

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 2304-03
BILL NO. SB 733
SUBJECT: Education-Elementary and Secondary: Taxation and Revenue-Property
TYPE: Original
DATE: January 3, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(\$22,800,000)	(\$22,800,000)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$22,800,000)	(\$22,800,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$22,800,000	\$22,800,000

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **State Tax Commission** estimate increases of about \$3,400,000 per year to county assessment funds. Collections in non-first classification counties were \$713,000,000. Deducting the first \$350,000 in 99 counties leaves about \$678,000,000. A 1/2% increase would be about \$3,400,000.)

Officials of the **Department of Elementary and Secondary Education** estimate increased costs due to changes in section 163.031 would have been approximately \$22,800,000 per year had the proposed changes been in place for the 1999-2000 school year:

Because the county would be keeping a portion of the school district's local tax revenue, the district's state aid would be increased. Districts whose current Basic Formula and Line 14 amount per eligible pupil is greater than the 1992-93 amount per eligible pupil would have the Line 2 deduction reduced by .015. This reduction in Line 2 would increase the need for state dollars by approximately \$16.1 million to maintain a Line 1 proration factor of 1.00. Hold harmless districts (those whose 1992-93 amount per eligible pupil is greater than the current year per eligible pupil) in first class counties would receive an increase in the state payment by .0075 of the Line 2 calculation for the district. Hold harmless districts in all other counties would receive an increase in the state payment by .015 of the Line 2 calculation for the district. The increased state cost for the hold harmless districts would have been approximately \$6.7 million. The total estimated cost would have been \$22.8 million.

Methodology using 1999-00 formula calculations:

Sum of Line 2 for hold harmless (HH) = \$742,461,713
Additional payment to HH = \$ 6,681,867
(Line 2 multiplied by .0075 for First Class County HH and .015 for other HH)

Line 2 all districts = \$1,815,189,697
Less Line 2 for HH = \$ 742,461,713
Line 2 non HH districts \$1,072,727,984

\$1,072,727,984 X .985 = \$1,056,637,064
Reduction in Line 2 for non HH \$ 16,090,920

ASSUMPTION (continued)

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Total: \$16,090,920

\$ 6,681,867

\$22,772,786 increased state cost if change had been in place in 1999-00

The **Assessor** of Cole County indicated that the proposal would increase income to the county assessment fund but would not cause additional administrative costs.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
		(12 Mo.)	

GENERAL REVENUE FUND

Cost-Department of Elementary and Secondary Education

Increased distributions to school districts	\$0	(\$22,800,000)	(\$22,800,000)
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NET EFFECT ON GENERAL REVENUE FUND

\$0 (\$22,800,000) (\$22,800,000)

<u>FISCAL IMPACT - Local Government</u>	FY 2001	FY 2002	FY 2003
	(6 Mo.)		

POLITICAL SUBDIVISIONS

Income-Tax Maintenance Funds

Increased Assessor Fees	\$0	\$3,400,000	\$3,400,000
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Income-School Districts

Increased Distributions from State	\$0	\$22,800,000	\$22,800,000
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Loss-Other Subdivision funds

Increased Assessor Fees	\$0	(\$3,400,000)	(\$3,400,000)
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NET EFFECT ON POLITICAL SUBDIVISIONS

\$0 \$22,800,000 \$22,800,000

FISCAL IMPACT - Small Business

No direct fiscal effect on small businesses would be expected due to this proposal.

DESCRIPTION

This proposal would:

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- 1) add an additional fee which would go into a Tax Maintenance Fund for each county;
- 2) require the State Tax Commission to certify equivalent sales ratios for each school district higher than thirty one percent (currently thirty-one and two-thirds percent), after January 1, 2001.
- 3) change the state aid formula for school district entitlement by using 98.5% of the value on line 2 of the formula (rather than 100% as in current law); and
- 4) give "hold harmless" districts in first class counties additional payments of 3/4% of districts' deduction on line 2 of the formula;
- 5) give "hold harmless" districts in other counties additional payments of 1 and 1/2% of districts' deduction on line 2 of the formula;

Points 1) and 2) above have an effective date of January 1, 2001.

Changes to the foundation formula- points 3) through 5)- have an effective date of July 1, 2001.

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

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
State Tax Commission
Cole County Assessor



Jeanne Jarrett, CPA
Director
January 3, 2000