

## Request for City Council Committee Action from the Department of Intergovernmental Relations

Date: January 29, 2009  
To: Council Member Betsy Hodges, Chair, IGR Committee  
Referral to: IGR Committee

**Subject: 2009 Legislative Agenda**

**Recommendation: Approve motion by IGR Committee Chair Betsy Hodges to amend the 2009 Legislative Agenda, Local Government Finance Section**

Prepared by: Gene Ranieri, Director, Intergovernmental Relations \_\_\_\_\_

Presenters in Committee: IGR Staff

IGR Committee Chair Betsy Hodges moves to amend the 2009 Legislative Agenda by adding the following language to the 2<sup>nd</sup> bullet point under the support section of the Local Government Finance section:

- Diversifying revenue sources for municipalities, including but not limited to street use utility, sales tax, and other user fees including infrastructure maintenance assessments-so that municipalities can become more self reliant and be less dependent on the property tax and state revenues.

**Supporting Information:** In 1971, the Minnesota Legislature overhauled its revenue system so that it paid for most education costs and property tax relief. The state became the revenue collector and distributed funds to local governments and schools. The funds to local governments were in the form of aids (local government aid) and property tax relief.

In 2001 the legislature modified the system by absorbing most school expenditures and replacing the homestead credit with a market value credit. In 2001, approximately \$3.3 billion was appropriated for aids and credits. Eight years later the appropriation totals \$3.4 billion. For the biennium beginning July 1, 2009 the Governor is proposing an aids and credits budget of \$2.895 billion.

During the period 2003 to 2009, the local government aid portion of the appropriation has ranged from \$434.0 million in 2005 to \$586.0 million in 2003. The 2009 appropriation is certified at \$524.0 million but the Governor is proposing a \$78.0 million reduction or an appropriation of \$446.0 million.