

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4475-01
BILL NO.: SB 1026
SUBJECT: Education, Elementary and Secondary; Revenue Department; Taxation and Revenue-General-Sales and Use
TYPE: Original
DATE: March 10, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$27,820,000)	(\$38,580,000)	(\$40,130,000)
School District Trust Fund	\$27,820,000	\$38,580,000	\$40,130,000
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

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	\$0	\$0

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** state this proposal directs revenue received from sales and use taxes on motor vehicles to be distributed first to the State Road Fund and State Transportation Fund pursuant to the Constitution; after these funds are distributed, revenue from the rate of one cent on the dollar of such taxes on motor vehicles is directed to the School District Trust Fund. The DESE assumes this proposal will increase the amount of money going into the School District Trust Fund, however, they defer to the Department of Revenue's revenue estimates. The DESE states the money will be distributed equally per eligible pupil to all districts.

Officials from the **Office of Administration, Budget and Planning** state this proposal would redirect one third of the base three percent motor vehicle sales and use tax currently retained by the general revenue fund to the school district trust fund. They stated that this equated to \$46.4 million in FY 1999. Based upon a four percent growth factor, the loss to the general revenue fund is assumed to be \$50.186 million in FY 2001, \$52.194 million in FY 2002, and \$54.281 million in FY 2003 respectively. The Office of Administration states the proposal would change the distribution rates as follows:

Current Distribution	Motor Fuel Tax Fund	General Revenue	SDTF
Base three percent	1.5	1.5	0.0
Prop C one percent	0.5	0.0	0.5
Total	2.0	1.5	0.5

Revised Distribution	Motor Fuel Tax Fund	General Revenue	SDTF
Base three percent	1.5	1.0	0.5
Prop C one percent	0.5	0.0	0.5
Total	2.0	1.0	1.0

According to the Missouri Department of Revenue, Report of Collections for the Fiscal Year ended June 30, 1999, the total motor vehicle sales tax collected into the General Revenue Fund was \$102.9 million. **Oversight** assumes, therefore, that one third of this amount, or \$34.3 million would be redirected to the School District Trust Fund from this proposal. Using the same 4% growth factor used by OA, Oversight assumes the loss to the General Revenue Fund for FY's 2001, 2002 and 2003 would be \$27.82 million, \$38.58 million and \$40.13 million respectively. Oversight believes the \$46.4 million referenced by the OA is one third of the motor vehicle sales tax revenue deposited into the Motor Fuel Tax Fund instead of the General Revenue Fund.

ASSUMPTION (continued)

Officials of the **Department of Revenue (DOR)** state this proposed legislation would require that 1% of the total sales on motor vehicles and etc. go to Proposition C. The DOR states the Missouri Constitution requires that only 1/2% of these sales go to Proposition C. Therefore, the DOR questions the constitutionality of the proposal.

Officials from the **Missouri Department of Transportation (DHT)** state the current distribution of the general state sales tax on Mvs (4.0%) is: 1.5% to the General Revenue Fund, 2.0% to Highway Funds, and 0.5% to the School District Trust Fund. The DHT assumes this proposal will shift the tax distribution to 0.5% to the General Revenue Fund (rather than 1.5%), 1.0% to the School District Trust Fund (rather than 0.5%), and 2.5% to the Highway Funds (rather than 2.0%).

Oversight assumes the proposal would move 1/2% of the 3% base sales tax on motor vehicles from the General Revenue Fund to the School District Trust Fund as assumed by the Office of Administration, Budget and Planning. Oversight assumes the distribution rates after effective date of this proposal would be 2.0% to the Highway Funds, 1.0% to the General Revenue, and 1.0% to the School District Trust Fund, which will not change the distribution of the Highway Funds' portion (2.0%). Oversight assumes a one month lag, therefore nine (9) months of change are projected for FY 2001.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
	(10 Mo.)		
GENERAL REVENUE FUND			
<u>Loss</u> - decrease in sales tax revenue	(\$27,820,000)	(\$38,580,000)	(\$40,130,000)

SCHOOL DISTRICT TRUST FUND

<u>Income</u> - Sales and use tax on motor vehicles	\$27,820,000	\$38,580,000	\$40,130,000
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<u>FISCAL IMPACT - Local Government</u>	FY 2001	FY 2002	FY 2003
	(10 Mo.)		
	\$0	\$0	\$0

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FISCAL IMPACT - Small Business

No direct fiscal impact to small business would be expected as a result of this proposal.

DESCRIPTION

This bill directs revenue received from sales and use taxes on motor vehicles to be distributed first to the State Road Fund and State Transportation Fund pursuant to the Constitution; after these funds are distributed, revenue from the rate of one cent on the dollar of such taxes on motor vehicles is directed to the School District Trust Fund.

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 Revenue
Department of Elementary and Secondary Education
Department of Transportation
Office of Administration
Budget and Planning



Jeanne Jarrett, CPA
Director
March 10, 2000