

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0179-01
Bill No.: HB 47
Subject: Children and Minors: Education, Elementary and Secondary; Taxation and Revenue - Property
Type: Original
Date: February 24, 2009

Bill Summary: Grants parents the right to request a reimbursement of a portion of real estate taxes paid based on moneys expended by the parent for private or home schooling or the unemancipated minor children

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	(Up to \$63,100,000)	(Up to \$63,100,000)	(Up to \$63,100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** state this proposal will have no fiscal impact on their agency.

Officials from the **State Tax Commission (TAX)** state this proposed legislation will not impact their agency. TAX is unable to project the amount of local revenue that may need to be refunded as a result of this proposal. TAX does not have information available on the number of home owners who are home schooling their children or the average amount of property taxes they are paying to the school districts.

Officials from the **Department of Social Services - Division of Youth Services (DYS)** state that DYS annually invoices local school districts in an amount approximately equal to \$2.8 million. That amount is equal to the local tax effort collected to educate students committed to DYS care. Assuming 10% of the billed amount will continue to be contested based on domicile or district liability, the division anticipates an unknown increased administrative cost less than \$100,000 in resolving described disputed invoices. Currently, the division is able to quickly resolve approximately 70% of the contested amounts, but this provision may increase the number of contested amounts, reduce the success rate and/or increase time and effort required to reach resolution.

Officials from the **Department of Elementary and Secondary Education (DESE)** state that there is no additional cost to the school foundation formula. It does redirect local tax money from the public school to the parent or legal guardian for expenses for private education or home schooling. The amount of that tax reimbursement is not to exceed the amount of real estate taxes paid by the parent or legal guardian. This an increased administrative cost for the county and school district to implement. In addition, there is a loss of local tax revenue to the school districts. If the real estate taxes paid for retiring a district's general obligation bonds (debt service) are reimbursed, the school district may be unable to make the principal and interest payments on the debt that year. The following year the district may have to increase the debt service tax rate applied to all taxpayers so that the district will have sufficient funds to repay bonded debt.

DESE assumes one way to estimate the statewide local cost (loss of money) for this proposal is to determine an average statewide school tax by taxpayer and assume that amount would be taken from schools as reimbursement for private and home schooled children. The 2007-08 average school district tax rate was \$3.83 (\$3.42 for operating purposes and \$0.41 for debt service purposes). To estimate the average tax paid by a taxpayer an assumption must be made

about the value of the home. A \$100,000 home would have an assessed valuation of \$19,000 and the tax, using the average \$3.83, would be \$728 ($\$19,000/100 \times \3.83). A \$50,000 home would have an assessed valuation of \$9,500 and the tax, using the average \$3.83, would be \$364 ($\$9,500/100 \times \3.83). Applying the range of \$364 to \$728 to the approximate count of nonpublic and home schooled children of 86,999 (81,887 and 5,112, respectively) yields a range in the estimated loss of local tax money for public education of \$32 million to \$63 million.

Oversight assumes some households affected may not request reimbursement, some may not be homeowners, and some household may have more than one child; therefore, **Oversight** will range the fiscal impact as (Up to \$63,000,000). **Oversight** assumes administrative costs to counties to process reimbursements will not exceed \$100,000 per year.

In response to a similar proposal from last session (HB 1316 - FN 3276-01), school districts provided the following assumptions:

Officials from the **Francis Howell School District** stated this proposal would place school districts in jeopardy of refunding monies to parents (a negative fiscal impact).

Officials from the **St Joseph School District** estimated a fiscal impact of about \$1,000,000 annually.

Officials from the **Blue Springs School District** estimated 521 private or home school students times the average real estate tax in the Blue Springs School District of \$2,212 equals a cost of \$1,152,452 per fiscal year.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
<u>Cost</u> - DOS-DYS - Administrative costs	(Expected to be Less than <u>\$100,000</u>)	(Expected to be Less than <u>\$100,000</u>)	(Expected to be Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE			
	<u>(Expected to be Less than \$100,000)</u>	<u>(Expected to be Less than \$100,000)</u>	<u>(Expected to be Less than \$100,000)</u>

FISCAL IMPACT - Local Government

FY 2010
(10 Mo.)

FY 2011

FY 2012

LOCAL POLITICAL SUBDIVISIONS

Cost - Counties - Administrative costs to
 refund real property taxes

(Not Expected
 to Exceed
 \$100,000)

(Not Expected
 to Exceed
 \$100,000)

(Not Expected
 to Exceed
 \$100,000)

Loss - School Districts - Tax revenue

(Up to
\$63,000,000)

(Up to
\$63,000,000)

(Up to
\$63,000,000)

**ESTIMATED NET EFFECT ON
 POLITICAL SUBDIVISIONS**

(Up to
\$63,100,000)

(Up to
\$63,100,000)

(Up to
\$63,100,000)

FISCAL IMPACT - Small Business

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

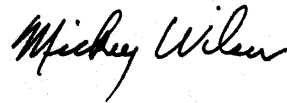
FISCAL DESCRIPTION

This proposed legislation specifies that the parent or guardian of an unemancipated minor younger than 18 years of age who home schools or sends his or her child to a private school will be allowed reimbursement upon providing satisfactory evidence of the schooling costs up to the amount of the county property taxes he or she paid that would have been given to the school district.

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 Revenue
Department of Elementary and Secondary Education
State Tax Commission
Department of Social Services
 Division of Youth Services
School Districts
 Francis Howell
 St Joseph
 Blue Springs

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 24, 2009