the purchase of the tickets. The company does not collect or remit sales or tourism taxes on the ticket sales they then make to final consumers. This proposal would require ticket vendors located within Missouri as well as out-of-state ticket vendors that have in-state tourism sales greater than \$100,000, to pay the local tourism tax on the tickets they purchase and collect and remit the tourism tax on the final sales price to consumers. B&P notes that under the language, a portion of the ticket price could be subject to double taxation. However, impacted out-of-state ticket vendors could register with DOR and apply for a resale license. If such vendors obtain a resale license, they would no longer be obligated to pay sales or tourism taxes on the tickets they purchase from venues. Instead, the vendors would only have to collect and remit the tourism tax for the final sales they make to consumers. Therefore, B&P estimates that this may have a positive impact to local tourism tax collections, if impacted ticket vendors are able to obtain resale licenses.

ASSUMPTION (continued)

However, this proposal does not require the collection of local or state sales taxes. If vendors obtain a state resale license, they would no longer be obligated to pay state or local sales taxes on their purchase of tickets from in-state venues. If such vendors choose to then collect state and local sales on their sales of tickets, state and local sales taxes may increase. Otherwise, this proposal may have a negative impact to state and local sales tax collections.

This proposal may increase Total State Revenue, B&P notes, however, that the Total State Revenue impact from §94.802 is only due to a clarification to the base pursuant to the United States Supreme Court ruling in *Wayfair vs. South Dakota* (2018).

This proposal will not impact the calculation under Article X, Section 18(e) as this would not technically be a new tax. Much of the revenue from online retail sales should already be due under the existing use tax law.

In response to similar legislation from this year, HCS for HB 863, officials at the **City of Kansas City** assumed an unknown fiscal impact on the City as the City does not track these companies.

Oversight will utilize B&P's assumption that this proposal broadens the entities subject to the local tax, and reflect a potential additional income to political subdivisions.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities or counties were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov

§67.1100 - Donations via text messages for the homeless

In response to a previous version, officials at the **City of St. Louis** stated that according to the Director of the City's Information Technology Services Agency (ITSA), creating a site to manage a payment portal for a text-to-donate activity would have an estimated cost between \$30,000 and \$50,000 in the first year to buy or build a system. It would cost between \$5,000 and \$10,000 for annual maintenance.

The Department of Human Services estimates that it would cost between \$5,000 and \$10,000 annually to handle fiscal and programmatic tasks. The Department of Human Services was also unable to estimate potential revenue for this proposal.

In response to a previous version, officials at the **City of Kansas City** assumed a negligible negative fiscal impact on the City. Without addressing the merits of the legislation itself (which are laudable) there are mandates in subsections (2) and (3) that require a number of actions on the

ASSUMPTION (continued)

part of the City to facilitate the use of the donations. We also think that while subsection (4) purports to make a one-time appropriation for a pilot project, the appropriation only covers the promotional responsibilities. This small negative impact may end up being inconsequential.

In response to a previous version, officials at the **Office of Administration's Division of Budget and Planning** and the **Missouri House of Representatives** each assumed no fiscal impact to their respective agencies from this proposal.

Oversight notes that the proposal states that "The general assembly shall make a one-time appropriation to each city in a sufficient amount to authorize each city to provide initial signage promoting a newly created text-to-donate fund." Oversight is unclear from the proposal when this will occur or how much will be appropriated by the General Assembly. Although it is up to the discretion of the General Assembly to make these decisions, Oversight will assume that the appropriation would be authorized in FY 2020 and will reflect a cost of (unknown - Less than \$100,000) in FY 2020.

Oversight also assumes, for fiscal note purposes that donations to the text-to-donate funds will be spent on services to the homeless in the year donations are made.

§67.1300

Oversight notes in §67.1300 it appears to add language clarifying that counties and municipalities can collect an economic development sales tax. Oversight confirmed with the Department of Revenue that counties and municipalities can already collect this sales tax under §67.1300.2 and that currently no county or municipality is collecting this sales tax. Therefore, Oversight will not show a fiscal impact from this proposal.

§144.020 - Telecommunication Taxes

In response to similar legislation from this year, HCS for HB 1227, officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed this amendment would require sales taxes to be applied to nontaxable telecommunications services if they are bundled with taxable telecommunications services, unless the provider can identify and verify the portion of the bundle that originated from nontaxable services. B&P notes that telecommunications providers may already be doing this. Therefore, B&P estimates that this amendment may have a \$0 to unknown impact on Total State Revenue. B&P defers to DOR for more detailed information.

Section 144.020.1(4) c requires telecommunication companies to notify DOR in writing if they intend to split the bundle between taxable and nontaxable items as allowed in Section

ASSUMPTION (continued)

144.020.1(4)(b).

This amendment may impact Total State Revenue by an unknown amount. This amendment may impact the calculation under Article X, Section 18(e).

Officials at the **Department of Revenue (DOR)** assume that currently, §144.020 imposes a tax in an amount equal to 4% on the basic rate paid or charged on all sales of local and long distance telecommunications service to telecommunications subscribers and to others through equipment of telecommunications subscribers for the transmission of messages and conversations and upon the sale, rental or leasing of all equipment or services pertaining or incidental thereto; except that, the payment made by telecommunications subscribers or others, pursuant to §144.060, and any amounts paid for access to the internet or interactive computer services shall not be considered as amounts paid for telecommunications services.

The proposed legislation adds to §144.020 the following language, "If local and long distance telecommunications services subject to tax under this subdivision are aggregated with and not separately stated from charges for telecommunications service or other services not subject to tax under this subdivision, including, but not limited to, interstate or international telecommunications services, then the charges for nontaxable services may be subject to taxation unless the telecommunications provider can identify by reasonable and verifiable standards such portion of the charges not subject to such tax from its books and records that are kept in the regular course of business for other purposes, including, but not limited to, financial statement, general ledgers, invoice and billing systems and reports, and reports for regulatory tariffs and other regulatory matters."

While the statutory change in §144.020 is new, without audits the Department is unable to determine, based on the data we have, what, if any, impact the statutory change may have. The impact will be \$0 – (Unknown).

In response to similar legislation from this year, HCS for HB 1227, officials at the **Department of Conservation** assumed an unknown fiscal impact but greater than \$100,000. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. Any increase in sales and use tax collected would increase revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax. The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials at the **Department of Natural Resources** assume the Department's Parks and Soils

ASSUMPTION (continued)

Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Any increase in sales tax collected could increase revenue to the Parks and Soils Sales Tax Funds. The Department assumes any increase in revenue to the Parks and Soils Sales Tax fund would be used for the purposes established in Article IV Section 47(a) of the Missouri Constitution.

The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes that Article IV, Section 47 of the Missouri Constitution, allows revenue received from an additional sales tax of one-tenth (1/10) of percent (1%) to be used for the conservation and management of the soil and water resources of Missouri and for the proper management of the state parks. The Parks Sales Tax Fund (0613) and the Soil and Water Sales Tax Fund (0614) each are to receive 50% of this additional sales tax funding.

In response to similar legislation from this year, HCS for HB 1227, officials at the **Public Service Commission** assumed there is no fiscal impact from this proposal.

Officials at the **City of Kansas City** assume this may have a positive impact on the City to the extent a telecommunications provider can't identify charges that aren't covered in customer's bills.

Currently, some telecommunications companies bundle their taxable and nontaxable services together and therefore, collects tax on the total cost of bundled services even if some of the services may have been nontaxable. This proposal establishes a way for a telecommunications companies to separate the taxable and nontaxable services and to only collect taxes on the taxable services. **Oversight** is unable to determine how many companies are currently collecting and may continue to collect taxes on bundled services; as well as how many will choose to separate their services and reduce the tax they collect. Oversight will show the impact as \$0 to Unknown loss to the state sales tax funds.

§§190.292, 190.293, 190.335 and 190.455 - Cape Girardeau County sales tax

In response to similar legislation from this year, HCS for HB 1249, officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed this proposal permits the county commission upon receipt of a petition to allow voters in the County of Cape Girardeau to impose a sales tax up to 1.00% for the purpose of funding emergency services for the county. Collection of the sales tax shall not occur more than 36 months before operation of the central emergency services commences.

Using forecast estimates for statewide average growth in local sales taxes and state taxes
NM:LR:OD

ASSUMPTION (continued)

(including food), the estimated average growth for FY 2019 and FY 2020 is 3.4% and 3.1%, respectively.

B&P estimates the County of Cape Girardeau FY 2020 taxable sales to total \$1.4 billion. B&P assumes the emergency services centralized operations will commence in three years and that this sales tax would take effect starting April 1, thus only impacting Q4 of FY 2020 sales collections.

For the County of Cape Girardeau, with estimated Q4 sales collections of \$1.4 billion, this proposed sales tax could generate approximately \$3.6 million for the county in FY 2020. As a voter-approved tax with collections under the authority of an emergency services board, the collected revenues will not impact on General and Total State Revenues or the calculation under Article X, Section 18(e).

Using the same methodology to estimate FY 2021 and FY 2022 sales, we estimate taxable sales in County of Cape Girardeau to total \$1.4 billion in FY 2020. This proposed sales tax might generate approximately \$14.4 million for the county in FY 2021, and annually thereafter. As a voter-approved tax with collections under the authority of an emergency services board, the collected revenues will not impact on General and Total State Revenues or the calculation under Article X, Section 18(e).

Officials at the **Department of Revenue (DOR)** assume as published in the Department of Revenue's "Financial and Statistical Report - Fiscal Year Ended June 30, 2017, Cape Girardeau County received or was distributed by the Department approximately \$14,275,551 in sales tax. The Department collects one percent for the cost of collection. When extrapolating the distribution amount out to incorporate the one percent, total sales tax collected in Cape Girardeau County during Fiscal Year 2017 is estimated at \$14,419,748 ($\$14,275,551 / 99\%$).

Currently, Cape Girardeau County imposes a sales tax at a rate of 1 percent. If extrapolated out, the Department estimates that Cape Girardeau County's total taxable sales equaled \$1,427,555,100 ($\$14,419,748 / 1\%$).

The Department estimates that if a sales tax rate equal to one percent was imposed pursuant to Section 190.293, as written in this proposed legislation, Cape Girardeau County would receive twice as much in distribution each year; the Department estimates that Cape Girardeau County would receive an additional \$14,275,551 ($\$1,441,974,800 \times 1\% - (\$14,419,748 \times 1\%)$)

Fiscal Year	Increase to Cape Girardeau County Revenues
2020	\$0
2021	\$14,275,551
2022	\$14,275,551
2023	\$14,275,551

ASSUMPTION (continued)

Cape Girardeau County, would receive the aforementioned revenues if the qualified voters of Cape Girardeau County passed such ordinance and if the rate applied was one percent.

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

Oversight notes this proposal would become effective August 28, 2019 and therefore could not be placed on the November 2019 ballot as the certification date for the November election is August 27, 2019. Therefore it would be put to a vote of the people at the April 2020 municipal election. 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 2020 general municipal election would be October 1, 2020 (FY 2021). Therefore, only nine months of taxes would be collected in FY 2021.

Oversight will show the impact as \$0 (not approved or put before voters) to the impact estimated by B&P. Also, Oversight assumes the current Emergency telephone service tax authorized in Section 190.305 would cease to be collected if this sales tax is approved by voters. Oversight does not have information regarding the amount of current collections under Section 190.305; therefore, Oversight will reflect an unknown loss of revenue to Cape Girardeau County, but by an amount less than the possible sales tax collections would be.

In response to similar legislation from this year, HCS for HB 1249, officials at **Laclede County** and **St. Louis County** each assumed there is no fiscal impact from this proposal.

§436.338 - Prohibits political subdivisions from requiring a home inspection before the sale of residential property

In response to similar legislation from this year, HB 1189, officials at the **Department of Economic Development, the Department of Insurance, Financial Institutions and Professional Registration, the Office of the Attorney General** and the **Office of the State Courts Administrator** each assume no fiscal impact to their respective agencies from this proposal.

Oversight notes that the Department of Economic Development, the Department of Insurance, Financial Institutions and Professional Registration, the Office of the Attorney General and the Office of the State Courts Administrator each has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

In response to similar legislation from this year, HB 1189, officials at **St. Louis County** and **Ray County** each assumed no fiscal impact to their respective entities from this proposal.

ASSUMPTION (continued)

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

Oversight notes that according to Ordinance 69202 in St. Louis City, the City Housing Conservation District Inspection is a basic code inspection designed to check for minimal interior building code violations, and meet minimum exterior standards under the International Property Maintenance Code. The Housing Conservation District includes 98% of the property in St. Louis. The inspections are not intended to imply a guarantee or warranty as to the overall condition of the building and/or systems. Units must be inspected before they are rented or sold. The initial application cost is \$90 with discounts for multiple applications for inspections at the same address.

Oversight assumes that cities and/or counties with similar inspection ordinances could have a reduction in revenue on fees from inspections should this proposal be enacted. Oversight is unclear on the amount of revenues that could be lost from this proposal and will reflect a \$0 to unknown loss in revenues for this proposal.

§488.5050 - Extends the expiration date of the DNA Profiling Analysis Fund

Officials at the **Department of Public Safety's Missouri Highway Patrol (DMHP)** state SB 20 extends the expiration of a criminal court surcharge for the DNA Profiling Analysis Fund from August 28, 2019, to August 28, 2029.

Pursuant to 650.052, RSMo, the DMHP is designated as the central repository for the DNA profiling system known as CODIS or the Combined DNA Index System. The CODIS Unit of the MSHP Crime Laboratory manages the Offender DNA Profiling program and collaborates with the seven other Missouri CODIS laboratories, allowing for their participation in the National DNA Index System. The CODIS Unit receives an average of 21,000 offender DNA samples annually for entry into CODIS, where they are searched against DNA profiles developed from crime scene evidence, unidentified human remains, and missing persons. To date, this program has assisted over 14,300 investigations. It is an invaluable tool for law enforcement in Missouri and nationwide.

It costs \$28.93 per sample/DNA profile in raw consumables to produce a DNA profile by our CODIS unit. If labor costs, instrument, and software maintenance are included, the cost per sample/DNA profile can approach \$46.13.

Failure to address the funding source will not only result in a laboratory budgetary shortfall of approximately \$968,651 each year or the discontinuation of the program which would result in

ASSUMPTION (continued)

an average of 21,000 offender DNA samples annually not being registered in the CODIS DNA database but could also obviate a return on investment to the citizens of Missouri.

Additional internal calculations are based on the 2017 MSHP Criminal Justice Information

Services (CJIS) arrest statistics and the Crime Lab 2017 arrestee offender sample intake. FTE needs and cost calculations are based on the unit's present estimated processing capacity and operational costs.

Oversight does not have any information contrary to that provided by the DMHP. Therefore, Oversight will reflect DMHP's impact for fiscal note purposes.

Oversight notes the proposal extends income to the DNA Profiling Fund (0772). The balance of the fund at December 31, 2018 was \$3,550,916 and receipts into this fund over the past five fiscal years have been:

FY2018 - \$1,170,953
FY2017 - \$1,169,311
FY2016 - \$1,224,606
FY2015 - \$1,279,702
FY2014 - \$1,323,673

(Source: Missouri State Treasurer, Fiscal Year End Fund Activity Reports).

Oversight notes over the past five years, this fund averaged \$1,233,649 in annual receipts ($\$1,170,953 + \$1,169,311 + \$1,224,606 + \$1,279,702 + \$1,323,673 = \$6,168,245 / 5$). For fiscal note purposes, Oversight will use the five year average as a basis of annual collections into this fund. Oversight assumes income to the fund will more than exceed DMHP's estimated costs for the program.

In response to similar legislation from this year, SB 20, **Oversight** notes that the **Office of Administration - Budget & Planning** and **Office of the State Courts Administrator** have stated the proposal would not have a direct fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Bill as a Whole

Officials at the **Department of Health and Senior Services**, the **Department of Agriculture**, the **Joint Committee on Administrative Rules** and the **Missouri Senate** each assume no fiscal impact to their respective agencies from this proposal.

Officials at the **City of Columbia** and the **St. Louis County Department of Justice Services** each assume no fiscal impact to their respective entities from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Costs</u> - Capitol Police - one time costs to replace emblems, uniforms, patches (§8.177) p. 4-5	(\$19,200)	\$0	\$0
<u>Costs</u> - OA/ITSD - moving Capitol Police information and programs from DPS to Commission (§8.177) p. 4-5	(Unknown)	\$0	\$0
<u>Costs</u> - OA - extension of time for payments for projects in Jackson County from 30 years to 40 years (§67.641) p. 8	\$0	\$0	(\$5,000,000)
<u>Costs</u> - DED (§99.585) p. 9	\$0 or....	\$0 or	\$0 or
Personal Service 0 or 1 FTE	(\$42,590)	(\$51,619)	(\$52,135)
Fringe Benefits	(\$23,487)	(\$28,340)	(\$28,498)
Expense & Equipment	(\$11,874)	(\$4,578)	(\$4,692)
Total Costs - DED	\$0 or (\$77,951)	\$0 or (\$84,537)	\$0 or (\$85,325)
FTE Change - DED	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
<u>Transfer out</u> - to appropriate funds for advertising text-to-donate programs (§67.1100) p. 12	(Unknown - Less than \$100,000)	\$0	\$0
<u>Cost</u> - DED - land clearance projects (increases to \$4.5 million per year in FY 2030) (§99.585) p. 8-9	(Up to \$2,500,000)	(Up to \$2,500,000)	(Up to \$2,500,000)
<u>Revenue Reduction</u> - DOR - reduction in sales tax collected if telecommunication companies are allowed to separate services (§144.020) p. 12-14	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	(Unknown - Less than <u>\$2,697,151</u>)	(Unknown, Less than <u>\$2,584,537</u>)	(Unknown, Less than <u>\$7,585,325</u>)
Estimated net change to FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
SCHOOL DISTRICT TRUST FUND			
<u>Revenue Reduction</u> - DOR - reduction in sales tax collected if telecommunication companies are allowed to separate services (§144.020) p. 12-14	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue Reduction</u> - DOR - reduction in sales tax collected if telecommunication companies are allowed to separate services (§144.020) p. 12-14	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
PARKS, SOIL & WATER FUND			
<u>Revenue Reduction</u> - DOR - reduction in sales tax collected if telecommunication companies are allowed to separate services (§144.020) p. 12-14	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE PARKS, SOIL & WATER FUND	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
DNA PROFILING ANALYSIS FUND (0772)			
<u>Income</u> - Extension of Expiration Date from 08/28/19 to 08/28/29 (§488.5050) p. 18	<u>\$1,028,041</u>	<u>\$1,233,649</u>	<u>\$1,233,649</u>
ESTIMATED NET EFFECT ON THE DNA PROFILING ANALYSIS FUND	<u>\$1,028,041</u>	<u>\$1,233,649</u>	<u>\$1,233,649</u>
DEPARTMENT OF PUBLIC SAFETY			
<u>Reallocation</u> - Capitol Police funding and 40 FTE from DPS to Commission (§8.177) p. 4-5	<u>\$1,824,003</u>	<u>\$1,824,003</u>	<u>\$1,824,003</u>
ESTIMATED NET EFFECT TO THE DEPARTMENT OF PUBLIC SAFETY	<u>\$1,824,003</u>	<u>\$1,824,003</u>	<u>\$1,824,003</u>
MISSOURI STATE CAPITOL COMMISSION			
<u>Reallocation</u> - Capitol Police - funding and 40 FTE into the Commission (§8.177) p. 4-5	<u>(\$1,824,003)</u>	<u>(\$1,824,003)</u>	<u>(\$1,824,003)</u>
ESTIMATED NET EFFECT TO THE COMMISSION	<u>(\$1,824,003)</u>	<u>(\$1,824,003)</u>	<u>(\$1,824,003)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> - Local Governments - transient guest taxes owed by additional operators (§67.662)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Cost</u> - Locals for additional election costs (§67.495)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Transfer In</u> - St. Louis City and Kansas City - funds to advertise the text-to-donate programs (§67.1100) p. 12	Unknown - Less than \$100,000	\$0	\$0
<u>Income</u> - St. Louis City and Kansas City - Donations to text-to-donate funds (§67.1100) p. 12	Unknown	Unknown	Unknown
<u>Costs</u> - St. Louis City and Kansas City - advertising the text-to-donate programs (§67.1100) p. 12	(Unknown - Less than \$100,000)	\$0	\$0
<u>Costs</u> - St. Louis City and Kansas City - Services to the Homeless paid from text-to-donate funds (§67.1100) p. 12	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - St. Louis City - Payment portal for text-to-donate activity (§67.1100) p. 12	(\$35,000 to \$60,000)	(\$10,000 to \$20,000)	(\$10,000 to \$20,000)
<u>Cost</u> - Kansas City - Payment portal for text-to-donate activity (§67.1100) p. 12	(Minimal)	(Minimal)	(Minimal)
<u>Revenue</u> - Local Governments - admission tickets (§94.802)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

<u>FISCAL IMPACT - Local Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
<u>Revenue - Cape Girardeau County -</u> County telephone sales tax (§§190.292 to 190.455) p. 14-16	\$0	\$0 or \$10,832,280	\$0 or \$14,443,040
<u>Loss - Cape Girardeau County -</u> Termination of tax collections under §§190.292 to 190.455 p. 14-16	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Loss - Local Political Subdivisions - in</u> revenues from inspection fees (§436.338) p. 17	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL IMPACT - Small Business

Certain small businesses that may collect and/or pay transient guest taxes could be impacted by this proposal from §§67.662 & 94.802. Businesses that collect the sales tax in sections 190.292 thru 190.455 for Cape Girardeau County will be impacted.

FISCAL DESCRIPTION

§§8.007 & 8.177

This bill moves the Missouri Capitol Police from the Department of Public Safety to the Missouri State Capitol Commission and gives the Capitol Commission the authority to employ staff and contract services to fulfill the responsibilities given.

§§67.641 & 99.585

This bills allows the State of Missouri and any other public body to expend funds for the purpose of aiding and cooperating in the planning, undertaking or carrying out of a land clearance project or projects to develop, construct, reconstruct, rehabilitate, repair or improve any tourism infrastructure facilities, as defined in the bill, which exists as of August 28, 2019, and for which an application is made and approved by the Department of Economic Development by August 28, 2020.

FISCAL DESCRIPTION (continued)

Any expenditure for such a land clearance project shall be limited to a portion of tax revenues derived directly or indirectly from such project as stated in an agreement between the public body and the land clearance for redevelopment authority, provided that such agreement shall not be longer than 40 years, the annual amount of state appropriation shall not exceed \$6 million, and the project shall be determined to produce a positive net fiscal impact for the state over the term of such agreement.

The Director of the Department of Economic Development shall make an annual report detailing the overall net fiscal impact to the state for each project (§99.585).

Additionally, the Jackson County Convention and Sports Complex Fund is currently authorized to receive \$3 million in state appropriations each year until 2019. This bill extends the date to 2029 (§67.641).

§§67.662& 94.802

This bill allows a municipality, county, or local taxing entity to collect transient guest taxes on any amount received by a broker, travel agent, or other intermediary working on behalf of an operator of a hotel, motel, tavern, inn, tourist cabin or camp, or other place in which rooms are furnished to the public. (Section 67.662)

Current law authorizes certain municipalities to impose a 4% tax on the price paid or charged for any admission ticket to or participation in any private tourist attraction in such municipality. This act provides that the sale of an admission ticket shall be deemed to have taken place within the municipality and shall be subject to tax regardless of the location at which or the vendor from whom the ticket is actually purchased, provided that the private tourist attraction for which the admission ticket is sold is physically located within the municipality. (Section 94.802)

§67.1100

This act creates a pilot program in Kansas City and St. Louis that creates a fund to provide services aimed at reducing the population of homeless persons in that city. This fund will be funded by donations made via text messages.

Each city that creates a fund shall be responsible for administering, promoting, securing donations to, and making distributions from the fund. Additionally, each city shall provide the phone number to which donations can be texted. Distributions from a city's fund shall only be made to pay for services aimed at reducing the homeless population of that city.

FISCAL DESCRIPTION (continued)

This act also requires the General Assembly to make a one time appropriation for the initial signage promoting these funds. This appropriation shall be in an amount adequate enough to purchase signage to be displayed in areas with a high population of homeless persons in such cities. Any further expenditures to promote a city's fund shall be paid out of the fund itself.

§§190.292, 190.293, 190.335 & 190.455

This bill allows the county commission of a county of the first classification with more than 70,000 but fewer than 83,000 inhabitants and with a city of the fourth classification with more than 13,500 but fewer than 16,000 inhabitants as the county seat may impose a county sales tax for the purpose of central dispatching of emergency services.

The sales tax cannot be more than 1% of each taxable sale or service. The sales tax cannot be collected more than 36 months before the operation of the central dispatching of emergency services. Currently, this only applies to Cape Girardeau County.

§144.020

This bill specifies that if local and long distance telecommunications services subject to sales tax are aggregated with and not separately from charges for telecommunications service or other services not subject to the tax, then charges for nontaxable services may be subject to taxation unless the telecommunications provider can identify by reasonable and verifiable standards the portion of the charges not subject to the tax.

§436.338

This bill prevents a political subdivision from requiring a property owner from having a home inspection conducted of a residential property regarding the sale of the property. The bill does not apply to any inspection requirement of new construction or occupancy permits.

§488.5050

Currently, a court surcharge in all criminal cases for deposit into the DNA Profiling Analysis Fund shall expire on August 28, 2019. This act extends the expiration of the surcharge to August 28, 2029.

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 Public Safety
 Capitol Police
 Office of the Director
 Missouri Highway Patrol
Office of Administration - Division of Budget and Planning
Missouri House of Representatives
City of Kansas City
Department of Revenue
Joint Committee on Administrative Rules
City of Liberty
Ray County
Wellsville Middletown R-1 School District
Department of Economic Development
 Public Service Commission
Department of Natural Resources
Department of Conservation
St. Louis City
Laclede County
St. Louis County
Department of Insurance, Financial Institutions and Professional Registration
Office of the Attorney General
Office of the State Courts Administrator
Department of Health and Senior Services
Department of Agriculture
Missouri Senate
City of Columbia
St. Louis County Department of Justice Services



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May 9, 2019

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May 9, 2019