Monthly State Revenue Update: Projected Revenues Up Strongly

On Thursday, the monthly state revenue update for May showed a 119.0% increase in projected revenues, with net general fund revenues totaling $3.306 billion in May, which is $1.796 billion more than projected. Net receipts from individual income, sales, and corporate taxes for the month exceeded projections. For fiscal year 2021, year to date receipts are $23.113 billion, $2.170 billion (10.4 percent) more than projected. Click HERE for the revenue update memo.

American Rescue Plan (ARP) Funding: Funding Request Form Now Available

The state Office of MN Management and Budget (MMB) announced this week that the process for local governments to request ARP funds is now open. MMB also presented information at a LMC webinar Friday detailing the request form and process. This process applies to all non-entitlement cities. All funding for non-entitlement cities will be distributed by the state. The request form is now available on MMB's website. The page includes a list of non-entitlement cities, guidance from the US Treasury, what is needed for funding requests, and the form. MMB is encouraging non-entitlement cities to complete the request form as soon as possible. The first half of funding is expected to be distributed after July 1.

The U.S. Department of the Treasury released further guidance on using The American Rescue Plan Act funding for lost revenue. See below for a summary and link to the updated federal FAQ.

To determine lost revenue, municipalities must do the following:
- Determine the revenue from the most recent full fiscal year prior to the pandemic (prior to January 27, 2020)
- Determine the average annual growth rate over the past three fiscal years
    - If the growth rate is less than 4.1 percent, municipalities will use 4.1 percent as the presumed growth rate
    - If the average growth rate is greater than 4.1 percent, municipalities will use their individual average growth rate
- Compute revenue collection for each calendar year and calculate the reduction at four points in time: December 31, 2020; December 31, 2021; December 31, 2022; and December 31, 2023.
    - According to the Treasury's guidance, municipalities will need to identify actual revenues "which equals revenues collected over the past twelve months."

Revenue from sources such as taxes, revenue to support public services, and fees generated by the economy can be included in the calculation. The Treasury FAQ sheet provides an extensive list of acceptable items. Cities will compare the growth in the actual figures collected to the projected revenues. If actual revenue figures exceed the projected revenue, there is no revenue loss in that year.

Revenue from the following sources should **not** be included in the revenue calculation:
- Federal Transfers
- Revenues from utilities (water, electric, gas, and public mass transit)
- Refunds or correcting transitions
- Proceeds from issuance of debt

- Liquor store revenue

Municipalities will receive funding on a pay-go basis rather than borrowed sums. A municipality can start a project with these funds and finish it with future economic revenues or bonds. **The National League of Cities developed a calculator which embeds the formula referenced above to help municipalities calculate revenue loss.**

Metropolitan Council Convenes Focus Group to Review Comprehensive Planning Processes

Metro Cities is participating and monitoring the work of a focus group of city community development and Metropolitan Council planning staff to review and discuss comprehensive planning processes. The focus group will provide an opportunity for initial feedback to the Council on processes, requirements, and concerns with the last round of comprehensive plans. Ahead of the next round of plans, Metro Cities will be having ongoing discussions with city officials and the Council to continue to identify issues and solutions to address specific concerns and challenges for cities with the last round of plans. Questions? Contact Patricia Nauman at 651-215-4002 or patricia@metrocitiesmn.org

Pre-Development Projects Receive Metropolitan Council Committee Approval

The Community Development Committee reviewed several pre-development project applications this week. The projects were submitted by cities for funding through the Livable Communities Act. The Council has funded pre-development through the Livable Communities Demonstration Account (LCDA) and LCDA-Transit Oriented Development (TOD) accounts.

In 2021, the Met Council approved up to $1,000,000 for LCDA pre-development grants to be awarded in two application rounds with $500,000 available in each funding opportunity. The CDC approved three of five submitted projects – in Brooklyn Park, Minneapolis and St. Paul – totaling $275,000. The Council approved up to $1,000,000 for LCDA-TOD pre-development grants to be awarded in two application rounds with $500,000 available for each. The CDC approved two of three submitted projects – in Minneapolis and St. Paul – for $202,500. The full Council will take up these items on June 23.

2021 Metro Cities Policy Committees—Sign Up!

Metro Cities is preparing for 2021 policy committees and your participation is encouraged! Meetings will be conducted remotely and will be held in July, August, and September. Committees will recommend legislative policies for 2022 and are open for participation by member city elected officials and staff. Committees and dates are on our website. Additional information, including remote meeting access, will be posted as it becomes available. Please be sure to sign up for the committee(s) you wish to attend. This will help us keep our rosters current and accurate. We look forward to seeing you this summer!