

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 754 **DATE:** April 10, 2005  
**Version:** With author's amendment (H0754A1)  
**Authors:** Rukavina and others  
**Subject:** Removes the LGA taconite aid offset; increases the LGA appropriation, and transfers money from the budget reserve  
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### Overview

Most of City LGA consists of paying a portion of the difference between a city's "need", based on several city characteristics; and the city's "ability to raise revenue", traditionally measured by a city's tax base. In 2003, as part of the entire LGA reform, the measure of "ability to raise revenue" was amended to include the taconite aids that certain cities receive. The inclusion of taconite aid is phased in over 4 years, beginning with aids payable in 2005.

This bill would remove the taconite aids from the measure of a city's "ability to raise revenue". Because the total amount of LGA that may be paid under current law is capped, a formula change would normally shift aid from some cities to other cities. The bill eliminates the shift by increasing the LGA appropriation cap. The additional money for this increase in general fund spending is paid for in the first two years by transferring money from the budget reserve.

### Section

- 1 City formula aid.** Removes the inclusion of taconite aid from the measure of a city's "ability to raise revenue" measure in the city LGA formula. Effective beginning with aids payable in 2005. Because Pay 2005 aids have already been calculated and certified, the Pay 2005 amounts for cities with taconite aid are adjusted and paid under the general fund as if their inclusion was a calculation error.
- 2 Cities (LGA appropriation cap).** The city LGA appropriation cap is increased to

**Section**

\$438,622,821 for aids payable in 2006, to \$440,407,018 for aids payable in 2007, and to \$442,182,173 for aids payable in 2008. An additional \$1.5 million is added each year to the appropriation in 2009 and 2010 as well. Although the taconite aid is currently included in the formula over a 4 year period, the full impact of the removal of the taconite aid from the formula is not felt by 2008 because of limitations on aid increases and decreases in current law. The total aid paid in 2010 and thereafter is the approximate amount needed to offset the removal of taconite aids when all cities are fully phased-on to the formula.

- 3** **Transfer.** Transfers, \$405,235 in FY 2006 and \$1,570,821 in FY 2007 from the budget reserve to the general fund to offset the increased LGA for aids payable in 2005 and 2006 under this bill.