

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3616-04
Bill No.: HB 1480
Subject: Cities, Towns and Villages; Health Care; Law Enforcement Officers and
Agencies; Retirement - Local Government
Type: Original
Date: March 10, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(Less than \$157,178)	(Less than \$111,008)	(Less than \$111,008)
Total Estimated Net Effect on General Revenue Fund*	(Less than \$157,178)	(Less than \$111,008)	(Less than \$111,008)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Police Chiefs' and Officers' Annuity and Healthcare Fund	\$4,251,187	\$5,101,424	\$5,101,424
Criminal Records Systems	\$2,134,430	\$2,561,316	\$2,561,316
Total Estimated Net Effect on <u>All</u> State Funds	\$6,385,617	\$7,662,740	\$7,662,740

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	(\$36,587 to Unknown)	(\$43,904 to Unknown)	(\$43,904 to Unknown)

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement (JCPER)** indicated the above-referenced legislation is a substantial proposed change in future plan benefits as defined in Section 105.665(5). Therefore, an actuarial cost statement as defined in Section 105.665 must be provided prior to final action on this legislation by either legislative body or committee thereof.

Pursuant to Section 105.670, this actuarial cost statement must be filed with 1) the Chief Clerk of the Missouri House of Representatives, 2) the Secretary of Senate and 3) the Joint Committee on Public Employee Retirement as public information for at least five (5) legislative days before final passage of the bill.

An actuarial cost statement for this legislation has not been filed with the Joint Committee on Public Retirement. It would be impossible to accurately determine the fiscal impact of this proposed legislation without the actuarial cost statement prepared in accordance with Section 105.665.

ASSUMPTION (continued)

Contributions to the Police Chiefs' and Officers' Annuity and Healthcare fund are generated from two sources:

1) Increased fees charged from criminal history record searches.

The proposal allows the Criminal Records and Identification Division (CRID) to increase its charge for a name check from \$5 to \$15 and to increase its charge for a fingerprint check from \$14 to \$25. Of this charge, \$5 is to be deposited into the Police Chiefs and Officers' Annuity and Healthcare fund.

In calendar year 2003, CRID processed 501,060 name checks and 9,663 fingerprint searches. If a similar number was performed under the proposed legislation, \$2,551,980 would be deposited into the Police Chiefs' and Officers' Annuity and Healthcare fund annually. It should be noted, however, that CRID routinely waives its fee for name and fingerprint checks to state governmental agencies. The exact number of PAID requests in 2003 could not be immediately determined by CRID staff. As a result, the total amount generated from this fee could be expected to be less than \$2.5 million if the policy of waiving this fee for state agencies remains in effect.

2) Increased surcharges stemming from criminal court cases, including traffic law violations.

The proposal provides that a \$4 surcharge will be applied to all criminal court cases, including county and municipal ordinance violations and state criminal and traffic laws violations, including infractions.

The Office of State Courts Administrator (OSCA) has identified \$1,091,907 in court fees for cases reporting through their office. There are an additional 500 municipal courts that do not report to OSCA. In order to provide an estimate of possible revenue generated by the proposal, staff identified a similar criminal court fee structure which funds the Department of Public Safety's Peace Officer Standards and Training (POST) program. This program authorizes a \$1 surcharge on all criminal court cases and POST personnel indicated the revenue generated from criminal court cases for this program in 2003 was \$1,275,356. Based on this information, it is estimated that the \$4 surcharge would generate approximately \$5,101,424.

ASSUMPTION (continued)

To further verify the information provided by DPS-POST program, JCPER staff surveyed 4 cities of various sizes to estimate the amount of revenue the municipal courts in these cities could generate from the proposed surcharge. The results (with revenues generated from \$4 fee) were as follows:

<u>City/Population</u>	<u>Cases per year</u>	<u>Revenues from \$4 fee*</u>
Sullivan, MO (pop. 6,300)	900 cases/year	\$ 3,600
Columbia, MO (pop. 85,000)	6,100 cases/year	\$ 24,000
Springfield, MO (pop. 152,000)	26,000 cases/year	\$104,000
Kansas City, MO (pop. 442,000)	185,000 cases/year	\$740,000

*This revenue does not reflect exceptions to the surcharge included in the proposal.

Officials with the **Kansas City Board of Police Commissioners (KCBOPC)** licenses approximately 1,500 private security providers who are required to have a request for criminal history record information based on a fingerprint search. Part of the license fee reimburses KCBOPC for fourteen dollars it pays to the State per request for criminal history record information based on a fingerprint search. If RSMo section 43.530 were changed to increase this cost to twenty-five dollars, KCBOPC would request that its fees pursuant to Title 17 CSR 10-2.040 be increased accordingly, with said increase passed on to private security service providers.

The net effect would be zero to KCBOPC since it would seek to raise Title 17 CSR 10-2.040 license fees by \$16,500 in order to cover the increased cost of \$16,500 that would be paid to the State. The \$16,500 amount represents the difference between the present fourteen dollar cost and proposed twenty-five dollar cost times 1,500 requests.

Officials with the **Office of State Courts Administrator (OSCA)** assume this proposal would impose a \$4.00 surcharge on all criminal cases, including municipal and ordinance violations but excluding cases processed by the Fine Collection Center. This money is to be deposited into the "Police Chiefs' and Officers' Annuity and Healthcare Fund".

Based on FY03 data, OSCA estimates that the fund would receive approximately \$1,091,907. This includes a calculation for the percent of surcharges usually collected in a given case type.

Officials with the **City of Kansas City** assume based on an estimate relying on past background checks that have been run, the cost of the proposed legislation would cost the City an additional \$43,904 on an annual basis.

ASSUMPTION (continued)

Oversight assumes the cost of the proposal will also affect other cities in the state.

Officials with the **Local Government Employees' Retirement System, County Employees' Retirement System, State Treasurer's Office and Police Retirement System of Kansas City** assume no fiscal impact to their agencies.

Officials with the **Missouri Highway Patrol** state the Criminal Records and Identification Division (CRID) currently charges \$5.00 for a name check and \$14.00 for a fingerprint check. The proposal allows the division to charge not more than \$15.00 for a name check and not more than \$25.00 for a fingerprint check. The Patrol assumes that it would raise the fee the full amount allowed in the first year. If the fee were not raised the full amount, there would be the potential for a loss of revenue, including the current revenue CRID receives from name checks and fingerprint checks. If the fee were only raised to \$7 per name check, and a \$5 fee was removed and deposited to the annuity fund, the total amount credited to CRID's fund would be \$2. That's \$3 less than what they currently receive.

The Criminal Records Identification Division processes 501,060 name searches, which generates \$2,505,300 (501,060 x \$5) in revenue. The MHP assumes the additional revenue that could be generated with this proposal from the name searches, could be up to an additional \$2,505,300 (after removing the \$5 per check that will be deposited to the annuity fund).

\$15 per check (\$10 increase) = \$7,515,900 total revenue based on 501,060 searches

\$5 per check deposited into Annuity Fund = \$2,505,300

Total remaining in Criminal Records Systems fund = \$5,010,600 (of which \$2,505,300 is new revenue based on the increase of \$5 in the fee)

Currently, the Criminal Records Identification Division processes 9,336 fingerprint searches, which generates \$130,704 (9,336 x \$14) in revenue. The MHP assumes the additional revenue that could be generated with this proposal from the fingerprint searches, could be up to an additional \$56,016

\$25 per check (\$11 increase) = \$233,400 total revenue based on 9,336 fingerprint checks

\$5 per check deposited into Annuity Fund = \$46,680

ASSUMPTION (continued)

Total remaining in Criminal Records Systems fund = \$186,720 (of which \$56,016 is new revenue based on the \$6 increase in fees)

The overall combined increase for the Criminal Records and Identification Fund, based on the increased fee for name checks and the increased fee for fingerprints checks and after both a \$5 fee for name checks and a \$5 fee for fingerprint checks are deposited into the Police Chiefs' and Officers' Annuity and Health Care Fund, the remaining new revenue would be \$2,561,316 being deposited into our fund.

Officials with the **Division of Budget and Planning (BAP)** assume the proposal should not result in additional costs or savings to BAP.

Officials with the **Department of Revenue (DOR)** assume this proposal establishes the Police Chiefs' and Officers' Annuity and Healthcare Fund and has not fiscal impact on the Department of Revenue. It also contains language (Section 86.988) specifying that any annuity, benefits, funds, property, or rights created by, or accruing to, any person under the provisions of sections 86.949 to 86.994 are exempt from any tax of the state of Missouri. This language does have a fiscal impact on the DOR, as it would require the DOR to modify the Missouri Adjusted Gross income line on the MO-A form and on the instructions

Oversight assumes there would be a loss to general revenue for income tax deductions for the annuity which would be less than \$100,00.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
<u>Loss</u> - Income Tax Deduction for Annuity*	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - Department of Revenue			
Salaries	(\$7,785)	(\$7,785)	(\$7,785)
Fringe Benefit	(\$3,223)	(\$3,223)	(\$3,223)
Equipment & Expense	<u>(\$46,170)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Less than \$157,178)</u>	<u>(Less than \$111,008)</u>	<u>(Less than \$111,008)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
POLICE CHIEFS' AND OFFICERS' ANNUITY AND HEALTHCARE FUND			
<u>Income</u> - Surcharge Municipal Criminal Court Fees	<u>\$4,251,187</u>	<u>\$5,101,424</u>	<u>\$5,101,424</u>
ESTIMATED NET EFFECT ON POLICE CHIEFS' AND OFFICERS' ANNUITY AND HEALTHCARE FUND	<u>\$4,251,187</u>	<u>\$5,101,424</u>	<u>\$5,101,424</u>
CRIMINAL RECORD SYSTEM			
<u>Income</u> - Increase in fees finger/name	\$6,457,750	\$7,749,300	\$7,749,300
<u>Cost</u> -Expense & Equipment	<u>(\$4,323,320)</u>	<u>(\$5,187,984)</u>	<u>(\$5,187,984)</u>
ESTIMATED NET EFFECT ON CRIMINAL RECORD SYSTEM	<u>\$2,134,430</u>	<u>\$2,561,316</u>	<u>\$2,561,316</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
CITY OF KANSAS CITY AND VARIOUS OTHER CITIES			
<u>Cost</u> - Background Checks	<u>(\$36,587 to Unknown)</u>	<u>(\$43,904 to Unknown)</u>	<u>(\$43,904 to Unknown)</u>
ESTIMATED NET EFFECT ON CITY OF KANSAS CITY AND VARIOUS OTHER CITIES	<u>(\$36,587 to Unknown)</u>	<u>(\$43,904 to Unknown)</u>	<u>(\$43,904 to Unknown)</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

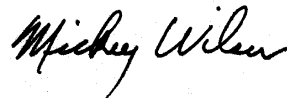
This bill creates the Police Chiefs' and Officers' Annuity and Healthcare Fund. The annuity will be funded by member contributions of \$20 per month; a \$4 surcharge in all criminal cases, including infractions and ordinances; and \$5 from the fees the State Highway Patrol charges for criminal record requests. A five-member board of police officers and police chiefs will oversee the fund; hire an executive director; and contract for the services of an actuary, investment counsel, and accountant. The fund will make monthly payments, of an amount determined by the board, for five years to eligible members. The bill specifies the terms of eligibility and how creditable service is determined. The annuity payments are exempt from state income taxes and any kind of execution, garnishment, or attachment. Eligible members can start drawing the annuity five years after its creation.

The bill also increases the fees that the State Highway Patrol charges for criminal record requests. The charge for requests that do not involve a fingerprint search will increase from \$5 to \$15. For requests based upon a fingerprint search, the bill increases the fee from \$14 to \$25.

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

Joint Committee on Public Employee Retirement
City of Kansas City
Local Government Employees' Retirement System
County Government Employees' Retirement System
Office of State Courts Administrator
Kansas City Board of Police Commissioners
Police Retirement System of Kansas City
State Treasurer's Office
Missouri Highway Patrol
Division of Budget and Planning
Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 10, 2004