

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0414-01
Bill No.: HB 181
Subject: Landlords and Tenants; Courts
Type: Original
Date: February 10, 2009

Bill Summary: The proposal changes the laws regarding landlords and tenants.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development, Department of Insurance, Financial Institutions, and Professional Registration, City of Centralia, City of West Plains, and the Little Blue Valley Sewer District** assume the proposal would have no fiscal impact on their agencies.

Officials from the **Office of State Courts Administrator** assume the proposed legislation would have no fiscal impact on the courts.

Officials from the **City of Joplin** assume the legislation would have a severe fiscal impact on the City of Joplin. The City of Joplin only owns the sewer utility and over half of their 22,000 residences in town are rental properties. Their only recourse at collecting some of the sewer charges is to hold the landlord and the tenant jointly liable. Their annual residential sewer fees generate approximately \$4.5 million. Since half of their residences are rental properties, half of this revenue is generated from rental properties.

Officials from the **City of Kansas City Water Services Department** estimate this legislation could cost the City and its ratepayers approximately \$7.25 million over the three fiscal year period. This will require that the Water Services Department reduce the number of days allowed for customers to pay their accounts before they are turned over to collections and will potentially increase their bad debt allowance which is included in the cost of service passed onto their customers. Also their cost for collections activities will potentially increase as they are required to file legal actions in greater volumes to protect their collections activities. This legislation has the potential of placing the following amounts of revenue at risk:

FY 2010 –	\$2,325,000
FY 2010 –	\$2,418,000
FY 2012 –	<u>\$2,514,000</u>
Total –	\$7,257,000

Officials from the **City of Maryville** assume the bill would effectively cost them at least \$1,000 per year and possibly more once people get word of the fact that they don't have to pay their utility bills if they plan on moving out.

ASSUMPTION (continued)

Officials from the **Public Water Supply District #2 of St. Charles County** assume without the ability to hold landlords responsible for their tenants' water and sewer bills, the Water District could lose \$4,000 to \$8,000 per year from 2010 through 2012 in lost revenue. The Water District's other customers would then pay to cover the Water District's lost revenue from these customers, or alternatively, all accounts would be placed in the owners' names rather than the tenants' names.

Officials from the **Metropolitan St. Louis Sewer District (MSD)** assume a change to pursuing only the tenant for delinquent sewer charges would result in major programming and implementation costs to current MSD systems, more cumbersome and inefficient billing and collection processes, additional staffing needs and costs, and a dramatic increase in the MSD's already substantial level of outstanding receivables and bad debt allowance.

MSD estimates the costs as follows:

	Fiscal Year 2010		Fiscal Year 2011		Fiscal Year 2012	
	One-Time	Ongoing	One-Time	Ongoing	One-Time	Ongoing
Programming/ Implementation	\$380,750		\$1,149,975			
Operational			\$388,290	\$934,815		\$934,815
Total	\$380,750		\$1,538,265	\$934,815		\$934,815
Total per FY	\$380,750		\$2,473,080		\$934,815	
Total 3-year Cost	\$3,788,645					

The service provided by MSD is an unapplied for service. The application for service by the property owner is not received prior to the establishment of an account. MSD does not turn service on and off when tenants move in and out. Therefore, all charges remain with the property and are the responsibility of the owner. This is in accordance with MSD ordinances.

MSD services are not an "applied for service." As such, without the means of easy shut-off, as with other utilities, particularly in the City of St. Louis where there are combined sewers, MSD is unable to track transient tenants to collect their debts.

ASSUMPTION (continued)

While MSD billed services have always remained with the property and the owner is ultimately responsible for the bill, the past practice of billing tenants only and not the owner has been the primary contributor over the last 20 years to MSD's current outstanding receivables of \$21 million and \$33 million in bad debt allowance.

Oversight assumes the proposal could result in a loss to municipalities or utility companies supplying an occupant of a premise with a utility service due to uncollected utility charges. For fiscal note purposes, Oversight assumes the statewide loss to be an unknown amount that is expected to exceed \$100,000 per fiscal year.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
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POLITICAL SUBDIVISIONS

<u>Losses</u> – Utility providers			
Uncollected utility charges	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>

ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
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FISCAL IMPACT - Small Business

The proposal could fiscally impact small landlord businesses.

FISCAL DESCRIPTION

The proposed legislation exempts landlords, or any of their representatives, from liability for any loss or damage to household goods, furnishings, fixtures, or personal property resulting from the removal or disposal of the property upon the enforcement of a judgment granting possession of the premises except for willful, wanton, or malicious acts or omissions. If any property bears a label or mark identifying it as the property of a third party, the landlord must make a reasonable effort to notify the third party to remove the property within five business days of the date of the execution to recover the property.

No municipality or utility company supplying an occupant of a premise with a utility service can hold the owner of the premise liable for the occupant's delinquent utility payment. The municipality or utility company can recover reasonable attorney fees in a civil suit against the occupant.

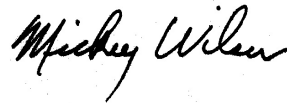
Currently, when personal service cannot be obtained in an unlawful detainer or rent and possession case, the court must proceed to hear the case where a copy of the summons and complaint was posted on the premises and also mailed to the last known address of the tenant by ordinary mail. The proposal eliminates the ordinary mail notice requirements and makes posting alone sufficient to hear the case as if service had been made. The first-class and certified mail requirements are also eliminated for the written notice provisions when a landlord believes the premises are abandoned and he or she intends to remove property of the tenant.

The amount of time a tenant's rent may be in arrears before a landlord may take action to recover the possession of the demised property is reduced from six months to one month.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of State Courts Administrator
Department of Economic Development
Department of Insurance, Financial Institutions, and Professional Registration
City of Centralia
City of Joplin
City of Kansas City
City of Maryville
City of West Plains
Little Blue Valley Sewer District
Public Water Supply District #2 of St. Charles County
St. Louis Sewer District

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 10, 2009