

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2191-01
Bill No.: HB 896
Subject: Education, Elementary and Secondary: Elementary and Secondary Education Dept
Type: Original
Date: April 19, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)
Total Estimated Net Effect on General Revenue Fund	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	Unknown - Expected to Exceed \$100,000	Unknown - Expected to Exceed \$100,000	Unknown - Expected to Exceed \$100,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue - State Tax Commission** stated that this proposal will have no fiscal impact on their agency.

Officials from the **Department of Elementary and Secondary Education** indicate there is no way to estimate the fiscal impact of this proposed legislation. The proposal potentially reduces the deduction on Line 4 of the foundation formula and, consequently, raises the cost to fund the formula with a proration factor of 1.00.

The proposal is administratively challenging in that a possible adjustment to the current year's formula will not be known until the following year since the language says ""as a result of the lowered levy in the following year".

The calculation of the tax rate ceiling is described in Chapter 137 of the Revised Statutes of Missouri and Article X, Section 22 of the Missouri Constitution. The tax rate ceiling is adjusted annually and is to be revenue neutral when considering reassessment of property. Adjustments for new construction, Consumer Price Index and other factors are included in the calculation reviewed and approved by the State Auditor's Office. At the time of the tax rate ceiling

ASSUMPTION (continued)

calculation districts provide their best estimate of revenue to be received from state assessed railroad and utility property. The tax rate ceiling is determined, in part, using that estimate. Once the actual state assessed revenue is available, the tax rate ceiling is recalculated. The first ceiling calculation for the year may have been a few pennies higher or lower than it should have been once the actual state assessed revenue was substituted in the calculation.

At the time the school district board of education establishes the tax rate for the calendar year (by September 1), the tax rate ceiling computed with the estimated state assessed revenue is used as the starting point. The actual tax rate set for the calendar year may be higher or lower than it should have been once actual data are available. If it was lower, then the taxpayers and the state, through the foundation formula, paid less. If the rate was higher than it should have been, the taxpayers and the state, through the foundation formula, paid more. By recalculating the ceiling with actual data, an accurate ceiling is carried forward to begin the next year's calculation so that the number of pennies over or under collected is not perpetuated in the following years. This is an adjustment to protect property taxpayers.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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GENERAL REVENUE

Cost - Elementary and Secondary
 Education - Additional funding needed to
 fund foundation formula with a proration
 factor of 1.00.

(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)
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**EXPECTED NET EFFECT ON
 GENERAL REVENUE**

<u>(Unknown -</u> <u>Expected to</u> <u>Exceed</u> <u>\$100,000)</u>	<u>(Unknown -</u> <u>Expected to</u> <u>Exceed</u> <u>\$100,000)</u>	<u>(Unknown -</u> <u>Expected to</u> <u>Exceed</u> <u>\$100,000)</u>
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FISCAL IMPACT - Local Government

FY 2006
 (10 Mo.)

FY 2007

FY 2008

SCHOOL DISTRICTS

Income - Reduced deduction on Line 4 of foundation formula, resulting in increased amount of state aid

Unknown -
 Expected to
 Exceed
 \$100,000

Unknown -
 Expected to
 Exceed
 \$100,000

Unknown -
 Expected to
 Exceed
 \$100,000

**EXPECTED NET EFFECT ON
 SCHOOL DISTRICTS**

Unknown -
Expected to
Exceed
\$100,000

Unknown -
Expected to
Exceed
\$100,000

Unknown -
Expected to
Exceed
\$100,000

FISCAL IMPACT - Small Business

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

DESCRIPTION

When a school district bases its levy on an estimate of state assessed railroad and utility revenue that is lower than revenues actually received, it must roll back its levy. The resulting property tax receipts will be deducted from its state aid, and the lower levy may draw less state aid. This proposed legislation provides that the amount of local revenue and state aid lost as a result of the lowered levy will not be subject to deduction.

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

L.R. No. 2191-01
Bill No. HB 896
Page 5 of 5
April 19, 2005

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Revenue
State Tax Commission

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 19, 2005