

CHAPTER 148**(HB 238)**

AN ACT relating to increment financing.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

SECTION 1. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO READ AS FOLLOWS:

As used in Sections 1 and 2 of this Act, unless the context otherwise requires:

- (1) "Agency" means an urban renewal and community development agency established under KRS Chapter 99; a development authority established under KRS Chapter 99; a nonprofit corporation established under KRS Chapter 58.180; an air board established under KRS 183.132 to 183.160; a local industrial development authority established under KRS 154.50-301 to 154.50-346; or a designated department, division, or office of a city or county;*
- (2) "City" means any city or urban-county;*
- (3) "County" means any county or charter county;*
- (4) "Development area" means a contiguous geographic area, that may be within one (1) or more cities or counties, defined and created for economic development purposes by an ordinance of a city or county in which one (1) or more economic projects are proposed to be located;*
- (5) "Increment" means that amount of money received by any taxing district or the state that is determined by subtracting the amount of old revenues from the amount of new revenues in any year for which a taxing district or the state and an agency have agreed upon under the terms of a grant contract;*
- (6) "New revenues" means any tax revenues received by any taxing district or the state from a development area in any year after the establishment of the development area;*
- (7) "Old revenues" means the amount of tax revenues received by any taxing district or the state from a development area in the last year prior to the establishment of the development area and any relocation revenues;*
- (8) "Project" means the development of facilities for:*
 - (a) The transportation of goods or persons by air, ground, water, or rail;*
 - (b) The transmission or utilization of information through fiber optic cable or other advanced means;*
 - (c) Residential, commercial, industrial, public, recreational, educational, or other uses;*
 - (d) Open space; or*
 - (e) Any combination thereof;*
- (9) "Grant contract" means that agreement by which a taxing district or the state permits the payment to an agency of a portion of increments or an amount equal to a portion of increments received by it in return for the benefits accrued to the taxing district or the state by reason of a project undertaken by an agency in a development area;*

- (10) *"Taxing district" means a city, county, or other taxing district that encompasses all or part of a development area, or the state, but does not mean a school district; and*
- (11) *"Relocation revenue" means the prior year tax revenue received by a city, county, state, or other taxing district other than a school district, attributable to that portion of the operations of any existing business located in the Commonwealth which is relocating to a development area.*

SECTION 2. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO READ AS FOLLOWS:

- (1) *A taxing district may enter into a grant contract with an agency for an annual release to the agency for an amount equal to not less than fifty percent (50%) nor more than eighty percent (80%) of the increment.*
- (2) *A city, county, state, or other taxing district is authorized to execute a grant contract with an agency in acknowledgment of benefits to be derived by it with the development area as leveraged in part by the undertaking of an economic development project and in order to promote economic development.*
- (3) *Any amount derived by an agency under the terms of a grant contract shall be used solely for the purposes of the project and in the development area.*
- (4) *Any agency that enters into a contract with any taxing district for the release of any increments that may arise during the period of a grant contract shall notify the official charged with collecting of taxes in the development area of the execution of a grant contract, and the official charged with the collection of taxes shall, in each year a grant contract is in effect, determine the amount of the increment that is the subject of the grant contract between the taxing district and the agency; and, upon the basis of the agreement between the taxing district and the agency, the official shall divide and distribute the funds derived from the area between the taxing district and the agency.*
- (5) *Any grant contract authorized by the state pursuant to subsection (2) of this section shall be evaluated to determine the amount of incremental state revenues from the project by the Office of the State Budget Director, the Finance and Administration Cabinet, and the Revenue Cabinet. Approval shall not be granted if it is determined that there is no net positive economic impact to the Commonwealth.*

Approved March 20, 2001