

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4483S.04A
 Bill No.: SS for HB 2062 with SA 2, SA 3, SA 4, SA 5 & SA 6
 Subject: Business and Commerce; Cities, Towns, and Villages; Counties; County Government; Landlords and Tenants; Political Subdivisions; Property, Real and Personal; Taxation and Revenue - General
 Type: Original
 Date: May 8, 2024

Bill Summary: This proposal modifies provisions relating to the use of real property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue	Up to (\$726,529)	Up to (\$1,338,256)	Up to (\$1,964,709)
Total Estimated Net Effect on General Revenue	Up to (\$726,529)	Up to (\$1,338,256)	Up to (\$1,964,709)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Blind Pension Fund*	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Economic Development Advancement Fund (0783)	Up to \$1,322	Up to \$22,221	Up to \$46,666
Historic Preservation Revolving Fund (0430)	(\$68,033)	(\$78,776)	(\$80,352)
Total Estimated Net Effect on <u>Other</u> State Funds	Could exceed (\$66,711)	Could exceed (\$56,555)	Could exceed (\$33,686)

* **Oversight** notes B&P does not have enough information to determine which localities would choose to opt-in or which properties and the amount of delinquency would subsequently be impacted. Oversight assumes the \$250,000 threshold would not be met from this proposal.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Natural Resources Federal Fund (0142)	(\$136,066)	(\$157,553)	(\$160,704)
Total Estimated Net Effect on <u>All</u> Federal Funds	(\$136,066)	(\$157,553)	(\$160,704)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue Fund- DED	1 FTE	1 FTE	1 FTE
Economic Development Advancement Fund (0783) - DNR	Less than .3 FTE	Less than .3 FTE	Less than .3 FTE
Historic Preservation Revolving Fund (0430) - DNR	.9 FTE	.9 FTE	.9 FTE
Federal Fund – Natural Resources (0142) - DNR	1.8 FTE	1.8 FTE	1.8 FTE
Total Estimated Net Effect on FTE	Less than 4 FTE	Less than 4 FTE	Less than 4 FTE

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	Unknown (Unknown)	Unknown (Unknown)	Unknown (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

§44.251 – Protecting Missouri’s Small Businesses Act

In response to a similar proposal from 2024 (HCS for HB Nos. 2874 & 2796), officials from the **Office of Administration - Budget and Planning (B&P)** assumed this proposal would require a reduction of fees, personal property tax, and real property tax in political subdivisions with shutdown orders. Qualifying shut down orders must be caused by reasons outside of a business’ control.

Beginning January 1, 2025, any political subdivision with a shutdown order of any length:

- Waive all business license fees during the shutdown order.
- Reduce real and personal property tax liabilities based on the number of days a business was closed due to the shutdown order.

This proposal would not:

- Waive individual license or certification fees related to the practice of a profession.
- Require the state to provide restitution or replacement revenue to the political subdivision.

For shutdown orders that end before June 1st, the county assessor must reduce the property tax liability for all real and personal property located within the boundaries of the shutdown order. The reduction shall be based on the number of days a business was closed due to the shutdown order. Affected taxpayers must then pay the reduced tax amount by December 31st.

For shutdown orders that end on or after June 1st, the taxpayer must pay the full property tax liability by December 31st. The county assessor must then provide information on how such taxpayer may apply for a refund. The taxpayer must apply for a tax refund by January 15th. The county assessor must then calculate the allowable refund amount by February 15th and pay all refund claims by March 15th.

B&P notes that Section 44.251.4(2) requires business owners that rent or lease their real property distribute the property tax savings to all renters and lessors.

B&P further notes that it is unclear whether this proposal would impact state property tax levies, if there were a statewide shutdown order. B&P also notes that the Blind Pension Trust Fund levies a \$0.03 per \$100 assessed value property tax on all real and personal property located within Missouri.

B&P is unaware of any restrictive public health orders currently in effect. Therefore, this proposal may have an unknown impact on state and local revenues in the future.

B&P notes the following concerns with the proposed language:

- State Impact
 - It is unclear whether this proposal would impact state property tax levies, if there were a statewide shutdown order. Section 44.251.2(2) includes orders by the state within the definition of “shutdown order”. Therefore, B&P assumes that if there were a statewide shutdown order, state revenues would be impacted through the reduction in license fees as well as reductions in real and personal business property.
- Business License Fees
 - Section 44.251.4(1)(a) would require political subdivisions to waive business license fees for six months for any shutdown order that lasts less than 180 days. If a business is closed due to a shutdown order for 22 consecutive days, the political subdivision must still waive the fees for the full 180 days.

B&P further notes that the last sentence Section 44.251.4(1)(a) allows business license fees to be prorated, but the language provides no information as to how they may be prorated. B&P assumes that the license fees may be prorated for the remaining six months (or less depending on the length of the closure) of the year. B&P further assumes that the license fees may not be prorated to account for only the days a business was actually closed (if less than six months).

- Property Taxes – Shutdown orders ending before June 1st
 - B&P notes that this proposal does not provide information on what would happen if a taxpayer paid the reduced tax after December 31. It is unclear whether the taxpayer would be assessed interest and penalties on the reduced tax liability or on the full tax liability.
 - In addition, because the language is vague, it is also unclear if taxpayers would be liable for the full tax amount (amount before reduction) if they pay the tax liability after December 31st.
- Property Taxes – Shutdown orders ending on or after June 1st
 - B&P notes that it is unclear what would happen if a taxpayer paid the tax liability after December 31st. Whether a late payment would disqualify such taxpayer from receiving a refund, or whether interest and penalties would be assessed on

the full tax liability or the remaining tax liability accounting for the refund amount.

- B&P further notes that one month may not be enough time for a county assessor to review and calculate the eligible refund amount for all refund claims within that county. B&P notes that as of 2019, the median number of businesses per county was 385 and there were 25 counties with over 1,000 businesses.

In response to a similar proposal from 2024 (HCS for HB Nos. 2874 & 2796), officials from **Kansas City** assumed a potential substantial negative fiscal impact of an indeterminate amount.

In response to a similar proposal from 2024 (HCS for HB Nos. 2874 & 2796), officials from the **Branson Police Department** stated this proposal has the potential of cutting into the budgets of first responder agencies.

In response to a similar proposal from 2024 (HCS for HB Nos. 2874 & 2796), officials from the **Department of Revenue (DOR)** stated beginning January 1, 2025, should a local political subdivision institute a business shutdown order that lasts at least 14 consecutive days or 30 days cumulative, the political subdivision will be required to do the following:

- Waive all business fees owed to the political subdivision during the shutdown period.
- Reduce all real and personal property tax liability by the number of days businesses were closed.

DOR notes that this proposal is in regard to locally paid fees and property tax which are not handled by DOR. Therefore, this proposal will not fiscally impact DOR.

In response to a similar proposal from 2024 (HCS for HB Nos. 2874 & 2796), officials from the **Department of Social Services**, the **Newton County Health Department**, the **Lincoln County Assessor's Office**, the **Kansas City Police Department**, the **St. Louis County Police Department**, **Northwest Missouri State University**, the **University of Central Missouri** and the **State Tax Commission** each assumed the proposal would have no 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 agencies.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities, counties, county assessors, local law enforcement agencies, fire protection districts, ambulance districts, school districts and colleges were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

For purposes of this fiscal note, **Oversight** assumes this proposal would not impact the Blind Pension Fund. If this assumption is incorrect, it could substantially alter the impact provided in this fiscal note.

Oversight will reflect a fiscal impact of \$0 (no shutdown order is implemented) or an unknown loss in revenue to local political subdivisions for the reduced property tax revenues and the waived business license fees.

§§140.010, 140.190, 140.250, 140.420, 140.984, 140.988, 140.994, 141.250, 141.410, 141.500, 141.620, 141.984 – Collection of Certain Delinquent Taxes

Oversight notes §140.988.5 states the county collector may collect a fee for the collection of delinquent and back taxes of up to 5% on all sums collected if the county has established a land bank agency. All fees collected shall be paid to the land bank agency. Oversight assumes this would be additional revenue for the county and therefore will reflect a \$0 to positive unknown fiscal impact to counties.

Oversight notes in §141.500, subsections 2 & 3, have the potential for additional mail costs to be expensed by the county collector. Oversight assumes the county collector is provided with core funding to handle a certain amount of activity each year. Oversight assumes the county collector could absorb the costs related to this proposal.

§§140.980, 140.981, 140.982, 140.983, 140.985, 140.986, 140.987, 140.991, 140.995, 140.1000, 140.1009, 140.1012, 141.220, 141.230, 141.270, 141.290, 141.300, 141.320, 141.330, 141.360, 141.440, 141.520, 141.535, 141.540, 141.550, 141.560, 141.570, 141.580, 141.610, 141.680, 141.700, 141.821, 141.980, 141.1009, 141.1020 & 249.255 – Land Bank Agencies

In response to a similar proposal from 2024 (HCS for HB 2065), officials from the **Office of Administration - Budget and Planning (B&P)** assumed in regards to Chapter 140, RSMo, & Section 249.255: This bill modifies provisions related to how land banks are established and operated, purchase and sell property that is delinquent on taxes and distribute funds from the sale of those properties, how county collectors and land tax attorneys are compensated by the county and land bank located within the county, how suits and petitions are brought forward for the foreclosure of tax liens on properties, and how counties and municipalities sell properties that are tax delinquent. It also repeals sections on the collection of delinquent taxes and the sale of delinquent tax properties. B&P notes that qualifying localities may opt-in to this program. B&P does not have enough information to determine which localities would choose to opt-in or which properties and the amount of delinquent tax would subsequently be impacted. Therefore, to the extent that this proposal impacts delinquent tax collections, this proposal may impact TSR and the Blind Pension Trust Fund by an unknown amount.

In response to a similar proposal from 2024 (HCS for HB 2065), officials from the **Department of Labor and Industrial Relations (DOLIR)** assumed an unknown negative fiscal impact for this proposal. The Division of Employment Security (DES) has liens placed upon certain properties due to unpaid unemployment overpayments. This is based on the number of properties per year to be remitted to counties upon the unsuccessful third auction of the property as outlined in the bill.

Oversight does not have information to the contrary and therefore, Oversight will reflect a \$0 to negative unknown amount as provided by the DOLIR & B&P for the Blind Pension Trust Fund. Oversight assumes the \$250,000 threshold would not be met.

In response to a similar proposal from 2024 (HCS for HB 2065), officials from **Kansas City (KC)** assumed this legislation would have a negative fiscal impact of an indeterminable amount. Debts associated with properties transferred to the land bank are currently pursued with the prior owners as personal debt. This legislation states that all taxes, special taxes, fines and fees shall be deemed satisfied by transfer to the land bank. KC interprets this to mean the city will lose its ability to go after personal debt from previous owners.

Oversight does not have information to the contrary for §140.984 and therefore, Oversight will reflect a \$0 to negative unknown amount as provided by the KC to local political subdivisions.

In response to a similar proposal from 2024 (HCS for HB 2065), officials from the **Department of Commerce and Insurance**, the **Department of Economic Development**, the **Department of Revenue**, the **Department of Social Services**, the **Missouri Department of Agriculture**, the **Missouri Department of Conservation**, the **Office of the State Treasurer**, the **State Tax Commission**, the **Lincoln County Assessor's Office**, the **Mississippi County Recorder of Deeds Office** and the **Phelps County Sheriff's Office** each assumed the proposal would have no 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 agencies.

In response to a similar proposal from 2024 (HCS for HB 2065), officials from the **Office of the State Auditor** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

§436.337 – Home Inspections

In response to a similar proposal from 2024 (HB 2380), officials from the **Department of Commerce and Insurance**, the **Department of Economic Development**, the **Office of the State Courts Administrator** and the **City of Kansas City** each assumed the proposal would have no 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 agencies.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

§§534.602, 534.604 & 569.200 – Unlawful Occupants and Criminal Mischief

In response to a similar proposal from 2024 (HCS for HB 2896), officials from the **Department of Corrections (DOC)** stated this proposal establishes an alternative remedy to remove persons who are unlawfully occupying a residential dwelling and establishes the offense of criminal mischief.

Section 534.602 is modified and section 534.604 is created, which includes a class E felony penalty for the violation of the terms and conditions of an ex parte order under section 534.602.

Section 569.200 is created, including the definition of the offense of criminal mischief and the associated class E felony penalty.

As these are new crimes, there is little direct data on which to base an estimate, and as such, the department estimates an impact comparable to the creation of two new class E felonies.

For each new nonviolent class E felony, the department estimates one person could be sentenced to prison and two to probation. The average sentence for a nonviolent class E felony offense is 3.4 years, of which 2.1 years will be served in prison with 1.4 years to first release. The remaining 1.3 years will be on parole. Probation sentences will be 3 years.

The cumulative impact on the department is estimated to be 4 additional offenders in prison and 14 additional offenders on field supervision by FY 2027.

Change in prison admissions and probation openings with legislation

	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
New Admissions										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	2	2	2	2	2	2	2	2	2	2
Probation										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	4	4	4	4	4	4	4	4	4	4
Change (After Legislation - Current Law)										
Admissions	2	2	2	2	2	2	2	2	2	2
Probations	4	4	4	4	4	4	4	4	4	4
Cumulative Populations										
Prison	2	4	4	4	4	4	4	4	4	4
Parole	0	0	2	2	2	2	2	2	2	2
Probation	4	8	12	12	12	12	12	12	12	12
Impact										
Prison Population	2	4	4	4	4	4	4	4	4	4
Field Population	4	8	14	14	14	14	14	14	14	14
Population Change	6	12	18	18	18	18	18	18	18	18

	# to prison	Cost per year	Total Costs for prison	Change in & parole officers	Total cost for probation and parole	# to probation & parole	Grand Total - Prison and Probation (includes 2% inflation)
Year 1	2	(\$9,689)	(\$16,148)	0	\$0	4	(\$16,148)
Year 2	4	(\$9,689)	(\$39,531)	0	\$0	8	(\$39,531)
Year 3	4	(\$9,689)	(\$40,322)	0	\$0	14	(\$40,322)
Year 4	4	(\$9,689)	(\$41,128)	0	\$0	14	(\$41,128)
Year 5	4	(\$9,689)	(\$41,951)	0	\$0	14	(\$41,951)
Year 6	4	(\$9,689)	(\$42,790)	0	\$0	14	(\$42,790)
Year 7	4	(\$9,689)	(\$43,646)	0	\$0	14	(\$43,646)
Year 8	4	(\$9,689)	(\$44,518)	0	\$0	14	(\$44,518)
Year 9	4	(\$9,689)	(\$45,409)	0	\$0	14	(\$45,409)
Year 10	4	(\$9,689)	(\$46,317)	0	\$0	14	(\$46,317)

If this impact statement has changed from statements submitted in previous years, it could be due to an increase/decrease in the number of offenders, a change in the cost per day for institutional offenders, and/or an increase in staff salaries.

If the projected impact of legislation is less than 1,500 offenders added to or subtracted from the department’s institutional caseload, the marginal cost of incarceration will be utilized. This cost of incarceration is \$26.545 per day or an annual cost of \$9,689 per offender and includes such costs as medical, food, and operational E&E. However, if the projected impact of legislation is 1,500 or more offenders added or removed to the department’s institutional caseload, the full cost of incarceration will be used, which includes fixed costs. This cost is \$99.90 per day or an annual cost of \$36,464 per offender and includes personal services, all institutional E&E, medical and mental health, fringe, and miscellaneous expenses. None of these costs include construction to increase institutional capacity.

DOC’s cost of probation or parole is determined by the number of P&P Officer II positions that are needed to cover its caseload. The DOC average district caseload across the state is 51 offender cases per officer. An increase/decrease of 51 cases would result in a cost/cost avoidance equal to the salary, fringe, and equipment and expenses of one P&P Officer II. Increases/decreases smaller than 51 offender cases are assumed to be absorbable.

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

Oversight notes Senate Amendment 3 changes the penalty from an E felony to an A misdemeanor. Therefore, Oversight will not reflect a fiscal impact to DOC.

In response to a similar proposal from 2024 (HCS for HB 2896), officials from the **Missouri Office of Prosecution Services (MOPS)** assumed the proposal would have no measurable fiscal impact on MOPS. The enactment of new crimes [534.604.3 and 569.200] creates additional responsibilities for county prosecutors and the circuit attorney which may, in turn, result in additional costs, which are difficult to determine.

In response to a similar proposal from 2024 (HCS for HB 2896), officials from the **Office of State Courts Administrator (OSCA)** stated there may be some impact but there is no way to quantify that currently. Any significant changes will be reflected in future budget requests.

Oversight notes the provisions of this proposal state the sheriff is entitled to the same fee for the service of the ex parte order that is currently being charged for serving a writ of possession under section 57.280. Additionally, the property owner or authorized agent may request that the sheriff stand by to keep the peace while the owner changes locks and/or removes personal property of the unlawful occupant(s). If requested, the sheriff may charge a reasonable hourly rate for this service. Oversight assumes this will have a minimal fiscal impact on sheriff's departments and will not present an impact for fiscal note purposes.

In response to a similar proposal from 2024 (HCS for HB 2896), officials from the **Branson Police Department** stated this will require some additional man-hours for case preparation, arrests, and court time. **Oversight** assumes any fiscal impact incurred by the Branson Police Department would be absorbable within current funding levels.

In response to a similar proposal from 2024 (HCS for HB 2896), officials from the **Department of Commerce and Insurance**, the **Department of Public Safety - Missouri Highway Patrol**, the **Joint Committee on Administrative Rules**, the **Missouri Department of Agriculture**, the **Office of the Secretary of State**, the **City of Kansas City**, the **Phelps County Sheriff's Department**, the **Kansas City Police Department** and the **St. Louis County Police Department** each assumed the proposal would have no fiscal impact on their respective organizations.

In response to a similar proposal from 2024 (HCS for HB 2896), officials from the **Office of the State Public Defender** assumed the proposal will have no fiscal impact on their organization.

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

Officials from the **Attorney General's Office** did not respond to **Oversight's** request for fiscal impact for this proposal.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities, counties, circuit clerks, and local law enforcement were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

§535.012 – Moratorium on Evictions

Officials from the **Attorney General’s Office** and **Office of the State Courts Administrator** each assume 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 respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

Officials from the **City of Kansas City** assume this proposal could have a negative fiscal impact because the moratorium on evictions helps prevent a potential increase in homelessness that ends up costing the city in homeless services.

Oversight is unable to determine any direct fiscal impact to the City of Kansas City; therefore, Oversight will not reflect a fiscal impact.

Officials from **Jackson County** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

In response to a similar proposal from 2023 (HB 730), officials from the **City of O’Fallon**, the **City of Jefferson** and the **City of Springfield** each assumed the proposal would have no 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 agencies.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

§442.404 (Senate Amendment 2) – Binding Agreements Regarding Pasturing of Chickens

In response to a similar proposal from 2024 (SB 985), officials from the **Missouri Department of Agriculture**, the **Department of Economic Development**, the **Department of Labor and Industrial Relations**, the **City of Kansas City** and the **City of O’Fallon** each assumed the proposal would have no 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 agencies.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

§640.144 (Senate Amendment 4) – Hydrant Inspection Program

In response to a similar proposal from 2024 (SB 982), officials from the **Department of Natural Resources** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

In response to a similar proposal from 2024 (SB 982), officials from the **Wayne County Public Water Supply District #2** assumed there would be a fiscal impact but did not indicate what that fiscal impact would be.

Oversight assumes there will be no fiscal impact to water companies/districts as a result of this proposal. Oversight notes the proposal changes the testing of every hydrant in the community water system to “scheduled” rather than “annual”.

Oversight assumes local political subdivisions will incur a savings as a result of this proposal; therefore, Oversight will reflect an “Unknown” fiscal impact.

In response to a similar proposal from 2024 (SB 982), officials from the **Morgan County Public Water Supply District #2, St. Charles County Public Water Supply District #2, Metropolitan St. Louis Sewer District** and **South River Drainage District** each assumed the proposal would have no 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 agencies.

§67.288 (Senate Amendment 5) – Electric Vehicle Charging Stations

In response to a similar proposal from 2024 (HCS for HB 1511), officials from the **City of Kansas City** assumed the proposed legislation has a potential negative fiscal impact of an indeterminate amount.

Oversight assumes this proposal would have no local fiscal impact without action taken by the governing body of a local political subdivision to adopt an ordinance, resolution, regulation, code or policy requiring the installation of electric vehicle stations. Oversight does not know of any governing bodies that have approved such an ordinance. Until that action is taken by a local political subdivision, Oversight will assume a \$0 direct fiscal impact to local political subdivisions.

In response to a similar proposal from 2024 (HCS for HB 1511), officials from the **Office of Administration - Budget and Planning, the Missouri Department of Agriculture, the Department of Economic Development, the Department of Natural Resources** and the **Missouri Department of Transportation** each assumed the proposal would have no 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 agencies.

§§253.544, 253.545, 253.550, 253.557 & 253.559 (Senate Amendment 6) – Missouri Historic, Rural Revitalization, and Regulatory Streamlining Act

Oversight notes the Department of Economic Development (DED) had not responded to the new language in Senate Amendment 6 as of the time the fiscal note was needed. Oversight notes, in response to a similar proposal from 2024 (HCS for HB 1936), DED indicated the need for a **1 FTE** to oversee the additional requirements this proposal would add to the Historic Preservation Tax Credit. Oversight assumes DED will still require an FTE and will reflect those costs in the fiscal note.

Oversight notes subsection 5 states that companies may obtain funds if the project was identified prior to January 1, 2024. In addition, subsection 5 states that any such project costing more than \$60 million must be paid out over 6 years, in 1/6 increments of the overall company costs for such a project (i.e. \$180 million = \$30 million annually). Therefore, Oversight will reflect a \$0 fiscal impact for this subsection because any company with a project over 1 million square feet will be able to redeem the tax credits within the already established cap.

Oversight notes Section 253.545(15) allows for vacant schools and theaters to be added to the tax credits that are significant in the history, architecture, archaeology, or culture of this state or its communities, as designated by the governing body of a county.

Oversight notes the approved expenditures (submitted by DED) in the previous three years below:

	FY 2020 ACTUAL	FY 2021 ACTUAL	FY 2022 ACTUAL	3 year Average
Certificates Issued (#)	191	123	99	138
Projects/Participants (#)	145	131	68	115
Amount Authorized	\$108,876,423	\$127,744,892	\$149,870,361	\$ 128,830,559
Amount Issued	\$113,974,282	\$119,310,869	\$68,752,030	\$ 100,679,060
Amount Redeemed	\$118,211,637	\$106,311,497	\$97,637,449	\$ 107,386,861

Oversight notes, currently Section 620.1900.2(2) allows DED to collect 4% in fees from the tax credits. This proposal allows for adjustments by CPI, thus increasing the amount in potential fee collections to the Economic Development Advanced Fund. Therefore, Oversight will reflect an increase in revenue to the Economic Development Advance Fund in the fiscal note.

For informational purposes, Oversight shows the impact as follow:

Increase / FY	2025	2026	2027
Increase in \$30 million cap for inflation	\$600,000	\$1,212,000	\$1,836,240
Total	\$600,000	\$1,212,000	\$1,836,240
4% fee	\$24,000	\$48,480	\$73,450

For informational purposes, Oversight has provided the following activity in the Economic Development Advancement Fund (0783) over the past three fiscal years:

Fiscal Year	Fee's Paid (rounded to nearest dollar)
FY 2023	\$5,922,240
FY 2022	\$5,457,013
FY 2021	\$5,801,164

Oversight notes the above fees include the 2.5% and 4% fee collected throughout the given period, and officials from DED note the balances (fees collected from tax credits) are not broken out by individual programs.

Officials from the **Department of Revenue (DOR)** assume the following regarding this proposal:

These sections rename the Historic Preservation Tax Credit Program to the Missouri Historic, Rural Revitalization and Regulatory Streamlining Act. Renaming the tax credit program will not have a fiscal impact on the Department.

For informational purposes, the Department is providing information on the Historic Preservation tax credit. It was created in 1997 and currently has an annual cap of \$120 million with \$30 million of that cap reserved for specific types of projects and no limit on homeowner claims. Homeowners can receive up to \$250,000 per project.

Year	Authorized	Issued	Total Redeemed
FY 2023	\$149,870,361.07	\$68,752,030.02	\$97,637,448.50
FY 2022	\$127,701,891.25	\$119,310,869.31	\$106,311,497.14
FY 2021	\$108,876,422.99	\$113,974,281.81	\$118,211,637.42
FY 2020	\$134,740,008.39	\$108,648,413.83	\$88,487,136.31
FY 2019	\$149,232,242.59	\$95,790,454.95	\$54,566,148.49
FY 2018	\$151,542,287.87	\$37,275,810.30	\$56,483,070.60
FY 2017	\$154,152,769.59	\$85,136,858.50	\$49,742,926.72
FY 2016	\$90,749,410.21	\$59,590,350.87	\$57,496,338.08
FY 2015	\$97,136,286.75	\$53,206,337.42	\$47,638,885.69
FY 2014	\$146,635,428.72	\$41,791,636.18	\$59,829,670.95
FY 2013	\$93,923,651.90	\$71,495,993.81	\$78,483,650.67
FY 2012	\$98,591,345.91	\$105,272,650.95	\$133,937,746.83
TOTALS	\$1,503,152,107.24	\$960,245,687.95	\$948,826,157.40

This proposal leaves the \$90M portion of the cap in place but adds a Consumer Price Index adjustment for inflation to the \$30M reserved cap. Therefore, these credits will result in an additional loss to General Revenue in future years. For fiscal note purposes when doing inflation adjustments, DOR uses a 2% inflation factor for each year. Therefore, DOR would expect the cap on this portion of the program to increase as follows:

Fiscal year	Cap	Difference
2024	\$30,000,000	\$0
2025	\$30,600,000	(\$600,000)
2026	\$31,212,000	(\$612,000)
2027	\$31,836,240	(\$624,240)
2028	\$32,472,965	(\$636,725)
2029	\$33,122,424	(\$649,459)
2030	\$33,784,872	(\$662,448)

Oversight notes the \$30 million adjustment is cumulative; therefore, Oversight will reflect adjusted amounts to DOR's amounts in the fiscal note.

Year	\$30 Million Base	Adjusted *cumulative* amount
Base year	30,000,000	\$ 0
2025	30,600,000	\$ 600,000
2026	31,212,000	\$ 1,212,000
2027	31,836,240	\$ 1,836,240

DOR notes this proposal also increases the amount a homeowner is eligible for on projects not subject to the cap. Their amount will increase from \$250,000 to \$475,000 and this proposal will allow the \$475,000 to be inflated each year based on the consumer price index, when it will remain at that rate into the future. DOR defers to the Department of Economic Development for an estimate of the fiscal impact from this provision.

DOR assumes these changes would become effective on August 28, 2024. Therefore, the first tax returns reporting the changes in the tax credit will be filed starting January 1, 2025.

Oversight notes Senate Amendment 6 does not include the increase from \$250,000 to \$475,000; therefore, Oversight will not reflect a fiscal impact for such change.

DOR notes this proposal allows historic structures of over 1 million square feet to qualify for the credit. They are subject to the \$90 million dollar cap and if their project is eligible for more than \$60 million dollars, they are to have their credit spread out over six years. DOR defers to DED on the number of buildings that would qualify under this provision and an estimate of the credits they may receive in the future.

This proposal makes additional changes to how the credit works. This credit is administered by the Department of Economic Development. DOR defers to them for impact from these changes.

These changes will require DOR to update the MO-TC tax credit form, website and computer programming. This is estimated to cost **\$8,923**.

Officials from the **Department of Natural Resources (DNR)** assume the following regarding this proposal:

§259.559.4.(1) - The department shall promptly notify the State Historic Preservation Office (SHPO) of each preliminary application for tax credits. After receipt of such notice, the SHPO shall determine whether a rehabilitation satisfies the qualified rehabilitation standards within sixty days of a taxpayer filing an initial application for tax credits. The determination shall be based upon evidence that the rehabilitation will meet qualified rehabilitation standards, and that evidence shall consist of one of the following:

An additional **2-3 FTE** SHPO staff will be necessary to maintain a mandated review period of 60 days. The SHPO currently is unable to review the current workload of tax credit applications within a 60 day period. As the historic tax credit program continues to see an increase in applications and more rehabilitation projects must be evaluated for their compliance with the Secretary of the Interior (SOI) Standards, the program will see an increase in rehabilitation reviews. Presently, the Architectural Preservation Services (APS) Unit is comprised of four FTEs and is utilizing the services of one TSL, and several contracted reviewers. The unit remains focused on tax credit applications from rehabilitation projects although there are other expectations of this unit and the staff struggle to fulfill those other duties (i.e., monitoring preservation easements, developing scope of work for historic properties, providing technical advice for non-HTC projects, etc.) due to the tax credit workload.

In §253.550.1(3), lines 44-46, proposed language has been included, which states, “State historic rehabilitation standards shall not be more restrictive than the Secretary of the Interior’s Standards for Rehabilitation set forth under 36 CFR 67.” The SHPO applies SOI rehabilitation standards equally to both state and federal historic tax credit applications.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DNR.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 its 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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE FUND			
<u>Reduction in Revenue</u> – CPI adjustment of \$30M in tax credit awards for approved projects (§253.550) p. 16	Up to (\$600,000)	Up to (\$1,212,000)	Up to (\$1,836,240)
<u>Costs</u> – DOR Section (§253.559) p. 16	(\$8,923)	\$0	\$0
<u>Costs</u> – DED Section (§253.559) p. 13			
Personnel Service	(\$62,220)	(\$76,157)	(\$77,680)
Fringe Benefits	(\$36,265)	(\$44,077)	(\$44,646)
Expense & Equipment	(\$19,121)	(\$6,022)	(\$6,143)
<u>Total Costs</u> – DED	<u>(\$117,606)</u>	<u>(\$126,256)</u>	<u>(\$128,469)</u>
FTE Change	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>Up to (\$726,529)</u>	<u>Up to (\$1,338,256)</u>	<u>Up to (\$1,964,709)</u>
Estimated Net FTE Change on the General Revenue Fund	1 FTE	1 FTE	1 FTE
ECONOMIC DEVELOPMENT ADVANCEMENT FUND (0783)			
<u>Revenue</u> – DED - 4% fees collected by DED (§253.559) p. 13-14	Up to \$24,000	Up to \$48,480	Up to \$73,450
<u>Costs</u> – DNR - Section (§253.559) p. 17			
Personnel Service	(\$13,000)	(\$15,912)	(\$16,230)
Fringe Benefits	(\$7,829)	(\$9,582)	(\$9,774)
Expense & Equipment	(\$1,849)	(\$765)	(\$780)
<u>Total Costs</u> – DNR	<u>(\$22,678)</u>	<u>(\$26,259)</u>	<u>(\$26,784)</u>
FTE Change	Less than .3 FTE	Less than .3 FTE	Less than .3 FTE
ESTIMATED NET EFFECT ON THE ECONOMIC DEVELOPMENT ADVANCEMENT FUND	<u>Up to \$1,322</u>	<u>Up to \$22,221</u>	<u>Up to \$46,666</u>

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
Estimated Net FTE Change on the Economic Development Advancement Fund	Less than .3 FTE	Less than .3 FTE	Less than .3 FTE
HISTORIC PRESERVATION REVOLVING FUND (0430)			
<u>Costs – DNR - (\$253.559) p. 17</u>			
Personnel Service	(\$39,000)	(\$47,736)	(\$48,691)
Fringe Benefits	(\$23,486)	(\$28,747)	(\$29,322)
Expense & Equipment	(\$5,547)	(\$2,294)	(\$2,340)
<u>Total Costs – DNR</u>	<u>(\$68,033)</u>	<u>(\$78,776)</u>	<u>(\$80,352)</u>
FTE Change	.9 FTE	.9 FTE	.9 FTE
ESTIMATED NET EFFECT ON THE HISTORIC PRESERVATION REVOLVING FUND	<u>(\$68,033)</u>	<u>(\$78,776)</u>	<u>(\$80,352)</u>
Estimated Net FTE Change on the Historic Preservation Revolving Fund	.9 FTE	.9 FTE	.9 FTE
NATURAL RESOURCES FEDERAL FUND (0140)			
<u>Costs – DNR - (\$253.559) p. 17</u>			
Personnel Service	(\$78,000)	(\$95,472)	(\$97,381)
Fringe Benefits	(\$46,972)	(\$57,493)	(\$58,643)
Expense & Equipment	(\$11,094)	(4,588)	(\$4,679)
<u>Total Costs – DNR</u>	<u>(\$136,066)</u>	<u>(\$157,553)</u>	<u>(\$160,704)</u>
FTE Change	1.8 FTE	1.8 FTE	1.8 FTE
ESTIMATED NET EFFECT ON THE NATURAL RESOURCES FEDERAL FUND	<u>(\$136,066)</u>	<u>(\$157,553)</u>	<u>(\$160,704)</u>
Estimated Net FTE Change on the Natural Resources Federal Fund	1.8 FTE	1.8 FTE	1.8 FTE

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
BLIND PENSION FUND			
<u>Loss –DSS – potential delinquent tax collections from Land Bank Agencies (Chapter 140 & §249.255) p. 6-7</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue – Counties - potential fees charged for the collection of delinquent and back taxes of up to 5% (§140.988.5) p. 7</u>	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Revenue Reduction - Reduction in real and personal property tax revenues in the event of a shutdown order (§44.251) p. 6</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Reduction - Waiving of business license fees in the event of a shutdown order (§44.251) p. 6</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Savings – testing of hydrants on a scheduled basis rather than an annual basis (§640.144) p. 12</u>	Unknown	Unknown	Unknown
<u>Loss – Cities and Counties – all taxes, fines and fees on real estate are considered satisfied once property is transferred to Land Bank (§140.984) p. 7</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>Unknown</u> <u>(Unknown)</u>	<u>Unknown</u> <u>(Unknown)</u>	<u>Unknown</u> <u>(Unknown)</u>

FISCAL IMPACT – Small Business

§44.251 - This proposal could impact small businesses that may be shut down by waiving and reimbursing business license fees and reducing/refunding taxes owned on real and personal property.

§67.288 - There could be a positive direct fiscal impact to small businesses if a local political subdivision adopts (and pays for) an ordinance, resolution, regulation, code or policy that requires installation of electric vehicle charging stations.

§436.337 - Small business home inspectors could be impacted by this proposal.

§441.043 - Small businesses who operate rental properties could be impacted as a result of this proposal.

§535.012 - Small real estate rental companies could be impacted as a result of this proposal.

FISCAL DESCRIPTION

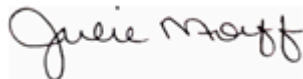
This proposal modifies provisions relating to the use of property.

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

Attorney General’s Office
Department of Economic Development
Department of Commerce and Insurance
Office of the State Courts Administrator
City of Jefferson
Department of Mental Health
Department of Corrections
Missouri Office of Prosecution Services

Office of the State Public Defender
Office of Administration
Missouri Highway Patrol
City of Kansas City
City of O'Fallon
City of Springfield
Jackson County
Office of Administration - Budget and Planning
Department of Labor and Industrial Relations
Department of Revenue
Department of Social Services
Missouri Department of Agriculture
Missouri Department of Conservation
Office of the State Treasurer
Office of the State Auditor
Phelps County Sheriff's Office
Office of the Secretary of State
Mississippi County Recorder of Deeds Office
Branson Police Department
Department of Social Services
Newton County Health Department
Lincoln County Assessor's Office
Kansas City Police Department
St. Louis County Police Department
Northwest Missouri State University
University of Central Missouri
State Tax Commission
Department of Natural Resources
Morgan County Public Water Supply District #2
St. Charles County Public Water Supply District #2
Wayne County Public Water Supply District #2
South River Drainage District
Metropolitan St. Louis Sewer District



Julie Morff
Director
May 8, 2024



Ross Strope
Assistant Director
May 8, 2024