

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2603H.01I
Bill No.: HB 1416
Subject: Political Subdivisions; Economic Development; Boards, Commissions,
Committees, and Councils; Counties; Cities, Towns, and Villages; Property, Real
and Personal; Public Records, Public Meetings
Type: Original
Date: March 25, 2025

Bill Summary: This proposal modifies provisions governing Community Improvement
District duties.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on General Revenue	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

*Unknown revenue loss is not expected to meet the \$250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

§§67.1463, 67.1471 & 67.1473 – Community Improvement Districts (CID) Duties

Officials from the **Department of Revenue (DOR)** assume §67.1473 states that if a community improvement district be given a compliance grade of less than 80% by the State Auditor Office, the municipality that allowed the creation of the district is to terminate the district and stop collection of the tax. DOR notes the property tax collected by these districts is not handled by DOR. DOR would not have a fiscal impact from that provision. However, should the district have adopted a sales and use tax then, DOR would need notice from the municipality that the district was terminated. Upon receipt of that termination notice and notification of the vendors in the area, DOR would stop collection of the sales and use tax. This type of work is done in DOR's normal scope of work and would not require any additional resources.

Oversight notes in §67.1473 that if the district fails to provide notice of an annual meeting **or** fails to achieve a compliance grade of 80% per §67.1471 from the Office of the State Auditor, then the district could be dissolved in part or in full or terminated, but only if notice of a hearing **and** a vote by the governing body that the district is located in is held. The language in this section suggests that the decision to possibly dissolve or terminate is left up to the governing body of the municipality.

If the governing body of the municipality decides to dissolve in part or terminate the CID in full and there is a sales tax or other tax attached to the CID, then the municipality will no longer receive the revenues associated with that CID. **Oversight** assumes the municipality's governing body will take into consideration the pros and cons of this before making a decision. Therefore, for fiscal note purposes, **Oversight** will reflect a \$0 (no dissolving/termination of CID) or unknown loss of revenues to the municipality from taxes collected by the CID for this proposal.

Oversight notes that according to DOR's Financial and Statistical Report as of June 30, 2023, there were 459 CIDs that had local sales tax of \$102,223,981 and local use tax of \$4,213,263 which totaled \$106,437,245. On average, that is \$231,889 (\$106,437,245/459) in tax distribution from each CID. In order for DOR's 1% administrative fee collections to reach the \$250,000 threshold, at least 108 $((108 * 231,889) * 1\%)$ CIDs or 23.5% of the CIDs would need to be below the 80% compliance grade and terminated by the municipality. Therefore, Oversight will reflect a potential loss of revenues to DOR should the taxes that are collected come from a sales or use tax that is collected by the CID and DOR collects a 1% administrative fee. **Oversight** will assume this administrative fee will be less than the \$250,000 threshold for fiscal note purposes.

Officials from the **Office of Administration - Budget and Planning**, the **Department of Economic Development**, the **Office of the Secretary of State, Kansas City**, the **Jackson County Election Board**, the **Platte County Board of Elections**, the **St. Louis City 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 the **Office of the State Auditor** did not respond to **Oversight's** request for fiscal impact for this proposal.

Oversight assumes that any compliance work done by the Office of the State Auditor regarding CIDs is in the normal scope of their work and would not require any additional resources. If this assumption is incorrect, this would alter the fiscal impact as presented in this fiscal note. If additional information is received by the Office of the State Auditor, **Oversight** will review it to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

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

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Revenue</u> – DOR - loss of administration fee charged on sales and use tax revenues from dissolving or terminating a CID for failing the provisions of §67.1473	<u>\$0 or</u> (Unknown)	<u>\$0 or</u> (Unknown)	<u>\$0 or</u> (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 or</u> (Unknown)	<u>\$0 or</u> (Unknown)	<u>\$0 or</u> (Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> – loss of revenues from dissolving or terminating a CID for failing the provisions of §67.1473	<u>\$0 or</u> (Unknown)	<u>\$0 or</u> (Unknown)	<u>\$0 or</u> (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or</u> (Unknown)	<u>\$0 or</u> (Unknown)	<u>\$0 or</u> (Unknown)

FISCAL IMPACT – Small Business

Small businesses who collect a sales tax or other tax within a CID from this proposal could be impacted.

FISCAL DESCRIPTION

This bill requires a community improvement district to provide notice to the governing body of the municipality in which the district is located of planned meetings and any associated meeting agendas at least ten calendar days prior to the meeting. If a district calls an emergency meeting it must provide notice as soon as possible.

The bill adds the list of dates and locations of each meeting of a community improvement district board to the list of items contained in a report that a district is required to provide to the municipal clerk, Department of Revenue, the State Auditor, and the Department of Economic Development. The report must include an affidavit signed by a board member under penalty of perjury that the information is accurate.

This bill requires the State Auditor to calculate a compliance grade for community improvement district reporting compliance. The Auditor's office will post the grade on its website no later than 30 days after the reporting deadline.

If a community improvement district fails to achieve a compliance grade of at least 80% it can be terminated or its board may be dissolved. A terminated district must immediately cease collecting any tax it is authorized to impose, settle its debts, and return all remaining money.

The governing body of a municipality will not be obligated or liable for any terminated district's remaining indebtedness, inaction, failure of fiduciary responsibility, fraudulent activity, or other encumbrance of such terminated district.

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 Revenue
Office of Administration - Budget and Planning
Department of Economic Development
Office of the Secretary of State
Kansas City
Jackson County Election Board
Platte County Board of Elections
St. Louis City Board of Elections
St. Louis County Board of Elections



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