

MINNESOTA • REVENUE

PROPERTY TAX Local Government Aid – Regional Center City Aid Base

April 4, 2005

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

Department of Revenue
Analysis of S.F. 1011 (Fischbach) / H.F. 1182 (Severson)

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective beginning with aids payable in 2006.

EXPLANATION OF THE BILL

Current Law: The aid base for a city with population of 10,000 or more which is located outside the seven-county metropolitan area is increased in 2002 and thereafter by an amount equal to the lesser of:

- 1) (i) the total population of the city, as determined by the U.S. Census Bureau in the 2000 census, (ii) minus 5,000, (iii) times 60; or
- 2) \$2,500,000

The maximum aid the city may receive is also increased by an equal amount in CY 2002 only.

Proposed Law: The bill modifies the calculation of city aid base for cities with population of 10,000 or more and located outside the seven-county metropolitan area by using the current year city population instead of the 2000 census population. The maximum aid a city may receive is increased by an equal amount the first year in which a city receives the aid base increase.

REVENUE ANALYSIS DETAIL

- There is no state cost associated with this change in the aid base because total aid is set to a fixed appropriation level.
- Under current law and 2000 census population, 27 cities receive regional center aid base totaling \$24.6 million. Based on 2003 city population, 31 cities would receive regional center aid base totaling \$26.9 million.
- The increase in aid base would shift aid to the cities with increased regional center aid base and away from other cities receiving local government aid.

Number of Taxpayers: 853 cities eligible to receive local government aid.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy