

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0592-02
Bill No.: SS for HJR 5
Subject: Constitutional Amendments: School Bonds
Type: Original
Date: May 7, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue*	\$0	(\$43,800)	(\$61,000,000 to \$82,500,000)
Blind Pension	\$0	\$0	(\$410,000 to \$425,000)
Total Estimated Net Effect on <u>All</u> State Funds*	\$0	(\$43,800)	(\$61,410,000 to \$82,925,000)

*Does not include possible increased costs to fully fund the Foundation Formula.

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	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

State Tax Commission (TAX) officials, in response to a similar proposal (SB 40), assumed that: increase in taxes on residential property would be 11% per 2-year cycle of reassessment, an inflation rate of 3.5%, 70% of residential property is owner occupied, 26.6% of residential property owners are over 64. **Oversight** estimated possible losses as follows.

Residential Property Tax paid in 1999	\$1,656,991,958
Projected Tax 2001	\$1,839,261,073
Projected Increase	\$ 182,269,115
	x .266
Projected Increase for 64+ Occupied	\$ 48,483,584
	x .70
Projected Increase for 64+ owner-occupied	\$ 33,938,500

If all senior citizen owner-occupied property is occupied by persons who have dwelled on the property for five years or more then the total amount would be lost. If all owner-occupied property is occupied by persons who have dwelled on the property for less than five years then the loss would be 5/11ths of possible loss. Projected losses for subsequent years would increase from 2.5% to 5.5%.

Projected Increase	\$ 182,269,115
	x .734
Projected Increase for Under 65 Occupied	\$ 133,785,530
	x .70
Projected Increase for Under 65 owner-occupied	\$ 93,649,871

Assuming the consumer price index rises more than 5% every two years, 5/11ths of the increase would be lost. Projected losses for subsequent years would increase 2.5%.

Projected Losses for FY 2002:

$\$33,938,500 \times 5/11 = \$15,435,682$ to $\$33,938,500$ for 64+

$\$93,649,871 \times 5/11 = \$42,568,123$ for under 65s.

Total = \$58,003,805 to \$76,506,623

Projected losses for FY 2003:

$\$15,821,574$ to $\$35,805,118$ for 64+

GVB:LR:OD (12/00)

ASSUMPTION (continued)

\$43,632,326 for under 65s
Total = \$59,453,900 to \$79,437,444

Projected losses for FY 2004:
\$16,217,113 to \$37,774,399 for 64+
\$44,723,134 for under 65s
Total = \$60,940,247 to \$82,497,533

There would also be losses to the Blind Pension fund of a little more than ½ of 1% of the losses to political subdivisions.

TAX officials also note that they would have to provide technological and instructional assistance to county officials, but would request additional resources as needed through budget decision items.

Department of Elementary and Secondary Education officials noted that the proposal would decrease assessed values compared to current law, which would increase the amount needed to fully fund the Foundation Formula. They also noted that 1) “hold harmless” districts would recoup their losses through state payments, 2) state payments required by this proposal are not included in the Formula, thus allowing other districts a “double dip” consisting of reimbursements from the state and increased payments through a fully funded Formula, and 3) the effects of the proposal on the Formula should disappear after three or so years because reducing the guaranteed tax base reduces the inflationary adjustment in the Formula for districts to fund inflationary increases in expenses.

Officials of the **State Auditor** indicated that their office could perform duties required by this proposal with existing resources.

Officials of the **Department of Revenue** indicated that the proposal would not affect their agency, administratively.

Oversight assumes the proposal would affect tax years beginning after 2002 and the fiscal effects would not be felt until state FY 2004.

Advertisement costs for the proposal would be \$4,380 per newspaper column inch for three printings of the text of the proposal, the introduction, title, fiscal note summary, and affidavit. The proposal would be on the ballot for the November 2002 general election.

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Cost to Secretary of State</u>			
Newspaper Advertisements		\$43,800)	
<u>Cost</u> - Increased Transfers to State School Moneys Fund	\$0	\$0	(Unknown)
<u>Cost</u> - Reimbursements to Political Subdivisions	\$0	\$0	(\$61,000,000 to \$82,500,000)
NET EFFECT ON GENERAL REVENUE FUND*	<u>\$0</u>	<u>\$43,800</u>	<u>(\$61,000,000 to \$82,500,000)</u>

***Does not include possible increase in cost to fully fund Foundation Formula.**

BLIND PENSION FUND			
<u>Loss</u> - Reduced Collections	\$0	\$0	(\$410,000 to \$425,000)
NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>\$0</u>	<u>(\$410,000 to \$425,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002	FY 2003	FY 2004
POLITICAL SUBDIVISIONS			
<u>Income</u> - Reimbursements from State	\$0	\$0	\$61,000,000 to \$82,500,000
<u>Loss</u> - Reduced Property Tax Collections	\$0	\$0	(\$61,000,000 to \$82,500,000)
NET EFFECT ON POLITICAL SUBDIVISIONS*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

***Does not include possible increased distributions to school districts.**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal; however, smaller majorities required to pass tax increases could increase their likelihood.

DESCRIPTION

This proposal would make the vote required to pass school district bond issues a simple majority of those voting if the election is held on a general municipal election day or a general election day. (Currently, four-sevenths majorities are required to pass proposals offered on general municipal election days, general primary days and general election days and two-thirds majorities are required to pass proposals offered on any other election days.)

DESCRIPTION (continued)

This proposal would limit increase in assessed value of residential property, excluding new construction or improvements, to five percent or the increase in the consumer price index, whichever is less.

The proposal would freeze assessed value of residential property owned by persons sixty-five or older who have resided on the property five years or more.

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 affect Total State Revenue.

SOURCES OF INFORMATION

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



Jeanne Jarrett, CPA
Director
May 7, 2001