

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0336-03
Bill No.: HCS for SB 23
Subject: Counties; Taxation and Revenue-General
Type: Original
Date: April 25, 2013

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	Unknown to (Unknown greater than \$2,100,000)	Unknown to (Unknown greater than \$2,100,000)	Unknown to (Unknown greater than \$3,100,000)
Total Estimated Net Effect on General Revenue	Unknown to (Unknown greater than \$2,100,000)	Unknown to (Unknown greater than \$2,100,000)	Unknown to (Unknown greater than \$3,100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Conservation	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown greater than \$100,00)
Parks, Soil & Water	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown greater than \$100,00)
School Districts	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown greater than \$100,00)
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown greater than \$300,00)

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 29 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	3 FTE	3 FTE	3 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	3 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 2014	FY 2015	FY 2016
Local Government	Unknown greater than \$100,000 to (Unknown)	Unknown greater than \$100,000 to (Unknown)	Unknown greater than \$100,000 to (Unknown greater than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Sections 32.087 and 144.757, RSMo - Local Sales and Use Tax

In response to similar legislation filed this year, SB 182, the following responded:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed a previous version of this proposal would not result in additional costs or savings to their organization.

BAP officials stated the proposal would, if enacted, impose local sales taxes on motor vehicle sales by an out-of-state seller to a Missouri buyer. The proposal would have no impact on state revenues, because of the existing state use tax. However, the proposal would increase local revenues for subdivisions that do not currently impose a use tax. The Department of Revenue may have data on any estimated increases. BAP officials noted the proposal may impact the limit imposed in Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** assume this proposal would impose local sales taxes on all sales of motor vehicles, trailers, boats, and outboard motors, regardless of whether the sale of such motor vehicles, trailers, boats, and outboard motors occurred within the state of Missouri or in any other state.

Local sales tax would be imposed on sales of motor vehicles, trailers, boats, and outboard motors at the rate in effect at the purchaser's address and not at the place of business of the retailer, nor the place of business from which the retailer's agent or employee works.

A local government could, if approved by the voters, repeal the taxing entity's local sales tax on any retail sale of motor vehicles, trailers, boats, and outboard motors; however, the voters of that local government could not repeal the application of any state sales or use tax.

The proposal would also eliminate the imposition of any local use tax.

Fiscal impact

DOR officials assumed it is unknown whether additional "in state" sales would be made as a result of this proposal, but the proposal would likely increase local revenues.

IT Impact

DOR officials provided an estimate of the IT impact to implement this proposal of \$13,309 based on 492 hours of programming to make changes to DOR systems.

JH:LR:OD

ASSUMPTION (continued)

Oversight assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight also 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.

Oversight notes that DOR officials did not include an estimate of any other costs associated with implementing this proposal and assumes this proposal could be implemented with existing resources.

Officials from the **Department of Conservation** assume this proposal would have no fiscal impact on their organization.

Officials from the **Department of Natural Resources (DNR)** stated that a previous version of this proposal would eliminate the local use tax on motor vehicles, boats, trailers, and outboard motors, and would impose a local sales tax on those items whether the purchase was made in or out of state.

DNR officials noted that the Department's Parks and Soils Sales Tax Funds are derived from a one-tenth of one percent state sales and use tax pursuant to the Missouri Constitution. The proposal would appear to only affect local sales and use tax issues. Therefore, the department would not anticipate a direct fiscal impact.

Officials from the **Department of Transportation (MoDOT)** deferred to the Department of Revenue for an estimate of the fiscal impact on this proposal.

In response to a previous version of this proposal, officials from the **City of Kansas City** noted that their organization has a local use tax; therefore, this proposal would not increase their revenues.

Officials from the **City of Cape Girardeau** assumed in response to a previous version of this proposal that reinstatement of the sales tax on motor vehicle sales would increase their sales tax revenue by \$278,000 for FY 2014, \$284,000 for FY 2015, and \$290,000 for FY 2016.

Officials from the **Special School District of St. Louis County** assumed a previous version of this proposal would have a positive fiscal impact on their organization.

ASSUMPTION (continued)

Officials from the **Parkway School District** assumed a previous version of this proposal would have an unknown impact to their organization.

Oversight assumes this proposal would have a positive fiscal impact on local governments which currently have a sales tax but no local use tax, and are no longer able to enforce the local use tax on purchases of motor vehicles, boats, and motors outside the state of Missouri.

This proposal includes a requirement for local governments (except those in which voters have previously approved a local use tax) to hold an election to approve the repeal of the local sales tax on sales which are not subject to state sales tax. The election may be held as early as the November 2014 general election but must be held no later than the November 2016 general election. If the local government does not hold the election or if the voters approve the repeal of the local sales tax, the sales tax could not be applied to subsequent sales.

Oversight assumes that the number and aggregate amount of underlying sales transaction would indicate a fiscal impact greater than \$100,000 for local governments and will include that impact in this fiscal note. Oversight has no information as to which governments would be subject to the election requirement and will indicate unknown costs for local government elections in FY 2015 and FY 2016. Oversight assumes the cumulative amount of additional revenue realized by local governments would be greater than the election costs.

§67.1010 - Pettis County transient guest tax:

In response to a previous version of this proposal, officials from **Pettis County** provided a response to this proposal which indicated that the proposal would lead to increased sales tax revenues. Allowing the Pettis County Tourism Commission to use a portion of the transient guest tax for salaries will insure that tourism marketing for Sedalia and Pettis County will be done in a professional manner. Employing marketing professionals and support staff has the potential to bring in additional visitors for more and larger events from a larger geographical area, therefore increasing sales tax revenues for Pettis county and all the municipalities located therein.

Pettis County assumes that an average visitor to the county spends \$58.00 per day and those funds roll over 1.6 times. The county estimates the increase in potential sales tax revenue over a three year period to be \$125,280.

In response to a previous version of this proposal, officials from the **Department of Revenue** assume the proposal would not fiscally impact their agency.

ASSUMPTION (continued)

Oversight assumes this proposal would remove the current prohibition on using revenues from this tax on salaries. Since this proposal would not increase or decrease revenues or expenditures, it would appear to have no direct fiscal impact on local government funds.

§137.1018 Freight Line Tax Credit

In response to similar legislation filed this year, HB 201, officials at **BAP** assumed this proposal would have no direct impact on General and Total State Revenue but could increase General Revenue spending if the Legislature chooses to make an appropriation.

In response to similar legislation filed this year, HB 201, officials at the **Department of Revenue** and the **State Tax Commission** each assumed there is no fiscal impact to their agency from this proposal.

Oversight assumes this tax credit was to sunset on August 28, 2014. The tax credit is subject to appropriation and does not have an annual cap and has not be authorized in the past. Oversight will show the impact as zero (no appropriation) or an Unknown cost beginning in FY 2015 (if the legislature chooses to appropriate for the credit).

§§ 144.010, 144.030, and 144.605 Sales and Use Tax

In response to similar legislation filed this year, HB 578, the following responded:

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

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would not result in additional costs or savings to their organization.

BAP officials assume this proposal would expand the definition of "seller" and other related definitions, under sales tax law to include more out-of-state vendors doing business inside the state. BAP officials also noted that various studies have suggested Missouri is losing hundreds of millions of dollars in sales taxes on sales by out-of-state vendors, often via e-commerce. These changes would allow DOR to begin capturing taxes from some vendors that are currently unidentified. It would also make it easier to comply with the Streamlined Sales Tax Agreement.

BAP estimates this proposal would increase Total State Revenues by \$10 million annually, of which \$7 million would be deposited in the General Revenue Fund.

ASSUMPTION (continued)

Officials from the **Department of Conservation (MDC)** assume this proposal would have an unknown fiscal impact, but greater than \$100,000 to their organization. MDC officials noted that Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to the Missouri Constitution and this proposal would expand the definition of "engaging in business" and "maintaining a business" within the state. MDC officials noted that any increase in sales and use tax collected would increase revenue to the Conservation Sales Tax funds, and assume the Department of Revenue would be better able to estimate the fiscal impact for this proposal.

Officials from the **Department of Natural Resources (DNR)** assume this proposal would modify existing provisions relating to Sales Tax and Compensating Use Tax. A presumption would be created that a vendor engages in business activities within this state if any person with a substantial nexus to Missouri performs certain activities in relation to the vendor within this state.

The proposal would void any agreement between the executive branch and any person that exempts that person from the collection of sales and use tax, unless that agreement is approved by the General Assembly.

DNR officials noted that Parks and Soils Sales Tax Funds are derived from a one-tenth of one percent sales and use tax pursuant to the Missouri Constitution. DNR officials also noted that the proposal appears to expand who is required to collect the sales and use tax, potentially resulting in increased revenue for the Parks and Soils Sales Tax Funds.

DNR officials deferred to the Department of Revenue for an estimate of anticipated fiscal impact for the Parks and Soils Sales Tax Fund.

Officials from the **Department of Revenue (DOR)** assume this proposal would modify the current definition of "engaging in business" in this state for sales and use tax purposes. This proposal would require approval by the General Assembly for any ruling, agreement, or contract between a person and this state's agencies exempting any person from collecting sales and use tax despite the presence of a warehouse, distribution center, or fulfillment center in this state that is owned or operated by the person or an affiliated person. An "affiliated person" would mean any person that is a member of the same "controlled group of corporations" as defined in Section 1563(a) of the Internal Revenue Code as the vendor.

ASSUMPTION (continued)

A vendor would be presumed to "engage in business activities within this state" if any person, other than a common carrier acting in its capacity as such, that has substantial nexus with this state:

- 1) sells a similar line of products as the vendor and does so under the same or a similar business name,
- 2) maintains an office, distribution facility, warehouse, or storage place, or similar place of business in the state to facilitate the delivery of property or services sold by the vendor to the vendor's customers,
- 3) delivers, installs, assembles, or performs maintenance services for the vendor's customers within the state,
- 4) facilitates the vendor's delivery of property to customers in the state by allowing the vendor's customers to pick up property sold by the vendor at an office, distribution facility, warehouse, storage place, or similar place of business maintained by the person in the state; or
- 5) conducts any other activities in the state that are significantly associated with the vendor's ability to establish and maintain a market in the state for the sales.

The proposal would allow for the rebuttal of those presumptions by demonstrating that the person's activities in the state are not significantly associated with the vendor's ability to establish or maintain a market in this state for the vendor's sales.

A vendor would also be presumed to engage in business in the state if that vendor enters into an agreement with one or more residents of this state under which the resident, for a commission or other consideration, directly or indirectly refers potential customers, if the cumulative gross receipts from sales under such arrangements exceed ten thousand dollars during the preceding twelve months. The proposal would allow for the rebuttal of this presumption by submitting sworn written statements from all of the residents with whom the vendor has such an agreement.

Fiscal impact

DOR officials assume this proposal would generate increased revenue from sellers located outside the state.

Administrative impact

DOR officials assume Collections and Tax Assistance (CATA) would require one additional FTE Revenue Processing Technician I (Range 10, Step L) per 8,300 additional registrations / maintenance to business tax accounts in Business Tax Registration; one additional FTE Revenue Processing Technician I (Range 10, Step L) per 24,000 additional contacts annually to the registration phone line, with CARES equipment and agent license; and one additional FTE

ASSUMPTION (continued)

Revenue Processing Technician I (Range 10, Step L) per 4,800 contacts annually to the field offices, with CARES equipment and agent license.

The DOR response included three additional FTE along with the associated benefits, equipment, and expense, and totaled \$123,042 for FY 2014, \$122,613 for FY 2015, and \$123,903 for FY 2016.

Oversight assumes the DOR estimate of expense and equipment cost for the new FTE could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2014 could be reduced by roughly \$6,000 per additional employee.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional employees to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees, and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the DOR estimate of equipment and expense in accordance with OA budget guidelines. Finally, Oversight assumes a limited number of additional employees could be accommodated in existing office space.

Oversight has not been able to locate any reliable information as to the potential impact of sales and use tax changes in this proposal other than the estimates provided by the Office of Administration - Division of Budget and Planning and the Department of Revenue. For fiscal note purposes, Oversight will assume that revenues from this proposal would generate more new sales and use tax revenue than would be needed to provide the additional employees requested by the Department of Revenue. If revenues are not adequate to support the costs of collections, Oversight assumes the program would be terminated.

Accordingly, Oversight will indicate additional revenues greater than the DOR costs for the General Revenue Fund. Oversight will indicate revenues greater than \$100,000 per year for local governments and unknown additional revenues for the other state funds which receive general sales tax revenues. Oversight assumes the law changes in this proposal would not have an impact on motor vehicle or motor fuel sales and will not include any fiscal impact for transportation funds.

Officials from **St. Louis County** assume this proposal would have no fiscal impact on their organization.

ASSUMPTION (continued)

§§67.1010 and 144.030 Disaster Relief and Transient Guest Taxes

In response to similar legislation filed this year, SB 441, the following responded:

Officials from **BAP** assumed this proposal would not result in any additional costs or savings to their organization.

BAP officials note this proposal would exempt non - governmental agencies congressionally mandated to provide disaster relief services from transient guest taxes. This provision would have no impact on General and Total State Revenues.

The proposal would also exempt sales made to those non - governmental agencies as part of a disaster relief service from sales tax. This provision could reduce General and Total State Revenues and local revenues by an unknown amount.

Officials from the **City of Kansas City** assume there would be a loss of revenue from this proposal but could not provide an estimate.

Officials from **St. Louis County** assume there would be a minimal amount of lost revenue but could not provide an estimate.

Officials from the **Department of Economic Development - Division of Tourism, Public Service Commission, and Office of Public Counsel**, the **Department of Public Safety - State Emergency Management Agency**, and the **Department of Revenue** each assume the proposal would not fiscally impact their respective agencies.

Oversight will include an unknown revenue reduction for the General Revenue Fund and other state funds which receive sales tax revenues, and for local governments. Oversight assumes this proposal would not have an impact on sales tax revenues for road funds.

Oversight will also include an unknown revenue reduction for local governments due to the exemption from transient guest taxes.

§ 144.810 Data Storage Center Tax Credit

In response to similar legislation filed this year, HB 698, officials at **BAP** assumed this proposal defines the following data center projects:

Expanding facility - \$5 million investment within 12 months, and 5 new jobs within 24 months.

ASSUMPTION (continued)

New facility - a new facility that does not replace an existing facility, with investment of \$37 million and the creation of 30 new jobs over 36 months.

This proposal provides:

a state and local sales tax exemption for electrical energy, gas, water, other utilities, machinery, equipment, computers, and construction materials used in a new data center.
a state and local sales tax exemption for electrical energy, gas, water, other utilities, machinery, equipment, computers, and construction materials used by expanding data storage centers, to the extent the amount of new inputs exceed current input levels.

In either case, the amount of any exemption provided under this subsection shall not exceed the projected net fiscal benefit to the state over a period of ten years. This proposal will not impact current General and Total State Revenues but future revenues may be forgone. This program may encourage other economic activity, but BAP does not have data to estimate the induced revenues. DED may have such an estimate.

In response to similar legislation filed this year, HB 222, officials from **DED** assumed this proposal would create state and local sales and use tax exemptions for data storage center facilities. The data storage centers facility projects which seek a tax exemption would be required to submit a project plan to DED, and DED would be responsible for certifying the tax exemption in coordination with the Department of Revenue. Exemptions would be limited to the projected net fiscal benefit to the state over a period of ten years, as determined by DED. The proposed legislation would also require random audits to ensure compliance with the intent the data storage centers indicated in their project plan.

DED is unable to determine the exact impact the proposed legislation would have on Total State Revenue and therefore anticipates an unknown impact.

DED would be responsible for determining eligibility for the exemption approval process and the compliance and auditing functions, and anticipates the need for one additional FTE Economic Development Incentive Specialist III. The new employee would be responsible for reviewing project plan applications to make sure they meet the criteria of the program, and conducting random audits to ensure compliance with the program.

The DED response included one additional FTE; with the applicable benefits and expense and equipment the estimated cost was \$60,868 for FY 2012, \$66,246 for FY 2015, and \$66,965 for FY 2016.

JH:LR:OD

ASSUMPTION (continued)

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

DOR officials assume that Collections & Tax Assistance (CATA) would require one additional FTE Revenue Processing Technician I (\$25,884) per 24,000 additional contacts annually to the registration section, with CARES equipment and agent license, and one additional FTE Revenue Processing Technician I (\$25,884) per 4,800 additional contacts annually to the tax assistance offices, with CARES equipment and agent license. The Sales Tax Division would require one Revenue Processing Technician I (\$25,844) to manage data storage refunds and exemptions.

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 proposals were implemented, resources could be requested through the budget process.

Officials from **St. Louis County** assume that any loss from this proposal would not be great but stated they can not define their sales tax revenue to this level of detail.

In response to a previous version of this proposal, officials from the **City of Columbia** stated that the city does not have any active data storage projects and could not provide an estimate of the fiscal impact.

In response to similar legislation filed this year, HB 222, officials from the **City of Kansas City** stated they were unable to determine the fiscal impact of this proposal, but revenue growth is assumed to exist through increased economic activity in the city.

City officials assumed there would be no net losses. While the city would lose sales and/or property tax revenues, depending on the nature of the project, those losses would be offset in their entirety (or exceeded) by increases in other revenues.

Officials at the **Parkway School District** assume there is no fiscal impact from this proposal.

ASSUMPTION (continued)

In response to similar legislation filed this year, HB 222, officials from the **Francis Howell School District** assume this proposal would result in an unknown reduction in sales tax revenues.

Oversight notes that this proposal would require a minimum \$37 million investment in a new facility within thirty-six months, or a minimum \$5 million investment in an expanding facility within twelve months. The proposed project would require approval by DED which would conditionally certify the project to DOR. Upon completion of the project, DED would certify the project eligibility to DOR, and DOR would refund the sales tax paid on the project.

If the proposal became effective August 28, 2013, construction could begin late in FY 2014 and would likely not be completed until late in FY 2015. Refunds would not likely be certified and paid to project owners until FY 2016.

Oversight is not aware of any existing or planned projects which could qualify for the program, but if one new facility project was completed in time for a refund to be paid in FY 2016, the sales tax amounts could be computed as follows. For fiscal note purposes, Oversight assumes the entire \$37 million investment would qualify for the exemption and has calculated the potential impact below.

Entity	Sales Tax Rate	Sales Tax
General Revenue Fund	3%	\$1,110,000
Conservation Commission Fund	1/8%	\$46,250
School District Trust Fund	1%	\$370,000
Parks, Soil & Water Funds	1/10%	\$37,000
Local Governments	Average 2.5%	\$925,000

Oversight will indicate a fiscal impact for the General Revenue Fund for this proposal of \$0 (no project qualifies for the exemption) or a revenue reduction of More than \$1,000,000 (one or more projects qualify for the exemption) for FY 2016, and a range of \$0 or a revenue reduction of

More than \$100,000 for other state funds which receive sales tax revenues, and for local governments.

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ASSUMPTION (continued)

§§ 184.800, 184.805, 184.810, 184.815, 184.820, 184.827, 184.830, 184.840, 184.845, 184.847, 184.850, and 184.865 Museum Districts in Natural Disaster Areas

In response to similar legislation filed this year, SB 74, the following responded:

BAP assumes this proposal also modifies the existing Missouri Museum District Act to permit only qualifying disaster areas to establish a Museum and Cultural District. This district is authorized to implement a local sales tax up to one percent; however, the Department of Revenue is not involved in administering the tax. Therefore, there is no impact to general revenue or TSR.

BAP states section 184.840, RSMo, allows General Revenue appropriations for the district. There is not an existing appropriation for this purpose in the FY13 budget but there was an appropriation in a prior fiscal year (FY99) to the American National Fish and Wildlife Museum District.

BAP assumes this proposal should not result in any additional costs or savings to BAP.

Officials at the **City of Kansas City (KC)** assume limiting museum districts to places where the majority of property has been declared a disaster area will impair the city's ability to form museum districts and impose a museum district sales tax if the city would choose to do so. KC assumes that loss of revenue might be one the city would be called upon to fill, though not obligated to do so. KC assumes no direct fiscal impact from this proposal

Oversight notes this proposal does not appear to limit the City of Kansas City's ability to form museum districts and impose a museum district sales tax but would permit a Museum District within a Natural Disaster area to be established.

Oversight assumes the Museum District sales tax would result in additional revenues and expenditures to local governments for the locally administered sales tax which would be collected and then disbursed to the museum district if the local government chooses to impose a museum and cultural district sales tax on all retail sales made in the district.

Officials from the **Missouri Tax Commission, Department of Natural Resources, Department of Revenue, State Treasurer's Office,** and the **City of Columbia** each assume the proposal would not fiscally impact their respective agencies.

ASSUMPTION (continued)

§§302.060, 302.302, 302.304, 302.309, 302.525, 476.385 and 577.041 Alcohol Related Traffic Offenses

In response to similar legislation filed this year, HB 931, the following responded:

Officials from the **Office of the State Courts Administrator** assume the proposal will have no fiscal impact on their organization.

§302.060

Officials from the **Department of Revenue (DOR)** state the proposed language will now require a court to order the reinstatement on a 5-year denial, rather than give the court discretion to order it. This could potentially increase the volume of court orders received by the Department. The impact to the Department is unknown, however, a Revenue Processing Tech I (RPT I - A10/L) can process 30 court orders per day. If the volume of court orders the Department receives increases, additional FTE will be requested through the appropriation process.

§302.304.5

DOR assumes the proposed language changes a driver's eligibility for a Restricted Driving Privilege (RDP) when they install an ignition interlock device. A driver with one alcohol conviction will immediately be eligible for an RDP if they file an SR-22 and install an ignition interlock device (IID) for the 90-day suspension period. If during the RDP period, the driver has a violation of their IID, the driver's RDP will be extended for 30 days. Only one 30-day extension may be granted. The language also requires the driver to complete the 30-day RDP extension period "without any" violations before he or she is eligible for full reinstatement.

A driver with only one alcohol conviction on his or her driving record still has the option to serve a 30-day suspension period, followed by a 60-day RDP without the requirement to install an IID.

§ 302.309.3

DOR assumes the proposed language under this section will do the following:

- Allow for the issuance of a LDP to a driver who is revoked for refusing to submit to a chemical test without the driver first serving a 90-day hard walk period;
- Allow for the issuance of a LDP to any driver currently revoked a second or subsequent time for refusing to submit to a chemical test or any driver applying for a LDP who has multiple refusal revocation on their driving record if the person installs IID. Currently, a person who has more than one revocation for refusing to submit to a chemical test is ineligible for a LDP regardless of the type of suspension they are requesting the LDP for;
- No longer allow for the issuance of a LDP to a driver who has been denied a license for 5 or 10 years pursuant to subdivisions (9) and (10) of subsection 1 of Section 302.060; and

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ASSUMPTION (continued)

- Require any person receiving a court-ordered LDP for any alcohol-related suspension or revocation to install IID to become eligible for such LDP.

The number of LDP applications received by the Department for persons suspended or revoked for refusing a chemical test or other alcohol-related suspensions and revocations may increase. In addition, more drivers will be required to have IID to be eligible for a LDP on alcohol suspensions and revocation. This requires the Department to track the installation and status of the IIDs for these drivers. The impact to the Department is unknown, however, a Revenue Processing Tech I (RPT I - A10/L) can process 50 LDP applications and court-ordered LDPs per day. If the volume of LDP applications and court orders the Department receives increases, additional FTE will be requested through the appropriation process.

§ 302.525.2

DOR assumes the proposed language changes a driver's eligibility for a Restricted Driving Privilege (RDP) when he or she installs an IID. A driver who has not had an alcohol-related enforcement contact in the last five years will immediately be eligible for an RDP if he or she files an SR-22 and installs an IID for the 90-day suspension period. If during the RDP period, the driver violates his or her IID, the driver's RDP will be extended for an additional 30 days. Only one 30-day extension may be granted. However, the proposed language also requires the driver to complete the 30-day RDP extension period "without any" violations before they are eligible for full reinstatement. This language conflicts with the requirement to only allow one additional 30-day RDP extension.

A driver who only has one administrative alcohol suspension also has the option to serve a 30-day suspension period, followed by a 60-day RDP period without the requirement to install an IID. However, a driver who has more than one alcohol-related enforcement contact on his or her driving record must install IID to receive the 60-day RDP.

Administrative Impact

DOR assumes the following changes will need to be implemented to provide for the changes in this legislation:

- Revisions to the Notices of Suspension issued by law enforcement to the offender;
- Print 160,000 new Notices of Suspension letters;
- Replace the supply of forms in central stores (28,800 notices) and
- Mail 131,200 forms to 656 law enforcement agencies (656 x 200 forms each= 131,200).

Cost for printing - 160,000 @\$0.12= \$19,200

ASSUMPTION (continued)

Cost for envelopes - 656 @\$0.12=	\$79
Cost for postage - 656 @\$5.48=	<u>\$3,595</u>
Total =	\$22,874

- Programing and testing of the Missouri Driver License (MODL) system along with training staff.

Administrative Analyst I- 240 hrs @ \$24 (1 ½) per hr =	\$5,760
Management Analyst Spec II- 240 hrs @ \$23 per hr =	\$5,520
Revenue Band Manager I- 80 hrs @ \$25 per hr =	<u>\$2,000</u>
Total =	\$13,280

Requires updates to the following:

- Letters;
- Forms;
- Procedures;
- Department's website; and
- Missouri Driver Guide.

Administrative Analyst III - 10 hrs @ \$22	\$220
Management Analysis Spec I - 80 hrs @ \$20	<u>\$1600</u>
Total =	\$1,820

The IT portion of this section is estimated with a level of effort calculated on 390 hours at \$27.05 per hour totaling \$10,550.

DOR assumes a cost of \$48,524 (\$22,874 + \$13,280 + \$1,820 + \$10,550) in FY 2014 to provide for the implementation of the changes for these sections in this proposal.

§ 577.041.1

DOR assumes the proposed language allows a driver who has not previously refused to submit to a chemical test, to receive a RDP immediately for a period of 90 days if he or she installs IID and files proof of SR-22 with the Department.

If during the RDP period, the driver violates his or her IID, the driver's RDP will be extended for 30 days. Only one 30-day extension may be granted. The language requires the driver to complete the 30-day RDP extension period "without any" violations before being eligible for full reinstatement.

JH:LR:OD

ASSUMPTION (continued)

Administrative Impact

DOR assumes the following changes will need to be implemented to provide for the changes in this legislation:

- Requires revisions to the Alcohol Influence Report (AIR) completed by law enforcement and filed with the Department;
- Print 160,000 notices;
- Replace the supply of forms in central stores (28,800 AIRs) and
- Mail 131,200 forms to 656 law enforcement agencies. (656 x 200 forms each = 131,200).

Cost for printing - 160,000@\$.03=	\$4,800
Cost for envelopes - 656 @ \$0.12=	\$79
Cost for postage - 656 @ \$5.48=	<u>\$3,595</u>
Total =	\$8,474

- Requires revisions to the Notice of Loss served by law enforcement to the offender;
- Print 160,000 notices;
- Replace the supply of forms in central stores (28,800 Notices) and
- Mail 131,200 forms to 656 law enforcement agencies (656 x 200 forms each= 131,200).

Cost for printing - 160,000 @\$.12=	\$19,200
Cost for envelopes - 656 @ \$0.12=	\$79
Cost for postage - 656 @ \$5.48=	<u>\$3,595</u>
Total =	\$22,874

DOR assumes the law will be retroactive and anyone who is revoked for a first refusal to submit to a chemical test when the law becomes effective will be eligible for a 90-day RDP. A sweep of the MODL system shows there are currently 58,323 who would be affected by this law. The Department assumes it would need to notify these drivers of their ability to "possibly" obtain an RDP.

Cost for printing-	58,323 @ .025=	\$1,459
Cost for envelopes -	58,323 @ .04=	\$2,333
Cost for postage -	58,323 @ .46=	<u>\$26,829</u>
Total =		\$30,621

Based on the number of changes this proposal provides, FTE will be required to answer phone calls, prepare correspondence, and assist in-person customers. In addition to the 58,323 drivers

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ASSUMPTION (continued)

that are currently suspended for first-time chemical refusals, statistics from FY12 show the Department adds an additional 10,215 new suspensions each year. Due to the new provisions in 557.041, allowing for an offender to obtain an RDP immediately after an arrest and the Department's requirement to extend offenders RDP period if violations with the IID occur, the Department assumes a large percentage of the people affected by these changes will contact the Department. Although the number of contacts is unknown, based on discussions with other states that currently have laws requiring monitoring of IID devices, each offender could potentially contact the Department numerous times due to IID violations extending the RDP period. In addition to the offenders contacting the Department, ignition interlock providers will contact the Department to determine when the device can be removed or the length of the monitoring period. For the purposes of this fiscal note, the Department will assume that a person will contact us at least 2 times per year.

58,323 - Number of current first-time Chemical Refusals on record.
+ 10,215- Potential first-time refusals added in FY 14.
68,538- Total number of persons who will be affected by new law.
X 50%- Percent of persons who will contact the Department.
34,269- Number of yearly contacts.
X 2- Average number of contacts per person each year.
68,538- Number of contacts per year.
/ 260- Number of working days per year.
264- Number daily contacts.
/ 100- Number of calls a RPT I can answer daily.
2.63= 3 FTE needed to handle additional customer contacts

Currently an RPT I (A10/L) can answer 100 phone calls per day or answer 30 written inquiries and assist in-person customers. As such, at least 3 FTE are needed to handle the additional customer contacts. Since the Department cannot determine the exact number of contacts it will receive based on this proposal, additional FTE may be needed. The additional FTE will be requested through the appropriation process.

DOR assumes the following changes will need to be implemented to provide for the changes in this legislation:

- Requires programming and testing of the Missouri Driver License (MODL) system along with training staff.

ASSUMPTION (continued)

Administrative Analyst I- 240 hrs @ \$24 (1 ½) per hr =	\$5,760
Management Analyst Spec II- 240 hrs @ \$23 per hr =	\$5,520
Revenue Band Manager I- 80 hrs @ \$25 per hr =	<u>\$2,000</u>
Total =	\$13,280

Requires updates to the following

- Letters;
- Forms;
- Procedures;
- Department's website; and
- Missouri Driver Guide.

Administrative Analyst III - 10 hrs @ \$22	\$220
Management Analysis Spec I - 80 hrs @ \$20	<u>\$1600</u>
Total =	\$1,820

The IT portion of this section is estimated with a level of effort calculated on 890 hours at \$27.05 per hour totaling \$24,075.

DOR assumes a cost of \$105,944 (\$4,800 + \$8,474 + \$22,874 + \$30,621 + \$13,280 + \$1,820) in FY 2014 to provide for the implementation of the changes in these sections for this proposal.

In summary, DOR assumes a cost of \$154,468 (\$48,524 + \$105,944) to provide for the implementation of the changes in this proposal.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb some of the costs related to this proposal. Oversight will assume administrative cost to provide for the changes in this proposal to the DOR could exceed \$100,000. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

§ 302.341 - Revenue from Traffic Violations:

In response to similar legislation filed this year, HB 84, the following responded:

Officials from the **Department of Elementary and Secondary Education (DESE)** assume there is no anticipated state cost to the foundation formula associated with this proposal. 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.

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ASSUMPTION (continued)

DESE assumes 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.

Oversight assumes any additional funding from this proposal on an affected school district would be offset by an equal decrease in funding received through the foundation formula unless the affected school district is a hold harmless district.

Oversight assumes any hold harmless school district may receive an unknown but minimal increase in funding if the political subdivision in which it is located receives more than 35% of their annual operating revenues from fines and court costs for traffic violations.

Oversight has no way of knowing how many political subdivisions receive more than 35% of their annual general operating revenues from fines and court costs for traffic violations and have a hold harmless school district, for the purpose of the fiscal note, **Oversight** will assume no impact or a positive unknown less than \$100,000 to local hold harmless school districts.

Officials from the **City of Kansas City (KC)** assume this proposal applies to cities, towns, and villages receiving more than 35% of annual general operating revenue from fines and court costs for moving violations on state highways. KC receives a very small percentage of its general operating revenue from fines and court costs, the provisions of the proposal do not apply to KC.

In response to similar legislation from 2013 (SB 141), officials from the **Special School District** assumed an unknown but minimal positive impact on the district which currently receives approximately \$30,000 in fines and forfeitures per year.

In response to similar legislation from 2013 (SB 141), officials from the **Parkway School District** assumed this proposal would result in unknown additional revenue to the district.

Oversight assumes the cities, towns and villages will be able to produce this report for the Department of Revenue without incurring measurable additional expense. Cities, towns and villages are already limited to obtaining 35% of their annual general operating revenue from fines and court costs from traffic violations occurring on state highways within 302.341.2, RSMo.

ASSUMPTION (continued)

Oversight also assumes cities, towns and villages will comply with the law and will not be fined by the Department of Revenue for failure to comply.

Officials from the **Department of Revenue, Office of State Courts Administrator, Department of Transportation, City of Columbia** each assume the proposal would not fiscally impact their respective agencies.

§§ 348.273 and 348.274 Missouri Angel Investment Incentive Act

In response to similar legislation filed this year, HB 698, officials at **BAP** assume this proposal creates the Missouri Angel Investment Incentive Act. BAP notes that section 348.273.4 caps the total amount of credits at \$6 million. Therefore, this proposal may reduce General and Total State Revenues by this amount. This program may encourage other economic activity, but BAP does not have data to estimate the induced revenues. DED may have such an estimate.

In response to similar legislation filed this year, HB 191, officials at the **DED** assumed this part of the proposal creates the Missouri Angel Investment Incentive Act to be administered by the Missouri Small Business and Technology Development Centers, University of Missouri. DED is a recipient of the annual report for the program. As a result of the proposal, DED assumes an unknown negative fiscal impact over \$100,000, offset by an unknown positive economic benefit based on the increase in economic activity.

In response to similar legislation filed this year, HB 191, officials at the **University of Missouri** assumed this proposal would have no financial impact on the University.

Officials at the **DOR** assume the Personal Tax Division will need one Revenue Processing Technician I (\$25,884) per 4,000 tax credits claimed and one Revenue Processing Technical I (\$25,884) per 2,400 pieces of correspondence. DOR's Corporate Tax Division will need one Revenue Processing Technician I (\$25,884) per 4,000 tax credits redeemed.

Oversight assumes DOR's Personal/Corporate Tax Divisions could absorb the responsibilities of this tax credit with existing resources. Should DOR experience the number of additional tax credit redemptions to justify another FTE, they could seek that FTE through the appropriation process.

Oversight assumes this proposal establishes an aggregate cap of \$6,000,000. For fiscal note purposes, Oversight will reflect a revenue reduction of \$0 (no credits issued) to \$2,000,000 for each of the three years in the fiscal note to reach the \$6 million aggregate cap in 348.273.4(3).

ASSUMPTION (continued)

Bill as a Whole

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

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 SOS 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 the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2014	FY 2015	FY 2016
GENERAL REVENUE			
<u>Additional revenue</u> - Sales tax §§ 144.010, 144.030, and 144.605	More than \$112,424	More than \$107,294	More than \$108,497
<u>Cost - DOR</u> - §§ 44.010, 144.030, and 144.605			
Salaries and wages (3 FTE)	(\$57,840)	(\$69,408)	(\$70,102)
Benefits	(\$29,351)	(\$35,221)	(\$35,573)
Equipment and expense	<u>(\$25,233)</u>	<u>(\$2,665)</u>	<u>(\$2,732)</u>
<u>Total costs - DOR</u>	<u>(\$112,424)</u>	<u>(\$107,294)</u>	<u>(\$108,407)</u>
FTE change - DOR	3 FTE	3 FTE	3 FTE
<u>Cost - Extension of the rolling stock tax credit - § 137.1018</u>	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue reduction</u> - DOR Sales tax exemption § 144.030	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - data storage - sales tax exemption §144.810	\$0	\$0	\$0 or (More than \$1,000,000)
<u>Cost- DOR</u> Administrative Cost §§302.060 et al	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
<u>Revenue Reduction</u> - creation of the Angel Investment Incentive Act §348.273	\$0 to (\$2,000,000)	\$0 to (\$2,000,000)	\$0 to (\$2,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	Unknown to (Unknown greater than <u>\$2,100,000</u>)	Unknown to (Unknown greater than <u>\$2,100,000</u>)	Unknown to (Unknown greater than <u>\$3,100,000</u>)
Estimated Net FTE Change on General Revenue	3 FTE	3 FTE	3 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014	FY 2015	FY 2016
SCHOOL DISTRICT TRUST FUND			
<u>Additional revenue</u> - Sales tax §§ 144.010, 144.030, and 144.605 RSMo.	Unknown	Unknown	Unknown
<u>Revenue reduction</u> - DOR Sales tax exemption § 144.030	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - sales tax exemption §144.810 RSMo	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (More than \$100,000)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>	Unknown to (Unknown greater than <u>\$100,000</u>)

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL GOVERNMENTS			
<u>Additional Revenue</u> - Sales tax §§ 32.087 and 144.757 RSMo.	More than \$100,000	More than \$100,000	More than \$100,000
<u>Additional Revenue</u> - Sales tax §§ 144.010, 144.030, and 144.605 RSMo.	More than \$100,000	More than \$100,000	More than \$100,000
<u>Additional Revenue</u> - Museum District Sales Tax §184.800	Unknown	Unknown	Unknown
<u>Additional Revenue</u> - Hold Harmless Schools §302.341 - Excess traffic fines	\$0 or Unknown less than \$100,000	\$0 or Unknown less than \$100,000	\$0 or Unknown less than \$100,000
<u>Revenue Reduction</u> - DOR Sales tax exemption §144.030	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - Local governments Transient guest tax exemption § 67.1020	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - sales tax exemption §144.810	\$0	\$0	\$0 or (More than \$100,000)
<u>Cost</u> - Disaster Zone Development §184.800	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	Unknown greater than \$100,000 to (Unknown)	Unknown greater than \$100,000 to (Unknown)	Unknown greater than \$100,000 to (Unknown greater than \$100,000)

FISCAL IMPACT - Small Business

Small businesses may be impacted by the tax credit proposals.

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FISCAL DESCRIPTION

This modifies numerous sections relating to political subdivisions and tax credits.

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

City of Cape Girardeau
City of Columbia
City of Kansas City
Department of Conservation
Department of Economic Development
Department of Elementary and Secondary Education
Department of Natural Resources
Department of Revenue
Francis Howell
Joint Committee on Administrative Rules
Missouri Department of Transportation
Office of Administration
 Budget and Planning
Office of Attorney General
Office of Public Counsel
Office of State Courts Administrator
Office of the Secretary of State
Office of State Treasurer
Parkway School District
Pettis County
Public Service Commission
Special School District
State Emergency Management Agency
St. Louis County
State Tax Commission
University of Missouri



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Ross Strope
Acting Director
April 25, 2013

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