

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0943-02  
Bill No.: Perfected HCS for HB 473  
Subject: Cities, Towns and Villages; Political Subdivisions; Counties; Licenses -  
Miscellaneous; Professional Registration and Licensing; Business and Commerce  
Type: Original  
Date: March 15, 2019

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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
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Local Government</b>	<b>(Unknown - could exceed \$268,000)</b>	<b>(Unknown - could exceed \$268,000)</b>	<b>(Unknown - could exceed \$268,000)</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **§71.990 - Home based businesses related by local governments**

Officials at the **City of St. Louis** assume municipalities will no longer be able to require a person to apply for, register for, or obtain any permit, license, variance, or other type of prior approval to operate a no-impact home-based business. The City currently issues business licenses for said businesses which would be prohibited under the proposed legislation. With an annual cost of \$25, licenses for home businesses generated \$12,467 in 2018 and this amount would no longer be collected. The City will also have to modify its ordinances to comply with the new legislation. The new legislation would also seriously affect the Building Division's ability to regulate problem uses in residential areas.

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.

Officials at the **City of Liberty** assume this proposal would not allow cities to limit home based businesses, specifically the number of people who can be on the residential "Home Based Business" property at one time. It seems that as long as the products being sold are not illegal or considered "bad", the only limiting factor would be on-site parking. This is problematic as the City has many large lot residential properties who could create a parking lot to accommodate a retail location. This proposal also removes a City's authority to require sprinkler systems for these homes that will now be able to be used in a commercial manner. By not allowing cities to require a business license will remove the City's ability to regulate these businesses to ensure the safety and welfare of our citizens.

ASSUMPTION (continued)

Officials at the **City of Springfield** assume a potential negative impact to the City of more than \$100,000. While the proposed legislation sets reasonable guidelines with respect to Home-Based businesses, it also narrowly tailors the City's ability to enforce reasonable regulations that may serve as a financial burden.

**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 municipalities' numbers 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**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Health and Senior Services** and the **Department of Social Services** each assume 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 **St. Louis County** assume no impact from this proposal. If this proposal does go into affect, contracts with certain municipalities for which the County enforces codes may need to be modified.

Officials at **Ray County** assume no fiscal impact from this proposal.

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](http://www.legislativeoversight.mo.gov).

ASSUMPTION (continued)

House Amendment 1 - §89.080 - Board of Adjustment Records

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

Officials at **St. Louis County** assume no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></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 (\$71.990)	(Unknown - Could exceed <u>\$268,000</u> )	(Unknown - Could exceed <u>\$268,000</u> )	(Unknown - Could exceed <u>\$268,000</u> )
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<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>(Unknown - Could exceed <u>\$268,000</u>)</b>	<b>(Unknown - Could exceed <u>\$268,000</u>)</b>	<b>(Unknown - Could exceed <u>\$268,000</u>)</b>
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FISCAL IMPACT - Small Business

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

## FISCAL DESCRIPTION

### HOME-BASED BUSINESSES

This bill prohibits municipalities from restricting the operation of a “home-based business” or otherwise requiring a person to apply for or obtain a permit, license, variance, or other prior approval to operate a home-based business. The bill establishes a list of factors that qualify a residential property for use as a 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.

### BOARD OF ADJUSTMENT RECORDS

This bill authorizes the Board of Adjustment to keep records of all testimony, objections thereto, and rulings thereon by any form of audiotape, videotape, or digital recording. Currently, all such records must be taken down by a reporter employed by the board for that purpose.

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 St. Louis  
City of Kansas City  
City of Osage Beach  
City of Liberty  
City of Springfield  
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  
St. Louis County  
Ray County  
Monroe County Assessor's Office  
City of Keytesville



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March 15, 2019

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March 15, 2019