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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
SESSION

HOUSE FILE No. 1933

March 12, 2007

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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 aid distribution formula;  
1.3 amending Minnesota Statutes 2006, sections 477A.011, subdivision 34;  
1.4 477A.013, subdivision 9.

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

1.6 Section 1. Minnesota Statutes 2006, section 477A.011, subdivision 34, is amended to  
1.7 read:

1.8 Subd. 34. **City revenue need.** (a) For a city with a population equal to or greater  
1.9 than 2,500, "city revenue need" is the sum of (1) 5.0734098 times the pre-1940 housing  
1.10 percentage; plus (2) 19.141678 times the population decline percentage; plus (3)  
1.11 2504.06334 times the road accidents factor; plus (4) 355.0547; minus (5) the metropolitan  
1.12 area factor; minus (6) 49.10638 times the household size.

1.13 (b) For a city with a population less than 2,500, "city revenue need" is the sum of (1)  
1.14 ~~2.387 times the pre-1940 housing percentage 300;~~ plus (2) ~~2.67591 times the commercial~~  
1.15 ~~industrial percentage; plus (3) 3.16042 times the population decline percentage; plus~~  
1.16 ~~(4) 1.206 times the transformed population; minus (5) 62.772.~~ 0.31 multiplied by the  
1.17 difference between the city's population and 100. The city revenue need for a city with a  
1.18 population less than 2,500 may not exceed 500.

1.19 (c) For a city with a population of 2,500 or more and a population in one of the most  
1.20 recently available five years that was less than 2,500, "city revenue need" is the sum of (1)  
1.21 its city revenue need calculated under paragraph (a) multiplied by its transition factor;  
1.22 plus (2) its city revenue need calculated under the formula in paragraph (b) multiplied  
1.23 by the difference between one and its transition factor. For purposes of this paragraph, a  
1.24 city's "transition factor" is equal to 0.2 multiplied by the number of years that the city's

2.1 population estimate has been 2,500 or more. This provision only applies for aids payable  
 2.2 in calendar years 2006 to 2008 to cities with a 2002 population of less than 2,500. It  
 2.3 applies to any city for aids payable in 2009 and thereafter.

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

2.5 (e) For calendar year 2005 and subsequent years, the city revenue need for a city,  
 2.6 as determined in paragraphs (a) to (d), is multiplied by the ratio of the annual implicit  
 2.7 price deflator for government consumption expenditures and gross investment for state  
 2.8 and local governments as prepared by the United States Department of Commerce, for  
 2.9 the most recently available year to the 2003 implicit price deflator for state and local  
 2.10 government purchases.

2.11 **EFFECTIVE DATE.** This section is effective for aids payable in 2008.

2.12 Sec. 2. Minnesota Statutes 2006, section 477A.013, subdivision 9, is amended to read:

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

2.16 (b) For aids payable in 2005 and thereafter, the total aid for any city shall not exceed  
 2.17 the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution  
 2.18 plus (2) its total aid in the previous year. For aids payable in 2005 and thereafter, the total  
 2.19 aid for any city with a population of 2,500 or more may not decrease from its total aid  
 2.20 under this section in the previous year by an amount greater than ten percent of its net  
 2.21 levy in the year prior to the aid distribution.

2.22 (c) ~~For aids payable in 2004 only, the total aid for a city with a population less than~~  
 2.23 ~~2,500 may not be less than the amount it was certified to receive in 2003 minus the greater~~  
 2.24 ~~of (1) the reduction to this aid payment in 2003 under Laws 2003, First Special Session~~  
 2.25 ~~chapter 21, article 5, or (2) five percent of its 2003 aid amount.~~ For aids payable in 2008  
 2.26 only, the total aid for a city with a population less than 2,500 must not be less than the  
 2.27 amount it would otherwise be certified to receive in 2007 if this act was not enacted. For  
 2.28 aids payable in ~~2005~~ 2009 and thereafter, the total aid for a city with a population less  
 2.29 than 2,500 must not be less than the amount it was certified to receive in the previous year  
 2.30 minus five percent of its 2003 certified aid amount.

2.31 (d) If a city's net tax capacity used in calculating aid under this section has decreased  
 2.32 in any year by more than 25 percent from its net tax capacity in the previous year due to  
 2.33 property becoming tax-exempt Indian land, the city's maximum allowed aid increase  
 2.34 under paragraph (b) shall be increased by an amount equal to (1) the city's tax rate in the

3.1 year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease  
3.2 resulting from the property becoming tax exempt.

3.3 **EFFECTIVE DATE.** This section is effective for aids payable in 2008.