

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3361-02
Bill No.: Perfected HJR 77
Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Kansas City; Constitutional Amendments; Education
Type: Original
Date: May 5, 2020

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

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	\$0
Total Estimated Net Effect on General Revenue	\$0 or (More than \$7,800,000)	\$0	\$0

* Represents the cost for a state-wide special election IF called by the Governor.

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

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

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

ASSUMPTION (continued)

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 special 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 HJR proposes a limitation on the operating levy of the Kansas City School District to the 2018 rate, the operating levy shall be placed on the ballot before December 31 2021, the proposed act would have an unknown fiscal impact.

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

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.

HA1 removed Section 4(b)

HA1 removed Section 11(b)

HA1 moved from a repeal of section 11(g) to changing the language of such section

HA1: Section 11(g)

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,

ASSUMPTION (continued)

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.

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.

Currently, **Oversight** notes the Kansas City Public Schools (KCPS) currently has a fixed tax rate and would lose or gain revenue based on changes in the taxing district's total assessed value. Upon voter approval, Oversight assumes this proposal (Section 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.

Oversight notes, per the 2017- 2018 State Tax Commission Ratio Study, which determines the level and uniformity of assessment by comparing the assessor's value to a market value proxy, Jackson County was below the STC target ratio of 90% of market value (89.14% weighted median and 89.82% weighted mean).

Oversight assumes the impact of this proposal is ultimately unknown as it is relative to the changes in revenues that KCPS would have received from future market conditions. However, this proposal appears to fix tax revenues based on a year in which the assessed value of Jackson was below 90% of market value which could limit the positive impact KCPS might achieve under this proposal.

Oversight will show a range of impact to the Kansas City Public Schools from an unknown loss in revenue (foregone gain in revenue if assessed values increased and were taxed at fixed rate) to an unknown gain in revenue (foregone loss of revenue if assessed values decreased and were taxed at a fixed rate).

<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 <u>\$7,800,000</u>)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (More than <u>\$7,800,000</u>)	<u>\$0</u>	<u>\$0</u>

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

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

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.

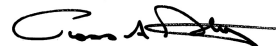
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

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



Julie Morff
Director
May 5, 2020



Ross Strobe
Assistant Director
May 5, 2020