

Fiscal Estimate - 2003 Session

Original Updated Corrected Supplemental

LRB Number 03-2127/1 **Introduction Number** AB-437

Subject
 Allow towns limited use of tax incremental financing (TIF)

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate

Increase Existing Appropriations Increase Existing Revenues Increase Costs - May be possible to absorb within agency's budget
 Decrease Existing Appropriations Decrease Existing Revenues Yes No
 Create New Appropriations Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. Increase Costs 3. Increase Revenue
 Permissive Mandatory Permissive Mandatory

2. Decrease Costs 4. Decrease Revenue
 Permissive Mandatory Permissive Mandatory

5. Types of Local Government Units Affected

Towns Village Cities
 Counties Others
 School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS

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Fiscal Estimate Narratives

DOR 8/26/2003

LRB Number 03-2127/1	Introduction Number AB-437	Estimate Type Original
Subject Allow towns limited use of tax incremental financing (TIF)		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, only cities and villages may use tax incremental finance (TIF) to create a TIF district (TID). A TID may be created, subject to territory limits and procedural requirements, if at least 50% of the area in the TID is blighted, in need of rehabilitation or is suitable for industrial development. There are no restrictions on the types of projects that can included in a TID. Under current law, towns may use TIF to create an environmental remediation TID (ER TID), but the project financed under the ER TID is restricted to remediation of environmental pollution.

The bill authorizes towns to use TIF for projects related to tourism, agriculture, or forestry. A town-created TID may include residential projects, but only to the extent that the residential project has a necessary and incidental relationship to the tourism, agricultural or forestry project. Similarly, a town-created TID may include retail development, but only to the extent that it is related to the retail sale of products that are produced due to an agricultural or forestry project.

Currently, 349 cities and villages have created at least one TID; this is 60% of all cities and villages (349/587 total cities and villages). There are 791 existing TIDs. An average 61 TIDs are created and 24 TIDs are amended each year; thus it can be assumed that 17.5% (61/349) of the cities and villages utilizing TID create a TID each year and 7% (24/394) amend a TID each year.

For each newly-created or amended TID, the department reviews the project plan, the project plan resolution, the creation resolution, the joint review board resolution, the TID boundary descriptions and maps, parcel lists, proof of timely notices to affected property owners and other taxing jurisdictions, and public notices and minutes of the required public hearings. After such review, the department determines the equalized value of each class of property within the TID in order to certify the TID base value and the value increment each year thereafter. The department also assists the municipality in determining the share of each taxing jurisdiction's levy that is allocated to the TID and reviews the computer payments to municipalities for exempt computers within a TID. Currently, approximately 2.5 FTE are required to do this work.

It is assumed that half of the 1,264 towns will create a TID under the bill and that 17.5% of these towns will create a TID each year, and 7% will amend a TID each year. Thus, it is assumed that the bill will result in approximately 110 TIDs created each year and 44 will be amended each year. Over time, it is assumed that 632 towns will create a TID under the bill.

As a result, the overlying taxing jurisdictions (the county, school district and technical college) of the affected 632 towns would forego the added tax base associated with the TID development for the life of the TID.

The department would require 5 additional FTE to absorb the added workload associated with the creation or amendment of 154 town TIDs and the annual value increment determination of all town TIDs. The department would incur \$47,500 in one-time costs associated with these positions as well as required computer programming changes. The department would incur ongoing costs of \$347,000 associated with the additional positions and additional mailing and printing costs.

Long-Range Fiscal Implications

To the extent that the bill lowers the cost of rural development relative to urban development, the bill may result in increased state, county and local costs associated with the infrastructural expansion needed to accommodate such growth.

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
Allow towns limited use of tax incremental financing (TIF)			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
\$47,500 associated with computer programming changes and furniture and computers required for 5 additional FTE positions.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$345,500	
(FTE Position Changes)		(5.0 FTE)	
State Operations - Other Costs		1,500	
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$347,000	\$
B. State Costs by Source of Funds			
GPR		347,000	
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, ets.)			
		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		\$347,000	\$See
NET CHANGE IN REVENUE		\$	\$See
Agency/Prepared By		Authorized Signature	Date
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