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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 1129

02/19/2025 Authored by Igo and Davids The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act

1.2 relating to taxation; local government aid; establishing a sparsity factor in the city

1.3 aid formula; appropriating money; amending Minnesota Statutes 2024, sections

1.4 477A.011, subdivision 34, by adding a subdivision; 477A.03, subdivision 2a.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2024, section 477A.011, subdivision 34, is amended to

1.7 read:

1.8 Subd. 34. **City revenue need.** (a) For a city with a population equal to or greater than

1.9 10,000, "city revenue need" is 1.15 times the sum of (1) 8.572 times the pre-1940 housing

1.10 percentage; plus (2) 11.494 times the city age index; plus (3) 5.719 times the commercial

1.11 industrial utility percentage; plus (4) 9.484 times peak population decline; plus (5) 293.056;

1.12 plus (6) the sparsity adjustment.

1.13 (b) For a city with a population equal to or greater than 2,500 and less than 10,000, "city

1.14 revenue need" is 1.15 times the sum of (1) 497.308; plus (2) 6.667 times the pre-1940

1.15 housing percentage; plus (3) 9.215 times the commercial industrial utility percentage; plus

1.16 (4) 16.081 times peak population decline; plus (5) the sparsity adjustment.

1.17 (c) For a city with a population less than 2,500, "city revenue need" is the sum of (1)

1.18 196.487; plus (2) 220.877 times the city's transformed population; plus (3) the sparsity

1.19 adjustment.

1.20 (d) For a city with a population of at least 2,500 but less than 3,000, the "city revenue

1.21 need" equals (1) the transition factor times the city's revenue need calculated in paragraph

1.22 (b); plus (2) the city's revenue need calculated under the formula in paragraph (c) times the

1.23 difference between one and the transition factor. For a city with a population of at least

2.1 10,000 but less than 11,000, the "city revenue need" equals (1) the transition factor times  
 2.2 the city's revenue need calculated in paragraph (a); plus (2) the city's revenue need calculated  
 2.3 under the formula in paragraph (b) times the difference between one and the transition  
 2.4 factor. For purposes of the first sentence of this paragraph "transition factor" is 0.2 percent  
 2.5 times the amount that the city's population exceeds the minimum threshold. For purposes  
 2.6 of the second sentence of this paragraph, "transition factor" is 0.1 percent times the amount  
 2.7 that the city's population exceeds the minimum threshold.

2.8 (e) The city revenue need cannot be less than zero.

2.9 (f) For calendar year 2024 and subsequent years, the city revenue need for a city, as  
 2.10 determined in paragraphs (a) to (e), is multiplied by the ratio of the annual implicit price  
 2.11 deflator for government consumption expenditures and gross investment for state and local  
 2.12 governments as prepared by the United States Department of Commerce, for the most  
 2.13 recently available year to the 2022 implicit price deflator for state and local government  
 2.14 purchases.

2.15 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2026  
 2.16 and thereafter.

2.17 Sec. 2. Minnesota Statutes 2024, section 477A.011, is amended by adding a subdivision  
 2.18 to read:

2.19 **Subd. 48. Sparsity adjustment.** The sparsity adjustment is 200 for:

2.20 (1) a city with a population of 10,000 or more and an average population density of less  
 2.21 than 150 per square mile, according to the most recent federal census; and

2.22 (2) a city with a population less than 10,000 and an average population density less than  
 2.23 30 per square mile, according to the most recent federal census.

2.24 The sparsity adjustment is zero for all other cities.

2.25 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2026  
 2.26 and thereafter.

2.27 Sec. 3. Minnesota Statutes 2024, section 477A.03, subdivision 2a, is amended to read:

2.28 Subd. 2a. **Cities.** For aids payable in 2021 through 2023, the total aid payable under  
 2.29 section 477A.013, subdivision 9, is \$564,398,012. For aids payable in 2024 and ~~thereafter~~  
 2.30 2025, the total aid payable under section 477A.013, subdivision 9, is \$644,398,012. For

- 3.1 aids payable in 2026 and thereafter, the total aid payable under section 477A.013, subdivision
- 3.2 9, is \$.....
- 3.3 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2026
- 3.4 and thereafter.