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# 2019 Legislative Program

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## **SUMMARY OF 2019 MLC LEGISLATIVE PRIORITIES**

- I. Accountability and transparency in the state/local fiscal relationship**
  - A. Supports individual property tax relief through the circuit breaker program
  - B. Opposes carving out revenue from the Fiscal Disparities pool to support specific projects
  - C. Opposes automatic inflationary increases in LGA
- II. Supports an increase in long-term transportation funding**
- III. Supports local control**
  - A. Supports local control over wireless infrastructure and equipment siting
  - B. Opposes placing fiscal limitations such as levy limits or reverse referenda on the decisions of local elected officials
  - C. Opposes restrictions to city authority on utilizing utility franchise fees
  - D. Supports repeal of the statutory limitation on compensation to city employees

## **2019 LEGISLATIVE INITIATIVES**

The Municipal Legislative Commission (MLC) has identified the following issue areas as priorities for the 2019 Legislative Session:

- I. Accountability and transparency in the state/local fiscal relationship;
- II. Supports an increase in long-term transportation funding
- III. Supports local control

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

MLC communities believe that the Legislature should consistently 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 residents. Our communities believe that the system created by the State to finance city services must be equitable, accountable and straightforward.

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 MLC 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, regardless of where they live.

"The biggest takeaway from Voss 2018 ["Residential Homestead Property Tax Burden Report"] is the continued extraordinary success of the state's income tested property tax refund ("circuit breaker") program. As the findings show, it remains a simple, effective and powerful influence in keeping property taxes affordable regardless of where taxpayers live" (Minnesota Center for Fiscal Excellence).

**Property Tax Fairness**

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 2018 report (based property taxes payable 2016), 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 \$2,417 for the Metro region compared with 2.1% or \$1,352 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 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.

**C. MLC opposes automatic inflationary increases in LGA**

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

## **II. SUPPORTS 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 15<sup>th</sup> most congested city in the nation.

MLC supports regionally-balanced and sustainable transportation funding that addresses the long-term needs of our state, is inclusive of all modes of transportation and provides for needed modernization and expansion of our roads, bridges, tunnels and transit systems.

### **A. MLC supports an increase in long-term, regionally balanced transportation funding**

The MLC supports sustainable, increased transportation investments that will reduce congestion, provide funding for regional and local roads and bridges and increase transit options. In addition, our members support both the Transportation Economic Development Program (TED) and the Corridors of Commerce Program. These programs prioritize projects with the potential to boost economic development and prosperity.

## **III. SUPPORT LOCAL CONTROL**

Government services should be provided as close to the local level of government 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 of existing mandates and to 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 supports local control over wireless infrastructure and equipment siting**

As demand for wireless communication grows, wireless providers continue to demand increased authority from the State to bypass city control of right-of-way. Last session, wireless providers pursued legislation to limit compensation for cities for right-of-way access, which would have resulted in property tax payer subsidization of wireless

providers. MLC therefore opposes such restrictions on compensation for right-of-way access that would result in local government subsidization of wireless providers.

MLC opposes restrictions on city authority to manage the siting of wireless facilities in the public right-of-way. MLC supports cities' authority to weigh health, safety, and aesthetic concerns in approval of wireless siting.

**B. 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.

**C MLC opposes restrictions to city authority on utilizing utility franchise fees**

Minnesota law allows cities 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. MLC opposes additional mandates on the use of franchise fees.

**D. MLC supports repeal of the statutory salary limitation on city employees**

Minnesota law limits the salaries of city employees to 110 percent of the Governor's salary, with an annual inflationary adjustment based on the Consumer Price Index. Locally elected city councilmembers and mayors are in the best position to determine the needs of their communities, including the compensation of city employees. The artificial cap on salaries places Minnesota cities at a disadvantage when recruiting and retaining talented individuals, especially during times of extremely low unemployment. Minnesota law already requires that each political subdivision post the salaries of its three highest-paid employees on its website, so the salaries of key employees are readily known to the local taxpayers and voters who provide the ultimate check on the actions of city councils.

Between 1998 and 2003, the Legislature exempted entities including school districts, hospitals, clinics and health maintenance organizations owned by a government organization from the salary limitation. During the 2018 session, the Legislature expanded that exemption by allowing the Metropolitan Airports Commission to be exempt from the salary limitation.

The Legislature should end the salary cap altogether and be consistent with all political subdivisions. ,

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