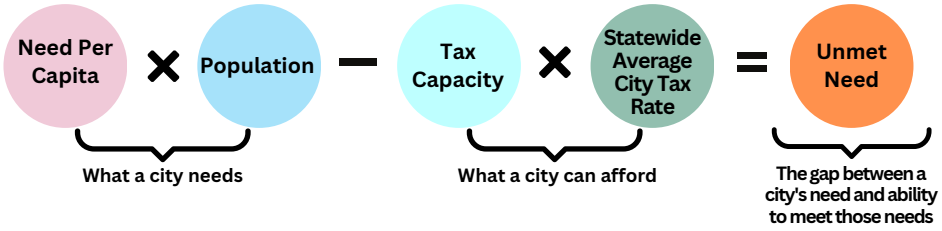
COALITION OF GREATER MN CITIES

LOCAL GOVERNMENT AID FORMULA CHANGES

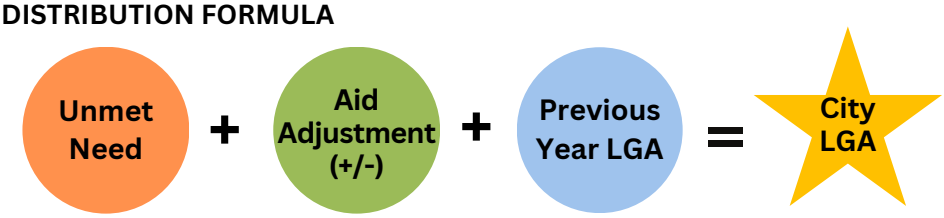
HOW IS CITY LGA CALCULATED?

Minnesota's cities vary in size and each community has different needs. The LGA program accounts for those differences by using statistical measures to determine what each city needs and what each city can afford to pay. The formula changes will primarily affect the calculation of city need per capita.

NEED FORMULA



DISTRIBUTION FORMULA



WHY WAS THE LGA FORMULA UPDATED?

Cities have diverse needs that often change over time. As it ages, the LGA formula loses some capacity to accurately anticipate changes in city need. The LGA formula is usually reexamined after the decennial census. The last major formula update before this was in 2013.

HOW WAS THE LGA FORMULA UPDATED?

The CGMC worked with the League of Minnesota Cities, Metro Cities, and the Minnesota Association of Small Cities to analyze the old formula and develop a new formula that better assesses the needs of our cities. New factors that correlate significantly with city spending were determined through regression analyses.

WHAT CHANGED?

The updated formula continues to break cities into three groups based on their population, applying different factors to small, medium and large cities.

	OLD NEED FACTORS	NEW NEED FACTORS
SMALL CITIES (<2,500)	Population Per capita need capped at $630	Logarithm of population Per capita need is not capped
MEDIUM CITIES (2,500-10,000)	Percent pre-1940 housing Peak population decline Average household size	Percent pre-1940 housing Peak population decline Percent of tax base classed as commercial, industrial or utility
LARGE CITIES (10,000+)	Percent pre-1940 housing Percent 1940-1970 housing Jobs per capita Average household size	Percent pre-1940 housing Percent of population age 65+ Peak population decline Percent of tax base classed as commercial, industrial or utility

Prepared on 6/1/2023 by Flaherty & Hood, P.A. on behalf of the Coalition of Greater Minnesota Cities