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and Fiscal Analysis**

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TO: Members of the Senate Tax Committee

FROM: Jo Anne Zoff Sellner, Senate Counsel (651/296-3803) *JAS*

DATE: April 6, 2005

RE: Bills to be Heard April 6, 2005

S.F. No. 1455 (Limmer)

This bill is the Governor's proposal for taxpayer satisfaction surveys.

Section 1 provides definitions used in the bill. The definitions include:

- for counties, "budget" means total government fund expenditures, except for expenditures for direct payments to recipients or providers for certain specified human services aids;
- for cities, "budget" means total government fund expenditures, except for expenditures for improvements or services that may be specially assessed or charged;
- "property tax levies subject to approval" means the jurisdiction's levy, excluding debt levies and referendum approved levies; and
- "jurisdictions subject to the taxpayer satisfaction survey" means any county or any city with a population of 500 or more.

Section 2 advances from October 10 to October 1 the date by which taxing authorities that are in the process of negotiating an agreement for sharing, merging or consolidating services must amend their proposed levies for those services.

Section 3 provides that the County Treasurer must deliver notices of proposed property taxes between November 8 and 19, rather than between November 10 and November 24, as under current law. The form of the notice is required to be in the form that is prescribed by the Commissioner of Revenue. The section provides that in the case of a town, final tax will be as proposed tax unless

the town changes its levy at a special town meeting. Provisions dealing with the notice statement of the public hearing are stricken.

Section 4 requires that a taxpayer satisfaction survey form must be attached to or enclosed with each proposed property tax notice. The form must include some designation that allows the property to be identified. The taxpayer satisfaction survey form must present the following question for each jurisdiction that is subject to the taxpayer satisfaction survey. "Are you satisfied with the proposed property tax levy for (name of jurisdiction)?" The form will include a space for the respondent to answer "yes" or "no" for each jurisdiction. The form must also inform the taxpayer that if the number of responses marked "no" exceeds the criteria specified in this act, a referendum will be held on the questions of the increase in the property tax levy that is subject to the approval, unless that is recertified and the levy is reduced. One nonpostage paid envelope preaddressed to the agency designated to process survey results must be included with the form. The taxpayer must respond by December 1, and is responsible for providing postage for the response.

Section 5 requires the taxpayer satisfaction survey form to include information on the county government's budget and property tax levy subject to approval and, if the property is located in the city that is subject to the survey requirement, the city's budget and property tax levy. These items must be included for the current year and the following year and show the percentage change between the years.

Section 6 requires the Commissioner of Revenue to prescribe the form of the survey and to present the form to the chairs of the House and Senate tax committees for their review.

Section 7 requires each agency designated to receive the surveys to verify the authenticity of each form that is received and to tabulate the results of the survey for the taxing jurisdiction. If the number of survey responses indicating that they are not satisfied with the jurisdiction's proposed levy exceeds 20 percent of the total number of the proposed tax notices in the jurisdiction, and the proposed property tax levy exceeds the previous year's levy, a referendum must be held on the last Tuesday in January.

Section 8 provides that for taxpayer satisfaction surveys relating to taxes payable in 2006, the designated agency is the county. For taxing jurisdictions located in more than one county, each county tabulates the results of the survey for the portion of the jurisdiction of the county and forwards the results to the jurisdiction's home county. For subsequent years, the Commissioner of Revenue will designate agencies to receive and process the surveys.

Section 9 permits the county to apportion the cost of the County Auditor's services among the taxing jurisdictions.

Section 10 modifies the adjustment of the previous year's levy that would limit the levy for taxing jurisdictions that have not complied with the requirements of the truth in taxation and taxpayer satisfaction survey provisions. Under current law, the levy would be limited to the previous year's levy, plus additional amounts necessary to pay debt service on general obligations if the bonds were

issued before 1989. This provision changes the additional amount to be that which is needed to fund an increase in the authority's debt levy for taxes payable the following year.

Section 11 provides that when a jurisdiction has been notified that the referendum must be held because of sufficient negative responses on the survey, the jurisdiction may elect to recertify its proposed levy so that it is equal to the current year's levy. If it does so, no referendum will be required for that jurisdiction.

Section 12 provides that if a referendum is required, the increase in the property tax levy will not be effective until it has been submitted to the voters at the referendum in January and a majority of the voters agree to the levy increase. If a majority of the votes on the referendum are negative, the levy will be equal to the property tax amount that was subject to approval for the previous year, plus the portion of the proposed levy that was not subject to the referendum.

Section 13 provides that when a jurisdiction whose levy is subject to a referendum certifies its levy in late December, it must certify two levy amounts: (1) the levy that would be imposed if the referendum is successful; and (2) another that would be imposed if the referendum is not successful. The jurisdiction is then required to recertify its final levy the day after the referendum is held.

Section 14 repeals a series of provisions in the current truth in taxation law that relate to the requirement that a public hearing be held on the proposed property taxes.

S.F. No. 936 (Dille)

This bill provides an increase of \$500,000 in the city revenue base used for determining local government aids for a city that meets a number of criteria. Currently the only city that would qualify for this increase is Hutchinson.

S. F. No. 1011 (Fischbach)

This bill provides an increase in the city aid bases of cities that have a population of 10,000 or more that are located outside of the seven-county metropolitan area. The increase is the lesser of the total population of the city, minus 5,000 times 60 or \$2,500,000. Current law provides such an increase beginning with aids payable in 2002 based on the population of the city determined by the U.S. Bureau of the Census in the 2000 census. This bill would make the population factor be the most recent available population information from a number of sources.

S.F. No. 1312 (Rosen)

This bill provides a new definition of "city revenue need" in the local government aid formula that would apply to cities that have a population of 2,500 or more, but of which the population in one of the most recent available five years was less than 2,500. Current law provides different definitions of city revenue need for cities with a population of 2,500 or more, and for cities with a population

less than 2,500. This bill provides that the city revenue need for the cities that have recently reached a population of 2,500 would be the sum of the city revenue need for cities with populations of 2,500 or more, multiplied by a transition factor, plus the city revenue need calculated for the under 2,500 cities multiplied by the difference between one and its transition factor. The transition factor is equal to 0.2 multiplied by the number of years that the city's population estimate has been 2,500 or more. The provision applies to aids payable in calendar years 2006 to 2008 only to cities with a 2002 population of less than 2,500. It would apply to any city the populations of which reached 2,500 in the past five years for aids payable in 2009 and thereafter.

S.F. No. 1097 (Nienow)

This bill increases the city aid base that is used in the calculation of local government aid by \$25,000 in 2006 and thereafter. It applies to a city at a 2003 population of at least 1,000 and has a state park for which the city provides rescue services and that comprises at least 14 percent of the total geographic area of the city in 2002. This would apply only to the city of Taylors Falls.

S.F. No. 1914 (Bakk)

Section 1 provides an \$84 increase for the formula allowance for basic revenue for education for fiscal year 2007 and subsequent years.

Section 2 modifies the formula for distribution of public transit operating assistance by increasing the percentages of total operating costs paid by the recipient from local sources. For urbanized service areas, the percentage is increased from 20 to 44 percent; for small urban area services, from 20 to 65 percent; for rural area service, from 15 to 33 percent; and for elderly and handicapped service; from 15 to 19 percent.

Section 3 eliminates the distribution of proceeds of the motor vehicle sales tax to transit. The amounts that had been scheduled to be used for metropolitan and greater Minnesota transit funding would now be deposited in the general fund.

Section 4 amends the provision authorizing financial assistance for a replacement service program so that the financial assistance is only available if the Metropolitan Council elects to impose a sales tax for transit operations.

Sections 5 to 9, which dealt with an optional property tax levy by the Metropolitan Council for payment of transit expenses, are deleted by an author's amendment.

Section 10 authorizes the Metropolitan Council to impose sales and use taxes of up to one-half of one percent on sales in the metropolitan area. The proceeds of the tax must be used by the council to fund metropolitan area transit services, and to pay for acquisition of buses, highway shoulder improvements for buses, and other capital and operating expenses relating to metropolitan area transit systems. The amount spent for these purposes must be at least equal to the amount of motor vehicle sales tax revenues deposited in fiscal year 2006, multiplied by the ratio of the annual implicit

price deflator for government consumption expenditures and gross investment for state and local governments, to the same implicit price deflator for 2004.

Section 11 amends the definition of “city revenue need” in the local government aid law by changing the ratio that is multiplied against the city revenue need. Under current law, that is the ratio of the annual implicit price deflator for government consumption expenditures and gross investment for state and local governments to the 2003 implicit price deflator for state and local government purchases. This bill would change that to the ratio of the most recently available first quarter implicit price deflator to the first quarter 2000 implicit price deflator.

Section 12 amends the definition of “city aid base” by striking a grandfather that was mistakenly left in the law in 2003, and also by providing that the additional amount of aid available to nonmetro cities with populations of 10,000 or more is computed with the population as most recently determined, rather than by the 2000 federal census.

Section 13 eliminates the taconite aid offset that applies to the determination of the city’s formula aid.

Section 14 eliminates certain restrictions on the decreases and increases from year to year from local government aids received by cities. It provides that for aids payable in 2006 and thereafter, the total aid for any city must no be less than the amount it was certified to receive in the previous year, minus 5 percent of its 2003 certified aid amount. Under current law, this limitation applies only to cities with a population less than 2,500.

Section 15 increases the appropriation for local government aids payable to cities in 2006 by \$60,000,000. For aids payable in 2007 and thereafter, the appropriation amount is indexed so that it will be increased by the lesser of the percentage increase in the implicit price deflator for consumption expenditures and gross investment for state and local governments, or 5 percent.

JZS:dv

Agenda #1

Senators Bakk, Skoe, Tomassoni, Senjem and Fischbach introduced--
S.F. No. 1914: Referred to the Committee on Taxes.

1

A bill for an act

2 relating to taxation; increasing education funding;
3 modifying the local government aid formula and
4 increasing the program's appropriation; eliminating
5 the dedication of a portion of motor vehicle sales tax
6 proceeds to transit; authorizing either a local sales
7 tax or a property tax levy for transit; appropriating
8 money; amending Minnesota Statutes 2004, sections
9 126C.10, by adding a subdivision; 174.24, subdivision
10 3b; 297B.09, subdivision 1; 473.388, subdivisions 4,
11 7, by adding a subdivision; 473.446, subdivision 1, by
12 adding subdivisions; 477A.011, subdivisions 34, 36;
13 477A.013, subdivisions 8, 9; 477A.03, subdivision 2a;
14 proposing coding for new law in Minnesota Statutes,
15 chapter 473.

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

17 Section 1. Minnesota Statutes 2004, section 126C.10, is
18 amended by adding a subdivision to read:

19 Subd. 2b. [ADDITIONAL BASIC REVENUE.] For fiscal year 2007
20 and subsequent years, the formula allowance in subdivision 2 is
21 increased by \$84.

22 [EFFECTIVE DATE.] This section is effective for revenue
23 beginning in fiscal year 2007.

24 Sec. 2. Minnesota Statutes 2004, section 174.24,
25 subdivision 3b, is amended to read:

26 Subd. 3b. [OPERATING ASSISTANCE; RECIPIENT
27 CLASSIFICATIONS.] (a) The commissioner shall determine the total
28 operating cost of any public transit system receiving or
29 applying for assistance in accordance with generally accepted
30 accounting principles. To be eligible for financial assistance,

1 an applicant or recipient shall provide to the commissioner all
2 financial records and other information and shall permit any
3 inspection reasonably necessary to determine total operating
4 cost and correspondingly the amount of assistance that may be
5 paid to the applicant or recipient. Where more than one county
6 or municipality contributes assistance to the operation of a
7 public transit system, the commissioner shall identify one as
8 lead agency for the purpose of receiving money under this
9 section.

10 (b) Prior to distributing operating assistance to eligible
11 recipients for any contract period, the commissioner shall place
12 all recipients into one of the following classifications:
13 urbanized area service, small urban area service, rural area
14 service, and elderly and handicapped service. The commissioner
15 shall distribute funds under this section so that the percentage
16 of total operating cost paid by any recipient from local sources
17 will not exceed the percentage for that recipient's
18 classification, except as provided in an undue hardship case.
19 The percentages must be: for urbanized area service ~~and~~, 44
20 percent; for small urban area service, ~~20~~ 65 percent; for rural
21 area service, ~~15~~ 33 percent; and for elderly and handicapped
22 service, ~~15~~ 19 percent. The remainder of the total operating
23 cost will be paid from state funds less any assistance received
24 by the recipient from any federal source. For purposes of this
25 subdivision, "local sources" means all local sources of funds
26 and includes all operating revenue, tax levies, and
27 contributions from public funds, except that the commissioner
28 may exclude from the total assistance contract revenues derived
29 from operations the cost of which is excluded from the
30 computation of total operating cost. Total operating costs of
31 the Duluth Transit Authority or a successor agency does not
32 include costs related to the Superior, Wisconsin service
33 contract and the Independent School District No. 709 service
34 contract. For calendar years 2004 and 2005, to enable public
35 transit systems to meet the provisions of this section, the
36 commissioner may adjust payments of financial assistance to

1 recipients that were under a contract with the department on
2 January 1, 2003. Payments to such a recipient in calendar years
3 2004 and 2005 from the greater Minnesota transit fund may not be
4 less than the payment to the recipient from that fund in
5 calendar year 2003, except for reductions made necessary by
6 reductions in base funding for those years.

7 (c) If a recipient informs the commissioner in writing
8 after the establishment of these percentages but prior to the
9 distribution of financial assistance for any year that paying
10 its designated percentage of total operating cost from local
11 sources will cause undue hardship, the commissioner may reduce
12 the percentage to be paid from local sources by the recipient
13 and increase the percentage to be paid from local sources by one
14 or more other recipients inside or outside the classification.
15 However, the commissioner may not reduce or increase any
16 recipient's percentage under this paragraph for more than two
17 years successively. If for any year the funds appropriated to
18 the commissioner to carry out the purposes of this section are
19 insufficient to allow the commissioner to pay the state share of
20 total operating cost as provided in this paragraph, the
21 commissioner shall reduce the state share in each classification
22 to the extent necessary.

23 [EFFECTIVE DATE.] This section is effective for grants in
24 2006 and thereafter.

25 Sec. 3. Minnesota Statutes 2004, section 297B.09,
26 subdivision 1, is amended to read:

27 Subdivision 1. [DEPOSIT OF REVENUES.] (a) Money collected
28 and received under this chapter must be deposited as provided in
29 this subdivision.

30 (b) From July 1, 2002, to June 30, 2003, 32 percent of the
31 money collected and received must be deposited in the highway
32 user tax distribution fund, 20.5 percent must be deposited in
33 the metropolitan area transit fund under section 16A.88, and
34 1.25 percent must be deposited in the greater Minnesota transit
35 fund under section 16A.88. The remaining money must be
36 deposited in the general fund.

1 (c) From July 1, 2003, to June 30, ~~2007~~ 2006, 30 percent of
 2 the money collected and received must be deposited in the
 3 highway user tax distribution fund, 21.5 percent must be
 4 deposited in the metropolitan area transit fund under section
 5 16A.88, 1.43 percent must be deposited in the greater Minnesota
 6 transit fund under section 16A.88, 0.65 percent must be
 7 deposited in the county state-aid highway fund, and 0.17 percent
 8 must be deposited in the municipal state-aid street fund. The
 9 remaining money must be deposited in the general fund.

10 (d) From July 1, 2006, to June 30, 2007, 30 percent of the
 11 money collected and received must be deposited in the highway
 12 user tax distribution fund; 0.65 percent must be deposited in
 13 the county state aid highway fund; and 0.17 percent must be
 14 deposited in the municipal state aid street fund. The remaining
 15 money must be deposited in the general fund.

16 (e) On and after July 1, 2007, 32 percent of the money
 17 collected and received must be deposited in the highway user tax
 18 distribution fund, ~~21.5 percent must be deposited in the~~
 19 ~~metropolitan area transit fund under section 16A.88, and 1.25~~
 20 ~~percent must be deposited in the greater Minnesota transit fund~~
 21 ~~under section 16A.88.~~ The remaining money must be deposited in
 22 the general fund.

23 [EFFECTIVE DATE.] This section is effective for collections
 24 after June 30, 2006.

25 Sec. 4. Minnesota Statutes 2004, section 473.388,
 26 subdivision 4, is amended to read:

27 Subd. 4. [FINANCIAL ASSISTANCE; SALES TAX OPTION.] (a) The
 28 provisions of this subdivision only apply if the council elects
 29 to impose a sales tax for transit operations under section
 30 473.920.

31 (b) The council must grant the requested financial
 32 assistance if it determines that the proposed service is
 33 intended to replace the service to the applying city or town or
 34 combination thereof by the council and that the proposed service
 35 will meet the needs of the applicant at least as efficiently and
 36 effectively as the existing service.

1 **(b) (c)** The amount of assistance which the council must
2 provide to a system under this section may not be less than the
3 sum of the amounts determined for each municipality comprising
4 the system as follows:

5 (1) the transit operating assistance grants received under
6 this subdivision by the municipality in calendar year 2001 or
7 the tax revenues for transit services levied by the municipality
8 for taxes payable in 2001, including that portion of the levy
9 derived from the areawide pool under section 473F.08,
10 subdivision 3, clause (a), plus the portion of the
11 municipality's aid under section 273.1398, subdivision 2,
12 attributable to the transit levy; times

13 (2) the ratio of (i) the ~~appropriation-from-the-transit~~
14 ~~fund-to-the-council~~ revenues received or expected to be received
15 under section 473.920 for nondebt transit operations for the
16 current fiscal year to (ii) the total levy certified by the
17 council under section 473.446 and the opt-out municipalities
18 under this section for taxes payable in 2001, including the
19 portion of homestead and agricultural credit aid under section
20 273.1398, subdivision 2, attributable to nondebt transit levies,
21 times

22 (3) the ratio of (i) the municipality's total taxable
23 market value for taxes payable in the most recent year for which
24 data is available divided by the municipality's total taxable
25 market value for taxes payable in 2001, to (ii) the total
26 taxable market value of all property in the metropolitan area
27 for taxes payable in the most recent year for which data is
28 available divided by the total taxable market value of all
29 property in the metropolitan area for taxes payable in 2001.

30 **(c) (d)** The council shall pay the amount to be provided to
31 the recipient from the funds the council would otherwise use to
32 fund its transit operations.

33 [EFFECTIVE DATE.] This section is effective for 2006 and
34 thereafter.

35 Sec. 5. Minnesota Statutes 2004, section 473.388, is
36 amended by adding a subdivision to read:

1 Subd. 4a. [FINANCIAL ASSISTANCE; PROPERTY TAX OPTION.] (a)
2 The provisions of this subdivision will apply only if the
3 council elects to impose a property tax for transit operations
4 under section 473.446, subdivision 1, paragraph (a), clause (2).

5 (b) The council may grant the requested financial
6 assistance if it determines that the proposed service is
7 intended to replace the service to the applying city or town or
8 combination thereof by the council and that the proposed service
9 will meet the needs of the applicant at least as efficiently and
10 effectively as the existing service.

11 (c) The amount of assistance which the council may provide
12 to a system under this section may not exceed the sum of:

13 (1) the portion of the available local transit funds which
14 the applicant proposes to use to subsidize the proposed service;
15 and

16 (2) an amount of financial assistance bearing an identical
17 proportional relationship to the amount under clause (1) as the
18 total amount of funds used by the council to fund its transit
19 operations bears to the total amount of taxes collected by the
20 council under section 473.446, subdivision 1, paragraph (a),
21 clause (2).

22 (d) The council shall pay the amount to be provided to the
23 recipient from the funds the council would otherwise use to fund
24 its transit operations.

25 (e) For purposes of this section, "available local transit
26 funds" means 90 percent of the tax revenues which would accrue
27 to the council from the tax it levies under section 473.446,
28 subdivision 1, paragraph (a), clause (2), in the applicant city
29 or town or combination thereof.

30 [EFFECTIVE DATE.] This section is effective for taxes
31 payable in 2006 and thereafter.

32 Sec. 6. Minnesota Statutes 2004, section 473.388,
33 subdivision 7, is amended to read:

34 Subd. 7. [LOCAL LEVY OPTION.] (a) If the council elects to
35 levy a property tax for transit operations under section
36 473.446, subdivision 1, paragraph (a), clause (2), a statutory

1 or home rule charter city or town that is eligible for
2 assistance under this section may levy a tax for payment of the
3 operating and capital expenditures for transit and other related
4 activities and to provide for payment of obligations issued by
5 the municipality for ~~capital-expenditures-for-transit-and-other~~
6 ~~related-activities,-provided-that-property-taxes-were-pledged-to~~
7 ~~satisfy-the-obligations,-and-provided-that-legislative~~
8 ~~appropriations-are-insufficient-to-satisfy-the-obligations~~ such
9 purposes, provided that the tax must be sufficient to maintain
10 the level of transit service provided in the municipality in the
11 previous year.

12 (b) The transit tax revenues derived by the municipality
13 may not exceed 88 percent of the tax revenues that would be
14 raised by the council's levy under section 473.446, subdivision
15 1, paragraph (a), clause (2), within the municipality, including
16 the areawise portion of the levy under chapter 473F, if the
17 municipality were not eligible for treatment under this section.

18 The commissioner of revenue shall certify the
19 municipality's levy limitation under this subdivision to the
20 municipality by August 1 of the levy year. The tax must be
21 accumulated and kept in a separate fund to be known as the
22 "replacement transit fund."

23 (c) This subdivision is consistent with the transit
24 redesign plan. Eligible municipalities opting to operate under
25 this subdivision shall continue to meet the regional performance
26 standards established by the council.

27 (e) (d) Within the designated Americans with Disabilities
28 Act area, metro mobility remains the obligation of the state.

29 [EFFECTIVE DATE.] This section is effective for taxes
30 payable in 2006 and thereafter.

31 Sec. 7. Minnesota Statutes 2004, section 473.446,
32 subdivision 1, is amended to read:

33 Subdivision 1. [METROPOLITAN AREA TRANSIT TAX.] (a) For
34 the purposes of sections 473.405 to 473.449 and the metropolitan
35 transit system, except as otherwise provided in this
36 subdivision, the council shall levy each year upon all taxable

1 property within the metropolitan area, defined in section
2 473.121, subdivision 2, a transit tax consisting of:

3 (1) an amount necessary to provide full and timely payment
4 of certificates of indebtedness, bonds, including refunding
5 bonds or other obligations issued or to be issued under section
6 473.39 by the council for purposes of acquisition and betterment
7 of property and other improvements of a capital nature and to
8 which the council has specifically pledged tax levies under this
9 clause; and

10 (2) ~~an additional amount necessary to provide full and~~
11 ~~timely payment of certificates of indebtedness issued by the~~
12 ~~council, after consultation with the commissioner of finance, if~~
13 ~~revenues to the metropolitan area transit fund in the fiscal~~
14 ~~year in which the indebtedness is issued increase over those~~
15 ~~revenues in the previous fiscal year by a percentage less than~~
16 ~~the percentage increase for the same period in the revised~~
17 ~~Consumer Price Index for all urban consumers for the St.~~
18 ~~Paul Minneapolis metropolitan area prepared by the United States~~
19 ~~Department of Labor~~ an amount which shall be used for payment of
20 the expenses of operating transit and paratransit services,
21 provided that the council has not elected to impose a sales tax
22 under section 473.920.

23 (b) ~~Indebtedness to which property taxes have been pledged~~
24 ~~under paragraph (a), clause (2), that is incurred in any fiscal~~
25 ~~year may not exceed the amount necessary to make up the~~
26 ~~difference between (1) the amount that the council received or~~
27 ~~expects to receive in that fiscal year from the metropolitan~~
28 ~~area transit fund and (2) the amount the council received from~~
29 ~~that fund in the previous fiscal year multiplied by the~~
30 ~~percentage increase for the same period in the revised Consumer~~
31 ~~Price Index for all urban consumers for the St. Paul Minneapolis~~
32 ~~metropolitan area prepared by the United States Department of~~
33 ~~Labor.~~ The property tax levied by the council under paragraph
34 (a), clause (2), must not exceed the following amount for the
35 years specified:

36 (1) for taxes payable in 2006, one-half of the amount

1 received by the council and municipalities for that purpose from
2 the metropolitan area transit fund under section 16A.88,
3 subdivision 2, in fiscal year 2005, adjusted for inflation,
4 minus (i) any amounts to be levied for taxes payable in 2006
5 under section 473.388, subdivision 7, and (ii) any amounts to be
6 levied for taxes payable in 2006 under subdivision lc;

7 (2) for taxes payable in 2007, the council's property tax
8 levy limitation for taxes payable in 2006 determined under this
9 subdivision before reduction by any amounts levied in the
10 previous year under section 473.388, subdivision 7, and under
11 subdivision lc, multiplied by a factor of two and adjusted for
12 inflation, minus (i) any amounts to be levied for taxes payable
13 in 2007 under section 473.388, subdivision 7, and (ii) any
14 amounts to be levied for taxes payable in 2007 under subdivision
15 lc; and

16 (3) for taxes payable in 2008 and subsequent years, the
17 council's property tax levy limitation for the previous year
18 determined under this subdivision before reductions by any
19 amounts levied in the previous year under section 473.388,
20 subdivision 7, and subdivision lc, adjusted for inflation, minus
21 any amounts to be levied in the current levy year under section
22 473.388, subdivision 7, and subdivision lc.

23 (c) For the purposes of this subdivision, "adjusted for
24 inflation" means multiplied by the percentage increase in the
25 revised Consumer Price Index for all urban consumers in the St.
26 Paul-Minneapolis metropolitan area prepared by the United States
27 Department of Labor for the most recent 12-month period
28 available compared to the previous 12-month period.

29 [EFFECTIVE DATE.] This section is effective for taxes
30 payable in 2006 and thereafter.

31 Sec. 8. Minnesota Statutes 2004, section 473.446, is
32 amended by adding a subdivision to read:

33 Subd. 1c. [TAXATION WITHIN TRANSIT AREA.] For the purposes
34 of sections 473.405 to 473.449, if the Metropolitan Council
35 elects to levy a tax under subdivision 1, paragraph (a), clause
36 (2), the council shall levy a transit tax upon all taxable

1 property within the metropolitan transit area but outside of the
2 metropolitan transit taxing district, as defined in subdivision
3 2, at a rate equal to ten percent of the rate within the transit
4 district. The proceeds of this tax shall be used only for
5 paratransit services or ride sharing programs designed to serve
6 persons located within the transit area but outside of the
7 transit taxing district.

8 [EFFECTIVE DATE.] This section is effective for taxes
9 payable in 2006 and thereafter.

10 Sec. 9. Minnesota Statutes 2004, section 473.446, is
11 amended by adding a subdivision to read:

12 Subd. 1d. [LEVY WITHIN ELIGIBLE MUNICIPALITIES.] If the
13 council chooses to levy a tax under subdivision 1, paragraph
14 (a), clause (2), the council's levy upon taxable property within
15 a municipality levying taxes under section 473.388, subdivision
16 7, is the tax that would be levied within the municipality if it
17 were not levying under section 473.388, subdivision 7, minus the
18 amount to be levied by the municipality under section 473.388,
19 subdivision 7, for the current levy year.

20 [EFFECTIVE DATE.] This section is effective for taxes
21 payable in 2006 and thereafter.

22 Sec. 10. [473.920] [METROPOLITAN AREA TRANSIT SERVICES.]

23 Subdivision 1. [SALES AND USE TAX
24 AUTHORIZED.] Notwithstanding section 477A.016 or any other
25 provision of law, ordinance, or city charter, the council may
26 impose by resolution a sales and use tax of up to one-half of
27 one percent on sales in the metropolitan area for the purposes
28 specified in subdivision 3. This tax may be imposed only if the
29 council does not elect to levy for transit operations under
30 section 473.446, subdivision 1, paragraph (a), clause (2).
31 Except as otherwise provided in this section, the provisions of
32 section 297A.99, subdivisions 4 to 12, govern the application,
33 administration, collection, and enforcement of the tax
34 authorized under this subdivision.

35 Subd. 2. [USE OF REVENUES.] Revenues received from taxes
36 authorized by subdivisions 1 and 2, minus the costs of

1 collection, must be used by the council to fund metropolitan
2 area transit services and to pay for acquisition of buses,
3 highway shoulder improvements for buses, and other capital and
4 operating expenses related to metropolitan area transit
5 systems. The amount expended on metropolitan transit systems in
6 each calendar year must be at least equal to (1) the amount of
7 motor vehicle sales tax revenues deposited in fiscal year 2006,
8 multiplied by (2) the ratio of the annual implicit price
9 deflator for government consumption expenditures and gross
10 investment for state and local governments as prepared by the
11 United States Department of Commerce for the most recently
12 available year, to the 2004 implicit price deflator for
13 government consumption expenditures and gross investment for
14 state and governments. The council may use any funds in excess
15 of that amount to fund congestion relief projects related to
16 transportation in the metropolitan area.

17 Subd. 3. [APPLICATION.] This section applies in the
18 counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and
19 Washington.

20 [EFFECTIVE DATE.] This section is effective for sales made
21 after June 30, 2006.

22 Sec. 11. Minnesota Statutes 2004, section 477A.011,
23 subdivision 34, is amended to read:

24 Subd. 34. [CITY REVENUE NEED.] (a) For a city with a
25 population equal to or greater than 2,500, "city revenue need"
26 is the sum of (1) 5.0734098 times the pre-1940 housing
27 percentage; plus (2) 19.141678 times the population decline
28 percentage; plus (3) 2504.06334 times the road accidents factor;
29 plus (4) 355.0547; minus (5) the metropolitan area factor; minus
30 (6) 49.10638 times the household size.

31 (b) For a city with a population less than 2,500, "city
32 revenue need" is the sum of (1) 2.387 times the pre-1940 housing
33 percentage; plus (2) 2.67591 times the commercial industrial
34 percentage; plus (3) 3.16042 times the population decline
35 percentage; plus (4) 1.206 times the transformed population;
36 minus (5) 62.772.

1 (c) The city revenue need cannot be less than zero.

2 (d) For calendar year 2005 and subsequent years, the city
3 revenue need for a city, as determined in paragraphs (a) to (c),
4 is multiplied by the ratio of the ~~annual~~ most recently available
5 first quarter implicit price deflator for government consumption
6 expenditures and gross investment for state and local
7 governments as prepared by the United States Department of
8 Commerce, ~~for-the-most-recently-available-year~~ to the 2003 first
9 quarter 2000 implicit price deflator for state and local
10 government purchases.

11 [EFFECTIVE DATE.] This section is effective for aids
12 payable in 2006 and thereafter.

13 Sec. 12. Minnesota Statutes 2004, section 477A.011,
14 subdivision 36, is amended to read:

15 Subd. 36. [CITY AID BASE.] (a) Except as otherwise
16 provided in this subdivision, "city aid base" is zero.

17 (b) The city aid base for any city with a population less
18 than 500 is increased by \$40,000 for aids payable in calendar
19 year 1995 and thereafter, and the maximum amount of total aid it
20 may receive under section 477A.013, subdivision 9, paragraph
21 (c), is also increased by \$40,000 for aids payable in calendar
22 year 1995 only, provided that:

23 (i) the average total tax capacity rate for taxes payable
24 in 1995 exceeds 200 percent;

25 (ii) the city portion of the tax capacity rate exceeds 100
26 percent; and

27 (iii) its city aid base is less than \$60 per capita.

28 (c) The city aid base for a city is increased by \$20,000 in
29 1998 and thereafter and the maximum amount of total aid it may
30 receive under section 477A.013, subdivision 9, paragraph (c), is
31 also increased by \$20,000 in calendar year 1998 only, provided
32 that:

33 (i) the city has a population in 1994 of 2,500 or more;

34 (ii) the city is located in a county, outside of the
35 metropolitan area, which contains a city of the first class;

36 (iii) the city's net tax capacity used in calculating its

1 1996 aid under section 477A.013 is less than \$400 per capita;
2 and

3 (iv) at least four percent of the total net tax capacity,
4 for taxes payable in 1996, of property located in the city is
5 classified as railroad property.

6 (d) The city aid base for a city is increased by \$200,000
7 in 1999 and thereafter and the maximum amount of total aid it
8 may receive under section 477A.013, subdivision 9, paragraph
9 (c), is also increased by \$200,000 in calendar year 1999 only,
10 provided that:

11 (i) the city was incorporated as a statutory city after
12 December 1, 1993;

13 (ii) its city aid base does not exceed \$5,600; and

14 (iii) the city had a population in 1996 of 5,000 or more.

15 (e) The city aid base for a city is increased by \$450,000
16 in 1999 to 2008 and the maximum amount of total aid it may
17 receive under section 477A.013, subdivision 9, paragraph (c), is
18 also increased by \$450,000 in calendar year 1999 only, provided
19 that:

20 (i) the city had a population in 1996 of at least 50,000;

21 (ii) its population had increased by at least 40 percent in
22 the ten-year period ending in 1996; and

23 (iii) its city's net tax capacity for aids payable in 1998
24 is less than \$700 per capita.

25 ~~(f) Beginning in 2004, the city aid base for a city is~~
26 ~~equal to the sum of its city aid base in 2003 and the amount of~~
27 ~~additional aid it was certified to receive under section 477A.06~~
28 ~~in 2003. For 2004 only, the maximum amount of total aid a city~~
29 ~~may receive under section 477A.013, subdivision 9, paragraph~~
30 ~~(c), is also increased by the amount it was certified to receive~~
31 ~~under section 477A.06 in 2003.~~

32 (g) The city aid base for a city is increased by \$150,000
33 for aids payable in 2000 and thereafter, and the maximum amount
34 of total aid it may receive under section 477A.013, subdivision
35 9, paragraph (c), is also increased by \$150,000 in calendar year
36 2000 only, provided that:

1 (1) the city has a population that is greater than 1,000
2 and less than 2,500;

3 (2) its commercial and industrial percentage for aids
4 payable in 1999 is greater than 45 percent; and

5 (3) the total market value of all commercial and industrial
6 property in the city for assessment year 1999 is at least 15
7 percent less than the total market value of all commercial and
8 industrial property in the city for assessment year 1998.

9 ~~(h)~~ (g) The city aid base for a city is increased by
10 \$200,000 in 2000 and thereafter, and the maximum amount of total
11 aid it may receive under section 477A.013, subdivision 9,
12 paragraph (c), is also increased by \$200,000 in calendar year
13 2000 only, provided that:

14 (1) the city had a population in 1997 of 2,500 or more;

15 (2) the net tax capacity of the city used in calculating
16 its 1999 aid under section 477A.013 is less than \$650 per
17 capita;

18 (3) the pre-1940 housing percentage of the city used in
19 calculating 1999 aid under section 477A.013 is greater than 12
20 percent;

21 (4) the 1999 local government aid of the city under section
22 477A.013 is less than 20 percent of the amount that the formula
23 aid of the city would have been if the need increase percentage
24 was 100 percent; and

25 (5) the city aid base of the city used in calculating aid
26 under section 477A.013 is less than \$7 per capita.

27 ~~(i)~~ (h) The city aid base for a city is increased by
28 \$102,000 in 2000 and thereafter, and the maximum amount of total
29 aid it may receive under section 477A.013, subdivision 9,
30 paragraph (c), is also increased by \$102,000 in calendar year
31 2000 only, provided that:

32 (1) the city has a population in 1997 of 2,000 or more;

33 (2) the net tax capacity of the city used in calculating
34 its 1999 aid under section 477A.013 is less than \$455 per
35 capita;

36 (3) the net levy of the city used in calculating 1999 aid

1 under section 477A.013 is greater than \$195 per capita; and

2 (4) the 1999 local government aid of the city under section
3 477A.013 is less than 38 percent of the amount that the formula
4 aid of the city would have been if the need increase percentage
5 was 100 percent.

6 ~~(j)~~ (i) The city aid base for a city is increased by
7 \$32,000 in 2001 and thereafter, and the maximum amount of total
8 aid it may receive under section 477A.013, subdivision 9,
9 paragraph (c), is also increased by \$32,000 in calendar year
10 2001 only, provided that:

11 (1) the city has a population in 1998 that is greater than
12 200 but less than 500;

13 (2) the city's revenue need used in calculating aids
14 payable in 2000 was greater than \$200 per capita;

15 (3) the city net tax capacity for the city used in
16 calculating aids available in 2000 was equal to or less than
17 \$200 per capita;

18 (4) the city aid base of the city used in calculating aid
19 under section 477A.013 is less than \$65 per capita; and

20 (5) the city's formula aid for aids payable in 2000 was
21 greater than zero.

22 ~~(k)~~ (j) The city aid base for a city is increased by \$7,200
23 in 2001 and thereafter, and the maximum amount of total aid it
24 may receive under section 477A.013, subdivision 9, paragraph
25 (c), is also increased by \$7,200 in calendar year 2001 only,
26 provided that:

27 (1) the city had a population in 1998 that is greater than
28 200 but less than 500;

29 (2) the city's commercial industrial percentage used in
30 calculating aids payable in 2000 was less than ten percent;

31 (3) more than 25 percent of the city's population was 60
32 years old or older according to the 1990 census;

33 (4) the city aid base of the city used in calculating aid
34 under section 477A.013 is less than \$15 per capita; and

35 (5) the city's formula aid for aids payable in 2000 was
36 greater than zero.

1 ~~(j)~~ (k) The city aid base for a city is increased by
 2 \$45,000 in 2001 and thereafter and by an additional \$50,000 in
 3 calendar years 2002 to 2011, and the maximum amount of total aid
 4 it may receive under section 477A.013, subdivision 9, paragraph
 5 (c), is also increased by \$45,000 in calendar year 2001 only,
 6 and by \$50,000 in calendar year 2002 only, provided that:

7 (1) the net tax capacity of the city used in calculating
 8 its 2000 aid under section 477A.013 is less than \$810 per
 9 capita;

10 (2) the population of the city declined more than two
 11 percent between 1988 and 1998;

12 (3) the net levy of the city used in calculating 2000 aid
 13 under section 477A.013 is greater than \$240 per capita; and

14 (4) the city received less than \$36 per capita in aid under
 15 section 477A.013, subdivision 9, for aids payable in 2000.

16 ~~(m)~~ (l) Beginning with aids payable in 2002, the city aid
 17 base for a city with a population of 10,000 or more which is
 18 located outside of the seven-county metropolitan area is
 19 increased in-2002-and-thereafter, and the maximum amount of
 20 total aid it may receive under section 477A.013, subdivision 9,
 21 paragraph (b) or (c), is also increased in calendar-year-2002
 22 only the first year in which it receives aid under this
 23 paragraph, by an amount equal to the lesser of:

24 (1)(i) the total population of the city, ~~as-determined-by~~
 25 ~~the-United-States-Bureau-of-the-Census, in-the-2000-census,~~ (ii)
 26 minus 5,000, (iii) times 60; or

27 (2) \$2,500,000.

28 ~~(n)~~ (m) The city aid base is increased by \$50,000 in 2002
 29 and thereafter, and the maximum amount of total aid it may
 30 receive under section 477A.013, subdivision 9, paragraph (c), is
 31 also increased by \$50,000 in calendar year 2002 only, provided
 32 that:

33 (1) the city is located in the seven-county metropolitan
 34 area;

35 (2) its population in 2000 is between 10,000 and 20,000;
 36 and

1 (3) its commercial industrial percentage, as calculated for
2 city aid payable in 2001, was greater than 25 percent.

3 ~~(o)~~ (n) The city aid base for a city is increased by
4 \$150,000 in calendar years 2002 to 2011 and the maximum amount
5 of total aid it may receive under section 477A.013, subdivision
6 9, paragraph (c), is also increased by \$150,000 in calendar year
7 2002 only, provided that:

8 (1) the city had a population of at least 3,000 but no more
9 than 4,000 in 1999;

10 (2) its home county is located within the seven-county
11 metropolitan area;

12 (3) its pre-1940 housing percentage is less than 15
13 percent; and

14 (4) its city net tax capacity per capita for taxes payable
15 in 2000 is less than \$900 per capita.

16 ~~(p)~~ (o) The city aid base for a city is increased by
17 \$200,000 beginning in calendar year 2003 and the maximum amount
18 of total aid it may receive under section 477A.013, subdivision
19 9, paragraph (c), is also increased by \$200,000 in calendar year
20 2003 only, provided that the city qualified for an increase in
21 homestead and agricultural credit aid under Laws 1995, chapter
22 264, article 8, section 18.

23 ~~(q)~~ (p) The city aid base for a city is increased by
24 \$200,000 in 2004 only and the maximum amount of total aid it may
25 receive under section 477A.013, subdivision 9, is also increased
26 by \$200,000 in calendar year 2004 only, if the city is the site
27 of a nuclear dry cask storage facility.

28 ~~(r)~~ (q) The city aid base for a city is increased by
29 \$10,000 in 2004 and thereafter and the maximum total aid it may
30 receive under section 477A.013, subdivision 9, is also increased
31 by \$10,000 in calendar year 2004 only, if the city was included
32 in a federal major disaster designation issued on April 1, 1998,
33 and its pre-1940 housing stock was decreased by more than 40
34 percent between 1990 and 2000.

35 [EFFECTIVE DATE.] This section is effective for aids
36 payable in 2006 and thereafter, except that the stricken

1 language in paragraph (f) is effective beginning with aids
 2 payable in 2004.

3 Sec. 13. Minnesota Statutes 2004, section 477A.013,
 4 subdivision 8, is amended to read:

5 Subd. 8. [CITY FORMULA AID.] In calendar year 2004 and
 6 subsequent years, the formula aid for a city is equal to the
 7 need increase percentage multiplied by the difference between
 8 (1) the city's revenue need multiplied by its population, and
 9 (2) ~~the sum of~~ the city's net tax capacity multiplied by the tax
 10 effort rate ~~and the taconite aids under sections 298.28 and~~
 11 ~~298.282, multiplied by the following percentages:~~

12 ~~(i) zero percent for aids payable in 2004,~~
 13 ~~(ii) 25 percent for aids payable in 2005,~~
 14 ~~(iii) 50 percent for aids payable in 2006,~~
 15 ~~(iv) 75 percent for aids payable in 2007, and~~
 16 ~~(v) 100 percent for aids payable in 2008 and thereafter.~~

17 No city may have a formula aid amount less than zero. The need
 18 increase percentage must be the same for all cities.

19 The applicable need increase percentage must be calculated
 20 by the Department of Revenue so that the total of the aid under
 21 subdivision 9 equals the total amount available for aid under
 22 section 477A.03 after the subtraction under section 477A.014,
 23 subdivisions 4 and 5.

24 [EFFECTIVE DATE.] This section is effective for aids
 25 payable in 2006 and thereafter.

26 Sec. 14. Minnesota Statutes 2004, section 477A.013,
 27 subdivision 9, is amended to read:

28 Subd. 9. [CITY AID DISTRIBUTION.] (a) In calendar year
 29 2002 and thereafter, each city shall receive an aid distribution
 30 equal to the sum of (1) the city formula aid under subdivision
 31 8, and (2) its city aid base.

32 ~~(b) The aid for a city in calendar year 2004 shall not~~
 33 ~~exceed the amount of its aid in calendar year 2003 after the~~
 34 ~~reductions under Laws 2003, First Special Session chapter 217~~
 35 ~~article 5.~~

36 ~~(c) For aids payable in 2005 and thereafter, the total aid~~

1 ~~for any city shall not exceed the sum of (1) ten percent of the~~
 2 ~~city's net levy for the year prior to the aid distribution plus~~
 3 ~~(2) its total aid in the previous year. For aids payable in~~
 4 ~~2005 and thereafter, the total aid for any city with a~~
 5 ~~population of 2,500 or more may not decrease from its total aid~~
 6 ~~under this section in the previous year by an amount greater~~
 7 ~~than ten percent of its net levy in the year prior to the aid~~
 8 ~~distribution.~~

9 ~~(d) For aids payable in 2004 only, the total aid for a city~~
 10 ~~with a population less than 2,500 may not be less than the~~
 11 ~~amount it was certified to receive in 2003 minus the greater of~~
 12 ~~(1) the reduction to this aid payment in 2003 under Laws 2003,~~
 13 ~~First Special Session chapter 21, article 5, or (2) five percent~~
 14 ~~of its 2003 aid amount. For aids payable in 2005 2006 and~~
 15 ~~thereafter, the total aid for a city with a population less than~~
 16 ~~2,500 must not be less than the amount it was certified to~~
 17 ~~receive in the previous year minus five percent of its 2003~~
 18 ~~certified aid amount.~~

19 [EFFECTIVE DATE.] This section is effective for aids
 20 payable in 2006 and thereafter.

21 Sec. 15. Minnesota Statutes 2004, section 477A.03,
 22 subdivision 2a, is amended to read:

23 Subd. 2a. [CITIES.] ~~For aids payable in 2004, the total~~
 24 ~~aids paid under section 477A.013, subdivision 9, are limited to~~
 25 ~~\$429,000,000. For aids payable in 2005 and thereafter 2006, the~~
 26 ~~total aids paid under section 477A.013, subdivision 9,~~
 27 ~~are increased to \$437,052,000 limited to \$497,052,000. For aids~~
 28 ~~payable in 2007 and thereafter, the total aids payable under~~
 29 ~~section 477A.013, subdivision 9, are limited to the amount~~
 30 ~~certified to be paid in the previous year, multiplied by the~~
 31 ~~lesser of (1) one plus the percentage increase in the implicit~~
 32 ~~price deflator for consumption expenditures and gross investment~~
 33 ~~for state and local governments prepared by the Bureau of~~
 34 ~~Economic Analysis of the United States Department of Commerce~~
 35 ~~for the 12-month period ending March 31 of the previous year, or~~
 36 ~~(2) 1.05.~~

03/10/05

[REVISOR] XX/DI 05-3340

- 1 [EFFECTIVE DATE.] This section is effective for aids
- 2 payable in 2006 and thereafter.

MINNESOTA · REVENUE

PROPERTY TAX

Basic Revenue Allowance, Transit Aid & Levy, Local Government Aid

April 5, 2005

Preliminary Analysis

Department of Revenue
Analysis of H.F. 2059 (Davids) / S.F. 1914 (Bakk)

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Fund Impact

	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
School Basic Revenue Aid	\$0	(\$70,800)	(\$82,900)	(\$81,500)
Repeal Transfer to Metro Area Transit Fund	\$0	\$126,000	\$123,000	\$127,000
Repeal Transfer to Greater MN Transit Fund	\$0	\$8,400	\$7,500	\$7,800
Local Government Aid	\$0	(\$60,000)	(\$73,300)	(\$86,700)
Property Tax Refunds*	<u>0</u>	<u>(\$1,500)</u>	<u>(\$3,100)</u>	<u>(\$3,200)</u>
General Fund Total*	\$0	\$2,100	(\$28,800)	(\$36,600)
 Metro Area Transit Fund	 \$0	 (\$126,000)	 (\$123,000)	 (\$127,000)
 Greater MN Transit Fund	 <u>\$0</u>	 <u>(\$8,400)</u>	 <u>(\$7,500)</u>	 <u>(\$7,800)</u>
 Total – All Funds	 \$0	 (\$132,300)	 (\$159,300)	 (\$171,400)

Various effective dates.

* The proposal allows the use of either local property tax revenues or local sales tax revenues to be used for transit funding. The above estimates are based on using the local property tax option. Alternately, the local sales tax option would have no impact on state funds.

EXPLANATION OF THE BILL

Current Law: During the 2001 legislative session, previous transit levy authority for operating expenses was removed, and state aid replaced property taxes for transit funding. Specified percentages of the motor vehicle sales tax were dedicated to the several transit funds.

EXPLANATION OF THE BILL (continued)

For determining the amount of local government aid, the city formula aid is equal to the need increase percentage multiplied by the difference between 1) the city's revenue need multiplied by its population, and 2) the sum of the city's net tax capacity multiplied by the tax effort rate, and taconite aids multiplied by the following percentages:

- 0% for aids payable in 2004;
- 25% for aids payable in 2005;
- 50% for aids payable in 2006;
- 75% for aids payable in 2007; and
- 100% for aids payable in 2008 and thereafter.

The need increase percentage must be the same for all cities, and no city may have a formula aid amount less than zero.

Proposed Law: The bill increases the school basic revenue formula allowance by \$84 for fiscal year 2007 and following years. Local source percentage limits for four transit funds are increased. The portions of the motor vehicle sales tax dedicated to the Metro Area Transit Fund and the Greater Minnesota Transit Fund are eliminated. A local sales tax option of up to 0.5% for transit funding is provided to the Metropolitan Council. A corresponding property tax option for the Metropolitan Council is also established. The bill allows the Metropolitan Council to make transit grants to municipalities from levy funds. If the property tax option is chosen, local municipalities may also levy for operating and capital transit expenditures, sufficient to maintain the level of service in the municipality in the previous year. Transit tax revenues for the municipality must not exceed 88% of the amount that would be raised by the council's levy, and must be accumulated in a separate fund called the "replacement transit fund". For taxes payable 2006, the council may levy one-half of the amount received by the council and municipalities from the metropolitan area transit fund in fiscal year 2005 minus 2006 levies under specified paragraphs. Pay 2007 levies may not exceed the 2006 amount times 2 minus specified levies and adjusted for inflation. For Pay 2008 and subsequent years, levies must not exceed the previous year's amount adjusted for inflation minus specified levies. The inflation adjustment is defined as the consumer price index for St. Paul-Minneapolis for the most recent 12 month period. The council may levy an amount within the (non-core) transit area equal to 10% of the rate in the (core) transit district for paratransit services or ride sharing programs.

Under the sales and use tax option, the Metropolitan Council may impose a tax of up to 0.5% on sales in the seven county metropolitan area.

EXPLANATION OF THE BILL (continued)

The bill makes changes to the city aid formula and increases the appropriation by \$60 million to \$497,052,000 for aids payable in 2006. Beginning in 2007 and thereafter, the total aids payable are limited to the amount certified to be paid in the previous year, multiplied by the lesser of (1) one plus the percentage increase in the implicit price deflator for state and local government expenditures and investment, or (2) 1.05.

The bill eliminates taconite aids from the calculation of the city formula aid, removes the maximum aid cap for all cities, makes the minimum aid cap the same for all cities, and changes the annual inflation adjustment to the city revenue need factors. The inflation adjustment is calculated from the implicit price deflator for state and local government consumption expenditures and gross investment with the 1st quarter of 2000 as the base.

The bill also includes a few changes to the city aid base portion of the formula. Along with a technical fix, regional center aid base would be calculated annually using current population instead of 2000 Census population.

REVENUE ANALYSIS DETAIL

- School basic revenue aid increases by \$70.8 million in FY 2007, \$82.9 million in FY 2008, and \$81.5 million in FY 2009, according to a Department of Education preliminary estimate.
- MVST transfer estimates are based on the February 2005 Price of Government forecast.
- The local sales tax option has no general fund impact.
- Under the property tax option, property taxes will increase due to restored transit tax authority and increased school basic revenue allowance. Therefore property tax refunds will increase by \$1.5 million in FY 2006, \$3.1 million in FY 2008, and \$3.2 million in FY 2009.
- The first year of state costs due to LGA appropriation increases would be FY 2007. General fund impacts would be \$60 million in FY 2007, \$73.3 million in FY 2008, and \$86.7 million in FY 2009.
- The other proposed adjustments and additions to the city aid formula would have no state costs associated, as the results from these changes would cause only shifts in aid among cities.

Number of Taxpayers: 853 cities eligible to receive local government aid; property owners located in transit areas.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

BACK

A

- 1 Senator moves to amend S.F. No. 1914 as follows:
- 2 Pages 5 to 10, delete sections 5 to 9
- 3 Page 10, line 28, delete everything after "subdivision" and
- 4 insert "2."
- 5 Page 10, delete lines 29 and 30
- 6 Page 11, line 14, delete everything after the period
- 7 Page 11, delete lines 15 and 16
- 8 Renumber the sections in sequence and correct the internal
- 9 references
- 10 Amend the title accordingly

One Minnesota Act addresses three of the state's most pressing problems without increasing any statewide taxes

Goal: Restore \$60 million in LGA

Low property-wealth cities cannot afford a freeze in LGA funding

A LGA funding freeze will

- Increase tax rate disparities among high and low property wealth communities
- Force more cities to cut more vital cities services including public safety
- Force increases in property taxes and/or fees and assessments

Goal: Improve Minnesota schools

Years of flat funding for our schools have led to increases in class size and property taxes

One Minnesota will

- Increase school funding by \$79 per pupil
- Help reduce disparity among school district

Goal: Adequately fund metro transit

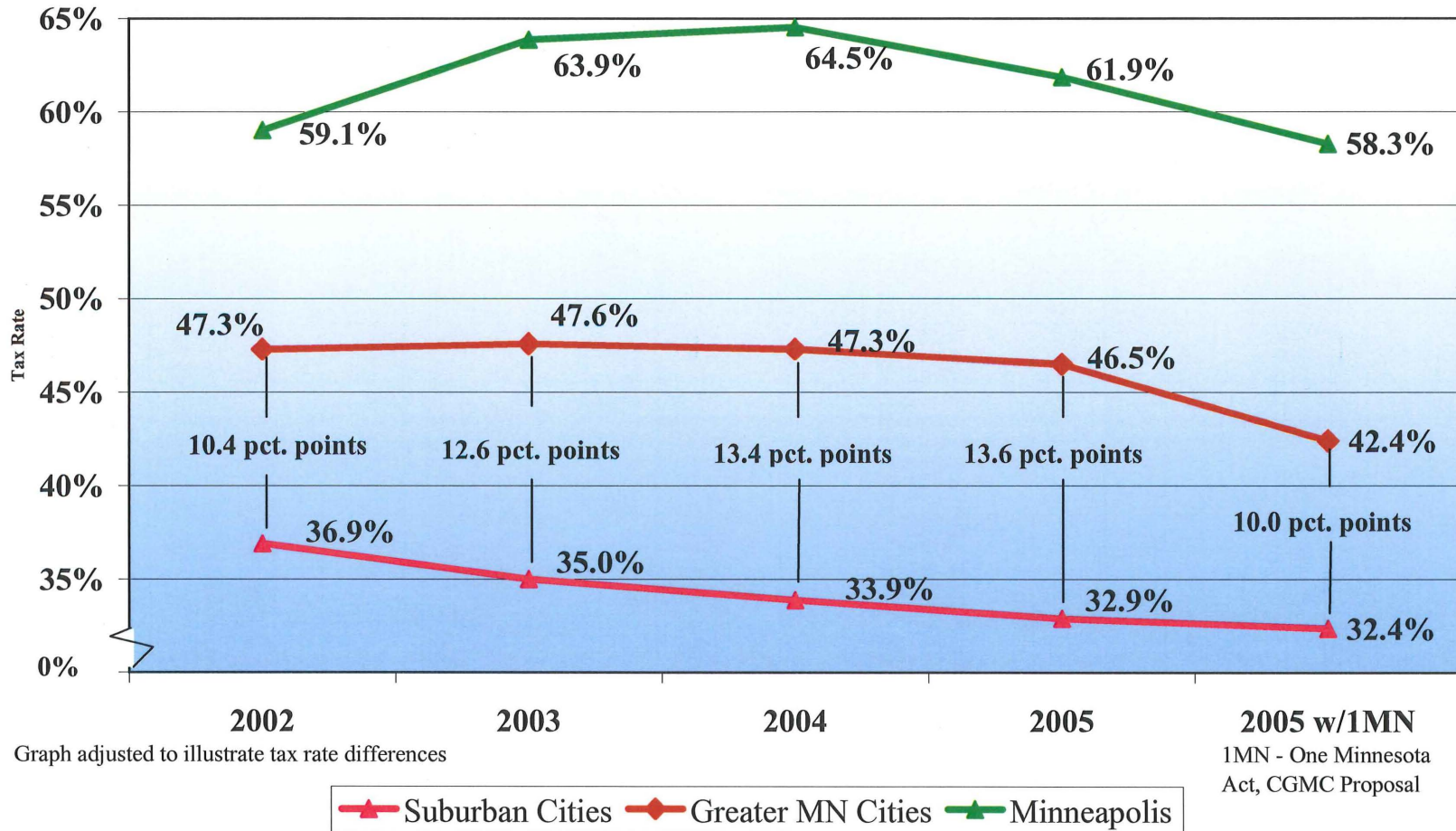
Metro transit is facing large cuts in services and fare increases despite the state leading the nation in funding for a regional transit system. (over 60%)

One Minnesota will

- Provide metro transit with a larger, more stable, growing dedicated source of revenue
- Allow metro transit to grow with the metro area without the need of state approval or interference
- Increase funding by \$60 million per year

Tax Rate Disparities

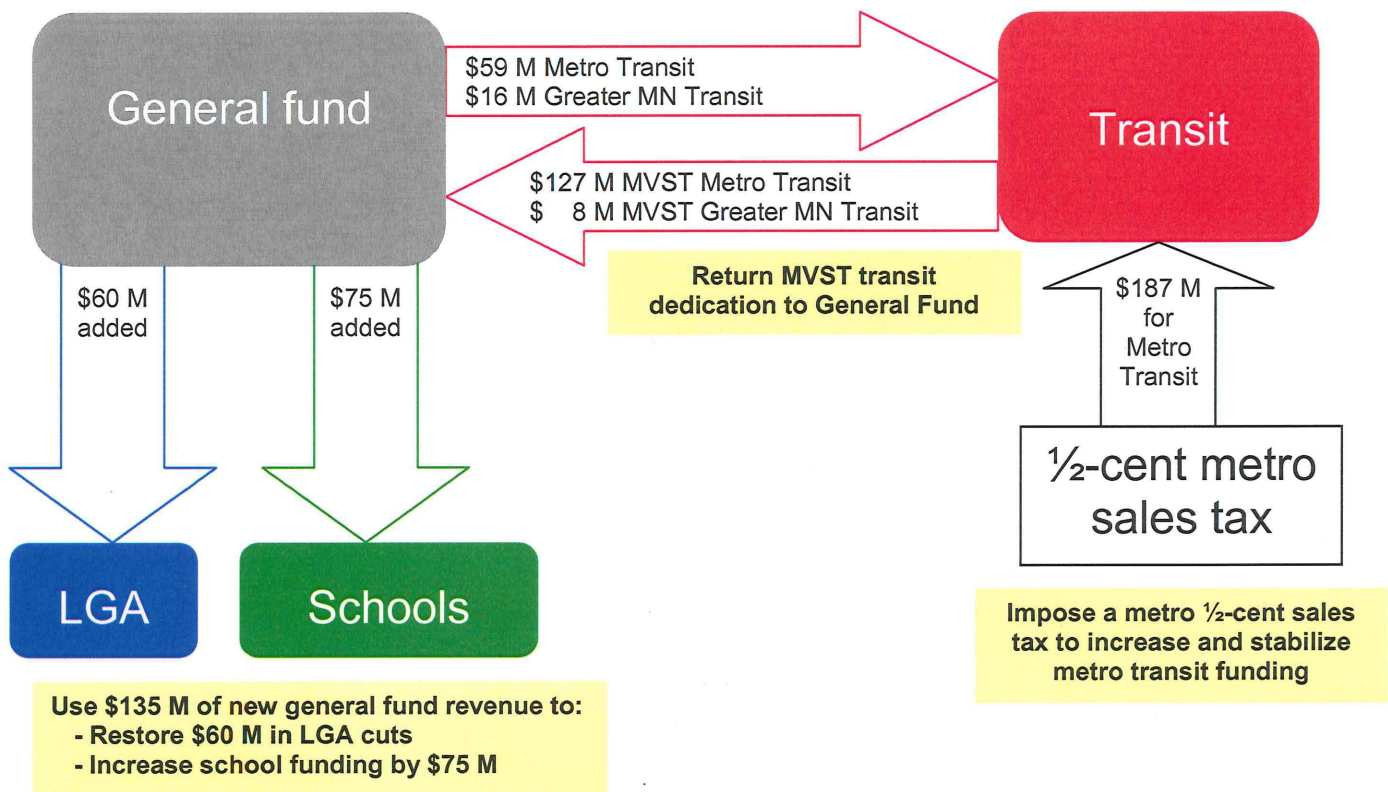
Since 2002 the tax rate disparity has grown wider between greater Minnesota cities and the suburbs. The One Minnesota Act would return the tax rate disparity to the 2002 level.



One Minnesota Act

HF 2059 (Davids), SF 1914 (Bakk)

- Increases school funding
- Restores cut to LGA
- Funds Metro Transit with a larger, stable, growing and fair funding source



Bill Impacts

Schools – Increase per pupil spending by an additional \$79

LGA – Offset property tax levy increases for transit in greater MN
 Help fund **public safety** in Minneapolis and St. Paul
 Reduce some of the fastest increasing suburban tax levies

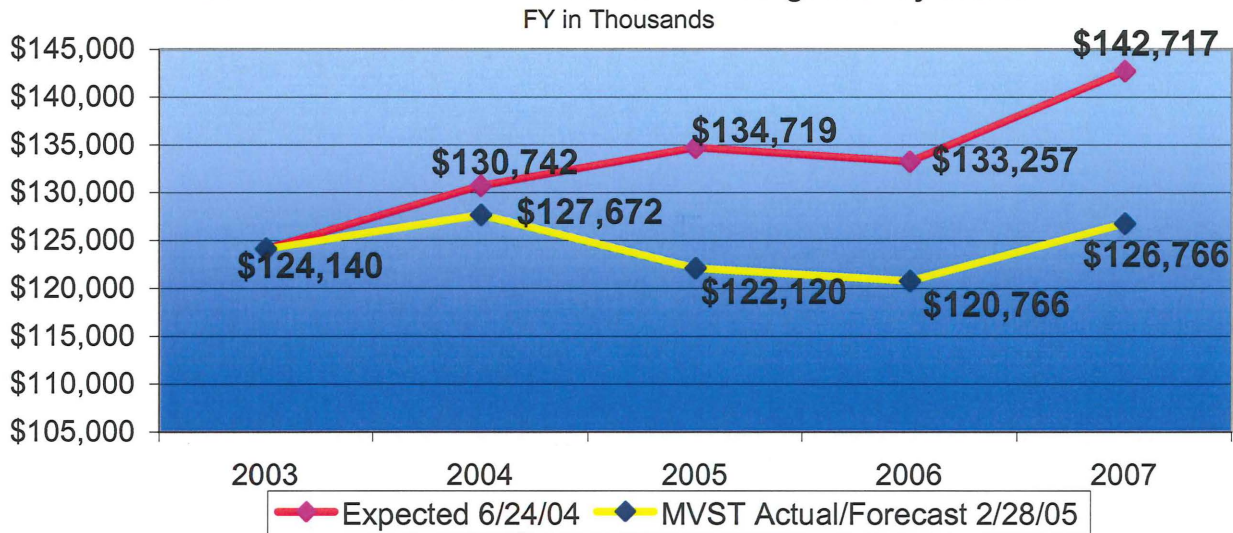
Transit – Increase metro transit funding by \$60 million
 Creates a stable dedicated funding source
 Allows transit funding to grow with the metro area without state barrier

Prepared by Flaherty and Hood, P.A. for the Coalition of Greater Minnesota Cities 3/28/05
 Based on MN Dept of Finance MVST Forecast 2/28/05, Dept. of Revenue metro sales tax estimates 2/16/2005
 Diagram based on Feb. forecast, the bills based on Nov. forecast will be adjusted to reflect Feb. forecast

1/2-Cent Metro Sales Tax is the Right Way to Fund Metro Transit

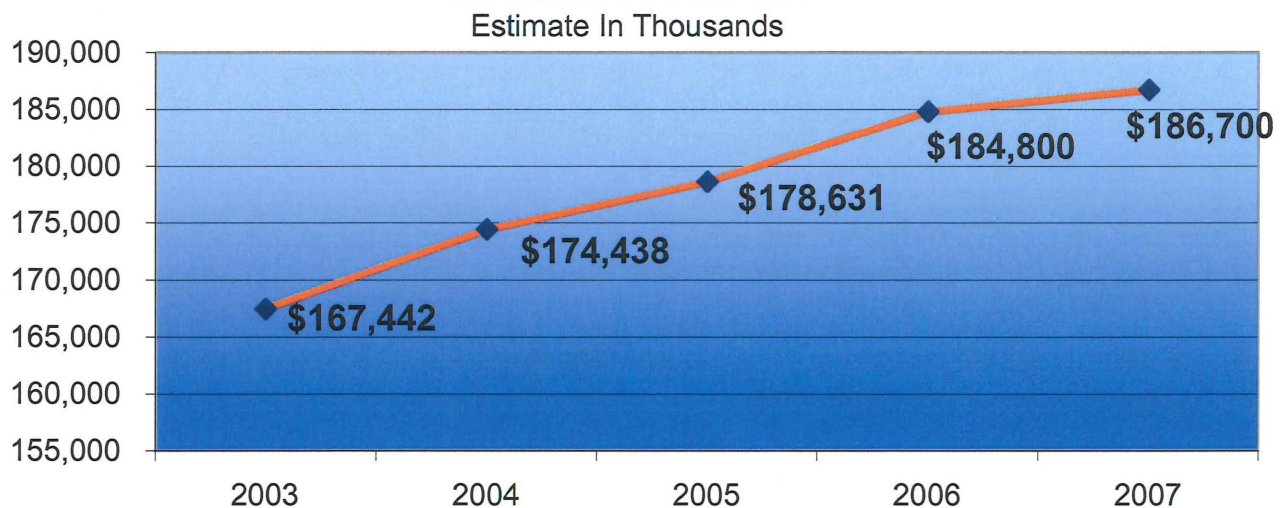
In FY 2003, the State took over the metro transit property tax levy that funded metro transit and replaced it with a dedicated portion of the Motor Vehicle Sales Tax (MVST).

MVST for Transit has Fallen Short of Original Projections



The performance of a 1/2-cent sales tax during the same period would have increased and better funded transit

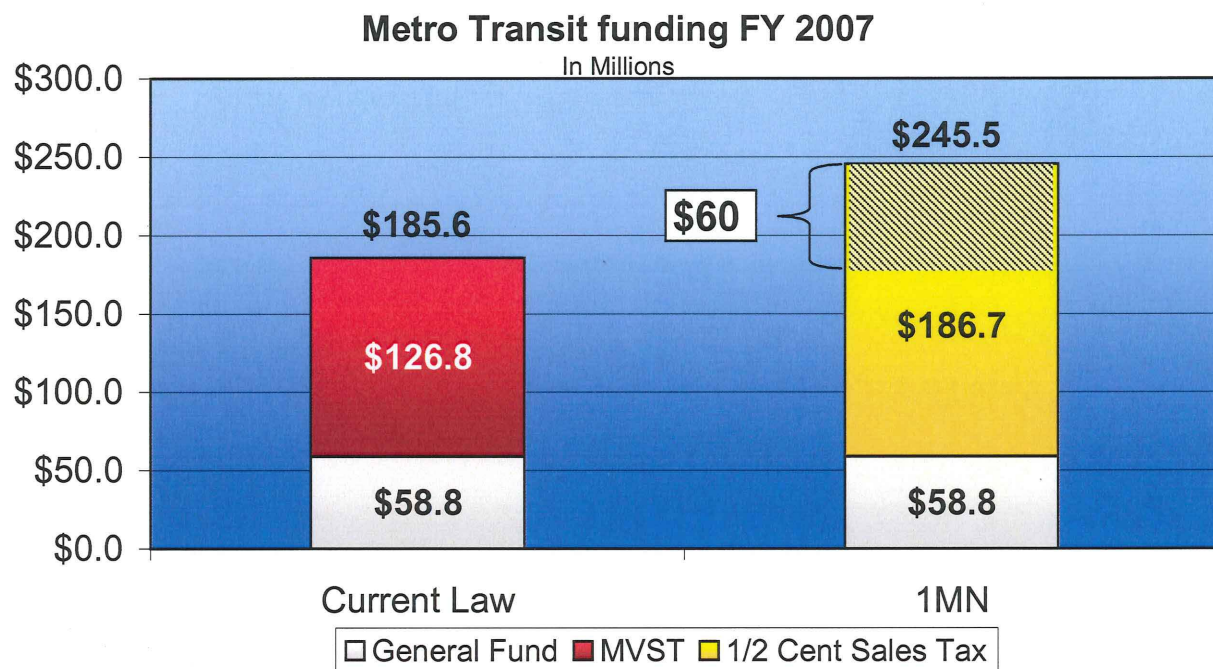
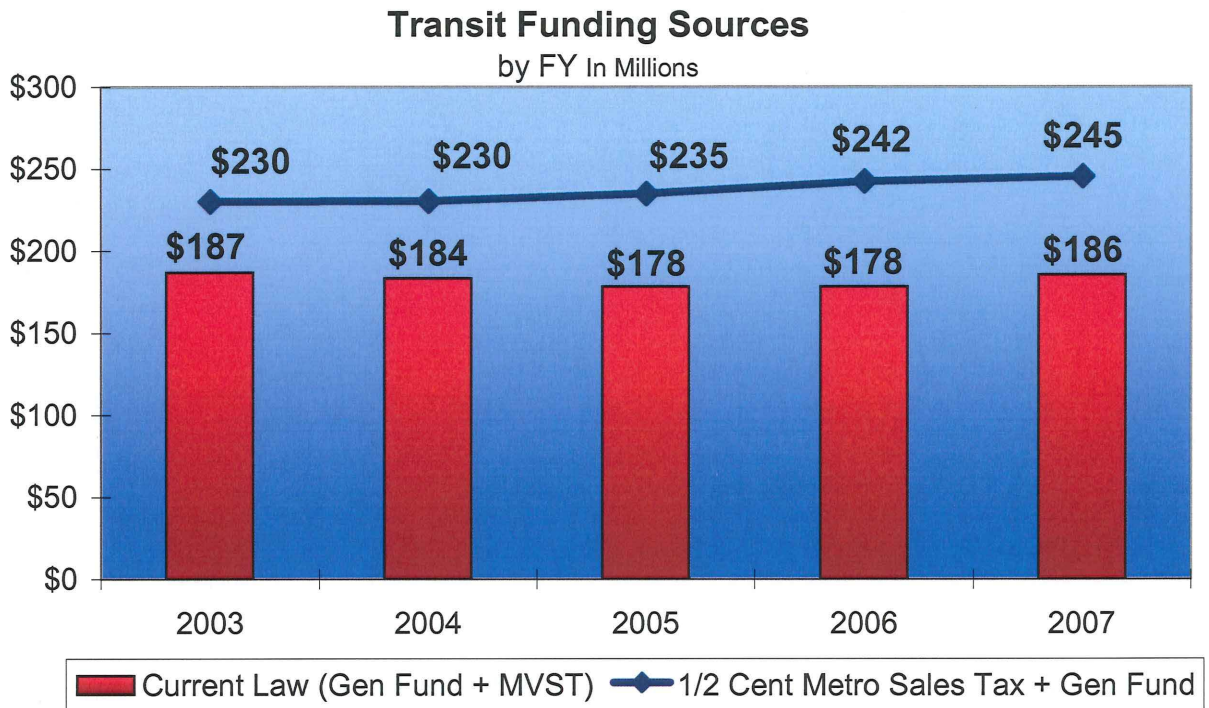
1/2-cent Metro Sales Tax



Prepared for the Coalition of Greater MN Cities 3/29/05. Source: MVST MN Dept of Finance Forecast 6/24/04, 2/28/05. Dept. of Revenue, Tax Research Division 2/16/05

Metro Transit Funding

One Minnesota Act provides an independent, stable and dedicated source for metro transit growth



Prepared for the Coalition of Greater MN Cities 3/29/05. Source: MVST MN Dept of Finance Forecast 2/28/05. MN Dept. of Revenue, Tax Research Division 2/16/05

One Minnesota Act

New School Funding and Restoration of City Property Tax Relief (LGA) CGMC Cities

City Name	New LGA Funding	Lost Property Tax Relief	Net (LGA - PTR)	School District	New School Revenue
ALBERT LEA	\$182,216	\$22,395	\$159,821	Albert Lea	\$330,646
ALEXANDRIA	\$537,193	\$29,860	\$507,333	Alexandria	\$385,520
AURORA	\$0	\$0	\$0	Mesabi East	\$86,803
AUSTIN	\$240,810	\$11,944	\$228,866	Austin	\$380,573
BABBITT	\$171,770	\$0	\$171,770	Saint Louis County	\$210,011
BAXTER	\$0	\$29,136	-\$29,136	Brainerd	\$686,139
BEMIDJI	\$183,131	\$41,894	\$141,237	Bemidji	\$444,118
BENSON	-\$394	\$58,415	-\$58,809	Benson	\$97,728
BRAINERD	\$305,961	\$124,201	\$181,760	Brainerd	\$686,139
BUFFALO	\$391,245	\$20,725	\$370,520	Buffalo	\$552,979
CAMBRIDGE	\$148,244	\$0	\$148,244	Cambridge-Isanti	\$518,819
CHISHOLM	\$117,397	\$9,406	\$107,991	Chisholm	\$69,956
-----	-----	-----	-----	Hibbing	\$232,326
CROOKSTON	\$51,601	\$0	\$51,601	Crookston	\$129,832
DETROIT LAKES	\$100,107	\$14,333	\$85,774	Detroit Lakes	\$259,304
DILWORTH	\$29,908	\$9,406	\$20,502	Dilworth-Glyndon-Felton	\$130,550
-----	-----	-----	-----	Moorhead	\$547,934
EAST GRAND FORKS	\$564,095	\$93,910	\$470,185	East Grand Forks	\$164,516
ELY	\$172,683	\$4,479	\$168,204	Ely	\$50,693
EVELETH	\$139,036	\$3,135	\$135,901	Eveleth-Gilbert	\$129,652
FARIBAULT	\$471,475	\$78,575	\$392,900	Faribault	\$410,541
FERGUS FALLS	\$236,951	\$0	\$236,951	Fergus Falls	\$248,473
GLENCOE	\$68,415	\$0	\$68,415	Glencoe-Silver Lake	\$165,594
GLENWOOD	\$32,786	\$33,045	-\$259	Minnewaska	\$125,295
GOODVIEW	\$67,302	\$7,302	\$60,000	Winona Area Public	\$345,949
GRAND RAPIDS	\$152,501	\$0	\$152,501	Coleraine	\$125,332
-----	-----	-----	-----	Grand Rapids	\$358,985
GRANITE FALLS	\$30,845	\$19,674	\$11,171	Yellow Medicine East	\$100,697
HAWLEY	\$225,766	\$0	\$225,766	Hawley	\$87,219
HIBBING	\$718,635	\$32,846	\$685,789	Hibbing	\$232,326
HOYT LAKES	\$120,571	\$0	\$120,571	Mesabi East	\$86,803
INTL FALLS	\$152,778	\$0	\$152,778	International Falls	\$132,122
JANESVILLE	\$174,932	\$0	\$174,932	Janesville-Waldorf-Pemb	\$54,652
KASSON	\$139,066	\$2,090	\$136,976	Kasson-Mantorville	\$189,756
KENYON	\$79,352	\$0	\$79,352	Kenyon-Wanamingo	\$86,611
LESUEUR	\$51,073	\$0	\$51,073	LeSueur-Henderson	\$123,877
LITCHFIELD	\$207,804	\$37,325	\$170,479	Litchfield	\$186,292
LITTLE FALLS	\$84,079	\$0	\$84,079	Little Falls	\$246,715
LUVERNE	\$35,949	\$0	\$35,949	Luverne-Magnolia	\$122,941
MANKATO	\$691,803	\$434,302	\$257,501	Mankato	\$687,409
MARSHALL	\$183,778	\$0	\$183,778	Marshall	\$215,444
MONTEVIDEO	\$47,561	\$34,201	\$13,360	Montevideo	\$140,620
MOORHEAD	\$318,381	\$294,378	\$24,003	Moorhead	\$547,934

Prepared for Coalition of Greater MN Cities, 3/10/2005. Lost property tax relief estimated based on MN House Research 2003 data, 3/7/2005. LGA funding, MN House Research run 1gacgmc0135, 1/25/2005. New school rev MN House research Tim Strom, 3/2/2005

City Name	New LGA Funding	Lost Property Tax Relief	Net (LGA - PTR)	School District	New School Revenue
MORA	\$50,562	\$0	\$50,562	Mora	\$169,283
MOUNTAIN IRON	\$611,364	\$0	\$611,364	Virginia	\$152,694
-----	-----	-----	-----	Mountain Iron-Buhl	\$53,324
-----	-----	-----	-----	Eveleth-Gilbert	\$129,652
NEW ULM	\$170,767	\$0	\$170,767	New Ulm-Hanska	\$206,484
NORTH MANKATO	\$296,406	\$82,090	\$214,316	Mankato	\$687,409
OWATONNA	\$441,485	\$22,395	\$419,090	Medford	\$78,132
-----	-----	-----	-----	Owatonna	\$487,869
PARK RAPIDS	\$57,876	\$19,708	\$38,168	Park Rapids	\$182,068
PERHAM	\$43,309	\$0	\$43,309	Perham	\$144,429
PRINCETON	\$118,174	\$0	\$118,174	Princeton	\$349,871
RED WING	\$569,181	\$120,113	\$449,068	Red Wing	\$272,641
REDWOOD FALLS	\$56,849	\$8,958	\$47,891	Redwood Falls Area	\$136,823
ROCHESTER	\$2,312,367	\$329,732	\$1,982,635	Byron	\$148,562
-----	-----	-----	-----	Stewartville	\$165,650
-----	-----	-----	-----	Rochester	\$1,581,011
ROSEAU	\$102,384	\$2,687	\$99,697	Roseau	\$134,671
RUSHFORD	\$129,839	\$0	\$129,839	Rushford-Peterson	\$55,874
SARTELL	\$625,436	\$249,315	\$376,121	Sartell	\$282,310
-----	-----	-----	-----	Sauk Rapids	\$347,628
-----	-----	-----	-----	Saint Cloud	\$916,425
SAUK RAPIDS	\$237,629	\$180,078	\$57,551	Sauk Rapids	\$347,628
ST. AUGUSTA	\$206,234	\$0	\$206,234	Saint Cloud	\$916,425
-----	-----	-----	-----	Kimball	\$74,704
ST. CHARLES	\$144,665	\$0	\$144,665	Saint Charles	\$100,015
ST. CLOUD	\$1,076,408	\$1,216,848	-\$140,440	Saint Cloud	\$916,425
-----	-----	-----	-----	Sauk Rapids	\$347,628
ST. JAMES	\$106,124	\$0	\$106,124	Saint James	\$121,900
ST. JOSEPH	\$55,141	\$0	\$55,141	Saint Cloud	\$916,425
ST. PETER	\$670,885	\$37,976	\$632,909	Saint Peter	\$166,475
STAPLES	\$2,737	\$0	\$2,737	Staples-Motley	\$138,650
STEWARTVILLE	\$74,822	\$12,243	\$62,579	Stewartville	\$165,650
THIEF RIVER FALLS	\$222,932	\$14,796	\$208,136	Thief River Falls	\$203,668
VIRGINIA	\$285,589	\$14,930	\$270,659	Virginia	\$152,694
-----	-----	-----	-----	Mountain Iron-Buhl	\$53,324
-----	-----	-----	-----	Eveleth-Gilbert	\$129,652
WADENA	\$166,650	\$0	\$166,650	Wadena-Deer Creek	\$115,634
WAITE PARK	\$177,119	\$190,461	-\$13,342	Saint Cloud	\$916,425
WARREN	\$207,430	\$0	\$207,430	Warren-Alvarado-Oslo	\$46,566
WARROAD	\$265,063	\$0	\$265,063	Warroad	\$112,128
WASECA	\$103,579	\$0	\$103,579	Waseca	\$198,148
WILLMAR	\$406,301	\$99,595	\$306,706	Willmar	\$386,639
WINDOM	\$34,240	\$0	\$34,240	Windom	\$88,801
WINONA	\$339,831	\$67,260	\$272,571	Winona Area Public	\$345,949
WORTHINGTON	\$98,506	\$0	\$98,506	Worthington	\$215,085

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New School Revenue. based on \$80 M from the Nov. forecast, actual revenue total \$75 M from Feb. forecast

One Minnesota Act - Metro LGA Funding and New School Revenue

City Name	New LGA Funding	School District	New School Revenue
AFTON	\$0	Hastings	\$487,800
AFTON	\$0	South Washington	\$1,897,619
AFTON	\$0	Stillwater	\$908,193
ANDOVER	\$0	Anoka-Hennepin	\$3,840,082
ANDOVER	\$0	Saint Francis	\$558,900
ANOKA	\$376,926	Anoka-Hennepin	\$3,840,082
APPLE VALLEY	\$0	Burnsville	\$1,033,726
APPLE VALLEY	\$0	Rosemount-Apple Va	\$2,586,094
ARDEN HILLS	\$0	Mounds View	\$962,629
ARDEN HILLS	\$0	Roseville	\$607,774
BAYPORT	\$310,739	Stillwater	\$908,193
BELLE PLAINE	\$108,043	Belle Plaine	\$151,671
BETHEL	\$10,169	Saint Francis	\$558,900
BIRCHWOOD	\$0	White Bear Lake	\$832,409
BLAINE	\$0	Anoka-Hennepin	\$3,840,082
BLAINE	\$0	Centennial	\$685,800
BLAINE	\$0	Mounds View	\$962,629
BLAINE	\$0	Spring Lake Park	\$438,050
BLOOMINGTON	\$0	Bloomington	\$1,225,972
BLOOMINGTON	\$0	Eden Prairie	\$1,122,813
BLOOMINGTON	\$0	Edina	\$730,332
BROOKLYN CENTER	\$649,531	Anoka-Hennepin	\$3,840,082
BROOKLYN CENTER	\$649,531	Brooklyn Center	\$157,857
BROOKLYN CENTER	\$649,531	Osseo	\$2,086,744
BROOKLYN CENTER	\$649,531	Robbinsdale	\$1,316,657
BROOKLYN PARK	\$0	Anoka-Hennepin	\$3,840,082
BROOKLYN PARK	\$0	Osseo	\$2,086,744
BROOKLYN PARK	\$0	Robbinsdale	\$1,316,657
BURNSVILLE	\$0	Burnsville	\$1,033,726
BURNSVILLE	\$0	Lakeville	\$1,069,435
BURNSVILLE	\$0	Rosemount-Apple Va	\$2,586,094
CARVER	\$60,056	Chaska	\$861,440
CENTERVILLE	\$0	Centennial	\$685,800
CHAMPLIN	\$0	Anoka-Hennepin	\$3,840,082
CHANHASSEN	\$0	Chaska	\$861,440
CHANHASSEN	\$0	Eden Prairie	\$1,122,813
CHANHASSEN	\$0	Minnetonka	\$733,616
CHASKA	\$215,132	Chaska	\$861,440
CIRCLE PINES	\$4,338	Centennial	\$685,800

Prepared for Coalition of Greater MN Cities, 3/28/05. LGA funding, MN House Research run 1gacgmc0135, 1/25/5. School Rev, MN House Research 3/2/05.

New School Revenue. based on \$80 M from the Nov. forecast, actual revenue total \$75 M from Feb. forecast

City Name	New LGA Funding	School District	New School Revenue
COATES	\$0	Rosemount-Apple Va	\$2,586,094
COLOGNE	\$27,759	Norwood Young Ame	\$89,003
COLUMBIA HEIGHTS	\$412,130	Columbia Heights	\$293,333
COON RAPIDS	\$82,894	Anoka-Hennepin	\$3,840,082
CORCORAN	\$0	Buffalo	\$552,979
CORCORAN	\$0	Delano	\$194,977
CORCORAN	\$0	Osseo	\$2,086,744
CORCORAN	\$0	Rockford	\$167,835
CORCORAN	\$0	Wayzata	\$968,885
COTTAGE GROVE	\$0	Hastings	\$487,800
COTTAGE GROVE	\$0	South Washington	\$1,897,619
CRYSTAL	\$533,372	Robbinsdale	\$1,316,657
DAYTON (JT)	\$0	Anoka-Hennepin	\$3,840,082
DAYTON (JT)	\$0	Elk River	\$1,000,155
DAYTON (JT)	\$0	Osseo	\$2,086,744
DEEPHAVEN	\$0	Minnetonka	\$733,616
DELLWOOD	\$0	Mahtomedi	\$349,660
EAGAN	\$0	Burnsville	\$1,033,726
EAGAN	\$0	Rosemount-Apple Va	\$2,586,094
EAGAN	\$0	West Saint Paul	\$562,558
EAST BETHEL	\$0	Forest Lake	\$742,836
EAST BETHEL	\$0	Saint Francis	\$558,900
EDEN PRAIRIE	\$0	Eden Prairie	\$1,122,813
EDEN PRAIRIE	\$0	Hopkins	\$774,310
EDEN PRAIRIE	\$0	Minnetonka	\$733,616
EDINA	\$0	Bloomington	\$1,225,972
EDINA	\$0	Eden Prairie	\$1,122,813
EDINA	\$0	Edina	\$730,332
EDINA	\$0	Hopkins	\$774,310
EDINA	\$0	Richfield	\$383,190
EDINA	\$0	Saint Louis Park	\$411,452
ELKO	\$0	Lakeville	\$1,069,435
EXCELSIOR	\$73,832	Minnetonka	\$733,616
FALCON HEIGHTS	\$134,252	Roseville	\$607,774
FARMINGTON	\$0	Farmington	\$603,811
FOREST LAKE	\$0	Forest Lake	\$742,836
FRIDLEY	\$546,101	Anoka-Hennepin	\$3,840,082
FRIDLEY	\$546,101	Columbia Heights	\$293,333
FRIDLEY	\$546,101	Fridley	\$229,707
FRIDLEY	\$546,101	Spring Lake Park	\$438,050
GEM LAKE	\$0	White Bear Lake	\$832,409
GOLDEN VALLEY	\$0	Hopkins	\$774,310

Prepared for Coalition of Greater MN Cities, 3/28/05. LGA funding, MN House Research run 1gacgmc0135, 1/25/5. School Rev, MN House Research 3/2/05.

New School Revenue. based on \$80 M from the Nov. forecast, actual revenue total \$75 M from Feb. forecast

City Name	New LGA Funding	School District	New School Revenue
GOLDEN VALLEY	\$0	Robbinsdale	\$1,316,657
GRANT	\$0	Mahtomedi	\$349,660
GRANT	\$0	Stillwater	\$908,193
GREENFIELD	\$0	Buffalo	\$552,979
GREENFIELD	\$0	Delano	\$194,977
GREENFIELD	\$0	Rockford	\$167,835
GREENWOOD	\$0	Minnetonka	\$733,616
HAM LAKE	\$0	Anoka-Hennepin	\$3,840,082
HAM LAKE	\$0	Forest Lake	\$742,836
HAMBURG	\$10,963	Norwood Young Ame	\$89,003
HAMPTON	\$20,811	Hastings	\$487,800
HAMPTON	\$20,811	Randolph	\$46,673
HASTINGS	\$498,616	Hastings	\$487,800
HILLTOP	\$13,693	Columbia Heights	\$293,333
HOPKINS	\$0	Hopkins	\$774,310
HOPKINS	\$0	Saint Louis Park	\$411,452
HUGO	\$0	Forest Lake	\$742,836
HUGO	\$0	Mahtomedi	\$349,660
HUGO	\$0	Stillwater	\$908,193
HUGO	\$0	White Bear Lake	\$832,409
INDEPENDENCE	\$0	Delano	\$194,977
INDEPENDENCE	\$0	Orono	\$239,566
INDEPENDENCE	\$0	Rockford	\$167,835
INDEPENDENCE	\$0	Westonka	\$277,708
INVER GROVE HEIGHT	\$0	Inver Grove-Pine Be	\$347,896
INVER GROVE HEIGHT	\$0	Rosemount-Apple Va	\$2,586,094
INVER GROVE HEIGHT	\$0	West Saint Paul	\$562,558
JORDAN	\$95,474	Jordan	\$160,399
LAKE ELMO	\$0	Mahtomedi	\$349,660
LAKE ELMO	\$0	North St. Paul-Maple	\$1,065,900
LAKE ELMO	\$0	Stillwater	\$908,193
LAKE St. CROIX BEACH	\$31,821	Stillwater	\$908,193
LAKELAND	\$64,048	Stillwater	\$908,193
LAKELAND SHORES	\$0	Stillwater	\$908,193
LAKEVILLE	\$0	Farmington	\$603,811
LAKEVILLE	\$0	Lakeville	\$1,069,435
LAKEVILLE	\$0	Rosemount-Apple Va	\$2,586,094
LANDFALL	\$92,984	North St. Paul-Maple	\$1,065,900
LAUDERDALE	\$219,533	Roseville	\$607,774
LEXINGTON	\$77,371	Centennial	\$685,800
LILYDALE	\$0	West Saint Paul	\$562,558
LINO LAKES	\$0	Centennial	\$685,800

Prepared for Coalition of Greater MN Cities, 3/28/05. LGA funding, MN House Research run 1gacgmc0135, 1/25/5. School Rev, MN House Research 3/2/05.

New School Revenue. based on \$80 M from the Nov. forecast, actual revenue total \$75 M from Feb. forecast

City Name	New LGA Funding	School District	New School Revenue
LINO LAKES	\$0	Forest Lake	\$742,836
LINO LAKES	\$0	White Bear Lake	\$832,409
LITTLE CANADA	\$220,422	Roseville	\$607,774
LITTLE CANADA	\$220,422	White Bear Lake	\$832,409
LONG LAKE	\$65,643	Orono	\$239,566
LORETTO	\$0	Delano	\$194,977
MAHTOMEDI	\$0	Mahtomedi	\$349,660
MAPLE GROVE	\$0	Osseo	\$2,086,744
MAPLE GROVE	\$0	Rockford	\$167,835
MAPLE GROVE	\$0	Wayzata	\$968,885
MAPLE PLAIN	\$171,994	Orono	\$239,566
MAPLEWOOD	\$0	North St. Paul-Maple	\$1,065,900
MAPLEWOOD	\$0	Roseville	\$607,774
MAPLEWOOD	\$0	White Bear Lake	\$832,409
MARINE ON SAINT CROIX	\$0	Stillwater	\$908,193
MAYER	\$21,502	Watertown-Mayer	\$123,349
MEDICINE LAKE	\$0	Wayzata	\$968,885
MEDINA	\$0	Delano	\$194,977
MEDINA	\$0	Orono	\$239,566
MEDINA	\$0	Rockford	\$167,835
MEDINA	\$0	Wayzata	\$968,885
MENDOTA	\$3,277	West Saint Paul	\$562,558
MENDOTA HEIGHTS	\$0	West Saint Paul	\$562,558
MIESVILLE	\$0	Hastings	\$487,800
MINNEAPOLIS	\$9,173,375	Minneapolis	\$3,555,779
MINNETONKA	\$0	Hopkins	\$774,310
MINNETONKA	\$0	Minnetonka	\$733,616
MINNETONKA	\$0	Saint Louis Park	\$411,452
MINNETONKA	\$0	Wayzata	\$968,885
MINNETONKA BEACH	\$0	Orono	\$239,566
MINNETRISTA	\$0	Delano	\$194,977
MINNETRISTA	\$0	Waconia	\$250,492
MINNETRISTA	\$0	Watertown-Mayer	\$123,349
MINNETRISTA	\$0	Westonka	\$277,708
MOUND	\$0	Westonka	\$277,708
MOUNDS VIEW	\$257,096	Mounds View	\$962,629
NEW BRIGHTON	\$0	Mounds View	\$962,629
NEW BRIGHTON	\$0	Saint Anthony-New B	\$161,357
NEW GERMANY	\$3,092	Waconia	\$250,492
NEW HOPE	\$520,521	Robbinsdale	\$1,316,657
NEW MARKET	\$31,136	Lakeville	\$1,069,435
NEW MARKET	\$31,136	New Prague Area	\$330,430

New School Revenue. based on \$80 M from the Nov. forecast, actual revenue total \$75 M from Feb. forecast

City Name	New LGA Funding	School District	New School Revenue
NEW PRAGUE	\$105,342	New Prague Area	\$330,430
NEW TRIER	\$0	Hastings	\$487,800
NEWPORT	\$229,472	South Washington	\$1,897,619
NORTH OAKS	\$0	Mounds View	\$962,629
NORTH OAKS	\$0	White Bear Lake	\$832,409
NORTH SAINT PAUL	\$290,341	North St. Paul-Maple	\$1,065,900
NORWOOD YOUNG AM	\$75,299	Norwood Young Ame	\$89,003
OAK GROVE	\$0	Anoka-Hennepin	\$3,840,082
OAK GROVE	\$0	Saint Francis	\$558,900
OAK PARK HEIGHTS	\$0	Stillwater	\$908,193
OAKDALE	\$0	Mahtomedi	\$349,660
OAKDALE	\$0	North St. Paul-Maple	\$1,065,900
ORONO	\$0	Minnetonka	\$733,616
ORONO	\$0	Orono	\$239,566
ORONO	\$0	Wayzata	\$968,885
ORONO	\$0	Westonka	\$277,708
OSSEO	\$291,334	Osseo	\$2,086,744
PINE SPRINGS	\$0	Mahtomedi	\$349,660
PINE SPRINGS	\$0	North St. Paul-Maple	\$1,065,900
PLYMOUTH	\$0	Hopkins	\$774,310
PLYMOUTH	\$0	Osseo	\$2,086,744
PLYMOUTH	\$0	Robbinsdale	\$1,316,657
PLYMOUTH	\$0	Wayzata	\$968,885
PRIOR LAKE	\$0	Prior Lake	\$683,546
PRIOR LAKE	\$0	Shakopee	\$551,242
RAMSEY	\$0	Anoka-Hennepin	\$3,840,082
RAMSEY	\$0	Elk River	\$1,000,155
RANDOLPH	\$7,457	Randolph	\$46,673
RICHFIELD	\$831,900	Richfield	\$383,190
ROBBINSDALE	\$308,791	Robbinsdale	\$1,316,657
ROGERS	\$0	Elk River	\$1,000,155
ROSEMOUNT	\$0	Hastings	\$487,800
ROSEMOUNT	\$0	Inver Grove-Pine Be	\$347,896
ROSEMOUNT	\$0	Rosemount-Apple Va	\$2,586,094
ROSEVILLE	\$0	Mounds View	\$962,629
ROSEVILLE	\$0	Roseville	\$607,774
SAVAGE	\$0	Bloomington	\$1,225,972
SAVAGE	\$0	Burnsville	\$1,033,726
SAVAGE	\$0	Prior Lake	\$683,546
SAVAGE	\$0	Shakopee	\$551,242
SHAKOPEE	\$0	Burnsville	\$1,033,726
SHAKOPEE	\$0	Shakopee	\$551,242

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New School Revenue. based on \$80 M from the Nov. forecast, actual revenue total \$75 M from Feb. forecast

City Name	New LGA Funding	School District	New School Revenue
SHOREVIEW	\$0	Mounds View	\$962,629
SHOREVIEW	\$0	Roseville	\$607,774
SHOREWOOD	\$0	Minnetonka	\$733,616
SHOREWOOD	\$0	Westonka	\$277,708
SOUTH ST. PAUL	\$414,339	Inver Grove-Pine Be	\$347,896
SOUTH ST. PAUL	\$414,339	South St. Paul	\$298,788
SPRING LAKE PARK (J)	\$0	Mounds View	\$962,629
SPRING LAKE PARK (J)	\$0	Spring Lake Park	\$438,050
SPRING PARK	\$57,638	Westonka	\$277,708
ST. ANTHONY	\$0	Saint Anthony-New E	\$161,357
ST. BONIFACIUS	\$209,031	Waconia	\$250,492
ST. FRANCIS	\$0	Elk River	\$1,000,155
ST. FRANCIS	\$0	Saint Francis	\$558,900
ST. LOUIS PARK	\$0	Edina	\$730,332
ST. LOUIS PARK	\$0	Hopkins	\$774,310
ST. LOUIS PARK	\$0	Saint Louis Park	\$411,452
ST. MARY'S POINT	\$0	Stillwater	\$908,193
ST. PAUL	\$6,372,213	Saint Paul	\$3,846,822
ST. PAUL PARK	\$83,269	South Washington	\$1,897,619
STILLWATER	\$469,640	Stillwater	\$908,193
SUNFISH LAKE	\$0	West Saint Paul	\$562,558
TONKA BAY	\$0	Minnetonka	\$733,616
VADNAIS HEIGHTS	\$0	Mounds View	\$962,629
VADNAIS HEIGHTS	\$0	White Bear Lake	\$832,409
VERMILLION	\$10,836	Hastings	\$487,800
VICTORIA	\$0	Chaska	\$861,440
VICTORIA	\$0	Minnetonka	\$733,616
VICTORIA	\$0	Waconia	\$250,492
WACONIA	\$0	Waconia	\$250,492
WATERTOWN	\$77,222	Watertown-Mayer	\$123,349
WAYZATA	\$0	Orono	\$239,566
WAYZATA	\$0	Wayzata	\$968,885
WEST SAINT PAUL	\$519,444	West Saint Paul	\$562,558
WHITE BEAR LAKE	\$588,207	Mahtomedi	\$349,660
WHITE BEAR LAKE	\$588,207	North St. Paul-Maple	\$1,065,900
WHITE BEAR LAKE	\$588,207	White Bear Lake	\$832,409
WILLERNIE	\$14,142	Mahtomedi	\$349,660
WOODBURY	\$0	North St. Paul-Maple	\$1,065,900
WOODBURY	\$0	South Washington	\$1,897,619
WOODBURY	\$0	Stillwater	\$908,193
WOODLAND	\$0	Minnetonka	\$733,616

Prepared for Coalition of Greater MN Cities, 3/28/05. LGA funding, MN House Research run 1gacgmc0135, 1/25/5. School Rev, MN House Research 3/2/05.

Funding transport

Business leaders must unify

Those following the perennial transportation debate in the Legislature know that the state has fallen so far behind that it must begin now to invest an extra billion dollars a year to avoid a metro traffic meltdown in the years ahead.

There's little disagreement on the magnitude of this problem or on the proper roads-transit solution. Indeed, after a decade of practice, Minnesota has perfected the art of defining its transportation shortcomings. What it cannot do is summon the courage to actually *pay* for a systematic solution.

This is not a unique dilemma. Phoenix, Denver, San Diego, Dallas and Houston faced similar challenges recently. What happened in each case was that a unified business community arose to demand a solution — and to lead a campaign to pay for it.

Frustrated by employees and valuable shipments getting stuck in traffic, and worried that their cities would be left congested and uncompetitive, business leaders turned away from conservative allies to join broader bipartisan coalitions willing to pay higher taxes to improve highways and build new transit systems. Business leaders succeeded in tipping the political balance.

As a result, each of those cities vaulted ahead of Minneapolis-St. Paul; each made a long-term financial commitment that leaves Minnesota in the dust.

Denver embarked on a \$4.7 billion transit expansion that will add 119 miles of new rail, additional bus service and 53 sites for transit-oriented development over 12 years. Recently, the city launched an aggressive national campaign to attract high-end jobs to its light-rail corridors.

Phoenix began a \$15.8 billion highway-transit expansion with special emphasis on extending its bioscience corridor along a new light-rail line connecting downtown to Arizona State University in Tempe.

Each city has a long-term plan to manage congestion while expanding the economy. To pay for the plans,

each raised its regional sales tax — Phoenix by a half-cent, Denver by 0.4 cents. The sales tax has been the most popular, most reliable way to finance modern transit systems. Of \$49 billion in local commitments last year, \$45 billion came from sales tax revenues.

Minnesota has made no ongoing financial commitment. Its business community is less united than divided, not so much on the need for better transportation but on the willingness to pay for it.

Because Minnesota's traditional business groups are so fixated on a single issue — lower taxes — and because lower taxes cannot produce a transportation solution, many Minnesotans place their hopes on the Itasca Project, a CEO-led effort to solve a half-dozen of the state's toughest problems, starting with transportation.

Last year, Itasca defined the problem brilliantly. It promised bold leadership and emphasized its broad civic outlook. But on a specific funding proposal, Itasca has produced only silence.

The Minnesota Chamber of Commerce, meanwhile, has produced a thin plan with at least one good feature: identifying specific projects that people would get for their money. But the chamber wants a *referendum* just to raise the gasoline tax a nickel, and it strongly opposes raising a half-cent metro sales tax for transit. Its plan relies instead on giving transit more of the sales tax revenues on motor vehicles, a notoriously unreliable source that would supply less than half of transit's needs. All in all, the chamber offers less of a serious policy effort than a political slipcover for the governor's foolish no-tax pledge.

Our hope is that business leaders do find consensus soon, perhaps on broadening the sales tax in a way that doesn't harm business but provides the Twin Cities with a reliable, dedicated funding stream for building the transit system that Minnesota deserves. Without business leadership, Minnesota's transportation problems will only get worse.

Proposed Changes to LGA Funding

- **Restore \$60 million of cuts made to LGA**
There was \$150 million in cuts to LGA funding for 2003-2004.
- **Provide an annual inflationary increase in LGA funding**
LGA funding would increase by the lesser of either the implicit price deflator for state and local governments or five percent.

Proposed Formula Modifications to LGA

- **City need inflationary factor**
The current law formula uses year 2000 levels for city need factors and adjusts them with inflation starting in calendar year 2005 based on inflation from 2003. However, a city's local effort has risen every year since 2000. CGMC proposes an inflation factor based on inflation from 2000 to remove disparity between formula need and actual city need for LGA.
- **Eliminate taconite aid offset**
The current law formula penalizes cities that receive taconite aid. Taconite aid is the only state aid program that directly affects a city's LGA.
- **Use current population to compute regional center aid**
The current law formula uses 2000 data for this factor of population, while all other population factors within the LGA formula use up-to-date state demographer's data. This penalizes rapid growing regional centers.
- **Remove maximum aid increases**
Rapidly changing communities should be able to receive the maximum amount of aid available to them to be able to meet the needs of a city in transition.
- **Create stability by limiting the annual loss of LGA to 5% of 2003**
Due to the volatility of the formula factors, this provision will prevent cities from having large decreases in their LGA.

CGMC does not support the formula modifications without an increase in LGA funding.

C, FARBOUR #4

Comments on SF 1914

Keith Carlson

Metropolitan Inter-County Association



Metropolitan Inter-County
Association

Greater Minnesota Was Not Shortchanged in the 2001 Tax Reform

House Research

Simulation 2A6
05/09/2002 2:16 PM

Baseline Prelim Pay 2002 under previous law (Rev)
Alternative Preliminary Pay 2002: Current law

Page 2
(all figures in \$000s)

GREATER MINNESOTA

Tax Burdens by Property Class	Taxable Market				Net Tax				Effective Tax Rates	
	Baseline	Alternativ	Chang	Pctg Chn	Baseline	Alternativ	Chang	Pctg Chn	Bas	Alte
Res Hmstd	54,765,241	54,765,241	0	0.0	720,169	556,052	-164,118	-22.	1.32	1.02
Res NonHmstd 1Un	2,858,524	2,858,524	0	0.0	48,602	37,020	-11,582	-23.	1.70	1.30
Res NonHmstd 2-3	1,139,294	1,139,294	0	0.0	24,827	21,882	-2,945	-11.	2.18	1.92
Reg Apartments	1,698,333	1,698,333	0	0.0	54,973	40,832	-14,141	-25.	3.24	2.40
Low-income Apts	774,438	774,438	0	0.0	11,425	9,864	-1,561	-13.	1.48	1.27
Seasonal Rec	8,832,312	8,832,312	0	0.0	130,317	119,624	-10,693	-8.2	1.48	1.35
Com/Ind Lo Tier	4,211,193	4,211,193	0	0.0	138,550	122,298	-16,252	-11.	3.29	2.90
Com/Ind Hi Tier	7,200,329	7,200,329	0	0.0	319,263	270,663	-48,600	-15.	4.43	3.76
Publ U: Elec Gen	1,263,456	1,263,456	0	0.0	51,931	33,902	-18,030	-34.	4.11	2.68
Publ U: Other	2,984,611	2,984,611	0	0.0	122,912	107,507	-15,406	-12.	4.12	3.60
Ag Hmstd: House	6,421,439	6,421,439	0	0.0	74,484	54,842	-19,642	-26.	1.16	0.85
Ag Hmstd: Land	20,315,035	20,315,035	0	0.0	128,543	108,891	-19,652	-15.	0.63	0.54
Ag NonHmstd	8,932,267	8,932,267	0	0.0	105,178	92,700	-12,478	-11.	1.18	1.04
Total	121,396,470	121,396,470	0	0.0	1,931,175	1,576,075	-355,099	-18.	1.59	1.30

Tax

Tax Rates



Metropolitan Inter-County
Association

Greater Minnesota Was Not Shortchanged in the 2001 Tax Reform (continued)

House Research

Simulation 2A6
05/09/2002 2:16 PM

Baseline Prelim Pay 2002 under previous law (Rev)
Alternative Preliminary Pay 2002: Current law

Page 3
(all figures in \$000s)

METRO AREA

<i>Tax Burdens by Property Class</i>	Taxable Market				Net Tax				Effective Tax Rates	
	Baseline	Alternativ	Chang	Pctg Chn	Baseline	Alternativ	Chang	Pctg Chn	Bas	Alte
Res Hmstd	115,530,818	115,530,818	0	0.0	1,663,638	1,316,470	-347,168	-20.	1.44	1.14
Res NonHmstd 1Un	3,914,523	3,914,523	0	0.0	68,308	51,201	-17,107	-25.	1.74	1.31
Res NonHmstd 2-3	2,222,910	2,222,910	0	0.0	45,894	42,774	-3,121	-6.8	2.06	1.92
Reg Apartments	8,176,042	8,176,042	0	0.0	243,459	190,783	-52,676	-21.	2.98	2.33
Low-income Apts	1,788,624	1,788,624	0	0.0	24,082	21,823	-2,259	-9.4	1.35	1.22
Seasonal Rec	291,853	291,853	0	0.0	5,027	4,674	-353	-7.0	1.72	1.60
Com/Ind Lo Tier	3,410,882	3,410,882	0	0.0	104,278	100,696	-3,582	-3.4	3.06	2.95
Com/Ind Hi Tier	30,794,474	30,794,474	0	0.0	1,306,197	1,197,354	-108,843	-8.3	4.24	3.89
Publ U: Elec Gen	282,247	282,247	0	0.0	12,087	7,609	-4,478	-37.	4.28	2.70
Publ U: Other	1,890,451	1,890,451	0	0.0	79,482	73,018	-6,464	-8.1	4.20	3.86
Ag Hmstd: House	919,701	919,701	0	0.0	11,875	8,252	-3,622	-30.	1.29	0.90
Ag Hmstd: Land	982,655	982,655	0	0.0	4,879	4,419	-460	-9.4	0.50	0.45
Ag NonHmstd	581,402	581,402	0	0.0	6,733	6,207	-526	-7.8	1.16	1.07
Total	170,786,582	170,786,582	0	0.0	3,575,937	3,025,279	-550,658	-15.	2.09	1.77



Greater Minnesota Was Not Shortchanged in the 2001 Tax Reform (continued)

- Greater Minnesota received \$355 million in relief or 39% while having only 34% of the pre-reform tax burden
- Twin City metro area received \$550 million in relief or 61% while having 66% of the pre-reform tax burden



Eliminating the MVST Dedication to Metro Transit Would Raise Metro Taxpayers' Taxes Significantly

- The increase would be about \$124 million, as high as a 3.7% increase from this change alone
- Overall increase in the metro area from all sources in 2005 was only \$185 million or 5.3%
- Obviously the increase would be on top of any normal year to year changes.

Agenda #2

Senator Dille introduced--

S.F. No. 936: Referred to the Committee on Taxes.

1 A bill for an act

2 relating to local government aid; increasing the city

3 aid base for certain cities; amending Minnesota

4 Statutes 2004, section 477A.011, subdivision 36.

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

6 Section 1. Minnesota Statutes 2004, section 477A.011,

7 subdivision 36, is amended to read:

8 Subd. 36. [CITY AID BASE.] (a) Except as otherwise

9 provided in this subdivision, "city aid base" is zero.

10 (b) The city aid base for any city with a population less

11 than 500 is increased by \$40,000 for aids payable in calendar

12 year 1995 and thereafter, and the maximum amount of total aid it

13 may receive under section 477A.013, subdivision 9, paragraph

14 (c), is also increased by \$40,000 for aids payable in calendar

15 year 1995 only, provided that:

16 (i) the average total tax capacity rate for taxes payable

17 in 1995 exceeds 200 percent;

18 (ii) the city portion of the tax capacity rate exceeds 100

19 percent; and

20 (iii) its city aid base is less than \$60 per capita.

21 (c) The city aid base for a city is increased by \$20,000 in

22 1998 and thereafter and the maximum amount of total aid it may

23 receive under section 477A.013, subdivision 9, paragraph (c), is

24 also increased by \$20,000 in calendar year 1998 only, provided

25 that:

1 (i) the city has a population in 1994 of 2,500 or more;

2 (ii) the city is located in a county, outside of the
3 metropolitan area, which contains a city of the first class;

4 (iii) the city's net tax capacity used in calculating its
5 1996 aid under section 477A.013 is less than \$400 per capita;
6 and

7 (iv) at least four percent of the total net tax capacity,
8 for taxes payable in 1996, of property located in the city is
9 classified as railroad property.

10 (d) The city aid base for a city is increased by \$200,000
11 in 1999 and thereafter and the maximum amount of total aid it
12 may receive under section 477A.013, subdivision 9, paragraph
13 (c), is also increased by \$200,000 in calendar year 1999 only,
14 provided that:

15 (i) the city was incorporated as a statutory city after
16 December 1, 1993;

17 (ii) its city aid base does not exceed \$5,600; and

18 (iii) the city had a population in 1996 of 5,000 or more.

19 (e) The city aid base for a city is increased by \$450,000
20 in 1999 to 2008 and the maximum amount of total aid it may
21 receive under section 477A.013, subdivision 9, paragraph (c), is
22 also increased by \$450,000 in calendar year 1999 only, provided
23 that:

24 (i) the city had a population in 1996 of at least 50,000;

25 (ii) its population had increased by at least 40 percent in
26 the ten-year period ending in 1996; and

27 (iii) its city's net tax capacity for aids payable in 1998
28 is less than \$700 per capita.

29 (f) Beginning in 2004, the city aid base for a city is
30 equal to the sum of its city aid base in 2003 and the amount of
31 additional aid it was certified to receive under section 477A.06
32 in 2003. For 2004 only, the maximum amount of total aid a city
33 may receive under section 477A.013, subdivision 9, paragraph
34 (c), is also increased by the amount it was certified to receive
35 under section 477A.06 in 2003.

36 (g) The city aid base for a city is increased by \$150,000

1 for aids payable in 2000 and thereafter, and the maximum amount
2 of total aid it may receive under section 477A.013, subdivision
3 9, paragraph (c), is also increased by \$150,000 in calendar year
4 2000 only, provided that:

5 (1) the city has a population that is greater than 1,000
6 and less than 2,500;

7 (2) its commercial and industrial percentage for aids
8 payable in 1999 is greater than 45 percent; and

9 (3) the total market value of all commercial and industrial
10 property in the city for assessment year 1999 is at least 15
11 percent less than the total market value of all commercial and
12 industrial property in the city for assessment year 1998.

13 (h) The city aid base for a city is increased by \$200,000
14 in 2000 and thereafter, and the maximum amount of total aid it
15 may receive under section 477A.013, subdivision 9, paragraph
16 (c), is also increased by \$200,000 in calendar year 2000 only,
17 provided that:

18 (1) the city had a population in 1997 of 2,500 or more;

19 (2) the net tax capacity of the city used in calculating
20 its 1999 aid under section 477A.013 is less than \$650 per
21 capita;

22 (3) the pre-1940 housing percentage of the city used in
23 calculating 1999 aid under section 477A.013 is greater than 12
24 percent;

25 (4) the 1999 local government aid of the city under section
26 477A.013 is less than 20 percent of the amount that the formula
27 aid of the city would have been if the need increase percentage
28 was 100 percent; and

29 (5) the city aid base of the city used in calculating aid
30 under section 477A.013 is less than \$7 per capita.

31 (i) The city aid base for a city is increased by \$102,000
32 in 2000 and thereafter, and the maximum amount of total aid it
33 may receive under section 477A.013, subdivision 9, paragraph
34 (c), is also increased by \$102,000 in calendar year 2000 only,
35 provided that:

36 (1) the city has a population in 1997 of 2,000 or more;

1 (2) the net tax capacity of the city used in calculating
2 its 1999 aid under section 477A.013 is less than \$455 per
3 capita;

4 (3) the net levy of the city used in calculating 1999 aid
5 under section 477A.013 is greater than \$195 per capita; and

6 (4) the 1999 local government aid of the city under section
7 477A.013 is less than 38 percent of the amount that the formula
8 aid of the city would have been if the need increase percentage
9 was 100 percent.

10 (j) The city aid base for a city is increased by \$32,000 in
11 2001 and thereafter, and the maximum amount of total aid it may
12 receive under section 477A.013, subdivision 9, paragraph (c), is
13 also increased by \$32,000 in calendar year 2001 only, provided
14 that:

15 (1) the city has a population in 1998 that is greater than
16 200 but less than 500;

17 (2) the city's revenue need used in calculating aids
18 payable in 2000 was greater than \$200 per capita;

19 (3) the city net tax capacity for the city used in
20 calculating aids available in 2000 was equal to or less than
21 \$200 per capita;

22 (4) the city aid base of the city used in calculating aid
23 under section 477A.013 is less than \$65 per capita; and

24 (5) the city's formula aid for aids payable in 2000 was
25 greater than zero.

26 (k) The city aid base for a city is increased by \$7,200 in
27 2001 and thereafter, and the maximum amount of total aid it may
28 receive under section 477A.013, subdivision 9, paragraph (c), is
29 also increased by \$7,200 in calendar year 2001 only, provided
30 that:

31 (1) the city had a population in 1998 that is greater than
32 200 but less than 500;

33 (2) the city's commercial industrial percentage used in
34 calculating aids payable in 2000 was less than ten percent;

35 (3) more than 25 percent of the city's population was 60
36 years old or older according to the 1990 census;

1 (4) the city aid base of the city used in calculating aid
2 under section 477A.013 is less than \$15 per capita; and

3 (5) the city's formula aid for aids payable in 2000 was
4 greater than zero.

5 (1) The city aid base for a city is increased by \$45,000 in
6 2001 and thereafter and by an additional \$50,000 in calendar
7 years 2002 to 2011, and the maximum amount of total aid it may
8 receive under section 477A.013, subdivision 9, paragraph (c), is
9 also increased by \$45,000 in calendar year 2001 only, and by
10 \$50,000 in calendar year 2002 only, provided that:

11 (1) the net tax capacity of the city used in calculating
12 its 2000 aid under section 477A.013 is less than \$810 per
13 capita;

14 (2) the population of the city declined more than two
15 percent between 1988 and 1998;

16 (3) the net levy of the city used in calculating 2000 aid
17 under section 477A.013 is greater than \$240 per capita; and

18 (4) the city received less than \$36 per capita in aid under
19 section 477A.013, subdivision 9, for aids payable in 2000.

20 (m) The city aid base for a city with a population of
21 10,000 or more which is located outside of the seven-county
22 metropolitan area is increased in 2002 and thereafter, and the
23 maximum amount of total aid it may receive under section
24 477A.013, subdivision 9, paragraph (b) or (c), is also increased
25 in calendar year 2002 only, by an amount equal to the lesser of:

26 (1)(i) the total population of the city, as determined by
27 the United States Bureau of the Census, in the 2000 census, (ii)
28 minus 5,000, (iii) times 60; or

29 (2) \$2,500,000.

30 (n) The city aid base is increased by \$50,000 in 2002 and
31 thereafter, and the maximum amount of total aid it may receive
32 under section 477A.013, subdivision 9, paragraph (c), is also
33 increased by \$50,000 in calendar year 2002 only, provided that:

34 (1) the city is located in the seven-county metropolitan
35 area;

36 (2) its population in 2000 is between 10,000 and 20,000;

1 and

2 (3) its commercial industrial percentage, as calculated for
3 city aid payable in 2001, was greater than 25 percent.

4 (o) The city aid base for a city is increased by \$150,000
5 in calendar years 2002 to 2011 and the maximum amount of total
6 aid it may receive under section 477A.013, subdivision 9,
7 paragraph (c), is also increased by \$150,000 in calendar year
8 2002 only, provided that:

9 (1) the city had a population of at least 3,000 but no more
10 than 4,000 in 1999;

11 (2) its home county is located within the seven-county
12 metropolitan area;

13 (3) its pre-1940 housing percentage is less than 15
14 percent; and

15 (4) its city net tax capacity per capita for taxes payable
16 in 2000 is less than \$900 per capita.

17 (p) The city aid base for a city is increased by \$200,000
18 beginning in calendar year 2003 and the maximum amount of total
19 aid it may receive under section 477A.013, subdivision 9,
20 paragraph (c), is also increased by \$200,000 in calendar year
21 2003 only, provided that the city qualified for an increase in
22 homestead and agricultural credit aid under Laws 1995, chapter
23 264, article 8, section 18.

24 (q) The city aid base for a city is increased by \$200,000
25 in 2004 only and the maximum amount of total aid it may receive
26 under section 477A.013, subdivision 9, is also increased by
27 \$200,000 in calendar year 2004 only, if the city is the site of
28 a nuclear dry cask storage facility.

29 (r) The city aid base for a city is increased by \$10,000 in
30 2004 and thereafter and the maximum total aid it may receive
31 under section 477A.013, subdivision 9, is also increased by
32 \$10,000 in calendar year 2004 only, if the city was included in
33 a federal major disaster designation issued on April 1, 1998,
34 and its pre-1940 housing stock was decreased by more than 40
35 percent between 1990 and 2000.

36 (s) The city aid base for a city is increased by \$500,000

1 in calendar year 2006 and thereafter, and the maximum amount of
2 total aid the city may receive under section 477A.013,
3 subdivision 9, paragraph (c), is also increased by \$500,000 in
4 calendar year 2006 only, provided that:

5 (1) the city is located outside of the seven-county
6 metropolitan area;

7 (2) the city's 2000 population is between 10,000 and
8 20,000;

9 (3) the net levy of the city used in calculating 2005 aid
10 under section 477A.013 is greater than \$350 per capita; and

11 (4) the city's commercial industrial percentage under
12 subdivision 32, for aids payable in 2005, was at least 20
13 percent.

14 [EFFECTIVE DATE.] This section is effective for aids paid
15 beginning in calendar year 2006.

MINNESOTA REVENUE

PROPERTY TAX City Aid Base Increase

March 8, 2005

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 936 (Dille) / H.F. 1101 (Newman)

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective beginning with aids payable in 2006.

EXPLANATION OF THE BILL

For the purpose of calculating local government aid, the bill would increase the aid base for a city by \$500,000 in CY 2006 and thereafter, provided that:

- the city is located outside of the seven-county metropolitan area;
- the city's 2000 population is between 10,000 and 20,000;
- the 2004 city net levy used in calculating 2005 aid is greater than \$350 per capita; and
- the city's commercial industrial percentage for aids payable in 2005 was at least 20%.

The maximum aid the city may receive is also increased by \$500,000 in CY 2006 only.

REVENUE ANALYSIS DETAIL

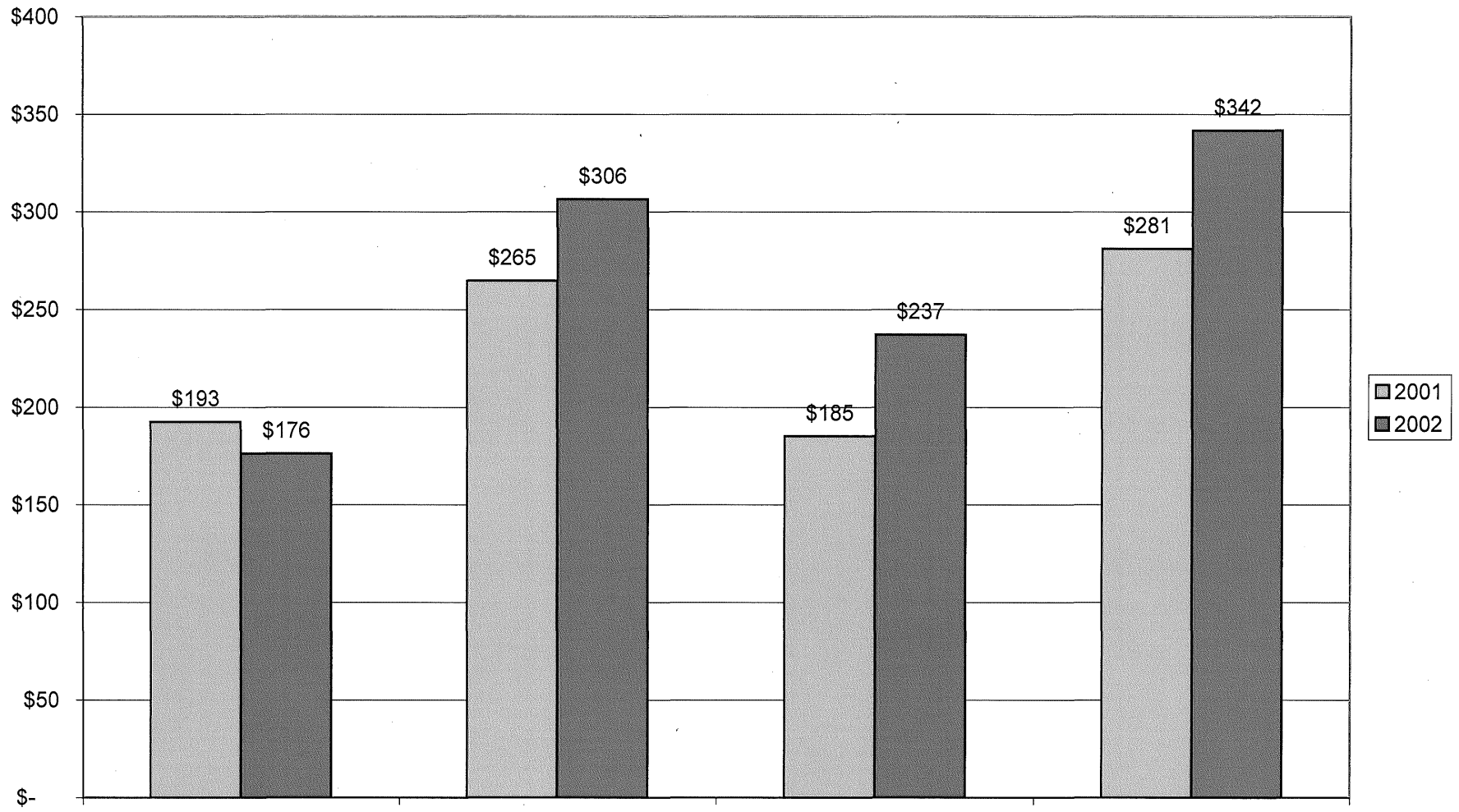
- There is no state cost associated with this change in the aid base because total aid is set to a fixed appropriation level.
- The only city eligible for this aid base increase is the city of Hutchinson.
- The increase in aid base would shift aid to the city of Hutchinson and away from other cities receiving local government aid.

Number of Taxpayers: 853 cities eligible to receive local government aid.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

Hay 1001 #1

2001 & 2002 Per Capita City Total HACA & LGA



Hutchinson

New Ulm

Willmar

Fairmont

City comparison 2001 & 2002

Chart 1

City of Hutchinson

TAX CHANGES IMPACT

State Aid Changes – Hutchinson compared to selected other out state cities

	Local Government Aid		HACA		TOTAL	
	2001	2002	2001	2002	2001	2002
Hutchinson	\$1,577,238	\$2,305,717	\$940,819	-0-	\$2,518,057	\$2,305,717
Population 2001 = 13,080				Increase (decrease)		(212,340)
	(\$250,000 formula change)			Per Capita	\$192.83	\$176.39
Comparable Cities						
New Ulm	\$2,924,246	\$4,165,314	\$673,379	-0-	\$3,597,769	\$4,165,314
Population 2001 = 13,594				Increase (decrease)		\$568,545
				Per Capita	\$264.66	\$306.60
Willmar	\$2,737,417	\$4,352,393	\$661,253	-0-	\$3,398,812	\$4,352,393
Population 2001 = 18,351				Increase (decrease)		\$953,581
				Per Capita	\$185.21	\$238.32
Fairmont	\$2,535,880	\$3,721,192	\$523,705	-0-	\$3,059,697	\$3,721,192
Population 2001 = 10,889 (lost population from 1990)				Increase (decrease)		\$661,495
				Per Capita	\$280.99	\$341.95

Hutchinson's STATE AID Formula (Decrease)

State Aids were adjusted for cities having older housing stock and lower commercial/industrial valuation numbers.

Hutchinson numbers are strong in both areas - a low pre 1940 housing stock of 822 units of 4,741 housing units. (This number did not change between 2001 and 2002)

AND

Commercial % has grown	2001	2002
Commercial Industrial Market Value	\$96,984,489	\$119,117,757
Total Real & Personal Market Value	\$474,677,739	\$528,225,151
Percent	20.43%	22.55%

Strength of tax base of Hutchinson adversely affect aid (strong per capita tax base)
(Only Willmar had a higher percentage 23.31% with a value of \$583,359,812)

City did benefit by being in category of outstate city with a population over 10,000 (formula added \$60 per person for population number over 5000 Hutchinson = \$484,800) was added to the local government aid base BUT BECAUSE OF POPULATION IS ON LOWER - POPULATION LAST YEAR'S ESTIMATE WAS HIGHER THAN 2001 CENSUS numbers.

HACA Aid rescinded

Hutchinson received \$951, 267 in 2001 and used the funds to reduce taxes payable in 2001 as follows

	Requested levy	HACA reduction	Levy Certified
General Fund	\$3,106,719	\$568,494	\$2,489,825
General Obligation Bonds	290,400	63,479	209,921
Sp Assess Improv Bonds	<u>1,460,700</u>	<u>319,295</u>	<u>1,141,405</u>
TOTAL	4,857,819	951,267	3,841,141

Without the HACA reduction the City's tax levy would have been \$4,857,819.

- Hutchinson as compare to most other outstate cities HACA was significantly higher (hence the most to lose)
- We have been informed the higher HACA came as a result of higher commercial property values and the resulting "buy down" for city property.

2002 Tax Levy (December current proposed)

General Fund	\$3,060,727
General Obligation Bonds	152,700
Sp. Assess Improv. Bonds	<u>1,329,902</u>
TOTAL	\$4,523.329

HUTCHINSON'S LEVY

- Because of state aid changes as outlined above other comparison cities are able to increase spending without impacting the city's real estate taxes. Hutchinson before any spending increases must add a local levy of \$212,340 to be in the **same aid dollar as 2001**.
- Hutchinson, because of the adjustment formula and aid formula that results while other out state city's as show above are able to increase their spending without affecting local taxes - Hutchinson is not allowed this luxury. We the city faces the dilemma of being forced to have higher real estate taxes because of aid loss
- Even if the city would want to increase taxes for loss of aid and other city council approved local needs the State has limited the city's ability to increase real estate taxes by adding levy limits for the next 2 years.
- The formula also brings some inherit problems as you can see the per capital aid numbers for cities compared. Hutchinson by the nature of the formula is forced to rely on real estate taxes and is forced by the aid numbers outlined.

The aids inequalities results in higher tax rates for Hutchinson and becomes a competitive disadvantage when businesses are looking for a locations and also when home owners compare tax rates with Hutchinson peer cities,

OTHER CHANGES

Changes in the formula on real estate taxes has caused compression of properties

	<u>2001</u>	<u>2002</u>
Assessors Market Value (AMV)	\$529,248,300	\$566,117,600
Tax Capacity (formula's applied to AMV)	8,520,460	6,733,407
City of Hutchinson Tax Levy	3,851,589	4,543,329
TAX RATE	45.204	67.474%
(% applied to individual property tax capacity)		

	A	B	C	D	E	F	G	H
1	City	2003 Population	2004 LGA/person	Tax Capacity/person	2004 LGA	2004 City Net Tax Levy	2004 Capacity	2004 City Tax Rate
2	Virginia	8,981	396.73	358	3,404,879	2,204,355	3,217,159	77.97%
3	Hibbing	16,800	372.80	359	6,689,124	4,406,993	6,030,261	77.42%
4	Winona	27,018	321.95	527	9,064,527	4,102,449	14,243,344	29.95%
5	Fairmont	10,778	301.56	458	3,417,145	1,669,285	4,939,344	37.66%
6	Albert Lea	18,082	296.46	447	5,343,836	2,254,026	8,082,457	29.01%
7	Austin	23,685	274.21	387	6,725,283	2,550,340	9,158,850	29.35%
8	Bemidji	12,758	254.26	412	3,301,787	1,734,831	5,261,197	34.71%
9	Brainerd	13,780	253.19	475	3,739,034	2,500,872	6,551,424	41.44%
10	New Ulm	13,798	250.80	483	3,683,598	3,647,465	6,669,669	58.78%
11	Faribault	22,037	248.97	502	5,745,241	2,586,672	11,055,588	25.80%
12	Fergus Falls	13,782	247.36	535	3,677,628	2,684,662	7,376,017	39.19%
13	Worthington	11,300	240.46	380	2,635,882	1,991,428	4,288,751	49.42%
14	Cloquet	11,499	239.37	542	2,491,350	2,612,201	6,226,782	44.96%
15	Little Falls	8,224	230.82	444	1,989,706	2,090,738	3,648,140	65.14%
16	Mankato	33,844	224.74	619	7,444,154	7,761,016	20,946,072	39.29%
17	Moorhead	32,720	218.22	384	7,585,565	4,671,252	12,579,624	39.79%
18	Willmar	18,597	212.47	433	4,158,237	2,069,557	8,045,138	26.05%
19	Owatonna	23,379	177.98	617	4,428,487	5,506,032	14,429,517	39.31%
20	Marshall	12,788	174.12	582	2,295,529	2,965,073	7,444,251	46.35%
21	Northfield	18,256	145.29	563	2,881,921	3,773,485	10,277,164	38.40%
22	Hutchinson	13,545	142.58	586	1,980,286	4,780,811	7,937,112	61.31%
23	Red Wing	16,191	12.35	1,167	1,261,378	11,519,226	18,891,116	63.56%
24	<i>AVERAGE</i>		238.03	512				
25								
26							Summary page 1	

Agenda #3

Senator Nienow introduced--

S.F. No. 1097: Referred to the Committee on Taxes.

1 A bill for an act

2 relating to local government aid; increasing the city

3 aid base for certain cities; amending Minnesota

4 Statutes 2004, section 477A.011, subdivision 36.

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

6 Section 1. Minnesota Statutes 2004, section 477A.011,

7 subdivision 36, is amended to read:

8 Subd. 36. [CITY AID BASE.] (a) Except as otherwise

9 provided in this subdivision, "city aid base" is zero.

10 (b) The city aid base for any city with a population less

11 than 500 is increased by \$40,000 for aids payable in calendar

12 year 1995 and thereafter, and the maximum amount of total aid it

13 may receive under section 477A.013, subdivision 9, paragraph

14 (c), is also increased by \$40,000 for aids payable in calendar

15 year 1995 only, provided that:

16 (i) the average total tax capacity rate for taxes payable

17 in 1995 exceeds 200 percent;

18 (ii) the city portion of the tax capacity rate exceeds 100

19 percent; and

20 (iii) its city aid base is less than \$60 per capita.

21 (c) The city aid base for a city is increased by \$20,000 in

22 1998 and thereafter and the maximum amount of total aid it may

23 receive under section 477A.013, subdivision 9, paragraph (c), is

24 also increased by \$20,000 in calendar year 1998 only, provided

25 that:

1 (i) the city has a population in 1994 of 2,500 or more;

2 (ii) the city is located in a county, outside of the
3 metropolitan area, which contains a city of the first class;

4 (iii) the city's net tax capacity used in calculating its
5 1996 aid under section 477A.013 is less than \$400 per capita;
6 and

7 (iv) at least four percent of the total net tax capacity,
8 for taxes payable in 1996, of property located in the city is
9 classified as railroad property.

10 (d) The city aid base for a city is increased by \$200,000
11 in 1999 and thereafter and the maximum amount of total aid it
12 may receive under section 477A.013, subdivision 9, paragraph
13 (c), is also increased by \$200,000 in calendar year 1999 only,
14 provided that:

15 (i) the city was incorporated as a statutory city after
16 December 1, 1993;

17 (ii) its city aid base does not exceed \$5,600; and

18 (iii) the city had a population in 1996 of 5,000 or more.

19 (e) The city aid base for a city is increased by \$450,000
20 in 1999 to 2008 and the maximum amount of total aid it may
21 receive under section 477A.013, subdivision 9, paragraph (c), is
22 also increased by \$450,000 in calendar year 1999 only, provided
23 that:

24 (i) the city had a population in 1996 of at least 50,000;

25 (ii) its population had increased by at least 40 percent in
26 the ten-year period ending in 1996; and

27 (iii) its city's net tax capacity for aids payable in 1998
28 is less than \$700 per capita.

29 (f) Beginning in 2004, the city aid base for a city is
30 equal to the sum of its city aid base in 2003 and the amount of
31 additional aid it was certified to receive under section 477A.06
32 in 2003. For 2004 only, the maximum amount of total aid a city
33 may receive under section 477A.013, subdivision 9, paragraph
34 (c), is also increased by the amount it was certified to receive
35 under section 477A.06 in 2003.

36 (g) The city aid base for a city is increased by \$150,000

1 for aids payable in 2000 and thereafter, and the maximum amount
2 of total aid it may receive under section 477A.013, subdivision
3 9, paragraph (c), is also increased by \$150,000 in calendar year
4 2000 only, provided that:

5 (1) the city has a population that is greater than 1,000
6 and less than 2,500;

7 (2) its commercial and industrial percentage for aids
8 payable in 1999 is greater than 45 percent; and

9 (3) the total market value of all commercial and industrial
10 property in the city for assessment year 1999 is at least 15
11 percent less than the total market value of all commercial and
12 industrial property in the city for assessment year 1998.

13 (h) The city aid base for a city is increased by \$200,000
14 in 2000 and thereafter, and the maximum amount of total aid it
15 may receive under section 477A.013, subdivision 9, paragraph
16 (c), is also increased by \$200,000 in calendar year 2000 only,
17 provided that:

18 (1) the city had a population in 1997 of 2,500 or more;

19 (2) the net tax capacity of the city used in calculating
20 its 1999 aid under section 477A.013 is less than \$650 per
21 capita;

22 (3) the pre-1940 housing percentage of the city used in
23 calculating 1999 aid under section 477A.013 is greater than 12
24 percent;

25 (4) the 1999 local government aid of the city under section
26 477A.013 is less than 20 percent of the amount that the formula
27 aid of the city would have been if the need increase percentage
28 was 100 percent; and

29 (5) the city aid base of the city used in calculating aid
30 under section 477A.013 is less than \$7 per capita.

31 (i) The city aid base for a city is increased by \$102,000
32 in 2000 and thereafter, and the maximum amount of total aid it
33 may receive under section 477A.013, subdivision 9, paragraph
34 (c), is also increased by \$102,000 in calendar year 2000 only,
35 provided that:

36 (1) the city has a population in 1997 of 2,000 or more;

1 (2) the net tax capacity of the city used in calculating
2 its 1999 aid under section 477A.013 is less than \$455 per
3 capita;

4 (3) the net levy of the city used in calculating 1999 aid
5 under section 477A.013 is greater than \$195 per capita; and

6 (4) the 1999 local government aid of the city under section
7 477A.013 is less than 38 percent of the amount that the formula
8 aid of the city would have been if the need increase percentage
9 was 100 percent.

10 (j) The city aid base for a city is increased by \$32,000 in
11 2001 and thereafter, and the maximum amount of total aid it may
12 receive under section 477A.013, subdivision 9, paragraph (c), is
13 also increased by \$32,000 in calendar year 2001 only, provided
14 that:

15 (1) the city has a population in 1998 that is greater than
16 200 but less than 500;

17 (2) the city's revenue need used in calculating aids
18 payable in 2000 was greater than \$200 per capita;

19 (3) the city net tax capacity for the city used in
20 calculating aids available in 2000 was equal to or less than
21 \$200 per capita;

22 (4) the city aid base of the city used in calculating aid
23 under section 477A.013 is less than \$65 per capita; and

24 (5) the city's formula aid for aids payable in 2000 was
25 greater than zero.

26 (k) The city aid base for a city is increased by \$7,200 in
27 2001 and thereafter, and the maximum amount of total aid it may
28 receive under section 477A.013, subdivision 9, paragraph (c), is
29 also increased by \$7,200 in calendar year 2001 only, provided
30 that:

31 (1) the city had a population in 1998 that is greater than
32 200 but less than 500;

33 (2) the city's commercial industrial percentage used in
34 calculating aids payable in 2000 was less than ten percent;

35 (3) more than 25 percent of the city's population was 60
36 years old or older according to the 1990 census;

1 (4) the city aid base of the city used in calculating aid
2 under section 477A.013 is less than \$15 per capita; and

3 (5) the city's formula aid for aids payable in 2000 was
4 greater than zero.

5 (1) The city aid base for a city is increased by \$45,000 in
6 2001 and thereafter and by an additional \$50,000 in calendar
7 years 2002 to 2011, and the maximum amount of total aid it may
8 receive under section 477A.013, subdivision 9, paragraph (c), is
9 also increased by \$45,000 in calendar year 2001 only, and by
10 \$50,000 in calendar year 2002 only, provided that:

11 (1) the net tax capacity of the city used in calculating
12 its 2000 aid under section 477A.013 is less than \$810 per
13 capita;

14 (2) the population of the city declined more than two
15 percent between 1988 and 1998;

16 (3) the net levy of the city used in calculating 2000 aid
17 under section 477A.013 is greater than \$240 per capita; and

18 (4) the city received less than \$36 per capita in aid under
19 section 477A.013, subdivision 9, for aids payable in 2000.

20 (m) The city aid base for a city with a population of
21 10,000 or more which is located outside of the seven-county
22 metropolitan area is increased in 2002 and thereafter, and the
23 maximum amount of total aid it may receive under section
24 477A.013, subdivision 9, paragraph (b) or (c), is also increased
25 in calendar year 2002 only, by an amount equal to the lesser of:

26 (1)(i) the total population of the city, as determined by
27 the United States Bureau of the Census, in the 2000 census, (ii)
28 minus 5,000, (iii) times 60; or

29 (2) \$2,500,000.

30 (n) The city aid base is increased by \$50,000 in 2002 and
31 thereafter, and the maximum amount of total aid it may receive
32 under section 477A.013, subdivision 9, paragraph (c), is also
33 increased by \$50,000 in calendar year 2002 only, provided that:

34 (1) the city is located in the seven-county metropolitan
35 area;

36 (2) its population in 2000 is between 10,000 and 20,000;

1 and

2 (3) its commercial industrial percentage, as calculated for
3 city aid payable in 2001, was greater than 25 percent.

4 (o) The city aid base for a city is increased by \$150,000
5 in calendar years 2002 to 2011 and the maximum amount of total
6 aid it may receive under section 477A.013, subdivision 9,
7 paragraph (c), is also increased by \$150,000 in calendar year
8 2002 only, provided that:

9 (1) the city had a population of at least 3,000 but no more
10 than 4,000 in 1999;

11 (2) its home county is located within the seven-county
12 metropolitan area;

13 (3) its pre-1940 housing percentage is less than 15
14 percent; and

15 (4) its city net tax capacity per capita for taxes payable
16 in 2000 is less than \$900 per capita.

17 (p) The city aid base for a city is increased by \$200,000
18 beginning in calendar year 2003 and the maximum amount of total
19 aid it may receive under section 477A.013, subdivision 9,
20 paragraph (c), is also increased by \$200,000 in calendar year
21 2003 only, provided that the city qualified for an increase in
22 homestead and agricultural credit aid under Laws 1995, chapter
23 264, article 8, section 18.

24 (q) The city aid base for a city is increased by \$200,000
25 in 2004 only and the maximum amount of total aid it may receive
26 under section 477A.013, subdivision 9, is also increased by
27 \$200,000 in calendar year 2004 only, if the city is the site of
28 a nuclear dry cask storage facility.

29 (r) The city aid base for a city is increased by \$10,000 in
30 2004 and thereafter and the maximum total aid it may receive
31 under section 477A.013, subdivision 9, is also increased by
32 \$10,000 in calendar year 2004 only, if the city was included in
33 a federal major disaster designation issued on April 1, 1998,
34 and its pre-1940 housing stock was decreased by more than 40
35 percent between 1990 and 2000.

36 (s) The city aid base for a city is increased by \$25,000 in

1 2006 and thereafter and the maximum total aid it may receive
2 under section 477A.013, subdivision 9, is also increased by
3 \$25,000 in calendar year 2006 only if the city had a population
4 in 2003 of at least 1,000 and has a state park for which the
5 city provides rescue services and which comprised at least 14
6 percent of the total geographic area included within the city
7 boundaries in 2000.

8 [EFFECTIVE DATE.] This section is effective for aids
9 payable in 2006 and thereafter.

MINNESOTA • REVENUE

PROPERTY TAX City Aid Base Increase

March 8, 2005

	Yes	No
Separate Official Fiscal Note Requested	X	
Fiscal Impact		
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 1146 (Nelson, P.) / S.F. 1097 (Nienow)

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective beginning with aids payable in 2006.

EXPLANATION OF THE BILL

For the purpose of calculating local government aid, the bill would increase the city aid base by \$25,000 in CY 2006 and thereafter for a city, provided that:

- the city's 2003 population is at least 1,000; and
- the city has a state park for which the city provides rescue services and which comprised at least 14% of the total geographic area included within the city boundaries in 2000.

The maximum aid the city may receive is also increased by \$25,000 in CY 2006 only.

REVENUE ANALYSIS DETAIL

- There is no state cost associated with this change in the aid base because total aid is set to a fixed appropriation level.
- The only city eligible for this aid base increase is the city of Taylors Falls.
- The increase in aid base would shift aid to the city of Taylors Falls and away from other cities receiving local government aid.

Number of Taxpayers: 853 cities eligible to receive local government aid.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

hf1146(sf1097)_1/nrg

Agenda #4

Senator Fischbach introduced--

S.F. No. 1011: Referred to the Committee on Taxes.

1 A bill for an act

2 relating to local government aids; increasing the city

3 aid base for certain cities; amending Minnesota

4 Statutes 2004, section 477A.011, subdivision 36.

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

6 Section 1. Minnesota Statutes 2004, section 477A.011,

7 subdivision 36, is amended to read:

8 Subd. 36. [CITY AID BASE.] (a) Except as otherwise

9 provided in this subdivision, "city aid base" is zero.

10 (b) The city aid base for any city with a population less

11 than 500 is increased by \$40,000 for aids payable in calendar

12 year 1995 and thereafter, and the maximum amount of total aid it

13 may receive under section 477A.013, subdivision 9, paragraph

14 (c), is also increased by \$40,000 for aids payable in calendar

15 year 1995 only, provided that:

16 (i) the average total tax capacity rate for taxes payable

17 in 1995 exceeds 200 percent;

18 (ii) the city portion of the tax capacity rate exceeds 100

19 percent; and

20 (iii) its city aid base is less than \$60 per capita.

21 (c) The city aid base for a city is increased by \$20,000 in

22 1998 and thereafter and the maximum amount of total aid it may

23 receive under section 477A.013, subdivision 9, paragraph (c), is

24 also increased by \$20,000 in calendar year 1998 only, provided

25 that:

- 1 (i) the city has a population in 1994 of 2,500 or more;
- 2 (ii) the city is located in a county, outside of the
- 3 metropolitan area, which contains a city of the first class;
- 4 (iii) the city's net tax capacity used in calculating its
- 5 1996 aid under section 477A.013 is less than \$400 per capita;
- 6 and
- 7 (iv) at least four percent of the total net tax capacity,
- 8 for taxes payable in 1996, of property located in the city is
- 9 classified as railroad property.

10 (d) The city aid base for a city is increased by \$200,000

11 in 1999 and thereafter and the maximum amount of total aid it

12 may receive under section 477A.013, subdivision 9, paragraph

13 (c), is also increased by \$200,000 in calendar year 1999 only,

14 provided that:

15 (i) the city was incorporated as a statutory city after

16 December 1, 1993;

17 (ii) its city aid base does not exceed \$5,600; and

18 (iii) the city had a population in 1996 of 5,000 or more.

19 (e) The city aid base for a city is increased by \$450,000

20 in 1999 to 2008 and the maximum amount of total aid it may

21 receive under section 477A.013, subdivision 9, paragraph (c), is

22 also increased by \$450,000 in calendar year 1999 only, provided

23 that:

24 (i) the city had a population in 1996 of at least 50,000;

25 (ii) its population had increased by at least 40 percent in

26 the ten-year period ending in 1996; and

27 (iii) its city's net tax capacity for aids payable in 1998

28 is less than \$700 per capita.

29 (f) Beginning in 2004, the city aid base for a city is

30 equal to the sum of its city aid base in 2003 and the amount of

31 additional aid it was certified to receive under section 477A.06

32 in 2003. For 2004 only, the maximum amount of total aid a city

33 may receive under section 477A.013, subdivision 9, paragraph

34 (c), is also increased by the amount it was certified to receive

35 under section 477A.06 in 2003.

36 (g) The city aid base for a city is increased by \$150,000

1 for aids payable in 2000 and thereafter, and the maximum amount
2 of total aid it may receive under section 477A.013, subdivision
3 9, paragraph (c), is also increased by \$150,000 in calendar year
4 2000 only, provided that:

5 (1) the city has a population that is greater than 1,000
6 and less than 2,500;

7 (2) its commercial and industrial percentage for aids
8 payable in 1999 is greater than 45 percent; and

9 (3) the total market value of all commercial and industrial
10 property in the city for assessment year 1999 is at least 15
11 percent less than the total market value of all commercial and
12 industrial property in the city for assessment year 1998.

13 (h) The city aid base for a city is increased by \$200,000
14 in 2000 and thereafter, and the maximum amount of total aid it
15 may receive under section 477A.013, subdivision 9, paragraph
16 (c), is also increased by \$200,000 in calendar year 2000 only,
17 provided that:

18 (1) the city had a population in 1997 of 2,500 or more;

19 (2) the net tax capacity of the city used in calculating
20 its 1999 aid under section 477A.013 is less than \$650 per
21 capita;

22 (3) the pre-1940 housing percentage of the city used in
23 calculating 1999 aid under section 477A.013 is greater than 12
24 percent;

25 (4) the 1999 local government aid of the city under section
26 477A.013 is less than 20 percent of the amount that the formula
27 aid of the city would have been if the need increase percentage
28 was 100 percent; and

29 (5) the city aid base of the city used in calculating aid
30 under section 477A.013 is less than \$7 per capita.

31 (i) The city aid base for a city is increased by \$102,000
32 in 2000 and thereafter, and the maximum amount of total aid it
33 may receive under section 477A.013, subdivision 9, paragraph
34 (c), is also increased by \$102,000 in calendar year 2000 only,
35 provided that:

36 (1) the city has a population in 1997 of 2,000 or more;

1 (2) the net tax capacity of the city used in calculating
2 its 1999 aid under section 477A.013 is less than \$455 per
3 capita;

4 (3) the net levy of the city used in calculating 1999 aid
5 under section 477A.013 is greater than \$195 per capita; and

6 (4) the 1999 local government aid of the city under section
7 477A.013 is less than 38 percent of the amount that the formula
8 aid of the city would have been if the need increase percentage
9 was 100 percent.

10 (j) The city aid base for a city is increased by \$32,000 in
11 2001 and thereafter, and the maximum amount of total aid it may
12 receive under section 477A.013, subdivision 9, paragraph (c), is
13 also increased by \$32,000 in calendar year 2001 only, provided
14 that:

15 (1) the city has a population in 1998 that is greater than
16 200 but less than 500;

17 (2) the city's revenue need used in calculating aids
18 payable in 2000 was greater than \$200 per capita;

19 (3) the city net tax capacity for the city used in
20 calculating aids available in 2000 was equal to or less than
21 \$200 per capita;

22 (4) the city aid base of the city used in calculating aid
23 under section 477A.013 is less than \$65 per capita; and

24 (5) the city's formula aid for aids payable in 2000 was
25 greater than zero.

26 (k) The city aid base for a city is increased by \$7,200 in
27 2001 and thereafter, and the maximum amount of total aid it may
28 receive under section 477A.013, subdivision 9, paragraph (c), is
29 also increased by \$7,200 in calendar year 2001 only, provided
30 that:

31 (1) the city had a population in 1998 that is greater than
32 200 but less than 500;

33 (2) the city's commercial industrial percentage used in
34 calculating aids payable in 2000 was less than ten percent;

35 (3) more than 25 percent of the city's population was 60
36 years old or older according to the 1990 census;

1 (4) the city aid base of the city used in calculating aid
2 under section 477A.013 is less than \$15 per capita; and

3 (5) the city's formula aid for aids payable in 2000 was
4 greater than zero.

5 (1) The city aid base for a city is increased by \$45,000 in
6 2001 and thereafter and by an additional \$50,000 in calendar
7 years 2002 to 2011, and the maximum amount of total aid it may
8 receive under section 477A.013, subdivision 9, paragraph (c), is
9 also increased by \$45,000 in calendar year 2001 only, and by
10 \$50,000 in calendar year 2002 only, provided that:

11 (1) the net tax capacity of the city used in calculating
12 its 2000 aid under section 477A.013 is less than \$810 per
13 capita;

14 (2) the population of the city declined more than two
15 percent between 1988 and 1998;

16 (3) the net levy of the city used in calculating 2000 aid
17 under section 477A.013 is greater than \$240 per capita; and

18 (4) the city received less than \$36 per capita in aid under
19 section 477A.013, subdivision 9, for aids payable in 2000.

20 (m) The city aid base for a city with a population of
21 10,000 or more which is located outside of the seven-county
22 metropolitan area is increased ~~in-2002-and-thereafter,~~ and the
23 maximum amount of total aid it may receive under section
24 477A.013, subdivision 9, paragraph (b) or (c), is also increased
25 in calendar-year-2002-only the first year in which it receives
26 aid under this paragraph, by an amount equal to the lesser of:

27 (1)(i) the total population of the city, ~~as-determined-by~~
28 ~~the-United-States-Bureau-of-the-Census,-in-the-2000-census,~~ (ii)
29 minus 5,000, (iii) times 60; or

30 (2) \$2,500,000.

31 (n) The city aid base is increased by \$50,000 in 2002 and
32 thereafter, and the maximum amount of total aid it may receive
33 under section 477A.013, subdivision 9, paragraph (c), is also
34 increased by \$50,000 in calendar year 2002 only, provided that:

35 (1) the city is located in the seven-county metropolitan
36 area;

1 (2) its population in 2000 is between 10,000 and 20,000;
2 and

3 (3) its commercial industrial percentage, as calculated for
4 city aid payable in 2001, was greater than 25 percent.

5 (o) The city aid base for a city is increased by \$150,000
6 in calendar years 2002 to 2011 and the maximum amount of total
7 aid it may receive under section 477A.013, subdivision 9,
8 paragraph (c), is also increased by \$150,000 in calendar year
9 2002 only, provided that:

10 (1) the city had a population of at least 3,000 but no more
11 than 4,000 in 1999;

12 (2) its home county is located within the seven-county
13 metropolitan area;

14 (3) its pre-1940 housing percentage is less than 15
15 percent; and

16 (4) its city net tax capacity per capita for taxes payable
17 in 2000 is less than \$900 per capita.

18 (p) The city aid base for a city is increased by \$200,000
19 beginning in calendar year 2003 and the maximum amount of total
20 aid it may receive under section 477A.013, subdivision 9,
21 paragraph (c), is also increased by \$200,000 in calendar year
22 2003 only, provided that the city qualified for an increase in
23 homestead and agricultural credit aid under Laws 1995, chapter
24 264, article 8, section 18.

25 (q) The city aid base for a city is increased by \$200,000
26 in 2004 only and the maximum amount of total aid it may receive
27 under section 477A.013, subdivision 9, is also increased by
28 \$200,000 in calendar year 2004 only, if the city is the site of
29 a nuclear dry cask storage facility.

30 (r) The city aid base for a city is increased by \$10,000 in
31 2004 and thereafter and the maximum total aid it may receive
32 under section 477A.013, subdivision 9, is also increased by
33 \$10,000 in calendar year 2004 only, if the city was included in
34 a federal major disaster designation issued on April 1, 1998,
35 and its pre-1940 housing stock was decreased by more than 40
36 percent between 1990 and 2000.

02/08/05

[REVISOR] XX/DD' 05-2216

1 [EFFECTIVE DATE.] This section is effective for aids paid
2 beginning in calendar year 2006.

MINNESOTA • REVENUE

PROPERTY TAX Local Government Aid – Regional Center City Aid Base

April 4, 2005

Department of Revenue
Analysis of S.F. 1011 (Fischbach) / H.F. 1182 (Severson)

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective beginning with aids payable in 2006.

EXPLANATION OF THE BILL

Current Law: The aid base for a city with population of 10,000 or more which is located outside the seven-county metropolitan area is increased in 2002 and thereafter by an amount equal to the lesser of:

- 1) (i) the total population of the city, as determined by the U.S. Census Bureau in the 2000 census, (ii) minus 5,000, (iii) times 60; or
- 2) \$2,500,000

The maximum aid the city may receive is also increased by an equal amount in CY 2002 only.

Proposed Law: The bill modifies the calculation of city aid base for cities with population of 10,000 or more and located outside the seven-county metropolitan area by using the current year city population instead of the 2000 census population. The maximum aid a city may receive is increased by an equal amount the first year in which a city receives the aid base increase.

REVENUE ANALYSIS DETAIL

- There is no state cost associated with this change in the aid base because total aid is set to a fixed appropriation level.
- Under current law and 2000 census population, 27 cities receive regional center aid base totaling \$24.6 million. Based on 2003 city population, 31 cities would receive regional center aid base totaling \$26.9 million.
- The increase in aid base would shift aid to the cities with increased regional center aid base and away from other cities receiving local government aid.

Number of Taxpayers: 853 cities eligible to receive local government aid.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

sf1011(hf1182)_1/nrg

Agenda #5

Senator Limmer introduced--

S.F. No. 1455: Referred to the Committee on Taxes.

1 A bill for an act

2 relating to taxation; property tax; modifying the

3 truth in taxation provisions; adding a taxpayer

4 satisfaction survey; eliminating certain required

5 public hearings and newspaper advertisements; amending

6 Minnesota Statutes 2004, sections 275.065,

7 subdivisions 1c, 3, 4, 7, by adding subdivisions;

8 275.07, subdivision 1; proposing coding for new law in

9 Minnesota Statutes, chapter 275; repealing Minnesota

10 Statutes 2004, section 275.065, subdivisions 5a, 6,

11 6b, 8.

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

13 Section 1. [275.063] [PROPOSED PROPERTY TAXES; TAXPAYER

14 SATISFACTION SURVEY; DEFINITIONS.]

15 Subdivision 1. [DEFINITIONS.] For the purposes of this

16 section and section 275.065, the following definitions apply.

17 Subd. 2. [BUDGET; COUNTIES.] For counties, "budget" means

18 total government fund expenditures, as defined by the state

19 auditor under section 375.169, less any expenditures for direct

20 payments to recipients or providers for the human service aids

21 listed below:

- 22 (1) Minnesota family investment program under chapters 256J
- 23 and 256K;
- 24 (2) medical assistance under sections 256B.041, subdivision
- 25 5, and 256B.19, subdivision 1;
- 26 (3) general assistance medical care under section 256D.03,
- 27 subdivision 6;
- 28 (4) general assistance under section 256D.03, subdivision

1 2;

2 (5) Minnesota supplemental aid under section 256D.36,
3 subdivision 1;

4 (6) preadmission screening under section 256B.0911, and
5 alternative care grants under section 256B.0913;

6 (7) general assistance medical care claims processing,
7 medical transportation, and related costs under section 256D.03,
8 subdivision 4;

9 (8) medical transportation and related costs under section
10 256B.0625, subdivisions 17 to 18a;

11 (9) group residential housing under section 256I.05,
12 subdivision 8, transferred from programs in clauses (4) and (5);

13 or

14 (10) any successor programs to those listed in clauses (1)
15 to (9).

16 Subd. 3. [BUDGET; CITIES.] For cities, "budget" means
17 total government fund expenditures, as defined by the state
18 auditor under section 471.6965, less any expenditures for
19 improvements or services that are specially assessed or charged
20 under chapter 429, 430, 435, or the provisions of any other law
21 or charter.

22 Subd. 4. [POPULATION.] "Population" of a city means the
23 most recent population as determined by the state demographer
24 under section 4A.02 or by the Metropolitan Council under section
25 477A.011, subdivision 3.

26 Subd. 5. [PROPERTY TAX LEVY SUBJECT TO APPROVAL; COUNTIES
27 AND CITIES.] For a county or a city, "property tax levy subject
28 to approval" means the jurisdiction's levy excluding (1) any
29 debt levy, and (2) any previously voter-approved levy.

30 Subd. 6. [DEBT LEVY.] "Debt levy" means a levy to:

31 (1) pay the costs of principal and interest on bonded
32 indebtedness;

33 (2) pay the costs of principal and interest on certificates
34 of indebtedness issued for any corporate purpose except:

35 (i) tax anticipation or aid anticipation certificates of
36 indebtedness;

1 (ii) certificates of indebtedness issued under sections
2 298.28 and 298.282;

3 (iii) certificates of indebtedness used to fund current
4 expenses or to pay the costs of extraordinary expenditures that
5 result from a public emergency; or

6 (iv) certificates of indebtedness used to fund an
7 insufficiency in tax receipts or an insufficiency in other
8 revenue sources.

9 (3) pay another city, town, county, or school district for
10 principal and interest on general obligation debt; or

11 (4) fund payments made to the Minnesota State Armory
12 Building Commission under section 193.145, subdivision 2, to
13 retire the principal and interest on armory construction bonds.

14 Subd. 7. [STATE PROPERTY TAX CREDITS.] "State property tax
15 credits" means any credits received under sections 273.119;
16 273.123; 273.135; 273.1384; 273.1391; 273.1398, subdivision 4;
17 469.171; and 473H.10.

18 Subd. 8. [JURISDICTION SUBJECT TO TAXPAYER SATISFACTION
19 SURVEY.] A "jurisdiction subject to the taxpayer satisfaction
20 survey" means any county or any city with a population of 500 or
21 greater.

22 [EFFECTIVE DATE.] This section is effective for taxes
23 payable in 2006 and subsequent years.

24 Sec. 2. Minnesota Statutes 2004, section 275.065,
25 subdivision 1c, is amended to read:

26 Subd. 1c. [LEVY; SHARED, MERGED, CONSOLIDATED SERVICES.]
27 If two or more taxing authorities are in the process of
28 negotiating an agreement for sharing, merging, or consolidating
29 services between those taxing authorities at the time the
30 proposed levy is to be certified under subdivision 1, each
31 taxing authority involved in the negotiation shall certify its
32 total proposed levy as provided in that subdivision, including a
33 notification to the county auditor of the specific service
34 involved in the agreement which is not yet finalized. The
35 affected taxing authorities may amend their proposed levies
36 under subdivision 1 until October 1 for levy amounts relating

1 only to the specific service involved.

2 [EFFECTIVE DATE.] This section is effective for taxes
 3 payable in 2006 and subsequent years.

4 Sec. 3. Minnesota Statutes 2004, section 275.065,
 5 subdivision 3, is amended to read:

6 Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) The
 7 county auditor shall prepare and the county treasurer shall
 8 deliver after November 10 8 and on or before November 24 19 each
 9 year, by first class mail to each taxpayer at the address listed
 10 on the county's current year's assessment roll, a notice of
 11 proposed property taxes.

12 (b) The commissioner of revenue shall prescribe the form of
 13 the notice. The form must be in the form prescribed by the
 14 commissioner.

15 (c) The notice must inform taxpayers that it contains the
 16 amount of property taxes each taxing authority proposes to
 17 collect for taxes payable the following year. In the case of a
 18 town, or in the case of the state general tax, the final tax
 19 amount will be its proposed tax unless the town changes its levy
 20 at a special town meeting under section 365.52. In-the-case-of
 21 ~~taxing-authorities-required-to-hold-a-public-meeting-under~~
 22 ~~subdivision-67-the-notice-must-clearly-state-that-each-taxing~~
 23 ~~authority7-including-regional-library-districts-established~~
 24 ~~under-section-134-2017-and-including-the-metropolitan-taxing~~
 25 ~~districts-as-defined-in-paragraph-(i)7-but-excluding-all-other~~
 26 ~~special-taxing-districts-and-towns7-will-hold-a-public-meeting~~
 27 ~~to-receive-public-testimony-on-the-proposed-budget-and-proposed~~
 28 ~~or-final-property-tax-levy7-or7-in-case-of-a-school-district7-on~~
 29 ~~the-current-budget-and-proposed-property-tax-levy7---It-must~~
 30 ~~clearly-state-the-time-and-place-of-each-taxing-authority's~~
 31 ~~meeting7-a-telephone-number-for-the-taxing-authority-that~~
 32 ~~taxpayers-may-call-if-they-have-questions-related-to-the-notice7~~
 33 ~~and-an-address-where-comments-will-be-received-by-mail7~~

34 (d) The notice must state for each parcel:

35 ~~{i}~~ the market value of the property as determined under
 36 section 273.11, and used for computing property taxes payable in

1 the following year and for taxes payable in the current year as
 2 each appears in the records of the county assessor on November 1
 3 of the current year; and, in the case of residential property,
 4 whether the property is classified as homestead or
 5 nonhomestead. The notice must clearly inform taxpayers of the
 6 years to which the market values apply and that the values are
 7 final values.

8 ~~(2)~~ (e) ~~The items-listed-below, shown-separately-by~~ notice
 9 must state for each parcel, for both taxes payable in the
 10 current year and the proposed taxes payable in the following
 11 year each of the following tax amounts, net of state property
 12 tax credits: county tax, city or town tax, and state general
 13 tax, net-of-the-residential-and-agricultural-homestead-credit
 14 under-section-273-1384, voter approved school levy tax,
 15 other local school levy tax, and the sum of the tax amounts
 16 for special taxing districts, the tax increment tax on captured
 17 tax capacity, if applicable, plus the fiscal disparities
 18 areawide tax under chapter 276A or 473F, if applicable, and as a
 19 total of tax amount for all taxing authorities:

20 ~~(i)-the-actual-tax-for-taxes-payable-in-the-current-year,~~
 21 and

22 ~~(ii)-the-proposed-tax-amount.~~

23 ~~If-the-county-levy-under-clause-(2)-includes-an-amount-for~~
 24 ~~a-lake-improvement-district-as-defined-under-sections-103B-501~~
 25 ~~to-103B-581, the-amount-attributable-for-that-purpose-must-be~~
 26 ~~separately-stated-from-the-remaining-county-levy-amount.~~

27 ~~In-the-case-of-a-town-or-the-state-general-tax, the-final~~
 28 ~~tax-shall-also-be-its-proposed-tax-unless-the-town-changes-its~~
 29 ~~levy-at-a-special-town-meeting-under-section-365-52.---if-a~~
 30 ~~school-district-has-certified-under-section-126C.17, subdivision~~
 31 ~~9, that-a-referendum-will-be-held-in-the-school-district-at-the~~
 32 ~~November-general-election, the-county-auditor-must-note-next-to~~
 33 ~~the-school-district's-proposed-amount-that-a-referendum-is~~
 34 ~~pending-and-that, if-approved-by-the-voters, the-tax-amount-may~~
 35 ~~be-higher-than-shown-on-the-notice.---in-the-case-of-the-city-of~~
 36 ~~Minneapolis, the-levy-for-the-Minneapolis-Library-Board-and-the~~

1 ~~levy for Minneapolis Park and Recreation shall be listed~~
 2 ~~separately from the remaining amount of the city's levy. In the~~
 3 ~~case of the city of St. Paul, the levy for the St. Paul Library~~
 4 ~~Agency must be listed separately from the remaining amount of~~
 5 ~~the city's levy. In the case of a parcel where tax increment or~~
 6 ~~the fiscal disparities areawide tax under chapter 276A or 473F~~
 7 ~~applies, the proposed tax levy on the captured value or the~~
 8 ~~proposed tax levy on the tax capacity subject to the areawide~~
 9 ~~tax must each be stated separately and not included in the sum~~
 10 ~~of the special taxing districts, and~~

11 ~~(3) the increase or decrease between the total taxes~~
 12 ~~payable in the current year and the total proposed taxes,~~
 13 ~~expressed as a percentage.~~

14 (f) The notice must state for each parcel the increase or
 15 decrease between the total taxes payable in the current year and
 16 the total proposed taxes, expressed as a percentage.

17 (g) The notice must state for each parcel any additional
 18 tax that would apply to the property under a referendum pending
 19 at the November general election. Any amount shown under this
 20 item should be indicated as pending the results of referendum
 21 elections, and shall not be reflected in the total proposed net
 22 tax amount.

23 (h) For purposes of this section, the amount of the tax on
 24 homesteads qualifying under the senior citizens' property tax
 25 deferral program under chapter 290B is the total amount of
 26 property tax before subtraction of the deferred property tax
 27 amount.

28 ~~(e)~~ (i) The notice must clearly state that the proposed or
 29 final taxes do not include the following:

30 (1) special assessments;

31 (2) levies approved by the voters after the date of the
 32 ~~proposed taxes are certified, including bond referenda and~~
 33 ~~school district levy referenda~~ November general election;

34 (3) ~~a levy limit increase approved by the voters by the~~
 35 ~~first Tuesday after the first Monday in November of the levy~~
 36 ~~year as provided under section 275.73;~~

1 ~~(4)~~ amounts necessary to pay cleanup or other costs due to
2 a natural disaster occurring after the date the proposed taxes
3 are certified;

4 ~~(5)~~ (4) amounts necessary to pay tort judgments against the
5 taxing authority that become final after the date the proposed
6 taxes are certified; and

7 ~~(6)~~ (5) the contamination tax imposed on properties which
8 received market value reductions for contamination.

9 ~~(f)~~ (j) Except as provided in subdivision 7, failure of the
10 county auditor to prepare or the county treasurer to deliver the
11 notice as required in this section does not invalidate the
12 proposed or final tax levy or the taxes payable pursuant to the
13 tax levy.

14 ~~(g)-If-the-notice-the-taxpayer-receives-under-this-section~~
15 ~~lists-the-property-as-nonhomestead,-and-satisfactory~~
16 ~~documentation-is-provided-to-the-county-assessor-by-the~~
17 ~~applicable-deadline,-and-the-property-qualifies-for-the~~
18 ~~homestead-classification-in-that-assessment-year,-the-assessor~~
19 ~~shall-reclassify-the-property-to-homestead-for-taxes-payable-in~~
20 ~~the-following-year.~~

21 ~~(h)~~ (k) In the case of class 4 residential property used as
22 a residence for lease or rental periods of 30 days or more, the
23 taxpayer must either:

24 (1) mail or deliver a copy of the notice of proposed
25 property taxes to each tenant, renter, or lessee; or

26 (2) post a copy of the notice in a conspicuous place on the
27 premises of the property.

28 The copy of the notice must be mailed or posted by the
29 taxpayer by November 27 22 or within three days of receipt of
30 the notice, whichever is later. A taxpayer may notify the
31 county treasurer of the address of the taxpayer, agent,
32 caretaker, or manager of the premises to which the notice must
33 be mailed in order to fulfill the requirements of this paragraph.

34 ~~(i)~~ (l) For purposes of ~~this-subdivision,-subdivisions-5a~~
35 ~~and-6~~ section 276.04, "metropolitan special taxing districts"
36 means the following taxing districts in the seven-county

1 metropolitan area that levy a property tax for any of the
2 specified purposes listed below:

3 (1) Metropolitan Council under section 473.132, 473.167,
4 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

5 (2) Metropolitan Airports Commission under section 473.667,
6 473.671, or 473.672; and

7 (3) Metropolitan Mosquito Control Commission under section
8 473.711.

9 (m) For purposes of this section, any levies made by the
10 regional rail authorities in the county of Anoka, Carver,
11 Dakota, Hennepin, Ramsey, Scott, or Washington under chapter
12 398A shall be included with the appropriate county's levy and
13 shall be discussed at one of that county's public
14 hearing regularly scheduled board meetings.

15 [EFFECTIVE DATE.] This section is effective for taxes
16 payable in 2006 and subsequent years.

17 Sec. 4. Minnesota Statutes 2004, section 275.065, is
18 amended by adding a subdivision to read:

19 Subd. 3b. [TAXPAYER SATISFACTION SURVEY.] (a) A taxpayer
20 satisfaction survey form must be attached to or enclosed with
21 each proposed property tax notice under subdivision 3. The form
22 must include a property description or a code number that allows
23 the property to be uniquely identified.

24 (b) The taxpayer satisfaction survey form shall present the
25 following question for each jurisdiction subject to the taxpayer
26 satisfaction survey: "Are you satisfied with the proposed
27 property tax levy for (name of jurisdiction)?" A space will be
28 provided for the respondent to answer "Yes" or "No" for each
29 jurisdiction. The form must also inform the taxpayer that if
30 the number of responses marked "No" exceeds the criteria
31 specified in subdivision 3e, a referendum will be held on the
32 question of the increase in the property tax levy subject to
33 approval unless a recertification is made under subdivision 9
34 reducing the levy.

35 (c) The mailing shall include a non-postage-paid envelope
36 preaddressed to the agency designated to process survey

1 results. A taxpayer may respond to the survey by returning the
2 completed survey form to the designated agency by December 1.
3 The responding taxpayer is responsible for the postage.

4 [EFFECTIVE DATE.] This section is effective for taxes
5 payable in 2006 and subsequent years.

6 Sec. 5. Minnesota Statutes 2004, section 275.065, is
7 amended by adding a subdivision to read:

8 Subd. 3c. [TAXPAYER SATISFACTION SURVEY ADDITIONAL
9 INFORMATION.] The taxpayer satisfaction survey form must include
10 the following information for the current year and for the
11 proposed year, and show the percentage change between the years:

12 (1) the county government's (i) budget and (ii) property
13 tax levy subject to approval; and

14 (2) if the property is located in a city which is a
15 jurisdiction subject to the taxpayer satisfaction survey, the
16 city government's (i) budget and (ii) property tax levy subject
17 to approval.

18 [EFFECTIVE DATE.] This section is effective for taxes
19 payable in 2006 and subsequent years.

20 Sec. 6. Minnesota Statutes 2004, section 275.065, is
21 amended by adding a subdivision to read:

22 Subd. 3d. [FORMAT OF TAXPAYER SATISFACTION SURVEY.] The
23 commissioner of revenue shall prescribe the format of the survey
24 form required under subdivisions 3b to 3f and present the form
25 to the chairs of the house and senate tax committees for
26 review. The form must be in the format prescribed by the
27 commissioner.

28 [EFFECTIVE DATE.] This section is effective for taxes
29 payable in 2006 and subsequent years.

30 Sec. 7. Minnesota Statutes 2004, section 275.065, is
31 amended by adding a subdivision to read:

32 Subd. 3e. [RESULTS OF TAXPAYER SATISFACTION SURVEY.] Each
33 agency designated to receive taxpayer satisfaction surveys shall
34 verify the authenticity of each form received, to the extent
35 possible, and tabulate the results of the survey for each taxing
36 jurisdiction. If the number of survey respondents that indicate

1 that they are not satisfied with the jurisdiction's proposed
 2 levy exceeds 20 percent of the total number of proposed tax
 3 notices in the jurisdiction, and the proposed property tax levy
 4 subject to approval exceeds the property tax levy subject to
 5 approval for taxes payable in the current year, a referendum
 6 must be held on the last Tuesday in January. By December 8, the
 7 agency must announce the results of the survey for each taxing
 8 jurisdiction, including both the number of responses indicating
 9 that they are satisfied with the proposed levy and the number
 10 indicating that they are not satisfied.

11 [EFFECTIVE DATE.] This section is effective for taxes
 12 payable in 2006 and subsequent years.

13 Sec. 8. Minnesota Statutes 2004, section 275.065, is
 14 amended by adding a subdivision to read:

15 Subd. 3f. [DESIGNATED AGENCY.] For taxpayer satisfaction
 16 surveys pertaining to taxes payable in 2006, the designated
 17 agency is the county. For taxing jurisdictions located in more
 18 than one county, each county shall tabulate the results of the
 19 survey for the portion of the jurisdiction in the county, and
 20 forward the results to the jurisdiction's home county by
 21 December 7. The home county shall make the final determination
 22 of the survey results for the jurisdiction.

23 By January 1, 2006, and each year thereafter, the
 24 commissioner of revenue shall designate the agency or agencies
 25 to receive and process taxpayer satisfaction surveys for taxes
 26 payable in the following year.

27 [EFFECTIVE DATE.] This section is effective for taxes
 28 payable in 2006 and subsequent years.

29 Sec. 9. Minnesota Statutes 2004, section 275.065,
 30 subdivision 4, is amended to read:

31 Subd. 4. [COSTS.] ~~If the reasonable cost of~~ The county may
 32 apportion the cost of the county auditor's services and the cost
 33 of preparing and mailing the notice and survey required in this
 34 section ~~exceed the amount distributed to the county by the~~
 35 ~~commissioner of revenue to administer this section, the taxing~~
 36 ~~authority must reimburse the county for the excess cost. The~~

1 ~~excess-cost-must-be-apportioned~~ between taxing jurisdictions as
2 follows:

3 (1) one-third is allocated to the county;

4 (2) one-third is allocated to cities and towns within the
5 county; and

6 (3) one-third is allocated to school districts within the
7 county.

8 The amounts in clause (2) must be further apportioned among
9 the cities and towns in the proportion that the number of
10 parcels in the city and town bears to the number of parcels in
11 all the cities and towns within the county. The amount in
12 clause (3) must be further apportioned among the school
13 districts in the proportion that the number of parcels in the
14 school district bears to the number of parcels in all school
15 districts within the county.

16 [EFFECTIVE DATE.] This section is effective for taxes
17 payable in 2006 and subsequent years.

18 Sec. 10. Minnesota Statutes 2004, section 275.065,
19 subdivision 7, is amended to read:

20 Subd. 7. [CERTIFICATION OF COMPLIANCE.] At the time the
21 taxing authority certifies its tax levy under section 275.07, it
22 shall certify to the commissioner of revenue its compliance with
23 this section. The certification must contain the information
24 required by the commissioner of revenue to determine compliance
25 with this section. If the commissioner determines that the
26 taxing authority has failed to substantially comply with the
27 requirements of this section, the commissioner of revenue shall
28 notify the county auditor. The decision of the commissioner is
29 final. When fixing rates under section 275.08 for a taxing
30 authority that has not complied with this section, the county
31 auditor must use the taxing authority's previous year's levy,
32 plus any additional amounts necessary to ~~pay-principal-and~~
33 ~~interest-on-general-obligation-bonds-of-the-taxing-authority-for~~
34 ~~which-its-taxing-powers-have-been-pledged-if-the-bonds-were~~
35 issued-before-1989 fund an increase in the authority's debt levy
36 for taxes payable in the following year.

1 [EFFECTIVE DATE.] This section is effective for taxes
2 payable in 2006 and subsequent years.

3 Sec. 11. Minnesota Statutes 2004, section 275.065, is
4 amended by adding a subdivision to read:

5 Subd. 9. [RECERTIFICATION OF PROPOSED LEVY.] By December
6 15, a jurisdiction subject to taxpayer satisfaction survey, that
7 has been notified under subdivision 3e that the criteria for a
8 referendum have been met, may elect to recertify its proposed
9 levy so that the proposed property tax levy subject to approval
10 is equal to the property tax levy subject to approval for taxes
11 payable in the current year. If the jurisdiction recertifies
12 its proposed levy to the county auditor according to the
13 provisions of this subdivision, the auditor must cancel the
14 referendum for that jurisdiction.

15 [EFFECTIVE DATE.] This section is effective for taxes
16 payable in 2006 and subsequent years.

17 Sec. 12. Minnesota Statutes 2004, section 275.065, is
18 amended by adding a subdivision to read:

19 Subd. 10. [LEVY APPROVAL; REFERENDUM.] If the designated
20 agency has determined under subdivision 3e that a referendum is
21 required, the increase in the property tax levy subject to
22 approval shall not be effective until it has been submitted to
23 the voters at a special election to be held on the last Tuesday
24 in January, and a majority of votes cast on the question of
25 approving the levy increase are in the affirmative. The
26 commissioner of revenue shall prepare the form of the question
27 to be presented at the referendum, which must reference only the
28 amount of increase in the property tax levy subject to approval.

29 If the majority of the votes cast on the question are in
30 the affirmative, the proposed levy shall be certified as the
31 final levy. If the majority of the votes cast on the question
32 are in the negative, the levy shall be the property tax levy
33 amount subject to approval for the previous year, plus the
34 portion of the proposed levy that was not subject to referendum.

35 [EFFECTIVE DATE.] This section is effective for taxes
36 payable in 2006 and subsequent years.

1 Sec. 13. Minnesota Statutes 2004, section 275.07,
2 subdivision 1, is amended to read:

3 Subdivision 1. [CERTIFICATION OF LEVY.] (a) Except as
4 provided under paragraph (b), the taxes voted by cities,
5 counties, school districts, and special districts shall be
6 certified by the proper authorities to the county auditor on or
7 before ~~five-working-days-after~~ December 20 28 in each year. A
8 jurisdiction whose levy is subject to a referendum under section
9 275.065, subdivision 10, shall at that time certify two levy
10 amounts, one if the referendum is successful, and another if the
11 referendum is not successful. A jurisdiction whose levy is
12 subject to a referendum must recertify its final levy the day
13 immediately following the election. A town must certify the
14 levy adopted by the town board to the county auditor by
15 September 15 each year. If the town board modifies the levy at
16 a special town meeting after September 15, the town board must
17 recertify its levy to the county auditor on or before ~~five~~
18 ~~working-days-after~~ December 20 28. The taxes certified shall be
19 reduced by the county auditor by the aid received under section
20 273.1398, subdivision 3. If a city, town, county, school
21 district, or special district fails to certify its levy by that
22 date, its levy shall be the amount levied by it for the
23 preceding year.

24 (b)(i) The taxes voted by counties under sections 103B.241,
25 103B.245, and 103B.251 shall be separately certified by the
26 county to the county auditor on or before ~~five-working-days~~
27 ~~after~~ December 20 28 in each year. The taxes certified shall
28 not be reduced by the county auditor by the aid received under
29 section 273.1398, subdivision 3. If a county fails to certify
30 its levy by that date, its levy shall be the amount levied by it
31 for the preceding year.

32 (ii) For purposes of the proposed property tax notice under
33 section 275.065 and the property tax statement under section
34 276.04, for the first year in which the county implements the
35 provisions of this paragraph, the county auditor shall reduce
36 the county's levy for the preceding year to reflect any amount

1 levied for water management purposes under clause (i) included
2 in the county's levy.

3 [EFFECTIVE DATE.] This section is effective for taxes
4 payable in 2006 and subsequent years.

5 Sec. 14. [REPEALER.]

6 Minnesota Statutes 2004, section 275.065, subdivisions 5a,
7 6, 6b, and 8, are repealed.

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275.065 PROPOSED PROPERTY TAXES; NOTICE.

Subd. 5a. Public advertisement. (a) A city that has a population of more than 2,500, county, a metropolitan special taxing district as defined in subdivision 3, paragraph (i), a regional library district established under section 134.201, or school district shall advertise in a newspaper a notice of its intent to adopt a budget and property tax levy or, in the case of a school district, to review its current budget and proposed property taxes payable in the following year, at a public hearing, if a public hearing is required under subdivision 6. The notice must be published not less than two business days nor more than six business days before the hearing.

The advertisement must be at least one-eighth page in size of a standard-size or a tabloid-size newspaper. The advertisement must not be placed in the part of the newspaper where legal notices and classified advertisements appear. The advertisement must be published in an official newspaper of general circulation in the taxing authority. The newspaper selected must be one of general interest and readership in the community, and not one of limited subject matter. The advertisement must appear in a newspaper that is published at least once per week.

For purposes of this section, the metropolitan special taxing district's advertisement must only be published in the Minneapolis Star and Tribune and the Saint Paul Pioneer Press.

In addition to other requirements, a county and a city having a population of more than 2,500 must show in the public advertisement required under this subdivision the current local tax rate, the proposed local tax rate if no property tax levy increase is adopted, and the proposed rate if the proposed levy is adopted. For purposes of this subdivision, "local tax rate" means the city's or county's net tax capacity levy divided by the city's or county's taxable net tax capacity.

(b) The advertisement for school districts, metropolitan special taxing districts, and regional library districts must be in the following form, except that the notice for a school district may include references to the current budget in regard to proposed property taxes.

"NOTICE OF
PROPOSED PROPERTY TAXES
(School District/Metropolitan
Special Taxing District/Regional
Library District) of

The governing body of will soon hold budget hearings and vote on the property taxes for (metropolitan special taxing district/regional library district services that will be provided in (year)/school district services that will be provided in (year) and (year)).

NOTICE OF PUBLIC HEARING:

All concerned citizens are invited to attend a public hearing and express their opinions on the proposed (school district/metropolitan special taxing district/regional library district) budget and property taxes, or in the case of a school district, its current budget and proposed property taxes, payable in the following year. The hearing will be held on (Month/Day/Year) at (Time) at (Location, Address)."

(c) The advertisement for cities and counties must be in the following form.

"NOTICE OF PROPOSED

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TOTAL BUDGET AND PROPERTY TAXES

The (city/county) governing body or board of commissioners will hold a public hearing to discuss the budget and to vote on the amount of property taxes to collect for services the (city/county) will provide in (year).

SPENDING: The total budget amounts below compare (city's/county's) (year) total actual budget with the amount the (city/county) proposes to spend in (year).

(Year) Total Actual Budget	Proposed (Year) Budget	Change from (Year)-(Year)
\$.....	\$.....	...%

TAXES: The property tax amounts below compare that portion of the current budget levied in property taxes in (city/county) for (year) with the property taxes the (city/county) proposes to collect in (year).

(Year) Property Taxes	Proposed (Year) Property Taxes	Change from (Year)-(Year)
\$.....	\$.....	...%

LOCAL TAX RATE COMPARISON: The current local tax rate, the local tax rate if no tax levy increase is adopted, and the proposed local tax rate if the proposed levy is adopted.

(Year) Tax Rate	(Year) Tax Rate if NO Levy Increase	(Year) Proposed Tax Rate
.....

ATTEND THE PUBLIC HEARING

All (city/county) residents are invited to attend the public hearing of the (city/county) to express your opinions on the budget and the proposed amount of (year) property taxes. The hearing will be held on:

(Month/Day/Year/Time)
 (Location/Address)

If the discussion of the budget cannot be completed, a time and place for continuing the discussion will be announced at the hearing. You are also invited to send your written comments to:

(City/County)
 (Location/Address)"

(d) For purposes of this subdivision, the budget amounts listed on the advertisement mean:

(1) for cities, the total government fund expenditures, as defined by the state auditor under section 471.6965, less any expenditures for improvements or services that are specially assessed or charged under chapter 429, 430, 435, or the provisions of any other law or charter; and

(2) for counties, the total government fund expenditures, as defined by the state auditor under section 375.169, less any expenditures for direct payments to recipients or providers for the human service aids listed below:

(i) Minnesota family investment program under chapters 256J and 256K;

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- (ii) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;
 - (iii) general assistance medical care under section 256D.03, subdivision 6;
 - (iv) general assistance under section 256D.03, subdivision 2;
 - (v) emergency assistance under section 256J.48;
 - (vi) Minnesota supplemental aid under section 256D.36, subdivision 1;
 - (vii) preadmission screening under section 256B.0911, and alternative care grants under section 256B.0913;
 - (viii) general assistance medical care claims processing, medical transportation and related costs under section 256D.03, subdivision 4;
 - (ix) medical transportation and related costs under section 256B.0625, subdivisions 17 to 18a;
 - (x) group residential housing under section 256I.05, subdivision 8, transferred from programs in clauses (iv) and (vi); or
 - (xi) any successor programs to those listed in clauses (i) to (x).
- (e) A city with a population of over 500 but not more than 2,500 that is required to hold a public hearing under subdivision 6 must advertise by posted notice as defined in section 645.12, subdivision 1. The advertisement must be posted at the time provided in paragraph (a). It must be in the form required in paragraph (b).
- (f) For purposes of this subdivision, the population of a city is the most recent population as determined by the state demographer under section 4A.02.
- (g) The commissioner of revenue, subject to the approval of the chairs of the house and senate tax committees, shall prescribe the form and format of the advertisements required under this subdivision.
- Subd. 6. Public hearing; adoption of budget and levy.**
- (a) For purposes of this section, the following terms shall have the meanings given:
- (1) "Initial hearing" means the first and primary hearing held to discuss the taxing authority's proposed budget and proposed property tax levy for taxes payable in the following year, or, for school districts, the current budget and the proposed property tax levy for taxes payable in the following year.
 - (2) "Continuation hearing" means a hearing held to complete the initial hearing, if the initial hearing is not completed on its scheduled date.
 - (3) "Subsequent hearing" means the hearing held to adopt the taxing authority's final property tax levy, and, in the case of taxing authorities other than school districts, the final budget, for taxes payable in the following year.
- (b) Between November 29 and December 20, the governing bodies of a city that has a population over 500, county, metropolitan special taxing districts as defined in subdivision 3, paragraph (i), and regional library districts shall each hold an initial public hearing to discuss and seek public comment on its final budget and property tax levy for taxes payable in the following year, and the governing body of the school district shall hold an initial public hearing to review its current budget and proposed property tax levy for taxes payable in the

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following year. The metropolitan special taxing districts shall be required to hold only a single joint initial public hearing, the location of which will be determined by the affected metropolitan agencies. A city, county, metropolitan special taxing district as defined in subdivision 3, paragraph (i), regional library district established under section 134.201, or school district is not required to hold a public hearing under this subdivision unless its proposed property tax levy for taxes payable in the following year, as certified under subdivision 1, has increased over its final property tax levy for taxes payable in the current year by a percentage that is greater than the percentage increase in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the current year.

(c) The initial hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No initial hearing may be held on a Sunday.

(d) At the initial hearing under this subdivision, the percentage increase in property taxes proposed by the taxing authority, if any, and the specific purposes for which property tax revenues are being increased must be discussed. During the discussion, the governing body shall hear comments regarding a proposed increase and explain the reasons for the proposed increase. The public shall be allowed to speak and to ask questions. At the public hearing, the school district must also provide and discuss information on the distribution of its revenues by revenue source, and the distribution of its spending by program area.

(e) If the initial hearing is not completed on its scheduled date, the taxing authority must announce, prior to adjournment of the hearing, the date, time, and place for the continuation of the hearing. The continuation hearing must be held at least five business days but no more than 14 business days after the initial hearing. A continuation hearing may not be held later than December 20 except as provided in paragraphs (f) and (g). A continuation hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No continuation hearing may be held on a Sunday.

(f) The governing body of a county shall hold its initial hearing on the first Thursday in December each year, and may hold additional initial hearings on other dates before December 20 if necessary for the convenience of county residents. If the county needs a continuation of its hearing, the continuation hearing shall be held on the third Tuesday in December. If the third Tuesday in December falls on December 21, the county's continuation hearing shall be held on Monday, December 20.

(g) The metropolitan special taxing districts shall hold a joint initial public hearing on the first Wednesday of December. A continuation hearing, if necessary, shall be held on the second Wednesday of December even if that second Wednesday is after December 10.

(h) The county auditor shall provide for the coordination of initial and continuation hearing dates for all school districts and cities within the county to prevent conflicts under clauses (i) and (j).

(i) By August 10, each school board and the board of the regional library district shall certify to the county auditors

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of the counties in which the school district or regional library district is located the dates on which it elects to hold its initial hearing and any continuation hearing. If a school board or regional library district does not certify these dates by August 10, the auditor will assign the initial and continuation hearing dates. The dates elected or assigned must not conflict with the initial and continuation hearing dates of the county or the metropolitan special taxing districts.

(j) By August 20, the county auditor shall notify the clerks of the cities within the county of the dates on which school districts and regional library districts have elected to hold their initial and continuation hearings. At the time a city certifies its proposed levy under subdivision 1 it shall certify the dates on which it elects to hold its initial hearing and any continuation hearing. Until September 15, the first and second Mondays of December are reserved for the use of the cities. If a city does not certify its hearing dates by September 15, the auditor shall assign the initial and continuation hearing dates. The dates elected or assigned for the initial hearing must not conflict with the initial hearing dates of the county, metropolitan special taxing districts, regional library districts, or school districts within which the city is located. To the extent possible, the dates of the city's continuation hearing should not conflict with the continuation hearing dates of the county, metropolitan special taxing districts, regional library districts, or school districts within which the city is located. This paragraph does not apply to cities of 500 population or less.

(k) The county initial hearing date and the city, metropolitan special taxing district, regional library district, and school district initial hearing dates must be designated on the notices required under subdivision 3. The continuation hearing dates need not be stated on the notices.

(l) At a subsequent hearing, each county, school district, city over 500 population, and metropolitan special taxing district may amend its proposed property tax levy and must adopt a final property tax levy. Each county, city over 500 population, and metropolitan special taxing district may also amend its proposed budget and must adopt a final budget at the subsequent hearing. The final property tax levy must be adopted prior to adopting the final budget. A school district is not required to adopt its final budget at the subsequent hearing. The subsequent hearing of a taxing authority must be held on a date subsequent to the date of the taxing authority's initial public hearing. If a continuation hearing is held, the subsequent hearing must be held either immediately following the continuation hearing or on a date subsequent to the continuation hearing. The subsequent hearing may be held at a regularly scheduled board or council meeting or at a special meeting scheduled for the purposes of the subsequent hearing. The subsequent hearing of a taxing authority does not have to be coordinated by the county auditor to prevent a conflict with an initial hearing, a continuation hearing, or a subsequent hearing of any other taxing authority. All subsequent hearings must be held prior to five working days after December 20 of the levy year. The date, time, and place of the subsequent hearing must be announced at the initial public hearing or at the continuation hearing.

(m) The property tax levy certified under section 275.07 by

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a city of any population, county, metropolitan special taxing district, regional library district, or school district must not exceed the proposed levy determined under subdivision 1, except by an amount up to the sum of the following amounts:

(1) the amount of a school district levy whose voters approved a referendum to increase taxes under section 123B.63, subdivision 3, or 126C.17, subdivision 9, after the proposed levy was certified;

(2) the amount of a city or county levy approved by the voters after the proposed levy was certified;

(3) the amount of a levy to pay principal and interest on bonds approved by the voters under section 475.58 after the proposed levy was certified;

(4) the amount of a levy to pay costs due to a natural disaster occurring after the proposed levy was certified, if that amount is approved by the commissioner of revenue under subdivision 6a;

(5) the amount of a levy to pay tort judgments against a taxing authority that become final after the proposed levy was certified, if the amount is approved by the commissioner of revenue under subdivision 6a;

(6) the amount of an increase in levy limits certified to the taxing authority by the commissioner of education or the commissioner of revenue after the proposed levy was certified; and

(7) the amount required under section 126C.55.

(n) This subdivision does not apply to towns and special taxing districts other than regional library districts and metropolitan special taxing districts.

(o) Notwithstanding the requirements of this section, the employer is required to meet and negotiate over employee compensation as provided for in chapter 179A.

Subd. 6b. **Joint public hearings.** Notwithstanding any other provision of law, any city with a population of 10,000 and over, may conduct a more comprehensive public hearing than is contained in subdivision 6 by including a board member from the county, a board member from the school district located within the city's boundary, and a representative of the metropolitan council, if the city is in the metropolitan area, as defined in section 473.121, subdivision 2, at the city's public hearing. All provisions regarding the public hearings under subdivision 6 are applicable to the joint public hearings under this subdivision.

Upon the adoption of a resolution by the governing body of the city to hold a joint hearing, the city shall notify the county, the school district, and the Metropolitan Council if the city is in the metropolitan area, of the decision to hold a joint public hearing and request a board member from each of those taxing authorities, and the member or the designee of the Metropolitan Council if applicable, to be at the joint hearing. If the city is located in more than one county, the city may choose to request a county board member from each county or only from the county containing the majority of the city's market value. If more than one school district is partially or totally located within the city, the city may choose to request a school district board member from each school district, or a board member only from the school district containing the majority of the city's market value. If, as a result of requests under this subdivision, there are not sufficient board members in the

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county or the school district to attend the joint hearing, the county or school district may send a nonelected person working for its taxing authority to speak on the authority's behalf. The city may also invite each state senator and representative who represents the city, or a portion of the city, to come to the joint hearing.

The primary purpose of the joint hearing is to discuss the city's budget and property tax levy. The county and school district officials, and Metropolitan Council representative, if the city is in the metropolitan area, should be prepared to answer questions relevant to its budget and levy and the effect that its levy has on the property owners in the city.

If a city conducts a hearing under this subdivision, this hearing is in lieu of the initial hearing required under subdivision 6. However, the city is still required to adopt its proposed property tax levy at a subsequent hearing as provided under subdivision 6. The hearings under this subdivision do not relieve a county, school district, or the Metropolitan Council of the requirement to hold its individual hearing under subdivision 6.

Subd. 8. **Hearing.** Notwithstanding any other provision of law, Ramsey County, the city of St. Paul, and Independent School District No. 625 are authorized to and shall hold their initial public hearing jointly. The hearing must be held on the second Tuesday of December each year. The advertisement required in subdivision 5a may be a joint advertisement. The hearing is otherwise subject to the requirements of this section.

Ramsey County is authorized to hold an additional initial hearing or hearings as provided under this section, provided that any additional hearings must not conflict with the initial or continuation hearing dates of the other taxing districts. However, if Ramsey County elects not to hold such additional initial hearing or hearings, the joint initial hearing required by this subdivision must be held in a St. Paul location convenient to residents of Ramsey County.

MINNESOTA • REVENUE

PROPERTY TAX Truth In Taxation – Taxpayer Satisfaction Survey

March 23, 2005

	Yes	No
Separate Official Fiscal Note Requested	X	
Fiscal Impact		
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 1455 (Limmer) / H.F. 1660 (Krinkie)

	Fund Impact			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective for taxes payable in 2006 and thereafter.

EXPLANATION OF THE BILL

The bill creates a taxpayer satisfaction survey for the truth in taxation process, eliminates certain required public hearings, and changes proposed property tax notice and certification dates.

A taxpayer satisfaction survey, created by the Commissioner of Revenue, would be enclosed with each proposed property tax notice. The survey must include the current year and proposed budget and property tax levy, including percentage changes, for both the county and a city with a population of 500 or more. The survey shall present the following question for each jurisdiction:

“Are you satisfied with the proposed property tax levy for (name the jurisdiction)?
Yes
No”

The form must notify the taxpayer that if the number of responses marked “No” exceeds 20% of the total number of proposed tax notices in the jurisdiction, and the property tax levy subject to approval exceeds the property tax levy for taxes payable in the current year, a referendum must be held on the last Tuesday in January. The Commissioner of Revenue shall designate the agency to receive and process the taxpayer satisfaction surveys each year. For taxes payable in 2006, counties are responsible for tabulating and announcing the results of the survey by December 8th.

A jurisdiction whose levy is subject to referendum would certify two levy amounts, one if the referendum is successful and another if it is not successful, and recertify its final levy the day following the election.

The bill eliminates the requirement for jurisdictions to hold public hearings regarding proposed property taxes.

EXPLANATION OF THE BILL (continued)

The bill also makes several changes to dates related to the notices of proposed property taxes and certification of levies.

REVENUE ANALYSIS DETAIL

- The creation of a taxpayer satisfaction survey and other modifications to the truth in taxation process would have no impact on the state general fund.

Number of Taxpayers: 87 counties and 485 cities with population of 500 or more subject to the taxpayer satisfaction survey, and other taxing jurisdictions certifying levies to the county auditor.

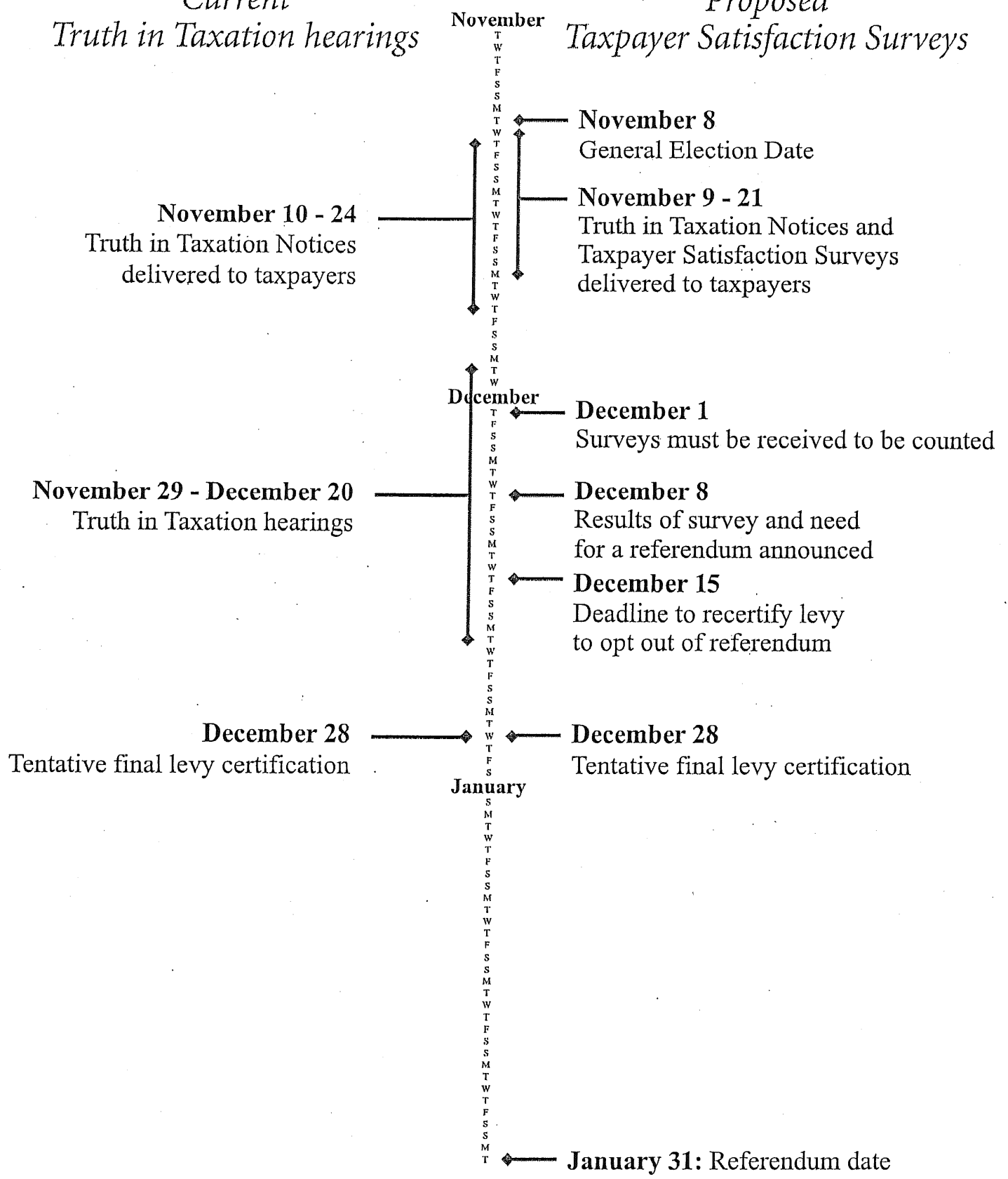
Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

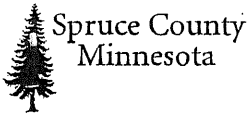
Timeline Comparison

2005

Current
Truth in Taxation hearings

Proposed
Taxpayer Satisfaction Surveys





Truth In Taxation Notice For Taxes Payable in 2006

— This is Not a Bill • Do Not Pay —

Owner(s): John J. and Mary A. Johnson
123 Spruce Street
Spruceville, Minnesota 55555

Property ID: 12-345-67890
Legal description: Lot 1, Block 1, Spruce Acres Subd.

Property address:
123 Spruce Street
Spruceville, Minnesota 55555

	Taxes payable In 2005	Taxes Payable In 2006
Property classification:	Res. Hstd.	Res. Hstd.
Taxable market value:	\$100,000	\$110,000

Your taxable market value for property tax payable in 2006 was sent to you in the spring of 2005. The period to discuss possible changes has passed and changes can no longer be made to your property valuation. It is included here for your information only.

PART A: YOUR PROPOSED PROPERTY TAX FOR 2006

Part A of this notice estimates what your 2006 property taxes will be if your local jurisdictions approve the property tax levies they are now considering. These estimates account for changes in values and other factors that affect your taxes, but do not account for any upcoming referenda, legal judgments, natural disasters, or special assessments that could still change these amounts.

Estimated Taxes Under Proposed Levy	Actual 2005 Property Tax	Proposed 2006 Property Tax	Percent Change
Spruce County:	\$ 562.66	\$ 618.00	
City of Spruceville:	130.28	142.85	
State General Tax:	0.00	0.00	
School District 9999			
Voter-approved Levies:	188.94	207.46	
Other Local Levies:	190.90	209.61	
Special Taxing Districts:	31.56	34.68	
Tax Increment/Fiscal Disparity Tax:	0.00	0.00	
TOTAL excluding special assessments	\$ 1,104.34	\$ 1,212.60	9.8%
November Referendum Levies (if approved):		75.25	

November referendum levies are not included in the total tax or Voter-approved Levies above. If the levies were approved, this amount shows the additional tax that will be reflected on the tax statement.

PART B: TAXPAYER SATISFACTION SURVEY FOR 2006

Part B of this notice is a Taxpayer Satisfaction Survey that allows you to provide feedback on your satisfaction with the proposed county and city levies.

Proposed Budget and Levy Information	Actual 2005	Proposed 2006	% Change
Spruce County			
Budget /Spending Amount:	\$ 40,000,000	\$ 41,500,000	3.8%
Property tax levy *	25,000,000	26,900,000	7.6%
City of Spruceville			
Budget /Spending Amount:	20,000,000	20,840,000	4.2%
Property tax levy *	5,000,000	5,400,000	8.0%

* This is the total proposed levy excluding levies for debt payments and previously voter-approved levies.

Please detach and return this stub in the enclosed envelope to participate in the survey.

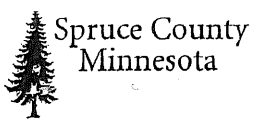
Taxpayer Satisfaction Survey

	YES	NO
	(Fill in circle)	
Are you satisfied with the proposed property tax levy:		
Spruce County?*	<input type="radio"/>	<input type="radio"/>
City of Spruceville?	<input type="radio"/>	<input type="radio"/>

NOTE: If the number of survey responses marked NO exceeds 20 percent of total parcels in the jurisdiction, state law requires voter approval in order for the proposed levy to exceed the prior year levy. If a referendum is held, voters will be asked to choose between the proposed levy for 2006 and the actual 2005 levy for these levies.

Surveys must be received by December 1, 2005 to be counted toward the calling of a referendum.

PLEASE DO NOT FOLD SURVEY RESPONSE



Your Proposed Property Tax for 2005

County of Spruce

— This is Not a Bill • Do Not Pay —

Your local units of government have proposed the amount of property taxes that they will need for 2005. Column (1) below shows your actual 2004 property taxes. Column (2) below shows what your 2005 property taxes will be if your local jurisdictions approve the property tax amounts they are now considering. Any upcoming referendums, legal judgments, natural disasters, voter approved levy limit increases, or special assessments could change these amounts.

Your county commissioners, school board, city council (if your property is located in a city over 500 population), and metropolitan special taxing districts will soon be holding public meetings to discuss their proposed 2005 budgets and proposed 2005 property taxes. (The school board will discuss the 2004 budget). **You are invited to attend these meetings to express your opinion. The meeting places and times for these meetings are listed on the bottom of this notice.** Also shown are the addresses and telephone numbers for these local units of government if you have comments or questions concerning the proposed property tax amounts shown on this notice. No meeting is required if a local unit of government is not increasing its property taxes for 2005 or if its increase is not above the rate of inflation. There is also no public hearing on the state general tax.

Owner(s): John J. and Mary A. Johnson
123 Spruce Street
Spruceville, Minnesota 55555

Legal description: Lot 1, Block 1, Spruce Acres Subd.

Property address: 123 Spruce Street
Spruceville, Minnesota 55555

Taxes payable in 2004	Taxes payable in 2005
----------------------------------	----------------------------------

Your taxable market value for property tax payable in 2005 was sent to you in the spring of 2004. The period to discuss possible changes has passed and changes can no longer be made to your property valuation. It is included here for your information only.

Property classification:	Res. Hstd.	Res. Hstd.
Taxable market value:	\$100,000	\$110,000

	(1) Actual 2004 Property Tax	(2) Proposed 2005 Property Tax	Percent Change
TOTAL excluding special assessments	\$ 1,104.34	\$ 1,212.60	9.8%
County of Spruce:	\$ 562.66	\$ 618.00	
City of Spruceville:	130.28	142.85	
State General Tax:	0.00	0.00	
School District 999:			
Voter Approved Levies:	188.94	207.46	
Other Local Levies:	190.90	209.61	
<p style="margin-left: 40px;">Your school district was scheduled to hold a referendum at the November general election. If the referendum was approved by the voters, the school district's voter approved property tax for 2005 may be higher than the proposed amount shown on this notice.</p>			
Metro Special Taxing Districts:	27.56	30.19	
Other Special Taxing Districts:	4.00	4.49	
Tax Increment Tax:	0.00	0.00	
Fiscal Disparity Tax:	0.00	0.00	

Budget and Tax Hearings: Locations and Dates	Mailing Addresses and Telephone Numbers:
Spruce County Spruce County Courthouse December 2, 2004 – 7:00 p.m.	County of Spruce Attention: County Board 123 Spruce Street Spruceville, MN 55555 Tel.: (555) 123-4567
City of Spruceville Spruceville City Hall December 8, 2004 – 6:30 p.m.	City of Spruceville Mayor's Office 321 Spruce Street Spruceville, MN 55555 Tel.: (555) 123-9867
School District 999 High School Cafeteria December 3, 2004 – 7:00 p.m.	Attention: School Board of District #999 Spruce High School 150-1st Street North Spruceville, MN 55555 Tel.: (555) 123-5432
Metropolitan Special Taxing Districts Mears Park Centre December 1, 2004 – 7:30 p.m.	Metro Council Mears Park Centre 230 East Fifth Street St. Paul, MN 55101 Tel.: (555) 123-9182

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Handout #2

League of Minnesota Cities

145 University Avenue West, St. Paul, MN 55103-2044

(651) 281-1200 • (800) 925-1122

Fax: (651) 281-1299 • TDD: (651) 281-1290

www.lmnc.org

Statement of LMC First Vice President Bonnie Rietz, Mayor of Austin
Addressing the Senate Tax Committee
Wednesday, April 6, 2005

Mr. Chairman and members of the committee, my name is Bonnie Rietz. I serve as the Mayor of Austin and as the First Vice President with the League of Minnesota Cities. Thank you for the opportunity to address you today.

I am here respectfully to speak in opposition to Senate File 1455, the Governor's so-called "turbo-charged truth-in-taxation" bill, also known as the "taxpayer satisfaction survey."

While city opposition to this legislation runs deep and covers many different arguments as to why this bill would not serve the best interests of our shared constituents, I will keep my comments brief and to the point.

Last week a record number of city officials from across Minnesota gathered for City Day at the Capitol to discuss the services, solutions, and partnerships that are central to serving our residents. We focused on strengthening the city-state partnership. This proposal, Mr. Chair, is not city-friendly, and does not serve the city-state relationship or the citizens it portends to protect.

Mr. Chair, if at least 20 percent of the property taxpayer surveys are returned with a "no" response, the city or county would have to hold a referendum on the levy increase and certify two levies to the county—one assuming the referendum is successful and one assuming the referendum fails. The election would be held on the last Tuesday in January, and by the way, would be paid for by local taxpayers.

The survey proposal excludes certain residents, such as renters, and includes non-resident property owners. It also undermines representative democracy, local control, and local decision-making authority.

Unlike levy limits of the past, the process outlined in SF 1455 would not provide cities any levy authority for new growth in the city or adjustments for inflationary pressures. As a result, a successful challenge to a levy increase would force the city to revert to the previous year's property tax level with adjustments only for debt service and levies

Statement of LMC First Vice President Bonnie Rietz, Mayor of Austin
Addressing the Senate Tax Committee
Wednesday, April 6, 2005

previously approved by voters. This is a turbo charged problem for growing communities across Minnesota from St. Cloud to Chanhassen, from Maple Grove to Rochester.

SF 1455 would create an unworkable timeframe for city budgets. A levy increase could potentially be reversed by voters nearly one month into the city's fiscal year. This is a lost opportunity cost to important job, public safety, and critical services.

If the election requirement is triggered by taxpayer petition, the city could cancel the election if the council reduces its levy to the previous year's level. However, if the city simply reduces its levy from the September 15 preliminary level but the final levy still represents an increase over the previous year, the referendum requirement would still apply. Unfortunately, the taxpayer's satisfaction would only be measured based on the preliminary levy proposal. Taxpayers would not be able to indicate their satisfaction with any adjustments made by the city when the budget is finalized.

The taxpayer satisfaction survey does not anticipate cuts in state aids such as LGA or MVHC. The Governor has proposed, and the Senate has already adopted, (MVHC) Market Value Homestead Credit cuts for 103 cities, including Bloomington, Eagan, Ham Lake, and Roseville. In other words, taxpayers could force an election on a levy increase to replace these potential losses of state aids, or any future losses of LGA or MVHC.

Additionally, the proposal makes no accommodation for debt levies, the impact of unfunded or underfunded mandates, or for local service demands created by new community needs or new growth.

In closing Mr. Chair & members, I caution you against advancing legislation that handcuffs elected officials from doing the job we are elected to do. Your focus should be on providing more options, not fewer, for local residents to meet the unique circumstances of our own community. This bill does nothing to advance the cause of local control, and would not only cost taxpayers in terms of actual dollars spent on unnecessary elections, but the "opportunity costs" associated with higher interest rates as well as lost and delayed economic development opportunities for needed jobs, housing and essential services. Mr. Chair and members, thank you for your time and your thoughtful rejection of this proposal.

END