

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1360H.05P
 Bill No.: Perfected HS for HCS for HB 441
 Subject: Cities, Towns, and Villages; Property, Real and Personal; Taxation and Revenue -
 Property; Revenue, Department of
 Type: Original
 Date: April 15, 2021

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0 or up to (\$1,260,108)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on General Revenue*	\$0 or up to (\$1,260,108)	\$0 to (Unknown)	\$0 to (Unknown)

*** The fiscal impact to the state is the potential loss of the Department of Revenue's 2% collection fee. Oversight has ranged the impact from \$0 (debt is already considered uncollectible and DOR would not have received the 2% fee even without this proposal) to \$1,260,108 (which represents if DOR would have collected 100% of the \$63 million of outstanding debt allowed to be reduced by this proposal). Oversight assumes the actual loss to the state is on the very low end of this range.**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

- 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 2022	FY 2023	FY 2024
Local Government*	Unknown, less than \$1,260,108	\$0 to Unknown	\$0 to Unknown

*** The net fiscal impact to the local political subdivision is the potential loss of the Department of Revenue’s 2% collection fee. Oversight has ranged the impact from \$0 (debt is already considered uncollectible and DOR would not have received the 2% fee even without this proposal) to \$1,260,108 (which represents if DOR would have collected 100% of the \$63 million of outstanding debt allowed to be reduced by this proposal). Oversight assumes the actual impact is on the very low end of this range.**

FISCAL ANALYSIS

ASSUMPTION

§49.266 – County Ordinances

In response to similar legislation from this year (HB 351), officials from the **Office of Administration - Budget and Planning** stated this proposal:

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

Oversight notes this proposal is revising the language in Section 49.266. According to the Revisor of Statutes, changes to Section 49.266 in 2014 were declared unconstitutional. 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 material direct fiscal impact and will reflect a \$0 fiscal impact for the proposal.

§§64.805 & 64.870 – Compensation for those serving on a county planning commission or county board of zoning adjustment

In response to similar legislation from this year (HB 158), officials from the **Office of Administration - Budget and Planning (B&P)** stated §64.805 addresses the attendance fee for county planning commission members by raising the fee from \$25/meeting to \$75/per meeting. Section 64.870 directs the county commissions to appoint a county board of zoning adjustment. The provision sets the terms of attendance fees for the county planning commission and board of zoning adjustment members who serve on both. The subsection is renumbered.

B&P defers to county commissions on the fiscal impact of the increased meeting fees for county planning commissions and boards of zoning adjustment.

Oversight notes the provisions of these sections apply to counties. County officials did not respond to Oversight's request for a statement of fiscal impact.

Oversight made several attempts to contact officials from Stone County for a request for fiscal impact but did not receive a response. Currently, Christian and Taney counties are not signed up to respond to requests for fiscal impact. Oversight will continue to contact the counties for a

request and upon the receipt of their response, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight assumes the proposal is permissive to counties and how they compensate their county planning commissioners and/or their county zoning commissioners.

§§67.1421, 67.1451, 67.1461, 67.1471, 67.1481 & 67.1545 – Community Improvement Districts

In response to similar legislation from this year (HB 213), officials at the **City of Kansas City** assumed this legislation might have a small negative impact in an indeterminate amount because it imposes additional requirements to forming and operating a Community Improvement District (CID) which can impact economic development.

In response to similar legislation from this year (HB 213), officials at the **City of Springfield** assumed a negative unknown fiscal impact from this proposal because it may have an effect on economic development requiring extensive public improvements due to limiting the term of CIDs to 21 years. Although the bill allows the term to be extended, most developers prefer to match the term with the expected reimbursement period, and they may therefore reduce the scope of their projects.

Oversight notes this proposal changes the laws regarding CIDs to not exceed 21 years unless the governing body of the municipality extends the length of time under §67.1481. Oversight notes there are currently 351 Community Improvement Districts in the State of Missouri. All impose a sales tax, 12 are entities with authority to levy property taxes and 255 impose a use tax. Oversight does not have information to the contrary and therefore, Oversight will reflect a negative unknown impact as provided by the City of Springfield.

In response to similar legislation from this year (HB 213), officials from the **Office of Administration - Budget and Planning** stated the provision in subsection 67.1451.6 directs DED to collect any fine under this subsection and pay it into the public school fund of the municipality in which the district is located. Subsection 67.1481.5 directs that all proceeds of property sold and district funds be distributed to the public school fund. Section 67.1545 requires CID's to post a sign noting any sales tax rate imposed by the district and the state and local sales tax rates. B&P defers to DED on the level of funds collected for these fines, logistics of the collections, and the amount of funds paid to public school funds.

In response to similar legislation from this year (HB 213), officials from the **Department of Economic Development (DED)** 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 this agency for these sections.

In response to similar legislation from this year (HB 213), officials from the cities of **Ballwin, Bland** and **St. Louis** each assumed the proposal will 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.

§105.145 – Failure to file timely annual financial statements for political subdivisions

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

It also provides grace from fines if the failure to timely submit the annual financial statement is the result of fraud or other illegal conduct and allows a refund by DOR of any fines already paid under these circumstances. The 90% downward adjustment DOR is allowed to make on outstanding fine or penalty balances after January 1, 2022 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 uncollectable. These downward adjustments will likewise result in a revenue loss for both the state and schools.

The proposal caps the fine for failure to submit annual financial statements for political subdivisions with less than 3,500 inhabitants to 10% of the total sales and use tax revenue for the fiscal year for which the annual financial statements were not timely submitted. This may result in a revenue loss for both the state and schools. It also requires the mayor of the municipality be notified by DOR. The State Demographer has identified 836 municipalities that are fewer than 3,500 inhabitants.

Based on information from DOR, the department started imposing this fine in August 2017. This proposal directs that the DOR Director initiate a ballot measure that could dissolve political subdivisions that fail to timely submit annual financial statements after August 28, 2021. B&P defers to DOR for more specific estimates of fines and actual collection costs.

Officials at the **Department of Revenue (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 the Department started imposing this fine in August 2017. DOR receives notice from the State Auditor's Office if a political subdivision does not file their annual financial statement. At that time, the Department sends a notice to the political subdivision and thirty days later the fee starts to accumulate.

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

Currently, a transportation development district that has gross revenues of less than \$5,000 in a fiscal year is not subject to this fine. This proposal states that any political subdivision that has less than 3,500 inhabitants shall have a fine that shall not exceed 10% of their total sales and use tax revenue of the fiscal year in which they failed to file.

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

This proposal is allowing a political subdivision that files its financial statement after January 1, 2022 to receive a 90% reduction of their outstanding balance of their fines owed. The Department notes that this fine money is given to the local jurisdiction's school district when paid, minus a 2% collection fee retained by the Department of Revenue that is deposited into General Revenue.

Current records of the Department show total fines of \$72,444,999.99 and that \$2,438,991.50 has been collected. The Department is showing the assessment of the fines by the political subdivision type and by the county in which the district that owes the fine is located.

By Political Subdivision Type:

PolSub Type	Total Owed	Total Paid
911	\$500.00	\$0.00
AMB	\$2,143,500.00	\$91,639.53
CID	\$13,349,500.00	\$360,986.77
City	\$23,435,499.99	\$1,745,878.33
Drain	\$3,789,000.00	\$0.00
FPD	\$9,502,500.00	\$42,500.00
Health	\$333,500.00	\$0.00
Hospital	\$524,500.00	\$0.00
Levy	\$3,128,500.00	\$0.00
Library	\$757,000.00	\$0.00
NHD	\$215,000.00	\$0.00
PWSD	\$3,124,000.00	\$6,500.00
SEWER	\$223,500.00	\$0.00
SLD	\$771,500.00	\$0.00
SRD	\$6,666,500.00	\$0.00
TDD	\$4,480,500.00	\$191,486.87
	\$72,444,999.99	\$2,438,991.50

By County of where the political subdivision is located:

County	Total Fines Assessed	Total Paid
Adair	\$551,500.00	\$1,500.00
Andrew	\$46,500.00	\$0.00
Atchison	\$525,500.00	\$0.00
Audrain	\$688,000.00	\$0.00
Barry	\$1,320,500.00	\$14,113.87
Barton	\$0.00	\$0.00
Bates	\$492,500.00	\$29,408.04
Benton	\$38,500.00	\$0.00
Bollinger	\$1,086,000.00	\$0.00
Boone	\$259,000.00	\$20,967.30
Buchanan	\$506,500.00	\$34,689.99
Butler	\$913,000.00	\$26,694.50
Caldwell	\$100,000.00	\$14,500.93
Callaway	\$190,000.00	\$1,947.94
Camden	\$220,000.00	\$22,000.00
Cape Girardeau	\$195,500.00	\$0.00
Carroll	\$2,142,500.00	\$0.00
Carter	\$1,172,500.00	\$17,500.00
Cass	\$2,944,500.00	\$8,463.47
Cedar	\$211,500.00	\$28,500.00
Chariton	\$372,000.00	\$39,500.00
Christian	\$1,427,500.00	\$0.00
Clark	\$454,000.00	\$37,500.00
Clay	\$682,500.00	\$14,500.00
Clinton	\$875,500.00	\$0.00
Cole	\$434,000.00	\$3,628.34
Cooper	\$828,500.00	\$22,000.00
Crawford	\$944,000.00	\$20,000.00
Dade	\$143,500.00	\$0.00
Dallas	\$806,500.00	\$0.00
Daviess	\$425,500.00	\$0.00
DeKalb	\$390,000.00	\$0.00
Dent	\$194,500.00	\$0.00
Douglas	\$0.00	\$0.00
Dunklin	\$1,200,500.00	\$14,818.20
Franklin	\$947,500.00	\$443.90

Gasconade	\$65,500.00	\$4,249.10
Gentry	\$1,159,500.00	\$0.00
Greene	\$516,500.00	\$9,000.00
Grundy	\$645,000.00	\$0.00
Harrison	\$390,000.00	\$0.00
Henry	\$492,500.00	\$76,883.03
Hickory	\$416,500.00	\$0.00
Holt	\$995,000.00	\$10,500.00
Howard	\$690,000.00	\$147,500.00
Howell	\$489,500.00	\$56,000.00
Iron	\$20,000.00	\$12,000.00
Jackson	\$1,688,500.00	\$204,833.53
Jasper	\$729,000.00	\$24,598.49
Jefferson	\$807,000.00	\$17,800.33
Johnson	\$391,500.00	\$1,500.00
Knox	\$738,500.00	\$0.00
Laclede	\$193,500.00	\$12,000.00
Lafayette	\$237,000.00	\$33,417.80
Lawrence	\$1,916,000.00	\$0.00
Lewis	\$1,187,000.00	\$0.00
Lincoln	\$712,500.00	\$26,313.03
Linn	\$304,000.00	\$30,500.00
Livingston	\$812,500.00	\$22,000.00
Macon	\$38,500.00	\$0.00
Madison	\$1,340,500.00	\$5,139.53
Maries	\$7,000.00	\$0.00
Marion	\$0.00	\$0.00
McDonald	\$38,500.00	\$0.00
Mercer	\$416,500.00	\$0.00
Miller	\$554,500.00	\$2,528.17
Mississippi	\$807,500.00	\$70.56
Moniteau	\$0.00	\$0.00
Monroe	\$10,000.00	\$10,000.00
Montgomery	\$109,500.00	\$0.00
Morgan	\$0.00	\$0.00
New Madrid	\$1,232,500.00	\$102,036.35
Newton	\$242,500.00	\$25,500.00
Nodaway	\$1,804,000.00	\$10,000.00

Oregon	\$0.00	\$0.00
Osage	\$369,500.00	\$9,937.93
Ozark	\$43,000.00	\$43,000.00
Pemiscot	\$2,032,500.00	\$6,500.00
Perry	\$1,162,000.00	\$0.00
Pettis	\$401,000.00	\$0.00
Phelps	\$333,500.00	\$50,000.00
Pike	\$0.00	\$0.00
Platte	\$632,500.00	\$22,500.00
Polk	\$267,000.00	\$0.00
Pulaski	\$860,500.00	\$17,000.00
Putnam	\$0.00	\$0.00
Ralls	\$177,500.00	\$31,055.19
Randolph	\$660,500.00	\$10,500.00
Ray	\$1,374,000.00	\$0.00
Reynolds	\$397,500.00	\$657.95
Ripley	\$232,000.00	\$0.00
Saline	\$463,500.00	\$0.00
Schuyler	\$430,500.00	\$0.00
Scotland	\$548,000.00	\$0.00
Scott	\$1,298,000.00	\$0.00
Shannon	\$104,500.00	\$95,001.92
Shelby	\$6,500.00	\$6,500.00
St Clair	\$178,000.00	\$0.00
St. Charles	\$935,000.00	\$46,455.82
St. Clair	\$1,240,500.00	\$229.37
St. Francois	\$238,500.00	\$0.00
St. Louis	\$2,052,500.00	\$473,564.92
St. Louis City	\$4,018,000.00	\$104,946.13
Ste. Genevieve	\$0.00	\$0.00
Stoddard	\$950,500.00	\$132,693.13
Stone	\$687,999.99	\$88,499.99
Sullivan	\$455,000.00	\$0.00
Taney	\$909,500.00	\$8,500.00
Taney	\$0.00	\$0.00
Texas	\$697,500.00	\$39,500.00
Vernon	\$764,000.00	\$12,000.00

Warren	\$10,500.00	\$10,500.00
Washington	\$482,500.00	\$12,000.00
Wayne	\$852,500.00	\$402.75
Webster	\$231,000.00	\$0.00
Worth	\$19,000.00	\$0.00
Wright	\$0.00	
TOTALS	\$72,444,999.99	\$2,438,991.50

DOR notes that per statute they are allowed to retain 2% of the amount collected for administration. Since the program began they have collected \$48,779.83 which has been deposited into General Revenue. All DOR collection fees are deposited into General Revenue and are not retained by the Department.

The current outstanding balance is \$70,006,008.49 (\$72,444,999.99 - \$2,438,991.50). This is money the Department notes is owed, but most likely uncollectable. Should it be collected it will be forwarded to the local school district fund. Therefore if all political subdivision file their report and receive the reduction it would be a loss of \$61,745,300 to the local school districts from not receiving the fine money, a loss to the state of \$1,260,108 in collection fees and a gain to the local political subdivisions of \$63,005,408 ($\$70,006,008 * 90\%$) from the fee reduction.

The proposal calls for DOR to initiate a ballot measure that could dissolve political subdivisions that fail to timely submit annual financial statements after January 1, 2022. Additionally a provision is added that says DOR should initiate dissolving a political subdivision if it owes an outstanding balance for fines or penalties but is not levying a tax.

The Department notes this provision could increase the number of dissolutions filed but assumes that if there is an impact it could be absorbed by the Department.

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 majority of the outstanding fines to be uncollectible. Therefore, Oversight will range the fiscal impact from this proposal from \$0 to DOR's estimates.

In response to a previous version, officials at the **Kansas City Board of Elections** assumed the cost of an election in the City portion of Jackson County is \$625,000. A political subdivision would pay their pro-rata cost based on voter registration. Their costs could range from \$10,000 to \$625,000 depending on their registrations, plus an extra \$5,000 to \$10,000 to place legal notices in the paper for 8 weeks prior to Election Day.

In response to a previous version, officials at the **Platte County Board of Elections** assumed increased publishing costs of \$1,500 from this proposal.

Oversight notes 105.145.18(4) states any costs of submitting the question shall be paid by the political subdivisions. Oversight will reflect a \$0 or (Unknown) cost to local political subdivisions for such election costs.

In response to a previous version, officials from the **Attorney General's Office** 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.

In response to a previous version, officials from **St. Louis City** and **Clinton County** each assumed the proposal will 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.

§162.052 School Board Petition

Oversight does not anticipate a fiscal impact from this provision.

§230.205 – Establishment of Alternative County Highway Commissions

Upon review of legislation from a prior year (HB 1403, 2020), **Oversight** inquired of the **Missouri Association of Counties (MAC)** as to how many alternative county highway commissions are currently being utilized. MAC stated they are unaware of any being utilized or of any that have been utilized in the past several years. Oversight assumes no fiscal impact from these changes.

§§316.250 & 537.348

In response to similar legislation from this year, SB 306, officials from the **Attorney General's Office** 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.

In response to similar legislation from this year, SB 306, officials from the cities of **Brentwood, Norborne, Southwest City, St. Louis City** and **Tipton** each assumed the proposal will 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 similar legislation from this year (HB 519), officials from the **City of Ballwin** 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.

§§537.346 & 537.347 – Landowner liability if owner invites person on land for recreational purposes

In response to similar legislation from this year (HCS for HB 519), officials from the **City of Kansas City** 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.

§610.021 – Closed Meeting Procedures

Oversight notes language changes in subsection 19 which relates to a governmental body authorized to have a closed meetings if it relates to evacuation and lockdown procedures and software or surveillance companies. Oversight assumes this amendment will have no direct fiscal impact on the proposal.

House Amendment 6 - §§67.1421, 67.1461, 67.1471, 67.1545 and 105.145 – Updates to Community Improvement District statute

Oversight notes these sections will not have a material direct fiscal impact to local political subdivisions.

House Amendment 7 - §79.235 – Residency requirements for certain officials

In response to similar legislation from this year (HCS for HB 339), officials from the **Attorney General's Office**, the **Office of the Secretary of State** and the **Office of the State Courts Administrator** each assumed the proposal will 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.

Officials from the cities of **La Monte** and **Pineville** did not respond to **Oversight's** request for fiscal impact for this proposal.

In response to similar legislation from 2020, HCS for HB 1602, officials at the **City of Riverside** assumed no fiscal impact from this proposal.

Oversight notes this proposal allows the mayor of a 4th class city to appoint a member to a local board or commission if they own real property or a business in the city. Oversight assumes the proposal will not have a direct fiscal impact.

House Amendment 8 - §§50.800, 50.810, 50.815 and 50.820 – County Financial Statements

In response to similar legislation from 2020, HB 1814, officials at **Henry County** assumed a savings of \$1,800 annually in publication costs from this proposal.

Oversight inquired Henry County regarding this proposal. The County currently submits a 14 page document to the newspaper which lists out every dollar by vendor. Since this proposal requires a summary of data to be published in the newspaper, Henry County's publishing costs would be reduced as the number of pages would be reduced that would be submitted to the newspaper.

In response to similar legislation from 2020, HB 1814, officials at **Lincoln County** assumed a savings of \$2,000 annually in publication costs from this proposal.

In response to similar legislation from 2020, HB 1814, officials at **Livingston County** assumed a savings of \$2,500 annually in publication costs from this proposal.

Oversight assumes using the counties above as an example, if the average savings of the three counties publication costs is \$2,100 and 96 counties (2nd, 3rd and 4th class counties) in Missouri published their financials in the newspaper, the potential savings could be up to \$201,600 (\$2,100 * 96) per year. Therefore, Oversight will reflect a potential savings in publication costs for counties to post their financials through a newspaper of general circulation in their county that could exceed \$100,000 annually from this proposal.

In response to similar legislation from this year (HB 381), officials from the **Office of the State Auditor** 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.

Responses regarding the proposed legislation as a whole

Officials from the **Department of Commerce and Insurance**, the **Department of Natural Resources**, the **Department of Public Safety's Office of the Director, State Emergency Management Agency**, the **Department of Higher Education and Workforce Development**,

the **Department of Health and Senior Services**, the **Department of Corrections**, the **Missouri National Guard**, the **Missouri Highway Patrol**, the **Department of Social Services**, the **Missouri House of Representatives**, the **Joint Committee on Education**, the **Oversight Division**, the **Missouri Senate**, the **Missouri Consolidated Health Care Plan**, the **Missouri Office of Prosecution Services**, the **State Tax Commission**, the **MoDOT & Patrol Employees' Retirement System** and the **Missouri Department of Transportation** each assume the proposal will 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.

Officials from the **Department of Revenue (DOR)** assume impact to only those sections mentioned above. DOR assumes all other sections from 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 those sections.

Officials from the **City of Corder**, the **Jackson County Board of Elections** and the **St. Louis County Board of Elections** each assume the proposal will 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 that we have received from state agencies and political subdivisions; however, other cities, local election authorities, counties county treasurers and school 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.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Loss</u> – DOR – 2% of collection fee on future potential fines no longer assessed because LPS no longer required to file due to changes in the bill (§105.145) p. 5-11	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Loss</u> – DOR – 2% collection fee that may have been collected if not for the one-time decrease of 90% of the outstanding balance from the local political subdivision if they submit a timely financial statement by 8/28/21 (§105.145) p. 5-11	\$0 or up to <u>(\$1,260,108)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or up to <u>(\$1,260,108)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Savings</u> – in publication costs on financials posted in a newspaper of general circulation (§§50.800, 50.810, 50.815 and 50.820) p. 13	Could exceed \$100,000	Could exceed \$100,000	Could exceed \$100,000
<u>Cost</u> – increased costs to economic development from limitations placed on CIDs §§67.1421 thru 67.1545 (p. 4-5)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> – CIDs – fines for not filing reports on time §§67.1421 thru 67.1545 (p. 4-5)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenues</u> – School Districts – from potential fines received for not filing reports on time §§67.1421 thru 67.1545 (p. 4-5)	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Savings</u> – on potential fines for certain LPS (§105.145) p. 5-11	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Loss</u> – School districts receiving less fine revenue (from savings above) (§105.145) p. 5-11	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Costs</u> – Election costs to disincorporate (§105.145.18) p. 5-11	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Savings</u> – on fine revenue that is reduced with a one-time reduction of 90% on the outstanding balance due if they submit a timely financial statement by 8/28/21 (§105.145) p. 5-11	\$0 or up to \$63,005,408	\$0	\$0

<u>Loss – School Districts – reduction in fine revenue from one-time adjustment of fine revenue (§105.145) p. 5-11</u>	\$0 or up to (\$61,745,300)	\$0	\$0
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Unknown, less than \$1,260,108	\$0 to Unknown	\$0 to Unknown

FISCAL IMPACT – Small Business

CIDs who have sales taxes imposed will subject small businesses to signage at their retail establishment within their CID from sections 67.1421 thru 67.1545.

FISCAL DESCRIPTION

§§50.800, 50.810, 50.815 and 50.820 – County Financial Statements

This bill requires all non-charter counties, by the first Monday in March, to prepare and publish in a qualified newspaper a financial statement for the previous year. The financial statement shall include the name, office, and current gross annual salary of each elected or appointed county official whose salary is set by the County Salary Commission. The County Clerk or other officer responsible for the preparation of the financial statement shall preserve the documents relied upon in the making of the financial statements and shall provide an electronic copy free of charge to any newspaper requesting a copy of the data. Currently, these requirements only apply to counties of the first classification.

§§67.1421, 67.1451, 67.1461, 67.1471, 67.1481 & 67.1545 – Community Improvement Districts

This bill makes changes to the community improvement district laws. In its main provisions, the bill:

- (1) Adds the anticipated source of funds to pay improvement costs, and the anticipated term of the source of funds to the list of items that must be included in the five-year plan that is required to be included in a petition to establish a community improvement district;
- (2) Limits the duration of the district to 21 years unless the municipality extends the time pursuant to statute;
- (3) Requires a municipal clerk to report in writing the creation of a community improvement district to the state auditor;
- (4) Sets out the qualifications for a district director if there are no registered voters in the district;

(5) Provides that even if the board of directors is to be elected pursuant to the petition to establish the district, a least one member must be appointed for a four-year term by the governing body of the municipality.

Contracts for construction or professional services must be submitted to competitive bidding and must be awarded to the lowest or best bidder. Notice of letting of the contract must be given in the manner provided in Section 8.250, RSMo.

Currently, community improvement districts are required, within 120 days after the end of the fiscal year, to submit a report to the municipal clerk and the Department of Economic Development stating the services provided, revenues collected, and expenditures made by the district during the fiscal year. The bill requires that the report include the dates the district adopted its annual budget, submitted its proposed annual budget to the municipality, and submitted its annual report to the municipal clerk.

If a district fails to timely submit a proposed annual budget to the municipality, adopt an annual budget, or submit an annual report to the municipal clerk or the Department, it will be subject to a fine of \$100 per day, which will be imposed and collected by the Department and paid into the public school fund of the municipality in which the district is located.

When a district expires or terminates, the real and personal property, machinery, equipment, materials, and supplies of the district must be sold or transferred according to the plan for dissolution approved by ordinance, and all proceeds of the sold property and district funds must be distributed to the public school fund of the municipality in which the district is located.

If a sales tax is imposed by a district, a sign must be posted outdoors by each customer entry of each retail establishment in the district. The sign cannot be smaller than one foot by two feet, and the writing on the sign must be clearly legible and no smaller than three-quarters inch in height. A sign must also be posted at the point of sale area. The sign must state that the Community Improvement District board of directors charges a sales tax of a given percent, in addition to the state and local sales tax rates.

§105.145

This bill changes the laws regarding the consequences to a political subdivision for failure to file an annual financial statement with the State Auditor as required. If the failure to submit the annual financial statement was a result of fraud or other illegal conduct by any employee, the failure shall not result in a fine. Any political subdivision that has gross revenues of less than \$5,000 or that has not levied a sales or use tax is not subject to the fine.

In addition, the Director of the Department of Revenue has the authority to make a one-time downward adjustment to any fine he or she deems uncollectible. The first time a political subdivision that has outstanding fines due files its financial statement after August 28, 2022, the Director will make a one-time downward adjustment of the total amount due.

If, after August 28, 2021 and before January 31, 2022, a political subdivision fails to file an annual statement, or if a political subdivision files an annual statement in that time period but fails to file any statement thereafter, the Director of the Department of Revenue must notify the political subdivision that it has 30 days to file the annual report. If the political subdivision does not do so, the Director shall initiate the process to disincorporate the political subdivision.

The question of whether the political subdivision should be disincorporated shall be submitted to the voters of that political subdivision at the next general election. The election authority for conducting the election shall give notice of the election for eight consecutive weeks prior to the election by publication in a newspaper as specified in the bill. Upon an affirmative vote of a majority of the qualified voters, the Director shall file an action to disincorporate the political subdivision in the circuit court.

In an action to disincorporate, the circuit court shall order: the appointment of an administrative authority for the political subdivision as specified; all financial and other institutions holding funds of the political subdivision to honor the directives of the administrative authority; the Director to distribute tax revenues and funds of the political subdivision to the administrative authority; and the effective date of the disincorporation of the political subdivision.

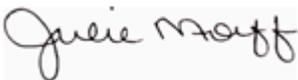
The Attorney General will also have the authority to file an action in court against any political subdivision that fails to comply with these provisions in order to force the political subdivision into compliance.

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 Administration - Budget and Planning
Department of Revenue
Kansas City Board of Elections
Platte County Board of Elections
Office of the Secretary of State
Office of the State Auditor
Attorney General's Office
Office of the State Courts Administrator
City of Kansas City
City of Springfield
St. Louis City
St. Louis County Board of Elections
Jackson County Board of Elections
Clinton County
City of Corder

Department of Economic Development
Missouri Department of Transportation
Department of Commerce and Insurance
Department of Natural Resources
Department of Public Safety
 Office of the Director
 State Emergency Management Agency
MoDOT & Patrol Employees' Retirement System
City of Brentwood
Southwest City
City of Tipton
City of Ballwin
City of Bland
State Tax Commission
City of Riverside
Henry County
Lincoln County
Livingston County
Missouri House of Representatives
Joint Committee on Education
Oversight Division
Missouri Senate
Missouri Consolidated Health Care Plan
Missouri Office of Prosecution Services
Department of Higher Education and Workforce Development
Department of Health and Senior Services
Department of Corrections
Missouri National Guard
Missouri Highway Patrol
Department of Social Services



Julie Morff
Director
April 15, 2021



Ross Strobe
Assistant Director
April 15, 2021