

Fiscal Estimate Narratives

DOR 3/11/2015

| | | | | | |
|---|-----------|---------------------|--------|---------------|----------|
| LRB Number | 15-1226/1 | Introduction Number | SB-064 | Estimate Type | Original |
| Description Changing the conditions under which a city or village may require the Department of Revenue to redetermine the value of the tax incremental base of a tax incremental district that is in a decrement situation | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a city or village may adopt a resolution requiring the Department of Revenue (DOR) to redetermine the base value of a TID that is in a decrement situation that has continued for at least two consecutive years. The resolution is subject to approval by a Joint Review Board (JRB), and the base value of a TID can be redetermined no more than once during a TID's life. Decrement situation is defined as a situation in which the current equalized value of a TID is at least 10 percent less than the base value of the TID. Currently, before a city or village may adopt a resolution, the municipality must complete a financial analysis of the TID and must amend the TID's project plan to meet at least one of the three conditions: 1) at least 51 percent of the value of the public infrastructure improvements must be financed by a private developer/entity in return for cash grants; 2) All project costs are expected to be paid within 90 percent of the TID's remaining life; or 3) all expenditures would be made within the first one-half of the TID's remaining life.

Under this bill, a city or village may adopt a resolution requiring DOR to redetermine the base value of a TID that has been in a decrement situation for at least two consecutive years without first completing a financial analysis of the TID. The bill also eliminates the requirement that the municipality amend the TID's project plan to meet any of the conditions that are required under current law.

FISCAL EFFECT

Lowering the base value of the TID will result in larger increments allowing project costs to be paid off faster than if the TIF remains in decrement. 2014 was the first year DOR accepted and processed applications for declaring a TID in decrement situation, and DOR redetermined the base value of eight TIDs (see attached worksheet) in the same year. The average percentage reduction of the base value was approximately -21.9 percent. In addition, based on DOR's 2013 and 2014 equalized value and value increment data, there are 56 TIDs that were in a "decrement situation" for two consecutive years, as well as 19 TIDs that were in decrement situation only in 2014. Total equalized value of those 75 TIDs in 2014 amounted to approximately \$806.85 million, or only 78.32 percent of the total base value of approximately \$1,030.11 million. The average remaining years for those TIDs is 24.5 years. The breakdown is as follows:

15-20 years: 26 TIDs
21-25 years: 3
26-30 years: 45
31 years or longer: 1

The proposal will simplify the application process for municipalities and may lead to an increase in the number of cases where a TID is deemed in a decrement situation resulting in base value redetermination.

The proposal will incur administrative costs for database software enhancements and document modifications that are necessary for the proposed regulatory changes, but the costs can be absorbed within the current budgetary resources.

Long-Range Fiscal Implications

TIDs in Decrement (2014)

| Code | Municipality | Muni. Type | County | TID No. | Base Value | | | % Change in Base Value (2014-15) |
|-------|--------------|------------|-----------|---------|--------------|--------------|--------------|----------------------------------|
| | | | | | 2013 | 2014 | 2015* | |
| 5216 | DE PERE | CITY OF | BROWN | 7 | \$15,007,900 | \$15,007,900 | \$12,056,000 | -19.67% |
| 5231 | GREEN BAY | CITY OF | BROWN | 16 | \$95,240,600 | \$95,240,600 | \$82,363,200 | -13.52% |
| 11271 | PORTAGE | CITY OF | COLUMBIA | 6 | \$16,910,100 | \$16,910,100 | \$13,785,500 | -18.48% |
| 40181 | SHOREWOOD | VILLAGE OF | MILWAUKEE | 3 | \$12,812,800 | \$12,812,800 | \$7,748,400 | -39.53% |
| 40251 | MILWAUKEE | CITY OF | MILWAUKEE | 71 | \$75,252,500 | \$75,252,500 | \$66,751,300 | -11.30% |
| 40251 | MILWAUKEE | CITY OF | MILWAUKEE | 72 | \$32,685,200 | \$32,685,200 | \$24,474,700 | -25.12% |
| 40251 | MILWAUKEE | CITY OF | MILWAUKEE | 74 | \$89,168,800 | \$89,168,800 | \$63,334,700 | -28.97% |
| 56276 | REEDSBURG | CITY OF | SAUK | 8 | \$1,992,800 | \$1,992,800 | \$1,619,700 | -18.72% |
| | | | | | | | Average | -21.91% |
| | | | | | | | Median | -19.20% |

* 2015 base value reflects redetermination by DOR.