

MINNESOTA · REVENUE

PROPERTY TAX St. Paul Library Levy

March 12, 2002

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 3467 (Entenza) / S.F. 3245 (Cohen)

	Revenue Gain or (Loss)			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>
		(000's)		
General Fund			\$(174)	\$(174)

Effective upon local approval.

EXPLANATION OF THE BILL

Current Law: Cities of 2,500 population or more are subject to levy limits for taxes payable 2002 and 2003. Certain specified special levies are exempt from the general levy limit.

Library operating expenses in the City of St. Paul are financed from the city's general operating levy. Capital bonding for library improvements is conducted through the city's capital improvement bonding program. For taxes payable in 2003, the city's levies for library purposes are subject to the general levy limit.

Proposed Law: A library agency is proposed for the City of St. Paul, with authority to levy a city tax of up to 0.179 percent of taxable market value for library operating purposes outside of the city's overall levy limitation. The city council would constitute the library agency's board, and all employees of the library agency would be city employees. City levies for the library agency would be exempt from levy limits under city charter or levy limits imposed by the state. The library agency is authorized to issue bonds without submission to voters, and the debt incurred would not be subject to debt limits in the city charter. A levy for the library agency would be listed separately on preliminary levy notices to taxpayers.

REVENUE ANALYSIS DETAIL

- According to the State Auditor, the City of St. Paul spent \$10,899,515 in 1999 for city library purposes.
- The city's taxable market value for taxes payable in 2002 is \$10,956,258,200. The proposal would allow a maximum library levy of \$19,611,702 if the law were effective for payable 2002.

REVENUE ANALYSIS DETAIL, continued:

- Assuming that the current library operating expenses were transferred to the proposed library agency, an additional library tax could be levied by the city library agency outside of the general levy limit for St. Paul for payable 2003. The excess levy over the city's levy limit could be \$8.7 million if the agency levied to the limit for operating expenses, using 1999 library expenditure information to indicate the current level of library spending under the levy limit.
- Assuming that the new library agency authority would increase library levies for taxes payable 2004 over the level otherwise expected, the proposal would increase the city's levy for that year as well, even though general levy limits are removed.
- A city source indicates that no library bonding project is being considered currently.
- The proposal allows an additional library levy for taxes payable 2003 in excess of the general levy limit on the city. The increased homeowner tax burden could increase homeowner property tax refunds by \$174,000 for taxes payable 2003 (F.Y. 2004) and payable 2004 (F.Y. 2005) if the city agency levied to the limit.

Number of taxpayers affected: All taxpayers in the City of St. Paul would be affected.

ADMINISTRATIVE/OPERATIONAL IMPACT

There will be no significant administrative or operational costs or savings to DOR in administration of this bill.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>