

*Bank Handout
Agenda Item 11
March 18, 2019*

Jerry Hertaus
State Representative
District 33A



Minnesota House of Representatives

March 8, 2019

Mr Dan Roe
Mayor
City of Roseville
2660 Civic Center Drive
Roseville, MN 55113

Re: New Legislative Initiative to Reform Local Government Aid (LGA) Formula

Dear Mayor Roe,

I am writing to you for the purpose of informing you of a new legislative effort that I have chief authored to include every city in Minnesota to receive an allocation of dollars resulting from a newly reformed formula. Briefly, H.F. 2031 fully funds the Governor's budget proposal of a \$ 30 million dollar increase in LGA funding but additionally creates a 2% set aside of the entire LGA appropriation reserved for cities that do not qualify for LGA under the current formula. This proposed change will make sure that going forward no Minnesota city will ever be off the formula into the future. If adopted, as proposed, no city will experience a decrease in aid from the current formula unless the total appropriation might be reduced in the future. On the other hand, the 95 cities in Minnesota not currently receiving LGA would always remain on formula.

If adopted and passed into law, the current proposed language of H.F. 2031 would result in an increased LGA appropriation of \$200,000 for the city of Roseville. The alternative formula change in H.F. 2031 would incorporate two components of formula aid creating a new eligibility for the current cities not receiving LGA. They are comprised of base aid distribution and per/capita aid distribution.

I would appreciate your administrative support for this legislation by receiving a letter from you on letterhead either by mail or email to this office as soon as possible. In the spirit of "One Minnesota" it is time that we recognize that all cities have economic challenges and needs. The current 95 cities represent 20% of the state's population. Setting aside 2% of the LGA appropriation as an alternative formula for communities off formula is a fair compromise to the current formula.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jerry Hertaus".

Rep. Jerry Hertaus
Property Tax Committee, Republican Lead
House District 33A



Governor's Tax Initiatives, LGA Funding Bills Benefitting Cities Heard Last Week

With a tighter state budget forecast, it's important for city officials to contact their legislators and Gov. Walz to voice support for LGA and the construction sales tax exemption simplification.

(Published Mar 18, 2019)

The House Property Tax and Local Government Division (*Link to: <http://www.house.leg.state.mn.us/comm/committee.asp?comm=91013>*) will hear several bills today (March 11) that restore funding for the local government aid (LGA) program.

The funding restoration for the LGA program through the existing formula is consistent with the League's legislative policies and was established as a priority for the League by the Board of Directors for the 2019 session.

Bills that would increase LGA to highest level

The first bill on the agenda, HF 1163 (*Link to: <https://www.revisor.mn.gov/bills/bill.php?f=House&f=HF1163&ssn=0&y=2019>*) (Rep. Paul Marquart (*Link to: http://www.house.leg.state.mn.us/members/members.asp?leg_id=10401*), DFL-Dilworth) is identical to Gov. Walz's budget proposal to increase the funding for city LGA and county program aid (CPA) to their highest appropriation levels, which occurred in the early 2000s. For LGA, the appropriation would be increased beginning with the 2020 distribution to \$564.99 million, which is an increase of \$30.6 million over the current 2019 appropriation.

In the years after 2002, the appropriation for the LGA program was repeatedly cut and, in 2012, was funded at its lowest point since 2002, with an appropriation of only \$425.2 million. Since 2012, the Legislature has restored funding for the program, and the Marquart bill would complete the restoration.

Similar to the Marquart bill, but only addressing the city LGA program, HF 1434 (*Link to: <https://www.revisor.mn.gov/bills/bill.php?f=HF1434&b=house&y=2019&ssn=0>*) (Rep. Samantha Vang (*Link to: http://www.house.leg.state.mn.us/members/members.asp?leg_id=15510*), DFL-Brooklyn Center) would also restore LGA funding with the 2020 distribution.

—See estimates of the LGA distribution to each city under HF 1163 and HF 1434 (pdf) (*Link to: <https://www.house.leg.state.mn.us/hrd/issinfo/lga20h1163-1434.pdf?inline=true>*)

Bills that would increase LGA and adjust formula

Two bills, HF 1101 (*Link to: <https://www.revisor.mn.gov/bills/bill.php?f=HF1101&b=house&y=2019&ssn=0>*) (Rep. Jeff Brand (*Link to: http://www.house.leg.state.mn.us/members/members.asp?leg_id=15501*), DFL-St. Peter) and HF 1102 (*Link to: <https://www.revisor.mn.gov/bills/bill.php?f=HF1102&b=house&y=2019&ssn=0>*) (Rep. Dave Lislegard (*Link to: http://www.house.leg.state.mn.us/members/members.asp?leg_id=15497*), DFL-Aurora) would restore LGA funding to the 2002 level and would adjust the LGA formula coefficients used to calculate large city (those over 10,000 population) and medium city (those between 2,500 to 10,000 population) "need" in the current formulas by roughly 7.8 percent. These bills also adjust the small city (those under 2,500 population) LGA formula coefficients and increase the cap.

The changes in the coefficients have the effect of increasing the formula "need" of all cities, which brings some cities back onto the LGA formula and slightly increases the percent of the new aid going to cities with "unmet need" close to zero under the current formula.

HF 1101 also adds an inflation adjustment to the total appropriation beginning in 2021. The inflator created in the bill mirrors an adjustment that was included in the LGA program in the 1990s and will increase the annual appropriation between 2.5 percent and 5 percent per year. The amount of the increase will be based on the *implicit price deflator for*

government purchases and gross investment for state and local government purchases, a measure of governmental inflation prepared by the U.S. Department of Commerce.

—See estimates of the LGA distribution to each city under HF1101 and HF 1102 (pdf) (Link to: <https://www.house.leg.state.mn.us/hrd/issinfo/lga20h1101-1102.pdf?inline=true>)

Bill that would increase LGA and create alternative minimum

The final broad LGA bill is HF 2031 (Link to: <https://www.revisor.mn.gov/bills/bill.php?f=HF2031&b=house&y=2019&ssn=0>) (Rep. Jerry Hertaus (Link to: http://www.house.leg.state.mn.us/members/members.asp?leg_id=15400), R-Greenfield), which would increase the LGA appropriation to the 2002 level, largely retains the existing LGA formula but would create an alternative minimum LGA distribution for cities.

Rep. Hertaus has indicated that his bill is in response to the growing list of cities that have dropped off the LGA formula. In 2019, 95 cities across the state no longer receive LGA, either due to a calculated low formula “need,” strong property tax base, or a combination of the two. The bill specifies that 2 percent of the total appropriation, or \$11.3 million, would be used to fund the alternative minimum distribution.

—See estimates of the LGA distribution to each city under HF 2031 (Link to: <https://www.house.leg.state.mn.us/hrd/issinfo/lga20h2031.pdf?inline=true>)

Read the current issue of the Cities Bulletin (Link to: <http://www.lmc.org/page/1/cities-bulletin-newsletter.jsp>)

* By posting you are agreeing to the LMC Comment Policy (Link to: <http://www.lmc.org/page/1/comment-policy.jsp>) .

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Contact Gary Carlson

IGR Director

(651) 281-1255 or (800) 925-1122

Current law 2019 and 2020 LGA versus 2020 LGA under HF 1101 and HF 1102

March 7, 2019
Run: lga20h1101-1102

Summary

The attached run shows the distribution of the 2019 LGA and estimated 2020 LGA under current law versus the alternatives distribution with the appropriation increase contained in both HF 1101 (as amended) and HF 1102(as amended).

The proposal under both bills:

- increases the LGA appropriation beginning with aids payable in 2020 by about \$30.6 million; inflates all the coefficients used to calculate large and medium city “need” in the current formulas by roughly 7.8%; and
- changes the formula for the small city need measure and increases its maximum from \$630 to \$632.

The new appropriation amount is equal to the amount appropriated for city LGA in CY 2002 – the year with the highest appropriation for this program. The change in the coefficients moves some cities back onto the LGA formula and changes the percent of the increase going to various cities based on city size and how close their current aid is to their existing “unmet need”.

HF1101 also adds an inflation factor between 2.5% and 5.0%, to the LGA appropriation beginning with aids payable in 2021. This is the same inflation factor that applied to the city LGA appropriation for most of the 1990s.

Contents of the run:

- **Column 1:** 2017 Population
- **Column 2:** Certified 2019 LGA
- **Column 3:** Estimated 2020 LGA under current law
- **Column 4:** Estimated 2020 LGA under the bills
- **Column 5:** The change between 2019 LGA and 2020 LGA under both bills
- **Column 6:** The difference between 2020 LGA under current law vs. 2020 LGA under both bills

Current law 2019 and 2020 City LGA vs. 2020 LGA under HF 1101 and HF1102

Cityname	2017 Population	Certified 2019 LGA	Estimated 2020 LGA curr.law	hf1101/1102 2020 LGA	LGA change 2019 - 2020 under bill(s)	LGA change 2020- 2020 under bill(s)
	(1)	(2)	(3)	(4)	(5=4-2)	(6=4-3)
Metro						
Center Cities						
MINNEAPOLIS	423,990	79,349,086	79,494,452	83,024,939	3,675,853	3,530,487
ST PAUL	309,180	65,217,748	65,476,319	69,624,966	4,407,218	4,148,647
Cluster total	733,170	144,566,834	144,970,771	152,649,905	8,083,071	7,679,134
Established Cities						
ANOKA	18,205	1,800,824	1,811,492	1,992,123	191,299	180,631
ARDEN HILLS	9,969	0	0	20,568	20,568	20,568
BROOKLYN CENTE	31,145	1,783,569	1,804,928	2,131,225	347,656	326,297
COATES	159	0	0	0	0	0
FRIDLEY CITY	28,667	1,492,117	1,509,315	1,792,422	300,305	283,107
GOLDEN VALLEY	21,646	0	0	0	0	0
HILLTOP	798	149,293	149,780	155,189	5,896	5,409
HOPKINS	19,079	556,578	567,965	760,338	203,760	192,373
LANDFALL	752	90,972	83,452	83,452	-7,520	0
LITTLE CANADA	10,120	434,379	333,179	452,838	18,459	119,659
LONG LAKE	1,796	0	0	0	0	0
MAPLE PLAIN	1,830	251,888	233,588	233,588	-18,300	0
MAPLEWOOD	40,084	875,682	890,150	1,177,564	301,882	287,414
MENDOTA	213	14,830	12,700	12,700	-2,130	0
MOUNDS VIEW	13,327	739,446	744,315	836,897	97,451	92,582
NEW HOPE	21,545	697,864	704,854	846,988	149,124	142,134
NEWPORT	3,578	563,975	528,195	573,170	9,195	44,975
OAK PARK HEIGHT	4,742	0	0	0	0	0
OAKDALE	28,115	196,447	198,550	298,101	101,654	99,551
OSSEO	2,792	625,564	626,795	646,732	21,168	19,937
RICHFIELD	36,544	2,235,643	2,243,190	2,439,360	203,717	196,170
ROSEVILLE	35,987	77,800	0	149,131	71,331	149,131
VADNAIS HEIGHTS	12,704	0	0	0	0	0
Cluster total	343,797	12,586,871	12,442,448	14,602,386	2,015,515	2,159,938
Large Cities						
APPLE VALLEY	52,361	0	0	0	0	0
BLAINE	65,369	0	0	38,663	38,663	38,663
BLOOMINGTON	88,885	0	0	0	0	0
BROOKLYN PARK	80,866	1,382,080	1,383,849	1,624,268	242,188	240,419
BURNSVILLE	62,239	0	0	0	0	0
COON RAPIDS	63,272	1,196,450	1,206,539	1,488,474	292,024	281,935
EAGAN	68,488	0	0	0	0	0
EDEN PRAIRIE	63,726	0	0	0	0	0
EDINA	52,497	0	0	0	0	0
LAKEVILLE	61,993	0	0	0	0	0
MAPLE GROVE	66,814	0	0	0	0	0
MINNETONKA	53,394	0	0	0	0	0
PLYMOUTH	76,882	0	0	0	0	0
ST LOUIS PARK	48,920	267,271	0	409,833	142,562	409,833
WOODBURY	69,426	0	0	0	0	0

Current law 2019 and 2020 LGA versus 2020 LGA under HF 1163 and HF 1434

March 6, 2019
Run: lga20h1163-1434

Summary

The attached run shows the distribution of the 2019 LGA and estimated 2020 LGA under current law versus the alternatives distribution with the appropriation increase contained in both HF 1163 (as amended) and HF 1434 (as amended).

The proposal under both bills increases the LGA appropriation beginning with aids payable in 2020 by about \$30.6 million. The new appropriation amount is equal to the amount appropriated for city LGA in CY 2002 – the year with the highest appropriation for this program. There are no changes made to the formulas used to distribute the LGA in either bill.

Contents of the run:

- **Column 1:** 2017 Population
- **Column 2:** Certified 2019 LGA
- **Column 3:** Estimated 2020 LGA under current law
- **Column 4:** Estimated 2020 LGA under the bills
- **Column 5:** The change between 2019 LGA and 2020 LGA under both bills
- **Column 6:** The difference between 2020 LGA under current law vs. under both bills

Current law 2019 and 2020 City LGA vs. 2020 LGA under HF 1163 and HF1434

Cityname	2017 Population	Certified 2019 LGA	Estimated 2020 LGA curr.law	hf1163/1434 2020 LGA	LGA change 2019 - 2020 under bill(s)	LGA change 2020- 2020 under bill(s)
	(1)	(2)	(3)	(4)	(5=4-2)	(6=4-3)
Metro						
Center Cities						
MINNEAPOLIS	423,990	79,349,086	79,494,452	82,179,218	2,830,132	2,684,766
ST PAUL	309,180	65,217,748	65,476,319	70,251,867	5,034,119	4,775,548
Cluster total	733,170	144,566,834	144,970,771	152,431,085	7,864,251	7,460,314
Established Cities						
ANOKA	18,205	1,800,824	1,811,492	2,008,512	207,688	197,020
ARDEN HILLS	9,969	0	0	0	0	0
BROOKLYN CENTE	31,145	1,783,569	1,804,928	2,199,416	415,847	394,488
COATES	159	0	0	0	0	0
FRIDLEY CITY	28,667	1,492,117	1,509,315	1,826,949	334,832	317,634
GOLDEN VALLEY	21,646	0	0	0	0	0
HILLTOP	798	149,293	149,780	158,767	9,474	8,987
HOPKINS	19,079	556,578	567,965	778,263	221,685	210,298
LANDFALL	752	90,972	83,452	83,452	-7,520	0
LITTLE CANADA	10,120	434,379	333,179	333,179	-101,200	0
LONG LAKE	1,796	0	0	0	0	0
MAPLE PLAIN	1,830	251,888	233,588	233,588	-18,300	0
MAPLEWOOD	40,084	875,682	890,150	1,157,351	281,669	267,201
MENDOTA	213	14,830	12,700	12,700	-2,130	0
MOUNDS VIEW	13,327	739,446	744,315	834,246	94,800	89,931
NEW HOPE	21,545	697,864	704,854	833,950	136,086	129,096
NEWPORT	3,578	563,975	528,195	528,195	-35,780	0
OAK PARK HEIGHT	4,742	0	0	0	0	0
OAKDALE	28,115	196,447	198,550	237,395	40,948	38,845
OSSEO	2,792	625,564	626,795	649,530	23,966	22,735
RICHFIELD	36,544	2,235,643	2,243,190	2,382,574	146,931	139,384
ROSEVILLE	35,987	77,800	0	0	-77,800	0
VADNAIS HEIGHTS	12,704	0	0	0	0	0
Cluster total	343,797	12,586,871	12,442,448	14,258,067	1,671,196	1,815,619
Large Cities						
APPLE VALLEY	52,361	0	0	0	0	0
BLAINE	65,369	0	0	0	0	0
BLOOMINGTON	88,885	0	0	0	0	0
BROOKLYN PARK	80,866	1,382,080	1,383,849	1,416,526	34,446	32,677
BURNSVILLE	62,239	0	0	0	0	0
COON RAPIDS	63,272	1,196,450	1,206,539	1,392,872	196,422	186,333
EAGAN	68,488	0	0	0	0	0
EDEN PRAIRIE	63,726	0	0	0	0	0
EDINA	52,497	0	0	0	0	0
LAKEVILLE	61,993	0	0	0	0	0
MAPLE GROVE	66,814	0	0	0	0	0
MINNETONKA	53,394	0	0	0	0	0
PLYMOUTH	76,882	0	0	0	0	0
ST LOUIS PARK	48,920	267,271	0	0	-267,271	0
WOODBURY	69,426	0	0	0	0	0

Current law 2019 and 2020 LGA versus 2020 LGA under HF 2031

March 7, 2019
Run: lga20h2031

Summary

The attached run shows the distribution of the 2019 LGA and estimated 2020 LGA under current law versus the alternatives distribution with the appropriation increase contained in both HF 2031.

The proposal under HF 2031:

- Increases the city LGA appropriation beginning with aids payable in 2020 to \$30,990,952.
- Dedicates 2% of the total city LGA appropriation to an alternative per capita aid to cities that receive zero aid under the general LGA formula. The alternative aid, which is capped at \$200,000 to any city, is equal to –
 - a base amount of the lesser of \$40 per capita or \$60,000, plus
 - a per capita amount set to spend the entire 2% of the appropriation
- All cities on the formula will also have a new minimum aid amount equal to what they would get under the alternative per capita aid formula.

The new appropriation amount is equal to the amount appropriated for city LGA in CY 2002 – the year with the highest appropriation for this program. Under this program all cities will get some LGA and cities getting a minimal amount under the current formula are guaranteed to get a minimum aid equal to the calculation under the alternative per capita aid.

Contents of the run:

- **Column 1:** 2017 Population
- **Column 2:** Certified 2019 LGA
- **Column 3:** Estimated 2020 LGA under current law
- **Column 4:** Estimated 2020 LGA under HF 2031
- **Column 5:** The change between 2019 LGA and 2020 LGA under HF 2031
- **Column 6:** The difference between 2020 LGA under current law vs. 2020 LGA under HF 2031

Current law 2019 and 2020 City LGA vs. 2020 LGA under HF 2031

Cityname	2017 Population	Certified 2019 LGA	Estimated 2020 LGA curr.law	hf120312020 LGA	LGA change 2019 - 2020 under HF2031	LGA change 2020- 2020 under HF2031)
	(1)	(2)	(3)	(4)	(5=4-2)	(6=4-3)
Metro						
Center Cities						
MINNEAPOLIS	423,990	79,349,086	79,494,452	81,141,464	1,792,378	1,647,012
ST PAUL	309,180	65,217,748	65,476,319	68,405,954	3,188,206	2,929,635
Cluster total	733,170	144,566,834	144,970,771	149,547,418	4,980,584	4,576,647
Established Cities						
ANOKA	18,205	1,800,824	1,811,492	1,932,357	131,533	120,865
ARDEN HILLS	9,969	0	0	149,135	149,135	149,135
BROOKLYN CENTE	31,145	1,783,569	1,804,928	2,046,933	263,364	242,005
COATES	159	0	0	7,782	7,782	7,782
FRIDLEY CITY	28,667	1,492,117	1,509,315	1,704,173	212,056	194,858
GOLDEN VALLEY	21,646	0	0	200,000	200,000	200,000
HILLTOP	798	149,293	149,780	155,293	6,000	5,513
HOPKINS	19,079	556,578	567,965	696,976	140,398	129,011
LANDFALL	752	90,972	83,452	83,452	-7,520	0
LITTLE CANADA	10,120	434,379	333,179	333,179	-101,200	0
LONG LAKE	1,796	0	0	76,059	76,059	76,059
MAPLE PLAIN	1,830	251,888	233,588	233,588	-18,300	0
MAPLEWOOD	40,084	875,682	890,150	1,054,069	178,387	163,919
MENDOTA	213	14,830	12,700	12,700	-2,130	0
MOUNDS VIEW	13,327	739,446	744,315	799,485	60,039	55,170
NEW HOPE	21,545	697,864	704,854	784,050	86,186	79,196
NEWPORT	3,578	563,975	528,195	528,195	-35,780	0
OAK PARK HEIGHT	4,742	0	0	102,399	102,399	102,399
OAKDALE	28,115	196,447	198,550	222,380	25,933	23,830
OSSEO	2,792	625,564	626,795	640,742	15,178	13,947
RICHFIELD	36,544	2,235,643	2,243,190	2,328,697	93,054	85,507
ROSEVILLE	35,987	77,800	0	200,000	122,200	200,000
VADNAIS HEIGHTS	12,704	0	0	173,590	173,590	173,590
Cluster total	343,797	12,586,871	12,442,448	14,465,234	1,878,363	2,022,786
Large Cities						
APPLE VALLEY	52,361	0	0	200,000	200,000	200,000
BLAINE	65,369	0	0	200,000	200,000	200,000
BLOOMINGTON	88,885	0	0	200,000	200,000	200,000
BROOKLYN PARK	80,866	1,382,080	1,383,849	1,403,895	21,815	20,046
BURNSVILLE	62,239	0	0	200,000	200,000	200,000
COON RAPIDS	63,272	1,196,450	1,206,539	1,320,848	124,398	114,309
EAGAN	68,488	0	0	200,000	200,000	200,000
EDEN PRAIRIE	63,726	0	0	200,000	200,000	200,000
EDINA	52,497	0	0	200,000	200,000	200,000
LAKEVILLE	61,993	0	0	200,000	200,000	200,000
MAPLE GROVE	66,814	0	0	200,000	200,000	200,000
MINNETONKA	53,394	0	0	200,000	200,000	200,000
PLYMOUTH	76,882	0	0	200,000	200,000	200,000
ST LOUIS PARK	48,920	267,271	0	200,000	-67,271	200,000
WOODBURY	69,426	0	0	200,000	200,000	200,000

