

S.94 Fiscal Considerations

House Committee on Ways and Means

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Recent TIF legislation

- Extensions of debt incursion periods
 - Act 111 of 2020 extended Hartford's debt incursion period three years (2011-2024)
 - Act 175 of 2020 extended all districts still in their debt periods by one year
 - Act 73 of 2021 extended the debt period for those districts another year



Proposed TIF changes

- Most changes in Secs. 5-11 are technical in nature
- Two potential revenue impacts
 - Disallows use of increment to set up debt service reserves
 - JFO estimated that this use of increment could cost the Education Fund \$100,000 per year
 - Prevents TIF district boundary changes after initial setup of the district
 - Unclear to what extent districts would make these changes in the future, but this would prevent an impact to the Education Fund



Barre TIF district

- Created in 2012
- Current period to incur debt: 2012 to 2024
 - Would be extended to 2026 by S.94
- Current period to retain increment: 2015 to 2034
 - Would be extended to 2039 by S.94
- Debt status:
 - Anticipated: \$6.8 million
 - Amount voted: \$2.2 million
 - Total incurred: \$2.2 million

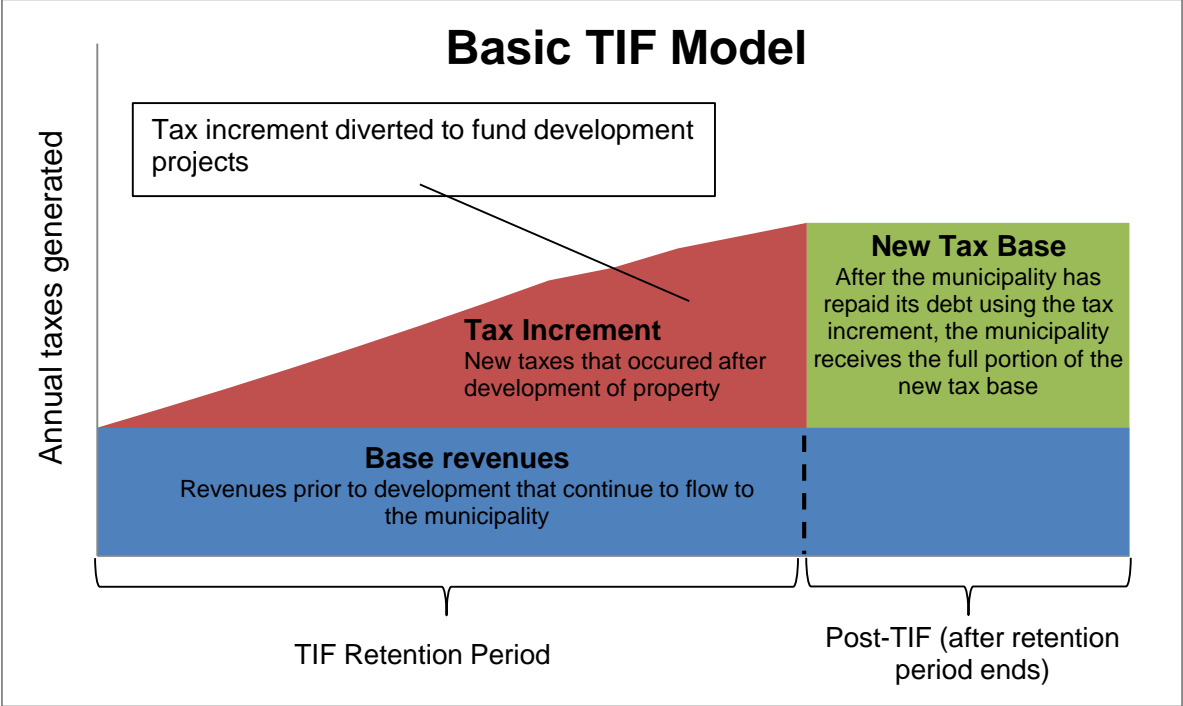


Hartford TIF

- Created in 2011
- Current period to incur debt: 2011 to 2024
 - Would be extended to 2026 by S.94
- Current period to retain increment: 2014 to 2034
 - Would be extended to 2036 by S.94
- Debt Status:
 - Anticipated: \$13 million
 - Amount voted: \$11.9 million
 - Total incurred: \$7.5 million



Basic TIF Model – increment retention



- Barre and Hartford can retain 75% of their Education Fund and municipal general fund tax increment during the retention period.
- In other TIF districts, the percentage split depends on when the TIF district was established



Education Fund fiscal impacts

- Increment comes from two sources
 - Existing parcels in the district (if grand list value increases)
 - New development
- Forecasting costs to the Education Fund depend on “but-for” arguments
 - If the development would not have occurred anywhere in the state, then there is no cost to Education Fund from the TIF district
 - However, if development would have occurred anyway or elsewhere in the state, the increment from that development is diverted away from the Education Fund



E-Board TIF Education Fund estimates

- Each year, JFO and the Secretary of Administration present TIF district costs to the Emergency Board
- These estimates reflect the maximum cost of TIF districts to the Education Fund
- Estimated cost of Barre TIF extension to the Education Fund:
 - \$275,000 to \$290,000 per year from 2034 from 2039
 - \$1.65 million in total
- Estimated cost of the Hartford TIF extension to the Education Fund
 - Approximately \$650,000 per year from 2034
 - At least \$1.6 million in total



Fiscal impacts to municipalities

- Municipalities retain both Education Fund and municipal general fund tax increment to pay debt service.
 - The decision to extend retention periods will impact municipal general funds
- In most recent TIF district financing plans, municipal payments of debt service will continue beyond the required 20-year retention period
 - Barre projects paying debt service until 2041
 - Hartford projects paying debt service until 2042



Fiscal impacts to municipalities – Barre

- In their 2019 phased filing, Barre expects to retain municipal increment until 2041
- New borrowing to complete revised TIF plan could extend the municipal increment retention period
- Barre financing plan relies heavily on redevelopment of the Rouleau Plant.
 - If this development does not materialize, this could increase municipal taxpayer responsibility for TIF debt service



Fiscal impacts to municipalities – Hartford

- In their 2020 phased filing, Hartford expects to retain municipal increment until 2042
- Financing plan in 2020 phased filing relies on sizable jump in increment in 2024
- If property values do not increase as projected, Hartford will not be able to build the same level of surplus to pay debt service in later years



Considerations

- All TIF districts have received two extensions to debt incursion periods because of COVID
- Statute outlines that TIF districts have a 20 year period to retain increment
 - Changing the periods of debt incursion and increment retention make it harder for entities to regulate and monitor the program
 - Could create a precedent for other towns with TIF districts to follow the example of Hartford and Barre
 - All development projects contain risk – should the Legislature notwithstanding statute when a town faces uncertainty?



JFO TIF report – for further reading

- Per 24 V.S.A. § 1892 JFO is required to provide a report to the Legislature every 4 years.
- JFO Published the most recent TIF study on January 17, 2022
 - Report can be found on the JFO website:
 - https://ljfo.vermont.gov/assets/Subjects/Reviews-and-Reports/e8869e3072/GENERAL-358816-v8-2022_TIF_Report.pdf

