

Unallotment Update Local Government Tax Aids and Credits FYs 2010-2011

A Presentation to the Local Government Division,
State and Local Government Operations Reform Committee
February 15, 2010

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July 2009 Unallotment Recap

Tax Aids and Credits

\$300 million of the unallotment package included reductions of:

- \$147 million in Local Government Aid
- \$100 million in County Program Aid, and
- \$ 53 million in Market Value Credits for Residential and Agricultural homesteads.

Tax Aids and Credits July 2009 Unallotments

Overall reductions by program:

	<u>FY 10</u>	<u>FY 11</u>	<u>Biennium</u>
LGA	- 8.5%	-19.1%	-13.8%
CPA	- 14.5%	-28.9%	-21.8%
MVC	- 10.3%	-14.6%	-12.4%

But it's important to know the details...

Selected Tax Aids & Credits
End of 2009 Session + July 2009 Governor's Unallotments

	July 2009		
	FY2010	FY2011	FY2010-11
<u>LOCAL AIDS</u>			
Local Government Aid (LGA)	526,148	536,671	1,062,819
<i>Governor's July 09 Unallotment - LGA</i>	<i>(44,620)</i>	<i>(102,384)</i>	<i>(147,004)</i>
Local Government Aid (LGA)	481,528	434,287	915,815
<i>% change</i>	-8.5%	-19.1%	-13.8%
County Program Aid	227,419	231,471	458,890
<i>Governor's July 09 Unallotment - CPA</i>	<i>(33,000)</i>	<i>(67,000)</i>	<i>(100,000)</i>
County Program Aid (CPA)	194,419	164,471	358,890
<i>% change</i>	-14.5%	-28.9%	-21.8%
<u>PROPERTY TAX CREDITS</u>			
<i>Res MVC Non-School</i>	214,590	209,337	423,927
<i>Governor's July 09 Unallotment - MVC Cities</i>	<i>(19,580)</i>	<i>(25,561)</i>	<i>(45,141)</i>
<i>Governor's July 09 Unallotment - MVC Towns</i>	<i>(2,500)</i>	<i>(5,000)</i>	<i>(7,500)</i>
Residential MVC Non-School	192,510	178,776	371,286
<i>% change</i>	-10.3%	-14.6%	-12.4%
<i>Agr MVC Non-School</i>	19,071	19,071	38,142
<i>Governor's July 09 Unallotment - MVC Cities</i>	<i>(121)</i>	<i>(355)</i>	<i>(476)</i>
Agricultural Market Value Credit	18,950	18,716	37,666
<i>% change</i>	-0.6%	-1.9%	-1.2%
TOTAL Governor's July 09 Unallotment - LGA, CPA, MVCs	(99,821)	(200,300)	(300,121)

Tax Aids and Credits

July 2009 Unallotments

Overall Characteristics of \$300 million in reductions:

- 1/3 occur in FY 2010, 2/3 in FY 2011
- 1/3 impact counties, 2/3 to cities and towns
- structured using % jurisdiction's levy + aid
- per capita caps for cities and towns
- exempts smallest and tax base poor communities

Local Property Tax Aids

1. Local Government Aid

This budget activity provides state property tax relief aid to cities, which is distributed according to “need factors” – measured differently for small cities (with populations of under 2,500 residents) versus large cities (with populations of 2,500 or more)- minus the “ability to pay” measured by a city’s tax base.

Who Benefits?

Local Government Aid (LGA) provides general-purpose funding to 763 of the Minnesota’s 854 cities; 608 of these recipient cities have a population less than 2,500.

Local Property Tax Aids

1. Local Government Aid (continued)

Estimated FY 2010 LGA distributions:

608 cities with populations < 2,500	\$ 90.6 million
Of these, 454 cities w/pop's < 1,000	
155 cities with populations >2,500	\$435.5 million

➔ Who does not benefit from LGA?

Total population in 1,786 townships	988,009
Total population in 69 large cities and 22 small cities w/o LGA	<u>1,477,884</u>
Subtotal	2,465,893 or 47%
Total State population	5,231,106

Property Tax Credits

Residential Market Value Homestead Credit

- This budget activity *provides reimbursements to taxing districts (counties, cities, towns, school districts, special districts) for property tax credits issued to residential homeowners.*
- Homeowners may receive tax credits equal to 0.4 % of the market value of the parcel up to a maximum of \$304, subject to a phase-out of the credit. The phase-out rate is equal to .09 percent of market value above \$76,000 with no credit issued for homes valued at \$414,000 and above.

Who Benefits? Approximately 1.3 million homeowners



For CY 2008, the average credit was \$210 for homes in greater Minnesota and \$141 for homes in the metro area.

Local Property Tax Aids

2. County Program Aid

- ➔ This budget activity provides general purpose aid to all counties to reduce property tax levies, based on the needs of the populations they serve relative to the size of their tax bases.
- In 2003, county program aid was created to consolidate county general purpose aids into a single program; counties previously received an array of aids including homestead and agricultural credit aid (HACA), county criminal justice aid, family preservation aid, and attached machinery aid.
 - Appropriations payable for CY 2009 and annually thereafter are limited to \$111.5 million for need aid and \$116.1 million for equalization aid .

Local Property Tax Aids

Who Benefits from County Program Aid?

All 87 Minnesota counties

- Need aid tends to be distributed among the counties approximately equal to each county's relative share of the state population.
- Counties in greater Minnesota generally receive a greater share of tax base equalization aid because their tax bases generally are smaller.

Overall Reductions by Program

	<u>Formula</u>	<u>Limit per capita</u>
<u>Pay 2009/ FY 2010</u>		
<i>LGA + MVC</i>		
City	3.31% levy + aid	\$ 22
Town	1.74% levy + aid	\$ 5
<i>CPA</i>		
County	1.19% levy + aid	None
<u>Pay 2010/ FY 2011</u>		
<i>LGA + MVC</i>		
City	7.64% levy + aid	\$ 55
Town	3.66% levy + aid	\$ 10
<i>CPA</i>		
County	2.41% levy + aid	None

Note: Although the percentages differ, these reductions follow the same methodology as cuts done previously through the 2003 Omnibus Tax Act (FYs 2004-05) and the Governor December 2008 unallotments.

Overall Reductions by Program

Who is exempt from these cuts?

- Jurisdictions with less than 1,000 residents and a below average tax base: approximately 454 small cities and 629 towns
- Counties with 5,000 or fewer residents or low tax bases -- Kittson, Lake of the Woods, Mahnomen, Red Lake and Traverse Counties.

Selected Tax Aids & Credits Reduction History
FY 2004 to present
Dollars in Millions

Program	Enacted Budget Reductions				Executive Action Reductions		
	CY 2003 ¹	CY 2004 ¹	CY 2005 ²	CY 2006 ²	CY 2008 ³	CY 2009 ⁴	CY 2010 ⁴
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2009	FY 2010	FY 2011
Local Government Aid (LGA)	(122.0)	(170.6)			(53.5)	(44.6)	(102.4)
County Program Aid	(65.0)	(124.6)			(43.9)	(33.0)	(67.0)
Residential & Agricultural Market Value Homestead Credit <i>Non-School</i>							
<i>Cities</i>	(20.2)	(20.2)	(17.8)	(17.5)	(12.5)	(19.7)	(25.9)
<i>Counties</i>	-	-	(0.6)	(0.6)	(0.1)	-	-
<i>Towns</i>	(3.0)	(4.5)				(2.5)	(5.0)
<i>Special Districts</i>	(2.8)	(3.8)				-	-
Subtotal Non-School MVC	(26.0)	(28.5)	(18.4)	(18.1)	(12.6)	(22.2)	(30.9)
Total - All Reductions	(213.0)	(323.7)	(18.4)	(18.1)	(110.0)	(99.8)	(200.3)

Notes:

¹ Reductions in CYs 2003-2004 were done during the biennial budget process, the same year when formulas for city and county aids were totally rewritten. Overall budget expenditures were reduced by \$2.5 billion for the biennium.

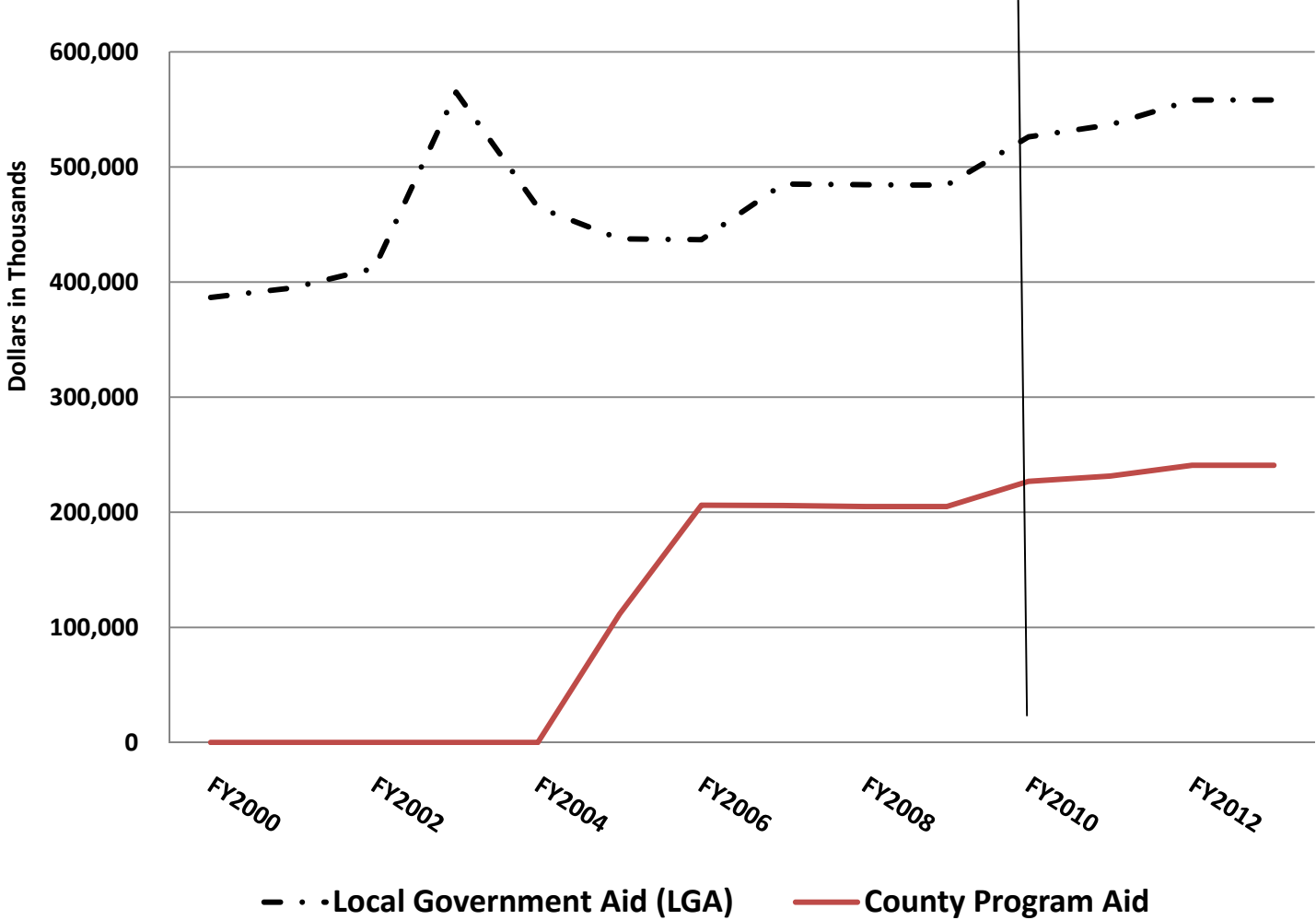
² Reductions in CYs 2005-2006 were done during the biennial budget process

³ Reductions in CY 2008 were done by the Governor's unallotment after the November 2008 forecast revealed a \$426 million deficit for FY 2009. The second of two aids and credits payments to local governments was reduced by \$110 million or approximately 25%, with about 4 weeks notice to local government recipients.

⁴ Reductions in CY 2010 were done by the Governor's unallotment after \$2.67 billion budget deficit remained after the Governor's veto for FYs 2010 and 2011. Unallotments for FY 2010 were announced on June 16, 2010 and for FY 2011 on

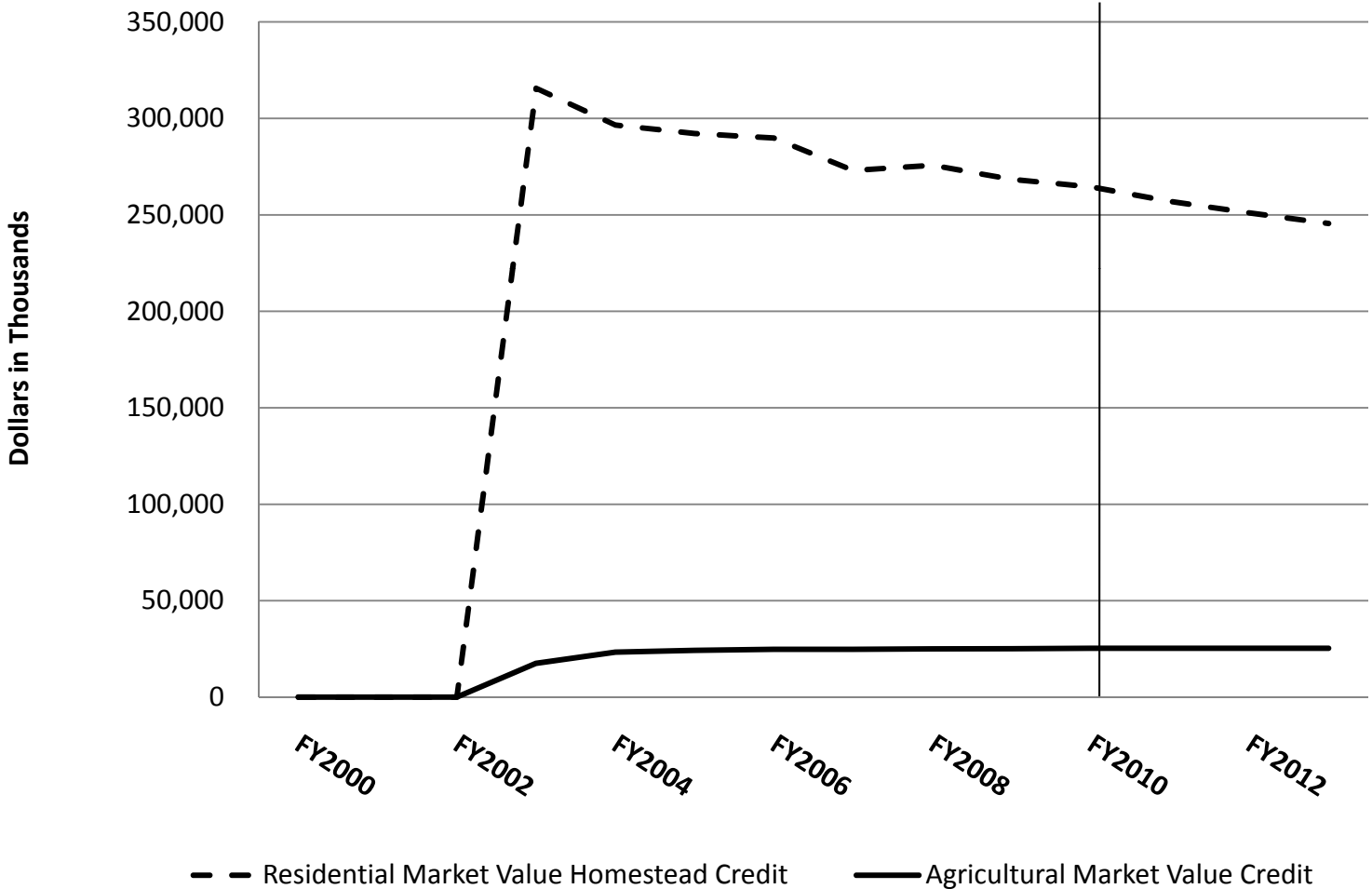
Local Government Aid and County Program Aid

January 2009

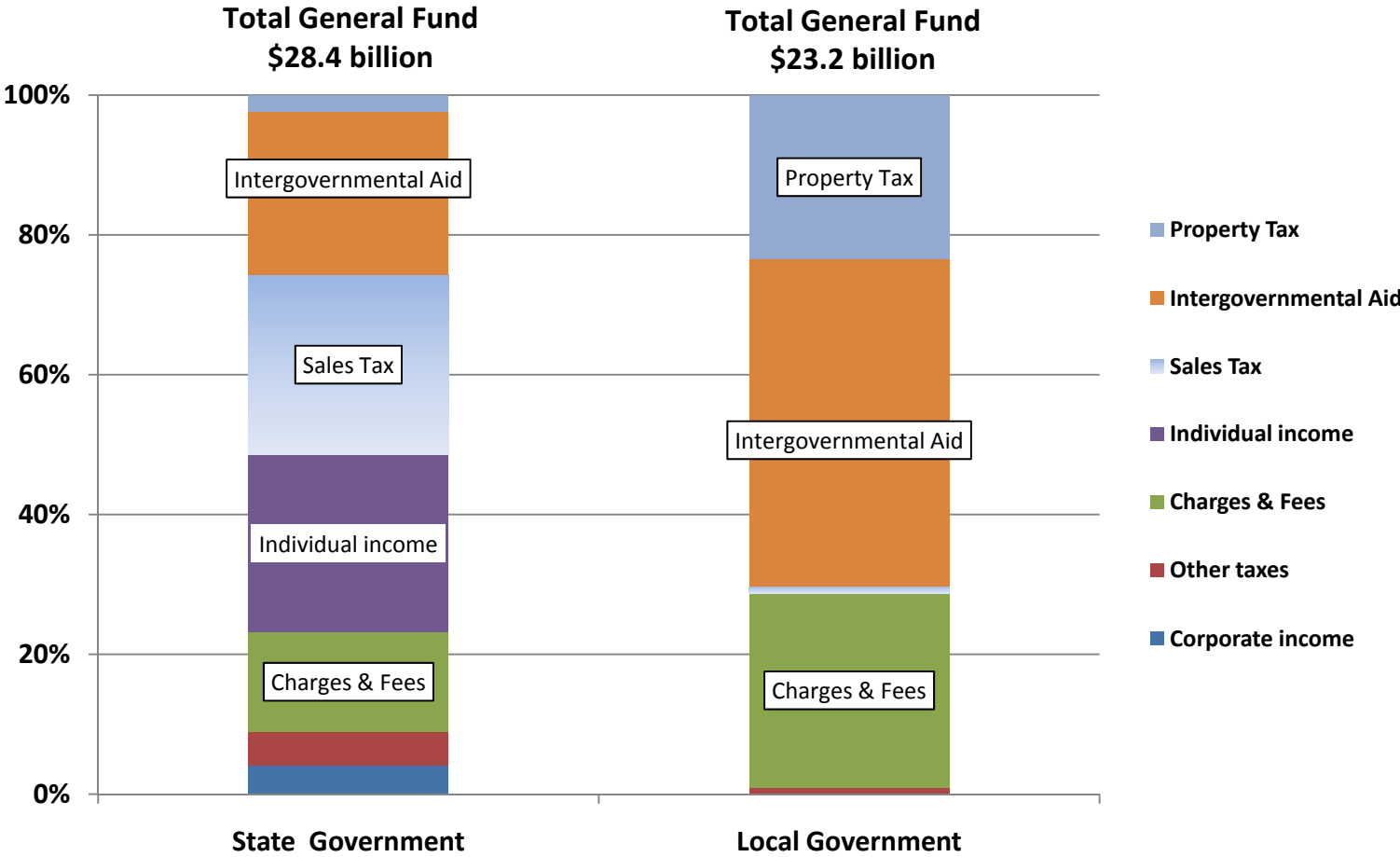


Residential and Agricultural Market Value Credits

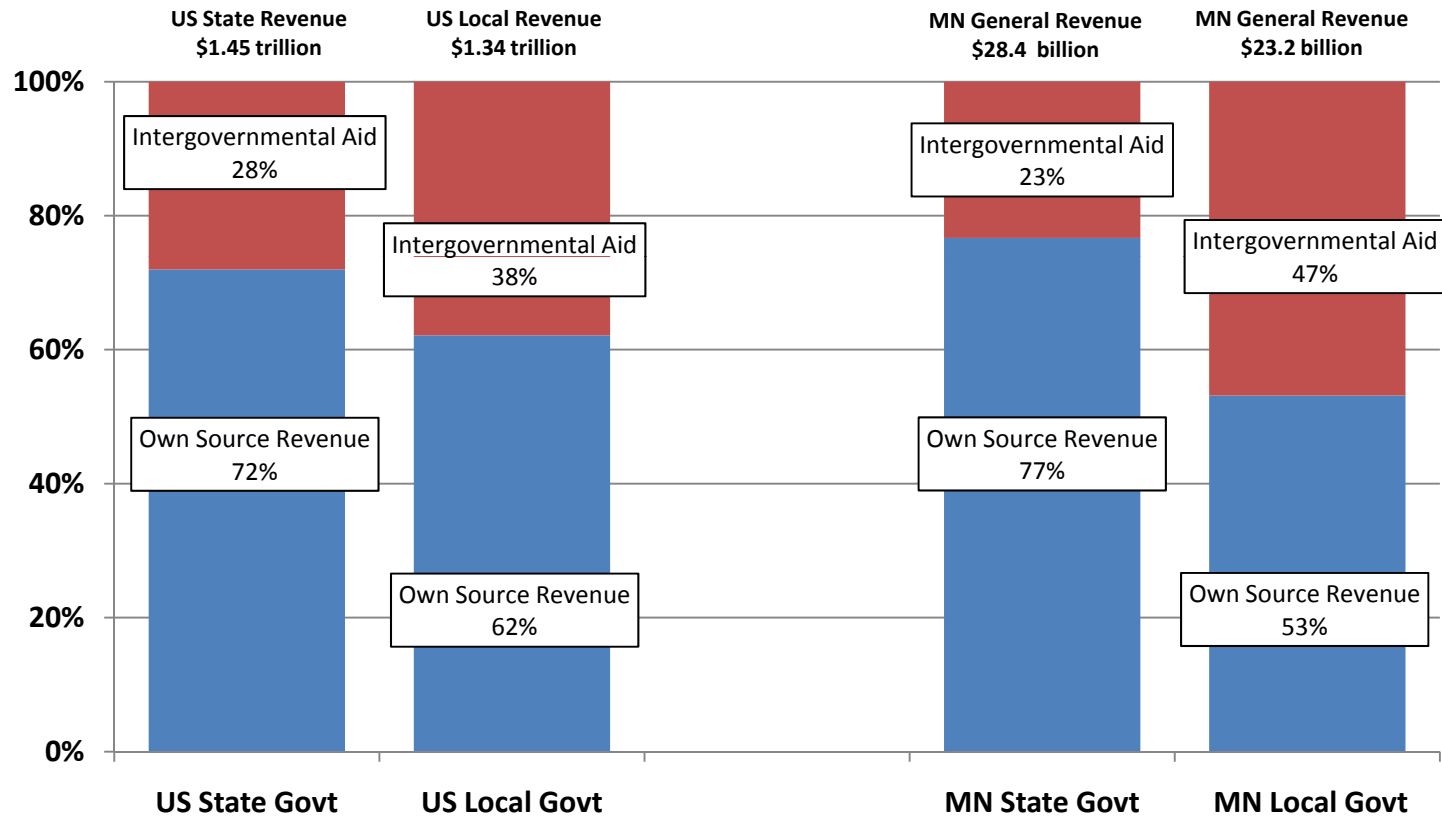
January 2009



Minnesota State & Local Government Revenues 2006-07



State & Local Government Reliance on Intergovernmental Aids United States and Minnesota, 2006-07



Source: U.S. Census Bureau, State and Local Government Finances, 2007 Census of Government Finances, <http://www.census.gov/govs/estimate/index.html>

Local Government Finances by Type of Government and State: 2006 - 07

Minnesota Total

Description	Dollars in Thousands				
	County	Municipal	Township	Special District	School District
Revenue	6,176,353	6,176,353	246,033	1,801,843	9,740,748
General revenue	6,174,201	6,217,816	243,286	1,478,715	9,459,717
Intergovernmental revenue	2,511,153	1,300,990	43,115	434,262	6,943,885
From Federal	214,840	245,468	2,767	251,027	48,062
From State	2,233,385	986,455	38,040	84,397	6,766,641
From Local	62,928	69,067	2,308	98,838	129,182
General revenue from own sources	3,663,048	4,916,826	200,171	1,044,453	2,515,832
Taxes	2,081,015	2,005,013	166,354	120,397	1,523,775
Property	2,039,351	1,601,110	161,593	118,826	1,523,775
Sales and gross receipts	1,895	222,777	329	X	X
Individual income	X	X	X	X	X
Corporate income	X	X	X	X	X
Motor vehicle license	3,265	140	X	X	X
Other taxes	36,504	180,929	4,432	1,571	X
Charges and miscellaneous general revenue	1,582,033	2,911,813	33,817	924,056	992,057
Utility revenue	2,152	1,418,690	2,747	323,128	X
Liquor store revenue	X	259,333	X	X	X
Insurance trust revenue	X	334,186	X	X	281,031

Source: 2007 Census of Government Finance http://www2.census.gov/govs/estimate/0724mns1_1.txt

**Selected Tax Aids & Credits
FY 2010 Adjusted Payments for LGA, MVCs, & CPA**

	Program Payment Dates	End of Session FY 2010 Appropriation	July 09 Unallot FY 2010	Adjusted FY 2010	Distribution by Payment - Non-school*		
					July 20	Oct 31	Dec 26
REVENUE INTERGOVT PAYMENTS							
LOCAL GOVERNMENT AIDS (LGA)	July 20 /December 26	526,141,500	(44,619,614)	\$481,521,886	240,760,943		240,760,943
RESIDENTIAL MARKET VALUE CREDITS							
Nonschool	October 31 / December 26	214,590,000	(19,580,000)	192,510,000		96,322,500	96,322,500
Cities			(2,500,000)				
Towns			0				
School*	15th & 30th ea mo	53,080,000	0	53,080,000			
AGRICULTURAL MARKET VALUE CREDITS							
Nonschool	October 31 / December 26	19,071,000	(120,721)	18,950,279		9,475,140	9,475,140
Cities			0				
Towns			0				
School*	15th & 30th ea mo	5,553,000	0	5,553,000			
COUNTY PROGRAM AID (CPA)	July 20/December 26	227,419,000	(33,000,000)	\$194,419,000	97,209,500		97,209,500
Subtotal - REVENUE INTERGOVT PAYMENTS		\$1,045,854,500	(\$99,820,335)	\$946,034,165	\$337,970,443	\$105,797,640	\$443,768,083

*Unallotments did not impact school district payments.

2009 Session Chapter 88

Local Government Units Authorized to Issue Emergency Debt Certificates

Chapter 88 permits a county, city or town to sell emergency certificates of indebtedness without voter approval to pay for a foreseeable budget deficit when final property tax levies have already been certified. This provision could be activated by an unallotment of state funding for local government aids or credits, by lower than expected property tax receipts due to foreclosures or by other unanticipated revenue insufficiencies.

2009 Session Chapter 88

Adds levy recertification to accommodate late unallotment

Adds special levy for reductions in market value credits

Chapter 88 allows a county or a city to recertify its property tax levy by January 15 if the December aid and credit payments from the state are reduced due to unallotment. The act also allows a special levy to replace the estimated amount of reduction in market value credits payable in the year in which the levy is payable. These provisions are to be used in extraordinary times.

Update on Levies

- **How much did local governments use special levies to recapture funds that were unallotted by Pay 2008 and Pay 2009 executive actions?**

According to DOR records, on average, special levies were used by cities to regain about 55% of their unallotted funds, and by counties to regain 60% of their unallotted funds. Small cities likely recaptured more than 55% of their unallotted funds.

APPENDICES

1. Analysis of State Aid Unallotments – Pay 2008, 2009 and 2010
2. Local Government Aid History FY 1998 to 2013
3. County Program Aid History FY 2003 to 2013
4. Selections from the Catalog of Budget Activities – Tax Aids & Credits

House Tax Aids and Credits
Analysis of Governor's Pay 2009 / FY 2010 State Aid Unallotments
All Numbers in Thousands

Governor's State Aid Unallotments - Selected Local Government Type	Pay 2009 Levy + Aid Revenue Base	Certified Pay 2009 LGA ² Payment	Certified Pay 2009 CPA ² Payment	Estimated Pay 2009 MVC ² Payment	Certified Pay 2009 ALL Payments	Jun 16, 2009 Unallotted Amount	Actual Pay 2009 LGA ² Payment	Adjusted Pay 2009 CPA ² Payment	Adjusted Pay 2009 MVC ² Payment	Actual Pay 2009 ALL Payments	Unallotment % of Levy + Aid Revenue Base
Cities Population of 1,000 or more	2,293,118	526,142	--	77,196	603,337	(64,321)	481,522	--	57,494	539,016	up to -3.31%
Counties Population of 5,000 or more	2,793,259	--	227,883	127,696	355,578	(33,000)	=	194,883	127,696	322,578	up to -1.19%
Towns Population of 1,000 or more	209,067	--	--	<u>14,990</u>	<u>14,990</u>	<u>(2,500)</u>			<u>12,490</u>	<u>12,490</u>	up to -1.74%
Subtotal MVC payments				219,881					185,190		
Total Certified Pay 2009 State Aid Payments					\$973,906						
Total Pay 2009 State Aid Unallotments						(\$99,821)					
Balance for Pay 2009 State Aid Payment										874,085	

Analysis of Unallotments	Pay 2009 Levy + Aid Base	LGA ²	CPA ²	Non-School MVC ²	Dec 19 Unallotted
Pay 2009/ FY 2010 Appropriation (End of Session 2009)		526,142	227,883	219,881	
Dollar Change in Pay 2009 Aid Payment					
-Cities of 1,000 or more		(44,620)		(19,701)	(64,321)
-Counties of 5,000 or more			(33,000)	0	(33,000)
-Towns of 1,000 or more				(2,500)	(2,500)
Total Dollar Change in Pay 2009 Aid Payment		(44,620)	(33,000)	(22,201)	(\$99,821)
Average Percent Change in Pay 2009 State Aid Payment					
-Cities of 1,000 or more		-8.48%		-25.52%	-10.66%
-Counties of 5,000 or more			-14.48%	0.00%	-9.28%
-Towns of 1,000 or more				-16.68%	-16.68%
Total Av. Percent Change in Pay 2009 State Aids					-10.25%

Notes:

- 1) The November 2009 forecasted deficit for the FY 2010-2011 biennium is \$2.7 billion. The Governor's actions to balance the FY 2010 budget include numerous other reductions. A summary is available at <http://www.house.leg.state.mn.us/fiscal/files/09unallotsum.pdf>
- 2) LGA means Local Government Aid, CPA means County Program Aid, and MVC means Market Value Credit (combined residential and agricultural).
- 3) The five counties exempted from these reductions due to low population and tax base are Kittson, Lake of the Woods, Mahnomon, Red Lake and Traverse. Similarly, 505 or 60% of Minnesota's 854 cities have fewer than 1,000 residents and are also exempted from unallotment.
- 4) Pay 2009 reductions have a per capita maximum: \$22 for cities and \$5 townships. Also no city's reduction can exceed 3.31 % of annual aid plus levy for Pay 2009 and no county's reduction can be more than 1.19% of annual aid plus levy for Pay 2009.

House Tax Aids and Credits
Analysis of Governor's Pay 2010 / FY 2011 State Aid Unallotments
All Numbers in Thousands

Governor's State Aid Unallotments - Selected Local Government Type	Pay 2009 Levy + Aid Revenue Base	Certified Pay 2009 LGA ² Payment	Certified Pay 2009 CPA ² Payment	Estimated Pay 2009 MVC ² Payment	Certified Pay 2009 ALL Payments	Feb 1, 2010 Unallotted Amount	Estimated Pay 2010 LGA ² Payment	Estimated Pay 2010 CPA ² Payment	Estimated Pay 2010 MVC ² Payment	Estimated Pay 2010 ALL Payments	Unallotment % of Levy + Aid Revenue Base
Cities Population of 1,000 or more	2,293,118	526,142	--	77,196	603,337	(128,300)	423,757	--	51,280	475,037	up to -7.64%
Counties Population of 5,000 or more	2,793,259	--	227,883	127,696	355,578	(67,000)	--	160,883	127,696	288,578	up to -2.41%
Towns Population of 1,000 or more	209,067	--	--	<u>14,990</u>	<u>14,990</u>	<u>(5,000)</u>			<u>9,990</u>	<u>9,990</u>	up to -3.66%
Subtotal MVC payments				219,881					178,975		
Total Certified Pay 2009 State Aid Payments					\$973,906						
Total Pay 2009 State Aid Unallotments						(\$200,300)					
Balance for Pay 2009 State Aid Payment										773,606	

Analysis of Unallotments	Pay 2009 Levy + Aid Base	LGA ²	CPA ²	Non-School MVC ²	Feb 1 Unallotted
Pay 2010/FY 2011 Appropriation (End of Session 2009)		526,142	227,883	219,881	
Dollar Change in Pay 2010 Aid Payment					
-Cities of 1,000 or more		(102,384)		(25,916)	(128,300)
-Counties of 5,000 or more			(67,000)	0	(67,000)
-Towns of 1,000 or more				(5,000)	(5,000)
Total Dollar Change in Pay 2010 Aid Payment		(102,384)	(67,000)	(30,916)	(\$200,300)
Average Percent Change in Pay 2010 State Aid Payment					
-Cities of 1,000 or more		-19.46%		-33.57%	-21.27%
-Counties of 5,000 or more			-29.40%	0.00%	-18.84%
-Towns of 1,000 or more				-33.36%	-33.36%
Total Av. Percent Change in Pay 2010 State Aids					-20.57%

Notes:

- 1) The November 2009 forecasted deficit for the FY 2010-2011 biennium is \$2.7 billion. The Governor's actions to balance the FY 2010 budget include numerous other reductions. A summary is available at <http://www.house.leg.state.mn.us/fiscal/files/09unallotsum.pdf>
- 2) LGA means Local Government Aid, CPA means County Program Aid, and MVC means Market Value Credit (combined residential and agricultural).
- 3) The five counties exempted from these reductions due to low population and tax base are Kittson, Lake of the Woods, Mahnomens, Red Lake and Traverse. Similarly, 505 or 60% of Minnesota's 854 cities have fewer than 1,000 residents and are also exempted from unallotment.
- 4) Pay 2010 reductions have a per capita maximum: \$55 for cities and \$10 townships. Also no city's reduction can exceed 3.66 % of annual aid plus levy for Pay 2010 and no county's reduction can be more than 2.41% of annual aid plus levy for Pay 2010.

House Tax Aids and Credits
Analysis of Governor's 2008 State Aid Unallotments - December 19, 2008
All Numbers in Thousands

Dec 2008 payment only

Governor's State Aid Unallotments - Selected Local Government Type	Pay 2008 Levy + Aid Revenue Base	Certified Dec 26 LGA ² Payment	Certified Dec 26 CPA ² Payment	Certified Dec 26 MVC ² Payment	Certified Dec 26 ALL Payments	Dec 19 Unallotted Amount	Actual Dec 26 LGA ² Payment	Actual Dec 26 CPA ² Payment	Actual Dec 26 MVC ² Payment	Actual Dec 26 ALL Payments	Unallotment % of Levy + Aid Revenue Base
Cities Population of 1,000 or more	2,178,948	242,074	--	37,905	279,979	(66,010)	188,564	--	25,405	213,970	up to 4.08%
Counties Population of 5,000 or more	2,632,069	--	102,459	63,439	165,898	(44,005)	--	58,511	63,382	121,893	up to 1.68%
Subtotal MVC payments				101,344					88,787		
Total Certified Dec 26 State Aid Payments					\$445,877						
Total Dec 19 State Aid Unallotments						(\$110,015)					
Balance for Dec 26 State Aid Payment										335,862	

Analysis of Unallotments	Pay 2008 Levy + Aid Base	LGA ²	CPA ²	MVC ²	Dec 19 Unallotted
FY 2009 Appropriation (Nov 2008 Forecast)		484,148	204,919	268,403	
Certified Dec 26 Payment		242,074	102,459	101,344	
Dollar Change in Dec Aid Payment					
-Cities of 1,000 or more		(53,510)		(12,500)	(66,010)
-Counties of 5,000 or more			(43,949)	(57)	(44,005)
Total Dollar Change in Dec Aid Payment		(53,510)	(43,949)	(12,557)	(\$110,015)
Average Percent Change in Dec State Aid Payment					
-Cities of 1,000 or more		-22.10%		-32.98%	-23.58%
-Counties of 5,000 or more			-42.89%	-0.09%	-26.53%
Total Av. Percent Change in Dec State Aids					-24.67%
Average Percent Change in FY 2009 Appropriation					
-Cities of 1,000 or more		-11.05%		-12.42%	-11.29%
-Counties of 5,000 or more			-21.45%	-0.03%	-11.72%
Total Av. Percent Chg in FY 2009 Appropriation					-11.49%

Notes:

1) The November 2008 forecasted deficit for FY 2009 is \$426 million. The Governor's actions to balance the FY 2009 budget include the use of \$155 million in reserve funds and expenditure cuts of \$271.4 million. A breakdown of this budget corrective action is as follows: \$155 million or 36.3% from budget reserves, \$110 million or 25.8% in reductions to Local Government Aids and Credits, \$73 million or 17.1% in reduced spending for Human Services programs, \$40 million or 9.4% in cuts to the University of Minnesota and the Minnesota State Colleges and Universities, \$40 million or 9.4% in cuts to unexpended state agency budgets for operations, and \$8.4 million or 2.0% in cuts to other areas of the state budget which includes the State Legislature.

2) LGA means Local Government Aid, CPA means County Program Aid, and MVC means Market Value Credit (combined residential and agricultural).

3) Four of Minnesota's 87 counties (Kittson, Lake of the Woods, Red Lake and Traverse) have less than 5,000 residents and were exempted from these reductions. Similarly, 505 or 60% of Minnesota's 854 cities have fewer than 1,000 residents and are also exempted from unallotment.

Local Government Aid (LGA) History
FY 1998 to FY 2013
Dollars in Thousands

	EOS or Base Appropriation	Legislature Enacted Budget	Governor Unallotment	Actual Expenditure	% chg	Notes
FY 1998	NA			362,180	--	
FY 1999	NA			379,235	4.7%	
FY 2000	386,549			386,583	1.9%	
FY 2001	395,025			394,939	2.2%	2001 Omnibus Tax Act with numerous property tax reforms, eliminated \$200 M HACA payments to cities. LGA base was increased by \$140 M plus 2.5% growth as partial offset, beginning in FY 2003.
FY 2002	411,831			411,926	4.3%	
FY 2003	414,831	150,298		564,991	37.2%	See FY 2001 note for FY 2003 increase. Also 2003 Omnibus Tax Act established FY 2004-05 reductions to help solve \$2.5 B biennial budget deficit. Max cut of 9.3% aid + levy for FY 2004, and for FY 2005 by new formula, an amount not less than the FY 2004 cut and not more than 14% of 2003 levy + aid.
FY 2004	586,849	(122,000)		464,942	-17.7%	See FY 2003 note for FY 2004 decrease.
FY 2005	607,012	(170,600)		437,513	-5.9%	See FY 2003 note for FY 2005 decrease. Also 2005 Omnibus Tax Act increased LGA base by \$48 M beginning in FY 2007.
FY 2006	436,823			436,812	-0.2%	
FY 2007	436,558	48,000		485,139	11.1%	See FY 2005 note for FY 2007 increase.
FY 2008	484,558			484,551	-0.1%	
FY 2009	484,148		(53,500)	430,638	-11.1%	2009 Omnibus Tax Act increased LGA base by \$42 M beginning in FY 2010 and by 2% growth in FY 2011. Later in the year, the November 2008 forecast revealed a \$426 million deficit for FY 2009. The Governor unallotted \$53.5 M in LGA impacting the December 26 aids payment. Max cut of 4.08% aid + levy.
FY 2010	484,148	42,000	(44,600)	481,529	11.8%	See FY 2009 note for FY 2010 increase. Executive unallotments for FY 2010-2011 were done when a \$2.7B budget deficit remained after budget vetoes. Max cut of 3.31% aid + levy in FY 2010.
FY 2011	484,148	52,523	(102,400)	434,287	-9.8%	See FY 2009 note for FY 2011 increase. Executive unallotments for FY 2010-2011 were done when a \$2.7B budget deficit remained after budget vetoes. Max cut of 3.66% aid + levy in FY 2011.
FY 2012	484,148	73,990		558,138	28.5%	2009 Omnibus Tax Act increased LGA base by \$42 M beginning in FY 2010 and by 4% growth in FY 2012-13
FY 2013	484,148	73,990		558,138	0.0%	See FY 2012 note for FY 2012 increase.

Source information: MMB General Fund fund balance reports 1999-2009, House Fiscal Money Matters 2000-2009.

Numbers may not add due to lower spending than authorized, minor shifts among fiscal years in the same biennium, or an addition of one-time appropriations tracked in this account.

County Program Aid (CPA) History
FY 2003 to FY 2013
Dollars in Thousands

	EOS or Base Appropriation	Legislature Enacted Budget	Governor Unallotment	Actual Expenditure	% chg	Notes
FY 2003	NA			NA	-	The 2003 Omnibus Tax Act consolidated 5 county aid programs into one program and established FY 2004-05 reductions to help solve \$2.5 B biennial budget deficit.
FY 2004	225,000	(65,000)		160,000	-	See FY 2003 note for FY 2004 decrease.
FY 2005	235,000	(124,600)		111,620	-30.2%	See FY 2003 note for FY 2005 decrease.
FY 2006	204,852			206,185	84.7%	
FY 2007	204,919			205,847	-0.2%	
FY 2008	204,919			204,919	-0.5%	
FY 2009	204,919		(43,900)	160,974	-21.4%	2009 Omnibus Tax Act increased CPA base by \$22 M beginning in FY 2010 and by 2% growth in FY 2011. Later in the year, the November 2008 forecast revealed a \$426 million deficit for FY 2009. The Governor unallotted \$43.9 M in CPA impacting the December 26 aids payment. Max cut of 1.68% aid + levy.
FY 2010	204,919	22,000	(33,000)	171,919	6.8%	See FY 2009 note for FY 2010 increase. Executive unallotments for FY 2010-2011 were done when a \$2.7B budget deficit remained after budget vetoes. Max cut of 1.19% aid + levy in FY 2010.
FY 2011	204,919	26,552	(67,000)	173,919	1.2%	See FY 2009 note for FY 2011 increase. Executive unallotments for FY 2010-2011 were done when a \$2.7B budget deficit remained after budget vetoes. Max cut of 2.41% aid + levy in FY 2011.
FY 2012	204,919	35,840		240,759	38.4%	2009 Omnibus Tax Act increased CPA base by \$22 M beginning in FY 2010 and by 4% growth in FY 2012-13
FY 2013	204,919	35,840		240,759	0.0%	See FY 2012 note for FY 2012 increase.

Source information: MMB General Fund fund balance reports 1999-2009, House Fiscal Money Matters 2000-2009.

Numbers may not add due to lower spending than authorized, minor shifts among fiscal years in the same biennium, or an addition of one-time appropriations tracked in this account.

LOCAL AIDS *****

LGA, Local Government Aid [Minnesota Statutes, 477A.03, subd. 2 & 2a, 477A.013, subd. 9]

Dollars in Thousands							
FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Forecast	FY 2010 Projected	FY 2011 Projected	FY 2012 Planning	FY 2013 Planning
\$436,812	\$484,558	\$484,551	\$484,148	\$526,148	\$536,671	\$558,138	\$558,138
% Chg	10.9%	0%	0.0%	8.7%	2.0%	4.0%	0%

Appropriation Type: Statutory, Standing **Fund:** General

Description: This budget activity provides state property tax relief aid to cities that is distributed according to “need factors” – measured differently for small cities (with populations of under 2,500 residents) versus large cities (with populations of 2,500 or more)-minus the “ability to pay” measured by cities’ tax base. Local Government Aid (LGA) provides general-purpose funding to 763 Minnesota cities annually; 608 of these cities have a population less than 2,500. The program underwent significant changes in calendar year 2003 including a reduction in funding and the elimination of most "grandfathered" aid components. In addition, appropriations payable for CY 2006 and beyond were set at \$485,052,000. During the 2008 legislative session, appropriations for CY 2009 and beyond were increased by \$42 million per year for a total of \$526,148,487. In addition, appropriations for CY 2010 are increased to include an inflation adjustment of 2% and for CY 2011 and beyond, an adjustment of 4%. Of the total annual appropriation, approximately \$494,000 is retained by the Commissioner of Revenue to pay for various intergovernmental service costs pursuant to Minnesota Statutes 477A.014, subd. 4-5.

County Program Aid [Minnesota Statutes, 477A.03, subd. 2 & 2b, 477A.0124, subd. 3-4]

Dollars in Thousands							
FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Forecast	FY 2010 Projected	FY 2011 Projected	FY 2012 Planning	FY 2013 Planning
\$206,185	\$204,919	\$204,919	\$204,919	\$226,919	\$231,471	\$240,759	\$240,759
% Chg	-0.6%	0%	0%	10.7%	2.0%	4.0%	0%

Appropriation Type: Statutory, Standing **Fund:** General

Description: This budget activity provides general purpose aid to Minnesota's 87 counties to reduce property tax levies, based on the needs of the populations they serve relative to the size of their tax bases. CPA is distributed through two main formulas, roughly equal in size. The need aid formula is based on each county’s relative share of needy populations; the tax base equalization is based on the size of each county’s tax base relative to its population. Appropriations payable for CY 2009 and annually thereafter are limited to \$111.5 million for need aid and \$116.1 million for equalization aid for a total of \$227.6 million. In addition, appropriations for CY 2010 are increased to include an inflation adjustment of 2% and for CY 2011 and beyond, an adjustment of 4%. Of the total annual appropriation, \$500,000 is retained by the Commissioner of Revenue to pay for public defender costs pursuant to Minnesota Statutes 611.27.

PROPERTY TAX CREDITS *****

Homestead Market Value Credit [Minnesota Statutes, 273.1384, subd. 1, 4 & 5]

Homestead Market Value Credit – School

Dollars in Thousands							
FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Forecast	FY 2010 Projected	FY 2011 Projected	FY 2012 Planning	FY 2013 Planning
\$65,478	\$59,817	\$57,134	\$54,697	\$52,483	\$50,916	\$49,727	\$48,633
% Chg	-8.6%	-4.5%	-4.3%	-4.0%	-3.0%	-2.3%	-2.2%

Homestead Market Value Credit – Non-School

Dollars in Thousands							
FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Forecast	FY 2010 Projected	FY 2011 Projected	FY 2012 Planning	FY 2013 Planning
\$224,349	\$213,030	\$218,587	\$213,706	\$212,066	\$205,994	\$201,294	\$196,877
% Chg	-5.0%	2.6%	-2.2%	-0.8%	-2.9%	-2.3%	-2.2%

Appropriation Type: Statutory, Open

Fund: General

Description: This budget activity reflects reimbursements to taxing districts for property tax credits issued to residential homeowners. Under this program, homeowners may receive tax credits equal to 0.4 percent of the market value of the parcel up to a maximum of \$304, subject to a phase-out of the credit beginning at \$76,000 in market value. The phase-out rate is equal to .09 percent of market value above \$76,000 with no credit for homes valued at \$414,000 and above.

For School Districts, reimbursement is provided for the amount of the Homestead Market Value Credit deducted from each school district’s tax revenues in proportion to each district’s share of the gross tax, excluding school referendums.

For Non-School entities (local governments), reimbursement is provided for the amount of the Homestead Market Value Credit deducted from each local government’s tax revenues in proportion to the local government’s share of the gross tax.

For CY 2008, over one million homesteads participated. The average credit was \$210 for homes in greater Minnesota and \$141 for home in the metro area.

Agricultural Market Value Credit [Minnesota Statutes, 273.1384, subd. 2, 4 & 5]

Agricultural Market Value Credit – School

Dollars in Thousands							
FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Forecast	FY 2010 Projected	FY 2011 Projected	FY 2012 Planning	FY 2013 Planning
\$5,588	\$5,567	\$5,751	\$5,777	\$5,871	\$5,881	\$5,881	\$5,881
% Chg	-0.4%	3.3%	0.5%	1.6%	0.2%	0%	0%

Agricultural Market Value Credit – Non School

Dollars in Thousands							
FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Forecast	FY 2010 Projected	FY 2011 Projected	FY 2012 Planning	FY 2013 Planning
\$19,223	\$19,248	\$19,321	\$19,356	\$19,460	\$19,460	\$19,460	\$19,460
% Chg	0.1%	0.4%	0.2%	0.5%	0%	0%	0%

Appropriation Type: Statutory, Open

Fund: General

Description: This budget activity reflects reimbursements to taxing jurisdictions for property tax credits issued to owners of agricultural property minus the value of the house, garage and 1 acre of land. Applicants receive tax credits equal to 0.3 percent of the market value of the parcel up to a maximum of \$345 subject to a phase-back of the credit beginning at \$115,000 in market value. The phase-back rate, equal to .05 percent of market value above \$115,000, reduces the credit amount to a maximum of \$230 for farms valued at \$345,000 and above.

For School Districts, reimbursement is provided for the amount of the Agricultural Market Value Credit deducted from each school district’s tax revenues in proportion to each district’s share of the gross tax, excluding school referendums.

For Non-School entities (local governments), reimbursement is provided for the amount of the Agricultural Market Value Credit deducted from each local government’s tax revenues in proportion to the local government’s share of the gross tax.

Senior Deferral Reimbursement [*Minnesota Statutes, section 290B.09, subd 2*]

Dollars in Thousands							
FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Forecast	FY 2010 Projected	FY 2011 Projected	FY 2012 Planning	FY 2013 Planning
\$254	\$372	\$390	\$504	\$630	\$787	\$984	\$1,230
% Chg	46.5%	4.8%	29.2%	25.0%	25.0%	25.0%	25.0%

Appropriation Type: Statutory, Open

Fund: General

Description: This budget activity allows certain seniors, age 65 years and over and who have a total household income of \$60,000 or less, to defer the amount of their property taxes that exceeds three percent of their household income to a later time. The state pays the amount of the deferred tax, including special assessments and other charges that appear on the property tax statement, to the county where the property is located. In 2006, slightly over 130 seniors were enrolled in this program.

Border City Disparity Reduction Credit – [*Minnesota Statutes, section 273.1398, subd 3,4, 8.*]

Border City Disparity Reduction Credit – School

Dollars in Thousands							
FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Forecast	FY 2010 Projected	FY 2011 Projected	FY 2012 Planning	FY 2013 Planning
\$687	\$782	\$817	\$504	\$630	\$787	\$984	\$1,230
% Chg	13.8%	4.5%	29.2%	25.0%	25.0%	25.0%	25.0%

Border City Disparity Reduction Credit – Non School

Dollars in Thousands							
FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Forecast	FY 2010 Projected	FY 2011 Projected	FY 2012 Planning	FY 2013 Planning
\$4,251	\$4,176	\$4,260	\$4,459	\$4,763	\$5,001	\$5,250	\$5,513
% Chg	46.5%	2.0%	4.7%	6.8%	5.0%	5.0%	5.0%

Appropriation Type: Statutory, Open

Fund: General