

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # - 2292/1
INTRODUCTION # AB 559
Admin. Rule #

Subject
 Limit Use of TIF to Blighted Areas

Fiscal Effect

State: No State Fiscal Effect
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

<input type="checkbox"/> Increase Existing Appropriation	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be Possible to Absorb Within Agency's Budget <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> Decrease Existing Appropriation	<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriation	<input type="checkbox"/> Decrease Costs	

Local: No Local Government Costs

1. <input checked="" type="checkbox"/> Increase Costs <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Governmental Units Affected: <input type="checkbox"/> Towns <input checked="" type="checkbox"/> Villages <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others _____ <input checked="" type="checkbox"/> School Districts <input checked="" type="checkbox"/> WTCS Districts
2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	4. <input checked="" type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	

Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEG-S	Affected Ch. 20 Appropriations
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Assumptions Used in Arriving at Fiscal Estimate:

To create a tax incremental financing district (TID) under current law, 50% or more of the land area in the TID must be blighted or in need of rehabilitation and no more than 25% of the land can be vacant for the seven years preceding the TID creation. However, if the area is suitable for industrial use, neither test applies.

The bill would limit the conditions under which a municipality could create a TID. Under the bill, land that is suitable for industrial use would no longer be a qualifying criterion. Also under the bill, agricultural and forest land would not be allowed in TIDs. While the bill does not prohibit the use of tax incremental financing for industrial purposes, industrial TIDs must meet the land restrictions for blighted and rehabilitation TIDs.


According to the 1995-98 Report on Tax Incremental Financing by the Department of Commerce, of the 251 TIDs created in the 1995-98 period, 78 TIDs or 31% were for non-industrial purposes, and 173 or 69% had industrial development as at least one component of the TID project. The report also indicates that an average of 65 TIDs were created annually in the period.

Assuming many industrial TIDs under current law are not created in areas with at least 50% of the land area blighted or in need of rehabilitation, the bill would result in significantly fewer TIDs created. As a result, fewer TID tax increments would be generated with which to finance the public improvements needed for the development to occur.

To the extent that the industrial properties would be developed in the absence of tax incremental financing (TIF), the municipality would have to incur all or a portion of the costs of necessary public improvements.

(continued on page two)

Long-Range Fiscal Implications:

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On the other hand, to the extent that the industrial properties would not be developed without TIF, the bill would reduce future growth in the tax base for all affected taxing jurisdictions.

Since TIDs created for blight elimination and rehabilitation tend to exist longer than industrial-purpose TIDs, the average life of TIDs created under the bill is expected to be longer than the 11.5 year average life under current law.

The department would incur costs related to programming changes and to revisions to informational material and prescribed forms required under the bill. Those costs could be absorbed.

YEB 11/4/99

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

1999 Session

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Subject
Limit Use of TIF to Blighted Areas

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 State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe	\$	\$ -
(FTE Position Changes)	(FTE)	(- FTE)
State Operations-Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
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 REVENUES

\$

\$

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Date

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11/4/99

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