

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5122-01  
Bill No.: SB 634  
Subject: Education, Elementary and Secondary, Taxation - Sales and Use  
Type: Original  
Date: January 8, 2018

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Bill Summary: This proposal allows Greene County or any city within the county to propose a sales tax for the purpose of early childhood education programs.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	\$0	\$0 or Up to \$77,000	\$0 or Up to \$132,000
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0 or Up to \$77,000</b>	<b>\$0 or Up to \$132,000</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0 or Up to \$9,801,000</b>	<b>\$0 or Up to \$13,068,000</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal allows voters in Greene County, as well as municipalities in that county, to impose a sales tax up to 0.25% for the purpose of funding early childhood education programs in the county or city.

Using forecast estimates for statewide average growth in local sales taxes and state taxes (including food), the estimated average growth for FY 2018 and FY 2019 is 2.5% and 1.90%, respectively. B&P estimates Greene County FY 2019 taxable sales to total \$5.1 billion. The bill indicates that this sales tax would take effect starting April 1, thus only impacting Q4 of FY 2019 sales collections. With estimated Q4 sales collections of \$1.29 billion, this proposed sales tax could generate approximately \$3.2 million for the county for FY 2019. If additional municipalities in the county separately adopted this tax, collections could be greater. As a voter approved tax, the collected revenues will not impact General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, this sales tax could increase General and Total State Revenues by approximately \$32,000 in FY 2019.

Using the same methodology to estimate FY 2020 and FY 2021 sales, we estimate taxable sales in Greene County to total \$5.1 billion in FY19. This proposed sales tax might generate approximately \$12.93 million for the county in FY 2020, and annually thereafter. If additional municipalities in the county separately approve this, tax collections could be greater. The collected revenues will have no impact on General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, General and Total State Revenues could increase by approximately \$129,000, in FY 2020 and annually thereafter if the county sales tax is approved.

B&P defers to Department of Revenue for estimates of actual collection costs.

Officials at the **Department of Revenue (DOR)** assume in this proposed legislation Greene County, and any city within the county, may impose a one-quarter of one percent sales tax on retail sales to fund early childhood education programs. This legislation further requires the county or city that imposes the sales tax to enter into an agreement with the Department to collect the tax. The Department then becomes responsible for the administration, collection, enforcement, and operation of the tax.

The Integrated Tax System requires change to the current design resulting in a cost of \$21,762.

ASSUMPTION (continued)

Officials at the **Department of Elementary and Secondary Education** assume that contingent upon the actions of voters (and subsequently the governing bodies of Greene County and the cities within) DESE assumes this proposal will have an impact on the revenues received into the "Early Childhood Education Sales Tax Trust Fund"; however, our department has no means to calculate the potential impact.

**Oversight** assumes there is the possibility that the county or one or more additional local governments could implement the sales tax. The following table indicates the potential revenue for the local governments in Greene County.

For fiscal note purposes **Oversight** will indicate a range of additional local government revenue from \$0 (the sales tax is not adopted by the governing body of any local government and/or voters fail to approve the sales tax) to up to \$13.2 million for a full year of tax collections.

Government	2016 Taxable Sales Base	Gross Potential Revenue
Greene County	\$5,292 million	\$13.2 million
City of Springfield	\$4,647 million	\$11.6 million
City of Republic	\$232 million	\$580,000
City of Strafford	\$44 million	\$111,000
City of Willard	\$45 million	\$112,000

**Oversight** notes that if the proposal is adopted DOR would be allowed to keep 1% of the amount of sales tax collected to cover their expenses. Oversight notes that DOR would retain \$132,000 if Greene County collects the sales tax and less if only select cities within Greene County collect the tax. Oversight will show the fee as \$0 (no sales tax increase is adopted by voters) to up to the amount listed for Greene County.

**Oversight** notes the effective date of this proposal would be August 28, 2018. The first possible election to approve the sales tax could be held at the general municipal election in April 2019 (FY 2019). Therefore, the earliest the sales tax could become effective would be the first day of the second calendar quarter after the Department of Revenue is notified of voter approval. In this case, the earliest effective date assuming voter approval at the April 2019 general municipal

ASSUMPTION (continued)

election would be October 1, 2019 (FY 2020). Therefore, only nine months of taxes would be collected in FY 2020.

Officials at the Greene County, the City of Springfield, the Springfield Public School District, the City of Republic, and the Republic Public School District did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020 ( 9 Mo.)	FY 2021
<b>GENERAL REVENUE FUND</b>			
<u>Additional Revenue</u> - DOR		\$0 or	\$0 or
Collection charges	\$0	Up to \$99,000	Up to \$132,000
<u>Cost</u> - Department of Revenue- one time			
Integrated System Changes	<u>\$0</u>	<u>\$0 or (\$21,762)</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0 or Up to \$77,000</u></b>	<b><u>\$0 or Up to \$132,000</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020 (9 Mo)	FY 2021
<b>LOCAL GOVERNMENTS</b>			
<u>Additional Revenues</u>			
Sales taxes for Early Childhood Education	\$0	\$0 to Up to \$9,900,000	\$0 to Up to \$13,200,000
<u>Loss</u> - Collection Fee kept by DOR	<u>\$0</u>	<u>\$0 or (Up to \$99,000)</u>	<u>\$0 or (Up to \$132,000)</u>
<b>ESTIMATED NET EFFECTS ON LOCAL GOVERNMENTS</b>	<b><u>\$0</u></b>	<b><u>\$0 or Up to \$9,801,000</u></b>	<b><u>\$0 or Up to \$13,068,000</u></b>

### FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses in Greene County which purchase taxable items.

### FISCAL DESCRIPTION

This act allows Greene County or any city within the county to impose a sales tax, upon approval of a majority of the voters, not to exceed one-fourth of one percent for the purpose of funding early childhood education in the county or city.

The county or city must enter into an agreement with the director of the Department of Revenue to collect the tax and the director is responsible for the administration, collection, enforcement, and operation of the tax. All revenue collected, except for one percent for the cost of collection which shall be deposited in the state's General Revenue fund, must be deposited in the "Early Childhood Education Sales Tax Trust Fund", which is created by the act. Moneys in the fund are not state funds, and cannot be commingled with any funds of the state.

The governing body of any county or city that has adopted the sales tax may submit the question of repeal of the tax to the voters. The tax may also be submitted to the voters for repeal by a petition signed by ten percent of the registered voters of the county or city voting in the last gubernatorial election.

If the tax is repealed or terminated by any means, all funds remaining in the special trust fund must continue to be used solely for early childhood education. One year after the repeal of the tax, the director must remit the balance in the account to the county or city and close the account.

The governing body of the county or city must select an existing community task force to administer the revenue received. Such revenue may only be expended upon approval of an existing community task force selected by the governing body of the county or city to administer the funds and only in accordance with a budget approved by the county or city governing body.


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

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SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Department of Revenue  
Office of Administration  
Division of Budget and Planning

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Acting Director  
January 8, 2018