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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

**EIGHTY-SIXTH  
SESSION**

**HOUSE FILE No. 339**

January 26, 2009

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The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act  
1.2 relating to revenue sharing with local governments; repealing the city local  
1.3 government aid program; creating the Minnesota fair plan; amending Minnesota  
1.4 Statutes 2008, sections 477A.014, subdivision 1; 477A.03, subdivision 2a;  
1.5 proposing coding for new law in Minnesota Statutes, chapter 477A.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. **[477A.0135] MINNESOTA FAIR PLAN.**

1.8 Subdivision 1. **Minnesota fair plan.** This section shall be known as the Minnesota  
1.9 fair plan.

1.10 Subd. 2. **Revenue sharing; distribution by county.** (a) For aids payable in 2010  
1.11 and thereafter, an amount of aid shall be allocated to each county equal to the total amount  
1.12 of aid received by all cities located in that county under this section for aids payable  
1.13 in 2009. If the maximum allowed appropriation under section 477A.03, subdivision  
1.14 2a, is less than the total amount paid under that subdivision in calendar year 2009, the  
1.15 distribution to each county shall be reduced proportionately.

1.16 (b) Any appropriation for payments under this section in excess of the amount  
1.17 allocated under paragraph (a) shall be distributed to each county proportionately based  
1.18 on the ratio of the total population of all cities in the county to the total population of  
1.19 all cities in the state.

1.20 (c) For purposes of this section, a city is located in its home county.

1.21 Subd. 3. **Distribution of revenue sharing within a county.** (a) For aids payable in  
1.22 2010 only, the county shall distribute to each city located in the county an amount equal to  
1.23 80 percent of the amount of aid the city received under section 477A.013, subdivision  
1.24 9, in calendar year 2009. For aids payable in 2011 only, the county shall distribute to  
1.25 each city located in the county an amount equal to 60 percent of the amount of aid the

2.1 city received under section 477A.013, subdivision 9, in calendar year 2009. For aids  
 2.2 payable in 2012 and thereafter, the county shall distribute to each city located in the  
 2.3 county an amount equal to 40 percent of the amount of aid the city received under section  
 2.4 477A.013, subdivision 9, in calendar year 2009. If the total aid distributed to the cities in  
 2.5 any calendar year is more than the amount allocated to the county under subdivision 2, the  
 2.6 aid to each city shall be reduced proportionately.

2.7 (b) The county board shall determine the distribution of any remaining aid under  
 2.8 this subdivision and may choose to keep all or a portion to pay for county purposes and  
 2.9 allocate any remainder between any combination of cities or townships located in the  
 2.10 county. The county board shall take into consideration whether the additional aid retained  
 2.11 by the county or allocated to a city or township will be used to reduce property taxes in  
 2.12 determining the distribution of aid under this paragraph.

2.13 (c) The county shall inform each city and township within the county of the amount  
 2.14 of aid it will receive under this section by August 15 of the year preceding the distribution  
 2.15 year. The county shall distribute the aid allocated to each city or town in two equal  
 2.16 payments. The payments shall be made within three days after the county receives  
 2.17 payments under section 477A.015.

2.18 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 2.19 2010 and thereafter.

2.20 Sec. 2. Minnesota Statutes 2008, section 477A.014, subdivision 1, is amended to read:

2.21 Subdivision 1. **Calculations and payments.** (a) The commissioner of revenue  
 2.22 shall make all necessary calculations and make payments pursuant to sections ~~477A.013~~  
 2.23 477A.0135 and 477A.03 directly to the ~~affected taxing authorities~~ counties annually. In  
 2.24 addition, the commissioner shall notify the ~~authorities~~ counties of their aid amounts,  
 2.25 as well as the computational factors used in making the calculations for their ~~authority~~  
 2.26 county, and those statewide total figures that are pertinent, before August 1 of the year  
 2.27 preceding the aid distribution year.

2.28 (b) For the purposes of this subdivision, aid is determined for a city or town based  
 2.29 on its city or town status as of June 30 of the year preceding the aid distribution year. If  
 2.30 the effective date for a municipal incorporation, consolidation, annexation, detachment,  
 2.31 dissolution, or township organization is on or before June 30 of the year preceding  
 2.32 the aid distribution year, such change in boundaries or form of government shall be  
 2.33 recognized for aid determinations for the aid distribution year. If the effective date for a  
 2.34 municipal incorporation, consolidation, annexation, detachment, dissolution, or township  
 2.35 organization is after June 30 of the year preceding the aid distribution year, such change in

3.1 boundaries or form of government shall not be recognized for aid determinations until  
 3.2 the following year.

3.3 (c) Changes in boundaries or form of government will only be recognized for the  
 3.4 purposes of this subdivision, to the extent that: (1) changes in market values are included  
 3.5 in market values reported by assessors to the commissioner, and changes in population,  
 3.6 household size, and the road accidents factor are included in their respective certifications  
 3.7 to the commissioner as referenced in section 477A.011, or (2) an annexation information  
 3.8 report as provided in paragraph (d) is received by the commissioner on or before July 15  
 3.9 of the aid calculation year. Revisions to estimates or data for use in recognizing changes  
 3.10 in boundaries or form of government are not effective for purposes of this subdivision  
 3.11 unless received by the commissioner on or before July 15 of the aid calculation year.  
 3.12 Clerical errors in the certification or use of estimates and data established as of July 15 in  
 3.13 the aid calculation year are subject to correction within the time periods allowed under  
 3.14 subdivision 3.

3.15 (d) In the case of an annexation, an annexation information report may be completed  
 3.16 by the annexing jurisdiction and submitted to the commissioner for purposes of this  
 3.17 subdivision if the net tax capacity of annexed area for the assessment year preceding the  
 3.18 effective date of the annexation exceeds five percent of the city's net tax capacity for the  
 3.19 same year. The form and contents of the annexation information report shall be prescribed  
 3.20 by the commissioner. The commissioner shall change the net tax capacity, the population,  
 3.21 the population decline, the commercial industrial percentage, and the transformed  
 3.22 population for the annexing jurisdiction only if the annexation information report provides  
 3.23 data the commissioner determines to be reliable for all of these factors used to compute city  
 3.24 revenue need for the annexing jurisdiction. The commissioner shall adjust the pre-1940  
 3.25 housing percentage, the road accidents factor, and household size only if the entire area of  
 3.26 an existing city or town is annexed or consolidated and only if reliable data is available for  
 3.27 all of these factors used to compute city revenue need for the annexing jurisdiction.

3.28 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 3.29 2010 and thereafter.

3.30 Sec. 3. Minnesota Statutes 2008, section 477A.03, subdivision 2a, is amended to read:

3.31 Subd. 2a. **Cities Revenue sharing.** For aids payable in ~~2009~~ 2010 and thereafter,  
 3.32 the total aid paid under section ~~477A.013, subdivision 9,~~ 477A.0135 is \$526,148,487,  
 3.33 subject to adjustment in subdivision 5.

4.1            **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
4.2            2010 and thereafter.

4.3            Sec. 4. **REVISOR'S INSTRUCTION.**

4.4            The revisor of statutes shall retitle Minnesota Statutes, chapter 477A, as "Revenues  
4.5            to Local Governments."