COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0548-01
Bill No.: SJR 4
Subject: Constitutional Amendments; Property, Real and Personal; Taxation and Revenue - Property
Type: Original
Date: March 3, 2009

Bill Summary: Would limit increases in assessed value of real property caused by reassessment until a transfer of ownership occurs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Blind Pension	$0	$0	$0 or ($2,473,013)
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0 or ($2,473,013)**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☒ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	**$0**	**$0**	**$0 or ($494,602,656)**

FISCAL ANALYSIS

ASSUMPTION

In response to similar proposals, officials from the **Office of the Secretary of State** (SOS) provided the following estimate of the cost to publish the statewide ballot measure language for this proposal.

Each year a number of bills are considered by the General Assembly that would require statewide elections to allow the voters to decide the issues in the legislation. State statutes require the SOS to be provided with $4.3 million in general revenue core funding to handle such special elections. The appropriation had historically been an estimated appropriation because the final cost each year is dependent upon the number of special elections required to fill vacant legislative seats and the number of ballot measures approved by the General Assembly. However, in recent years an estimated appropriation has only been provided in presidential primary years. Therefore, the SOS assumes for the purposes of this fiscal note that it should have the full appropriation authority it needs to meet these special election costs. However, we reserve the right to request funding if needed to meet these mandatory requirements.

Oversight assumes that this proposal would be submitted to the voters on a general election ballot and that the cost to the SOS could be absorbed with existing resources.

Officials from the **Office of Administration**, **Division of Budget and Planning** (BAP) assume the proposal would not result in additional costs or savings to their organization. BAP officials stated that the proposal would cap the reassessment growth of real property to the lesser of 2% or the growth in the Midwest CPI. BAP officials assume this proposal would have no direct impact on general revenues, but may cause slower growth in revenues for the Blind Pension Fund.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education** (DESE) assume this proposal would limit the growth of assessed value on real property of the first class to 2% or the CPI whichever is less. When the title on the land is changed then the property would be reassessed. New construction would not be impacted by this limitation. This restriction on growth could have a negative fiscal impact on school districts, especially in reassessment years. The fiscal impact to school districts can only be estimated because of the unknown potential increase in assessed valuation in the future.

DESE officials prepared the following estimate of potential impact. Using the 2007-08 total assessed valuation for real property for school districts and an estimated 3% CPI, that 1% growth limit differential would amount to a potential loss in revenue of ($71,478,947,531 (total A/V for real property) X 1% = $714,789,475/100 X 3.9098 (average school district levy) = $27,946,838).

Passage of this measure would result in the implementation of SB 99 (2009) if that measure also passes.

Officials from the **Department of Revenue**, **Linn State Technical College**, the **Metropolitan Community Colleges**, the **Moberly Area Community College**, **Taney County**, the **City of Centralia**, and the **City of St. Louis** assume this proposal would have no fiscal impact on their organizations.

Officials from **St. Louis County** assume this proposal would have very little impact on their organization if tax rates can be raised to offset the loss of revenues over time using the proposed formula. If the rates can not be increased there would be losses.

Oversight has calculated an estimated fiscal impact for the proposal. The Oversight estimate of fiscal impact to local governments excludes any impact from or offset resulting from other property tax limitations such as the Homestead Preservation Act and the Hancock Amendment. Finally, the Oversight estimate is based on the projection of historical observations to conditions in future years which could vary significantly.

ASSUMPTION (continued)

Factors which could reduce the impact of this proposal

The amounts calculated by Oversight are an estimate of the maximum impact that could result from the proposal. A local government would not experience a loss of revenue as a result of this proposal if the aggregate percentage increase in the total assessed valuation equals or exceeds the CPI allowance or if the maximum authorized levy rate would allow the local government to increase the current year levy rate to provide the amount of revenue otherwise allowed under existing provisions.

Real property

Oversight has made the following overall calculations regarding the fiscal impact of this proposal.

* Using data provided by the Office of the State Auditor, Oversight calculated an aggregate estimate of the amount of revenue which would be provided to local governments at their current aggregate assessed valuations, if their current levy rates were increased to the maximum authorized levy rates. The calculated amount was $1.1 billion for local governments which levied one overall tax levy rate, and $627 million for local governments which levy individual tax rates by property type. Oversight assumes that these amounts indicate that some local governments would be able to increase their levy rates to compensate for limitations on aggregate assessed valuation.

* Using data reported from one reassessment year (odd-numbered) to the next reassessment over the five most recent reassessment cycles, we determined an average rate of 14.01%. Applying that 14% (rounded) increase to the TAX total assessed valuation for real estate for 2007 (the most recent reassessment year for which data was available) would provide an estimated 2009 assessed valuation of ($75,494,761,821 x 114%) = $86,064,028,476.

* Also using data reported by the State Tax Commission, Oversight averaged the percentage increase for the five most recent even numbered years; that average was 2.75%.

ASSUMPTION (continued)

For 2010, Oversight assumes that total assessed valuation for real property would have increased by ($86,064,028,476 x .0275) = $2,366,760,783 and local government property taxes would have increased by ($2,366,760,783 x $6.25/$100) = $147,922,549.

For 2011, Oversight assumes that total assessed valuation for real property would have increased by ($86,064,028,476 x .14) = $12,048,963,987 and the resulting assessed valuation for 2011 would have been ($86,064,028,476 + $12,048,963,987) = $98,112,992,463. The 2010 increase of $2,366,760,783 computed above would have resulted in an assessed valuation of ($86,064,028,476 + $2,366,706,783) = $88,430,735,259. The 2% limit on assessed valuation increases would have limited the 2011 assessed valuation to ($88,430,735,259 x 102%) = $90,199,349,964. The reduction in assessed valuation would be ($98,112,992,463 - $90,199,349,964) = $7,913,642,499. The reduction in tax revenues, based on an assumed average local tax rate of $6.25 per $100 assessed valuation, would have been ($7,913,642,499 x $6.25/$100) = $494,602,656.

Oversight notes that this proposal, if approved by the voters in November 2010, would require the use of 2010 assessed valuation amounts for 2011 (FY 2012), and will indicate the amount calculated as the fiscal impact to local governments for fiscal note purposes. For fiscal note purposes, Oversight will indicate the impact as $0 or the calculated amount. Oversight assumes that the Blind Pension Fund would have a property tax revenue reduction of approximately 1/2 of 1% of the local government tax loss or $2,473,013.

FISCAL IMPACT - State Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
BLIND PENSION FUND			
Revenue reduction - assessment growth limitation	$0	$0	$0 or ($2,473,013)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	**$0**	**$0**	**$0 or ($2,473,013)**

FISCAL IMPACT - Local Government	FY 2010 (10 Mo.)	FY 2011	FY 2012
LOCAL GOVERNMENTS			
Revenue reduction - assessment growth limitation	$0	$0	$0 or ($494,602,656)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	**$0**	**$0**	**$0 or ($494,602,656)**

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal would limit increases in the assessed value of real property caused by reassessment until a transfer of ownership occurs.

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 Administration
Division of Budget and Planning
Department of Elementary and Secondary Education
Department of Revenue
Linn State Technical College
Metropolitan Community Colleges
Moberly Area Community college
St. Louis County
Taney County
City of Centralia
City of St. Louis

Mickey Wilson

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