

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0313S.01I
 Bill No.: SB 284
 Subject: Counties; Mortgages and Deeds; Auditor, State; Housing; Political Subdivisions
 Type: Original
 Date: March 7, 2023

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 2024	FY 2025	FY 2026
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
MO Housing Trust Fund (0254)	Less than \$4,762,500	Less than \$6,350,000	Less than \$6,350,000
Total Estimated Net Effect on <u>Other</u> State Funds	Less than \$4,762,500	Less than \$6,350,000	Less than \$6,350,000

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 2024	FY 2025	FY 2026
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 DOR 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 \$3,200,000 was deposited into the MO Housing Trust Fund in FY 2021. This means that approximately 1,066,666 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 \$9,600,000. An increase of \$6,400,000 annually.

This proposal would become effective August 28, 2023 and would be assumed to collect only 10 months in FY 2024.

Fiscal Year	MO Housing Trust Fund Additional Funding
2024	\$5,333,333
2025	\$6,400,000
2026	\$6,400,000

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 table below reflects what those collections might look like if the fee is increased. Currently, the MHTF is appropriated \$6,500,000 (FY23, HB 3007). Based on the data in Table 1, if the fee is increased, the MHTF can utilize the full appropriated amount, with a surplus. If the \$9 fee is enacted, a larger MHTF appropriation amount will be necessary in future budget years to allow for the full utilization of the increased fees collected for the MHTF.

Table 1:

Fiscal Year Actual Collections at \$3 Fee at Proposed \$9 Fee:

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
2021	\$3,188,174	\$ 9,564,523
2022	\$3,400,060	\$10,200,180

Oversight notes the report that DOR is referring to above is for FY 2021 and the additional fee would not be charged until August 28, 2023 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 8 year average based on actual collections at the \$3 fee equals \$3,174,761. This works out to 1,058,254 transactions. With the \$6 additional fee added from this proposal, there could be a potential increase in revenue of \$6,349,524 ($\$6 * 1,058,254$) on an annual basis to the MHTF. Therefore, Oversight assumes a potential increase in revenue to the MHTF that could exceed \$6,350,000 annually.

§215.036 - MO Housing Trust Fund Distribution of Funding

Officials from the **Department of Revenue (DOR)** assume this proposal changes the eligibility requirements of candidates applying for the MO Housing Trust Fund grants or loans. The DOR defers to the Missouri Housing Development Commission (MHDC) who manages this program for fiscal impact. DOR assumes no fiscal impact from this part of the proposal.

Officials from the **Department of Economic Development** assume §215.036(2) state persons or families are eligible under this subsection if the household combined adjusted gross income is equal to or less than 50% of the Median Family Income (MFI) as determined by HUD under Section 8.

§215.036(3): Persons or families are eligible under this subsection if the household combined adjusted gross income is equal to or less than 30% of the Median Family Income (MFI) as determined by HUD under Section 8 or the MFI for the state of Missouri, whichever is larger. This is an increase from 25% MFI and easier to calculate using existing HUD tools.

§215.036(5): At least 50% of MHTF funds would have to be utilized to support eligible rental projects each two-year period. As stated, this could require changes to the priorities in the annual MHTF allocation plan to ensure the percentage is met.

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.

Bill as a Whole

Officials from the **Department of Commerce and Insurance**, the **Department of Labor and Industrial Relations**, the **City of Kansas City** and the **City of Springfield** 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.

In response to similar legislation from 2022, SB 914, officials from the **City of Claycomo**, the **City of Corder**, the **City of Hughesville**, the **City of O'Fallon** and the **City of Southwest City** each assumed 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 received from state agencies and political subdivisions; however, other cities, counties and county recorders 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 2024 (9 Mo.)	FY 2025	FY 2026
MO HOUSING TRUST FUND			
<u>Revenue increase</u> §59.319– fee increase on documents	Could exceed \$4,762,500	Could exceed \$6,350,000	Could exceed \$6,350,000
<u>Costs</u> – §215.036 increase in eligible applicants for the MHTF program from the change in household income	<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 \$4,762,500</u>	<u>Less than \$6,350,000</u>	<u>Less than \$6,350,000</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<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

This act modifies provisions relating to the Missouri Housing Trust Fund.

FEES FOR RECORDING OF INSTRUMENTS (§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 remit 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 (§215.036)

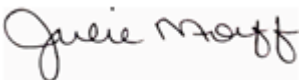
Under current law, the money in the Missouri Housing Trust Fund is used to financially assist households with a combined adjusted gross income equal to or less to certain percentages of the median family income for the geographical area.

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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March 7, 2023



Ross Strobe
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March 7, 2023