



GREATER MINNESOTA Advocate

A publication of the Coalition of Greater Minnesota Cities

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Greetings from the CGMC

Welcome to another edition of the Greater Minnesota Advocate, the periodic newsletter of the Coalition of Greater Minnesota Cities. The Advocate is designed to communicate with policymakers on the legislative priorities of the CGMC, update legislators on important events and happenings, and examine policy issues from a Greater Minnesota perspective.

In this and the next several issues of the Advocate we will be examining the outcomes of the 2013 session, particularly the way they are balanced between Greater Minnesota and the metro area.

2013 LGA Reform Boosts Metro; Meets Needs of Rural Minnesota

Historically, the Local Government Aid (LGA) program has been viewed as a program for Greater Minnesota cities and the central urban cities of Minneapolis and St. Paul, despite the fact that many suburban communities have also received LGA through the years. Nonetheless,

Greater Minnesota does receive the greatest share of the aid, largely because its property tax base is much smaller when compared to Metro communities.

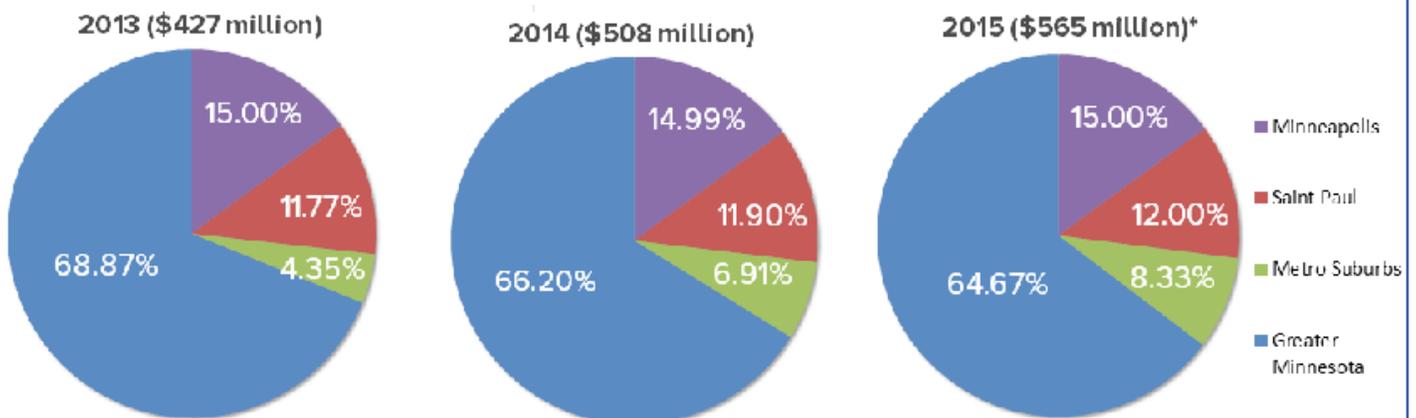
In 2013, approximately 69% of LGA went to Greater Minnesota communities. Together, about 27% of LGA went to Minneapolis and St. Paul, and the balance, about 4%, went to the suburbs.

As LGA reform was discussed in various forums over the last year, one of the primary goals was to see how a new formula could be crafted to better meet the needs of metro-area suburbs, especially the aging ones with older infrastructure and less open space to grow. This was a goal that was supported by the CGMC and its member cities.

When the outcomes of the reform effort are evaluated, it is clear that significant steps were made in strengthening the benefits of the LGA program for many Metro communities.

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LGA Funding History and Regional Share



* The CGMC will be requesting an additional \$57 million for LGA during the 2014 Legislative Session.

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2013 LGA Reform Boosts Metro; Meets Needs of Rural Minnesota

Consider the following facts:

- In 2014, the metro suburbs' share of LGA increases from a little more than 4% to 7%, while Minneapolis and St. Paul's share remains roughly the same.
- The new \$80 million that was appropriated to the program is split almost 50/50 between Greater Minnesota and the metro area.
- Any new money that is appropriated in the future will also be split 50/50 between Greater Minnesota and the Metro. This means that over time the metro area's share of LGA will increase relative to Greater Minnesota.
- The new formula eliminates the "regional center aid" that funneled additional money beyond what the old formula indicated was their need to Greater Minnesota cities over 10,000 in population. Under the new formula, all cities in the state within the same population range are subject to the same "needs" assessment regardless of location.
- Of the 41 cities that are now receiving aid that were previously not getting any, 32 are in the Metro whereas nine are in Greater Minnesota.
- The average increase in aid among cities also shows that the metro area does well, with an average increase of 28.92% for Metro cities versus 14.13% for Greater Minnesota cities (un-weighted).

As it should, the Legislature reformed the LGA program in 2013 to serve all parts of the state -- urban, suburban and rural.

CGMC to Seek \$57M in Additional LGA

In order to capitalize on the improvements made to the LGA formula during the 2013 session, the CGMC will be advocating for a \$57 million increase in the appropriation during the 2014 session. This increase would finally restore the LGA program back to its 2003 level.

Ongoing increases in the LGA appropriation are necessary for several reasons:

- Ensuring that inflation does not erode the property tax relief achieved in 2013 through the new formula and \$80 million increase in appropriation.
- Increases in appropriation will more significantly benefit those older suburbs and cities who are new to the formula in that their aid will rise faster to meet their needs than those communities whose level of aid is already close to meeting their needs.
- Increases in appropriation will increase the rate at which tax rate disparities amongst communities are narrowed.

CGMC recognizes that it is not a budget year. However, if a supplemental budget spends money on property tax relief, the first \$57 million should be spent on LGA to restore the drastic cuts made since 2003.

