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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 633

02/05/2015 Authored by Runbeck, Drazkowski and Dettmer

The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy

1.1 A bill for an act  
1.2 relating to local government; establishing a grant program to finance public  
1.3 infrastructure for cities using a portion of the city local government aid program  
1.4 to fund the grants; amending Minnesota Statutes 2014, sections 477A.013,  
1.5 subdivisions 8, 9, by adding a subdivision; 477A.03, subdivision 2a; proposing  
1.6 coding for new law in Minnesota Statutes, chapter 116J.

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

1.8 Section 1. [116J.432] LOCAL GOVERNMENT AID INFRASTRUCTURE  
1.9 CAPITAL PROJECT GRANT PROGRAM.

1.10 Subdivision 1. Account. A local government aid (LGA) infrastructure capital  
1.11 project grant program account is created in the special revenue fund. Money in the account  
1.12 is annually appropriated to the commissioner of employment and economic development  
1.13 to award grants under this section and does not lapse.

1.14 Subd. 2. Definitions. For the purposes of this section, the following terms have  
1.15 the meanings given them:

- 1.16 (1) "city" means a statutory or home rule charter city; and
- 1.17 (2) "project" means capital improvement of:
  - 1.18 (i) a street and related curbs, gutters, and sidewalks;
  - 1.19 (ii) a wastewater collection and treatment system;
  - 1.20 (iii) a stormwater handling system;
  - 1.21 (iv) a drinking water supply, treatment, and distribution system; or
  - 1.22 (v) a combination of any of items (i) to (iv).

1.23 Subd. 3. Grants; amount. A city may apply in the manner and at the times  
1.24 determined by the commissioner for one or more grants for one or more projects. A grant  
1.25 may be for up to 100 percent of a project's costs. There is no maximum grant amount.

2.1 Subd. 4. **Eligible costs.** A grant awarded under this section may be used for one  
 2.2 or more of the following purposes: feasibility studies, predesign, design, preliminary  
 2.3 engineering, engineering, acquisition of land or an interest in land, acquisition of  
 2.4 materials and supplies, improvement, renovation, construction, installation, furnishing  
 2.5 and equipping, and associated and necessary costs for completion of the project. Ongoing  
 2.6 operation costs and maintenance and repairs are not eligible for grant funding.

2.7 Subd. 5. **Review and approval.** The commissioner must establish criteria and  
 2.8 review procedures to ensure a project is technically and financially feasible and, in the  
 2.9 opinion of the commissioner, reasonably related to the state purposes and goals of the city  
 2.10 in applying for a grant to implement the project. The city must provide evidence that the  
 2.11 city will be able to operate and maintain the project once completed. The commissioner  
 2.12 must consult with the Public Facilities Authority, the commissioner of transportation, and  
 2.13 representatives of city organizations in developing the criteria.

2.14 Subd. 6. **Priorities.** (a) The grant application review and approval procedures  
 2.15 established by the commissioner must provide that projects are funded in the following  
 2.16 order of priority:

2.17 (1) comprehensive, multifaceted projects that are designed, engineered, and  
 2.18 implemented as one project to take advantage of cost efficiencies, whether proposed by an  
 2.19 individual city or in cooperation with other governmental units;

2.20 (2) single-purpose projects; and

2.21 (3) projects proposed jointly by two or more cities, or a city and one or more other  
 2.22 local units of government, to implement a joint project.

2.23 Subd. 7. **Cancellation of grant; return of grant money; available for other**  
 2.24 **grants.** If five years after the execution of a grant agreement the commissioner determines  
 2.25 that a project has not proceeded in a timely manner and is unlikely to be completed, the  
 2.26 commissioner must cancel the grant and require the grantee to return all grant money  
 2.27 awarded for that project. Grant money returned to the commissioner is appropriated to the  
 2.28 commissioner to make additional grants under this section.

2.29 Sec. 2. Minnesota Statutes 2014, section 477A.013, subdivision 8, is amended to read:

2.30 Subd. 8. **City formula aid.** (a) ~~For aids payable in 2014 only, the formula aid for a~~  
 2.31 city is equal to the sum of (1) its 2013 certified aid, and (2) the product of (i) the difference  
 2.32 between its unmet need and its 2013 certified aid, and (ii) the aid gap percentage.

2.33 (~~b~~) For aids payable in ~~2015~~ 2016 and thereafter, the formula aid for a city with a  
 2.34 population of less than 10,000 is equal to the sum of (1) its formula aid in the previous

3.1 year and (2) the product of (i) the difference between its unmet need and its formula aid in  
 3.2 the previous year, and (ii) the aid gap percentage.

3.3 (e) For aids payable in ~~2015~~ 2016 and thereafter, if ~~a city's~~ the certified aid from the  
 3.4 previous year for a city with a population of less than 10,000 is greater than the sum of  
 3.5 its unmet need plus its aid adjustment under subdivision 13, its formula aid is adjusted  
 3.6 to equal its unmet need.

3.7 (b) For a city with a population of 10,000 or more, its formula aid is equal to its  
 3.8 formula aid in the previous year.

3.9 (d) ~~(c)~~ No city may have a formula aid amount less than zero. The aid gap percentage  
 3.10 must be the same for all cities subject to paragraph (b).

3.11 (e) ~~(d)~~ The applicable aid gap percentage must be calculated by the Department of  
 3.12 Revenue so that the sum of (1) the total of the aid under subdivision 9 for cities with a  
 3.13 population of less than 10,000 and (2) the total formula aid under this subdivision plus aid  
 3.14 adjustments under subdivision 13 for cities with a population of 10,000 or more equals  
 3.15 the total amount available for aid under section 477A.03. Data used in calculating aids  
 3.16 to cities under sections 477A.011 to 477A.013 shall be the most recently available data  
 3.17 as of January 1 in the year in which the aid is calculated.

3.18 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 3.19 2016 and thereafter.

3.20 Sec. 3. Minnesota Statutes 2014, section 477A.013, subdivision 9, is amended to read:

3.21 Subd. 9. **City aid distribution.** (a) In calendar year 2014 and thereafter, each city  
 3.22 with a population of less than 10,000 shall receive an aid distribution equal to the sum of (1)  
 3.23 the city formula aid under subdivision 8, and (2) its aid adjustment under subdivision 13.

3.24 (b) ~~For aids payable in 2014 only, the total aid for a city may not be less than the~~  
 3.25 ~~amount it was certified to receive in 2013 plus any increase under subdivision 13.~~ For  
 3.26 aids payable in 2015 and thereafter, the total aid for a city with a population less than  
 3.27 10,000 must not be less than the amount it was certified to receive in the previous year  
 3.28 minus the lesser of \$10 multiplied by its population, or five percent of its net levy in the  
 3.29 year prior to the aid distribution.

3.30 (c) Beginning with aids payable in 2016, a city with a population of 10,000 or more  
 3.31 shall receive an aid distribution equal to its aid distribution in the previous year minus the  
 3.32 greater of (1) 20 percent of its formula aid under subdivision 8, or (2) \$10 per capita.

3.33 (d) No city may have an aid distribution less than zero.

4.1 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
4.2 2016 and thereafter.

4.3 Sec. 4. Minnesota Statutes 2014, section 477A.013, is amended by adding a  
4.4 subdivision to read:

4.5 Subd. 14. **Transfer of portion of city aid appropriation.** The difference between  
4.6 the amount appropriated for aids and transfers in section 477A.03, subdivision 2a, and the  
4.7 total aid distributed to cities under subdivision 9 shall be retained by the commissioner of  
4.8 revenue to transfer to the account established in section 116J.432.

4.9 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
4.10 2016 and thereafter.

4.11 Sec. 5. Minnesota Statutes 2014, section 477A.03, subdivision 2a, is amended to read:

4.12 Subd. 2a. **Cities.** For aids payable in 2014, the total aid paid under section  
4.13 477A.013, subdivision 9, is \$507,598,012. The total aid paid under section 477A.013,  
4.14 subdivision 9, plus the amount transferred under section 477A.013, subdivision 14, is  
4.15 \$516,898,012 for aids payable in 2015. For aids payable in 2016 and thereafter, the total  
4.16 aid paid under section 477A.013, subdivision 9, plus the amount transferred under section  
4.17 477A.013, subdivision 14, is \$519,398,012.

4.18 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
4.19 2016 and thereafter.