

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1278-01
Bill No.: HJR 26
Subject: Constitutional Amendments; Natural Resources, Department of; Property, Real and Personal
Type: Original
Date: February 6, 2017

Bill Summary: This Joint Resolution proposes a constitutional amendment to remove the five-year limitation for the Department of Natural Resources to make payments to counties in lieu of real property taxes for land acquired by the department.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	\$0 or (Greater than \$7,800,000)	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0 or (Greater than \$7,800,000)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
State Parks Fund	\$0 or (\$1,983,050)	\$0 or (\$2,032,626)	\$0 or (\$2,135,528)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or (\$1,983,050)	\$0 or (\$2,032,626)	\$0 or (\$2,135,528)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	\$0 or \$1,983,050	\$0 or \$2,032,626	\$0 or \$2,135,528

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Natural Resources (DNR) - Division of State Parks (DSP)** assume this proposal would have a negative fiscal impact to their organization based on the following information;

The DSP assumes that by removing the five year limit on the requirement to make payments to counties in lieu of property tax for land belonging to the department, this proposal would increase the tax amount DNR would be responsible for paying every year. DSP currently owns a total of 153,373.91 acres throughout the state. Per this proposal and our calculated assumptions, we would be responsible to pay an additional amount each year in taxes.

DSP based the land tax amount by determining an assessed value of the land by multiplying the number of acres per county with the price per acre in Missouri of \$3,400 (source: the 2016 USDA Land Value Summary). The value of the land was then multiplied by 32% for the commercial property rate to determine the assessed value. Then, we took the calculated assessed value of the land by county times the average property tax rate (per \$1,000 and based on the website source of <https://smartasset.com/taxes/missouri-property-tax-calculator>).

The DSP does not currently have assessed values of our land, land improvements, or buildings by county. Nor do we have the determination by each county on which tax rate they would apply to our property. Therefore, the department attempted to calculate our best estimate for the assessed values and used an average tax rate per county based on their current county tax rates.

Based on our calculations, the DNR-DSP would need to pay over \$1,983,050 starting in FY2018, increasing to \$2,032,626 in FY2019 and to \$2,135,528 in FY2020 for county land and real property taxes. This requirement to continue in perpetuity and would increase with each acquisition of qualifying items and each tax increased passed by a county.

Because this proposal would result in a new obligation to the department, it is unclear whether Parks Soil and Water Sales Tax or General Revenue funding would be requested to meet this obligation.

Oversight will range the fiscal impact from \$0 (Joint Resolution is defeated by voters) to the estimates provided by DNR.

Officials at the **Office of Administration** defers to Department of Natural Resources for fiscal impact.

ASSUMPTION (continued)

Officials at the **Office of Secretary of State (SOS)** state 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. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. Through FY 2013, the appropriation had historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation. In FY 2017 the Secretary of State's Office was appropriated \$2.6 million to publish the full text of the measures. In FY 2017, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$2.4 million to publish (an average of \$400,000 per issue). 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 2018. 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 2018 and the next scheduled general election is in November 2018 (both in FY 2019). It is assumed the subject within this proposal could be on one of those ballots; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential special election cost reimbursement to local political subdivisions in FY 2018.

ASSUMPTION (continued)

Officials at the **Department of Revenue, Office of State Courts Administrator, and Missouri Tax Commission** each assume this proposal will not have a fiscal impact on their respective organizations.

Officials at the **City of Kansas City** assume this proposal would not have a fiscal impact on their organization.

Officials at **St. Louis County** state in 2016 St. Louis County was paid approximately \$1,500 in PILOT money for land in the County. Based on their assumption this proposal removes the 5 year payment limitation which means the county will be paid indefinitely for the land used. Therefore, the county would receive \$1,500 per year, every year at a minimum but would also receive continuing payments for anything that is already beyond the 5 years and are unable to provide an estimate of that amount.

Officials at **Callaway County** assume this proposal would have an unknown positive fiscal impact to their organization.

Oversight will show a positive impact to local political subdivisions based on the estimate provided by DSP that would be paid in property taxes.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE			
<u>Transfer Out - SOS</u>			
Secretary of State - reimbursement of local election authority costs if a special election is called by the Governor	\$0 or (Greater than <u>\$7,800,000</u>)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (Greater <u>\$7,800,000</u>)	<u>\$0</u>	<u>\$0</u>
STATE PARKS FUND			
<u>Costs - Property Taxes to Local Political Subdivisions</u>	\$0 or <u>(\$1,983,050)</u>	\$0 or <u>(\$2,032,626)</u>	\$0 or <u>(\$2,135,528)</u>
ESTIMATED NET EFFECT ON STATE PARKS FUND	\$0 or <u>(\$1,983,050)</u>	\$0 or <u>(\$2,032,626)</u>	\$0 or <u>(\$2,135,528)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> - Property Tax collected on property owned by DSP	\$0 or \$1,983,050	\$0 or \$2,032,626	\$0 or \$2,135,528
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	\$0 or <u>\$1,983,050</u>	\$0 or <u>\$2,032,626</u>	\$0 or <u>\$2,135,528</u>
LOCAL ELECTION AUTHORITIES			
<u>Transfer In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election	\$0 or Greater than \$7,800,000	\$0	\$0
<u>Costs</u> - Local Election Authorities - cost of a special election if called by the Governor	\$0 or (Greater than \$7,800,000)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT LOCAL ELECTION AUTHORITIES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

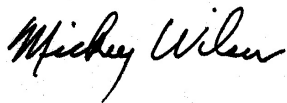
FISCAL DESCRIPTION

Upon voter approval, this proposed Constitutional amendment would remove the five-year limitation for the Department of Natural Resources to make payments to counties in lieu of real property taxes for land acquired by the department for park purposes.

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 Natural Resources
Office of Administration
Office of Secretary of State
Department of Revenue
Office of State Courts Administrator
Missouri Tax Commission
City of Kansas City
St. Louis County
Callaway County

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 6, 2017

Ross Strobe
Assistant Director
February 6, 2017