

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0928-05  
Bill No.: SB 359  
Subject: Education, Elementary and Secondary; Education, Higher; Teachers; Elementary and Secondary Education Dept; Boards, Commissions, Committees, Councils; Taxation and Revenue - Income; Taxation and Revenue - Property  
Type: Original  
Date: March 18, 2003

---

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	\$0	(\$836,400)	(\$285,921)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(\$836,400)</b>	<b>(\$285,921)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>County Assessment Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>(Expected to Exceed \$100,000)</b>
<b>School Districts</b>	<b>\$0</b>	<b>\$0</b>	<b>(Up to \$93,729,574)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of State Treasurer** stated this proposal would have no fiscal impact on their agency. STO assumed this proposal reduces the amount of the property tax levy for each school district and replaces it with a state-wide income tax on residents. The proposal appears to delete the foundation formula for the distribution of school funding, and replace it with a per-pupil funding formula based on attendance and certain programs operated by the district.

Officials from the **Office of Administration - Division of Budget and Planning** stated this proposed legislation should not result in additional costs or savings to the Division of Budget and Planning.

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the State Board of Education could require as many as 46 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be

ASSUMPTION (continued)

more or less the SOS's estimated cost of \$3,198 for FY 2004. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

According to the **Department of Elementary and Secondary Education (DESE)**, this proposal basically eliminates one funding source and replaces it with another funding source (i.e., it reduces property tax revenues by school district and creates an income tax surcharge in its place). The proposal would distribute the money on a flat per pupil basis rather than distributing it through a system that takes into account other revenues districts may receive.

DESE assumes that reduction of the property tax revenue and creation of the income tax surcharge does not, at this time, appear to have an impact on DESE or local school districts.

Section 105.483

Officials from the **Missouri Ethics Commission (MEC)** stated that any costs related to the proposal would be included in the MEC budget.

Section 137.073

Officials from the **Department of Revenue - State Tax Commission (TAX)** indicated that this proposal would not have a fiscal impact to TAX or to County Assessors; however, if the school district operating levy is lowered by \$2.10 per \$100 assessed valuation with a floor of \$1.00 per \$100 assessed valuation, there will be an unknown negative impact to county assessment funds.

**Oversight** assumes projected assessed value in 2006 to be \$86,883,513,000. The loss of revenue could total up to approximately \$1,824,553,773.

Section 143.013

Officials from the **Department of Revenue - Division of Taxation and Collection** estimated the following administrative impact resulting from the income tax surcharge:

ASSUMPTION (continued)

Customer Assistance anticipates an increase in telephone and walk-in inquiries and will need one Tax Collection Technician for every 15,000 calls per year on the 751-7200 delinquent phone line and one Tax Collection Technician I for every 24,000 calls per year on the 751-3505 technical phone line regarding the surcharge.

MINITS, Telefile and SPEEDUP will need to be changed for the additional line on the return along with the additional tax causing more information to key and more notices to taxpayers. This will result in more staff needed to key and work errors. Three tax season temporaries will be needed to key additional line information, one Tax Processing Technician for every 30,000 errors and one Tax Processing Technician for every 3,000 pieces of correspondence needed. This legislation will also affect the 1040P returns and Personal Tax will need one Tax Processing Tech I for every 20,000 errors and one Tax Processing Technician for every 3,000 pieces of correspondence in the Property Tax Credit Unit.

Information Technology will need to modify MINITS and SPEEDUP to allow for the additional lines and for any additional notices that will need to be issued from underpayment of the 22/100% taxes from these systems. It is estimated that 1,730 hours of programming will be needed at a cost of \$57,712.

The Division also expects an unknown increase in mailing of notices.

**Oversight** assumes projected taxable income for 2006 to be \$77,965,054,000. Revenues generated by the income tax surcharge would be approximately \$1,730,824,199.

Section 160.545

Officials from the **Department of Higher Education (DHE)** stated that although this proposal does not have a fiscal impact on DHE, changes in Section 160.545 will have an impact on students in the A+ Program and General Revenue. This impact will be determined by the Department of Elementary and Secondary Education.

Referendum Clause

According to officials from **Office of Secretary of State - Elections Divison**, advertisement costs for the proposal would be \$3,485 per newspaper column inch for three printings of the text of the proposal, the introduction, title, fiscal note summary, and affidavit. Based on 51 pages, advertising costs would be \$836,400.

ASSUMPTION (continued)

The proposal would be on the ballot for the November 2004 general election.

Since this legislation is subject to voter referendum, **Oversight** assumes this proposal would have no state or local fiscal impact without voter approval, with the exception of election costs.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
<b>GENERAL REVENUE</b>			
<u>Income</u> - Income Tax Surcharge (Section 143.013)	\$0	\$0	\$1,730,824,199
<u>Transfer Out</u> - Distributions to School Districts	\$0	\$0	(\$1,730,824,199)
<u>Cost</u> to General Revenue Fund			
<u>Secretary of State</u>			
Newspaper Advertisements - Election	\$0	(\$836,400)	\$0
<u>Cost</u> - Dept of Revenue - Taxation and Collection (Section 143.013)			
Personal Expense (6 FTE & Temps)	\$0	\$0	(\$156,392)
Fringe Benefits	\$0	\$0	(\$55,415)
Programming Costs	\$0	\$0	(\$57,712)
Equipment and Expense	<u>\$0</u>	<u>\$0</u>	<u>(\$16,402)</u>
Total <u>Cost</u> - DOR	\$0	\$0	(\$285,921)
Total Cost - General Revenue	<u>\$0</u>	<u>(\$836,400)</u>	<u>(\$285,921)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
<b>SCHOOL DISTRICTS</b>			
<u>Income</u> - Transfer from General Revenue - Income Tax Surcharge (Section 143.013)	\$0	\$0	\$1,730,824,199
<u>Loss</u> - Reduction in School District Operating Levy (Section 137.073)	<u>\$0</u>	<u>\$0</u>	(Up to <u>\$1,824,553,773</u> )
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>(Up to \$93,729,574)</b></u>
<b>COUNTY ASSESSMENT FUND</b>			
<u>Loss</u> - Reduced Revenues (Section 137.073)			(Expected to Exceed <u>\$100,000</u> )
	<u>\$0</u>	<u>\$0</u>	
<b>ESTIMATED NET EFFECT ON COUNTY ASSESSMENT FUND</b>			<u><b>(Expected to Exceed \$100,000)</b></u>
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal makes several modifications to the state's education, education funding, and taxation policies.

Section 105.483

School Board members may submit a notarized statement attesting that no conflict of interest

LMD:LR:OD (12/02)

DESCRIPTION (continued)

exists concerning such school board member's duties and the business of that district to the Missouri Ethics Commission in lieu of the financial disclosure statements currently required.

Section 137.073

The school district operating levy in every school district will be lowered by \$2.10 per \$100 assessed valuation, with a floor as specified in Section 163.021, RSMo and it does not apply to rates lowered below \$1.00 per \$100 assessed valuation by means of a constitutionally-mandated roll-back.

Section 143.013

A 2.22% income tax surcharge is imposed, the receipts of which are earmarked for education.

Section 160.530

The one percent professional development set-aside is reduced to one-quarter of one percent. The ninety percent of one percent of the formula allocation that the commissioner distributes to address the statewide areas of critical need for learning and development is reduced to one-quarter of one percent. Further, several of the State-wide areas of critical need for learning and development have been removed.

Section 160.545

The A+ schools program has been altered to pay only tuition, not books and fees, and students are required to take both the ACT and SAT assessment exams or either assessment exam twice as an added condition to receive an A+ scholarship. Also, a school must offer gifted and dual credit courses as a condition of being labeled "A+".

Section 162.081

The State Board of Education's ability to lapse a school district is removed.

Section 163.021

In order to receive state aid, a school district must levy a school district operating levy of not less than \$1.00 per \$100 assessed valuation, however, a district may levy less than \$1.00 if required by a constitutionally-mandated roll-back. Also, in order to be eligible for state aid, school districts must lengthen the school year to the specifications articulated in the section and adopt

DESCRIPTION (continued)

the uniform start date of the last Monday in August.

Section 163.031

The foundation formula has been replaced with a system that distributes all monies appropriated for the public schools of this state on a per-average daily attendance basis, except for transportation, special and gifted education categoricals.

Section 163.161

The transportation categorical is reduced from 75% to 60%.

Section 163.172

The minimum salary structure has been altered so that the minimum teacher's salary shall be \$26,000; with at least five years teaching experience the minimum salary shall be \$32,000; and with a master's degree and at least fifteen years teaching experience the minimum salary shall be \$40,000. Also, this act removes several of the criteria regarding the qualifications for school districts to receive funds from the excellence in education fund for the purpose of fulfilling the minimum salary requirements.

Section 168.021

Certificates of license to teach shall be valid for the life span of the possessor. Any person who holds a valid life classification, professional classification I, professional classification II, or a continuous professional classification certificate of license to teach on August 28, 2003, shall be issued a lifetime certificate of license to teach.

Sections 168.500 - 168.520

The career ladder program is eliminated.

Section 171.031

School districts must adopt the uniform start date of the last Monday in August. Also, this section increases the school year term from 1,044 hours to 1,200 hours and the maximum number of hours a school day may be from seven hours to eight hours.

Several formula-related sections in Chapter 163, RSMo, have been deleted.

This proposal contains a referendum clause.



DESCRIPTION (continued)

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 State Treasurer

Office of Secretary of State

Administrative Rules Division

Elections Division

Missouri Ethics Commission

Department of Revenue

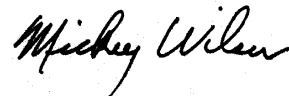
State Tax Commission

Division of Taxation and Collection

Department of Higher Education

Office of Administration

Division of Budget and Planning



MICKY WILSON, CPA  
DIRECTOR  
MARCH 18, 2003