

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3153-05
Bill No.: SCS for HCS for HB 1854
Subject: Political Subdivisions; Auditor, State; Boards, Commissions, Committees and Councils; Cities, Towns and Villages; Counties; County Government; County Officials; Elections; Fire Protection; Planning and Zoning; Taxation and Revenue - Sales and Use; Public Records, Public Meetings; Property, Real and Personal
Type: Original
Date: April 29, 2020

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue*	\$0 to (Unknown, could exceed \$721,143)	\$0 to (Unknown)	\$0 to (Unknown, could exceed \$113,308)
Total Estimated Net Effect on General Revenue*	\$0 to (Unknown, could exceed \$721,143)	\$0 to (Unknown)	\$0 to (Unknown, could exceed \$113,308)

* The fiscal impact to the state is the potential loss of the Department of Revenue's 2% collection fee. Oversight has ranged the impact from \$0 (debt is already considered uncollectible and DOR would not have received the 2% fee even without this proposal) to \$721,143 (which represents if DOR would have collected 100% of the \$36 million of outstanding debt allowed to be reduced by this proposal). Oversight assumes the actual loss to the state is on the very low end of this range.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 23 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Local Government*	Unknown, less than \$711,343	Unknown to (Unknown)	Unknown, less than \$88,240

*** The net fiscal impact to the local political subdivision is the potential loss of the Department of Revenue’s 2% collection fee. Oversight has ranged the impact from \$0 (debt is already considered uncollectible and DOR would not have received the 2% fee even without this proposal) to \$721,143 (which represents if DOR would have collected 100% of the \$36 million of outstanding debt allowed to be reduced by this proposal). Oversight assumes the actual impact is on the very low end of this range.**

FISCAL ANALYSIS

ASSUMPTION

§29.230 - Audits of Counties

In response to similar legislation from this year, SB 615, officials from the **Office of the State Auditor (SAO)** stated because they are unable to predict how many counties will fall into the parameters set by this legislation, they cannot accurately estimate fiscal costs or savings for this proposal.

The SAO further states they do not charge third class counties for performance audits and do not hire third-party auditors to conduct such audits. The SAO stated, there were 10 third class county audit reports released in 2019.

Oversight notes §29.005 RSMo, defines “Performance Audits” as “audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against identified criteria. Performance audit objectives shall include, but not be limited to, the following:

- (a) Effectiveness and results. This objective may measure the extent to which an entity, organization, activity, program, or function is achieving its goals and objectives;
- (b) Economy and efficiency. This objective shall assess the costs and resources used to achieve results of an entity, organization, activity, program, or function;
- (c) Internal control. This objective shall assess one or more components of an entity's internal control system, which is designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable legal requirements; and
- (d) Compliance. This objective shall assess compliance with criteria established by provisions of laws, regulations, contracts, and grant agreements or by other requirements that could affect the acquisition, protection, use, and disposition of an entity's resources and the quantity, quality, timeliness, and cost of services the entity produces and delivers”.

Oversight assumes the proposal would simply specify when the State Auditor shall not conduct a performance audit of a county of the third classification (if the county commission passes a resolution to not be subject to such an audit and the county has undergone an audit examination by a licensed CPA at least once in the preceding two years).

ASSUMPTION (continued)

Subsection 29.230.3 states “the political subdivision shall pay the actual cost of audit”; however, the SAO states they do not charge 3rd class counties for these audits. Therefore, Oversight will assume these changes will not result in a savings to county governments. Oversight will also assume the State Auditor’s Office would not realize a savings if not required to conduct certain performance audits, but would simply allocate their resources to other pending audits. Counties may opt to have the audit conducted by a CPA firm (and pay for these services), but that would be at their discretion.

Officials from the following counties Andrew, Atchison, Barton, Benton, Bollinger, Clark, Clinton, Grundy, Henry, Lincoln, Lewis, Lawrence, Linn, Marion, Mercer, McDonald, Perry, Pike, Polk, Ripley, Scotland, Shelby, Wright, Wayne, and Texas were requested to provide a response regarding the fiscal impact of the proposal, but did not respond to **Oversight's** request.

§§37.1090, 37.1091, 37.1092, 37.1093, 37.1094, 37.1095, 37.1096, 37.1097, 37.1098 - Missouri Local Government Expenditure Database

In response to similar legislation from this year, HB 1933, officials from the **Office of Administration (OA) - Information Technology Services Division (OA-ITSD)** stated that the proposed Missouri Local Government Expenditure Database would be created and maintained by the Office of Administration, and be available on the Office of Administration website, to include information about expenditures made by municipalities or counties in each fiscal year.

Based on OA's experience with existing accountability portal requirements, including the existing bond reporting requirements for political subdivisions, it is expected that OA's role will be minimal, and would include making a standard form for the municipalities to fill out, along with detailed instructions. Any fiscal impact associated with reimbursing the political subdivisions for costs they may incur is unknown. The legislation is sufficiently clear related to reporting expectations that OA expects follow-up conversations will be limited. Given that the reporting requirement is limited to twice annually, OA does not anticipate the level of effort to comply with this legislation will be any greater than complying with existing accountability portal requirements.

OA-ITSD officials state that the proposed requirements would be incorporated on the Missouri Accountability Portal (MAP) and would be accessible by members of the public without charge. Reporting would start for expenditures made on or after January 1, 2023, with information being submitted by municipalities or counties to the Office of Administration biannually. OA-ITSD estimates a cost of \$13,308 (123 hours at a rate of \$95 an hour for database development and 9.88 hours at a rate of \$95 for project management). As MAP is an application that is currently being maintained, it is anticipated that costs associated with supporting the additional database could be absorbed within existing resources used for the annual maintenance of MAP.

ASSUMPTION (continued)

In response to similar legislation from this year, HB 1933, officials from the **Office of Administration - Accounting Division** stated the fiscal impact of reimbursing the political subdivisions for their costs is unknown. It could be a small amount of money or a very large amount.

In response to similar legislation from this year, HB 1933, officials from the **City of Kansas City** stated that if 5% of registered voters requested participation, this legislation to establish the Missouri Municipality Government Expenditure Database would have a negative impact on the City. The City already publishes expenditures on its website. While it's possible to provide all of this information, it would require some reprogramming to pull the data requested in the proposed legislation.

That would come at some unknown cost, both in personnel and software. Although participants may be reimbursed for actual expenditures incurred for participation in the database, the reimbursement is subject to annual appropriation which leaves some uncertainty. This potentially could have an unnecessary negative fiscal impact if the annual appropriation is not made.

In response to similar legislation from this year, HB 1933, officials from the **City of Columbia** stated that the city's transparency portal includes revenue and expenditure information dating back to 2017. It is possible that the City could incur some cost to format data to fit OA requirements, so there could be a negative fiscal impact. Costs might be reduced if the General Assembly, as provided in the bill, appropriates funds to reimburse cities for all or part of their costs to comply.

For a similar proposal in 2019 (HB 762), Oversight contacted several states that have similar local political subdivision expense portals. Below are their responses:

- Data Operations Manager from the **State of Iowa** stated that while the Iowa Data Portal includes municipal expenditure data, it can't be explored in the same way as the state-level data central to the Iowa Data Portal and Iowa Checkbook. Implementation costs would depend on who would be responsible for entering the data and based on how much of the system was already in place. Portals rely on methods of data collection, data authentication, data storage, and data presentation, and those costs could differ based on how much of the structure is in place. Iowa had a collection method in place for preexisting data. Iowa's HF 2278 (2018), dealt with a similar database for school districts. The estimated costs were between \$225,000 and \$350,000 for purposes of collection and presentation. For the Iowa Data Portal itself - HF 94 (2011), costs "were well over \$500,000."

ASSUMPTION (continued)

- The **State of Ohio** passed HB 40 (2018) which provided that the initial cost to implement the Ohio Checkbook (state expenditure database) was about \$0.8 million. Prior to HB 40, only state expenditures were included in the database. Subsequently, the Office of Ohio State Treasurer spent a total of \$2.6 million between FY 2015 and FY 2018 when it added local governments' and public retirement systems' expenditures in the database.
- The **State of Massachusetts** lists some expenditure data online. The Municipal Data Bank Director stated the Data Bank has been in operation for over 30 years, and that due to the age of implementation the Division of Local Services doesn't have a reliable cost estimate as if it had been implemented today. They stated that the transition from using paper to digital for data entry began in 1984, and that paper was more or less eliminated by 2000.
- Furthermore, while the transition and implementation of the Data Bank was done in pieces, they believe most of the money was allocated for personnel rather than data bank creation, as the Division would recruit local students to manually enter the existing information into the system.
- The Transparency Coordinator for **State of Utah's** Division of Finance stated that the Transparency Portal, created legislatively back in 2008 via SB 38 and municipalities were added in 2011. The Fiscal Note states that the entire system would have \$480,400 appropriated in FY 2009 as a one-time cost, and \$250,800 after that for annual costs. Services were contracted out to a third party called Utah Interactive, and that currently, it is estimated they pay \$80,000 a year for their services.

Oversight notes that based on similar proposals implemented in other states, costs ranged from \$225,000 - \$2.6 million. Oversight assumes a municipality or county may voluntarily participate in the database, or may be required to participate if a petition process used by its residents is used to require participation as specified in the bill. Oversight assumes a municipality or county could incur some expenses if they choose or are required to participate in the database. Oversight will range a local political subdivision fiscal impact as \$0 (zero municipalities or counties participate or municipalities or counties that choose to participate have no costs associated with the proposal) to an unknown cost.

Oversight also notes that the Office of Administration shall provide financial reimbursement to any participating municipality or county for actual expenditures incurred for participation in the database, upon appropriation. Since it is unknown how many municipalities or counties will participate or how much will be appropriated by the state for this purpose, Oversight will reflect a \$0 (zero municipalities or counties participate) to an unknown cost that could exceed \$100,000 to the General Revenue Fund.

ASSUMPTION (continued)

In response to similar legislation from this year, HB 1933, officials from the **Office of the Secretary of State (SOS)** assumed 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.

In response to similar legislation from this year, HB 1933, officials from the **City of St. Louis** assumed the proposal will have no fiscal impact on their organization.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

§49.266 - County Ordinances

In response to similar legislation from this year, HB 1698, officials at the **Department of Public Safety's Division of Fire Safety** assumed no fiscal impact from this proposal.

Oversight notes the Department of Public Safety's Division of Fire Safety has stated the proposal would not have a direct fiscal impact on that organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, third class counties were requested to respond to this proposed legislation, but none did. A general listing of political subdivisions included in our database is available upon request.

ASSUMPTION (continued)

Oversight notes this proposal is revising the language in section 49.266 to include third class counties regarding the ability to issue ordinances. Oversight notes violations of any regulation adopted under subsection 1 would be an infraction. Oversight assumes the adoption of such ordinances would take further action of third class county commissions. Therefore, even though this proposal may eventually and indirectly lead to an increase in fine (and court costs) revenue from violations of such ordinances, Oversight will assume this revision will not have a direct fiscal impact and will reflect a \$0 fiscal impact for the proposal.

§§50.166 & 54.140 - Provisions relating to County Officials

In response to similar legislation from this year, SCS for SB 576, officials at the **Lawrence County Treasurer's Office** and the **Boone County Sheriff's Department** each assumed no fiscal impact to their respective entities from this proposal.

Oversight notes the Lawrence County Treasurer's Office and the Boone County Sheriff's Department 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.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other counties and other sheriff departments were requested to respond to this proposed legislation, but did not. A general listing of political subdivisions included in our database is available upon request.

§50.327 - County Coroner Salaries

Oversight assumes this section of the proposal is permissive and would have no local fiscal impact without the salary commission of the county taking action. Oversight also assumes the county salary commission would only take action if there was enough in the budget to account for these additional cost. Therefore, Oversight will reflect a \$0 fiscal impact for this section of the proposal.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other non-charter counties and county coroners were requested to respond to this proposed legislation, but did not. A general listing of political subdivisions included in our database is available upon request.

§§59.021 & 59.100 - Bond Requirements for County Recorder of Deeds

In response to similar legislation from this year, HB 2368, officials at the **Department of Commerce and Insurance** and the **Office of Administration** each assumed no fiscal impact to their respective agencies from this proposal.

ASSUMPTION (continued)

In response to similar legislation from this year, HB 2368, officials from the **Office of the Secretary of State (SOS)** stated 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.

In response to similar legislation from this year, HB 2368, officials at the **Daviess County Recorder of Deeds Office** and the **Mississippi County Recorder of Deeds Office** each assumed no fiscal impact to their respective entities from this proposal. Daviess County's Recorder is already bonded for \$10,000.

Oversight notes the Department of Commerce and Insurance, the Office of Administration, the Daviess County Recorder of Deeds Office and the Mississippi County Recorder of Deeds Office 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 on the fiscal note for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other counties and county recorders were requested to respond to this proposed legislation, but did not. A general listing of political subdivisions included in our database is available upon request.

§64.207 - Property Maintenance Codes and Nuisance Actions in Boone County

In response to similar legislation from this year, HCS for HB 2336, officials at the **Columbia/Boone County Public Health and Human Services (PHHS)** assumed an unknown cost from this proposal. PHHS will be involved in some of the inspections resulting from this bill and is unclear on how many facilities will require inspections.

ASSUMPTION (continued)

Oversight notes the proposal is permissive in nature and would not have a local fiscal impact without the action of the county commissioners of Boone County to adopt rules, regulations or ordinances on rented residences. Oversight notes should the commission take action on this proposal, penalties and civil fines could be assessed in the rules. Oversight assumes some of the fine revenue could offset the some of the costs of inspections that could be done. Therefore, Oversight will reflect a fiscal impact that will net to \$0 (no maintenance code adopted by Boone County Commission) to (Unknown) cost since the cost of maintenance and repairs may be more than the fine revenue.

In response to similar legislation from this year, HCS for HB 2336, officials at the **Department of Public Safety's Office of the Director**, the **Department of Commerce and Insurance**, the **Department of Natural Resources** and the **Department of Health and Senior Services** each assumed no fiscal impact to their respective agencies from this proposal.

In response to similar legislation from this year, HCS for HB 2336, officials at the **Department of Labor and Industrial Relations** assumed no fiscal impact from this proposal.

Oversight notes the Department of Public Safety's Office of the Director, the Department of Commerce and Insurance, the Department of Labor and Industrial Relations, the Department of Natural Resources and the Department of Health and Senior Services 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 on the fiscal note for these agencies.

§64.805 - Attendance Fees for County Planning Commissions

In response to similar legislation from 2019, SB 326, officials at **Boone County** assumed an additional cost each year of \$1,100 from this proposal.

In response to similar legislation from 2019, SB 326, officials at the **Monroe County Assessor** assumed no fiscal impact from this proposal.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other counties were requested to respond to this proposed legislation, but did not. A general listing of political subdivisions included in our database is available upon request.

Oversight notes this proposal allows counties to increase the reimbursement for members of planning and zoning commissions from \$25 per meeting to \$35 per meeting. Oversight notes this is at the discretion of the county commission. Oversight notes these planning and zoning commissions are authorized in section 64.800 in all counties except first class charter counties.

ASSUMPTION (continued)

Oversight notes that would leave 110 counties. Oversight assumes not all counties would have planning and zoning commissions and not all counties that have planning and zoning commissions would raise their reimbursement rate. Oversight will assume only first class counties will have planning and zoning commissions. Therefore, Oversight will range the impact from \$0 (county commissions do not increase the reimbursement rate) to \$11,760. This amount assumes 14 first class counties x an average of 7 members per commission x 12 meetings per year x \$10 increase.

§79.235

In response to similar legislation from this year, SCS for SB 725, officials at the **Department of Commerce and Insurance** assumed no fiscal impact from this proposal.

In response to similar legislation from this year, SCS for SB 725, officials from the **Office of the Secretary of State (SOS)** stated 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.

Oversight notes the Department of Commerce and Insurance 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 this agency.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other 4th class cities with populations up to 2,000 were requested to respond to this proposed legislation, but did not. A general listing of political subdivisions included in our database is available upon request.

ASSUMPTION (continued)

Oversight notes this proposal modifies the appointment qualifications for members of boards and commissions in certain cities to include any resident who manages a city's municipal utilities upon certain conditions. Oversight assumes this modification is codifying statute and will not have a direct fiscal impact on local governments.

§105.145

In response to a previous version, officials at the **Office of Administration's Division of Budget & Planning (B&P)** assumed §105.145 excludes the fine for failure to submit annual financial statements for political subdivisions with gross revenues of less than \$5,000, or for political subdivisions that have not levied or collected sales or use taxes in the fiscal year. This may result in a revenue loss for both the state and schools.

It also provides grace from fines if the failure to timely submit the annual financial statement is the result of fraud or other illegal conduct and allows a refund by DOR of any fines already paid under these circumstances. The 90% downward adjustment DOR is allowed to make on outstanding fine or penalty balances after January 1, 2021, results in the amount of collections being reduced for both the state and DOR collection fees. A similar downward adjustment may be made by DOR if the outstanding fines are deemed uncollectible. These downward adjustments will likewise result in a revenue loss for both the state and schools.

Based on information from DOR, the department started imposing this fine in August 2017. DOR has imposed total fines of \$42,853,000.00 and collected a total of \$2,011,481.57. This proposal directs that the DOR Director initiate a ballot measure that could disincorporate political subdivisions that fail to timely submit annual financial statements after August 28, 2020.

B&P defers to DOR for more specific estimates of actual collection costs.

In response to a previous version, officials at the **Department of Revenue (DOR)** stated currently local political subdivisions are required to file annual financial statements with the State Auditor's Office. Failure to file those statements results in the political subdivision being assessed a fine of \$500 per day per statutes, which is deposited into school district funds. DOR notes that the Department started imposing this fine in August 2017. DOR receives notice from the State Auditor's Office if a political subdivision does not file their annual financial statement. At that time the Department sends a notice to the political subdivision and thirty days later the fee starts to accumulate.

The Department collects the fine by offsetting any sales or use tax distributions due to the political subdivisions. In essence the Department only gets to collect the fee if the political subdivision has a sales or use tax. Most of these political subdivisions do not have a sales or use tax for the Department to collect, so the Department assumes much of what is owed is uncollectable. Additionally, this is not state money but local political subdivision funds.

ASSUMPTION (continued)

Currently, a transportation development district that had gross revenues of less than \$5,000 in a fiscal year was not subject to this fine. This proposal states that any political subdivision that has gross revenues less than \$5,000 or has not levied or collected a sales and use tax in the fiscal year, would not be subject to the fine. Additionally, language is added that if the failure to file is a result of fraud or illegal conduct by an employee or officer of the political subdivision, and if the political subdivision complies with filing the financial statement within thirty days of the discovery of the fraud or illegal conduct, the fine shall not be assessed.

This proposal is allowing a political subdivision that files its financial statement after January 1, 2021 to receive a 90% reduction of their outstanding balance of their fines owed. Current records of the Department show total fines of \$42,853,000.00 and that \$2,011,481.57 had been collected. The assessment of the fines is itemized as follows:

Political Subdivisions	Number of Subdivisions	Total Amount Fined	Total Amount Collected
Cities	147	\$13,620,000	\$1,419,702.72
Ambulance Districts	11	\$1,296,000	\$58,000
Hospitals	6	\$604,000	\$0
PWSD	17	\$1,433,500	\$0
Library Districts	7	\$1,510,500	\$0
Fire Protection Districts	47	\$4,744,500	\$42,500
Levee/Drainage/SRD Districts	53	\$7,736,000	\$0
Health Departments	4	\$196,500	\$0
CID	55	\$8,126,500	\$332,124.07
TDD	18	\$2,796,500	\$159,154.78
Other/Undesignated	6	\$874,000	\$0
		\$42,075,000.00	\$2,011,481.57

The Department notes that per statute we are allowed to retain 2% of the amount collected for administration. Since the program began we have collected \$38,977.74 which has been deposited into General Revenue. All DOR collection fees are deposited into General Revenue and are not retained by the Department.

Therefore the current outstanding balance is \$40,063,518.43 (\$42,075,000 - \$2,011,481.57). Therefore if all political subdivision file their report and receive the reduction it would be a loss of \$36,057,166.59 in fine revenue. The new provisions to this proposal call for DOR notification to initiate a ballot measure that could dissolve political subdivisions that fail to timely submit annual financial statements after January 1, 2021.

ASSUMPTION (continued)

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a potential loss of fine revenue stated by DOR to the general revenue fund for this proposal. Also, Oversight notes that because of the new language for certain local political subdivisions who have gross revenues of less than \$5,000 or who have not levied or collected a sales and use tax in the fiscal year or if the failure to file a financial statement is the result of fraud or illegal conduct by an employee or officer of the political subdivision and the political subdivision complies with filing the financial statement within thirty days of the discovery of the fraud or illegal conduct, then the fine shall not be assessed and could result in a savings to local political subdivisions on fine fees. Therefore, Oversight will also reflect a savings to local political subdivisions of \$0 to unknown for this proposal.

Oversight also notes that the loss in fine revenue collected by DOR would result in a savings to the local political subdivisions who would no longer need to pay the fine revenue. It would also result in a loss of revenue to School Districts on these fines no longer being collected. Therefore, Oversight will reflect a savings to local political subdivisions on the fines no longer being collected and a loss of 98% of the fine revenue no longer going to the school districts for this proposal. Oversight notes that the Department of Revenue is allowed to retain two percent of the fine revenue collected (per §105.145.11). Oversight assumes a large portion of the \$40,063,518 of outstanding fines would be considered uncollectible. Therefore, Oversight will range the fiscal impact from this proposal from \$0 to DOR's estimates.

Oversight also notes that DOR noted \$2,000 in system updates for this proposal. Oversight assumes DOR is provided with core funding to handle a certain amount of computer activity from each year's legislative session. Oversight assumes DOR could absorb the system update costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process. Therefore, Oversight will reflect a \$0 fiscal impact to this part of the proposal.

In response to a previous version, officials at the **Office of the Attorney General (AGO)** stated that the AGO's involvement in the process for dissolution of political subdivisions created through this version of the legislation has been removed and, therefore, will have no fiscal impact.

In response to a previous version, officials from the **Office of the Secretary of State (SOS)** stated 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

ASSUMPTION (continued)

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.

In response to a previous version, officials at the **State Auditor's Office** assumed no fiscal impact from this proposal.

In response to a previous version, officials at the **City of Kansas City**, the **City of Springfield**, the **Platte County Election Board** and the **Kansas City Election Board** each assumed no fiscal impact to their respective entities 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.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties and local election authorities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

§144.757 - Sales and Use Tax Ballot Language

In response to similar legislation from this year, HCS #2 for HB 1957, officials from **B&P** stated this section requires voter approval in order for political subdivisions to expand existing use taxes to online vendors under Section 144.602.1(2)(g). (See discussion under online use tax section.)

This section also places a cap on local use taxes. Under this provision a local use tax shall not exceed the rate enacted as of January 1, 2021. B&P notes that this would remove the parity between local sales and use taxes. Currently, local use taxes are set at the same rate as local sales taxes. This provision would prevent local use taxes from being increased any time a local sales tax is increased after January 1, 2021.

In response to similar legislation from this year, HCS #2 for HB 1957, officials from **DOR** stated this proposal modifies the ballot language for sales and use tax issues. DOR assumes no fiscal impact from changing the ballot language.

ASSUMPTION (continued)

This section places a cap on local use taxes that were enacted prior to January 1, 2021. Under this provision a local use tax shall not exceed the rate enacted as of January 1, 2021. Currently, local use taxes are set at the same rate as local sales taxes. This provision would prevent local use taxes from being increased any time a local sales tax is increased after January 1, 2021. DOR assumes no fiscal impact to DOR from this provision.

Officials at the **City of Columbia** assume a positive fiscal impact **IF** the voters approve a local use tax.

Until that action is taken by the voters at an election in the state, **Oversight** will reflect a \$0 fiscal impact for this section of the proposal.

§§321.015, 321.190 & 321.603 - Members of the Board of Directors of Fire Protection Districts

In response to similar legislation from this year, SB 775, officials at the **Department of Public Safety's Division of Fire Safety** assumed no fiscal impact from this proposal.

In response to similar legislation from this year, SB 775, officials at the **City of Kansas City**, the **City of Springfield** and the **St. Louis County Police Department** each assumed no fiscal impact to their respective entities from this proposal.

In response to similar legislation from this year, HB 2266, officials at the **City of Brentwood** assumed no fiscal impact from this proposal.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, police and sheriff departments and fire protection districts were requested to respond to this proposed legislation, but did not. A general listing of political subdivisions included in our database is available upon request.

Oversight notes §§321.190 and 321.603 state that each member of the board may receive an attendance fee upon affirmative board approval and in an amount set by the board for attending each regularly called board meeting or special meeting. Oversight assumes the proposal is permissive and action would only be taken by the fire protection district if they have budgeted funds for this purpose. Therefore, Oversight will reflect a \$0 fiscal note assuming any additional costs involved would be absorbed by the fire protection district.

§321.300 - Changes the laws for certain fire protection districts

In response to similar legislation from this year, HB 2726, officials from the **Office of the Secretary of State (SOS)** stated 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

ASSUMPTION (continued)

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.

§610.021

In response to similar legislation from this year, SB 613, officials from the **Office of the State Auditor, Missouri House of Representatives, Missouri Senate, Missouri Department of Conservation, Office of the State Public Defender, Department of Revenue, Department of Economic Development, Department of Public Safety (Office of the Director, Capitol Police, Fire Safety, Missouri Veterans' Commission, Missouri State Emergency Management Agency, Alcohol and Tobacco Control, and Office of the Adjutant General), Department of Corrections, Department of Commerce and Insurance, Department of Social Services, Department of Natural Resources, Missouri Ethics Commission, Department of Elementary and Secondary Education, Office of the Governor, Office of the State Treasurer, Office of the Attorney General, Department of Agriculture, Missouri Consolidated Health Care Plan, Legislative Research, Missouri Gaming Commission, Administrative Hearing Commission, Missouri State Employee Retirement System, Missouri Lottery, Department of Labor and Industrial Relations, and the City of O'Fallon** each assumed the proposal would not fiscally impact their respective agencies.

Bill as a Whole

Officials at the **Office of the State Courts Administrator, the Missouri Department of Transportation, the Department of Higher Education and Workforce Development, the Department of Mental Health, the Joint Committee on Administrative Rules, the Office of Prosecution Services and the State Tax Commission** each assume no fiscal impact to their respective agencies from this proposal.

Officials at **St. Louis County, the St. Louis County Board of Elections, the Jackson County Election Board and the Springfield Police Department** each assume no fiscal impact to their respective entities from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE			
<u>Cost - OA/ITSD - Database Development and Project Management §§37.1090 to 37.1098</u>	\$0	\$0	(\$13,308)
<u>Cost - OA - Reimburse participating municipalities for actual costs §§37.1090 to 37.1098</u>	\$0	\$0	(Could exceed \$100,000)
<u>Loss - DOR - 2% of collection fee on future potential fines no longer assessed because LPS no longer required to file due to changes in the bill §105.145</u>	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Loss - DOR - 2% collection fee that may have been collected if not for the one-time decrease of 90% of the outstanding balance from the local political subdivision if they submit a timely financial statement by 8/28/2020 §105.145</u>	\$0 or up to <u>(\$721,143)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 to (Unknown, could exceed <u>(\$721,143)</u>	\$0 to <u>(Unknown)</u>	\$0 to (Unknown, could exceed <u>\$113,308)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOCAL POLITICAL SUBDIVISIONS			
<u>Income</u> - Potential reimbursement from the state for actual costs §§37.1090 to 37.1098	\$0	\$0	Could exceed \$100,000
<u>Revenues</u> - Boone County - civil fines and penalties §64.207	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Savings</u> - Local Political Subdivisions - on potential fines for certain LPS §105.145	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Savings</u> - Local Political Subdivisions - on fine revenue that is reduced with a one-time reduction of 90% on the outstanding balance due if they submit a timely financial statement by 8/28/2020 §105.145	\$0 or up to \$36,057,167	<u>\$0</u>	<u>\$0</u>
<u>Cost</u> - associated with participating in the Missouri Local Government Expenditure Database §§37.1090 to 37.1098	\$0	\$0	\$0 to (Unknown)
<u>Costs</u> - Boone County - to implement §64.207	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost</u> - Counties - potential increase in reimbursement to planning and zoning members (from \$25 per meeting to \$35 per meeting) §64.805	\$0 to (\$9,800)	\$0 to (\$11,760)	\$0 to (\$11,760)
<u>Loss</u> - School districts receiving less fine revenue (from savings above) §105.145	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Loss</u> - School Districts - reduction in fine revenue from one-time adjustment of fine revenue §105.145	<u>\$0 or up to (\$35,336,024)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>Unknown, less than \$711,343</u>	<u>Unknown to (Unknown)</u>	<u>Unknown, less than \$88,240</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

§§37.1090 to 37.1098 - Missouri Local Government Expenditure Database

This bill establishes the "Missouri Local Government Expenditure Database", to be maintained by the Office of Administration. For each fiscal year beginning on or after December 31, 2022, the database must include extensive information about a given municipality's or county's expenditures and the vendors to whom payments were made. The data base must be accessible by the public without charge and have multiple ways to search and filter the information.

A municipality or county may voluntarily participate in the database, or may be required to participate if a petition process used by its residents is used to require participation as specified in the bill. A link to the database on a municipal or county website is required.

The Office of Administration may stipulate a format for information and will provide a template for municipalities and counties to use in sending information. Other duties and responsibilities of the Office of Administration regarding the database are detailed in the bill. Financial reimbursement to municipalities and counties for costs associated with the database is authorized.

§64.207 - Property Maintenance Codes and Nuisance Actions in Boone County

This proposal authorizes adoption of a property maintenance code and establishes nuisance actions in Boone County.

§64.805 - Attendance Fees for County Planning Commissions

Currently, members of the county planning commission may be reimbursed for meeting expenses up to \$25 per meeting. This act increases the reimbursement amount to \$35.

§105.145

This bill changes the laws regarding the consequences of a political subdivision for failure to file an annual financial statement with the State Auditor as required.

If the failure to submit the annual financial statement was a result of fraud or other illegal conduct by any employee, the failure shall not result in a fine.

Any political subdivision that has gross revenues of less than \$5000 or fails to collect or levy sales or use taxes shall not be subject to the fine.

In addition, the Director of the Department of Revenue shall have the authority to make a one-time downward adjustment to any fine he or she deems uncollectible.

If, after January 1, 2021, a political subdivision fails to file an annual statement, or if a political subdivision files an annual statement in that time period but fails to file any statement thereafter, the Director of the Department of Revenue will initiate the process to disincorporate the political subdivision.

The process for dissolving a political subdivision that is not in compliance with the annual financial statement requirement is specified in the bill, as is the available court orders.

This legislation contains an emergency clause.

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

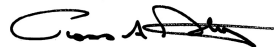
Office of the State Courts Administrator
Missouri Department of Transportation
Department of Higher Education and Workforce Development
Department of Mental Health
Joint Committee on Administrative Rules
Office of Prosecution Services
State Tax Commission
St. Louis County
St. Louis County Board of Elections
Jackson County Election Board
Springfield Police Department
Department of Revenue
Office of Administration
 Division of Budget & Planning
 Information Technology Service Division
 Accounting Division
 Administrative Hearing Commission
Missouri House of Representatives
Missouri Senate
Department of Conservation
Office of the State Public Defender
Department of Economic Development
Department of Corrections
Department of Social Services
Missouri Ethics Commission
Department of Elementary and Secondary Education
Office of the Governor
Office of the State Treasurer
Department of Agriculture
Missouri Consolidated Health Care Plan
Missouri State Employee Retirement System
Lottery
City of O'Fallon
Office of the Attorney General
Office of the Secretary of State
State Auditor's Office
City of Kansas City
City of Springfield
Platte County Election Board
Kansas City Election Board
City of Columbia
City of St. Louis

SOURCES OF INFORMATION (continued)

Department of Public Safety
 Division of Fire Safety
 Office of the Director
 Capitol Police
 Veteran's Commission
 State Emergency Management Agency
 Alcohol & Tobacco Control
 Office of Adjutant General
Lawrence County Treasurer's Office
Boone County Sheriff's Department
Department of Commerce and Insurance
Daviess County Recorder
Mississippi Recorder
Columbia/Boone County Public Health & Human Services
Department of Natural Resources
Department of Health and Human Services
Department of Labor and Industrial Relations
Boone County
Monroe County Assessor
St. Louis County Police Department
City of Brentwood



Julie Morff
Director
April 29, 2020



Ross Strobe
Assistant Director
April 29, 2020