

### Fiscal Estimate - 2015 Session

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>15-2030/1</b>	Introduction Number <b>AB-0138</b>
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**Description**  
 Redetermination of base value for tax incremental districts

**Fiscal Effect**

**State:**

No State Fiscal Effect  
 Indeterminate

<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease 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 type="checkbox"/> Decrease Costs
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**Local:**

No Local Government Costs  
 Indeterminate

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<b>5. Types of Local Government Units Affected</b> <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <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
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<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

<b>Agency/Prepared By</b> DOR/ Robert Schmidt (608) 266-5773	<b>Authorized Signature</b> Robert Schmidt (608) 266-5773	<b>Date</b> 3/30/2015
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## Fiscal Estimate Narratives

DOR 3/30/2015

LRB Number	15-2030/1	Introduction Number	AB-0138	Estimate Type	Original
<b>Description</b> Redetermination of base value for tax incremental districts					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, a tax incremental district (TID) is deemed in a decrement situation when the TID's equalized value declines at least 10 percent below the base value of the TID. When the situation continues for at least two consecutive years, current law allows a municipality to request, subject to joint review board (JRB) approval, that the Department of Revenue (DOR) redetermine the base value of the TID. The municipality may do so only once during the lifespan of the TID, and the municipality must conduct a financial analysis of the TID, as well as amend the TID's project plan as specified in the state statutes.

The bill proposes an alternative process for redetermining the base value of a TID. Under the proposal, a municipality has authority to request redetermination any time that a TID is in a decrement situation. The TID's project plan must first include the local legislative body's ability to require redeterminations under the alternative process, resulting in JRB approval of the possibility of redetermination but not each specific resolution for redetermination. The project plan must also specify the ability of a local legislative body to request multiple redeterminations.

### FISCAL EFFECT

Lowering the base value of the TID will result in larger increments allowing municipalities to pay off project costs faster than if the TID remains in decrement. The alternative process the bill proposes effectively allows a local legislative body to request DOR to redetermine a TID's base value when the TID is in a decrement situation only for a single year, if the local legislative body determines to do so. 2014 was the first year DOR accepted and processed applications for declaring a TID in decrement situation, and DOR redetermined the base value of eight TIDs (see attached worksheet) in the same year. The average percentage reduction of the base value was approximately -21.9 percent. In addition, based on DOR's 2013 and 2014 equalized value and value increment data, there are 56 TIDs that were in a "decrement situation" for two consecutive years, as well as 19 TIDs that were in decrement situation only in 2014. Total equalized value of those 75 TIDs in 2014 amounted to approximately \$806.85 million, or only 78.32 percent of the total base value of approximately \$1,030.11 million. The average remaining years for those TIDs is 24.5 years, and the breakdown is as follows:

15-20 years: 26 TIDs  
21-25 years: 3  
26-30 years: 45  
31 years or longer: 1

The proposal will streamline the process and allow more TIDs to have their base value redetermined in a timely manner without being in a decrement situation for two consecutive years. As such, the bill may lead to an increase in the number of requests for TIDs' base value redetermination.

The proposal will incur administrative costs for database software enhancements and document modifications that are necessary for the proposed regulatory changes, but the costs can be absorbed within the current budgetary resources.

### Long-Range Fiscal Implications