

Spring Forward with a New LGA Formula

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Roadmap for the day

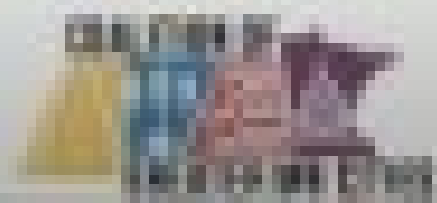
- LGA bills
- Legislative update
- Advantages of the formula proposal
- Making the case for LGA
- Next steps



**What is your level of knowledge on LGA , scale
of 1-5?**

Local Government Aid (LGAI)

Explained!



LGA bills we like

LGA PROPOSAL + \$34 MILLION

- Authors: Rep. Youakim/ Sen. Klein
- Includes \$34 million in the house, \$28 million in the senate
- Included in the house omnibus tax bill

CURRENT LAW + \$90 MILLION

- Authors: Rep. Lislegard/ Sen. Bakk
- Had a hearing in house property tax division
- Was not included in the house omnibus tax bill

Other LGA bills

SUPER SUPPLEMENTAL LGA

- Author: Rep. Freiberg/ Sen. Rest
- Provides supplemental aid to 150 cities projected to see LGA decrease in 2023 under current law from supplemental aid provided in 2022
- 2023 only
- Costs \$13.7 million

MINIMUM LGA

- Authors: Rep. Hertaus/ Sen. Osmek
- Adds \$20 million onto formula, and two percent of the entire appropriation goes to the 91 cities who do not receive LGA
- Did not get included in the House Tax bill

LGA legislative update

House Taxes committee omnibus bill includes the LGA formula proposal with an additional \$34 million

Senate Taxes committee has held no hearings so far on any of our LGA bills

Senate Property Tax Division yesterday heard Senator Anne Rest's super supplemental aid bill

LGA Formula Proposal

City groups have been meeting since October



- CGMC, LMC, Metro Cities, Small Cities
- House and Senate non-partisan staff
- Staff from Department of Revenue

Formula update discussions at the Legislature

First step: analyze existing formula

Current formula is not ideal

Identify possible new need factors

- Analyzed over forty potential need factors
- Looked for factors that had strong explanatory value when determining the differences in city spending

CGMC analytical capacity has been a significant advantage for our members during discussion



LGA formula proposal: how it works

- Maintains basic LGA structure of evaluating a city's need vs. its capacity to meet those needs (i.e. tax-base)
- Continues to split cities into three categories
 - Small (1-2,499 population)
 - Medium (2,500 – 9,999 population)
 - Large (10,000+ population)
- Same method of calculating a city's capacity
- Same method to distribute money within the formula

Updated need factors: small cities

SMALL CITIES (POPULATION 1-2,499)

CURRENT NEED FACTORS	NEW NEED FACTORS
Population	Logarithm of Population
Revenue need capped at \$610	No cap on revenue need

Updated need factors: medium cities

MEDIUM CITIES (POPULATION 2,500–9,999)

CURRENT NEED FACTORS	NEW NEED FACTORS
% Pre-1940s Housing	% Pre-1940s Housing
Peak Population Decline	Peak Population Decline
Average Household Size	% C/I & Utility Prop. Market Value
Sparsity Factor	

Updated need factors: large cities

LARGE CITIES (POPULATION 10,000+)

CURRENT NEED FACTORS	NEW NEED FACTORS
% Pre-1940s Housing	% Pre-1940s Housing
% Housing built 1940-1970	Peak Population Decline
Jobs per capita	% C/I & Utility Prop. Market Value
Sparsity Factor	% Population Aged 65+

LGA comparison

CGMC Member	2023 LGA current law	2023 LGA House Tax bill (\$34M)	2023 LGA House Tax bill + \$90M
ALBERT LEA	\$5,808,076	\$6,123,151	\$6,785,064
ALEXANDRIA	\$1,610,167	\$1,712,084	\$1,908,249
AURORA	\$686,014	\$702,850	\$745,391
AUSTIN	\$8,904,574	\$9,148,796	\$9,786,431
BABBITT	\$497,187	\$496,414	\$525,988

Advantages of the formula: lengthening the unmet need runway

- More accurately predicts city needs
- Increases most city's unmet need (or maximum LGA)
- As more money is added to the program, cities will see greater benefit

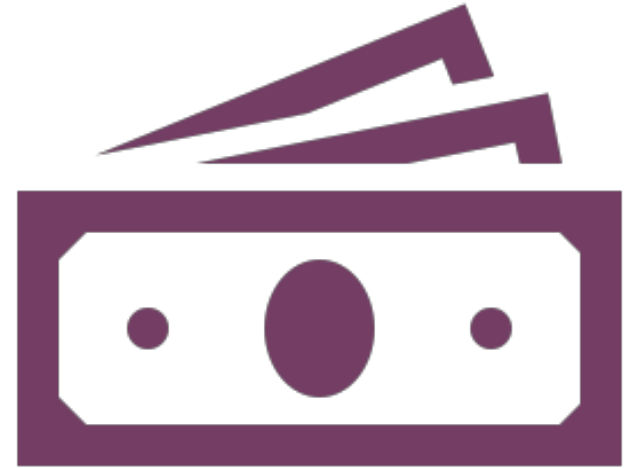


Unmet need comparison

City	2023 LGA current law	2023 unmet need current law	2023 unmet need formula proposal
ALBERT LEA	\$5,808,076	\$8,095,042	\$13,889,325
ALEXANDRIA	\$1,610,167	\$2,077,151	\$4,013,666
AURORA	\$686,014	\$917,204	\$1,201,977
AUSTIN	\$8,904,574	\$12,570,801	\$16,630,127
BABBITT	\$497,187	\$965,812	\$843,407

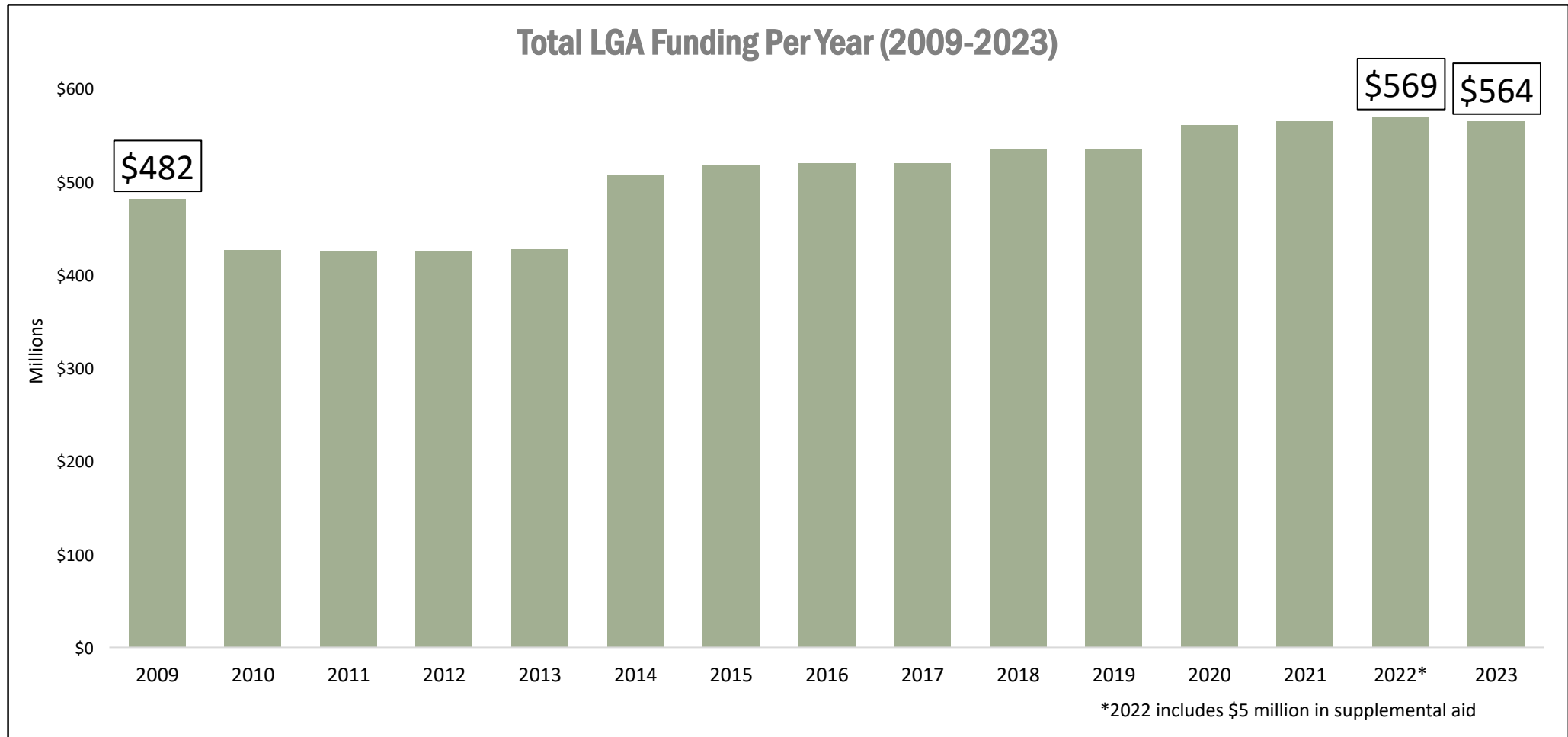
Other formula outcomes

- Successfully brings all CGMC members onto the formula
 - Two member cities were receiving zero LGA, now all members will receive LGA
 - CGMC member losers to winners: three LGA losers to none
- Slightly decreases the number of cities that receive no LGA from 112 to 91
- 716 cities will gain LGA on the new formula relative to 2023 current law

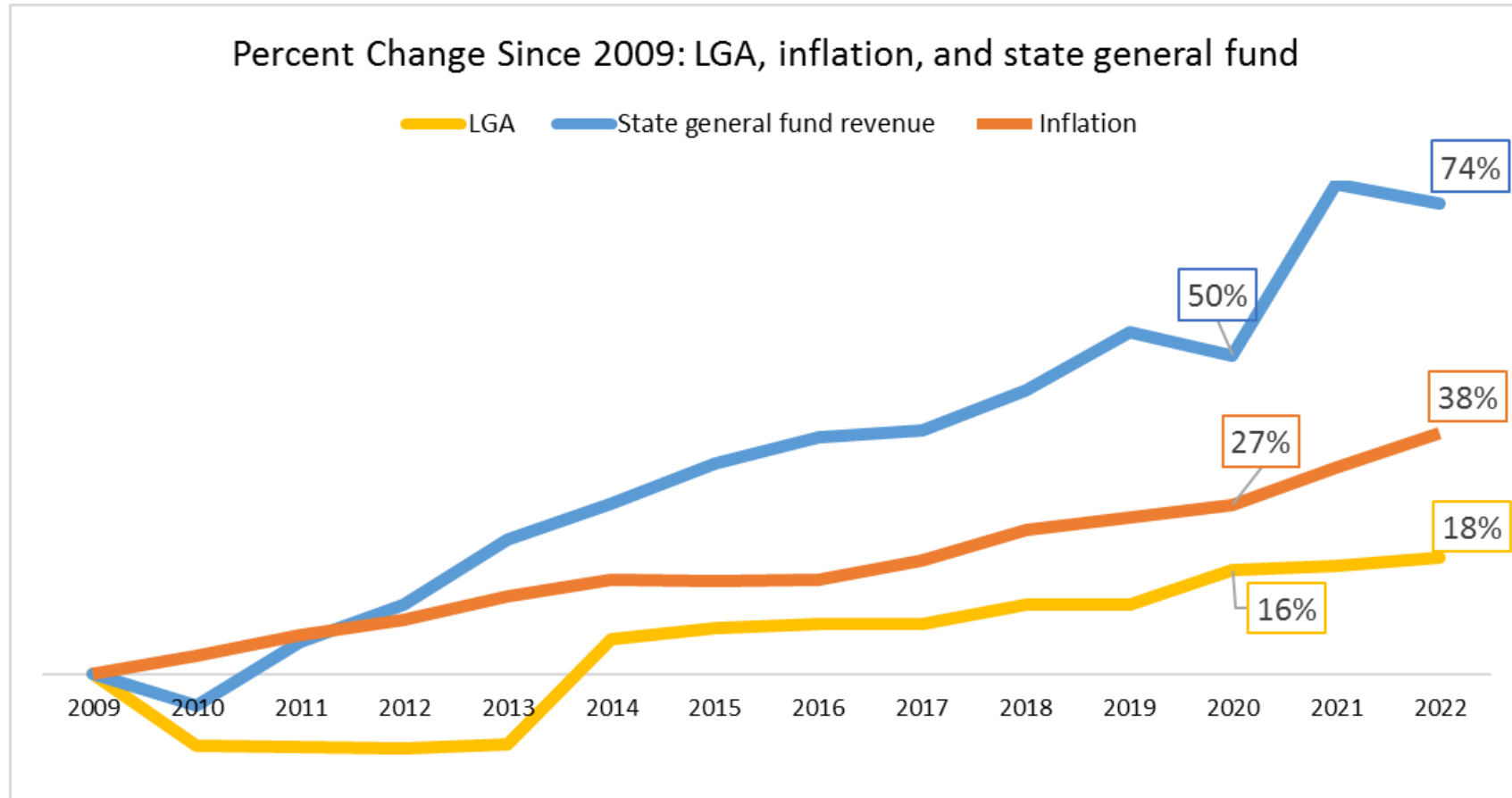




Questions



LGA Funding (2009-2023)



Making the case for an LGA increase

City expenses continue to rise



Health & Medical Insurance¹



Local Government Employee Wages²



Machinery & Equipment¹



Public Safety³

Sources: 1. Nationwide, 2009-2021, U.S. Bureau of Labor Statistics, 2. Statewide, 2009-2020, Minnesota Department of Employment and Economic Development, 3. Nationwide, 2009-2021, U.S. Bureau of Economic Analysis

Next steps
starting April
19th

House tax bill route:

- Ways and means
- House floor

Senate tax bill route:

- Tax bill #1
- Tax bill #2 (property tax subcommittee)
- Consolidation of the tax bills

Conference committee

Talking points to use with Legislators

- ✓ LGA has not kept pace with inflation, and cities are experiencing rising costs
- ✓ An LGA increase is imperative this year
- ✓ The formula proposal is an update to better reflect current city needs

**Now, how confident do you feel talking about
the new formula? (1-5)**

BE READY!



READ THE CGMC
IN BRIEF



RESPOND TO
ACTION ALERTS



CONTACT ANIA
WITH QUESTIONS



Questions

More
Questions?

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