

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-1819/2	Introduction Number SB-141
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Description
 revenue limit adjustment for a school district for costs incurred to remediate lead contamination in drinking water and exceptions from local levy limits for lead pipe water service line replacement purposes

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input checked="" type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input checked="" type="checkbox"/> Indeterminate	4. <input type="checkbox"/> Decrease Revenue	
1. <input type="checkbox"/> Increase Costs	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

Agency/Prepared By DPI/ Carl Bryan (608) 267-9127	Authorized Signature Erin Fath (608) 266-2804	Date 4/5/2017
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Fiscal Estimate Narratives

DPI 4/5/2017

LRB Number	17-1819/2	Introduction Number	SB-141	Estimate Type	Original
Description revenue limit adjustment for a school district for costs incurred to remediate lead contamination in drinking water and exceptions from local levy limits for lead pipe water service line replacement purposes					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a revenue limit adjustment for a school district that incurs costs to remediate lead contamination in water used for drinking and food preparation in the school district, including costs to test for the presence of lead in the water, provide potable water, and replace pipes, drinking fountains, and plumbing fixtures. Current law generally limits the total amount of revenue per pupil a school district may receive from general school aids and property taxes in a school year to the amount of revenue received per pupil in the previous school year. Under the bill, a school district that adopts a resolution to undertake a project to remediate lead contamination may increase its revenue limit by the amount the school district spends on the improvements in a school year, including amounts spent for debt service on a bond, note, or state trust fund loan used to finance the project. The term of the bond, note, or trust fund loan may not exceed 20 years.

This bill also creates an exception to the levy limits for cities, villages, towns, and counties for amounts levied for purposes related to the replacement of lead pipe water service lines owned by the political subdivision.

Generally under current law, local levy limits are applied to the property tax levies that are imposed in December of each year. Current law prohibits any political subdivision from increasing its levy by a percentage that exceeds its "valuation factor," which is defined as the greater of either zero percent or the percentage change in the political subdivision's equalized value due to new construction, less improvements removed. In addition, the calculation of a political subdivision's levy does not include any tax increment that is generated by a tax incremental district.

Current law contains a number of exceptions to the levy limit, such as amounts a county levies for a countywide emergency medical system, for a county children with disabilities education board, and for certain bridge and culvert construction and repair. In addition, a political subdivision may exceed the levy limit that is otherwise applicable if its governing body adopts a resolution to do so and if that resolution is approved by the electors in a referendum.

This bill creates another exception to local levy limits. Under the bill, amounts levied by a political subdivision for purposes related to certain lead pipe water service lines do not apply to the levy limit that is otherwise applicable. The bill first applies to a levy that is imposed in December 2017.

For the purpose of this analysis, the Department will focus on the provisions in the bill impacting school districts.

Local:

This bill creates a revenue limit adjustment for a school district that incurs costs to remediate lead contamination in water used for drinking and food preparation in the school district, including costs to test for the presence of lead in the water, install a lead filtration device on a water fountain or tap used to provide potable water for drinking or food preparation, provide potable water to affected school buildings during remediation, and, if necessary, to replace pipes, drinking fountains, and plumbing fixtures in affected buildings within the school district. This bill appears similar to the statutes which govern the revenue limit adjustment available to school districts for undertaking energy efficiency measures and allows school boards that adopt a resolution to undertake a project to remediate lead contamination to increase its revenue limit by the amount the school district spends on the improvements in a school year. The term of a bond or note issued or statute trust fund loan obtained to finance a project may not exceed 20 years and a resolution adopted by a school board under this subdivision is valid for each school year in which the school board pays the debt service on the bond, note, or state trust fund loan.

If the bill is enacted, the total levy authority as a result of this exemption may increase, depending on how many school districts make use of the exemption. The experience with the energy efficiency exemption has been that the exemption amount statewide has grown in each year. Because the Department cannot predict usage of the proposed revenue limit exemption by school districts, and because many other factors affect districts' final tax levies (membership, future per pupil adjustment amounts, other exemptions used by districts – e.g., referenda), it is not possible to project the net tax levy impact that would result from creating this revenue limit exemption. Therefore, the local fiscal impact of this bill is indeterminate.

State:

Because this revenue limit exemption is borne by the property tax levy, there is no fiscal effect on the state's general fund as a result of this bill.

Long-Range Fiscal Implications