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# 2016 Legislative Program

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***Approved by the  
Board of Directors***

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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 2016 LEGISLATIVE PRIORITIES**

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

- A. Supports property tax relief programs that help promote a more equitable property tax burden as a percentage of income (Voss Database).
- B. Supports *individual* property tax relief through the circuit breaker program.
- C. Opposes automatic inflationary increases in LGA.
- D. Supports preliminary levy date change for all special taxing districts (EDAs, HRAs, etc.) from September 15th to September 30th.
- E. Supports allowing a sales tax exemption for local government purchases of snowplows and road construction vehicles and fixing the construction materials sales tax exemption for local units of government.
- F. Supports increased transparency and prudent reform in the state's commercial "Fiscal Disparities" program.
- G. Opposes the Minnesota Housing Partnership's affordable housing initiative called the Home Grown Housing Fund.
- H. Opposes fiscal limitations on local units of government.

### **II. Invest in job retention and growth**

- A. Supports a broad based transportation funding package that promotes economic development and growth in the region and keeps Minnesota competitive.
- B. Supports providing DEED with the tools and incentives necessary to attract and retain businesses.
- C. Supports flexibility in Tax Increment Financing (TIF) policies.

### **III. Support local government opportunities to be efficient, productive, and enterprising**

- A. Concerns with mandates relating to expenditure-type reporting.
- B. Supports better aligning agency oversight of Water Resource Management and monitoring the supply of surface water.
- C. Supports classification of body camera data.
- D. Supports Street Improvement Districts.

## 2016 LEGISLATIVE INITIATIVES

The Municipal Legislative Commission (MLC) has identified the following issue areas as priorities for the 2016 Legislative Session:

- I. Promote accountability and transparency in the State/Local fiscal relationship;
- II. Invest in job retention and growth; and
- III. Support local government opportunities to be efficient, productive, and enterprising.

### **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. Supports property tax relief programs that help promote a more equitable property tax burden as a percentage of income (Voss Database).**

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 property tax programs that promote a more equitable property tax burden for suburban homeowners, as identified in the Voss Database Report.

**B. 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. In 2013 and 2014, the PTR program was enhanced, which our communities appreciate because it provides relief to the individuals who need it most, regardless of where they live. The MLC supports continued investments to the circuit breaker program.

**C. Opposes automatic inflationary increases in LGA.**

While the MLC does not oppose LGA, our communities feel that LGA funding should not be on autopilot and that the Legislature should annually address the need for increased investments. Therefore, we oppose automatic inflation adjustments in funding and have concerns with returning the current LGA distribution to 2003 levels.

**D. 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.

**E. Supports allowing a sales tax exemption for local government purchases of snowplows and road construction vehicles and fixing the construction materials sales tax exemption for local units of government.**

The local government sales tax exemption enacted in the last biennium does not apply to all city purchases. For instance, although cities currently do not pay the motor vehicle sales tax on marked police vehicles or firefighting vehicles, other city vehicles are not exempt from the motor vehicle sales tax, such as snow plows and road construction vehicles.

Additionally, in order to receive the sales tax exemption on construction materials under current law, cities must bid labor and materials separately and also designate a contractor to be a purchasing agent on behalf of the city. The existing Department of Revenue rules

are complex and the implementation can be so complicated that it can cost cities more money to implement than they will save on the tax exemption.

In order to ensure that taxpayers receive the full benefit of the local government sales tax exemption:

- a) the exemption should be extended to all local government purchases that would otherwise be subject to the motor vehicle sales tax in Minn. Stat. ch. 297B.
- b) the process to receive the exemption for construction materials should be simplified or converted into a refund process.

**F. Supports increased transparency and prudent reform in the state’s commercial “Fiscal Disparities” program.**

The Fiscal Disparities program was enacted in 1971 to reduce discrepancies in tax base wealth between taxing units within the metropolitan area. While the program has generally achieved its objective, significant issues remain for many MLC communities. As a result, the MLC believes it’s time to look at potential changes that would allow the program to be more transparent as well as address an outdated and arbitrary formula. Further, the MLC does not support carving out revenue from the Fiscal Disparities pool to support specific projects.

**G. Opposes the Minnesota Housing Partnership’s affordable housing initiative called the Home Grown Housing Fund.**

The MLC supports the continued development of adequate affordable housing. We support the use of existing sources to collect and distribute funds to meet communities’ needs. The MLC believes that the decisions are best left to the cities, which should have sufficient authority and flexibility to promote housing types that are best suited to meet local needs, public purposes, and goals.

However, the MLC opposes the Minnesota Housing Partnership’s Home Grown Housing Fund initiative. This initiative would create a new funding source to pool one-third of the growth in tax capacity above \$350,000 on owner-occupied homes (fiscal disparities type approach). The revenue generated from the pooled capacity would be administered by counties that develop housing strategies to use these funds.

**H. Opposes fiscal limitations on local units of government.**

MLC cities have been financially constrained by levy limits in the past, which have had a negative impact on our ability to meet the needs of residents. Imposing artificial caps, such as levy limits and property tax freezes, removes the autonomy needed for city elected officials to make decisions in the best interests of their fellow citizens.

The MLC does not support state limitations on local decision making that inhibit cities’ abilities to plan with financial confidence.

## **II. INVEST IN JOB RETENTION AND GROWTH**

Compared to the rest of the nation, Minneapolis-St. Paul and the surrounding suburbs rank at the top when it comes to the percentage of college educated adults active in the workforce, as well as the number of Fortune 500 headquarters per capita. We are also one of the few metropolitan regions in the U.S. that is home to our state's capitol and its major research university. This region has played a crucial role in the economic recovery and the recent job growth in our State.

MLC cities, specifically, are critical job producers for the region. 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. As such, the State needs to invest/support regional growth in the Twin Cities metropolitan area and surrounding suburbs. 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. A jobs focus, which includes investments in our infrastructure, will help cities promote a healthy business environment, which will keep and grown jobs here rather than having companies move to a more competitive state.

**A. 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 needs are significant:

- Minnesota's population is expected to increase by almost 1 million to over 6.1 million by 2030. Baby boomers will start turning 80 in 2025 (resulting in a need for more transportation options); meanwhile, millennials demand a more multimodal system. The Twin Cities area is expected to grow twice as much as rest of the state.
- Under MnSHIP, the 20-year spending plan, pavement will worsen by 55% through 2024 and then gets even worse (MnDOT).
- Increased funding is also required to solve the transportation problem. According to MnDOT, the cost to complete needed improvements and make strategic investments in the transportation network exceeds our projected funding by an estimated \$50 billion during the next 20 years.

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), a collaboration between DEED and MnDOT that prioritizes and funds highway capacity and safety improvements, which will result in significant job growth and economic development. The MLC encourages the Legislature to continue to annually allocate general funds to the TED program.

**B. Supports providing DEED with the tools and incentives necessary to attract and retain businesses.**

The MLC is supportive of DEED programs that help the State attract and retain business. Programs like the Minnesota Investment Fund, the Job Creation Fund and the Minnesota Trade Office have offered proven results and have had a significant impact in MLC communities. The MLC was supportive of the economic development investments in DEED's initiatives during the last biennium and will work to ensure funding for those programs remains stable. Additionally, the MLC is supportive of efforts to address mismatched skills to better align with the workforce, additional funding for workforce and retraining, as well as efforts to reduce permitting timelines and to streamline regulation.

**C. Supports flexibility in Tax Increment Financing (TIF) policies.**

TIF remains one of the most viable tools available to fund community reinvestment efforts and to help communities partner with the State and businesses to create economic development. Further restrictions of TIF would render the tool less effective and will almost certainly curtail local efforts to support job creation, housing, redevelopment, and remediation.

So as to prevent unnecessarily complicating this process, the Legislature should avoid enacting future TIF law restrictions during the next legislative session. Additionally, the MLC supports increased flexibility with tax increment financing as a tool to help communities incent economic development.

**III. SUPPORT LOCAL GOVERNMENT OPPORTUNITIES TO BE EFFICIENT, PRODUCTIVE, AND ENTERPRISING**

MLC believes strongly that government services should be provided as close to the local government level as possible. That being said, MLC cities see the benefit of partnering with the State to provide the best services for their constituents, when possible. 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 existing mandates and their efficacy, and make the appropriate reductions or repeals where possible. We further ask that unfunded mandates be avoided altogether. Should new mandates on local units of government be proposed, we ask that legislators consider providing cities with the greatest amount of flexibility available in order to reduce implementation costs.

Additionally, there are ways the State can provide local governments tools to be successful by either structuring state programs to be more user friendly or by implementing programs that give local governments the flexibility to meet their needs. MLC asks the legislature consider proposals that give local governments opportunities to be efficient, productive and enterprising. The MLC asks policy makers to consider the following:

**A. Concerns with mandates relating to expenditure-type reporting.**



Our members appreciate the intent of more transparency between local governments and taxpayers. However, this language poses potential problems as drafted.

First, the legislation creates administrative burdens for our cities because reporting by object code is not standard practice, and doing so could require extra costs and resources. Additionally, the reporting deadlines may be problematic because they do not align with when cities are preparing their budget details.

More importantly, it is unlikely that by requiring cities to report in this way that most citizens will find significant benefit, especially compared to the time and effort that goes into this level of reporting. The data on costs that would be available at the local government level is not of much consequence compared to the data on costs at a statewide level and making comparisons between cities without context could result in misinformation and confusion amongst citizens.

MLC suggests that before implementing these types of mandates, that legislators consult with the local governments in their districts for feedback on how best to make budget data available to the public.

**B. Supports better aligning agency oversight of Water Resource Management and monitoring the supply of surface water.**

The current Water Resource Management system is burdensome, confusing, and inefficient to local officials who must work to facilitate growth and development and are working to ensure a healthy natural environment. MLC supports the formation of a bipartisan taskforce of local, county, state, and private sector officials to address the overlapping, duplicative, and conflicting requirements in the current system and provide a recommendation on legislation to better align agency oversight.

Further, despite best efforts made by municipalities that have invested and continue to invest in practices to protect, preserve, and restore the quality of Minnesota's surface waters, the quality of some surface waters does not meet federal water quality requirements. When discussing the effects water management, like permitting and storm water regulations, MLC asks that the Legislature consider the impact on local governments, and include local officials in any process that would affect cities as important stakeholders.

**C. Supports classification of body camera data.**

The MLC is supportive of our law local enforcement agencies and would encourage the legislature to consider policies that will allow them to decide whether to equip themselves with body cameras. To that end, we are supportive of amendments to the Minnesota Government Data Privacy Act that will allow data retention for "on-officer" cameras that preserves public safety while protecting the privacy of the public. We would support a default classification of body camera video as not public data, which would allow subjects of data to access the video and share it with the public if they so desire, while keeping the costs of maintaining the data reasonable. We would also support

reasonable exceptions to the default classification where necessary to balance the interests of privacy, transparency, and administration.

Additionally, the MLC would ask that legislators be mindful of the financial impact of any potential changes. Major cost drivers for cities include storage of video, redaction software, and the staff time required to redact videos. On an ongoing basis, staff training and policy management will also influence costs impacting our cities.

**D. Supports Street Improvement Districts.**

Communities across the state of Minnesota are searching for ways to finance necessary road improvements. Street Improvement District legislation has been brought forward over the last several sessions as a new way to help cities find the funds to make necessary repairs. The MLC is supportive of this legislation and its member communities would benefit from having another tool in their toolbox to make road improvements.

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

Tom Poul	tpoul@messerlikramer.com
Katy Sen	ksen@messerlikramer.com
Charlotte de Julio	cdejulio@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
Brad Tabke	Mayor, Shakopee
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