

Fiscal Estimate Narratives

DOR 2/20/2014

LRB Number	13-3324/1	Introduction Number	AB-0756	Estimate Type	Original
Description State payments for municipal services and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

CURRENT LAW

Under the payments for municipal services (PMS) program, which is administered by the Department of Administration (DOA), the state pays municipalities for a portion of the tax-supported cost of the following services provided to state facilities: fire protection, police protection, and solid waste collection and disposal. If a state facility self-provides a service, then no PMS is made for that service. Similarly, no PMS is made for utility services (such as water, sewer, and electric power) or services funded through user fees (such as a refuse collection fee). Such utility services and user fees are paid to the municipality by the state agency in charge of the facility.

The legislature's Joint Committee on Finance must review and approve PMS payments in order for the payments to be disbursed. For a given calendar year, PMS entitlements are calculated in November using data for the prior calendar year, and payments are made on the following February 15th (there is no statutorily specified date). If the appropriation is insufficient to pay entitlements in full, actual payments are prorated.

PROPOSED LAW

Under the bill, the appropriation for the PMS payment would be changed from an annual appropriation to a sum sufficient appropriation beginning with payments in 2014.

Based on data provided by the DOA, 334 municipalities qualified for a PMS payment in 2014. The total PMS payment entitlement was \$41,647,069. The amount appropriated was \$18,584,200. Therefore, municipalities received a payment equal to about 44.62% of their entitlement.

If the bill had been enacted in time for payments for 2014, the total payment would have increased total PMS payments by \$23,062,869 (\$41,467,069 minus \$18,584,200).

Increased PMS payments under the bill could lead to lower property taxes in the municipalities that see the increased payments. However, changes in the PMS payment do not affect a municipality's levy limit under the levy limit law. Therefore, it is possible that some portion of the PMS payment increases engendered by the bill could be used to increase municipal spending. The Department of Revenue (DOR) does not have data to permit a reasonable estimate of the split between levy decreases and spending increases that this bill could engender.

ADMINISTRATIVE COSTS

The DOR will incur no costs related to this bill.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description State payments for municipal services and making an appropriation			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
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		
	Local Assistance	23,062,869	
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$23,062,869	\$
B. State Costs by Source of Funds			
	GPR	23,062,869	
	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	\$23,062,869	\$
	NET CHANGE IN REVENUE	\$	\$23,062,869
Agency/Prepared By			
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			Date
			2/20/2014