COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1097-03
Bill No.: HCS for HB 290
Subject: Insurance - General; Political Subdivisions
Type: Original
Date: May 3, 2011

Bill Summary: Changes provisions relating to local government.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	$231,324 to (Could exceed $3,368,676)	($128,768 to Could exceed $13,328,768)	($94,434 to Could exceed $23,494,434)
Total Estimated Net Effect on General Revenue Fund	**$231,324 to (Could exceed $3,368,676)**	**($128,768 to Could exceed $13,328,768)**	**($94,434 to Could exceed $23,494,434)**

NOTE: The fiscal note does not reflect the possibility that some tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 29 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Fire Sprinkler Contractor Registration	$108,464	($67,735)	$63,001
Missouri Electrical Industry Licensing	$0	$353,683	($126,549)
Professional Registration (PR) Fees	($87,512)	$0	$0
Total Estimated Net Effect on Other State Funds	**$20,952**	**$285,948**	**($63,548)**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	9	9	9
Fire Sprinkler Contractor Registration	1	1	1
Electrical Industry Licensing	1.5	1.5	1.5
Total Estimated Net Effect on FTE	**11.5**	**11.5**	**11.5**

☐ 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 2012	FY 2013	FY 2014
Local Government	**Unknown to (Unknown)**	**Unknown to (Unknown)**	**Unknown to (Unknown)**

FISCAL ANALYSIS

ASSUMPTION

Bill as a whole:

Officials from the **Office of State Courts Administrator, Department of Natural Resources , Department of Labor and Industrial Relations, Missouri Department of Transportation, Missouri Department of Conservation, Office of Prosecution Services, Office of State Auditor, Missouri Senate, Office of State Treasurer, State Tax Commission, St. Charles County, Columbia Police Department, Springfield Police Department, Parkway School District, Kansas City Metropolitan Community College, Northwest Missouri State University, University of Central Missouri, Missouri State University** and the **University of Missouri** assume the proposal would have no fiscal impact on their agencies.

In response to an earlier version of this proposal, officials from the **City of Richmond, Harris-Stowe State University, East Central College, Missouri Western State University** and **Missouri Southern State University** assumed the proposal would have no fiscal impact on their agencies.

Officials from the **Office of Administration (OA) - Administrative Hearing Commission** anticipate this legislation will not significantly alter its caseload. However, if other similar bills also pass, there are more cases, or the cases are more complex, there could be a fiscal impact.

Officials from the **Joint Committee on Public Employee Retirement** state the proposal does not create a "substantial proposed change" as defined in section 105.660(10). Therefore, an actuarial cost statement is not required.

Officials from the **Office of the Governor (GOV)** do not anticipate the GOV will incur added costs as a result of this bill. However, if additional duties are placed on the office related to appointments in other TAFP legislation, there may be the need for additional staff resources in future years.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than $2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

ASSUMPTION (continued)

Officials from the **OA - Division of Budget and Planning (BAP)** did not respond to **Oversight's** request for a statement of fiscal impact. However, in response to an earlier version of this proposal, officials from the BAP stated the proposed legislation should not result in additional costs or savings to the BAP. However, the proposal will have the following impact on the state:

The proposal contains tax credits and tax exemptions that will have an unknown impact that is greater than an aggregate of $480 million from 2012 - 2026.

Section 135.1505 allows for the formation of gateway zones and special local assessments. Revenues shall be used to market and promote the gateway zones. This section of the proposal will have no direct impact on general and total state revenues.

Sections 135.1507 and 135.1511 provides that qualifying transports are eligible to receive air export tax credits based on shipment weights. The total amount of credits available is $60 million. This proposal may reduce general and total state revenues by $3.6 million in FY 12; $4.2 million in FY 13, $5.4 million in FY 14, and an unknown amount in the following years until the cap is reached.

Section 135.1509 provides tax credits may be authorized until August 28, 2019.

Section 135.1513 provides for all tax years beginning after January1, 2013, these benefits apply: 1) Any tenant of an eligible facility shall be exempt from income and franchise taxes for the eligibility period (up to eight years). This will reduce general and total state revenues an unknown amount; 2) Any tenant of an eligible facility shall retain 50% of employee withholdings during the eligibility period, regardless of the facilities participation in a TIF program. This will reduce general and total state revenues an unknown amount; 3) The owner of a qualifying facility shall be entitled to tax credits against income, finance, or franchise taxes equal to 3-5% of eligible costs annually, up to a limit of 15-25% of eligible costs; and 4) The owner of a qualifying facility shall be entitled to tax credits against income, finance, or franchise taxes equal to 75% of qualifying interest costs for three years, up to 7% interest.

Section 135.1517 provides: 1) The total amount of owner credits for eligible costs shall not exceed $300 million. Credits issued cannot exceed $6 million in CY 13, $12 million in CY 14, $15 million in CY 15, $20 million in CYs 16-19, $30 million in CYs 20-25, and $7 million in the final year. This proposal will reduce general and total state revenues in corresponding amounts in the appropriate fiscal years and 2) The total amount of owner credits for eligible interest costs shall not exceed $120 million. Credits issued cannot exceed $3 million in CY 13, $6 million in

ASSUMPTION (continued)

CY 14, $9 million in CY 15, $10 million in CYs 16-25, and $2 million in the final year. This proposal will reduce general and total state revenues in corresponding amounts in the appropriate fiscal years.

Section 135.1519 provides that tax credits issued under these sections are transferrable. There are no provisions that exclude recipients of these benefits from participating in other state incentive programs.

This proposal may encourage other economic activity, but the BAP cannot estimate the induced revenues.

Sections 320.400 - 320.416 creates the Fire Sprinkler System Advisory Council and provides additional duties for the state fire marshal. The Council may charge fees to offset its cost. Such fees would increase total state revenues by an unknown amount. The BAP defers to the Division of Fire Safety for an estimate of costs associated with the certification and registration of fire sprinkler contractors.

Sections 324.905 - 324.945 in this proposal creates the Missouri Electrical Industry Licensing Board to assess and administer licenses to certain electrical contractors. This proposal will increase total state revenues by an unknown amount. The BAP defers to the Department of Insurance, Financial Institutions and Professional Registration for an estimate of increased revenues and associated costs.

Officials from the **OA - Division of Facilities Management, Design and Construction (FMDC)** did not respond to **Oversight's** request for a statement of fiscal impact. However, in response to similar legislation from the current session (HCS #2 SB 97), officials from the FMDC stated this proposal would have no fiscal effect on the FMDC. However, certain property is not offered for public sale and market value is not paid by the State. There is a potential loss of revenue of $698,875:

Section 1 - Mental Health Property

This property is located in St. Francois County and totals 23.01 acres. The estimated value is $460,008. If the property is not offered for public sale and market value is not paid to the State, there is a potential loss of revenue.

ASSUMPTION (continued)

Section 2 - Highway Department Parcel

This property is located in St. Francois County and totals 0.95 acres. The estimated value is $18,992. The Missouri Department of Transportation has agreed to pay fair market value.

Section 3 - Southeast Missouri State University

Not state property, therefore, no fiscal impact.

Section 4 - Farmington Correctional Center

This property is located in St. Francois County. Tracts 1 and 2 total 10.27 acres and the estimated value is $128,375. If the property is not offered for public sale and market value is not paid to the State, there is a potential loss of revenue.

Section 5 - Farmington Correctional Center

This property is located in St. Francois County. Tracts 1 and 2 total 7.02 acres and the estimated value is $91,500. If the property is not offered for public sale and market value is not paid to the State, there is a potential loss of revenue.

Section 6 - Conveyance to St. Francois County Jail

Clean up of prior legislation. No fiscal impact.

In response to similar legislation filed this year (HB 753), officials at **Southeast Missouri State University (SEMO)** state this proposal authorizes SEMO to convey property to the Cape Area Habitat for Humanity. The property at 319 S. Ellis Street in Cape Girardeau, Missouri was donated to the University in 1977, prior to the establishment of the Southeast Missouri University Foundation. The Foundation is a 501(c)3 corporation which now serves as the gift receiving organization for the University.

SEMO states the property is located approximately one mile from the main campus and is a small vacant lot that does not provide any building opportunity for the university. This proposal would allow the university to transfer ownership of an asset that currently requires maintenance by the university but provides no opportunity for practical use by the University. SEMO assumes there is no fiscal impact from this proposed legislation.

ASSUMPTION (continued)

Officials from the **Department of Corrections (DOC)** state the penalty provision component of this bill resulting in potential fiscal impact for the DOC, is an unclassed felony with between two and five year imprisonment. Currently, the DOC cannot predict the number of new commitments which may result from the creation of the offense(s) outlined in this proposal. An increase in commitments depends on utilization by prosecutors and the actual sentences imposed by the court.

If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in direct offender costs either through incarceration (FY 10 average of $16.397 per offender, per day, or an annual cost of $5,985 per inmate) or through supervision provided by the Board of Probation and Parole (FY 10 average of $3.92 per offender, per day, or an annual cost of $1,431 per offender).

Supervision by the DOC through probation or incarceration would result in additional unknown costs to the department. Seventeen (17) persons would have to be incarcerated per each fiscal year to exceed $100,000 annually. Due to the narrow scope of this new crime, it is assumed the impact would be less than $100,000 per year for the DOC.

Oversight assumes it is unknown how many persons may be convicted and incarcerated as a result of the provisions of this proposal. Therefore, **Oversight** assumes cost associated with this proposal could be absorbed with current resources. If additional resources would be needed, the DOC could submit requests through the appropriation process.

Officials from the **Department of Public Safety (DPS) - Division of Alcohol and Tobacco Control (ATC)** state there are approximately 4,030 by-drink establishments in the 25 cities and counties that have smoking bans in workplaces, bars and restaurants. It is believed that 20% (806) of those establishments will apply for a smoking permit. In order to satisfy the requirements for this license are met, agents will need to visit the premises and determine if they have an eligible air filtration system, whether there are waivers signed by each employee, investigation of the financial hardship document, assure that restaurants have a separate enclosed smoking section and that no person under the age of 18 works for the permittee. There will be more permitting duties that will require an additional Senior Office Support Assistant to help with the licensing files, data entry of licenses into the system, coordinate disciplinary conferences, and prepare correspondence.

In addition, the ATC has requested five (5) Agents located in each district office (Kansas City, Jefferson City, St. Louis, Springfield, and Cape Girardeau). These Agents will investigate potential licensees to make sure they meet the requirements and train on alcohol and tobacco

ASSUMPTION (continued)

laws. They will travel within their districts and assure that smoking permittees are abiding by the law and that establishments that have smoking patrons are properly licensed. They will investigate complaints and prepare violation reports for violations of Section 7.

The ATC estimates the net effect of this proposal to be $378,388 for FY 12; $27,929 for FY 13; and $23,262 for FY 14.

Oversight has, for fiscal note purposes only, changed the starting salary for the five (5) ATC Agents 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.

Officials from the **Department of Economic Development** (**DED**) **- Division of Business and Community Services (BCS)** state this proposal establishes the Aerotropolis Trade Incentive and Tax Credit Act to encourage foreign trade and requires the DED to administer the tax credit program. The DED assumes a negative fiscal impact in excess of $100,000. The DED would require two additional FTE's to administer the program due to the anticipated amount of administration involved. Both FTE's would be Economic Development Incentive Specialist III's and would be responsible for reviewing and approving the applications for the program to determine eligibility, establishing procedures, reviewing the tax credit applications to make sure they meet the criteria of the program, drafting and sending the tax credit awards, and ensuring compliance with the program.

The proposal authorizes the City of St. Louis or any county to designate gateway zones. The air export tax credit is a 30% credit with an aggregate fiscal year cap of $60 million (§135.1511). Freight forwarders are required to file an application with DED in order to receive the tax credits which are based on the weight and type of freight. These credits may be carried forward. The act requires DED to establish procedures to allow freight forwarders to receive air export tax credits within five business days of the departure of the qualifying flight.

The second type provides incentives for owners and tenants of qualifying facilities located in a gateway zone in the form of tax credits, retained withholdings taxes and/or tax exemptions. The aggregate calendar year cap is $300 million [§135.1513(3) and (4)] based on the eligible costs of the qualifying facility. Owners of eligible facilities are also entitled to receive tax credits over a three year period equal to 75% of a loan, provided the loan has a rate equal to or less than 7% per year. It provides for an aggregate calendar year cap totaling $120 million [§135.1513(5)] based on the interest rate for the loan. The tax credits may be carried forward for six years and are transferable. There is an automatic sunset of 6 years from the effective date of the act unless it is re-authorized (§135.1521).

ASSUMPTION (continued)

The DED assumes an unknown negative impact in excess of $100,000 as a result of the proposed legislation revising the Brownfield Remediation Tax Credit program by expanding the items to be eligible for the tax credit. This expansion will increase the amount of tax credits issued under the program.

Officials from the **Department of Revenue** (**DOR**) assume they will need to make form changes and programming changes to various tax systems. The DOR's response to a proposal similar to or identical to this one in a previous session indicated the department planned to absorb the administrative costs to implement the proposal. However, due to budget constraints, reduction of staff and the limitations within the DOR's tax systems, changes cannot be made without significant impact to the department's resources and budget. Therefore, the IT portion of the fiscal impact is estimated with a level of effort valued at $53,424, which is 2,016 FTE hours.

The DOR assumes it may promulgate rules to implement the provisions of sections 135.1500 to 135.1521.

The DOR's Personal Tax Division assumes it will need one (1) Revenue Processing Technician I per 4,000 tax credits claimed. The DOR's Corporate Tax Division assumes it will need one (1) Revenue Processing Technician I per 6,000 additional tax credit redemptions and one (1) Revenue Processing Technician I per 7,800 pieces of additional withholding correspondence processed.

The DOR estimates FY 12 costs for this proposal of $173,046; FY 13 costs of $120,765; and FY 14 costs of $122,026.

Oversight assumes the OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. **Oversight** further assumes OA-ITSD (DOR) could absorb the costs related to this proposal. However, if multiple bills pass which require additional staffing and duties at substantial costs, the OA-ITSD (DOR) could request funding through the appropriation process.

Oversight assumes only one (1) FTE would be needed by the DOR. Should the DOR experience a measurable increase in the number of calls and correspondence it receives as a direct result of this proposal, it can request the additional FTE in future budget requests.

Oversight has, for fiscal note purposes only, changed the starting salary for the Revenue Processing Technician I 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 over the last six months of FY 2010 and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state based on a projection from a member of the association, it is estimated that 1,000 individuals in the state of Missouri will be required to be licensed. The DIFP estimates licensing and renewal fees of $490, biennially. It is estimated that the collection of initial license fees will begin in FY 13 and renewal fees will not be collected until FY 15. Once the fees for the board are established by rule, other fees could offset the estimated costs. FY 13 revenues to the Missouri Electrical Industry Licensing Fund are estimated to be $490,000. In addition, a 3% growth rate is estimated.

It is assumed that all fees collected would be deposited in the Missouri Electrical Industry Licensing Fund and that all expenses would be paid out of that fund. However, the DIFP assumes no revenue will be generated by the Missouri Electrical Industry Licensing Board in the first year. Therefore, expenses incurred by the board will be paid back to the PR Fees Fund by a lending board within the division, pursuant to section 324.016, RSMo. It is estimated payback of any outstanding loans would be made in FY 2015. However, should the number of licensees vary significantly from the number estimated, the licensure fees will be adjusted accordingly.

Based on boards of similar size, it is assumed that 1.5 FTE will be needed: One part-time (0.5 FTE) Principle Assistant ($49,104 annually) to serve as the senior executive officer of the licensing agency; one part-time (0.5 FTE) Licensure Technician II ($25,380 annually) to provide technical support, process applications, and respond to inquiries related to the licensure law and/or rules and regulations; and one part-time (0.5 FTE) Investigator II ($35,592 annually) to conduct investigations and inspections, service notices and gather information required by the board.

Based on a board of similar size, it is estimated that the board will receive approximately 21 complaints annually. However, the DIFP does not anticipate the board receiving any complaints until FY 13. It is estimated that 15% of the complaints filed (3) would require field investigations. It is further estimated that 50% of the complaints that are investigated would require an investigator to incur overnight expenses. Therefore, it is assumed investigation costs will be approximately $274 annually.

The DIFP assumes that board meetings will cost approximately $1,944 per meeting (8 board members) and that the board will meet four (4) times per year. It is also assumed that printing and postage costs will be approximately $12,500 for FY 12 and $2,083 annually thereafter. Attorney General Office and Administrative Hearing Commission (AHC) costs will be approximately $21,284 per year (AHC costs will not be incurred until FY 13). These costs are based on boards of similar size.

ASSUMPTION (continued)

During the first year of implementation, costs are calculated for the design, program and implementation of the licensure program for new boards. It is estimated total licensure system costs will by $540 in FY 12.

Boards within the Division of Professional Registration (DPR) incur division-wide expenses based on specific board licensee averages in addition to department and Office of Administration cost allocation plans. Based on boards of similar size, it is estimated $11,320 annually of allocated expenses need to be considered in calculating the anticipated license and renewal fees. These expenses will not require additional appropriation for the DPR Transfer Core budget.

Air Export Tax Credit:

DIFP officials state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

The DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Oversight assumes the division-wide expenses allocated to the Missouri Electrical Industry Licensing Board will result in an equal reduction in expenses allocated to other boards within the Division of Professional Registration.

Officials from **Linn State Technical College** state the proposal could result in a savings of approximately $1,200 per year.

Oversight assumes $1,200 per year to be a minimal amount and will not reflect it in the fiscal note.

ASSUMPTION (continued)

Officials from **St. Louis County (County)** provide the following assumptions for this proposal:

Sections 320.400 - 320.416 - Fire Sprinkler Contractor Regulations

Officials state if the County is required to enforce sprinkler contractor regulations, it could incur minor costs in time spent verifying compliance when it licenses or issues permits. There is no way to estimate costs, however, as it depends on how compliant sprinkler contractors are posted.

Sections 324.900 - 324.945 - Missouri Electrical Industry Licensing Board

St. Louis County will incur a cost relating to its master permit system which issues electrical permits only to recognized electrical license numbers. The re-programming costs are usually high, if the system can be reprogrammed at all, to recognize state licenses.

There will be travel costs associated with license hearings that result from complaints/charges alleged by St. Louis County. The County would need to send witnesses to Jefferson City to testify to support its case or charges. The County averages three (3) license hearings per year. Lost wages, per diem, and mileage could exceed several thousand dollars per year.

In addition, the County will still incur the cost of an electrical licensing specialist to receive, track and maintain electrical bonds, insurance and the set-up and maintenance of the state electrical license holder in its master permit system to obtain permits.

The losses for 2011 would be small but will increase in each ensuing year as the state license eventually replaces the St. Louis County license, which generates $60,000 per year in license fees to provide revenue for the electrical licensing specialist position.

Section 71.692 - Voter approval of single-source provider of residential solid waste collections in small cities and towns

Officials from the **City of Kansas City** state Section 71.692 will have an indeterminate negative fiscal impact on the City of Kansas City. The remainder of the proposal will have either an indeterminate positive fiscal impact on the City of Kansas City or no impact.

Oversight assumes the indeterminate negative fiscal impact and the indeterminate positive fiscal impact will net to zero.

In response to similar legislation from the current session (HB 918), officials from the **City of Raytown** stated a typical election by the Jackson County Election Board costs the City $35,000.

ASSUMPTION (continued)

In response to similar legislation from the current session (HB 918), officials from the **City of Kansas City** stated this legislation would have a negative fiscal impact on the City of Kansas City, Missouri. Assuming Kansas City would sole source a contract, this proposal would cost the City the cost of an election for every contract and renewal thereof. The cost of an election for the City is $200,000 to $600,000.

In response to similar legislation from the current session (HB 918), officials from the **City of Liberty** stated the selection of a trash provider is something that falls within the authority of a municipality's elected city council. Municipal elections usually cost tax payers anywhere from $10,000 to $15,000.

Oversight assumes cities, towns, and villages with a population greater than 10,000 could have fiscal impact if voter approval is required of any contract with a single-source provider of residential solid waste collection. The amount of costs would be unknown and would depend upon the size of the district, how many other political subdivisions are holding an election at the same time and other variables.

Oversight will show fiscal impact to local government as $0 to unknown costs for an election.

Sections 141.210 - 141.982 - Land tax collection

In response to similar legislation from the current session (HCS HB 707), officials from the **City of Kansas City** stated this legislation would have a positive fiscal impact on the City of Kansas City, Missouri, because the City would spend less on maintaining Land Trust properties. It could save the City around $500,000 per year (mowing, boarding, demolishing).

Oversight assumes that this proposal could result in savings to the City of Kansas City if properties could be resold more quickly than under existing provisions. **Oversight** is not able to determine the number or value of properties which could be rehabilitated under this provision. Accordingly, **Oversight** will indicate savings to the City of Kansas City of $0 (no properties qualify) to unknown (multiple properties qualify).

Sections 177.301 - 177.306 - School districts to enter into design-build contracts

In response to similar legislation from the current session (HB 92), officials from the **Fair Grove School District** assumed this proposed legislation would create a great positive impact for schools. The additional cost associated with architectural firms regarding building projects is unwarranted at times. When Fair Grove School District lost their high school in the storm of 2009, they rebuilt design-build through their insurance and no change orders and saved hundreds of thousands of dollars.

ASSUMPTION (continued)

Sections 320.400 - 320.416 - Fire sprinkler contractor regulations

Officials from the **OA - Division of Facilities Management, Design and Construction (FMDC)** did not respond to **Oversight's** request for a statement of fiscal impact. However, in response to similar legislation from the current session (HB 769), officials from the FMDC stated it is unclear to OA what entity is responsible for verification of the required registration. If FMDC is not responsible under the provision then there is no impact to OA. If FMDC would be required under this provision, additional cost will be incurred for every project which includes fire sprinklers. A specific impact cannot be determined at this time; funding source would depend on the specific project.

In response to similar legislation from the current session (HB 769), officials from the **Department of Public Safety (DPS) - Division of Fire Safety (FS)** stated this legislation establishes a new program for the Division of Fire Safety for the certification of fire sprinkler contractors.

Section 320.402 requires fire sprinkler contractors to register with the State Fire Marshal and for the State Fire Marshal to review the documentation and accept a registration fee to be established in rule. Section 320.404 establishes a new board within the Division of Fire Safety – the Fire Sprinkler System Advisory Council. This board would be comprised of 7 members including the State Fire Marshal and have rule promulgating authority. Section 320.408.8 creates the Fire Sprinkler Contractor Registration Fund to consist of monies collected under sections 320.400 to 320.416 to support the administration of the program. This fund would be swept biennially. Contractors are to renew every two years with the State Fire Marshal. Section 320.414 states the Fire Marshal may deny the request for registration.

A representative from the National Fire Sprinkler Association indicated there to be approximately 100 fire sprinkler contractors in the State of Missouri, and approximately 40 fire sprinkler contractors from surrounding states who would want to be registered in Missouri in order to be able to conduct business here.

Based on this information, the Division would need to hire a 1,000 hour clerical employee and a Fire Safety Inspector to process the applications and accounting, review the documentation, issue the registration certificates for the fire sprinkler contractors, conduct quality control of contractors, and investigate all complaints. Related expense and equipment funding would also be requested. Total costs for FY12 would be $79,036. However, the fees set by rule would offset this expense. The registration fee of $1500 for each of the anticipated 140 contractors would generate $187,500 in the first year, and $15,000 in the second year. Fees would generate a positive net effect over two-year span.

ASSUMPTION (continued)

Section 320.408.8 states 'any money remaining in the fund at the end of the biennium shall revert to the credit of the general revenue fund.' Therefore, **Oversight** will assume the net balance of the fund after the first biennium period will revert to the General Revenue fund in FY 2014. The net of fiscal years 2012 and 2013 is estimated to be $40,729 ($108,464 - $67,735); therefore, Oversight will reflect this as an inflow into General Revenue in FY 2014.

No other cities, counties, or schools responded to **Oversight's** request for a statement of fiscal impact.

Officials from the **Office of Attorney General, Local Area Government Employer's Retirement System, Missouri House of Representatives,** and the **Office of State Public Defender** did not respond to **Oversight's** request for a statement of fiscal impact.

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
Income - DPS-ATC (Section 7)			
Permit and renewal fees	$806,000	$403,000	$403,000
Income - DPS-FS (§§320.400 - 320.416)			
Monies from Fire Sprinkler Contractor Registration Fund at the end of the biennium	$0	$0	$40,729
Total Income - DPS	$806,000	$403,000	$443,729
Costs - DPS-ATC (Section 7)			
Personal service	($164,540)	($199,422)	($201,417)
Fringe benefits	($86,120)	($104,377)	($105,422)
Equipment and expense	($168,649)	($61,208)	($62,737)
Total Costs - DPS-ATC	($419,309)	($365,007)	($369,576)
FTE Change	6 FTE	6 FTE	6 FTE
Costs - DED (§§135.1500 -135.1521)			
Personal service	($67,020)	($81,228)	($82,041)
Fringe benefits	($35,078)	($42,515)	($42,940)
Equipment and expense	($19,053)	($7,605)	($7,833)
Total Cost- DED	($121,151)	($131,348)	($132,814)
FTE Change - DED	2 FTE	2 FTE	2 FTE
Costs - DOR (§§135.1500-135.1521)			
Personal Service	($18,900)	($22,907)	($23,136)
Fringe Benefits	($9,892)	($11,990)	($12,109)
Equipment and Expense	($5,421)	($516)	($528)
Total Cost- DOR	($34,213)	($35,413)	($35,773)
FTE Change - DOR	1 FTE	1 FTE	1 FTE
Total Costs - All Agencies	($574,676)	($531,768)	($538,163)

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND (continued)			
Loss -DED (§§135.1500-135.1521)			
Air export tax credit	(Up to $3,600,000)	(Up to $4,200,000)	(Up to $5,400,000)
Income and franchise taxes withheld	$0	(Unknown)	(Unknown)
Owner tax credit for eligible costs	$0	(Up to $6,000,000)	(Up to $12,000,000)
Owner tax credit for interest costs	$0	(Up to $3,000,000)	(Up to $6,000,000)
Tax credit expansion	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Total Loss - DED	$0 to (Exceeding $3,600,000)	$0 to (Exceeding $13,200,000)	$0 to (Exceeding $23,400,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$231,324 to (Could exceed $3,368,676)**	**($128,768 to Could exceed $13,328,768)**	**($94,434 to Could exceed $23,494,434)**
Estimated Net FTE Change on General Revenue Fund	9 FTE	9 FTE	9 FTE

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
FIRE SPRINKLER CONTRACTOR REGISTRATION FUND			
Income - DPS-FS (§§320.400 - 320.416)			
Registration fees	$187,500	$15,000	$187,500
Costs - DPS-FS (§§320.400 - 320.416)			
Personal Service (1 FTE)	($37,204)	($45,090)	($45,541)
Fringe Benefits	($19,472)	($23,600)	($23,836)
Expense and Equipment	($22,361)	($14,045)	($14,393)
Total Costs - DPS-FS	($79,037)	($82,735)	($83,770)
FTE Change - DPS-FS	1 FTE	1 FTE	1 FTE
Loss - DPS-FS (§§320.400 - 320.416)			
Monies from Fire Sprinkler Contractor Registration Fund at the end of the biennium reverted to General Revenue Fund	$0	$0	($40,729)
ESTIMATED NET EFFECT ON FIRE SPRINKLER CONTRACTOR REGISTRATION FUND	**$108,464**	**($67,735)**	**$63,001**
Estimated Net FTE Change on Fire Sprinkler Contractor Registration Fund	1 FTE	1 FTE	1 FTE

FISCAL IMPACT - State Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
MISSOURI ELECTRICAL INDUSTRY LICENSING FUND (§§324.900 - 324.945)			
Transfer-In - DIFP			
Transfer-in from Professional Registration (PR) Fees Fund	$87,512	$0	$0
Income - DIFP			
License/renewal fees	$0	$490,000	$14,700
Costs - DIFP			
Personal service (1.5 FTE)	($23,101)	($60,068)	($60,624)
Fringe benefits	($12,091)	($31,440)	($31,731)
Equipment and expense	($34,159)	($22,993)	($25,973)
AGO and AHC costs	($18,161)	($21,816)	($22,921)
Total Costs - DIFP	($87,512)	($136,317)	($141,249)
FTE Change - DIFP	1.5 FTE	1.5 FTE	1.5 FTE
ESTIMATED NET EFFECT ON MISSOURI ELECTRICAL INDUSTRY LICENSING FUND	**$0**	**$353,683**	**($126,549)**
Estimated Net FTE Change on Missouri Electrical Industry Licensing Fund	1.5 FTE	1.5 FTE	1.5 FTE
PROFESSIONAL REGISTRATION (PR) FEES FUND (§§324.900 - 324.945)			
Transfer-out - DIFP			
Transfer to Missouri Electrical Industry Licensing Fund	($87,512)	$0	$0
ESTIMATED NET EFFECT ON PR FEES FUND	**($87,512)**	**$0**	**$0**

NOTE: The fiscal note does not reflect the possibility that some tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

FISCAL IMPACT - Local Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
LOCAL GOVERNMENTS - COUNTIES (§§324.900 - 324.945)			
Loss - St. Louis County			
Reduction in license fee revenue	(Unknown, minimal)	(Unknown up to $60,000)	(Unknown up to $60,000)
Costs - St. Louis County			
Re-programming fees	(Unknown)	(Unknown)	(Unknown)
Travel, mileage and per diem	(Unknown)	(Unknown)	(Unknown)
Total Costs - St. Louis County	(Unknown)	(Unknown)	(Unknown)
ESTIMATE NET EFFECT ON LOCAL GOVERNMENTS - COUNTIES	**(Unknown)**	**(Unknown)**	**(Unknonw)**
LOCAL GOVERNMENTS - CITIES (§§141.210 - 141.982)			
Savings - City of Kansas City			
Land bank agency for properties with delinquent taxes	$0 to Unknown	$0 to Unknown	$0 to Unknown
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - CITIES	**$0 to Unknown**	**$0 to Unknown**	**$0 to Unknown**
LOCAL POLITICAL SUBDIVISIONS - SCHOOL DISTRICTS			
Savings - School Districts (§227.107)			
Construction and related costs	Unknown, could exceed $100,000	Unknown, could exceed $100,000	Unknown, could exceed $100,000
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS - SCHOOL DISTRICTS	**Unknown, could exceed $100,000**	**Unknown, could exceed $100,000**	**Unknown, could exceed $100,000**

FISCAL IMPACT - Local Government	FY 2012 (10 Mo.)	FY 2013	FY 2014
LOCAL GOVERNMENTS (continued)			
LOCAL ELECTION AUTHORITY FUNDS			
Costs - Local Election Authorities (§71.692)			
Cost of an election	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
ESTIMATED NET EFFECT ON LOCAL ELECTION AUTHORITY FUNDS	**$0 to (Unknown)**	**$0 to (Unknown)**	**$0 to (Unknown)**
LOCAL GATEWAY ZONE FUNDS (§§135.1500-135.1521)			
Revenue - Local Gateway Zones			
Special assessment	Unknown	Unknown	Unknown
Cost - Local Gateway Zones			
Advertising of gateway zone	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL GATEWAY ZONE FUNDS	**$0**	**$0**	**$0**

FISCAL IMPACT - Small Business

Small businesses could be impacted by this proposal.

FISCAL DESCRIPTION

This proposal establishes the Freedom to Choose Trash Collection Services Act which requires voter approval of any contract with a single-source provider of residential solid waste collection in any city, town, or village with more than 10,000 inhabitants. (71.692)

FISCAL DESCRIPTION (continued)

This proposal establishes the Aerotropolis Trade Incentive and Tax Credit Act, which authorizes the City of St. Louis or any county to designate certain areas as gateway zones. Any such municipality that designates an area as a gateway zone will be required to establish a board of supervisors that will annually levy special assessments on facilities located within the zone which receive benefits provided under the act. Revenues derived from the special assessments will be expended to promote and advertise the gateway zone.

For all taxable years beginning on or after January 1, 2011, the act authorizes air export tax credits for freight forwarders in an amount equal to twenty-five cents per chargeable kilo shipped on a qualifying outbound flight. In lieu of the previously mentioned tax credit, a freight forwarder will be entitled to an air export tax credit equal to thirty cents per chargeable kilo if the shipment contains perishable freight. The department of economic development is required to adjust the tax credit amounts based upon fluctuations in fuel costs for over-the-road transportation. In order to receive air export tax credits, freight forwarders must file an application with the department containing the master airway bill for the shipment. The act requires the department to establish procedures to allow freight forwarders to receive air export tax credits within five business days of the departure of the qualifying flight.

The total amount of air export tax credits which may be authorized under the act cannot exceed sixty million dollars. The act establishes fiscal year caps on issuance of air export tax credits, and to the extent that in any given fiscal year more tax credits are authorized than may be issued, the amount in excess of the cap on issuance will be carried forward for issuance in the following fiscal year. The authorization of air export tax credits is prohibited after January 1, 2019, but the act allows for the subsequent issuance of any tax credits which are authorized prior to such date.

The proposal provides incentives for owners and tenants of qualifying facilities located within a gateway zone in the form of tax credits, retained withholdings taxes, and income and corporate franchise tax exemptions. For all taxable years beginning on or after January 1, 2013, any tenant or entity operating within an eligible facility which satisfies the requirements of the act will be entitled to an exemption from state income and corporate franchise taxes for a period of up to seven years. Such a tenant or entity will also be entitled to retain fifty percent of employee withholding taxes for a period of up to seven years.

For all taxable years beginning on or after January 1, 2013, owners of qualified facilities, in which at least sixty percent of the total cargo activity consists of international cargo, will be entitled to receive tax credits over a seven-year period equal to five percent of the eligible costs of such facility. The total amount of tax credits issued to such an owner cannot exceed twenty-five percent of the facility's eligible costs. Owners of qualified facilities, in which at least

FISCAL DESCRIPTION (continued)

thirty percent of the total cargo activity consists of international cargo, as well as any qualifying assembly and manufacturing, or qualifying cold-chain facility will be entitled to receive tax credits over a seven-year period equal to three percent of the eligible costs of such facility. The total amount of tax credits issued to such an owner cannot exceed fifteen percent of the facility's eligible costs. Owners of eligible facilities will also be entitled to receive tax credits over a three-year period equal to seventy-five percent of a loan, provided the total loan amount is for no more than sixty percent of the eligible costs of the facility and has a rate equal to or less than seven percent per year.

In order to receive tax incentives provided under the act, owners and tenants of qualifying facilities must file applications with the department of economic development accompanied by a certificate of compliance. The proposal establishes limits on the amount of tax credits which may be issued annually to owners and tenants of qualifying facilities. No more than three hundred million dollars in tax credits, based upon the eligible costs of a qualifying facility, may be authorized for owners and tenants of qualified facilities under the act. The proposal limits the total amount of tax credits which may be authorized to owners and tenants of qualifying facilities, based upon loans, to no more than one hundred twenty million dollars.

All tax credits provided under the act will be fully transferrable and non-refundable, but may be carried forward up to six years.

The provisions of the proposal will automatically sunset six years from the effective date of the act unless re-authorized. (135.1500 - 135.1521)

This proposal allows the City of Kansas City to establish a land bank agency for the management, sale, transfer, and other disposition of tax delinquent lands and other lands in its possession in order to return it to effective use to provide housing, new industry, and jobs and to create new revenue for the city. The agency must be established by order or ordinance as provided by the city's charter and will only have authority over tax delinquent lands and other lands in its possession located within the city.

The agency is authorized to accept the grant of any interest in real property made to it or to accept gifts and grant-in-aid assistance. It is to exercise all powers that are conferred by Sections 141.210 - 141.982, RSMo, relating to the Land Tax Collection Law, and be deemed a public corporation acting in a governmental capacity.

Beneficiaries of the agency will be the taxing authority that held or owned tax bills against the respective parcel of real estate sold to the agency at a sheriff's foreclosure sale, and each taxing authority's respective interests in the parcel will be to the extent and in the

FISCAL DESCRIPTION (continued)

proportion and according to the priorities determined by the court based on the principal amount of their respective tax bills bore to the total principal amount of all the tax bills described in the judgment.

The agency will be composed of three commissioners appointed by specified officials; and each commissioner must furnish a surety bond, if the bond is not already covered by a governmental surety bond, in an amount of up to $25,000 to be paid out of city funds.

The agency is authorized to sue and issue deeds in its name and operate as any other corporate body. It can convey title to any real estate it has sold or conveyed by general or special warranty deed. A deed must include the selling price and whether the selling price represents a value equal to or greater than two-thirds of the appraised value of the real estate. If the selling price is less than two-thirds of the appraised value, the commissioners must first procure the consent of at least two appointing authorities. Every effort must be made to sell a property at a price as close to its appraised value as soon as possible. Any property transferred at no cost to a public agency must be agreed to unanimously by the three commissioners; and if the property is sold or disposed of within 10 years by the public agency, the proceeds from the sale or disposal must be returned to the commissioners for distribution.

The agency must maintain a perpetual inventory of all acquired real estate and classify it as for private use, for use by a public agency, or not usable in its current condition. All land owned by the agency can be used as it sees fit including consolidating the land or grouping it for economy, utility, or convenience.

The annual budget of the agency must be prepared by December 10 and delivered to the governing body of each county or city that appointed commissioners for its review and approval. The proposal specifies the procedure if one of the governing bodies does not approve the proposed budget.

If at any time there are not enough funds available to pay the salaries and other expenses of the agency, sufficient funds will be advanced and paid to the agency upon its requisition from the governing bodies of which 50% will be paid by the county commissions and 50% from the cities that appointed commissioners. The amount cannot exceed 25% of the agency's annual budget unless agreed to and approved by the county commissions and the cities. These funds will be considered advances and subject to repayment from funds subsequently collected by the agency.

A commissioner or salaried agency employee is prohibited from receiving any compensation, emolument, or other profit from the disposition of any lands held by the agency other than the salaries, expenses, and emoluments provided by law. Anyone convicted of violating this provision will be guilty of a felony and upon conviction be sentenced to between two and five years in the state penitentiary. (141.210 - 141.982)

FISCAL DESCRIPTION (continued)

This proposed legislation authorizes any school district to enter into design-build contracts for construction projects. In its main provisions, the proposal: (1) Establishes design-build contract procedures for school districts and contractors; (2) Allows responsive bidders who are not awarded a contract to receive a reasonable stipend; (3) Specifies that a payment bond is required, but the performance bond does not need to cover design services if the contractor or subcontractor providing design services carries professional liability insurance in an amount established by the school district in the request for proposals; (4) Requires a district to retain an architect or engineer unless it already retains one; and (5) Prohibits the architect or engineer from acting as the design-build contractor or subcontractor for the project. (177.301 - 177.306)

This proposal requires any contractor who engages in the installation or service of fire sprinkler systems to register with the State Fire Marshal within the Department of Public Safety. In its main provisions, the proposal: (1) Allows a municipality, county, or any other local governmental body or jurisdiction to require a contractor to obtain a permit and pay a fee for the installation of a fire sprinkler system and the installation to be in conformance with its building code or other construction requirements; (2) Exempts certain persons and organizations from the provisions of the proposal; (3) Establishes the Fire Sprinkler System Advisory Council within the Office of the State Fire Marshal in the department to establish rules and regulations regarding the application content and the procedures for filing an application for a certificate of registration or a renewal of certification, education or experience requirements, standards and methods for assessing the competency of applicants, setting licensing fees, and establishing procedures for granting reciprocity with other states; (4) Establishes requirements which a contractor must meet in order to obtain a certificate of registration, including demonstrating his or her own knowledge or the employment of a person with experience and certification in the area of fire sprinkler installation and service; (5) Requires the certificate of registration to be displayed conspicuously in the contractor's place of business; (6) Creates the Fire Sprinkler Contractor Registration Fund for the deposit of fees collected by the council for the administration of the provisions of the proposal; (7) Specifies the procedure for the certification renewal process; (8) Requires the fire marshal to send a written notice at least 30 days prior to the expiration of a certificate; (9) Requires an applicant to provide evidence of liability insurance in the amount of at least $1 million per policy year; (10) Authorizes the fire marshal to file a complaint with the Administrative Hearing Commission against certified contractors for specific violations. If grounds for discipline are found, the council is authorized to censure or place a contractor on probation for up to five years or suspend or revoke the contractor's certificate of registration for a period not to exceed three years; and (11) Authorizes the fire marshal to seek an injunction, restraining order, or other order against a contractor who operates without a certificate or presents a probability of serious danger to any resident of this state. (320.400 - 320.416)

FISCAL DESCRIPTION (continued)

This proposal establishes the Missouri Electrical Industry Licensing Board in the Division of Professional Registration within the Department of Insurance, Financial Institutions and Professional Registration to regulate and license electrical contractors. In its main provisions, the proposal: (1) Specifies that the board's eight members, appointed by the Governor with the advice and consent of the Senate, will serve four-year terms, not to exceed two terms; (2) Requires the board to meet at least four times annually and allows board members to be reimbursed for expenses and receive compensation of up to $70 per day for expenses incurred in the performance of the member’s official duties; (3) Specifies that an electrical contractor operating in a political subdivision which does not require the contractor to hold a local license will not be required to have a state license. A political subdivision will not be prohibited from establishing its own local license but must recognize a statewide license in lieu of a local license for the purposes of performing work or obtaining permits to perform work within the political subdivision; (4) Requires the division to establish licensing fees to cover administrative costs and authorizes the division to negotiate reciprocal licensing agreements with other states; (5) Creates the Missouri Electrical Industry Licensing Board Fund which will be used solely for the administration and operation of the board; and (5) Allows the board to file a complaint against a contractor with the Administrative Hearing Commission and to suspend or revoke a license based on the commission's findings. Any person or corporation who knowingly violates these provisions will be guilty of a class B misdemeanor. (324.900 - 324.945)

This proposal adds the costs of environmental insurance premiums and the backfill of areas where contaminated soil excavation occurs to the list of expenses that qualify for a remediation tax credit. (447.705)

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

HWC:LR:OD

SOURCES OF INFORMATION

Office of Administration -
    Administrative Hearing Commission
Office of State Courts Administrator
Department of Economic Development -
    Business and Community Services Division
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Corrections
Department of Labor and Industrial Relations
Department of Revenue
Missouri Department of Transportation
Department of Public Safety -
    Division of Alcohol and Tobacco Control
    Division of Fire Safety
Office of the Governor
Joint Committee on Public Employee Retirement
Missouri Department of Conservation
Office of Prosecution Services
Office of State Auditor
Missouri Senate
Office of Secretary of State
Office of State Treasurer
State Tax Commission
City of Kansas City
City of Liberty
City of Raytown
City of Richmond
St. Charles County
St. Louis County
Columbia Police Department
Springfield Police Department
East Central College
Harris-Stowe State University
Kansas City Metropolitan Community College
Linn State Technical College
Southeast Missouri State University
Missouri Southern State University
Missouri State University

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SOURCES OF INFORMATION (continued)

Missouri Western State University
Northwest Missouri State University
University of Central Missouri
University of Missouri
Fair Grove School District
Parkway School District

NOT RESPONDING: Office of Administration - Division of Budget and Planning, Office of Administration - Division of Facilities Management, Design and Construction, Office of Attorney General, Local Area Government Employer's Retirement Plan, **Missouri House of Representatives,** and **Office of State Public Defender**

Mickey Wilson

Mickey Wilson, CPA
Director
May 3, 2011

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