

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0817-01
Bill No.: HJR 18
Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use;
Constitutional Amendment
Type: Original
Date: April 26, 2019

Bill Summary: This proposes a constitutional amendment to require that the conservation sales tax be renewed by voters every six years.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2030)
General Revenue	\$0 or (\$7,800,000)	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0 or (\$7,800,000)	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2030)
Conservation Commission (0609)	\$0	\$0	\$0	\$0 or (\$166,500,000)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0	\$0 or (\$166,500,000)

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2030)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2030)
Total Estimated Net Effect on FTE	0	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 2020	FY 2021	FY 2022	Fully Implemented (FY 2030)
Local Government*	\$0	\$0	\$0	\$0

*Transfers in and expenditures net to zero.

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this will not have a direct impact on B&P, or on General or Total State Revenue and will not impact the calculation under Article X, Section 18(e).

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal. DOR provided the amount collected for the Conservation Sales Tax:

FY 2018	\$105,366,727
FY 2017	\$102,996,364
FY 2016	\$102,097,522
FY 2015	\$97,798,674
FY 2014	\$95,152,940
FY 2013	\$91,469,530

Officials at the **Department of Conservation (MDC)** assume the Conservation Sales Tax proceeds account for about 61% of the Department's budget or about \$120 million in the current fiscal year. Assuming 2% per year growth in tax collections, if the tax was not renewed in 2024 would result in a negative fiscal impact of \$140.7 million for FY 2026. Loss of conservation sales tax proceeds would impede our ability to utilize the federal funds allotted to Missouri. We assume that General Revenue Funds would be used to maintain the Department budget, or the loss of funds would lead to the elimination of many beneficial and popular conservation services.

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, Joint Resolutions proposing a constitutional amendment are 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 constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, section 115.063.2 RSMo requires the state to pay the costs. The cost of the special election has been estimated to be \$7.8 million based on the cost of the 2016 Presidential Preference Primary.

ASSUMPTION (continued)

The Secretary of State's office 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. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

In FY19, over \$5.8 million was spent to publish the full text of the measures for the August and November elections. The SOS estimates \$65,000 per page for the costs of publications based on the actual cost incurred for the one referendum that was on the August 2018 ballot.

The Secretary of State's office 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 2019. 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 2020 and the next scheduled general election is in November 2020 (both in FY 2021). It is assumed the subject within this proposal could be on one of these ballots; 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 2020.

Oversight will show the impact as the potential loss of \$148 million in sales tax revenue into the Conservation Commission Fund starting in FY 2030. Oversight assumes the proposal, if approved in November 2020, would ask the voters in November 2026 (after 6 years) if the sales tax should continue. If the voters say 'no', then the sales tax would terminate after the second fiscal year after the vote, or June 2029. Therefore, FY 2030 would be the 'fully implemented' year.

ASSUMPTION (continued)

Oversight notes the sales tax collections into the Conservation Commission Fund has averaged growth of 2.8% over the past four fiscal years. Therefore, Oversight will show the impact as \$0 (either this HJR is rejected by voters or voters approve to continue the sales tax in November 2026) or a loss of \$166.5 million to MDC if the sales tax is not approved by the voters in November 2026.

	State Sales & Use tax	Motor Vehicle	Total	Growth
FY 18	\$105,366,727	\$14,201,414	\$119,568,141	2.1%
FY 17	\$102,996,364	\$14,081,049	\$117,077,413	1.4%
FY 16	\$102,097,522	\$13,332,253	\$115,429,775	4.4%
FY 15	\$97,798,674	\$12,730,067	\$110,528,741	3.2%
FY 14	\$95,152,940	\$11,923,500	\$107,076,440	

Source: DOR's Financial and Statistical Report (Fiscal Year Ended June 30, 2018)

Oversight notes sales taxes collected on motor vehicles broken out in the above table are paid into the Conservation Commission Fund also. Therefore, assuming a 2.8% growth rate for the \$119.6 million in sales tax collections in FY 2018, the potential loss of sales tax revenue for the Conservation Commission by FY 2030 would be approximately \$166.5 million.

FISCAL IMPACT -
State Government

	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2030)
GENERAL REVENUE				

Transfer Out - Local
 Election Authorities
 the cost of the
 special election if
 called for by the
 Governor

\$0 or (\$7,800,000)	\$0	\$0	\$0
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**ESTIMATED NET
 EFFECT ON
 GENERAL
 REVENUE**

\$0 or (\$7,800,000)	\$0	\$0	\$0
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FISCAL IMPACT -
State Government

	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2030)
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**CONSERVATION
COMMISSION**

Revenue - MDC
 voting on extension
 of MDC Sales tax

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0 or</u> <u>(\$166,500,000)</u>
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**ESTIMATED NET
EFFECT ON
CONSERVATION
COMMISSION**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0 or</u> <u>(\$166,500,000)</u>
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FISCAL IMPACT -
Local Government

	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2030)
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**LOCAL
POLITICAL
SUBDIVISIONS**

Transfer In - to
Local Election
 Authorities the cost
 of a special election

\$0 or \$7,800,000	\$0	\$0	\$0
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Cost - Local Election
 Authorities the cost
 of the special
 election **if** called for
 by the Governor

<u>\$0 or</u> <u>(\$7,800,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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**ESTIMATED NET
EFFECT ON
LOCAL
ELECTION
AUTHORITIES**

\$0

\$0

\$0

\$0

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 Constitutional amendment requires the conservation sales and use tax of .125% to be approved by voters in 2020, 2026, and then every six years thereafter. If a majority of the voters fail to approve the continuance of the tax, the tax will terminate at the end of the second fiscal year after the last election was held.

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 Conservation
Department of Revenue
Office of Administration Division of Budget and Planning
Office of the Secretary of State



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April 26, 2019

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April 26, 2019