

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1069-02
Bill No.: SB 264
Subject: Education, Elementary and Secondary; Taxation and Revenue - Sales and Use
Type: Original
Date: February 13, 2017

Bill Summary: This proposal would allow Greene County or any city within the county to propose a sales tax for the purpose of early childhood education programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	\$0 or (\$21,762)	\$0 or Less than \$100,000	\$0 or Could exceed \$100,000
Total Estimated Net Effect on General Revenue	\$0 or (\$21,762)	\$0 or Less than \$100,000	\$0 or Could exceed \$100,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 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	\$0 to More than \$100,000	\$0 to More than \$100,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would allow voters in Greene County, as well as cities in that county, to impose a sales tax up to 0.25% for early childhood education purposes. BAP officials stated that according to Department of Revenue reports, taxable sales in Greene County totaled \$5,235.9 million in fiscal year 2016. Therefore, this sales tax might generate $(\$5,235,900,000 \times .0025) = \$12,958,888$ after the Department of Revenue retains \$130,898 for collection costs.

The first full fiscal year impact would occur in FY 2019, as the earliest possible implementation date is the second calendar quarter following a vote of the people. Therefore, the impact in FY 2018 would be one-quarter. $(\$12,958,888 \times .25) = \$3,239,722$.

BAP officials also provided an estimate of DOR collection costs for FY 2018 $(\$130,898 \times .25) = \$32,724$.

BAP officials stated the revenues collected would have no impact on General and Total State Revenues; however, the 1% retained in the General Revenue Fund to offset DOR collection costs would increase General and Total State Revenues.

Officials from the **Department of Revenue (DOR)** assume costs of \$21,762 for Integrated System Changes would be incurred to implement this proposal.

Oversight will include the DOR estimate of IT costs in this fiscal note.

Oversight notes that DOR did not include an estimate of administrative cost to implement this proposal and assumes the proposal could be implemented with existing resources.

In response to similar language in another proposal in a prior session, (SB 947, 2014) officials from the **Republic School District** assumed a 1/4 cent sales tax would generate approximately \$500,000 in additional revenue. School district officials also stated at the time it is uncertain what this sales tax would generate for the Republic School District in the municipalities that include other school districts within their boundaries. These municipalities include Springfield and Battlefield.

ASSUMPTION (continued)

In response to a similar proposal in the previous session, officials from the **Department of Elementary and Secondary Education (DESE)** assumed that, contingent upon the actions of voters (and subsequently the governing bodies of Greene County and cities within) this proposal would have an impact on the revenues received into the "Early Childhood Education Sales Tax Trust Fund"; however, DESE has no means to calculate the potential impact.

Officials from the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** assume this proposal would have no fiscal impact on their organizations

Officials from **Greene County**, the **City of Springfield**, the **City of Republic**, **Springfield Public Schools**, **Fair Grove Schools**, or the **Republic R-III School District** did not respond to our request for information.

Oversight assumptions

Oversight assumes the BAP estimate of revenue from adoption of the sales tax by Greene County is the best available; however, there is the possibility that the county and one or more additional local governments could implement the sales tax. The following table indicates the potential revenue for the local governments in Greene County.

Government	2015 Taxable Sales Base	Gross Potential Revenue
Greene County	\$5,113 million	\$12.8 million
City of Springfield	\$4,500 million	\$11.2 million
City of Republic	\$214 million	\$535,000
City of Strafford	\$44 million	\$110,000
City of Willard	\$43 million	\$108,000

For fiscal note purposes Oversight will indicate a range of additional local government revenue from \$0 (the sales tax is not adopted by the governing body of any local government and/or voters fail to approve the sales tax) to More than \$100,000. Oversight assumes the additional revenue would exceed the Department of Revenue collection charges by More than \$100,000.

ASSUMPTION (continued)

Oversight notes the election to approve the sales tax could be held in April 2018 (FY 2018) or in November 2018 (FY 2019); the earliest the sales tax could become effective would be the first day of the second calendar quarter after the Department of Revenue is notified of voter approval. In this case, the earliest effective date assuming voter approval at the November 2018 general election would be April 1, 2019 (FY 2019).

Oversight will include one quarter of additional revenue for Greene County and for the General Revenue Fund in FY 2019 and a full year in FY 2020.

	FY 2018 (3 Mo.)	FY 2019	FY 2020
<u>FISCAL IMPACT - State Government</u>			
GENERAL REVENUE FUND			
<u>Additional Revenue - DOR</u>		\$0 or	\$0 or
Collection charges	\$0	Less than \$100,000	Could exceed \$100,000
<u>Cost - Department of Revenue</u>			
Integrated System Changes	<u>\$0 or (\$21,762)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 or (\$21,762)</u>	<u>\$0 or Less than \$100,000</u>	<u>\$0 or Could exceed \$100,000</u>

FISCAL DESCRIPTION (continued)

If the tax is repealed or terminated by any means, all funds remaining in the special trust fund could be used solely for early childhood education. One year after the repeal of the tax, the Department would be required to remit the balance in the account to the county or city and close the account.

The governing body of the county or city would be required to select an existing community task force to administer the revenue received. Such revenue could only be expended upon approval of an existing community task force selected by the governing body of the county or city to administer the funds and only in accordance with a budget approved by the county or city governing body.

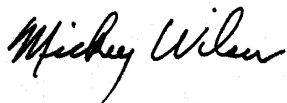
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Revenue
Office of Administration - Budget and Planning
Office of the Secretary of State
Joint Committee on Administrative Rules

Not responding

Greene County
City of Republic
City of Springfield
Fair Grove Schools
Republic R-III School District
Springfield Public Schools



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February 13, 2017

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