

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0476S.03P
 Bill No.: Perfected SS for SCS for SB 108
 Subject: Cities, Towns and Villages; Contracts and Contractors; Internet and E-Mail;
 Political Subdivisions; Taxation and Revenue - Sales and Use;
 Telecommunications
 Type: Original
 Date: March 24, 2021

Bill Summary: This proposal allows two or more municipalities to form a broadband infrastructure improvement district for the delivery of broadband internet service to the residents of such municipalities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on General Revenue	\$0	\$0 or Unknown	\$0 or Unknown

*The General Revenue impact represents IF municipalities establish a broadband infrastructure improvement district AND impose a sales tax – the Department of Revenue would collect the sales tax and retain one percent for collection fees on services that do not relate to satellite or other video streaming services. Oversight assumes this would not hit the \$250,000 threshold.

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
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 2022	FY 2023	FY 2024
Local Government*	\$0	\$0 or Unknown to (Unknown)	\$0 or Unknown

*Oversight notes the proposal is permissive.

FISCAL ANALYSIS

ASSUMPTION

§71.1000 – Broadband Infrastructure Improvement Districts

In response to a previous version, officials from the **Kansas City Board of Elections** assumed a cost of \$625,000 to conduct an election for this proposal.

Oversight notes that some of the costs mentioned by the City of Kansas City could be offset through grants, loans, bonds, or user fees per §71.1000.5. However, Oversight assumes not all of the costs for the election could be covered and therefore the City of Kansas City would have an expense for election costs. There could also be other municipalities that incur election costs if they choose to form a broadband infrastructure improvement district for their residents.

According to subsection 6, the election would occur at a November election in even numbered years. The next general election is scheduled for November of 2022 (FY 2023). Therefore, any election costs could occur at this time. Therefore, Oversight will reflect a potential election cost of \$0 or unknown to local political subdivisions starting in FY 2023.

Oversight also notes per §71.1000.6, the district may impose a sales tax that shall not exceed one percent and such tax shall not become effective unless the governing body of each municipality of the district submits a proposal to the voters at an election to authorize such tax. This tax would be in addition to any and all taxes imposed and the proceeds of such tax shall be used solely to provide broadband service to residents of the district. Oversight assumes two or more municipalities would not take action from this proposal unless there was an economic benefit to the municipalities and approval by the majority of voters to form a broadband infrastructure improvement district. If the voters are in favor of this additional tax, then the tax would be effective in the quarter following the election. In this case, it would be in January of 2023 (FY 2023). The Department of Revenue (DOR) would collect a 1% collection fee for the administration of this new sales tax on the broadband infrastructure improvement district. Therefore, Oversight will show a \$0 or unknown revenue gain for DOR's collection fee to General Revenue and a cost of DOR's collection fee to local political subdivisions and a \$0 or unknown revenue gain for the sales tax collected for the improvement district to local political subdivisions.

In response to a previous version, officials from the **Department of Economic Development** 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.

In response to a previous version, officials from the **City of Ballwin**, the **City of Corder**, the **City of Houstonia**, the **City of Hughesville**, the **City of Kansas City**, the **City of Mansfield**, the **City of O'Fallon**, the **City of Springfield**, **St. Louis City**, the **Jackson County Board of**

Elections and the **Platte 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.

Senate Amendment 1 - §67.2680 – Provisions for satellites or streaming video services

Oversight notes this amendment assumes the state or any other political subdivision shall not impose any new tax, license, or fee in addition to any tax, license, or fee already authorized on or before August 28, 2021, upon the provision of satellite or streaming video service. While these services may not be taxed, other broadband services are still subject to being taxed.

Bill as a Whole

Officials from the **Office of the Secretary of State**, the **Department of Commerce and Insurance** and the **Department of Revenue** 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** 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.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, local election authorities and counties 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>Revenue – DOR – 1% collection fee (§§67.2680 & 71.1000)</u>	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Gain</u> – sales tax collected on broadband improvement districts (§§67.2680 & 71.1000)	\$0	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> – DOR’s 1% collection fee (§§67.2680 & 71.1000)	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> – election costs to form a broadband improvement district (§71.1000)	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 or Unknown to (Unknown)</u>	<u>\$0 or Unknown</u>

FISCAL IMPACT – Small Business

Small businesses that service broadband internet services within these districts could have a direct fiscal impact as a result of this proposal.

FISCAL DESCRIPTION

This act creates provisions relating to telecommunications.

TAXES, LICENSES, AND FEES ON CERTAIN SERVICES (Section 67.2680)

Under the act, the state or any other political subdivision shall not impose any new tax, license, or fee in addition to any tax, license, or fee already authorized on or before August 28, 2021, upon the provision of satellite or streaming video service.

BROADBAND INFRASTRUCTURE IMPROVEMENT DISTRICTS (Section 71.1000)

This act allows two or more municipalities to form a broadband infrastructure improvement district for the delivery of broadband internet service to the residents of such municipalities. A district created under the act shall have to power partner with a telecommunications company or

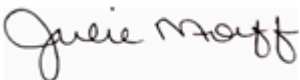
broadband service provider in order to construct or improve telecommunications facilities as set forth in the act.

A district may finance the provision or expansion of broadband internet service through grants, loans, bonds, user fees, or a sales tax, not to exceed one percent. The act also sets forth the composition and operation of the district governing board.

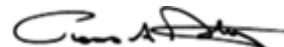
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Kansas City Board of Elections
Department of Economic Development
Office of the Secretary of State
Department of Commerce and Insurance
Department of Revenue
City of Ballwin
City of Claycomo
City of Corder
City of Kansas City
City of O'Fallon
City of Springfield
St. Louis City
Jackson County Board of Elections
Platte County Board of Elections
St. Louis County Board of Elections
City of Houstonia
City of Hughesville
City of Mansfield



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March 24, 2021



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