

Fiscal Estimate Narratives

DOR 10/3/2019

LRB Number	19-1470/1	Introduction Number	AB-0490	Estimate Type	Original
Description : changes to the local levy limit calculation for a political subdivision that transfers responsibility to provide a governmental service to another governmental unit					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a political subdivision may not increase its levy by a percentage that exceeds its valuation factor—defined as the greater of either zero percent or the percentage change in the political subdivision's equalized value due to net new construction. Under current law, if a political subdivision transfers a service responsibility provided in the preceding year to another governmental unit, the levy increase limit otherwise applicable is decreased to reflect the cost that the political subdivision would have incurred to provide that service. The bill repeals the levy limit reduction for service transfers.

Since 2011, the service transfer reduction has reduced property tax levies by \$3,427,700. Based on 2018-19 tax levies and equalized values, the service transfer decrease has not significantly changed the statewide average property tax rate. The impact on local tax rates would vary to the extent a political subdivision choose to apply consolidation savings to other local services in lieu of reducing property tax levies. Assuming the 26 political subdivisions who had service transfer decreases since 2011 only reduced property tax levies by half without the current law provision, the average tax increase on a home with a median value of \$167,000 would have been approximately \$15 higher in 2018-19.

Long-Range Fiscal Implications