

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4558-02
Bill No.: HCS for HB 2319
Subject: Taxation and Revenue - General; Revenue, Department of; Political Subdivisions;
Accountants; Contracts and Contractors; Ethics
Type: Original
Date: March 2, 2020

Bill Summary: This proposal requires all special taxing districts to have an annual audit performed.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Local Government	(Unknown, up to \$10,900,000)	(Unknown, up to \$10,900,000)	(Unknown, up to \$10,900,000)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Bois Brule Levee and Drainage District** assume the cost of the District completing an annual audit will likely be \$10,000 annually. We are aware of many other Districts with yearly budgets that barely exceed \$10,000 and estimate that the cumulative cost on Levee Districts throughout the State will total over \$2,000,000. Levee Districts are already required to publish yearly financial statements.

Officials at the **State Auditor's Office**, the **Department of Revenue (DOR)**, the **Office of the Secretary of State**, the **Missouri Department of Transportation** and the **State Tax Commission (STC)** each assume no fiscal impact to their respective agencies from this proposal.

Officials at the **Southeast Missouri Regional Port Authority** state they already perform an annual audit with an outside agency and assume no additional fiscal impact from this proposal.

Oversight notes the State Auditor's Office, the Department of Revenue, the Office of the Secretary of State, the Missouri Department of Transportation, the State Tax Commission and the Southeast Missouri Regional Port Authority have stated the proposal would not have a direct fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local special taxing districts were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

ASSUMPTION (continued)

Oversight inquired DOR and the STC on the number of special taxing districts that are in the state. Below is their response on the number of special taxing districts for the State of Missouri.

District Type	Entities with authority to Levee Property Tax	Districts with sales tax imposed	Districts with use tax imposed
Ambulance Districts	105	61	0
Hospitals	12	1	0
Nursing Home Districts	30	0	0
Public Water Supply Districts	1	0	0
Soil and Water Conservation Districts	0	0	0
Soil and Water Conservation Subdistricts	27	0	0
Drainage and Levee Districts	2	0	0
Port Improvement Districts	0	5	4
Special Road Districts	208	0	0
Municipalities	836	0	0
Tax Supported Public Libraries	84	3	0
Townships	283	0	0
Fire Protection Districts	406	18	0
Sewer Districts	22	0	0
Jail Districts	0	1	0
Street Light Maintenance Districts	4	0	0
Special Business Districts	27	0	0
Regional Recreational Districts	1	1	0
Community Improvement Districts	16	386	291
Tourism Community Districts	0	1	0
Health Centers	60	0	0
911 Boards/Emergency Services	0	6	0
Special Road District Subdistricts	1	0	0
Extension Districts	1	0	0
Transportation Development Districts	1	203	0
ZOO District	0	1	0
PACE Boards	0	0	0
Developmental Disabilities	0	0	0
Junior Colleges	12	0	0
Metropolitan Culture Districts	0	0	0
TOTAL	2139	687	295

Source: State Tax Commission and Department of Revenue

ASSUMPTION (continued)

Oversight notes there could be other special taxing districts that are already paying for an annual audit. Oversight also notes there could be other special taxing districts that could incur additional expenses to their budgets for an annual audit to be done according to this proposal. Additional expenses for performance of an annual audit could have a negative impact to those districts' budgets as a result. Oversight is unclear how many other districts account for annual audits within their budgets on a yearly basis. Assuming from the special taxing districts definition in the proposal, there are 1,090.

Entities that levy a property tax	2,139
Less: Ambulance Districts	-105
Municipalities	-836
Townships	-283
Fire Protection Districts	-406
Plus: Community Improvement Districts	370
Transportation Development D.	202
Other	<u>9</u>
Total	1,090

If we assume an average cost of \$10,000 per audit, that could be a potential cost of up to \$10,900,000 annually to these local political subdivisions. Therefore, Oversight will reflect an unknown cost up to \$10,900,000 annually to special taxing districts for audit services from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
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SPECIAL TAXING DISTRICTS

<u>Cost</u> - for annual audit services	(Unknown, up to \$10,900,000)	(Unknown, up to \$10,900,000)	(Unknown, up to \$10,900,000)
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ESTIMATED NET EFFECT ON SPECIAL TAXING DISTRICTS	(Unknown, up to \$10,900,000)	(Unknown, up to \$10,900,000)	(Unknown, up to \$10,900,000)
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FISCAL IMPACT - Small Business

There could be a positive fiscal impact to small CPA firms that may audit special taxing districts as a result of this proposal.

FISCAL DESCRIPTION

This bill requires special taxing districts, as defined in the bill, that are not otherwise required by law to have an audit performed by a certified public accountant or other qualified auditor, or does not have an audit in conjunction with the audit of its establishing or approving city or county, to have an audit performed annually by an independent certified public accountant.

Additionally, each special taxing district that is required to have an audit under this bill will individually select its own certified public accountant to perform audits through a fair and competitive bidding process that considers no less than three bids and awards a contract to the lowest or best bidder. Contracts entered under this bill may have a duration of up to five years, and upon the termination of an existing contract the special taxing district will hold a new fair and competitive bidding process to award a subsequent contract.

This bill requires every certified public accountant performing an audit under this bill to compile their findings into a report that will be submitted to the special taxing district that is audited.

Additionally under this bill, the special taxing district may use a portion of the revenue received under their taxing authority to pay the fees and expenses arising from their contracts with certified public accountants performing the audits required under this bill.

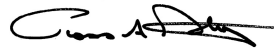
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Bois Brule Levee and Drainage District
State Auditor's Office
Department of Revenue
Missouri Department of Transportation
Office of the Secretary of State
State Tax Commission
Southeast Missouri Regional Port Authority



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March 2, 2020



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March 2, 2020