

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0296H.02I
Bill No.: HB 510
Subject: Disabilities
Type: Original
Date: January 13, 2023

Bill Summary: This proposal modifies provisions relating to mail sent by state agencies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	Up to \$1,200,000	Up to \$1,200,000	Up to \$1,200,000
Total Estimated Net Effect on General Revenue	Up to \$1,200,000	Up to \$1,200,000	Up to \$1,200,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Blind Pension (0621)*	\$84,581	\$101,497	\$101,497
Total Estimated Net Effect on <u>Other</u> State Funds	\$84,581	\$101,497	\$101,497

*Cost avoidance if the Department of Revenue and the Department of Social Services can send notices by regular mail instead of by certified mail.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 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 2024	FY 2025	FY 2026
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§143.611 - Changes to DOR mailings to taxpayers

Officials from the **Department of Revenue (DOR)** state, currently, per statutes, DOR is required to mail by certified mail, the Notice of Assessment Letter to a taxpayer about a problem with their tax return. DOR is finding that a majority of these certified Notice of Assessments are being returned to DOR unclaimed.

The Notice of Assessment is sent to a taxpayer at their last known address to inform them that they have:

- Failed to file a tax return that is owed;
- Filed a return in which they have incorrectly reported the tax owed; or
- Failed to pay the tax amount due.

Certified mail requires a person to sign for the mail before it can be given to them. Should the postal employee not be able to get a signature upon delivery, they leave a notice informing the person they have certified mail and they must come to the post office to sign for it. The problem is that postal offices are open limited number of hours a day, for the person to retrieve their certified mail. Usually the same business hours that the person is working.

Therefore, approximately 80% of these certified Notice of Assessment letters are returned to DOR unclaimed. As of December 1, 2022, a certified notice cost \$3.50 more than a letter sent regular first class mail. The Department spends about \$1.2 million extra a year in postage to send these Notice of Assessment letters by certified mail. (It should be noted the postage rate is expected to rise each January and July for the next couple of years).

This proposal is removing the certified mail notice requirement if a taxpayer elects to have their notices delivered electronically. Taxpayers other than individuals (business, partnership etc.) can elect to have their notices delivered electronically or have it still delivered by certified mail. This proposal would also allow individual taxpayers to have the notice sent regular first class mail or, if they elect, to have it electronically delivered.

The Department is not able to estimate the number of taxpayers that will opt in to receive notices electronically. However, if all choose to receive their notice electronically DOR will save \$1.2 million in certified mail expenses. They assume this proposal will result in a savings of Up to \$1.2 million annually.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DOR.

§209.030 – Removes certified mail requirement for blind pension.

Officials from the **Department of Social Services, Family Support Division (DSS/FSD)** state §209.030 is amended to remove the requirement that the Department of Social Services send communications to Blind Pension (BP) participants via certified mail.

The requirement to send communications to BP participants via certified mail became effective August 28, 2018. The certified mailing processes were temporarily halted in April 2020 under the DSS Director's Order dated March 25, 2020, due to COVID guidelines and restrictions. For this reason, FY 19 data is used in this analysis. In FY 19, FSD sent 21,641 pieces of certified mail to BP participants. Due to system limitations, the certified mailing costs for all communications to BP participants is not available. FSD determined the average costs for all certified mail to BP participants based on the average cost of certified mail of system-generated notices. In FY 19, the total number of system-generated notices was 13,570. The total certified mailing cost for these system-generated notices was \$70,644. FSD assumes that the average cost for all certified mail is \$5.21 per mailing ($\$70,644/13,570 = \5.21 rounded up). Therefore, the total cost for certified mail to BP participants in FY 19 would be \$112,750 rounded up ($\$5.21 * 21,641$).

If the provisions of this legislation are enacted, FSD would continue to incur regular postage costs for any communications sent to Blind Pension participants. The average cost of postage is \$0.52 per mailing. Based on the total number of mailings from FY 19, the cost that FSD would continue to incur would be \$11,253 ($\$0.52 * 21,641 = \$11,253.32$ rounded down).

Funds were not allocated to FSD for the costs incurred as a result of the requirement to send communications to BP participants via certified mail. Therefore, FSD redirected funds from case management activities for this purpose. FSD would realize a cost avoidance of \$101,497 ($\$112,750 - \$11,253 = \$101,497$) as a result of this legislation. If the provisions of this legislation are enacted, FSD would redirect these funds back to case management activities.

Therefore, there is no fiscal impact to DSS/FSD.

Oversight notes the Blind Pension program receives no federal funds. DSS assumes savings from a reduction in certified mail costs (administrative activity) will be redirected to other activities. Oversight will show the estimated savings provided by DSS/FSD to the Blind Pension Fund. Oversight notes subsection 209.030.3 was added in 2018 with HCS/HB 2171.

Officials from **DOR** state this proposal also changes notices regarding the Blind Pension Fund. This section does not impact DOR.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact for DOR for this section in the fiscal note.

Responses regarding the proposed legislation as a whole

Officials from the **Office of Administration - Budget & Planning (B&P)** state this bill has no direct impact on B&P or on general and total state revenues. The B&P states it will not impact the calculation pursuant to Article X, Section 18(e).

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Savings</u> - DOR (§143.611) - Savings on Notice of Assessment certified mail costs p. 3	<u>Up to</u> <u>\$1,200,000</u>	<u>Up to</u> <u>\$1,200,000</u>	<u>Up to</u> <u>\$1,200,000</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Up to</u> <u>\$1,200,000</u>	<u>Up to</u> <u>\$1,200,000</u>	<u>Up to</u> <u>\$1,200,000</u>
BLIND PENSION FUND (0621)			
<u>Savings</u> - DSS (§209.030) - Savings on Blind Pension certified mail costs p. 4	<u>\$84,581</u>	<u>\$101,497</u>	<u>\$101,497</u>
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$84,581</u>	<u>\$101,497</u>	<u>\$101,497</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

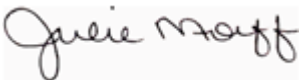
Currently, DOR is required to mail by certified mail, the Notice of Assessment Letter to a taxpayer about a problem with their tax return. This proposal is removing the certified mail notice requirement if a taxpayer elects to have their notices delivered electronically (§143.611).

This bill removes a requirement that any notice sent to an applicant or recipient of Blind Pension funds must be sent by certified mail. Instead, the bill allows the notice to be sent by any mail delivered by the United States Postal Service (§209.030).

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

Department of Social Services
Department of Revenue
Office of Administration – Budget & Planning



Julie Morff
Director
January 13, 2023



Ross Strobe
Assistant Director
January 13, 2023