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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 3602

03/24/2016 Authored by Murphy, M., by request
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; providing a base year formula aid for newly
1.3 incorporated cities; amending Minnesota Statutes 2015 Supplement, section
1.4 477A.013, subdivision 8.

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

1.6 Section 1. Minnesota Statutes 2015 Supplement, section 477A.013, subdivision 8,
1.7 is amended to read:

1.8 Subd. 8. **City formula aid.** (a) For aids payable in 2015 and thereafter, the formula
1.9 aid for a city is equal to the sum of (1) its formula aid in the previous year and (2) the
1.10 product of (i) the difference between its unmet need and its formula aid in the previous
1.11 year, and (ii) the aid gap percentage.

1.12 (b) For aids payable in 2015 and thereafter, if a city's certified aid from the previous
1.13 year is greater than the sum of its unmet need plus its aid adjustment under subdivision 13,
1.14 its formula aid is adjusted to equal its unmet need.

1.15 (c) No city may have a formula aid amount less than zero. In the first aid payable
1.16 year that a newly incorporated city qualifies for aid under this subdivision, the city's
1.17 formula aid in the previous year shall be deemed to be equal to \$10 multiplied by its
1.18 population. The aid gap percentage must be the same for all cities subject to paragraph (a).

1.19 (d) The applicable aid gap percentage must be calculated by the Department of
1.20 Revenue so that the total of the aid under subdivision 9 equals the total amount available
1.21 for aid under section 477A.03. Data used in calculating aids to cities under sections
1.22 477A.011 to 477A.013 shall be the most recently available data as of January 1 in the
1.23 year in which the aid is calculated.

1.24 **EFFECTIVE DATE.** This section is effective for aids payable in 2017 and thereafter.