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# 2017 Legislative Program

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Prepared by Messerli & Kramer, P.A.  
525 Park Street, Suite 130  
St. Paul, MN 55103

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## **SUMMARY OF 2017 LEGISLATIVE PRIORITIES**

- I. Promote accountability and transparency in the state/local fiscal relationship**
  - A. Supports individual property tax relief through the circuit breaker program
  - B. Supports preliminary levy date change for all special taxing districts (EDAs, HRAs, etc.) from September 15th to September 30th
  - C. Opposes carving out revenue from the Fiscal Disparities pool to support specific projects
  - D. Opposes automatic inflationary increases in LGA
  
- II. Invest in transportation and jobs**
  - A. Supports a regionally balanced, broad based transportation funding package
  - B. Supports state funding for jobs and economic development
    - a. Restore Job Creation Fund (JCF) cut: \$11.5 million in FY 2017 and \$6 million/year going forward
    - b. Restore Minnesota Investment Fund (MIF) cut: \$9 million in FY 2017 and \$4 million/year going forward
  
- III. Support local control**
  - A. Opposes placing fiscal limitations such as levy limits or reverse referenda on the decisions of local elected officials.
  - B. Supports common-sense changes to the Data Practices Act to protect municipalities from abusive or harassing requests, and to compensate municipalities for overly broad and burdensome requests.
  - C. Supports streamlining the number of state and regional agencies that regulate municipal activities related to water quality and water supply.

## **2017 LEGISLATIVE INITIATIVES**

The Municipal Legislative Commission (MLC) has identified the following issue areas as priorities for the 2017 Legislative Session:

- I. Promote accountability and transparency in the state/local fiscal relationship;
- II. Invest in transportation and jobs; and
- III. Support local control

### **I. PROMOTE ACCOUNTABILITY AND TRANSPARENCY IN THE STATE/LOCAL FISCAL RELATIONSHIP**

MLC communities believe that the Legislature must constantly strive to develop policies promoting greater stability, transparency, equity, and predictability in the fiscal relationship between the state and local units of government. When possible and efficient, public services should be provided by the level of government closest to those affected. Our communities believe that the system created by the State to finance city services must be equitable, accountable and straight forward.

The MLC urges the legislature to be mindful of the following guiding principles when deliberating on tax, finance and regional growth initiatives:

- In order to promote **accountability**, local government finance should demonstrate a strong relationship between taxes paid and benefits received
- Unfunded state mandates, levy limits, property tax freeze and reverse referenda significantly limit the **predictability** necessary for local governments to plan with financial confidence
- Cities characterized with high property values are not universally populated with high-income residents. Populations in all of our cities are not only culturally diverse, but include retirees on fixed incomes, single parents and apartment dwellers. The number of seniors in our communities is rising. Policies that ignore such diversity are not **equitable**.
- In the interest of maintaining the **stability** of our local communities, any tax reform that is considered should minimize burden shifts on individual taxpayers and businesses, and potential revenue shortfalls for communities and should be recognized and addressed.

**A. MLC supports individual property tax relief through the circuit breaker program**

Providing direct property tax relief that is equitable and accountable is a priority for the MLC. The Homeowners' Homestead Credit Refund program (often called the Property Tax Refund (PTR) program or the "circuit breaker") provides direct property tax relief to individuals based on their income and ability to pay.

The Department of Revenue publishes a report called the "Residential Homestead Property Tax Burden Report," using data obtained from the "Voss Database." The purpose of this report is to look at property tax fairness throughout the state by matching homeowners' property taxes paid with their actual incomes (includes county, school, and city property tax burdens). The February 2016 report (based property taxes payable 2013), showed that the property tax burden is greater in the Metro Area compared to Greater Minnesota. The study reported a median property tax burden (taxes paid as a percentage of income) of 2.9% or \$2,327 for the Metro region compared with 2.2% or \$1,328 for Greater Minnesota.

The MLC asks the Legislature to support the circuit breaker program and promote a more equitable property tax burden for suburban homeowners.

**B. MLC supports preliminary levy date change for all special taxing districts (EDAs, HRAs, etc.) from September 15th to September 30th.**

In 2014, the MLC worked to move the date by which cities and counties are required to set their preliminary levies from September 15th to September 30th. This MLC initiative applied to all cities and counties statewide. This change provided consistency by requiring cities, counties, and school districts to set their preliminary levies on September 30th.

The MLC now asks the Legislature to expand the preliminary levy date change to all *special taxing districts* (EDAs, HRAs, etc.) from September 15th to September 30th. Logistically, many communities set all of their levies at once. Having the same preliminary levy date will streamline the process overall for local governments leading to better budgeting across the board. This provision was supported by both bodies last session, but ultimately no tax bill was passed.

**C. MLC opposes carving out revenue from the Fiscal Disparities pool to support specific projects**

The Fiscal Disparities program was enacted in 1971 to reduce discrepancies in tax base wealth between taxing units within the metropolitan area. Removing revenue from the pool to pay for specific projects or to fund other legislative priorities runs counter to the purpose of the program and further weakens an already outdated and arbitrary formula. MLC opposes any shifting of revenue from the Fiscal Disparities pool. MLC supports updating the formula.

#### **D. MLC opposes automatic inflationary increases in LGA**

Our communities feel that LGA funding should not be on autopilot and that the Legislature should annually address the need for increased investments and analyze the need for formula changes to reflect a fair distribution.

### **II. INVEST IN TRANSPORTATION AND JOBS**

According to census data, MLC cities combined are among the biggest job producing areas in the state with over half a million employees (532,749) compared to Minneapolis/St. Paul with a combined total of 478,453. Our members believe the State can play a critical role in keeping and growing jobs by making key investments, and by supporting and partnering with cities.

Investing in infrastructure helps cities promotes a healthy business environment and strong communities. MLC supports a regionally-balanced transportation funding that will address the long-term needs of our state, be inclusive of all modes of transportation and provide for needed improvements to our roads, bridges, tunnels and transit system.

#### **A. MLC supports a broad based transportation funding package that promotes economic development and growth in the region and keeps Minnesota competitive.**

The MLC supports increased transportation investments to reduce congestion, maintain regional and state highways, advance public transit and replace deficient bridges. The MLC is supportive of a transportation funding package that includes both roads and transit and meets the long term needs of our member cities. In addition, our members support the Transportation Economic Development Program (TED), collaboration between DEED and MnDOT that prioritizes and funds highway capacity and safety improvements, which will result in significant job growth and economic development. MLC also supports increased funding for jurisdictional alignment of the state highway system to ensure transportation decisions occur at the correct level of government (also called “turnbacks”). The MLC encourages the Legislature to continue to annually allocate general funds to the TED program.

#### **B. MLC supports state funding for jobs and economic development**

- Restore the 2016 cuts to the Job Creation Fund (JCF): \$11.5 million in FY2017 and \$6 million per year going forward
  - The Job Creation Fund provides financial incentives to new and expanding businesses that meet certain job creation and capital investment targets. Companies deemed eligible to participate may receive up to \$1 million for creating or retaining high-paying jobs and for constructing or renovating facilities or making other property improvements. In some cases, companies may receive awards of up to \$2 million.

- Of the 42 Job Creation Fund projects funded in FY14-15, 11 (26%) were located in MLC Cities, including: Apple Valley, Chanhassen, Eagan, Eden Prairie, Lakeville, Plymouth, Shakopee and Shoreview.
- Restore the 2016 cuts to the Minnesota Investment Fund (MIF): \$9 million in FY2017 and \$4 million per year going forward
  - The Minnesota Investment Fund provides financing to help add new workers and retain high-quality jobs on a statewide basis. The focus is on industrial, manufacturing, and technology-related industries to increase the local and state tax base and improve economic vitality statewide.
  - Of the 41 MIF projects funded in FY14-15, nine (22%) were located in MLC cities including: Bloomington, Eagan, Maple Grove, Plymouth, and Shakopee

### **III. SUPPORT LOCAL CONTROL**

MLC believes strongly that government services should be provided as close to the local government level as possible. MLC cities see the benefit of partnering with the State to provide the best services for their constituents. However, State mandated, and often unfunded, programs can interfere with a city's ability to make the best fiscal decisions for its community, leading to either a reduction in basic services or an increase in taxes and service charges in order to meet the requirements outlined by the State.

The MLC asks the Legislature to thoughtfully consider the efficacy existing mandates and reduce or repeal them where possible. We further ask that unfunded mandates be avoided altogether. If new mandates on local units of government are proposed, we ask that legislators should provide cities with the greatest amount of flexibility in order to reduce implementation costs.

#### **A. MLC opposes fiscal limitations such as levy limits or reverse referenda on the decisions of local government officials**

Local taxpayers hold their local elected officials accountable for local government spending and taxing decisions. When the state imposes levy limits, reverse referenda, or other fiscal restraints on local elected officials, it negatively impacts the ability of cities to meet the needs of their residents and removes the autonomy of local officials.

MLC opposes state limitations on local decision-making that inhibit the ability of cities to plan their budgets with confidence.

**B. MLC supports common-sense changes to the Data Practices Act to protect municipalities from abusive or harassing requests, and to compensate municipalities for overly broad and burdensome requests**

The Minnesota Government Data Practices Act was written before the widespread use of computers and other technology, and has never been updated to reflect the exponential increase in the amount of data that every public and private entity must manage in order to conduct business. A single overly burdensome and broad request can cost a city hundreds of hours in staff time and tens of thousands of tax dollars to respond to, and the Act largely prohibits a city from recouping any of that cost. Further, some requests are made with the intent to harass a city and its employees, and some requesters never intend to collect the data, wasting time and tax dollars. The MGDPA must be modernized to reflect today's data-intensive society.

MLC supports common-sense changes to the Data Practices Act to protect municipalities from abusive or harassing requests, and to compensate municipalities for overly broad and burdensome requests.

**C. MLC supports streamlining the number of state and regional agencies that regulate municipal activities related to water quality and water supply**

Over the years the state and regional governments in Minnesota have layered countless regulations relating to water quality and water supply on cities, their residents, and their businesses. Overlapping, duplicative, and conflicting requirements create confusion, impede development, and waste tax dollars. While MLC acknowledges the need for reasonable regulations, the current system has become unworkable.



**For questions about the MLC's Legislative Program, please contact:**

Tom Poul	tpoul@messerlikramer.com
Patrick Hynes	phynes@messerlikramer.com
Katy Sen	ksen@messerlikramer.com
Rachel Stuckey	rstuckey@messerlikramer.com

...or by calling Messerli & Kramer, P.A. at 651-228-9757.

**A special thanks to our Legislative Program Subcommittee members:**

Barry Stock	City Administrator, Savage
Dave Callister	City Manager, Plymouth
Gene Winstead	Mayor, Bloomington
George Tourville	Mayor, Inver Grove Heights
Jim Hovland	Mayor, Edina (MLC Chair)
Joe Lynch	City Administrator, Inver Grove Heights
Mary G. Stephens	Mayor, Woodbury
Melinda Coleman	City Manager, Maplewood
Mike Maguire	Mayor, Eagan
Rick Getschow	City Manager, Eden Prairie
Terry Schneider	Mayor, Minnetonka
Terry Schwerm	City Manager, Shoreview
Tom Lawell	City Administrator, Apple Valley