

November 10, 1999

TO: Members of the Senate Committee on Economic Development, Housing and Government Operations

FROM: Senator Bob Wirch

SUBJECT: Assembly Bill 576

The basic provisions of this bill were included in the budget compromise passed by the Conference Committee, but Governor Thompson vetoed the language, stating he would like to work with area Legislators to develop a plan. To address the Governor's concerns, we have drafted Assembly Bill 576, and would sincerely appreciate your support.

This provision would allow a school district containing a tax incrementally financed district (TID) with an increment value of \$300 million or more that has retired early to place the new revenue they receive on the increased property value from within that district into a segregated capital improvement fund. By doing so, the district would avoid the need for costly debt service, and the state would not be called upon to fund 2/3 of that debt service. The bill is drafted to exclude all dollars in the fund from the state 2/3 match.

Provisions of the bill regarding the treatment of value in the district are designed to avoid any shifting of state aids as a result of the proposal.

The Wisconsin Association of School Boards is in support of this proposal, which is quite remarkable considering their general opposition to TIF districts. I feel it is an interesting idea that could really help school districts provide quality public education in areas where we are also promoting economic growth and revitalization. This bill is a creative initiative that will allow local governments to address these problems without seeking new burdens on local taxpayers or the state.

Under the provisions of the bill, the school board must approve the creation of a capital improvement fund by a two-thirds vote. ***In order to release the funds, there must be approval by a majority of the electors through a school district referendum.*** In addition, the school district must submit a report on the effects of the use of this provision to the Governor and the Joint Finance Committee.

Wisconsin's economic development has provided great benefits and unique opportunities, and this motion is an opportunity to maintain and improve the quality education that has allowed us to grow and succeed while addressing our responsibility to avoid new burdens on our taxpayers.

I would sincerely appreciate your support for this provision. Thank you for your time and consideration.

State Capitol, P.O. Box 7882, Madison, Wisconsin 53707-7882 • 608-267-8979

Toll-Free Office Hotline: 1-888-769-4724

Email: Sen.Wirch@legis.state.wi.us • Fax: (608) 267-0984

Home: 3007 Springbrook Road, Kenosha, Wisconsin 53142 • (414) 694-7379

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1999 ASSEMBLY BILL 576

November 5, 1999 - Introduced by Representatives STEINBRINK, PORTER, KREUSER and OLSEN, cosponsored by Senator WIRCH. Referred to Joint committee on Finance.

1 AN ACT *to amend* 121.07 (6) (a) (intro.) and 121.15 (3m) (a) 1.; and *to create*
2 120.135 and 121.91 (4) (h) of the statutes; **relating to:** authorizing a school
3 board to create a capital improvement fund and adjusting a school district's
4 revenue limit.

Analysis by the Legislative Reference Bureau

Under the current tax incremental financing (TIF) program, a city or village may create a tax incremental district (TID) in part of its territory to foster development if at least 50% of the area to be included in the TID is blighted, in need of rehabilitation or suitable for industrial sites. Once a TID has been created, the department of revenue (DOR) calculates the "tax increment base value" of the TID, which is the equalized value of all taxable property within the TID at the time of its creation. If the development in the TID increases the value of the property in the TID above the base value, a "value increment" is created. That portion of taxes collected on the value increment in excess of the base value is called a "tax increment". The tax increment is placed in a special fund that may only be used to pay back the project costs of the TID.

DOR authorizes the allocation of the tax increments until the TID terminates or 23 years, or 27 years in certain cases, after the TID is created, whichever is sooner. TIDs are required to terminate, under current law and with one exception, once these costs are paid back, 16 years, or 20 years in certain cases, after the last expenditure identified in the project plan is made or when the creating city or village dissolves the TID, whichever occurs first.

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With certain exceptions, current law limits the increase in the total amount of revenue that a school board may receive each school year through the combination of general school aids and the property tax levy to approximately \$209 per pupil in the 1998–99 school year and, in subsequent school years, to the amount of revenue increase allowed per pupil in the previous school year increased by the percentage change in the consumer price index. The limit is based on the difference between the average number of pupils enrolled in the three previous school years and the average of the number of pupils enrolled in the current and two preceding school years.

This bill authorizes a school board, by resolution, to create a capital improvement fund to finance capital improvements if a TID that is located in the school district is terminated before the maximum number of years that it could have existed and if the value increment exceeds \$300,000,000. In each year until the year after the year in which the TID would have been required to terminate, the school board may deposit in the fund an amount equal to that portion of the school district's positive tax increment of the TID specified in the school board's resolution, which shall be calculated by the department of revenue as if the TID has not terminated. The bill also increases the school district's revenue limit in any school year by the amount deposited in the capital improvement fund in that school year.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 120.135 of the statutes is created to read:

2 **120.135 Capital improvement fund. (1)** By the first day of the 6th month
3 commencing after the effective date of this subsection [revisor inserts date], by a
4 two-thirds vote of the members elect, a school board may adopt a resolution creating
5 a capital improvement fund for the purpose of financing the cost of acquiring and
6 improving sites, constructing school facilities and major maintenance of or
7 remodeling, renovating and improving school facilities if all of the following are true:

8 (a) A tax incremental district that is located in whole or in part in the school
9 district is terminated before the maximum number of years that the tax incremental
10 district would have existed under s. 66.46 (7) (am) or (ar).

11 (b) The value increment of the tax incremental district exceeds \$300,000,000.

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1 (2) In each year in which the school board adopts a resolution by a two-thirds
2 vote of the members elect expressing its intention to do so until the year after the year
3 in which the tax incremental district would have been required to terminate under
4 s. 66.46 (7) (am) or (ar), the school board may deposit into the capital improvement
5 fund the percentage, not to exceed 100%, specified in the resolution of the school
6 district's portion of the positive tax increment of the tax incremental district in that
7 year, as determined by the department of revenue under s. 66.46.

8 (3) The school board shall use the balance of the school district's portion of the
9 positive tax increment of the tax incremental district to reduce the levy that
10 otherwise would be imposed.

11 (4) (a) Money in the capital improvement fund may not be used for any purpose
12 or be transferred to any other fund without the approval of a majority of the electors
13 of the school district voting on the question at a referendum.

14 (b) The school board may not deposit into the capital improvement fund any
15 amount other than the percentage specified under sub. (2).

16 (5) The school board shall submit a report by January 1 of each odd-numbered
17 year to the governor and the joint committee on finance describing the use of the
18 moneys deposited into the fund under sub. (1) and the effects of that use.

19 **SECTION 2.** 121.07 (6) (a) (intro.) of the statutes, as affected by 1999 Wisconsin
20 Act 9, is amended to read:

21 121.07 (6) (a) (intro.) "Shared cost" is the sum of the net cost of the general fund
22 and the net cost of the debt service fund, except that "shared cost" excludes any costs,
23 including attorney fees, incurred by a school district as a result of its participation
24 in a lawsuit commenced against the state, beginning with such costs incurred in the
25 fiscal year in which the lawsuit is commenced, excludes any expenditures from a

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1 capital improvement fund created under s. 120.135 and excludes the costs of
2 transporting those transfer pupils for whom the school district operating under ch.
3 119 does not receive intradistrict transfer aid under s. 121.85 (6) as a result of s.
4 121.85 (6) (am). In this paragraph, “net cost of the debt service fund” includes all of
5 the following amounts:

6 SECTION 3. 121.15 (3m) (a) 1. of the statutes, as affected by 1999 Wisconsin Act
7 9, is amended to read:

8 121.15 (3m) (a) 1. “Partial school revenues” means the sum of state school aids,
9 other than the amounts appropriated under s. 20.255 (2) (bi) and (cv), property taxes
10 levied for school districts and aid paid to school districts under s. 79.095 (4), less the
11 amount of any revenue limit increase under s. 121.91 (4) (a) 2. due to a school board’s
12 increasing the services that it provides by adding responsibility for providing a
13 service transferred to it from another school board ~~and~~, less the amount of any
14 revenue limit increase under s. 121.91 (4) (a) 3. and less the amount of any revenue
15 limit increase under s. 121.91 (4) (h).

16 SECTION 4. 121.91 (4) (h) of the statutes is created to read:

17 121.91 (4) (h) The limit otherwise applicable to a school district under sub. (2m)
18 in any school year is increased by an amount equal to the amount deposited into the
19 capital improvement fund under s. 120.135 (2) in that school year.

20 (END)



State of Wisconsin
1999 - 2000 LEGISLATURE

LRBa0961/1
PG:jl:mrc

Porter
Steinbrink
Kreuser

ASSEMBLY AMENDMENT,)
TO 1999 ASSEMBLY BILL (LRB-3845/1) 576

1 At the locations indicated, amend the bill as follows:

2 1. Page 3, line 13: after "referendum." insert "If a referendum is adopted
3 authorizing the use of moneys in the fund, the legislative audit bureau shall conduct
4 an audit to determine whether the moneys have been used only for the purposes
5 specified in sub. (1)."

6 (END)



To: Members, Committee on Economic Development, Housing and
Government Operations

From: Senator Robert Wirch, Chair

Date: November 10, 1999

Re: Paper Ballot – Assembly Bill 576

Moved by Senator Wirch, that Assembly Bill 576 be recommended for concurrence as amended.

Aye _____

No _____

Signature: _____

Mary D. Meyer

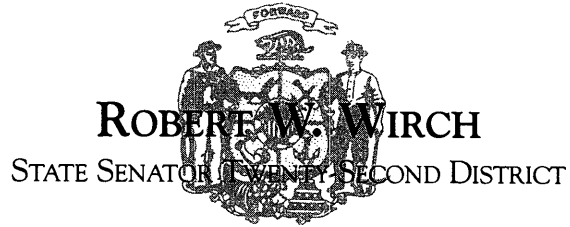
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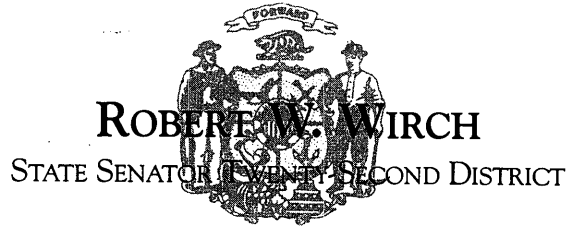
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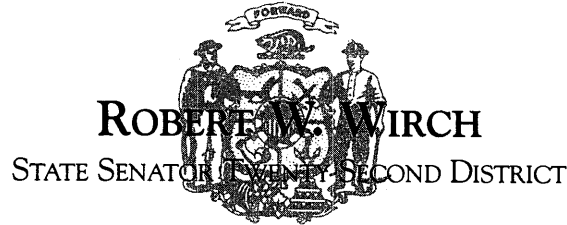
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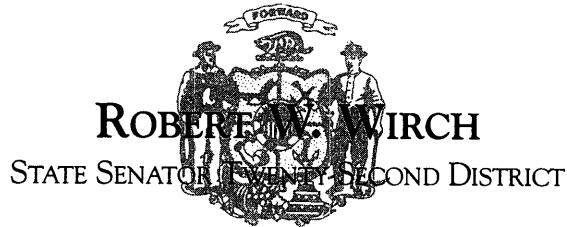
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