

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0296H.03P
 Bill No.: Perfected HCS for HB 510
 Subject: Disabilities; State Departments
 Type: Original
 Date: April 26, 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*	\$1,200,000 to (\$2,145,000)	\$1,200,000 to (\$2,145,000)	\$1,200,000 to (\$2,145,000)
Total Estimated Net Effect on General Revenue	\$1,200,000 to (\$2,145,000)	\$1,200,000 to (\$2,145,000)	\$1,200,000 to (\$2,145,000)

*Range is based on cost avoidance if the Department of Revenue is not required to send notices by certified mail... and the changes in §143.611.3 that allows taxpayers to choose to receive notices of deficiency by registered mail, which is more expensive than the current method used.

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

**Cost avoidance if 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

§105.963 – Mailings of campaign disclosure reports; assessments of financial interest statements

In response to a previous version, officials from the **Missouri Ethics Commission's (MEC)** stated, while the proposed legislation allows the option of a method other than certified mail, at this time a cost savings is undetermined because the Commission anticipates the necessity of certified mail in specific circumstances.

Oversight does not have any information to the contrary. Oversight assumes the savings, if any, from this section of the proposal will be minimal. Therefore, Oversight assumes no fiscal impact to MEC.

Officials from the **Department of Revenue (DOR)** state this provision makes changes to notices that the Missouri Ethics Commission sends out. This will 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.

§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. In FY 2022, the Department mailed notices to over 330,000 taxpayers at the certified rate of \$3.50 per which cost us an extra \$1.2 million in postage. (It should be noted the postage rate is expected to rise each January and July for the next couple of years).

It should be noted that the return of the unclaimed certified mail, also places an administrative burden on the staff. Staff must go through the unclaimed mail and attempt to locate the taxpayer. They try to find another address or phone number to reach out to the taxpayer and let them know another letter is on the way. The extra time spent dealing with the unclaimed mail, takes time away from other processing jobs.

This proposal is changing the notice requirement if a taxpayer elects to have their notices delivered electronically. Taxpayers other than individuals (business, partnership etc.) can elect, per this proposal to have their notices delivered electronically or have it still delivered by certified mail. Those that chose to receive the notice electronically will save the state the certified rate.

This proposal allows individual taxpayers to request to have the notices electronically delivered. However, if an individual taxpayer does not request the electronic delivery, the Department would be required to provide the notice by registered mail instead of the current certified mail. Registered mail currently costs \$10 plus postage. This will increase the costs of the Department even more than the current certified mail.

The Department is unable to determine the number of taxpayers that will need to be sent the Notice of Assessment in the future. Additionally, DOR is not able to determine the number of taxpayers who will opt in to receive electronic notices. If all the taxpayers were to choose the electronic notice, DOR would save the \$1.2 million in certified mail costs. However, if no taxpayers choose to use the electronic delivery and DOR is required to send the notices by registered mail, this will cost the Department an additional \$2,145,000 (\$10 register price - \$3.50 the certified price * 330,000).

For fiscal note purposes, DOR will show the impact as a range between the potential savings and the potential increased costs.

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

§209.030 – Mail requirements for blind pension participants

In response to a previous version, officials from the **Department of Social Services, Family Support Division (DSS/FSD)** stated §209.030 is amended to change 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.

House Amendment 1 – Changes when certified mail is required for Blind Pension mailings

§209.030

Officials from **DSS**, **FSD** state DSS currently has no way to calculate how much of the cost avoidance from the previous version would be from adverse actions. Therefore, the cost avoidance would be a range of up to \$101,497.

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. Oversight will reflect the potential savings to the Blind Pension Fund of “Up to \$101,497” as a result of this amendment.

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 previous version the proposed legislation as a whole

In response to a previous version, officials from the **Office of Administration - Budget and Planning**, the **Office of the State Courts Administrator** and the **Jackson County Board of Election Commissioners** each assumed 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.

Responses regarding the proposed legislation as a whole as amended

Officials from the **Platte County Board of Elections** and the **St. Louis County Board of Elections** 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 did not respond to **Oversight's** request for fiscal impact for this proposal.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local election authorities were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the MOLIS) database is available upon request.

<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 pp. 3-4	Up to \$1,200,000	Up to \$1,200,000	Up to \$1,200,000
<u>Costs</u> – DOR (§143.611) – Notice of Assessment sent via registered mail costs pp. 3-4	(Up to \$2,145,000)	(Up to \$2,145,000)	(Up to \$2,145,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$1,200,000 to (\$2,145,000)</u>	<u>\$1,200,000 to (\$2,145,000)</u>	<u>\$1,200,000 to (\$2,145,000)</u>
BLIND PENSION FUND (0621)			
<u>Savings</u> - DSS (§209.030) - Savings on Blind Pension certified mail costs p. 5	Up to \$84,581	Up to \$101,497	Up to \$101,497
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>Up to \$84,581</u>	<u>Up to \$101,497</u>	<u>Up to \$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).

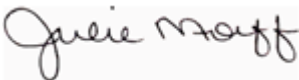
This bill removes a requirement that any notice sent to an applicant or recipient of Blind Pension funds must be sent by certified mail. Instead, the bill allows the notice to be sent by any mail delivered by the United States Postal Service (§209.030).

This bill removes the requirement that the Director of the Missouri Ethics Commission notify campaign committees which do not file disclosure reports by registered mail (§105.963).

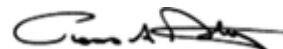
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services
Department of Revenue
Missouri Ethics Commission
Office of Administration – Budget & Planning
Jackson County Board of Election Commissioners
Platte County Board of Elections
St. Louis County Board of Elections



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