

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0995S.02I
Bill No.: SB 368
Subject: Counties; County Government; County Officials; Mortgages and Deeds
Type: Original
Date: February 22, 2021

Bill Summary: This proposal modifies provisions relating to the Missouri Housing Trust Fund.

FISCAL SUMMARY

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
MO Housing Trust Fund (0254)	Less than \$4,702,500	Less than \$6,270,000	Less than \$6,270,000
Total Estimated Net Effect on <u>Other</u> State Funds	Less than \$4,702,500	Less than \$6,270,000	Less than \$6,270,000

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	\$0

FISCAL ANALYSIS

ASSUMPTION

§59.319 - Missouri Housing Trust Fund Fee

Officials from the **Department of Revenue (DOR)** state statutes require that when paperwork is filed with the county recorder of deeds, fees are collected. One of those fees is a \$3.00 fee to be collected by the recorders and transferred to the Department for deposit into the Missouri Housing Trust Fund. This proposal would increase this fee from \$3.00 to \$9.00.

According to the Missouri Housing Trust Fund Financial Report \$2,931,000 was deposited into the MO Housing Trust Fund. This means that approximately 977,000 transactions would have paid the fee. Assuming those same number of transactions would be subject to the new \$9.00 fee the state would collect \$8,793,000. An increase of \$5,862,000 annually.

This proposal would become effective August 28, 2021 and would be assumed to collect only 10 months in FY 2022.

Fiscal Year	MO Housing Trust Fund Additional Funding
2022	\$4,396,500
2023	\$5,862,000
2024	\$5,862,000

Officials from the **Department of Economic Development (DED)** assume §59.319 increases the recording fee from \$3 to \$9 collected for the Missouri Housing Trust Fund (MHTF). Using actual MHTF collections as a base, the chart below reflects what those collections might look like had the \$9 increase proposed in SB 368 been in place. Currently, the MHTF is appropriated \$4,450,000. If we assume that increasing the MHTF fee by 3x will increase the total MHTF collected by 3x, the current MHTF appropriation will not capture the full MHTF collected. In order to allow full utilization of the increased MHTF collections, a corresponding increase to the MHTF appropriation will likely be necessary.

Fiscal Year	Actual Collections at \$3 Fee	At Proposed \$9 Fee
2015	\$ 3,206,671	\$ 9,620,013
2016	\$ 3,056,343	\$ 9,169,029
2017	\$ 3,182,734	\$ 9,548,202
2018	\$ 3,301,405	\$ 9,904,215
2019	\$ 3,131,914	\$ 9,395,742
2020	\$ 2,930,789	\$ 8,792,367

Oversight notes the report that DOR is referring to above is for FY 2020 and the additional fee would not be charged until August 28, 2021 by the county recorders. This would, therefore, not be collected by the DOR until October and would represent 9 months of collections in the fund verses 10 months as indicated by DOR.

Oversight also notes that going by DED's table above, the 6 year average based on actual collections at the \$3 fee equals \$3,134,976. This works out to 1,044,992 transactions. With the \$6 additional fee added from this proposal, there could be a potential increase in revenue of \$6,269,952 ($\$6 * 1,044,992$) on an annual basis to the MHTF. Therefore, Oversight assumes a potential increase in revenue to the MHTF that could exceed \$6,270,000 annually.

§215.036 - MO Housing Trust Fund Distribution of Funding

Officials from the **Department of Revenue** assume this proposal changes the eligibility requirements of candidates applying for the MO Housing Trust Fund grants or loans. The Department defers to the Missouri Housing Development Commission (MHDC) who manages this program for fiscal impact.

Officials from the **Department of Economic Development** assume §215.036 changes the eligible household income for MHTF assistance to 50% of the median family income and 30% for some households. Adjusting the eligibility from 30% AMI to 50% AMI would add roughly 147,000 renting households to the pool of eligible applicants for the MHTF program according to the latest CHAS data (Comprehensive Housing Affordability Strategy Data) estimates. That is an increase of 75%.

The increase proposed in SB 368 would more than double the number of MHTF eligible individuals. The gap between how much MHTF was collected in 2020 to serve households at only 30% AMI (\$2,930,789) and the current appropriation (\$4,450,000) would not be enough to serve the additional households who are between 30% and 50% AMI. Theoretically, even if the fee per application was increased, the gap between what was collected and the spending limit would leave roughly \$10 per newly eligible rental household

The MHTF is not funded with GR funds; the MHTF is a statutorily created fund used to financially assist the development of housing stock and to provide housing assistance to low-income persons and families.

Oversight assumes there would be an increase in the number of applicants who would be eligible for the MHTF program based on the change in household income eligibility requirements for applicants, but Oversight is unclear on the costs from the increased eligible applicants. Therefore, Oversight will assume a \$0 to unknown negative impact to the MHTF.

Officials from the **City of Springfield (City)** anticipate a negative fiscal impact due to an increase in the fee to record deeds, conveyances, etc. The amount of impact would depend on the number of deeds, conveyances, etc., that the City needed to record in a given year. The City does not anticipate that the negative fiscal impact would be significant.

Oversight assume any negative impact to the City of Springfield could be absorbed within the city's budget and will, therefore, reflect a \$0 fiscal impact for fiscal note purposes.

Bill as a Whole

Officials from the **Department of Commerce and Insurance** and the **Department of Labor and Industrial Relations** 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**, the **City of Corder**, the **City of Hughesville**, the **City of Kansas City**, the **City of O'Fallon** and the **City of Southwest City** 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.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (9 Mo.)	FY 2023	FY 2024
MO HOUSING TRUST FUND			
<u>Revenue increase – additional fee charged on documents</u>	Could exceed \$4,702,500	Could exceed \$6,270,000	Could exceed \$6,270,000
<u>Costs – increase in eligible applicants for the MHTF program from the change in household income</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT ON THE MO HOUSING TRUST FUND	<u>Less than \$4,702,500</u>	<u>Less than \$6,270,000</u>	<u>Less than \$6,270,000</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small businesses that file paperwork at the recorder of deeds office will be required to pay the higher fees.

FISCAL DESCRIPTION

FEES FOR RECORDING OF INSTRUMENTS (Section 59.319)

Under current law, a user fee of four dollars is charged for the recording of any instrument with the county recorder of deeds. An additional fee of three dollars is charged for the recording of certain instruments, such as deeds, mortgages, conveyances, and deeds of trust, which is then deposited in the Missouri Housing Trust Fund. The county recorder of deeds collects these fees and remits them to the Department of Revenue. This act changes the additional fee for the recording of these certain instruments from three dollars to nine dollars.

HOUSING TRUST FUND (Section 215.036)

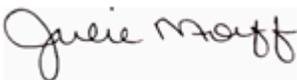
Under current law, the money in the Missouri Housing Trust Fund is used to financially assist households with a combined adjusted gross income equal to or less to certain percentages of the median family income for the geographical area.

This act modifies these provisions to include households with a combined adjusted gross income equal to or less than 50% of the median family income to be eligible for financial assistance for housing. This act also provides that households with a combined adjusted gross income equal to or less than 30% shall be eligible for financial assistance for certain residential occupancy projects. Finally, this act requires that no less than 50% of the funds shall be allocated to rental support projects.

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
Department of Economic Development
City of Springfield
Department of Commerce and Insurance
Department of Labor and Industrial Relations
City of Claycomo
City of Corder
City of Hughesville
City of Kansas City
City of O'Fallon
City of Southwest City



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February 22, 2021



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