

A bill for an act

relating to local government aids; reducing city and county general purpose aids and establishing new grant and loan programs for local governments; amending Minnesota Statutes 2010, sections 477A.013, by adding a subdivision; 477A.03, subdivisions 2a, 2b; proposing coding for new law in Minnesota Statutes, chapter 477A.

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

Section 1. Minnesota Statutes 2010, section 477A.013, is amended by adding a subdivision to read:

Subd. 11. **Use of aid.** Beginning with aids payable in 2012, aids paid under subdivision 9 must be used to pay the capital and operating costs of public safety, water, and wastewater collection and treatment.

Sec. 2. Minnesota Statutes 2010, section 477A.03, subdivision 2a, is amended to read:

Subd. 2a. **Cities.** For aids payable in 2011 ~~and thereafter~~, the total aid paid under section 477A.013, subdivision 9, is \$527,100,646. In each calendar year thereafter, beginning with 2012, \$263,550,000 shall be retained by the commissioner of revenue to transfer to the commissioner of management and budget for grants made under section 477A.09 and to the commissioner of administration for loans under section 477A.091. This amount must be deducted from the appropriation under this paragraph and used to fund special capital and operating grants under section 477A.09, and a shared service delivery initiative revolving loan program under section 477A.091.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2012 and thereafter.

H.F. No. 1262, as introduced - 87th Legislative Session (2011-2012) [11-2662]

Sec. 3. Minnesota Statutes 2010, section 477A.03, subdivision 2b, is amended to read:

Subd. 2b. **Counties.** (a) For aids payable in 2011 and thereafter, the total aid payable under section 477A.0124, subdivision 3, is \$96,395,000. Each calendar year, \$500,000 shall be retained by the commissioner of revenue to make reimbursements to the commissioner of management and budget for payments made under section 611.27. For calendar year 2004, the amount shall be in addition to the payments authorized under section 477A.0124, subdivision 1. For calendar year 2005 and subsequent years, the amount shall be deducted from the appropriation under this paragraph. The reimbursements shall be to defray the additional costs associated with court-ordered counsel under section 611.27. Any retained amounts not used for reimbursement in a year shall be included in the next distribution of county need aid that is certified to the county auditors for the purpose of property tax reduction for the next taxes payable year. In each calendar year thereafter, beginning with 2012, \$48,145,000 shall be retained by the commissioner of revenue to transfer to the commissioner of management and budget for grants made under section 477A.09 and to the commissioner of administration for loans under section 477A.091. This amount must be deducted from the appropriation under this paragraph and used to fund special capital and operating grants under section 477A.09, and a shared service delivery initiative revolving loan program under section 477A.091.

(b) For aids payable in 2011 and thereafter, the total aid under section 477A.0124, subdivision 4, is \$101,309,575. The commissioner of management and budget shall bill the commissioner of revenue for the cost of preparation of local impact notes as required by section 3.987, not to exceed \$207,000 in fiscal year 2004 and thereafter. The commissioner of education shall bill the commissioner of revenue for the cost of preparation of local impact notes for school districts as required by section 3.987, not to exceed \$7,000 in fiscal year 2004 and thereafter. The commissioner of revenue shall deduct the amounts billed under this paragraph from the appropriation under this paragraph. The amounts deducted are appropriated to the commissioner of management and budget and the commissioner of education for the preparation of local impact notes. In each calendar year thereafter, beginning with 2012, \$50,650,000 shall be retained by the commissioner of revenue to transfer to the commissioner of management and budget for grants made under section 477A.09 and to the commissioner of administration for loans under section 477A.091. This amount must be deducted from the appropriation under this paragraph and used to fund special capital and operating grants under section 477A.09, and a shared service delivery initiative revolving loan program under section 477A.091.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2012 and thereafter.

Sec. 4. [477A.09] SPECIAL CAPITAL AND OPERATING GRANTS.

Subdivision 1. **Established; definitions.** A special capital and operating grant program is established to help local governments fund capital projects and pay for special operating costs associated with providing drinking water, wastewater collection and treatment, and public safety. For purposes of this section "eligible local government" means any county, home rule charter or statutory city, township, or special taxing district. "Public safety services" means police, corrections, fire, and ambulance services. "Project" means the capital project or special operating costs.

Subd. 2. **Applications; review; grants by legislative appropriation.** (a) The commissioner of management and budget shall administer the grant program. An eligible local government may apply to the commissioner of management and budget for a grant under this section, in the form and manner determined by the commissioner. At a minimum, the commissioner shall require an applicant to provide the following information:

(1) the applicant's name and the name of the entity that will own or operate the project, if other than the applicant;

(2) a description of the eligible activities that the project encompasses;

(3) the public purpose of the project;

(4) the extent to which the applicant has, or expects to provide, nonstate funding for the project;

(5) whether the project will require other new or additional operating subsidies;

(6) whether the governing body of the applicant has passed a resolution in support of the project and has established priorities for all projects within its jurisdiction for which funding under this section are requested when submitting multiple requests; and

(7) if the applicant has applied or will apply for other funding for the project, and if so, the status of the request, whether it complements the request under this section or replaces it.

(b) If the application is for capital improvements for a water treatment or wastewater collection and treatment system, the applicant must apply for funding through programs administered by the Public Facilities Authority and be included in the appropriate project priority list before applying for a grant under this section.

(c) The recommendations of the commissioner of management and budget must be presented to the legislative committees with jurisdiction over public safety or water and wastewater infrastructure, as appropriate, and capital investment.

(d) A grant may only be made if the money for the grant is appropriated in law.

4.1 Subd. 3. **Return on investment analysis required.** The commissioner of
4.2 management and budget and the state economist, with the approval of the governor, in
4.3 conjunction with the committees of the legislature responsible for capital investment, shall
4.4 develop before January 1, 2012, a return on investment analysis format to be required of
4.5 all requests for appropriations for grants for capital projects made under this section
4.6 after January 1, 2012. The return on investment analysis format must require at least
4.7 the following elements for each request:

4.8 (1) a comprehensive description of the value of the project, including:
4.9 (i) both subjective and objective benefits;
4.10 (ii) measurable outcomes over a ten-year period; and
4.11 (iii) the process by which the planned and actual benefits and measurable
4.12 outcomes will be reported annually to the state and the public for ten years following
4.13 the appropriation;
4.14 (2) a ten-year total cost of ownership for all costs related to acquisition, construction,
4.15 maintenance, and ongoing operations of a project including all related costs for staffing,
4.16 administration, promotion, support services, and outside funding sources;
4.17 (3) a ten-year total revenue projection including detailed models of usage, per-unit
4.18 revenues, and unit volumes by year, including a low, expected, and high projection of
4.19 revenue;
4.20 (4) the projected ten-year total net financial surplus or loss for the project;
4.21 (5) an optional schedule for payback of the cost to the state; and
4.22 (6) the net jobs impact to the state, including:
4.23 (i) a ten-year schedule of jobs created by the project; and
4.24 (ii) a ten-year schedule showing the opportunity cost of jobs not otherwise created in
4.25 the broader economy due to the capital consumed by the amount not being available in
4.26 other areas of the economy.

4.27 Subd. 4. **Grant recipient reports required.** Each grant recipient must report to
4.28 the commissioner of management and budget and to the chairs and ranking minority
4.29 members of the legislative committees with jurisdiction over taxes and local government
4.30 on the benefits and costs of a project funded under this section. The commissioner must
4.31 aggregate the information from the individual reports and report to the chairs and ranking
4.32 minority members of the legislative committees with jurisdiction over taxes and local
4.33 government on the benefits and costs of the project funded under this section. The report
4.34 by an individual grantee is due by February 1 of the second, fifth, and tenth full year
4.35 after the grant is made. The report by the commissioner is due by December 1 of each
4.36 even-numbered year.

Subd. 5. **Transfer.** For fiscal years 2013 and 2014, 75 percent of the funds set aside under section 477A.03 to fund this section and section 477A.091 are transferred from the commissioner of revenue to the commissioner of management and budget to fund grants made under this section. In fiscal years 2015 and thereafter, 100 percent of the funds set aside under section 477A.03 to fund this section and section 477A.091 are appropriated to fund grants made under this section.

Sec. 5. **[477A.091] SHARED SERVICE DELIVERY INITIATIVE REVOLVING LOAN PROGRAM.**

Subdivision 1. **Definitions.** (a) For purposes of this section the following terms have the meanings given them.

(b) "Eligible local government" means any county, home rule charter or statutory city, township, special taxing district, or school district.

(c) "Shared service delivery initiative" means a project to consolidate or share the delivery of a government service between two or more eligible local governments through a joint powers agreement or other legal agreement in order to reduce total service delivery costs in the participating jurisdictions.

(d) "Start-up costs" means capital investments and increased salary and benefits costs, including incentives for early retirement, during the first two years of entering into an agreement for a shared service delivery initiative.

Subd. 2. **Shared service delivery initiative aid revolving loan fund.** A revolving loan fund account is established in the state treasury to provide no-interest loans to cover start-up costs associated with shared service delivery initiatives. Loans made under this subdivision must be made to the eligible local government designated as the fiscal agent in the joint powers agreement or other legal agreement.

Subd. 3. **Applications; review; loans made by legislation.** (a) The commissioner of administration shall administer the loan program. An eligible local government that is the lead local government as designated in the joint powers agreement or other legal agreement may apply to the commissioner of administration for a loan under this section, in the form and manner determined by the commissioner. At a minimum, the commissioner must require an applicant to provide the following information:

(1) the applicant's name and the name of the other participating eligible local governments;

(2) a description of the eligible activities that the service delivery initiative encompasses;

(3) the anticipated costs of the service delivery initiative; and

(4) the anticipated savings to each participating eligible local government over each of the next ten years due to the service delivery initiative.

(b) The recommendations of the commissioner of administration must be presented to the legislative committees with jurisdiction over local government and property taxes.

(c) A loan may only be made if the money for the loan is appropriated in law.

Subd. 4. **Loan repayment required.** Each local government involved in a shared service delivery initiative project for which a loan is made under this section must pay to the state each year, for up to ten years, an amount equal to 50 percent of the anticipated savings to the local government in that year, based on the information contained in the application in subdivision 1. The payments may be made by each local government directly or jointly under the joint powers agreement. The payments required under this subdivision cease at the earlier of:

(1) when total payments made by all local governments involved in the service delivery initiative equal the total loan amount; or

(2) at the end of ten years.

Subd. 5. **Loan recipient reports required.** Each loan recipient must report to the commissioner of administration and to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes and local government on the benefits and costs of the shared services delivery initiative funded under this section. The commissioner must aggregate the information from the individual reports and report to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes and local government on the benefits and costs of the initiatives funded under this section. The report by an individual loan recipient is due by February 1 of the second, fifth, and tenth full year after the grant is made. The report by the commissioner is due by December 1 of each even-numbered year.

Subd. 6. **Appropriation.** In fiscal years 2013 and 2014, only 25 percent of the funds set aside under section 477A.03 to fund this section and section 477A.091 are appropriated to the revolving loan fund account established to make loans under this section. All repayments made under subdivision 4 are appropriated to the revolving loan fund account established in subdivision 2.

EFFECTIVE DATE. This section is effective beginning with fiscal year 2012.