

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6738-01
Bill No.: HJR 101
Subject: Constitutional Amendments; Natural Resources, Department of; Property, Real and Personal
Type: Original
Date: March 14, 2016

Bill Summary: Proposes a constitutional amendment to remove the five-year limitation for the Department of Natural Resources to make payments to counties in lieu of real property taxes for land acquired by the department.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 or (Greater Than \$7,100,000)	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0 or (Greater Than \$7,100,000)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
State Parks Soil and Water Sales Tax	\$0	\$0 or (Up to \$1,296,032)	\$0 or (Up to \$1,328,433)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0 or (Up to \$1,296,032)	\$0 or (Up to \$1,328,433)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

- ☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government*	\$0	\$0 or Up to \$1,296,032	\$0 or Up to \$1,328,433

*Transfer In and Cost Net to Zero

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Natural Resources (DNR) - Division of State Parks (DSP)** assume this proposal will have a negative fiscal impact to their organization.

DSP assumes that by removing the five-year limitation on payment in lieu of real property taxes would increase the tax amount DNR would be responsible for paying every year. DSP currently owns a total of 148,761 acres throughout the state.

DSP based the land tax amount by determining an assessed value of the land by multiplying the number of acres per county with the price per acre in Missouri of \$3,350.00 (source: the 2015 USDA Land Value Summary). The value of the land was then multiplied by 32% for the commercial property rate to determine the assessed value. Then DSP took the calculated assessed value of the land by county times the average property tax rate (per \$1,000 and based on the website source of <https://smartasset.com/taxes/missouri-property-tax-calculator>).

DSP does not currently have assessed values of our land by county. Nor do we have the determination by each county on which tax rate they would apply to our property. Therefore, the department attempted to calculate our best estimate for the assessed values and used an average tax rate per county based on their current county tax rates.

Based on our calculations, the DNR-DSP would need to pay over \$1,264,421 starting in FY 2017 for payment in lieu of real property taxes. This requirement to continue in perpetuity and would increase with each acquisition of qualifying items and each tax increase passed by a county.

Because this proposal would result in a new obligation to DNR, it is unclear whether Parks Soil and Water Sales Tax Fund or General Revenue would be requested to meet this obligation.

Oversight notes the following:

DNR assumed the assessed value per acre is \$3,350 based on the source, the 2015 USDA Land Value Summary, which from the same source is the “Average Farm Real Estate Value”.

Farm real estate value as defined in the 2015 USDA Land Value Summary is “(t)he value at which all land and buildings used for agriculture production including dwellings, could be sold under current market conditions, if allowed to remain on the market for a reasonable amount of time.”

ASSUMPTION (continued)

DNR then multiplied the total value of land (based on \$3,350 average farm real estate value per acre) by 32%, which is the commercial property rate, to calculate the assessed value.

The Missouri State Tax Commission (STC) defines the true value in money of agricultural/horticultural land in actual use is defined as its productive use value. The true value in money of agricultural or horticultural land that is vacant and unused is its fair market value.

The STC defines the assessed value as the portion of the true value in money on which taxes are based. For real property, residential property is assessed at 19 percent of its true value in money; agricultural/horticultural property is assessed at 12 percent of its productive or market value; and all other property is assessed at 32 percent of its true value in money.

Oversight acknowledges that nominal fees are charged by DNR-DSP for the public to utilize or visit state owned parks and historic sites. Oversight is not certain this would therefore, automatically categorize all land owned by DNR (state owned property) as commercial because the fees they charge are well below that charged by privately owned parks and historic sites and therefore, supported primarily by taxpayers monies.

Oversight will not show a fiscal impact for FY17 and will show an unknown to \$1,296,032 for FY18 and unknown to \$1,328,433 for FY19. Oversight is showing this range because the basis for which DNR-DSP calculated the fiscal impact was calculated on the following unknown variables:

“DSP does not currently have assessed values of our land by county. Nor do we have the determination by each county on which tax rate they would apply to our property. Therefore, the department attempted to calculate our best estimate for the assessed values and used an average tax rate per county based on their current county tax rates.”

Oversight will assume DNR will not be required to pay property taxes for 2016 (FY 2017). Oversight also assumes an immaterial increase in property taxes would be paid to the state's Blind Pension Trust Fund, but has not reflected it in this note.

Officials at the **Office of the Secretary of State (SOS)** assume each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, a joint resolution proposing a constitutional amendment is submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for

ASSUMPTION (continued)

constitutional amendments referred to the people. If a special election is called to submit a joint resolution to a vote of the people, §115.063.2, RSMo, requires the state to pay the costs. The cost of the special election has been estimated to be \$7.1 million based on the cost of the 2012 Presidential Preference Primary. This figure was determined through analyzing and totaling expense reports from the 2012 Presidential Preference Primary received from local election authorities.

The SOS is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2013, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$2.17 million to publish (an average of \$434,000 per issue). In FY 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation and the SOS was appropriated \$1.19 million to publish the full text of the measures. Due to this reduced funding, the SOS reduced the scope of the publication of these measures. In FY 2015, at the August and November elections, there were 9 statewide constitutional amendments or ballot propositions that cost \$1.1 million to publish (an average of \$122,000 per issue). Despite the FY 2015 reduction, the SOS will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Oversight has reflected in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2017. This reflects the decision made by the Joint Committee on Legislative Research, that the cost of the elections should be shown in the fiscal note. The next scheduled statewide primary election is in August 2016 and the next scheduled general election is in November 2016 (FY 2017). It is assumed the subject within this proposal could be on that ballot; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2017.

ASSUMPTION (continued)

Officials at the **State Tax Commission**, and **Office of Administration** each assume this proposal will not have a fiscal impact on their respective organizations.

Officials at the **City of Columbia** assume this proposal will not have a fiscal impact on their organization.

Officials at the **City of Kansas City (KC)** assume this proposal could have a positive fiscal impact on their organization by increasing revenue in KC which depends upon the specific activities of the Department of Natural Resources.

Officials at the **Platte County Board of Elections Commission** assume this proposal will not have a fiscal impact on their organization.

Officials at **Callaway County** assume this proposal will not have a fiscal impact on their organization.

Oversight will range the fiscal impact from the joint resolution from \$0 (voters reject the proposal) to an impact "Up to" the estimate provided by DNR.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Transfer Out</u> - Secretary of State- reimbursement of local election authority costs if a special election is called by the Governor	\$0 or (Greater than <u>\$7,100,000</u>)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (Greater than <u>\$7,100,000</u>)	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2017 (10 Mo.)	FY 2018	FY 2019
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**PARKS, SOILS AND WATER SALES
 TAX FUND**

<u>Costs</u> - DNR - Land and Real Property Tax	\$0	\$0 or (Up to <u>\$1,296,032</u>)	\$0 or (Up to <u>\$1,328,433</u>)
NET EFFECT TO PARKS, SOILS AND WATER SALES TAX FUND	<u>\$0</u>	<u>\$0 or (Up to \$1,296,032)</u>	<u>\$0 or (Up to \$1,328,433)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
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LOCAL POLITICAL SUBDIVISIONS

<u>Revenue</u> - Land and Real Property Tax	\$0	\$0 or Up to <u>\$1,296,032</u>	\$0 or Up to <u>\$1,328,433</u>
<u>Transfer In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election if called for by the Governor	\$0 or Greater than \$7,100,000	\$0	\$0
<u>Cost</u> - Local Election Authorities - cost of a special election if called for by the Governor	\$0 or (Greater than <u>\$7,100,000</u>)	<u>\$0</u>	<u>\$0</u>
NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 or Up to \$1,296,032</u>	<u>\$0 or Up to \$1,328,433</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

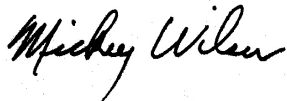
FISCAL DESCRIPTION

Upon voter approval, this proposed constitutional amendment would remove the five-year limitation for the Department of Natural Resources to make payments to counties in lieu of real property taxes for land acquired for by the department for park purposes.

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 Natural Resources
Office of Secretary of State
State Tax Commission
Office of Administration
City of Columbia
City of Kansas City
Platte County Board of Elections Commission
Callaway County



Mickey Wilson, CPA
Director
March 14, 2016

Ross Strobe
Assistant Director
March 14, 2016