

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7085
BILL NUMBER: SB 357

DATE PREPARED: Jan 3, 2000
BILL AMENDED:

SUBJECT: Education finance.

FISCAL ANALYST: Chuck Mayfield
PHONE NUMBER: 232-4825

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 2000	FY 2001	FY 2002
State Revenues			
State Expenditures		83,000,000	146,000,000
Net Increase (Decrease)		(83,000,000)	(146,000,000)

LOCAL IMPACT	CY 2000	CY 2001	CY 2002
Local Revenues		146,000,000	146,000,000
Local Expenditures			
Net Increase (Decrease)		146,000,000	146,000,000

Summary of Legislation: This bill provides state distributions to partially equalize school corporation capital projects fund levies and school corporation debt service fund levies. The bill provides that the state capital projects fund distribution will guarantee that the amount a school corporation can raise from the first \$0.55 of its capital projects fund tax rate is the amount that could be raised from an assessed valuation of \$70,000 per pupil. The bill also provides that the state debt service fund distribution will guarantee that the amount a school corporation can raise from the first \$1 of its debt service fund tax rate is the amount that could be raised from an assessed valuation of \$70,000 per pupil. It makes an appropriation from the state General Fund sufficient to make the distributions.

Effective Date: July 1, 2000; January 1, 2001.

Explanation of State Expenditures: The bill guarantees that each one cent raised in the Capital Project Fund or Debt Service Fund will generate \$7 per ADM for the first \$0.55 of the Capital Project Fund rate and the first \$1.00 of the Debt Service Fund rate. Schools with assessed valuation of less than \$70,000 per ADM will receive a distribution under this bill. Based on 1999 data 248 schools would receive about \$75,800,000 to help equalize Capital Project Fund levies and 217 schools would receive \$70,200,000 to help equalize Debt Service Fund rates. The impact for the state general fund is \$83,000,000, (\$146,000,000/2), and \$146,000,000 for FY 2002. The bill limits the amount that can be distributed for CY 2001, but not for CY 2002 and after.

The Capital Project fund does not receive State Property Tax Replacement Credits and the Debt Service Fund does not receive State Property Tax Replacement on levies generated by debt entered into after 1983. The State Property Relief Fund would not be affected by the reduction in levies.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Based on 1999 data, this proposal would have reduced 1999 property tax levies by about \$146,000,000. The schools are allowed to levy enough to make sufficient debt service payments and fund their Capital Projects Fund budget, subject to a rate limit on the Capital Projects Fund. The levy is the result of the approved budget minus miscellaneous revenue. The new distributions will increase miscellaneous revenue and therefore decrease levies. The reduction of property tax levies will cause a drop in distributions of Excise Tax and Financial Institutions Tax (FIT) which are distributed based on levies. The lost Excise Tax and FIT revenue would be redistributed to other units in the counties.

State Agencies Affected: Department of Education.

Local Agencies Affected: All.

Information Sources: School Finance Database, Department of Education.