

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 2311-02
BILL NO. SB 712
SUBJECT: Taxation and Revenue-Property: Property, Real and Personal
TYPE: Original
DATE: December 30, 1999

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Blind Pension*	\$0	\$0	\$0
General Revenue**	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

*Beginning in FY 2004 losses would exceed \$100,000 per year.

**Beginning in FY 2004, costs to fully fund the Foundation Formula would increase.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
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	\$0	\$0

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Elementary and Secondary Education** assume that changing the assessment cycle from two to four years would reduce assessed valuations for two years longer than current procedures and would, by reducing the local deduction, increase the cost to fully fund the Foundation Formula. They can not estimate the magnitude of the increase because they can not predict how much the local deduction would be decreased compared to current law. (The effect would have to be estimated on a district-by-district basis. The Formula still contains provisions for pro-rating some payments if the Formula is not fully funded.)

Officials at the **State Tax Commission** assume the proposal would not directly affect their budget. They did note that changing the assessment period from two years to four years would cause local governments (and the Blind Pension Fund) to tax part of natural growth every four years instead of every two years. They also note that inequities in assessments would be allowed to exist for four years instead of two.

Oversight estimates decreased income to the Blind Pension Fund would exceed \$100,000 per year beginning in FY 2004 since the tax rate for that Fund is not subject to tax rate ceiling rollbacks. (E.g. If the latest reassessment had not taken place, the Fund would have received approximately \$750,000 less than it received.)

The **Cole County Assessor** stated that the administrative effects of the proposal on that agency would be minimal. The Assessor noted that recruiting temporary personnel for reassessments could be a bit more difficult since he would need them every fourth year instead of every other year.

Oversight assumes that there would be a reassessment in 2001, but no reassessment in 2003. The next reassessment would be in 2005.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Cost</u> - Increased Transfers to State School Moneys Fund*	\$0	\$0	\$0

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND*	\$0	\$0	\$0

***Beginning with FY 2004, there would be increased cost to fully fund the Foundation Formula.**

BLIND PENSION FUND

<u>Loss - Decreased Collections*</u>	\$0	\$0	\$0
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ESTIMATED NET EFFECT TO BLIND PENSION FUND*	\$0	\$0	\$0

***Beginning in FY 2004 decreased collections will exceed \$100,000 per year compared to current law.**

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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POLITICAL SUBDIVISIONS

Loss-Decreased Collections

Since tax collections are subject to revenue ceiling restraints and due to other factors which could vary from subdivision to subdivision, it is not possible to estimate the magnitude of losses to political subdivisions. Losses, compared to current law, would not occur until FY 2004. Some school districts would recoup some of their losses through increases in Foundation Formula distributions; however, "hold harmless" districts would not recoup any of their property tax losses.

DESCRIPTION

The proposal would replace the current two-year real property reassessment cycle with a four-year cycle.

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

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SOURCES OF INFORMATION

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

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director
December 30, 1999