

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0782-02
Bill No.: SB 376
Subject: Cities, Towns and Villages; Fire Protection; Public Safety
Type: Original
Date: February 16, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue*	(\$5,639,299) to unknown	(\$6,000,500) to unknown	(\$6,000,500) to unknown
Fire Safety	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds*	(\$5,639,299) to Unknown	(\$6,000,500) to Unknown	(\$6,000,500) to Unknown

* Part of this proposal is permissive

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government*	\$4,480,000 to Unknown	\$4,800,400 to Unknown	\$4,800,400 to Unknown

* Part of this proposal is permissive

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Division of Fire Safety (DFS)** state that they would be responsible for administering grants to fire departments that have less than ten thousand dollars in revenue per year, fire protection districts with less than ten thousand dollars in revenue per year or any volunteer fire protection association serving a population of less than ten thousand. In addition, the DFS would provide various programs to local fire departments and fire protection districts. The DFS would administer the Fire Safety Fund and would promulgate rules.

The DFS states that they were not able to determine what the amount of the transfer from the abandoned fund account would be at the time this fiscal note was prepared. However, DFS estimates that they would request one (1) Program Manager (at \$37,860 annually) to oversee the grant program and six (6) Fire and Safety Coordinators (each at \$30,360 annually) to manage the fire safety programs that will be offered on a regional basis throughout the state.

Officials from the **State Treasurer's Office (STO)** state that this proposal creates the Fire Safety Fund, which would receive 40 percent of the funds that are transferred to General Revenue from the Unclaimed Property Account. STO estimates the revenue impact of this proposal would be \$5.6 million in FY 2002, and anticipate that the cap of \$6.5 million would be reached for FY 2003 and FY 2004.

Oversight assumes the annual cap for the transfer is set at \$6,000,500 instead of \$6,500,000 and has reflected as such in the fiscal note. Oversight also assumes that the entire balance of the Fire Safety Fund must be spent each fiscal year, 20 percent on fire safety programs and 80 percent on fire safety grants. Oversight allocated the difference of the annual allocation of the Fire Safety Fund that must be spent on fire safety programs and the estimated expenditures necessary as determined by the Division of Fire Safety to "fire safety programs" costs.

Department of Revenue (DOR) officials state this legislation authorizes a fire protection district to impose a sales tax up to 1/2 of one percent to fund programs within the DFS.

The DOR assumes the creation of a fire protection district may not necessarily be a city or county-wide tax and DOR will need One Tax Processing Tech I (at \$21,192 annually) for each 1,000 businesses in the districts to continually work with the businesses in the district and to keep up the registration issues that arise with the increasing number of districts forming.

The sales tax mainframe system will need to create and maintain a "shape" file that defines the boundaries of the district. The mainframe system will need to create reports for each district and distribute to each district from the fire protection sales tax trust fund. Programming will be

ASSUMPTION (continued)

needed at a cost of \$34,569 along with State Date Center implementation costs of \$4,730.

Oversight assumes that based on responses to similar fire protection district sales tax legislation from last year, the DOR would not require the additional FTE as stated. Also in response to similar legislation from last year, DOR officials stated that a 1% collection fee would be retained by their department and deposited in the States General Revenue Fund. Officials stated that without knowing how many Fire Protection District would receive voter approval to impose a sales tax, and at what rate, they cannot estimate the amount of revenue that would be generated by the 1% collection fee. Oversight also assumes the DOR would retain a 1% collection fee on any additional sales taxes generated by this proposal.

Missouri Tax Commission officials assume this proposal would not fiscally impact their agency.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Division of Fire Safety's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 16 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 24 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal would be \$984, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

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. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Oversight assumes the DFS could administer the grant program with existing resources and would not need an additional FTE dedicated to that function. Oversight assumes the amounts allocated to the Fire Safety Fund and the further allocation within the fund would be as follows:

	<u>40% of transfer from Unclaimed Property</u>	<u>20% of transfer for fire safety programs</u>	<u>80% of transfer for fire safety grants</u>
FY 2002	\$5,600,000	\$1,120,000	\$4,480,000
FY 2003	\$6,000,500	\$1,200,100	\$4,800,400
FY 2004	\$6,000,500	\$1,200,100	\$4,800,400

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Costs</u> - DOR programming charges	(\$39,299)	\$0	\$0
<u>Income</u> - 1% collection fee from increased sales taxes*	unknown	unknown	unknown
<u>Loss</u> - Reduction in transfer from the Unclaimed Property Account	<u>(\$5,600,000)</u>	<u>(\$6,000,500)</u>	<u>(\$6,000,500)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(\$5,639,299) to <u>Unknown</u>	(\$6,000,500) to <u>Unknown</u>	(\$6,000,500) to <u>Unknown</u>

*** Oversight assumes the sales tax portion of this proposal is permissive and would have no fiscal impact unless voters would approve the imposition.**

FIRE SAFETY FUND

<u>Income</u> - Transfer from the Unclaimed Property Account	\$5,600,000	\$6,000,500	\$6,000,500
<u>Costs</u> - Fire Safety Grants (DFS)	(\$4,480,000)	(\$4,800,400)	(\$4,800,400)
<u>Costs</u> - Fire Safety Programs (DFS)			
Personal Service (6 FTE)	(\$155,595)	(\$191,382)	(\$196,166)
Fringe Benefits	(\$51,860)	(\$63,787)	(\$65,382)
Expense and Equipment	(\$15,969)	(\$19,734)	(\$20,330)
Fire Safety Programs	<u>(\$896,576)</u>	<u>(\$925,197)</u>	<u>(\$918,222)</u>
<u>Total Costs</u> - Fire Safety Programs (DFS)	(\$1,120,000)	(\$1,200,100)	(\$1,200,100)
ESTIMATED NET EFFECT ON FIRE SAFETY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
FIRE PROTECTION DISTRICTS			
<u>Income to Fire Protection Districts</u> from sales tax up to .5% *	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Income to Fire Protection Districts</u> grants from DFS	\$4,480,000	\$4,800,400	\$4,800,400

COUNTIES

<u>Loss to Counties</u> from corresponding reduction in property taxes of 50% of new sales taxes in previous year *	\$0 to (Unknown)	\$0 to (Unknown)
---	---------------------	---------------------

*** Oversight assumes the sales tax portion of this proposal is permissive and would have no fiscal impact unless voters would approve the imposition.**

FISCAL IMPACT - Small Business

Small business located within a Fire Protection District whose voters approved the imposition of a sales tax would be fiscally impacted to the extent of collection and administration of the sales tax.

DESCRIPTION

This proposal creates the Fire Safety Fund which receives forty percent (40%) of the funds that are transferred to General Revenue from the Unclaimed Property Account. Twenty percent (20%) of the Fire Safety Fund will be used to fund a Statewide Fire Safety Program. The remainder of the money will provide grants for fire departments with revenue of less than \$10,000, fire protection districts with revenue of less than \$10,000 and volunteer fire protection associations serving an area with a population of less than 10,000.

This proposal also allows a fire protection district which provides emergency services or services to a redevelopment project in a redevelopment area to impose a sales tax for fire protection and allows property taxes to be reduced. The decrease in property taxes within the district will be equal to fifty percent (50%) of the total revenue collected the preceding year from the sales tax.

DESCRIPTION (continued)

This tax provision will allow fire protection districts that have a tax increment financing (TIF) area within the district to receive a portion of revenue from a sales tax and a portion from property taxes.

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 Public Safety
 Division of Fire Safety
Office of the State Treasurer
Office of the Secretary of State
Department of Revenue
Missouri Tax Commission



Jeanne Jarrett, CPA
Director

February 16, 2001