

MINNESOTA • REVENUE

Property Tax Increased City Aid Base

February 8, 2002

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2614 (Dehler)/S.F.2778(Fischbach)

	Revenue Gain or (Loss)			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>
				(000's)
General Fund		\$0	\$0	\$0

Effective beginning with aids payable in 2003.

EXPLANATION OF THE BILL

Current Law: M.S. 477A.011 subdivision 36, defines “city aid base” for purposes of computing local government aid. Under M.S. 477A.013, subdivision 8 a city formula aid is established, and under subdivision 9, the amount of local government aid distributed to cities is determined to be the sum of the city aid base and the city formula aid, subject to certain maximums. M.S. 477A.03 sets the appropriation for local government aid.

Proposed Law:

Provision #1

The proposal increases the city aid base for calendar year 2003, and thereafter and sets the maximum amount of total aid the city may receive under section 477A.013, subdivision 9, paragraph (b) or (c) to also be increased for the calendar year 2003 only. The amount of the increase the city will receive is an amount equal to the lesser of the following formula:

The total 2001 population of the city minus 5,000 times 60 or \$2,500,000.

If the following criteria apply:

1. The city is located outside of the seven-county metropolitan area and has a population of 10,000 or more.
2. The city did not qualify for the aid base increase in paragraph (o) but would qualify for the increase if the 2001 population was used;

Provision #2

The proposal increases the city aid base for calendar year 2003, and thereafter and sets the maximum amount of total aid the city may receive under section 477A.013, subdivision 9, paragraph (b) or (c) to also be increased for the calendar year 2004 only. The amount of the increase the city will receive is an amount equal to the lesser of the following formula:

The total 2002 population of the city minus 5,000 times 60 or \$2,500,000.

If the following criteria apply:

1. The city is located outside of the seven-county metropolitan area and has a population of 10,000 or more.
2. The city did not qualify for the aid base increase in paragraph (o) but would qualify for the increase if the 2002 population was used;

REVENUE ANALYSIS DETAIL

- The authors original intent was to cite provision (o) not provision (n) as drafted in the bill. Revenue analysis is based upon the assumption an amendment will be made.
- Under the provisions #1 for aids increased in calendar year 2003, Sartell appears to be the only qualifying city.
- Under the provisions #2, for aids increased in calendar year 2004, the only qualifying cities appear to be Sartell and St. Michael.
- Because the total amount of city formula aid is adjusted to equal the difference between the appropriation amount and the city aid base, the increase in the aid base for this city yields an equivalent decrease in total formula aid, and has no impact on the general fund.

Number of Taxpayers Affected: Sartell and St. Michael taxpayers would benefit from additional LGA, while all taxpayers in other cities receiving LGA would be affected by slight offsets to their aid.

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ADMINISTRATIVE/OPERATIONAL IMPACT

There will be no significant administrative or operational costs or savings to DOR in administration of this bill.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>

