

HCS HB 441 -- POLITICAL SUBDIVISIONS

SPONSOR: Falkner

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Local Government by a vote of 12 to 0. Voted "Do Pass" by the Standing Committee on Rules- Administrative Oversight by a vote of 14 to 0.

The following is a summary of the House Committee Substitute for HB 441.

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.

The bill provides that the mayor of a municipality must also receive notice by certified mail from the Department of Revenue that the statement has not been received by the State Auditor.

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 January 1, 2022, the Director will make a one-time downward adjustment of the total amount due.

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 compel the political subdivision into compliance.

The bill also repeals a certain paragraph of landowner liability law that states that nothing in its provisions creates or limits liability that otherwise would be incurred by owners of land for injuries occurring on or in any land within the corporate boundaries of any city, municipality, town, or village in this state.

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPONENTS: Supporters say that the purpose of the bill is to provide transparency to local government spending, but the fines previously added have resulted in many smaller political subdivisions accruing a tremendous amount of fines that simply are not collectible. The bill now authorizes a one-time downward adjustment of the total amount due from a political subdivision to provide relief, but also authorizes disincorporation of local governments that continue to fail to file the financial statement.

Testifying for the bill were Representative Falkner; City of Kansas City; State Auditor's Office; and the Missouri Municipal League.

OPPONENTS: There was no opposition voiced to the committee.