

**MEMO**

**DATE:** August 7, 2020; amended August 13, 2020

**TO:** All County Clerks

**FROM:** Alan Dornfest, Property Tax Policy Bureau Chief

**SUBJECT:** L-2 Changes and instructions related to Governor’s Public Safety Grant Initiative (GPSGI)

Note re amendment: In the example on the last page, the amount in the row labeled “balance to be levied” actually reflected the subtraction required in determining the balance to be levied. That has been corrected in the amended example.

The following changes in the budget certification process using the L-2 form are being implemented for this year. The Tax Commission has been directed through Executive Order 2020-15 to make these changes using special city and county L-2 forms for those cities and counties participating in the Governor’s Public Safety Grant Initiative (GPSGI) funds only. A working draft of the new forms is attached so you can see the changes in several of the columns. We are still finalizing these forms but expect to have final versions available shortly and on our website. We will let you know when the final versions are available and how to access them. We plan to discuss this process in detail during the upcoming Clerks’ Conference. Please share this memo with any cities in your county that are participating in this program.

- If a city or county is not participating in Governor’s Public Safety Initiative funds, they should use the original county or general L-2 forms previously posted on the STC website <https://tax.idaho.gov/search-formspublications.cfm?ch=bl&t=pt>
- The remaining items in this memo related to cities or counties that are participating in GPSGI. All such cities and counties must use the new L-2 forms, entitled:
  - City – For Cities Using Governor’s Public Safety Initiative Funds
  - County Only – For Counties Using Governor’s Public Safety Initiative Funds
- New columns are being added to the city and county L-2 forms. These columns are to be used to report GPSGI monies being provided to a city or county by the state or to calculate and show the amount of tax relief being provided.
  - Principles:
    - Final amounts have been provided by the Governor’s Office to the STC and are attached to this memo. Amounts were prorated and are less than what was submitted because the total exceeded

- the amount that could be distributed.
  - Each participant can subtract 3% of the amount that will be received as an administrative fee. This portion will not be subtracted from the “balance to be levied” and will be calculated automatically if you use the Excel template we will be providing and demonstrating during the Clerks’ Conference.
  - For any county or city with an urban renewal revenue allocation area, the STC will provide a separate list of amounts that must be shared with urban renewal agencies. This list will be available by August 14. Amounts shown will not be subtracted from the “balance to be levied” and this too will be done automatically using the Excel template for the L2 and L2 worksheet.
- Columns on L2:
  - Columns 1 – 4 are unchanged.
  - Column 5a is for replacement money as has been previously reported.
  - Column 5b is to be the full amount of GPSGI certified by the Governor’s Office.
    - For counties it will match line 21 on the L2 worksheet.
    - For cities it will match line 20 on the L2 worksheet.
  - In Column 5c, report the total amount shown in the L2 worksheet, line 22 for counties or line 21 for cities. This amount includes the retained administrative amount and any urban renewal allocation (as provided by the STC).
    - If the maximum 3% administrative amount is retained by the county or city, this amount will be calculated automatically on the L2 worksheet, line 22 for counties or line 21 for cities.
    - If a city or county opts to retain less than the 3% administrative amount, they will need to enter the amount to be retained on line 21a of the L2 worksheet for counties or line 20a of the L2 worksheet for cities.
  - Column 6 shows the balance to be levied after subtracting cash forward balance, other revenue, property tax replacement, and the amount shown in Column 5c. This amount is used to calculate levies.
- Calculations – if participating counties and cities use the Excel version of the L2 and L2 worksheet, the required calculations will be automatic and formula driven. For the L2 worksheet, all information above line 21 for counties or line 20 for cities is unchanged. Assuming you are using the Excel version of the worksheet, with respect to GPSGI calculations, the following additional information will need to be entered:

Description	County L2 Worksheet Line Number	City L2 Worksheet Line Number
Full amount of GPSGI	21	20
Urban Renewal Allocation	21b	20b

- On the L2 rows, GPSGI monies may be shown in the appropriate column on any appropriate non-exempt fund. Do not show on a row on which a non-levying fund, bond, or other exempt fund, such as a judgment fund, is reported.
- In addition to any other forgone amounts being accrued, after complying with the requirements of Idaho Code, 63-802(1)(f), participating counties and cities may reserve amounts shown on L2 worksheet line 23 (counties) or line 22 (cities). These additional amounts equal the 3% budget increase that would otherwise have been allowed.
- Counties that included some funding related to ambulance services provided by the county or an ambulance district run by the county must show the GPSGI funds on the county L2.
- The Web L2 procedures will include instructions on entering this information into the Web L2.
- The final levy rate to be submitted to the STC will be calculated using the Levy Rate Calculation Worksheet using the balance to be levied shown in Col. 6 on the L2. In addition, for GPSGI participants, this Levy Rate Calculation Worksheet will show:
  - The property tax portion of the budget that would have been levied had there been no subtraction of GPSGI monies. This amount is shown in the Column headed “balance before GPSGI reduction.” This will equal Col. 5c plus Col. 6 on the L2.
  - For 2021 new construction and annexation budget calculations, a recomputed (hypothetical) non-exempt levy rate will be shown (“hypothetical non-exempt levy rate”). The worksheet will compute this levy rate automatically based on the property tax budget that would have been levied had there been no subtraction for the GPSGI monies.
  - Note that the recomputed levy will be used in 2021 to calculate new construction roll and annexation related budget capacity, unless this recomputed levy rate exceeds a statutory maximum. Since cities and counties have multiple funds, it should be possible to prevent this from occurring. If it does occur, the lesser of the statutory maximum or recomputed levy rate will be reported under “hypothetical non-exempt levy rate” on this form.
- Maximum levy rates will be tested against actual levy rates computed after subtracting GPSGI moneys.

Special provisions for cities and counties containing urban renewal revenue allocation areas (RAAs)

For GPSGI participating cities and counties with urban renewal RAAs within their boundaries, the following differences from the above instructions will apply:

- The STC will provide an estimate of the amount of impact to urban renewal agencies due to lower levy rates resulting from subtraction of GPSGI moneys. This estimate will be provided or available by August 14.
- Estimates will be based on 2020 increment (except it will include 2019 sub-roll increment and 2019 operating property increment) and what the levy effect would have been had the subtraction occurred in 2019.
- The amount each city or county must subtract before determining its “balance to be levied” will be calculated based on the administrative amount retained (up to 3%) and the estimated allocation to urban renewal agencies (see example).

**Example:**

Description	Amount \$	Calculation
Full GPSGI funds	1,000,000	
3% administrative amount <i>(lesser amount may be retained as the administrative amount)</i>	30,000	0.03 X 1,000,000
Estimated impact to urban renewal agency	50,000	As shown above
GPSGI reduction amount from full GPSGI amount	80,000	3% amount plus urban renewal amount
Reduction to balance to be levied	920,000	Full GPSGI less 3% less urban renewal