



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

*****PRESS RELEASE*****

State Auditor Otto releases 2006 Tax Increment Financing (TIF) Legislative Report

~ Small cities account for the largest increase in the number of new development authorities ~

Contact: Jeff Falk, Office of the State Auditor, (651) 297-3683, jeff.falk@state.mn.us

ST. PAUL (01/29/2008) – State Auditor Rebecca Otto released the **2006 Tax Increment Financing (TIF) Legislative Report** today. Tax increment financing is a financing tool for local economic development that assists in the revitalization of cities through redevelopment of blighted areas, construction of low and moderate income housing, and assistance with needed economic development that would not occur “but for” public assistance.

As required by law, the Office of the State Auditor (OSA) provides an annual summary of the TIF reports and audits to the Chairs of the legislative committees with jurisdiction over TIF matters. The report was compiled by the OSA from information received from the 447 municipalities and development authorities currently authorized to exercise TIF powers in Minnesota.

This report summarizes the data received from approximately 2,169 unaudited TIF reports for the year ended December 31, 2006, and provides a summary of the violations cited in the limited-scope audits concluded by the OSA in 2007. The 2006 report and prior years’ legislative reports can be found on Office of the State Auditor Web site at <http://www.auditor.state.mn.us/default.aspx?page=20080129.000>.

2006 TIF Legislative Report Highlights

Current Trends:

- The number of redevelopment districts certified decreased 23% between 2005 and 2006. The number of economic development districts have been decreasing since 2003, but showed a 4% increase between 2005 and 2006. The number of housing districts certified decreased 8% between 2005 and 2006.

-- more --

- In 2006, significantly more economic development districts were decertified than were certified, with 63 districts decertified and 24 districts certified. Economic development districts make up 30% of the TIF districts in Greater Minnesota and only 15% of the districts in the Metro Area.
- In calendar year 2006, \$11,459,980 in tax increment revenues were returned to county auditors. The revenues were returned as a result of the oversight work of the OSA and from voluntary payments made by municipalities or authorities.

Long-Term Trends:

- Small cities account for the largest increase in the number of new authorities. Twenty-five new development authorities have been created since 2002. Of the 25 new authorities, the average municipal population is approximately 1,911. If the City of West St. Paul, the largest new authority, is omitted, the average population for the remaining 24 new authorities drops to 1,205.
- A significantly reduced number of violations were cited in the five limited-scope audits concluded by the OSA in 2007 than were cited in the initial years of the OSA's auditing program. The reduction in the number of violations may be due to a better understanding by municipalities and authorities of the need to retain TIF documents and records, as well as to an improvement in TIF financial recordkeeping. The efforts of the OSA to educate authorities may also be a factor.
- From January 1, 1996 to date, \$49,008,664 has been paid or returned to county auditors as a result of the oversight work of the OSA and from voluntary payments made by municipalities and authorities.

The Office of the State Auditor and TIF

The TIF Division of the Office of the State Auditor is responsible for monitoring more than 2,100 TIF districts to ensure that the property tax revenues funding these districts are spent in accordance with state law. The division reviews annual reports containing financial information from all TIF districts and performs legal compliance audits on TIF districts throughout the state.

The division responds to inquiries regarding TIF from the public, local government officials, and lawmakers and travels throughout the state educating local governments and their affiliates on issues such as proper TIF expenditures, methods of accounting for TIF revenues and expenditures, and proper financial reporting.

For more information on TIF, see our Web site's "Tax Increment Financing FAQs" section at <http://www.auditor.state.mn.us/default.aspx?page=faq#TaxIncrementFinancingFAQs>.