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**Fiscal Note**

Public Education Amendments

24-Feb-03

**Bill Number: SB0154s3**4:32 PM

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**AMENDED NOTE**

The estimated net fiscal impact of this bill for FY 2003 is a cost of \$174,500 from general funds; for FY 2004, a savings to the state of \$2,990,900; and for FY 2005, a net positive revenue to the state of \$1,094,700.

The bill appropriates for FY 2003 only; \$155,000 in General Funds to the Office of Legislative Research and General Council, \$5,000 to the Office of the Legislative Fiscal Analyst; \$4,500 to the Senate, and \$10,000 to the House of Representatives to pay for interim studies required by the bill.

For FY 2004 the bill appropriates \$5,000,000 from the Uniform School Fund to the State Board of Education to develop planning required by the bill. An appropriation of \$12,400 from the Uniform School Fund to the Utah State Tax Commission will be required in FY 2004 for computer programming costs. The bill also appropriates for FY 2004 only, \$1,000,000 from the Uniform School Fund to the State Board of Education to be used as a hold harmless account to help school districts that may be adversely impacted as a result of students using a tax credit to go to a private school. Passage of the bill would also require an appropriation of \$148,400 in FY 2004, and \$172,400 in FY 2005 from the Commerce Service Fund to the Department of Commerce, Division of Consumer Protection for administrative costs. Appropriations from (or revenue generated by) the Commerce Service Fund affect(s) the amount available for transfer to the General Fund. The issuance of tuition tax credits could reduce income tax revenue by an estimated \$12,343,200 in FY 2004, and \$19,329,600 in FY 2005. The loss in revenue would be offset by reduced appropriations to the Minimum School Program for students leaving the Public Education System. The offset for FY 2004 is estimated at \$12,594,900, and for FY 2005 an amount of \$19,996,700. The bill provides that Scholarship Granting Organizations may use up to two percent of tax credit donations for administrative costs. Two percent in FY 2004 could be as much as \$151,600; and in FY 2005 the estimate is \$229,600.

For FY 2005 the bill appropriates \$48,000,000 to the State Board of Education of which \$24,000,000 is for a Competency Based Education Block Grant to be distributed to school districts. The remaining \$24,000,000 is for distribution to local school districts for a Class Size Reduction Reward Block Grant program. The bill creates a Uniform School Fund restricted Education Budget Reserve Account. Class size funds allocated for school districts who do not meet class size requirements in the bill are to be deposited into this account. Local School Districts could potentially benefit by savings in school construction costs over time depending on how many students choose private schooling. Because of the time frame of developing and implementing all of the provisions of the bill it is impossible to estimate all of the costs for full implementation. Future costs are subject to Legislative appropriations.

The bill provides for school districts with a student population of more than 14,000 students but fewer than 24,000 to increase the number of board members from five to seven. For districts where this would apply there could be some additional expenses for extra board member costs.

The tax provisions of this bill increase the Uniform School Fund by an estimated \$8,900,000 for FY 2004; \$48,600,000 in FY 2005; and \$97,300,000 in FY 2006.

	<u>FY 03 Approp.</u>	<u>FY 03 Revenue</u>	<u>FY 04 Approp.</u>	<u>FY 04 Revenue</u>	<u>FY 05 Approp.</u>	<u>FY 05 Revenue</u>
General Fund	\$174,500	\$0	\$12,400	\$0	\$0	\$0
Uniform School Fund	\$0	\$0	(\$6,594,900)	(\$3,443,200)	\$28,003,300	\$29,270,400
Commerce Service Fund	\$0	\$0	\$148,400	\$0	\$172,400	\$0

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<b>TOTAL</b>	<b>\$174,500</b>	<b>\$0</b>	<b>(\$6,434,100)</b>	<b>(\$3,443,200)</b>	<b>\$28,175,700</b>	<b>\$29,270,400</b>
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**Individual and Business Impact**

The bill provides a tax credit for qualifying individuals and Scholarship Granting Organizations. The average credit ranges from \$1,015 to \$2,132.

Savings in state construction costs assumes that there would be comparable costs to private entities. The bill imposes tax provisions that will impact business and individuals. For a two parent family with two children the increased income tax liability ranges from \$165 to \$320 depending on income level. Taxes on business increases by 0.25% over two years and the minimum tax increases from \$100 to \$150 and then \$200 the second year.

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**Office of the Legislative Fiscal Analyst**