

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4702-05
Bill No.: HCS for SCS for SB 591
Subject: County Officials; Taxation and Revenue - Property
Type: Original
Date: April 19, 2012

Bill Summary: This proposal changes sections relating to state and local revenues.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Professional & Practical Nursing Student Loan & Nurse Loan Repayment	(\$11,375)	(\$11,375)	(\$11,375)
Second Injury Fund	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	(Up to \$11,375)	(Up to \$11,375)	(Up to \$11,375)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Agriculture, Department of Corrections, Office of the State Treasurer** and the **State Tax Commission** each assumed the proposal would not fiscally impact their respective agencies.

In response to a previous version of this proposal, officials from the **Department of Insurance, Financial Institutions and Professional Registration, Office of the State Courts Administrator, Department of Revenue** and **Department of Transportation** assumed the proposal would not fiscally impact their agencies.

Officials from the **County of St. Louis** assume the current proposal would not fiscally impact their agency.

Officials from the **Attorney General's Office** assumes that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Mental Health (DMH)** assumes in section 630.460, the interest that the DMH charges for unpaid balances resulting from overpayments is reduced by two percent. This could potentially have a fiscal impact to the department. Any impact would be minimal, however, the exact amount is unknown.

When the department identifies overpayments to contracted providers, the majority are recovered by crediting the balance against future services. In those cases where the provider is no longer providing services, the department will attempt to set-up a repayment plan. This repayment plan would include the interest outlined in proposed section 630.640. Unfortunately, the department is unable to collect on many of these overpayments and they are often referred to the Attorney General's Office. They have been able to collect on some of these balances but many are ultimately "written-off" as uncollectible. Because of the unknown amounts of future overpayments and the limited ability to collect on the outstanding balances, the total fiscal impact to DMH resulting from this change is negative unknown.

Officials from the **Department of Health and Senior Services (DHSS)** assume the Professional and Practical Nurse Student Loan Program (NSL) provides nursing student loans of \$2,500 one-time amount for Licensed Practical Nurses and \$5,000 a year for Registered Nurses to individuals who are willing to provide nursing services in the Health Professional Shortage Areas (HPSA) or underserved areas for one year for each loan received. Section 335.233, RSMo states

ASSUMPTION (continued)

the interest rate for the NSL program is to be 9.5 percent. The proposed legislation references Section 32.065, RSMo to determine the interest rate allowed to be charged which DHSS estimates would currently be three percent. This would result in a six and half percent reduction in the amount charged on the nursing students who do not fulfill their service obligation. The interest rate reduction could remove the incentive to serve in a HPSA and create a situation where individuals who have no intention of providing health care services in a HPSA, to apply for the loan(s) with the intent to repay the loan(s). The repayment of principle and interest is applied back into the NSL Program. With a six and half percent reduction in the amount of interest collected, the result could be an additional reduction of funding for qualified applicants who would provide services in HPSAs in Missouri. Currently, there are 17 nursing students who are in repayment of their loans for a total of \$175,000. The interest earned is \$16,625 ($\$175,000 \times 9.5$ percent) which the nursing program will have access to for future loans. The proposed legislation could result in the nursing program losing an estimated \$11,375 per year ($\$16,625 - (\$175,000 \times 3$ percent)).

Officials from the **Department of Natural Resources (DNR)** state in Section 643.079.6, the department may initiate a civil action in circuit court against any air contaminant source which has not remitted the appropriate fees within thirty days. In any judgment against the source, the department shall be awarded interest at a rate set by section 32.065 plus one percent and reasonable attorney's fees. In any judgment against the department, the source shall be awarded reasonable attorney's fees.

The fiscal impact from this proposal is undeterminable as the unknown number and amount of fees not remitted within thirty days fluctuates and the cases are rarely taken up in circuit court. However, DNR would not anticipate the fiscal impact to be significant as a result of the proposed change in legislation.

Officials from the **Department of Labor & Industrial Relations (DOL)** assume this proposal modifies the interest rate that would apply to awards (287.160.3) and to the administrative tax and surcharge that are not paid when due as set forth in §287.745.1. These changes will result in a cost savings to the Second Injury Fund; however, the exact savings is unknown.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposed legislation should not result in additional costs or savings to their agency.

Local Sales vs. Local Use Taxes - this proposal imposes local sales taxes on motor vehicle sales by an out-of-state seller to a Missouri buyer. This proposal will have no impact on state revenues, because of the existing state use tax. However, this proposal would increase local

ASSUMPTION (continued)

revenues for subdivisions that do not currently impose a use tax. BAP defers to the DOR for any estimated increases.

This proposal may impact the limit imposed in Article X, Section 18(e).

Various Sections - this proposal changes various statutory interest rates to a variable rate tied to the prime interest rate. As of April 6, 2012, the prime rate reported by the Wall Street Journal website was 3.25%.

The change in the interest rate may impact interest on refunds issued by the DOR. This may reduce General Revenue available for appropriation. BAP defers to DOR for estimated costs.

This proposal impacts interest rates related to state procurements, scholarships and loans, unemployment and workers compensation, civil actions, abandoned property, DMH expenses, certain environmental controls, and other activities.

This proposal may impact state expenditures and receipts. BAP defers to the impacted agencies for estimated costs.

Residential Time Share Units - this proposal changes the classification of time-share units for property tax purposes from commercial to residential based on the ratio of the nights rented to nights available. Commercial properties are assessed at 32% of its value, while residential property is assessed at 19% of its value. This proposal would reduce the taxable base, and if a municipality is unable to adjust its levy, would reduce municipal receipts, including those for schools. This proposal would reduce Blind Pension Fund receipts by an unknown amount.

In response to a previous version of this proposal, officials from the **Missouri Department of Conservation** assumed an unknown negative fiscal impact to the Conservation Commission Fund of less than \$100,000 because the proposal allows counties to use any motor vehicle guide approved by the state to value motor vehicles for personal property tax purposes.

In response to a previous version of this proposal, officials from the **City of Kansas City** assumed no fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE FUND			
<u>Loss</u> - Reduction in the maximum interest rate charged on overpayments.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
 PROFESSIONAL & PRACTICAL NURSING STUDENT LOAN & NURSE LOAN REPAYMENT			
<u>Loss</u> - Department of Health & Senior Services Other Costs - Reduced Interest Revenue	<u>(\$11,375)</u>	<u>(\$11,375)</u>	<u>(\$11,375)</u>
ESTIMATED NET EFFECT ON PROFESSIONAL & PRACTICAL NURSING STUDENT LOAN & NURSE LOAN REPAYMENT	<u>(\$11,375)</u>	<u>(\$11,375)</u>	<u>(\$11,375)</u>
 SECOND INJURY FUND			
<u>Savings</u> - Department of Labor & Industrial Relations Cost savings due to modification of interest rate	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON SECOND INJURY FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<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.

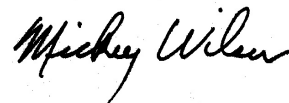
FISCAL DESCRIPTION

The proposed legislation modifies numerous provisions of law that specify the application of a particular interest rate.

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

State Tax Commission
Department of Revenue
Attorney General's Office
Department of Insurance, Financial Institutions and Professional Registration
Department of Agriculture
Office of Administration
Department of Mental Health
Office of the State Treasurer
Department of Labor and Industrial Relations
Missouri Department of Conservation
Department of Transportation
Department of Health and Senior Services
Office of the State Courts Administrator
Department of Corrections
Department of Natural Resources
St. Louis County
Kansas City



Mickey Wilson, CPA
Director
April 19, 2012