

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0943-02
Bill No.: HCS for HB 473
Subject: Cities, Towns and Villages; Political Subdivisions; Counties; Licenses -
Miscellaneous; Professional Registration and Licensing; Business and Commerce
Type: Original
Date: February 20, 2019

Bill Summary: This proposal prohibits local governments from regulating home-based businesses.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

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 5 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	(Unknown - could exceed \$155,000)	(Unknown - could exceed \$155,000)	(Unknown - could exceed \$155,000)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **City of Kansas City** assume a negative fiscal impact from this proposal of approximately \$155,000 annually. The City does not currently track whether a business is home-based and there would be cost to the City to modify its' procedures to capture that information. The City also estimates a loss in revenue from business licenses that would not be issued in the future from this proposal that they cannot determine at this point.

In response to a previous version, officials at the **City of Osage Beach** assumed costs may increase as additional investigations will result from citizen complaints about neighborhood activity, or to ensure that such home based business is in compliance with the permitted uses under this bill, especially sections 3 and 4. The City anticipates up to 10 inspections per year for 4 hours of work at \$30 per hour for a total cost of \$1,200.

Oversight assumes there could be additional investigations done by local political subdivisions as a result of this proposal. However, Oversight is unclear on the number of inspections and cost that could be incurred. Therefore, Oversight will reflect a unknown amount of lost permit/license revenue and/or inspection costs that could exceed the City of Kansas City's number for local political subdivisions from this proposal.

Officials at the **Department of Public Safety's Office of the Director**, the **Department of Revenue**, the **Department of Natural Resources** and the **Department of Social Services** each assume no fiscal impact to their respective agencies from this proposal.

In response to a previous version, officials at the **Department of Insurance, Financial Institutions and Professional Registration** and the **Department of Health and Senior Services** each assumed no fiscal impact to their respective agencies from this proposal.

Oversight notes that the Department of Revenue, the Department of Insurance, Financial Institutions and Professional Registration, the Department of Public Safety's Office of the Director, the Department of Natural Resources, the Department of Health and Senior Services and the Department of Social Services each 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 at **Ray County** assume no fiscal impact from this proposal.

ASSUMPTION (continued)

In response to a previous version, officials at the **Monroe County Assessor's Office** and the **City of Keytesville** each assumed no fiscal impact to their respective entities from this proposal.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
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LOCAL POLITICAL SUBDIVISIONS

<u>Loss and/or Cost</u> - of permit/license revenue and potential costs for additional investigations on home based businesses	(Unknown - Could exceed <u>\$155,000</u>)	(Unknown - Could exceed <u>\$155,000</u>)	(Unknown - Could exceed <u>\$155,000</u>)
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(Unknown - Could exceed <u>\$155,000</u>)	(Unknown - Could exceed <u>\$155,000</u>)	(Unknown - Could exceed <u>\$155,000</u>)
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FISCAL IMPACT - Small Business

Small home-based businesses could be impacted by this proposal.

FISCAL DESCRIPTION

This bill prohibits municipalities from restricting the operation of a no-impact “home-based business” or otherwise requiring a person to apply for or obtain a permit, license, variance, or other prior approval to operate a no-impact home-based business. The bill establishes a list of factors that qualify a residential property for use as a no-impact home-based business.

Municipalities can establish reasonable regulations on a home-based business if the regulations are narrowly tailored for specified purposes, including protecting public health and safety. A municipality that enacts a regulation bears the burden of proving by clear and convincing evidence that the regulation complies with this 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

City of Kansas City
City of Osage Beach
Department of Revenue
Department of Insurance, Financial Institutions and Professional Registration
Department of Public Safety
 Office of the Director
Department of Natural Resources
Department of Health and Senior Services
Department of Social Services
Ray County
Monroe County Assessor’s Office
City of Keytesville



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February 20, 2019

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February 20, 2019