Overview

This bill would allow the city of Garrison to make a local contribution instead of being subject to the state aid offset. Under general law, the district does not qualify because certification was requested before the local contribution rules applied.

Section

1 City of Garrison, TIF. Authorizes the city of Garrison to make local contributions in lieu of the state aid reduction for its tax increment financing district number 1. The effective date of the local contribution option was for districts for which the request for certification was made after June 30, 1994. Certification of this district was requested before that date. This bill would now allow Garrison to make local contributions instead of having its state aid reduced. To do so, the city must make an irrevocable election by the end of calendar year 1999 and notify the commissioner of revenue by January 31, 2001.

2 Qualifying local contributions. Provides that contributions made before election also qualify.

Background. This TIF district was the subject of special legislation enacted by the 1998 Legislature. This legislation exempted the district from the state aid reduction for 1999 and 2000.

The local contribution rules generally require the municipality to pay for costs of the project equal to either 5 percent of increment revenues for redevelopment districts or 10 percent for all other types of districts. (District No. 1 in Garrison is an economic development district, so the local contribution would be 10 percent.) For an economic development district, the typical state aid reduction is over 30 percent and can be up to 50 percent of increments.

In 1998, a bill was introduced and heard to extend the local contribution option to all TIF districts. The Department of Revenue estimated the state budget cost of that bill for fiscal year 2001 (the first year this bill would have an effect on Garrison) to be about $800,000. 20 districts would have been affected. The cost would increase in later years and a few more districts likely
would also qualify, since the state aid offset phases in for housing and redevelopment districts over 20 years.

3 Effective date. Effective upon local approval by the city of Garrison.