

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0077-01
Bill No.: HJR 8
Subject: Conservation, Department of; Taxation and Revenue - Sales and Use
Type: Original
Date: January 7, 2015

Bill Summary: Would propose a constitutional amendment repealing the Conservation sales and use tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	\$0 or (More than \$7,100,000)	\$0 or (\$37,598)	\$0
Total Estimated Net Effect on General Revenue	\$0 or (More than \$7,100,000)	\$0 or (\$37,598)	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Conservation Commission			\$0 or (\$116,000,000)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0 or (\$116,000,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** stated that each year, a number of joint resolutions which would refer to a vote of the people a constitutional amendment and bills which would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. The Missouri Constitution authorizes the Governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, state law requires the state to pay the costs. The cost of a special election has been estimated to be \$7.1 million based on the cost of the 2012 Presidential Preference Primary.

The SOS is required to pay for publishing in local newspapers the full text of each statewide ballot measure, and the SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for these publications is adjusted each year depending upon the election cycle, with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. Through FY 2013, the appropriation was an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2013, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$2.17 million to publish (an average of \$434,000 per issue).

In FY 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation and the SOS was appropriated \$1.19 million to publish the full text of the measures. In FY 2015, at the August and November elections, there were 9 statewide Constitutional Amendments or ballot propositions that cost \$1.1 million to publish (an average of \$122,000 per issue). The SOS reduced the scope of publication for these measures. Despite the FY 2015 reduction, the SOS will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these publications are mandatory, the SOS reserves the right to request funding to meet the cost of our publishing requirements.

ASSUMPTION (continued)

Oversight has reflected in this fiscal note the cost for the state to potentially reimburse local political subdivisions for the cost of adding this proposed constitutional change to the ballot during a special election in fiscal year 2016. This reflects the decision made by the Joint Committee on Legislative Research, that the potential cost of elections should be reflected in the fiscal note. The next scheduled general election is in November 2016 (FY 2017). It is assumed the subject within this proposal could be on that ballot; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2016.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** stated the proposal would eliminate the current Conservation Sales Tax, and noted in FY 2014, Conservation Sales Tax Revenue was approximately \$107.1million. BAP officials assume the elimination of this tax would reduce revenues by \$107.1million in FY 2018.

Officials from the **Department of Conservation (MDC)** noted this legislation would propose a constitutional amendment repealing the Conservation Sales and Use Tax starting July 1, 2017, and assume the proposal would have a significant negative fiscal impact on the Department. MDC officials stated that Conservation Sales and Use Tax proceeds account for about 60% of the Department's budget or an estimated \$110 million for the current fiscal year. Assuming 2% per year growth in tax collections, losses would be \$117 million for FY2018; \$119 million for FY2019; and \$121 million for FY2020. It is unknown if any General Revenue Funds would be used to maintain the Department budget; the loss of funds could lead to the elimination of many beneficial and popular conservation services.

Oversight has reviewed the most recent five years of Conservation Sales Tax Revenues and notes that revenues have increased by an average of 2.1% per year. Applying this annual revenue increase to the \$107 million in revenue reported by the Department of Revenue for FY 2014 would indicate projected revenues of \$116 million for FY 2018. Oversight will indicate a revenue reduction of \$0 (proposal is not implemented) or \$116 million (proposal is approved and implemented) for FY 2018.

Officials from the **Department of Revenue (DOR)** assume this legislation, if approved by qualified voters, would amend the Constitution to eliminate the Conservation Sales and Use Tax after June 30, 2017. DOR officials stated the Department collected \$107,076,440 in Conservation Sales Tax in FY 2014; if this proposal passed, that revenue would no longer be collected.

ASSUMPTION (continued)

Administrative Impact

DOR officials assume Excise Tax would not require additional FTE. However, current provisions provide for the deduction of state sales taxes from diesel fuel refunds. In many cases, refund claims cover multiple periods making it possible when processing claims, to calculate the sales tax deduction on two different rates depending on when the fuel was purchased. This could potentially increase processing time.

Sales Tax

DOR officials note this proposal could result in two different state tax rates in effect for 2017 and beyond. If the proposal is approved, the Department would modify the contract with the vendor that prints the voucher booklets to allow for the possibility of two different tax rates to be used, one for the first six months and a different one for the second six months for monthly filers and one for the first two quarters and a different one for the last two quarters for quarterly filers. If the contract could not be modified to allow for printing the correct tax rates, an additional mailing of voucher booklets would need to be sent to all businesses that currently receive a booklet. Printing an additional set of vouchers would be an additional expense of approximately \$30,000.

DOR officials also assume this proposal could affect quarter-monthly filers in that the estimated amount of their payments may change for periods after June 30, 2017.

Oversight notes the proposal would become effective July 1, 2017 and only if it is approved by the voters. Two rates would only be in effect in calendar 2017. Oversight assumes there would be adequate time before the proposal became effective to allow the merchants to be informed of the correct rates in advance, and to allow time for the correct vouchers to be mailed. An additional mailing should not be required.

Motor Vehicle Bureau

DOR officials assume procedures would need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$840 in FY 2017, and MVB would need complete user acceptance testing for the system modifications. DOR officials assume this process would require 80 hours for each system modification for a total of 320 hours by a Management Analyst Specialist I at a cost of \$6,720 in FY 2017.

ASSUMPTION (continued)

IT impact

DOR officials assume implementing this proposal would require 397.44 hours of programming time to make changes to DOR systems at a total cost of \$29,808.

In total, the DOR response including additional mailings, staff overtime to review procedural changes, and IT cost totaled \$67,344 in FY 2017.

As we noted above, **Oversight** assumes additional mailings would not be required and will include DOR costs of \$0 (proposal is not implemented) or (\$7,790 in overtime plus \$29,808 in IT costs) = \$37,598 (proposal is approved and implemented) for FY 2017.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Transfer Out</u> - Office of the Secretary of State - reimbursement of local election authorities for election costs if a special election is called	\$0 or (More than \$7,100,000)	\$0	\$0
<u>Cost</u> - Department of Revenue			
Overtime	\$0	\$0 or (\$7,790)	\$0
IT cost	<u>\$0</u>	<u>\$0 or (\$29,808)</u>	<u>\$0</u>
Total cost	\$0	\$0 or (\$37,598)	\$0
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 or (More than \$7,100,000)	<u>\$0 or (\$37,598)</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2016	FY 2017	FY 2018
(Continued)	(10 Mo.)		

**CONSERVATION COMMISSION
 FUND**

<u>Revenue reduction</u> - Department of Conservation	\$0	\$0	\$0 or (\$116,000,000)
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ESTIMATED NET EFFECT TO THE CONSERVATION COMMISSION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0 or</u> <u>(\$116,000,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2016	FY 2017	FY 2018
	(10 Mo.)		

LOCAL ELECTION AUTHORITIES

<u>Transfer In</u> - Cost reimbursement from the State for special election	\$0 or More than \$7,100,000	\$0	\$0
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<u>Expense</u> - Cost for special election	\$0 or (More than \$7,100,000)	\$0	\$0
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ESTIMATED NET EFFECT TO LOCAL ELECTION AUTHORITIES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Small businesses would pay less in sales tax as a result of this proposal, if it is approved by the voters.

FISCAL DESCRIPTION

The proposed legislation would submit to the voters a constitutional amendment repealing the Conservation sales and use tax.

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 the Secretary of State
Office of Administration
 Division of Budget and Planning
Department of Conservation
Department of Revenue



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January 7, 2015

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January 7, 2015