

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0846-01
Bill No.: HB 762
Subject: Treasurer, State; Cities, Towns, and Villages; Public Records; Public Meetings;
Administration, Office of
Type: Original
Date: February 18, 2019

Bill Summary: This proposal establishes the Missouri Municipal Government
Expenditure Database.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0	\$0	Up to (\$349,760)
Total Estimated Net Effect on General Revenue	\$0	\$0	Up to (\$349,760)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (OA)** state:

37.1091 - 37.1098 The proposal requires the creation of a "Missouri Municipal Government Expenditure Database" by the OA, to be maintained on the Missouri Accountability Portal. The database would include information on expenditures made by municipalities in each fiscal year, beginning with expenditures on or after January 1, 2022. The database shall be accessible by members of the public without charge. ITSD would establish and maintain the database.

Costs for maintenance/support of the database would be ongoing.

ITSD assumes that the best solution would be to contract for cloud-based services. The State currently posts state expenditures on cloud based services, as do a number of Missouri municipalities. Research starting from last year provided that the State of Ohio is using the same type of service(s) to allow municipalities to report expenditure data, as well as, state government information. Based on information from a vendor that provides similar services to other states and municipalities, implementation costs would total approximately \$83,227 and annual cost would be estimated at \$249,680. Estimates are based on the number and size of municipalities in Missouri (1,228 according to the Official Missouri State Website at www.mo.gov/government/city-county-government/cities-and-municipalities/). The proposal provides January 1, 2022, as the reporting start date, which falls in fiscal year 2022. The cost estimate is therefore adjusted to reflect an inflation rate of 1.025% for both the initial implementation cost and the annual support cost. The vendor initially provided this cost estimate early 2018, so it was reconfirmed that the pricing structure for the service has not changed at this time.

Cost estimates include the following consolidated agencies:

Department of Elementary and Secondary Education
Department of Higher Education
Department of Revenue
Office of Administration
Department of Agriculture
Department of Natural Resources
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Labor and Industrial Relations

ASSUMPTION (continued)

Department of Public Safety
Department of Corrections
Department of Mental Health
Department of Health and Senior Services
Department of Social Services

Oversight notes that the Office of Administration has stated the proposal would have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect the fiscal impact Office of Administration has provided of the one time cost of \$87,440 for implementation of cloud-based service in FY 2022 and the ongoing cost of support/maintenance of \$262,320 in FY 2022 on the fiscal note.

Officials from the **Office of the Secretary of State (SOS)** assume 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 the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and 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 office can sustain with the core budget. Therefore, the SOS reserves 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could require additional resources.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

Officials from the **Office of Administration-Budget and Planning** assume Article IX, Section 7 of the Missouri Constitution requires that all penalties, forfeitures and fines collected for violations of state law be distributed to the schools. To the extent any additional such revenues are deposited into the state treasury, total state revenue may increase.

ASSUMPTION (continued)

Section 37.1094.2 states “Any municipality that fails to timely submit the required expenditure information to the Office of Administration shall be subject to a fine of one hundred dollars per day.” This proposal allows for the Department of Revenue to collect a late fee of \$100 per day for any municipality that is late providing the information to the STO. This money is offset against sales tax collections due the municipalities and then distributed to school districts. For simplicity, **Oversight** will reflect a potential unknown amount of fine revenue for the school districts and an unknown amount of revenue retained by DOR for collection efforts.

Officials from the **Office of the State Treasurer, Department of Public Safety-Veterans Commission, Office of Prosecution Services, Department of Transportation, Office of Administration-Administrative Hearing Commission, State Auditor’s Office, Department of Economic Development, Department of Public Safety-Missouri National Guard, Missouri House of Representatives, Missouri Ethics Commission, Office of the Governor, Department of Public Safety-Missouri Capitol Police, Department of Agriculture, Department of Health and Senior Services, Attorney General’s Office, Department of Public Safety-Missouri State Highway Patrol, Department of Public Safety-Division of Alcohol and Tobacco Control, Department of Public Safety-Office of the Director, Department of Elementary and Secondary Education, Department of Higher Education, Missouri Senate, Department of Public Safety-Missouri Gaming Commission, Missouri Tax Commission, Office of the State Public Defender, Department of Public Safety-State Emergency Management Agency, Missouri Consolidated Health Care Plan, Legislative Research, Missouri Lottery Commission, Missouri State Employees’ Retirement System, Department of Public Safety-Division of Fire Safety, Missouri Department of Conservation, and Department of Insurance, Financial Institutions and Professional Registration** each assume the proposal will have no fiscal impact on their organization.

Oversight notes that the Office of the State Treasurer, Department of Public Safety-Veterans Commission, Office of Prosecution Services, Department of Transportation, Office of Administration-Administrative Hearing Commission, State Auditor’s Office, Department of Economic Development, Department of Public Safety-Missouri National Guard, Missouri House of Representatives, Missouri Ethics Commission, Office of the Governor, Department of Public Safety-Missouri Capitol Police, Department of Agriculture, Department of Health and Senior Services, Attorney General’s Office, Department of Public Safety-Missouri State Highway Patrol, Department of Public Safety-Division of Alcohol and Tobacco Control, Department of Public Safety-Office of the Director, Department of Elementary and Secondary Education, Department of Higher Education, Missouri Senate, Missouri Department of Conservation, Department of Public Safety-Missouri Gaming Commission, Missouri Tax Commission, Office of the State Public Defender, Department of Public Safety-State Emergency Management

ASSUMPTION (continued)

Agency, Missouri Consolidated Health Care Plan, Legislative Research, Missouri Lottery Commission, Missouri State Employees' Retirement System, Department of Public Safety- Division of Fire Safety, and Department of Insurance, Financial Institutions and Professional Registration has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Officials from the **Department of Mental Health, Department of Natural Resources, Department of Corrections, Department of Social Services, and Department of Labor and Industrial Relations** each defer to the Office of Administration to estimate the fiscal impact of the proposed legislation on their respective organizations.

Officials from the **City of Kansas City** assume legislation to establish the Missouri Municipal Government Expenditure Database would have a negative impact on the City. The City already publishes expenditures on its website. While it's possible to provide all of this information, it would require some reprogramming to pull the data requested in the proposed legislation. That would come at some unknown cost, both in personnel and software.

Officials from the **City of St. Louis** (Chief Information Officer of the City of St. Louis) state there would be no fiscal impact for the City to provide expenditure data files to the State because the data is already collected for the City's website.

Officials from the **Monroe County Assessor, St. Francois County Assessor, and St. Louis County** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Francis Howell School District, Missouri State University, and State Technical College of Missouri** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that there could be cost to municipalities to create or reprogram systems in order to meet requirements to upload expenditure information to the state and manage the system, therefore, Oversight will reflect an unknown cost to local political subdivisions.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Income</u> - DOR- §37.1094 - allowed to retain a portion of \$100 per day late fee	\$0	\$0	Unknown
Costs - OA - ITSD (initial costs)	\$0	\$0	(\$87,440)
<u>Cost</u> - OA - ITSD (annual costs for Cloud-based services/maintenance)	<u>\$0</u>	<u>\$0</u>	<u>(\$262,320)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>Up to (\$349,760)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
LOCAL POLITICAL SUBDIVISIONS			
<u>Income</u> - School Districts - \$100 per day late fee for data submissions per §37.1094.2	\$0	\$0	Unknown
<u>Cost</u> - Municipalities - \$100 per day late fee for data submissions per §37.1094.2	\$0	\$0	(Unknown)
<u>Cost</u> - Municipalities - create or reprogramming system for expenditures to upload to state and late fee retained by DOR	<u>\$0</u>	<u>\$0</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</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

This bill establishes the "Missouri Municipal Government Expenditure Database," to be maintained by the Office of Administration. For each fiscal year beginning on or after January 1, 2022, the database must include extensive information about a given municipality's expenditures and the vendors to whom payments were made. The data base must be accessible by the public without charge and have multiple ways to search and filter the information. Municipalities with websites must provide a link to the database.

A municipality must provide the information to the Office of Administration on a biannual basis or it will be fined \$100 per day after 30 days. The fine will be collected by offsetting sales and use tax distributions due to the municipality not to exceed 10% of the total collected. The Director of the Department of Revenue will retain 2% for the cost of the collection and the remaining revenue collected will be distributed annually to the schools of the county in the same manner that penalties, forfeitures, and fines for breaches of penal laws are distributed. If a municipality fails to report the required information within one year of the expiration of the 30 days, it will be subject to dissolution.

Other duties and responsibilities of the Office of Administration regarding the database are detailed in the bill.

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 Administration
Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration-Budget and Planning
Office of the State Treasurer
Department of Public Safety-Veterans Commission
Office of Prosecution Services
Department of Transportation
Office of Administration-Administrative Hearing Commission
State Auditor's Office
Department of Economic Development
Department of Public Safety-Missouri National Guard
Missouri House of Representatives
Missouri Ethics Commission

SOURCES OF INFORMATION (continued)

Office of the Governor
Department of Public Safety-Capitol Police
Department of Agriculture
Department of Health and Senior Services
Attorney General's Office
Department of Public Safety-Missouri State Highway Patrol
Department of Public Safety-Division of Alcohol and Tobacco Control
Department of Public Safety-Office of the Director
Department of Elementary and Secondary Education
Department of Higher Education
Missouri Senate
Department of Public Safety-Missouri Gaming Commission
Missouri Tax Commission
Office of the State Public Defender
Missouri Department of Conservation
Department of Public Safety-State Emergency Management Agency
Missouri Consolidated Health Care Plan
Legislative Research
Missouri Lottery Commission
Missouri State Employees' Retirement System
Department of Public Safety-Fire Safety
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Natural Resources
Department of Corrections
Department of Social Services
Department of Labor and Industrial Relations
City of Kansas City
City of St. Louis

SOURCES OF INFORMATION (continued)

Monroe County Assessor
St. Francois County Assessor
St. Louis County
Francis Howell School District
Missouri State University
State Technical College of Missouri



Kyle Rieman
Director
February 18, 2019

Ross Strobe
Assistant Director
February 18, 2019