Overview

This bill modifies the pooling rules permitted for pre-1982 TIF districts. Under present law, these districts do not have authority to "pool" increments (i.e., to spend increments on activities other than to improve the district itself). A number of cities have, nevertheless, used increments from these districts on a variety of activities outside of the district. This bill ratifies this spending, if it was done before the city received notice from the state auditor that it was not in compliance with the law or before December 31, 1999, whichever is later. This authority includes bonds issued and contracts entered before the earlier of receipt of a notice from the State Auditor or May 1, 1999 (for bonds) or September 30, 1999 (for contracts). If increments from a pre-1982 district were pooled, after December 31, 1999 the only permitted use of increments is to pay off outstanding bonds and contracts. When this is done, the district must be decertified.

1 Pre-1982 TIF District Pooling Rules. Sets out "pooling rules" (i.e., the authority to spending increments from a district on activities outside of the geographic area of the district) for districts established after July 31, 1979 and before July 1, 1982.

Background information. The 1979 TIF Act explicitly required increment to be spent in accordance with a TIF plan for the improvement and development of the district. This limited spending to development or redevelopment of the district. Pooling or spending of increments for development or redevelopment of other areas (i.e., outside the district) was not explicitly authorized. The 1982 legislature allowed unlimited pooling of increments, but these changes were effective only for districts for which the request for certification was made after June 30, 1982. Thus, these pre-1982 districts have no specific statutory authority to spend increments on developments outside of the district. In 1990, the legislature imposed percentage limits on the amount of increments that could be spent outside of the district. These limits apply to newly certified districts and areas of existing districts.

Notification by state auditor. The bill requires the State Auditor to notify each development authority (e.g., a economic development authority or housing and redevelopment authority) of
the provisions of this law. In the past, authorities have justified pooling pre-1982 district increments on basis that they were not aware that the unrestricted pooling rules for post-1982 TIF districts did not apply. This notification is intended to reduce claims by cities and authorities that they were unaware of the pooling rules for these districts.

**Ratification of past spending.** The bill provides that expenditures on activities outside of the TIF district are legal if they meet **either** of two requirements:

The expenditures were made before the city or authority was notified by the State Auditor that spending for the district was not in compliance with the law or December 31, 1999, whichever occurs first. This notification by the Auditor does not refer to notice required by the bill, but rather would have been part of a compliance audit by the Auditor or similar circumstances that resulted from a review of the district's activities.

The expenditures were made to pay "**pre-existing outside district obligations.**" These are obligations that are secured by increments from the district. To qualify bonds must have been issued before the earlier of (1) notice from the Auditor or (2) May 1, 1999. To qualify a contracts must have been entered before the earlier of (1) notice from the Auditor or (2) September 30, 1999.

**Early decertification required.** If the authority spent increments on activities outside of the district, after December 31, 1999 it may only spend increments to pay pre-existing obligations. These are bonds issued or contracts entered before the dates listed in the previous paragraph. When these obligations are paid, the district must be decertified.

**Effective date.** Provides that the provisions applies only to TIF districts where the request for certification was made after July 31, 1979 and before July 1, 1982.