MUNICIPAL LEGISLATIVE COMMISSION

2018 Legislative Program

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<u>SUMMARY OF 2018 LEGISLATIVE PRIORITIES</u>

I. Promote accountability and transparency in the state/local fiscal relationship

A. Supports individual property tax relief through the circuit breaker program

B. MLC is willing to explore modifications to the fiscal disparities program that will benefit the metropolitan region as a whole, while reducing the imbalances inherent in the current formula.

C. Opposes automatic inflationary increases in LGA

II. Support an increase in long-term transportation funding

III. Support local control

A. Opposes placing fiscal limitations such as levy limits or reverse referenda on the decisions of local elected officials.

B. Oppose restrictions to city authority on utilizing utility franchise fees

2018 LEGISLATIVE INITIATIVES

The Municipal Legislative Commission (MLC) has identified the following issue areas as priorities for the 2018 Legislative Session:

I. Promote accountability and transparency in the state/local fiscal relationship;

II. Support an increase in long-term transportation funding

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 direct individual property tax relief for all income-eligible taxpayers in all cities 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 December 2016 report (based property taxes payable 2015), showed that the property tax burden is greater in the Metro Area compared to Greater Minnesota. The study reported a median property tax burden after property tax refunds (taxes paid as a percentage of income) of 2.6% or $2,293 for the Metro region compared with 2.0% or $1,284 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 is willing to explore modifications to the fiscal disparities program that reduce the imbalances inherent in the current formula.

The fiscal disparities program was created in 1971 to reduce discrepancies in tax base wealth between taxing units within the metropolitan area. The fiscal disparities formula has not been modified for over 45 years, despite the fact that the population of the Twin Cities has grown by over 1.5 million people and much of the metropolitan area would be unrecognizable to residents in the 1970s. Policymakers should no longer assume that a 1970s era solution meets the needs and challenges of a 21st century metropolitan area.

As the population of the Twin Cities grows the need for retail services to support residents grows with it. Individual cities and their property taxpayers take the lead in developing regional, retail and service assets that support residents and visitors from across the metropolitan area, Greater Minnesota, the nation, and the world. In addition to the costs of planning and developing these regional assets, retail and service industries consume significant city services, particularly in the area of public safety, and impose significant burdens on local roads, bridges, and transportation infrastructure.

A 2012 report commissioned by the Minnesota Legislature demonstrates that the property taxes generated by these retail services do not pay for the additional services they require, an imbalance that is increased by the fiscal disparities program. Local taxpayers in com munities that host regional retail assets are forced to subsidize the costs of city and county services while taxpayers in communities that use, but do not develop, these assets have their tax rates lowered.

C. MLC opposes automatic inflationary increases in LGA

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

II. SUPPORT AN INCREASE IN LONG-TERM TRANSPORTATION FUNDING

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. Along with those jobs comes added congestion. Seattle-based global traffic-tracking company Inrix estimates that Twin Cities metro-area drivers waste an average of 42 hours a year stuck in traffic. That was enough to earn our region a ranking of 15th most congested city in the nation.

MLC supports regionally-balanced transportation funding that addresses the long-term needs of our state, is inclusive of all modes of transportation and provides for needed improvements to our roads, bridges, tunnels and transit system. The investments made in 2018 provide resources for basic road and bridge maintenance; however, additional funding will be needed to address congestion mitigation and local road and bridge funding, both top priorities for MLC.

A. Support an increase in long-term, regionally balanced transportation funding

The MLC supports long-term increased transportation investments that will reduce congestion, provide funding for local roads and bridges, and increase transit options. 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").

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. Oppose restrictions to city authority on utilizing utility franchise fees

Minnesota law allows city to require gas, electric, and cable utilities to obtain a franchise to use the public assets of a community, and to charge a franchise fee for such use. The franchise fee is an equitable way for communities to offset the costs associated with the operations of public utilities and to achieve a return on investment for the use of taxpayer-owned assets.

Communities that use the authority to impose franchise fees have developed processes to receive public input on the fee structures and to account for the use of fee revenue within the city. MLC cities have a strong track record of providing businesses and residents with information in a transparent manner, and MLC opposes additional mandates on the use of franchise fees.

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A special thanks to our Legislative Program Subcommittee members:

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