

HOUSE RESEARCH

Bill Summary

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Overview

This bill allows the City of St. Louis Park to make a local contribution in lieu of the state aid offset for a TIF district extension. The affected district is a pre-1979 district for which the legislature granted an extension in 1995.

Section

1 **St. Louis Park TIF.** Allows the city of St. Louis Park to make a local contribution in lieu of the state aid offset that applies to a duration extension of a TIF district. This district is a pre-1979 TIF that otherwise would have been decertified at the end of calendar year 2000. The 1995 legislature allowed the city to extend the duration of this district through August 1, 2009. The 1996 legislature reduced the required state aid offset by 30 percent. This bill would eliminate the rest of the offset, which otherwise would begin being paid in 2001. The change is effective upon local approval by the city and therefore would eliminate the offset before it takes affect.

Background. The law requires the state "school aid costs" (i.e., the additional school aid that is paid because TIF value is not considered in calculating aid entitlements) of *TIF district extensions under a special law* to be borne either by the city (through a reduction in its LGA or HACA) or by the school district (through higher property taxes and lower school aid). This applies only during the extension period--i.e., the time increment is collected beyond that permitted by general law. The municipality (usually the city) must elect which method will apply before approving the special law. The school district and county are also required to approve duration extensions.

This "state aid offset" for district extensions should be distinguished from the state aid offset that applies when a new TIF district is created. The state aid offset for new districts does not apply if the city elects to make a qualifying local contribution. A similar local contribution does not apply to the state aid offset that applies to district extensions.