

**SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION**

S.F. No. 1112

(SENATE AUTHORS: EKEN)

DATE
02/17/2021

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433 Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; local government aid; modifying the city formula and increasing
1.3 the appropriation; amending Minnesota Statutes 2020, sections 477A.011,
1.4 subdivision 34; 477A.03, subdivision 2a, by adding a subdivision.

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

1.6 Section 1. Minnesota Statutes 2020, 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) ~~4.59~~ 4.948 times the pre-1940
1.10 housing percentage; plus (2) ~~0.622~~ 0.671 times the percent of housing built between 1940
1.11 and 1970; plus (3) ~~169.415~~ 182.629 times the jobs per capita; plus (4) the sparsity adjustment;
1.12 plus (5) ~~307.664~~ 331.662.

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) ~~572.62~~ 617.284; plus (2) ~~5.026~~ 5.418 times the
1.15 pre-1940 housing percentage; minus (3) ~~53.768~~ 57.962 times household size; plus (4) ~~14.022~~
1.16 15.116 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 ~~410~~ 562.129; plus (2) ~~0.367~~ 0.13 times the city's population ~~over 100~~; plus (3) the sparsity
1.19 adjustment. The city revenue need for a city under this paragraph shall not exceed ~~630~~ 632
1.20 plus the city's sparsity adjustment.

1.21 (d) For a city with a population of at least 2,500 but less than 3,000, the "city revenue
1.22 need" equals (1) the transition factor times the city's revenue need calculated in paragraph
1.23 (b); plus (2) ~~630~~ 632 times the difference between one and the transition factor. For a city

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

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

2.10 (f) For calendar year 2015 and subsequent years, the city revenue need for a city, as
 2.11 determined in paragraphs (a) to (e), is multiplied by the ratio of the annual implicit price
 2.12 deflator for government consumption expenditures and gross investment for state and local
 2.13 governments as prepared by the United States Department of Commerce, for the most
 2.14 recently available year to the 2013 implicit price deflator for state and local government
 2.15 purchases.

2.16 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2022
 2.17 and thereafter.

2.18 Sec. 2. Minnesota Statutes 2020, section 477A.03, subdivision 2a, is amended to read:

2.19 Subd. 2a. **Cities.** ~~For aids payable in 2016 and 2017, the total aid paid under section~~
 2.20 ~~477A.013, subdivision 9, is \$519,398,012. For aids payable in 2018 and 2019, the total aid~~
 2.21 ~~paid under section 477A.013, subdivision 9, is \$534,398,012. For aids payable in 2020, the~~
 2.22 ~~total aid paid under section 477A.013, subdivision 9, is \$560,398,012. For aids payable in~~
 2.23 ~~2021 and thereafter, the total aid payable under section 477A.013, subdivision 9, is~~
 2.24 ~~\$564,398,012. For aids payable in 2022, the total aid payable under section 477A.013,~~
 2.25 ~~subdivision 9, is \$564,990,952. For aids payable in 2023 and thereafter, the total aid paid~~
 2.26 ~~under section 477A.013, subdivision 9, is equal to the aid certified to be paid under that~~
 2.27 ~~section in the previous year multiplied by the inflation adjustment under subdivision 6.~~

2.28 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2022
 2.29 and thereafter.

3.1 Sec. 3. Minnesota Statutes 2020, section 477A.03, is amended by adding a subdivision to
3.2 read:

3.3 Subd. 6. **Inflation adjustment.** Beginning with aids payable in 2023 and thereafter, the
3.4 inflation adjustment for aids payable under subdivision 2a is equal to one plus the sum of:
3.5 (1) the percentage increase in the implicit price deflator for government purchases and gross
3.6 investment for state and local government purchases as prepared by the United States
3.7 Department of Commerce for the 12-month period ending March 31 of the previous calendar
3.8 year; and (2) the percentage increase in total city population for the most recently available
3.9 year, as of January 15 in the year in which the aid is certified. The inflation adjustment in
3.10 this subdivision shall not be less than 1.025 or greater than 1.05.

3.11 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2022
3.12 and thereafter.