

---

## Summary of Local Government Aid (LGA) Certified for 2018

### Use of Formula Aid

For aids payable in 2018, the calculation of formula aid (aid increase) was the unmet need in the current year less the certified aid in the previous year, before special adjustments, multiplied by the aid gap percentage.

### Minimum Aid Calculation

For aids payable in 2018 and thereafter, the total aid for a city must not be less than the amount it was certified to receive in the previous year minus the lesser of \$10 multiplied by its population, or five percent of its net levy in the year prior to the aid distribution.

### Appropriation

The total LGA appropriation for aid payable in 2018 is \$534,398,012.

---

## Data Used in LGA Calculations

The following is an explanation of the variables used to calculate your city's 2018 LGA certified amount certified on July 31, 2017.

**Pre-1940 housing units:** This is the total number of housing units in your city that were constructed before 1940 according to the 2015 Federal Census.

**Housing Units 1940-1970:** This is the total number of housing units built between 1940 and 1970 according to the 2015 Federal Census.

**Total housing units:** This is the total number of all housing units in your city (both vacant and occupied) according to the 2015 Federal Census.

**Household Size:** This is a city's average household size as reported by the State Demographer and Metropolitan Council.

**Number of Employees:** This is the average number of annual employees from the quarterly census of employment from the Department of Employment and Economic Development.

**Peak population decline:** This is a city's population decline (if any) from its highest population in a decennial census from 1970 or later.

**Sparsity Adjustment:** For a city with a population of 10,000 or more, the sparsity adjustment is \$100 per capita for any city with an average population density less than 150 per square mile. The sparsity adjustment for small and medium cities is equal to \$200 per capita for cities with a population density of less than 30 per square mile.

**Tax Effort Rate:** This is the net levy for all cities divided by the sum of the city net tax capacity for all cities. The tax effort rate is the same for all city calculations.

## City Revenue Need

City revenue need is defined in three separate calculations based on population.

### Small Cities

The formula for cities with a population less than 2,500 (small cities) is:

- 1)  $410 + (.367 \times \text{Population over 100}) + \text{Sparsity Adjustment}$

*The city revenue need for cities with a population less than 2,500 cannot be over \$630 per capita. For cities with a sparsity adjustment, the city revenue need cannot be over \$830 per capita.*

### Medium Cities

The formula for cities with a population between 2,500 and 10,000 (medium cities) is:

1.15 multiplied by the sum of:

- 1) Pre-1940 Housing Percentage           X 5.026
- 2) Minus Household Size                X 53.768
- 3) Peak Population Decline            X 14.022
- 4) Lines 1-4 + 572.62
- 5) Plus the Sparsity Adjustment

### Large Cities

The expenditure formula for cities with a population of 10,000 or more (large cities) includes the following variables multiplied by the respective coefficients:

1.15 multiplied by the sum of:

- 1) Pre-1940 Housing Percentage           X 4.59
- 2) Housing 1940-1970 Percentage        X .622
- 3) Jobs per capita                            X 169.415
- 4) Sparsity Adjustment
- 5) Lines 1-4 + 307.664

## Transition Factors

The formula provides for a transition mechanism for cities between the three need formulas.

### Small to Medium Cities

For cities with a population of at least 2,500 but less than 3,000 the city revenue need is equal to (1) the transition factor times the medium city revenue need, plus (2) 630 times the difference between one and the transition factor.

For the purposes of revenue need the transition factor is .2 percent times the amount that the city's population exceeds the minimum of its size threshold.

### Medium to Large Cities

For cities with a population of at least 10,000 but less than 11,000 the city revenue need is equal to (1) the transition factor times the large city revenue need, plus (2) the medium city revenue need times the difference between one and the transition factor.

For the purposes of revenue need the transition factor is .1 percent times the amount that the city's population exceeds the minimum of its size threshold.

---

## Unmet Need

Unmet need is the difference between (1) its city revenue need multiplied by its population, and (2) its city net tax capacity multiplied by the tax effort rate.

---

## Formula Aid

The formula aid (aid increase) for a city is equal to the difference between its current unmet need and its certified aid in the previous year, minus special adjustments, multiplied by the aid gap percentage.

---

## Certified Aid Adjustments

MS 477A.013, Subd. 13, provides for two aid adjustments to the formula.

- The city of Warroad will receive an additional \$150,000 for aids payable in 2014 through 2018.
- The city of Mahnomon will receive an extra payment of \$160,000 annually.

In 2017 an uncodified provision in the tax bill set the starting point for calculating the newly incorporated city of Rice Lake at \$95 per capita rather than its previous year certified aid.

## Certified LGA Distribution

This is the sum of previous year certified aid, formula aid, and certified aid adjustments. For cities where unmet need is lower than previous year aid, they receive their unmet need amount, subject to the minimum aid cap.

---

## Certified LGA Payment Dates

LGA payable in 2018 will be paid to qualifying cities on July 20, 2018 and December 26, 2018.

---

## Questions?

Questions regarding 2018 Local Government Aid should be directed to

[proptax.admin@state.mn.us](mailto:proptax.admin@state.mn.us).

or

Bill Sparks  
[bill.sparks@state.mn.us](mailto:bill.sparks@state.mn.us)  
(651) 556-6095

MS, Section 477A.014, subdivision 2, provides that a government unit may object to the amount of aid that the Department of Revenue has determined for it. No objection may be raised later than 60 days after receipt of certified LGA notice. Objections should be addressed to Director, Property Tax Division, Minnesota Department of Revenue, Mail Station 3340, St. Paul, MN 55146-3340.