

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2018 REGULAR SESSION**

MEASURE

2018 BR NUMBER **0262**

HOUSE BILL NUMBER **117**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to a district board of education's levy of an equivalent tax rate.**

SPONSOR **Representative Bechler**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2017-2018	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			(Indeterminable)	(Indeterminable)
EXPENDITURES				
NET EFFECT			(Indeterminable)	(Indeterminable)

() indicates a decrease/negative

MEASURE'S PURPOSE: The purpose of this measure is to require a district board of education, when an equivalent tax rate of at least five cents fails to pass pursuant to an election, to levy a rate that produces no more revenue than the compensating tax rate and to wait three years before levying another equivalent tax rate of at least five cents.

PROVISIONS/MECHANICS: Section 1 amends KRS 132.017 to state that when an ordinance, order, or motion to levy a tax rate that:

- was subject to recall;
- included at least a five cents equivalent rate for the purpose of debt service for school construction or major renovation of the existing school facilities;
- was levied by a district board of education; and
- was levied after the effective date;

fails to pass pursuant to an election, the district board of education shall levy a rate that produces no more revenue than the amount produced by the compensating tax rate and shall wait three years from the date of the election before levying another equivalent tax rate of at least five cents.

Section 2 amends KRS 160.470 to add the provision stated in Section 1 as an exception to the board of education's authority to raise the general tax rate to produce four percent more revenue than that produced from the compensating tax rate.

FISCAL EXPLANATION:

In accordance with KRS 132.017(3)(d), after an ordinance, order, resolution, or motion fails to pass pursuant to an election, a district board of education is required to levy a property tax rate that will produce four percent more revenue from real property, exclusive of the revenue from new property, than the amount of revenue that the compensating tax rate would produce. HB 117 adds an exception to this provision to require the district board of education to levy a tax rate no higher than the compensating tax rate. This exception reduces the amount of revenues the district could collect by at least four percent.

The provisions of HB 117 only apply when a district board of education holds an election to try and pass a five cents equivalent tax rate for the purpose of debt service for school construction or a major renovation of existing school facilities and the rate fails to pass. It does not impact the school board's authority to raise revenue through other types of tax levies, such as occupational taxes, utility taxes, or increasing the general property tax rate without including a five cents equivalent tax rate that is subject to recall.

HB 117 also requires the district board of education to wait three years from the date of the election before levying another equivalent tax rate. The three year waiting period could negatively impact the district's revenues by placing a delay on levying another five cents equivalent tax rate. On the other hand, the three year waiting period will indirectly have a positive impact on the General Fund, as the state provides equalized funding to school districts that meet the eligibility requirements for levying a five cents equivalent tax rate.

Kentucky has 173 school districts and currently, 65 of those school districts have successfully levied a five cents equivalent tax rate that was subject to recall and used for the purpose of debt service for school construction or major renovation of existing school facilities.

In determining the fiscal impact of HB 117, there are a lot of unpredictable variables, such as the number of districts that may levy a five cents equivalent tax rate for debt service or renovation purposes; the number of rates that would be placed on an election ballot; and the number of rates that would fail to pass. Therefore, the fiscal impact of HB 117 is indeterminable.

HB 117 is not expected to impact expenditures.

DATA SOURCE(S): LRC A&R; LRC Budget Review; Kentucky Department of Education;

PREPARER: Cynthia Brown NOTE NUMBER: 15 REVIEW: JAB DATE: 1/23/2018