



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	SB0404	Title:	Revise education funding laws related to tax increment financing
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Primary Sponsor:	Arntzen, Elsie	Status:	As Introduced
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- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$7,779	\$23,726
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$7,779</u>	<u>\$23,726</u>

Description of fiscal impact: SB 404 exempts the 95 school equalization mills and the 1.5 Vo-Tech mills from tax increment financing. There would be an estimated increase in revenue to the general fund of \$7,779 in FY 2018 and \$23,726 in FY 2019.

FISCAL ANALYSIS

Assumptions:

Department of Revenue (DOR)

1. Tax increment financing separates taxable value into base and increment values so that revenue from the base value continue to go to the regular taxing jurisdiction but revenue from the increment go to the tax increment finance (TIF) district.
2. Under current law, the 95 school equalization mills (20-9-331, 20-9-333, and 20-9-360, MCA) and the 1.5 vo-tech mills (20-25-439, MCA) levied on the TIF increment are kept within the TIF.
3. SB 404 exempts the school equalization mills and vo-tech mills from the tax increment financing so that revenue generated from these mills on the increment would go to the state general fund rather than to the TIF.
4. SB 404 applies to TIFs that are initiated after October 1, 2015. This fiscal note assumes that TIFs initiated in TY 2015 would be initiated prior to October 1, 2015. Therefore, this bill would affect new TIFs starting TY 2016.

5. In the past three years (TY 2012 – TY 2014), there have been an average of four new TIFs per year. These TIFs have an average base taxable value (TV) of \$784,463. This fiscal note assumes this trend will continue so that four TIFs are created each year beginning TY 2016. The base TV of these new TIFs is estimated to be the current average base TV (\$784,463) adjusted annually for HJ 2. This is shown in the table below.

Estimated Base Taxable Value of New TIFs			
<u>Year TIFs Created</u>	<u>Number of New TIFs</u>	<u>Average Base TV</u>	<u>Total Base TV</u>
TY 2016	4	\$811,220	\$3,244,880
TY 2017	4	\$831,541	\$3,326,163

6. Total TV in the TIFs is assumed to grow annually based on HJ 2. The increment TV is the total TV minus the base TV. TIFs created in TY 2016 would have an increment beginning TY 2017 (FY 2018). TIFs created in TY 2017 would have an increment beginning TY 2018 (FY 2019). The following table shows the estimated base TV (assumption #4), the estimated total TV, and the estimated TV of the increment.

Estimated Total Taxable Value and Estimated Increment TV in New TIFs					
<u>Year TIFs Created</u>	<u>Total Base TV</u>	<u>Total TIF TV TY 17</u>	<u>Total Increment TV TY 17</u>	<u>Total TIF TV TY 18</u>	<u>Total Increment TV TY 18</u>
TY 2016	\$3,244,880	\$3,326,163	\$81,283	\$3,409,481	\$164,601
TY 2017	\$3,326,163	\$3,326,163	\$0	\$3,409,481	\$83,319
Total Increment			\$81,283		\$247,920

7. The revenue increase to the state generated from the 95 school equalization mills and revenue increase to the state generated from the 1.5 vo-tech mills on the increment is shown in the table below. Because the 1.5 mills only apply to five counties (Silver Bow, Cascade, Yellowstone, Missoula, and Lewis and Clark), a weighted average mill rate of 0.7 is applied.

Estimated State Revenue from New TIFs				
<u>Year</u>	<u>Total Increment TV</u>	<u>Revenue 95 Mills</u>	<u>Revenue 1.5 Mills</u>	<u>Total Revenue</u>
TY 2017/FY 2018	\$81,283	\$7,722	\$57	\$7,779
TY 2018/FY 2019	\$247,920	\$23,552	\$174	\$23,726

8. There are no costs to the department.

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$7,779	\$23,726
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$7,779</u>	<u>\$23,726</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$7,779	\$23,726

Effect on County or Other Local Revenues or Expenditures:

Office of Public Instruction (OPI)

1. To the extent that TIF districts have sharing agreements with school districts, the amount to be received by local school districts could be reduced by some undetermined amount should the TIF districts not receive the 95 school mills. The amount is not determinable because it depends on the agreement between the TIF district and the school district where applicable.

Sponsor's Initials

Date

Budget Director's Initials

Date