



Top LGA Myths

1. MYTH: LGA doesn't hold down property taxes.

FACT: Tax rates dramatically changed following the 2013 LGA reform and \$80 million appropriation increase – 65.38% of LGA-receiving cities *increased* tax rates from 2012-13; following the LGA increase (2013-14), 62.68% cities *decreased* tax rates. The partial restoration of LGA funding in 2014 led to the third-lowest levy increase of the last 25 years.

2. MYTH: LGA was originally only for small rural cities.

FACT: The first LGA formula distributed aid on a per person basis to counties, who then redistributed it to cities based on their levy size – the larger the levy the more LGA a city received. Aid went to cities across the state regardless of their size or geographical position and clearly based on a formula that was not just for small rural cities.

3. MYTH: The original intent of LGA was to fund “essential services” that cities couldn't otherwise pay for.

FACT: At no time since the inception of the program has there been a directive as to how LGA dollars are to be spent by cities. In fact, the first formula gave more aid to cities that levied more, which has no relation to just “essential services.”

4. MYTH: LGA was never intended for first class cities (Minneapolis, St. Paul, and Duluth) – and those cities now receive too much.

FACT: The original 1971 statute specifically refers to Minneapolis and St. Paul (Minn. Stat. 477A.02, subd. 14 (1971)). These cities' share of LGA has declined since the program's inception. From 1972 to the reform of 2013, the share going to these first class cities fell from 62% of the total appropriation to 34% of the appropriation. Since the formula reform of 2013, the total LGA share going to Minneapolis, St. Paul, and Duluth increased by 0.09% points (2014 to 2017). In the amount of LGA received per capita, Minneapolis ranks 458, St. Paul ranks 428, and Duluth ranks 122 out of 764 cities.

5. MYTH: The LGA formula is “political.”

FACT: The 2013 LGA formula reform was developed by a working group that included legislators and all city advocacy groups. The bill that reformed the LGA formula (HF 1608/SF 1491) had broad bipartisan support.

The formula is based on objective statistical analysis and is blind to where a city is located or who its legislator is. What would be political – and unprecedented – would be changing the formula based on incorrect ideas about which cities have high property tax wealth, receive the most LGA, and deserve to be cut, without reference to objective formula factors.

6. MYTH: The pre-reform LGA formula (prior to 2014) was better for Greater Minnesota than the post-reform formula.

FACT: Greater Minnesota gets more money under the new formula than it would have under the old one. Under the old formula, Greater Minnesota's share would have been 62.5% in 2017; now, under the new formula Greater Minnesota's share is 65.7% (based on actual LGA appropriations).