Fiscal Estimate - 2011 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **11-1856/2**	Introduction Number **AB-0179**

Description
Authorizing the creation of a multijurisdictional tax incremental financing 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 6/21/2011

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Description Authorizing the creation of a multijurisdictional tax incremental financing district		

Assumptions Used in Arriving at Fiscal Estimate

The tax incremental finance (TIF) law permits a city, village, and, to a limited extent, a town to finance certain public improvements needed to encourage economic development. When a TIF district (TID) is created, the equalized value of the taxable property in the district is set as the "base value". Over time, as the TID develops, the equalized value of the district will change. To the extent that the current value is greater than the "base value", the positive difference is referred to as the "value increment". The property taxes levied by all local taxing jurisdictions (municipality, county, school district, technical college, and special districts) on the "value increment", referred to as the "tax increment", are retained by the municipality. These funds are used to repay the costs of developing the TID. In general, once the TIF district development costs are repaid, the municipality terminates the TID. After termination, the property taxes on property in the former TID are shared with the overlying taxing jurisdictions in full in the same manner as non-TID property taxes are shared. Under current law, all territory in a TID must lie within one city, village, or town.

Under the bill, any number of villages or cities, but no towns, would be permitted to jointly create a multi-jurisdictional TIF district (MJTID) if certain conditions are met and procedures are followed. These conditions and procedures are discussed below.

In order to create a MJTID, the participating municipalities would need to enter into an intergovernmental agreement to jointly create the MJTID. The proposed district must have territory in each participating municipality, the district must be contiguous, and at least one parcel in each participating municipality must touch at least one parcel in at least one of the other participants.

The intergovernmental cooperation agreement must contain certain provisions. Among these provisions are the following: (a) a detailed description on how decisions will be made related to incurring debt, expending funds, and distributing tax increments; (b) the extent to which one of the participating municipalities will be authorized by all of the other participating municipalities to act on behalf of all of them on matters relating to the district; (c) a binding dispute resolution process to be used to resolve any disputes among participating municipalities, which shall include provisions for the termination of the district (which must be agreed to by all participating municipalities) and specifications on how the assets and liabilities of the MJTID would then be settled; (d) a description of the membership of the joint review board (which must include one public member from each participating municipality); (e) a detailed description of the responsibilities of each participating municipality's planning commission, clerk, treasurer, assessor, and any other officer of official for actions regarding the MJTID; (f) a determination of which municipality will be responsible for submitting the necessary documents to the Department of Revenue to create the MJTID, and which municipality will be responsible for submitting the district's project plan; (g) an agreement by all participating municipalities that the application will be submitted as one complete application; (h) a statement that the entire district will terminate at the same time as a single entity; and (i) a detailed description of whether the district's life can be extended and how the district's boundaries may be amended.

An MJTID would face certain provisions that single municipality TIF districts do not face. Among these provisions are: (1) a MJTUD would be prohibited from becoming a donor TIF district and prohibited form receiving tax increments from a donor TIF district; (2) a MJTID would be prohibited from incurring project costs outside the district's borders; and (3) if the creation of the MJTID would cause one of the participating municipalities to exceed the limit on the percentage of a municipality's equalized value than can be in TIF districts when a new district is formed (the incremental value of existing TIF districts and the base value of the proposed TIF district may not exceed 12% of a municipality's equalized value), the 12% limit will not apply if all of the overlying taxation jurisdictions of that municipality adopt a resolution approving the creation of the MJTID.

With regard to tax increments generated with a MJTID, the bill provides that the Department of Revenue (DOR) may allocate such increments only to those participating municipalities whose incremental value is a positive number.

The DOR currently imposes certain filing fees and annual administrative fees on TIF districts. The filing fee regarding the creation of a TIF district is $1,000. The annual administrative fee is $150. Under the bill, for purposes of imposing these fees, a MJTID would be treated as a single entity, and only one fee for the creation of the MJTID and only one annual administrative fee could be imposed.

To the extent that the ability to create MJTIDs causes more TIF districts to be created than would have been created under current law, the amount of property taxes levied by overlying counties, school districts, and technical college districts that will be reallocated among these entities' constituent municipalities for the payment of TID-related project costs will be higher than under current law.

While the number of MJTIDs that could be created under the bill is unknown, it is expected that the fees payable by MJTIDs would offset most of DOR's administrative costs related to MJTIDs.

Long-Range Fiscal Implications

Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	**Annualized Fiscal Impact on funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$	$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$**	**$**
B. State Costs by Source of Funds		
GPR		
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	$see text	$
NET CHANGE IN REVENUE	$see text	$

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