Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2003 Session

[X] Original [ ] Updated [ ] Corrected [ ] Supplemental

LRB Number **03-1076/1**	Introduction Number **AB-319**

Subject

Increase expenditure period for certain tax incremental financing districts (TIDs)

Fiscal Effect

State:

- [ ] No State Fiscal Effect
- [ ] Indeterminate
  - [ ] Increase Existing Appropriations
  - [ ] Decrease Existing Appropriations
  - [ ] Create New Appropriations
  - [ ] Increase Existing Revenues
  - [ ] Decrease Existing Revenues
  - [X] Increase Costs - May be possible to absorb within agency's budget [X] Yes [ ] No
  - [ ] Decrease Costs

Local:

- [ ] No Local Government Costs
- [X] Indeterminate
  1. [X] Increase Costs — [X] Permissive [ ] Mandatory
  2. [X] Decrease Costs — [X] Permissive [ ] Mandatory
  3. [ ] Increase Revenue — [ ] Permissive [ ] Mandatory
  4. [ ] Decrease Revenue — [ ] Permissive [ ] Mandatory
  5. Types of Local Government Units Affected
     - [ ] Towns [X] Village [X] Cities
     - [ ] Counties [ ] Others
     - [ ] School Districts [ ] WTCS Districts

Fund Sources Affected

[ ] GPR [ ] FED [ ] PRO [ ] PRS [X] SEG [ ] SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	**Authorized Signature**	**Date**
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Fiscal Estimate Narratives
DOR 5/8/2003

LRB Number **03-1076/1**	Introduction Number **AB-319**	Estimate Type **Original**
Subject		
Increase expenditure period for certain tax incremental financing districts (TIDs)		

Assumptions Used in Arriving at Fiscal Estimate

Tax incremental financing (TIF) is a financing method that allows a city or village to recover project costs associated with public improvements made in a tax incremental district (TID). Under TIF, municipalities retain the property taxes levied on the increased value of the improved property within the TID, including the taxes levied by the school, vocational college and county overlying the TID. Thus, the overlying taxing jurisdictions forego the addtional tax base resulting from the TID development until the TID has terminated.

Under current law, for TIDs created after October 1, 1995, expenditures for project costs must be made within 7 years after the TID is created; for TIDs created before October 1, 1995, the expenditure period is 10 years. Under current law, TIDs created after October 1, 1995 have 16 years to recover the project costs through tax increments; however, the TID may not exist longer than 23 years. TIDs created before October 1, 1995 have 20 year to recover costs but may not exist longer than 27 years. Under current law, municipalities are required to conduct three audits of each TID to determine if the public expenditures are complying with the project plan. The first audit is to be done 12 months after 30% of the project expenditures are made; the second audit is to be done 12 months after the end of the expenditure period; and the final audit is to be done 12 months after the TID terminates.

The bill allows 10 years for TID expenditures for TIDs created after October 1, 2004; however, the maximum length of a TID is unchanged. The bill may result in additional expenditures due to the three additional years allowed for expenditures. To the extent that the bill results in additional expenditures, the bill will slightly lengthen the life of TID in order to recover the additional project costs. As a result, the overlying taxing jurisdictions will be required to forego the expanded tax base for slightly longer. On the other hand, the lengthened expenditure period may allow municipalities to delay expenditures until later in the project, thereby reducing financing costs.

To the extent that the bill results in longer TID life, the bill will slightly delay the second and third TID audits.

The bill will slightly increase department costs associated with monitoring the different expenditure periods for TIDs with different base years.

Long-Range Fiscal Implications