

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0387-01
Bill No.: HB 31
Subject: Eminent Domain and Condemnation; Property, Real and Personal
Type: Original
Date: January 22, 2007

Bill Summary: Would require businesses in areas taken by eminent domain to reimburse the persons displaced from those areas.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	(\$59,504)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	(\$59,504)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Missouri Condemnation Proceeds Equity Fund *	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

* net of revenues and expenditures.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	1.0	0.0	0.0
Missouri Condemnation Proceeds Equity Fund	0.0	1.0	1.0
Total Estimated Net Effect on FTE	1.0	1.0	1.0

☐ 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 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** and the **Office of the State Treasurer** assume this proposal would have no fiscal impact to their organizations.

Officials from the **Office of the Secretary of State** (SOS) stated the following:

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 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, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Revenue** (DOR) assume this proposal would require businesses in areas taken by eminent domain to reimburse persons displaced from that area, from the Missouri Condemnation Proceeds Equity Fund, which would be created by this legislation. This legislation would require DOR to add a line to the income tax return (MO-1040, 1040 family, MO-1120, and the 1120 family) for informational purposes (to show gross, Missouri-source income).

Personal Tax anticipates One Tax Season Temporary Employee would be required to key the extra line on the Missouri individual income tax forms.

Customer Services anticipates increased phone calls due to the confusion generated from this additional line, but would expect to handle the increase of phone calls with existing staff.

Corporate Income/Franchise - This proposal would require a line on each income tax return indicating the amount of gross income from sources within Missouri.

Office of Administration Information Technology (DOR) does not anticipate this legislation would have an impact on their organization.

ASSUMPTION (continued)

Oversight assumes that the modest additional duties which would be required if this legislation was enacted could be absorbed by DOR with existing staff. If multiple proposals are enacted which require additional duties, or if unanticipated additional duties are added, DOR could request resources through the budget process.

Officials from the **Department of Economic Development** (DED) assume this proposal would require system support to calculate and track square foot ownership of buildings for 20 years in a specific region that are taken by eminent domain. The system would have to allow for input of tax collections, and calculate distributions after the cost of DED administration is taken out.

The system would need to be set up to send bills to eminent domain takers for 2% of Missouri-source gross income in cases where they do not pay. DED would have to input owner information or successor information into the system. DED would be required to track this over 20 years and make distributions of funds. DED anticipates the need for one person to administer this program plus ITSD support. More personnel would possibly need more if the responsibility grew significantly.

DED submitted a total cost estimate for this proposal including a 1.0 FTE Economic Development Incentives Specialist II and related equipment and expense; the total was \$76,151 from the General Revenue Fund for FY 2008, and \$79,990 for FY 2009 and \$82,388 from the Missouri Condemnation Proceeds Equity Fund.

Oversight has, for fiscal note purposes only, changed the starting salary for the new position 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 for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted equipment and expense amounts in accordance with OA budget guidelines, and Oversight assumes that one additional FTE could be placed in existing office space.

Oversight assumes this proposal would generate unknown revenues in the Missouri Condemnation Proceeds Equity Fund for projects completed after January 1, 2008. Revenues would be calculated as two percent of Missouri-source gross income based on the eminent domain user's income tax returns. Oversight also assumes the first revenues could be reported as soon as June 15, 2008 but would likely be negligible until after June 30, 2008 (FY 2009). Oversight assumes that the annual net fee distributions due to displaced persons as defined in the proposal would be substantially paid out before the end of the state fiscal year and approximately equal to revenues less administrative costs.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Costs - Department of Economic Development</u>			
Personal Service (1.0 FTE)	(\$29,290)	\$0	\$0
Fringe Benefits	(\$12,905)	\$0	\$0
Expense and Equipment	<u>(\$17,309)</u>	<u>\$0</u>	<u>\$0</u>
Total Costs - DED	<u>(\$59,504)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$59,504)</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change for General Revenue Fund	1.0	0.0	0.0
MISSOURI CONDEMNATION PROCEEDS EQUITY FUND			
<u>Revenues - Department of Economic Development</u>			
Eminent domain user fees	\$0	<u>Unknown</u>	<u>Unknown</u>
<u>Costs - Department of Economic Development</u>			
Personal Service (1.0 FTE)	\$0	(\$36,202)	(\$37,289)
Fringe Benefits	\$0	(\$15,951)	(\$16,429)
Expense and Equipment	\$0	\$13,417	\$13,819
Distributions to displaced persons *	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
Total Costs - DED	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO THE MISSOURI CONDEMNATION PROCEEDS EQUITY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
* Distributions assumed equal to revenues less administrative costs.			
Estimated Net FTE Change for Missouri Condemnation Proceeds Equity Fund	0.0	1.0	1.0

<u>FISCAL IMPACT - Local Government</u>	<u>FY 2008</u> <u>(10 Mo.)</u>	<u>FY 2009</u>	<u>FY 2010</u>
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses involved in areas where there is a condemnation for economic development purposes.

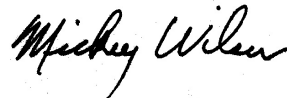
FISCAL DESCRIPTION

The proposed legislation would require businesses in areas taken by eminent domain to reimburse the persons displaced from those areas.

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

Office of State Courts Administrator
Office of the Secretary of State
Office of the State Treasurer
Department of Economic Development
Department of Revenue



Mickey Wilson, CPA
Director
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