

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2348-01
BILL NO.: HB 1217
SUBJECT: Education, Elementary and Secondary: Business Abatement Dropout
TYPE: Original
DATE: February 14, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue*	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

***Expected to exceed \$100,000 annually.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Workforce Development** assume the proposal would result in no fiscal impact to the agency.

Officials from the **Office of Administration - Budget and Planning** assume the Department of Elementary and Secondary Education would have information to estimate the fiscal impact of the tax credits.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume there would be an unknown reduction in General Revenue tax revenues attributable to businesses utilizing the tax credits created under this bill. The amount of this impact is not known.

DESE would require a supervisor (\$47,611), and DESE's Information Technology (IT) section could need to develop a web-based application process as well.

DESE officials assume there would be a benefit to school districts. However, receipt of this benefit would depend on application and approval for participation in the program. Furthermore, it would be necessary for the districts to attract businesses willing to provide money to the program so that the businesses could receive the tax credits. The extent of participation in the program by businesses can not be determined by DESE.

Officials from the **Department of Revenue (DOR)** assume the number of taxpayers eligible for this credit is unknown at this time. The Division of Taxation would need one temporary tax season employee (a cost of \$6,067) for every 260,000 returns filed with this credit for key entry. In order to process the credits, the Personal Tax Bureau would need one Tax Processing Tech I for every 2,000 credits filed, and the Business Tax Bureau would need one Tax Processing Tech I for every 3,680 credits filed. One Tax Processing Tech I would be needed for every 3,000 pieces of correspondence received regarding the credit.

This legislation would require modifications to the individual income tax system. The Division of Taxation estimates these modifications, including programming changes, would require 1,384 hours of contract labor at a cost of \$41,617. Modifications to the income tax returns and schedules would be completed with existing resources. State Data Center charges would increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 would be requested for implementation costs and \$1,867 for on-going costs.

ASSUMPTION (continued)

Oversight assumes the Department of Revenue would require 692 hours of overtime at a cost of \$20,808 for modifications to the income tax system. Oversight also estimates that funding for State Data Center charges would be \$5,630 for additional storage and fields to be captured.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Loss-General Revenue Fund</u>			
Dropout tax credit program	(Unknown)	(Unknown)	(Unknown)
<u>Cost-Department of Revenue</u>			
Reprogramming Costs	(\$26,438)	\$0	\$0
<u>Cost-Department of Elementary and Secondary Education (DESE)</u>			
Personal Service (1 FTE)	(\$40,651)	(\$50,021)	(\$51,272)
Fringe Benefits	(\$12,500)	(\$15,381)	(\$15,766)
Expense and Equipment	(\$19,969)	(\$6,762)	(\$6,964)
Total <u>Cost-DESE</u>	(\$73,120)	(\$72,164)	(\$74,002)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>

***Expected to exceed \$100,000 annually.**

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
SCHOOL DISTRICTS			
<u>Income-School Districts</u>			
Business Contributions	Unknown	Unknown	Unknown
<u>Cost-School Districts</u>			
Program Costs	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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Small businesses would expect to be fiscally impacted to the extent that they would incur costs for contributions to the dropout program and receive tax credits for those contributions.

DESCRIPTION

This proposal would create a program of tax credits for employers who contribute to a school dropout abatement program. Specific amounts of credit for different types of contribution are detailed in the proposal. At-risk students or dropouts residing in the school district would be eligible to participate in the program; other students may be recommended by the principal of the school. Districts would establish programs and apply to the Department of Elementary and Secondary Education for approval; the department would also provide the requisite information to the Department of Revenue.

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
Department of Economic Development
Department of Revenue
Office of Administration - Budget and Planning



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Director
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