

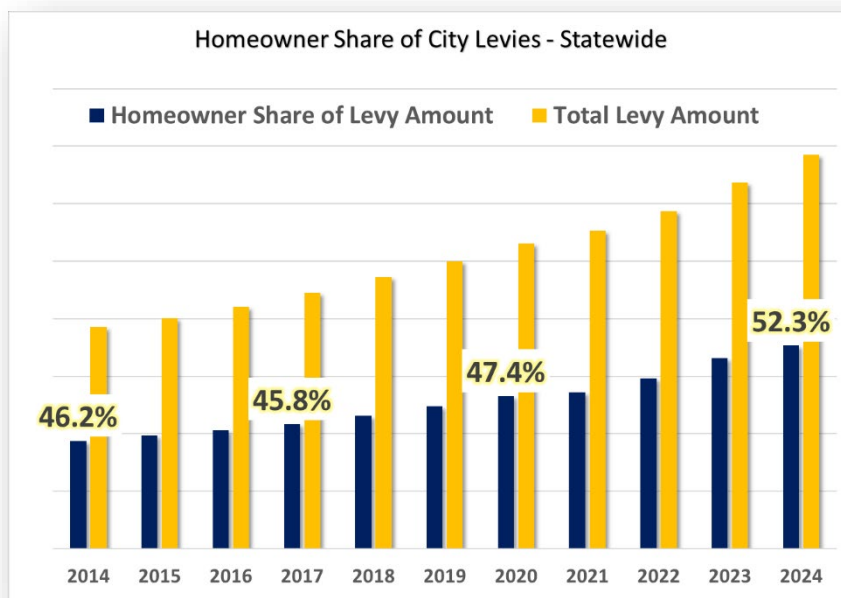
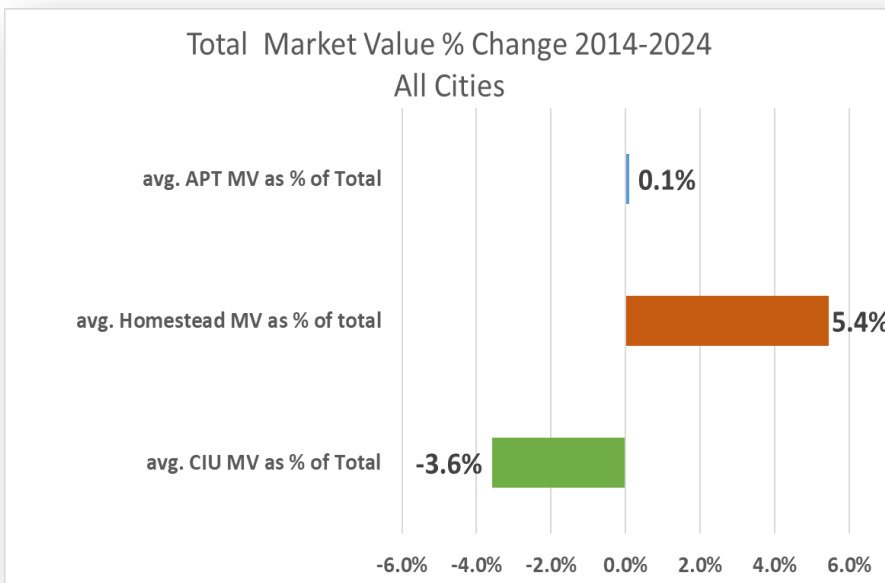
Homeowner Share of Tax Burden Rises as Local Government Aid Falls Further Behind

LGA is an important mechanism to aid cities in controlling property taxes.

When the amount of LGA available to cities is not responsive to changes in the larger economic environment, it can have a disproportionate effect on homeowners. During the period 2014-2024 the market value of commercial/industrial/utilities property decreased by -3.6% while the average market value of residential homestead property increased by 5.4%.

As a result of the change in market values, homeowner's share of the total levy has risen greatly in the past decade.

The data shows that in 2014 homeowners' share of total city levy was an average of 46.2%. Fast forward to 2024, and homeowners are now bearing over 50% of the city levy, **increase of 6.1%.**



For cities in greater Minnesota, homeowners' share of city levies increased from 44.4% in 2014 to 50.9% in 2024, **an increase of 6.5%.**

Local government aid (LGA) is an effective tool to provide property tax relief to homeowners. After the Great Recession, housing markets all over Minnesota began gradually heating up. Around 2019, housing prices skyrocketed as the demand for new homes far outpaced the homes available. When the COVID-19 pandemic happened, and the abrupt rise in inflation, it caused a surge in housing prices even further. One important driver of this trend is that annual LGA amounts are not tied to inflation. Between 2010-2023, inflation measured by local government expenditures rose by 47.5%, while LGA rose only 17% during the same time. In other words, the cost of goods and services which local governments purchase has risen nearly three times as much as the LGA appropriation. Due to this difference, the share of local government levies has fallen much more on homeowners, rather than a more balanced share between residential, commercial, and industrial properties. To avoid large imbalances in the city tax levy assessments, LGA should be indexed to inflation so that it can better respond to sudden and dramatic changes in the economy.

