

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1750H.02C
Bill No.: HCS for HB 760
Subject: Employees - Employers; Fire Protection; Health Care; Labor and Management;
Estates, Wills and Trusts
Type: Original
Date: March 3, 2021

Bill Summary: This proposal modifies provisions relating to certain firefighters who have contracted certain types of cancer as a result of employment.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0	(Could greatly exceed \$3,090,676)	(Could greatly exceed \$3,091,359)
Total Estimated Net Effect on General Revenue	\$0	(Could greatly exceed \$3,090,676)	(Could greatly exceed \$3,091,359)

*Oversight notes Section 135.445 establishes a 100% tax credit for taxpayer contributions to a Volunteer firefighter cancer benefits trust. A corporation and/or business entity is limited to \$3,000,000 in tax credits individually per year; however, there is no limit on individual taxpayer contributions and **there is no program cap**. The actual amount of contributions and state tax credits awarded could **greatly** exceed \$3 million per year.

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
General Revenue	0 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	0 FTE	2 FTE	2 FTE

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

§§135.445, 287.245, 320.300 & 320.400 – Certain firefighters who contract certain types of cancer as a result of employment

Officials from the **Office of Administration - Budget and Planning (BAP)** assume this proposal creates a tax credit in an amount equal to 100% of the value of all contributions by a taxpayer to the voluntary firefighter cancer benefits trust for tax years beginning on or after January 1, 2022. The cumulative amount of such tax credits could exceed more than \$3M per fiscal year.

Starting in FY23, this proposal could reduce TSR by an amount that could far exceed \$3M. This proposal could impact the calculation under Article X, Section 18(e).

These tax credits shall not be assigned, transferred, sold, or otherwise conveyed, but are refundable.

Officials from the **Department of Revenue (DOR)** assume this proposal creates a tax credit for individuals, corporations or other business entities equal to the 100% of the contribution they make to a voluntary firefighter cancer benefits trust starting January 1, 2022. A corporation or business entity is limited to \$3 million in tax credits while individuals do not have a limit. This credit is refundable but cannot be assigned, transferred or sold. This tax credit does not have an annual cap.

While this proposal starts on January 1, 2022 the credit will not be claimed until tax returns are filed in January 2023 (FY 2023). The Department is unable to determine how many contributions will be made to voluntary firefighter cancer benefits trusts but assumes that with a \$3 million limit per corporation it would exceed a single contribution.

Fiscal Year	Loss to GR
2022	\$0
2023	(Could exceed \$3,000,000)
2024	(Could exceed \$3,000,000)

Administrative Impact

This creates a new credit for the Department to process. Due to no annual cap on the credit the Department is unable to determine how many possible tax credits will be issued annually. Should the number of credits being processed exceed the below limits then additional staff would be needed. Otherwise the handling of this credit may be able to be absorbed with existing staff.

FTE Associate Customer Service Rep for every 6,000 credits redeemed
1 FTE Associate Customer Service Rep for every 7,600 errors/correspondence generated by Forms and programming changes

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DOR; however, Oversight will assume the DOR FTE will begin in FY 2023.

Officials from the **City of Springfield** assume this proposal will impose additional costs of at least \$500,000 per year, if the City chooses to participate in the program. It is not clear how the proposed fund will interact with political subdivision's insurers. These costs do not relate to workers' compensation claims.

Oversight assumes this proposal creates new provisions relating to certain firefighters who have contracted certain types of cancer as a result of employment as a firefighter and allows local political subdivisions to set up a voluntary firefighter cancer benefits trust to make contributions into. A board of trustees (board) will oversee the administration of the trust. Oversight assumes actions by the board could result in unknown costs to local political subdivisions. Oversight assumes the local political subdivision would only establish a trust to benefit certain firefighters and the proposal could be absorbed within their current appropriations. Therefore, Oversight will assume a negative fiscal impact to local political subdivisions and will range the fiscal impact from \$0 (no trust established – bill is permissive) to an unknown cost (contributions into and administration of trust).

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 Health and Senior Services**, the **Department of Labor and Industrial Relations** and the **State Tax Commission** 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 Claycomo**, the **City of Corder**, the **City of Kansas City**, the **City of Osceola**, **Boone County**, the **Fruitland Area Fire Protection District** 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.

In response to a previous version, officials from the **Department of Public Safety's Fire Safety** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Oversight notes that according to subsection 6 of §320.400, the State Fire Marshall may set up a grant for the purpose of establishing a voluntary firefighter cancer benefits trust. This would be subject to appropriations by the General Assembly and the State Fire Marshall would disburse grants to the trust upon receipts of applications.

In response to similar legislation from this year, SB 45, officials from the **City of Ballwin** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties and fire protection 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.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Cost – DOR - creates firefighter trust credit</u>	\$0	(Could greatly exceed \$3,000,000)	(Could greatly exceed \$3,000,000)
<u>Cost – DOR</u>		\$0 or Up to	\$0 or Up to
Personal Service	\$0	(\$49,207)	(\$49,699)
Fringe Benefits	\$0	(\$40,487)	(\$40,653)
Equipment & Expense	\$0	(\$982)	(\$1,007)
<u>Total Costs - DOR</u>	<u>\$0</u>	<u>(\$90,676)</u>	<u>(\$91,359)</u>
FTE Change – DOR	0 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	(Could greatly exceed <u>\$3,090,676</u>)	(Could greatly exceed <u>\$3,091,359</u>)
Estimated Net FTE Change for General Revenue	0 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL FIRE DEPARTMENT FUNDS			
<u>Cost – may establish a trust to benefit certain firefighters who have certain types of cancer</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL FIRE DEPARTMENT FUNDS	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>

FISCAL IMPACT – Small Business

Small businesses that qualify for the tax credit could be positively impacted.

FISCAL DESCRIPTION

The proposal creates a 100% tax credit for donations to a Voluntary Firefighter Cancer Benefits Trust starting with tax years on or after January 1, 2022. The tax credit has no annual limit.

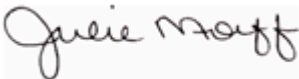
This bill allows for the creation of a "Voluntary Firefighter Cancer Benefits Trust". Under the bill, any municipality or special district that employs firefighters who meet certain qualifications may make contributions to a Voluntary Firefighter Cancer Benefits Trust. The Board of Trustees of any trust created for the purposes of this bill is subject to the Sunshine Law. The Trust is then required to make payments to covered individuals based upon the type of cancer with which the covered individual was diagnosed. The maximum amount that may be paid out from the Trust for a particular cancer diagnosis in a covered individual is \$249,000. Benefits may be reduced by 25% if the covered individual used a tobacco product within the 5 years immediately preceding the cancer diagnosis.

Any Trust created for the purposes of this bill may accept or apply for grants or donations from any private or public source. Furthermore, any such trust may apply for grants from the State Fire Marshal.

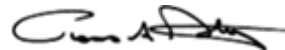
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
Department of Revenue
City of Kansas City
City of Springfield
Department of Public Safety
Department of Labor and Industrial Relations
Attorney General's Office
Department of Health and Senior Services
Joint Committee on Administrative Rules
Office of the Secretary of State
City of O'Fallon
City of Ballwin
City of Claycomo
City of Corder
State Tax Commission
City of Osceola
Boone County
Fruitland Area Fire Protection District



Julie Morff
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March 3, 2021



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March 3, 2021