

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0172-04  
Bill No.: HCS for SB 21  
Subject: Taxation and Revenue - Sales and Use; Towns and Villages  
Type: #Corrected  
Date: May 9, 2019  
# To correct a number in the General Revenue table (FY 2023 column) on page 45.

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Bill Summary: This proposal modifies provisions relating to taxation and other matters.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2023)
General Revenue	(Could exceed \$166,527 to \$2,919,597)	(Could exceed \$1,328,795)	(Could exceed \$10,958,323)	(Could exceed \$2,777,599)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Could exceed \$166,527 to \$2,919,597)</b>	<b>(Could exceed \$1,328,795)</b>	<b>(Could exceed \$10,958,323)</b>	<b>(Could exceed \$2,777,599)</b>

**\* Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect B&P's revenue estimates for the changes to the tax rates.**

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 59 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Fully Implemented (FY 2023)</b>
Department of Public Safety	\$1,824,003	\$1,824,003	\$1,824,003	\$1,824,003
Missouri State Capitol Commission (0745)	(\$1,824,003)	(\$1,824,003)	(\$1,824,003)	(\$1,824,003)
Highway (0644)	\$2,277,171 to \$22,456,083	\$2,732,606 or \$26,950,900	\$2,732,606 or Could exceed \$27,017,417	\$2,865,641 or Could exceed \$27,083,935
Kansas City Regional Law Enforcement Memorial Foundation	\$0	\$0	\$0	\$0
School District Trust (0688)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Conservation Commission (0609)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Parks, Soil & Water (0613 & 0614)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
State Legal Expense (0692)	\$0	\$0	\$0	\$0
Missouri Veterans' Health & Care	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$2,277,171 to \$22,456,083 to (Unknown)</b>	<b>\$2,732,606 or \$26,950,900 to (Unknown)</b>	<b>\$2,732,606 or Could exceed \$27,017,417 to (Unknown)</b>	<b>\$2,865,641 or Could exceed \$27,083,935 to (Unknown)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Fully Implemented (FY 2023)</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Fully Implemented (FY 2023)</b>
General Revenue	1 or up to 14 FTE	1 or up to 17 FTE	1 or up to 13 FTE	1 or up to 12 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 or up to 14 FTE</b>	<b>1 or up to 17 FTE</b>	<b>1 or up to 13 FTE</b>	<b>1 or up to 12 FTE</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Fully Implemented (FY 2023)</b>
<b>Local Government</b>	<b>(Unknown) or Could exceed \$830,889 to \$7,558,193</b>	<b>(Unknown) or Could exceed \$910,868 to \$20,475,704</b>	<b>(Unknown) or Could exceed \$910,868 to \$24,280,679</b>	<b>(Unknown) or Could exceed \$910,868 to \$24,302,851</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §8.007 and §8.177 Authorizes Missouri State Capitol Commission to employ Capitol Police Officers

In response to similar legislation filed this year, HB 982, officials from the **Capitol Police (CP)** state 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. 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			<u>\$19,200</u>

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.

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.

ASSUMPTION (continued)

**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 filed this year, 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.

Officials at the **Department of Public Safety's Office of the Director** assume there is no fiscal impact from this proposal.

In response to similar legislation filed this year, HB 982, officials at the **Missouri House of Representatives** and **Missouri Senate** 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)

\$350,000 Development Fee  
+ \$200,000 for 4 kiosks @ \$50,000 per kiosk  
+ \$40,000 /year for 4 kiosks' maintenance @ \$10,000 per kiosk

**Total Estimated Cost: \$590,000**

The estimated \$350,000 one-time vendor development fee to implement the Motor Vehicle kiosk program, and \$50,000 per kiosk cost, and \$10,000 yearly kiosk maintenance cost is based on an estimate provided by a vendor based on 1 cost model type. The Department will consider these fees at this time, however, there could be potential cost models in which the cost to the State could be minimized or eliminated based on what is proposed in the bids that come in. Until the RFP is awarded, the exact cost and cost model will be unknown.

Driver License Bureau

The provisions authorizing online drivers license renewals and Mobile Driver Licenses are subject to appropriations. The proposed legislation will require amendments to our current vendor contract or a request for procurement of a new license issuance contract to include a digital driver's license, referred to as the Mobile Driver License Application (mDL).

The Department will implement a pilot program for the Mobile Driver License (mDL) portion of this bill and has provided the costs associated with a pilot program based on estimates provided by the Department's current licensing vendor. The Department will seek additional appropriations if a decision is made to move forward with full implementation.

There is a \$4.49 annual subscription fee associated with the purchase of an mDL, which is paid by the mDL holder to the app store when activating the mDL after it has been downloaded. This fee includes the app store fee and the vendor's fee. Once the app store collects its portion of the fee, the remaining fee balance is passed on to the vendor for its services.

This pricing and the final pricing could potentially be higher or lower depending on the final scope, requirements, adoption trends, development of the alternate business models, etc.

mDL - Mobile Driver License Program (Pilot)

<b>Hardware Cost - Implementation of the pilot program</b>	<b>\$350,000</b>
<b>FedRAMP Cost - Cloud hosting service (statewide implementation)</b>	<b>\$400,000</b>

ASSUMPTION (continued)

If the Department expanded the implementation of the mDL program statewide, there would be a cloud hosting service cost of \$400,000. Since this legislation will implement the mDL program on a pilot level to start with, this cost is not figured into this fiscal note.

The estimated \$350,000 one-time vendor development fee to implement the mDL program cost is based on an estimate provided by a vendor based on 1 cost model type. The Department will consider this fee at this time, however, there could be potential cost models in which the cost to the State could be minimized or eliminated based on what is proposed in the bids that come in.

To implement the proposed legislation, the Department will be required to:

- Work with the Office of Administration to amend the current license issuance vendor contract or issue a Request for Proposal (RFP) to compare available pricing and technology for Mobile Driver License Applications;
- Complete business requirements and design documents to modify the Missouri Electronic Driver License (MEDL) Central Issuance system, the Missouri Driver License System (MODL), Missouri AAMVA Interface (MAI), and supporting applications to allow for integration with the Mobile Driver License Application (mDL).
- Complete user acceptance testing of the Missouri Electronic Driver License System (MEDL) and supporting applications to ensure new remote electronic renewals process and post to system diagnostic reports;
- Update forms, manuals, letters, and the Department website;
- Design and develop new system generated notices providing a PIN number for the remote renewal of the Mobile Driver License (mDL);
- Update the on-line and printed versions of the Missouri Driver Guide, Missouri Motorcycle Guide and Commercial Driver License Manual;
- Update policies, procedures, and the Uniform License Issuance Manual (ULIM);
- Train staff; and
- Deploy outreach efforts to inform the public, state and federal agencies and other entities using the Department of Revenue issued driver or nondriver license (identification card) for verification of identity of the Mobile Driver License Application (mDL).

FY 2020 - Driver License Bureau

Administrative Analyst II	1,512 hrs. @ \$17.13 per hr.	= \$25,901
Management Analysis Spec II	2,352 hrs. @ \$20.57 per hr.	= \$48,381
Revenue Manager	756 hrs. @ \$20.59 per hr.	= \$15,566
Total		= \$89,848



ASSUMPTION (continued)

FY 2021 - Driver License Bureau

Revenue Processing Tech II	1,008 hrs. @ \$13.07 per hr.	= \$ 13,175
Administrative Analyst II	1,531 hrs. @ \$17.13 per hr.	= \$ 26,226
Management Analysis Spec II	3,659 hrs. @ \$20.57 per hr.	= \$ 75,266
Revenue Manager	766 hrs. @ \$20.59 per hr.	= \$ 15,772
Total		= \$130,439

FY 2022 - Driver License Bureau

Revenue Processing Tech II	504 hrs. @ \$13.07 per hr.	= \$ 6,587
Administrative Analyst II	765 hrs. @ \$17.13 per hr.	= \$13,104
Management Analysis Spec II	1,829 hrs. @ \$20.57 per hr.	= \$37,623
Revenue Manager	382 hrs. @ \$20.59 per hr.	= \$ 7,865
Total		= \$65,179

FY 2021 - Personnel Services Bureau

Administrative Analyst II	1,176 hrs. @ \$17.13 per hr.	= \$20,145
Management Analysis Spec II	1,176 hrs. @ \$20.57 per hr.	= \$24,190
Total		= \$44,335

**Total Costs** = **\$329,801**

**Oversight** assumes DOR could hire additional FTE as a result of this proposal. Based on the number of hours required to implement this proposal, Oversight assumes DOR could hire six FTE. Oversight will reflect the costs of potential FTE in the corresponding years the work will be required.

Below is a summary of the FTE costs by fiscal year:

FY 2020 (10 Months)

1 Administrative Analyst II  
1 Management Analysis Specialist II  
Salary plus fringe benefits = \$106,278

FY 2021

2 Administrative Analyst II  
3 Management Analysis Specialist II  
Salary plus fringe benefits = \$326,106

ASSUMPTION (continued)

FY 2022

1 Management Analysis Specialist II  
Salary plus fringe benefits = \$69,557

**Oversight** inquired of DOR and notes there are 176 contracted license offices (not including Central Office). Oversight assumes the pilot program assumed by DOR would provide at least as many kiosks as license offices and could potentially be implemented statewide (one for each of the license offices). Oversight also notes a statewide implementation could result in an unknown costs savings to local contract license offices; therefore, Oversight will range the fiscal impact of this proposal from \$0 (the General Assembly does not appropriate funds to implement the program) to the costs associated with the pilot program only, to the costs required for statewide implementation of the remote driver's license renewal system.

**DOR** noted OA-ITSD costs will be required at a cost of **\$1,664,226** (21,395.88 hours x \$75 per hour) in FY 2020.

**Oversight** notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out the programming changes needed to various DOR systems. ITSD estimates the project would take 21,395.88 hours at a contract rate of \$75 per hour for a total cost to the state of \$1,664,226. Oversight notes that an average salary for a current IT Specialist within ITSD is \$51,618, which totals roughly \$80,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, **Oversight** assumes ITSD may (instead of contracting out the programming) hire 10 additional IT Specialists (21,395.88 hours / 2,080 hours = 10.2 FTE) to perform the work required from this bill. Therefore, Oversight will range the fiscal impact from the cost of contracting out the work (\$1,664,226) to hiring an additional 10 FTE IT Specialists (roughly \$800,000 per year).

Revenue Impact

**DOR** noted driver license online renewals would result in an increase in Central Office processing fees collected. It is unknown how many people will choose to renew their driver licenses online. Using CY 2018 statistics from another state that remotely renews driver licenses, and for the purpose of this fiscal note, we will assume Missouri will process a similar amount of online driver license renewals yearly (70,952).

This will result in an increase in Central Office processing fees collected in the amount of \$177,380 yearly.

ASSUMPTION (continued)

**Oversight** inquired of DOR as to the estimated implementation date of this pilot program. DOR stated it is estimated to be implemented by January 1, 2022. Therefore, Oversight will not reflect the revenue impact of this proposal until FY 2022 (6 months) ( $\$177,380 / 2 = \$88,690$ ), with the fully implemented revenue impact reflected in FY 2023. Because this proposal is subject to appropriation, Oversight will also range the fiscal impact from \$0 (the General Assembly does not appropriate funds to implement the program) to the estimated revenue amounts indicated by DOR.

	FY 2020	FY 2021	FY 2022 (6 months)	FY 2023
<i>Total Amount to Distribute</i>	\$0	\$0	\$88,690	\$177,380
Highways	\$0	\$0	\$66,517	\$133,035
Cities	\$0	\$0	\$13,304	\$26,607
Counties	\$0	\$0	\$8,869	\$17,738

Source: Department of Revenue

In response to the perfected version of HCS for HB 679 (2019), officials from the **Department of Transportation** and **Missouri Highway Patrol** each assumed the proposal would have no fiscal impact on their organization.

**Oversight** notes that the agencies mentioned above have 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.

§67.662 and §94.802 Transient Guest Taxes and Admission Tickets

In response to similar legislation filed this year, 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

ASSUMPTION (continued)

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.

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.

Officials from the **DOR** assume no fiscal impact from this proposal.

Officials at the **City of Kansas City** assume 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.

§82.1025 - §82.1031 Nuisance Property

In response to similar legislation filed this year, SB 225, officials at the **City of Kansas City (CKC)** assume this legislation could have a negative fiscal impact on the CKC because although the legislation includes a section limiting its provisions to private property, the CKC is concerned that an argument could be made that the CKC's Land Bank/Homestead Authority property is private property and could then be sued pursuant to this legislation. The CKC's concerns with this legislation would be alleviated if language were added to the Nuisance definition in 82.1027

ASSUMPTION (continued)

(3) creating an exception for cities by stating: "...an activity or condition created, performed, maintained, or permitted to exist on private property not owned by the government or municipal entity that constitutes a code or ordinance violation, whether or not the property has been cited by the city or county in which the property is located".

**Oversight** will reflect the CKC's assumption for this proposal.

Officials at the **Office of the State Courts Administrator**, the **Department of Natural Resources**, the **Office of the State Public Defender** and the **Office of Prosecution Services** each assume no fiscal impact to their respective organizations from this proposal.

§94.510 Sales Tax Rate Up to 1%

Officials at the **DOR** assume this section would allow the sales tax rate to be "up to" 1%, changing it from an incremental increase that is currently defined in this section. For the city general sales tax changes, jurisdictions who may not have been able to pass a one half cent sales tax, could find it easier to pass a one quarter cent sales tax. This may increase the number of city general sales taxes the Department has to collect and disburse. Depending on the increase, the Department may find the need for increased FTEs.

**Oversight** notes that currently cities are allowed to impose a sales tax rate upon a vote of its people at a rate of one-half of one percent, seven-eighths of one percent or one percent. This proposal would change the language to allow "up to one percent" which would allow cities the flexibility to choose their sales tax amount. Oversight will show the impact as \$0 (none take action) to Unknown.

§94.900 Portageville Public Safety Tax

Officials at the **DOR** assume this would allow for the City of Portageville to put on the ballot a tax increase for public safety, which would take effect upon the approval of the city's voters.

During Calendar Year 2017, the City of Portageville had a total taxable sales amount of \$29,319,275 which does not include use tax (Taxable Sales and Use Tax by Locality Report- CY 17).

The Department estimates that the City of Portageville could increase its sales tax revenue, assuming they proposed and passed the highest available rate of one half cent, in the amount of \$145,130 each fiscal year ( $\$29,319,275 \times 0.5\% = 146,596 - 1,466 = \$145,130$ ).

ASSUMPTION (continued)

If passed by voters, an impact to General Revenue and Total State Revenue may be generated. Pursuant to §94.900.5, the Department may retain one percent of the sales tax collected from taxes imposed under §94.900 for the cost of collection, which is to be deposited into General Revenue. The Department estimates that General Revenue may increase by \$1,466 ( $\$146,596 \times 1\%$ ) if the ballot measure is offered and passed.

The City of Portageville, currently, does not impose use tax in conjunction with sales tax.

General Revenue Fund		
FY 20	FY21	FY 22
\$1,466	\$1,466	\$1,466

Gain to Local Revenues (Portageville)		
FY 20	FY 21	FY 22
\$145,130	\$145,130	\$145,130

The Department is aware that the City of Portageville may seek a one quarter percent tax rate. If, that were true, the Department estimates that the revenues for the City of Portageville could increase by \$72,565 ( $\$29,319,275 \times .25\% - \$733 = \$72,565$ ) each fiscal year, while General Revenue could increase by \$733 each year, if the ballot measure passes.

If the City of Portageville either fails to put a measure on the ballot, or the voters reject the ballot measure, there would be no Local, General Revenue or Total State Revenue impact.

In response to the previous version, officials at the **B&P** assumed §94.900 allows voters in the City of Portageville to impose a sales tax up to 0.5% 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 2019 and FY 2020 is 3.4% and 3.1%, respectively.

B&P estimates the City of Portageville FY 2020 taxable sales to total \$31.1 million. The bill indicates that this sales tax would take effect starting April 1, thus only impacting Q4 of FY 2020 sales collections. For the City of Portageville, with estimated Q4 sales collections of \$7.8 million, this proposed sales tax could generate approximately \$38,500 for the city for FY 2020. As a voter-approved tax, the collected revenues will not impact General and Total State

ASSUMPTION (continued)

Revenues; however, DOR will retain 1% to offset collection costs. Therefore, this portion could increase General and Total State Revenues by approximately \$389 in FY 2020.

Using the same methodology to estimate FY 2021 and FY 2022 sales, we estimate taxable sales in City of Portageville to total \$31.1 million in FY 2020. This proposed sales tax might generate approximately \$154,000 for the city in FY 2021, 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, which could therefore increase General and Total State Revenues by approximately \$1,556 in FY 2021 and annually thereafter if the city sales tax is approved.

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

Officials at the **City of Portageville** assume the City has a Capital Improvement Tax of ½ cent that generated \$147,711.16 between November 2017 and November 2018. The voters passed a 1/4 cent sales tax increase to fund a school resource officer in April 2018. After the election, we learned that a general revenue sales tax could not be 1/4 cent (the lowest amount possible would be ½ cent increase). This bill would fund up to ½ cent for this reason.

A 1/4 cent sales tax is estimated to bring in \$70,000 annually. A ½ cent sales tax is estimated to bring in \$140,000 annually.

**Oversight** notes this proposal would give the City of Portageville the option to vote to increase their local sales tax by up to ½ cent in order to fund public safety. The City of Portageville previously placed a 1/4 cent sales tax on their ballot in August 2018, which was adopted. However, that election was invalidated when it was discovered that statute only allows for a ½ cent sales tax reported the Standard Democrat of Sikeston.

**Oversight** notes the effective date of this proposal has an emergency clause and would be effective 15 days after passage. Oversight notes that even with the emergency clause it would be too late to put the issue before the voters on the April 2, 2019 ballot as certification has already passed and absentee voting has begun. Therefore, Oversight assumes the question could be put before the voters at the August 6, 2019 (FY 2020) ballot. 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 a August 2019 election would be January 1, 2020 (FY 2020). Therefore, only six months of taxes could be collected in FY 2020.

ASSUMPTION (continued)

**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 \$1,466. 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 Portageville and/or voters fail to approve the sales tax) to up to \$145,130 for a full year of tax collections estimated by DOR.

City of Portageville - Taxable Sales Report	
FY 2018	\$15,166,601 (6 month total)
FY 2017	\$29,278,103
FY 2016	\$30,219,885
FY 2015	\$29,750,406

Source: Department of Revenue

§94.902.1(8) Riverside Public Safety Tax

Officials at the **DOR** assume this would allow for the City of Riverside to put on the ballot a tax increase for public safety, which would take effect upon the approval of the City of Riverside's voters.

During the 2017 calendar year, the City of Riverside reported \$126,487,773 in total taxable sales. If the City of Riverside were to impose an additional sales tax of one-half of one percent (0.5%), potential revenue collections could increase by an estimated \$632,439 (\$126,487,773x 0.5%). The Department shall retain one percent for cost of collection (\$6,324).

General Revenue Fund		
FY 20	FY21	FY 22
\$6,324	\$6,324	\$6,324

Gain to Local Revenues (Riverside)		
FY 20	FY 21	FY 22
\$632,439	\$632,439	\$632,439



ASSUMPTION (continued)

If the City of Riverside either fails to put a measure on the ballot, or the voters reject the ballot measure, there would be no Local, General Revenue or Total State Revenue impact.

**Oversight** notes this proposal would become effective August 28, 2019. Oversight notes the cutoff date for the November general election ballot is August 27, 2019. Therefore, Oversight assumes the question could be put before the voters at the April 7, 2020 municipal election (FY 2020) ballot. 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 a April 2020 election would be October 1, 2020 (FY 2021). Therefore, only nine months of taxes could be collected in FY 2021.

**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 \$6,324. 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 Riverside and/or voters fail to approve the sales tax) to up to \$632,439 for a full year of tax collections estimated by DOR.

City of Riverside - Taxable Sales Report	
FY 2018	\$67,082,747 (6 month total)
FY 2017	\$126,487,774
FY 2016	\$129,097,927
FY 2015	\$117,205,023

Source: Department of Revenue

§94.902.1(9) Fayette Public Safety Tax

Officials at the **DOR** assume this proposed legislation would allow for the City of Fayette to put on the ballot a tax increase for public safety, which would take effect upon the approval of the City of Fayette's voters.

This section authorizes the city of Fayette to impose an additional sales tax up to one-half of one percent upon voter approval.

ASSUMPTION (continued)

During the 2017 calendar year, the City of Fayette reported \$12,536,183 in total taxable sales. If the City of Fayette were to impose an additional sales tax of one-half of one percent (0.5%), potential revenue collections could increase by an estimated \$62,680 (\$12,536,183 x 0.5%). The Department shall retain one percent for cost of collection (\$627).

General Revenue Fund		
FY 20	FY21	FY 22
\$313	\$627	\$627

Gain to Local Revenues (Fayette)		
FY 20	FY 21	FY 22
\$31,340	\$62,681	\$62,681

If the City of Fayette either fails to put a measure on the ballot, or the voters reject the ballot measure, there would be no Local, General Revenue or Total State Revenue impact.

In response to similar legislation filed this year, HB 548, officials at the **B&P** assumed section 94.902 allows voters in the City of Fayette to impose a sales tax up to 0.5% 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 2019 and FY 2020 is 3.4% and 3.1%, respectively.

B&P estimates the City of Fayette FY 2020 taxable sales to total \$22.0 million. The bill indicates that this sales tax would take effect starting April 1, thus only impacting Q4 of FY 2020 sales collections. For the City of Fayette, with estimated Q4 sales collections of \$5.5 million, this proposed sales tax could generate approximately \$27,200 for the city for FY 2020. 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, this portion could increase General and Total State Revenues by approximately \$275 in FY 2020.

Using the same methodology to estimate FY 2021 and FY 2022 sales, we estimate taxable sales in City of Fayette to total \$22.0 million in FY 2020. This proposed sales tax might generate approximately \$108,775 for the city in FY 2021, 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, which could therefore increase General and Total State Revenues by

ASSUMPTION (continued)

approximately \$1,099 in FY 2021 and annually thereafter if the city sales tax is approved.

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

**Oversight** notes this proposal would become effective August 28, 2019. Oversight notes the cutoff date for the November general election ballot is August 27, 2019. Therefore, Oversight assumes the question could be put before the voters at the April 7, 2020 municipal election (FY 2020) ballot. 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 a April 2020 election would be October 1, 2020 (FY 2021). Therefore, only nine months of taxes could be collected in FY 2021.

**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 \$627. 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 Fayette and/or voters fail to approve the sales tax) to up to \$62,681 for a full year of tax collections estimated by B&P.

City of Fayette - Taxable Sales Report	
FY 2018	\$10,420,001 (6 month total)
FY 2017	\$20,096,587
FY 2016	\$20,772,039
FY 2015	\$21,154,402

Source: Department of Revenue

§136.055 - Contractor License Offices

Officials at the **DOR** assume the following regarding this proposal:

To implement the proposed changes, the Department will be required to:

- Update procedures, forms, correspondence, associated fee charts, and the Department website;
- Update the Dealer Operating Manual;

ASSUMPTION (continued)

- Update the Missouri Titling Manual;
- Update the Uniform License Issuance Manual;
- Update the on-line and printed versions of the Missouri Driver guide, Missouri Motorcycle Guide, and the Commercial Driver License (CDL) Manual;
- Complete programming and user acceptance testing;
- Update the Missouri Transportation Accounting System (MTAS) tables used by the Missouri Electronic Driver License System (MEDL); and
- Train internal and license office staff.

FY 2020 - Motor Vehicle Bureau

Management Analysis Spec I	520 hrs. @ \$18.42 per hr.	= \$9,578
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FY 2020 - Driver License Bureau

Administrative Analyst II	160 hrs. @ \$17.13 per hr.	= \$2,741
Management Analysis Spec II	180 hrs. @ \$20.57 per hr.	= \$3,703
Revenue Manager	30 hrs. @ \$20.59 per hr.	= \$ 618
Total		= \$7,062

FY 2020 - Personnel Services Bureau

Administrative Analyst III	40 hrs. @ \$19.80 per hr.	= \$ 792
Management Analysis Spec I	60 hrs. @ \$18.42 per hr.	= \$1,105
Management Analysis Spec II	30 hrs. @ \$20.57 per hr.	= \$ 617
Total		= \$2,514

**Total Costs** = **\$19,154**

**Oversight** assumes DOR will use existing staff and will not hire additional FTE to conduct these activities; therefore, Oversight will not reflect the administrative costs DOR has indicated on the fiscal note.

**DOR** noted OA-ITSD services will be required at a cost of \$54,270 (723.60 hours x \$75 per hour) in FY 2020.

**Oversight** notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out the programming changes needed to the various DOR systems. ITSD estimates the project would take 723.60 hours at a contract rate of \$75 per hour for a total cost to the state of \$54,270. Oversight notes that an average salary for a current IT Specialist within ITSD is \$51,618, which totals roughly

ASSUMPTION (continued)

\$80,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional IT Specialist to perform the work required from this bill. Therefore, Oversight will range the fiscal impact from the cost of contracting out the work (\$54,270) to hiring an additional FTE IT Specialist (roughly \$80,000 per year).

Revenue Impact

**DOR** noted this legislation will also increase processing fees for transactions processed at the Central Office Branch Office, through the mail, and online. This fee increase will be split to the Highway Fund, Cities, and Counties 75/15/10.

Motor Vehicle Bureau

Registrations for 1 year in FY 2021 and FY 2022:

70,744	Estimated 2 year transactions in Central Office and Online (MORE)
x \$ 2.50	Increased agent processing fee from \$3.50 to \$6.00
\$176,860	Total annual increase in processing fees for 1 year transactions.

Registrations for 2 year in FY 2021 and FY 2022:

173,493	Estimated 2 year transactions in Central Office and Online (MORE)
x \$ 5.00	Increased agent processing fee from \$7.00 to \$12.00
\$ 867,465	Total annual increase in processing fees for 2 year transactions.

Titles in FY 2021 and FY 2022:

154,246	Estimated 1 year fees by Branch Office - Central Site and Online (MORE)
x \$ 3.50	Increased agent processing fee from \$2.50 to \$6.00
\$ 539,861	Total annual increase in title processing fees

Notice of Liens in FY 2021 and FY 2022:

6,112	Central Office Filed
+ 570,172	Online Notice of Liens
576,284	Total Notice of Liens Filed
x \$ 3.50	Estimated 1 year fees by Branch Office - Central Site and Online (MORE)
\$ 2,016,994	Total annual increase in Notice of Lien Process Fees

ASSUMPTION (continued)

Driver License Bureau

Permits, Driver License, or Nondriver License Issued for 3 years or less in FY 2021 and FY 2022:

816	Estimated 3 year fees by Central Branch Office
<u>x \$ 3.50</u>	Increased agent processing fee from \$2.50 to \$6.00
\$ 2,856	Total annual increase in agent processing fees for exceeding 3 year transactions.

Permits, Driver License, or Nondriver License Issued for 6 years or less in FY 2021 and FY 2022:

5,634	Estimated 6 year fees Central Branch Office
<u>x \$ 7.00</u>	Increased agent processing fee from \$5.00 to \$12.00
\$39,438	Total annual increase in agent processing fees for exceeding 3 years transactions.

It is unknown how many notary fees or additional electronic transmission fees may be collected under the proposed change to §135.055.1(5) RSMo.

Total Central Office, mail-in, and online processing fees to distribute: **\$3,643,474**

**Oversight** notes the following fee changes:

Transaction Type	Current Fee	Proposed Fee
Motor vehicle or trailer registration (one year)	\$3.50	\$6.00
Motor vehicle or trailer registration (two year)	\$7.00	\$12.00
Application of transfer	\$2.50	\$6.00
Instruction permit, nondriver license, chauffeur's, operator's or driver's license (three years or less)	\$2.50	\$6.00
Instruction permit, nondriver license, chauffeur's, operator's or driver's license (exceeds three years)	\$5.00	\$12.00
Notice of liens	\$2.50	\$6.00
Notary fee	\$2.00 (only collected for telephone receptions)	\$2.00 per transaction

Source: Oversight

ASSUMPTION (continued)

	<b>FY 2020 (10 mos.)</b>	<b>FY 2021</b>	<b>FY 2022</b>
<i>Amount to Distribute</i>	\$3,036,228	\$3,643,474	\$3,643,474
Highways (75%)	\$2,277,171	\$2,732,606	\$2,732,606
Cities (15%)	\$455,434	\$546,521	\$546,521
Counties (10%)	\$303,623	\$364,347	\$364,347

Source: DOR

In response to the perfected version of HB 584 (2019), officials from the **MoDOT** considered the revenues collected from these fees to be State Revenue Derived from Highway Users (SRHU) subject to the distribution requirements set out in Art. IV, Sec. 30(b)1, Mo. Const. MoDOT does not collect these fees, so we defer to DOR for the dollar figure.

**Oversight** notes that the additional fee revenue estimate provided by DOR is only for transactions at the Central Office and online. DOR assumed the additional fees charged by the fee offices will be retained by the fee offices.

If MoDOT is correct in their assertion that the fee increases on transactions at all fee offices statewide (176 contracted license offices) should be distributed as SRHU revenue as well, there could be a significantly larger increase in revenue to distribute between the state's Highway Fund, cities and counties.

DOR provided information that **Oversight** used to estimate the estimated fee increase state-wide:

Registrations for 1 year in FY 2021 and FY 2022

1,485,689  
 x \$2.50  
 \$3,714,222

Total Transactions  
 Increased agent processing fee from \$3.50 to \$6.00  
 Total annual increase in agent processing fees for 1 year transactions.

Registrations for 2 year in FY 2021 and FY 2022

2,304,276  
 x \$5.00  
 \$11,521,380

Total Transactions  
 Increased agent processing fee from \$7.00 to \$12.00  
 Total annual increase in agent processing fees for 2 year transactions.

ASSUMPTION (continued)

Titles in FY 2021 and FY 2022

2,059,457	Total Transactions
<u>x \$3.50</u>	Increased agent processing fee from \$2.50 to \$6.00
\$7,208,100	Total annual increase in agent processing fees for Title transactions.

Notice of Liens in FY 2021 and FY 2022

737,754	Notice of Lien Transactions (number adjusted from DOR est.)
<u>x \$3.50</u>	Increased agent processing fee from \$2.50 to \$6.00
\$2,582,139	Total annual increase in agent processing fees for Title transactions.

Permits, Driver License, or Nondriver License Issued for 3 years or less in FY 2021 and FY 2022

167,333	Total Permits
330,521	Total Driver License (DL)
4,538	Total Nondriver License (NDL)
<u>+18,785</u>	Total Estimated Duplicates (DL, NDL and Permits)
521,177	Total annual 3 year or less transactions
<u>x \$3.50</u>	Increased agent processing fee from \$2.50 to \$6.00
\$1,824,120	Total annual increase in agent processing fees for 3 year transactions.

Permits, Driver License, or Nondriver License Issued for 6 years or less in FY 2021 and FY 2022

888,535	Total Driver License (DL)
130,063	Total Nondriver License (NDL)
<u>+279,198</u>	Total Estimated Duplicates (DL, NDL and Permits)
1,297,796	Total annual transactions exceeding 3 years
<u>x \$7.00</u>	Increased agent processing fee from \$5.00 to \$12.00
\$9,084,572	Total annual increase in agent processing fees for exceeding 3 years transactions.



ASSUMPTION (continued)

<b>Transaction Type</b>	<b>2020</b>	<b>2021 &amp; 2022</b>
Motor vehicle or trailer registration (one year)	\$3,095,185	\$3,714,222
Motor vehicle or trailer registration (two year)	\$9,601,150	\$11,521,380
Titles	\$6,006,750	\$7,208,100
Instruction permit, nondriver license, chauffeur's, operator's or driver's license (three years or less)	\$1,520,100	\$1,824,120
Instruction permit, nondriver license, chauffeur's, operator's or driver's license (exceeds three years)	\$7,570,476	\$9,084,572
Notice of liens	\$2,151,783	\$2,582,139
<b>TOTAL</b>	<b>\$29,945,444</b>	<b>\$35,934,533</b>

For simplicity, **Oversight** will assume, if MoDOT is correct in their assertion that this additional revenue shall be distributed according to Art. IV, Sec. 30(b)1, of the Missouri Constitution, that the additional fee revenue will be distributed 75% to highways, 15% to cities and 10% to counties. Oversight notes that DOR is allowed to retain 3% of the tax or fee collected for collection costs; however, Oversight will simply provide that amount for informational purposes and not reflect it in the fiscal note.

	<b>FY 2020 (10 mos.)</b>	<b>FY 2021 &amp; FY 2022</b>	<b>3%</b>
<i>Amount to Distribute</i>	\$29,945,444	\$35,934,533	\$1,078,036
Highways (75%)	\$22,459,083	\$26,950,900	
Cities (15%)	\$4,491,817	\$5,390,180	
Counties (10%)	\$2,994,544	\$3,593,453	

In response to the perfected version of HB 584 (2019), officials from the **MHP** assumed the proposal would have no fiscal impact on their organization.

**Oversight** notes that MHP 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 MHP.

ASSUMPTION (continued)

§136.055.8 - Notice for Failure to Title Vehicle

Officials at the **DOR** assume the following regarding this section:

To implement the proposed changes, the Department will be required to:

- Update the Notice to apply for title (delinquent fee) letter verbiage

FY 2020 - Motor Vehicle Bureau

Management Analysis Spec I	440 hrs. @ \$18.42 per hr.	= \$ 8,105
Administrative Office Support Asst.	15 hrs. @ \$13.78 per hr.	= \$ 207
Revenue Manager	80 hrs. @ \$20.59 per hr.	= \$ 1,647
		= \$ 9,959

FY 2020 - Personnel Services Bureau

Administrative Analyst III	10 hrs. @ \$19.80 per hr.	= \$ 198
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**Total** = **\$10,157**

**Oversight** assumes DOR will use existing staff and will not hire additional FTE to conduct these activities; therefore, Oversight will not reflect the administrative costs DOR has indicated on the fiscal note.

**DOR** noted that currently, a notice to apply for title (delinquent fee notice) is mailed in post card form at a cost of \$.35 per notice. To accommodate the new information, it is assumed that this notice would need to be generated and mailed in letter form resulting in an cost of \$0.615 (envelopes (\$0.04), letters (\$0.025), and postage (\$0.55)) and an increased cost of \$0.265 per notice mailed. In 2018 there were 140,445 notices mailed. Assuming the number of notices mailed remains constant, this will result in an increase cost of \$31,015 in FY 2020 (10 months) and \$37,218 in FY 2021 and \$37,218 in FY 2022.

It is assumed that "sales tax rate" is to mean the combined local and state sales tax rate for the residence of the purchaser. The Department does not currently have a system in place that determines the exact local sales tax rate for a specific residence within a certain taxing jurisdiction. Current processes only identifies the local sales tax rate that a certain residential address may be in.

Each local taxing jurisdiction would be required to submit boundaries and each residential address within that boundary. The interactive geospatial map currently being implemented by the

ASSUMPTION (continued)

Department due to HB 1858 (2018) would be expanded to record and identify this information and determine the exact local sales tax rate.

When a delinquent fee is created from a notice of sale or notice of lien for unpaid sales tax after 30 days of purchase, the delinquent fees system would identify from the interactive geospatial map the exact residential address of the purchaser to determine the correct local sales tax rate to include on the delinquent fee notice.

This legislation will result in additional incoming calls due to notices being sent out, and additional outgoing calls to ascertain taxing jurisdiction information. It is unknown the amount of additional calls this legislation will result in, but if the increase is significant, additional FTEs will be requested through the appropriations process.

This legislation will also result in additional notification return processing and additional correspondence in our Taxation Bureau. One Revenue Processing technician can process 5,700 correspondences per month. The Department assumes this legislation will increase annual correspondences by at least this amount, and so the Department will require one FTE (Revenue Processing Tech I). If the increase in correspondences is significantly higher than this amount, additional FTE's will be requested through the appropriations process.

**Oversight** does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will reflect DOR's costs on the fiscal note for §136.055.8.

**DOR** noted OA-ITSD services will be required for §136.055.8 at a cost of \$95,661 (1,275.48 hours x \$75 per hour) in FY 2019.

**Oversight** notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out the programming changes needed to the system. ITSD estimates the project would take 1,275.48 hours at a contract rate of \$75 per hour for a total cost to the state of \$95,661. Oversight notes that an average salary for a current IT Specialist within ITSD is \$51,618, which totals roughly \$80,000 per year when fringe benefits are added. Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional IT Specialist to perform the work required from this bill. Therefore, Oversight will range the fiscal impact from the cost of contracting out the work (\$95,661) to hiring an additional FTE IT Specialist (roughly \$80,000 per year).

ASSUMPTION (continued)

§143.121 AGI - Business Interest

In response to similar legislation filed this year, SB 410, officials at the **B&P** assumed this proposal will not impact Total State Revenue or the calculation under Article X, Section 18(e).

B&P notes that the federal Tax Cut and Jobs Act (TCJA) placed a cap on the amount of business interest that could be claimed on the federal tax return in any given year. The TCJA allows any unclaimed interest expenses to be carried forward indefinitely until the full amount has been deducted. This limit and carry forward provision began for tax year 2018.

This proposal would allow Missouri businesses to claim the full amount of business interest in the first year it occurred by allowing businesses to subtract any remaining amount of interest not already included in the Missouri Adjusted Gross Income (MAGI). In future years, businesses would then be required to add back into their MAGI the business interest that was carried forward on their federal return. B&P notes that this would accelerate the amount of business interest claimed into the first tax year available, but would not reduce the total amount of interest claimed over time. Therefore, this proposal will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Therefore, B&P estimates that this proposal may have a significant impact on cash flow from year to year, depending on the amount of interest accelerated through this proposal. B&P is unable to estimate the potential cash flow impact as the required information is only available on federal returns and B&P does not have access to such returns.

B&P further notes that because tax year 2018 has ended and this proposal would not be enacted until after the start of FY 2020, any businesses impacted would have to file an amended tax year 2018 return in FY 2020. Therefore, this may have a larger cash flow impact in FY 2020 than would otherwise be typical in future fiscal years.

Officials at the **DOR** assume for all tax years beginning on or after January 1, 2018, interest expenses paid or accrued in a previous taxable year, but allowed as a deduction in the current taxable year for federal tax purposes by reason of the carryforward of disallowed business interest provisions of federal law, shall be added to a taxpayer's federal adjusted gross income for the purposes of the calculation of Missouri adjusted gross income. For all tax years beginning on or after January 1, 2018, interest expenses paid or accrued in the current taxable year, but not allowed as a deduction for federal tax purposes, shall be subtracted from a taxpayer's federal adjusted gross income for the purposes of the calculation of Missouri adjusted gross income.

The Department assumes this proposed legislation eliminates the carry forward provisions in 26 U.S.C. 163(j), and allows businesses the ability to deduct their total amount of disallowed

ASSUMPTION (continued)

business interest expenses from their Missouri tax return. This data is not reported on the Missouri Form 1120 since it currently flows through the federal corporate return. The Department also does not have access to the data on the Federal Form 8990, which would report the amount of disallowed business interest expenses claimed.

The Department believes this proposed legislation has no Total State Revenue impact, but may have a significant cash flow impact, especially in the first Fiscal Year, as businesses can deduct the full amount up front.

Officials at the **University of Missouri Economic & Policy Analysis Research Center (EPARC)** assume this proposal would require Missourians to add their federal investment interest expense deduction attributable to the previous year's carryover back into their Federal adjusted gross income to arrive at their Missouri adjusted gross income. As well, this bill would require Missourians to subtract the amount of their disallowed investment interest expense from their current tax year's Federal adjusted gross income to arrive at their Missouri adjusted gross income.

In simpler terms, for Missouri tax purposes, this bill negates the federal carry forward of disallowed investment interest expense deduction and requires Missourians to use the entire deduction in the current tax year. Unfortunately, we do not possess the detailed data from Federal Form 4952 that contains the amount of carry forward of disallowable investment interest expense from the current or previous tax year. We only possess the Investment Interest line item from Federal Schedule A. Therefore, we are unable to estimate the impact this bill may have on Net General Revenue.

**Oversight** notes this proposal would become effective on August 28, 2019. Since this proposal is for tax years beginning January 1, 2018, Oversight notes that any filer who reported disallowed investment interest expense would need to amend their tax return starting August 29, 2019. Oversight assumes this would cause a loss of revenue in FY 2020 and a gain in FY 2021 and FY 2022. As stated by B&P, DOR & EPARC this proposal does not change the amount of tax a company would owe just when the tax is required to be paid.

**Oversight** currently does not have the data or resources available to produce independent revenue projections, therefore Oversight uses the same assumptions for revenue growth as the FY 2020 Consensus Revenue Estimate (CRE) for revenue growth in all future years. The CRE assumes an increase in net general revenue collections of \$192.6 million for FY 2020.

**Oversight** notes pursuant to §143.011 - §143.022 (SBs 509 & 496 2014) if the previous fiscal year's net general revenue collections exceed the highest net general revenue collections of the

ASSUMPTION (continued)

three previous fiscal years by at least \$150 million, then there will be a reduction in the individual income tax rate by one-tenth of a percent and a reduction for individual income tax filers of 5% of "business income." These reductions will reduce net General Revenue collections by an estimated \$160.0 million annually. Oversight notes the proposed legislation may impact future net revenue collections and could impact future triggering of the rate reductions required under §143.011 - §143.022.

§143.1028 Kansas City Regional Law Enforcement Memorial Foundation Fund

In response to similar legislation filed this year, HB 703, officials at the **B&P** assumed this may increase Total State Revenue by an unknown amount but will not impact the calculation under Article X, Section 18(e).

Section 143.1028.1 would allow taxpayers to dedicate a portion of their tax refund (checkoff) to the Kansas City Regional Law Enforcement Memorial Foundation Fund. Each individual or corporation may designate \$1 or more of their refund to the newly created fund for single returns and \$2 or more for combined returns. Individuals and corporations may also make a separate payment and clearly designate the fund as the recipient.

Section 143.1028.2 creates the Kansas City Regional Law Enforcement Memorial Foundation Fund within the state treasury. The fund shall be a dedicated fund and the treasurer shall distribute collections at least monthly to the Kansas City Regional Law Enforcement Foundation. Section 143.1028.3 requires DOR to deposit all collections at least monthly into the newly created fund, less an amount sufficient to cover the costs of collection.

Officials at the **Office of the State Treasurer (STO)** and the **DOR** assume there is no fiscal impact from this proposal.

**Oversight** notes this proposal creates the Kansas City Regional Law Enforcement Memorial Foundation Fund to allow taxpayers to designate a portion of their Missouri tax refund to the Memorial. Individuals and corporations are allowed to designate any amount over \$1 and for combined returns individuals could designate any amount over \$2. The money is collected by the Department of Revenue and deposited at least monthly into the Fund created by the State Treasurer.

According to the Kansas City Star, the Kansas City Regional Law Enforcement Memorial is an effort to raise funds to create a memorial garden to pay tribute to all local, state and federal officers in Kansas City killed in the line of duty. The Memorial is estimated to cost \$4 million. The Kansas City Council contributed \$600,000 toward the creation of the Memorial in 2018.

ASSUMPTION (continued)

**Oversight** for informational purposes is showing the other current tax checkoff programs the state administers and the total amounts they have collected over the previous six years.

<b>Checkoff Program - Fund</b>	<b>Amount Collected FY 2013 - FY 2018 (over 6 years)</b>
Childhood Lead Testing - 0899	\$87,442
Children's Trust Fund - 0694	\$495,469
Military Relief Fund - 0719	\$237,886
Elderly Home Delivered Meals - 0296	\$321,449
National Guard Trust Fund - 0900	\$110,271
Veterans Trust Fund - 0579	\$319,461
<b>Workers Memorial Trust Fund - 0895</b>	<b>\$45,646</b>
Organ Donor Program Fund - 0824	\$107,097
After School Retreat Fund - 0732	\$20,196
American Cancer Society Heartland Div. - 0700	\$41,730
Gateway Area Diabetes Assn - 0713	\$17,418
American Heart Association - 0714	\$17,746
American Lung Association - 0704	\$1,595
ALS Lou Gehrig's Disease - 0703	\$15,174
Muscular Dystrophy Association - 0707	\$7,391
March of Dimes - 0716	\$15,545
National Multiple Sclerosis Society Fund - 0709	\$13,409
Breast Cancer Awareness - 0915	\$16,879
Foster Care/Adoptive Parents - 0979	\$19,268
American Red Cross - 0987	\$23,921

<b>Checkoff Program - Fund</b>	<b>Amount Collected FY 2013 - FY 2018 (over 6 years)</b>
Developmental Disabilities Waiting List - 0986	\$8,153
Puppy Protection Fund - 0985	\$34,294
Pediatric Cancer Research - 0959	\$14,859
<b>MO National Guard Foundation - 0494</b>	<b>\$7,807</b>
General Revenue Fund - 0101	\$55,785
<b>TOTAL COLLECTED (FY 2013 - FY 2018)</b>	<b>\$2,061,809</b>

The Workers Memorial Trust Fund and the MO National Guard Foundation are programs that would be similar to the Kansas City Regional Law Enforcement Memorial Foundation. **Oversight** will show in the fiscal note Less than \$10,000 raised annually through the checkoff program based on the history of these similar programs.

§144.020 Telecommunications Billings

In response to similar legislation filed this year, SB 483, officials at the **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.

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 **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.



ASSUMPTION (continued)

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).

Officials at the **Department of Conservation** assume 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 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.

ASSUMPTION (continued)

Officials at the **Public Service Commission** assume there is no fiscal impact from this proposal.

In response to similar legislation filed this year, SB 483, officials at the **City of Kansas City** assumed 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.

In response to similar legislation filed this year, SB 483, officials at the **City of Springfield** assumed there was no fiscal impact from this proposal.

In response to similar legislation filed this year, SB 483, officials at **St. Louis County** assumed the impact was unknown.

Currently, some telecommunications companies bundle their taxable and nontaxable services together and therefore, collect 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.

§144.088 Tax Rates on Sales Tax Receipts

In response to similar legislation filed this year, HB 579, officials at the **B&P** assumed there was no direct impact on B&P, no direct impact on General Revenue and Total State Revenue and will not impact the calculation under Article X, Section 18(e).

Officials at the **Department of Conservation, Department of Economic Development, Department of Natural Resources, DOR** and the **Office of Administration** each assume there is no fiscal impact from this proposal.

**Oversight** notes this proposal requires the posting of sales tax rates on receipts beginning January 1, 2021. Oversight assumes this will not have a fiscal impact.

§144.190 Refunds

In response to similar legislation filed this year, HB 1190, officials from **B&P** assume this proposal may reduce Total State Revenues (TSR) by an unknown, possibly significant, amount. This proposal may impact the calculation under Article X, Section 18(e).

ASSUMPTION (continued)

This proposal would allow taxpayers to file for a sales or use tax refund within ten years. Current law allows taxpayers to amend returns up to three years. B&P is unable to determine the potential number of taxpayers who would chose to amend their sales tax returns back an additional seven years.

Therefore, B&P estimates that this proposal may have an unknown, possibly significant, impact to Total State Revenue and General Revenue beginning in FY 2020 and annually thereafter.

Officials from **DOR** state a taxpayer may claim for a refund if any tax, penalty or interest has been paid more than once, or has been erroneously or illegally collected, or has been erroneously or illegally computed within ten years from the date of the overpayment rather than the current three years allowed.

The Department of Revenue is unable to provide evidence backed estimates. DOR does not have a mechanism in place that tracks the number or value of refund claims that are submitted after the three year statute of limitations.

DOR estimates an unknown to significant negative impact.

**Oversight** will show an unknown impact to the state sales and use tax funds as well as local political subdivisions.

§190.292 - §190.455 Cape Girardeau Public Safety Tax

In response to similar legislation filed this year, HB 1249, officials at the **B&P** assume 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 (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

ASSUMPTION (continued)

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 **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 §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

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.

ASSUMPTION (continued)

**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.

§191.1116 Litigation Costs- State Legal Expense Fund

Officials from the **Department of Health and Senior Services (DHSS)** stated §191.1116 requires that if the state of Missouri were to become involved in litigation arising from Article XIV of the Constitution, the costs of the litigation shall be paid out of the DHSS' portion of the Missouri Veterans' Health and Care Fund. DHSS cannot predict the number or costs of litigation that it may become involved in, so the cost to the Missouri Veterans' Health and Care Fund is unknown.

Officials from the **Office of Administration (OA)** state this legislation mandates which fund would be used to pay expenses of litigation. The current Legal Expense Fund (LEF) transfer appropriation and language in HB 5 gives OA the flexibility to transfer from Federal and Other Funds. It is OA's position that it can already accommodate this. Funds could be transferred from the appropriate health fund into the LEF and then payment could be made. For this reason, OA assumes there would be no direct fiscal impact.

**Oversight** notes that costs of litigation arising from Article XIV of the Constitution are to be paid out of DHSS' portion of the Missouri Veterans' Health and Care Fund. Oversight assumes costs would initially be paid for by the State Legal Expense Fund. Litigation costs would then be transferred from the Missouri Veterans' Health and Care Fund to the State Legal Expense Fund cover the expenditures. Since it is unknown if or when litigation might arise, Oversight will range costs as \$0 to Unknown.

ASSUMPTION (continued)

Officials at the **Office of Attorney General** and the **Department of Public Safety's Missouri Veterans Commission** 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 organizations.

§§227.800, 227.801 & 227.802 - Memorial Infrastructure

Officials from the **MoDOT** assume the proposal will have no fiscal impact on their organization.

**Oversight** notes this proposal creates the Senator Phil B Curls Memorial Highway, the Senator Paula J Carter Memorial Highway and the Gerald T Lizotte, Jr. Memorial Highway. The costs of these memorial signs are to be paid by private donations.

**Oversight** notes that MoDOT 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 MoDOT.

§301.210 - Affidavit for Sales Tax on Motor Vehicles

Officials from the **DOR** and **Attorney General's Office** each assume the proposal would have no fiscal impact on their respective organizations.

Officials from the **MoDOT** defer to DOR for the fiscal impact of this proposal.

**Oversight** notes that each of the agencies mentioned above have stated the proposal would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

§304.044 - Vehicle Platooning

Officials from the **MoDOT**, **MHP** and **DOR** each assume the proposal would have no fiscal impact on their respective organizations.

**Oversight** notes that the agencies mentioned above have 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.

§304.153 - Towing Task Force

Officials from the **MoDOT** and **MHP** each assumed the proposal would have no fiscal impact on their respective organizations.

ASSUMPTION (continued)

In response to HCS for HB 749, officials from the **Missouri Senate** assumed the proposal does not allow for travel compensation; therefore, no fiscal impact is anticipated.

In response to HCS for HB 749, officials from the **Missouri House of Representatives** assumed any expenses for members serving on the task force could be absorbed; therefore, there would be no fiscal impact.

Officials at the **DOR** assume there is no fiscal impact from this proposal.

**Oversight** notes that the agencies mentioned above have each stated the proposal would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

§321.242 Fire Protection District Sales Tax Rate

Officials at the **DOR** assume this section would change the current top sales tax rate of one-fourth of one percent to one half of one percent.

The Department estimates the revenues of municipalities collecting sales tax via Fire Protection Districts will increase by \$17,955,973 each year.

In Fiscal Year 2017, the Department estimates that total collection from Fire Protection Districts totaled \$18,137,346, with the Department of Revenue retaining one percent for the collection of tax. Therefore, the municipalities collecting tax via Fire Protection Districts received total sales tax revenues equaling \$17,955,973 ( $\$18,137,346 - (\$18,137,346 \times 1\%)$ ).

The Department further estimates that, due to the 100 percent increase to the existing sales tax rate applicable for Fire Protection Districts, municipalities collecting sales tax via Fire Protection Districts revenues will increase by \$17,955,973 ( $\$17,955,973 \times 100\%$ ).

FY 2020	\$17,955,973
FY 2021	\$17,955,973
FY 2022	\$17,955,973

In response to similar legislation filed this year, SB 333, officials at the **B&P** assumed this allows increasing the sales tax for the described fire protection district from 0.25% up to 0.50% for the purpose of funding fire protection.

ASSUMPTION (continued)

According to the State Demographer, the description of any first class county in subsection 1 has population parameters that fit the population of the City of Ballwin. However, the exclusion of a first class county with a population in excess of 900,000 would mean that St. Louis County, where the City of Ballwin is located, would not be among the fire protection districts or municipalities imposing this sales tax increase. In fact, a demographic search of first class counties does not yield any city that meets the population parameters of 30,000 to 35,000 inhabitants.

The sponsor's Senate floor discussion indicates that the intent is to allow Kansas City to increase its current sales tax from one-fourth of one percent to one-half of one percent. The second half of the description (after the "or" in 321.242.1) covers Kansas City.

Currently, DOR knows of 19 fire protection districts with a sales tax. The City of Raytown's fire protection sales tax is the only one of the 19 with a one-fourth of one percent sales tax. In FY 2018, the City of Raytown received \$494,661 in revenue on this tax. Using this data, the projected increase to the DOR collection fee would be \$4,946 after the sales tax increase. This DOR collection amount would impact Total State Revenue. Because the sales tax increase would be subject to voter approval, there would be no impact to the calculation of Article X, Section 18(e).

With only one year of sales tax data from City of Raytown fire protection sales tax collections, B&P is unable to project future years of tax revenues and collection fees. Therefore, Budget and Planning defers to DOR for estimates of specific collection costs and projected sales tax revenues.

In response to similar legislation filed this year, SB 333, officials at the **City of Kansas City** assumed if approved by the voters this would generate revenues of approximately \$20.9 million.

In response to similar legislation filed this year, SB 333, officials at the **City of Sugar Creek** assumed a positive impact in an indeterminate amount.

In response to similar legislation filed this year, SB 333, officials at the **Monroe County Assessor** and the **St. Louis County** each assumed there is no fiscal impact from this proposal.

In response to similar legislation filed this year, SB 333, officials at the **St. Francois County Assessor** assumed they have no information to calculate the impact.



ASSUMPTION (continued)

**Oversight** notes that §321.242 currently allows certain fire protection districts or municipal fire departments to impose a sales tax rate upon a vote of its people at a rate of one-fourth of one percent for the district. As pointed out by B&P it is unclear which fire protection districts are covered by §321.242. This proposal would change the language to allow "up to one-half of one percent" which would allow the fire protection districts or municipal fire departments under this section the flexibility to choose their sales tax amount up to one-half of one percent. Oversight is unclear as to exactly which fire protection districts would fall under this increased rate. Oversight will show the impact as \$0 (none take action or not approved by voters) to an unknown amount of sales tax revenue (and 1% collection fee for DOR).

Bill as a Whole

Officials at the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond current appropriations.

**Oversight** assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

Officials from the **Office of the Secretary of State (SOS)** assume 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 \$5,000. 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 require additional resources.

**FISCAL IMPACT -**  
**State Government**

FY 2020  
 (10 Mo.)

FY 2021

FY 2022

Fully  
 Implemented  
 (FY 2023)

**GENERAL**  
**REVENUE FUND**

Cost - CP §8.177 -  
 One-time costs to  
 replace emblems,  
 uniforms, patches  
 p.4

(\$19,200)

\$0

\$0

\$0

Cost - OA/ITSD  
 §8.177 - Moving CP  
 information and  
 programs from DPS  
 to Commission p.4

(Unknown)

\$0

\$0

\$0

Cost - DOR -  
 §§32.300 & 32.303 -  
 unknown IT cost for  
 kiosks p. 6

\$0 or (Unknown) \$0 or (Unknown) \$0 or (Unknown) \$0 or (Unknown)

Cost - DOR -  
 §§32.300 & 32.303 -  
 kiosk development  
 fee p. 6

\$0 or (\$350,000)

\$0

\$0

\$0

Cost - DOR -  
 §§32.300 & 32.303 -  
 kiosk fee including  
 software p. 6  
 (\$50,000 each)

\$0 or (\$200,000)

\$0

\$0 or \$0 to  
 (\$8,600,000)

\$0

Cost - DOR -  
 §§32.300 & 32.303 -  
 IT costs for potential  
 statewide  
 implementation p. 7

\$0

\$0

\$0 or \$0 to  
 (\$400,000)

\$0

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
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**GENERAL  
 REVENUE FUND**  
 (continued)

<u>Cost - DOR -</u> §§32.300 & 32.303 - kiosk maintenance annual fee p. 7 (\$10,000 each)	\$0	\$0 or (\$40,000)	\$0 or (\$40,000) to (\$920,000)	\$0 or (\$40,000) to (\$1,800,000)
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<u>Cost - DOR-</u> §§32.300 & 32.303 - DOR - one-time vendor hardware cost for mobile driver license program p. 7	\$0 or (\$350,000)	\$0	\$0	\$0
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<u>Cost - DOR -</u> §§32.300, 32.303 - ITSD costs (ranged from \$0 (optional for DOR) to contracting out programming (\$1,664,226) to hiring 10 additional FTE IT Specialists) p. 10 FTE Change	\$0 or (\$666,317) to (\$1,664,226) 0 or 10 FTE	\$0 or \$0 to (\$806,315) 0 or 10 FTE	\$0 or \$0 to (\$813,116) 0 or 10 FTE	\$0 or \$0 to (\$819,987) 0 or 10 FTE
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<u>Cost - DOR -</u> §§32.300 & 32.303 - Administrative costs (ranged from \$0 or up to costs of FTE per fiscal year) p. 9 FTE Change	\$0 or \$0 to (\$106,278) 0 or 2 FTE	\$0 or \$0 to (\$326,106) 0 or 5 FTE	\$0 or \$0 to (\$69,557) 0 or 1 FTE	\$0 0 FTE
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<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
<b>GENERAL REVENUE FUND</b> (continued)				
<u>Additional Revenue</u> - DOR §94.510 1% DOR Collection fee p. 13	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Additional Revenue</u> - DOR - §94.900 1% Collection fee - Portageville p 14	\$0 to \$733	\$0 to \$1,466	\$0 to \$1,466	\$0 to \$1,466
<u>Additional Revenue</u> - DOR - §94.902 1% DOR Collection fee - Riverside p 16	\$0	\$0 to \$4,743	\$0 to \$6,324	\$0 to \$6,324
<u>Additional Revenue</u> - DOR - §94.902 1% DOR Collection fee - Fayette p. 17	\$0	\$0 to \$470	\$0 to \$627	\$0 to \$627
<u>Cost</u> - §136.055 ITSD costs (ranged from contracting out programming (\$149,931: \$54,270 + \$95,661) to hiring 1 additional FTE IT Specialists) p. 26 FTE Change	(\$66,632) to (\$149,931) 0 or 1 FTE	\$0 to (\$80,631) 0 or 1 FTE	\$0 to (\$81,312) 0 or 1 FTE	\$0 to (\$82,938) 0 or 1 FTE
<u>Cost</u> - DOR- §136.055.8 - mailing costs p. 26	(\$31,015)	(\$37,218)	(\$37,218)	(\$37,218)

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
<b>GENERAL REVENUE FUND</b> (continued)				
<u>Cost - §136.055.8 -</u> DOR p. 27				
Personal Services	(\$20,300)	(\$24,604)	(\$24,850)	(\$25,098)
Fringe Benefits	(\$18,797)	(\$20,109)	(\$20,184)	#(\$20,259)
Expense and Equipment	<u>(\$10,583)</u>	<u>(\$491)</u>	<u>(\$503)</u>	<u>(\$516)</u>
Total Costs - DOR	(\$49,680)	(\$45,204)	(\$45,537)	(\$45,873)
FTE Change - DOR	1 FTE	1 FTE	1 FTE	1 FTE
 <u>Revenue - DOR</u> §143.121 change in when interest income is paid* p 28				
	(Unknown)	Unknown	Unknown	Unknown
 <u>Revenue Reduction -</u> DOR §144.020 reduction in sales tax collected if telecommunication companies are allowed to separate services p 32				
	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
 <u>Cost - DOR -</u> §144.190 additional refunds for overpayment under chapter 144**p 35				
	(Unknown)	(Unknown)	(Unknown)	(Unknown)

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
<b>GENERAL REVENUE FUND</b> (continued)				
<u>Additional Revenue</u> - DOR §321.242 1% DOR Collection fee from Fire Protection Districts p 39	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>(Could exceed \$166,527 to <u>\$2,919,597</u>)</b>	<b>(Could exceed <u>\$1,328,795</u>)</b>	<b>(Could exceed <u>\$10,958,323</u>)</b>	<b>(Could exceed <u>\$2,777,599</u>)</b>
Estimated Net FTE Change for General Revenue	1 or up to 14 FTE	1 or up to 17 FTE	1 or up to 13 FTE	1 or Up to 12 FTE

**\* Oversight notes the amount of Tax Owed to the State does not change under this proposal, this proposal only changes when the Tax is Paid to the State (cash flow).**

**\*\* Depending upon refund claims, the impact could be “significant”**

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
<b>DEPARTMENT OF PUBLIC SAFETY</b>				
<u>Reallocation - CP</u> §8.007 - funding and 40 FTE from DPS to Commission p. 4				
	<u>\$1,824,003</u>	<u>\$1,824,003</u>	<u>\$1,824,003</u>	<u>\$1,824,003</u>
<b>ESTIMATED NET EFFECT TO THE DEPARTMENT OF PUBLIC SAFETY</b>				
	<u>\$1,824,003</u>	<u>\$1,824,003</u>	<u>\$1,824,003</u>	<u>\$1,824,003</u>
 <b>MISSOURI STATE CAPITOL COMMISSION</b>				
<u>Reallocation - CP</u> §8.007 - funding and 40 FTE into the Commission p. 4				
	<u>(\$1,824,003)</u>	<u>(\$1,824,003)</u>	<u>(\$1,824,003)</u>	<u>(\$1,824,003)</u>
<b>ESTIMATED NET EFFECT TO THE COMMISSION</b>				
	<u>(\$1,824,003)</u>	<u>(\$1,824,003)</u>	<u>(\$1,824,003)</u>	<u>(\$1,824,003)</u>

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
<b>HIGHWAY FUND</b>				
<u>Revenue</u> - §§32.300 & 32.303 - increase in driver license online renewals p. 11	\$0	\$0	\$0 or \$66,517	\$0 or \$133,035
<u>Revenue</u> - §§32.300 & 32.303 - potential increase in driver license online renewals if implemented state- wide p 11	\$0	\$0	\$0 or Unknown	\$0 or Unknown
Revenue - §136.055 - increased processing fees for licenses, registrations, notice of liens and notary services p. 23.	\$2,277,171 or \$22,459,083	\$2,732,606 or \$26,950,900	\$2,732,606 or \$26,950,900	\$2,732,606 or \$26,950,900
<u>Savings</u> - DOR - §§32.300 & 32.303 - DOR - program savings p 10	<u>\$0</u>	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<b>ESTIMATED NET EFFECT ON THE HIGHWAY FUND</b>	<b><u>\$2,277,171 or</u> <u>\$22,459,083</u></b>	<b><u>\$2,732,606 or</u> <u>\$26,950,900</u></b>	<b><u>\$2,732,606 or</u> <u>Could exceed</u> <u>\$27,017,417</u></b>	<b><u>\$2,865,641 or</u> <u>Could exceed</u> <u>\$27,083,935</u></b>



<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
<b>KANSAS CITY REGIONAL LAW ENFORCEMENT MEMORIAL FOUNDATION FUND</b>				
<u>Revenue - DOR</u> §143.1028				
taxpayer's refund donation p. 30	Less than \$10,000	Less than \$10,000	Less than \$10,000	Less than \$10,000
<u>Distribution - to</u> Memorial p 30	<u>(Less than</u> <u>\$10,000)</u>	<u>(Less than</u> <u>\$10,000)</u>	<u>(Less than</u> <u>\$10,000)</u>	<u>(Less than</u> <u>\$10,000)</u>
<b>ESTIMATED NET EFFECT ON THE KANSAS CITY REGIONAL LAW ENFORCEMENT MEMORIAL FOUNDATION FUND</b>				
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
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**SCHOOL  
 DISTRICT TRUST  
 FUND**

<u>Revenue Reduction -</u> DOR §144.020 reduction in sales tax collected if telecommunication companies are allowed to separate services p 32	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
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<u>Cost - DOR -</u> §144.190 additional refunds for overpayment under chapter 144 * p 35	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND</b>	<u><b>\$0 or (Unknown)</b></u>	<u><b>\$0 or (Unknown)</b></u>	<u><b>\$0 or (Unknown)</b></u>	<u><b>\$0 or (Unknown)</b></u>
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\* Depending upon refund claims, the impact could be “significant”

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
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**CONSERVATION  
 COMMISSION  
 FUND**

<u>Revenue Reduction -</u> DOR §144.020 reduction in sales tax collected if telecommunication companies are allowed to separate services p 32	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
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<u>Cost - DOR -</u> §144.190 additional refunds for overpayment under chapter 144 * p 35	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET            EFFECT ON THE            CONSERVATION            COMMISSION            FUND</b>	<u><b>\$0 or            (Unknown)</b></u>	<u><b>\$0 or            (Unknown)</b></u>	<u><b>\$0 or            (Unknown)</b></u>	<u><b>\$0 or            (Unknown)</b></u>
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\* Depending upon refund claims, the impact could be “significant”

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
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**PARKS, SOIL &  
WATER FUND**

<u>Revenue Reduction -</u> DOR §144.020 reduction in sales tax collected if telecommunication companies are allowed to separate services p 32	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
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<u>Cost - DOR -</u> §144.190 additional refunds for overpayment under chapter 144 * p 35	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON THE PARKS, SOIL &amp; WATER FUND</b>	<u><b>\$0 or (Unknown)</b></u>	<u><b>\$0 or (Unknown)</b></u>	<u><b>\$0 or (Unknown)</b></u>	<u><b>\$0 or (Unknown)</b></u>
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\* Depending upon refund claims, the impact could be “significant”

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
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**STATE LEGAL  
 EXPENSE FUND  
 (#0692)**

<u>Transfer-in from</u> Missouri Veterans' Health and Care Fund - Reimbursement for litigation expenditures p 37	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
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<u>Cost - AGO/OA</u> §191.1116 Litigation expenditures p 37	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
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<b>ESTIMATED NET    EFFECT ON THE    STATE LEGAL    EXPENSE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
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**MISSOURI  
 VETERANS'  
 HEALTH AND  
 CARE FUND**

<u>Transfer-out -</u> §191.1116 to State Legal Expense Fund - Litigation expenditures p. 37	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
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**ESTIMATED NET  
 EFFECT ON THE  
 MISSOURI  
 VETERANS  
 HEALTH AND  
 CARE FUND**

<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>	<u>\$0 or</u> <u>(Unknown)</u>
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<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
<b>LOCAL POLITICAL SUBDIVISIONS</b>				
<u>Revenue - Cities</u> (15%) - §§32.300 & 32.303 - increase in driver license online renewals p. 11				
	\$0	\$0	\$0 or \$13,304	\$0 or \$26,607
<u>Revenue - Counties</u> (10%) §§32.300 & 32.303 - increase in driver license online renewals p. 11				
	\$0	\$0	\$0 or \$8,869	\$0 or \$17,738
<u>Revenue - §§32.300 &amp; 32.303 - potential increase in driver license online renewals if implemented state- wide p 23</u>				
	\$0	\$0	\$0 or Unknown	\$0 or Unknown
<u>Revenue - Locals - §67.662 transient guest taxes owed by additional operators p 11</u>				
	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Cost - Locals</u> §82.1025 potential litigation cost to private property that is owned by a governmental or municipal entity p 12				
	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

<u>FISCAL IMPACT -</u> <u>Local Government</u> (continued) <b>LOCAL POL SUB</b> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
<u>Additional Revenues</u> - Locals - §94.510 flexibility increasing sales tax up 1% p 13	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Additional Revenues</u> - City of Portageville §94.900 - additional half cent sales tax for Public Safety - Portageville p 14	\$0 to \$72,565	\$0 to \$145,130	\$0 to \$145,130	\$0 to \$145,130
<u>Loss - DOR -</u> §94.900 - 1% collection fee from Portageville kept by DOR p 14	\$0 to (\$733)	\$0 to (\$1,466)	\$0 to (\$1,466)	\$0 to (\$1,466)
<u>Additional Revenues</u> - City of Riverside §94.902- additional half cent sales tax for Public Safety - Riverside p 16	\$0	\$0 to \$474,329	\$0 to \$632,439	\$0 to \$632,439
<u>Loss - DOR -</u> §94.902 - 1% collection fee from Riverside kept by DOR p 16	\$0	(\$0 to \$4,743)	(\$0 to \$6,324)	(\$0 to \$6,324)
<u>Additional Revenues</u> - Fayette - §94.902 additional half cent sales tax for Public Safety p 17	\$0	\$0 to \$47,011	\$0 to \$62,681	\$0 to \$62,681



<u>FISCAL IMPACT -</u> <u>Local Government</u> (continued) <b>LOCAL POL SUB</b> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
<u>Loss - DOR -</u> §94.902 - 1% collection fee from Fayette - kept by DOR p 17	\$0	\$0 to (\$470)	\$0 to (\$627)	\$0 to (\$627)
Revenue - §136.055 - Cities (15%) - increased processing fees for licenses, registrations, notice of liens and notary services p 23	\$455,434 or \$4,491,817	\$546,521 or \$5,390,180	\$546,521 or \$5,390,180	\$546,521 or \$5,390,180
Revenue - §136.055 - Counties (10%) - increased processing fees for licenses, registrations, notice of liens and notary services p 23	\$303,623 or \$2,994,544	\$364,347 or \$3,593,453	\$364,347 or \$3,593,453	\$364,347 or \$3,593,453
<u>Revenue Reduction -</u> Locals - §144.020 reduction in sales tax collected if telecommunication companies are allowed to separate services p 32	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost - DOR -</u> §144.190 additional refunds for overpayment under chapter 144 * p 35	(Unknown)	(Unknown)	(Unknown)	(Unknown)

<u>FISCAL IMPACT -</u> <u>Local Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022	Fully Implemented (FY 2023)
<b>LOCAL POL SUB</b> (continued)				
<u>Revenue</u> - Cape Girardeau County §190.293 telephone sales tax p 35	\$0	\$0 or \$10,832,280	\$0 or \$14,443,040	\$0 or \$14,443,040
<u>Loss</u> - § 190.305- Termination of tax collections under p. 37	\$0	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Additional Revenue</u> - §321.242 - flexibility in increasing Fire Protection District sales tax p .39	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<u>(Unknown) or Could exceed \$830,889 to \$7,558,193</u>	<u>(Unknown) or Could exceed \$910,868 to \$20,475,704</u>	<u>(Unknown) or Could exceed \$910,868 to \$24,280,679</u>	<u>(Unknown) or Could exceed \$910,868 to \$24,302,851</u>

FISCAL IMPACT - Small Business

This proposal may impact small businesses.

FISCAL DESCRIPTION

This proposal modifies taxation and other matters.

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

City of Kansas City  
City of Portageville  
City of Springfield  
City of Sugar Creek  
Department of Conservation  
Department of Economic Development  
Department of Health and Senior Services  
Department of Natural Resources  
Department of Public Safety  
    Capitol Police  
    Missouri Highway Patrol  
    Missouri Veterans Commission  
Department of Revenue  
Missouri Department of Transportation  
Missouri House of Representatives  
Missouri Senate  
Monroe County Assessor  
Office of Administration  
    Division of Budget and Planning  
    Commissioner's Office  
Office of the Attorney General  
Office of the State Treasurer  
Public Service Commission  
St. Francois County  
St. Louis County  
University of Missouri Economic & Policy Analysis Research Center



Kyle Rieman  
Director  
May 9, 2019

Ross Strobe  
Assistant Director  
May 9, 2019