

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2232-01
Bill No.: HJR 19
Subject: Constitutional Amendment; Urban affairs.
Type: Original
Date: April 9, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue*	\$0	(\$174,647)	(\$34,300,000)
Urban Conservation*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds*	\$0	(\$174,647)	(\$34,300,000)

* Mostly subject to voter approval.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Secretary of State's Office (SOS)** state that the statewide newspaper publication of constitutional amendments cost approximately \$1,460 per column inch based on an estimate provided by the Missouri Press Service x 3 for multiple printings as required by the Constitution and state statute = \$4,380 per column inch. The SOS estimates the total number of inches for this amendment to be 25 inches, which includes the title header and certification paragraph. Therefore, SOS estimates the total publication costs to be \$109,500 (\$4,380 x 25).

Officials from the **Office of Administration, Budget and Planning (B&P)** estimate that a 1/8 cent sales tax increase would generate additional revenue of \$43.4 million in FY 2003 (6 months) and \$90.6 million in FY 2004. Budget and Planning also estimate that directing half of all General Revenue interest to the Urban Conservation Commission would result in \$15 million in FY 2003 (6 months) and \$30.3 million in FY 2004.

Officials from the **State Treasurer's Office (STO)** assumes the investment division would not be able to absorb the related workload with existing staff and would require 1/2 of a full-time equivalent (FTE) to carry out the duties charged by this proposal. The STO assumes the need for 1/2 of an Investment Coordinator II (annual salary range of \$30,204 - \$33,972) and estimates the net impact to GR for the half FTE would be roughly \$22,648 each year.

The STO also assumes that the revenue impact of transferring one-half of all the interest earned on money held by the state treasurer for benefit of the general revenue fund would be equivalent to \$34,349,385. This assumes the constitutional amendment would be approved by a vote of the people.

Officials from the **Department of Revenue (DOR)** state this legislation as written would create a Department of Urban Conservation and would impose a sales tax to fund this department. This would be a ballot issue on the general election the Tuesday next following the first Monday in November 2002.

Administrative Impact: The constitutional amendment will increase the sale/use tax rate. DOR will need to send 150,000 notification letters of the rate increase to all registered accounts, costing approximately \$51,000. The MITS sales tax mainframe system will need to have programming changes completed to implement the legislation. It is estimated that 346 hours of programming at a cost of \$11,895. Implementation and testing costs for the State Data Center will be \$2,252. The DOR estimates a total cost of \$65,147 to implement the new sales tax.

DOR collected in state sales and use tax general revenue in Fiscal Year 2000 \$1,660,502,241.

ASSUMPTION (continued)

Officials from the **Office of Administration - Division of Facilities Management (DFM)** state the fiscal impact for DFM would be contingent upon their responsibility for the Department of Urban Conservation's leases; and the number of FTE's employed. The bill to create the DUC does not specifically determine either factor. However, the space and equipment costs for DFM, associated per FTE can be factored as such:

Salary	To be paid by DUC
Fringe Benefits	To be paid by DUC
Rent / Space	200 Sq.Ft./FTE x \$13.50 = \$2,700 per FTE for rent/space
One-time E&E	\$7,230
On-going E&E	\$1,340

The first year costs per FTE are estimated at \$11,270. On-going costs per FTE are estimated at \$4,040.

The fiscal impact for DFM is undetermined at this time, as there is insufficient information and lack of assumptions to provide a determined statement.

Officials from the **State Auditor's Office** and the **Department of Economic Development** assume this proposal would not fiscally impact their agency.

Oversight assumes if voter approval is attained in the November 2002 election for this proposal, the new department would commence operations in January, 2003, or FY 2003 since the sections of the article shall be self-enforcing. Therefore, six months of sales tax revenue is reflected in FY 2003. Oversight also assumes any revenue generated for use by the Urban Conservation Commission and Urban Conservation Department will be spent in the year it is generated. Oversight also assumes the State Treasurer's Office will be able to assume the additional duties caused by the additional department with existing resources. Oversight also assumes the transfer of interest proceeds will first occur in FY 2004.

Oversight assumes the Department of Revenue will not charge a 1% collection fee to the Urban Conservation Commission for the collection of the sales and use tax, therefore, all of the tax proceeds will be credited to the Urban Conservation Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE			
<u>Costs</u> - Department of Revenue implementation of new sales tax*	\$0	(\$65,147)	\$0
<u>Costs</u> - Election costs	\$0	(\$109,500)	\$0
<u>Transfer Out</u> - 1/2 of interest proceeds to Urban Conservation Fund*	<u>\$0</u>	<u>\$0</u>	<u>(\$34,300,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$174,647)</u>	<u>(\$34,300,000)</u>

* Subject to voter approval.

URBAN CONSERVATION FUND

<u>Transfer In</u> - 1/2 of interest of General Revenue Fund	\$0	\$0	\$34,300,000
<u>Income</u> - sales tax revenues	\$0	\$43,400,000	\$90,600,000
<u>Cost</u> - Activities of the Urban Conservation Commission and Urban Conservation Department (see assumptions)	<u>\$0</u>	<u>(\$43,400,000)</u>	<u>(\$124,900,000)</u>
ESTIMATED NET EFFECT TO URBAN CONSERVATION FUND *	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

SUBJECT TO VOTER APPROVAL

*** Does not include possible unknown bond or note sale proceeds, nor does it include possible unknown fee revenue that may be generated by the Urban Conservation Commission.**

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposed constitutional amendment creates a Department of Urban Conservation, increasing the maximum number of departments from 15 to 16.

The Department of Urban Conservation will be in charge of the Urban Conservation Commission. The commission will be responsible for the conservation, restoration, redevelopment, and revitalization of the state's urban resources.

The commission will have authority over state programs designed to remedy blight and deterioration in urban areas as well as the authority to facilitate the revitalization of distressed urban areas. It will also be responsible for reversing the decline of property values in distressed urban areas.

The commission will have 9 members. All appointed members will be knowledgeable and interested in the conservation, restoration, redevelopment, and revitalization of urban areas. Seven members will be appointed by the Governor. No more than 4 of these 7 can be in the same political party. At least 2 of the members will be residents of the City of Kansas City, at least 2 members will be residents of the City of St. Louis, and at least one member will be a resident of the City of Springfield. In addition to these members, the State Treasurer and the State Auditor will also serve as members of the commission.

The members of the commission will hold office for a term of 6 years beginning on July 1 of consecutive odd years. However, for the original 7 members appointed by the Governor, 3 will have terms which expire on June 30, 2003, 2 will have terms which expire on June 30, 2005, and 2 will have terms which expire on June 30, 2007. Members of the commission will receive no salary or other compensation; however, they will be reimbursed for expenses incurred in the performance of their duties.

The department may acquire, through a variety of means (including eminent domain), all property which is necessary, useful, or convenient for its purposes.

DESCRIPTION

The commission will appoint a Director of the Department of Urban Conservation. The director will appoint and determine the qualifications and salaries for employees necessary for the department. No member of the commission can be appointed or employed by the department or the director.

The Urban Conservation Commission will receive funding from various sources, including:

- An additional sales tax of 0.125% will be imposed as well as an additional compensating use tax of 0.125%.
- the Urban Conservation Commission may issue negotiable revenue bonds or notes to raise funds for achieving its purpose, including the making of mortgage loans to purchasers of property from the commission, for the rehabilitation of existing structures, for the construction of new structures, for establishment of reserves to secure such bonds and notes. Notes or bonds issued by the commission shall not be considered a debt of the state.
- upon commencement of each state fiscal year, the state treasurer shall transfer to the commission, moneys from the state general revenue fund in the amount equivalent to one-half of all interest earned on moneys held by the state treasurer for benefit of the general revenue fund during the immediately preceding fiscal year.
- additional moneys appropriated by the General Assembly,
- all fees, moneys or funds arising from the operations and transactions of the Department of Urban Conservation.

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

RAS:LR:OD (12/00)

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Office of the Secretary of State
Office of Administration
 Budget and Planning
 Facilities Management
Department of Economic Development
Department of Revenue
State Treasurer's Office
State Auditor's Office

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director

April 9, 2001