Fiscal Estimate - 2015 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number	15-2035/1	Introduction Number	AB-0131

Description
Industrial zoning requirements in tax incremental districts, planning commission notice for tax incremental district amendments, obsolete references relating to tax incremental districts, allocation of tax increments, joint review board review, and calculation of levy limits following dissolution of a tax incremental district

Fiscal Effect

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

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

Fund Sources Affected
☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 3/30/2015

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Assumptions Used in Arriving at Fiscal Estimate

Industrial Zoning Requirements

Under current law, a resolution to create a tax incremental district (TID) must include a finding that not less than 50 percent, by area, of the real property within the district is at least one of the following: 1) a blighted area; 2) in need of rehabilitation or conservation work; 3) suitable for industrial sites and zoned for industrial use; or 4) suitable for mixed-use development. In addition, the resolution must confirm that any industrial sites within the district will remain zoned for industrial use for the life of the TID. Also, the resolution must declare that the district is one of the following: 1) blighted area district; 2) a rehabilitation or conservation district; 3) an industrial district; or 4) a mixed-use district.

The bill specifies that the requirement related to maintenance of industrial zoning applies only to districts that are declared to be industrial districts.

FISCAL EFFECT

The Department of Revenue (DOR) requests each municipality to provide information regarding whether or not there is an industrial site located in a TID created by the municipality. However, not all municipalities have provided the information to DOR. There are currently 937 active TIDs that are declared as blight (286 districts), rehabilitation or conservation (114), industrial (300), or mixed-use (237) districts. Of those, 9.6 percent (90 districts) specified whether or not the district has an industrial site. 53 out of the 90 TIDs reported they have industrial sites (blight: 2 districts, rehabilitation/conservation: 1, industrial: 37, mixed-use: 10) and 37 reported no industrial sites (blight: 7 districts, rehabilitation/conservation: 7, industrial: 2, mixed-use: 21). DOR does not possess any further information regarding industrial sites located in TIDs. However, the proposal eliminates one item from the requested list of information for municipalities, and the number of non-industrial TIDs that claimed to have industrial sites has been small. As such, the proposal's fiscal impact is expected to be minimal. Administrative costs associated with minor modifications to relevant documents DOR's database can be absorbed within current budgetary resources.

Planning Commission Notice for TID Amendments

Under current law, as part of the process of amending a TID's project plan, the planning commission must publish a class 2 notice of its public hearing, and the JRB must publish notice of its meeting as class 1 notice, at least five days before the meeting. A class 2 notice consists of insertions of the notice for two consecutive weeks, with the last insertion at least a week prior to the meeting date, in the appropriate newspaper of record. A class 1 notice, in general, requires a single insertion of the notice, at least a week prior to the meeting date, in the appropriate newspaper of record.

The bill amends the notice requirement of the planning commission from a class 2 notice to a class 1 notice with regard to notices relating to the TID project plan amendment process.

FISCAL EFFECT

According to DOR's data, 38 TIDs provided two public hearing notices in 2010, 57 in 2011, 57 in 2012, 39 in 2013, and 23 in 2014 for tax incremental financing (TIF) project amendments. The proposal reduces the required insertions from two to one as part of the TID project plan amendment process. Since DOR does not compile data regarding costs relating to conducing class 1 and 2 notices, the magnitude of the cost savings is unknown and would vary across the state.

Administrative costs associated with minor modifications to relevant documents and DOR's database can be absorbed within current budgetary resources.

Obsolete References

Over time, the legislature has amended the statutes relating to TIF to include numerous provisions that are significantly limited in their scope, often relating to a single municipality or a particular TID. Several of these amendments have become obsolete and no longer relevant for various reasons, such as termination of the TIDs that were specifically targeted in instituting the amendments.

The bill repeals certain provisions of the statutes relating to TIF that DOR identified as obsolete.

FISCAL EFFECT

The proposal will streamline the relevant sections of the state statutes. Removing the exemptions that have become obsolete will have no fiscal impact.

Timing Penalty

Under current law, certain statutory and administrative deadlines relating to the allocation of positive tax increments to a TID result in variation in the maximum number of years allowed for allocation of positive increments, depending on the date on which a municipality created the TID and its project plan. Specifically, the maximum number of positive increments that a TID may receive is one fewer for a TID and project plan created after September 30 and before May 15 than for TIDs created on or after May 15 and before October 1.

For newly created TIDs, the bill extends a TID's lifespan and allocation period of positive tax increments by one year if the municipality creates the TID and adopts the project plan for the TID after September 30 and before May 15.

FISCAL EFFECT

According to DOR's TIF data, there are 515 active TIDs as of 2014 that were created after October 1, 2004. Of those 515 TIDs, 210 TIDs (40.7 percent) were created after September 30 and before May 15. The positive TID value increments of those 210 TIDs totaled approximately $1,571.7 million, or 43.6 percent of the total TID value increments for the 515 TIDs ($3,602.1 million). Historically, the number of TIDs that were created after September 30 and before May 15 has been on the decline:

2004-05: 43 TIDs
2005-06: 37
2006-07: 26
2007-08: 20
2008-09: 19
2009-10: 17
2010-11: 16
2011-12: 18
2012-13: 14
2013-14: 0

It is not clear as to what contributed to the decline in the number of TIDs created during the period between September 30 and May 15. However, the proposal may lead to an increase in the number of TIDs created during the period.

Administrative costs associated with minor modifications to relevant documents and DOR's database can be absorbed within current budgetary resources.

Joint Review Board Review Period

Under current law, the JRB, in general, must approve the resolution relating to TID creation, TID project plan amendment or request for TID's base value redetermination, by a majority vote within 30 days after receiving the resolution. The review period applicable to an industry–specific TID located in a town and an environmental remediation TID must be between 10 days and 30 days.

The bill amends the maximum review period the JRB has to approve a municipality's TID resolution from 30 days to 45 days after receiving the resolution.

FISCAL EFFECT

The extension of the deadline for a JRB's resolution approval is not expected to have any fiscal effect. Administrative costs related to modifications to relevant documents and instructions and adjustments to DOR's software can be absorbed within current budgetary resources.

Calculation of Levy Limit Exception

Under current law, and subject to a number of exceptions, a taxing jurisdiction in general may increase its base levy, defined as the prior year's actual levy, in any year by the greater of the percentage change in the taxing jurisdiction's equalized value due to net new construction and zero percent. Also, when determining its levy limit, a municipality must exclude the amount of any tax increment generated by property in a TID located in the municipality.

As one of the numerous exceptions, a municipality's levy limit may increase for the year that a TID terminates. Municipalities may increase levies by an amount equal to the municipality's maximum allowable levy for the prior year multiplied by a percentage equal to 50 percent of the terminated TID's value increment as a percentage of the municipality's equalized value. The municipality's levy limit must reflect the increase in the year that the TID terminates.

The bill specifies that the municipality's equalized value for the preceding year, as used in the calculation of the levy limit exception for the year that a TID terminates, excludes the value of any TID value increments.

FISCAL EFFECT

When a municipality excludes the value increment of a terminated TID from the municipality's total equalized value in calculating an adjustment to the levy limit, the change results in an increase in the levy limit. The denominator (municipality's total equalized value) becomes smaller by the amount of the terminated TID's value increment under the proposal (0.5 x [terminated TID value increment / municipality's total equalized value]). According to DOR's data, 27 TIDs in 24 municipalities in Wisconsin terminated in 2013, and the total value increment of those terminated TIDs was approximately $530.0 million. Under the proposal, the total allowable increase in property tax levy among those 27 municipalities would have been approximately $304,200. The fiscal impact varies depending on the number of terminated TIDs in a given year and the size of the terminated TIDs' value increments.

Administrative costs can be absorbed within the current budgetary resources.

Long-Range Fiscal Implications