

COMMITTEE ON LEGISLATIVE RESEARCH
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1721-02
Bill No.: SB 494
Subject: Taxation and Revenue - Property: Education, Elementary and Secondary
Type: Original
Date: March 6, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$0	\$0	(\$3,900,000)
State School Moneys	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	(\$3,900,000)

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	\$3,900,000

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

FISCAL ANALYSIS

ASSUMPTION

Officials of the **State Tax Commission** stated that the proposal would not affect their agency.

Officials of the **Department of Elementary and Secondary Education** estimate increased costs due to changes in section 163.031 would have been approximately \$3,600,000 had the proposed changes been in place for the 2000-2001 school year:

Line 1 of the State Basic (Foundation) Formula calculates the Entitlement available for each district's instructional program in the same manner. This calculated Entitlement includes both local and state dollars. The state contribution is determined by subtracting deductions for local wealth from the entitlement.

The impact of the bill relating to Formula funding occurs on Line 2 of the Formula. Currently, Line 2 is a calculated deduction for local wealth divided by 100 times the district income factor times the adjusted tax rate in the Incidental and Teachers Funds. This bill reduces local dollars to the district and requires an adjustment to Line 2 equal to the amount of increased collector's withholdings (as certified by the county collector). The proposal would reduce the deduction on Line 2 thus requiring additional state dollars equal to the amount of increased collectors withholdings to fund the formula with a Line 1 proration factor at 1.00.

The proposal also contains provisions giving hold-harmless districts (which would not be affected by changes in the Formula) an increase in dollars (above the hold harmless amount) equal to the amount of increased county collector commissions. Total dollars (local and state) would remain the same for hold harmless districts.

Department of Elementary and Secondary Education officials have estimated the increase in total collector withholdings would be about \$3.6 million.

Oversight estimates that about \$5,950,000 would have been paid to tax maintenance funds had the proposal been in effect for the current fiscal year and that an additional \$225,000 would have been withheld for county general revenue funds. Oversight notes that 65% to 70% of property taxes statewide are from school taxes. Assuming the proportion is 65%, the "loss" to school districts would be about \$3,900,000 and a similar amount would be sent back to districts in state aid.

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Cost</u> - Increased Transfers to State School Moneys Fund	\$0	\$0	(\$3,900,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>(\$3,900,000)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
STATE SCHOOL MONEYS FUND			
<u>Income</u> - Increased Transfers from General Revenue Fund	\$0	\$0	\$3,900,000
<u>Cost</u> - Increased Distributions to School Districts	\$0	\$0	(\$3,900,000)
ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002	FY 2003	FY 2004
POLITICAL SUBDIVISIONS			
<u>Income</u> - School Districts Increased State Aid	\$0	\$0	\$3,900,000
<u>Income</u> - Collectors' Tax Maintenance Funds	\$0	\$0	\$5,950,000
<u>Loss to Political Subdivisions</u> - Tax Maintenance Funds	\$0	\$0	(\$5,950,000)
<u>Income</u> - County General Revenue Funds	\$0	\$0	\$225,000
<u>Loss to Political Subdivisions</u> - County General Revenue Funds	\$0	\$0	(\$225,000)
ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$3,900,000</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal would:

- 1) increase county collector withholding from property taxes for county general revenue;
- 2) add an additional fee which would go into a Tax Maintenance Fund for each county;
- 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

DESCRIPTION (continued)

- 4) give "hold harmless" districts additional payments of 3/4% of districts' deduction on line 2 of the formula, each November;

Points 1) and 2) above have an effective date of January 1, 2003.

Changes to the foundation formula- points 3) and 4)- have an effective date of July 1, 2003.

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



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Director
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