

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3217-15
BILL NO.: SCS for HS for HCS for HB 1305
SUBJECT: County Officials: Property, Real and Personal
TYPE: Original
DATE: May 8, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$7,952 to Unknown)	(\$35,904)	(\$83,856)
School Building Revolving	\$0	\$0	\$0
Manufactured Housing	\$117,950	\$121,600	\$125,400
Total Estimated Net Effect on <u>All</u> State Funds	(Unknown) to \$109,998	\$85,696	\$41,544

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$775,000 to \$800,000	\$930,000 to \$25,621,000	\$930,000 to \$25,621,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 13 pages.

FISCAL ANALYSIS

ASSUMPTION

Section 67.410 - Discharge of Special Tax Bills

Provisions allowing St. Louis and Kansas City to, by ordinance, waive special tax bills associated abatements of public nuisances could have a direct fiscal impact, but that impact would be a result of actions of city government.

Sections 67.478 to 67.493, and 144.757 to 144.761 - Community Comeback Act

Officials from **St. Louis County** estimated revenue of \$5 million to \$6 million per year from the use tax.

Officials from the **Department of Revenue**, the **Department of Economic Development**, and the **Secretary of State's Office** stated this proposal would not affect their agencies.

Oversight estimated the possible revenues based upon voters passing the use tax in August and the Department of Revenue beginning to collect the tax 1 October 2000 and based upon collections of \$6,000,000 per year. (FY 2001 collections would be for 8 months.)

Sections 67.1062 and 67.1063 - Assistance for the Homeless Program

The **St. Louis County Recorder of Deeds**, in responses to similar proposals, stated that a \$3 fee on all instruments recorded in the County would generate about \$880,000 per year.

Section 67.1300 - County Economic Development Sales Tax

Oversight assumes that the possible addition of two local option sales taxes would not have material administrative impact on the **Department of Revenue**.

Section 67.1461 and 67.1545 - Community Improvement Districts

Officials of the **Department of Revenue (DOR)** noted that the proposal contains the possibility that a political subdivision comprising a *part* of Kansas City would levy a sales tax. If this happened, the Department would have significant costs to modify its automated and manual sales tax systems.

Oversight notes that any sales tax proposed would have to be approved by the voters of the ASSUMPTION (continued)

L.R. NO. 3217-15
BILL NO. SCS for HS for HCS for HB 1305
PAGE 3 OF 13
May 8, 2000

improvement districts and Oversight assumes that if a district which does not comprise a county or municipality imposes a sales tax then DOR officials would request additional resources from the General Assembly in order to administer the sales tax.

Oversight also notes that improvement districts could realize additional monies from taxes on otherwise tax-exempt real property. These provisions could cause additional duties for county assessors and collectors, who would have to assess additional properties and collect some taxes but not others from certain property owners.

Section 82.300 - Unauthorized Dumping and Littering

Officials of the **Kansas City Manager's Office** stated that they project fifty (50) prosecutions per year with a mature program. With the maximum penalty, the additional revenue to the City would be \$25,000 (50 times \$500). Over the years, the result of a successful program will be an ultimate decrease in dumping and a concomitant decrease in prosecutions and therefore revenue.

Oversight will show an increase in revenue due to the increase in allowed fines from \$500 to \$1000. According to Kansas City officials the increase in fine revenue would be approximately \$25,000. Oversight will show fiscal impact as \$0 to \$25,000 because a decrease in fine revenue is expected in following years.

Section 82.817 - Registration of Agents for Owners of Real Estate

Oversight assumes these registration requirements would not directly affect any source of revenue for Kansas City.

Section 92.031 - Alternative Property Tax Levies in Kansas City

The Kansas City debt service levy is \$.14 per \$100 assessed valuation, the Kansas City health levy is \$.49, the Kansas City museum levy is \$.02, and the total Kansas City property tax levy is \$1.32. The total statutory levy ceiling is \$1.50. If Kansas City elected to do so, it could impose, under the proposed section 92.031, an annual debt service levy and an annual levy for capital improvements and operating expenses for hospital, public health, recreation grounds and museum purposes independent of the taxes for capital improvements, public health, hospital, recreation and museum purposes authorized in 92.030. If Kansas City made this election then the limits on individual and total annual tax rate levies in subdivisions (1), (2) and (3) of subdivision 92.030.2 would not apply. Kansas City could, with voter approval, raise the tax levy for capital improvements and operating expenses for hospital, public health, recreation grounds and ASSUMPTION (continued)

museum purposes from current rates to a rate not to exceed \$1.00 per \$100 assessed value. Currently, the tax levies for the purposes specified is \$.51. An increase to \$1.00 for these

L.R. NO. 3217-15
BILL NO. SCS for HS for HCS for HB 1305
PAGE 4 OF 13
May 8, 2000

purposes would raise about \$24,666,000. However, the increase would not have to be for the full amount and any increase in the levy would have to be approved by the voters of Kansas City.

Section 135.205 - Enterprise Zones

Officials from the **Department of Economic Development (DED)** state this proposal would increase the allowable size of the population in enterprise zones in non-metropolitan statistical areas by 25%, from 20,000 to 25,000. The DED assumes the enlargement of these non-metropolitan zones could allow additional businesses to be within enterprise zones and result in additional tax credits/income modifications. The number of enterprise zones is capped by law, so additional zones would not be generated from this legislation, however, the DED estimates that one zone per year would expand beyond 20,000 inhabitants and this proposal would generate additional credits being taken by businesses within those zones.

The DED estimated the fiscal impact of this legislation as \$47,952 for each year on a cumulative basis. Therefore, the proposed legislation is estimated to cost \$47,952 in FY 2001, \$95,904 in FY 2002, and \$143,856 in FY 2003. The DED assumes they will not need additional resources to implement this proposed legislation.

The DED stated there is an average of 8.41 businesses per zone (530 businesses / 63 zones) receiving benefits. The DED assumes that 20%, or 1.68 new businesses per zone will now qualify when that one zone per year would increase beyond 20,000 inhabitants. Multiplying the new 1.68 businesses per year by the average of \$28,500 of benefits received by each business, the proposal is estimated to result in an additional \$47,952 in tax credits per year.

Officials from the **Department of Revenue (DOR)** state this proposal increases the allowable population for enterprise zones not within a metropolitan statistical area from 20,000 to 25,000. The DOR assume this proposal could increase the number of enterprise zone credit filers, but they do not anticipate this increase to be significant. Therefore, they anticipate little or no administrative impact to their agency.

Officials of the **Office of Administration** assume this proposal would not affect their agency.

Oversight assumes the first applications to be approved by the Department of Economic Development will occur in calendar year 2001, which will fiscally impact state revenues when tax returns are filed in FY 2002. For purposes of this fiscal note, Oversight has estimated the ASSUMPTION (continued)

impact the tax credits will have on total state revenues as a range.

Section 135.481 - Tax Credit for Rehabilitation and Construction of Residences

GVB:LR:OD:005 (9-94)

L.R. NO. 3217-15
BILL NO. SCS for HS for HCS for HB 1305
PAGE 5 OF 13
May 8, 2000

Oversight notes that the proposal does not change the total amount of tax credits available for this program and that the governing body of Kansas City would have to approve the enhanced credit. (Officials of the **Department of Economic Development** would have to approve the project for the credit, initially.)

Section 140.110 - Payments for Delinquent Property Taxes

Officials of the **State Tax Commission** and the **Department of Economic Development - Division of Finance** stated that the proposal would not affect their agencies or any source of state funds.

Sections 214.030 and 214.035 - Abandoned Cemeteries

Officials of the **Department of Economic Development - Division of Professional Registration** stated that the proposal would not affect that agency.

Oversight notes that costs to political subdivisions would only be incurred in cases where a subdivision would try to reclaim a grave. There are no provisions requiring this.

Section 214.131, 537.523 and 574.085 - Institutional Vandalism

Officials from the **Office of State Courts Administrator** assume the proposed legislation would have no fiscal impact on their agency.

Officials from the **Office of the State Public Defender (SPD)** assume that existing staff could provide representation for those 10 to 25 cases arising where indigent persons are charged with institutional vandalism of a cemetery. However, passage of more than one similar proposal could require the SPD to request increased appropriations to cover the cumulative cost of representing the indigent accused.

Officials from the **Office of Prosecution Services** assume the proposal could increase the workload of some county prosecutors. OPS assumes those costs would be less than \$100,000 annually.

ASSUMPTION (continued)

The proposal would reduce the damage amount from \$1,000 to \$500 for class A misdemeanor charges; however, it would increase the maximum threshold for class D felony charges from \$5,000 to \$10,000. Although some cases previously charged as class A misdemeanors would be charged as class D felonies under this proposal, any increase in workload would likely be offset by the shifting of class C to class D felonies due to the reduced threshold. Overall, **Oversight** assumes that the impact on local prosecutors would be minimal and could be absorbed with

L.R. NO. 3217-15
BILL NO. SCS for HS for HCS for HB 1305
PAGE 6 OF 13
May 8, 2000

existing resources.

Officials from the **Department of Corrections (DOC)** assume the proposal could have an unknown fiscal impact on prison populations. However, due to the narrow scope of the crime, DOC assumes that any costs incurred would be minimal and could be absorbed with existing resources. It should be noted that the cumulative effect of various new legislation, if adopted, could result in the need for additional capital improvements funding if the total number of new offenders exceeds current planned capacity.

Section 247.031 - Franklin County Water Districts

Oversight notes that the districts which might lose customers would be recompensed for any expenses incurred to serve those customers and would therefore not be fiscally affected.

Section 260.210 - Solid Waste and Yard Waste

Officials of the **Department of Natural Resources** note that the tonnage fee for solid waste delivered to demolition landfills is \$1.23 and the fee for yard waste delivered to landfills and transfer stations is \$1.85. They do not expect enough “diverted” tonnage due to the proposal to cause significant fiscal impact.

Officials of the **City of Kansas City** stated that the city would save \$50,000 because the city would not have to either separate waste or deliver the unseparated waste to another state.

Section 260.285 - Defining “Cotton Linters”

Officials of the **Department of Revenue (DOR)** stated this part of the proposal redefines an existing sales tax credit for certain food processors. They assume it will have no administrative impact on the DOR and believe the loss of revenue to the state would be very minimal to non-existent.

The **Department of Natural Resources (DNR)** stated this part of the proposal does not change ASSUMPTION (continued)

the department’s authority, therefore, DNR will not be impacted.

Officials from the **Office of Administration - Budget and Planning** stated this proposal would have no impact on their agency and have no basis for estimating its fiscal impact on the state. The OA deferred to the fiscal impact estimate of the Department of Revenue.

Sections 441.500, 441.510, 441.550 and 441.590 - Abatement of Dangerous Buildings

GVB:LR:OD:005 (9-94)

L.R. NO. 3217-15
BILL NO. SCS for HS for HCS for HB 1305
PAGE 7 OF 13
May 8, 2000

State Courts Administrator officials stated that the proposal would not affect state courts.

Oversight notes that the proposal would give neighborhood associations and housing corporations a tool which only municipalities and counties have now. There would be no direct effect on local government revenues.

Section 441.900 - Manufactured and Mobile Home Land Lease Community Notifications

Officials of the **State Courts Administrator** stated the proposal would not directly affect state courts.

Sections 447.620 and 447.622 - Rehabilitation of Abandoned Property

Officials of the **Department of Economic Development - Missouri Housing Development Commission** stated that the proposal would not affect their agency, administratively.

Section 447.708 - Brownfield Redevelopment Program

The proposal allows DED to use the tax credits offered through this program for demolition that is not part of the voluntary remediation activities, as long as the demolition is part of a redevelopment plan approved by the local government entity and the DED. This program is discretionary so the change does not have a fiscal impact.

Section 513.605 and 513.660 - Criminal Disposition of Waste

Officials of the **Department of Elementary and Secondary Education** stated that the proposal could result in additional income to the School Building Revolving Fund because proceeds of Criminal Activity Forfeiture Act seizures accrue to that Fund. They can not estimate the magnitude of additional proceeds.

ASSUMPTION (continued)

Oversight notes that Fund proceeds are used for loans to school districts to finance school building projects and assumes the net impact on the Fund would be zero.

Section 700.015 to 700.090 - Manufactured Housing Regulations

Officials of the **Department of Elementary and Secondary Education**, in a response to a similar proposal, stated that the proposal would not directly affect their agency.

Officials of the **Department of Economic Development - Public Service Commission (PSC)** assume the proposal would result in an annual increase in revenue of approximately \$117,950 to

the Manufactured Housing Fund. This is based on a \$150 increase in registration fees for 373 dealers and a \$500 increase in registration fees for 124 manufacturers ($[373 \times \$150] + [124 \times \$500]$). Also, a 3% growth rate has been projected for subsequent years.

Section 1 - Pilot Project to Renovate and Sell Abandoned Housing in St. Louis City

Officials of the **Missouri Housing Development Commission** can not estimate the cost of developing the required plan.

State Courts Administrator officials report that 4,321 traffic cases were filed in circuit court in the 22nd judicial district in 1999. They also note that the vast majority of traffic cases are filed in municipal court. It is not clear whether the \$5 surcharge would apply to violations of municipal traffic ordinances.

Oversight assumes that: 1) the Housing Development Commission would incur costs to develop a priority plan for renovating housing in the City of St. Louis and that those costs would be paid from the General Revenue Fund in FY 2001, 2) Commission costs for ongoing oversight of the housing renovation program could be absorbed within current budgets, and 3) officials of the City of St. Louis would limit costs for the renovation program to income realized from the \$5 surcharge on court costs for traffic violation cases.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Income</u> - Department of Revenue: 1% of St. Louis County Use Tax	\$40,000	\$60,000	\$60,000
<u>Cost</u> - Department of Economic Development: Priority Plan for St. Louis Housing Renovation	(Unknown)	\$0	\$0
<u>Cost</u> - Department of Economic Development: Increased Enterprise Zone Tax Credits	(\$47,952)	(\$95,904)	(\$143,856)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$7,952 to Unknown)</u>	<u>(\$35,904)</u>	<u>(\$83,856)</u>
SCHOOL BUILDING REVOLVING FUND			
<u>Income</u> - Proceeds from Asset Forfeitures	Unknown	Unknown	Unknown
<u>Cost</u> - Loans to School Districts	(Unknown)	(Unknown)	(Unknown)

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
ESTIMATED NET EFFECT ON SCHOOL BUILDING REVOLVING FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

MANUFACTURED HOUSING FUND

<u>Income</u> - Department of Economic Development-Public Service Commission: Increased Fees from Manufactured Housing	\$117,950	\$121,600	\$125,400
ESTIMATED NET EFFECT ON MANUFACTURED HOUSING FUND	<u>\$117,950</u>	<u>\$121,600</u>	<u>\$125,400</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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POLITICAL SUBDIVISIONS

<u>Income</u> - Kansas City: Increased Tax Levies	\$0	\$0 to \$24,666,000	\$0 to \$24,666,000
<u>Income</u> - Kansas City: Increase Fines	\$0 to \$25,000	\$0 to \$25,000	\$0 to \$25,000
<u>Savings</u> - Kansas City: Reduced Cost for Handling Yard Wastes	\$41,667	\$50,000	\$50,000
<u>Income</u> - St. Louis County Special Homeless Fund	\$733,333	\$880,000	\$880,000
<u>Income</u> - St. Louis County Use Tax	\$3,960,000	\$5,940,000	\$5,940,000
<u>Cost</u> - St. Louis County Community Comeback Programs	(\$3,960,000)	(\$5,940,000)	(\$5,940,000)
<u>Income</u> - St. Louis: Traffic Violation Surcharge	Unknown	Unknown	Unknown
<u>Cost</u> - St. Louis: Programs to renovate abandoned housing	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	\$775,000 to \$800,000	\$930,000 to \$25,621,000	\$930,000 to \$25,621,000

FISCAL IMPACT - Small Business

Several provisions of this proposal could affect small businesses, fiscally and administratively.

DESCRIPTION

This proposal would

- 1) allow certain cities to discharge special tax bills related to the demolition of nuisance properties;
 - 2) enact the "Community Comeback Act", affecting St. Louis County, which would authorize St. Louis County to impose a county use tax (if imposition of the use tax is approved by voters as required in current law) to be used for funding a community comeback trust and provide specifications for operation of the trust;
 - 3) expand the definition of agencies which could participate in homeless assistance programs and allow St. Louis County to, with voter approval, assess an additional three-dollar (\$3) on all recorded instruments;
 - 4) add Ray and Clay counties to the counties allowed to impose economic development sales taxes, with voter approval;
- DESCRIPTION (continued)

- 5) provide for otherwise tax-exempt property to be subject to assessments of Community Improvement Districts;
- 6) allow Community Improvement Districts in Kansas City to levy sales taxes, make provisions to govern those sales taxes, and allow Community Improvement Districts in Springfield to levy business license taxes;
- 7) allow Kansas City to enact ordinances against illegal and unauthorized dumping and littering and to punish violations by a fine up to \$1,000 or imprisonment up to 12 months, or both;
- 8) require rental real estate owners, including limited liability corporations, in Kansas City to designate an agent to accept service of process and register the agent with the City by January 1, 2001. Violation of this provision would be a class B misdemeanor.
- 9) allow the voters of Kansas City to approve a levy for capital improvements and operating expenses for hospital, public health, recreation grounds and museum purposes of up to \$1.00;
- 10) increase the maximum population for enterprise zones located outside metropolitan statistical areas from 20,000 persons to 25,000 persons.

11) make certain new residence projects located in distressed communities eligible, with approval of the governing body of Kansas City, the Department of Economic Development and the Department of Natural Resources, for tax credits for 100% of demolition costs;

12) specify the application of delinquent property tax payments;

13) allow counties and cities to, upon proper notification, revest cemetery property, other than ground in which human remains have been buried, after 50 years if a grave site or property is unused or unclaimed;

14) allow the transfer of abandoned cemeteries and cemetery funds to Missouri not-for-profit corporation or religious or charitable organization that are unrelated to previous owners;

15) allow owners of some properties in Franklin Count to elect to have their property removed from the water district which would normally serve the property;

16) allow solid waste disposal areas and processing waste facilities serving Kansas City to accept yard waste commingled with solid waste resulting from illegal dump cleanup activities or DESCRIPTION (continued)

programs conducted by the Kansas City government under terms of this proposal;

17) define the term "cotton linters" for purposes of the sales tax credit offered in section 260.285, RSMo;

18) allow housing corporations and neighborhood associations to petition and apply for the appointment of a receiver to perform abatements of buildings which threaten public health, safety, or welfare. Current law allows counties or municipalities in which the buildings are located to do so;

19) require landlords of manufactured or mobile home land lease communities to provide written notice to tenants at least 180 days prior to requiring those tenants to vacate the property because of a change in the use of the property;

20) allow not-for-profit organizations to take over and rehabilitate certain abandoned property for any use. Current law requires that properties be rehabilitated as low- or moderate-income housing;

21) add criminal disposal of waste in Kansas City to the list of activities that trigger the Criminal Activity Forfeiture Act (CAFA);

22) change penalties for the crime of institutional vandalism, make vandalism of cemeteries

L.R. NO. 3217-15
BILL NO. SCS for HS for HCS for HB 1305
PAGE 12 OF 13
May 8, 2000

institutional vandalism and give the right of civil action for damages or losses to owners of property adjacent to cemeteries and caretakers of abandoned family cemeteries which were vandalized. Currently those who incur bodily injury or damage to personal property such a right;

23) make several changes to manufactured housing regulations, including applying current regulations to new manufactured homes or modular units or used modular units used for educational purposes, requires manufacturers or dealers of manufactured homes or modular units selling in Missouri to register each location with the Public Service Commission, increasing manufacturer initial and renewal registration fees from \$250 to \$750 and increasing dealer initial and renewal registration fees from \$50 to \$250; and

24) require the Missouri Housing Development Commission to establish a pilot project, in conjunction with the city government, to renovate abandoned housing in the City of St. Louis. The renovated housing would be sold to persons with incomes no more than 300% of the federal poverty level for prices no greater than the cost of renovations.

DESCRIPTION (continued)

Provisions concerning the "Community Comeback Act" and cotton linters are subject to an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This proposal would affect Total State Revenue.

SOURCES OF INFORMATION

Attorney General
Department of Economic Development - Division of Finance
Department of Natural Resources
Department of Revenue
Office of Prosecution Services
State Courts Administrator
State Tax Commission
State Public Defender
City of Kansas City



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L.R. NO. 3217-15
BILL NO. SCS for HS for HCS for HB 1305
PAGE 13 OF 13
May 8, 2000

Director
May 8, 2000