What is the Impact of Tax Increment Financing Districts on Schools?

By Dr. Thomas J. Dykiel, Chief Financial Officer Greater Clark County School Corporation

The trend for counties, cities and towns is to create Tax Increment Financing Districts (TIFs) to help spur economic development in their communities by adding sewers, roads, lights, etc. This is great; everyone wants economic development that brings in new businesses and jobs, which in turn hopefully will bring new homes, increase the assessed value, and add more students, which increases our state support. The question is, what is the impact of TIFs and do they have a detrimental effect on school corporations?

STATEWIDE INFORMATION

According to Indiana Gateway for calendar year 2017, there were a total of 844 TIF Districts, of which 217 were operated by their respective counties and 627 were operated by the cities or towns. Of the 92 counties, 88 have a TIF either through their county, city or town. Three counties (Harrison, Switzerland and Ohio) of the four that don't have a TIF, have a casino in their county. They are receiving money from local casinos and may not need a TIF District.

The total statewide incremental assessed value of 844 TIFs was $24.7 billion exempted from personal property taxes. Consequently, public schools where those TIFs were in place did not receive any additional taxes that would help to reduce their tax rates, tax caps and increase revenue. Another important number is the cash balances that all of these TIF Districts have been allowed to acquire without any restrictions (unlike public schools, which have numerous restrictions) from the state. As of Dec. 31, 2018, the total cash balances TIF Districts have accumulated is $702 million. Every year, Redevelopment Commissions (county or municipal), send a report to each taxing unit in their respective area showing how much of the incremental assessed value they are releasing. The majority of Redevelopment Commissions show zero assessed value on this form. On the surface, this seems to suggest that the Redevelopment Commissions want to keep as much incremental assessed value as possible, which is detrimental to the finances of school corporations.

Below are the top 10 counties based on cash balances and their captured incremental assessed value and the number of TIF Districts.

County	12/31/17 Cash Balance	Incremental Assessed Value	Number of TIF Districts
St. Joseph	$79,855,267	$2,106,816,497	15
Lake	$50,496,259	$3,631,080,261	50
Marion	$48,475,405	$7,468,390,794	34
Clark	$41,441,057	$1,064,825,517	14
Elkhart	$39,706,682	$1,247,824,659	29
Johnson	$38,216,516	$881,087,438	23
Vanderburgh	$31,493,039	$1,060,600,836	10
Hendricks	$29,920,869	$1,326,236,118	26
Monroe	$28,775,820	$1,267,839,201	11
Hamilton	$28,419,182	$4,358,132,630	101

(Source: Indiana Gateway)

Some school corporations have been very fortunate to have a great relationship with their local Redevelopment Commissions and have been able to negotiate a share of the cash balances. This has enabled those schools to use the money in a variety of ways, such as; to pay for tuition to Ivy Tech, Project Lead the Way, School Resource Officers, Plato software, career center tuition, roof repairs, demolition of buildings, security equipment, to offset taxes because of TIF's, purchase weight room equipment, technology, energy-saving equipment, reduce debt service for a bond issue, robotics, CTE equipment, and science equipment.

But, the overwhelming majority of public schools have no relationship with their Redevelopment Commissions. Some mayors refuse to include a school board member on their Redevelopment Commission. One of our board members lasted three meetings on the Redevelopment Commission. He was removed because he consistently asked why the accumulated money wasn't being shared with Greater Clark County Schools.

In 2019, one of the newest changes in TIF reporting is that each Redevelopment Commission is required to hold an annual meeting to discuss revenue, expenditures, new projects, the life of the TIF, etc. If you haven't attended one of these meetings, you should make a point to attend this yearly meeting.

The table below shows the same 10 counties and percentage of their total assessed value tied up in a TIF District.

County	Percent of Total	Total Assessed Value	Incremental Assessed Value
St. Joseph	23.8%	$8,836,637,638	$2,106,816,497
Clark	23.5%	$4,537,633,391	$1,064,825,517
Hamilton	19.7%	$22,139,905,147	$4,358,132,630
Marion	18.2%	$40,967,916,829	$7,468,390,794
Monroe	17.8%	$7,115,729,204	$1,267,839,201
Lake	15.6%	$23,235,326,434	$3,631,080,261
Vanderburgh	15.1%	$7,023,818,565	$1,060,600,836
Hendricks	14.3%	$9,280,731,948	$1,326,236,118
Elkhart	13.5%	$9,224,441,563	$1,247,824,659
Johnson	12.7%	$6,923,483,197	$881,087,438

(Source: Indiana Gateway & DLGF)

CLARK COUNTY

In Clark County, we have 14 TIF Districts comprised of 10 districts in the City and districts in the county. The total incremental assessed value captured is $1.064 billion, and the total cash balance as of Dec. 31, 2017, is $41.4 million.

Clarksville Community School Corporation's total assessed value is $812 million and its incremental assessed value is $256 million, or 31% of its total assessed value in a TIF District. The school corporation's tax rates are in the high $3.80's and are approaching $4 per $100 of assessed value, which affects its tax caps. Currently, the corporation's certified levy (2019 DLGF) is $5,316,185 and its tax cap loss is $1,205,935, or 23% of its total levy that is being lost to tax caps. In the Operation Fund, the

Tax Increment Financing Districts Statewide

12/31/17 Cash	County	# of TIF's	A.V. Captured
$79,855,267	St. Joseph	15	$2,106,816,497
$50,496,259	Lake	50	$3,631,080,261
$48,574,405	Marion	34	$7,468,390,794
$41,441,057	Clark	14	$1,064,825,517
$39,706,682	Elkhart	29	$1,247,824,659
$38,216,516	Johnson	23	$881,087,438
$31,493,039	Vanderburgh	10	$1,060,600,836
$29,920,869	Hendricks	26	$1,326,236,118
$28,775,820	Monroe	11	$1,267,839,201
$28,419,182	Hamilton	101	$4,358,132,630
$25,526,201	Allen	62	$999,546,118
$23,474,165	Laporte	11	$475,959,982
$18,670,107	Tippecanoe	12	$2,338,552,187
$12,165,027	Morgan	12	$312,821,887
$11,568,692	Kosciusko	16	$396,311,983
$11,103,810	Bartholomew	5	$726,873,808
$10,264,706	Delaware	33	$577,623,205
$9,730,212	Gibson	2	$631,342,660
$8,975,814	Porter	15	$945,993,024
$8,678,479	Wayne	7	$232,882,505
$8,276,443	Putnam	5	$172,402,230
$7,380,319	Floyd	8	$335,014,942
$6,905,544	Dearborn	13	$119,934,653
$6,766,110	Vigo	11	$231,911,697
$6,526,114	Grant	16	$573,222,301
$6,166,971	LaGrange	8	$163,434,794
$5,765,419	Hancock	7	$299,019,372
$5,360,424	Madison	8	$602,765,380
$5,336,357	Whitley	7	$303,896,310
$5,290,569	Lawrence	5	$201,892,647
$5,125,324	Shelby	4	$221,000,405
$5,099,988	Warrick	4	$234,481,212
$5,052,951	Marshall	11	$177,511,296
$4,635,075	Noble	11	$170,029,366
$4,245,601	Boone	25	$733,373,283
$3,996,807	Howard	8	$559,518,847
$3,860,332	Cass	5	$182,371,346
$3,738,524	Jasper	6	$102,056,908
$3,666,914	Jennings	2	$170,494,144
$3,601,131	Huntington	3	$155,227,532
$3,559,865	Dubois	8	$273,779,413
$3,295,951	DeKalb	16	$569,614,935
$3,137,805	Perry	4	$69,817,212
$3,034,099	Carroll	2	$73,144,748
$2,268,238	Jackson	2	$199,419,830
$2,212,258	Orange	4	$149,393,213
$1,992,123	Clinton	3	$277,357,055
$1,696,719	Knox	8	$83,414,164
$1,602,612	Scott	3	$88,581,139
$1,445,815	Parke	3	$32,050,187
$1,344,623	Stuben	4	$73,762,785
$1,260,393	Blackford	3	$27,823,833
$1,167,901	Wabash	7	$128,454,008
$1,049,205	Jay	2	$46,037,313
$996,404	Montgomery	6	$426,719,169
$880,249	Tipton	3	$88,906,490
$871,002	White	3	$278,296,699
$865,847	Rush	6	$1,718,400
$652,785	Henry	10	$82,452,644
$558,391	Starke	3	$21,029,600
$554,150	Benton	1	$301,600
$476,964	Decatur	2	$214,637,448
$471,469	Sullivan	5	$12,810,356
$419,050	Daviess	7	$194,102,548
$396,784	Brown	1	$71,627,015
$340,042	Wells	4	$77,037,695
$340,033	Owen	2	$26,690,447
$291,496	Spencer	4	$153,953,120
$242,467	Crawford	1	$8,126,540
$223,224	Ripley	8	$52,357,382
$222,615	Martin	1	$4,016,355
$212,369	Pike	3	$21,948,379
$167,715	Franklin	2	$35,926,173
$165,720	Randolph	7	$55,180,206
$151,622	Newton	2	$8,287,535
$130,937	Vermillion	2	$8,437,460
$70,782	Posey	4	$426,460,850
$3,741	Greene	2	$39,127,695
$-	Adams	3	$123,285,271
$-	Fulton	3	$120,431,925
$-	Jefferson	1	$107,782,312
$-	Clay	11	$82,370,104
$-	Miami	5	$72,161,191
$-	Washington	5	$63,916,441
$-	Fountain	1	$39,990,996
$-	Warren	2	$7,498,624
$-	Fayette	1	$6,652,700
$-	Harrison	0	$-
$-	Ohio	0	$-
$-	Pulaski	0	$-
$-	Switzerland	0	$-
	Union	1	$-
$702,626,691	**Totals**	**846**	**$42,787,191,180**

school corporation's levy is $2,301,554, $1,205,935 less than if the TIFs were not in place. That equates to a 52% loss in its levy.

Greater Clark County School Corporation has a total assessed value of $2,792,106,445. Our incremental assessed value is $447,249,146, which means that 16% of the total assessed value is in a TIF District. Our tax rates are between $3.00 and $3.58, which is drastically affecting our tax caps. Currently, our certified levy (2019 DLGF) is $31,726,706 and our tax cap loss is $4,345,208. This means that 13% of our total levy is being lost to tax caps. In the Operation Fund, our levy is $14,295,585, so losing $4,345,208 equates to a 30% loss in our levy.

Another issue Clark County is that when a bond issue for a TIF is retired, the Redevelopment Commission will not release the incremental assessed value. Instead the Redevelopment Commission continues to collect the property taxes until the life of the TIF expires. This practice should not be allowed to continue; a Redevelopment Commission should immediately release the incremental assessed value to school corporations and any remaining cash balance should be distributed to all taxing units in the TIF district.

INDIANA CODE 36-7-14-39

Except as provided in subsection (g), before June 15 of each year, the commission shall do the following:

(A) Determine the amount, if any, by which the assessed value of the taxable property in the allocation area for the most recent assessment date minus the base assessed value, when multiplied by the estimated tax rate of the allocation area, will exceed the amount of assessed value needed to produce the property taxes necessary to make, when due, principal and interest payments on bonds described in subdivision (3), plus the amount necessary for other purposes described in subdivision (3).

(B) Provide a written notice to the county auditor, the fiscal body of the county or municipality that established the department of redevelopment, the officers who are authorized to fix budgets, tax rates, and tax levies under IC 6-1.1-17-5 for each of the other taxing units that is wholly or partly located within the allocation area, and (in an electronic format) the department of local government finance. The notice must:

- (i) state the amount, if any, of excess assessed value that the commission has determined may be allocated to the respective taxing units in the manner prescribed in subdivision (1); or
- (ii) state that the commission has determined that there is no excess assessed value that may be allocated to the respective taxing units in the manner prescribed in subdivision (1).

The county auditor shall allocate to the respective taxing units the amount, if any, of excess assessed value determined by the commission. The commission may not authorize an allocation of assessed value to the respective taxing units under this subdivision if to do so would endanger the interests of the holders of bonds described in subdivision (3) or lessors under section 25.3 of this chapter.

(C) If:

- (i) the amount of excess assessed value determined by the commission is expected to generate more than two hundred percent (200%) of the amount of allocated tax proceeds necessary to make, when due, principal and interest payments on bonds described in subdivision (3); plus
- (ii) the amount necessary for other purposes described in subdivision (3); the commission shall submit to the legislative body of the unit its determination of the excess assessed value that the commission proposes to allocate to the respective taxing units in the manner prescribed in subdivision (1). The legislative body of the unit may approve the commission's determination or modify the amount of the excess assessed value that will be allocated to the respective taxing units in the manner prescribed in subdivision (1).

How much money should be allowed for a TIF to capture over its debt obligations? Reviewing IC 36-7-14-39 (C) (i) (ii), the statute states, "if the amount of excess assessed value determined by the commission is expected to generate more than 200% of the amount of allocated tax proceeds necessary to make, when due, principal and interest payments on bond plus the amount necessary for other purposes, the commission shall submit to the legislative body of the unit its determination of the excess assessed value that the commission proposed to allocate to the respective taxing units in the manner prescribed in subdivision (1). The legislative body of the unit may approve the commission's determination or modify the amount of the excess assessed value that will be allocated to the respective taxing units."

How many Redevelopment Commissions or legislative bodies actually reduce the amount in captured assessed value? The answer, probably very few if not any.

In Jeffersonville we have two TIFs; one is collecting 31 times more than its bond principal and interest and another one collecting almost 14 times more. Collecting 31 times and 14 times per year is egregious. The commissions in these instances aren't worried about this law. Perhaps, the legislative body isn't interested either since the mayor sits on the commission and has handpicked commissioners. This is where the non-voting school board member should be speaking out. Asking for the assessed value to be released to reduce the amount collected, will lower the tax rate which in turn will also lower the tax cap loss for everyone. There should be a maximum amount of money that a TIF can collect.

FLOYD COUNTY

I attended the annual New Albany Redevelopment Commission meeting in Floyd County to learn more about its TIF districts. Of the seven TIF's only five of them are active with projects. The two that aren't are the Old Monon with an incremental assessed value of $15,555,010 and the Loop Island/Tannery District with an incremental assessed value of $409,778. The Old Monon without any projects on the horizon is receiving $603,499 in property taxes and Loop Island/Tannery District is receiving $8,598. The most current report in the Indiana Gateway system shows a cash balance as of Dec. 31, 2017 of $410,492 for Old Monon and $47,756 for Loop Island/Tannery District. The State Street TIF in 2017 was collecting 13 times more than needed to meet its bond obligations. This is an illustration of excessive tax collection earmarked for a TIF that is not that uncommon.

SCHOOL DISTRICTS NEED TO BE UNITED IN THIS EFFORT TO REGULATE REDEVELOPMENT COMMISSIONS' UNCONTROLLED PILLAGING OF SCHOOL CORPORATION'S TAX LEVIES.

It's unconscionable for Redevelopment Commissions to siphon tax revenue away from schools that must contend with tax caps, Pension Bond neutrality, unfunded mandates from the state, reductions in Title Funds, mandated unfunded training, costs to maintain buildings, etc. School administrators agree that TIFs are important economic drivers, but so are school corporations. Cities are not going to attract businesses if they have crumbling public schools, vacant school buildings, declining enrollments, etc. Schools are a driving force of economic development and are key to attracting new businesses within a given community.

POSSIBLE CONCLUSIONS

Legislative controls need to be placed on Redevelopment Commissions so that money cannot continuously be taken away from schools. Controls or limits need to be placed on the percentage of assessed values money that can be tied up in a TIF District. New TIF Districts shouldn't be allowed to proceed if the tax rate is over $3.00 because of their impact on tax caps. The school representative must have a vote for this process to be effective; a non-voting member at the Redevelopment Commission table just isn't sufficient. We need this vote to ensure that the success of our schools is always a consideration.

When a TIF District has to release all the incremental assessed value they have been using for the past 20+ years, will the school corporation be allowed to use all of the incremental assessed value in their next budget cycle, or will they be capped and only able to use the state average? What happens to the excess? Schools should be allowed to use all of the released incremental assessed value in calculating their tax rates. Any remaining cash should also be distributed to the taxing units that were affected over the years by the TIF.

When a bond is retired, the school's portion of the TIF assessed value should be released so the increased assessed value can be included in the tax base. This action, in turn, will reduce our tax caps, tax rates, and increase funding in the school corporation's Operations Fund.

Legislative controls need to be implemented that caps the number of times revenue can exceed obligations for one year.

Once these controls are in place, then the State Board of Accounts needs to start auditing them to make sure they are not exceeding legislative maximum limits. If they are, then they need to release incremental assessed value and/or cash balance.

School districts need to be united in this effort to regulate Redevelopment Commissions' uncontrolled pillaging of school corporation's tax levies. School corporation administration needs to bring this to the forefront at school board meetings. The public needs to be aware of what's happening financially to their school corporation. The local news media should be invited to explain how TIF Districts are impacting schools and expose how the Redevelopment Commissions are sitting on "cash cows." On your corporation's website, add information on TIF Districts and the effects on your school district. I have attended several annual meetings and in their presentations they never explain that a TIF will increase the tax rate of a school corporation. They never discuss that as the tax rate increases, the tax caps are reached more quickly and this means schools will lose additional property taxes; it's a double hit to our major revenue source in the Operations Fund.

There are and will continue to be strong disagreements between school corporations, Redevelopment Commissions, mayors and legislative bodies, but we need to staunchly defend our case; it is truly a struggle for survival. Contact your local legislator and have this discussion with him or her. All of our state associations are behind this effort for sharing TIF revenue and instituting controls on Redevelopment Commissions.