

# Statement of Estimated Local Revenue Impact

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**Date:** March 28, 2014 (as amended March 26, 2014 by the Senate Finance Committee)  
**Bill Number:** S.B. 964  
**Author:** L. Martin

## **Committee Requesting Impact: Senate**

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### **Bill Summary**

A bill to amend Section 6-1-320 of the 1976 Code relating to the limit on annual property tax millage increases imposed by political subdivisions, to add an exemption for millage imposed by the governing body for operating revenue necessary to retain a fire department's ISO rating.

### **REVENUE IMPACT <sup>1/</sup>**

This bill is expected to increase local property tax revenue as a result of a fire district's governing body increasing its millage above the annual millage increase limitation subject to a referendum approved by the voters of the district. Given the size limitation on the fire districts that qualify, we expect the statewide impact to be minimal. The impact on local districts will vary depending on voter approvals.

### **Explanation of Amendment (March 26, 2014) – Senate Finance Committee**

This amendment replaces Section 1 of the bill and provides that a fire district's governing body may increase the millage rate of the district for general operating purposes above the annual millage rate increase limitation through the adoption of an ordinance or resolution, subject to a referendum. The referendum must be held at the time of the general election and be approved by a majority of the qualified voters within the fire district. Additionally, the provision only applies to fire districts that existed on January 1, 2014 and serve less than seven hundred homes. This bill is expected to increase local property tax revenue as a result of a fire district's governing body increasing its millage above the annual millage increase limitation. The increase will be dependent upon the determination of the operating needs of the local fire district and a majority vote of the electorate, and given the size limitation on the fire districts that qualify, we expect the impact statewide to be minimal. The impact on local districts will vary depending upon voter approvals.

### **Explanation of Bill as Filed**

This bill would amend the Section 6-1-320 relating to the exemptions for the annual millage increase limitations to allow local political subdivisions to exceed their annual millage cap in order to provide sufficient operating revenue for a fire department to retain its ISO rating. The Public Protection Classification rating by the ISO evaluates a fire department's fire protection capability. The ratings range from a high score of one to a low score of ten. Based upon information provided by ISO, the rating may be reevaluated as often as every 2 years or as infrequently as 10 years depending upon the level of the rating and the changes in the community served by the fire department. Currently, a political subdivision may only increase its millage by the annual increase in the consumer price index and the entity's population. This new exemption to the millage increase limit would allow a local governing body to increase the millage for a fire department's operating revenue in order to retain the fire department's ISO rating. If a local governing body elects to use this exemption to increase millage for fire department operations, local property tax revenue would increase above the

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currently allowable annual limit. The amount of the increase would depend upon the determination of the local governing body as to the operating revenue necessary to retain the ISO rating.



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Frank A. Rainwater  
Chief Economist

**Analyst: Jolliff**

<sup>11</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact of Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.