

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4064-02
Bill No.: HCS for HJR 71
Subject: Constitutional Amendments; Revenue Department; Taxation and Revenue - Sales and Use; Veterans
Type: Original
Date: March 5, 2008

Bill Summary: This bill proposes a constitutional amendment creating the Missouri Veterans' Commission and establishing a sales tax for veterans' programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	\$0 or (\$65,250)	\$0 or \$35,482,463	\$0 or \$37,256,586
Total Estimated Net Effect on General Revenue Fund	\$0 or (\$65,250)	\$0 or \$35,482,463	\$0 or \$37,256,586

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Missouri Veterans' Commission Sales Tax Fund	\$0 or \$51,670,000	\$0 or \$103,340,000	\$0 or \$103,340,000
Road Funds	\$0 or \$4,762,750	\$0 or \$9,525,500	\$0 or \$9,525,500
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or \$56,432,750	\$0 or \$112,865,500	\$0 or \$112,865,500

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	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 2009	FY 2010	FY 2011
Local Government	\$0 or \$1,587,250	\$0 or \$3,174,500	\$0 or \$3,174,500

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state Taxation anticipates a cost for mailing notifications to 150,000 currently registered sales tax accounts, for a cost of \$65,250 (150,000 @ \$0.025 + 150,000 @ \$0.41).

Due to the Statewide Information Technology Consolidation, DOR's response to a proposal will now also reflect the cost estimates prepared by OA-IT for impact to the various systems. As a result, the impact shown may not be the same as previous fiscal notes submitted. In addition, if the legislation is Truly Agreed To and Finally Passed the OA-IT costs shown will be requested through appropriations by OA-IT.

Office of Administration Information Technology (ITSD DOR) estimates the IT portion of this request can be accomplished within existing resources; however; if priorities shift, additional FTE/overtime would be needed to implement. Office of Administration Information Technology (ITSD DOR) estimates that this legislation could be implemented utilizing 2 existing CIT III for 2 months for modifications to MITS. The estimated cost is \$16,744.

Officials from the **Office of the Secretary of State - Rules Division** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$2,500. The Secretary of State's office 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 **Office of the Secretary of State - Elections Division** state many joint resolutions are considered by the General Assembly that would require the Secretary of State's office to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated

in even

ASSUMPTION (continued)

numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2007, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.2 million to publish (an average of \$193,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of our appropriation.

Officials from the **Missouri Veterans' Commission (VET)** assume the proposal would generate \$45 million in revenue in FY 2009, \$92.7 million in FY 2011 and \$95.481 million in FY 2012. The VET assumes the sales tax proceeds would take the place of General Revenue that is used to operate their programs. Therefore, the VET assumes a savings to the General Revenue Fund of \$35,482,463 in FY 2010 and \$37,256,586 in FY 2011.

Oversight assumes if the legislation passes and the ballot is approved by voters in the November, 2008 general election, this proposal could result in sales tax collections beginning January 1, 2009 (or six months in FY 2009). According to the FY 2006 CAFR prepared by the Department of Revenue, the sales tax collections for the Conservation Fund (also one-eighth of one percent) was \$89,397,933 for sales and use plus \$9,671,285 for their portion of the motor vehicle sales. For FY 2007, the amounts were \$90,640,053 and \$12,692,521 respectively. The Conservation Commission sales tax revenue generated from the sale of motor vehicles is divided between the Conservation Commission Fund (50%), Highway and Transportation Funds (37.5%) and Cities and Counties (12.5%). For purposes of this fiscal note, Oversight will assume no growth in sales tax proceeds during the scope of this fiscal note. Therefore, using FY 2007 sales tax collections for the Conservation Commission, Oversight will assume \$103,340,000 (\$90.640 million + \$12.7 million) in sales tax revenue for the Veterans' Commission. Oversight will also assume \$9,525,500 (37.5%/50% x \$12.7 million) in sales tax revenue for the state's Road Funds, as well as \$3,174,500 (12.5%/50% x \$12.7 million) in revenue for cities and counties. Oversight will reflect the potential sales tax income as \$0 to the stated amounts, since this would be effective only upon voter approval.

Oversight will utilize VET's estimate of potential savings in General Revenue spending if the

dedicated sales tax is passed/established.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal creates the Missouri Veterans' Commission, and a 1/8-cent sales tax to fund their activities. BAP notes that the sales tax for Conservation purposes is also 1/8-cent, and generated \$103.3 million in FY '07. Therefore, this proposal will create a similar amount of dedicated revenues. This proposal excludes these revenues from total state revenues.

This proposal, along with voter approval could increase Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Savings</u> - Veterans' Commission - potential savings from programs funded from new sales tax instead of General Revenue funding	\$0	\$0 or \$35,482,463	\$0 or \$37,256,586
<u>Costs</u> - Department of Revenue - notification of existing sales tax collectors	<u>\$0 or (\$65,250)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0 or (\$65,250)</u>	<u>\$0 or \$35,482,463</u>	<u>\$0 or \$37,256,586</u>

**MISSOURI VETERANS'
COMMISSION SALES TAX**

<u>Revenue</u> - Missouri Veterans' Commission - sales & use tax proceeds from one eighth of one percent tax rate	<u>\$0 or \$51,670,000</u>	<u>\$0 or \$103,340,000</u>	<u>\$0 or \$103,340,000</u>
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**ESTIMATED NET EFFECT TO THE
 MISSOURI VETERANS'
 COMMISSION SALES TAX**

<u>\$0 or</u>	<u>\$0 or</u>	<u>\$0 or</u>
<u>\$51,670,000</u>	<u>\$103,340,000</u>	<u>\$103,340,000</u>

FISCAL IMPACT - State Government
 (continued)

FY 2009
 (10 Mo.)

FY 2010

FY 2011

ROAD FUNDS

Revenue - Missouri Veterans'
 Commission - sales and use tax proceeds
 on motor vehicles (37.5% of 50%)

\$0 or
\$4,762,750

\$0 or
\$9,525,500

\$0 or
\$9,525,500

**ESTIMATED NET EFFECT TO
 ROAD FUNDS**

\$0 or
\$4,762,750

\$0 or
\$9,525,500

\$0 or
\$9,525,500

FISCAL IMPACT - Local Government

FY 2009
 (10 Mo.)

FY 2010

FY 2011

CITIES AND COUNTIES

Revenue - Missouri Veterans'
 Commission - sales and use tax proceeds
 on motor vehicles (12.5% of 50%)

\$0 or
\$1,587,250

\$0 or
\$3,174,500

\$0 or
\$3,174,500

**ESTIMATED NET EFFECT TO
 CITIES AND COUNTIES**

\$0 or
\$1,587,250

\$0 or
\$3,174,500

\$0 or
\$3,174,500

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

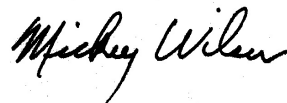
Upon voter approval, this proposed constitutional amendment authorizes a dedicated sales tax of one-eighth of 1% for the purpose of funding veterans' homes, services, and programs. The tax becomes effective January 1, 2009, and terminates December 31, 2016, unless reauthorized by the voters. If reauthorized, the tax will be reduced to one-tenth of 1%. The sales tax must be reauthorized by the voters every 10 years.

The amendment constitutionally establishes the Missouri Veterans' Commission within the Department of Public Safety consisting of nine members, five of whom will be veterans appointed by the Governor. The other four will be members from the General Assembly, two from the House of Representatives, appointed by the Speaker, and two from the Senate, appointed by the President Pro Tem, each serving a single two-year term.

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 the Secretary of State
Missouri Veterans' Commission
Department of Revenue
Office of Administration - Budget and Planning



Mickey Wilson, CPA
Director
March 5, 2008