

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1518-02  
Bill No.: HB 706  
Subject: Taxation and Revenue - Sales and Use; Education, Elementary and Secondary;  
 Political Subdivisions  
Type: Original  
Date: February 16, 2015

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Bill Summary: This proposal would allow Greene County, or any city within the county, to impose a sales tax, upon voter approval, to fund early childhood education.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<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 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to More than \$11,800,000</b>	<b>\$0 to More than \$11,800,000</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would allow voters in Greene County, as well as cities in that county, to impose a sales tax up to 0.25% for early childhood education purposes. BAP officials stated that according to Department of Revenue (DOR) reports, taxable sales in Greene County totaled \$4,713.1 million in calendar year 2013. Therefore, this sales tax might generate  $(\$4,731,000 \times .0025) = \$11.8$  million annually for the county, and additional amounts might be generated if cities in the county separately approve this tax.

BAP officials stated the revenues collected would have no impact on general and Total State Revenues; however, 1% would be retained in the General Revenue Fund to offset DOR collection costs. Therefore, general and Total State Revenues could increase by \$0.1 million if the county sales tax is approved.

BAP officials deferred to DOR for estimates of actual collection costs.

Although they did not respond to our request for information, officials from the **Department of Revenue (DOR)** provided a response to a similar proposal in the previous session (SB 947 LR 6252-01) which did not indicate a fiscal impact for their organization.

**Oversight** assumes DOR could absorb any cost to implement this proposal with existing resources.

DOR officials also provided an estimate of the IT cost to implement the proposal based on 168 hours of programming to DOR systems.

**Oversight** notes the IT cost to implement this proposal based on the current state contract rate for programming services of \$75 would be  $(168 \times \$75) = \$12,600$ . Oversight assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year and could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the appropriation process.

ASSUMPTION (continued)

In response to similar language in another proposal, officials from the **Republic School District** assume a 1/4 cent sales tax would generate approximately \$500,000 in additional revenue. School district officials also stated at this time it is uncertain what this sales tax would generate for the Republic School District in the municipalities that include other school districts within their boundaries. These municipalities include Springfield and Battlefield.

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

Officials from the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** assume this proposal would have no fiscal impact on their organizations.

Oversight assumptions

**Oversight** assumes the BAP estimate is the best available and for fiscal note purposes, will use the BAP estimate. Oversight will indicate a range of additional local government revenue from \$0 (no local government approves the sales tax) to more than \$11.8 million per year (the county and one or more other local governments approve the sales tax).

**Oversight** notes the election to approve the sales tax could be held in April 2016 (FY 2016) or in August or November 2016 (FY 2017); 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 2016 municipal election) would be October 1, 2016 (FY 2017).

**Oversight** will assume the election would be held at the first opportunity, and will include election costs in FY 2016 for this proposal from \$0 (no election held) to Unknown.

For simplicity, **Oversight** will not include the 1% withholding for DOR collections costs in this fiscal note.

ASSUMPTION (continued)

Not responding:

Officials from Greene County, the Springfield School District, the City of Springfield, Fair Grove Schools, and the City of Republic did not respond to our request for information.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
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**LOCAL GOVERNMENTS**

Additional Revenues

Sales taxes		\$0 to More than	\$0 to More than
Section 67.1790	<u>\$0</u>	<u>\$11,800,000</u>	<u>\$11,800,000</u>

Additional cost

Elections	\$0 to		
Section 67.1790	<u>(Unknown)</u>	\$0	\$0

<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to More than \$11,800,000</u></b>	<b><u>\$0 to More than \$11,800,000</u></b>
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FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses in Greene County which purchase items subject to sales tax.

## FISCAL DESCRIPTION

The proposed legislation would authorize Greene County or any city within the county to impose, upon voter approval, a sales tax not to exceed .25% on all retail sales within the county or city for the purpose of funding early childhood education.

On or after the effective date of any tax authorized, the county or city would be required to enter into an agreement with the Director of the Department of Revenue to collect the tax; the department would be responsible for the administration, collection, enforcement, and operation of the tax. All revenue collected, except for 1% for the cost of collection which would be deposited in the General Revenue Fund, would be deposited in the Early Childhood Education Sales Tax Trust Fund. Moneys in the fund would not be deemed state funds and could not be commingled with any funds of the state.

Any tax imposed under these provisions would be submitted to the voters of the taxing jurisdiction for retention or repeal every five years using the same procedure by which the imposition of the tax was voted.

The governing body of any county or city that has adopted the sales tax could submit the question of repeal of the tax to the voters at a general election. The tax could also be repealed by a petition signed by 10% of the registered voters of the county or city voting in the last gubernatorial election, calling for an election to repeal the sales tax.

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

The governing body of the county or city imposing the tax would select an existing community task force to administer the revenue received. The revenue could 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.

SOURCES OF INFORMATION

Office of the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Elementary and Secondary Education  
Department of Revenue  
City of Republic



Mickey Wilson, CPA  
Director  
February 16, 2015

Ross Strobe  
Assistant Director  
February 16, 2015