

COMMITTEE ON LEGISLATIVE RESEARCH
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0069-02
Bill No.: SB 61
Subject: Education, Elementary and Secondary: Education Sales Taxes
Type: Original
Date: January 24, 2001

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|-------------------|-------------------------|-------------------------|
| FUND AFFECTED | FY 2002 | FY 2003 | FY 2004 |
| General Revenue | (\$29,254) | (\$0 to Unknown) | (\$0 to Unknown) |
| | | | |
| Total Estimated Net Effect on <u>All</u> State Funds | (\$29,254) | (\$0 to Unknown) | (\$0 to Unknown) |

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2002 | FY 2003 | FY 2004 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|------------|-----------------------|-----------------------|
| FUND AFFECTED | FY 2002 | FY 2003 | FY 2004 |
| Local Government | \$0 | \$0 to Unknown | \$0 to Unknown |

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

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Secretary of State**, the **State Tax Commission**, and the **Office of Administration - Division of Budget and Planning** stated that the proposal would not affect their agencies, administratively.

Officials of the **Department of Revenue (DOR)** would request a Tax Processing Technician to handle implementation, distribution of taxes and date entry of student enrollment into the sales tax systems. They also noted that the sales tax systems would have to be modified to allow for reporting of two cents (or greater) local option sales taxes. They estimate that 726 hours of overtime programming would be needed at a cost of \$24,527 and that there would be additional State Data Center costs of \$4,727 associated with making system changes.

Officials of the **Department of Elementary and Secondary Education** stated that the proposal could affect cost to fully fund the Foundation Formula. The equivalent property taxes inclusion in the Formula could allow some districts to be entitled to increased funding. However, officials can not determine which counties would adopt a sales tax, how much money would be realized or what the equivalent property tax rates would be.

Oversight assumes that DOR would request additional personnel as needed as county sales taxes were adopted and has not included the Tax Processing Technician in the fiscal impact.

| <u>FISCAL IMPACT - State Government</u> | FY 2002 | FY 2003 | FY 2004 |
|---|--------------------------|------------------------------|------------------------------|
| | (10 Mo.) | | |
| GENERAL REVENUE FUND | | | |
| <u>Cost</u> - Department of Revenue | | | |
| Expense | (\$29,254) | \$0 | \$0 |
| <u>Cost</u> - Department of Elementary and | | | |
| Secondary Education | | | |
| Foundation Formula | \$0 | (\$0 to | (\$0 to |
| | | Unknown) | Unknown) |
| ESTIMATED NET EFFECT ON | <u>(\$29,254)</u> | <u>(\$0 to</u> | <u>(\$0 to</u> |
| GENERAL REVENUE FUND | | <u>Unknown)</u> | <u>Unknown)</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2002 | FY 2003 | FY 2004 |
| | (10 Mo.) | | |
| SCHOOL DISTRICTS | | | |
| <u>Income</u> - Additional Aid | \$0 | \$0 to Unknown | \$0 to Unknown |
| ESTIMATED NET EFFECT ON | <u>\$0</u> | <u>\$0 to Unknown</u> | <u>\$0 to Unknown</u> |
| SCHOOL DISTRICTS* | | | |

*The effects are subject to voter action.

FISCAL IMPACT - Small Business

Small businesses which collect or pay sales taxes could be affected by this proposal.

DESCRIPTION

This proposal would allow any county to, with voter approval, a local sales tax for education. The tax could be placed on the ballot by approval of school boards representing at least four-sevenths of the enrollment of all districts in the county or by a petition signed by at least five percent of the number of voters within the county who voted in the most recent gubernatorial election.

Taxes would be collected by the Department of Revenue and distributed to school districts in affected counties in proportion to districts enrollment.

The Department of Elementary and Secondary Education would determine an equivalent property tax rate of sales taxes imposed and that rate would be regarded as part of affected districts' "operating levy for school purposes" for determining state aid but not for compliance with the minimum levy.

A county could raise, lower or terminate the tax with voter approval.

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

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Revenue
State Tax Commission
Office of Administration - Division of Budget and Planning
Secretary of State

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
January 24, 2001