



WISCONSIN LEGISLATIVE COUNCIL

REVIEW OF TAX INCREMENTAL FINANCING

Room 412 East
State Capitol

September 10, 2014
10:00 a.m. – 3:45 p.m.

[The following is a summary of the September 10, 2014 meeting of the Study Committee on Review of Tax Incremental Financing. The file copy of this summary has appended to it a copy of each document prepared for or submitted to the committee during the meeting. A digital recording of the meeting is available on our Web site at <http://www.legis.wisconsin.gov/lc>.]

Call to Order and Roll Call

Chair Gudex called the meeting to order. The roll was called and a quorum was present.

COMMITTEE MEMBERS PRESENT: Sen. Richard Gudex, Chair; Rep. Amy Loudenbeck, Vice Chair; Reps. Mike Kuglitsch, Tod Ohnstad, and Josh Zepnick; and Public Members Jennifer Andrews, Michael Harrigan, Eileen Kelley, John Kovari, David Rasmussen, Brian Ruechel, Jason Serck, Peter Thillman, Thomas Wilson, and Hal Wortman.

COMMITTEE MEMBERS EXCUSED: Sen. Robert Jauch; and Public Members Richard Lincoln and Mike Slavish.

COUNCIL STAFF PRESENT: Scott Grosz and Melissa Schmidt, Senior Staff Attorneys.

APPEARANCE: Brian Quinn, Executive Policy and Budget Analyst – Senior, Division of Executive Budget and Finance, Department of Administration.

Approval of the Minutes of the August 14, 2014 Meeting

Representative Ohnstad moved, seconded by Representative Kuglitsch, to approve the minutes of the August 14, 2014 meeting. The motion passed on a voice vote.

Presentations on Statewide Trends of TIF Districts

Brian Quinn, Executive Policy and Budget Analyst – Senior, Division of Executive Budget and Finance, Department of Administration, appeared before the committee to describe his analysis of statewide trends in the usage of tax increment financing (TIF) districts. Mr. Quinn described changes in TIF usage by municipal size, and in relation to total statewide property value. He also described statewide TIF usage by county and identified the largest municipal TIF users. Mr. Quinn provided details on TID creation by district type, as well as the types of TIDs created based on municipal population size. In particular, he noted that TIDs in small communities tend to be created either for mixed use or industrial development, while blighted area TIDs are more common in larger municipalities. Mr. Quinn demonstrated that the average size of a TID increases in higher value municipalities. He also highlighted the largest 25 TIDs statewide, and noted that the five largest TIDs statewide represent a significant portion of total TID value statewide. With regard to comparison of population and TID valuation, Mr. Quinn noted that numerous TIDs exist in low population, low value municipalities. Mr. Quinn concluded his presentation with an analysis of distressed TIDs in relation to municipal characteristics, and responded to questions from committee members.

A link to Mr. Quinn's PowerPoint presentation may be found on the committee's website: [<http://docs.legis.wisconsin.gov/misc/lc/study/2014/1190/>].

Description of Materials Distributed

Melissa Schmidt, Senior Staff Attorney, Legislative Council staff, provided an overview of Memo No. 3, *Municipalities Limited by TIF's 12% Rule and the Center on Wisconsin Strategy's Report on Efficient and Strategic TIF Use* (September 3, 2014). Ms. Schmidt also noted that a summary of 2004 changes to state TIF law, prepared by Peter Thillman and Jim Hough (Wisconsin Economic Development Association) and Michael Harrigan (Ehlers & Associates), was distributed to committee members at Public Member Thillman's request in response to several questions raised at the August 14, 2014, meeting.

Discussion of Committee Assignment

Ms. Schmidt and Scott Grosz, Senior Staff Attorney, Legislative Council staff, began the discussion of committee assignment with an overview of Memo No. 2, *Committee Options for Possible Legislation* (September 3, 2014), including a description of the manner in which Legislative Council staff summarized and organized committee members' suggestions within the Memo. Following that overview, Chair Gudex led the committee through a discussion of the options presented in the Memo, as organized by subject matter categories. Legislative Council staff and Chair Gudex indicated that the general goal for the discussion was to proceed through the options for legislation in order to informally identify particular options that should be developed into draft proposals for further consideration at the next meeting.

The "But For" Test

Committee members discussed each option relating to the "but for" test. After discussion, committee members decided to make no changes to the "but for" test.

Definition of “Blight”

Committee members discussed each option relating to the definition of “blight.” After discussion, committee members decided to make no changes to the definition of “blight.”

Project Costs

Committee members discussed the treatment of general municipal operating expenses as project costs, and asked Legislative Council staff to prepare additional background material relating to treatment of those expenses as project costs under current law, including information on examples provided in testimony received by the committee at previous meetings.

The 12% Rule

After requesting additional information on the legislative history of the 12% rule, members of the committee discussed various options to modify the 12% rule, including options to increase the limit, to decrease it for small municipalities, to apply separate limits based on municipality size, and to permit a single TID to be created in excess of the limit. Chair Gudex instructed Legislative Council staff to prepare two drafts for further consideration, one to increase the 12% limit to 15%, and another that makes that 15% increase and permits creation of a single TID notwithstanding the 15% limit. The committee completed its discussion regarding the 12% rule with a request for additional information regarding the timing of TID certification as it relates to the annual availability of base value data from the Department of Revenue.

Joint Review Board

The committee briefly discussed various issues relating to the role of the Joint Review Board (JRB), noting that many points that relate to the JRB also relate to previous discussions regarding the definition of “blight” and the “but for” test. Chair Gudex instructed Legislative Council staff to prepare a draft for further consideration that would increase the deadline for JRB approval of a proposed TID from 30 to 45 days.

Levy Limits and Incentives to Close TIDs

The committee discussed the treatment of TID closure under current law, resulting in instructions to the Legislative Council staff from Chair Gudex to prepare a draft that would increase the levy limit increase from a calculation based on 50% of retired TID value to 85%, and that would also allow a municipality to carry that permitted increase forward up to three years rather than increasing its levy immediately following TID closure.

Aid to TIDs in Crisis

Committee members discussed current law relating to distressed TIDs and the recent change to state law regarding decrement TIDs, and requested additional information on the legislative history of the distressed TID law. The committee discussed whether a decrease in property value in blighted areas and redevelopment TIDs should be anticipated due to the nature of project costs in those TIDs and whether the TID law should acknowledge the likelihood of a decrease in property value in those TIDs. Chair Gudex instructed Legislative Council staff to prepare a draft that would automatically reset TID base values in blighted areas and rehabilitation districts to account for anticipated decreases in base

value. He also instructed Legislative Council staff to prepare a draft to eliminate the sunset for distressed TID declarations that is present in current law.

Clarity of TIF Statutes

The committee finished its discussions for the day by reviewing the clarity of current TIF statutes. In discussions on the topic, committee members offered the pros and cons of a full recodification of the statute, including discussion of the risks of confusion that such an undertaking poses. Chair Gudex instructed the Legislative Council staff to review current TIF statutes and to prepare a bill draft to repeal out-of-date statutory provisions present in the current law.

Plans for Future Meetings

Chair Gudex indicated that the committee will hold its next meeting on October 9th and asked Legislative Council staff to poll members regarding their availability for meetings in November and December.

Adjournment

The meeting was adjourned at 3:45 p.m.

SG:ty