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Office of the City Manager  
312 W. Whitewater St.  
Whitewater, WI 53190

FEBRUARY 13, 2025

To: City of Whitewater

From: John Weidl, City Manager

Subject: Addressing Misconceptions on TIF and School Funding

Council Members and CDA Members,

As discussions continue regarding Whitewater's use of Tax Increment Financing (TIF), I want to ensure that we address misinformation regarding its impact on school funding. The report *Tax Incremental Financing Districts – The Fiscal Impact on School Districts* provides a clear, data-driven analysis showing that TIF does not reduce school funding but instead strengthens long-term financial stability for schools. Below are the key takeaways relevant to our ongoing discussions.

### **TIF Does Not Reduce School District Funding**

Claim: TIF districts take money away from schools, forcing school districts to raise taxes or cut services.

Reality:

- School districts continue receiving per-pupil state aid while a TIF is active, ensuring their funding remains stable.
- Schools still collect full tax revenue on the base value of properties in a TIF district. Only the new tax increment is temporarily allocated to TIF-related improvements.
- When a TIF district closes, the expanded tax base results in a permanent increase in school district funding.

Key Takeaway: TIF does not take away existing school funding. It enables long-term tax base growth that directly benefits schools.

### **Schools Benefit from TIF When a District Closes**

Claim: Schools lose out on tax revenue while a TIF district is active.

Reality:

- Once a TIF district closes, all new property tax revenue flows to the school district and other taxing entities.
- TIF districts prevent stagnation in property values and school funding by ensuring that new development occurs.
- Case studies from the DeForest and Johnson Creek School Districts show that when TIFs close, school revenue increases significantly.

Key Takeaway: School districts benefit financially when a TIF closes, ensuring stronger long-term funding.

### **The School Aid Formula Adjusts for TIF Impact**

Claim: TIF districts reduce state aid to schools.

Reality:

- Wisconsin's school funding formula accounts for TIF, ensuring that school districts do not lose state aid due to a municipality's TIF activity.
- There may be a one-year lag in aid adjustments after a TIF closes, but school districts receive a long-term gain in local tax revenue.
- A larger tax base reduces reliance on state equalization aid over time, creating more stable funding.

Key Takeaway: Wisconsin's school funding formula prevents school districts from losing funding due to TIF.

### **Rejecting TIF Would Hurt School Districts in the Long Run**

Claim: Eliminating TIF would increase school funding.

Reality:

- Without TIF, fewer developments would occur, leading to slower tax base growth and less long-term revenue for schools.
- Municipalities that rejected TIF have experienced tax base stagnation, forcing homeowners to absorb more school funding costs.
- Schools benefit most when new development expands the tax base. Rejecting TIF would limit Whitewater's ability to grow and generate new revenue for education.



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Key Takeaway: Without TIF, school districts would face slower tax base growth and increased reliance on local taxpayers.

### **Final Assessment**

TIF is a long-term investment in school funding, not a financial drain. The evidence confirms:

- TIF does not reduce school funding—state aid and base tax revenues remain intact.
- When a TIF closes, schools receive a financial windfall from the expanded tax base.
- Wisconsin's school funding formula ensures TIF districts do not negatively impact aid allocations.
- Rejecting TIF would slow school revenue growth and increase reliance on homeowners to fund education.

I encourage you to use this information in public discussions to address misinformation. If you need additional clarification or further analysis, I am available to provide it.

Best, - JSW

A handwritten signature in black ink that reads "John S. Weidl". The signature is written in a cursive style.

John S. Weidl

City Manager, City of Whitewater

# Tax Incremental Financing Districts The Fiscal Impact on School Districts

WASBO Spring Conference

Thursday, May 22, 2014

9:40am – 10:40am



## Presenters

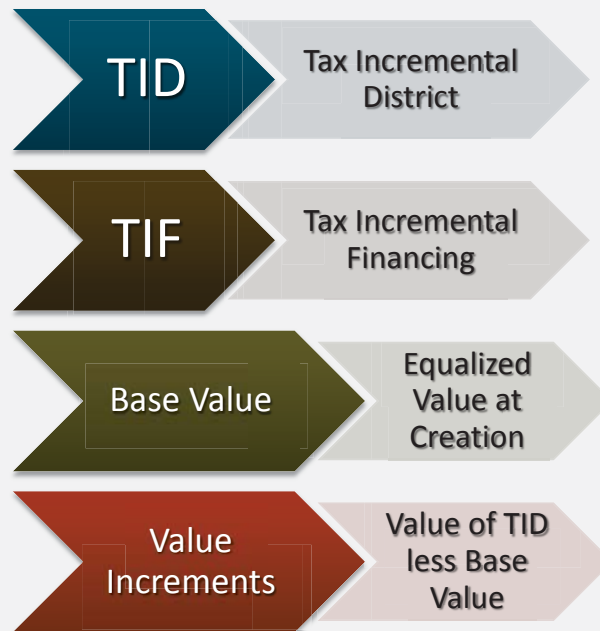
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# What is a TID?



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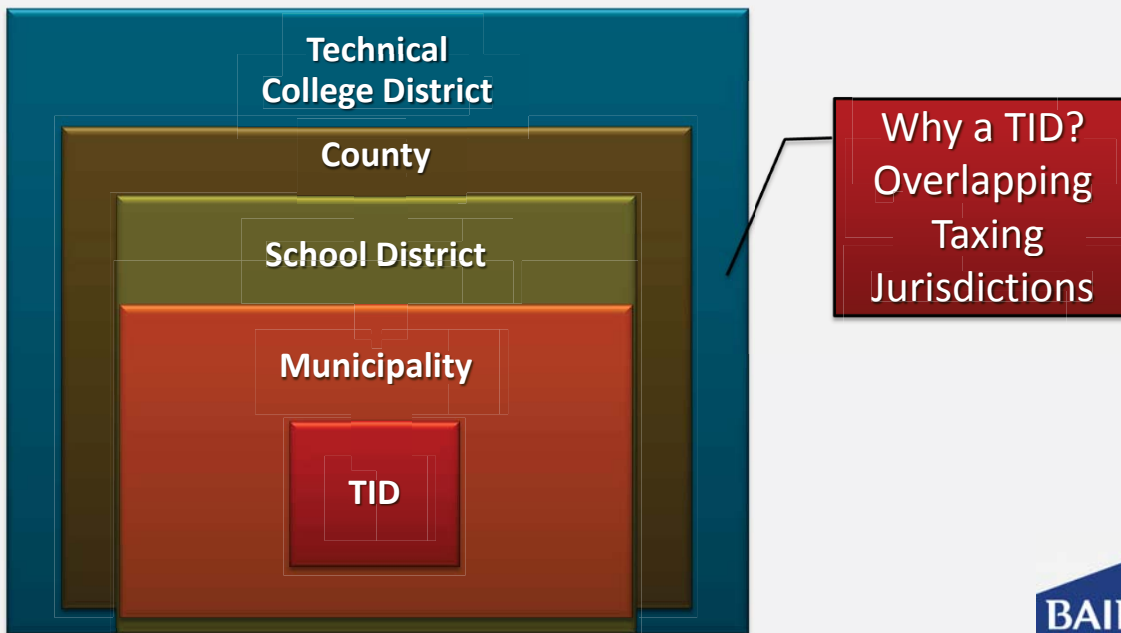
# What is a TID?

- Contiguous geographic area within a municipality
- Administered by the municipality while benefiting all overlapping taxing entities
- Used to attract and facilitate economic development
  - Installation of infrastructure
  - Acquisition of land
  - Payment of development incentives
- Municipal investment is repaid over time by capturing increased property tax revenue generated within the district

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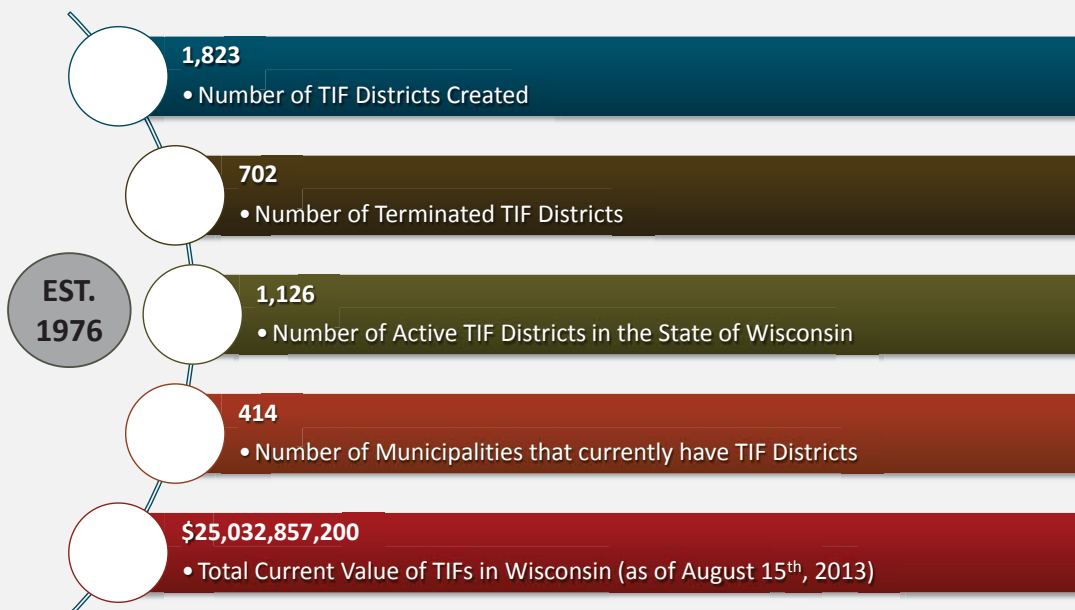
# What is a TID?



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# Wisconsin TID Quick Facts



Source: Department of Revenue

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# Why Create a TID?

- Attract new private development that would otherwise not occur “but for” the TID to expand tax base
  - This test asserted through a municipal resolution
- Share costs with:
  - Municipality
  - School district
  - Technical college district
  - County
- Tax increment revenues based on full tax rate to offset TID project costs
- Once TID is closed, all taxing districts benefit from expanded tax base and fund balance

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# Risks of a TID

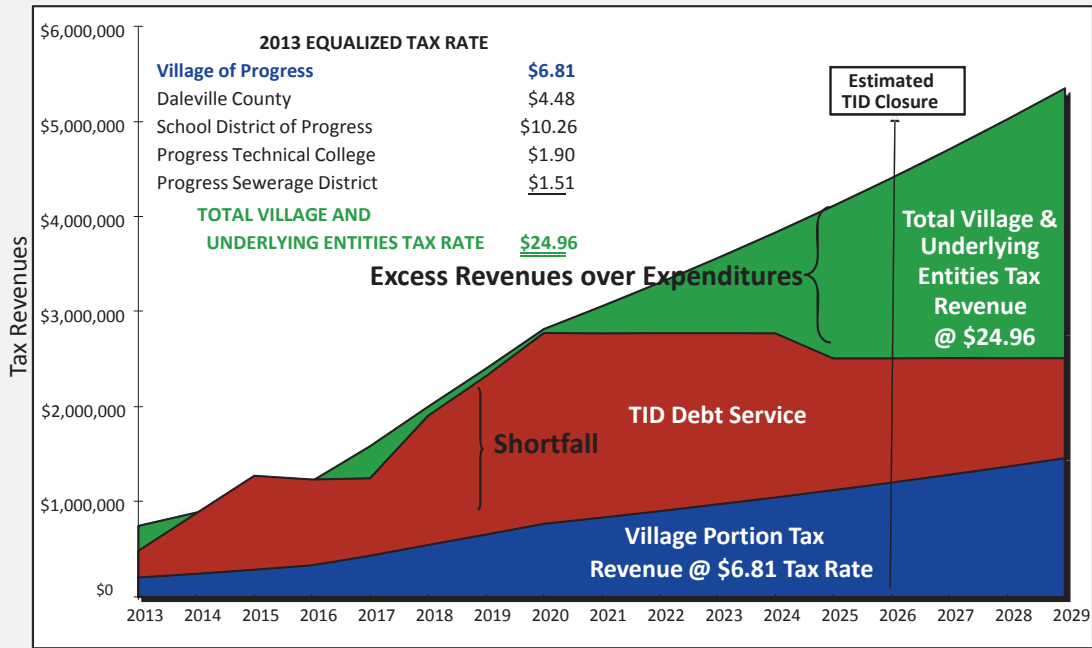
- Anticipated development does not occur or is delayed
- Over-investing in infrastructure
- Reduced revenues if tax rate goes down
- What if TID revenues fall short?
  - Amend project plan to allow support from donor TID (with several statutory limitations)
- **OR**
  - The taxpayers in the municipality must support project costs
    - municipal-wide tax levy or application of cash from general fund (or some other source)
- **OR**
  - Designate as a distressed TID
    - Extends maximum life
- Municipalities creating a TID must be willing to accept the possibility that it may not produce the desired results

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# Tax Allocation

## Hypothetical Tax Incremental Revenues

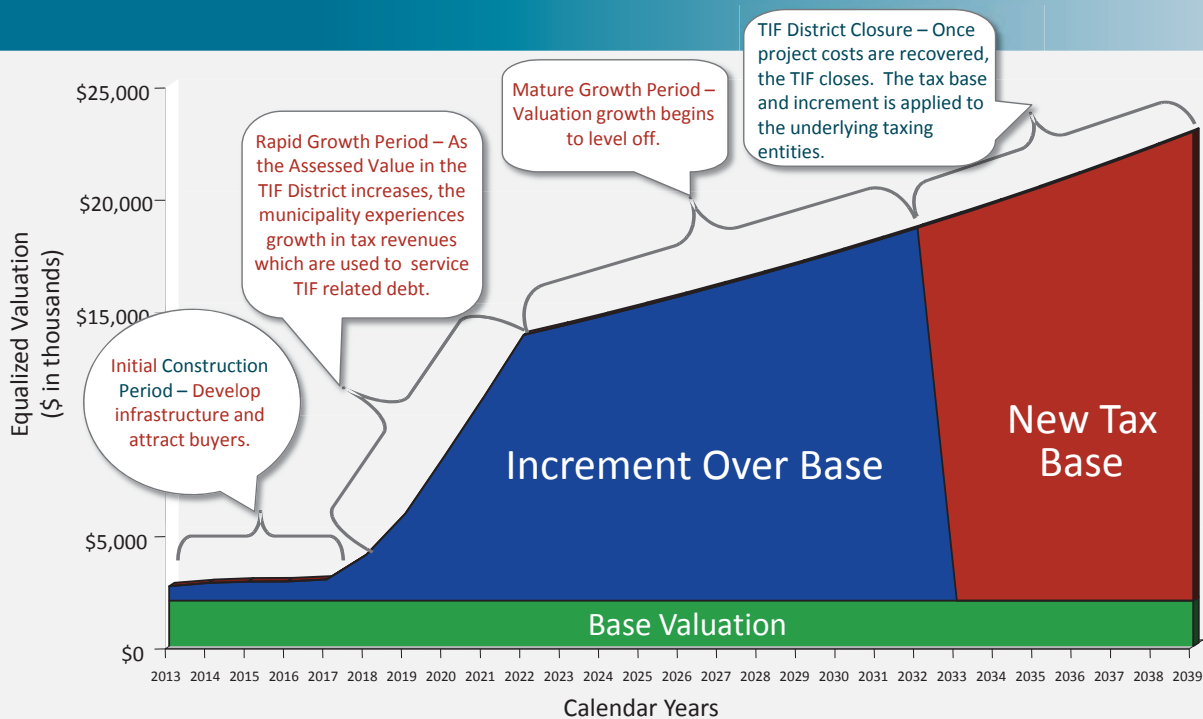


The hypothetical example is for illustrative purposes only.

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# Example TID Lifecycle



The hypothetical example is for illustrative purposes only.

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# Types of TIDs

## City or Village

- Blight (most common)
- Rehabilitation/Conservation
- Industrial
- Mixed-use

## Town

- Tourism, agriculture and Forestry (TAF) district
- Cooperative TID

## All Municipalities

- Environmental TID

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# City or Village Blighted TID

- Blight, Rehabilitation or Conservation Districts
  - At least fifty percent of the TID area is considered to be a:
    - “Blighted area”
    - In need of “rehabilitation or conservation” work
  - No more than 25% of land within the district can be vacant for the preceding seven years
  - Maximum Life: 27 Years
  - Maximum Life Extension: 30 Years with Joint Review Board Approval
  - Expenditure Period: 22 Years

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# Act 193 TID Law Changes

Effective April 6, 2014

- **Summary**

- Expands the authority for certain towns to create Tax Incremental Districts (TIDs)
- Regular TIDs can now allocate increments to Environmental Remediation TIDs
- Allows Towns to create TID for annexed town land
- Energy systems are now taxable when in a TID on January 1, 2014

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# Act 183 TID Law Changes

Effective April 4, 2014

- **Summary**

- Municipalities can request the Wisconsin Department of Revenue (DOR) to re-determine a Tax Incremental District (TID) **base value** that is in a decrement situation
- New valuation has gone below the base value.
- Has to be two consecutive years of 10% or more decrease, the most recent years.

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# Act 145 TID Law Changes

Effective March 24, 2014

- **Summary**

- Technical College Revenue going down due to shift from taxes to state aid - \$0.89 on Mill rate.
- Will affect Incremental Revenues collected 2015 and after.

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## TID Creation Requirements

- The “But For” test
  - Would the expected development occur without the use of tax increment financing?
- Equalized value limitation
- Whole parcels
- Contiguous geographic area
- Project Plan
- Public Hearing
- Plan Commission approval
- Council/Board approval
- Joint Review Board approval
- DOR Certification

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# The Joint Review Board

- The “JRB” approves a TID by a majority vote based on the following criteria:
  - The development expected in the TID would **not** occur without the use of tax incremental financing (“but for test”);
  - The economic benefits of the tax incremental district are sufficient to compensate for the cost of the improvements; and
  - The benefits of the proposal outweigh the anticipated tax increments to be paid by the owners of property in the overlying taxing districts.



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# Equalized Value Test

## City or Village TID:

- Equalized value of the proposed TID plus the value increment of all existing TIDs may not exceed 12% of the municipality’s total equalized valuation (TID-In)

12% Statutory Test Limit		
2013 Total Equalized Valuation (TID-In)	\$100,000,000	100.00%
12% of Total Equalized Valuation (TID-In)	\$12,000,000	12.00%
Total 2012 TID Increment	<u>\$4,000,000</u>	<u>4.00%</u>
Remaining Capacity	<u>\$8,000,000</u>	<u>8.00%</u>



# TID Termination

- A municipality must terminate a TID:
  - When the municipality has received aggregate tax increments that equal all project costs delineated under the project plan (and its associated amendments)
  - The maximum life of the TID
  - The local legislative body dissolves the District via resolution



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# TID Termination

<b>TID Balance Summary</b>	
<b>TID Revenues</b>	
2013 Estimated Cumulative Balance in TID Fund	\$573,218
2014 Estimated TID Revenue	\$792,018
Estimated Investment Earnings	\$12,000
<b>Total Revenue</b>	<u>\$1,377,236</u>
<b>Debt Service Expenses</b>	
Final Debt Payment	(\$10,087)
Payoff Remaining Debt	(\$676,564)
<b>Total Expenses</b>	<u>(\$686,651)</u>
<b>Total Residual Funds</b>	<u><u>\$690,586</u></u>



# TID Termination

## Breakout of Residual Funds to Overlying Tax Districts

TAX DISTRICT	ALLOCATION	RESIDUAL FUNDS
City	43.29%	<b>\$298,936</b>
School District	41.85%	<b>\$288,976</b>
Technical College	5.68%	<b>\$39,209</b>
County	9.19%	<b>\$63,464</b>
<b>TOTAL</b>	<b>100.00%</b>	<b>\$690,586</b>

The hypothetical example is for illustrative purposes only.

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# TID Fiscal Impact on School Districts

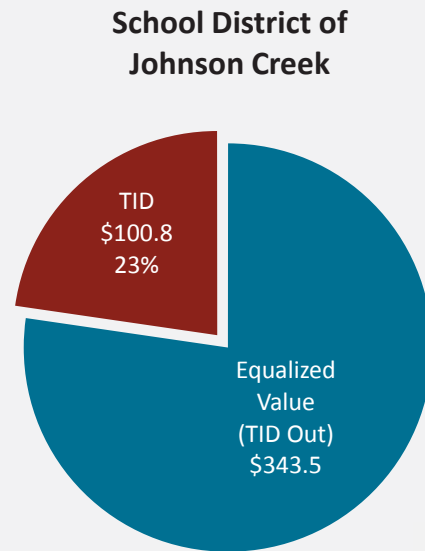
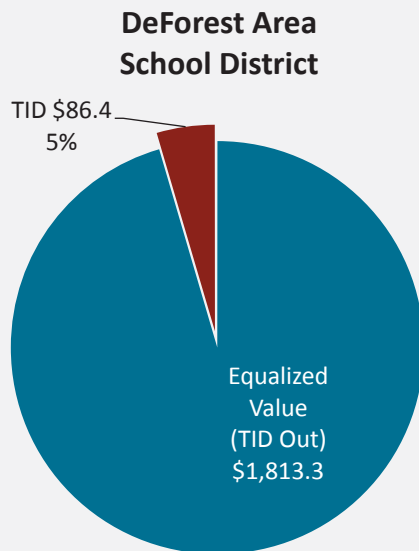
- Throughout the life of the TID District
  - No direct impact on taxes
  - Increases economic growth, employment, population, enrollment
  - Other development near TID may occur
  - Retention of tax base that might have been abandoned or decreased in value without new development
- At closure of the TID District
  - Additional property tax base
  - Reduction in Mill Rate (first year)
  - Reduction in State Aid (one-year lag)
    - Hold Harmless?
  - Disbursement of TIF residual funds

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# Case Studies

## 2013 Equalized Valuation



\$ in millions.  
Source: Wisconsin Department of Revenue

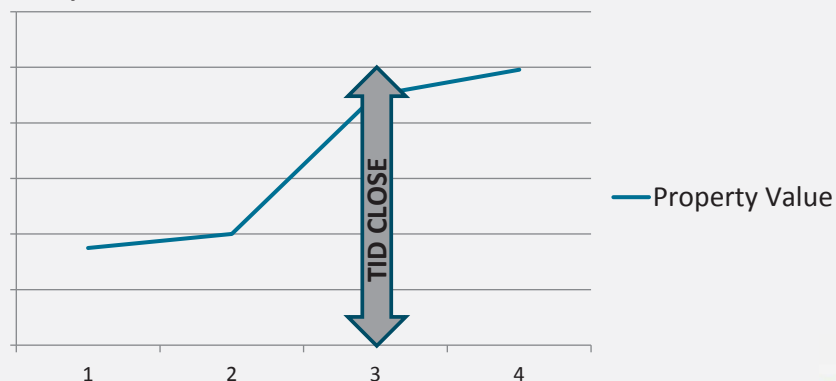
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# Case Study

## DeForest Area School District

- TID Closure in Year 3 increased valuation significantly
- Strategies to address
- Planning is Key



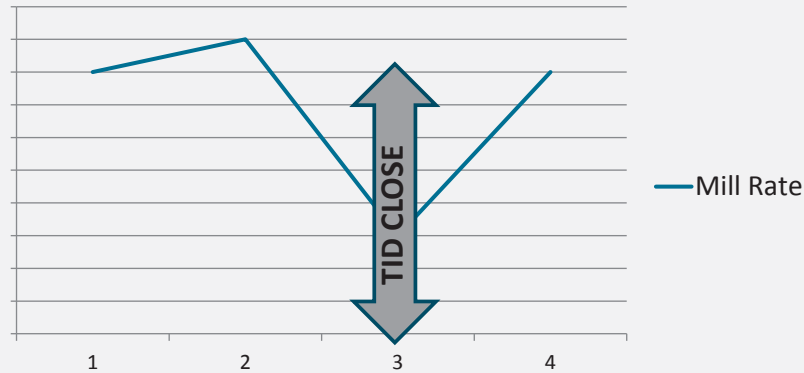
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# Case Study DeForest Area School District

- TID Closure in Year 3 reduced mill rate significantly
- Strategies to address – Keep Levy/Mill “flat”
- Planning is Key



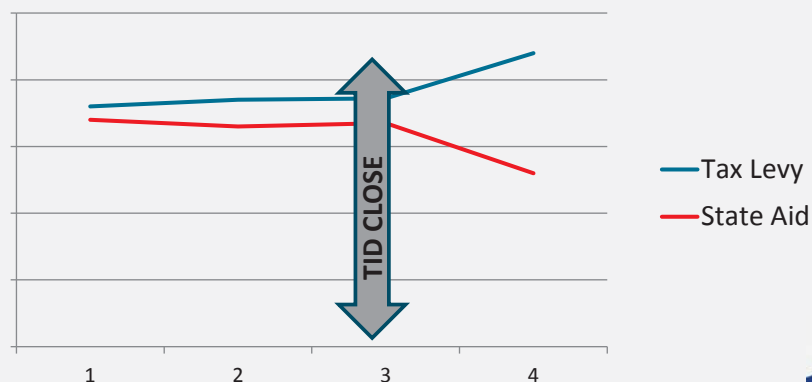
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# Case Study DeForest Area School District

- One year lag in aid loss causes levy to increase **in year 4**
- Strategies to address – Payoff Debt in year 4 with Residual?
- Planning is Key



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# Case Study

## DeForest Area School District

- Stay in contact with your local municipalities
  - Review annual financial information (due to district by May 01)
  - Be aware of important dates
    - Last date to incur project costs, final dissolution date
    - Note difference in fiscal years, timing of closeout, transfer of cash, property addition
- Planning is the key
  - Understand the aid impact
  - Think in terms of multiple years: residents may not remember a drop in mill rate, but they will notice an increase!
  - Use the terms Mill Rate and Levy to communicate your message
  - Consider sharing information as part of annual meeting
- Can be political, be prepared

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# Case Study

## Johnson Creek School District

- Two TIDs
- Originally scheduled to close in 2022 and 2023
- Current 2013 valuation of \$100 million or 23% of the total TID-in valuation of \$444 million
- Due to recent economic conditions the decision was made to designate one TID as a “Distressed TID” and the other as a “Donor TID”
  - These actions extend the life of the TIDs up to 10 years
- Eventually the past success in the TIDs will add over 35% to TID-out valuation
- Successful School District 2014 Referenda

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# PLANNING IS KEY



# Questions?



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