

Fiscal Estimate - 2019 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

LRB Number 19-0561/4	Introduction Number AB-0630	
Description conduit bonding authorities, distributions for property tax relief, and making an appropriation		
Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Create New Appropriations </div> <div style="width: 33%;"> <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No </div> <input type="checkbox"/> Decrease Costs </div> </div> Local: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate <div style="display: flex;"> <div style="width: 50%;"> 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 50%;"> 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> </div> </div> <div style="width: 33%;"> 5. Types of Local Government Units Affected <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input checked="" type="checkbox"/> Towns <input type="checkbox"/> Counties <input type="checkbox"/> School Districts </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Cities </div> </div> </div> </div>		
<div style="display: flex; justify-content: space-between;"> <div> Fund Sources Affected <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS </div> <div> Affected Ch. 20 Appropriations 20.566(2)(a) </div> </div>		
Agency/Prepared By DOR/ Craig Steinfeldt (608) 266-5705	Authorized Signature Jamie Adams (608) 266-6785	Date 12/6/2019

Fiscal Estimate Narratives

DOR 12/6/2019

LRB Number	19-0561/4	Introduction Number	AB-0630	Estimate Type	Original
Description conduit bonding authorities, distributions for property tax relief, and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

Current law allows, with certain limitations, two or more political subdivisions to create a commission that is authorized, among other things, to raise money by issuing conduit (municipal) bonds and convey these moneys to qualifying private entities to finance certain types of capital improvement projects. Conduit bonds are generally exempt from federal or state taxation. Under current law, the commission shall send notification to the department whenever a bond is issued.

Under the bill, the commission must pay a fee of 1 percent of the amount of any bonds it issues and to pay these fees to the Department of Revenue. The department is to use these fees to fund a property tax credit calculated in the same manner as the school levy credit. Under current law, the school levy credit is distributed to municipalities in proportion to their share of the sum of average school tax levies for all municipalities. The "average school tax levies" means the average of the school tax levies for the 3 years preceding the assessment year to which the tax credit is applied.

Data submitted to the department indicates bond issues by the commission totaled \$2.49 billion in 2016 (76 notifications), \$2.88 billion in 2017 (107 notifications), and \$2.01 billion in 2018 (123 notifications). 2019 bond issues are currently \$1.82 billion (79 notifications) with the final amount expected to be higher. The bond issue amounts can vary from \$45,000 to \$500 million. Based on a January 1, 2021 effective date, the department estimates 9-month fee revenues of \$18.17 million for the property tax credit on December 2021 property tax bills. The department estimates a \$5 property tax credit for a home with a median value of \$184,000. The actual credit will vary by municipality as a result of home values and school levies.

Annual fee revenue (12 months) is estimated at \$23.05 million, but the actual amount available for the property tax credit is contingent on commission bond issues. The department expects the credit amount to vary from year to year.

The bill would not impact revenues for tax incremental districts. Ongoing costs for changes to DOR systems (\$55,790) can be absorbed with existing resources, while ongoing (\$3,300) and one-time (\$11,560) costs for the State and Local Finance Division cannot be absorbed.

The local fiscal effect is indeterminate as the department does not have programming, printing, and mailing costs related to property tax bills. Under the bill, local governments will have to update their programming to accommodate the additional property tax credit and its display on the property tax bill.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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Description conduit bonding authorities, distributions for property tax relief, and making an appropriation		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$67,400		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs	3,300	
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$3,300	\$
B. State Costs by Source of Funds		
GPR	3,300	
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS	18,166,700	
SEG/SEG-S		
TOTAL State Revenues	\$18,166,700	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$3,300	\$
NET CHANGE IN REVENUE	\$18,166,700	\$
Agency/Prepared By		
Authorized Signature		Date
DOR/ Craig Steinfeldt (608) 266-5705		12/6/2019
Jamie Adams (608) 266-6785		