

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4593-02
Bill No.: SB 1136
Subject: Property, Real and Personal; State Tax Commission; Taxation and Revenue - General; Taxation and Revenue - Property
Type: Original
Date: February 22, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$175,000,000)	(UNKNOWN)	(UNKNOWN)
State School Moneys	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$175,000,000)	(UNKNOWN)	(UNKNOWN)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
School Districts	\$175,000,000	UNKNOWN	UNKNOWN

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** and the **Missouri State Tax Commission** stated the proposed legislation would have no impact on their agencies.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** stated that the proposed legislation would have a major impact on the cost of the foundation formula. They deferred to the Department of Elementary and Secondary Education for the data and systems to properly calculate the fiscal impact. BAP indicated no fiscal impact to the Office of Administration.

The **Department of Elementary and Secondary Education (DESE)** stated that they had requested approximately \$219 million to fund the foundation formula at a proration factor of 1.0. This proposed legislation would decrease the \$219 million to approximately \$175 million.

DESE made the following assumptions in computing the \$175 million estimate:

Guaranteed Tax Base = \$139,507
Payment eligible pupils = 890,600
Line 1 average tax rate = \$3.445
Line 2 average assessed valuation = \$60,859,728,544
Line 2 average tax rate with income factor of 1.00 = \$3.47
Lines 3-5, 8 = FY01 actual
Line 7 = one-half of the FY01 actual increased by 2.5% estimated growth in FY02
Line 9 = FY02 actual distribution
Number eligible for Free or Reduced Price Lunch (for Line 14) = 331,000
Proration factor on lines 1 and 14 = 1.0000000

Other factors impacting the cost are:

- the additional amount required to be paid to hold harmless districts
- payments to the special school districts, Division of Youth Services, and districts with military installations

FISCAL IMPACT - State Government FY 2003 FY 2004 FY 2005

GENERAL REVENUE

<u>Cost</u> - Transfers to State School Moneys Fund	<u>(\$175,000,000)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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STATE SCHOOL MONEYS FUND

<u>Income</u> - Transfers from General Revenue Fund	\$175,000,000	Unknown	Unknown
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<u>Cost</u> - Distributions to School Districts	<u>(\$175,000,000)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Local Government FY 2003 FY 2004 FY 2005

SCHOOL DISTRICTS

<u>Income</u> - School Districts State Aid	<u>\$175,000,000</u>	<u>Unknown</u>	<u>Unknown</u>
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FISCAL IMPACT - Small Business

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

DESCRIPTION

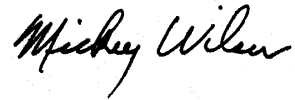
This proposed legislation adds a definition of "district equalized assessed valuation" to the definitions that are used in interpreting the state school funding formula. The definition averages a district's assessed valuation from the first and second preceding years. The proposal also revises the definition of "guaranteed tax base" to encompass the average of the third and fourth preceding years, instead of basing the amount on only the third preceding year, as in current law.

The proposal contains an emergency clause.

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



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February 22, 2002