

This Document can be made available  
in alternative formats upon request

State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
SESSION

HOUSE FILE NO. **1534**

March 1, 2007

Authored by Hilstrom, Dittrich, Davnie, Lesch, Carlson and others  
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act  
1.2 relating to local government aid; modifying the distribution and increasing  
1.3 the appropriation; amending Minnesota Statutes 2006, sections 477A.011,  
1.4 subdivisions 34, 36, by adding subdivisions; 477A.013, subdivisions 8, 9;  
1.5 477A.03, subdivision 2a, by adding a subdivision.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2006, section 477A.011, is amended by adding a  
1.8 subdivision to read:

1.9 Subd. 20a. Metropolitan city net tax capacity per capita. "Metropolitan city  
1.10 net tax capacity per capita" means the sum of the city net tax capacity for all cities  
1.11 in the seven-county metropolitan area, divided by the population for all cities in the  
1.12 seven-county metropolitan area.

1.13 EFFECTIVE DATE. This section is effective for aids payable in calendar year  
1.14 2008 and thereafter.

1.15 Sec. 2. Minnesota Statutes 2006, section 477A.011, is amended by adding a  
1.16 subdivision to read:

1.17 Subd. 30a. 1940-1969 housing factor. A city located in the seven-county  
1.18 metropolitan area has a "1940-1969 housing factor" equal to \$..... multiplied by:

1.19 (1) three if the city's percent of total housing built between 1940 and 1969, according  
1.20 to the most recent federal census, is greater than or equal to 43 percent;

1.21 (2) two if the city's percent of total housing built between 1940 and 1969, according  
1.22 to the most recent federal census, is less than 43 percent but greater than or equal to  
1.23 26.8 percent;

2.1 (3) one if the city's percent of total housing built between 1940 and 1969, according  
 2.2 to the most recent federal census, is less than 26.8 percent but greater than or equal  
 2.3 to 16.5 percent; and

2.4 (4) zero for all other cities.

2.5 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 2.6 2008 and thereafter.

2.7 Sec. 3. Minnesota Statutes 2006, section 477A.011, is amended by adding a  
 2.8 subdivision to read:

2.9 Subd. 30b. **Rental housing factor.** A city located in the seven-county metropolitan  
 2.10 area has a "rental housing factor" equal to \$..... multiplied by:

2.11 (1) three if the city's occupied rental housing units are 28 percent or more of its total  
 2.12 occupied housing units, according to the most recently available federal census;

2.13 (2) two if the city's occupied rental housing units are at least 17 percent but less than  
 2.14 28 percent of its total occupied housing units, according to the most recently available  
 2.15 federal census;

2.16 (3) one if the city's occupied rental housing units are at least 7.8 percent but less than  
 2.17 17 percent of its total occupied housing units, according to the most recently available  
 2.18 federal census; and

2.19 (4) zero for all other cities.

2.20 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 2.21 2008 and thereafter.

2.22 Sec. 4. Minnesota Statutes 2006, section 477A.011, subdivision 34, is amended to read:

2.23 **Subd. 34. City revenue need.** (a) For a city with a population equal to or greater  
 2.24 than 2,500, "city revenue need" is the sum of (1) 5.0734098 times the pre-1940 housing  
 2.25 percentage; plus (2) 19.141678 times the population decline percentage; plus (3)  
 2.26 2504.06334 times the road accidents factor; plus (4) 355.0547; minus (5) the metropolitan  
 2.27 area factor; minus (6) 49.10638 times the household size.

2.28 (b) For a city with a population less than 2,500, "city revenue need" is the sum of  
 2.29 (1) 2.387 times the pre-1940 housing percentage; plus (2) 2.67591 times the commercial  
 2.30 industrial percentage; plus (3) 3.16042 times the population decline percentage; plus (4)  
 2.31 1.206 times the transformed population; minus (5) 62.772.

2.32 (c) For a city with a population of 2,500 or more and a population in one of the most  
 2.33 recently available five years that was less than 2,500, "city revenue need" is the sum of (1)

3.1 its city revenue need calculated under paragraph (a) multiplied by its transition factor;  
 3.2 plus (2) its city revenue need calculated under the formula in paragraph (b) multiplied  
 3.3 by the difference between one and its transition factor. For purposes of this paragraph, a  
 3.4 city's "transition factor" is equal to 0.2 multiplied by the number of years that the city's  
 3.5 population estimate has been 2,500 or more. This provision only applies for aids payable  
 3.6 in calendar years 2006 to 2008 to cities with a 2002 population of less than 2,500. It  
 3.7 applies to any city for aids payable in 2009 and thereafter.

3.8 (d) The city revenue need cannot be less than zero.

3.9 (e) For calendar year 2005 and subsequent years, the city revenue need for a city,  
 3.10 as determined in paragraphs (a) to (d), is multiplied by the ratio of the annual implicit  
 3.11 price deflator for government consumption expenditures and gross investment for state  
 3.12 and local governments as prepared by the United States Department of Commerce, for  
 3.13 the most recently available year to the ~~2003~~ 2001 implicit price deflator for state and  
 3.14 local government purchases.

3.15 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 3.16 2008 and thereafter.

3.17 Sec. 5. Minnesota Statutes 2006, section 477A.011, subdivision 36, is amended to read:

3.18 Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision,  
 3.19 "city aid base" is zero.

3.20 (b) The city aid base for any city with a population less than 500 is increased by  
 3.21 \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount  
 3.22 of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also  
 3.23 increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

3.24 (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;

3.25 (ii) the city portion of the tax capacity rate exceeds 100 percent; and

3.26 (iii) its city aid base is less than \$60 per capita.

3.27 (c) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and  
 3.28 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
 3.29 paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

3.30 (i) the city has a population in 1994 of 2,500 or more;

3.31 (ii) the city is located in a county, outside of the metropolitan area, which contains a  
 3.32 city of the first class;

3.33 (iii) the city's net tax capacity used in calculating its 1996 aid under section  
 3.34 477A.013 is less than \$400 per capita; and

4.1 (iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of  
4.2 property located in the city is classified as railroad property.

4.3 (d) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and  
4.4 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
4.5 paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

4.6 (i) the city was incorporated as a statutory city after December 1, 1993;

4.7 (ii) its city aid base does not exceed \$5,600; and

4.8 (iii) the city had a population in 1996 of 5,000 or more.

4.9 (e) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the  
4.10 maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
4.11 paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:

4.12 (i) the city had a population in 1996 of at least 50,000;

4.13 (ii) its population had increased by at least 40 percent in the ten-year period ending  
4.14 in 1996; and

4.15 (iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.

4.16 (f) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and  
4.17 thereafter, and the maximum amount of total aid it may receive under section 477A.013,  
4.18 subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only,  
4.19 provided that:

4.20 (1) the city has a population that is greater than 1,000 and less than 2,500;

4.21 (2) its commercial and industrial percentage for aids payable in 1999 is greater  
4.22 than 45 percent; and

4.23 (3) the total market value of all commercial and industrial property in the city  
4.24 for assessment year 1999 is at least 15 percent less than the total market value of all  
4.25 commercial and industrial property in the city for assessment year 1998.

4.26 (g) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and  
4.27 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
4.28 paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

4.29 (1) the city had a population in 1997 of 2,500 or more;

4.30 (2) the net tax capacity of the city used in calculating its 1999 aid under section  
4.31 477A.013 is less than \$650 per capita;

4.32 (3) the pre-1940 housing percentage of the city used in calculating 1999 aid under  
4.33 section 477A.013 is greater than 12 percent;

4.34 (4) the 1999 local government aid of the city under section 477A.013 is less than  
4.35 20 percent of the amount that the formula aid of the city would have been if the need  
4.36 increase percentage was 100 percent; and

5.1 (5) the city aid base of the city used in calculating aid under section 477A.013  
5.2 is less than \$7 per capita.

5.3 (h) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and  
5.4 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
5.5 paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

5.6 (1) the city has a population in 1997 of 2,000 or more;

5.7 (2) the net tax capacity of the city used in calculating its 1999 aid under section  
5.8 477A.013 is less than \$455 per capita;

5.9 (3) the net levy of the city used in calculating 1999 aid under section 477A.013 is  
5.10 greater than \$195 per capita; and

5.11 (4) the 1999 local government aid of the city under section 477A.013 is less than  
5.12 38 percent of the amount that the formula aid of the city would have been if the need  
5.13 increase percentage was 100 percent.

5.14 (i) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and  
5.15 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
5.16 paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

5.17 (1) the city has a population in 1998 that is greater than 200 but less than 500;

5.18 (2) the city's revenue need used in calculating aids payable in 2000 was greater  
5.19 than \$200 per capita;

5.20 (3) the city net tax capacity for the city used in calculating aids available in 2000  
5.21 was equal to or less than \$200 per capita;

5.22 (4) the city aid base of the city used in calculating aid under section 477A.013  
5.23 is less than \$65 per capita; and

5.24 (5) the city's formula aid for aids payable in 2000 was greater than zero.

5.25 (j) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and  
5.26 the maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
5.27 paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

5.28 (1) the city had a population in 1998 that is greater than 200 but less than 500;

5.29 (2) the city's commercial industrial percentage used in calculating aids payable in  
5.30 2000 was less than ten percent;

5.31 (3) more than 25 percent of the city's population was 60 years old or older according  
5.32 to the 1990 census;

5.33 (4) the city aid base of the city used in calculating aid under section 477A.013  
5.34 is less than \$15 per capita; and

5.35 (5) the city's formula aid for aids payable in 2000 was greater than zero.

6.1 (k) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and  
6.2 by an additional \$50,000 in calendar years 2002 to 2011, and the maximum amount of  
6.3 total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also  
6.4 increased by \$45,000 in calendar year 2001 only, and by \$50,000 in calendar year 2002  
6.5 only, provided that:

6.6 (1) the net tax capacity of the city used in calculating its 2000 aid under section  
6.7 477A.013 is less than \$810 per capita;

6.8 (2) the population of the city declined more than two percent between 1988 and 1998;

6.9 (3) the net levy of the city used in calculating 2000 aid under section 477A.013 is  
6.10 greater than \$240 per capita; and

6.11 (4) the city received less than \$36 per capita in aid under section 477A.013,  
6.12 subdivision 9, for aids payable in 2000.

6.13 (l) The city aid base for a city with a population of 10,000 or more which is located  
6.14 outside of the seven-county metropolitan area is increased ~~in 2002 and thereafter~~, and the  
6.15 maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
6.16 paragraph (b) or (c), is also increased ~~in calendar year 2002 only~~ in the first year it receives  
6.17 aid under this paragraph, by an amount equal to the lesser of:

6.18 (1)(i) the total population of the city, ~~as determined by the United States Bureau of~~  
6.19 ~~the Census, in the 2000 census~~; (ii) minus 5,000, (iii) times 60; or

6.20 (2) ~~\$2,500,000~~ \$.....

6.21 (m) The city aid base is increased by \$50,000 in 2002 and thereafter, and the  
6.22 maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
6.23 paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

6.24 (1) the city is located in the seven-county metropolitan area;

6.25 (2) its population in 2000 is between 10,000 and 20,000; and

6.26 (3) its commercial industrial percentage, as calculated for city aid payable in 2001,  
6.27 was greater than 25 percent.

6.28 (n) The city aid base for a city is increased by \$150,000 in calendar years 2002  
6.29 to 2011 and the maximum amount of total aid it may receive under section 477A.013,  
6.30 subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2002 only,  
6.31 provided that:

6.32 (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

6.33 (2) its home county is located within the seven-county metropolitan area;

6.34 (3) its pre-1940 housing percentage is less than 15 percent; and

6.35 (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900  
6.36 per capita.

7.1 (o) The city aid base for a city is increased by \$200,000 beginning in calendar  
7.2 year 2003 and the maximum amount of total aid it may receive under section 477A.013,  
7.3 subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only,  
7.4 provided that the city qualified for an increase in homestead and agricultural credit aid  
7.5 under Laws 1995, chapter 264, article 8, section 18.

7.6 (p) The city aid base for a city is increased by \$200,000 in 2004 only and the  
7.7 maximum amount of total aid it may receive under section 477A.013, subdivision 9, is  
7.8 also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear  
7.9 dry cask storage facility.

7.10 (q) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the  
7.11 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased  
7.12 by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster  
7.13 designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by  
7.14 more than 40 percent between 1990 and 2000.

7.15 (r) The city aid base for a city is increased by \$25,000 in 2006 only and the  
7.16 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased  
7.17 by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000  
7.18 and has a state park for which the city provides rescue services and which comprised at  
7.19 least 14 percent of the total geographic area included within the city boundaries in 2000.

7.20 (s) The city aid base for a city with a population less than 5,000 is increased in  
7.21 2006 and thereafter and the minimum and maximum amount of total aid it may receive  
7.22 under this section is also increased in calendar year 2006 only by an amount equal to  
7.23 \$6 multiplied by its population.

7.24 (t) The city aid base for a city is increased by \$80,000 in 2007 only and the minimum  
7.25 and maximum amount of total aid it may receive under section 477A.013, subdivision 9,  
7.26 is also increased by \$80,000 in calendar year 2007 only, if:

7.27 (1) as of May 1, 2006, at least 25 percent of the tax capacity of the city is proposed  
7.28 to be placed in trust status as tax-exempt Indian land;

7.29 (2) the placement of the land is being challenged administratively or in court; and

7.30 (3) due to the challenge, the land proposed to be placed in trust is still on the tax  
7.31 rolls as of May 1, 2006.

7.32 (u) The city aid base for a city is increased by \$100,000 in 2007 and thereafter and  
7.33 the minimum and maximum total amount of aid it may receive under this section is also  
7.34 increased in calendar year 2007 only, provided that:

7.35 (1) the city has a 2004 estimated population greater than 200 but less than 2,000;

7.36 (2) its city net tax capacity for aids payable in 2006 was less than \$300 per capita;

8.1 (3) the ratio of its pay 2005 tax levy compared to its city net tax capacity for aids  
8.2 payable in 2006 was greater than 110 percent; and

8.3 (4) it is located in a county where at least 15,000 acres of land are classified as  
8.4 tax-exempt Indian reservations according to the 2004 abstract of tax-exempt property.

8.5 (u) The city aid base for a city located in the seven-county metropolitan area is  
8.6 increased, and the amount of total aid it may receive under section 477A.013, subdivision  
8.7 9, paragraph (c), is also increased in calendar year 2008 only, by an amount equal to  
8.8 the lesser of:

8.9 (1)(i) its population multiplied by the sum of its rental housing factor and its  
8.10 1940-1969 housing factor; minus the product of (ii) the tax effort rate, (iii) the difference  
8.11 between its city net tax capacity per capita and the average metropolitan city net tax  
8.12 capacity per capita, and (iv) its population; or

8.13 (2) \$.....

8.14 Increases under this paragraph may not be less than zero.

8.15 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
8.16 2008 and thereafter.

8.17 Sec. 6. Minnesota Statutes 2006, section 477A.013, subdivision 8, is amended to read:

8.18 Subd. 8. **City formula aid.** In calendar year 2004 and subsequent years, the  
8.19 formula aid for a city is equal to the need increase percentage multiplied by the difference  
8.20 between (1) the city's revenue need multiplied by its population, and (2) ~~the sum of the~~  
8.21 ~~city's net tax capacity multiplied by the tax effort rate; the taconite aids under sections~~  
8.22 ~~298.28 and 298.282 to any city except a city directly impacted by a taconite mine or plant;~~  
8.23 ~~multiplied by the following percentages:~~

8.24 ~~(i) zero percent for aids payable in 2004;~~

8.25 ~~(ii) 25 percent for aids payable in 2005;~~

8.26 ~~(iii) 50 percent for aids payable in 2006;~~

8.27 ~~(iv) 75 percent for aids payable in 2007; and~~

8.28 ~~(v) 100 percent for aids payable in 2008 and thereafter.~~

8.29 ~~For purposes of this subdivision, "a city directly impacted by a taconite mine or~~  
8.30 ~~plant" means: (1) Babbitt, (2) Eveleth, (3) Hibbing, (4) Keewatin, (5) Mountain Iron, (6)~~  
8.31 ~~Silver Bay, or (7) Virginia.~~

8.32 No city may have a formula aid amount less than zero. The need increase percentage  
8.33 must be the same for all cities.

9.1 The applicable need increase percentage must be calculated by the Department of  
 9.2 Revenue so that the total of the aid under subdivision 9 equals the total amount available  
 9.3 for aid under section 477A.03 after the subtraction under section 477A.014, subdivisions  
 9.4 4 and 5.

9.5 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 9.6 2008 and thereafter.

9.7 Sec. 7. Minnesota Statutes 2006, section 477A.013, subdivision 9, is amended to read:

9.8 Subd. 9. **City aid distribution.** (a) In calendar year 2002 and thereafter, each  
 9.9 city shall receive an aid distribution equal to the sum of (1) the city formula aid under  
 9.10 subdivision 8, and (2) its city aid base.

9.11 (b) For aids payable in 2008, the total aid for any city shall not exceed the sum of (1)  
 9.12 ... percent of the city's net levy for the year prior to the aid distribution plus (2) its total aid  
 9.13 in the previous year. For aids payable in ~~2005~~ 2009 and thereafter, the total aid for any  
 9.14 city shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to  
 9.15 the aid distribution plus (2) its total aid in the previous year. For aids payable in 2005 and  
 9.16 thereafter, the total aid for any city with a population of 2,500 or more may not decrease  
 9.17 from its total aid under this section in the previous year by an amount greater than ten  
 9.18 percent of its net levy in the year prior to the aid distribution.

9.19 (c) For aids payable in 2004 only, the total aid for a city with a population less  
 9.20 than 2,500 may not be less than the amount it was certified to receive in 2003 minus the  
 9.21 greater of (1) the reduction to this aid payment in 2003 under Laws 2003, First Special  
 9.22 Session chapter 21, article 5, or (2) five percent of its 2003 aid amount. For aids payable  
 9.23 in 2005 and thereafter, the total aid for a city with a population less than 2,500 must not be  
 9.24 less than the amount it was certified to receive in the previous year minus five percent  
 9.25 of its 2003 certified aid amount.

9.26 (d) If a city's net tax capacity used in calculating aid under this section has decreased  
 9.27 in any year by more than 25 percent from its net tax capacity in the previous year due to  
 9.28 property becoming tax-exempt Indian land, the city's maximum allowed aid increase  
 9.29 under paragraph (b) shall be increased by an amount equal to (1) the city's tax rate in the  
 9.30 year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease  
 9.31 resulting from the property becoming tax exempt.

9.32 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 9.33 2008 and thereafter.

10.1 Sec. 8. Minnesota Statutes 2006, section 477A.03, subdivision 2a, is amended to read:

10.2 Subd. 2a. **Cities.** ~~For aids payable in 2004, the total aids paid under section~~  
 10.3 ~~477A.013, subdivision 9, are limited to \$429,000,000.~~ For aids payable in ~~2005~~ 2008, the  
 10.4 total aids paid under section 477A.013, subdivision 9, are limited to ~~\$437,052,000~~ \$.....  
 10.5 For aids payable in ~~2006~~ 2009 and thereafter, the total aids paid under section 477A.013,  
 10.6 subdivision 9, is limited to ~~\$485,052,000~~ the amount paid under this subdivision in the  
 10.7 previous year, adjusted for inflation as provided under subdivision 5, and multiplied by  
 10.8 one plus the percentage increase in the total population in all cities of the state for the most  
 10.9 recently available calendar year.

10.10 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 10.11 2008 and thereafter.

10.12 Sec. 9. Minnesota Statutes 2006, section 477A.03, is amended by adding a subdivision  
 10.13 to read:

10.14 Subd. 5. **Inflation adjustment.** In 2009 and thereafter, the amount paid under each  
 10.15 subdivision to be adjusted for inflation shall be increased by an amount equal to:

10.16 (1) the amount certified to be paid under the subdivision in the previous year,  
 10.17 multiplied by

10.18 (2) the percentage increase in the implicit price deflator for government consumption  
 10.19 expenditures and gross investment for state and local government as prepared by the  
 10.20 United States Department of Commerce for the 12-month period ending March 31 of the  
 10.21 previous year. The percentage increase used in this subdivision shall be no less than 2.5  
 10.22 percent and no greater than 5.0 percent.

10.23 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 10.24 2008 and thereafter.