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FISCAL IMPACT REPORT

SPONSOR: Whitaker DATE TYPED: 03/20/03 HB 322/aHTRC/aSFC

SHORT TITLE: Amend Small Cities Assistance Act SB _____

ANALYST: Smith

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
	*\$655.0		Recurring	Small Cities Assis- tance Fund
	(\$655.0)		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates SB275

SOURCES OF INFORMATION

Responses Received From
Taxation and Revenue Department

SUMMARY

Synopsis of SFC Amendment

The House Taxation and Revenue Committee amendment limits the maximum distribution amount to \$56,000 but contained a technical error. The Senate Finance Committee amendment corrects that error.

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment placed a ceiling of \$56. 0 that can be distributed to municipalities under pursuant to "Small Cities Assistance Fund". **The amendment would reduce the fiscal impact from \$1,400.0 to \$650.0; however under the existing bill language regarding reversion to the General Fund is deleted. If this language was replaced, the associated fiscal impact would be \$650.0.*

Synopsis of Original Bill

House Bill 322 amends the Small Cities Assistance Act to revise the distribution formula for municipalities that currently qualify for small cities assistance. The legislation increases the minimum distribution amount to \$35,000 and removes the \$50,000 limit for the maximum distribution amount. The bill deletes the population criteria for establishing minimum and maximum distribution amounts.

The bill includes provisions for distribution for FY 2003 to adjust to varying distribution dates. The bill also changes the date of the annual small cities distribution to the last day of February of each fiscal year.

FISCAL IMPLICATIONS

The following fiscal impact analysis is provided by the Taxation and Revenue Department

FY 2004 impacts:

The proposal would affect General Fund revenue because under the present law formula, not all of the small cities fund revenue is distributed to small cities. The remaining funds revert to the General Fund. The proposal would increase the distributions in such a way that it would eliminate the annual reversion to the General Fund. The provisions of Section 4 ensure the balance in the small cities assistance fund would accumulate for a full year prior to the FY 2004 distribution. The fund balance at that time is expected to be approximately \$4.8 million. The expected distribution in the absence of this legislation is expected to be approximately \$3.4 million.

FY 2003 impacts:

The department expects to distribute FY 2003 small cities assistance funds in February. Since the distribution will be made before March 1, the general fund reversion would be limited to the amount remaining in the small cities assistance fund under Section 4 of the proposal. Under current law, the balance reverts immediately after distribution. Thus, there is no fiscal impact in FY 2003.

The Taxation and Revenue Department provided the attached table which illustrates the impact of the proposed distribution.

TECHNICAL ISSUES

House Bill 322 does not include an emergency clause and therefore will not take effect until June 20, 2003.

OTHER SUBSTANTIVE ISSUES

According to the Taxation and Revenue Department, the Small Cities Assistance Distribution is financed by the small cities assistance fund through an earmarked share of 10 percent of Compensating Tax revenue. Current statute mandates the small cities distribution be calculated on or before June 10, and distributed on or before June 15, provided there is enough money in the small cities assistance fund to cover the calculated distribution. Historically, the distribution has been made by February or March.

SN/njw