

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3361-02  
Bill No.: HJR 77  
Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Kansas City; Constitutional Amendments; Education  
Type: Original  
Date: January 14, 2020

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Bill Summary: This proposal proposes an amendment to the Constitution of Missouri relating to property tax.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>          |   |            |            |
|--|---|------------|------------|
| FUND AFFECTED  | FY 2021                                   | FY 2022    | FY 2023    |
| General Revenue  | \$0 or (More than<br>\$7,800,000)         | \$0        | \$0        |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue</b> | <b>\$0 or (More than<br/>\$7,800,000)</b> | <b>\$0</b> | <b>\$0</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>                      |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2021    | FY 2022    | FY 2023    |
|   |            |            |            |
|   |            |            |            |
| <b>Total Estimated<br/>Net Effect on <u>Other</u><br/>State Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 9 pages.

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

| <b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2021</b> | <b>FY 2022</b> | <b>FY 2023</b> |
|   |                |                |                |
|   |                |                |                |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>0</b>       | <b>0</b>       | <b>0</b>       |

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

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                             |                             |
|--|----------------|-----------------------------|-----------------------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2021</b> | <b>FY 2022</b>              | <b>FY 2023</b>              |
| <b>Local Government</b>                    | <b>\$0*</b>    | <b>Unknown or (Unknown)</b> | <b>Unknown or (Unknown)</b> |

\*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.

**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 ASSUMPTION (continued)

primary election is in August 2020 and the next scheduled general election is in November 2020 (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.

Officials from the **State Tax Commission** assume this proposal has an unknown fiscal impact. The SJR provides the authority in the state constitution to limit residential property assessment increases, however does not define the rate of percentage or define the limitation. Assessment growth limitations may negatively impact future revenue for school districts, counties, cities and other taxing jurisdiction who are supported by property taxes. HJR 77 also proposes a limitation of the operating levy for the Kansas City School District to the 2018 rate, this has an unknown fiscal impact.

Officials from **Office of Administration - Budget and Planning (B&P)** assume this proposal requires voter approval; therefore it will not impact TSR or the calculation under Article X, Section 18(e). This proposal requires voter approval at the next general election which is November 2020. For the purpose of this fiscal note, B&P will assume that if voter approved it would not become effective until January 1, 2021.

#### Section 4(b) - Assessed Value Growth Limit

**B&P** assumes this section would amend the Missouri Constitution to allow the General Assembly to limit the growth in assessed value for class 1 properties within statute. Since this section does not contain the actual growth limit, it will not directly impact state or local funds.

#### Section 11(b) - Kansas City School District Levy

**B&P** assumes this section states that for a specific school district the rate at which they may set their property tax levy shall generate the same amount of property tax revenue as what was received during tax year 2018. B&P notes that this provision would only apply to the Kansas City School District. B&P further notes that this provision, if voter approved, would not become effective until tax year 2021.

In addition, because this proposal does not state for which tax year(s) the Kansas City school district must adjust their levy to provide the same revenues as was received in tax year 2018, B&P estimates that the school district would be required to adjust their levy annually. Thus freezing property tax revenues to the Kansas City School District at the amount received during tax year 2018.

ASSUMPTION (continued)

Therefore, **B&P** estimates that this provision may have a significant impact on Kansas City School District revenues. This provision will not impact the Blind Pension Trust Fund.

Section 11(g) - Repealed

**B&P** assumes this proposal would repeal language allowing the Kansas City School District to establish an operating levy at a rate below the 1995 federal court order. This language also required such school district to seek voter approval if the district wished to establish an operating levy above the 1995 federal court order. Due to the language in Section 11(b), **B&P** estimates that the repeal of this section will not impact the Kansas City School District. The repeal of this provision will not impact the Blind Pension Trust Fund.

Officials from the **Office of the State Auditor (SAO)** assume this proposal should have no fiscal impact on the SAO. Any impact can be absorbed through current appropriations.

Officials from the **Department of Elementary and Secondary Education, Department of Revenue** and **Department of Social Services** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Kansas City Board of Election Commissioners** assume the proposal will have no fiscal impact on their organization.

Officials from **Clay County Auditor's Office** assume Section 4 (2) 2 appears to allow limiting how much class 1 property can increase year over year, but does not define what that limit might be. As such, there's no way of knowing the fiscal impact on Clay County from the amendment. It could hypothetically be substantial, but I'd tend to think the Hancock Amendment would actually limit such impact. Tax levies just simply wouldn't be rolled back in order to achieve the same revenues.

Section 11 (b) appears to apply only to the Kansas City School District which would affect Jackson County and not Clay County.

Officials from the **City of Kansas City** state if a law were passed pursuant to this legislation and such law limited assessments, then that would have a negative fiscal impact on Kansas City.

Officials from the **City of St. Louis** state this language directly conflicts with Section X, Article 3 of the Missouri Constitution as it would cause for non-uniform assessments in the same subclass of property. Those properties that are appreciating at a faster rate would be taxed at a lesser percentage of value than those properties that are stagnant or decreasing value.

ASSUMPTION (continued)

Officials from **Madison County Health Department** assume this proposal will have local revenue reduction of \$75,744 minimum annual with the elimination of property tax. This is equal to 1 FTE and 1 Chronic Disease services program that the department currently provides to our community.

Officials from **Gasconade County Assessor's Office** assume this proposal will result in lost revenue to all taxing jurisdictions located within Gasconade County, Missouri including schools, ambulance districts, fire districts, hospital, nursing home, library, community college, cities, county road and bridge. Revenue lost is estimated at \$3.9 million annually.

Officials from the **St. Louis County Department of Public Health** assume the proposal will have an unknown fiscal impact on their organization.

Currently, **Oversight** notes the Kansas City Public Schools currently has a fixed tax rate. Oversight assumes this proposal (Sections 11(b) and 11(g)) would limit the tax rate to one that would produce the same amount of revenues from its operating levy that the district received in the 2018 tax year. Upon voter approval, Oversight assumes this proposal could have a negative fiscal impact to the Kansas City Public Schools given that the school district would no longer be able to levy a rate that would produce more revenues than it received in tax year 2018. In addition, this proposal could have a positive impact during a period of declining property values as the tax levy would be able to rise relative to a decline in property values in order to achieve the same level of revenues.

**Oversight** will show a range of impact to the Kansas City Public Schools of an unknown loss in revenue (due to revenues being fixed at the 2018 level) to an unknown increase in revenue (based on revenues that may not have been collected due to a fixed tax rate during economic downturns).

**Oversight** assumes, upon voter approval, this proposal (Section 4(b)) would allow assessed values of residential property to be limited by law. However, this proposal itself does not place a limit on assessed values (it would take additional action by governing bodies); therefore, Oversight assumes there is no direct fiscal impact to the Blind Pension Fund or local political subdivisions as a result of this provision.

| <u>FISCAL IMPACT - State Government</u>   | FY 2021<br>(10 Mo.)                              | FY 2022           | FY 2023           |
|---|--|-------------------|-------------------|
| <b>GENERAL REVENUE</b>  |  |                   |                   |
| <u>Transfer Out</u> - SOS - reimbursement of local election authority election costs <b>if</b> a special election is called by the Governor | \$0 or (More than<br><u>\$7,800,000</u> )        | <u>\$0</u>        | <u>\$0</u>        |
| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>  | <b>\$0 or (More than<br/><u>\$7,800,000</u>)</b> | <b><u>\$0</u></b> | <b><u>\$0</u></b> |

| <u>FISCAL IMPACT - Local Government</u>   | FY 2021<br>(10 Mo.)                       | FY 2022                            | FY 2023                            |
|---|---|------------------------------------|------------------------------------|
| <b>LOCAL POLITICAL SUBDIVISIONS</b>   |   |                                    |                                    |
| <u>Loss</u> - Kansas City Public Schools - limits revenues to the amount collected in tax year 2018 <b>if</b> voter approved - Sections 11(b) & 11(g) | \$0                                       | Unknown or<br>(Unknown)            | Unknown or<br>(Unknown)            |
| <u>Transfer In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election                                 | \$0 or More than<br>\$7,800,000           | \$0                                | \$0                                |
| <u>Costs</u> - Local Election Authorities - cost of a special election <b>if</b> called by Governor   | \$0 or (More than<br><u>\$7,800,000</u> ) | <u>\$0</u>                         | <u>\$0</u>                         |
| <b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>   | <b><u>\$0</u></b>                         | <b><u>Unknown or (Unknown)</u></b> | <b><u>Unknown or (Unknown)</u></b> |

FISCAL IMPACT - Small Business

Oversight assumes this proposal could impact small businesses in the Kansas City Public School taxing district if revenues are fixed at the amount collected in 2018.

## FISCAL DESCRIPTION

### REAL PROPERTY

Upon voter approval, this proposed Constitutional amendment provides that the amount by which the assessed values of real property may increase over the assessed value of such property from the previous assessment may be limited by law.

### KANSAS CITY PUBLIC SCHOOLS

Currently, Missouri's Constitution requires rollbacks in property tax levies in certain situations.

Additionally, the Kansas City Public Schools are exempt from this provision in the Constitution.

Upon voter approval, this proposed Constitutional amendment would remove the exemption for Kansas City Public Schools and would have the levy's rate change at which the district would receive the same amount of property tax revenue from its operating levy that the district received in the 2018 tax year.

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  
Office of Administration - Budget and Planning  
Office of the State Auditor  
Department of Social Services  
Department of Revenue  
Department of Elementary and Secondary Education  
Kansas City Board of Election Commissioners  
Clay County Auditor's Office  
City of Kansas City

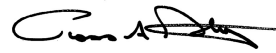


SOURCES OF INFORMATION (continued)

Madison County Health Department  
Gasconade County Assessor's Office  
St. Louis County Department of Public Health



Julie Morff  
Director  
January 14, 2020



Ross Strobe  
Assistant Director  
January 14, 2020