

# MINNESOTA • REVENUE

**TO: CITIES**

**RE: 2008 LOCAL GOVERNMENT AID**

Following is an explanation of the factors used in your city's 2008 local government aid certification, dated July 31, 2007.

1. **PRE-1940 HOUSING UNITS:** This is the total number of housing units in your city that were constructed before 1940 according to the 2000 Federal Census.
2. **TOTAL HOUSING UNITS:** This is the total number of all housing units in your city (both vacant and occupied) according to the 2000 Federal Census.
3. **PRE-1940 HOUSING PERCENTAGE:** This is the result of dividing the total number of pre-1940 housing units (line 1) by the total number of housing units (line 2), multiplied by 100.
4. **1996 POPULATION:** This is the 1996 population estimate for your city as determined by the State Demographer (for non-metro cities) or by the Metropolitan Council (for metro cities).
5. **2006 POPULATION:** This is the 2006 population estimate for your city as determined by the State Demographer (for non-metro cities) or by the Metropolitan Council (for metro cities).
6. **POPULATION DECLINE PERCENTAGE:** If your city's 1996 population (line 4) is greater than your city's 2006 population (line 5), this is the result of subtracting line 5 from line 4 and dividing the difference by line 4, multiplied by 100. If your city's 2006 population is greater than your city's 1996 population, your population decline percentage is zero.
7. **2006 TOTAL CLASS 3 REAL PROPERTY MARKET VALUE:** This is the total 2006 (taxes payable 2007) Class 3 market value of all commercial, industrial, and employment properties in your city, before any adjustments for fiscal disparities and excluding public utility properties. These values are not equalized.
8. **2006 TOTAL REAL AND PERSONAL MARKET VALUE:** This is the total 2006 (taxes payable 2007) real and personal market value of your city before any adjustments for fiscal disparities, but after any limited market value adjustments. These values are not equalized.
9. **COMMERCIAL/INDUSTRIAL PERCENTAGE:** This is the result of dividing your city's total Class 3 market value (line 7) by your city's total real and personal market value (line 8), and multiplying the result by 100.
10. **TRANSFORMED POPULATION:** This is the result of multiplying your city's population (line 5), raised to the .3308 power, by 30.5485.
11. **VEHICLE ACCIDENTS:** This is your city's average number of vehicle accidents for calendar years 2004, 2005, and 2006 as reported by the Department of Public Safety.
12. **ROAD ACCIDENTS FACTOR:** This is the result of dividing your city's average number of vehicle accidents (line 11) divided by your city's 2006 population (line 5).
13. **METROPOLITAN AREA FACTOR:** This factor is defined as 35.20915 and applies to cities located in the seven-county metropolitan area.

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14. **HOUSEHOLD SIZE:** This is the average number of persons per household in your city as estimated by the State Demographer or Metropolitan Council as of July 1, 2007.

15. **SPENDING NEED CONSTANT:** For cities less than 2,500 population, your city's spending need constant is 62.772. For cities 2,500 or greater, the spending need constant is 355.0547.

16. **CITY REVENUE NEED:**

*If your city's population is less than 2,500, your city's revenue need is the result of:*

- a) 2.387 times the pre-1940 housing percentage (line 3),  
plus
- b) 2.67591 times the commercial/industrial percentage (line 9),  
plus
- c) 3.16042 times the population decline percentage (line 6),  
plus
- d) 1.206 times the transformed population (line 10),  
minus
- e) 62.772, spending need constant (line 15).

*If your city's population is 2,500 or greater, your city's revenue need is the result of:*

- a) 5.0734098 times the pre-1940 housing percentage (line 3),  
plus
- b) 19.141678 times the population decline percentage (line 6),  
plus
- c) 2504.06334 times the road accidents factor (line 12),  
plus
- d) 355.0547, spending need constant (line 15),  
minus
- e) the metropolitan area factor (line 13),  
minus
- f) 49.10638 times the household size (line 14).

Note: For cities which had a 2002 population of less than 2,500 and a 2003, 2004, 2005 or 2006 population of 2,500 or more, the revenue need is adjusted by a transition factor. The revenue need for all cities is increased by an inflation factor of 1.161532 for 2008 LGA.

17. **PAYABLE 2007 CITY NET LEVY:** This is your city's payable 2007 levy. If your city is located in the seven-county metropolitan area or the iron range area, the net levy for your city includes the fiscal disparities distribution levy.

18. **PAYABLE 2007 CITY NET TAX CAPACITY:** This is your city's 2006 (payable 2007) equalized net tax capacity using payable 2008 class rates. The net tax capacity excludes any tax increment financing (TIF) district value, JOBZ value and any power line value. If your city is located in the seven-county metropolitan area or the iron range area, the net tax capacity excludes any fiscal disparities contribution value and includes any fiscal disparities distribution value.

19. **TAX EFFORT RATE:** This is the result of dividing the statewide total payable 2007 net levy for all cities by the statewide total payable 2007 equalized net tax capacity for all cities. The tax effort rate is the same for all cities.

20. **NEED INCREASE PERCENTAGE:** This is the percentage that is needed to increase the total 2008 local government aid for all cities to the amount of local government aid appropriated for cities in 2008. The need increase percentage is the same for all cities.

21. **TACONITE PHASE IN:** If your city receives taconite aid, 100 percent of this aid is being phased in as part of your city's formula aid for 2007. Seven cities are excluded from the phase in per Minnesota Statutes, Section 477A.013, Subd. 8.
22. **CITY FORMULA AID:** This is the result of multiplying the need increase percentage (line 20) times the difference between a) the city's revenue need (line 16) multiplied by the city's population (line 5) and b) the city's net tax capacity (line 18) multiplied by the tax effort rate (line 19), plus any taconite phase in amount (line 21).
23. **CITY BASE AID:** Aid to selected cities based on criteria specified by law (M.S. 477A.011, subdivision 36).
24. **TOTAL PRELIMINARY AID:** This is your city's base aid (line 23) plus your city's formula aid (line 22).
25. **TOTAL CERTIFIED 2007 LGA:** This is the total amount of your city's LGA for 2007.
26. **MINIMUM/MAXIMUM ADJUSTMENT:** For all cities, the maximum local government aid is equal to 10 percent of the city's payable 2007 net levy (line 17) plus the city's 2007 certified LGA (line 25). For cities with a population of 2,500 or more, the minimum local government aid is equal to the city's 2007 LGA (line 25) minus 10 percent of the city's 2007 net levy (line 17). For cities with a population less than 2,500, the minimum local government aid is equal to the city's 2007 LGA (line 25) minus the five percent of the city's 2003 certified local government aid.
27. **TOTAL 2008 LOCAL GOVERNMENT AID:** This is the total amount of your city's total preliminary aid (line 24) plus your city's minimum/maximum adjustment (line 26).

Your city's 2008 local government aid will be paid in two equal installments. The first half installment will be paid on or before July 20, 2008, and the second half installment will be paid on or before December 26, 2008.

Minnesota Statutes, Section 477A.014 provides that a governmental unit may object to the amount of aid that the Department of Revenue has determined for it. No objection may be raised later than 60 days after receipt of your notice. Such objection should be addressed to Director, Property Tax Division, Minnesota Department of Revenue, Mail Station 3340, St. Paul, MN 55146-3340.

If you have any questions regarding your city's 2008 local government aid, please contact Larry Bewley at [larry.bewley@state.mn.us](mailto:larry.bewley@state.mn.us) or at (651) 556-6096.