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FISCAL IMPACT STATEMENT

LS 6805 | **NOTE PREPARED:** Mar 20, 2007
BILL NUMBER: SB 435 | **BILL AMENDED:** Feb 20, 2007

SUBJECT: Public Safety Communications Systems Districts.

FIRST AUTHOR: Sen. Wyss | **BILL STATUS:** CR Adopted - 2nd House
FIRST SPONSOR: Rep. L. Lawson

FUNDS AFFECTED: GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows a county to adopt an ordinance creating a public safety communications systems and computer facilities district. (Current law provides for districts in only Marion County and Elkhart County.)

Effective Date: July 1, 2007.

Explanation of State Expenditures: (Revised) NOTE: The treatment of county public safety communications district levies under this bill is uncertain. Specifically, it is unclear as to whether the public safety communications district would have it's own maximum levy or whether the public safety communications levy allowed under this bill would be subject to the county taxing unit's existing maximum levy limit.

If the public safety communications levy is subject to the county taxing unit's existing maximum levy limit, then there would be no effect on state expenditures for property tax credits.

However, if the public safety communications district has it's own maximum levy, then the state would pay PTRC and the Homestead Credit on that levy. Based on the estimated 2007 statewide assessed value (AV), and subject to appropriation, the maximum impact on PTRC would be an estimated $25.6 M, if all counties (excluding Marion and Elkhart) imposed a $0.05 property tax rate. The maximum state Homestead Credit would equal $9.5M. The maximum total state expense would equal $35M.

The counties that will impose a $0.05 is unknown. It is likely that not all will impose a $0.05 rate. Based on the populations of Marion and Elkhart Counties compared to the state (16.8%), and the total expenditures for these two counties' current systems ($1.6 M + $2.75 M), the total expenditures for the rest of the state might be on the order of $21.5 M. Assuming a statewide levy of $21.5 M, PTRC would equal $3.8 M, and Homestead credits would equal $1.4 M, with a total state impact of $5.2 M.

Background: Subject to appropriation, the state currently pays PTRC in the amount of 60% of school general fund levies attributable to all property and 20% of the portion of all operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and non-business personal property. Homestead Credits are paid by the state in the amount of 20% of the net property tax due for qualifying funds on owner-occupied residences.

PTRC and Homestead Credits are paid from the Property Tax Replacement Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) The county fiscal body may adopt an ordinance establishing a public safety communications district and impose a property tax levy within the district beginning in the year after the ordinance is adopted.

Explanation of Local Revenues: (Revised) The bill allows all counties to impose a property tax rate that may not exceed $0.05 on each $100 of AV to generate revenue for the district. Excluding Marion and Elkhart Counties, total statewide AV for 2006 equaled about $284 B. Applying a maximum rate of $0.05 per $100 of AV would generate an estimated $142 M for public safety communications districts. Based on the populations of Marion and Elkhart Counties compared to the state, and the total expenditures for these two counties' current systems, the total expenditures for the rest of the state might be on the order of $21.5 M.

If the public safety communications levy is subject to the county taxing unit's existing maximum levy limit, then the overall levy would not increase above currently allowed levels. Instead, a county that imposes the public safety communications levy would have to reduce it's other levies by a like amount.

However, if the public safety communications district has it's own maximum levy, then the public safety communications levy would be an additional levy and no other levies would have to be reduced. A portion of the levy would be eligible for the optional county homestead credits.

Background: Marion and Elkhart Counties currently fund public safety communications districts. In 2005, Marion County received $2.75 M in County Option Income Tax to fund the system. Elkhart County raised about $1.6 M in property taxes to fund the system.

State Agencies Affected: Property Tax Replacement Fund.

Local Agencies Affected: Counties.

Information Sources: Nancy Adams, Accounting Specialist, Elkhart County Auditor's Office; LOGODABA; Bob Harris, Department of Local Government Finance.

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