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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 1377

02/06/2023 Authored by Lislegard, Gomez, Wolgamott, Norris, Brand and others
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; aids to local governments; modifying the calculation of local
1.3 government aid; increasing the appropriation for local government aid; increasing
1.4 the appropriation for county program aid; modifying aid under the Mahnomen
1.5 property tax reimbursement program; amending Minnesota Statutes 2022, sections
1.6 477A.011, subdivision 34, by adding subdivisions; 477A.0124, subdivision 2;
1.7 477A.013, subdivisions 8, 9; 477A.03, subdivisions 2a, 2b, by adding a subdivision;
1.8 Laws 2006, chapter 259, article 11, section 3, as amended; proposing coding for
1.9 new law in Minnesota Statutes, chapter 477A; repealing Minnesota Statutes 2022,
1.10 sections 477A.011, subdivisions 30a, 38, 42, 45; 477A.013, subdivision 13.

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

1.12 Section 1. Minnesota Statutes 2022, section 477A.011, is amended by adding a subdivision
1.13 to read:

1.14 Subd. 3b. **Population age 65 and over.** "Population age 65 and over" means the
1.15 population age 65 and over established as of July 15 in an aid calculation year by the most
1.16 recent federal census, by a special census conducted under contract with the United States
1.17 Bureau of the Census, by a population estimate made by the Metropolitan Council, or by a
1.18 population estimate of the state demographer made pursuant to section 4A.02, whichever
1.19 is the most recent as to the stated date of the count or estimate for the preceding calendar
1.20 year and which has been certified to the commissioner of revenue on or before July 15 of
1.21 the aid calculation year. A revision to an estimate or count is effective for these purposes
1.22 only if certified to the commissioner on or before July 15 of the aid calculation year. Clerical
1.23 errors in the certification or use of estimates and counts established as of July 15 in the aid
1.24 calculation year are subject to correction within the time periods allowed under section
1.25 477A.014.

2.1 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 2.2 and thereafter.

2.3 Sec. 2. Minnesota Statutes 2022, section 477A.011, is amended by adding a subdivision
 2.4 to read:

2.5 Subd. 3c. **Transformed population.** "Transformed population" means the logarithm to
 2.6 the base 10 of the population.

2.7 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 2.8 and thereafter.

2.9 Sec. 3. Minnesota Statutes 2022, section 477A.011, subdivision 34, is amended to read:

2.10 Subd. 34. **City revenue need.** (a) For a city with a population equal to or greater than
 2.11 10,000, "city revenue need" is 1.15 times the sum of (1) ~~4.59~~ 8.572 times the pre-1940
 2.12 housing percentage; plus (2) ~~0.622 times the percent of housing built between 1940 and~~
 2.13 ~~1970~~ 11.494 times the city age index; plus (3) ~~169.415 times the jobs per capita~~ 5.719 times
 2.14 the commercial industrial utility percentage; plus (4) ~~the sparsity adjustment~~ 9.484 times
 2.15 peak population decline; plus (5) ~~307.664~~ 293.056.

2.16 (b) For a city with a population equal to or greater than 2,500 and less than 10,000, "city
 2.17 revenue need" is 1.15 times the sum of (1) ~~572.62~~ 497.308; plus (2) ~~5.026~~ 6.667 times the
 2.18 pre-1940 housing percentage; ~~minus~~ plus (3) ~~53.768 times household size~~ 9.215 times the
 2.19 commercial industrial utility percentage; plus (4) ~~14.022~~ 16.081 times peak population
 2.20 ~~decline; plus (5) the sparsity adjustment.~~

2.21 (c) For a city with a population less than 2,500, "city revenue need" is the sum of (1)
 2.22 ~~410~~ 196.487; plus (2) ~~0.367~~ 220.877 times the city's transformed population over 100; ~~plus~~
 2.23 ~~(3) the sparsity adjustment. The city revenue need for a city under this paragraph shall not~~
 2.24 ~~exceed 630 plus the city's sparsity adjustment.~~

2.25 (d) For a city with a population of at least 2,500 but less than 3,000, the "city revenue
 2.26 need" equals (1) the transition factor times the city's revenue need calculated in paragraph
 2.27 (b); plus (2) ~~630~~ the city's revenue need calculated under the formula in paragraph (c) times
 2.28 the difference between one and the transition factor. For a city with a population of at least
 2.29 10,000 but less than 11,000, the "city revenue need" equals (1) the transition factor times
 2.30 the city's revenue need calculated in paragraph (a); plus (2) the city's revenue need calculated
 2.31 under the formula in paragraph (b) times the difference between one and the transition
 2.32 factor. For purposes of the first sentence of this paragraph "transition factor" is 0.2 percent

3.1 times the amount that the city's population exceeds the minimum threshold. For purposes
 3.2 of the second sentence of this paragraph, "transition factor" is 0.1 percent times the amount
 3.3 that the city's population exceeds the minimum threshold.

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

3.5 (f) For calendar year ~~2015~~ 2024 and subsequent years, the city revenue need for a city,
 3.6 as determined in paragraphs (a) to (e), is multiplied by the ratio of the annual implicit price
 3.7 deflator for government consumption expenditures and gross investment for state and local
 3.8 governments as prepared by the United States Department of Commerce, for the most
 3.9 recently available year to the ~~2013~~ 2022 implicit price deflator for state and local government
 3.10 purchases.

3.11 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 3.12 and thereafter.

3.13 Sec. 4. Minnesota Statutes 2022, section 477A.011, is amended by adding a subdivision
 3.14 to read:

3.15 **Subd. 46. City age index.** "City age index" means 100 times the ratio of (1) the population
 3.16 age 65 and over within the city, to (2) the population of the city.

3.17 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 3.18 and thereafter.

3.19 Sec. 5. Minnesota Statutes 2022, section 477A.011, is amended by adding a subdivision
 3.20 to read:

3.21 **Subd. 47. Commercial industrial utility percentage.** The "commercial industrial utility
 3.22 percentage" for a city is 100 times the ratio of (1) the sum of the estimated market values
 3.23 of all real and personal property in the city classified as class 3 under section 273.13,
 3.24 subdivision 24, to (2) the total market value of all taxable real and personal property in the
 3.25 city. The market values are the amounts computed before any adjustments for fiscal
 3.26 disparities under section 276A.06 or 473F.08. The market values used for this subdivision
 3.27 are not equalized.

3.28 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 3.29 and thereafter.

4.1 Sec. 6. Minnesota Statutes 2022, section 477A.0124, subdivision 2, is amended to read:

4.2 Subd. 2. **Definitions.** (a) For the purposes of this section, the following terms have the
4.3 meanings given them.

4.4 (b) "County program aid" means the sum of "county need aid," "county tax base
4.5 equalization aid," and "county transition aid."

4.6 (c) "Age-adjusted population" means a county's population multiplied by the county age
4.7 index.

4.8 (d) "County age index" means the percentage of the population age 65 and over within
4.9 the county divided by the percentage of the population age 65 and over within the state,
4.10 except that the age index for any county may not be greater than 1.8 nor less than 0.8.

4.11 (e) "Population age 65 and over" ~~means the population age 65 and over established as~~
4.12 ~~of July 15 in an aid calculation year by the most recent federal census, by a special census~~
4.13 ~~conducted under contract with the United States Bureau of the Census, by a population~~
4.14 ~~estimate made by the Metropolitan Council, or by a population estimate of the state~~
4.15 ~~demographer made pursuant to section 4A.02, whichever is the most recent as to the stated~~
4.16 ~~date of the count or estimate for the preceding calendar year and which has been certified~~
4.17 ~~to the commissioner of revenue on or before July 15 of the aid calculation year. A revision~~
4.18 ~~to an estimate or count is effective for these purposes only if certified to the commissioner~~
4.19 ~~on or before July 15 of the aid calculation year. Clerical errors in the certification or use of~~
4.20 ~~estimates and counts established as of July 15 in the aid calculation year are subject to~~
4.21 ~~correction within the time periods allowed under section 477A.014~~ has the meaning given
4.22 in section 477A.011, subdivision 3b.

4.23 (f) "Part I crimes" means the three-year average annual number of Part I crimes reported
4.24 for each county by the Department of Public Safety for the most recent years available. By
4.25 July 1 of each year, the commissioner of public safety shall certify to the commissioner of
4.26 revenue the number of Part I crimes reported for each county for the three most recent
4.27 calendar years available.

4.28 (g) "Households receiving Supplemental Nutrition Assistance Program (SNAP) benefits"
4.29 means the average monthly number of households receiving SNAP benefits for the three
4.30 most recent years for which data is available. By July 1 of each year, the commissioner of
4.31 human services must certify to the commissioner of revenue the average monthly number
4.32 of households in the state and in each county that receive SNAP benefits, for the three most
4.33 recent calendar years available.

5.1 (h) "County net tax capacity" means the county's adjusted net tax capacity under section
5.2 273.1325.

5.3 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
5.4 and thereafter.

5.5 Sec. 7. Minnesota Statutes 2022, section 477A.013, subdivision 8, is amended to read:

5.6 Subd. 8. **City formula aid.** (a) For aids payable in ~~2018~~ 2024 and thereafter, the formula
5.7 aid for a city is equal to the product of (1) the difference between its unmet need and its
5.8 certified aid in the previous year ~~and before any aid adjustment under subdivision 13~~, and
5.9 (2) the aid gap percentage.

5.10 (b) The applicable aid gap percentage must be calculated by the Department of Revenue
5.11 so that the total of the aid under subdivision 9 equals the total amount available for aid under
5.12 section 477A.03. The aid gap percentage must be the same for all cities subject to paragraph
5.13 (a). Data used in calculating aids to cities under sections 477A.011 to 477A.013 shall be
5.14 the most recently available data as of January 1 in the year in which the aid is calculated.

5.15 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
5.16 and thereafter.

5.17 Sec. 8. Minnesota Statutes 2022, section 477A.013, subdivision 9, is amended to read:

5.18 Subd. 9. **City aid distribution.** (a) In calendar year ~~2018~~ 2024 and thereafter, if a city's
5.19 certified aid ~~before any aid adjustment under subdivision 13~~ for the previous year is less
5.20 than its current unmet need, the city shall receive an aid distribution equal to the sum of (1)
5.21 its certified aid in the previous year ~~before any aid adjustment under subdivision 13~~, and
5.22 (2) the city formula aid under subdivision 8, ~~and (3) its aid adjustment under subdivision~~
5.23 ~~13.~~

5.24 (b) ~~For aids payable in 2020 only, no city's aid amount before any adjustment under~~
5.25 ~~subdivision 13 may be less than its pay 2019 certified aid amount, less any aid adjustment~~
5.26 ~~under subdivision 13 for that year.~~ For aids payable in ~~2020~~ 2024 and thereafter, if a city's
5.27 certified aid ~~before any aid adjustment under subdivision 13~~ for the previous year is equal
5.28 to or greater than its current unmet need, the total aid for a city is equal to the greater of (1)
5.29 its unmet need ~~plus any aid adjustment under subdivision 13~~, or (2) the amount it was
5.30 certified to receive in the previous year minus the ~~sum of (i) any adjustment under subdivision~~
5.31 ~~13 that was paid in the previous year but has expired, and (ii) the lesser of (i) \$10 multiplied~~

6.1 by its population, or (ii) five percent of its net levy in the year prior to the aid distribution.
 6.2 No city may have a total aid amount less than \$0.

6.3 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 6.4 and thereafter.

6.5 Sec. 9. Minnesota Statutes 2022, section 477A.03, subdivision 2a, is amended to read:

6.6 Subd. 2a. **Cities.** ~~For aids payable in 2016 and 2017, the total aid paid under section~~
 6.7 ~~477A.013, subdivision 9, is \$519,398,012. For aids payable in 2018 and 2019, the total aid~~
 6.8 ~~paid under section 477A.013, subdivision 9, is \$534,398,012. For aids payable in 2020, the~~
 6.9 ~~total aid paid under section 477A.013, subdivision 9, is \$560,398,012. For aids payable in~~
 6.10 ~~2021 and thereafter through 2023, the total aid payable under section 477A.013, subdivision~~
 6.11 ~~9, is \$564,398,012. For aids payable in 2024 and thereafter, the total aid payable under~~
 6.12 ~~section 477A.013, subdivision 9, is \$714,398,012, multiplied by the inflation adjustment~~
 6.13 ~~under subdivision 6.~~

6.14 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
 6.15 and thereafter.

6.16 Sec. 10. Minnesota Statutes 2022, section 477A.03, subdivision 2b, is amended to read:

6.17 Subd. 2b. **Counties.** (a) ~~For aids payable in 2018 and 2019, the total aid payable under~~
 6.18 ~~section 477A.0124, subdivision 3, is \$103,795,000, of which \$3,000,000 shall be allocated~~
 6.19 ~~as required under Laws 2014, chapter 150, article 4, section 6. For aids payable in 2020,~~
 6.20 ~~the total aid payable under section 477A.0124, subdivision 3, is \$116,795,000, of which~~
 6.21 ~~\$3,000,000 shall be allocated as required under Laws 2014, chapter 150, article 4, section~~
 6.22 ~~6. For aids payable in 2021 through 2024 2023, the total aid payable under section~~
 6.23 ~~477A.0124, subdivision 3, is \$118,795,000, of which \$3,000,000 shall be allocated as~~
 6.24 ~~required under Laws 2014, chapter 150, article 4, section 6. For aids payable in 2024, the~~
 6.25 ~~total aid payable under section 477A.0124, subdivision 3, is \$186,195,000, of which~~
 6.26 ~~\$3,000,000 shall be allocated as required under Laws 2014, chapter 150, article 4, section~~
 6.27 ~~6. For aids payable in 2025 and thereafter, the total aid payable under section 477A.0124,~~
 6.28 ~~subdivision 3, is \$115,795,000 \$183,195,000, multiplied by the inflation adjustment under~~
 6.29 ~~subdivision 6. On or before the first installment date provided in section 477A.015, paragraph~~
 6.30 ~~(a), \$500,000 of this appropriation shall be transferred each year by the commissioner of~~
 6.31 ~~revenue to the Board of Public Defense for the payment of services under section 611.27.~~
 6.32 Any transferred amounts not expended or encumbered in a fiscal year shall be certified by

7.1 the Board of Public Defense to the commissioner of revenue on or before October 1 and
7.2 shall be included in the next certification of county need aid.

7.3 (b) ~~For aids payable in 2018 and 2019, the total aid under section 477A.0124, subdivision~~
7.4 ~~4, is \$130,873,444. For aids payable in 2020, the total aid under section 477A.0124,~~
7.5 ~~subdivision 4, is \$143,873,444. For aids payable in 2021 and thereafter through 2023, the~~
7.6 ~~total aid under section 477A.0124, subdivision 4, is \$145,873,444. For aids payable in 2024~~
7.7 ~~and thereafter, the total aid under section 477A.0124, subdivision 4, is \$228,473,444,~~
7.8 ~~multiplied by the inflation adjustment under subdivision 6. The commissioner of revenue~~
7.9 ~~shall transfer to the Legislative Budget Office \$207,000 annually for the cost of preparation~~
7.10 ~~of local impact notes as required by section 3.987, and other local government activities.~~
7.11 ~~The commissioner of revenue shall transfer to the commissioner of education \$7,000 annually~~
7.12 ~~for the cost of preparation of local impact notes for school districts as required by section~~
7.13 ~~3.987. The commissioner of revenue shall deduct the amounts transferred under this~~
7.14 ~~paragraph from the appropriation under this paragraph. The amounts transferred are~~
7.15 ~~appropriated to the Legislative Coordinating Commission and the commissioner of education~~
7.16 ~~respectively.~~

7.17 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
7.18 and thereafter.

7.19 Sec. 11. Minnesota Statutes 2022, section 477A.03, is amended by adding a subdivision
7.20 to read:

7.21 Subd. 6. **Inflation adjustment.** In 2025 and thereafter, the amounts paid under
7.22 subdivisions 2a and 2b must be increased by an amount equal to one plus the sum of (1)
7.23 the percentage increase in the implicit price deflator for government expenditures and gross
7.24 investment for state and local government purchases as prepared by the United States
7.25 Department of Commerce for the 12-month period ending March 31 of the previous calendar
7.26 year, and (2) the percentage increase in total city population for the most recently available
7.27 years as of January 15 of the current year. The percentage increase in this subdivision must
7.28 not be less than 2.5 percent or greater than five percent.

7.29 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
7.30 and thereafter.

7.31 Sec. 12. **[477A.31] MAHNOMEN PROPERTY TAX REIMBURSEMENT AID.**

7.32 Subdivision 1. **Aid appropriation.** (a) The commissioner of revenue shall make
7.33 reimbursement aid payments to compensate for the loss of property tax revenue related to

8.1 the trust conversion application of the Shooting Star Casino. The commissioner shall pay
8.2 the county of Mahnomen, \$900,000; the city of Mahnomen, \$320,000; and Independent
8.3 School District No. 432, Mahnomen, \$140,000.

8.4 (b) The payments shall be made annually on July 20.

8.5 Subd. 2. **Appropriation.** An amount sufficient to pay reimbursement aid under this
8.6 section is annually appropriated from the general fund to the commissioner of revenue.

8.7 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
8.8 and thereafter.

8.9 Sec. 13. Laws 2006, chapter 259, article 11, section 3, as amended by Laws 2008, chapter
8.10 154, article 1, section 4, and Laws 2013, chapter 143, article 2, section 33, is amended to
8.11 read:

8.12 Sec. 3. **MAHNOMEN COUNTY; COUNTY, CITY, SCHOOL DISTRICT,**
8.13 **PROPERTY TAX REIMBURSEMENT.**

8.14 Subdivision 1. **Aid appropriation.** (a) \$1,200,000 is appropriated annually from the
8.15 general fund to the commissioner of revenue to be used to make payments to compensate
8.16 for the loss of property tax revenue related to the trust conversion application of the Shooting
8.17 Star Casino. The commissioner shall pay the county of Mahnomen, \$900,000; the city of
8.18 Mahnomen, \$160,000; and Independent School District No. 432, Mahnomen, \$140,000.
8.19 The payments shall be made on July 20, of 2013 and each subsequent year.

8.20 (b) This section expires after aids payable year 2023.

8.21 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
8.22 and thereafter.

8.23 Sec. 14. **REPEALER.**

8.24 Minnesota Statutes 2022, sections 477A.011, subdivisions 30a, 38, 42, and 45; and
8.25 477A.013, subdivision 13, are repealed.

8.26 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2024
8.27 and thereafter.

477A.011 DEFINITIONS.

Subd. 30a. **Percent of housing built between 1940 and 1970.** "Percent of housing built between 1940 and 1970" is equal to 100 times the most recent count by the United States Bureau of the Census of all housing units in the city built after 1939 but before 1970, divided by the total number of all housing units in the city. Housing units includes both occupied and vacant housing units as defined by the federal census.

Subd. 38. **Household size.** "Household size" means the average number of persons per household in the jurisdiction as most recently estimated and reported by the state demographer and Metropolitan Council as of July 15 of the aid calculation year. A revision to an estimate or enumeration is effective for these purposes only if it is certified to the commissioner on or before July 15 of the aid calculation year. Clerical errors in the certification or use of estimates and counts established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under section 477A.014.

Subd. 42. **Jobs per capita in the city.** "Jobs per capita in the city" means (1) the average annual number of employees in the city based on the data from the Quarterly Census of Employment and Wages, as reported by the Department of Employment and Economic Development, for the most recent calendar year available November 1 of every odd-numbered year, divided by (2) the city's population for the same calendar year as the employment data. The commissioner of the Department of Employment and Economic Development shall certify to the city the average annual number of employees for each city by January 1 of every even-numbered year beginning with January 1, 2014. A city may challenge an estimate under this paragraph by filing its specific objection, including the names of employers that it feels may have misreported data, in writing with the commissioner by December 1 of every odd-numbered year. The commissioner shall make every reasonable effort to address the specific objection and adjust the data as necessary. The commissioner shall certify the estimates of the annual employment to the commissioner of revenue by January 1 of all even-numbered years, including any estimates still under objection.

Subd. 45. **Sparsity adjustment.** For a city with a population of 10,000 or more, the sparsity adjustment is 100 for any city with an average population density less than 150 per square mile, according to the most recent federal census. For a city with a population less than 10,000, the sparsity adjustment is 200 for any city with an average population density less than 30 per square mile, according to the most recent federal census. The sparsity adjustment is zero for all other cities.

477A.013 MUNICIPAL GOVERNMENT DISTRIBUTIONS.

Subd. 13. **Certified aid adjustments.** (a) A city that received an aid base increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (e), shall have its total aid under subdivision 9 increased by an amount equal to \$150,000 for aids payable in 2014 through 2018.

(b) A city that received an aid base increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (r), shall have its total aid under subdivision 9 increased by an amount equal to \$160,000 for aids payable in 2014 and thereafter.

(c) A city that received a temporary aid increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (o), shall have its total aid under subdivision 9 increased by an amount equal to \$1,000,000 for aids payable in 2014 only.