



What is the Impact of Tax Increment Financing Districts on Schools? **PART 2**

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In my previous article, in the 2019 Fall edition of *The Journal*, I shared that there are 844 tax increment financing (TIF) districts statewide, of which, 217 are operated by the counties and 627 are operated by the cities and towns. Indiana has 92 counties; 88 of those currently have one or more TIFs. (The four counties without TIFs have riverboat casinos, which regularly send money to the taxing units in those counties.) I explained that although incremental assessed value continues to

grow in many of these counties, the cash balances in many TIF districts are also growing. This cash balance growth diverts much needed property tax revenue from schools, as well as other taxing units in those counties. Consequently, while TIF concessions are designed and touted to bring economic opportunity to an area, in so doing they decrease the amount of property tax revenue going to schools that increased assessed property value would ordinarily provide.

Table 1. Taxing units collecting property taxes without any expenditures

County	Taxing Unit	Description	1/1/18 Beg Cash	Receipts	12/31/18 Ending Cash	Incremental A.V.
Adams	Geneva	Redev Bond	\$17,307	\$19,000	\$36,307	\$40,330
Allen	Fort Wayne	Adams Center	\$433,276	\$91,567	\$524,843	\$2,993,600
Daviess	Plainville	TIF	\$-0-	\$26,905	\$26,905	\$3,421,910
Dearborn	Greendale	Maxwell Allocation	\$78,924	\$55,040	\$133,964	\$-0-
Dearborn	Greendale	Greendale TIF	\$73,782	\$108,818	\$182,600	\$-0-
Dearborn	Lawrenceburg	Lawrenceburg Entertainment	\$193,794	\$178,798	\$372,592	\$332,215
Dubois	JasperCity	Redev TIF	\$22,753	\$123,177	\$145,930	\$625,370
Elkhart	Wakarusa	Redev Cap Improvement	\$376,631	\$124,621	\$501,252	\$4,803,522
Hamilton	Sheridan	Webster-Adams	\$1,410	\$194	\$1,604	\$70,568
Hamilton	Sheridan	Sheridan	\$9,215	\$1,746	\$10,961	\$-0-
Howard	Kokomo	South East Side	\$2,946,868	\$2,163,936	\$5,110,804	\$24,385,130
Howard	Kokomo	Near East	\$-0-	\$48,090	\$48,090	\$-0-
Jasper	Demotte	TIF Dist Rev	\$50,161	\$181,707	\$231,868	\$1,325,796
Kosciusko	Kosciusko County	VanBuren TIF	\$312,910	\$94,293	\$407,203	\$9,307,754
Kosciusko	Warsaw	Winona	\$50,165	\$8,357	\$58,522	\$358,029
Kosciusko	Syracuse	TIF	\$234,590	\$160,960	\$395,550	\$3,093,998
Kosciusko	Claypool	TIF 2	\$15,255	\$42,662	\$57,917	NotAvail
LaGrange	LaGrange Town	TIF #1	\$67,180	\$30,261	\$97,441	NotAvail
Lake	Highland	Downtown	\$726,290	\$197,643	\$923,933	\$4,921,935
Lake	Highland	Highland Acres	\$233,618	\$117,366	\$350,984	\$3,389,698
Lake	Schererville	Shops on Main	\$573,515	\$839,399	\$1,412,914	\$19,041,680
Marion	Indianapolis	HSG Prog TIF	\$496,822	\$5,754	\$502,576	\$-0-
Marion	Indianapolis	Central State	\$100,238	\$53,927	\$154,165	NotAvail
Monroe	Bloomington	TIF Prow	\$577,630	\$102,049	\$679,679	\$4,765,603
Morgan	Martinsville	Ohio St.	\$10,150	\$23,038	\$33,188	NotAvail
Morgan	Martinsville	State Rd. 39	\$421,122	\$41,187	\$562,309	NotAvail
Noble	Noble County	Dekko TIF	\$71	\$10,301	\$10,372	NotAvail
Perry	Perry County	Riverview West	\$2,310	\$2,204	\$4,514	\$-0-
Rush	Rushville	TIF #2	\$5,467	\$368	\$5,835	\$19,160
Rush	Rushville	TIF #3	\$1,245	\$560	\$1,805	NotAvail
St. Joseph	South Bend	Douglas Road	\$201,109	\$3,223	\$204,332	\$8,102,884
Spencer	Santa Claus	Industrial Allocation	\$24,206	\$22,252	\$46,458	\$273,160
Sullivan	Sullivan	Downtown	\$25,943	\$10,763	\$36,706	NotAvail
Tippecanoe	Tippecanoe County	Heartland	\$20,240	\$24,266	\$44,506	\$126,360
Vigo	West Terre Haute	TIF	\$9,011	\$23,147	\$32,158	NotAvail
Warren	Warren County	Pike TIF	\$40,093	\$5,761	\$45,854	\$410,490
Whitley	Whitley County	Rail Connect	\$195,451	\$77,632	\$273,083	\$3,798,820

Source: Indiana Gateway for Governmental Units, Access Local Expenditures, Cash & Investments & Tax Increment Financing Districts, Counties

Discussing the merits and ethics of TIFs comes down to a matter of perspective. Beyond that broad discussion are significant issues that merit careful examination. What happens when the TIF debt obligation is satisfied? Is the incremental assessed value then released and the resulting property tax revenue redirected? The answer may surprise you.

If you examine the TIF districts in each county, you will notice numerous TIF districts that are still collecting property taxes but are no longer reporting any expenditures. A TIF district with zero expenditures and no active projects strongly suggests that the bond issue obligation has been satisfied.

Table 2. Taxing Units with no receipts or expenditures

County	Taxing Unit	Description	12/31/18 Cash Balance	Incremental Assessed Value
Allen	Grabill	RDC TIF	\$126,274	\$3,421,910
Elkhart	Bristol	North St. Rd 15	\$10,070	Not Available
Elkhart	Elkhart	TIF Reserve Downtown	\$1,043,563	Not Available
Elkhart	Nappanee	West Industrial Park	\$71,182	Consolidated
Hamilton	Sheridan	St. Rd. 47	\$2,039	\$-0-
Hamilton	Sheridan	Industrial Park 2004	\$5,539	\$2,977,922
Jasper	Rensselaer	TIF Construction	\$186,494	Not Available
Jasper	Rensselaer	TIF Surplus Reserve	\$566,358	Not Available
Johnson	Whiteland	TIF Allocation	\$52,528	\$1,117,550
Parke	Parke County	East Central Parke	\$10,561	\$793,877
Vigo	Vigo County	Pfizer TIF	\$9,022	\$100

Source: Indiana Gateway for Governmental Units, Access Local Expenditures, Cash & Investments & Tax Increment Financing Districts, Counties

Table 3. TIF Districts collecting more than 200% of their current obligations

Collected	County	Taxing Unit	Description	Property Taxes Collected	Expenditures
92,589%	Hamilton	Hamilton County	276th St. TIF	\$137,958	\$149
77,673%	Hamilton	Noblesville	SR 37 & 146th St.	\$724,692	\$933
12,688%	Vigo	Vigo County	Certaineed TIF	\$247,412	\$1,950
11,659%	Kosciusko	Syracuse	Syracuse Oakwood	\$50,715	\$435
8,665%	Davies	Washington City	TIFF Southwest	\$108,046	\$1,247
8,578%	Elkhart	Elkhart County	SR 13 Interchange	\$214,445	\$2,500
8,544%	Kosciusko	Milford	TIF #1	\$125,005	\$1,463
7,641%	Hamilton	Noblesville	Bergen-Tegler	\$234,268	\$3,066
7,035%	Hamilton	Westfield	Aurora TIF	\$5,417	\$77
6,568%	Daviess	Washington	Southeast	\$86,167	\$1,312
6,520%	Delaware	Delaware County	Park Brevini	\$50,598	\$776
4,748%	Marion	Indianapolis	Avondale	\$142,440	\$3,000
3,953%	Kosciusko	Kosciusko County	Dreyfus TIF	\$22,253	\$563
3,267%	Elkhart	Elkhart	Aeroplex	\$201,797	\$6,176
3,221%	Kosciusko	Syracuse	South Benton	\$48,319	\$1,500
3,101%	Lake	Winfield	109th & Randolph	\$41,340	\$1,333
2,802%	Carroll	Delphi	TIF Allocation	\$49,031	\$1,750
2,445%	Clark	Clark County	Perry Crossing	\$122,262	\$5,000
1,903%	St. Joseph	South Bend	2018 Park	\$11,007,782	\$578,442
1,794%	Howard	Kokomo	TIF 1	\$44,859	\$2,500
1,671%	Lake	St. John	St. John TIF	\$6,474,000	\$387,417
1,372%	Cass	Logansport	Industrial Park	\$141,644	\$10,325
1,213%	Morgan	Martinsville	Morgan St.	\$131,303	\$10,825
1,189%	LaGrange	LaGrange	TIF Dist. 2	\$347,578	\$29,229
1,087%	Allen	Fort Wayne	W. Highway 30	\$590,791	\$54,335
987%	Newton	Newton County	ECD #1	\$59,058	\$5,985
956%	Warrick	Warrick County	NW Industrial	\$125,576	\$13,131
749%	Henry	New Castle	Indiana Ave	\$209,844	\$28,019
695%	Kosciusko	Claypool	TIF 1	\$30,007	\$4,315
685%	Delaware	Delaware County	Magna TIF	\$682,773	\$99,642
671%	Elkhart	Elkhart City	Bayer Tech Park	\$100,511	\$14,990
629%	Elkhart	Elkhart County	Middlebury Agriculture	\$47,145	\$7,500
597%	Franklin	Franklin County	FC Redevelopment	\$32,718	\$5,481
583%	Lawrence	Bedford City	TIF Redevelopment General	\$2,494,135	\$427,790
492%	Elkhart	Elkhart County	Northwest Gate	\$248,352	\$50,500
477%	Hamilton	Westfield	Grand Junction	\$1,562,025	\$327,259
443%	Bartholomew	Columbus	TIF Airport	\$265,651	\$59,974
441%	LaGrange	Topeka	TIF	\$4,550,239	\$1,031,309
433%	Hamilton	Cicero	Southwest TIF	\$64,106	\$14,818
430%	Morgan	Morgan County	Eagle Valley	\$334,396	\$77,767
407%	Hancock	Hancock County	Allocation Fund	\$3,856,941	\$946,850
396%	Morgan	Martinsville	Southeast 37	\$148,951	\$37,643
380%	Elkhart	Bristol	East #148	\$109,163	\$28,715
378%	Martin	Martin County	TIF CPF	\$94,534	\$25,000
369%	Madison	Anderson	Redevelopment	\$17,160,563	\$4,651,876
339%	Vigo	Terre Haute	Ft. Harrison	\$119,137	\$35,147
329%	St. Joseph	South Bend	Southside Dev	\$2,307,778	\$701,361
317%	Elkhart	Bristol	South St. Rd 15	\$457,853	\$144,659
310%	Lake	Lowell	Tif Allocation	\$90,834	\$29,319
306%	Lake	Dyer	Main street	\$472,534	\$154,200

Source: Indiana Gateway for Governmental Units, Access Local Expenditures, Cash & Investments

Since the TIF benefits were initially granted to offset the bond issue obligation, the obvious question is, why are these TIF districts still collecting property taxes?

Additionally, in my previous *Journal* article, I shared that TIFs are allowed to collect up to 200% of their obligations. So, this means they can collect up to twice the amount necessary to satisfy their debt service payment and invoices for projects in that particular year, even if they have no expenditures. Table 1 shows the current list of Indiana taxing units that are collecting property taxes but have zero expenditures.

School boards should be questioning all of these, but the ones that particularly stand out are Kokomo’s *Southeast Side* TIF in Howard County and Schererville’s *Shops on the Main* in Lake County. Kokomo’s *Southeast Side* TIF added \$2.1 million in property taxes to its \$2.9 million cash balance. This resulted in an ending cash balance of \$5.1 million but, there are no expenditures to justify collecting the TIF revenue. Schererville’s TIF came second on this list by collecting \$839,399 in property taxes with no expenditures.

Table 2 shows the list of taxing units that have no receipts or expenditures for 2018, but are still maintaining a cash balance and have not released the incremental assessed value.

This trend of exorbitant collecting without just cause can be seen repeatedly in Indiana TIFs. The next group of TIF Districts (Table 3) illustrates districts that are collecting more than 200% of their current obligations.

Table 4 reflects the redevelopment commissions’ cash balances through Dec. 31, 2018 for the counties throughout the state that are increasing their cash balances without regard for the impact on other taxing units.

At the rate St. Joseph County is accumulating its TIF cash balance, it will have \$100 million within the next two years. This all represents tax dollars not needed to meet TIF expenditures.

The question is why is this happening, and why doesn't anyone seem to be noticing?

RELEASING INCREMENTAL ASSESSED VALUE

Not all the data is bad. There has been some positive movement. Over the past five years, redevelopment commissions have released a portion of their incremental assessed value for TIFs, impacting 39 school districts. Table 5 identifies the school corporations that have realized assessed value releases for the past five years as well as the total amount released.

These redevelopment commissions are to be commended for their willingness to release a portion of the assessed value in their districts to be included in the tax base but much more needs to be done throughout the state. Minimally, it seems unethical for redevelopment commissions to hold a TIF district's incremental assessed value hostage for the sole purpose of increasing its cash balance. As shared in my previous article, not releasing the incremental assessed value maintains the tax rate artificially higher than necessary. This subsequently affects the tax caps for all taxing units in that county. This practice does not seem to be benefiting anyone, so why does it continue?

CONCLUSIONS

This unbridled collection of property taxes at the expense of all taxing units needs to come to a halt. It is probably too hopeful to believe that a single rational conversation will provide the remedy, but that is where it needs to begin. There are several questions that need to be asked, and several things that could be done to improve this situation.

- ▶ Why do some redevelopment commissions keep TIF's open that show no receipts or expenditures for the year? Would it not be more responsible to retire the TIF, release the incremental assessed value of the district and reallocate the tax dollars to all taxing units in the district?
- ▶ Why aren't redevelopment commissions required to follow the same rules as other units of governments to justify the amount of taxes necessary to fund the expenditures each year, (i.e. prepare a budget, prepare a 16-line statement, advertise both, receive a 1782 Notice from the DLGF, etc.)? Shouldn't these commissions be held just as accountable for their actions as other governmental units?

Table 4. Ending cash balances from 2016 through 2018

County	12/31/18 Cash	12/31/17 Cash	12/31/16 Cash	Incremental Assessed Value
St. Joseph	\$88,310,679	\$79,855,267	\$73,252,423	\$3,421,910
Lake	\$62,336,602	\$50,496,259	\$58,790,331	Not Available
Marion	\$62,346,092	\$48,574,405	\$48,364,242	Not Available
Clark	\$42,479,913	\$41,441,057	\$4,890,774	Consolidated
Elkhart	\$41,950,363	\$39,706,682	\$33,573,029	\$-0-
Vanderburgh	\$31,775,271	\$31,493,039	\$22,236,967	\$2,977,922
Hendricks	\$42,440,420	\$29,920,869	\$30,173,014	Not Available
Hamilton	\$30,650,355	\$28,419,182	\$19,462,341	Not Available
Allen	\$25,718,876	\$25,526,201	\$9,209,481	\$1,117,550

Source: Indiana Gateway for Governmental Units, Access Local Expenditures, Cash & Investments

Table 5. Ending cash balances from 2016 through 2018

County	School Corporation	Assessed Value Released
Allen	MSD SW Allen County Schools	\$52,233,680
Allen	NW Allen County Schools	\$46,144,840
Allen	Fort Wayne Community Schools	\$113,809,240
Allen	East Allen County Schools	\$1,614,343
Boone	Zionsville Community Schools	\$50,207,283
Boone	Lebanon Community Schools	\$15,414,551
Cass	Lewis Cass Schools	\$17,984,118
Cass	Logansport	\$12,257,364
DeKalb	DeKalb County Eastern Community Schools	\$1,812,057,373
Gibson	North Gibson Schools	\$731,573,188
Gibson	South Gibson Schools	\$11,586,337
Hamilton	Westfield-Washington Schools	\$79,941,460
Hendricks	Brownsburg Community Schools	\$131,452,022
Hendricks	Plainfield Community Schools	\$590,596,100
Hendricks	Mill Creek Community Schools	\$13,458,000
Henry	South Henry Schools	\$1,905,600
Henry	New Castle Community Schools	\$8,803,940
Knox	North Knox School Corporation	\$597,307,878
LaGrange	Prairie Heights Community Schools	\$843,563
Lake	School City of Whiting	\$103,996,617
Lawrence	North Lawrence Community Schools	\$11,760,580
Lawrence	Mitchell Community Schools	\$2,473,962
Marion	MSD Decatur Township Schools	\$271,189,722
Marion	MSD Lawrence Township Schools	\$706,825,456
Marion	MSD Pike Township Schools	\$782,431,329
Marion	MSD Washington Township Schools	\$1,686,415,931
Marion	MSD Wayne Township Schools	\$323,803,036
Marion	Indianapolis Public Schools	\$2,336,376,204
Marshall	Plymouth Community Schools	\$118,680,415
Parke	North Central Parke Community	\$3,050,160
Porter	East Porter County Schools	\$66,315,000
Posey	MSD Mount Vernon Schools	\$34,767,596
Putnam	Greencastle Community Schools	\$80,136,393
St. Joseph	South Bend Community Schools	\$84,535,490
Spencer	North Spencer County Schools	\$453,665,957
Spencer	South Spencer County Schools	\$51,745
Vanderburgh	Evansville-Vanderburgh Schools	\$103,801,394
Vigo	Vigo County Schools	\$6,300,000
Wabash	Wabash City Schools	\$351,180
	Total Released	\$11,466,119,047

Source: Department of Local Government Finance

- ▶ Why are redevelopment commissions permitted to collect up to 200% or more, of their total obligations when substantially less is necessary to meet expenditures? For example:
 - South Bend TIF's collected over \$13 million and paid out \$1.2 million.
 - St. John collected almost \$6.5 million and paid out \$387,000.
 - Bedford collected \$2.5 million to pay out \$427,000.
 - Westfield collected \$1.5 million and paid \$327,000.
 - Anderson collected \$17 million to pay \$4.6 million.
- ▶ Why not totally exempt the property tax revenue schools receive from the TIF formula? This way, schools will be able to use that money to offset their tax cap losses.
- ▶ Why can't the money lost to a TIF be counted toward the pension neutralization that many school corporations are still having to contend with? This will help schools keep more

money in their operating fund with the idea of not transferring as much money from the education fund, thereby having more money for raises for certified staff.

First, school corporations need to become more vocal with their redevelopment commissions by demanding the full 15% to which they are entitled per IC 36-7-25-7(e)(2). Second, legislative controls need to be incorporated in order to regulate the amount of money that can be accrued so that is only enough to meet the actual debt obligation. Once the debt is satisfied the TIF should be retired. Collectively, we need to challenge the laws that are financially crippling public education by meeting with those State Senators and Representatives who are willing to champion the necessary and long overdue legislative remedies. Changing Indiana TIF policies could mean a big win for public education and seems like an obvious place to start. 🌟

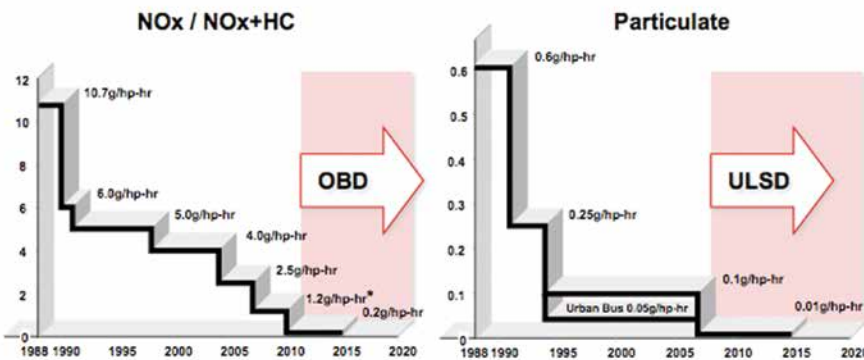
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