

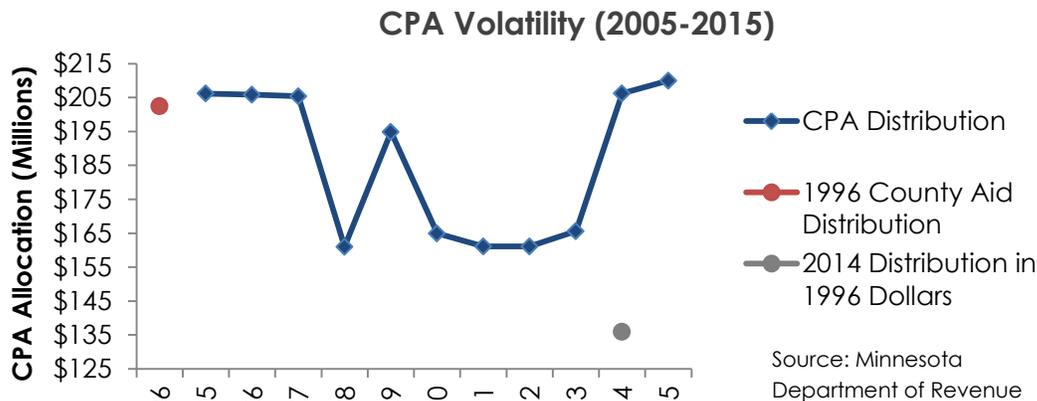
The "NEW" County Program Aid

Updating the County Program Aid Formula to Support Today's Counties

Minnesota has a tradition of state-mandated, county-administered programming that requires counties to deliver essential services in public safety, human services, transportation, and other vital program areas on the state's behalf. To help pay for these services, the state distributes funding to counties via County Program Aid (CPA) with the additional goal of potentially offsetting county tax levy growth.

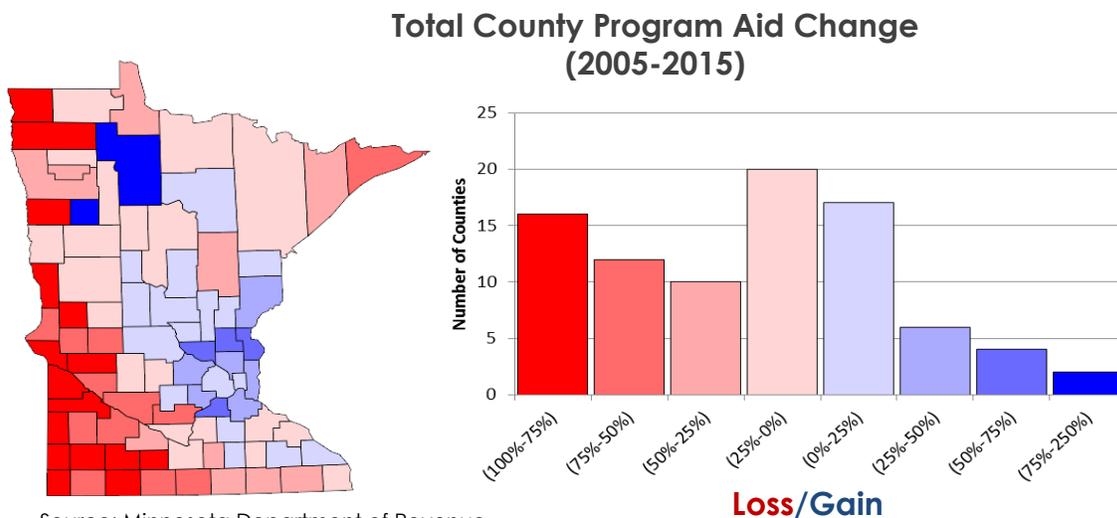
Problems with the Current CPA Formula

The total appropriation counties receive in state aid has fluctuated drastically over the past twenty years, and is significantly depressed in real dollar value. The 2014 CPA allocation appears almost equal to 1996's amount, but after accounting for inflation, the 2014 allocation is actually **\$70.2 million less**.



1/3 of Minnesota's counties have lost more than 50% of their CPA allocation in the past 10 years and 27 counties failed to receive a portion of their CPA entirely.

More recently, counties have seen drastic variations in aid allotments which not only cause uncertainty during the budgeting process, but can force boards to raise levies and cut vital community services.



Current CPA Formula

The CPA formula is broken into three parts: need aid, tax base equalization aid (TBEA), and transition aid. The state appropriates approximately equal amounts into need aid and TBEA where the funds are distributed to counties based on the following county characteristics:

Need Aid	Tax Base Equalization Aid (TBEA)	Transition Aid
<ul style="list-style-type: none">• 40% distributed to each county based on the county's share of the state's population over 65 years of age.• 40% distributed to each county based on the county's share of the state's population receiving food stamps.• 20% distributed to each county based on the county's share of the number of Part I crimes reported in the state.	<ul style="list-style-type: none">• $N \times (\\$185 \times \text{county population} - 9.45\% \text{ of the county's adjusted net tax capacity})$• $N =$ factor determined by the county's population (smaller population receives a higher number)	<ul style="list-style-type: none">• Seven counties receive a fixed amount at one-third of the allocation they received in 2005 to compensate for a reduced CPA distribution after the program's inaugural year.

New CPA Formula

The Association of Minnesota Counties (AMC) convened a work group to study the CPA formula and recommend improvements. The work group included leadership from over twenty counties along with input from the Minnesota Inter-County Association (MICA) and the Minnesota Rural Counties Caucus (MRCC). After more than a year of work, the work group developed recommendations that reduce volatility and protect counties from losing significant funding when there is a sudden shift in their demographics.

The following is a summary of the changes recommended by the work group:

- **A funding increase of \$40 million;**
- **The creation of a funding floor that guarantees each county \$350,000 in TBEA;**
- **Formula revisions to slow down counties' loss of TBEA funding,** including: an increase of the per capita factor to \$190 and a decrease of the county adjusted net tax capacity (ANTC) factor to 9 percent;
- **The elimination of special funds and transition aid;** and
- **The creation of a 5% cap on annual CPA losses;** ensuring no county will lose more than 5% of its funding each year.

In an age when counties are forced to do more with less, while still providing quality services and maintaining low property tax burdens, CPA remains an important tool in providing counties with the resources to fund transportation, human services, public safety, and many other programs of statewide importance.

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