

File Number: H.F. 1512
Version: As introduced

Date: March 8, 2017

Authors: Davids

Subject: Modifies the city local government aid (LGA) formula and corrects a calculation error

Analyst: Pat Dalton

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Overview

Adds a sparsity adjustment to the calculation of medium and small city revenue need. The sparsity adjustment is an extra \$200 per capita of need for any city with a population density of less than 30 per square mile.

Also corrects a mathematical error in the current city LGA formula that causes some cities' aid to decrease even though their aid in the previous year is less than its current "unmet need." Twenty cities are affected by this error for aids payable in 2017 and 24 cities will be affected for aids payable in 2018 under current law without the correction.

Effective beginning with aids payable in 2018 and thereafter.

Section

- 1 City revenue need.** Adds the same sparsity adjustment factor to both the medium city revenue need formula and the small city revenue need formula. Medium cities are those with a population between 2,500 and 10,000 while "small cities" have a population of 2,500 or less.
Effective beginning with aids payable in 2018.
- 2 Sparsity adjustment.** Adds a new sparsity adjust for medium and small cities equal to \$200 per capita for cities with a population density of less than 30 per square mile. There is a

Section

current sparsity adjustment of \$100 per capita for any large city with a population density of less than 150 per square mile.

Effective beginning with aids payable in 2018.

- 3** **City formula aid.** Uses certified aid from the previous year as the starting point for calculating a city's formula aid. A city's formula aid (aid increase) is equal to a percentage of the difference between a city's unmet need and its certified aid for the previous year.

Effective beginning with aids payable in 2018.

- 4** **City aid distribution.** Provides that if a city's aid from the previous year is less than its unmet need for the current year, its new aid amount will be its certified aid from the previous year plus its formula aid calculated under section 3.

If a city's aid in the previous year is equal to or greater than its current unmet need, its new aid amount is the greater of:

- ▶ its current unmet need; or
- ▶ its aid from the previous year minus the lesser of: (1) \$10 per capita; or (2) five percent of its net levy in the previous year.

These are the decreases allowed under current law.

Effective beginning with aids payable in 2018.