DepartmentofPlanningandBudget
2003FiscalImpactStatement

1. **BillNumber**   HB2243

   HouseofOrigin   ☒ Introduced   ☐ Substitute   ☐ Engrossed

   SecondHouse   ☐ InCo mmittee   ☐ Substitute   ☐ Enrolled

2. **Patron**   Watts

3. **Committee**   Appropriations

4. **Title**   StandardsofQuality;apportionmentofstateandlocalshare.

5. **Summary/Purpose:**ThisbilldirectstheGen eralAssembly,inapportioningthestateand localshareforthecostsofmeetingtheStandardsofQuality,beginningJuly1,2004,to implementaformulathatdetermineseachlocality'sabilitytopaybasedontheratiosof(i) thetotalvalueofrealest ateinthelocalityadjustedbytheindexusedforthepaydifferential forstateemployeesresidinginthatlocalitytothestatewidevalueofrealestateperperson; (ii)themedianvalueofresidentialrealestateinthelocalitytothestatewidemedian valueof residentialrealestate;(iii)salessubjecttothestatesalestaxinthelocalitytothestatewide salessubjecttothestatesalestaxperperson;(iv)revenuecollectedfromthelocalpersonal propertytaxtotherevenuecollectedstatewidef romthelocalpersonalpropertytax,and(v) revenuecollectedfromlocallodging,localcigarette,andlocalmealstaxestotherevenue collectedstatewidefromtheselocallodging,cigarette,andmealstaxes,asprovidedinthe appropriationact.

   These ratiosaretobecalculatedonthebasisofaveragedailymembership(ADM)andper capita.Todetermineeachlocality'scompositeindex,thefollowingformulawouldbeused: (1)thesumoftheratioscalculatedonthebasisofADMforeachlocalityshall bedividedby thesumoftheADMratiosforalllocalities;(2)thesumoftheratioscalculatedonaper capitabasisforeachlocalityshallbedividedbythesumoftheADMratiosforalllocalities; (3)thelocality'sratiocalculatedonthebasisof ADMshallbemultipliedby.66andthe locality'sratiocalculatedonapercapitabasisshallbemultipliedby.33.Thesumofthetwo adjustedratiosshallbedefinedasthecompositeindex.Taxvaluesandpopulationestimates usedshallbethosefort hefiscalyearendingoneyearpriortothefiscalyearinwhichthe distributiontakesplace.

6. **FiscalImpactUnknown(SeeComments8.)**

7. **Budgetamendmentnecessary:** Yes.AlthoughthebilliseffectiveJuly1,2004,additional resourceintheDepart mentofTaxationwouldberequiredinFY2004.Languageinthe BudgetBillrelatedtothecompositeindexcalculationwouldalsoneedtoberevisedinfuture biennia.

8. **Fiscalimplications:** Inordertoimplementtheprovisionsofthisbill,thestate musthave datarelatedtorealestate,salestax,personalpropertytaxandlocaltaxes.Someofthis

information (i.e. sales tax) is already being collected. The state would have to collect information on the value of real estate and personal property tax information in every locality. Since the Department of Taxation collects and maintains tax data, it is assumed that the additional data collection responsibilities would be assumed by this agency. Data collection methods would need to be established and system changes would be needed. Because of the volume of information collected by the department under the provisions of this bill, additional hardware may be needed to accommodate storage issues. Also, resources would be needed to respond to inquiries from the public regarding personal property tax and real estate values. Because the amount of additional data collection cannot be estimated nor can the number of public inquiries for such data, the impact on the department cannot be determined.

Since all of the tax data needed to perform the computations outlined in this bill are not available, the fiscal impact of this bill on educational programs beginning in the 2004-2006 biennium at both the state at local level cannot be estimated.

Furthermore, the bill does not specify whether actual ADM or projected ADM should be used in the composite index calculation. Actual ADM will not be known for the current fiscal year until the Spring of 2004.

9. **Specific agency or political subdivisions affected:** Department of Taxation, Department of Education, local school divisions

10. **Technical amendment necessary:** No.

11. **Other comments:** The bill also requires that tax values and population estimates for the most recent fiscal year (for FY2004, FY2003 values) be used to calculate the composite index. Currently, the 2002-2004 education program budget uses 1999 tax data as the basis for the 2002-2004 composite index. The collection and analysis of tax data could not be performed in enough time to meet the prior year provision of this bill. Also, the composite index is current re-based every two years. This bill calls for such re-basing on an annual basis. For instance, by the time the most recent fiscal year tax data becomes available for FY2003, it would be late into the fiscal year in FY2004, and actual payments to local school divisions could deviate materially from estimates.

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cc: Secretary of Education
    Secretary of Finance