

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3902-01
Bill No.: HJR 74
Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; Constitutional Amendments; Department of Revenue
Type: Original
Date: February 21, 2020

Bill Summary: This proposals calls for a referendum on the Constitution of Missouri, relating to the assessment of real property values.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	\$0 or (More than \$7,800,000)	\$0 or (Unknown, Could exceed \$100,000)	\$0 or (Unknown, Could exceed \$100,000)
Total Estimated Net Effect on General Revenue	\$0 or (More than \$7,800,000)	\$0 or (Unknown, Could exceed \$100,000)	\$0 or (Unknown, Could exceed \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Blind Pension Fund (0621)	\$0	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0 or (Unknown)	\$0 or (Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	0 FTE	0 or Unknown FTE	0 or Unknown FTE
Total Estimated Net Effect on FTE	0 FTE	0 or Unknown FTE	0 or Unknown FTE

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 2021	FY 2022	FY 2023
Local Government	\$0*	\$0 or (Unknown)	\$0 or (Unknown)

*Potential costs and state reimbursements net to zero in FY 2021 if a special election is called.

FISCAL ANALYSIS

ASSUMPTION

Officials from **Office of the Secretary of State** 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.

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.

ASSUMPTION (continued)

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 2021. 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 (a different date). Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2021.

Section 4(e)

Officials from the **State Tax Commission** have reviewed this proposal and determined an unknown fiscal impact. The act proposes assessment growth limitation on properties "immediately adjacent to any subdivision that receives tax abatement", the agency would not have the data number of eligible properties etc to determine the fiscal impact.

Officials from **Office of Administration - Budget and Planning** assume this proposal requires voter approval; therefore, it will not impact TSR or the calculation under Article X, Section 18(e).

This proposal would suspend any increases to assessed valuations for residential properties located within a subdivision that is adjacent to any other subdivision receiving tax abatement under Missouri law. B&P notes that this proposal is subject to voter approval at the November 2020 election. B&P assumes that if passed, this proposal would impact property assessments beginning in tax year 2021. While this proposal will not have a direct impact on state revenues, this could significantly reduce future revenues to the Blind Pension Fund by suspending valuation increases.

Oversight notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property $((\text{Total Assessed Value}/100) \cdot .03)$. Because this proposal limits the assessed value portion of this equation, the Blind Pension Fund will experience a decrease in revenue relative to what it would have received under current law. Oversight will show an unknown negative impact to the Blind Pension Fund.

Officials from the **Department of Revenue** assume the proposal will have an unknown, possibly significant cost to implement that could exceed \$100,000.

ASSUMPTION (continued)

Oversight assumes the Department of Revenue would be required to establish and administer a dedicated program to implement this proposal. Oversight will show an unknown cost to General Revenue that could exceed \$100,000 for implementation. In addition, Oversight will show an unknown number of FTE that may be required to implement this proposal.

Oversight notes this proposal is contingent on a voter approved amendment to the Constitution. Oversight will show the impact as either \$0 (Constitutional amendment is not approved by voters) to an unknown loss in revenue to the Blind Pension Fund and local political subdivisions and an unknown administrative costs to General Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE			
<u>Transfer Out</u> - SOS - reimbursement of local election authority election costs if a special election is called by the Governor	\$0 or (More than \$7,800,000)	\$0	\$0
		\$0 or (Unknown, Could exceed \$100,000)	\$0 or (Unknown, Could exceed \$100,000)
<u>Cost</u> - DOR - to implement - Section 4(e) FTE Change - DOR	<u>\$0</u> 0	0 or Unknown FTE	0 or Unknown FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (More than \$7,800,000)	\$0 or (Unknown, Could exceed \$100,000)	\$0 or (Unknown, Could exceed \$100,000)
Estimated Net FTE Change for the General Revenue Fund	0	0 or Unknown FTE	0 or Unknown FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2021 (10 Mo.)	FY 2022	FY 2023
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BLIND PENSION FUND

<u>Revenue Loss</u> - loss of property tax on property adjacent to a subdivision that receives tax abatement	\$0	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
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ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
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LOCAL POLITICAL SUBDIVISIONS

<u>Transfer In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election	\$0 or More than \$7,800,000	\$0	\$0
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<u>Costs</u> - Local Election Authorities - cost of a special election if called by Governor	\$0 or (More than \$7,800,000)	\$0	\$0
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<u>Revenue Loss</u> - loss of property tax on property adjacent to a subdivision that receives tax abatement	\$0	\$0 or <u>(Unknown)</u>	\$0 or <u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
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FISCAL IMPACT - Small Business

A small business' property tax bill may be impacted by this proposal.

FISCAL DESCRIPTION

Upon voter approval, this proposed Constitutional amendment would freeze the assessment values of any residential real property for the duration of time under which such property is located in a legally defined subdivision immediately adjacent to any subdivision that receives tax abatement. The Department of Revenue must establish and administer a program responsible for implementing this.

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

Office of the Secretary of State
State Tax Commission
Office of Administration - Budget and Planning
Department of Revenue



Julie Morff
Director
February 21, 2020



Ross Strope
Assistant Director
February 21, 2020