

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1621-04  
Bill No.: Truly Agreed To and Finally Passed SS for HB 821  
Subject: Taxation and Revenue - Property; Cities, Towns and Villages; County Officials;  
Property, Real and Personal  
Type: Original  
Date: June 5, 2019

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Bill Summary: This proposal establishes the Land Bank Act.

**FISCAL SUMMARY**

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND                 |                          |                          |                          |                                |
|--|--------------------------|--------------------------|--------------------------|--------------------------------|
| FUND AFFECTED  | FY 2020                  | FY 2021                  | FY 2022                  | Fully Implemented<br>(FY 2024) |
| General Revenue  | \$0 to (\$15,718)        | \$0 to (\$38,476)        | \$0 to (\$58,869)        | \$0 to (\$61,247)              |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue</b> | <b>\$0 to (\$15,718)</b> | <b>\$0 to (\$38,476)</b> | <b>\$0 to (\$58,869)</b> | <b>\$0 to (\$61,247)</b>       |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS                             |            |            |            |                                |
|---|------------|------------|------------|--------------------------------|
| FUND AFFECTED   | FY 2020    | FY 2021    | FY 2022    | Fully Implemented<br>(FY 2024) |
|   |            |            |            |                                |
|   |            |            |            |                                |
| <b>Total Estimated<br/>Net Effect on <u>Other</u><br/>State Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b>                     |

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 10 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS                         |            |            |            |                             |
|---|------------|------------|------------|-----------------------------|
| FUND AFFECTED   | FY 2020    | FY 2021    | FY 2022    | Fully Implemented (FY 2024) |
|   |            |            |            |                             |
|   |            |            |            |                             |
| <b>Total Estimated Net Effect on <u>All</u> Federal Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b>                  |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) |          |          |          |                             |
|--|----------|----------|----------|-----------------------------|
| FUND AFFECTED                                      | FY 2020  | FY 2021  | FY 2022  | Fully Implemented (FY 2024) |
|  |          |          |          |                             |
|  |          |          |          |                             |
| <b>Total Estimated Net Effect on FTE</b>           | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>                    |

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

| ESTIMATED NET EFFECT ON LOCAL FUNDS |                       |                       |                       |                             |
|-------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------------|
| FUND AFFECTED                       | FY 2020               | FY 2021               | FY 2022               | Fully Implemented (FY 2024) |
| <b>Local Government</b>             | <b>\$0 or Unknown</b> | <b>\$0 or Unknown</b> | <b>\$0 or Unknown</b> | <b>\$0 or Unknown</b>       |

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Corrections (DOC)** assume a direct impact from this legislation would result in a cost that would be fully implemented in FY2024 of \$61,247. The proposed legislation modifies sections relating to the Land Bank Act.

FN 1621-04 adds a land bank agency to section 140.190, and §140.1000 creates a class D felony for employees who accept emoluments other than the salary by the land bank agency for any activity related to the land bank agency. This is a new offense and the DOC uses the standard response for a class D nonviolent offense. If legislation passes, the DOC assumes that it will receive 3 offenders to serve a prison sentence and 5 for probation. This will result in an increase of 9 in the prison population by FY22 and 21 in the field population by FY24.

|   | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>New Admissions</b>                           |        |        |        |        |        |        |        |        |        |        |
| Current Law                                     | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      |
| After Legislation                               | 3      | 3      | 3      | 3      | 3      | 3      | 3      | 3      | 3      | 3      |
| <b>Probation</b>                                |        |        |        |        |        |        |        |        |        |        |
| Current Law                                     | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      |
| After Legislation                               | 5      | 5      | 5      | 5      | 5      | 5      | 5      | 5      | 5      | 5      |
| <b>Change (After Legislation - Current Law)</b> |        |        |        |        |        |        |        |        |        |        |
| Admissions                                      | 3      | 3      | 3      | 3      | 3      | 3      | 3      | 3      | 3      | 3      |
| Probations                                      | 5      | 5      | 5      | 5      | 5      | 5      | 5      | 5      | 5      | 5      |
| <b>Cumulative Populations</b>                   |        |        |        |        |        |        |        |        |        |        |
| Prison  | 3      | 6      | 9      | 9      | 9      | 9      | 9      | 9      | 9      | 9      |
| Parole  |        |        | 0      | 3      | 6      | 6      | 6      | 6      | 6      | 6      |
| Probation                                       | 5      | 10     | 15     | 15     | 15     | 15     | 15     | 15     | 15     | 15     |
| <b>Impact</b>                                   |        |        |        |        |        |        |        |        |        |        |
| Prison Population                               | 3      | 6      | 9      | 9      | 9      | 9      | 9      | 9      | 9      | 9      |
| Field Population                                | 5      | 10     | 15     | 18     | 21     | 21     | 21     | 21     | 21     | 21     |
| <b>Population Change</b>                        | 8      | 16     | 24     | 27     | 30     | 30     | 30     | 30     | 30     | 30     |
| <b>P&amp;P Officers + or -</b>                  |        | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      |

If this impact statement has changed from statements submitted in previous years, it is because the Department of Corrections (DOC) has changed the way probation and parole daily costs are calculated to more accurately reflect the way the Division of Probation and Parole is staffed across the entire state.

ASSUMPTION (continued)

In December 2017, the DOC reevaluated the calculation used for computing the Probation and Parole average daily cost of supervision and revised the cost calculation to be used for 2019 fiscal notes. The new calculation estimates the increase/decrease in caseloads at each Probation and Parole district due to the proposed legislative change. For the purposes of fiscal note calculations, the DOC averaged district caseloads across the state and came up with an average caseload of 51 offender cases per officer. The new calculation assumes that an increase/decrease of 51 cases in a district would result in a change in costs/cost avoidance equal to the cost of one FTE staff person in the district. Increases/decreases smaller than 51 offenders are assumed to be absorbable.

In instances where the proposed legislation would only affect a specific caseload, such as sex offenders, the DOC will use the average caseload figure for that specific type of offender to calculate cost increases/decreases.

The DOC cost of incarceration is \$17.224 per day or an annual cost of \$6,287 per offender. The DOC cost of probation or parole is determined by the number of P&P Officer II positions that would be needed to cover the new caseload.

DOC assumes the total impact for this version below:

|         | # in<br>prison | Cost per<br>year | Total Cost for<br>prison | increased<br># on<br>probation<br>& parole | Add'l<br>P&P<br>Officers<br>needed<br>FTE | Total cost<br>for<br>probation<br>and parole | Grand Total -<br>Prison and<br>Probation<br>(includes and<br>2% inflation) |
|---------|----------------|------------------|--------------------------|--|---|--|--|
| Year 1  | 3              | (\$6,287)        | (\$15,718)               | 5  | 0   | \$0  | (\$15,718)   |
| Year 2  | 6              | (\$6,287)        | (\$38,476)               | 10   | 0   | \$0  | (\$38,476)   |
| Year 3  | 9              | (\$6,287)        | (\$58,869)               | 15   | 0   | \$0  | (\$58,869)   |
| Year 4  | 9              | (\$6,287)        | (\$60,046)               | 18   | 0   | \$0  | (\$60,046)   |
| Year 5  | 9              | (\$6,287)        | (\$61,247)               | 21   | 0   | \$0  | (\$61,247)   |
| Year 6  | 9              | (\$6,287)        | (\$62,472)               | 21   | 0   | \$0  | (\$62,472)   |
| Year 7  | 9              | (\$6,287)        | (\$63,722)               | 21   | 0   | \$0  | (\$63,722)   |
| Year 8  | 9              | (\$6,287)        | (\$64,996)               | 21   | 0   | \$0  | (\$64,996)   |
| Year 9  | 9              | (\$6,287)        | (\$66,296)               | 21   | 0   | \$0  | (\$66,296)   |
| Year 10 | 9              | (\$6,287)        | (\$67,622)               | 21   | 0   | \$0  | (\$67,622)   |

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$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 request funding through the appropriation process.

Officials at the **Department of Labor and Industrial Relations**, the **Office of the State Courts Administrator**, the **Missouri Department of Transportation**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Revenue**, the **Office of State Auditor**, the **Office of the State Public Defender**, the **Office of Prosecution Services**, the **Office of the State Treasurer**, the **Department of Natural Resources**, the **Department of Public Safety's Division of Fire Safety**, the **Office of the Director** and the **Missouri Highway Patrol**, the **Office of Administration**, the **Office of the Attorney General**, the **Department of Economic Development** and the **Department of Conservation** each assume no fiscal impact to their agency from this proposal.

In response to a previous version, officials at the **State Tax Commission** assumed no fiscal impact from this proposal.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Officials at the **Metropolitan St. Louis Sewer District**, the **St. Louis County Department of Justice Services** and the **Springfield Police Department** each assume no fiscal impact to their entity from this proposal.

ASSUMPTION (continued)

In response to a previous version, officials at **St. Louis County**, the **Monroe County Assessor's Office**, the **Wellsville-Middletown R-a School District** and the **City of Kansas City** each assumed no fiscal impact to their entity from this proposal.

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

**Oversight** assumes §140.981.1 states that "A city may establish a land bank agency by ordinance, resolution, or rule, as applicable." Oversight assumes there is a potential that new political subdivisions could be established by this proposal. Therefore, Oversight will reflect a \$0 or positive unknown from this proposal.

Similarly, **Oversight** will reflect a potential cost to the Department of Corrections for incarceration of offenders of Section 140.1000 as \$0 (either a land bank agency is not created in St. Joseph or no offenders are charged, found guilty, and imprisoned) to the estimates provided by the DOC.

| <u>FISCAL IMPACT -</u><br><u>State Government</u>                   | FY 2020<br>(10 Mo.)             | FY 2021                         | FY 2022                         | Fully<br>Implemented<br>(FY 2024) |
|---|---------------------------------|---------------------------------|---------------------------------|-----------------------------------|
| <b>GENERAL<br/>REVENUE</b>  |                                 |                                 |                                 |                                   |
| <u>Cost - DOC -</u><br>additional prisoners<br>for Class D felonies | <u>\$0 to (\$15,718)</u>        | <u>\$0 to (\$38,476)</u>        | <u>\$0 to (\$58,869)</u>        | <u>\$0 to (\$61,247)</u>          |
| <b>ESTIMATED NET<br/>EFFECT ON<br/>GENERAL<br/>REVENUE</b>          | <b><u>\$0 to (\$15,718)</u></b> | <b><u>\$0 to (\$38,476)</u></b> | <b><u>\$0 to (\$58,869)</u></b> | <b><u>\$0 to (\$61,247)</u></b>   |

|                         |          |         |         |             |
|-------------------------|----------|---------|---------|-------------|
| <u>FISCAL IMPACT -</u>  |          |         |         | Fully       |
| <u>Local Government</u> | FY 2020  | FY 2021 | FY 2022 | Implemented |
|                         | (10 Mo.) |         |         | (FY 2024)   |

**LOCAL  
POLITICAL  
SUBDIVISIONS**

|  |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>Revenues -</u><br>establishing a land<br>bank in cities | <u>\$0 or Unknown</u> | <u>\$0 or Unknown</u> | <u>\$0 or Unknown</u> | <u>\$0 or Unknown</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|

**ESTIMATED NET  
EFFECT ON  
LOCAL  
POLITICAL  
SUBDIVISIONS**

|                       |                       |                       |                       |
|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>\$0 or Unknown</u> | <u>\$0 or Unknown</u> | <u>\$0 or Unknown</u> | <u>\$0 or Unknown</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill establishes the "Land Bank Act," which allows certain cities to establish a land bank agency for the management, sale, transfer, and other disposition of interests in real estate owned by the land bank (Sections 140.980 and 140.981, RSMo).

The powers and duties given to the land bank agency are specified in the bill (Sections 140.982 and 140.983).

The bill specifies that a land bank agency shall not possess the power of eminent domain or the power to tax (Section 140.1015).

The beneficiaries of the land bank agency shall be the taxing authorities that held or owned tax bills against the real estate acquired by the agency (Section 140.981).

FISCAL DESCRIPTION (continued)

The agency shall notify the county assessor and collector upon acquisition or sale of any real estate and such real estate shall be exempt from all taxation during the agency's ownership. Upon issuance of a deed of a delinquent land tax auction, the agency shall pay the amount of the land bank agency's bid that exceeds the amount of all tax bills included in the judgment, interest, penalties, attorney's fees, taxes, and costs due. The county collector shall mark the tax bills included in the judgment as "canceled by sale to the land bank" and shall take credit for the full amount of such tax bills (Section 140.984).

A land bank agency shall maintain and make available for public review and inspection an inventory and history of all real property the land bank agency holds or formerly held. A city may establish a hierarchical ranking of priorities for the use of real property conveyed by such land bank agency. When any parcel of real estate acquired by the agency is sold or otherwise disposed of, the proceeds shall be distributed as specified in the bill (Section 140.985).

A land bank agency shall either sell, put to a productive use, or show significant progress toward selling or putting to a productive use a parcel of real property within two years from the date it acquired the property. The governing body of the city may grant the agency a one-year extension upon a majority vote if the body believes unforeseen circumstances have delayed the sale or productive use of the property. If the agency owns a property that does not have a productive use after two years or does not receive an extension, the property shall be offered for public sale using procedures specified in the bill (Section 140.986).

A land bank agency may receive funding through grants, gifts, and loans and may receive and retain payments for services rendered, rents and leasehold payments, consideration for disposition of real and personal property, proceeds of insurance coverage for losses incurred, income from investments, and any other asset and activity lawfully permitted (Section 140.988).

There shall be an annual audit of the affairs, accounts, expenses, and financial transactions of a land bank agency annually by April 30th. The cost of such audit shall be paid by the land bank agency and copies shall be made available to the public and posted on the website within 30 days of the completion of the audit (Section 140.991).

The bill specifies that no employee of the land bank agency shall receive any compensation from or own any legal or equitable interest in any lands held by the land bank agency. A violation of this provision is a class D felony (Section 140.1000).



FISCAL DESCRIPTION (continued)

If a land bank agency receives payments or credits attributable to liens or claims for real property taxes owed to a taxing authority, the land bank agency shall remit the full amount of the payments to the county collector for distribution to the appropriate taxing authority (Section 140.1006).

A land bank agency shall be authorized to file an action to quiet title as to any real property in which it has an interest. The procedure for service of the petition to quiet title is specified in the bill. The court shall schedule a hearing on the petition within 90 days following filing of the petition and shall issue its final judgment within 120 days of the filing (Section 140.1009).

The bill also specifies the procedures for dissolution of a land bank agency (Section 140.1012).

Currently, this bill only applies to the City of St. Joseph.

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

Office of the Secretary of State  
Department of Economic Development  
Department of Revenue  
Office of the State Courts Administrator  
Department of Corrections  
Department of Conservation  
Department of Insurance, Financial Institutions and Professional Registration  
Office of State Auditor  
Office of the State Public Defender  
Office of Prosecution Services  
Office of the State Treasurer  
Department of Natural Resources  
Department of Public Safety  
Office of Administration  
Office of the Attorney General  
State Tax Commission  
Department of Labor and Industrial Relations  
Missouri Department of Transportation  
St. Louis County  
Monroe County Assessor's Office  
City of Kansas City  
Wellsville-Middletown R-1 School District  
Metropolitan St. Louis Sewer District  
St. Louis County Department of Justice Services  
Springfield Police Department



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