

Fiscal Estimate Narratives

DOR 10/23/2003

LRB Number	03-0216/3	Introduction Number	AB-510	Estimate Type	Original
Subject					
Create metropolitan service districts					

Assumptions Used in Arriving at Fiscal Estimate

Under the bill, two or more municipalities (city, village, town, or urbanized portion of a town) in an urbanized area (as defined by the regional planning commission or, if no commission exists, by the county) could by resolution jointly create a "metropolitan service district" (MSD). A MSD would be a separate unit of government. A MSD would be required to provide at least two governmental services, including one of the following: economic development, land use planning, fire protection and emergency medical, parks and recreation, zoning, mass transit, highway maintenance, police, recycling, yard waste and garbage collection, or libraries. Under the provisions of the bill relating to timelines for the process of forming a MSD, no such district could be created prior to January 1, 2006 if the bill is enacted in 2003, or January 1, 2007 if the bill is enacted in 2004.

Local Taxes and Fees

The bill permits a MSD to raise revenues as follows: (1) Service fees could be imposed. (2) A room tax could be imposed if none of the municipalities in the district use the tax and if all municipalities in the district enact ordinances authorizing the MSD to levy the tax. (3) A property tax levy could be imposed for services that are provided to all municipalities in the district. This tax levy would not be included when determining compliance with municipal or county property tax limits. (4) Impact fees could be imposed on developers for certain capital costs related to MSD-provided services. To the extent that the fees and taxes imposed by an MSD merely replace similar fees and taxes imposed by constituent municipalities, total taxes and fees should not be affected by this part of the bill. However, if a MSD increases or decreases the levels of a service, or if a MSD might be able to provide services more efficiently, total taxes and fees could change. Since it is not possible to estimate reasonably where or how many MSDs would be created, it is not possible to estimate the potential change in total taxes and fees that the bill could engender.

The bill exempts MSD-owned property from property taxation. Since local government property is already generally exempt from property taxes, this provision of the bill would have no effect on property tax levels.

State Taxes

The bill affects state taxes as follows: (1) The income of a MSD would be exempt from state income taxes. (2) Purchases made by a MSD would be exempt from state sales and use taxes. (3) Transfers of property to a MSD would be exempt from the real estate transfer fee. Since these tax provisions already apply to local governments, the bill would have no effect on state taxes.

Other Provisions

The bill expands the area in which tax incremental financing (TIF) districts can be created to include the portion of towns that are in a MSD. Since it is not possible to estimate reasonably where or how many MSDs would be created, it is not possible to estimate how many TIF districts in towns could be created under the bill.

A MSD would qualify for expenditure restraint payments (ERP) under state shared revenues. Under current law, only towns, villages, and cities qualify for ERP payments. Since the appropriation for ERP is fixed, ERP payments accruing to MSDs would be funded by equal decreases in payments to current recipients. It is not possible to estimate reasonably the level of ERP payments that could accrue to MSDs.

Administrative Costs

The Department would incur one-time costs of \$11,400 for programming and procedural updates. The Department would also incur total annual costs \$62,500 for salaries and fringe benefits for 1.0 FTE and for travel, supplies, and equipment to determine the equalized value of each MSD, to calculate the amount of net new construction in each MSD, to review MSD budgets (to determine eligibility for ERP payments), to review the increased number of applications for TIF districts that would occur as a result of allowing TIFs in certain towns, and for training of and assistance to local assessors to incorporate MSD data into their information systems. Because the MSD formation process provided in the bill precludes creation of a district prior to 2006

or 2007, these costs would be first incurred in the 2005-2007 biennium.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
\$11,400 for programming and procedural updates			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$62,500	
(FTE Position Changes)		(1.0 FTE)	
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$62,500	\$
B. State Costs by Source of Funds			
GPR		62,500	
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			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$62,500	\$
NET CHANGE IN REVENUE		\$	\$
Agency/Prepared By		Authorized Signature	Date
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