

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1716H.03C
Bill No.: HCS for HB 865
Subject: Education, Elementary and Secondary; Elementary and Secondary Education,
Department of; Political Subdivisions
Type: Original
Date: March 11, 2021

Bill Summary: This proposal authorizes the creation of county early childhood education boards and a property tax levy to provide funding for early childhood education services.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

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

- ☐ 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 2022	FY 2023	FY 2024
Local Government	\$0	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education, Department of Revenue, Office of the State Auditor** and the **State Tax Commission** 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 **Platte County Board of Elections, St. Louis County Board of Elections** and the **Lincoln County Assessor's Office** each assume the proposal will have no fiscal impact on their respective organizations.

In response to the previous version, officials from the **High Point R-III School District** and the **City of Ash Grove** each assumed there could be a fiscal impact to their respective organizations.

In response to the previous version, officials from the **City of Springfield, Ste. Genevieve County Assessor, City of Corder, City of Hughesville** and the **Springfield R-XII School District** each assumed the proposal would have no fiscal impact on their respective organizations.

For the counties that submit proposals to a vote of the people, **Oversight** notes that in even-numbered calendar years (odd-numbered fiscal years), a municipal ballot issue will now be held on the same day as the statewide general election. As a result, the state's proportional share has potential to decrease in all or nearly all jurisdictions yet the overall cost of the election may increase. Beginning in November of 2022 (FY 2023), Oversight assumes some local political subdivisions may see proportional cost savings as more entities would now share in the cost of the November elections.

Oversight notes the proposal allows the governing body of any county or city not within a county to submit to the qualified voters of such county or city a proposal to levy an annual real property tax in such county or city to fund early childhood education programs or services on the general election day only. Oversight assumes the potential cost of the November elections could increase in part due to an increase in the number of ballot issues and ballot pages. Oversight is unable to determine how many counties will submit the proposal to voters and assume the cost and savings will be minimal with addition of one issue. Therefore, Oversight will not show an impact to the state, political subdivisions, or local election authorities on the fiscal note.

Based on the State Tax Commission's Annual Report, there was \$95,752,822,129 in assessed value for real property for 2019. If all counties and cities not within a county, levied a tax of 40 cents per one hundred dollars of assessed value, the revenue gain is estimated at \$383,011,289.

However, **Oversight** notes this proposal is non-compulsory and subject to voter approval. Oversight is uncertain how many counties would submit a proposal to voters or how many proposals would achieve voter approval. Therefore, Oversight will show a range of impact of \$0 (no counties submit proposals or not voter approved) to an unknown gain in revenue.

In addition, **Oversight** assumes an established Early Childhood Education Board (Board) can receive gifts and other sources of funds. Therefore, Oversight will show a range of impact of \$0 (no counties submit proposals, not voter approved or no additional gifts) to an unknown revenue gain.

Oversight notes a Board can employ staff and other resources; therefore, Oversight will show a range of impact of \$0 (no counties submit proposals or not voter approved) to an unknown cost to Early Childhood Education Boards.

Per subsection 67.1793.7, **Oversight** notes a Board would be defined as a political subdivision for purposes of sections 70.600 to 70.755 (Local Government Employees Retirement System).

In response to a previous version, officials from the **Local Government Employees Retirement System (LAGERS)** assumed that should a County Early Childhood Education Board seek participation in LAGERS, pursuant to RSMo 70.600-70.755, any cost for participating would be borne by the electing political subdivision. The political subdivision would be required to receive an actuarial cost statement, subject to a public inspection period pursuant to RSMo 105.675 prior to the subdivision's governing body electing participation. LAGERS assumes it is common for new political subdivisions to elect to participate in LAGERS and further assumes the creation of County Early Childhood Education Boards would create no fiscal impact to the system.

Oversight received a limited number of responses from local political subdivisions related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local political subdivisions 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.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Gain</u> - Counties - from property tax levy for early childhood education	\$0	\$0	\$0 or Unknown
<u>Revenue Gain</u> - local Early Childhood Education Board - gifts or other moneys	\$0	\$0 or Unknown	\$0 or Unknown
<u>Costs</u> - Early Childhood Education Board - costs for Board operations	\$0	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 or (Unknown) to Unknown</u>	<u>\$0 or (Unknown) to Unknown</u>

FISCAL IMPACT – Small Business

Oversight assumes there could be an impact to small businesses that own real property as a result of this proposal.

FISCAL DESCRIPTION

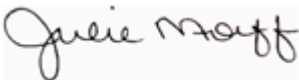
This bill provides authorization for any county or city not within a county to levy a property tax to establish an early childhood education board which shall provide childhood education programs or services. The bill limits the levy to \$0.40 per \$100 of assessed valuation on real property and provides sample ballot language. The tax shall not go into effect unless approved by the qualified voters of such county or city. Under this bill, a childhood education board of directors shall consist of seven members with qualifications and structure of the board outlined in the bill.

Boards established shall be empowered to establish or operate an early childhood education program or provide for early childhood education services for children under 5 years of age, with control and responsibilities outlined in the bill. The board will be determined a "political subdivision" and may impose limitations on children to be served and services to be provided, with the primary goal to expand and improve early childhood education services.

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 Elementary and Secondary Education
State Tax Commission
Office of the State Auditor
City of Ash Grove
City of Corder
City of Hughesville
City of Springfield
Lincoln County Assessor's Office
Platte County Board of Elections
St. Louis County Board of Elections
Ste. Genevieve County Assessor
Local Government Employees Retirement System
High Point R-III School District
Springfield R-XII School District



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Director
March 11, 2021



Ross Strobe
Assistant Director
March 11, 2021