

March 08, 2019

**PROPERTY TAX
LGA formula sparsity factor modified**

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of H.F. 1458 (Sandstede) / S.F. 1681 (Tomassoni) as introduced

	Fund Impact			
	FY2020	FY2021	FY2022	FY2023
	(000's)			
General Fund	\$0	\$0	\$0	\$0

Effective beginning for aids payable in calendar year 2020.

EXPLANATION OF THE BILL

Under current law, the local government aid (LGA) formula includes two sparsity adjustments:

1. A sparsity adjustment of 100 for cities with a population of 10,000 or more and an average population density of 150 per square mile, which impacts only the city of Hibbing, and
2. A sparsity adjustment of 200 for cities with a population of less than 10,000 and an average population density of 30 per square mile, which impacts 13 smaller cities.

The bill would change the sparsity adjustment from 100 to 200 for a qualifying city with a population of 10,000 or more.

REVENUE ANALYSIS DETAIL

- Under the proposal, the city of Hibbing would be the only qualifying city to receive an increase in its LGA formula sparsity adjustment.
- There would be no state cost associated with the change in the formula distribution because total aid is set to a fixed appropriation level. The formula change would shift an estimated \$12,000 in aid to the city of Hibbing and away from other cities receiving local government aid.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral
<i>Efficiency & Compliance</i>	Neutral
<i>Equity (Vertical & Horizontal)</i>	Neutral
<i>Stability & Predictability</i>	Neutral
<i>Competitiveness for Businesses</i>	Neutral
<i>Responsiveness to Economic Conditions</i>	Neutral

The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
Property Tax Division - Research Unit
[www.revenue.state.mn.us/research_stats/
pages/revenue-analyses.aspx](http://www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx)

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