

Fiscal Estimate Narratives

DOR 3/13/2012

LRB Number	11-2439/5	Introduction Number	AB-0677	Estimate Type	Original
Description Counting low-income pupils for state school aid purposes; calculating the amount to be appropriated for state general school aid; aid to school districts in which parental choice programs have been established; school aid factors; special adjustment aids; hold harmless aid; school district revenue limits; payments to independent charter schools and to private schools participating in a parental choice program; grants to school districts for efficiency and consolidation feasibility studies; transportation aid to school districts; transportation of private school pupils; the first dollar and school levy property tax credits; granting rule-making authority; and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

This bill makes several changes to current law concerning the amount appropriated for aids to school districts and how these aids are calculated. This fiscal note will discuss only those parts of the bill that affect the Department of Revenue (DOR).

Under current law, there are three property tax credits administered by the DOR that are affected by school property taxes: the school levies credit, the first dollar credit, and the lottery and gaming credit. These credits are discussed below.

School levies credit: This credit is allocated to municipalities based on their share of statewide school levies (for K-8, union high, and K-12 school districts plus county-operated schools for children with disabilities) during the previous three years. Credits on 2011/12 property tax bills were therefore based on levies for 2008/09, 2009/10, and 2010/11. Funding for the credit in 2011/12 was \$747,400,000. The credit is paid to the county or municipality on the fourth Monday in July.

First dollar credit: This credit applies to tax bills for any real estate parcel with at least one improvement owned by the land owner. The credit equals the school property tax on a certain amount (the "credit value") of the qualifying parcel. For 2011/12 property tax bills, this "credit value" was \$6,800. Funding for the credit in 2011/12 was \$150,000,000. The credit is paid to the county or municipality on the fourth Monday in July.

Lottery and gaming credit: This credit applies to tax bills for a "primary residence" (the place where the property owner lives most of the time). The credit equals the school property tax on a certain amount (the "credit value") of the qualifying residential property. For 2011/12 property tax bills, this "credit value" was \$9,000. About \$137,600,000 was available for distribution on 2011/12 property tax bills. The credit is paid to the county or municipality on the fourth Monday in March.

The school levies credit and first dollar credit are jointly funded from two appropriations: (1) an "annual" appropriation of \$14,850,000 from the lottery fund, and (b) an \$882,500,000 "sum sufficient" appropriation from the general fund. The lottery and gaming credit is funded with available net lottery proceeds from a "sum sufficient" appropriation from the lottery fund.

Under the bill, the school levies credit and the first dollar credit would be eliminated, effective with December 2012 property tax bills (credit payments in July 2013, or FY14). The total amount available for these two credits, or \$897,400,000 would be added to the amount available for distribution as state aid to school districts. The amount of school aids currently paid on the fourth Monday in July would be increased by \$897,400,000.

The elimination of the school levies credit and first dollar credit, and the addition of the funds for these credits to the monies available for state aid to school districts, would lead to a significant shift in the distribution of school property taxes when compared to current law. The shift in school district taxes would also lead to a shift in the distribution of the lottery and gaming credit. The DOR does not have information which would permit it to reasonably estimate the shift in school aids and therefore the shift in property tax levies that the bill could engender.

The bill is expected to have no effect on DOR administrative costs.

Long-Range Fiscal Implications