

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 10-0078

Date: January 21, 2010

Prime Sponsor(s): Rep. Fischer
Sen. Carroll M.

Bill Status: House Agriculture

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TITLE: CONCERNING LIMITATIONS ON THE INCLUSION OF AGRICULTURAL LANDS WITHIN URBAN RENEWAL AREAS.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
State Expenditures General Fund		See the State Expenditures Section
FTE Position Change		
Effective Date: Upon signature of the Governor, or upon becoming law without his signature. The bill applies to urban renewal plans approved or substantially modified on or after that date.		
Appropriation Summary for FY 2010-2011: None required.		
Local Government Impact: See the Local Government Impact section.		

Summary of Legislation

HB10-1107 makes several modifications to the procedures surrounding the actions of urban renewal authorities. No area that has been designated as an urban renewal area (URA) shall contain any agricultural land with exceptions as stipulated in the bill.

In addition, if agricultural land is included in a URA in accordance with the exceptions set forth in the bill, county assessors are required to value the agricultural land at its fair market value solely for determining the base amount of taxes to be paid to local governments. Urban renewal plans must include a legal description of the urban renewal area, including the legal description of any agricultural land proposed for inclusion within the URA. County assessors are also authorized to provide written notice to a municipality if the assessor determines that agricultural land has been improperly included in the URA. If the notice is not delivered within 30 days, inclusion of the land in the URA shall be incontestable in any suit or proceeding.

State Expenditures

To the extent that future development on agricultural land is not included within the boundaries of a URA, future school finance state aid will be lower to the school district than it would otherwise be because the school district will receive property tax directly from the property owners

based on the value of the improvements on that land. Under the School Finance Act, state aid to school districts is based on the assessed value of a school district excluding the increase in the value of property in an urban renewal authority or downtown development authority. State aid is estimated by calculating what the increase in the value of property in a URA would generate in school operating property taxes. State aid offsets this increase on a dollar-for-dollar basis.

The bill requires that the methods used by county assessors when classifying agricultural land for property tax purposes be contained in the manuals, appraisal procedures, and instructions prepared by the Property Tax Administrator in the Department of Local Affairs. The Property Tax Administrator updates all legislative changes and procedures in its manuals and other documents on a quarterly basis. Making the required changes will not create a fiscal impact on the department.

Local Government Impact

The bill may affect the number, scope, and timing of future urban renewal projects planned within the municipal boundaries where agricultural land may be present within the boundaries of a URA. The fiscal impact of restricting the inclusion of agricultural land within the boundaries an urban renewal area cannot be identified at this time. Similarly, the impact on the need for additional staff resources at the municipal or county level surrounding the preparation of a URA application is noted but not quantifiable.

Departments Contacted

Local Affairs