

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0823H.02I
Bill No.: HB 491
Subject: Cities, Towns, and Villages; Political Subdivisions; Counties; Licenses -
Miscellaneous; Professional Registration and Licensing; Business and Commerce
Type: Original
Date: February 2, 2021

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **City of Kansas City** assume this proposal would result in a negative fiscal impact in an indeterminate amount. This proposal prohibits the city from requiring a home-based business to obtain a permit, license or variance to operate.

Officials from the **City of Springfield** assume a negative fiscal impact from this bill in an amount of \$62,778 due to a loss in license fees for home based businesses, a negative fiscal impact of an unknown amount due to a loss of retail sales tax which will be difficult to capture without a business license indicating who should be paying sales tax, and a negative impact of an unknown amount based on a decline in surrounding property values due to some types of uses which would be undesirable to many potential residents.

In response to similar legislation from 2019, HCS for HB 473, officials from 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.

In response to similar legislation from 2019, HCS for HB 473, officials from 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.

In response to similar legislation from 2019, HCS for HB 473, officials from the **City of Liberty** assumed 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.

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 an unknown amount of lost permit/license revenue and/or inspection costs that could exceed the municipalities' numbers for local political subdivisions from this proposal.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize 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 our office can sustain with our core budget. Therefore, they reserve 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 request funding through the appropriation process.

Officials from the **Attorney General's Office**, the **Department of Commerce and Insurance**, the **Department of Economic Development**, the **Department of Health and Senior Services**, the **Department of Natural Resources**, the **Department of Revenue** and the **Department of Public Safety's Office of the Director** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **City of Ballwin** and the **City of O'Fallon** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss and/or Cost – of permit/license revenue and potential costs for additional investigations on home based businesses</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

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 home-based business as a no-impact home-based business.

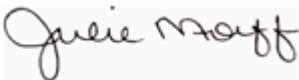
Municipalities can establish reasonable regulations on a home-based business if the regulations are narrowly tailored for specified purposes, including protecting public health and safety. A municipality that enacts a regulation bears the burden of proving by clear and convincing evidence that the regulation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

In addition to a reporter, the bill also authorizes any form of audiotape, videotape, or digital recording to provide the required record of a board of adjustment meeting.

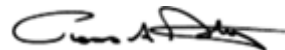
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

City of Kansas City
City of Springfield
St. Louis City
City of Osage Beach
City of Liberty
Joint Committee on Administrative Rules
Office of the Secretary of State
Attorney General's Office
Department of Commerce and Insurance
Department of Economic Development
Department of Health and Senior Services
Department of Natural Resources
Department of Revenue
Department of Public Safety
City of Ballwin
City of O'Fallon



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