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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 760

02/02/2017 Authored by Metsa, Ecklund and Applebaum 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 aid; modifying definitions; adjusting city
1.3 revenue need and certified aid adjustments; amending Minnesota Statutes 2016,
1.4 sections 477A.011, subdivisions 34, 45; 477A.013, subdivision 13.

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

1.6 Section 1. Minnesota Statutes 2016, 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 than
1.9 10,000, "city revenue need" is 1.15 times the sum of (1) 4.59 times the pre-1940 housing
1.10 percentage; plus (2) 0.622 times the percent of housing built between 1940 and 1970; plus
1.11 (3) 169.415 times the jobs per capita; plus (4) the sparsity adjustment; plus (5) 307.664.

1.12 (b) For a city with a population equal to or greater than 2,500 and less than 10,000, or
1.13 that qualifies for the sparsity adjustment under subdivision 45, "city revenue need" is 1.15
1.14 times the sum of (1) 572.62; plus (2) 5.026 times the pre-1940 housing percentage; minus
1.15 (3) 53.768 times household size; plus (4) 14.022 times peak population decline.

1.16 (c) For a city with a population less than 2,500, "city revenue need" is the sum of 410
1.17 plus 0.367 times the city's population over 100. The city revenue need under this paragraph
1.18 shall not exceed 630.

1.19 (d) For a city with a population of at least 2,500 but less than 3,000, the "city revenue
1.20 need" equals (1) the transition factor times the city's revenue need calculated in paragraph
1.21 (b); plus (2) 630 times the difference between one and the transition factor. For a city with
1.22 a population of at least 10,000 but less than 10,500, the "city revenue need" equals (1) the
1.23 transition factor times the city's revenue need calculated in paragraph (a); plus (2) the city's

2.1 revenue need calculated under the formula in paragraph (b) times the difference between
 2.2 one and the transition factor. For purposes of this paragraph "transition factor" is 0.2 percent
 2.3 times the amount that the city's population exceeds the minimum threshold in either of the
 2.4 first two sentences.

2.5 (e) The city revenue need cannot be less than zero.

2.6 (f) For calendar year 2015 and subsequent years, the city revenue need for a city, as
 2.7 determined in paragraphs (a) to (e), is multiplied by the ratio of the annual implicit price
 2.8 deflator for government consumption expenditures and gross investment for state and local
 2.9 governments as prepared by the United States Department of Commerce, for the most
 2.10 recently available year to the 2013 implicit price deflator for state and local government
 2.11 purchases.

2.12 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2018
 2.13 and thereafter.

2.14 Sec. 2. Minnesota Statutes 2016, section 477A.011, subdivision 45, is amended to read:

2.15 Subd. 45. **Sparsity adjustment.** For a city with a population of 10,000 or more, the
 2.16 sparsity adjustment is ~~100~~ 150 for any city with an average population density less than 150
 2.17 per square mile, according to the most recent federal census, and the sparsity adjustment is
 2.18 zero for all other cities.

2.19 **EFFECTIVE DATE.** This section is effective for aids payable in calendar years 2018
 2.20 and thereafter.

2.21 Sec. 3. Minnesota Statutes 2016, section 477A.013, subdivision 13, is amended to read:

2.22 Subd. 13. **Certified aid adjustments.** (a) A city that received an aid base increase under
 2.23 Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (e), shall have its
 2.24 total aid under subdivision 9 increased by an amount equal to \$150,000 for aids payable in
 2.25 2014 through 2018.

2.26 (b) A city that received an aid base increase under section 477A.011, subdivision 36,
 2.27 paragraph (r), shall have its total aid under subdivision 9 increased by an amount equal to
 2.28 \$160,000 for aids payable in 2014 and thereafter.

2.29 (c) ~~A city that received a temporary aid increase under Minnesota Statutes 2012, section~~
 2.30 ~~477A.011, subdivision 36, paragraph (e), shall have its total aid under subdivision 9 increased~~
 2.31 ~~by an amount equal to \$1,000,000 for aids payable in 2014 only~~ authorized to impose an
 2.32 admissions and recreation tax under Laws 2010, chapter 389, article 5, section 7, shall

3.1 receive, for aids payable in 2018 and thereafter, the greater of its total aid payable under
3.2 subdivision 9 or its total aid received for aids payable in 2003.

3.3 **EFFECTIVE DATE.** This section is effective for aids payable in calendar years 2018
3.4 and thereafter.