

**HF2928 - 0 - Stronger Community Aid Program**

Chief Author: **Paul Marquart**  
 Committee: **Property Tax Division**  
 Date Completed: **3/3/2022 9:58:29 AM**  
 Lead Agency: **Office of The State Auditor**  
 Other Agencies:  
 Revenue Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology	X	
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
<b>Office of The State Auditor</b>						
General Fund	-	-	12	6	6	
<b>Revenue Dept</b>						
General Fund	-	-	-	12,000	25,000	
<b>State Total</b>						
General Fund	-	-	12	12,006	25,006	
	<b>Total</b>	-	-	<b>12</b>	<b>12,006</b>	<b>25,006</b>
	<b>Biennial Total</b>			<b>12</b>		<b>37,012</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
	FY2021	FY2022	FY2023	FY2024	FY2025	
<b>Office of The State Auditor</b>						
General Fund	-	-	.17	.11	.11	
<b>Revenue Dept</b>						
General Fund	-	-	-	-	-	
	<b>Total</b>	-	-	<b>.17</b>	<b>.11</b>	<b>.11</b>

**Lead LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Christian Larson    **Date:** 3/3/2022 9:58:29 AM  
**Phone:** 651-284-6436    **Email:** christian.larson@lbo.mn.gov

**State Cost (Savings) Calculation Details**

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\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>	<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
<b>Office of The State Auditor</b>					
General Fund	-	-	12	6	6
<b>Revenue Dept</b>					
General Fund	-	-	-	12,000	25,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>12,006</b>	<b>25,006</b>
<b>Biennial Total</b>			<b>12</b>		<b>37,012</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
Office of The State Auditor					
General Fund	-	-	12	6	6
Revenue Dept					
General Fund	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>6</b>	<b>6</b>
<b>Biennial Total</b>			<b>12</b>		<b>12</b>
<b>2 - Revenues, Transfers In*</b>					
Office of The State Auditor					
General Fund	-	-	-	-	-
Revenue Dept					
General Fund	-	-	-	(12,000)	(25,000)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,000)</b>	<b>(25,000)</b>
<b>Biennial Total</b>			<b>-</b>		<b>(37,000)</b>

**Fiscal Note**

**2021-2022 Legislative Session**

**HF2928 - 0 - Stronger Community Aid Program**

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 Committee: **Property Tax Division**  
 Date Completed: **3/3/2022 9:58:29 AM**  
 Agency: **Office of The State Auditor**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
<b>Local Fiscal Impact</b>		
	X	

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<b>State Cost (Savings)</b>	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
<b>General Fund</b>	-	-	12	6	6	6
<b>Total</b>	-	-	12	6	6	6
<b>Biennial Total</b>			12			12

<b>Full Time Equivalent Positions (FTE)</b>	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	.17	.11	.11
<b>Total</b>	-	-	.17	.11	.11

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Christian Larson    **Date:** 3/1/2022 4:30:53 PM  
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**State Cost (Savings) Calculation Details**

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Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	12	6	6	6
<b>Total</b>		-	-	12	6	6
<b>Biennial Total</b>				12		12
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	-	12	6	6	6
<b>Total</b>		-	-	12	6	6
<b>Biennial Total</b>				12		12
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	-
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-

**Bill Description**

HF 2928 enhances the local performance measurement program administered by the Office of the State Auditor (OSA). It requires information to be posted on the OSA website about the program requirements including, but not limited to, performance measures for counties and cities, a sample resolution, and reporting requirements as prescribed by the state auditor. HF 1780 also requires the OSA to certify to the Department of Revenue (DOR) by April 1st of each year a list of cities and counties that have certified that they have met the program requirements and are eligible to receive an aid payment as prescribed by the bill. The bill repeals the previous statutory language that created the local government performance measurement program including an annual statutory appropriation of \$2,000 to the OSA to carry out the auditor’s responsibilities under sections 6.90 to 6.91.

**Assumptions**

The OSA assumes that the resolution passed at the meeting where the city or county sets its final budget and levy will include the required information to certify that they have completed the requirements of the performance measurement program. The OSA will design a process using a website form where a city or county will certify that they have met the requirements of the local performance measurement program.

The first year, the process will also require staff time to review and update performance measurements, update the sample resolution and reporting requirements, and notify cities and counties of the changes in the program. Annually, the process will require staff time to review submitted certifications, and to send the certification to DOR.

Finally, the OSA assumes that the increased amount of state aid available for participating in the Local Government Performance Measurement Program will double the number of cities and counties that will participate. As a result, the amount of time necessary to assist these local governments with their questions and to review their submissions will at least double.

**Expenditure and/or Revenue Formula**

Current

Supervisor	\$45.56 hourly rate X 20 hours X 1.25 fringe benefits factor = \$1,139.00
Analyst	\$33.30 hourly rate X 80 hours X 1.25 fringe benefits factor = \$3,333.00
Total	\$4,469.00

First Year

Supervisor	\$45.56 hourly rate X 55 hours X 1.25 fringe benefits factor = \$3,132.25
Analyst	\$33.30 hourly rate X 305 hours X 1.25 fringe benefits factor = \$12,695.63
Total	\$15,827.88

Subsequent Years

Supervisor	\$45.56 hourly rate X 30 hours X 1.25 fringe benefits factor = \$1,708.50
Analyst	\$33.30 hourly rate X 195 hours X 1.25 fringe benefits factor = \$8,116.88
Total	\$9,825.38

Net Cost

First Year	\$15,827.88	\$4,469.00 = \$11,358.88
Subsequent Years	\$9,825.38	\$4,469.00 = \$5,356.38

Long-Term Fiscal Considerations

There will be annual costs for managing the performance measurement program. The OSA believes that by developing a process that includes submission through the State Auditor's Form Entry System (SAFES) will help keep the costs down. OSA feels that initially creating a simple web form for submission and later adding features to submit the forms through SAFES is the most practical way to develop something that meets everyone's needs and controls costs.

Local Fiscal Impact

There will be an annual cost to cities and counties to participate in the performance measurement program but the program is voluntary and they will receive some state aid to offset the costs.

References/Sources

**Agency Contact:** Matthew Lindemann

**Agency Fiscal Note Coordinator Signature:** Matthew Lindemann

**Phone:** 651-297-7110

**Date:** 3/1/2022 4:01:52 PM

**Email:** matt.lindemann@osa.state.mn.us

**Fiscal Note**

**2021-2022 Legislative Session**

**HF2928 - 0 - Stronger Community Aid Program**

Chief Author: **Paul Marquart**  
 Committee: **Property Tax Division**  
 Date Completed: **3/3/2022 9:58:29 AM**  
 Agency: **Revenue Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology		X
<b>Local Fiscal Impact</b>		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

<b>State Cost (Savings)</b>	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
<b>General Fund</b>	-	-	-	12,000	25,000	
<b>Total</b>	-	-	-	<b>12,000</b>	<b>25,000</b>	
<b>Biennial Total</b>			-			<b>37,000</b>

<b>Full Time Equivalent Positions (FTE)</b>	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Joel Enders      **Date:** 3/3/2022 9:53:37 AM  
**Phone:** 651-284-6542      **Email:** joel.enders@lbo.mn.gov

**State Cost (Savings) Calculation Details**

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General Fund	-	-	-	12,000	25,000	
<b>Total</b>	-	-	-	<b>12,000</b>	<b>25,000</b>	
<b>Biennial Total</b>			-		<b>37,000</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	-	-	-	-	
<b>Total</b>	-	-	-	-	-	
<b>Biennial Total</b>			-		-	
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	(12,000)	(25,000)	
<b>Total</b>	-	-	-	<b>(12,000)</b>	<b>(25,000)</b>	
<b>Biennial Total</b>			-		<b>(37,000)</b>	

**Bill Description**

HF2928-0 modifies Minnesota Statutes (MS), chapter 477A by adding Subdivision 477A.40, Stronger Community Aid Program, administered by the Office of the State Auditor.

Section 1 would compensate counties and cities that voluntarily enhance their public hearing process by:

- adopting and implementing a set of ten performance measures prescribed by the Office of the State Auditor
- holding an annual citizen performance measure and budget workshop meeting between June 15 and August 15 of each year
- identifying at least two performance measures for improvement at its annual truth-in-taxation meeting
- approving a resolution at its annual truth-in-taxation meeting declaring what it has done to meet the requirements
- certifying that it has met the requirements to the Office of the State Auditor by February 1 of the aid distribution year

The Office of the State Auditor would need to provide guidance for compliance on its website, prescribe a form for local governments to certify their compliance, and certify the list of those local governments that have certified their compliance to the commissioner of revenue by April 1 of the aid distribution year.

The commissioner of revenue would calculate and provide notification of aid amounts and statewide total figures by August 1 of the aid distribution year and make the payments on December 26.

Section 2 would repeal a current aid program created in 2010 for a similar purpose, MS 6.91 LOCAL PERFORMANCE MEASUREMENT AND REPORTING.

Effective dates: Section 1 (aid program), beginning with aids payable in 2023. Section 2 (repealer), January 1, 2023.

**Assumptions**

Department of Revenue (DOR) assumes that the Office of the State Auditor would provide guidance for local government compliance on its website, prescribe a form for local governments to certify their compliance, and certify the list of those local governments that have certified their compliance to the commissioner of revenue by April 1 of the aid distribution year.

DOR will make the changes noted in the bill & that administrative work is minimal.

**Expenditure and/or Revenue Formula**

Effective beginning with aids payable 2023.

Revenue (000's)	FY 2022	FY 2023	FY 2024	FY 2025
Repeal Local Performance Measurement and Improvement Program	\$0	\$0	\$497	\$497
Stronger Community Aid	\$0	\$0	(\$13,260)	(\$26,520)
Property Tax Refund Interactions	\$0	\$0	\$340	\$680
Income Tax Interactions	\$0	\$0	\$130	\$270
General Fund Total	\$0	\$0	(\$12,293)	(\$25,073)

REVENUE ANALYSIS DETAIL

Under current law, 28 counties and 37 cities participated in the Local Performance Measurement and Improvement aid program in 2021. The 65 participating jurisdictions received approximately \$497,000 in aid. Repealing the Local Performance Measurement and Improvement aid program would result in a savings to the state general fund beginning in FY2024 and thereafter.

Under the proposal, if these same 65 jurisdictions participated in the new Stronger Community Aid program, the per capita aid would total approximately \$8.8 million. If every county and city participated, the per capita aid would total approximately \$35.4 million.

It is assumed that the proposed higher per capita aid incentives would increase local jurisdiction participation by 50% above current program levels in the first year. In the second year, as jurisdictions have more time to implement the program requirements, it is assumed participation would double.

It is estimated that the Stronger Community Aid program would increase costs to the state general fund by \$13.26 million in FY2024 and \$26.52 million in FY2025. It is assumed that the increased aid would reduce property tax levies by a portion of the increase. Lower levies would reduce property taxes on all property.

- Lower levies will result in lower homeowner property tax refunds, reducing costs to the state general fund.
- Lower levies will result in lower income tax deductions, increasing revenues to the state general fund.

Number of Taxpayers:

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

Transparency, Understandability, Simplicity & Accountability	Increase	More counties and cities participating in the program increases transparency for taxpayers.
Efficiency & Compliance	Neutral	
Equity (Vertical & Horizontal)	Neutral	
Stability & Predictability	Neutral	
Competitiveness for Businesses	Neutral	



Responsiveness to Economic Conditions	Neutral	
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### **Long-Term Fiscal Considerations**

The bill does not have long term fiscal considerations.

### **Local Fiscal Impact**

Local governments, on a voluntary basis, will be required to follow updated procedures as administered by the Office of the State Auditor.

### **References/Sources**

Agency staff provided information for this fiscal note.

Stronger Community Aid program established

February 22, 2022

Department of Revenue

Analysis of H.F. 2928 (Marquart) as introduced

Source: Minnesota Department of Revenue

Property Tax Division, Research Unit

<https://www.revenue.state.mn.us/revenue-analyses>

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