

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1079S.01P  
 Bill No.: Perfected SJR 26  
 Subject: Taxation and Revenue - Property; Children and Minors; Constitutional Amendments  
 Type: Original  
 Date: March 1, 2023

Bill Summary: This proposal authorizes a property tax exemption for certain property used for childcare.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	\$0 or (More than \$10,000,000)**		
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (More than \$10,000,000)**</b>	<b>\$0</b>	<b>\$0</b>

\*The potential fiscal impact of “(More than \$10,000,000)” would be realized **only** if a special election were called by the Governor to submit this joint resolution to voters.

\*\*SOS has updated the estimated cost of a statewide special election after examining actual reimbursement costs for the General Primary and General Election held during 2022.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</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 2024</b>	<b>FY 2025</b>	<b>FY 2026</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 \$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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Local Government</b>	<b>\$0*</b>	<b>\$0</b>	<b>\$0</b>

\*Potential costs and state reimbursements net to zero in FY 2024 if a special election is called.

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Social Services (DSS)** note Section A. Section 6, article X of the Missouri Constitution is amended to exempt from taxation all real and personal property used primarily for childcare provided to children outside of their home.

DSS notes the Blind Pension (BP) is funded from 0.03% of each \$100 assessed valuation of taxable property. Exempting properties from taxation will affect the growth of the Blind Pension fund, but will not decrease the current amount collected in the fund.

DSS notes property Tax income for the BP fund in SFY 2022 was \$39,771,524 or approximately \$39.8 million (rounded up). The amount collected from real and personal property used primarily for childcare provided to children outside of their home is unknown. To determine the impact of this legislation, FSD made the assumption that up to 1% of all property is used to provide childcare. 1% of the property tax revenue collected for the BP fund is \$397,715 ( $\$39,771,524 * .01 = \$397,715.24$ , rounded down).

Therefore, DSS assumes the impact to the BP fund is up to \$397,715 beginning in SFY 26.

Officials from the **Office of Administration - Budget and Planning** note this proposal would go to public vote in November 2024. For the purpose of this fiscal note, B&P assumes that the tax exemption would begin January 1, 2025 if voter approved.

This proposal would allow certain property to become exempt from real and/or personal property taxation. The property must be used primarily for childcare outside of a child's home. B&P notes that this proposal is only enabling language to allow a property tax exemption under statute, this proposal would not itself create the exemption. Therefore, any potential revenue impact(s) would be discussed in the fiscal notes for subsequent legislation.

Officials from **Office of the Secretary of 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 \$10 million based on the cost of the 2022 primary and general election reimbursements.

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.

For the FY24 petitions cycle, the SOS estimates publication costs at \$70,000 per page. This amount is subject to change based on number of petitions received, length of those petitions and rates charged by newspaper publishers.

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, the SOS reserves the right to request funding to meet the cost of the 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 2024. 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 2024 and the next scheduled general election is in November 2024 (both in FY 2025). 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 2024.

Officials from the **State Tax Commission** determined an unknown fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. The constitutional amendment, if approved by the voters, exempts childcare facilities from any real or personal property tax. The agency would not have data to determine how many childcare facilities would meet the proposed criteria and eligibility.

Officials from the **Department of Revenue**, **Department of Health and Senior Services** and the **Office of the State Auditor** 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** assume this legislation is projected to have a negative fiscal impact on Kansas City of an indeterminable amount. Additional exemptions will hamper the City of Kansas City's ability to ensure that basic services such as public safety, road repair, and emergency response can continue to be provided to serve the needs of the City's growing population.

Officials from the **City of O'Fallon** and the **City of Springfield** each assume the proposal will have no fiscal impact on their respective cities.

Officials from the **Newton County Health Department** assume the proposal would cause a negative fiscal impact on the Newton County Health Department dependent upon the number of properties eligible for this reduction of property tax.

Officials from the **Hannibal Rural Fire Protection District (HANR)** assume the proposal could impact tax revenues for their fire district.

Officials from the **Lincoln County Assessor's Office** assume this proposal would result in a tax burden loss, which would shift to recoup lost revenue.

Officials from the **St. Charles Community College** anticipate a negative fiscal impact that cannot be quantified as a result of this proposal.

**Oversight** notes according to the Department of Elementary and Secondary Education's [website](#), there were 738 active in-home/group home childcare providers in Missouri as of January 2023.

**Oversight** notes this proposal is only enabling language to allow governing bodies to pass laws relating to property tax exemption for all real and personal property used primarily for childcare provided to children outside of their home. Therefore, Oversight will show only the potential election cost in FY 2024 and assume any potential fiscal impact would be included in the fiscal note for 'general laws' enacting this property tax exemption.

**Oversight** received a limited number of responses from local political subdivisions related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in the Missouri Legislative Information System database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<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 <u>\$10,000,000</u> )*	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 or (More than <u>\$10,000,000</u>)*</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

\*SOS has updated the estimated cost of a statewide special election after examining actual reimbursement costs for the General Primary and General Election held during 2022.

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Transfer In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election	\$0 or More than <u>\$10,000,000</u> *	\$0	\$0
<u>Costs</u> - Local Election Authorities - cost of a special election <b>if</b> called for by the Governor	\$0 or (More than <u>\$10,000,000</u> )*	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

\*SOS has updated the estimated cost of a statewide special election after examining actual reimbursement costs for the General Primary and General Election held during 2022.

FISCAL IMPACT – Small Business

Certain small childcare business owners may be impacted, pending voter approval and if enacting general laws are passed.

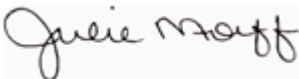
FISCAL DESCRIPTION

This constitutional amendment, if approved by the voters, would allow under general law an exemption from property tax all real and personal property used primarily for the care of a child outside of his or her home.

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 Social Services  
State Tax Commission  
Office of Administration - Budget and Planning  
Department of Revenue  
Office of the Secretary of State  
Department of Health and Senior Services  
Office of the State Auditor  
Department of Social Services  
City of Kansas City  
City of O'Fallon  
City of Springfield  
Newton County Health Department  
Hannibal Rural Fire Protection District (HANR)  
Lincoln County Assessor's Office  
St. Charles Community College



Julie Morff  
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March 1, 2023



Ross Strope  
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March 1, 2023