

Here's the information you requested. To continue receiving WISTAX research . . .

Join the Wisconsin Taxpayers Alliance.

Now in its 8th decade, WISTAX is a nonprofit, nonpartisan organization dedicated to policy research and citizen education. WISTAX is Wisconsin's only statewide government watchdog. It is *the* independent source that the public, press and public officials look to for the truth about state and local government.

WISTAX cuts through political rhetoric to give you facts. Armed with WISTAX facts, Wisconsin voters can do their job—keep government honest, efficient and accountable.

What are the benefits of WISTAX membership?

Sign up for one-year membership with WISTAX and keep yourself informed! Membership includes:

- 28 issues of our bimonthly newsletter—
in-depth analysis of breaking news;
- 12 issues of our monthly magazine—read-
able briefs on Wisconsin government;
- Annual tax guide;
- Reduced prices on special publications;
- Access to first-rate research staff.

Your membership helps ensure responsible government for Wisconsin.



Wisconsin Taxpayers Alliance

401 North Lawn Avenue • Madison, WI 53704-5033
Phone: 608.241.9789 Fax: 608.241.5807

Date: _____

Name: _____

Company: _____

Address: _____

City/Zip: _____

I want to become an annual member of WISTAX (\$75 minimum)! I am contributing:
 \$75 _____ \$100 _____ \$250 _____ \$500 _____ Other \$ _____

Payment enclosed Visa/MC # _____ Exp. _____

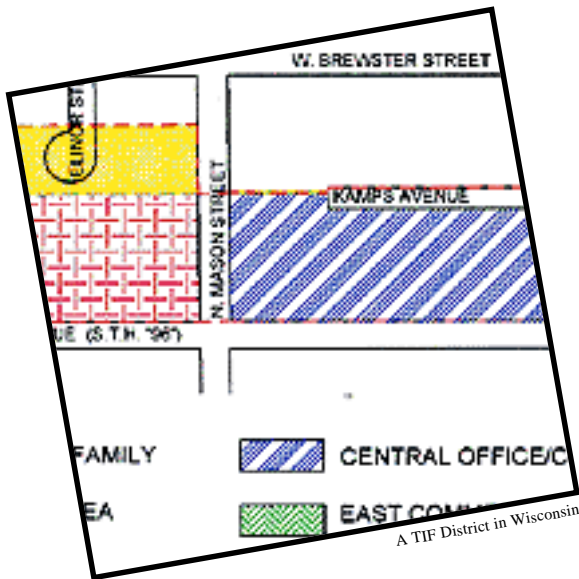
Subscriptions also available, go to www.wistax.org/pubs for prices.

Info Request



A monthly review of Wisconsin government, taxes and public finance

The Wisconsin Taxpayer



Tax Incremental Financing in Wisconsin

Property values in Wisconsin tax incremental financing districts rose 20.6% from 2000 to 2001, the largest increase since 1983. However, the debate continues over the extent to which state tax-financing policy should be reformed.

Tax incremental financing (TIF) has become an increasingly important tool enabling Wisconsin cities and villages to strengthen their local economies. Many local officials view tax incremental districts (TID's) as crucial for economic development. However, concerns relating to the use of the districts have been raised in recent years (see, for example, "TIF Law: Reform" on page 12 and report of "Working Group on TIF" in Wisconsin TIF Resources on the Internet on page 11).

OVERVIEW

Authorized by state statute, TIF is used by cities and villages to finance certain types of development costs, including water and sewer lines, streets and sidewalks. Towns and counties are not authorized to use TIF.

Also in this issue:

- Personal Income Rises 3.5%
- State School Funding Detailed
- Federal Aid Reaches \$7.2 Billion
- TIF Law: Reform?

Personal Income Rises 3.5%

Personal income in Wisconsin rose 3.5% in 2001, the smallest increase since 1961 and the 31st-highest percentage increase among the states, according to preliminary estimates from the U.S. Bureau of Economic Analysis. Income rose from \$151.0 billion in 2000 to \$156.2 billion in 2001.

The state's per capita income was \$28,911, which ranked 19th, the same rank as in 2000. Per capita income rose 2.9% in 2001, which was 29th-highest among the states. For the nation, per capita income increased 2.7% in 2001, less than half the 5.8% rate in 2000. □

State School Funding Detailed

State funding for Wisconsin's public schools will reach \$5.1 billion in 2001-02, up 3.0% from 2000-01 and 5.0% from 1999-2000, according to the Legislative Fiscal Bureau. General school aids, primarily equalization aids, totalled \$4.1 billion in 2001-02. Categorical aids, which are used to fund specific programs such as special education, were \$551.3 million, while the school property tax levy credit totalled \$469.3 million.

Under Wisconsin's two-thirds school funding law, state support is based on "partial revenues," or the amount of state aid received by the school district plus its property tax levy. In 2001-02, an estimated 203 districts will receive state funding equalling between 65% and 80% of their partial revenues. □

State School Funding
(Dollars in Millions)

Source	1999-00	2000-01	2001-02
Gen. Schl. Aids	\$3,767.9	\$3,931.9	\$4,051.6
Categ. Aids	458.3	531.4	551.3
Schl. Levy Cred.	469.3	469.3	469.3
Total	\$4,695.5	\$4,932.6	\$5,082.6*

*Includes \$10.4 million in payments to state residential schools.

Federal Aid Reaches \$7.2 Billion

Federal funds administered by the state have been rising steadily in recent years, according to the Legislative Audit Bureau. In 2000-01, state agencies, including the University of Wisconsin (UW) System, administered \$7.2 billion in federal assistance, up 35.8% from \$5.3 billion in 1996-97.

Four departments—Health and Family Services, Workforce Development, Transportation, and Public Instruction—and the UW System administered 88.1% of the funds and 22 of the state's 29 major federal grant programs. □

The Wisconsin Taxpayer

April 2002 Vol. 69 No. 4

Publication Number USPS 688-800
Periodical postage paid
at Madison, Wisconsin

Subscription Price:

One Year, \$12; Three Years, \$28
Published each month by the
Wisconsin Taxpayers Alliance

Postmaster:

Send address changes to *The Wisconsin Taxpayer*, 335 West Wilson Street, Madison, Wisconsin 53703-3694
phone: 608-255-4581
fax: 608-255-0642
e-mail: wistax@wistax.org
website: www.wistax.org

Officers and Board of Directors:

Mark A. Cullen, Chair, Janesville;
Dennis J. Kuester, Vice Chair, Milwaukee;
Jere D. McGaffey, Secretary-Treasurer, Milwaukee

M.D. Bugher, Madison; A.P. Diotte, Janesville; C.W. Knox, Jefferson; S.W. Orr, Jr., Wausau; R.J. O'Toole, Milwaukee; P.M. Platten, III, Green Bay; J.D. Pyle, Madison; J.D. Quick, Manitowoc; J.B. Torinus, Jr., West Bend; W.T. Walker, Racine; J.B. Williams, Milwaukee; Milwaukee; R.L. Fitzsimonds (*Emeritus*), Milwaukee

Staff:

Todd A. Berry, President;
Joan Bleifuhs; Sandy Denson; Sonia Dubielzig; Dale J. Knapp, Research Director; Sandra Mumm, Business Manager; Beulah M. Poulter, Operations Director; Richard G. Sheil, Research Associate

The Wisconsin Taxpayers Alliance, founded in 1932, is the state's oldest and most respected private government-research organization. Through its publications, civic lectures and school talks, WISTAX aims to improve Wisconsin government through citizen education. Nonprofit, nonpartisan and independently funded, WISTAX is not affiliated with any group—national, state or local—and receives no government support.

www.wistax.org

Tax Incremental Financing in Wisconsin

Continued from page 1

TIF enables a city or village to use the additional property taxes generated by new development to finance certain project-related infrastructure improvements. When a TID is created, a base equalized value is established. The property taxes on this value continue to be distributed to the municipality, school district, county, technical college and other taxing units.

Ideally, the investment in infrastructure will spur development in the district and its equalized value will rise. The property taxes on this additional equalized value are the “tax increments.” Property owners within the TID pay property taxes based on the current value of their sites. However, taxing jurisdictions receive only the taxes levied on the initial base value of the district. The remaining tax dollars, the “tax increments,” are set aside in a special TID fund used to pay TID project costs.

With TIF, the municipality “captures” the tax increments that would have gone to other taxing jurisdictions and uses them to finance development costs. In effect, TIF requires overlying taxing jurisdictions to share in the costs of financing local development.

In most cases, general obligation debt is used to finance capital improvements in TID's. The debt is subsequently repaid with the incremental taxes generated through the district's development.

While the concept appears relatively straightforward, implementing the financing

mechanism is complex since TIF policy, in practice, must address numerous technical and legal issues.

With TIF, cities and villages “capture” the tax increments that would have gone to other taxing jurisdictions and use them to finance development costs.

Cities and villages have undertaken a number of different partnerships with private developers in the creation and development of TID's. (For information on TIF in other states, see page 4.) Public funding of TID's has included not only infrastructure improvements but also loans to developers.

TID's allow cities and villages to respond quickly to development proposals, since approval can occur at any time in the year, rather than being constrained by the timing of the local budget.

TID REQUIREMENTS

In 1975, the state legislature enacted the TIF law to provide cities and villages with a new method of financing municipal projects aimed at promoting development. The underlying rationale for TIF is that it encourages development and increases property values beyond what would otherwise have occurred.

Because other taxing jurisdictions will benefit when the public improvements are

TIF in Other States

The concept of tax incremental financing (TIF) was developed in the late 1940's, and first used in California in 1952. By 1970, it had spread to several, primarily western, states. Its use became more widespread over the ensuing decade. TIF is now allowed in all states except North Carolina and Delaware.

Although TIF programs differ from state to state, traditionally they have been employed to redevelop sites within older, central business districts. These areas tend to have the greatest potential for growth in property values, since existing values are relatively low. More recently, TIF has also been used to support affordable housing, neighborhood revitalization and redevelopment of older industrial areas.

Similar to federal urban renewal programs of 40 years ago, TIF projects are typically required to be part of an area-wide redevelopment or development plan. Initially, states restricted projects to "blighted" or "substandard" areas within the community. However, over time, these concepts have assumed less significance.

Iowa and Indiana, for example, abandoned the "blighted" and "substandard" tests, and now allow TIF to be used in "economic development areas." Under the expanded criteria, public improvements such as golf courses and parks, and private projects such as housing, office buildings, hotels and skywalks, qualify for the program. TIF has been used for subway construction in Chicago and light rail in Portland, Oregon.

Property tax revenue is the traditional source of funding for projects. Iowa, Indiana and Illinois are representative of the states that finance projects in this manner. However, the popularity of the concept and competition for business among the states have led several to broaden it to other local tax bases. States vary in their uses of other tax bases, but sales tax, earnings tax and business activity revenues are typically allowed.

paid for and tax revenues on the increased property values are again distributed to other taxing jurisdictions, requiring them to help pay for the improvements is viewed as defensible.

The TIF law permits a city or village to designate an area as a TID if either:

- 1) The equalized value of the proposed TID plus the equalized value of all TID's within the municipality does not exceed 7% of the municipality's total equalized value; or
- 2) The equalized value of taxable property of the proposed district plus the value increment of all existing TID's (i.e., the total valuation of all TID's minus the combined base value of all TID's) does not exceed 5% of the total equalized value of taxable property within the city or village.

In addition, to create a TID, the municipality must find that at least 50% of the area

included in the district: is "blighted" or in need of "rehabilitation or conservation work," as these terms are defined in *Wisconsin Statutes*; or is suitable for industrial sites and has been zoned for industrial use. An area designated as suitable for industrial sites must be zoned for industrial use both at the time the TID is created and throughout the life of the project.

Property vacant for seven years preceding creation of a TID cannot comprise more than 25% of the district's area, unless the district is created to promote industrial development. Land acquired through condemnation is excluded from this requirement.

TID VALUES AND INCREMENTS

After the TID has been established, the Wisconsin Department of Revenue (DOR) determines the equalized value of all taxable

property within the district. This value of the TID at the time it is created is the TID's *base value*.

The equalized value of certain city- or village-owned tax-exempt property must also be included in the TID base value. This requirement is aimed at preventing localities from purchasing property within a planned TID in order to lower the base value, thereby creating more tax incremental value than if the property had been taxable at the time the TID was created.

Incremental value increases as the value of the TID expands beyond the base value because of new construction and rising property valuations. The *incremental value*, determined each year by DOR, includes all taxable property minus the base value.

The incremental value, multiplied by the property tax levy of jurisdictions levying taxes in the municipality, is the *tax increment*. The county, municipality, school district, technical college or other taxing district does not receive the revenues represented by its respective tax levy on the incremental value. Instead, these monies are collected and allocated to a special TID fund used by the municipality to pay for public works and other improvements in the district to stimulate development and increased property values.

A municipality must pay for project costs: with tax increments; with money from its general fund, which will be reimbursed when tax increments are generated; or from the proceeds of notes and bonds specifically issued to finance TID project costs.

Planned public improvements in a TID are intended to increase the value of TID property and encourage additional private investment and development, which, in turn, further increases the taxable value of the district.

For TID's created before October 1, 1995, no expenditure for project costs may be made later than 10 years after the TID is created, and the TID terminates when all approved project costs are paid, or 27 years after the TID is created, whichever occurs first.

Public improvements in a TID are designed to increase the value of TID property and encourage additional private investment and development, which further increases the taxable value of the district.

For TID's created after September 30, 1995, no expenditure for project costs may be made later than seven years after the TID is created, and the TID terminates when all approved project costs are paid, or 23 years after the TID is created, whichever occurs first.

When a TID terminates, all taxing jurisdictions will once again receive their usual shares of property tax revenue generated by the value of all taxable property in the former TID.

CREATING A TID

The creation of a TID typically begins when a private development proposal is presented to local officials. Municipal staff then evaluate whether the project is consistent with the city's development goals and assess whether it is feasible to use a TID for the proposal.

The planning commission of the city or village seeking to create a TID must hold a public hearing on the proposed creation of the TID and its boundaries. Public notice of the hearing must be provided,

and notice must be sent by first-class mail to the chief executive officer or administrator of all local government entities having the power to levy taxes on property within a proposed TID.

Project Plan

The commission is required by law to develop a plan establishing the proposed boundaries of the TID and identifying the specific property to be designated as blighted or in need of rehabilitation or conservation work. The plan must include a list of all proposed public improvements or works within the TID, a detailed list of estimated project costs and a description of the methods of financing project costs. The plan must also include a map showing proposed improvements to the TID.

The plan is submitted to the municipal legislative body, which may approve it as proposed, amend it or reject it entirely.

Joint Review Board

Any municipality that seeks to create a TID must convene a joint review board to review the proposed district. No TID may be created without board approval.

The board must be comprised of representatives of the municipality, county, school district and technical college, as well as one public member. The municipality proposing the TID must provide the board with certain information, including projections of costs, tax increments and equalized values.

In determining whether to approve or deny the proposed TID, the board must consider: whether the development expected to occur in the TID would occur without the use of tax incremental financing; whether the overall economic benefits of the TID are sufficient to pay for the costs of improvements; and whether the benefits outweigh

the anticipated tax increments paid by property owners in the overlying districts. If the TID is rejected, the board must issue a written explanation to the city or village.

A planning commission can also adopt, once during the first seven years after creation, an amendment to a TIF project plan modifying the boundaries of that district to add contiguous territory served by public works or improvements created as part of the TID's project plan.

This allows expenditures for project costs incurred for public works or improvements in the area annexed to the district to be made for up to three years from

TID's Created and Discontinued
1976 Through 2000

Year	Created	Active	Terminated
1976	5	2	3
1977	18	2	16
1978	20	7	13
1979	85	13	72
1980	74	14	60
1981	55	6	49
1982	24	4	20
1983	40	13	27
1984	20	7	13
1985	28	10	18
1986	26	11	15
1987	31	18	13
1988	47	30	17
1989	40	26	14
1990	39	33	6
1991	38	36	2
1992	45	41	4
1993	41	39	2
1994	75	75	0
1995	84	83	1
1996	60	59	1
1997	70	68	2
1998	44	44	0
1999	50	50	0
2000	68	67	1
Total	1,127	758	369

the date the local legislative body adopts the resolution amending the project plan. The value of taxable property that is added to the existing district is determined by DOR. This value is then added to the original base value of the TID.

Periodic Audit

State law requires that three audits be completed by an outside certified public accountant. An audit is to be conducted within 12 months of the following: when 30% of the project costs has been expended; when the last project expenditure has been made; and (several years later) when the TID is terminated.

Each audit is to determine if the financial transactions are made legally and properly, and whether the TID is in compliance with its project plan. If the municipality has a general annual audit, the required TID audits may be done in conjunction with that work.

STATEWIDE TRENDS

Since 1976, a total of 1,127 TID's have been created (see table on page 6). During the same period, 369 have been terminated or dissolved, leaving 758 active TID's in 2001.

For property taxes levied in 2000, TID property tax increments totalled \$156.6 million, up 39.1%, or an average of 6.3% annually, from \$112.6 million in 1995.

Statewide trends in TID value increments (the taxable value of TID property above its base) are shown in the table opposite. The total value increment was \$7.52 billion in 2001, up 20.6% from \$6.24 billion in 2000. This was the highest annual percentage increase since 1983. From 1996 through 2001, TID value increments rose 83.2%, or 12.9% annually.

TID Value Increments 1977 Through 2001

Year	Amount (millions)	% Inc.	As % of Total Eq. Val.*
1977	\$ 28.7	-- %	0.06 %
1978	78.5	173.5	0.15
1979	151.6	93.1	0.26
1980	366.9	142.0	0.56
1981	612.2	66.9	0.91
1982	909.7	48.6	1.30
1983	1,136.1	24.9	1.60
1984	1,364.2	20.1	1.87
1985	1,551.5	13.7	2.07
1986	1,842.5	18.8	2.43
1987	1,977.7	7.3	2.52
1988	2,291.8	15.9	2.80
1989	2,496.5	8.9	2.88
1990	2,843.0	13.9	3.07
1991	3,125.5	9.9	3.16
1992	3,428.9	9.7	3.29
1993	3,502.7	2.2	3.13
1994	3,318.1	-5.3	2.77
1995	3,809.3	14.8	3.16
1996	4,102.9	7.7	3.55
1997	4,672.9	13.9	3.77
1998	5,142.9	10.1	3.85
1999	5,484.0	6.6	3.91
2000	6,235.7	13.7	4.21
2001	7,518.2	20.6	4.60

* TID value increment as a percentage of total equalized value in cities and villages with TID's.

TID property represents an increasing proportion of total equalized value in cities and villages with TID's. In 2001, TID value increments were 4.6% of all taxable values, up from 3.6% in 1996.

CITY AND VILLAGE TID'S

Selected information on TID's for 2001 is shown in the table starting on page 8. The data cover cities and villages above 5,000 population.

This group includes 106 incorporated cities and villages with at least one active

Selected Data on TID's in Cities and Villages Above 5,000 Population, 2001
(Dollars in Thousands, Except Per Capita)

Municipality	2001 Pop.	No. of TID's	Base Value	TID Increment	Growth Index¹	% of EV²	Rk.	TID Val. Per Cap.³	Rk.
Altoona	6,698	1	\$1,194.9	\$7,525.9	7.3	2.8	71	\$1,302	89
Antigo	8,601	2	7,115.4	1,610.6	1.2	0.6	101	1,015	96
Appleton	70,623	6	124,600.7	159,416.6	2.3	4.9	46	4,022	38
Ashland	8,606	3	1,174.5	12,547.2	11.7	4.2	54	1,594	83
Ashwaubenon (v)	17,596	1	180,043.3	231,832.5	2.3	14.7	5	23,407	1
Baraboo	10,780	5	8,439.2	41,473.6	5.9	8.3	26	4,630	30
Beaver Dam	15,239	5	5,008.7	73,392.5	15.7	9.9	19	5,145	26
Beloit	35,931	6	33,699.1	45,645.7	2.4	4.1	58	2,208	73
Berlin	5,314	8	1,032.6	13,127.2	13.7	6.8	29	2,665	66
Brown Deer (v)	12,151	1	11,979.9	42,497.4	4.5	5.2	42	4,483	33
Burlington	9,958	2	135,373.0	84,505.4	1.6	14.7	6	22,081	2
Cedarburg	11,196	1	1,309.6	30,183.2	24.0	3.7	62	2,813	61
Chippewa Falls	12,962	3	12,289.0	10,961.0	1.9	1.9	84	1,794	79
Cudahy	18,437	3	78,852.5	115,089.0	2.5	13.5	10	10,519	8
De Pere	20,777	4	26,466.6	98,252.7	4.7	7.9	27	6,003	22
DeForest (v)	7,475	1	7,290.5	78,693.4	11.8	13.8	9	11,503	6
Delafield	6,535	1	11,391.4	12,565.3	2.1	1.7	90	3,666	45
Delavan	8,030	2	3,566.6	58,208.7	17.3	14.5	8	7,693	16
Eau Claire	62,368	4	1,486.6	93,752.8	64.1	3.2	66	1,527	84
Elkhorn	7,517	2	50,349.8	45,592.3	1.9	11.2	15	12,763	4
Fitchburg	20,815	1	17,485.9	48,749.7	3.8	3.6	64	3,182	52
Fond du Lac	42,411	7	26,783.3	80,000.2	4.0	4.1	56	2,518	69
Franklin	30,199	1	2,229.4	92,446.9	42.5	4.6	53	3,135	53
Germantown (v)	18,406	3	17,121.0	75,552.0	5.4	4.9	45	5,035	29
Glendale	13,337	4	25,369.4	85,705.6	4.4	6.3	30	8,328	13
Grafton (v)	10,513	2	21,562.0	13,439.0	1.6	1.8	86	3,329	50
Green Bay	102,391	3	61,317.1	83,587.4	2.4	1.8	87	1,415	86
Hales Corners (v)	7,783	1	23,274.1	7,742.2	1.3	1.6	91	3,985	40
Hartford	11,077	4	4,558.1	75,004.6	17.5	11.9	14	7,183	20
Howard (v)	13,849	1	1,583.9	62,499.5	40.5	7.6	28	4,627	31
Hudson	9,151	1	1,711.7	40,237.2	24.5	5.4	39	4,584	32
Janesville	60,483	18	75,513.9	98,282.5	2.3	3.2	67	2,873	59
Jefferson	7,394	3	9,341.3	4,689.0	1.5	1.4	94	1,898	77
Kaukauna	13,071	2	26,467.6	31,559.0	2.2	5.6	35	4,439	34
Kenosha	90,963	4	10,143.0	97,088.2	10.6	2.4	75	1,179	90
Kimberly (v)	6,202	1	183.0	309.7	2.7	0.1	106	79	106
La Crosse	51,604	7	44,024.8	103,006.8	3.3	4.8	48	2,849	60
Lake Geneva	7,155	2	23,086.0	58,313.8	3.5	8.6	23	11,377	7
Little Chute (v)	10,526	3	19,356.3	26,053.2	2.3	5.5	36	4,314	35
Madison	210,377	12	388,949.3	358,945.5	1.9	2.6	72	3,555	48
Manitowoc	34,161	8	15,467.8	44,970.0	3.9	2.9	69	1,769	80
Marinette	11,740	3	17,788.9	21,418.6	2.2	4.8	49	3,340	49
Marshfield	18,887	5	40,790.8	7,685.9	1.2	0.9	98	2,567	67
McFarland (v)	6,540	1	508.3	17,010.5	34.5	4.0	59	2,679	65
Menasha	16,375	6	17,168.8	31,267.0	2.8	4.2	55	2,958	58
Men'ee Falls (v)	32,778	4	36,027.5	151,029.5	5.2	5.2	41	5,707	23
Menomonie	15,103	5	2,457.2	109,700.3	45.6	17.5	2	7,426	19
Merrill	10,150	1	9,450.2	13,743.9	2.5	3.8	60	2,285	72
Middleton	15,897	1	65,361.2	136,184.2	3.1	9.0	21	12,678	5
Milton	5,180	2	742.1	20,349.1	28.4	9.0	22	4,072	36
Milwaukee	595,508	31	246,631.4	455,069.2	2.8	2.3	76	1,178	91
Monona	8,012	3	29,882.5	31,297.3	2.0	4.6	52	7,636	17
Monroe	10,867	2	6,682.6	5,254.2	1.8	1.0	97	1,098	94
Muskego	21,491	2	5,309.6	19,991.9	4.8	1.3	95	1,177	92

Selected Data on TID's, Continued

Municipality	2001 Pop.	No. of TID's	Base Value	TID Increment	Growth Index¹	% of EV²	Rk.	TID Val. Per Cap.³	Rk.
Neenah	24,528	4	\$39,219.3	\$58,222.3	2.5	4.1	57	\$3,973	41
New Berlin	38,652	1	5,144.0	150,703.9	30.3	4.7	51	4,032	37
New London	7,104	4	6,236.7	32,569.2	6.2	12.6	13	5,463	25
New Richmond	6,399	3	286.4	22,638.1	80.0	6.3	31	3,583	46
Oak Creek	29,232	4	13,130.9	13,727.1	2.0	0.8	99	919	97
Oconomowoc	12,545	1	5,293.4	122,687.9	24.2	12.8	12	10,202	9
Onalaska	14,949	1	26,994.6	85,971.9	4.2	9.5	20	7,557	18
Oregon (v)	7,556	1	1,475.3	9,100.1	7.2	2.1	79	1,400	87
Oshkosh	63,225	11	39,403.5	121,716.9	4.1	4.7	50	2,548	68
Pewaukee (v)	8,176	1	6,323.2	11,701.7	2.9	2.0	81	2,205	74
Platteville	9,990	2	3,204.6	8,216.7	3.6	2.6	73	1,143	93
Pleasant Prairie (v)	16,493	1	24,389.0	25,956.6	2.1	1.8	88	3,053	56
Plover (v)	10,682	2	3,180.8	81,687.5	26.7	14.6	7	7,945	15
Plymouth	7,929	2	228.4	21,440.0	94.9	5.4	40	2,733	63
Port Washington	10,551	1	21,266.1	37,259.5	2.8	6.3	32	5,547	24
Portage	9,804	1	38.4	1,522.5	40.6	0.4	104	159	105
Prairie du Chien	6,021	7	2,515.9	38,318.5	16.2	15.0	4	6,782	21
Racine	81,665	7	38,996.2	101,197.6	3.6	3.7	61	1,717	81
Reedsburg	7,984	4	9,749.4	7,451.4	1.8	2.0	82	2,154	75
Rhineland	7,734	3	1,677.3	21,522.7	13.8	5.0	44	3,000	57
Rice Lake	8,375	1	2,160.9	1,658.1	1.8	0.4	103	456	103
Richland Center	5,153	4	20,573.5	26,720.7	2.3	12.8	11	9,178	12
Ripon	7,542	4	12,649.7	17,560.8	2.4	5.5	37	4,006	39
River Falls	12,716	2	849.5	12,650.7	15.9	2.5	74	1,062	95
Saint Francis	8,812	2	3,170.4	8,613.9	3.7	2.2	77	1,337	88
Shawano	8,316	3	18,111.6	7,958.2	1.4	2.1	80	3,135	54
Sheboygan	50,753	10	82,008.8	111,768.5	2.4	5.5	38	3,818	43
Sheboygan Falls	6,795	1	6,169.3	10,270.7	2.7	2.8	70	2,419	70
South Milwaukee	21,308	2	13,565.8	1,062.3	1.1	0.1	105	687	101
Sparta	8,727	3	4,040.8	22,907.7	6.7	8.3	25	3,088	55
Stevens Point	24,698	2	15,014.6	66,770.3	5.4	5.9	34	3,311	51
Stoughton	12,433	3	9,579.4	10,728.3	2.1	1.7	89	1,633	82
Sturgeon Bay	9,477	2	22,702.9	69,070.4	4.0	10.3	18	9,684	10
Sturtevant (v)	5,314	1	4,054.9	77,713.8	20.2	29.6	1	15,387	3
Sun Prairie	21,013	3	156.7	18,197.5	117.1	1.4	92	873	98
Superior	27,387	2	9,282.2	6,727.3	1.7	0.7	100	585	102
Sussex (v)	8,932	2	6,767.8	75,905.7	12.2	10.9	16	9,256	11
Tomah	8,478	5	7,935.0	60,110.8	8.6	16.6	3	8,026	14
Two Rivers	12,625	4	4,621.9	5,596.1	2.2	1.2	96	809	100
Verona	7,502	5	8,948.6	19,237.0	3.1	3.6	63	3,757	44
Watertown	21,928	1	2,081.8	30,323.8	15.6	3.1	68	1,478	85
Waukesha	65,324	6	53,471.7	124,510.9	3.3	3.3	65	2,725	64
Waunakee (v)	9,165	2	575.6	3,263.8	6.7	0.5	102	419	104
Waupaca	5,674	4	10,636.6	5,118.1	1.5	1.9	83	2,777	62
Waupun	10,456	2	1,007.9	17,772.7	18.6	6.0	33	1,796	78
Wausau	38,654	5	42,923.3	94,924.0	3.2	5.2	43	3,566	47
Wauwatosa	47,179	2	31,118.0	78,101.3	3.5	2.2	78	2,315	71
West Allis	61,164	4	11,771.0	40,867.1	4.5	1.4	93	861	99
West Bend	28,353	7	33,342.7	78,484.0	3.4	4.8	47	3,944	42
Weston (v)	12,249	1	15,241.6	9,577.1	1.6	1.8	85	2,026	76
Whitewater	13,608	5	26,437.2	42,354.2	2.6	10.5	17	5,055	27
Wisconsin Rapids	18,415	2	18,021.0	75,039.5	5.2	8.6	24	5,054	28
Total/Avg.	2,886,934	378	\$2,744,739.4	\$5,970,233.5	3.2	4.2	--	\$3,017	--

¹ Current equalized value of a TID (base value plus value increment) divided by its base value.

² TID value as a percentage of the municipality's total equalized value.

³ Total TID value per capita.

TID in 2001. Some of the large municipalities have numerous active TID's, while many smaller communities have just one or two.

Milwaukee had the most TID's at 31, with Janesville second at 18. Madison was third highest at 12, followed by Oshkosh (11) and Sheboygan (10). Berlin and Manitowoc each had eight TID's, while five municipalities had seven: Fond du Lac, La Crosse, Prairie du Chien, Racine and West Bend.

The table also lists the TID base and value increments for 2001. Where there are two or more TID's, the combined amount is shown.

For all municipalities included, the total base value was \$2.7 billion, while the total value increment was nearly \$6.0 billion. The higher value reflects the construction of TIF projects, along with property appreciation. Madison had the highest total TID value (sum of base value and value increment in table) in 2001, \$747.9 million.

Growth Index

This measure shows the relative increase of value increments over the base. The index is determined by dividing the current TID equalized value (base plus increment) by the base value.

In general, the larger the index, the greater the indicator of financial success as represented by increased property values. However, the missing variable, which is not reported to the state, is the project costs expended in producing the value.

There are 10 municipalities where the growth index was 30 or more. In most of them, a major reason for the high return was the relatively low base value.

For example, in the city of Sun Prairie, the base value of \$156,700 compares with

a current value of \$18.2 million; the resulting index is 117.1. By contrast, 17 communities had a growth index under two. The average for all municipalities in the table was 3.2.

TIF "Intensity"

This indicator shows the value increment as a percentage of the municipality's total equalized value. The average was 4.2%. Among the reasons for the differences are: the extent to which TID programs have been used; how long they have been in existence; the size of the projects; and the amount of increased value the projects generated.

In nine municipalities, the TID value increment was less than 1% of the municipality's equalized value. Among those with high ratios, the village of Sturtevant was highest at 29.6%, followed by the cities of Menomonie (17.5%) and Tomah (16.6%). Fifteen others were above 10.0%.

The village of Kimberly and the city of South Milwaukee had the lowest ratios (both at 0.1%), followed by the cities of Portage and Rice Lake (both at 0.4%).

TID Value Per Capita

The average TID value per capita in the 106 cities and villages was \$3,017. The village of Ashwaubenon had the highest total TID value per capita (\$23,407), followed by the city of Burlington (\$22,081) and the village of Sturtevant (\$15,387).

The village of Kimberly had the lowest TID value per capita (\$79), followed by Portage (\$159) and the village of Waunakee (\$419). □

DATA SOURCE

Wisconsin Departments of Revenue and of Commerce; Legislative Fiscal Bureau; and Legislative Council.

TIF Law: Reform?

Continued from back cover

tions. TID's could have been created only when the city or village and the town enter into a cooperative plan boundary agreement or similar agreement relating to annexation.

In addition, the bill would have allowed TID's to be created if the city or village agreed to pay the town, for five years, the property taxes levied by the town on the land at the time of annexation. Under the bill, these payments could be considered TID project costs.

This bill also proposed technical changes to the environmental remediation TIF program. Under current law, the program permits a town, village, city or county (political subdivision) to defray the

costs of remediating contaminated property that is owned by the political subdivision.

The mechanism for financing costs eligible for remediation is very similar to the mechanism under the TIF program.

If the remediated property is transferred to another person and is then subject to property taxation, environmental remediation TIF may be used to allocate some of the property taxes levied on the property to the political subdivision to pay for the costs of remediation. □

SOURCE:

Report of Governor's Working Group on TIF; and Legislative Reference Bureau.

WISCONSIN TAX INCREMENTAL FINANCING RESOURCES ON THE INTERNET

Wisconsin Department of Revenue

Reports/Data (<http://www.dor.state.wi.us/html/stats.html>)

Under "Tax Incremental Financing," see:
Report Used for Apportionment of County Levy (2001)
Tax Incremental Value Reports (2000, 2001)
Working Group on TIF

Local Government Publications (<http://www.dor.state.wi.us/html/govpub.html>)

Under "Tax Incremental Financing," see:
An Intergovernmental/Private Partnership (March 2001)
Common Language Guidelines for Project Plans (December 1992)

Wisconsin Department of Commerce

Financing Your Business in Wisconsin (<http://www.commerce.state.wi.us/mt/mt-com-2000.html>)

"Enterprise Development Zone Program"
"Development Zone Program"

Tax Incremental Financing (<http://www.commerce.state.wi.us/mt/mt-fax-0815.html>)

"Application Process"
Under "Other Resources," see:
Informational Paper #17, Tax Incremental Financing (January 2001)

TIF Law: Reform?

Virtually since its inception, Wisconsin's tax incremental financing (TIF) law has been the subject of calls for reform.

Historically, officials in school districts and other units of government have voiced their concerns that tax incremental districts (TID's) deprive them of property tax revenues. The criticism is particularly strong in cases where development of a similar scale was almost certain to have occurred without TIF.

More recently, environmental and anti-sprawl groups have criticized the extent to which TIF is used to develop open space lands.

As noted on page 4, across the nation, the rationale for TIF has changed over the past several decades. Wisconsin is no exception; TIF has been used increasingly for types of economic development not contemplated by the original TIF law.

In 1999, Governor Tommy G. Thompson created the Governor's Working Group on TIF as part of his vetoes in the state budget bill. In December 2000, it issued recommendations on revising the state's TIF law. The report contained six "technical" and 27 "policy" proposals. The group reviewed numerous TIF issues, including the extent to which TIF is used for "greenfield" development, or development in previously undeveloped land.

In October 2001, the state Assembly voted 93-3 to approve Assembly Bill 510, compromise legislation incorporating many of the recommendations of the working group. Although it died in the Senate, the legislation does suggest some possible areas of change in TIF law.

The bill, if enacted, would have required a city or village to wait three years before creating a TID in newly annexed territory, with several excep-

Continued on inside back cover.

Wisconsin Taxpayers Alliance

335 W. Wilson St., Madison, WI 53703-3694
608.255.4581 • www.wistax.org

PERIODICALS
USPS 688-800