

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7048
BILL NUMBER: SB 480

DATE PREPARED: Jan 5, 2002
BILL AMENDED:

SUBJECT: Consolidated service districts.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows two or more political subdivisions to create a consolidated service district to provide certain consolidated services for the area within the district. It allows the district to impose a uniform tax rate levy on all property within the district. The bill provides that in the first year the district is created, the political subdivision retains 20% of the property taxes that would have been used for the service. The bill also reduces the service district's tax levy to 80% of the amount collected in the political subdivision.

Effective Date: July 1, 2002.

Explanation of State Expenditures: Since the overall property tax levy for specified services in a service district would be reduced by 20% a result of this bill as explained below, then the state's expense for Property Tax Replacement Credits (PTRC) and Homestead Credits would also be reduced. The amount of the reduction would equal 20% of the current Homestead Credit and PTRC expenditures for the specified service levies. The actual savings amount depends on the number of service districts created and the amount of property tax levy reduction produced by each one. PTRC and Homestead Credits are paid from the Property Tax Replacement Fund (PTRF) which is annually supplemented by the state General Fund. Any PTRF savings would ultimately benefit the General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under this proposal, multiple civil taxing units would be permitted to form a consolidated service district that would be responsible for providing any municipal service within the district boundaries.

Under the proposal, a district's proposed budget would have to be submitted to the fiscal body each participating unit. Service districts would be permitted to levy property taxes at a uniform rate on all property in the district. A service district's first year levy would be limited to 80% of the participating units' previous year levies for the specified service. After the first year, the district would be subject to normal maximum levy growth which based on assessed value growth and has a 5% minimum. If the district's levy in any year exceeds its costs, then the surplus would be used to offset the following year's levy.

This bill requires the participating units' levies to be reduced by the amount of the unit's levy for the specified service in the year prior to joining the district. However, in the first year after the district is created, the units would be permitted to keep 20% of the service levy and distribute it to their general funds. The bill requires the Department of Local Government Finance to verify that there is no duplication of tax levies for the specified service.

The initial imposition of the district's levy coupled with the reduction of the participating units' service levies would result in a transfer of levy authority from the participating units to the district. After the first year, taxpayers would realize an overall 20% reduction in the property tax levy for the service. The actual savings amount depends on the number of service districts created and the amount of property tax levy reduction produced by each one.

State Agencies Affected: Department of Local Government Finance (State Tax Board).

Local Agencies Affected: Local civil taxing units.

Information Sources: