

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 2059

**DATE:** April 13, 2005

**Version:** As introduced, with author's amendment H2059A1

**Authors:** Davids and others

**Subject:** Modifying financing for schools, local government aid, and transit systems

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### Overview

This bill eliminates the motor vehicle sales tax (MVST) dedication for transit funding. The metropolitan transit revenues are replaced with a metrowide local sales tax of one-half of one percent. In greater Minnesota, transit funding will revert to property taxes. The MVST revenues go back to the general fund and the money is used to increase basic general education revenue by \$79 per pupil unit and the city LGA appropriation by \$60 million. The bill also modifies the LGA formula.

### Section

- 1 Additional basic revenue.** Increases the basic education funding formula by \$79 per pupil unit beginning in fiscal year 2007.
- 2 Operating assistance; recipient classifications.** Changes the percent of transit operating costs that may be paid from local revenues sources as follows:
  - from 20 percent to 44 percent for an urbanized service area;
  - from 20 percent to 65 percent for a small urban service area;
  - from 15 percent to 33 percent for a rural service area; and
  - from 15 percent to 19 percent for elderly and handicapped service.

## Section

Effective for grants in 2006 and thereafter.

- 3**     **Deposit of revenues (MVST).** Eliminates the deposit of any motor vehicle sales tax revenues into the metropolitan area transit fund and the greater Minnesota transit fund. Currently 21.5 percent and 1.43 percent is transferred into those respective funds. Effective beginning with collections after June 30, 2006.
- 4**     **Financial assistance; sales tax option.** Provides that if the metropolitan council adopts a local sales tax to fund transit, it must use a percentage of the revenues to provide transit assistance to the opt-out municipalities. The percentage is based on the percent of total nondebt transit levies and transit related HACA that went to the opt-out municipalities for taxes payable in 2001. Effective for taxes payable in 2006 and thereafter.
- 5**     **Deleted in author's amendment.**
- 6**     **Deleted in author's amendment.**
- 7**     **Deleted in author's amendment.**
- 8**     **Deleted in author's amendment.**
- 9**     **Deleted in author's amendment.**
- 10**    **Metropolitan area transit services (local sales tax).** Allows the metropolitan council to impose a local sales tax to fund transit services.

**Subd. 1. Sales and use tax.** Allows the metropolitan council to impose a local sales tax of up to one-half of one percent in the metropolitan area. The tax may be imposed by council resolution and does not require approval by the voters. All the general provisions regarding collecting, administering, and enforcing a local tax contained in Minn. Stat. section 297A.99 apply.

**Subd. 2. Use of revenues.** The tax may be used for capital and operating expenses related to metropolitan transit systems.

**Subd. 3. Application.** The tax would apply in the seven-county metropolitan area.

Effective for sales made after June 30, 2006.

- 11**    **City revenue need.** Adjusts each city's LGA revenue need measure for inflation as measured by the change in the implicit price deflator (IPD) for state and local government consumption and gross investment from the first quarter of 2000 to the first quarter immediately preceding the aid calculation. Under current law revenue need is adjusted for the change in this IPD from 2003 to the most recent available year. Effective beginning with aids payable in 2006.
- 12**    **City aid base.** Modifies the formula for calculating additional city aid base (grandfathered aid) to regional centers in greater Minnesota. Currently this formula give money only to greater Minnesota cities that had a 2000 population of 10,000 or more and the additional aid is equal to the lesser of (1) \$60 multiplied by the city's 2000 population above 5,000, or (2) \$2.5 million. This would make eligibility for this aid and the amount of additional aid a city receives under this provision change each year based on the most recent city populations estimates. Also makes the technical fix needed to conform the city aid base to the 2003 legislative intent. Effective beginning with aids payable in 2006.
- 13**    **City formula aid.** Removes taconite aid from the "ability to raise revenue" measure in the formula. Effective beginning with aids payable in 2006.

**Section**

- 14**      **City aid distribution.** Eliminates the caps on annual aid increases to individual cities. Limits the maximum annual aid loss in any city to 5 percent of its certified 2005 LGA amount. This is currently the limit on annual losses for cities with a population of less than 2,500; larger cities currently have a limit on annual aid losses equal to 10 percent of its previous year levy. Effective beginning with aids payable in 2006.
- 15**      **City (appropriation limit).** Increases the LGA appropriation limit for aids payable in 2006 by \$60 million, to \$497,052,000. For aids payable in 2007 and thereafter the limit on total LGA payments is equal to the previous years limit increase by the lesser of (1) the percent growth in the IPD for state and local consumption and gross investment, or 5 percent.