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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 4155

03/10/2022 Authored by Hertaus and Youakim 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 taxation; local government aids; modifying the city aid program;
1.3 amending Minnesota Statutes 2020, sections 477A.013, subdivisions 8, 9, by
1.4 adding subdivisions; 477A.03, subdivision 2a.

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

1.6 Section 1. Minnesota Statutes 2020, section 477A.013, subdivision 8, is amended to read:

1.7 Subd. 8. City formula aid. (a) For aids payable in ~~2018~~ 2023 and thereafter, the formula
1.8 aid for a city is equal to the product of (1) the difference between its unmet need and its
1.9 certified aid in the previous year and before any aid adjustment under subdivision 13, and
1.10 (2) the aid gap percentage.

1.11 (b) The applicable aid gap percentage must be calculated by the Department of Revenue
1.12 so that the total of the aid under subdivision ~~9~~ 16 equals the total amount available for aid
1.13 under section 477A.03. The aid gap percentage must be the same for all cities subject to
1.14 paragraph (a). Data used in calculating aids to cities under sections 477A.011 to 477A.013
1.15 shall be the most recently available data as of January 1 in the year in which the aid is
1.16 calculated.

1.17 EFFECTIVE DATE. This section is effective for aids payable in calendar year 2023
1.18 and thereafter.

1.19 Sec. 2. Minnesota Statutes 2020, section 477A.013, subdivision 9, is amended to read:

1.20 Subd. 9. Preliminary city aid distribution. (a) In calendar year ~~2018~~ 2023 and thereafter,
1.21 if a city's certified aid before any aid adjustment under subdivision 13 for the previous year
1.22 is less than its current unmet need, the city shall receive an aid distribution equal to the sum

2.1 of (1) its certified aid in the previous year before any aid adjustment under subdivision 13,
 2.2 (2) the city formula aid under subdivision 8, and (3) its aid adjustment under subdivision
 2.3 13.

2.4 (b) For aids payable in ~~2020~~ 2023 only, no city's aid amount before any adjustment
 2.5 under subdivision 13 may be less than its pay 2019 certified aid amount, less any aid
 2.6 adjustment under subdivision 13 for that year. For aids payable in ~~2020~~ 2023 and thereafter,
 2.7 if a city's certified aid before any aid adjustment under subdivision 13 for the previous year
 2.8 is equal to or greater than its current unmet need, the total aid for a city is equal to the greater
 2.9 of (1) its unmet need plus any aid adjustment under subdivision 13, or (2) the amount it was
 2.10 certified to receive in the previous year minus the sum of (i) any adjustment under subdivision
 2.11 13 that was paid in the previous year but has expired, and (ii) the lesser of \$10 multiplied
 2.12 by its population, or five percent of its net levy in the year prior to the aid distribution. No
 2.13 city may have a total aid amount less than \$0 under this paragraph.

2.14 (c) If a city's aid distribution under paragraph (b) is equal to \$0, the city is eligible for
 2.15 an alternative aid distribution under subdivision 15.

2.16 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023
 2.17 and thereafter.

2.18 Sec. 3. Minnesota Statutes 2020, section 477A.013, is amended by adding a subdivision
 2.19 to read:

2.20 **Subd. 15. Alternative per capita aid.** (a) Beginning in calendar year 2023 and thereafter,
 2.21 if a city's certified aid under subdivision 9 is \$0 it shall receive an aid payment under this
 2.22 subdivision equal to the sum of the following:

2.23 (1) a base amount equal to the lesser of \$40 multiplied by its population, or \$60,000;
 2.24 and

2.25 (2) a formula amount equal to its population multiplied by a per capita amount, where
 2.26 the per capita amount is set so that the total aid paid under this subdivision is the amount
 2.27 allocated for alternative aid under section 477A.03, subdivision 2a.

2.28 (b) The maximum aid for any city under this subdivision is \$200,000.

2.29 (c) Beginning with aids payable in 2024 and thereafter, the amounts of \$40 and \$60,000
 2.30 in paragraph (a), clause (1), and \$200,000 in paragraph (b) shall be increased by a percent
 2.31 equal to the percent increase in the total limit on city aid under section 477A.03, subdivision
 2.32 2a, for the payable year that is being calculated compared to the appropriation for aids
 2.33 payable in 2023.

3.1 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023
 3.2 and thereafter.

3.3 Sec. 4. Minnesota Statutes 2020, section 477A.013, is amended by adding a subdivision
 3.4 to read:

3.5 Subd. 16. **Final city aid distribution.** For aids payable in 2023 and thereafter, the aid
 3.6 distribution for a city receiving aid under subdivision 9 is equal to the greater of the amount
 3.7 it would receive under subdivision 9 or the amount it would receive if it qualified for
 3.8 alternative aid under subdivision 15. For aids payable in 2023 and thereafter, the aid
 3.9 distribution for a city that receives zero aid under subdivision 9 is the alternative aid
 3.10 calculated under subdivision 15.

3.11 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023
 3.12 and thereafter.

3.13 Sec. 5. Minnesota Statutes 2020, section 477A.03, subdivision 2a, is amended to read:

3.14 Subd. 2a. **Cities.** ~~For aids payable in 2016 and 2017, the total aid paid under section~~
 3.15 ~~477A.013, subdivision 9, is \$519,398,012. For aids payable in 2018 and 2019, the total aid~~
 3.16 ~~paid under section 477A.013, subdivision 9, is \$534,398,012. For aids payable in 2020~~ 2023
 3.17 and thereafter, the total aid paid to cities under section 477A.013, subdivision 9 16, is
 3.18 ~~\$560,398,012~~ \$564,990,952. ~~For~~ Beginning with aids payable in ~~2021~~ 2023 and thereafter,
 3.19 ~~the total aid payable~~ two percent of this amount will be paid as alternative aid to cities under
 3.20 ~~section 477A.013~~ 477A.03, subdivision 9, is \$564,398,012 15.

3.21 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2023
 3.22 and thereafter.