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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 1061

01/30/2023 Authored by Hill
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 local government aid; establishing electric generation transition aid;
1.3 modifying the local government aid formula; appropriating money; amending
1.4 Minnesota Statutes 2022, section 477A.013, subdivision 8; proposing coding for
1.5 new law in Minnesota Statutes, chapter 477A.

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

1.7 Section 1. Minnesota Statutes 2022, section 477A.013, subdivision 8, is amended to read:

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

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

1.17 (c) Notwithstanding paragraph (a), for a city that is eligible for electric generation
1.18 transition aid under section 477A.23, for aids payable in the third year following the base
1.19 year established under section 477A.23, the formula aid for a city is equal to the greater of:
1.20 (1) the amount calculated under paragraph (a); (2) ... percent of the current unmet need
1.21 calculated for the city; or (3) \$1,000,000.

2.1 (d) If the aid gap percentage for the current year is less than zero due to the calculation
 2.2 under paragraph (c), the commissioner must reduce the amount under paragraph (c)
 2.3 accordingly.

2.4 **EFFECTIVE DATE.** This section is effective for aids payable in 2024 and thereafter.

2.5 Sec. 2. **[477A.23] ELECTRIC GENERATION TRANSITION AID.**

2.6 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have
 2.7 the meanings given.

2.8 (b) "Base year" means the assessment year in which the net tax capacity differential for
 2.9 an eligible city first exceeds ... percent of the net tax capacity for an eligible city in the
 2.10 preceding assessment year.

2.11 (c) "Electric generation property" means taxable property of a coal energy producing
 2.12 facility located in an eligible city.

2.13 (d) "Eligible city" means a home rule charter or statutory city: (1) located in a
 2.14 metropolitan county as defined in section 473.121, subdivision 4; and (2) in which the net
 2.15 tax capacity of electric generation property in assessment year 2022 equaled at least ...
 2.16 percent of the net tax capacity of all property in the city in that year.

2.17 (e) "Net tax capacity differential" means the greater of: (1) zero; or (2) the amount by
 2.18 which the net tax capacity of electric generation property for an eligible city was reduced
 2.19 in the current assessment year from the preceding assessment year.

2.20 (f) "Cumulative differential" means the greater of: (1) zero; or (2) the difference between:
 2.21 (i) the net tax capacity for the eligible city in the assessment year preceding the base year;
 2.22 and (ii) the net tax capacity for the eligible city in the current assessment year.

2.23 Subd. 2. **Aid eligibility; payment.** (a) An eligible city with a base year established under
 2.24 subdivision 1 is eligible for transition aid computed under paragraphs (b) to (d).

2.25 (b) For aids payable in the first year following the base year, transition aid equals ...
 2.26 percent of: (1) the cumulative differential; times (2) the jurisdiction's tax rate for taxes
 2.27 payable in the base year.

2.28 (c) For aids payable in the second year following the base year, transition aid equals ...
 2.29 percent of: (1) the cumulative differential; times (2) the jurisdiction's tax rate for taxes
 2.30 payable in the first year following the base year.

3.1 (d) For aids payable in the third year following the base year, transition aid equals ...
3.2 percent of: (1) the cumulative differential; times (2) the jurisdiction's tax rate for taxes
3.3 payable in the second year following the base year.

3.4 (e) The commissioner of revenue shall compute the amount of transition aid payable to
3.5 each eligible city under this section. On or before August 1 of each year, the commissioner
3.6 shall certify the amount of transition aid computed for aids payable in the following year
3.7 for each eligible city. The commissioner shall pay transition aid to an eligible city annually
3.8 at the times provided in section 477A.015.

3.9 (f) The commissioner of revenue may require counties to provide any data that the
3.10 commissioner deems necessary to administer this section.

3.11 Subd. 3. **Appropriation.** An amount sufficient to pay transition aid under this section
3.12 is annually appropriated from the general fund to the commissioner of revenue.

3.13 **EFFECTIVE DATE.** This section is effective for aids payable in 2024 and thereafter.