

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3153-07
Bill No.: SS #2 for SCS for HCS for HB 1854 with SA1 and SA 3
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: May 5 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	Fully Implemented (FY 2024)
General Revenue * **	Less than or Greater than (\$5,801,947)	Less than or Greater than (\$5,086,901)	Less than or Greater than (\$4,944,403)	Less than or Greater than (\$4,846,398)
Total Estimated Net Effect on General Revenue	Less than or Greater than (\$5,801,947)	Less than or Greater than (\$5,086,901)	Less than or Greater than (\$4,944,403)	Less than or Greater than (\$4,846,398)

* The fiscal impact to the state for §105.145 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.

** The largest potential impact to the state in this fiscal note stems from the TIME Zones Act - which allows TIME Zones to retain up to \$5 million of withholding tax.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 69 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Time Zone Fund*	\$0	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0	\$0

*Direct impact on the Time Zone Fund are assumed to net to zero.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
Total Estimated Net Effect on FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

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	Fully Implemented (FY 2024)
Local Government*	Less than or Greater than (\$3,073,657)	Less than or Greater than (\$3,796,760)	Less than or Greater than \$58,794,249	Less than or Greater than \$159,336,773

*** The positive fiscal impact is dependent upon voter approval of the several tax ballot issues.**

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some of the agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

§29.230 - Audits of Counties

In response to previous legislation from this year, 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;
- © 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”.

ASSUMPTION (continued)

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).

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.

§36.155 - Political Activities of Certain State Employees

In response to a previous version, officials from the **Office of Administration, Attorney General’s Office, Department of Elementary and Secondary Education, Department of Higher Education and Workforce Development, Department of Health and Senior Services, Department of Natural Resources, Department of Corrections, Department of Labor and Industrial Relations, Department of Revenue, Department of Public Safety (Office of the Director, Capitol Police, Alcohol & Tobacco Control, Fire Safety, Gaming Commission, Missouri Highway Patrol, Missouri National Guard, State Emergency Management Agency and the Veterans Commission) Department of Social Services, Office of the Governor, Joint Committee on Administrative Rules, Missouri Lottery Commission, Missouri Consolidated Health Care Plan, Department of Agriculture, Missouri Department of Conservation, Missouri Ethics Commission, Department of Transportation, Office of Prosecution Services, Administrative Hearing Commission, Office of the State Courts Administrator, Office of the State Auditor, Missouri Senate, Office of the Secretary of State, Office of the State Public Defender, Office of the State Treasurer and the State Tax Commission** each assumed the proposal will have no fiscal impact on their respective organizations.

ASSUMPTION (continued)

In response to a previous version, officials from the **Missouri House of Representatives** and the **Department of Economic Development** each assumed the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above mentioned agencies 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.

In response to a previous version, officials from the **Office of Administration - Budget and Planning (B&P)** assumed this proposal:

- has no direct impact on B&P.
- has no direct impact on general and total state revenues.
- will not impact the calculation pursuant to Art. X, Sec. 18(e).

Oversight notes that the above mentioned agency 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.

In response to a previous version, officials from the **Department of Commerce and Insurance** and the **Department of Mental Health** each deferred to the Office of Administration to estimate the fiscal impact of the proposed legislation on their respective organizations.

§§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 a previous version, 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

ASSUMPTION (continued)

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.

In response to a previous version, 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.

Officials from the **City of Kansas City** state this section of the proposal would have a negative impact on the City of an indeterminate amount. 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.

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.

Officials at the **St. Louis County Police Department** assumes there will be an unknown cost with reporting expenditures to an unknown system. There is not enough time to provide adequate cost calculations.

ASSUMPTION (continued)

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."
- 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.

ASSUMPTION (continued)

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.

In response to a previous version, 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 a previous version, officials from the **City of St. Louis** assumed the proposal will have no fiscal impact on their organization.

ASSUMPTION (continued)

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

§49.266 - County Ordinances

In response to a previous version, 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.

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 a previous version, 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.

ASSUMPTION (continued)

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 a previous version, 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.

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 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.

ASSUMPTION (continued)

In response to a previous version, 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 a previous version, 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.

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 a previous version, 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 a previous version, officials at the **Department of Labor and Industrial Relations** assumed no fiscal impact from this proposal.

ASSUMPTION (continued)

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 a previous version, officials at **Boone County** assumed an additional cost each year of \$1,100 from this proposal.

In response to a previous version, 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.

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.

Section 67.730 - Capital Improvements Sales Tax - Clay County and Platte County

Oversight notes this section would authorize the counties of Clay and Platte, upon voter approval, to impose a capital improvement sales tax. The capital improvement sales tax is permitted to be in addition to or in lieu of all and any other sales tax authorized by law to be imposed by the county. The purposes of the capital improvement sales tax is to retire revenue bonds issued for capital improvement projects designated by the counties.

ASSUMPTION (continued)

In response to similar legislation from this year, SS #2 for SB 704, officials from the **Office of Administration - Budget & Planning Division (B&P)** stated this section changes the amount of a city that must fall within the first class county or charter county by replacing "the major portion" with "a portion" of a city. This change decreases the portion of a city that must fall in the county, which may broaden the number of cities that meet this parameter and therefore would be eligible to issue and sell revenue bonds and pass a retail sales tax to retire the revenue bonds pursuant to this section.

Currently, the language only includes Jackson County. With this change, counties of Cass, Clay, Platte, and Jackson are included. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from the **Missouri Department of Revenue (DOR)** state this section would allow any county of the first classification or any county having a charter form of government, and containing a portion of a city with a population of over three hundred fifty thousand may, upon the vote of a majority of the qualified voters of the county voting thereon, issue and sell its negotiable interest-bearing revenue bonds for the purpose of paying all or part of the cost of any capital improvements project or projects designated by the governing body of the county starting with the general election in 2022. The bonds shall be retired from the proceeds of a countywide sales tax on all retail sales made in such county which are subject to taxation under the provisions of sections 144.010 to 144.525.

DOR believes this would allow Clay County or Platte County to implement this sales tax. DOR notes the sales tax authorized under sections 67.730 to 67.739 may be imposed at a rate of one-fourth of one percent, three-eighths of one percent, one-half of one percent, or one percent, on the receipts from the sale at retail of all tangible personal property or taxable services at retail within the county adopting such tax, if such property and services are subject to taxation by the state of Missouri under the provisions of sections 144.010 to 144.525 per Section 67.734. DOR assumes they would also allow them to retain the 1% collection fee.

DOR shows that Clay County has taxable sales of:

Calendar Year	Jan - Mar	Apr - Jun	Jul - Sept	Oct - Dec	Total
2015	\$702,745,578	\$771,122,446	\$793,087,320	\$810,109,463	\$3,077,064,807
2016	\$732,164,387	\$808,448,572	\$821,916,169	\$837,382,432	\$3,199,911,560
2017	\$746,348,023	\$842,661,889	\$947,152,129	\$846,559,801	\$3,382,721,842
2018	\$784,889,983	\$888,127,499	\$879,858,691	\$876,777,127	\$3,429,653,300
2019	\$779,426,377	\$895,323,501			

ASSUMPTION (continued)

Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount DOR would collect and Clay County would collect as:

Fiscal Year	1/4 of 1% Tax		3/8 of 1% Tax		½ of 1% Tax		1% Tax	
	DOR 1% Fee	Clay County Collection	DOR 1% Fee	Clay County Collection	DOR 1% Fee	Clay County Collection	DOR 1% Fee	Clay County Collection
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$70,359	\$6,965,577	\$105,539	\$10,448,366	\$140,719	\$18,574,872	\$281,437	\$27,862,308
2023	\$95,689	\$9,473,185	\$143,533	\$14,209,777	\$191,377	\$18,946,369	\$382,755	\$37,892,739

DOR shows that Platte County has taxable sales of:

Calendar Year	Jan - Mar	Apr - Jun	Jul - Sept	Oct - Dec	Total
2015	\$365,865,541	\$409,786,658	\$411,602,708	\$432,860,389	\$1,620,115,296
2016	\$377,068,890	\$426,097,999	\$422,188,416	\$434,914,968	\$1,660,270,273
2017	\$385,736,669	\$437,968,532	\$441,162,583	\$433,941,089	\$1,698,808,873
2018	\$408,834,808	\$456,408,948	\$457,982,789	\$458,580,775	\$1,781,807,320
2019	\$393,179,864	\$451,551,162			

Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount DOR would collect and Platte County would collect as:

Fiscal Year	1/4 of 1% Tax		3/8 of 1% Tax		½ of 1% Tax		1% Tax	
	DOR 1% Fee	Platte County Collection	DOR 1% Fee	Platte County Collection	DOR 1% Fee	Platte County Collection	DOR 1% Fee	Platte County Collection
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$35,321	\$3,496,819	\$52,982	\$5,245,228	\$70,643	\$6,993,637	\$141,286	\$13,987,275
2023	\$48,037	\$4,755,673	\$72,056	\$7,133,510	\$96,074	\$9,511,347	\$192,148	\$19,022,693

DOR notes this proposal does not allow it to be voted on until the general election in November 2022 (Fiscal Year 2023). Therefore the earliest this would become effective is April 1, 2023. There would be 3 months of impact in Fiscal Year 2023 and it would be fully implemented in Fiscal Year 2024.

ASSUMPTION (continued)

It is unclear if either or both of the counties will choose to collect these taxes. If neither adopt the sales tax the impact would be \$0. The tax is estimated to be:

Fiscal Year	Clay County	Clay 1% DOR Fee	Platte County	Platte 1% DOR Fee
FY 2021	\$0	\$0	\$0	\$0
FY 2022	\$0	\$0	\$0	\$0
FY 2023	\$0 or Up to \$9,473,185	\$0 or Up to \$94,732	\$0 or Up to \$4,755,673	\$0 or Up to \$47,557
FY 2024	\$0 or Up to \$37,892,739	\$0 or Up to \$382,755	\$0 or Up to \$19,022,693	\$0 or Up to \$192,148

Oversight notes the earliest this proposal could be implemented is the 2022 General Election. Oversight assumes this will in November 2022.

Oversight notes the following Fiscal Year 2019 taxable sales for Clay County and Platte County, per published reports on Missouri Department of Revenue's website:

Clay County Taxable Sales - FY 2019 \$3,951,165,349
 Platte County Taxable Sales - FY 2019 \$2,120,305,860

Oversight used the data above and applied an estimated two percent (2%) annual growth to estimate the revenue impact(s) if this provision was voted on and approved in Fiscal Year 2023.

Therefore, **Oversight** estimates, should Clay County's voters vote in favor of such a sales tax in Fiscal Year 2023 this section could increase Clay County's revenues by a range equal to \$10,276,981 to \$41,107,924. Furthermore, as a result, Oversight estimates GR could increase by a range equal to \$102,770 to \$411,079.

Oversight further estimates, should Platte County's voters vote in favor of such a sales tax in Fiscal Year 2023, this section could increase Platte County's revenues by a range equal to \$5,514,916 to \$22,059,662. Furthermore, as a result, Oversight estimates GR could increase by a range equal to \$55,149 to \$220,597.

For purposes of this fiscal note, **Oversight** will report a positive fiscal impact to local political subdivisions (Clay County) ranging from \$0 (voters reject the proposal or the proposal is not put forth on the ballot) to the estimates provided by DOR.

For purposes of this fiscal note, **Oversight** will report a positive fiscal impact to local political subdivisions (Platte County) ranging from \$0 (voters reject the proposal or the proposal is not put forth on the ballot) to the estimates provided by DOR.

ASSUMPTION (continued)

For purposes of this fiscal note, **Oversight** will report a fiscal impact for GR ranging from \$0 (voters reject the proposal or the proposal is not put forth on the ballot) to the estimates provided by DOR.

Section 67.1011 - Transient Guest Tax - City of Butler

Oversight note this section would permit the City of Butler to impose a transient guest tax provided the governing body of the city submits to the voters of the city at a general election, so long as it is not earlier than the 2022 General Election, a question to authorize the city to impose such tax which shall not be more than six percent per occupied room.

Oversight notes the earliest this proposal could be implemented is the 2022 General Election. Oversight assumes this will in November 2022. Therefore, Oversight will report the fiscal impact stated above beginning in Fiscal Year 2023.

In response to similar legislation from this year, SS #2 for SB 704, officials from **B&P** stated this section would allow the City of Butler to levy a transient guest tax. B&P was unable to obtain data regarding occupancy rates and room sales, consequently B&P cannot calculate an estimate. This section will not impact TSR or the calculation under Article X, Section 18(e).

In response to similar legislation from this year, SS #2 for SB 704, officials from **DOR** stated this section allows the City of Butler to establish a transient guest tax starting with a general election in 2022. This does NOT have an impact on DOR as transient guest taxes are collected by the local political subdivision and not DOR.

Oversight is unable to determine how many sleeping rooms are located in the City of Butler, the average cost of such rooms, and the average occupancy rate. Therefore, for purposes of this fiscal note, Oversight will report a positive fiscal impact to local political subdivisions (City of Butler) ranging from \$0 (voters reject the proposal or the governing body does not put forth the proposal to "Unknown" beginning in Fiscal Year 2023 as it relates to this section.

Section 67.1360 - Transient Guest Tax - City of Cameron

Oversight notes this section would permit the City of Cameron to impose a transient guest tax provided the governing body of the city submits to the voters of the city at an election a question to authorize the city to impose such tax which shall be at least two percent (2%) but no more than five percent (5%).

ASSUMPTION (continued)

In response to similar legislation from this year, SS #2 for SB 704, officials from **B&P** stated this section would allow the City of Cameron and the City of Clinton to levy a transient guest tax. B&P was unable to obtain data regarding occupancy rates and room sales, consequently B&P cannot calculate an estimate. This section will not impact TSR or the calculation under Article X, Section 18(e).

In response to similar legislation from this year, SS #2 for SB 704, officials from **DOR** stated this section allows the City of Cameron to establish a transient guest tax starting with a general election in 2022. This does NOT have an impact on DOR as transient guest taxes are collected by the local political subdivision and not DOR.

Oversight notes, in response to similar legislation (HB 2418 - 2020), the **City of Cameron** assumed this section could increase the City of Cameron's revenues by an estimated \$147,168 annually (280 rooms * 60% occupancy * \$60 per room * 365 nights = \$3,679,200 * 4% transient guest tax = \$147,168 revenue increase to the City of Cameron Tourism Bureau).

Oversight notes the earliest this proposal could be implemented is the 2022 General Election. Oversight assumes this will occur in November 2022. Therefore, Oversight will report the positive fiscal impact to local political subdivisions (City of Cameron) beginning in Fiscal Year 2023.

For purposes of this fiscal note, **Oversight** applied an annual two percent (2%) growth to the City of Cameron's current estimates. Therefore, Oversight will report an increase to local political subdivisions (City of Cameron) ranging from \$0 (voters reject the proposal or the proposal is not put forth on a ballot) to \$153,114 (voters approve the proposal at 4%) beginning in Fiscal Year 2023 and apply a 2% growth each fiscal year thereafter.

§67.1545 - Special Taxing Districts

In response to a previous version, officials at the **Kansas City Election Board** assumed the cost to hold a Municipal Election in the City's jurisdiction is roughly \$600,000. If this proposal passes and an entity is required to participate in the Municipal Election, the entity must pay their pro-rata share of election costs. This amount will depend on what other entities participate in the election.

ASSUMPTION (continued)

In response to a previous version, officials at the **Platte County Board of Election Commissioners** assumed the costs will vary based on municipality size. This is assuming this legislation would require each eligible voter to receive a ballot and the cost of the election will be paid by the municipality. In Platte County there are two municipalities that have several special districts; Parkville and Kansas City. Parkville would cost about \$11,000 per election and Kansas City would cost about \$65,000 per election. The bill would seem to require the entirety of a municipality to participate, so a special district in Kansas City would incur costs with other election authorities as well.

In response to a previous version, officials at the **City of Springfield** stated there is no direct fiscal impact to the City, as the developer is generally required to pay for the election. However, there is an indirect, and likely negative, fiscal impact to the City. The cost of conducting a mail-in election (over \$400,000) is likely prohibitive to developers; because retail developments utilizing CID to fund public improvements may not be built, this could negatively impact sales tax and property tax revenues.

Oversight assumes this proposal is permissive in nature and would have no local fiscal impact without action by the governing body of the special district to submit to the voters of the municipality in which the district is located to approve the sales tax and/or toll fees. Oversight notes the special district is responsible for the cost of the election. Oversight will reflect a \$0 impact to Local Political Subdivisions for this proposal.

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 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 **Department of Revenue**, the **Missouri Department of Transportation** and the **State Tax Commission** each assumed no fiscal impact to their respective agencies from this proposal.

ASSUMPTION (continued)

In response to a previous version, officials at the **Jackson County Election Board, Kansas City** and the **St. Louis County Board of Election Commissioners** each assumed no fiscal impact to their respective entities from this proposal.

Oversight notes the Department of Revenue, the Missouri Department of Transportation, the State Tax Commission, the Jackson County Election Board, Kansas City and the St. Louis County Board of Election Commissioners 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.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties and 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.

Section 67.1790 - Early Childhood Education Programs Sales Tax - Greene County (and Any Cities Within)

Oversight notes this section would permit Greene County, or any city within Greene County, to impose by order or ordinance a sales tax on all retail sales made within the county or city that are subject to sales tax under Chapter 144. The sales tax is to provide funding for early childhood education programs in Greene County or the city. Such tax shall not exceed one-quarter of one percent (.25%). The childhood education program sales tax, though, must be approved by voter approval at a general election.

Provided the sales tax is voter approved, Greene County or the city must enter into an agreement with DOR to collect the tax. DOR is permitted to retain 1% for the cost of collection. Oversight notes the earliest this proposal could be implemented is the 2022 General Election. Oversight assumes this will occur in November 2022. Therefore, Oversight will report the fiscal impact stated above beginning in Fiscal Year 2023.

In response to similar legislation from this year, SS #2 for SB 704, officials from **B&P** stated this section would allow voters whose voting jurisdictions meet the criteria described in section 1 to impose a sales tax up to 0.25% for the purpose of funding early childhood education. According to the State Demographer, the description of any first class county in section 1 has population parameters that fit the cities of Ash Grove, Battlefield, Fair Grove, Strafford, Walnut Grove, Willard, Republic, Rogersville, and Springfield. The bill also adds a provision that requires the governing body of any county or city that has adopted the sales tax to submit to voters the question of whether to repeal the sales tax if the governing body receives a petition signed by ten percent of the registered voters of their jurisdiction. This levy may not be submitted to voters until the general election in 2022.

ASSUMPTION (continued)

The chart below provides the DOR and sales tax collections data for the jurisdictions impacted by this proposal.

0.25% City	DOR Collections		City Sales Tax Collections	
	FY 2023	FY 2024	FY 2023	FY 2024
Ash Grove	74	297	7,354	29,414
Battlefield	102	407	10,078	40,313
Fair Grove	110	440	10,895	43,578
Strafford	282	1,129	27,934	111,734
Walnut Grove	23	91	2,253	9,010
Willard	271	1,084	26,839	107,356
Republic	1,593	6,373	157,726	630,905
Rogersville	229	916	22,664	90,657
Springfield	28,373	113,491	2,808,914	11,235,656
Total	31,057	124,228	3,074,657	12,298,623

As a voter-approved tax, the collected local revenues will not impact general and total state revenues; however, the DOR 1% to offset collection costs will increase TSR. B&P defers to DOR for more specific estimates of actual collection costs.

Officials from **DOR** state this section states that the governing body of any county of the first classification with more than two hundred sixty thousand but fewer than three hundred thousand inhabitants (Greene County), or any city within such county, may impose by order or ordinance a sales tax on all retail sales made within the county or city that are subject to sales tax under Chapter 144 for the purpose of funding early childhood education programs in the county or city.

This proposed section states that the tax shall not exceed one quarter of one percent and shall be imposed solely for the purpose of funding early childhood education programs in the county or city.

This proposed section states that the order or ordinance imposing a sales tax under this section shall not become effective unless the governing body of the county or city submits to the voters residing within the county or city to impose a tax under this section. That election cannot occur until November 2022 (Fiscal Year 2023).

This proposed section states that if a majority of the votes cast on the question by the qualified voters voting thereon are in favor of the question, the order or ordinance shall become effective on the first day of the second calendar quarter after the Director of the Department of Revenue receives notice of the adoption of the tax.

ASSUMPTION (continued)

This proposed section states that all revenue collected under this section by the Director of the Department of Revenue on behalf of any county or city, except for one percent for the cost of collection deposited in the state's general revenue fund, shall be deposited in a special trust fund, which is hereby created and shall be known as the Early Childhood Education Sales Tax Trust Fund.

DOR estimates that General Revenue could increase by \$236,244 each fiscal year due to the one percent collection fee, which is to be deposited into the General Revenue Fund, allowable pursuant to this proposed legislation.

DOR has estimated the potential local impact should the county and all cities within the county approve a ballot measure approving this one quarter of one percent tax increase to the sales/use tax rate. These revenues would not be seen until two quarters after the ballot measure passed. If this legislation were passed and signed, the earliest a measure could be on the ballot is November 2022; and therefore the tax would start April 1, 2023 (Fiscal Year 2023).

Entity	Total Increase to General Revenue (DOR 1% Fee)	Total Potential Increase to Early Childhood Education Sales Tax Trust Fund
Greene County	\$103,097	\$10,206,620
Ash Grove	\$388	\$38,394
Battlefield	\$676	\$66,967
Bois D'Arc	\$0	\$0
Fair Grove	\$405	\$40,090
Republic	\$6,227	\$616,449
Rogersville	\$930	\$92,307
Springfield	\$121,882	\$12,066,329
Strafford	\$1,143	\$113,179
Turners	\$0	\$0
Walnut Grove	\$141	\$13,949
Willard	\$1,355	\$134,159
TOTAL	\$236,244	\$23,388,173

** "Greene County" reports the increase to revenues specific to Greene County

*** The "Total" reports the increase to revenues for all cities within Green County as well as Greene County.

ASSUMPTION (continued)

In summary, DOR assumes the following:

	Greene County	DOR 1% Collection Fee
FY 2021	\$0	\$0
FY 2022	\$0	\$0
FY 2023	\$0 or \$5,847,043	\$0 or \$59,061
FY 2024	\$0 or \$23,388,173	\$0 or \$236,244

In response to similar legislation from this year, SS #2 for SB 704, officials from the **Missouri Department of Elementary and Secondary Education (DESE)** stated, contingent upon the action of voters (and subsequently the governing bodies of Greene County and the cities within) DESE assumes this section could have an impact on the revenues received into the Early Childhood Education Sales Tax Trust Fund; however, DESE has not means to calculate the potential impact.

For purposes of this fiscal note, **Oversight** will report a positive fiscal impact to local political subdivisions (Greene County and Respective Cities) ranging from \$0 (voters reject the proposal or it is not put forth to voters) to the estimates provided by DOR beginning in Fiscal Year 2023 (3 months in Fiscal Year 2023).

Furthermore, Oversight will report a positive fiscal impact for GR equal to \$0 (voters reject the proposal or it is not put forth to voters) to the estimates provided by DOR beginning in Fiscal Year 2023 (3 months of in Fiscal Year 2023).

§79.235

In response to a previous version, officials at the **Department of Commerce and Insurance** assumed no fiscal impact from this proposal.

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 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.

ASSUMPTION (continued)

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.

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.

Section 94.838 - Municipal Tourism Tax - Transient Guest Tax and Tax on Retail Sales of Food - Lamar Heights

Oversight notes this section increases the tax on gross receipts derived from the retail sales of food by every person operating a food establishment in Lamar Heights, from two percent (2%) to six percent (6%). Furthermore, under current law, Lamar Heights is only permitted to use the funds from the sales tax for funding the construction, maintenance and operation of capital improvements. This section permits Lamar Heights to use the sales tax revenues for general revenue purposes.

Oversight notes Lamar Heights would need to submit the question of an increase in the rate of food tax to the voters on a general election day so long as the general election day is not before the 2022 General Election.

Oversight notes the earliest this proposal could be implemented is the 2022 General Election. Oversight assumes this will occur in November 2022. Therefore, Oversight will report the fiscal impact stated above beginning in Fiscal Year 2023.

In response to similar legislation from this year, SS #2 for SB 704, officials from **B&P** stated this section allows voters in the Village of Lamar Heights to increase the gross receipts derived from retail sales from 2% to 6% and to change the purpose of the taxes through a ballot measure from capital improvements to general revenues. B&P estimates that this proposal could increase sales tax collections by \$321,004 based upon 2019 collections using a tax base calculation showing the

ASSUMPTION (continued)

2% to 6% increase in the tax rate. This levy may not be submitted to voters until the general election in 2022.

As a voter-approved tax, the collected local revenues will not impact general and total state revenues; however, the DOR 1% to offset collection costs will increase TSR. Budget and Planning defers to DOR for more specific estimates of actual collection costs

Officials from **DOR** stated this section allows the Village of Lamar Heights to change their sales tax from a not to exceed two percent sales tax for the purpose of construction, maintenance and operation of capital improvements to a not to exceed six percent sales tax for general revenue purposes. This proposal does require a vote of the citizens prior to becoming effective. Should the vote fail, there would be no fiscal impact. Information on the amount of sales tax collected by the Village of Lamar Heights over the past four calendar years.

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	1,452,189	1,572,177	1,302,550	892,271	5,219,189
2016	2,194,059	2,334,111	2,386,004	2,113,133	9,027,306
2017	1,836,428	2,113,725	2,020,972	1,709,198	7,680,323
2018	1,720,000	2,165,846	2,074,299	1,991,001	7,951,146
2019	1,736,801	2,223,009			

Using the current expected tax base for the future fiscal years and a 2% inflation rate, DOR was able to calculate the amount of tax that would be collected with a 6% tax. DOR notes it would be allowed to retain the 1% collection fee. DOR is going to show the difference between the 2% that is currently collected and the 6% that could be collected.

FY	Tax Base	Current Collections	New 6% Fee	Difference	1% DOR Fee	City Keeps
20	\$7,923,703	\$158,474	\$475,422	\$316,948	\$3,169	\$313,779
21	\$8,082,177	\$161,644	\$484,931	\$323,287	\$3,233	\$320,054
22	\$8,243,821	\$164,876	\$494,629	\$329,753	\$3,298	\$326,455
23	\$8,408,697	\$168,174	\$504,522	\$336,348	\$3,363	\$332,984

DOR notes that this proposal could not be voted on until the November 2022 election (Fiscal Year 2023). This sales tax would begin April 1, 2023 (Fiscal Year 2023) if adopted by the voters. Therefore the impact in Fiscal Year 2023 would be for 3 months.

FY	1% DOR	Lamar Heights
2022	\$0	\$0
2023	\$841	\$83,246
2024	\$3,363.48	\$332,984.40

ASSUMPTION (continued)

For purposes of this fiscal note, **Oversight** will report a positive fiscal impact to local political subdivisions (Lamar Heights) ranging from \$0 (voters reject the proposal or it is not put forth to voters) to the estimates provided by DOR beginning in Fiscal Year 2023.

Section 94.842 - Transient Guest Tax - Springfield

Oversight notes this proposed legislation would allow the City of Springfield, if approved by the City's voters, on a general election but not earlier than the 2022 General Election, to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels or motels located in the City equal at a rate not to exceed seven and one-half percent (7.5%). Oversight further notes the tax revenues generated would be designated solely for capital investments that can be demonstrated to increase the number of overnight visitors in the City.

Oversight notes this section would permit, upon mutual agreement between the City of Springfield and DOR, DOR to collect the transient guest tax on behalf of the City of Springfield.

In response to similar legislation from this year, SS #2 for SB 704, officials from **B&P** stated this proposed legislation allows voters in the City of Springfield (the City) to impose a transient guest tax up to 7.5% for the purpose of funding capital investments that can be demonstrated to increase the number of overnight visitors. The analysis assumes that an agreement is entered into by the City and the State of Missouri's Director of Revenue for the collection of the tax.

Based upon the City's Calendar Year 2019 estimated \$117.0 million of taxable room sales, B&P estimates that a 7.5% tax will generate \$8.8 million in collections (\$117 million * 7.5%). As a voter-approved tax, the collected revenues will not impact General Revenue (GR) and Total State Revenues (TSR); however, the Department of Revenue (DOR) will retain 1% to offset collection costs (if an agreement is entered into by the City and DOR for DOR to collect the tax). Therefore, this portion could increase GR and TSR by approximately \$88,000.

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

Oversight notes B&P estimates the City could recognize \$8.8 million in tax revenue when fully implemented. Oversight further notes B&P estimates that GR and TSR could increase by one percent (1%) of the total amount collected from the City's transient guest tax if the City and DOR come to an agreement for DOR to collect the tax on behalf of the City.

Officials from **DOR** state this section allows the City of Springfield to establish a transient guest tax starting with the general election in 2022 and allows them to contract with DOR to collect the tax on their behalf. This does NOT have an impact on DOR as transient guest taxes are collected by the local political subdivision and not DOR. Should the City want to enter into an agreement

ASSUMPTION (continued)

for DOR to collect this tax, DOR would be allowed to retain 1% to cover any administrative costs.

In response to similar legislation from this year, SS #2 for SB 704, officials from the **City of Springfield (City)** stated there is a positive impact to the City. The City assumes, if voters approved the tax increase, the positive impact is likely to be more than \$2.5 million per year.

Oversight notes the City assumes tax revenues would increase by an amount greater than \$2.5 million.

Oversight assumes that the City would not recognize a gain in tax revenues unless the tax was approved by the voters of the City. Therefore, for purposes of this fiscal note, Oversight will report the positive fiscal impact to local political subdivisions (Springfield) ranging from \$0 (governing body of the city does not submit the proposal to the voters or the voters defeat the proposal) to \$2.2 million in Fiscal Year 2023 (3 months of collection), increased by a two percent (2%) growth each fiscal year thereafter.

For the purposes of this fiscal note, **Oversight** will report the positive fiscal impact for GR beginning at \$0 (City collects the tax) to \$22,000 in Fiscal Year 2023 (3 months worth of collection) increased by a two percent (2%) growth each fiscal year thereafter (City and DOR agree for DOR to collect the tax on behalf of the City).

In response to similar legislation from this year, SS #2 for SB 704, officials from the **Missouri Secretary of State's Office (SOS)** and the **Joint Committee on Administrative Rules (JCAR)** stated the proposed section 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 in the fiscal note for these organizations.

Section 94.900 & 94.902- Public Safety Sales Tax - Hallsville, Kearney, Smithville, Branson West, Clinton, Cole Camp, Lincoln and Claycomo

In response to similar legislation from this year, SS #2 for SB 704, officials from **B&P** state this section allows the cities of Branson West in Stone County, Kearney, and Smithville in Clay County, and Hallsville in Boone County to impose a public safety sales tax of 0.5%. The impact of this is shown in the chart below for the DOR collections fees and sales tax collections each city may generate based the tax rate.

Section 94.902 allows the cities of Clinton in Henry County, Cole Camp, and Lincoln in Benton County, and the Village of Claycomo in Clay County to impose a public safety sales tax of 0.5%. The impact of this is shown in the chart below for the DOR collections fees and sales tax collections each city may generate based the tax rate.

ASSUMPTION (continued)

0.50%	DOR Collections		City Sales Tax Collections	
City	FY 2023	FY 2024	FY 2023	FY 2024
Clinton - Sales Tax	2,270	9,078	224,678	898,712
Cole Camp - Sales Tax	186	745	18,444	73,776
Lincoln - Sales Tax	115	461	11,398	45,591
Claycomo - Sales Tax	313	1,252	30,992	123,968
0.50%	DOR Collections		City Sales Tax Collections	
Hallsville - Sales Tax	112	447	11,069	44,275
Kearney - Sales Tax	1,645	6,578	162,811	651,244
Smithville - Sales Tax	1,056	4,225	104,560	418,239
Branson West - Sales Tax	1,231	4,923	121,835	487,338
Total	6,928	27,709	685,787	2,743,143

As a voter-approved tax, the collected local revenues will not impact general and total state revenues; however, the DOR 1% to offset collection costs will increase TSR. B&P defers to DOR for more specific estimates of actual collection costs.

Officials from **DOR** state this section would allow the City of Hallsville to authorize and impose up to one-half of one percent, and shall be imposed solely for the purpose of improving the public safety starting with the November 2022 election. Using taxable sales report data for the City of Hallsville, DOR estimates the impact as follows:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	2,120,442	2,206,788	2,374,865	2,281,633	8,983,728
2016	2,209,520	2,277,424	2,389,793	2,287,573	9,164,310
2017	2,283,198	2,479,424	2,423,003	2,283,876	9,469,500
2018	2,305,757	2,424,249	2,156,592	2,249,081	9,135,679
2019	2,272,117	2,266,564			

Once converted to Fiscal Years and using a 2% inflation rate, DOR took the taxable sales times the proposed tax rate of one-half of one percent to determine the total amount of the sales tax collected. DOR notes that this proposal allows DOR to retain 1% that is deposited into General Revenue for expenses for collection of this tax.

ASSUMPTION (continued)

Fiscal Year	Total	Total Collection	DOR 1% Fee	Final Collection
2016	\$9,143,442			
2017	\$9,439,988			
2018	\$9,436,885			
2019	\$9,625,623			
2020	\$9,818,135	\$49,091	\$491	\$48,600
2021	\$10,014,498	\$50,072	\$501	\$49,572
2022	\$10,214,788	\$51,074	\$511	\$50,563
2023	\$10,419,084	\$52,095	\$521	\$51,574
2024	\$10,627,466	\$53,137	\$531	\$52,606

DOR notes this would be voted on at the November 2022 election (Fiscal Year 2023). This sales tax would begin April 1, 2023 (Fiscal Year 2023) if adopted by the voters. Therefore the impact in Fiscal Year 2023 would be for 3 months.

Fiscal Year	DOR Fee	Hallsville Collection
2021	\$0	\$0
2022	\$0	\$0
2023	\$130	\$12,893
2024	\$531	\$52,606

This proposal would allow the City of Kearney to authorize and impose up to one-half of one percent, and shall be imposed solely for the purpose of improving the public safety. Using taxable sales report data for the City of Kearney, DOR estimates the impact as follows:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	27,519,194	30,433,910	30,585,656	30,499,212	119,037,972
2016	29,649,506	32,472,290	32,177,705	31,615,729	125,915,230
2017	30,965,917	33,837,063	33,228,851	31,556,051	129,587,882
2018	31,091,023	34,389,327	33,602,628	32,563,846	131,646,824
2019	30,832,259	34,565,728			

ASSUMPTION (continued)

Once converted to Fiscal Years and using a 2% inflation rate, DOR took the taxable sales times the proposed tax rate of one-half of one percent to determine the total amount of the sales tax collected. DOR notes that this proposal allows DOR to retain 1% that is deposited into General Revenue for expenses for collection of this tax.

Fiscal Year	Total	Total Collection	DOR 1% Fee	Final Collection
2016	\$123,206,664			
2017	\$128,596,414			
2018	\$130,265,252			
2019	\$132,870,557			
2020	\$135,527,968	\$677,640	\$6,776	\$670,863
2021	\$138,238,528	\$691,193	\$6,912	\$684,281
2022	\$141,003,298	\$705,016	\$7,050	\$697,966
2023	\$143,823,364	\$719,117	\$7,191	\$711,926
2024	\$146,699,831	\$733,499	\$7,335	\$726,164

DOR notes this would be voted on at the November 2022 election (Fiscal Year 2023). This sales tax would begin April 1, 2023 (Fiscal Year 2023) if adopted by the voters. Therefore the impact in Fiscal Year 2023 would be for 3 months.

Fiscal Year	DOR Collection Fee	Kearney Sales Tax Amount
2021	\$0	\$0
2022	\$0	\$0
2023	\$1,798	\$177,981
2024	\$7,335	\$726,164

This proposal would allow the City of Smithville to authorize and impose up to one-half of one percent, and shall be imposed solely for the purpose of improving the public safety. Using taxable sales report data for the City of Smithville, DOR estimates the impact as follows:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	18,324,168	21,003,657	20,543,911	18,606,705	78,478,441
2016	18,563,002	21,339,111	21,767,674	19,455,853	81,125,640
2017	18,671,654	22,070,560	21,628,460	19,691,818	82,062,492
2018	19,056,529	22,849,004	22,213,205	20,463,774	84,582,512
2019	18,956,527	22,859,235			

ASSUMPTION (continued)

Once converted to Fiscal Years and using a 2% inflation rate, DOR took the taxable sales times the proposed tax rate of one-half of one percent to determine the total amount of the sales tax collected. DOR notes that this proposal allows DOR to retain 1% that is deposited into General Revenue for expenses for collection of this tax.

Fiscal Year	Total	Total Collection	DOR 1% Fee	Final Collection
2016	\$79,052,729			
2017	\$81,965,741			
2018	\$83,225,811			
2019	\$84,890,327			
2020	\$86,588,134	\$432,941	\$4,329	\$428,611
2021	\$88,319,896	\$441,599	\$4,416	\$437,183
2022	\$90,086,294	\$450,431	\$4,504	\$445,927
2023	\$91,888,020	\$459,440	\$4,594	\$454,846
2024	\$93,725,780	\$468,629	\$4,686	\$463,943

DOR notes this would be voted on at the November 2022 election (Fiscal Year 2023). This sales tax would begin April 1, 2023 (Fiscal Year 2023) if adopted by the voters. Therefore the impact in Fiscal Year 2023 would be for 3 months.

Fiscal Year	DOR Collection	Smithville Collection Amount
2021	\$0	\$0
2022	\$0	\$0
2023	\$1,149	\$113,711
2024	\$4,686	\$463,943

This proposal would allow the City of Branson West to authorize and impose up to one-half of one percent, and shall be imposed solely for the purpose of improving the public safety. Using taxable sales report data for the City of Branson West, DOR estimates the impact as follows:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015					0
2016	18,901,040	25,156,599	26,716,172	23,132,889	93,906,700
2017	18,850,783	25,742,289	26,723,871	22,779,379	94,096,322
2018	19,229,746	26,277,102	27,300,134	24,081,341	96,888,323
2019	19,962,599	27,108,143			

ASSUMPTION (continued)

Once converted to Fiscal Years and using a 2% inflation rate, DOR took the taxable sales times the proposed tax rate of one-half of one percent to determine the total amount of the sales tax collected. DOR notes that this proposal allows DOR to retain 1% that is deposited into General Revenue for expenses for collection of this tax.

Fiscal Year	Total Collection	DOR 1% Fee	Final Collection
2016			
2017			
2018			
2019			
2020	\$494,243	\$4,942	\$489,301
2021	\$504,127	\$5,041	\$499,086
2022	\$514,210	\$5,142	\$509,068
2023	\$524,494	\$5,245	\$519,249
2024	\$534,984	\$5,350	\$529,634

DOR notes this would be voted on at the November 2022 election (Fiscal Year 2023). This sales tax would begin April 1, 2023 (Fiscal Year 2023) if adopted by the voters. Therefore the impact in Fiscal Year 2023 would be for 3 months.

Furthermore, DOR states this proposal would allow any city of the third classification with more than nine thousand but fewer than ten thousand inhabitants and located in any county of the third classification with a township form of government and with more than twenty thousand but fewer than twenty-three thousand inhabitants to implement a sales tax for public safety. DOR believes the only City to qualify under this description is the City of Clinton.

Additionally, this proposal would allow any city of the fourth classification with more than one thousand fifty but fewer than one thousand two hundred inhabitants and located in any county of the third classification without a township form of government and with more than eighteen thousand but fewer than twenty thousand inhabitants and with a city of the fourth classification with more than two thousand one hundred but fewer than two thousand four hundred inhabitants as the county seat to also implement a sales tax for public safety. DOR believes this would apply to the City of Lincoln and the City of Cole Camp.

The sales tax may be imposed in an amount of up to one-fourth, one-half, three-fourths, or one percent. The tax shall be imposed solely for the purpose of improving the public safety.

ASSUMPTION (continued)

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	40,147,895	44,618,974	44,443,717	44,037,435	173,248,021
2016	41,389,150	45,465,065	45,533,177	44,893,260	177,280,652
2017	40,038,915	47,066,194	45,477,582	43,884,475	176,467,166
2018	40,961,939	47,940,212	46,462,280	46,505,858	181,870,289
2019	41,173,575	47,416,316			

Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount DOR would collect and the City of Clinton would collect as:

Clinton	1/4 of 1% Tax		½ of 1% Tax		3/4 of 1% Tax		1% Tax	
Fiscal Year	DOR 1% Fee	Clinton Collection	DOR 1% Fee	Clinton Collection	DOR 1% Fee	Clinton Collection	DOR 1% Fee	Clinton Collection
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023	\$1,230	\$121,781	\$2,460	\$243,562	\$3,690	\$365,343	4,920	487,125
2024	\$5,019	\$496,867	\$10,038	\$993,735	\$15,057	\$1,490,602	\$20,075	\$1,987,469

DOR notes this would be voted on at the November 2022 election (Fiscal Year 2023). This sales tax would begin April 1, 2023 (Fiscal Year 2023) if adopted by the voters. Therefore the impact in Fiscal Year 2023 would be for 3 months.

DOR shows that the City of Lincoln has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	2,124,060	2,412,496	2,368,178	2,014,074	8,918,808
2016	2,138,130	2,369,529	2,437,892	2,142,464	9,088,015
2017	2,177,513	2,602,875	2,547,296	2,120,049	9,447,733
2018	2,444,106	2,542,249	2,617,362	2,318,717	9,922,434
2019	2,030,154	2,244,162			

ASSUMPTION (continued)

Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount DOR would collect and the City of Lincoln would collect as:

Lincoln	1/4 of 1% Tax		1/2 of 1% Tax		3/4 of 1% Tax		1% Tax		
	Fiscal Year	DOR 1% Fee	Lincoln Collection	DOR 1% Fee	Lincoln Collection	DOR 1% Fee	Lincoln Collection	DOR 1% Fee	Lincoln Collection
2021		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023		\$67	\$6,595	\$133	\$13,190	\$200	\$19,785	267	26,380
2024		\$272	\$26,907	\$544	\$53,815	\$815	\$80,722	\$1,087	\$107,629

DOR notes this would be voted on at the November 2022 election (Fiscal Year 2023). This sales tax would begin April 1, 2023 (Fiscal Year 2023) if adopted by the voters. Therefore the impact in Fiscal Year 2023 would be for 3 months.

DOR shows that the City of Cole Camp has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	3,229,113	3,002,081	3,402,238	3,196,016	12,829,448
2016	3,095,340	3,003,988	3,225,042	3,279,187	12,603,557
2017	3,081,084	2,956,959	3,249,944	3,360,607	12,648,594
2018	3,278,248	3,220,758	3,474,064	4,684,461	14,657,531
2019	3,243,595	3,502,112			

Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount DOR would collect and the City of Cole Camp would collect as:

Cole Camp	1/4 of 1% Tax		1/2 of 1% Tax		3/4 of 1% Tax		1% Tax		
	Fiscal Year	DOR 1% Fee	Cole Camp Collection	DOR 1% Fee	Cole Camp Collection	DOR 1% Fee	Cole Camp Collection	DOR 1% Fee	Cole Camp Collection
2021		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023		\$181	\$17,911	\$91	\$8,956	\$272	\$26,867	362	35,823
2024		\$369	\$36,540	\$738	\$73,079	\$1,107	\$109,619	\$1,476	\$146,159

ASSUMPTION (continued)

DOR assumes this proposal would allow the Village of Claycomo to authorize and impose up to one-fourth, one-half, three-fourths, or one percent shall be imposed solely for the purpose of improving the public safety. Using taxable sales report data for the Village of Claycomo, DOR estimates the impact as follows:

Village of Claycomo Taxable Sales by Calendar Year

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	5,987,942	5,945,109	5,798,774	6,032,010	23,763,835
2016	6,312,917	6,245,000	6,027,650	5,480,769	24,066,336
2017	5,349,230	5,570,093	5,149,850	4,944,736	21,013,909
2018	5,150,294	5,761,090	5,959,771	6,450,921	23,322,076
2019	6,300,774	6,332,614			

Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount DOR would collect and the Village of Claycomo would collect as:

Claycomo Fiscal Year	1/4 of 1% Tax		1/2 of 1% Tax		3/4 of 1% Tax		1% Tax	
	DOR 1% Fee	Claycomo County Collection	DOR 1% Fee	Claycomo County Collection	DOR 1% Fee	Claycomo County Collection	DOR 1% Fee	Claycomo County Collection
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023	\$148	\$14,637	\$296	\$29,274	\$443	\$43,912	\$580	\$57,401
2024	\$591	\$58,549	\$1,183	\$117,098	\$1,774	\$175,647	\$2,319	\$229,604

DOR notes this would be voted on at the November 2022 election (Fiscal Year 2023). This sales tax would begin April 1, 2023 (Fiscal Year 2023) if adopted by the voters. Therefore the impact in Fiscal Year 2023 would be for 3 months.

For purposes of this fiscal note, **Oversight** will report the positive fiscal impact to local political subdivisions (Hallsville, Kearney, Smithville, Branson West, Clinton, Lincoln, Cole Camp, and Claycomo) ranging from \$0 (voters reject the proposal or it is not put forth to voters) to the estimates provided by DOR beginning in Fiscal Year 2023 (3 months of Fiscal Year 2023).

ASSUMPTION (continued)

Furthermore, for purposes of this fiscal note, **Oversight** will report the fiscal impact to GR ranging from \$0 (voters reject the proposal or it is not put forth to voters) to the estimates provided by DOR beginning in Fiscal Year 2023 (3 months of Fiscal Year 2023).

In response to similar legislation from this year, SS #2 for SB 704, officials from the **City of Hallsville** stated the City's current base sales tax rate is 1.625%. In the event the Board of Aldermen approve to put on the ballot a ½ cent public safety sales tax to go to the voters and it is approved, our base tax rate will be 2.125%. The total sales tax rate for purchases within the City is 7.6%, which includes 4.225% for the State of Missouri and 1.750% for (Boone) County. With the ½ cent sales tax the total sales tax will be 8.1%. This tax rate is comparable to other communities in the City's area. The City anticipates a ½ cent public safety sales tax will generate approximately \$55,000 a year for the Police Department. With these funds, the City could increase their department from three full time officers to four full time officers. Adding another full time officer will give the City near 24/7 coverage for the first time. The funds will also allow the department to increase their fleet of patrol vehicles and keep up with the upgrades in technology and the replacement of outdated equipment.

Oversight notes the City anticipates its sales tax revenues to increase by approximately \$55,000 each year if the voters of the City approved the one-half of one percent sales tax for public safety. Section 94.1014 - Transient Guest Tax - Ashland

In response to similar legislation from this year, SS #2 for SB 704, officials from **B&P** stated this section would allow the City of Ashland to levy a transient guest tax. B&P was unable to obtain data regarding occupancy rates and room sales, consequently B&P cannot calculate an estimate. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section allows the City of Ashland to establish a transient guest tax starting with the general election in 2022. This does NOT have an impact on DOR as transient guest taxes are collected by the local political subdivision and not DOR.

In response to similar legislation from this year, SS #2 for SB 704, officials from the **City of Ashland (Ashland)** stated while Ashland does not currently have any hotels located in Ashland, Ashland is working with developers to attract hotel development to help boost overnight stays in the community.

Ashland assumes, when using a sixty-three percent (63%) occupancy rate, Ashland could recognize an increase in revenue as a result of transient guest tax(es) of approximately \$137,510 from each lodging facility. The calculation used by Ashland to estimate the revenue increase is

ASSUMPTION (continued)

shown below:

115 Rooms	*	365 Days of the Year	*	\$130 Cost per Room per Night	*	4% Lodging Tax Rate	*	63% Occupancy Rate
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Ashland has indicated Ashland is hopeful that within the next two to three years, Ashland will have three or more hotels in Ashland.

Oversight assumes the estimated increase in revenue as a result of transient guest tax equal to \$137,510 is specific to each hotel. Therefore, Oversight assumes, if Ashland has three hotels developed in Ashland, the increase in revenue could total \$412,530 ($\$137,510 * 3$) annually.

Oversight notes this proposed legislation would allow Ashland, if approved by the City's voters, on a general election but not earlier than the 2022 General Election, to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels or motels located in the City equal at a rate not to exceed five percent (5%). Oversight further notes the tax revenues generated would be designated solely for the promotion of tourism, growth of the region and economic development purposes.

Oversight notes the earliest this proposal could be implemented is the 2022 General Election. Oversight assumes this will occur after July 1, 2022. Therefore, Oversight will report the fiscal impact stated above beginning in Fiscal Year 2023.

For the purposes of this fiscal note, **Oversight** will report a zero fiscal impact to the State of Missouri as DOR does not collect transient guest taxes (unless an agreement with the political subdivision is made) and a zero fiscal impact for the City of Ashland as the city does not currently have any hotels/motels operating within the boundaries of Ashland.

Oversight notes if hotel/motel development takes place within the boundaries of Ashland, in which such hotel(s)/motel(s)/ become fully operational, Ashland could recognize revenue gain as a result of this proposed legislation being enacted.

Section 105.145 - Political Subdivisions Financial Report to State Auditor's Office

In response to similar legislation from this year, SS #2 for SB 704, officials from **B&P** stated this section 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

ASSUMPTION (continued)

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.

Officials from **DOR** state 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 DOR 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 DOR sends a notice to the political subdivision and thirty days later the fee starts to accumulate.

DOR collects the fine by offsetting any sales or use tax distributions due to the political subdivisions. In essence DOR 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 DOR to collect, so DOR assumes much of what is owed is uncollectible. Additionally, this is not state money but local political subdivision funds.

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.

ASSUMPTION (continued)

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 distributed 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

DOR 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 DOR.

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 from 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

ASSUMPTION (continued)

\$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 a previous version, officials from the **Office of the State Courts Administrator**, the **State Auditor's Office** and the **Joint Committee on Administrative Rules** each assume no fiscal impact to their respective agencies from this proposal.

In response to a previous version, officials from the **City of Kansas City**, the **City of Springfield**, the **St. Louis County Board of Elections**, the **Platte County Election Board** and the **Kansas City Election Board** each assume no fiscal impact to their respective entities from this proposal.

Oversight notes, in response to a previous version, the **Office of the State Courts Administrator**, the **State Auditor's Office**, the **Joint Committee on Administrative Rules**, the **City of Kansas City**, the **City of Springfield**, the **St. Louis County Board of Elections**, the **Platte County Election Board**, the **Kansas City Election Board** and the **Jackson County Election Board** 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.

§115.127 - Filing deadlines for candidates

In response to a previous version, officials from the **Office of the Secretary of State** assumed the proposal will have no fiscal impact on their organization.

In response to a previous version, officials from the **Kansas City Election Board**, **Jackson County Election Board**, and **St. Louis County Board of Elections** each assumed the proposal will have no fiscal impact on their organization.

ASSUMPTION (continued)

Oversight notes that the above agencies 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.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other 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.

§115.621 - Congressional, legislative, senatorial and judicial district committees

Oversight assumes no fiscal impact from this section of the proposal.

§115.646 - Using public funds by School Districts or District Employees in Elections

In response to a previous version, officials from the **Office of the Secretary of State, Department of Elementary and Secondary Education, and Missouri Ethics Commission** each assumed the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Kansas City Election Board, Platte County Board of Elections, Jackson County Election Board, and St. Louis County Board of Elections** each assumed the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the above agencies 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.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local election authorities and schools 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)

§137.180 - Comparable Sales

In response to a previous version, officials from **Office of Administration - Budget and Planning** assumed this section states that St. Louis County shall include "comparable" properties, if such properties were used to determine assessment value, within a notice for assessed value changes, beginning January 1, 2021. This section also defines the term "comparable".

Officials at the **State Tax Commission** assume this section has no fiscal impact. The change may impose an unknown additional costs on the county.

Oversight assumes there could be an unknown negative fiscal impact on St. Louis County for additional notification information. Oversight a will show a range of impact of \$0 (no additional cost) to an unknown cost beginning in FY 2021.

In response to a previous version, officials from **Office of Administration - Budget and Planning** assumed this section increases the limits, starting January 1, 2021, for the fees and costs allowable for reimbursement to taxpayers for residential and subclass three property tax appeals within St. Louis County.

In response to a previous version, officials from **State Tax Commission** assumed section 138.434 increases the limits for St. Louis County as reimbursement to taxpayers for successful residential appeals to the State Tax Commission for appraisal costs , attorney fees, court costs, to \$6,000 for residential appeals and the lesser of \$10,000 or 25% of the tax savings for other non-residential appeals. This provision would have an unknown potential fiscal impact on the County.

Oversight assumes there could be an unknown negative fiscal impact on St. Louis County for increased reimbursements to taxpayers for property tax appeals. Oversight a will show a range of impact of \$0 (no additional cost) to an unknown cost beginning in FY 2021.

§138.434 - Reimbursement Limits

In response to a previous version, officials from **Office of Administration - Budget and Planning** assumed this section increases the limits, starting January 1, 2021, for the fees and costs allowable for reimbursement to taxpayers for residential and subclass three property tax appeals within St. Louis County.

ASSUMPTION (continued)

Officials from **State Tax Commission (STC)** assume section 138.434 increases the limits for St. Louis County as reimbursement to taxpayers for successful residential appeals to the State Tax Commission for appraisal costs, attorney fees, court costs, to \$6,000 for residential appeals and the lesser of \$10,000 or 25% of the tax savings for other non-residential appeals. This provision would have no fiscal impact on the STC.

Oversight assumes there could be an unknown negative fiscal impact on St. Louis County for increased reimbursements to taxpayers for property tax appeals. Oversight will show a range of impact of \$0 (no additional cost) to an unknown cost beginning in FY 2021.

In response to a previous version, officials from **Office of Administration - Budget and Planning** assumed this section increases the limits, starting January 1, 2021, for the fees and costs allowable for reimbursement to taxpayers for residential and subclass three property tax appeals within St. Louis County.

In response to a previous version, officials from **State Tax Commission** assumed section 138.434 increases the limits for St. Louis County as reimbursement to taxpayers for successful residential appeals to the State Tax Commission for appraisal costs, attorney fees, court costs, to \$6,000 for residential appeals and the lesser of \$10,000 or 25% of the tax savings for other non-residential appeals. This provision would have an unknown potential fiscal impact on the County.

Section 143.425 - Taxation of Partnerships

Officials from **DOR** state the proposed section, broadly speaking, sets forth reporting and payment requirements for partnerships at the individual partner and/or entity level in the event of an entity-level audit by the IRS or other federal entity-level adjustment. This new IRS partnership audit regime, under which the IRS will generally audit and make changes to partnership items at the partnership level instead of flowing the changes through to individual partners, began on January 1, 2018.

The new partnership audit regime will affect IRS audits of Tax Year 2018 and Tax Year 2019 partnership tax returns, and onwards. The new regime applies to tax years beginning after December 31, 2017 and continues indefinitely. These tax returns started being filed in 2019. Thus, the IRS would begin auditing Tax Year 2018 returns, at earliest, sometime in Calendar Year 2019. (This does not take into consideration short tax years).

ASSUMPTION (continued)

Partnerships were also given an option to opt-in to this new audit regime early; partnerships that made the election to opt-in early could have received partnership-level adjustments as a result of an IRS audit for partnership tax years beginning on or after November 2, 2015.

This proposal would allow DOR to assess and collect taxes directly from the partnership entity following a federal audit. Without this change, DOR may be unable to collect (or refund) any taxes owed by a partnership following the findings of an audit by the IRS. Therefore, this proposal may increase TSR and GR by an unknown amount if DOR is able to collect additional state taxes owed after a partnership has been audited by the IRS.

Changes were made in this proposal which make it unclear how the partnerships will file their returns. The impact is unknown but expected to be a loss to General Revenue.

Oversight notes, currently, DOR may adjust tax on the returns of individual partners of partnerships upon findings through amended tax(es) filed by the individual partners themselves or through Discovery programs operated by DOR. These Discovery programs receive information from the IRS in relation to adjustments made to the federal tax filings of Missouri residents. If DOR believes it to be necessary, they will adjust individual partner's Missouri tax filing(s) to reflect those changes received from the IRS and assess or refund accordingly.

The United States Congress passed the Bipartisan Budget Act (2015) which entitles the IRS to audit partnerships at the entity level rather than passing the changes on to the individual partner level. If the IRS finds that adjustments are required, the IRS will make the necessary adjustments on the partnership return rather than passing the tax on to the individual partners.

Currently, DOR is unable to perform adjustments at the partnership level deemed necessary through their Discovery programs. This proposed legislation would allow DOR to make such adjustments. Oversight notes this proposed legislation is following the changes made at the IRS level under the Bipartisan Budget Act (2015). Oversight further notes it allows DOR to continue to adjust tax returns as they have in the past, but with new methods.

Oversight assumes without this change, DOR would no longer be able to collect the unreported changes to partnership returns recognized under DOR's Discovery programs, as they would no longer be reported at the individual (partner) level. Thus, TSR and GR could be reduced by an unknown amount.

ASSUMPTION (continued)

For purposes of this fiscal note, **Oversight** will show a fiscal impact of \$0 or Unknown to (Unknown). Zero would be recognized if DOR received the additional tax assessments or made the additional tax refunds equal to the amounts in the past. Unknown would be recognized if DOR collects a greater amount of additional tax assessments due to the passage of this proposed legislation and (Unknown) would be recognized if DOR receives a lesser amount of additional tax assessments or must make a greater amount of refunds due to the passage of this proposed legislation.

In response to similar legislation from this year, SS #2 for SB 704, 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, SS #2 for SB 704, officials from the **Joint Committee on Administrative Rules (JCAR)** assumed 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.

ASSUMPTION (continued)

Section 144.757 - Local Use Tax

In response to similar legislation from this year, SS #2 for SB 704, officials from **B&P** stated this section would alter the ballot language for certain local sales and use taxes which must be voter approved. The language removes the \$2,000 minimum threshold required before a purchaser must file a use tax return.

B&P notes that currently Missouri residents are not required to file a use tax return until total purchases within a calendar year reaches \$2,000. However, once that minimum threshold has been reached, taxpayers are already required to pay use tax on the full amount of purchases, not just the amount over \$2,000.

While use tax is legally due on all out-of-state purchases, B&P notes that it is not cost effective to audit taxpayers whose online purchases are lower than \$2,000. Therefore, B&P estimates that this section will not impact TSR or the calculation under Article X, Section 18(e).

In response to similar legislation from this year, SS #2 for SB 704, officials from **DOR** stated this section modifies the ballot language for local political subdivision sales and use tax issues. DOR assumes no fiscal impact from changing the ballot language.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for this section.

In response to similar legislation from this year, SS #2 for SB 704, officials from the **City of Columbia** stated they could recognize a positive impact if local voters approve a use tax.

Section 205.202 - Hospital Districts - Wayne County - Sales Tax in Lieu of Property Tax

Officials from **DOR** state this section clarifies what happens upon dissolution of a hospital district that was levying a sales tax. The sales tax is to be distributed 25% to the county public health center and 75% to the federally qualified health center. This proposal would not have a fiscal impact on DOR but would clarify where the money DOR receives is to be distributed.

ASSUMPTION (continued)

Oversight notes in response to similar legislation, (SCS for SB 616 - 2020) the **Department of Health and Senior Services** and the **Department of Social 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 in the fiscal note for these organizations.

§§238.207, 238.235 & 238.237 - Special Taxing Districts

In response to a previous version, officials at the **Kansas City Election Board** assumed the cost to hold a Municipal Election in the City's jurisdiction is roughly \$600,000. If this proposal passes and an entity is required to participate in the Municipal Election, the entity must pay their pro-rata share of election costs. This amount will depend on what other entities participate in the election.

In response to a previous version, officials at the **Platte County Board of Election Commissioners** assumed the costs will vary based on municipality size. This is assuming this legislation would require each eligible voter to receive a ballot and the cost of the election will be paid by the municipality. In Platte County there are two municipalities that have several special districts; Parkville and Kansas City. Parkville would cost about \$11,000 per election and Kansas City would cost about \$65,000 per election. The bill would seem to require the entirety of a municipality to participate, so a special district in Kansas City would incur costs with other election authorities as well.

In response to a previous version, officials at the **City of Springfield** stated there is no direct fiscal impact to the City, as the developer is generally required to pay for the election. However, there is an indirect, and likely negative, fiscal impact to the City. The cost of conducting a mail-in election (over \$400,000) is likely prohibitive to developers; because retail developments utilizing CID to fund public improvements may not be built, this could negatively impact sales tax and property tax revenues.

Oversight assumes this proposal is permissive in nature and would have no local fiscal impact without action by the governing body of the special district to submit to the voters of the municipality in which the district is located to approve the sales tax and/or toll fees. Oversight notes the special district is responsible for the cost of the election. Oversight will reflect a \$0 impact to Local Political Subdivisions for this proposal.

ASSUMPTION (continued)

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

In response to a previous version, officials at the **Jackson County Election Board**, **Kansas City** and the **St. Louis County Board of Election Commissioners** each assumed no fiscal impact to their respective entities from this proposal.

Oversight notes the Department of Revenue, the Missouri Department of Transportation, the State Tax Commission, the Jackson County Election Board, Kansas City and the St. Louis County Board of Election Commissioners 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.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties and 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.

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

In response to a previous version, officials at the **Department of Public Safety's Division of Fire Safety** assumed no fiscal impact from this proposal.

In response to a previous version, 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 a previous version, 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.

ASSUMPTION (continued)

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 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 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.

Section 321.552 - Fire Protection Districts - Sales Tax

Officials from **DOR** state this section would allow any governing body of an ambulance or fire protection district to impose a sales tax in an amount up to one percent on all retail sales made in such district. Previously the cap was at one-half of one percent. This proposal would not allow the districts in Cape Girardeau, Christian, Cole, Clay, Greene, Jackson, Jefferson, St. Charles County, St. Charles County and St. Louis City to increase their rates. In order to increase the sales tax the district would be required to hold an election and notify the Department of the increase. If the election were held in April 2021, then the tax would not be remitted until July 2021 (Fiscal Year 2022).

ASSUMPTION (continued)

Using information on the amount of sales tax collected, DOR calculated how much additional revenue would be raised by the districts if all raised their sales tax to the maximum 1% allowed by this proposal below:

Districts - Various Percentages	0.005	0.0025	0.00375	0.0045
Tax Base	10,240,964,864	1,843,205,900	849,942,243	664,923,916
New 1% Rate	\$ 102,409,649	\$ 18,432,059	\$ 8,499,422	\$ 6,649,239
Net Increase	\$ 51,204,824	\$ 13,824,044	\$ 5,312,139	\$ 3,657,082
1% DOR Fee*	\$ 512,048	\$ 138,241	\$ 53,121	\$ 36,571
District Increase*	\$ 50,692,776	\$ 13,685,804	\$ 5,259,018	\$ 3,620,511

* 1% DOR Fee = \$512,048+\$138,240+\$53,120+\$36,571 = 739,981

*District Increase total = \$50,692,776+\$13,685,804+\$5,259,018+\$3,620,511 = 73,258,108

The Department is allowed to retain 1% for collection costs, so this would be an increase to General Revenue of \$739,981 if all the subdivisions raised the tax to the maximum allowed.

This would impact General Revenue \$0 or up to \$739,981 starting in Fiscal Year 2024.

This would impact local political subdivisions \$0 or up to \$73,258,108 starting in FY 2024.

ASSUMPTION (continued)

SUMMARY of Local Sales Tax

The 1% Collection Fee that DOR transfers to General Revenue is \$0 (none of the political subdivisions passed their proposed sales taxes) to the amount below:

Political Subdivision	FY 2021	FY 2022	FY 2023
Clay County	\$0	\$0	Up to \$9,473,185
Platte County	\$0	\$0	Up to \$4,755,673
Greene County	\$0	\$0	Up to \$5,847,043
Lamar Heights	\$0	\$0	\$83,246
Hallsville	\$0	\$0	\$12,893
Kearney	\$0	\$0	\$523,475
Smithville	\$0	\$0	\$113,711
Branson West	\$0	\$0	\$129,812
Clinton	\$0	\$0	Up to \$487,125
Lincoln	\$0	\$0	Up to \$26,380
Cole Camp	\$0	\$0	Up to \$35,823
Claycomo	\$0	\$0	Up to \$57,401
Ambulance & FPD	\$0	\$0	Up to \$12,673,194
TOTAL	\$0	\$0	Up to \$34,218,961

Oversight notes this proposed section would only be in effect if the voters voted on the proposal put forth by an ambulance district or fire district on a general election so long as that general election is not before the 2022 General Election.

Oversight notes the earliest this proposal could be implemented is the 2022 General Election. Oversight assumes this will occur in November 2022. Therefore, Oversight will report the fiscal impact stated above beginning in Fiscal Year 2023 (3 months of Fiscal Year 2023).

Oversight notes currently there are 78 districts that collect a sales tax (60 ambulance districts and 18 fire protection districts). For Fiscal Year 2019, the distribution of sales tax revenue to the 60 ambulance districts totaled \$58 million, while the distribution to the 18 fire protection districts totaled \$19.7 million. Assuming most of these are collecting .5% sales tax, the potential to double the sales tax rate (depending upon voter approval) would total \$77.7 million (\$58 m + \$19.7 m), which is similar to the estimate provided by DOR. Therefore, Oversight will utilize DOR's estimate to calculate the fiscal impact to local political subdivisions (fire protection and ambulance districts) as well as GR (DOR 1% collection fee) beginning in Fiscal Year 2023.

ASSUMPTION (continued)

In response to similar legislation from this year, SS #2 for SB 704, officials from the **Department of Conservation (MDC)** assumed the proposal will have 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.

In response to similar legislation from this year, SS #2 for SB 704, (HB 2386 - 2020) officials from the **Department of Natural Resources (DNR)** assume the proposal will have no direct impact to their organization.

In response to similar legislation from this year, SS #2 for SB 704, officials from the Department of Public Safety - Fire Safety and Department of Public Safety Missouri Highway Patrol both assumed the proposal will have no impact on their respective organizations.

In response to similar legislation from this year, SS #2 for SB 704, officials from **City of Kansas City, Kansas City Election Board, Jackson County Election Board, and Saint Louis County Board of Election** each assumed the proposal will have no impact on their respective organizations.

§506.384 - Inmates or detainees in county jails and civil actions

In response to similar legislation from this year, SB 833, officials at the **Office of the State Courts Administrator, the Office of the Attorney General, the Department of Corrections, the Office of Prosecution Services and the Office of the State Public Defender** each assume no fiscal impact to their respective agencies from this proposal.

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

ASSUMPTION (continued)

§610.021

In response to a previous version, 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.

Sections 620.2005 & 620.2010 - Missouri Works Program

In response to similar legislation from this year, SS #2 for SB 704, officials from **B&P** stated this section clarifies that the Missouri Works program is available for both full-time and part-time employees for certain projects. To the extent businesses qualify for additional tax credits this proposal could impact General and Total State Revenues and the calculation pursuant to Article X, Section 18(e). Additionally, to the extent this proposal encourages other economic activity, General and Total State Revenue may increase, but B&P cannot estimate the induced revenues.

Officials from **DOR** state this section clarifies the definition of the qualified military project to require ten or more part-time or full-time military or civilian support personnel. DOR assumes no fiscal impact from this definition change.

Section 620.2010 allows for the awarding of a tax credit in the amount equal to the estimated withholding taxes associated with the part-time and full-time jobs. DOR assumes that since this qualifies who receives the credit, it would not have a fiscal impact on DOR.

ASSUMPTION (continued)

Bill as a Whole

Officials at the **Office of the State Courts Administrator**, the **Missouri Department of Transportation**, the **Office of the Attorney General** and the **Missouri Ethics Commission** each assumed no fiscal impact to their respective agencies from this proposal.

Officials at the **DOR** state none of the other sections in this bill have a fiscal impact to DOR.

Senate Amendment #1 - §115.646

This amendment strikes out language that was to be added to current statute regarding election contributions by a school district. **Oversight** assumes no direct fiscal impact from this amendment.

Senate Amendment #3 - §620.2250 - Provisions relating to Time Zones

Officials at the **Department of Revenue (DOR)** assumed this legislation would not have an administrative impact on the DOR. Section 620.2250.7 allows for the diversion of 25% of the state tax withholding on new jobs to not be remitted to General Revenue and instead go to a designated TIME Zone as outlined in this proposal. DOR notes this 25% is on new jobs created and is not currently being collected by the Department. DOR is unable to estimate the number of new jobs that may be created and the new withholding tax those new jobs would generate. The Department of Economic Development (DED) may be able to provide an estimate of the number of expected jobs and the General Revenue impact of this proposal.

In response to similar legislation from this year, HCS for SB 544, officials at the **Office of Administration's Division of Budget and Planning (B&P)** assumed the proposal allows for 25% of the state tax withholdings on new jobs within a TIME zone to be deposited into the TIME zone fund, newly created, rather than the general revenue fund. As TIME zones do not currently exist, there is no data to estimate a fiscal impact. If new jobs are created in a TIME zone that would not otherwise be created but for the TIME zone, the TIME zone fund could be impacted positively in a nominal amount.

In response to similar legislation from this year, HCS for SB 544, officials at the **Department of Economic Development (DED)** assumed for every new job created in a TIME zone, 25% of state tax withholdings imposed by sections 143.191 to 143.265 shall not be remitted to the general revenue fund but shall instead be put into the TIME Zone Fund to be used by the zone board for managerial, engineering, legal, research, promotion, planning, and any other expenses.

ASSUMPTION (continued)

DED is only mentioned as the agency to which the annual budget is submitted. DED has no mechanism to calculate the estimated impact of this section on the general revenue.

DED is responsible for approving any agreement renewals, reviewing annual budgets and annual reports. DED assumes they will need one (1) FTE Economic Development Incentive Specialist III (at \$43,173 annually) to implement this program at a total cost of:

FY21 (\$80,804)
FY22 (\$86,901)
FY23 (\$87,738)

Oversight notes §620.2250 of this proposal creates the Targeted Industrial Manufacturing Enhancement Zones Act. This also creates the TIME Zone Fund. Once an ordinance or resolution is passed/adopted by at least two political subdivisions, this proposal requires “twenty-five percent of the state tax withholdings” to go directly to the new fund created. Oversight will assume a loss to General Revenue of the withholding tax and a gain to the TIME Zone Fund of the withholding tax. In subsection 14 of the proposal it states the total amount of withholding taxes shall not exceed \$5,000,000 per fiscal year. Therefore, Oversight will reflect the impact as \$0 (no new jobs created) to \$5,000,000. Also, depending upon the number of TIME Zones established and new jobs created, Oversight assumes DED may be able to absorb some additional responsibilities created by this bill. Therefore, Oversight will range DED’s administrative needs from zero impact to one additional FTE.

In response to similar legislation from this year, HCS for HB 1695, 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.

ASSUMPTION (continued)

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, HCS for SB 544, officials at the **Office of the State Treasurer** assumed no fiscal impact from this proposal.

In response to similar legislation from this year, HCS for SB 544, officials at the **City of Kansas City** assumed this proposal may have a positive fiscal impact in an indeterminate amount if the creation of a TIME Zone leads to additional development and to new jobs in the TIME zones within the City limits. However, this may be offset by staffing resources needed to administer TIME Zones.

In response to similar legislation from this year, HCS for SB 544, officials at the **City of O'Fallon** assumed no fiscal impact from this proposal.

In response to similar legislation from this year, HCS for SB 544, officials at the **City of Springfield** assumed no fiscal impact from this proposal.

Oversight notes the Office of the State Treasurer, the City of O'Fallon and the City of Springfield each 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.

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.

Oversight notes this proposal could induce economic development in the state. However, Oversight considers the positive economic benefits that may result from this proposal to be indirect fiscal impacts, and will not reflect them in the fiscal note.

FISCAL IMPACT -

State Government

FY 2021
(10 Mo.)

FY 2022

FY 2023

Fully
Implemented
(FY 2024)

**GENERAL
REVENUE**

Revenue - Taxation

on Partnerships	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
§143.425	to Unknown	to Unknown	to Unknown	to Unknown

Cost - OA/ITSD -

Database
Development and
Project Management
§§37.1090 to
37.1098

\$0

\$0

(\$13,308)

\$0

Cost - OA -

Reimburse
participating
municipalities for
actual costs
§§37.1090 to
37.1098

\$0

\$0

(Could exceed
\$100,000)

(Could exceed
\$100,000)

FISCAL IMPACT -

<u>State Government</u> (continued)	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
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<p><u>Loss - DOR - 2%</u> 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</p>	<p>\$0 or up to (\$721,143)</p>	<p>\$0</p>	<p>\$0</p>	<p>\$0</p>
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<p><u>Revenue Gain -</u> various local tax initiatives - DOR 1% collection fee</p>	<p>\$0</p>	<p>\$0</p>	<p>\$0 or Could exceed \$256,643</p>	<p>\$0 or Could exceed \$342,190</p>
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<p><u>Loss - Section</u> 105.145 - DOR 2% collection fee on future potential fines no longer assessed because LPSs no longer required to file</p>	<p>\$0 to (Unknown)</p>	<p>\$0 to (Unknown)</p>	<p>\$0 to (Unknown)</p>	<p>\$0 to (Unknown)</p>
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<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
<u>Revenue Reduction -</u> loss of withholding tax §620.2250	\$0 to (\$5,000,000)	\$0 to (\$5,000,000)	\$0 to (\$5,000,000)	\$0 to (\$5,000,000)
<u>Cost - DED -</u> administration of §620.2250	\$0 or...	\$0 or...	\$0 or...	\$0 or...
Personal Service	(\$43,173)	(\$52,326)	(\$52,849)	(\$53,378)
Fringe Benefits	(\$23,938)	(\$28,897)	(\$29,071)	(\$29,245)
Equipment and Expense	(\$13,693)	(\$5,678)	(\$5,818)	(\$5,965)
<u>Total Cost DED</u>	<u>(\$80,804)</u>	<u>(\$86,901)</u>	<u>(\$87,738)</u>	<u>(\$88,588)</u>
FTE Change - DED	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
 ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	 <u>Less than or Greater than (\$5,801,947)</u>	 <u>Less than or Greater than (\$5,086,901)</u>	 <u>Less than or Greater than (\$4,944,403)</u>	 <u>Less than or Greater than (\$4,846,398)</u>
 FTE Change to General Revenue	 0 to 1 FTE	 0 to 1 FTE	 0 to 1 FTE	 0 to 1 FTE

<u>FISCAL IMPACT -</u>				Fully
<u>State Government</u>	FY 2021			Implemented
(continued)	(10 Mo.)	FY 2022	FY 2023	(FY 2024)

TIME ZONE

<u>Revenue -</u>				
withholding tax				
collected from new				
jobs §620.2250	\$0 to \$5,000,000	\$0 to \$5,000,000	\$0 to \$5,000,000	\$0 to \$5,000,000

<u>Transfer Out - to</u>				
local political				
subdivisions	\$0 to	\$0 to	\$0 to	\$0 to
§620.2250	<u>(\$5,000,000)</u>	<u>(\$5,000,000)</u>	<u>(\$5,000,000)</u>	<u>(\$5,000,000)</u>

ESTIMATED NET				
EFFECT ON THE				
TIME ZONE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT -

Local Government

FY 2021
(10 Mo.)

FY 2022

FY 2023

Fully
Implemented
(FY 2024)

**LOCAL
POLITICAL
SUBDIVISIONS**

Revenue Gain -

Section 67.730 -
Platte/Clay County
Capital Improvement
tax

\$0

\$0

\$0 up to
\$14,228,858

\$0 up to
\$56,915,432

Revenue Gain -

Section 67.1011 -
City of Butler -
Transient Guest Tax

\$0

\$0

Unknown

Unknown

Revenue Gain -

Section 67.1360 -
City of Cameron
Transient Guest Tax

\$0

\$0

\$0 up to
\$153,114

\$0 up to
\$156,176

Revenue Gain -

Section 67.1790 -
Greene County (all
cities within) Early
Childhood Program
Sales Tax

\$0

\$0

\$0 up to
\$5,847,043

\$0 up to
\$23,388,173

Revenue Gain -

Section 94.838 -
Lamar Heights Food
Tax Increase

\$0

\$0 \$0 up to \$83,246

\$0 up to
\$339,644

<u>FISCAL IMPACT -</u>				Fully
<u>Local Government</u>	FY 2021		FY 2022	Implemented
(continued)	(10 Mo.)		FY 2023	(FY 2024)
<u>Income</u> - Potential reimbursement from the state for actual costs §§37.1090 to 37.1098	\$0		\$0	Could exceed \$100,000
			Could exceed \$100,000	Could exceed \$100,000
<u>Revenues</u> - Boone County - civil fines and penalties §64.207	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Revenue Gain</u> - Section 94.842 - Springfield Transient Guest Tax	\$0		\$0	\$0 or \$2,200,000
			\$0 or \$2,200,000	\$0 or \$8,976,000
<u>Revenue Gain</u> - Section 94.900 & 94.902 - Various Cities Public Safety Sales Tax	\$0		\$0	\$0 or up to \$21,664,221
			\$0 or up to \$21,664,221	\$0 or up to \$34,218,961
<u>Savings</u> - Section 105.145 - State Auditor Fines	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Transfer In</u> - from the TIME Zone Fund §620.2250	\$0 to \$5,000,000	\$0 to \$5,000,000	\$0 to \$5,000,000	\$0 to \$5,000,000

FISCAL IMPACT -

<u>Local Government</u> (continued)	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
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Cost - administration
of TIME Zone

developments §620.2250	\$0 to (\$5,000,000)	\$0 to (\$5,000,000)	\$0 to (\$5,000,000)	\$0 to (\$5,000,000)
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Cost - associated
with participating in
the Missouri Local
Government
Expenditure
Database §§37.1090
to 37.1098

	\$0	\$0	\$0 to (Unknown)	\$0 to (Unknown)
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Cost - 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)	\$0 to (\$11,760)
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Loss - School
districts receiving
less fine revenue
(from savings above)

§105.145	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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Cost - Boone County
- to implement

§64.207	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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<u>FISCAL IMPACT -</u>				Fully
<u>Local Government</u>	FY 2021	FY 2022	FY 2023	Implemented
(continued)	(10 Mo.)			(FY 2024)
<u>Savings - Section</u>				
105.145 - Local Political Subdivisions - on fine revenue that is reduced with one-time reduction of 90% of outstanding balance	\$0 or Up to \$36,057,167	\$0	\$0	\$0
<u>Loss - Section</u>				
105.145 - School Districts - reduction in fine revenue from one-time adjustment to fine revenue	\$0 or Up to (\$35,336,024)	\$0	\$0	\$0
<u>Cost - St. Louis County - comparable sales notification - §137.180</u>	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost - St. Louis County - increase in reimbursement limits - §138.434</u>	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Loss - Section</u>				
137.180 - 138.434 - County Assessors	Could exceed (\$3,785,000)	Could exceed (\$3,785,000)	Could exceed (\$3,785,000)	Could exceed (\$3,785,000)

<u>FISCAL IMPACT -</u>				<u>Fully</u>
<u>Local Government</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>Implemented</u>
<u>(continued)</u>	<u>(10 Mo.)</u>			<u>(FY 2024)</u>
<u>Revenue Gain -</u>				
Section 321.552 -				
Ambulance and Fire			Up to	Up to
Protection Districts	<u>\$0</u>	<u>\$0</u>	<u>\$18,314,527</u>	<u>\$73,258,108</u>
 ESTIMATED NET				
EFFECT ON				
LOCAL	Less than or	Less than or	Less than or	Less than or
POLITICAL	Greater than	Greater than	Greater than	Greater than
SUBDIVISIONS	<u>(\$3,073,657)</u>	<u>(\$3,796,760)</u>	<u>\$58,794,249</u>	<u>\$159,336,773</u>

FISCAL IMPACT - Small Business

This legislation could impact any small business operating in one of the various political subdivisions mentioned in this legislation, as they would be required to collect and remit the new or additional sales tax(es) permitted by this legislation, potentially increasing their administrative costs.

§67.1545 - There could be a direct impact to small businesses depending if the voters of the municipality approve a sales tax and/or toll fee issue on the ballot as a result of this proposal.

§§238.207, 238.235 & 238.237 - There could be a direct impact to small businesses depending if the voters of the municipality approve a sales tax and/or toll fee issue on the ballot as a result of this proposal.

§620.2250 - Small businesses that qualify for the programs in the bill would be impacted.

FISCAL DESCRIPTION

This proposal makes numerous changes regarding political subdivisions.

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

Department of Revenue
Office of Administration
 Budget and Planning
 Administrative Hearing Commission
 ITSD
 Accounting
City of Cameron
Department of Elementary and Secondary Education
Office of the Secretary of State
Joint Committee on Administrative Rules
City of Hallsville
City of Ashland
Department of Economic Development
State Tax Commission
City of Kansas City
Office of the Attorney General
Office of the State Courts Administrator
Office of the State Auditor
Department of Natural Resources
Department of Commerce and Insurance
Department of Health and Senior Services
Department of Social Services
Missouri Department of Conservation
Office of Administration
Department of Transportation

SOURCES OF INFORMATION (continued)

Office of the Governor
Office of the State Treasurer
Division of Fire Safety - Department of Public Safety
St. Louis County Board of Elections
Missouri Department of Public Safety - Missouri Highway Patrol
City of Columbia
St. Louis County Police Department
Department of Higher Education & Workforce Development
Department of Corrections
Department of Labor and Industrial Relations
Kansas City Election Board
Platte County Board of Elections
Missouri Senate
Office of the State Public Defender
Missouri House of Representatives
Department of Mental Health
St. Louis City
City of Springfield
Jackson County Board of Elections
City of Brentwood
Boone County
Monroe County Assessor
Department of Public Safety
 Office of Director
 Capitol Police
 Alcohol & Tobacco Control
 Gaming
 Highway Patrol
 National Guard
 State Emergency Management Agency
 Veterans Commission
Legislative Research
MO State Employee Retirement System
City of O'Fallon

SOURCES OF INFORMATION (continued)

Boone County Sheriff's Office
Daviess County Recorder
Mississippi County Recorder
Columbia/Boone County Public Health & Human Services
Missouri Lottery
MO Consolidated Health Care Plan
Department of Agriculture
Missouri Ethics Commission
Office of Prosecution Services



Julie Morff
Director
May 5, 2020



Ross Strobe
Assistant Director
May 5, 2020