

**JBC STAFF FISCAL ANALYSIS
HOUSE APPROPRIATIONS COMMITTEE**

CONCERNING PROPERTY TAX EXEMPTIONS FOR BUSINESS PERSONAL PROPERTY.

Prime Sponsors: Representative Priola
Senator Scheffel

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Summary of Amendments Made to the Bill After the 04/05/11 Legislative Council Staff Revised Fiscal Note Was Prepared

None.

JBC Staff Concurrence with Legislative Council Staff Fiscal Note

Concurs* **Does Not Concur** **Updated Analysis**

*Page one of the Legislative Council Staff Fiscal Note indicates that the expenditure required by this bill could be either from the General Fund or the State Education Fund (SEF). However, it is not clear that including an appropriation of moneys from the SEF to offset the loss of local property tax revenues that would result from a statutory change is consistent with the authorized uses of SEF moneys listed in Section 17 (4) of Article IX of the State Constitution.

Amendments/Appropriation Status

The bill requires but does not contain an appropriation clause. Staff has prepared amendment **J.001** (attached) to add a provision appropriating \$1,500,000 General Fund to the Department of Education (DOE) to increase the state's share of public school total program funding as a result of local school district property taxes forgone by increasing the minimum exemption for business personal property and capping the property tax liability for public utilities. Additionally, **J.001** appropriates \$23,976 General Fund and 0.4 FTE to the Department of Local Affairs' (DOLA) Division of Property Taxation for the administrative costs of implementing this legislation.

Bill Sponsor Amendments

Amendment **L.006** (attached) accomplishes the following:

- changes the definition of a base property tax year for an existing public utility from commencing on January 1, 2010 to January 1, 2011;

- ❑ changes the definition of a new public utility from one that is first assessed in the tax year commencing on January 1, 2010, but prior to January 1, 2021 to one that is first assessed in the tax year commencing on January 1, 2011, but prior to January 1, 2022; and
- ❑ changes the timeframe in which the actual value of a public utility's operating property and plant shall not exceed its valuation cap from January 1, 2011 through January 1, 2021 to January 1, 2012 through January 1, 2022.

If amendment **L.006** is adopted, **J.001** should not be adopted. Joint Budget Committee and Legislative Council staff concur that amendment **L.006** eliminates the need for an appropriation to DOE and DOLA in FY 2011-12. The need for an appropriation to DOE to increase the state's share of public school total program funding and to DOLA for the administrative costs of implementing this legislation is delayed until FY 2012-13 if **L.006** is adopted.

Points to Consider

1. The Joint Budget Committee has introduced a balanced budget package for FY 2011-12 based on the March 2011 Office of State Planning and Budgeting forecast. The budget package appropriates all General Fund revenues projected to be available, less a statutorily required four percent General Fund reserve. This bill requires a General Fund appropriation of \$1,523,976 for FY 2011-12. If this bill is enacted, other General Fund appropriations for existing programs will need to be reduced by \$1,523,976 in order to maintain the statutorily required General Fund reserve. If amendment **L.006** is adopted, the General Fund impact does not occur until FY 2012-13.
2. State expenditures for school funding under the Public School Finance Act are expected to increase by an estimated \$1.5 million in FY 2011-12 to \$43.8 million by FY 2020-21. The increased expenditures shall be from General Fund moneys. If amendment **L.006** is adopted, the General Fund impacts each year are delayed one year.