

SHARED REVENUE AND TAX RELIEF -- PROPERTY TAXATION

Levy Limit Adjustment for Covered Services

Motion:

Move to modify the negative levy limit adjustment for covered services so that it would not apply to the production, storage, transmission, sale and delivery, or furnishing of water for public fire protection purposes, beginning with taxes levied for the 2017(18) property tax year.

---

Note:

The 2013-15 biennial budget act created the covered service adjustment under the levy limit program. Under the adjustment, levy authority is reduced when a local government imposes fees or payments in lieu of taxes for certain services that were funded with property tax revenues in 2013. The negative adjustment equals the amount of fees or payments in lieu of taxes that are received in the first year of service and the increase in fees or payments in lieu of taxes in subsequent years. Services subject to the adjustment include garbage collection, fire protection, snow plowing, street sweeping, and storm water management. Any negative adjustment is waived if the local government's governing body adopts a resolution to that effect, and the resolution is approved at referendum.

The Department of Revenue administers the levy limit program and has determined that the covered service adjustment extends to public fire protection charges, authorized under current law provisions and set by the Public Service Commission (PSC). Those charges pertain to a water utility's costs to maintain infrastructure and operating capacity that is necessary for the municipality's fire department to fight fires, but in excess of the capacity needed to provide water service to ordinary consumers. State law allows the water utility to recover those costs by either charging the municipality directly, including a charge in the bills of its customers, or using a combination of the two procedures. The costs are recovered through a public fire protection fee.

When the PSC conducts a rate case for a water utility, it calculates a new public fire protection fee. When the PSC imposes a higher fee, a negative adjustment under the covered service provision of the levy limit law may be triggered depending on how the water utility collects the fee. This motion would override the adjustment in such cases.

