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# F I S C A L   I M P A C T   R E P O R T

**SPONSOR** Silva **DATE TYPED** 02/03/05 **HB** 717

**SHORT TITLE** Higher Education Building Replacement Act **SB**

**ANALYST** Padilla-Jackson

## REVENUE

| Estimated Revenue | | Subsequent Years Impact | Recurring or Non-Rec | Fund Affected |
|---|---|---|---|---|
| FY05 | FY06 | | | |
| | Indeterminate* | | | Higher Education Building Replacement and Renovation Fund |

(Parenthesis ( ) Indicate Revenue Decreases)

*See Fiscal Impact Section

**SOURCES OF INFORMATION**
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

**SUMMARY**

Synopsis of Bill

House Bill 717 proposes to authorize the imposition of a statewide property tax levy equal to a rate of 2.50 mill ($2.50 per $1,000 of taxable state property value) for the purpose of replacing and renovating buildings for public post-secondary educational institutions. The bill would have the Secretary of State call a special statewide election no later than December 31, 2005 to submit the proposed property tax increase to the voters. If passed, the property tax would be referred to as the "higher education building replacement and renovation tax" and would be imposed for a period of twelve tax years.

The new tax proceeds would be distributed to a newly created "higher education building replacement and renovation tax fund" within the state treasury. Earnings from investment of the fund would be credited to the fund. Money in the fund would be appropriated to the commission on higher education for annual distribution for the purpose stated above, based on the commission's determination of each institution's need for building replacement and renovation. Any unexpected or unencumbered balances would not revert at the end of the fiscal year.

## FISCAL IMPLICATIONS

The fiscal impact of this bill is indeterminate as the tax imposition would require approval by the majority of voters in a statewide election. If the bill passed, the annual fiscal impact would be approximately $87 million to the newly created "higher education building replacement and renovation tax fund". This amount is calculated by assuming a $34.9 billion net taxable property value in the state ($34.9 billion x .0025). Note, taxable property value is roughly equal to one third of the assessed market value. According to TRD net taxable value is expected to increase at an average annual rate of five percent. As such, they note that at the end of the twelve year period, net taxable property will equal approximately $60 billion, at which point the new property tax would then generate $150 million in annual revenue ($60 billion x .0025).

To provide an example, a house with a market value of $100 thousand, would have a taxable assessed value of approximately $33.3 thousand. The new property tax would cost the owners of this house approximately $83 per year ($33.3 thousand x .0025).

## ADMINISTRATIVE IMPLICATIONS

According to TRD, other than costs associated with conducting a special election, no significant administrative costs would be imposed on the department or other governments by the proposed measure. If voters approved the new rates, county governments would bear most of the costs associated with collecting and distributing proceeds from the new tax, as they do with current property taxes. The Department of Finance and Administration and the Commission on Higher Education would also expend some resources in administering the new tax.

## TECHNICAL ISSUES

TRD also notes that the proposed property tax would be subject to the 10-mill limitation on levies for state purposes under Article VIII, Section 2 of the state constitution. It may be subject to the 4-mill limitation, if the exception from that limitation for "the support of the educational … institutions of the state" is interpreted to cover only those state educational institutions confirmed under Article XII, Section 11 of the constitution.

**OPJ/lg**