



## Fiscal Estimate Narratives

DOR 8/25/2017

LRB Number	17-2628/2	Introduction Number	AB-0480	Estimate Type	Original
<b>Description</b> review by the Department of Safety and Professional Services of the state electrical wiring code applicable to one-family and two-family dwellings; the legal description required for recording an easement for the construction, operation, or maintenance of sewer lines or facilities; expanding the use of tax incremental financing for workforce housing development and allowing a reduction in the amount of certain impact fees; effect of changes in requirements for development-related permits or authorizations on persons who apply for the permits or authorizations; exempting certain vehicles delivering propane from class B highway weight limitations and certain special or seasonal weight limitations; elimination of the forestation state property tax; reviews of and reports on bills and proposed administrative rules that affect housing; general permits to place riprap on the bed of a navigable water; and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

The Department of Revenue fiscal estimate is limited to sections on tax incremental districts (TID) and the state forestry tax.

#### Workforce Housing Development TIDs

The bill creates a new type of TID: workforce housing development. The bill defines workforce housing based on the county's five-year average median income and housing costs as calculated by the U.S. Bureau of Census in its American Community Survey. The bill requires that workforce housing costs a household no more than 30 percent of the gross median income and that the construction costs per housing unit are no more than 80 percent of the median price for new residential construction in the county. A workforce housing development must contain only newly platted residential uses and 100 percent of the development must be workforce housing. Under current law, new mixed use TIDs can have no more than 35 percent residential use.

The life of a workforce housing development TID is 15 years after creation compared to 27 years for blight and rehabilitation/conservation TIDs, 20 years for industrial and mixed use TIDs, 16 years for town TIDs, and 23 years for environmental remediation TIDs. Workforce housing TIDs could be exempted from impact fees that local governments can assess to new developments to pay for public services.

Under current law, a majority of a joint review board must approve the resolution creating a TID. Under the bill, a unanimous vote is required for a workforce housing TID.

The local fiscal effect is indeterminate. The bill allows for residential developments that may increase the demand for public services, such as police, fire, emergency medical services, and schools. For local governments not able to absorb additional service demands of the proposed workforce housing TID, the bill could result in higher expenditures without providing additional revenue for the services until the termination of the TID.

For Wisconsin, the U.S. Census five-year median value home estimate (2015 data) was \$306,000 for homes built 2014 or later. Workforce development housing at 80 percent of the median home value would be \$244,800. Wisconsin's gross median household income per the U.S. Census (2015 inflation adjusted) is \$53,400, and 30 percent of that amount is \$16,000 or \$1,335 monthly.

#### Forestry Mill Tax

The bill sunsets the state forestry tax, similar to Governor's budget proposal, beginning with the property tax assessments as of January 1, 2017. Beginning in fiscal year 2018, an amount equal to 0.1697 mills for each dollar of equalized valuation of the property of the state will be transferred from the general fund to the conservation fund. The bill creates a sum sufficient appropriation with the payment amounts paid at intervals during the fiscal year considered appropriate by the secretary of administration.

In 2016-17, the forestry mill tax generated \$85,722,600 for forestry programs of the conservation fund. The

Department estimates the GPR transfer amounts at \$89,259,600 for fiscal year 2017-18 and \$91,937,400 for fiscal year 2018-19. The total for the 2017-19 Budget is \$181,197,000. The estimate is based on 2017 equalized values and assumes a 3 percent growth for 2018 equalized values.

Based on the Legislative Fiscal Bureau's estimated median value home, the bill reduces property taxes on such a home by \$27 in 2017-18 and \$28 in 2018-19.

The bill does not have a fiscal effect on existing TIDs. The minor administrative costs can be absorbed.

### **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original
  Updated
  Corrected
  Supplemental

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<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>
		Increased Costs      Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs	89,259,600	
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$89,259,600</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR	89,259,600	
FED		
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$89,259,600	\$
NET CHANGE IN REVENUE	\$	\$

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**Date**

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