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Technical Bulletins: Important Notice to Cities Operating School Systems: The Use of Revenue Sharing Funds Instead of Local Funds for Schools - The Effect on Future Allocations

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IMPORTrT NOTICE TO CITIES OPERATING

SCHOOL SYSTEMS

THE USE OF REVENUE SHARING FUNDS
INSTEAD OF LOCAL FUNDS FOR SCHOOLS--THE
EFFECT ON FUTURE ALLOCATIONS

MTAS would like to call your attention to one aspect of the 1976 amendment to the Revenue Sharing law of 1972.

As you probably know, Revenue Sharing funds can now be spent for school operating expenses. What is not as widely known, however, is that any local funds spent for schools cannot be counted as a part of a city's (or county's) adjusted tax figure used in computing its "general tax effort factor."

The effect of this is that it will be to your city's advantage to appropriate Revenue Sharing funds, instead of local funds, to the school system.

As an example, if you now are appropriating $50,000 to your city school system from general city revenues you should instead make that $50,000 appropriation from Revenue Sharing funds.

The paragraph referred to and quoted below was in the original 1972 Act and was left in the 1976 Act, probably through oversight.

SEC. 109. DEFINITIONS AND SPECIAL RULES FOR APPLICATION OF ALLOCATION FORMULAS.

(c) GENERAL TAX EFFORT FACTOR OF UNIT OF LOCAL GOVERNMENT.

(2) ADJUSTED TAXES.—
(A) IN GENERAL.—The adjusted taxes of any unit of local government are—
(i) the compulsory contributions exacted by such government for public purposes (other than employee and employer assessments and contributions to finance retirement and social insurance systems, and other than special assessments for capital outlay), as such contributions are determined by the Bureau of the Census for general statistical purposes,
(ii) adjusted (under regulations prescribed by the Secretary) by excluding an amount equal to that portion of such compulsory contributions which is properly allocable to expenses for education.

(emphasis added)
Please note that this applies from January 1, 1977, forward. This means that you could amend your current budget, as well as the budget beginning July 1, in accord with the preceding information.

Additional Note: State sales tax funds also can be used in the manner described. That is, these funds should be used, instead of local revenues, for school appropriations where necessary so as to avoid any reduction of the city's adjusted tax effort figure.