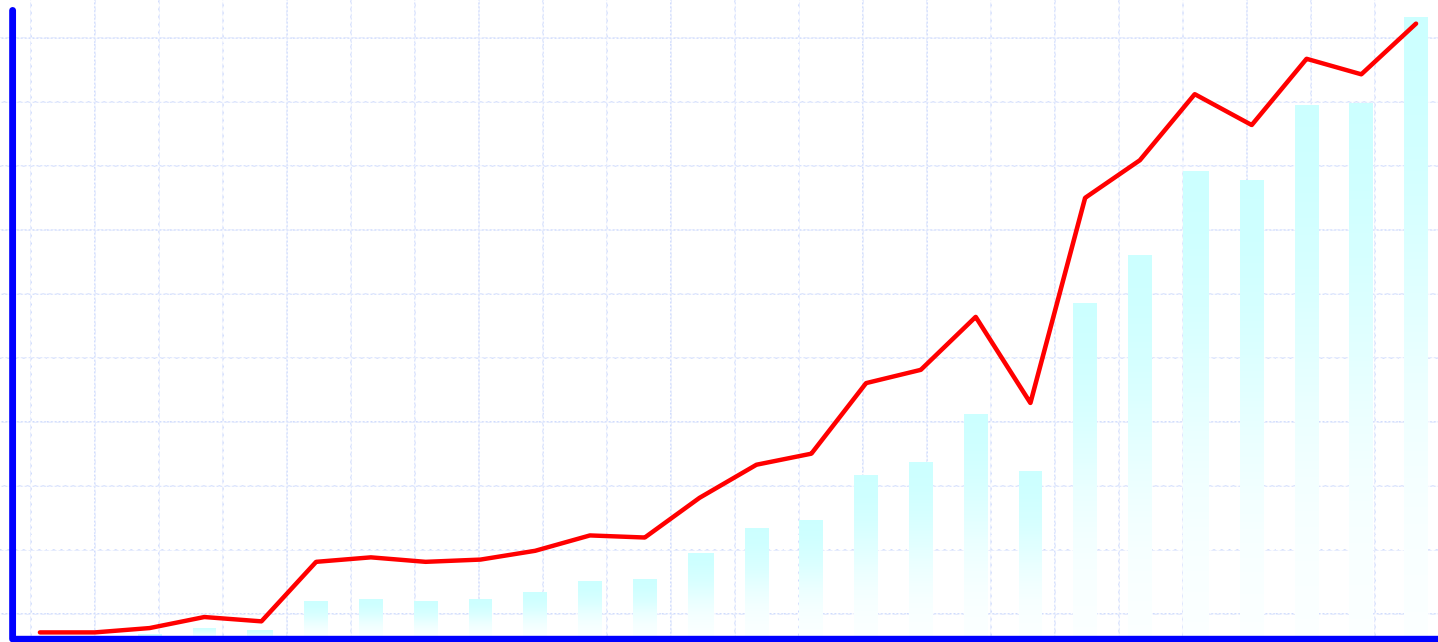


Tax Increment Financing



Jeff Robinson - Fiscal Services Division
Legislative Services Agency
Senate Ways & Means Committee
March 3, 2009

Tax Increment Financing Authorization

1. Commonly called by its acronym of “TIF” but officially part of Iowa’s “Urban Renewal” law. TIF is simply a financing option for urban renewal activities.
2. Authorization for urban renewal activities is found in Chapter 403, Code of Iowa.
3. This Chapter was first enacted in 1957 (SF 184), with Tax Increment Financing added in 1969 (HF 562).

Tax Increment Financing – Who may TIF

1. Cities and counties may establish Tax Increment Financing areas.
2. Rural Improvement Zones are also allowed.
3. Community Colleges may utilize the concept of TIF to fund job training programs for qualified employers. See Industrial New jobs Training, Chapter 260E, Code of Iowa.

What is the General Concept of Tax Increment Financing?

TIF provides a mechanism for financing economic development and the rehabilitation of slum & blighted areas.

Tax Increment Financing – Statistics

1. There are 2,052 active TIF areas in Iowa (they have either a base value, increment value, or both).
2. Of these, 1,421 generated TIF revenue in FY 2009.
3. Of those 1,421 - 283 have no base value.
4. A total of 393 local governments will receive TIF revenue in FY 2009, including:
 - 346 cities
 - 42 counties
 - 3 Community Colleges
 - 2 Rural Improvement Zones

Destination and Source of TIF Property Tax

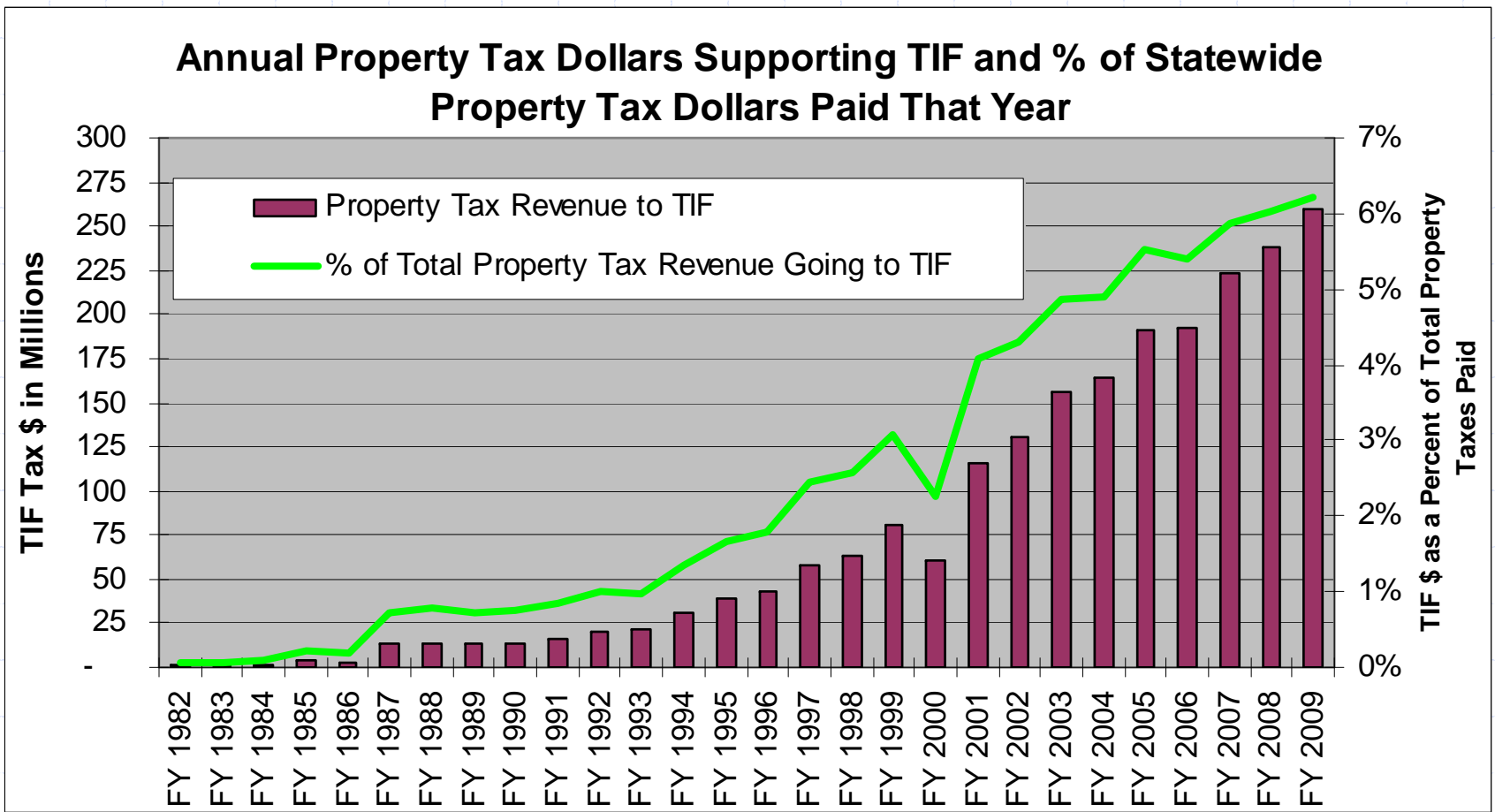
Tax Increment Financing Breakdown - FY 2009

	City TIF's	County TIF's	Community College TIF's	Rural Improvement Zone TIF's	Total TIF's
Total	\$244,991,306	\$13,698,787	\$64,860	\$1,450,366	\$260,205,319
Percent of Total	94.2%	5.3%	0.0%	0.6%	100.0%

Source of Revenue	TIF Impact	% of Total
County	50,193,504	19.3%
City	84,210,462	32.4%
School	64,652,620	24.8%
State General Fund School Aid Backfill	43,130,000	16.6%
Community College	5,232,499	2.0%
Ag. Extension	903,758	0.3%
Assessors	3,216,374	1.2%
Townships	294,868	0.1%
Hospitals	6,677,299	2.6%
Other	1,073,262	0.4%
SSMID	592,718	0.2%
Brucellosis Fund	27,955	0.0%
Total TIF Revenue	\$260,205,319	100.0%

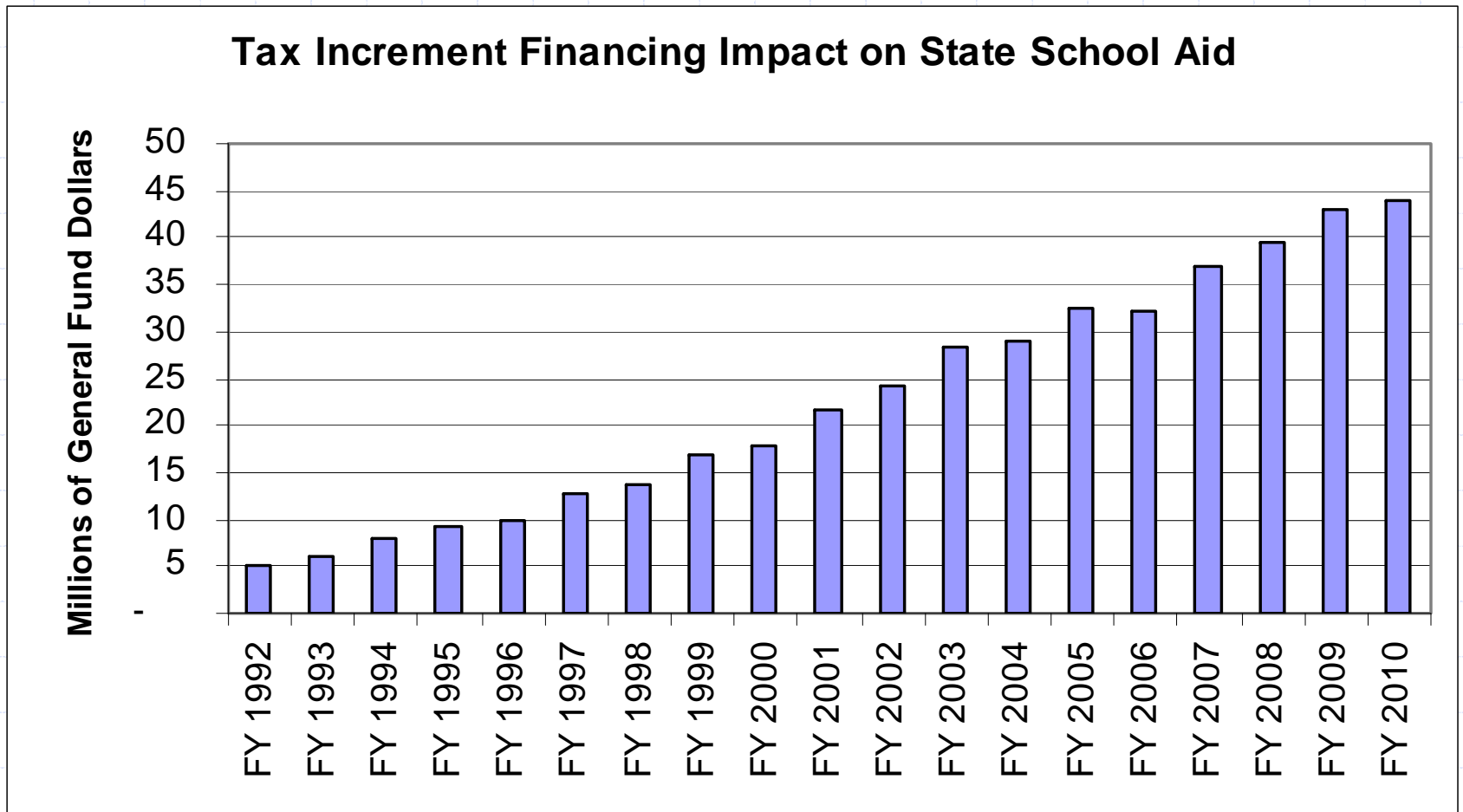
SSMID = Self-Supporting Municipal Improvement District

Property Tax Dollars Devoted to Economic Development Through Tax Increment Financing



State School Aid TIF Backfill

FY 2010 is Estimated



TIF Cities reported \$1,552 million in TIF debt at the end of FY 2007

Note: Council Bluffs, Clive, and several smaller cities reported no TIF debt for FY 2007.

Their reports do not appear correct.

TIF Debt Outstanding at the end of FY 2007 by City Population Size

Taxable Value Includes TIF and non-TIF Value and is from FY 2009

<u>Population Category</u>	<u># of TIF Cities</u>	<u>Total Population</u>	<u>Total Taxable Value, in Millions</u>	<u>Total TIF Debt, in Millions</u>	<u>TIF Debt Outstanding in Dollars Per Thousand</u>
Greater than 50,000	9	796,136	30,467	546	17.93
10,000 to 50,000	24	478,954	18,910	455	24.04
3,000 to 10,000	72	402,556	13,430	339	25.28
1,000 to 3,000	128	222,087	5,975	167	28.03
500 to 1,000	83	62,848	2,030	40	19.64
Less than 500	42	13,615	405	4	10.47
	<u>358</u>	<u>1,976,196</u>	<u>\$ 71,216</u>	<u>\$ 1,552</u>	<u>\$ 21.79</u>

TIF Cities reported \$1,552 million in TIF debt at the end of FY 2007, \$66 million more than two years earlier.

* Council Bluffs, Clive, and several smaller cities reported no TIF debt for FY 2007. Those reports do not appear correct.

	Dollars in Millions	
	<u>Outstanding City TIF Debt</u>	<u>Growth in TIF Debt</u>
End of FY 2003	\$ 1,327	
End of FY 2005	\$ 1,486	\$ 159
End of FY 2007 *	\$ 1,552	\$ 66

School Districts with Significant TIF Increment

Top 20 in FY 2001

Percent of School District Taxable Value in TIF Increments

Increment Value Divided By Total Taxable Value of School District

TIF % Rank - FY 2001	School District	% in TIF Increment FY 2001	% in TIF Increment FY 2009	TIF % Rank - FY 2009
1	Clear Creek SD	30.6%	47.5%	1
2	West Burlington SD	22.5%	30.9%	3
3	Waukee SD	20.8%	17.0%	13
4	Roland Story SD	18.0%	12.5%	24

5	Okoboji SD	17.1%	11.3%	31
6	Mount Vernon SD	17.0%	13.2%	22
7	Northwood-Kensett SD	15.8%	3.9%	124
8	Muscatine SD	14.5%	11.4%	30

9	Ballard SD	12.9%	21.1%	9
10	Williamsburg SD	12.5%	18.0%	12
11	Avoca-H-S-T SD	12.2%	10.3%	37
12	Sioux Center SD	11.9%	18.4%	11

13	Sioux City SD	11.8%	11.3%	33
14	College SD	11.7%	14.8%	16
15	Charles City SD	11.6%	12.4%	25
16	Baxter Sd	11.6%	14.6%	17

17	Rock Valley SD	11.2%	22.8%	7
18	Le Mars SD	11.1%	25.5%	4
19	Central Clinton SD	11.1%	10.7%	35
20	Sergeant Bluff-Luton SD	10.6%	12.1%	27
Total for All Iowa School Districts		4.1%	6.3%	

In FY 2001, 260 school districts were impacted by TIF increment value, in FY 2009, the number was 264.

School Districts with Significant TIF Increment

Top 20 in FY 2001

Percent of School District Taxable Value in TIF Increments

Increment Value Divided By Total Taxable Value of School District

TIF % Rank - FY 2001	School District	% in TIF Increment FY 2001	% in TIF Increment FY 2009	TIF % Change FY 2001 vs FY 2009	% Increase in Total Taxable Value	% Increase in Average Consolidated Property Tax Rate
1	Clear Creek SD	30.6%	47.5%	Increased	147.3%	32.9%
20	Sergeant Bluff-Luton SD	10.6%	12.1%	Increased	44.3%	25.5%
9	Ballard SD	12.9%	21.1%	Increased	34.8%	19.6%
12	Sioux Center SD	11.9%	18.4%	Increased	34.0%	25.2%
14	College SD	11.7%	14.8%	Increased	32.7%	23.1%
18	Le Mars SD	11.1%	25.5%	Increased	26.2%	30.9%
10	Williamsburg SD	12.5%	18.0%	Increased	21.7%	23.8%
17	Rock Valley SD	11.2%	22.8%	Increased	20.7%	35.4%
15	Charles City SD	11.6%	12.4%	Increased	16.9%	12.0%
16	Baxter SD	11.6%	14.6%	Increased	12.4%	25.8%
2	West Burlington SD	22.5%	30.9%	Increased	5.2%	18.1%
3	Waukee SD	20.8%	17.0%	Decreased	273.8%	3.6%
5	Okoboji SD	17.1%	11.3%	Decreased	100.4%	-11.6%
6	Mount Vernon SD	17.0%	13.2%	Decreased	31.9%	23.5%
19	Central Clinton SD	11.1%	10.7%	Decreased	30.5%	14.1%
7	Northwood-Kensett SD	15.8%	3.9%	Decreased	29.0%	6.3%
11	Avoca-H-S-T SD	12.2%	10.3%	Decreased	19.1%	22.5%
8	Muscatine SD	14.5%	11.4%	Decreased	18.4%	10.4%
4	Roland Story SD	18.0%	12.5%	Decreased	14.5%	4.0%
13	Sioux City SD	11.8%	11.3%	Decreased	11.8%	24.8%
Total for All Iowa School Districts		4.1%	6.3%		26.8%	15.7%

Gray Shading = Taxable value grew faster than the Statewide average.

Yellow Shading = Average consolidated tax rate grew slower than the Statewide average.

School Districts with Significant TIF Increment

Top 20 in FY 2001 - % Change in Consolidated Tax rate, FY01 to FY09

% Change in Average Consolidated Tax Rate

FY 2001 to FY 2009

	<u>Rural Tax Rate</u>	<u>Urban Tax Rate</u>
School Districts Where the % of Total Taxable Value in TIF Increments Increased	22.7%	21.3%
School Districts Where the % of Total Taxable Value in TIF Increments Decreased	8.6%	9.3%
Average - all property in the State	17.0%	12.0%

The concept that a pre-existing base value continues to contribute the same level of tax dollars to the existing levy authorities is very often a myth

Increment Value Change for an Example Small City

Note: Numbers are from an actual Iowa city

Source of Value	Taxable Value FY 2001	Taxable Value FY 2010	Taxable Value Growth	Taxable Value % Change
Residential	9,309,162	14,990,193	5,681,031	61.0%
Commercial/Indust/Utility	1,605,021	2,427,573	822,552	51.2%
Total Taxable Valuation *	\$ 10,914,183	\$ 17,417,766	\$ 6,503,583	59.6%
Division of Value				
Non-Increment Value	10,714,183	318,155	(10,396,028)	-97.0%
Value in Increment	200,000	17,099,611	16,899,611	8449.8%
Total Taxable Valuation	\$ 10,914,183	\$ 17,417,766	\$ 6,503,583	59.6%
Homestead Exemptions	214	229	15	7.0%

* Excludes gas/electric excise valuation and a small amount of agriculture value.

Background Data – FY 2001

FY 2001 School District Taxable Value and Average Rate

Ranked by FY 2001 Percent of Taxable Value in Increment

State Rank FY 2001	School District	Taxable Value of Increment	Total Taxable Value	Consolidated Taxes Paid	Average Consolidated Tax Rate	% of Taxable Value in TIF Increment
1	Clear Creek SD	73,527,835	240,302,121	6,402,475	26.64	30.6%
2	West Burlington SD	29,879,294	132,813,343	4,518,256	34.02	22.5%
3	Waukee SD	120,073,380	578,138,344	20,340,330	35.18	20.8%
4	Roland Story SD	38,151,999	212,137,215	5,886,355	27.75	18.0%
5	Okoboji SD	79,058,137	461,634,301	9,942,800	21.54	17.1%
6	Mount Vernon SD	26,525,128	155,931,977	4,285,187	27.48	17.0%
7	Northwood-Kensett SD	22,306,020	141,561,660	3,888,823	27.47	15.8%
8	Muscatine SD	135,057,354	934,384,493	29,462,970	31.53	14.5%
9	Ballard SD	24,141,209	186,991,934	5,651,373	30.22	12.9%
10	Williamsburg SD	32,252,835	258,863,904	5,948,056	22.98	12.5%
11	Avoca-H-S-T SD	20,768,651	170,590,490	4,233,454	24.82	12.2%
12	Sioux Center SD	28,256,000	237,193,836	5,969,335	25.17	11.9%
13	Sioux City SD	223,184,758	1,894,780,667	69,261,223	36.55	11.8%
14	College SD	124,044,105	1,060,461,727	31,603,439	29.80	11.7%
15	Charles City SD	40,470,084	349,691,787	9,924,982	28.38	11.6%
16	Baxter SD	7,528,986	65,151,921	1,835,390	28.17	11.6%
17	Rock Valley SD	16,596,775	147,876,599	3,289,461	22.24	11.2%
18	Le Mars SD	55,678,179	500,672,862	11,076,231	22.12	11.1%
19	Central Clinton SD	32,772,975	296,051,045	8,006,211	27.04	11.1%
20	Sergeant Bluff-Luton SD	40,753,920	384,386,833	10,639,165	27.68	10.6%
	Remainder of State	2,836,675,005	88,214,142,318	2,603,561,656	29.51	3.2%
	State Total	4,007,702,629	96,623,759,377	2,855,727,173	29.56	4.1%

Background Data – FY 2009

FY 2009 School District Taxable Value and Average Rate

Ranked by FY 2001 Percent of Taxable Value in Increment

State Rank FY 2001	School District	Taxable Value of Increment	Total Taxable Value	Consolidated Taxes Paid	Average Consolidated Tax Rate	% of Taxable Value in TIF Increment
1	Clear Creek SD	282,322,036	594,198,071	21,045,764	35.42	47.5%
2	West Burlington SD	43,219,999	139,655,200	5,612,775	40.19	30.9%
3	Waukee SD	368,487,518	2,161,335,943	78,749,918	36.44	17.0%
4	Roland Story SD	30,257,762	242,814,332	7,007,337	28.86	12.5%
5	Okoboji SD	104,429,823	925,098,240	17,608,716	19.03	11.3%
6	Mount Vernon SD	27,252,113	205,709,367	6,984,052	33.95	13.2%
7	Northwood-Kensett SD	7,101,317	182,563,281	5,329,593	29.19	3.9%
8	Muscatine SD	125,955,569	1,106,033,201	38,498,188	34.81	11.4%
9	Ballard SD	53,213,093	252,071,692	9,108,944	36.14	21.1%
10	Williamsburg SD	56,844,601	314,945,679	8,957,952	28.44	18.0%
11	Avoca-H-S-T SD	21,008,070	203,167,947	6,175,662	30.40	10.3%
12	Sioux Center SD	58,506,756	317,861,332	10,016,594	31.51	18.4%
13	Sioux City SD	238,432,517	2,119,091,678	96,678,461	45.62	11.3%
14	College SD	208,689,354	1,407,332,659	51,637,027	36.69	14.8%
15	Charles City SD	50,832,509	408,732,084	12,998,133	31.80	12.4%
16	Baxter SD	10,708,921	73,235,222	2,595,704	35.44	14.6%
17	Rock Valley SD	40,752,421	178,419,449	5,372,419	30.11	22.8%
18	Le Mars SD	160,865,715	631,917,423	18,305,890	28.97	25.5%
19	Central Clinton SD	41,262,180	386,300,807	11,914,801	30.84	10.7%
20	Sergeant Bluff-Luton SD	67,322,195	554,830,969	19,270,772	34.73	12.1%
	Remainder of State	5,989,546,476	110,098,120,125	3,754,013,063	34.10	5.4%
	State Total	7,987,010,945	122,503,434,701	4,187,881,765	34.19	6.5%
	Statewide Average Annual Rate of Growth FY 2001 to FY 2009	9.0%	3.0%	4.9%	1.8%	