

Fiscal Estimate Narratives
DOR 12/6/2019

LRB Number 19-4823/1	Introduction Number SB-570	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 it's display on the property tax bill.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-4823/1		Introduction Number SB-570	
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, etc.)			
		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			
DOR/ Craig Steinfeldt (608) 266-5705		Authorized Signature	Date
		Jamie Adams (608) 266-6785	12/6/2019