

FISCAL NOTE
SENATE BILL NO. 2346
LC# 23.0739.02000
01/27/2023

1 - State Fiscal Effect

Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2021-2023 Biennium		2023-2025 Biennium		2025-2027 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$178,674,100	\$17,025,900		
Expenditures			\$209,000,000	\$460,000,000	\$669,000,000	
Appropriations			\$200,000,000	\$460,000,000		

2 - County, City, School District, and Township Fiscal Effect

Identify the fiscal effect on the appropriate political subdivision.

	2021-2023 Biennium	2023-2025 Biennium	2025-2027 Biennium
Counties			
Cities			
School Districts			
Townships			

3 - Bill and Fiscal Impact Summary

Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).

SB 2346 removes the 60-mill property tax contribution from the Foundation Aid School District Funding Formula. It reduces a school board's ability to levy general fund mills from 70 mills to ten mills. It also changes the sales and use 5% rate to 5.5%.

4 - Fiscal Impact Sections Detail

Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.

Section 2 of this bill removes the 60-mill property tax contribution from the Foundation Aid School District Funding Formula. The School District Funding Formula is funding using state and local taxes. The 60-mill deduction is removed from the funding formula. The state provides additional dollars the fund the school districts to the adequate amount. The Cost of Section 2 would be \$669 million dollars to the state.

Section 3 removes school districts from the protection of taxpayers and taxing districts. If taxable valuation decreases in a school district, they would no longer be able to levy at the same dollars they levied in the base year.

Section 5 reduces the general fund levy authority for school districts from 70 mills to ten mills. There would be a minimal fiscal impact on the school district as the state would increase its funding to offset the decrease in tax levy authority.

Section 7 of SB 2346 increases the sales and use tax rate from 5% to 5.5% on all sales at retail, including the leasing of renting of tangible personal property.

Section 8 of SB 2346 increases the use tax rate from 5% to 5.5% on tangible personal property purchased at retail for storage, use, or consumption in this state.

Section 13 of SB 2346 would make sections 3, 4, and 5 effective for taxable years beginning after 12/31/2022. Sections 7 and 8 are effective for taxable events occurring after 06/30/2023.

5 - Revenues Detail

For information shown under state fiscal effect in 1 or 2, please explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

If enacted, sections 7 and 8 would cause an increase in revenue to the general fund and the state aid fund. The tax rate change from 5% to 5.5% would not affect the current mobile home rate of 3%, the farm machinery rate of 3%, or the alcohol gross receipts rate of 7%. Excluding taxable sales and purchases from mobile homes, farm machinery, and alcohol gross receipts, the estimated fiscal increase for the 2023-2025 biennium is \$195.7 million.

6 - Expenditures Detail

For information shown under state fiscal effect in 1 or 2, please explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

The school district funding formula is paid using the Integrated formula payments line in the DPI budget. This bill would increase the expenditures in this line by \$669 million to ensure school districts are funded to the adequate amount using the per-pupil payment rate set by the legislature.

7 - Appropriations Detail

For information shown under state fiscal effect in 1 or 2, please explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.

Section 10 appropriates \$200 million from the general fund, section 11 appropriates \$300 million from the strategic investment and improvements fund, and section 12 appropriates \$160 million from the legacy earning fund for the integrated formula payments. \$669 million would be a continuing expense for the state which would require a continuing appropriation.

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