

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4139-03
Bill No.: SCS for HCS for HB 1251
Subject: Counties; County Officials; Liens; Mortgages and Deeds; Property, Real and Personal
Type: Original
Date: April 30, 2018

Bill Summary: This proposal modifies provisions relating to foreclosure proceeds.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

In response to a previous version, officials at **St. Charles County** estimated the fiscal impact of the above-referenced bill to be as follows:

This bill mandates new services and costs by a county collector and county governing body for filing legal actions to adjudicate lien priorities and distribute surplus funds resulting from tax sales on property in foreclosure due to unpaid taxes. Adjudicating lien priorities is a judicial function, not an administrative function.

In 2017, the St. Charles County Collector held tax sales that resulted in surplus funds on 41 properties. We provided a copy of an affidavit for the cost of legal actions in the matter of a mortgage foreclosure sale that resulted in surplus funds. Attorney fees and costs in this matter were \$4,396.00. Awarding of fees and costs to the plaintiff interpleader is discretionary with the court.

Officials at the **Office of the State Courts Administrator**, the **Department of Revenue**, the **State Tax Commission**, the **Office of the State Public Defender** and the **Office of Prosecution Services** each assume no fiscal impact to their respective agencies from this proposal.

Officials at **St. Louis County** and the **Mississippi County Recorder of Deeds Office** each assume no fiscal impact to their respective entities from this proposal.

In response to a previous version, officials at **Boone County** assumed no fiscal impact from this proposal.

In response to similar legislation from 2017, HCS for HB 649, officials at **Cole County** assumed this proposal imposes potential additional duties on the County Collector and the County Commission, which will not only involve extra work in those offices, but also adds legal action participation by the Commission or Collector. No means of compensation for these additional duties has been provided by the legislation, including costs of a legal action. The additional costs cannot be determined at this time, but are estimated to be less than \$100,000 per year.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
COUNTY RECORDER FUNDS			
<u>Costs</u> - modifying provisions on foreclosure proceeds	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON COUNTY RECORDER FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Currently, any surplus amount received on a tax or other debt sale of real estate by the sheriff or county collector is held by the treasurer for the owners of the property until a redemption period or collector's deed is issued up to three years. After three years, the surplus funds go to the school fund of the county. This bill adds the record lien holders as primary recipients on any excess proceeds from a foreclosure sale and specifies that the record lien holders will receive a distribution before the owners. Additionally, this bill requires that the proceeds of the sale will be held in trust for the lesser of three years or 90 days following the expiration of the redemption period.

This bill provides a process for recorded lienholders and owners to show proof of their claims prior to receiving any funds. If more than one party makes a claim to the surplus funds and the parties cannot come to an agreement satisfactory to the county commission, the commission shall petition the appropriate circuit for interpleader.

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

St. Louis County
Cole County
Boone County
Office of the State Courts Administrator
Department of Revenue
State Tax Commission
Office of the State Public Defender
Office of Prosecution Services
St. Charles County
Mississippi County Recorder of Deeds Office

Ross Strobe



Acting Director
April 30, 2018