

Fiscal Estimate Narratives

DOR 4/25/01

LRB Number 01-2654/1	Introduction Number SB-138	Estimate Type Original
Subject Filing forms related to the creation of a tax incremental financing district		

Assumptions Used in Arriving at Fiscal Estimate

When a city or village creates a tax incremental district (TID), it must hold public hearings on the proposed TID. The municipality can hold two separate hearings to consider the TID's boundaries and project plan or a single hearing that considers both issues. The municipality must publish a Class 2 notice indicating the time, date and place of the public hearings and information as to where the proposed TID is located. A Class 2 notice requires the notice be published in the newspaper once each week for two consecutive weeks, with the last one published at least one week before the hearing.

A municipality that creates a TID must file certain forms and applications with the Department of Revenue (DOR) on or before December 31 of the year in which the TID is created. DOR uses the forms and application to certify the tax incremental base value of the TID. DOR cannot certify a TID base value until it determines that certain procedures and documents have been timely completed and all required notices have been timely given.

Improvements and development that occur after the TID's creation lead to increases in its value over the base value. The property taxes levied by all taxing jurisdictions (i.e. the municipality, county, school district, and technical college) on the TID's value increment are used to pay the TID's project costs. In this way, the cost of creating the TID is not incurred solely by the municipality but is shared by all taxing jurisdictions.

Under the bill, DOR must certify TIDs created in October 1999 and September 2000 even though there were technical deficiencies regarding the time, place or subject of the Class 2 notice of the public hearings on the proposed TIDs. The bill specifies that DOR is to certify a January 1, 2000, base year value for the two TIDs.

The bill would affect TIDs #28 and #29 created by the City of Madison. In July 1999, the City of Madison published two notices of its intention to create TID #28; however, the notices did not contain reference to the date, time, place or subject of a public hearing. A public hearing was held on the TID's boundaries and project plan, and the city approved the creation of the TID in October 1999. In July and August 2000, the City of Madison published notices of its intention to create TID #29; however, the notices did not contain reference to the date, time, place or subject of a public hearing. A public hearing was held on the TID's boundaries and project plan, and the city approved the creation of the TID in September 2000.

Had all requirements for creating the two TIDs been met, both TID #28 and #29 would have a January 1, 2000, base year. Subsequent improvements and development within the TID would have generated tax increments used to pay the TIDs' project costs.

The project plan for TID #28 estimates approximately \$22.4 million in public expenditures such as water mains and street repairs that would be eligible TID project costs; the project plan for TID #29 estimates \$5.2 million eligible project costs.

Because the notices published for both TID #28 and TID #29 were not timely given, DOR cannot certify a base value for either TID. As a result, the public expenditures associated with the projects are not eligible TID project costs, and any improvements and development occurring in the TIDs after January 1, 2000, cannot generate tax increments used to pay project costs. As a result, the municipality would have to incur all of the necessary public improvements expended for the development associated with proposed TIDs #28 and #29.

Under the bill, the TIDs would be created with a January 1, 2000, base year. As a result, public expenditures associated with the TIDs would be eligible TID project costs, paid with tax increments generated by the TIDs' development.

The bill would require DOR to certify the base value for the affected TID, the costs of which can be absorbed.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$	
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
	NET CHANGE IN COSTS	\$See text of fiscal note.	\$See text of fiscal note.
	NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By		Authorized Signature	Date
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