



2009/2010 LGA and MVHC Unallotment FAQ

Updated 12/22/2009

Governor Pawlenty announced unallotments, or reductions, of Local Government Aid (LGA) and Market Value Homestead Credit (MVHC) reimbursement in June 2009. This FAQ-style document summarizes the details of the unallotments, including how they were calculated, the total amount, and the timing. It also offers a summary of how the unallotments will interact with levy limits for cities over 2500 population. If the information included here does not answer your questions please do not hesitate to contact one of the League staff listed at the end of the document.

Q: How much LGA and MVHC will be unallotted in 2009? In 2010?

A: The reduction in 2009 totals \$64.2 million (\$44.6 million from LGA and \$19.6 million from MVHC reimbursement). In 2010, the total reduction is \$128.3 million (\$102.3 million from LGA and \$25.9 million from MVHC reimbursement). Over the two-year period, \$192.5 million will be cut from LGA and MVHC reimbursement.

Q: Will the governor make further reductions (unallotments) to the 2009 and 2010 aid and credit payments?

A: The governor announced in mid-December 2009 that he would not make additional cuts to the December 2009 payments of aids or credits. Those payment amounts will remain at the levels set out in the Governor's unallotment plan released in June 2009. The June unallotment plan also included cuts to the 2010 payments of city aids and credits. The legislature or the governor could make further reductions to those remaining 2010 payments given the size of the state budget deficit (\$1.2 billion according to December 2009 forecast).

Q: Will any cities be exempt from the cuts?

A: Some cities will be exempt from any unallotment in 2009 and 2010. These cities are those below 1000 population with a below average tax base per capita (measured by adjusted net tax capacity per capita compared to the statewide average for all cities).

Population figures used to determine the cutoff are official population estimates from the Metropolitan Council and the State Demographer. 2008 population figures will not be certified to the Commissioner of Revenue by the Metropolitan Council and the State Demographer until July 15. It is likely that the unallotments will be effectuated (technically carried out in state's accounting system) before that date and therefore will be using the 2007 figures.

The City of St. Charles is exempt from cuts in 2009 only.

Q: How were the unallotment amounts for each city calculated?

A: In 2009, the cut is calculated as 3.31 percent of certified 2009 levy plus certified 2009 LGA plus 2009 taconite aid. The cuts will be taken first from LGA and then if there is not enough LGA to cover the cut,

the remainder will be taken from MVHC. In 2010, the cut percentage is 7.64 percent. Again, the 2010 cuts will be taken first from LGA and then from MVHC.

Q: Is there any limit on the amount of the cut for an individual city?

A: No city will receive a cut that exceeds \$22 per capita in 2009 or \$55 per capita in 2010.

Q: Why do some cities appear to have a cut that is less than the percentage reduction for all cities (3.31% in 2009, 7.64% in 2010)?

A: Cities that have a cut amount representing less than the overall reduction percentage either lose ALL of their aid and reimbursement or hit the maximum cut amount (see answer above).

Q: How do I find out my city's unallotment amounts?

A: There is a spreadsheet posted on the LMC [website](#).

Q: What is the impact on homeowners of unallotment of MVHC reimbursement?

A: Homeowners continue to receive credit. Those cities with MVHC reimbursement cuts are not reimbursed by the state for the full amount of the credit received by homeowners. This effectively reduces those cities' certified levies.

Q: What is the timing of the cuts?

A: In both years, some of the cut will come out of the July check (October for MVHC) and the balance will come out of the December check. The 2009 cuts will be equally split between the two payments (July and December for LGA, October and December for MVHC reimbursement).

Q: Why are the 2010 cuts bigger than 2009 cuts?

A: Cuts are back loaded overall to 2010 to give cities more time to make budget adjustments. Roughly one-third of the overall cut occurs in 2009 while the remaining two-thirds occurs in 2010.

Q: What year do we look at as a baseline to see the impact of the cuts?

A: For 2009, look at certified 2009 LGA amounts and estimated 2009 MVHC amounts. For 2010, look at estimated 2010 LGA amounts and estimated 2010 MVHC amounts. 2010 LGA will be certified in late July of 2009.

Q: Are the 2010 unallotment amounts subject to change?

A: The 2010 unallotment amounts (total cut from LGA and MVHC for an individual city) are to be considered maximum amounts. For many cities, the certified 2010 LGA amount differs slightly from the estimates available when the unallotments were calculated. If the certified amount is higher than the estimate, more of the unallotment can then come from LGA instead of from MVHC. If the certified amount is lower, more of the unallotment will have to come from MVHC.

Additionally, some cities may see changes in the amount of MVHC that they are due to receive due to housing market changes. If a city's 2010 certified reimbursement is less than the estimate, its cut amount will be lower because it cannot lose more than it is to receive. If a city's 2010 reimbursement is more than the estimate, that city may have some (or more) reimbursement left after the unallotment.

Q: How do the unallotments of LGA and MVHC reimbursement interact with levy limits for cities over 2500 population?

A: This is a very complex issue, primarily for the 2010 cuts. An announcement of unallotment is not the actual cutting of funds. The technical cutting of funds is called the effectuation of the unallotment and it occurs when staff at MMB makes adjustments to the state's accounting system. The effectuation date, not

the date that unallotments are announced, determines when special levy authority is triggered. The 2009 cuts were effectuated in early July 2009. The 2010 unallotments will be effectuated in January 2010.

- Unallotment of 2008 LGA and MVHC: cities can use a special levy in pay 2010 to recover part or all of these cuts
- Unallotment of 2009 LGA and MVHC: cities can use a special levy in pay 2010 to recover part or all of these cuts
- Unallotment of 2010 LGA: Cities can use a special levy in pay 2011 to recover part or all of these cuts (note that the 2010 cuts will be effectuated after January 15, 2010).
- Unallotment of 2010 MVHC: Cities can use a special levy in pay 2011 to recover part or all of these cuts (note that the 2010 cuts will be effectuated after January 15, 2010).

For additional information on levy limits and special levies, please see the League's ["How to Estimate your 2010 Levy Limit"](#)

Q: How does the authority to recertify levies by January 15, 2010 work?

A: Cities are allowed to recertify their final 2010 levies if the December 2009 aid or credit payments are further unallotted after September 1, 2009. This is optional. Recertification must occur within 2 days after January 15, 2010. A city may revise the amount of its special levy and the amount of its limited levy, but the total change cannot be more than the amount of the unallotment. If a special levy is NOT used as part of a recertified levy in this circumstance, that special levy authority does roll over to the following year. If recertification includes only a portion of the additional unallotment as a special levy, the remaining amount does NOT roll over to the following year.

Q: Who can I contact at the League with questions?

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