

Summary of Purpose of
Low-Aid Municipality Distribution Bill - 2024 HF 5104 (West)/SF 5139 (Kreun):

- The bill is intended to address a lack of aid to small cities and towns in the metropolitan area due to inequities in the formulas used for municipal state aid for local streets, local government aid, and tax base sharing.
- Columbus is contributing a growing portion of its tax base to the fiscal disparities pool and getting less back.
- In 2023, the City had to levy \$210,000 to make up for the loss of tax base to the pool. (See below.)
- This disparity will grow each year since the City has limited opportunity to grow its population, a key part of the fiscal disparities' formula.
- A significant portion of the City is either public lands or wetlands and Met Council policies hold the City to a residential density of 1 unit per 10 acres for most its residential land.
- Because most of Columbus' commercial and industrial tax base developed after 1971, the year fiscal disparities was enacted, the majority of this tax base is in the pool as compared to cities with a significant commercial and industrial tax base exempted from the pool at the time of enactment.
- Each city that is eligible is a net payer into the fiscal disparities pool, meaning that they contribute more tax base than they receive back.
- Each city is under 5,000 in population, meaning they do not qualify for gas tax even though many of their residents' commute to work contributing to the gas tax at a higher rate than workers who live closer to their jobs.
- Each city does not qualify for local government aid (LGA).
- The aid formula is based on a municipality's net contribution to fiscal disparities.
- When and if any city qualifies for the gas tax (Municipal State Aid) or LGA, they would no longer be eligible for the program.
- Also, if the cities or towns become net beneficiaries of fiscal disparities, they would no longer be eligible for the program.
- The bill was modeled after a 2017 enactment that was designed to address the disparate impact of fiscal disparities on several small cities that were outside the metropolitan transit service area (HF 166/SF 117).
- Like the 2017 legislation, this bill addresses inequities without altering the fiscal disparities formula.

Historical Fiscal Disparities Impact on Columbus, Minnesota

Year (Pay)	Contribution of Tax Capacity Value to Fiscal Disparities	Distribution of Tax Capacity Value from Fiscal Disparities	Net Loss of Tax Capacity Value	Contribution/FD tax	ESTIMATE CITY PORTION OF Contribution/FD tax	Area Wide Levy (Dollars from Fiscal Disparities Pool)	ESTIMATE CITY Net Loss of FD Tax Dollars
2016	\$ 522,237	\$ 374,210	\$ 148,027	\$ 784,723.76	\$329,292	\$ 181,847	\$ (147,445)
2017	\$ 551,974	\$ 375,505	\$ 176,469	\$ 828,231.47	\$327,186	\$ 199,555	\$ (127,631)
2018	\$ 565,052	\$ 410,398	\$ 154,654	\$ 819,862.20	\$347,345	\$ 206,262	\$ (141,083)
2019	\$ 545,090	\$ 417,292	\$ 127,798	\$ 784,885.99	\$336,159	\$ 215,765	\$ (120,394)
2020	\$ 610,278	\$ 448,100	\$ 162,178	\$ 869,365.42	\$361,113	\$ 226,977	\$ (134,136)
2021	\$ 632,120	\$ 460,299	\$ 171,821	\$ 881,832.68	\$379,449	\$ 215,995	\$ (163,454)
2022	\$ 789,234	\$ 523,272	\$ 265,962	\$ 1,046,492.71	\$463,739	\$ 252,636	\$ (211,103)
2023	\$ 739,319	\$ 508,781	\$ 230,538	\$ 988,225.53	\$457,097	\$ 247,028	\$ (210,069)
2024*	\$ 866,638	\$ 498,017	\$ 368,621	\$ 1,066,190.07	\$434,526	\$ 227,390	\$ (207,136)

* Based on Preliminary Levy- No change in the final levy