



April 6, 2022

Dear Chair Marquart and Members, House Taxes Committee:

On behalf of the members of our organizations, we want to express our support for language in HF 3669-Marquart, the omnibus tax bill, that updates the Local Government Aid formula as well as the increase in the LGA appropriation.

The formula changes proposed in Article 5 of HF 3669 reflect months of research and analysis by our associations, assisted by staff from the House Research Department, Senate Counsel, Research and Fiscal Analysis, and the Department of Revenue. These changes were initially heard in the Property Tax Division and included in the Division’s report to the Taxes Committee.

The modified formula factors in the bill, using regression analysis, represent the most statistically valid predictors of differences in city need and spending patterns, and improve upon existing formula factors in anticipating variations in city needs and spending. Some existing factors were maintained while others were modified, depending on their statistical ability to reflect and anticipate variations in city needs.

In addition to the improved predictive ability of differences among cities, 42 cities lose aid under the modified formula in 2023 as opposed to 112 that lose aid in 2023 under the current formula. Our associations continue to support a formula-based program, with criteria based upon tested factors that best determine cities’ needs for aid.

While our associations appreciate the increase in the LGA appropriation in HF 3669, we continue to support an increase of \$90 million to accompany the formula changes and would ask the committee to continue consideration of the appropriation level as the tax bill advances. We appreciate your attention to the LGA program and its importance to cities throughout Minnesota and look forward to continuing our work with you this session.

Thank you.

Sincerely,

Gary Carlson  
League of Minnesota Cities

Cap O'Rourke  
MN Association of Small Cities

Patricia Nauman  
Metro Cities

Bradley Peterson  
Coalition of Greater MN Cities