COMMITTEE ON LEGISLATIVE RESEARCH OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0476S.01I Bill No.: SB 108

Subject: Cities, Towns and Villages; Contracts and Contractors; Counties; Internet and E-

Mail; Political Subdivisions; Taxation and Revenue - Sales and Use

Type: Original

Date: February 8, 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. Oversight assumes this would <u>not</u> 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 Other State			
Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

L.R. No. 0476S.01I Bill No. SB 108 Page **2** of **6** February 8, 2021

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net			
Effect on All 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

 \square Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
		\$0 or Unknown to	
Local Government*	\$0	(Unknown)	\$0 or Unknown

^{*}Oversight notes the proposal is permissive.

L.R. No. 0476S.01I Bill No. SB 108 Page **3** of **6** February 8, 2021

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Kansas City Board of Elections** assume 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.

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 Ballwin, the City of Corder, the City of Claycomo, the City of Houstonia, the City of Hughesville, the City of Mansfield, the City of Kansas City, the City of Springfield, St. Louis City, the Jackson County Board of Elections, the Platte County

L.R. No. 0476S.01I Bill No. SB 108 Page **4** of **6** February 8, 2021

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.

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.

FISCAL IMPACT –	FY 2022	FY 2023	FY 2024
State Government	(10 Mo.)		
GENERAL			
REVENUE			
Revenue – DOR –			
1% collection fee	<u>\$0</u>	\$0 or Unknown	\$0 or Unknown
ESTIMATED NET			
EFFECT ON			
GENERAL	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
REVENUE			

FISCAL IMPACT –	FY 2022	FY 2023	FY 2024
Local Government	(10 Mo.)		
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LOCAL			
POLITICAL			
SUBDIVISIONS			
D G : 1			
Revenue Gain – sales			
tax collected on			
broadband	\$0	\$0 or Unknown	\$0 or Unknown
improvement districts			
Cost – DOR's 1%			
collection fee	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> – election costs			
to form a broadband			
improvement district	<u>\$0</u>	\$0 or (Unknown)	<u>\$0</u>
ESTIMATED NET			
EFFECT ON			
LOCAL			
POLITICAL		\$0 or Unknown to	
SUBDIVISIONS	<u>\$0</u>	(Unknown)	<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 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 to contract with a broadband internet service provider to provide broadband internet service to the residents of the district.

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.

L.R. No. 0476S.01I Bill No. SB 108 Page **6** of **6** February 8, 2021

SOURCES OF INFORMATION

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

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