

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3405-01
BILL NO.: HB 1474
SUBJECT: Education, Elementary and Secondary: Property Tax Relief
TYPE: Original
DATE: February 4, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(\$32,386,101)	(\$66,715,367)
School Building Property Tax Relief	\$0	\$0	\$0
State School Moneys	\$0	\$0	\$0
Gaming Proceeds for Education	63,969,924 to 100,110,513	76,763,909 to 120,132,615	76,763,909 to 120,132,615
Gaming Commission	\$3,399,035	\$4,078,843	\$4,078,843
Total Estimated Net Effect on <u>All</u> State Funds	\$67,368,959 to \$103,509,548	\$48,456,651 to \$91,825,357	\$14,127,385 to \$57,496,091
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	\$10,506,805 to \$14,522,426	\$1,812,799 to \$6,631,544	(\$4,811,545 to \$9,630,290)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Treasurer's Office** assume the proposal would result in no fiscal impact to the agency.

Officials from the **Secretary of State's Office (SOS)** assume the rules, regulations and forms issued by the State Board of Education and the Missouri Gaming Commission could require as many as approximately 12 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$22.50. The estimated cost of a page in the Code of State Regulations is \$26.50. The actual costs could be more or less the SOS's estimated cost of \$723 for FY 2001. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn. **Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

School Building Property Tax Relief Fund

Officials from the **Department of Elementary and Secondary Education (DESE)** estimate the fiscal impact as follows:

Gaming proceeds for education

Gaming proceeds for education amounts used in this fiscal note response begin with the FY 2002 budget request. A 3% per year growth factor in this amount is assumed for FY 2003 and beyond.

FY 2002 \$161,930,503 -- 20% will go to School Building Property Tax Relief Fund = \$32,386,101

FY 2003 \$166,788,418 -- 40% will go to School Building Property Tax Relief Fund = \$66,715,367

FY 2004 \$171,792,071 -- 60% will go to School Building Property Tax Relief Fund = \$103,075,243

FY 2005 \$176,945,833 -- 80% will go to School Building Property Tax Relief Fund = \$141,556,666

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ASSUMPTION (continued)

FY 2006 \$182,254,208 --100% will go to School Building Property Tax Relief Fund = \$182,254,208

Removal of the loss limit may change admission collections thereby impacting these estimates; however, the department does not have enough information to be able to make an estimate of this variable.

There will be a net increase in moneys going out to school districts. These moneys can be used by districts for (1) school construction, renovation or leasing; (2) teacher recruitment, retention, salaries or professional development; (3) technology enhancements or textbooks or instructional materials; and (4) school safety and violence prevention programs.

General Revenue Impact

The General Revenue Fund is to replace into the State School Moneys Fund (SSMF) funds transferred from the SSMF to the School Building Property Tax Relief Fund.

IT Impact

Minimal programming costs will be incurred to alter the existing school finance system. These costs are estimated to be \$1,000 to \$2,000 (\$1,500 mid-point selected).

Gambling Loss Limit

In similar legislation from the previous year, officials of the **Gaming Commission (GAM)** stated that a conservative way to predict the fiscal impact of removing the \$500 loss limit is to assume that all Missouri boats' win per admission would rise to at least the level of the Illinois riverboats doing business in the St. Louis market, which was \$34.89 in fiscal year ended, June 30, 1999. This is still well below the statewide averages in Illinois, Iowa, Indiana, and Mississippi.

In addition, GAM stated there is strong evidence that the inconveniences of the loss limits drive down the number of visits. Patrons that have been to gaming facilities with no loss limits often find the loss limits cumbersome and inconvenient and either do not return or reduce their number of visits to Missouri casinos. In addition, high limit players in Missouri and from other jurisdictions limit visitation or do not patronize Missouri casinos because of the loss limits.

ASSUMPTION (continued)

JM:LR:OD:005 (9-94)

Based on these facts, GAM assumed the removal of the loss limits would raise the win per admission to \$34.89 and would increase admissions by at least 10%. Based upon calculations used by GAM and updated with fiscal year 1999 admission totals, the state impact from gaming tax is assumed to be \$120,132,615 annually; while the local impact would be \$13,348,068 annually. GAM also estimated an increase in the number of admissions, and applying fiscal year 1999 admission totals to their assumptions, Oversight has estimated an annual state and local impact of \$4,078,843. GAM stated that all estimates do not account for any increase in jobs, a multiplier effect, facility expansion, or additional facilities constructed as a result of the removal of the loss limit.

The **Office of Administration (OA), Division of Budget and Planning** stated previously that they agree with the estimates provided by the Gaming Commission.

The **Missouri Highway Patrol** stated in a response to another proposal which repealed the loss limit (HB 1091) that they initially anticipate no fiscal impact nor an increase in personnel.

Oversight reviewed the effect of the loss limits on the state of Iowa and found that Iowa's win per admission increased by approximately \$7.50. According to the Gaming Commission's Fiscal Year 1999 Annual report, the current win per admission is \$22.02. Oversight assumes this proposal would increase the win per admission in Missouri to \$29.52. Assuming a 10% increase in the number of admissions, Oversight estimates the state impact from gaming tax and admissions fee would be \$80,842,752 annually; while the local impact would be \$12,608,166 annually. For fiscal note purposes, Oversight will range the potential fiscal impact from the low to high estimates.

FISCAL IMPACT - State Government

FY 2001
(10 Mo.)

FY 2002

FY 2003

GENERAL REVENUE FUND

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>Cost-Department of Elementary and Secondary Education (DESE)</u>			
Transfer to the SSMF	<u>\$0</u>	<u>(\$32,386,101)</u>	<u>(\$66,715,367)</u>

SCHOOL BUILDING PROPERTY TAX RELIEF FUND

<u>Income-Department of Elementary and Secondary Education (DESE)</u>			
Transfer from Gaming Proceeds for Education Fund	\$0	\$32,386,101	\$66,715,367

<u>Cost-Department of Elementary and Secondary Education (DESE)</u>			
Grants to School Districts	\$0	(\$32,386,101)	(\$66,715,367)

ESTIMATED NET EFFECT ON SCHOOL BUILDING PROPERTY TAX RELIEF FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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STATE SCHOOL MONEYS FUND

<u>Income-State School Moneys Fund</u>			
General Revenue	\$0	\$32,386,101	\$66,715,367

<u>Loss-State School Moneys Fund</u>			
Gaming Proceeds for Education	\$0	(\$32,386,101)	(\$66,715,367)

ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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GAMING PROCEEDS FOR EDUCATION

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>Income-Gaming Commission</u>			
Gaming Tax	\$63,969,924 to <u>\$100,110,513</u>	\$76,763,909 to <u>\$120,132,615</u>	\$76,763,909 to <u>\$120,132,615</u>

Additional income in the Gaming Proceeds for Education Fund may be transferred to the State School Moneys Fund and the School Building Property Tax Relief Fund.

GAMING COMMISSION FUND

<u>Income-Gaming Commission</u>			
Admission Fees	<u>\$3,399,035</u>	<u>\$4,078,843</u>	<u>\$4,078,843</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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LOCAL GOVERNMENTS

<u>Income-School Districts</u>			
Grants from School Building Property Tax Relief Fund	\$0	\$32,386,101	\$66,715,367

<u>Cost-School Districts</u>			
Capital Improvements - Grants	\$0	(\$32,386,101)	(\$66,715,367)
Capital Improvements - Match (25%)	<u>\$0</u>	<u>(\$10,795,367)</u>	<u>(\$22,238,456)</u>
Total <u>Cost-School Districts</u>	\$0	(\$43,181,468)	(\$88,953,823)

<u>Income-Local Governments</u>			
Gaming Tax	\$7,107,769 to \$11,123,390	\$8,529,323 to \$13,348,068	\$8,529,323 to \$13,348,068
Admissions Fees	<u>\$3,399,036</u>	<u>\$4,078,843</u>	<u>\$4,078,843</u>

Total <u>Income-Local Governments</u>	\$10,506,805 to \$14,522,426	\$12,608,166 to \$17,426,911	\$12,608,166 to \$17,426,911
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	\$10,506,805	\$1,812,799	(\$4,811,545)
	to	to	to
	<u>\$14,522,426</u>	<u>\$6,631,544</u>	<u>(\$9,630,290)</u>
<u>FISCAL IMPACT - Small Business</u>			

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

Excursion gambling boat proceeds deposited in the Gaming Proceeds for Education Fund in excess of the amount transferred to the School District Bond Fund are currently transferred to the State School Moneys Fund. The proposal would transfer these moneys as follows: 1) for FY 2002, 20% to the School Building Property Tax Relief Fund and 80% to the State School Moneys Fund; 2) for FY 2003, 40% to the School Building Property Tax Relief Fund and 60% to the State School Moneys Fund; 3) for FY 2004, 60% School Building Property Tax Relief Fund and 40% to the State School Moneys Fund; 4) for FY 2005, 80% to the School Building Property Tax Relief Fund and 20% to the State School Moneys Fund; and for FY 2006, 100% to the School Building Property Tax Relief Fund.

The amount transferred to the School Building Property Tax Relief Fund would be replaced in the State School Moneys Fund from General Revenue.

The School Building Revolving Fund would be renamed the "School Building Property Tax Relief Fund".

Beginning with the application period prior to the 2001-2002 school year, school districts could submit applications for grants from the School Building Property Tax Relief Fund. Under current law, school buildings submit applications for lease purchases from the School Building Revolving Fund.

DESCRIPTION (Continued)

Beginning July 1, 2002, DESE would provide a two-year matching fund grant program for capital improvement projects on school facilities to school districts to be paid out of the State

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School Property Tax Relief Fund. Beginning January 1, 2001, the State Board of Education would promulgate the form of application so that applicants could submit grant applications for the 2001-2002 school year and every year thereafter. Beginning April 1, 2001, the State Board of Education would review all the applications.

Grants would be made to districts on a matching fund basis. School districts earmark funds equal to 25% of the project cost, and DESE grants 75% of the cost. If the project is on a facility that is on the National Register of Historic Places, or similar historic buildings criteria, the school district would earmark 10% of the cost, and the state would grant 90% of the funds.

The proposal would remove the \$500 loss limit per player per gambling excursion. The Gaming Commission could not include a maximum loss limit per individual player per gambling excursion in the regulations.

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
State Treasurer's Office
Secretary of State's Office

NOT RESPONDING: Gaming Commission, Office of Administration - Budget and Planning



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Director
February 4, 2000