

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3458S.01I
Bill No.: SB 911
Subject: Taxation and Revenue - Property; Counties; Political Subdivisions
Type: Original
Date: February 23, 2022

Bill Summary: This proposal requires political subdivisions to revise property tax levies as a result of receiving American Rescue Plan funds.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 |
| | | | |
| | | | |
| Total Estimated Net Effect on General Revenue | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 |
| | | | |
| | | | |
| 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 2023 | FY 2024 | FY 2025 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 |
| | | | |
| | | | |
| 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 2023 | FY 2024 | FY 2025 |
| | | | |
| Local Government | More or less than (\$1,236,408,185) | More or less than (\$1,236,408,185) | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from **Office of Administration - Budget and Planning (B&P)** assume this proposal will not impact total state revenues (TSR). This proposal will not impact the calculation under Article X, Section 18(e).

This proposal would require political subdivisions to reduce their property tax levies for tax years 2022 and 2023, in an amount that would offset any revenues received through the American Rescue Plan Act (ARPA). The tax levies shall return to normal beginning with tax year 2024.

B&P notes that the state itself is a political subdivision that levies a property tax of \$0.03 per \$100 valuation on all property with revenues deposited into the Blind Pension Trust Fund. B&P further notes that the property tax levy is established in Article III, Section 38(b) of the Missouri Constitution. Therefore, this proposal will not impact the Blind Pension Trust Fund property tax levy.

B&P defers to local jurisdictions for any potential impacts to their property tax levies and revenues.

Oversight assumes this proposal will not impact the Blind Pension Fund.

Officials from the **Department of Social Services, 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 **City of Kansas City** state this legislation would have a significant fiscal impact on Kansas City in an amount estimated to be \$198 million.

Officials from the **City of O'Fallon** state there will be a total of \$7.8 million lost over this time period. This is an average of 10.5% of general fund revenues each year. This will be detrimental to the City.

Officials from the **City of Prairie Home** state the city will lose the equivalent amount of tax revenue that is received from ARPA funds. The loss is estimated at a minimum of \$28,250 in both FY 22 and FY 23. Additional unknown amounts that may be received from County and Department of Natural Resources ARPA funds.

Officials from the **City of Sikeston** state ARPA funds cannot be used for every purpose that other revenues may be lawfully used, therefore reduction of other taxes will cause the defunding of lawful local government functions. For example, property tax is used to fund street maintenance worker salaries. If property tax must be reduced in an equal amount to ARPA funds received, and ARPA funds cannot be used for street maintenance worker salaries, then street maintenance is defunded.

Officials from the **City of Springfield** anticipate a substantial negative fiscal impact of \$25.3 million in calendar year 2022 and \$14.9 million in calendar year 2023. The negative fiscal impact would drastically reduce core governmental services.

Officials from **St. Charles Community College** assume this bill will have a negative fiscal impact in 2022 and 2023. More than 50% of ARP funds were a direct pass-through for student aid, as intended by the federal legislation. ARP funds for institutional purposes have been used to address costs incurred by the pandemic, in strict conformance with federal guidelines. The debt service tax levy must be set at the amount required for repayment of principal and interest on outstanding bonds. If this levy was reduced by the proposed legislation, it could result in widespread default for public entities in Missouri.

Officials from the **County Employees' Retirement Fund** state they have reviewed this proposal and their review indicates that it would likely have a negative fiscal impact to the County Employees' Retirement Fund. However, given the unknown nature of the amount of funds directly received by Missouri's counties pursuant to Public Law 117-2 and the required reduction of each county's levy as a result of receiving such funds, the exact impact to the County Employees' Retirement Fund is unknown at this time.

Officials from the **Pettis County Ambulance District** and the **City of Claycomo** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight assumes this proposal requires political subdivisions to adjust their tax levies in order to reduce revenues by an amount equal to the funds directly received by the entity from ARPA.

Based on [information](#) from the Office of the State Treasurer's website, **Oversight** notes the following categories of ARPA allocations:

- Missouri Counties - \$1,192,123,439
- Missouri Cities (population greater than 50,000) - \$830,549,274
- Missouri Non-Entitlement Units (NEU) - \$450,143,657

For purposes of this fiscal note, **Oversight** assumes these allocations will be 'directly received' by the local political subdivisions. These allocations total \$2,472,816,370. However, Oversight notes the NEU allocations will be made by the Governor's Office and the Office of Administration.

Oversight is uncertain how much of the allocation will be received by an entity in any given year. For simplicity, Oversight will assume half of the total allocation will be received by local political subdivisions in calendar year 2022 and the other half will be received in calendar year 2023. Oversight assumes the actual amount received could be more than or less than this amount in a specific year.

Oversight assumes tax levies will be adjusted to reduce revenues by \$1,236,408,185 (\$2,472,816,370 / 2) in calendar year 2022 with impacted revenues occurring in FY 2023 (December 2022) and in calendar year 2023 (December 2023) with impacted revenues occurring in FY 2024.

Oversight notes, in addition to the above mentioned allocations, the State of Missouri is allocated \$2,685,296,130 by ARPA. Oversight assumes these funds could be appropriated to local political subdivisions, but is uncertain if this would qualify as ‘directly received’. For purposes of this fiscal note, Oversight assumes the State allocation is not directly received by local political subdivisions. If this assumption is incorrect, this could potentially change the fiscal impact as presented in this fiscal note.

| <u>FISCAL IMPACT – State Government</u> | FY 2023 | FY 2024 | FY 2025 |
|---|-------------------|-------------------|-------------------|
| | | | |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| | | | |

| <u>FISCAL IMPACT – Local Government</u> | FY 2023 | FY 2024 | FY 2025 |
|---|--|--|-------------------|
| | | | |
| LOCAL POLITICAL SUBDIVISIONS | | | |
| | | | |
| <u>Revenue (Loss) - from adjusting tax levies to reduce revenues by an amount equal to ARPA funds received - §137.073.2 (2)</u> | More or less than <u>(\$1,236,408,185)</u> | More or less than <u>(\$1,236,408,185)</u> | <u>\$0</u> |
| | | | |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | <u>More or less than (\$1,236,408,185)</u> | <u>More or less than (\$1,236,408,185)</u> | <u>\$0</u> |

FISCAL IMPACT – Small Business

Oversight assumes there could be a fiscal impact to small businesses if the tax levy is adjusted to reduce revenues.

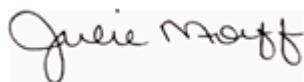
FISCAL DESCRIPTION

For the 2022 and 2023 calendar years, this act requires each political subdivision to reduce its property tax levy such that the amount of tax revenue generated by such tax levy shall be reduced by an amount that is substantially equal to the total amount of funds received by such political subdivision pursuant to the American Rescue Plan Act of 2021 during such calendar years. Reductions in the property tax levy made pursuant to this act shall only apply to the 2022 and 2023 calendar years.

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 - Budget and Planning
Department of Social Services
Office of the State Auditor
State Tax Commission
City of Kansas City
City of Prairie Home
City of Sikeston
City of Springfield
City of Claycomo
City of O'Fallon
County Employees' Retirement Fund
Pettis County Ambulance District
St. Charles Community College



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