

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3792-05
Bill No.: HCS for SCS for SB 700
Subject: Counties; Taxation and Revenue
Type: Original
Date: May 11, 2010

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(Unknown - could exceed \$63,561)	(Unknown - could exceed \$71,751)	(Unknown - could exceed \$73,903)
Total Estimated Net Effect on General Revenue Fund	(Unknown - could exceed \$63,561)	(Unknown - could exceed \$71,751)	(Unknown - could exceed \$73,903)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Highway Funds	(Unknown)	(Unknown)	(Unknown)
School District Trust	(Unknown)	(Unknown)	(Unknown)
Conservation	(Unknown)	(Unknown)	(Unknown)
Parks, Soils & Water	(Unknown)	(Unknown)	(Unknown)
Off-Highway Vehicle User Permit	\$0	\$0	\$0
Water Permit Fees	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 28 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
Total Estimated Net Effect on FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

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 2011	FY 2012	FY 2013
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration**, the **Office of the State Treasurer**, the **Department of Health and Senior Services**, the **Missouri State Employees Retirement System**, the **Office of the State Courts Administrator** and the **Office of the State Treasurer** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Office of the Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Elementary and Secondary Education (DESE)** state portions of this proposal would appear to result in the assessment of fines or penalties. In that regard, DESE has the following comment: To the extent fine revenues exceed 2004-2005 collections, any increase in this money distributed to school districts increases the deduction in the foundation formula the following year. Therefore the affected districts will see an equal decrease in the amount of funding received through the formula the following year; unless the affected districts are hold-harmless, in which case the districts will not see a decrease in the amount of funding received through the formula (any increase in fine money distributed to the hold-harmless districts will simply be additional money). An increase in the deduction (all other factors remaining constant) reduces the cost to the state of funding the formula.

Also, DESE states that portions of this proposal would appear to create or modify tax credits. In that regard, DESE has the following comment: Tax subsidies reduce the state's tax revenues and decrease the amount of money available for public schools and all public school students.

Officials from the **Office of Administration - Budget and Planning (BAP)** state other state departments should provide estimates of possible increased costs and revenues to the state as a result of the following provisions contained in this proposal:

Section 21.870 (Joint Committee on Missouri's Eco Friendly Solid Waste)

Establishes the Joint Committee on Missouri's Eco Friendly Solid Waste and allows members of the committee to be reimbursed for reasonable and necessary expenses associated with performance of official duties. B&P defers to the Missouri General Assembly and Department of Natural Resources for an estimate of costs and revenue to the state.

ASSUMPTION (continued)

Section 135.969 (Tax Credit)

Any taxpayer who establishes a new business within a certified industrial zone will qualify for a tax credit. B&P defers to the Department of Economic Development for an estimate of costs and revenues to the state.

Section 137.115 (Tax exemptions)

Includes the following in the list of all real and tangible personal property taxable by local assessors and sets forth a separate rate for each:

Tools, telecommunications equipment, power production and transmission machinery and equipment, data processing machinery and equipment, and other machinery and equipment that can be used by any company which is located within an enhanced enterprise zone - assessed at a rate of one-half of one percent.

Commercial vehicles licensed with a gross weight of ten thousand one hundred pounds or more that are powered only by battery-generated electrical energy - assessed at a rate of seventeen percent if produced before January 1, 2014.

B&P defers to the Department of Revenue for an estimate of costs and revenue to the state. This may impact deposits into the Blind Pension Fund.

Sections 144.055 (Tax exemptions)

These sections related to collections and exemptions of sales and use taxes. B&P defers to the Department of Revenue for an estimate of costs and revenue to the state.

Section 221.105 (Jails and Jailers)

This provision requires the state, if it would otherwise be liable for costs, to reimburse counties from the State Treasury for housing prisoners on its behalf, regardless of the final disposition of the case. The Department of Corrections will be required to reimburse counties for housing prisoners.

Various Sections (Hotel Tax)

Various sections allow for establishment of hotel/transient taxes in a number of new locations. The DOR should comment if it will be required to assist in the collection of the tax.

Section 301.4010 (License Plates)

This section requires the creation of a new specialized license plate. DOR should comment on cost.

ASSUMPTION (continued)

Section 301.4017 to 301.4029 (Off Road Licenses)

These sections require the purchase of off road licenses. DNR should comment on potential revenue.

Section 1 (Land Conveyance)

This section allows the state to convey a parcel of land in St. Francois County to the City of Farmington.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$2,500. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Section 21.870 - Joint Committee on Missouri's Eco Friendly Solid Waste;

Officials from the **Department of Natural Resources (DNR)** state since the department has responsibilities and authorities in this area, DNR would be involved with the committee's work to the extent necessary. For purposes of this fiscal note, the department assumed our costs would involve providing information already available to the program and the program would not see a significant increase in the amount of staff time spent for research, data collection, and preparation of reports.

However, if the Joint Committee required a significant amount of research in areas not presently within the program's purview or collection of new data from the public, this could impact the program's core efforts. The Solid Waste Management Fund is experiencing funding challenges. The program has had to reduce services due to funding shortfalls which would make it difficult to absorb any additional responsibilities without additional resources.

Officials from the **City of Kansas City** state this legislation would cost them several hundred thousand dollars in lost revenues because the legislation would result in higher administrative

ASSUMPTION (continued)

costs and unknown financial consequences of delaying the opening of bids and subsequent commencement of a project.

This legislation would impede Kansas City's ability to develop and implement a solid waste management plan. By impeding city ownership or operation of a solid waste processing facility, section 21.870.2 conflicts with 10 CSR 80-6.010, Local Solid Waste Management, and Section 260.215, RSMo, which delegate responsibility to cities and counties for development of solid waste management plans and implementation of approved plans according to the timetable in those plans. Implementation of the City of Kansas City, Missouri, Long-Term Solid Waste Management Strategic Plan, which has been approved by the Missouri Department of Natural Resources, includes development and operation of the Kansas City Eco Center, a material recovery and transfer facility. Section 21.870.1 mandates the suspension of the issuance of permits for a solid waste processing facility. This action would prevent the City of Kansas City, Missouri, from implementing its plan, including development and operation of the Eco Center, within the timetable set within the City's plan. The inability to implement such plans has a negative fiscal impact due to the administrative costs

Section 60.650 - Land Surveyor;

In response to identical legislation filed this year (HB 2029, 4663-01), officials from the **State Tax Commission** assumed this proposal would have no fiscal impact on their organizations.

In response to identical legislation filed this year (HB 2029, 4663-01), officials at the **Missouri Department of Conservation** assumed a negative impact of \$2,500 on MDC funds.

Oversight assumes this proposal would require a completed land survey to be filed with a county recorder or deeds more often than is the case under existing provisions. This would result in additional income to county recorders' offices. Accordingly, Oversight will indicate an unknown amount of additional revenue to local governments in this fiscal note.

Sections 60.672 and 327.272 - Land Surveyor;

Officials from the **Department of Natural Resources (DNR)** state Section 60.670.2 of this proposal would require the state land surveyor to write standards for maps with land boundaries tied to the Public Land Survey System or cadastre.

ASSUMPTION (continued)

Section 60.530 states the state land surveyor may hire professional staff as necessary to help carry out his responsibilities.

DNR assumes a portion of a Professional Land Surveyor II would be responsible for authoring the standards and revising the standards every ten years. This FTE would be spending one-tenth time on the standards. In the fiscal note response to identical legislation from the 2009 session, the department assumed there would be minimal fiscal impact.

The Land Survey Fee Fund is experiencing funding challenges. The program has had to reduce services which would make it difficult to absorb any additional responsibilities without additional resources. Therefore, the department has quantified the anticipated ongoing fiscal impact.

Oversight assumes the Department of Natural Resources could absorb the costs of 0.1 FTE within their current appropriation level. If multiple bills pass or if multiple initiatives are validated which require similar endeavors at substantial costs, the Department of Natural Resources could request funding through the appropriation process.

Section 88.832 - Storm Water Usage Fee;

In response to identical legislation filed this year (HB 1680, 3623-01), officials from the **City of West Plains** stated this proposal could have a major negative fiscal impact on the City even though the City's fees are 85 cents per ERU (equivalent run off unit = 1800 square feet).

Oversight notes that this part of the proposal prohibits third class cities from imposing stormwater usage fees on specific property. Oversight assumes that third class cities will lose the sewer usage revenue. Therefore, Oversight will indicate an unknown negative impact to third class cities.

Section 135.950 - 135.969 - Enhanced Enterprise Zones;

In response to a similar proposal from this year (HB 2026), officials from the **Department of Economic Development (DED)** stated the proposed legislation revises the Enhanced Enterprise Zone program and adds new language for the creation of "certified industrial zones." Section 135.967 allows part of the \$24 million cap to be used for the new certified industrial zone program.

ASSUMPTION (continued)

DED stated they anticipate an increase in the amount of zones that will be approved and therefore anticipates an increase in the workload. Based on that increase, an additional FTE would be needed in the Business and Community Services Division. This FTE would be an Economic Development Incentive Specialist III and would be responsible for reviewing the project plan applications to make sure they meet the criteria of the program and conducting random audits to ensure compliance with the program. The related costs for these FTE include one-time expenditures for systems furniture, side chairs, file cabinets, calculators and telephones and recurring costs for office supplies, computers, professional development and travel. DED estimates the cost for this FTE to be roughly \$75,000 per year.

Oversight assumes DED's estimate of expense and equipment cost for the new FTE could be overstated. If DED is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2011 could be reduced by roughly \$6,000.

Oversight will assume DED could absorb the administration of this proposal until a certain number of new certified industrial zones are created. Therefore, Oversight will range the fiscal impact to DED from \$0 to the anticipated cost of the FTE.

Officials from the **Department of Revenue (DOR)** state their response to a proposal similar to or identical to this one in a previous session indicated the department planned to absorb the administrative costs to implement the proposal. Due to budget constraints, reduction of staff and the limitations within the department's tax systems, changes cannot be made without significant impact to the department's resources and budget. Therefore, the IT portion of the fiscal impact is estimated with a level of effort valued at \$22,260 (840 FTE hours to make programming changes to the individual income tax processing system (MINITS) and the corporate income tax processing system (COINS)).

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Officials from the Department of Revenue also stated their Personal Tax Section would need one Revenue Processing Technician I for every 6,000 new credits claimed. DOR's Collections and Tax Assistance Section would need one FTE for every 24,000 contacts on the non-delinquent tax line, one FTE for every 15,000 contacts on the delinquent tax line, and one FTE for every 4,800 contacts in the tax assistance offices. Also, DOR's Corporate Tax Section states this proposal creates a new tax credit to be applied to Chapter 143 taxes; therefore, would need one FTE for

ASSUMPTION (continued)

every 6,000 additional tax credit redemptions.

In summary, DOR assumes the cost of the five additional FTE would cost roughly \$215,000 per year.

Based upon the number of certificates issued and projects currently in the Enhanced Enterprise Zone program (see chart below), **Oversight** assumes the number of contacts made and credits redeemed will not reach the thresholds mentioned by DOR for requiring additional FTE. If the new program within the EEZ program is widely used, Oversight assumes DOR could request additional FTE through the appropriations process.

Oversight assumes this section creates a ‘certified industrial zone’ within the Enhanced Enterprise Zone program and adds to the entities that would qualify for credits under this program. According to the Tax Credit Analysis sheet supplied by the Department of Economic Development, The Enhanced Enterprise Zone program has had the following activity;

	FY 2007	FY 2008	FY 2009	FY 2010 (projected)	FY 2011 (projected)
Certificates Issued	4	18	31	50	65
Projects	4	38	30	55	75
Amount Authorized	\$3,650,200	\$7,614,660	\$9,807,051	\$12,850,000	\$14,600,000
Amount Issued	\$115,319	\$1,199,842	\$2,262,259	\$4,000,000	\$6,100,000
Amount Redeemed	\$5,188	\$756,006	\$1,454,319	\$2,600,000	\$3,965,000

Oversight assumes this proposal may increase the amount of credits that are issued under the Enhanced Enterprise Zone program by an unknown amount annually. However, Oversight has already reflected the potential loss to General Revenue up to the annual \$24 million cap in prior fiscal notes. The changes within this proposal do not change that annual cap. Therefore, while this proposal may increase the utilization of the program, Oversight will assume DED will still not be able to issue credits above the previously established \$24 million annual cap, and therefore, Oversight will not show additional revenue loss resulting from this proposal.

Oversight also assumes this proposal could have positive fiscal impact to the state; however, Oversight considers those benefits to be indirect affects and have to reflected them in the fiscal note.

ASSUMPTION (continued)

Section 137.115 - Property tax assessment change;

Officials from the **State Tax Commission (TAX)** state Section 137.115 (7) provides for certain commercial motor vehicles powered only by a battery-generated electrical energy to be assessed at seventeen percent of its value. This property is currently being assessed at 33 1/3% of its value. This will result in an unknown loss of revenue to the local political subdivisions. TAX does not have any information available on the number or current value of such new vehicles.

Oversight assumes this section would result in an unknown loss of revenue to the various local political subdivisions.

Section 144.055 - Sales tax exemption;

Officials from the **Department of Transportation (MoDOT)** states Section 144.055 creates a sales tax exemption for commercial vehicles licensed with a gross weight over 10,100 pounds that are powered only by battery generated electrical power and that were produced before January 1, 2014. Because any sales taxes generated on these vehicles are state revenue derived from highway users, this sales tax exemption would have a negative fiscal impact on MoDOT (and would also negatively impact cities and counties as they share in motor vehicle sales tax proceeds pursuant to article IV, Section 30(b), of the Missouri Constitution). The fiscal impact of this exemption is unknown and would depend upon the number of these vehicles purchased.

Officials from the **Department of Natural Resources (DNR)** state adding additional sales tax exemptions would decrease the amount of funding available in the Parks & Soils Sales Tax Funds. These funds have been used for the acquisition and development, maintenance and operation of state parks and historic sites and to assist agricultural landowners through voluntary programs. The Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Therefore, any additional sales tax exemption would be an unknown loss to the Parks and Soils Sales Tax Funds.

Section 144.810 - Sales tax exemption items used in any data storage center or server farm facility;

Officials from the **Department of Natural Resources (DNR)** state adding additional sales tax exemptions would decrease the amount of funding available in the Parks & Soils Sales Tax

ASSUMPTION (continued)

Funds. These funds have been used for the acquisition and development, maintenance and operation of state parks and historic sites and to assist agricultural landowners through voluntary programs. The Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Therefore, any additional sales tax exemption would be an unknown loss to the Parks and Soils Sales Tax Funds.

Officials from the **Department of Revenue** (DOR) assume this proposal would create an exemption from sales taxes beginning January 1, 2011, for all electrical energy, gas, water, and other utilities including telecommunication services, machinery, equipment, or computers used by any data storage center and server farm facility, and all sales at retail of tangible personal property and materials for the purpose of constructing, repairing, or remodeling any facility used as a data storage center and server farm.

DOR officials stated that they did not have a way to determine how much sales tax revenue would be lost due to this exemption.

To be eligible for the exemption, a minimum investment of \$1.0 million per year for any data storage center and server farm facility would be required. Any data storage center and server farm facility seeking a tax exemption would be required to submit a project plan to the Department of Economic Development. Any construction of any data storage center and server farm facility within a certified area shall be phased in without any penalty or time frame applied to its construction.

DOR officials assume that an exemption form would be needed to clearly identify companies eligible for this exemption.

Administrative impact:

Collections and Tax Assistance would anticipate additional contacts due to this exemption, and that one FTE Revenue Processing Technician I (Range 10, Step L) would be required for every additional 24,000 contacts annually to the registration section; one FTE Revenue Processing Technician I (Range 10, Step L) would be required for every additional 4,800 contacts annually to the tax assistance offices.

Sales Tax would anticipate one FTE Revenue Processing Technician I (Range 10, Step L) for every 1,000 exemptions processed under this statute.

ASSUMPTION (continued)

DOR officials also noted that under current provisions, Excise Tax personnel calculate and deduct sales tax prior to refunding the motor fuel tax on refunds of diesel fuel used for non-highway purposes. This proposal would eliminate that processing step thus reducing the amount of time spent in processing the refund claim. Also under current provisions, sales tax is charged on dyed diesel fuel purchased at retail, so under this proposal retailers would not have to charge the sales tax on these exempt purchases.

In summary, DOR officials submitted an estimate of the cost to implement this proposal including three additional employees with benefits, expense, and equipment totaling \$118,594 for FY 2011, \$126,244 for FY 2012, and \$130,032 for FY 2013.

Oversight assumes there would be a limited number of entities eligible for this sales and use tax exemption and that DOR could absorb the additional workload with existing resources. If this proposal created a significant unanticipated increase in the DOR workload, or if multiple such proposals were implemented, resources could be requested through the budget process.

Oversight will indicate an unknown loss to those state funds which receive sales and use tax revenues, and to local governments.

Section 221.105 - Jails and Jailers;

Officials from the **Office of Administration - Budget and Planning (BAP)** state this provision requires the state, if it would otherwise be liable for costs, to reimburse counties from the State Treasury for housing prisoners on its behalf, regardless of the final disposition of the case. The Department of Corrections will be required to reimburse counties for housing prisoners.

Officials from the **Department of Corrections (DOC)** state the section would not have a fiscal impact on the state.

Section 301.4010 - National Wild Turkey Federation License Plates;

In response to a similar proposal from this year (HB 1585), officials from the **Department of Revenue (DOR)** stated in response to proposals similar to, or identical to, this one in previous sessions indicated DOR planned to absorb the administrative costs to implement the proposal. Due to budget constraints, reduction of staff, and the limitations within the DOR motor vehicle

ASSUMPTION (continued)

legacy systems, changes cannot be made without significant impact to DOR resources and budget. Therefore, the fiscal impact of this proposal is estimated as follows:

ADMINISTRATIVE IMPACT

Motor Vehicle Bureau:

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours of overtime at a cost of \$805 in FY 11.
- The Application for Missouri Personalized and Specialty License Plates (DOR-1716) will need to be revised to include a new plate type. This will require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$805 in FY 11.
- The DOR web site will need to be updated to include the new plate type. This will require 10 hours of overtime for an Administrative Analyst III, at a cost of \$218 in FY 11.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. **Oversight** assumes DOR could absorb the personal service costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Set-up cost:

DOR is charged \$279 for the initial set-up of a new specialty plate for passenger, truck, and RV as well as an additional charge of \$92 each to include disabled and motorcycle plates, for a total of \$463 for the initial set-up. This is a one-time fee that will be charged upon passage of this proposed legislation in FY 11.

Plate manufacturing cost:

According to the National Wild Turkey Federation, there are approximately 12,000 adult members in Missouri that would be eligible for this plate.

- Currently, it costs DOR \$4.75 per plate, \$9.50 per set of plates, for manufacturing flat plates through Missouri Vocational Enterprises.

ASSUMPTION (continued)

- DOR assumes that of the 12,000 eligible applicants, 3% (360) will wish to obtain the plate in FY 11 at a cost to DOR of \$3,420 in FY 11.
- As knowledge and public awareness of the availability of this plate increases it is assumed that 5% (582) of the remaining 11,640 eligible applicants will apply for these plates in FY 12 at a cost of \$5,529.
- If 7% (774) of the remaining 11,058 members apply for these plates in FY 13 it will result in a cost to DOR of \$7,353 in FY 13.

Total cost for plate set-up and manufacturing:

FY 11	FY 12	FY 13
\$3,883	\$5,529	\$7,353

Information Technology - OA-ITSD (DOR):

System Modifications: The Title and Registration Intranet Processing System (TRIPS) plate table would need to be updated to reflect the National Wild Turkey Federation specialty plate. This modification to the systems requires minimal programming and will be absorbed by existing staff.

REVENUE IMPACT

DOR provided the following assumptions regarding anticipated revenue attributed to this specialty plate:

- If 3% (360) of those eligible applicants wish to obtain this plate in FY 11 there will be an increase in revenue of \$4,500 (figured for 10 months) from the \$15 specialty plate fee.
- As knowledge and public awareness of the availability of this plate increases DOR assumes that 5% (582) of the remaining 11,640 eligible applicants will apply for these plates in FY 12 resulting in an increase in revenue of \$8,730.
- If 7% (774) of the remaining 11,058 members apply in FY 13 there will be an increase of \$11,610 in FY 13 from the \$15 specialty plate fee.

ASSUMPTION (continued)

- This increase will be distributed as follows:

	FY 11	FY 12	FY 13
75% Highway Fund	\$3,375	\$6,547	\$8,708
15% Cities	\$ 675	\$1,310	\$1,741
10% Counties	\$ 450	\$ 873	\$1,161

Oversight assumes that before this specialty plate is produced and DOR would incur the associated costs, there must be at least 200 applicants committed to purchase the plate. It is unknown if there will be the required number of applicants during the scope of this fiscal note. For fiscal note purposes only, **Oversight** will estimate revenue as: \$0 or Less than \$100,000. **Oversight** will also estimate cost to General Revenue as: \$0 or (Less than \$100,000).

Oversight notes that a similar type of organization with nearly twice as many members eligible for a specialty plate has less than 200 plates ten years after the authorizing statute was passed.

Sections 301.4015 - 301.4029 - all-terrain vehicles and off-highway vehicles;

Officials from the **Department of Natural Resources (DNR)** state beginning January 1, 2011, each nonresident owner of an off-highway vehicle not licensed for highway use annually apply for and purchase a Missouri off-highway vehicle user permit free from the Department of Natural Resources. The cost of the permit would be \$20.00 with deposited to the State Treasurer's Office to the credit of the Off-Highway Vehicle Public Lands Fund as created in this proposal.

The proposal also allows for a replacement fee for a permit costing \$8 each to be charged which would be deposited into the Off Highway Vehicle Public Lands Fund.

The proposal would require that the permit be made available on the department's web page and sold by the department at the point of entry to parks containing trails and areas designated for off-highway vehicle use.

The department's Division of State Parks (DSP) currently issues day passes at the state parks that would be designated as open to use by off-highway vehicles. Annual permits would be issued in the same manner, therefore would not require additional significant resources.

ASSUMPTION (continued)

DSP also manages an online campground reservation system which can be modified with minimal cost to allow online permitting as required in this legislation

For the purposes of this fiscal note, Missouri estimates a total 5,000 day use passes at two Missouri state parks to non residents using Missouri off highway vehicle public lands and the two U.S. Forest Service areas that have off highway vehicle trail subject to the proposed legislation.

Estimated annual revenue received for the annual issuance of permits equals \$100,000.

DSP is unable to estimate the amount of revenue received as a result of replacement permits, and gifts, bequests, donations, transfers, bequests and other sources of revenue to the fund.

This proposal requires 35% of the funds to be spent on informational and educational programs relating to safety, the environment, and responsible use with respect to off-highway vehicle registration.

This proposal requires 65% of the funds to be spent on the costs associated with the construction, maintenance, renovation or repair of off-highway vehicle routes and trails, and the designation management, and acquisition of land for access roads, off highway vehicle recreation facilities, and off highway vehicle use areas.

Also, the 65% is to be used for enforcement of off-highway vehicle laws, off-highway vehicle related informational and environmental programs, information signage, maps, and responsible use programs, mitigation of damages to land, revegetation, and the prevention and restoration of damages to natural and cultural resources, and environmental, historical and cultural clearance or compliance activities.

For the purposes of the fiscal note the DSP assumes that the fund can only be used as stated and assumes 100% of the Off Highway Vehicle Public Lands Fund would be utilized each year as required.

DSP would request .15 FTE Planner III to administer the fund required by this legislation.

Legislation states the permit fees will begin January 1, 2011.

Oversight assumes that the Department of Natural Resources can absorb the duties of this proposal with existing staff.

RS:LR:OD (12/02)

ASSUMPTION (continued)

In response to a similar proposal from this year (HB 2042), officials at the **Department of Revenue (DOR)** assumed the following administrative costs for the Motor Vehicle Bureau:

Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours of overtime at a cost of \$805 in FY 11.

The Department's web site will need to be updated to include the new requirements. This will require 10 hours of overtime for an Administrative Analyst III, at a cost of \$218 in FY 11.

Total cost for FTE in FY 11: \$1,023

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. **Oversight** assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Oversight assumes an effective date of January 1, 2011.

Oversight has shown in the fiscal note that all moneys received in the Off-Highway Vehicle Public Lands Fund will be spent each year for the purposes designated in the legislation.

Oversight has shown in the fiscal note that 100 replacement permits would be issued each year.

Section 644.036 - 644.054 - Missouri Clean Water law;

Officials from the **Department of Natural Resources** assume Section 644.054.1 of this proposal would extend the existing water permit fee rate structure for wastewater permits imposed under the water pollution statutes until December 31, 2012 (FY 2013). This extension does not affect the department's authority regarding these issues. Based on the number of active permits and the revenue trends seen over the previous two years, this proposal is estimated to generate an estimated \$4.3 million in revenue annually.

Oversight assumes the revenue generated from the proposal will provide the resources needed to administer the program and the net estimated effect of the extension would be \$0. This is similar to Perfected HB 2109.

ASSUMPTION (continued)

Section 1 - Land Conveyance;

Officials from the **Office of Administration** did not respond to our request for fiscal impact.

Oversight assumes this part of the proposal would not have a direct fiscal impact to the state.

Officials from the **Office of Prosecution Services, Office of the State Public Defender,** and the **Department of Public Safety** did not respond to our request for fiscal impact.

Oversight assumes the numerous and various sections of the bill that allows local political subdivisions to impose additional taxes and fees are permissive in nature and require additional action by the cities, counties, or other local political subdivision. Oversight has not reflected the potential income from these permissive sections in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE			
Loss - sales tax exemption for items used in a new data storage center or server farm facility (Section 144.810)	(Unknown)	(Unknown)	(Unknown)
<u>Costs - DED - expanded Enhanced Enterprise Zone program (Sections 135.950 - 135.969</u>			
Personal Service (0 or 1 FTE)	\$0 or (\$35,803)	\$0 or (\$44,252)	\$0 or (\$45,580)
Fringe Benefits	\$0 or (\$18,775)	\$0 or (\$23,206)	\$0 or (\$23,902)
Expense and Equipment	<u>\$0 or (\$8,983)</u>	<u>\$0 or (\$4,293)</u>	<u>\$0 or (\$4,421)</u>
<u>Total Costs - DED</u>	<u>\$0 or (\$63,561)</u>	<u>\$0 or (\$71,751)</u>	<u>\$0 or (\$73,903)</u>
FTE Change - DED	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
<u>Costs - Department of Revenue</u>			
Processing costs for specialty plates (Section 301.4010)	\$0 or (Less than <u>\$100,000</u>)	\$0 or (Less than <u>\$100,000</u>)	\$0 or (Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	(Unknown - could exceed \$63,561)	(Unknown - could exceed <u>\$71,751</u>)	(Unknown - could exceed <u>\$73,903</u>)
Estimated Net FTE Change for General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2011 (10 Mo.)	FY 2012	FY 2013
--	---------------------	---------	---------

HIGHWAY FUNDS

<u>Income</u> - Specialty plate fees (Section 301.4010)	\$0 or Less than \$100,000)	\$0 or Less than \$100,000	\$0 or Less than \$100,000
---	--------------------------------	-------------------------------	-------------------------------

<u>Loss</u> - Sales tax exemption for commercial vehicles licensed with a gross weight over 10,100 lbs that are powered by battery generated electrical energy (Section 144.055)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
--	------------------	------------------	------------------

ESTIMATED NET EFFECT TO HIGHWAY FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
--	-------------------------	-------------------------	-------------------------

SCHOOL DISTRICT TRUST FUND

<u>Loss</u> - sales tax exemption for items used in a new data storage center or server farm facility (Section 144.810)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
---	------------------	------------------	------------------

ESTIMATED NET EFFECT TO THE SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
---	-------------------------	-------------------------	-------------------------

CONSERVATION COMMISSION

<u>Loss</u> - sales tax exemption for items used in a new data storage center or server farm facility (Section 144.810)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
---	------------------	------------------	------------------

ESTIMATED NET EFFECT TO THE CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
---	-------------------------	-------------------------	-------------------------

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2011 (10 Mo.)	FY 2012	FY 2013
 PARKS, SOIL AND WATER FUNDS			
<u>Loss</u> - sales tax exemption for items used in a new data storage center or server farm facility (Section 144.810)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
 ESTIMATED NET EFFECT TO THE PARKS, SOIL AND WATER FUNDS	 <u>(Unknown)</u>	 <u>(Unknown)</u>	 <u>(Unknown)</u>
 OFF-HIGHWAY VEHICLE USER PERMIT FUND			
<u>Income</u> - Department of Natural Resources (DNR) - annual permit fee (\$20 x 5,000 est.) (Sections 301.4015 - 301.4029)	\$50,000	\$100,000	\$100,000
 <u>Income</u> - DNR - replacement fees (\$8 x 100 est.) (Sections 301.4015 - 301.4029)	\$400	\$800	\$800
 <u>Costs</u> - DNR - program expenditures (Sections 301.4015 - 301.4029)	<u>(\$50,400)</u>	<u>(\$100,800)</u>	<u>(\$100,800)</u>
 ESTIMATED NET EFFECT TO THE OFF-HIGHWAY VEHICLE USER PERMIT FUND	 <u>\$0</u>	 <u>\$0</u>	 <u>\$0</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2011 (10 Mo.)	FY 2012	FY 2013
WATER PERMIT FEES FUND			
<u>Income</u> - DNR			
Other Fund Costs - (Water Permit Fees) - (Sections 644.036 - 644.054)	Unknown	Unknown	Unknown
<u>Costs</u> - DNR			
Other Fund Costs - (Water Permit Fees) (Sections 644.036 - 644.054)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE WATER PERMIT FEES FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
LOCAL POLITICAL SUBDIVISIONS			
<u>Income</u> - County Recorders			
Increase in fees (Section 60.650)	Unknown	Unknown	Unknown
<u>Income</u> - cities and counties - specialty plate fees (Section 301.4010)	\$0 or Less than \$100,000	\$0 or Less than \$100,000	\$0 or Less than \$100,000
<u>Loss</u> - to Third class cities - decrease in billable water usage fees to specific properties (Section 88.832)	(Unknown)	(Unknown)	(Unknown)

<u>FISCAL IMPACT - Local Government</u> (continued)	FY 2011 (10 Mo.)	FY 2012	FY 2013
<u>Loss</u> - local political subdivisions - Section 137.115 (7) reduces the assessed valuation for commercial vehicles licensed with a gross weight over 10,100 lbs that are battery powered to 17%	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> - cities and counties - Sales tax exemption for commercial vehicles licensed with a gross weight over 10,100 lbs that are powered by battery generated electrical energy (Section 144.055)	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> - sales tax exemption for items used in a new data storage center or server farm facility (Section 144.810)	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> - local political subdivisions Administrative costs connected to the Joint Committee on Missouri's Eco Friendly Solid Waste (Section 21.870)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

Small businesses that qualify for the various incentives in this proposal would be positively impacted by this proposal.

FISCAL DESCRIPTION

Section 21.870 - establishes the Joint Committee on Missouri's Eco Friendly Solid Waste composed of five members of the Senate appointed by the President Pro Tem and five members of the House of Representatives, appointed by the Speaker, with no more than three members from either chamber being of the same political party. The committee must examine Missouri's present and future solid waste management needs to determine the best strategy to ensure an affordable and environmentally conscious long-term strategy for waste management that will meet the needs of the people and businesses of Missouri for the next 25 years.

The committee may hold hearings and obtain input or information necessary to fulfill its obligations and may make reasonable requests of the House of Representatives and Senate research and appropriations staff, as well as the Committee on Legislative Research, the departments of Economic Development and Natural Resources, and the Missouri Public Service Commission. Committee members will receive no compensation but may be reimbursed for expenses associated with the performance of their official duties.

The committee must submit a final report with its recommendations for any legislative action deemed necessary to the General Assembly by December 31, 2010, at which time the committee will be dissolved. Until the committee issues its report, the Department of Natural Resources is prohibited from issuing a permit for any new nonsource separated material recovery facility.

Section 60.650 - Currently, only land surveys evidencing the establishment, restoration, or re-establishment of one or more corners that create a new parcel of land are required to be filed with the recorder of deeds of the county in which the survey is located. This bill removes the condition that the survey creates a new parcel and requires all surveys evidencing the establishment, restoration, or re-establishment of a corner to be filed.

Section 88.832 - prohibits third class cities from imposing stormwater usage fees based on the runoff rate on property owned by any church, public school, nonprofit organization, or political subdivision.

Sections 135.950 - 135.969 modifies provisions of the enhanced enterprise zone program by creating a tax credit which will be available to taxpayers that establish a new business facility in a certified industrial zone approved or designated as an enhanced enterprise zone by the Department of Economic Development. Certified industrial zones are defined as any area of real property that encompasses at least one hundred acres which has been approved by the department as a certified site; has been found by ordinance of the governing body to be blighted; and is located in a census tract which has a poverty rate of at least twenty percent or for which the median income is less than the greater of eighty percent of the statewide median income or eighty

FISCAL DESCRIPTION (continued)

percent of the metropolitan median income for the metropolitan statistical area in which the zone is located.

A taxpayer who receives tax credits for establishing a new business facility in a certified industrial zone cannot also receive tax credits from the new or expanded business facilities, enterprise zones, relocating a business to a distressed community, or Missouri Quality Jobs programs. To receive the tax credit, a taxpayer must employ at least two new individuals at the new business facility and invest at least one million during the taxable year in which the credit is claimed or at least ten million dollars in the aggregate for the new business facility. Tax credits may be issued over a period of up to ten years and will be equal to ten percent of the gross wages of each new employee at the facility and five percent of the investment made in the new business facility within an enhanced enterprise zone.

Taxpayers may receive the tax credit for an existing facility which expands if they invest at least one hundred thousand dollars and hire at least two additional employees during the tax year in which the credits are claimed. The tax credits must be claimed for the taxable year in which commencement of commercial operations occurs at the new business facility and for each of the following nine years in which the credit is issued. The credits cannot be carried forward, but are refundable and transferable provided that the sale price of such credits cannot be less than seventy-five percent of par value.

The Department of Economic Development must verify that an applicant does not owe any delinquent taxes penalties, fees, assessments, or insurance taxes prior to the issuance of any tax credits. Taxpayers who are delinquent between June 15th and July 1st will be given thirty days to satisfy such delinquency. Available credits will be applied to delinquencies and any remaining credits will be issued to the applicant.

Section 137.115 (7) - reduces the assessed valuation for commercial vehicles licensed with a gross weight over 10,100 pounds that are powered only by battery generated electrical energy if produced before January 1, 2014 to 17%.

Section 144.055 - creates a sales tax exemption for gross weight over ten thousand one hundred pounds or more that are powered only by battery generated electrical energy if produced before January 1, 2014.

Section 144.810 - creates sales tax exemptions on utilities including telecommunications services, machinery, equipment, or computers, and all retail sales of tangible personal property and materials for the purpose of constructing, repairing, or remodeling facilities used by data

FISCAL DESCRIPTION (continued)

storage centers and server farm facilities. To be eligible for these exemptions, the facility must invest at least \$1 million every 12 months. Facilities wishing to receive these exemptions would be required to submit a project plan to the Department of Economic Development, which would certify the project in conjunction with the Department of Revenue.

Section 301.4010 - allows for a special license plate for members of the Wild Turkey Federation. To obtain this plate, a person must submit an application to the Director of the Department of Revenue accompanied by an emblem-use authorization statement along with an additional \$15 fee. Before these specialty plates may be issued, the director must be in receipt of a list of at least 200 potential applicants who plan to purchase the plate and an application fee to defray the cost for developing the specialty plate.

Sections 301.4015 - 304.4029 - changes the law regarding off-highway vehicles. In its main provisions, the sections:

- (1) Require a person when applying for an original certificate of ownership for an off-highway vehicle to submit an affidavit explaining how the vehicle was acquired and a photocopy of the bill of sale establishing ownership of the vehicle;
- (2) Require a nonresident to annually obtain and display a permit from the Department of Revenue to operate an off-highway vehicle on Missouri's off-highway vehicle public lands, Corps of Engineers lands, or private for-profit off-highway vehicle parks or trail systems in Missouri beginning January 1, 2011, or to display a valid highway license on the vehicle. The cost of the permit will be \$20.00;
- (3) Require the department to issue a numbered decal to be prominently displayed on the right front fork, frame, or fender of the off-highway vehicle;
- (4) Allow decals to be replaced by filing an affidavit explaining the need for replacement and submitting an \$8 replacement fee;
- (5) Specify that all permits will expire on December 31 of the registration year;
- (6) Exempt off-highway vehicles owned and operated by the United States, another state, or any other political subdivision; vehicles participating in officially sanctioned race events; and licensed or unlicensed motorcycles from the permit requirements; and

FISCAL DESCRIPTION (continued)

(7) Create the Off-highway Vehicle User Permit Fund to be administered by the Department of Natural Resources for the deposit of all off-highway vehicle public lands user fees and \$3 of the replacement fee as well as gifts, donations, bequests, or appropriated funds. Thirty-five percent of the moneys in the fund must be spent for informational and educational programs relating to safety, the environment, and the responsible use of off-highway vehicle recreation. The remaining 65% must be used for the designation, construction, maintenance, renovation, and repair of off-highway routes and trails; designation, management, and acquisition of land for access roads and off-highway recreation facilities and use areas; enforcement of off-highway vehicle laws; off-highway vehicle-related informational and environmental programs, information, signage, maps, and responsible use programs; mitigation of damages to land, re-vegetation, and the prevention and restoration of damages to natural and cultural resources; and environmental, historical, and cultural clearance or compliance activities. Moneys in the fund cannot be used to construct new off-highway vehicle trails on environmentally or culturally sensitive land unless the appropriate land management agency determines that the new construction would benefit or protect cultural or sensitive sites.

Sections 644.036 - 644.054 extend the public notice requirements of the Clean Water Commission when listing any impaired waters of the state under Section 303(d) of the federal Clean Water Act from August 28, 2010, to August 28, 2012. The commission's authority to charge fees for construction permits, operating permits, and operator's certifications related to water pollution control is extended from December 31, 2010, to December 31, 2012.

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 Natural Resources
Department of Revenue
Missouri State Employees Retirement System
Office of the State Auditor
Office of the Secretary of State
Office of the State Courts Administrator
Department of Elementary and Secondary Education
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Office of the State Tax Commission

RS:LR:OD (12/02)

SOURCES OF INFORMATION (continued)

Department of Health and Senior Services
Office of the State Treasurer
Office of the Attorney General

NOT RESPONDING:

Office of Administration
Office of Prosecution Services
Office of the State Public Defender
Department of Public Safety



Mickey Wilson, CPA
Director
May 11, 2010