HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 2186 **DATE:** April 1, 2009
Version: As introduced

Authors: Nelson and others

Subject: TIF transfers to offset state aid reductions

Analyst: Joel Michael, joel.michael@house.mn

This bill allows cities with aid reductions to transfer surplus or excess tax increments to their general funds to offset state aid cuts. To use this authority, the development authority (HRA, EDA, etc.) must authorize the transfer by resolution on the request of the city.

Permitted amount of transfer. The transfer cannot exceed the lesser of:

1. The amount of increment the district has available, less the amount the district is obligated to pay in bonds or binding contracts during the calendar year and the next 6 months plus any transfers to offset deficits caused by the 1997 – 2001 property tax changes; or

2. The cuts in state aids and credits that the city experiences for the calendar year. This could include reductions in LGA and market value credit reimbursements, whether as a result of an unallotment or a legislatively enacted reduction. It does not include aid cuts that the city opts to levy back under the special levy for unallotments.

Effect of election on future use of TIF district's increments. If the city and development authority elect to use this authority, they may only use increments from the TIF district in the future for the following purposes:

- Paying bonds and contracts that were outstanding when the election was made,
- Making transfers to other districts to offset deficits caused by the 1997 – 2001 property tax changes,
- Paying its administrative expenses,
- Making the transfers to the general fund permitted by the bill.

In other words, the TIF district could no longer be used to finance new developments or improvements.

Expiration. The authority to make these transfers expires on December 31, 2012.