



Tax Increment Financing

What is a TIF?

A TIF, or tax increment financing, is a tool used by municipal governments to stimulate economic development in a targeted geographical area. TIFs are used to finance redevelopment projects or other investments using the anticipation of future tax revenue resulting from new development. TIFs are permitted under the Local Development Act, Title 62 Chapter 9, passed by the Oklahoma Legislature in 2001 and are often used as a tool to promote economic development on blighted pieces of property.

Why do TIFs matter to public schools?

Almost 60% of school district revenue is derived from local property taxes or ad valorem. When TIFs are established within school district boundaries this affects the distribution of those ad valorem dollars. For Broken Arrow schools, the distribution of those ad valorem dollars is 72% of the total allotment.

The agencies that receive tax revenues for funding, referred to as "taxing jurisdictions," continue to receive the same revenues they received before the district was created. Only new revenues generated by the development are "captured" to repay the loan.

Are school districts always against the idea of TIF because of lost ad valorem revenue?

Not always. There are many examples across the nation in which the city government, school district and other affected entities mentioned above worked together through cross functional planning to come up with

A Q U I C K G L A N C E

a TIF that produced projects and or enhancements that benefit the city AND school district and other affected entities to make up for the loss of ad valorem revenue created by the TIF.

Don't the schools benefit from the property taxes and sales tax created by the TIF area?

No. In Broken Arrow, the school district does not receive any sales tax revenue from the City of Broken Arrow. What the sales tax revenue is to a city government, ad valorem is to a school district. The district would receive the increased property taxes from the improvement of the property after the TIF is completed.

What happens after the loan is repaid?

Once the loan is repaid, the TIF district expires and 100 percent of the tax revenues are apportioned to the taxing jurisdictions.

How do TIFs benefit the community?

The new development generates more tax revenues, both ad valorem and sales tax. This means more money is available for the agencies that depend on tax revenues for funding, such as schools and city and county government.

What are disadvantages to schools?

Formation of a TIF district will artificially

suppress growth of the valuation within the district. This growth provides critical funding for new construction, classroom materials, teacher salaries, and activities essential to teaching and learning.

Limited debt capacity for bonding forces schools to look at more expensive financing options, such as lease revenue bonds.

When too much housing develops quickly in those TIF areas, there is little to no ad valorem dollars to support the students that move into those residences.

Can I vote against this if I decide not to support TIF? After all, some of the money is my property tax.

No, you don't get a vote. While the school district is required to hold a bond election and receive 60% approval of the voters in order to have permission to use ad valorem revenue for buildings and other tangible items that make a school district excellent, by Oklahoma statute, the TIF can be approved by three yes votes from the City Council (The City actually appoints a review committee made up of members of the taxing bodies including the school district. If the review committee approves, city council is required to approve by simple majority. If the review committee recommends disapproval, the city council is required to approve the TIF by 2/3 majority).