Aitkin County Board of Commissioners

Request for County Board Action/Agenda Item Cover Sheet

7A
Agenda Item #

To: Chairperson, Aitkin County Board of Commissioners Date: 3-1-12

Via: Patrick Wussow, County Administrator

From: Patrick Wussow, County Administrator

Title of Item:

General Government Legislation of Interest

Requested Meeting Date: 3-6-12 Estimated Presentation Time: ____

Presenter: Patrick Wussow, County Administrator

Type of Action Requested (check all that apply)

_X_ For info only, no action requested
___ Approve under Consent Agenda
___ For discussion only with possible future action
___ Adopt Ordinance Revision
___ Let/Award Bid or Quote (attach copy of basic bid/quote specs or summary of complex specs, each bid/quote received & bid/quote comparison)
___ Approve/adopt proposal by motion
___ Approve/adopt proposal by resolution (attach draft resolution)
___ Authorize filling vacant staff position
___ Request to schedule public hearing or sale
___ Other (please list) ____
___ Request by member of the public to be heard
___ Item should be addressed in closed session under MN Statute ____

Fiscal Impact (check all that apply)

Is this item in the current approved budget? Yes ___ No ___(attach explanation)

What type of expenditure is this? __ Operating __ Capital __ Other (attach explanation)

Revenue line account # that funds this item is: ____

Expenditure line account # for this item is: ____

Staffing Impact (Any yes answer requires a review by Human Resources Manager before going to the board)

Duties of a department employee(s) may be materially affected. __ Yes ___ No
Applicable job description(s) may require revision. __ Yes __ No
Item may impact a bargaining unit agreement or county work policy. __ Yes __ No
Item may change the department's authorized staffing level. __ Yes ___ No

HR Review

Supporting Attachment(s)

_X_ Memorandum Summary of Item
___ Copy of applicable county policy and/or ordinance (excerpts acceptable)
___ Copy of applicable state/federal statute/regulation (excerpts acceptable)
___ Copy of applicable contract and/or agreement
___ Original bid spec or quote request (excluding complex construction projects)
___ Bids/quotes received (excluding complex construction projects, provide comparison worksheet)
___ Bid/quote comparison worksheet
___ Draft County Board resolution
___ Plat approval check-list and supporting documents
___ Copy of previous minutes related to this issue
_X_ Other supporting document(s) (please list) ____

Provide eleven (11) copies of supporting documentation NO LATER THAN Wednesday at Noon to make the Board's agenda for the following Tuesday. Items WILL NOT be placed on the Board agenda unless complete documentation is provided for mailing in the Board packets. (see reverse side for details)

AITKIN COUNTY ADMINISTRATION

Aitkin County Courthouse
217 Second Street N.W. Room 130
Aitkin, MN 56431
218-927-7276
Fax: 218-927-7374

TO: **Aitkin County Board of Commissioners**

FROM: **Patrick Wussow, County Administrator**

RE: **General Government Legislation of Interest**

DATE: **March 1, 2012**

With the State Legislature in full operation at this time, staff has provided several different House files for the Board to discuss. They are as follow:

House File H.F. No. 2123 New Financial Reporting Mandate

House File H.F. No. 2283 a Bill to help the City of Tamarack

February Forecast – State Budget – February 29, 2012

When possible staff will print out a summary of the bill and provide it and Senate companion file #. There are thousands of bills introduced each year, most of which never get past the many different committees in both the House and the Senate.

If there is other legislation you would like discussed please contact me and we can add it to the agenda for discussion or place it on a future agenda.

Please contact me with questions.

HF2123 Status in **House** for Legislative Session 87

Bill Name: HF2123
Bill Text

Companion: SF1722
Companion Text
Companion Status
Senate Search

Revisor Number: 12-4957

House Authors LeMieur

Short Description Property tax late payment penalties modified.

Long Description
Further Committee Actions
House Research Summary

HOUSE Actions

SENATE Actions **Top**

Date ↓	Action	Description / Committee	Text	Page	Roll Call
02/08/2012	Introduction and first reading, referred to	Taxes	Intro	5474	
02/17/2012	*Referred by Chair to*	Property and Local Tax Division			

SENATE Actions

HOUSE Actions **Top**

None.

KEY: ~~stricken~~ = removed, old language. underscored = added, new language.

H.F. No. 2123, as introduced - 87th Legislative Session (2011-2012) Posted on Feb 08, 2012

A bill for an act

relating to taxation; property; modifying the penalties for late payment;amending Minnesota Statutes 2010, section 279.01, subdivision 1; repealing Minnesota Statutes 2010, section 279.01, subdivision 4.

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

Section 1. Minnesota Statutes 2010, section 279.01, subdivision 1, is amended to read:

Subdivision 1. **Due dates; penalties.** Except as provided in subdivision 3 ~~or 4~~, on May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, a penalty accrues and thereafter is charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The penalty is at a rate of two percent ~~on homestead property~~ until May 31 and four percent on June 1. ~~The penalty on nonhomestead property is at a rate of four percent until May 31 and eight percent on June 1.~~ This penalty does not accrue until June 1 of each year, or 21 days after the postmark date on the envelope containing the property tax statements, whichever is later, on commercial use real property used for seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. In order for the first half of the tax due on class 3a property to be paid after May 15 and before June 1, or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, without penalty, the owner of the property must attach an affidavit to the payment attesting to compliance with the income provision of this subdivision. Thereafter, ~~for both homestead and nonhomestead property,~~ on the first day of each month beginning July 1, up to and including October 1 following, an additional penalty of one percent for each month accrues and is charged on all such unpaid taxes provided that if the due date was extended beyond May 15 as the result of any delay in mailing property tax statements no additional penalty shall accrue if the tax is paid by the extended due date. If the tax is not paid by the extended due date, then all penalties that would have accrued if the due date had been May 15 shall be charged. When the taxes against any tract or lot exceed $100, one-half thereof may be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later; and, if so paid, no penalty attaches; the remaining one-half may be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of two percent accrues ~~thereon for homestead property and a penalty of four percent on nonhomestead property~~. Thereafter, ~~for homestead property,~~ on the first day of November an additional penalty of ~~four~~ two percent accrues and on the first day of December following, an additional penalty of two percent accrues and is charged on all such unpaid taxes. ~~Thereafter, for nonhomestead property, on the first day of November and December following, an additional penalty of four percent for each month accrues and is charged on all such unpaid taxes.~~ If one-half of such taxes are not paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty attaches to the remaining one-half until October 16 following.

This section applies to payment of personal property taxes assessed against improvements to leased property, except as provided by section 277.01, subdivision 3.

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding $100, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. Payments must be applied first to the oldest installment that is due but which has not been fully paid. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year or the installment being paid. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 2. **REPEALER.**

Minnesota Statutes 2010, section 279.01, subdivision 4, is repealed.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

HF2283 Status in House for Legislative Session 87

Bill Name: HF2283
Bill Text

Companion: SF2077
Companion Text
Companion Status
Senate Search

Revisor Number: 12-5244

House Authors McElfatrick

Short Description Local government aid payment to cities modified.

Long Description Further Committee Actions House Research Summary

HOUSE Actions

SENATE Actions Top

Date ↓	Action	Description / Committee	Text	Page	Roll Call
02/15/2012	Introduction and first reading, referred to	Taxes	Intro	5591	
02/28/2012	*Referred by Chair to*	Property and Local Tax Division			

SENATE Actions

HOUSE Actions Top

None.

KEY: ~~stricken~~ = removed, old language. underscored = added, new language.

H.F. No. 2283, as introduced - 87th Legislative Session (2011-2012) Posted on Feb 15, 2012

A bill for an act

relating to local government aid; modifying the payment to certain cities; amending Minnesota Statutes 2010, section 477A.011, subdivision 36.

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

Section 1. Minnesota Statutes 2010, section 477A.011, subdivision 36, is amended to read:

Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

(b) The city aid base for any city with a population less than 500 is increased by $40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $40,000 for aids payable in calendar year 1995 only, provided that:

(i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;

(ii) the city portion of the tax capacity rate exceeds 100 percent; and

(iii) its city aid base is less than $60 per capita.

(c) The city aid base for a city is increased by $20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $20,000 in calendar year 1998 only, provided that:

(i) the city has a population in 1994 of 2,500 or more;

(ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;

(iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than $400 per capita; and

(iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(d) The city aid base for a city is increased by $200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $200,000 in calendar year 1999 only, provided that:

(i) the city was incorporated as a statutory city after December 1, 1993;

(ii) its city aid base does not exceed $5,600; and

(iii) the city had a population in 1996 of 5,000 or more.

(e) The city aid base for a city is increased by $150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9 , paragraph (c), is also increased by $150,000 in calendar year 2000 only, provided that:

(1) the city has a population that is greater than 1,000 and less than 2,500;

(2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and

(3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(f) The city aid base for a city is increased by $200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $200,000 in calendar year 2000 only, provided that:

(1) the city had a population in 1997 of 2,500 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than $650 per capita;

(3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;

(4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and

(5) the city aid base of the city used in calculating aid under section 477A.013 is less than $7 per capita.

(g) The city aid base for a city is increased by $102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $102,000 in calendar year 2000 only, provided that:

(1) the city has a population in 1997 of 2,000 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than $455 per capita;

(3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than $195 per capita; and

(4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

(h) The city aid base for a city is increased by $32,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $32,000 in calendar year 2001 only, provided that:

(1) the city has a population in 1998 that is greater than 200 but less than 500;

(2) the city's revenue need used in calculating aids payable in 2000 was greater than $200 per capita;

(3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than $200 per capita;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than $65 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(i) The city aid base for a city is increased by $7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $7,200 in calendar year 2001 only, provided that:

(1) the city had a population in 1998 that is greater than 200 but less than 500;

(2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;

(3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than $15 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(j) The city aid base for a city is increased by $45,000 in 2001 and thereafter and by an additional $50,000 in calendar years 2002 to 2011, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $45,000 in calendar year 2001 only, and by $50,000 in calendar year 2002 only, provided that:

(1) the net tax capacity of the city used in calculating its 2000 aid under section

477A.013 is less than $810 per capita;

(2) the population of the city declined more than two percent between 1988 and 1998;

(3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than $240 per capita; and

(4) the city received less than $36 per capita in aid under section 477A.013, subdivision 9 , for aids payable in 2000.

(k) The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to the lesser of:

(1)(i) the total population of the city, as determined by the United States Bureau of the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

(2) $2,500,000.

(l) The city aid base is increased by $50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $50,000 in calendar year 2002 only, provided that:

(1) the city is located in the seven-county metropolitan area;

(2) its population in 2000 is between 10,000 and 20,000; and

(3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.

(m) The city aid base for a city is increased by $150,000 in calendar years 2002 to 2011 and by an additional $75,000 in calendar years 2009 to 2014 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by $150,000 in calendar year 2002 only and by $75,000 in calendar year 2009 only, provided that:

(1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

(2) its home county is located within the seven-county metropolitan area;

(3) its pre-1940 housing percentage is less than 15 percent; and

(4) its city net tax capacity per capita for taxes payable in 2000 is less than $900 per capita.

(n) The city aid base for a city is increased by $200,000 beginning in calendar year 2003 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9 , paragraph (c), is also increased by $200,000 in calendar year 2003 only, provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.

(o) The city aid base for a city is increased by $200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by $200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.

(p) The city aid base for a city is increased by $10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by $10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.

(q) The city aid base for a city is increased by $30,000 in 2009 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by $25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000 and has a state park for which the city provides rescue services and which comprised at least 14 percent of the total geographic area included within the city boundaries in 2000.

(r) The city aid base for a city is increased by $80,000 in 2009 and thereafter and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by $80,000 in calendar year 2009 only, if:

(1) as of May 1, 2006, at least 25 percent of the tax capacity of the city is proposed to be placed in trust status as tax-exempt Indian land;

(2) the placement of the land is being challenged administratively or in court; and

(3) due to the challenge, the land proposed to be placed in trust is still on the tax rolls as of May 1, 2006.

(s) The city aid base for a city is increased by $100,000 in 2007 and thereafter and the minimum and maximum total amount of aid it may receive under this section is also increased in calendar year 2007 only, provided that:

(1) the city has a 2004 estimated population greater than 200 but less than 2,000;

(2) its city net tax capacity for aids payable in 2006 was less than $300 per capita;

(3) the ratio of its pay 2005 tax levy compared to its city net tax capacity for aids payable in 2006 was greater than 110 percent; and

(4) it is located in a county where at least 15,000 acres of land are classified as tax-exempt Indian reservations according to the 2004 abstract of tax-exempt property.

(t) The city aid base for a city is increased by $30,000 in 2009 only, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by $30,000 in calendar year 2009, only if the city had a population in 2005 of less than 3,000 and the city's boundaries as of 2007 were formed by the consolidation of two cities and one township in 2002.

(u) The city aid base for a city is increased by $100,000 in 2009 and thereafter, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by $100,000 in calendar year 2009 only, if the city had a city net tax capacity for aids payable in 2007 of less than $150 per capita and the city experienced flooding on March 14, 2007, that resulted in evacuation of at least 40 homes.

(v) The city aid base for a city is increased by $100,000 in 2009 to 2013, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by $100,000 in calendar year 2009 only, if the city:

(1) is located outside of the Minneapolis-St. Paul standard metropolitan statistical area;

(2) has a 2005 population greater than 7,000 but less than 8,000; and

(3) has a 2005 net tax capacity per capita of less than $500.

(w) The city aid base is increased by $25,000 in calendar years 2009 to 2013 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is increased by $25,000 in calendar year 2009 only, provided that:

(1) the city is located in the seven-county metropolitan area;

(2) its population in 2006 is less than 200; and

(3) the percentage of its housing stock built before 1940, according to the 2000 United States Census, is greater than 40 percent.

(x) The city aid base is increased by $90,000 in calendar year 2009 only and the minimum and maximum total amount of aid it may receive under section 477A.013, subdivision 9, is also increased by $90,000 in calendar year 2009 only, provided that the city is located in the seven-county metropolitan area, has a 2006 population between 5,000 and 7,000 and has a 1997 population of over 7,000.

(y) In calendar year 2010 only, the city aid base for a city is increased by $225,000 if it was eligible for a $450,000 payment in calendar year 2008 under Minnesota Statutes 2006, section 477A.011, subdivision 36, paragraph (e), and the second half of the payment under that paragraph in December 2008 was canceled due to the governor's unallotment. The payment under this paragraph is not subject to any aid reductions under section 477A.0134 or any future unallotment of the city aid under section 16A.152.

~~(z) The city aid base and the maximum total aid the city may receive under section 477A.013, subdivision 9, is increased by $25,000 in calendar year 2010 only if:~~

~~(1) the city is a first class city in the seven-county metropolitan area with a population below 300,000; and~~

~~(2) the city has made an equivalent grant to its local growers' association to reimburse up to $1,000 each for membership fees and retail leases for members of the association who farm in and around Dakota County and who incurred crop damage as a result of the hail storm in that area on July 10, 2008.~~

~~The payment under this paragraph is not subject to any aid reductions under section 477A.0134 or any future unallotment of the city aid under section 16A.152.~~

~~(aa) The city aid base for a city is increased by $106,964 in 2011 only and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by $106,964 in calendar year 2011 only, if the city had a population as defined in Minnesota Statutes, section 477A.011, subdivision 3, that was in excess of 1,000 in 2007 and that was less than 1,000 in 2008.~~

(z) In calendar year 2013 only, the city aid base and the maximum total aid the city may receive under section 477A.013, subdivision 9, is increased by $12,000 if:

(1) the city's 2010 population is less than 100 and its population growth between 2000 and 2010 was more than 55 percent; and

(2) its commercial industrial percentage as defined in subdivision 32, based on assessments for calendar year 2010, payable in 2011, is greater than 15 percent.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2013 and thereafter.

Sec. 2. **ADDITIONAL AID PAYMENT IN 2012 FOR CERTAIN CITIES.**

For calendar year 2012 only, a city shall receive a onetime payment of $12,000 if: (1) the city's 2010 population is less than 100 and its population growth between 2000 and 2010 was more than 55 percent; and (2) its commercial industrial percentage as defined in subdivision 32, based on assessments for calendar year 2010, payable 2011, is greater than 15 percent. The aid paid under this section shall be paid on the same schedule as aid paid under sections 477A.011 to 477A.03. The amount necessary to make the payment under this section shall be appropriated from the general fund in fiscal year 2013.

EFFECTIVE DATE. This section is effective the day following final enactment.

Patrick Wussow

From: Laurie Klupacs [LKlupacs@mncounties.org]
Sent: Wednesday, February 29, 2012 2:35 PM
Subject: AMC Breaking News: February Forecast Update

Importance: High

Wednesday, February 29, 2012

BREAKING NEWS! February Forecast Update

Overview
State Finance officials announced today that the state has a $323 million surplus in the current two-year budget cycle. This surplus is **<u>in addition</u>** to the $876 million surplus announced in the November forecast, which, by law, was dedicated to filling the state's budget reserve and cash flow account. Similarly, the entirety of the $323 million surplus announced today is already dedicated in statute: $5 million needs to be placed in the state's reserves, while the rest is to be used to begin paying back the K-12 Education shift passed last legislative session. This payment would represent approximately 11% of what is currently owed to schools, and leaves $2.4 billion in school payment shifts remaining to be paid back.

Long term, the state still faces a serious financial challenge. Even with the improving revenue forecast, the state is still expected to face a $1.1 billion shortfall in the FY 2014-15 budget cycle, which Governor Dayton and a new legislature will need to address next session.

It's important to note that the $1.1 billion deficit in FY 2014-15 does **not** include repayment of the K-12 school shift and property tax recognition shift ($2.4 billion total), nor does it include any adjustment for inflation (which, if added, would increase spending obligations next biennium by more than $1 billion). If those factors are accounted for, the state's *structural* budget deficit is more than $4 billion.

Minnesota's Economy
The budget forecast shows that the state's economic outlook has improved, and the possibility of a 2012 recession has considerably declined.

The forecast, based on the work of Global Insight, calls for real GDP growth of 2.1 percent in 2012 and 2.3 percent in 2013. The November baseline called for real growth rates of 1.6 percent and 2.5 percent respectively. The probability of a recession in 2012 has been reduced from 40 percent to 25 percent while the probability that the economy will outperform the baseline has increased from 10 percent to 20 percent.

Minnesota's December unemployment rate of 5.7 percent was well below the 8.5 percent national rate. Over the past 40 years Minnesota's unemployment rate has averaged about 1.4 percentage points less than the U.S. average, so that 2.8 percentage point difference is much greater than normal. The state's unemployment rate also appears to be falling faster than the national average. Since December, 2009, Minnesota's rate has fallen by 2.1 percentage points while the U.S. rate has fallen by 1.5 percentage points.

Looking Ahead

As mentioned, the surplus announced last fall and the additional surplus announced today are already dedicated by law to repaying the state's debts. However, those statutory obligations could be changed if the Legislature and Governor agree that certain spending priorities should take precedent over repaying the K-12 school shift. This could include any agreement on any of the various jobs proposals currently being debated at the Legislature, including the GOP's plan to phase-out the statewide business property tax, and the Dayton-DFL plan to give tax credits to companies that hire unemployed workers, veterans, or recent graduates.

Governor Dayton indicated that he would present a supplemental budget proposal next week. He said he would not use any of the projected surplus to pay for new spending or tax breaks, and that any additional spending or tax breaks in his supplemental budget would be paid for by raising additional revenue. He previously suggested paying for his jobs plan by closing certain corporate tax breaks.

Looking toward next session, it appears likely that the Governor and lawmakers will once again face the difficult reality of coping with yet another major budget deficit. Keep in mind, however, that nothing is set in stone. In July, when the state's two-year budget was enacted, the projected deficit for FY 2014-15 was $1.9 billion. In November, that estimate was revised to $1.3 billion. Today, that figure is down to $1.1 billion (again, not including the debt owed to schools).

For more information, follow this link to review all of the February Forecast documents from Minnesota Management and Budget.

Association of Minnesota Counties| 125 Charles Avenue, St. Paul, MN 55103-2108 | Main Line: 651-224-3344, Fax: 651-224-6540
www.mncounties.org

HOUSE RESEARCH
Bill Summary

FILE NUMBER: H.F. 1954 **DATE:** February 16, 2012
Version: First Engrossment

Authors: Downey and others

Subject: Local government; expenditure type reporting

Analyst: Deborah A. Dyson

Overview

This bill requires cities over 2,500 population and counties to place budget information organized by both function and expenditure type on the Web or in the newspaper. Function includes, for example, public works, general administration, parks and recreation. Expenditure types include, for example, salaries, benefits, supplies, capital costs, debt service.

Section

1 **Proposed levy (truth in taxation).** Requires cities and counties covered by section 3 of the bill to provide the county auditor with the information necessary to allow the public to access electronically the budget information required in section 3. Effective July 1, 2012.

2 **Notice of proposed property taxes (truth in taxation).** Requires truth in taxation notices to provide information on how to access electronically the budget information required in section 3. Effective July 1, 2012.

3 **Expenditure type reporting.**

Subd. 1. Purpose. States the purpose is to facilitate public involvement in local government budgeting.

Subd. 2. Definitions. Defines "municipality" as a statutory or home rule charter city with a population over 2,500, or a county. Specifies how population is determined.

Subd. 3. Electronic budgetary information. (a) Requires a municipality that maintains an official Web site to publish electronically by September 30 each year four

Section

years of budget information by function and by expenditure type – the two most recently concluded budget years, the estimated data for the current budget year and the projected for the next year. Requires the projected data for the proposed budget adopted on September 15 required under the Truth-in-Taxation law to include the overall projected budget increase, and where possible, an estimated breakdown of projected revenues and expenditures by function and expenditure type.

(b) Requires the budget information to include the municipality's general fund, debt service fund, and special revenue funds, but not a special revenue fund used for acquisition and construction of major capital facilities, enterprise fund or fiduciary fund.

(c), (d) Requires the state auditor to establish the forms and reporting requirements. Requires the functions to be those in the current reports that municipalities make and lists expenditure types that must be included. Directs the state auditor to consult with the commissioner of management and budget, city and county representatives, and members of the governmental accounting community in developing the definition of expenditure types for reporting purposes.

Subd. 4. Alternative publication of budgetary information. Requires a municipality that does not maintain a Web site to either set one up for the budget reporting required in this bill or to publish the information in its official newspaper. If a county publishes in its official newspaper, it must also publish in one other if one of general circulation is located in a different city in the county than the official newspaper. Requires the state auditor to prescribe the notice forms.

Subd. 5. Penalties. Provides that a municipality that fails to provide the required information loses its state aids for roads, local police and salaried firefighters' relief association amortization state aid, and LGA.

Effective July 1, 2012.

LEAGUE OF MINNESOTA CITIES

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LMC Fiscal Futures Policy Committee Policy on Reporting Requirements

Issue and Background:
Budget and financial reporting requirements imposed on cities by the state often result in duplication and additional costs. In addition to the state mandated annual audits under Minn. Stat. § 471.697-.698, cities are required to prepare and submit or publish numerous other budget and financial reports including but not limited to:

- Summary budget reports (Minn. Stat. § 6.745);
- Treasurers report to the city clerk (Minn. Stat. § 412.141);
- Statement of tax collections and other income by clerk to the city council (Minn. Stat. § 471.69);
- Report on outstanding obligations and the purpose for each issue filed with the county auditor (Minn. Stat. § 471.70);
- Publication of summary budget statement (Minn. Stat. § 471.6965);
- Publication of statement of liquor store operations (Minn. Stat. § 477A.017);
- Liquor store audited financial statements (Minn. Stat. § 471.6985);
- TIF district plan and amendments (Minn. Stat. § 469.175, subd. 4a);
- TIF district annual disclosure (Minn. Stat. § 469.175, subd. 5);
- TIF district annual financial report (Minn. Stat. § 469.175, subd. 6);
- Business subsidy reporting (Minn. Stat. § 116J.993 through 116J.995);
- State required financial activity reports (Minn. Stat. § 6.74);
- Local improvement requirements (Minn. Stat. § 429.031);
- Development and permit fees report (Minn. Stat. § 326B.145);
- Utility annual financial statements (Minn. Stat. § 412.381);
- Housing and redevelopment authority annual financial report (Minn. Stat. § 469.013);
- Federal single audit or a program specific audit (31 U.S.C.A. § 7502 (a)(1));

League Response:
Requirements for reporting and advertising financial and budget information should be carefully weighed to balance the validity of the need for additional information with the costs and burdens of compiling and submitting this information. In addition, all state agencies should be aware of the information already required by others to avoid duplication of reporting requirements.

To this point, the Legislature should consolidate municipal government financial reporting requirements in the Office of State Auditor, include an electronic submission alternative to any remaining paper filing requirements and authorize the use of web publication where newspaper publication is currently required.

Finally, as the various government redesign committees established by the 2010 Legislature develop recommendations to the Legislature, minimizing the reporting mandates should be a priority.

Questions? Contact Jennifer O'Rourke at jorourke@lmc.org or (651) 281-1261.

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February 1, 2012

Dear Sirs:

I am the Finance Director of the City of Crystal and I understand that there is a proposed bill before the Legislature that would require cities and counties with populations over 2,500 to begin object code financial reporting. I understand the purpose of the bill is to provide better information, transparency and ease for making budget comparisons among local units of government.

The cities of Crystal and New Hope have a combined fire department. This sometimes leads to interesting and spirited discussions. A few years ago, one of these discussions prompted me to try to compare our cost for the combined fire department to what other cities pay for their fire departments.

I have a college degree in accounting and thirty-six years of experience working in the finance departments of several Minnesota cities, included about twenty years where I was the primary staff person responsible for preparation of the annual city budget. I feel that I am as qualified as anyone to do this kind of cost comparison.

Crystal and New Hope have a combined population of over 40,000 people. I compiled a list of cities with populations of between 35 and 45 thousand people. I thought this would be a good peer group for my comparison. I then went to the web-sites of these cities and downloaded the current budgets for their fire departments. I found what seemed to be significant differences between the fire budgets, so I contacted some of the departments for clarifications on their operations/budgets.

There are a surprising number of factors that make the operations of these departments different. Some of them are summarized as follows:

1) Personnel: Most of the departments had some full-time officers along with paid-on-call volunteer fire fighters. Some departments relied on the volunteers to do inspections on a per-hour pay basis. Other departments have full-time fire inspectors. Some departments simply rely on the volunteers to respond at the time of a fire. Others have duty crews in which a few of the volunteers are paid to sleep overnight at the fire station to be ready to respond to fires. Some departments used all full-time fire fighters.
2) Medical: Many departments did not respond to medical calls. Some departments give their fire fighters paramedic training and will respond to a medical call if the police or ambulance crew request extra help. Some departments had their own ambulance services and respond to all calls.

3) Dispatch: Most departments relied on shared dispatch services through a cooperative service with several other departments or the county. A few departments had their own dispatch operation.
4) Fire trucks: Many departments purchase their fire trucks and keep them for 15 to 20 years. This leads to higher maintenance costs as the trucks age. Other departments lease their trucks and turn them in for new ones every 10 years. This increases acquisition costs but saves maintenance costs and provides faster implementation of new technologies.
5) Fire stations: In many departments, the fire stations were free-standing buildings and the cost of maintenance was charged to the fire department. Other departments used buildings that were maintained by a central buildings department without costs being allocated to the fire department.
6) Service needs: Some departments serve areas with high-rise buildings that require ladder trucks. Some departments serve industrial areas that require extra hazardous materials capabilities. Some departments serve residential and light industrial communities and don't need ladder trucks or extra hazardous materials capabilities. Some departments serve areas with many lakes/rivers and provide water rescue capability. Some metro area departments still have large undeveloped areas and need specialized grass-fire trucks. Some departments have an air port in their service area.

All of these differences in service delivery dictate differences in the cost of operation for each fire department. As I recall, I spent at least eight hours working on the comparisons spread over several days. In the end, I concluded that no meaningful comparison could be made about the fire departments.

If a trained person, investing many hours to the analysis can't make a meaningful comparison of the budgets of several cities, how is an average citizen going to do it? However, they will believe they can do it and will bombard city officials with demands for explanations of perceived inconsistencies. Does the proposed bill make any provision for the cost of initial implementation of this proposal or of the ongoing cost in staff time needed to respond to citizen inquiries?

I doubt the costs were considered or provided for. This will just be another unfunded mandate and the costs will be rolled into the next increase in the property tax. Then the legislature can blame us for raising property taxes, again.

Sincerely,

Charles Hansen

Charles Hansen,
Finance Director