

Fiscal Estimate Narratives

DOR 9/18/2007

LRB Number	07-3158/2	Introduction Number	AB-0507	Estimate Type	Original
Description Modifying and extending local levy limits for cities, villages, towns, and counties and creating a levy limit for technical college districts					

Assumptions Used in Arriving at Fiscal Estimate

CURRENT LAW

Levy limits were in effect for the 2005/06 and 2006/07 tax years for municipalities and counties. The limits were sunset effective on January 1, 2007. Levies for technical college districts were not subject to a limit for these two tax years. However, technical college districts are subject to a tax rate limit of 1.50 mills for operating purposes.

PROPOSED LAW

Under the bill, a levy limit would be imposed on municipalities and counties for the 2007/08 and 2008/09 tax years. A county could not increase its levy by the greater of 2% or the percentage increase in its equalized value due to net new construction. A municipality could not increase its levy by more than the greater of 2% or the percentage increase in its equalized value due to net new construction plus 50% of the prior year incremental value of a TIF district that was terminated.

The following amounts would be excluded from the county and municipal calculations: (a) TIF incremental levies, (b) debt service on general obligation debt authorized on or after July 1, 2005 and before July 1, 2007, (c) for county-operated children with disabilities education boards, (d) for school purposes by a first class city, (e) for debt service on general obligation debt approved by referendum after July 1, 2007, (f) for the operation of a county-wide emergency medical service system, (g) for the provision of police services in a village created by the incorporation of a town if the town did not have its own police department at the time of incorporation, (h) for town bridge and culvert construction and repair by a county; and (i) for certain levies related to fire protection services provided by joint fire departments.

Adjustments to the county and municipal levy limits would be made for: (a) transfers of service to or from another governmental entity (including the consolidation of a service at the county level), (b) for annexations/detachments of territory, (c) for increases in debt service on debt authorized by resolution before July 1, 2005, (d) for increases in lease payments related to a lease revenue bond authorized by resolution before July 1, 2005. Overrides of the limit would be permitted on referendum approval or, for a town with a population of under 2,000, if a proposal to do so is included in the notice of the town's annual meeting notice and approved at the annual meeting.

Also under the bill, a levy limit would be imposed on technical college districts for the 2007/08 and 2008/09 tax years. A technical college district could not increase its levy by more than 2.6%. The limit would not apply to debt service on general obligation debt authorized by referendum on or after July 1, 2007. Adjustments would be permitted for: (a) transfers of service to or from another governmental entity, and (b) for increases in debt service on debt authorized by resolution before July 1, 2007. Overrides of the levy limit would be permitted on referendum approval.

FISCAL EFFECT

Compared to current law, the bill is likely to lead to a reduction in the state total property tax levies of counties, municipalities, and technical college districts. The amount by which levies could be reduced is highly dependent on the assumed levy growth if no limits were in place. Given the speculative nature of such assumptions, this fiscal note will not estimate the potential reduction in levies the limits could engender.

In comparison to current law, the levies of individual counties, municipalities, and technical college districts may be higher or lower under the proposal. While some entities will reduce their levies if the proposal becomes law, others may choose to increase their levies to the maximum allowable amount so that future

years' levies are not restrained.

DEPARTMENT OF REVENUE

The Department of Revenue would incur additional costs in order to administer the proposed levy limits. It is anticipated that the Department would be able to absorb these costs within current resources.

Long-Range Fiscal Implications