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March 6, 2009

Dear Friends:

The Minnesota State Demographic Center will soon hold a Census 2010 and Complete Count Committee Town Hall Meeting in your area. Please refer to the schedule below for the meeting closest to you.

The meetings will feature a short presentation on Complete Count Committees – what they do, why they are important and how to form them – followed by ample time for questions about the 2010 Census and Complete Count Committees. The event will last approximately one hour or until all questions are answered.

**Elected officials, government employees, and community leaders are strongly encouraged to attend.**

With the 2010 Census just a little over a year away, we must begin preparing now. As you may know, Minnesota is one of a handful of states in jeopardy of losing a congressional seat through the reapportionment that will follow the Census. Further, Census 2010 will have a profound impact on Minnesota's representation in local, state and the federal government. The accuracy of the decennial census count will have significant weight on how over \$300 billion in federal dollars will be distributed to communities throughout the U.S. and Minnesota.

Your decision to participate now could significantly impact your city, region, and our state. We encourage you to consider start forming your city's Census 2010 Complete Count Committee today!

For more information about Census 2010 and to RSVP for a meeting, please visit: [www.mn2010census.org](http://www.mn2010census.org) or contact Ryan Dolan at 651-201-2479 or [ryan.dolan@state.mn.us](mailto:ryan.dolan@state.mn.us) or Barbara Ronningen at 651-201-2473 or [barbara.ronningen@state.mn.us](mailto:barbara.ronningen@state.mn.us).

**Upcoming Meetings in your area:**

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**Hutchinson**

Thursday, March 26, 2009  
6:30 PM  
City Council Chambers  
111 Hassan Street SE

**Worthington**

Wednesday, April 8, 2009  
10:00 AM  
Government Center  
315 10<sup>th</sup> Street

**Willmar**

Wednesday, May 13, 2009  
10:00 AM  
Willmar Fire Station  
500 2nd Street SW

**Marshall**

Tuesday, April 7, 2009  
6:30 PM  
Marshall Municipal Utilities  
113 South 4th Street

**Fairmont**

Wednesday, April 8, 2009  
5:00 PM  
So. MN Educational Campus  
115 Park Street

**Montevideo**

Thursday, May 14, 2009  
6:30 PM  
Montevideo Community Center  
550 S. 1st Street

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**Minnesota State Demographic Center**  
300 Centennial Office Building, 658 Cedar Street, Saint Paul, MN 55155  
P: 651.201.2479 / F: 651.296.3698

[www.mn2010census.org](http://www.mn2010census.org)



Coalition of Greater Minnesota Cities

# CGMC in Brief

April 2, 2009

Contact: Tim Flaherty  
651-225-8840

## House Division Report reduces governor's proposed cuts to LGA

On Wednesday, the House Property and Local Sales Tax Division, chaired by Paul Marquart (DFL-Dilworth), passed its Division Report. The report is the first step in the creation of the House's position on property tax aids and credits. The bill reduces Local Government Aid and/or Market Value Homestead Credit payments to a city by 1.211% of a city's tax base in 2009 and 1.889% in 2010. The reduction is first taken from LGA; however, if a city does not receive LGA or does not receive enough LGA to cover the cut, the reduction is taken from the MVHC. In total, the bill cuts Local Government Aid by \$29.5 million in 2009 and \$45.1 million in 2010. For the years 2011 and 2012, the bill calls for LGA to be reduced by \$10 million from the 2009 certified appropriation. Total cuts to cities, including MVHC, are \$50.0 million in 2009 and \$68.2 million in 2010. In addition, the bill removes levy limits along with other mandates and creates a taskforce to look at local government performance measures.

For counties, the report contains a \$16 million cut in 2009 and a \$100 million cut in 2010 to County Program Aid. Counties, however, are given the option to impose a ½-cent sales tax for general purposes. Levy limits are not lifted for counties until 2011.

The report also increases the property tax refund program, commonly known as the "circuit breaker" by \$20 million. This program provides relief to homeowners who have high property taxes compared to their income. The increase in the "circuit breaker" program is paid for by a slight reduction in the MVHC. The Division Report cuts \$250 million (or 7%) in total from the state's property tax aids and credits budget and will be considered by the full tax committee later this month.

An updated run comparing the House proposal to the governor's proposal, along with the House Research summary, can be found at [www.greatermncities.org](http://www.greatermncities.org) under the News section.

## Update: CGMC Land Use Bill

Last Thursday, the CGMC land use bill was passed in the Senate State and Local Government Operations and Oversight Committee on a voice vote. The bill was referred to the finance committee, and is expected to pass and be referred to the tax committee soon. In the House, the House State and Local Government Operations Reform, Technology, and Elections Committee chair, Rep. Gene Pelowski (DFL-Winona), has not yet agreed to give the bill a hearing before next Tuesday's deadline. Since passing out of the House Local Government Division, the bill's chief author, Rep. Larry Hosch (DFL-St. Joseph), has been requesting a hearing in the full committee.



## **LGA Rally a success**

CGMC would like to thank everyone who attended last week's LGA Rally at the Capitol and CGMC membership meeting. Although the air was a bit brisk, we had a great turn out at the rally. You can view the full video footage at [www.ThankLGA.org](http://www.ThankLGA.org).

## **CGMC to hold LGA press conference in Hibbing**

The City of Hibbing will be hosting an Iron Range LGA press conference Tuesday, April 7<sup>th</sup> at noon. Any city officials from other Iron Range cities are welcome to attend. The press conference will be held at Hibbing's City Hall, located at 401 East 21st Street, in the council chambers.

## **Sanitary district prevails in appeal**

In a decision issued on April 2, the Minnesota Supreme Court agreed with the Minnesota Pollution Control Agency and the Alexandria Lake Area Sanitary District that the Agency does have the authority to issue a discharge permit to an expanding wastewater treatment facility that discharges into an impaired water. The Agency had issued the permit to the District in 2006 to allow the District's treatment plant to expand from 3.75 to 4.75 million gallons per day, with upgraded treatment processes. The plant's receiving water, Lake Winona, is impaired by excess nutrients with a Total Maximum Daily Load (TMDL) scheduled for completion in 2009. The District is required to meet interim and final phosphorus concentration and mass limits, and will be required to comply with the TMDL when it is implemented. Four of the Court's seven justices agreed that the Clean Water Act regulation at issue (40 C.F.R. § 122.44(d)) does allow the Agency to issue permits for expansions where the receiving water is impaired, but a TMDL is not yet complete, so long as the discharger complies with effluent limits and other measures to make reasonable progress toward improving water quality. Steve Nyhus with Flaherty & Hood, P.A. and John Hall with Hall & Associates represented the District in the appeal. The opinion is available online at <http://www.mncourts.gov/opinions/sc/current/OPA061371-0402.pdf>.

## **Wastewater facility permit fees could increase significantly**

Last week, the House and Senate introduced companion bills (H.F. 2185 and S.F. 1940) that could significantly increase the cost of environmental permits for wastewater treatment facilities. Under current state law, fees for application, renewal, and replacement are modest amounts ranging from \$10 to \$40. The proposed legislation would remove these amounts and replace them with fees that reflect the "direct and indirect" costs of the permitting process. The legislation does not provide the amount for the fees, but one can only assume that this fee change is another attempt to avoid funding the Pollution Control Agency through general fund appropriations. In the future, wastewater facility operators potentially could be paying hundreds, or even thousands, of dollars for their permits.

*(Continued on next page)*



This bill was introduced last week and is being heard this week for possible inclusion in the House's omnibus environmental finance bill. This type of legislation has been introduced before, but has been defeated. This year, the bills stand a much greater chance of passing. It is an open question, however, on how much money the legislators would seek to raise through these fees. We believe the House author, Rep. Jean Wagenius (DFL-Minneapolis), may be more aggressive on this issue than the Senate author, Sen. Ellen Anderson (DFL-St. Paul). We will continue to monitor this issue and will keep you informed.

**SAVE THE DATE:  
CGMC Labor and  
Employee Relations  
Seminars to address  
layoffs, wage freezes,  
and health insurance  
costs**

The CGMC Labor & Employee Relations Committee has scheduled two seminars for later this spring. Please mark your calendar for the date and location that is most convenient for you:

- **Thursday, May 21 in Brainerd from 9:30 a.m. to 4:00 p.m.**
- **Thursday, June 4 in Mankato from 9:30 a.m. to 4:00 p.m.**

An agenda and registration materials for the seminar program are being developed now and will be sent to members in the near future. The focus of the seminars will be how to manage employees and reorganize local government in light of the economic downturn. The seminars will provide practical and legal solutions regarding such topics as: restructuring departments and positions, cost-cutting techniques for cities, scheduling issues such as reducing hours, layoffs and recall, freezing wages, reducing benefits, and work place policies and incentive programs. Additionally, we will have a health insurance expert discuss ways cities can save on health insurance expenditures, and a panel of knowledgeable city representatives will discuss what their cities are doing from a labor and employment standpoint to deal with the anticipated LGA cuts and other economic impacts. We hope all CGMC cities will send representatives (e.g., city managers and administrators, human resources personnel and elected officials) to this informative program. Mark your calendar today and look for registration materials soon! For more information, contact Chris Hood at [cmhood@flaherty-hood.com](mailto:cmhood@flaherty-hood.com) or (651) 225-8840.





# CITIES BULLETIN

ONLINE EDITION

## House adopts budget resolution

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**Issue 13**
**Published: April 1, 2009***By Gary Carlson*

The House Ways and Means Committee last Friday debated and adopted targets for the House of Representatives' proposed budget for the state's 2010-2011 biennium. The targets address the projected \$4.6 billion general fund deficit for 2010-2011 and also address the projected deficit for the 2012-2013 biennium.

The House budget resolution becomes the blueprint for individual committee actions on the state budget. The House budget committees will now begin the process of crafting budget proposals for their respective portions of the state budget to meet these spending targets. The Senate will be processing its own version of the state budget, which will ultimately be reconciled with the House budget and presumably the governor's budget.

The House targets include \$250 million in budget cuts to the broad category of taxes and state aids and \$1.5 billion in revenue increases. The distribution of the \$250 million in program cuts will be determined by the House Taxes Committee beginning this week. The League of Minnesota Cities (LMC) expects the committee to recommend that a substantial portion of the \$250 million will be derived from reductions to city and county programs, including reductions in local government aid (LGA) and the market value homestead credit (MVHC). (For details on the current status of the tax proposal, see the article, "House tax proposal would reduce cuts to cities.")

Although the House targets include a \$276 million reduction in K-12 spending, the plan would offset that reduction through the use of \$276 million in state stabilization funds from the federal stimulus package. However, schools do not escape the budget-balancing pain entirely. The House plan would delay the payment of \$1.746 billion in state funding through an accounting shift, which will provide one-time savings for the state's general fund budget. Higher education programs would be reduced by \$390.5 million, but this reduction would also be largely offset through the use of \$362 million in state stabilization funds from the federal stimulus package.

Health and human services programs would be cut by \$489 million, and smaller reductions would be applied to public safety (\$90 million) and state government (\$39.2 million). The health and human services and public safety reductions would again be offset through the use of state stabilization funds of \$89.3 million and \$38 million, respectively. The plan makes smaller cuts in the areas of energy (\$2 million), agriculture and veterans (\$13.2 million), environment and natural resources (\$18.5 million), housing and public health (\$15.5 million), cultural and outdoor resources (\$9.2 million), and transportation (\$8.4 million).

The table below provides a rough summary of the different budget approaches proposed by the governor, the House, and the Senate. Please note that \$1.8 billion of the one-time federal revenues for the increased Federal Medical Assistance Percentages was reflected in the March state budget forecast. The balance of the federal stimulus funding reflects the use of roughly \$800 million of state stabilization funds. Details on the House and Senate plans will be developed in the coming weeks.

### Comparison of Budget Proposals (in billions)

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	Governor	House	Senate
Spending reductions	\$2.0	\$1.6	\$2.4
Shifts	\$1.3	\$1.8	\$0.0
One-time federal revenue	\$2.6	\$2.6	\$2.6
Appropriation bonds	\$1.0	\$0.0	\$0.0
Health Care Access Transfer	\$0.8	\$0.0	\$0.0
Permanent revenues	\$0.0	\$1.5	\$2.0

For more information, contact **Gary Carlson**, LMC, at [gcarlson@lmc.org](mailto:gcarlson@lmc.org) or (651) 281-1255.

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# CITIES BULLETIN

ONLINE EDITION

## House tax proposal would reduce cuts to cities

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Issue 13

Published: April 1, 2009

*By Gary Carlson and Jennifer O'Rourke*

House Property and Local Sales Tax Division Chair Rep. Paul Marquart (DFL-Dilworth) on Monday released his proposed division report, which includes aid and credit reimbursement cuts to cities, the repeal of city levy limits, modifications to the market value homestead credit (MVHC), and a variety of property tax reforms.

The proposal was offered as a delete-all amendment to HF 2020, a tax bill introduced last week that included Marquart's original county sales tax proposal. The committee took no action on Monday but, at press time, it was scheduled to take public testimony on Tuesday. It also plans to consider amendments to the bill on Tuesday and possibly Wednesday.

### **Smaller cuts to city aids and credits**

For cities, the amendment proposes significantly lower overall cuts in state aids and credit reimbursements than those proposed by the governor. Under the amendment, cities would have a \$50 million cut in 2009 local government aid (LGA) and MVHC reimbursements, which is about half of the \$99 million cut proposed by the governor.

The cuts under the House proposal would be computed as 1.211 percent of each city's adjusted net tax capacity (ANTC) and would first be taken from LGA and then, to the extent necessary, from a city's MVHC reimbursement. ANTC is essentially a city's property tax base "adjusted" by the state-computed sales ratio, which is used to adjust for differences in local assessment practices.

According to calculations released at the hearing, approximately \$30 million of the 2009 city cut would come from LGA reductions and \$19.7 million from MVHC reductions. The governor's proposal was computed as roughly 5 percent of each city's "revenue base" or property tax levy plus LGA, and would have reduced 2009 LGA by approximately \$77 million and MVHC reimbursements by roughly \$22 million.

For 2010, the city cut under the House plan would increase to roughly \$78.7 million compared to current law. Of that amount, the first \$10.5 million is due to the elimination of the 2 percent LGA appropriation increase that was included in last year's tax bill and scheduled to be effective beginning in 2010.

The balance of the cuts from cities would be computed as 1.889 percent of each city's ANTC, which would reduce LGA from the certified 2009 level by \$46 million and MVHC by \$22.1 million. Please note that the proposed 2009 and 2010 reductions are based on preliminary data, and the percentages used to determine the reductions could change as updated data becomes available.

For the 2011 distribution and beyond, cities would lose an estimated \$31.9 million in LGA from the elimination of the growth factor enacted last year, but the base reduction to LGA (from the original 2009 level) would be reduced by only \$9.7 million, compared to the 2010 reduction of \$46 million. Cities that do not have sufficient LGA to cover their computed cut in 2009 and 2010 would have their 2010 MVHC reimbursement cut continued for 2011 and 2012, which will reduce their distribution of MVHC by \$22.2 million. The League of Minnesota Cities (LMC) has compiled a [city-by-city listing of the proposed cuts](#).

**County changes**

Similar to cities, under the amendment, counties would face reductions in county program aid (CPA). The proposal would reduce CPA by \$15.7 million in 2009, but that cut would increase to \$100 million in 2010. However, unlike cities, counties have the option to impose a new half-cent sales tax that would generate revenue to fund general county operations.

The sales tax would be optional, but if all counties impose the tax, the CPA cut would actually increase to an estimated \$124 million, based on a formula that would somewhat “equalize” the sales tax revenues by imposing larger CPA reductions on counties with strong sales tax collections. The new county revenue under the sales tax is estimated to be in excess of \$230 million per year and, according to estimates, all counties would receive significantly more new sales tax revenue than the CPA reduction.

For cities, the proposal would repeal all of the existing city sales taxes except sales taxes in first class cities (Minneapolis, St. Paul, and Duluth), but the bill requires a county to first use the new county sales tax revenues to fulfill existing city financial obligations under their sales taxes. The bill includes numerous provisions to govern the transition to the new county sales tax.

The new county sales tax authority would not need voter approval, but would be subject to a reverse referendum if petitioned by the greater of 10 percent of those voting in the last general election or 500 voters (note that these thresholds have been increased from the original HF 2020 requirements).

**Property tax reform, accountability, and mandate relief**

Beyond the aid and credit reductions and new county sales tax authority, the amendment would make a number of changes to the state’s property tax system. The amendment includes the recommendations of the Local Government Performance Measurement and Improvement Work Group, which would provide cities and counties that choose to implement performance measurement systems with state-paid cost reimbursement assistance. The amendment would also create a Council on Local Results and Innovation that would develop 10 standard performance measures aimed at increased efficiency and effectiveness of local government services.

The amendment would provide some relief from the current library maintenance-of-effort (MOE) requirements by allowing a city or county to reduce its library MOE by the lesser of 10 percent of its current MOE or a percent equal to its aid and credit reimbursement reductions as a percent of levy plus aids. The minimum library MOE would be based on the ANTC for the second, third, and fourth preceding years; currently, it is based on the ANTC from the second preceding year.

The amendment also states that, regardless of the allowed cuts, no city or county MOE can go below the minimum required effort currently in law. This means that all cities should see some relief as all the cities with an MOE are above the minimum level of support. Some counties only contribute the minimum, and they shouldn’t see relief with this bill.

The amendment would establish a new Property Tax Working Group, charged with exploring ways to streamline and simplify the state’s property tax system. It would also enhance the local impact note process to increase the participation of local units of government and local government associations in the analysis of proposed legislation and its impact on local government. The formal, long-term Property Tax Working Group was the product of Rep. Denise Dittrich’s (DFL-Champlin) session-only working group.

The delete-all amendment includes essentially all of HF 1195, the mandate relief bill authored by Rep. Morrie Lanning (R-Moorhead). Along with a number of mandate relief efforts from HF 1195 (outlined later in this article under “Miscellaneous provisions”), the amendment would also establish the Legislative Commission on Mandate Reform, which will solicit ideas and recommendations from local units of government on problematic state mandates. The commission will then review the mandate to determine why the mandate exists and whether the mandate can be modified or repealed.

**Miscellaneous provisions**

The delete-all amendment would also:

- Repeal the existing limit on the use of best value contracting, which allows a city to use best value contracting for no more than one project or 20 percent of the total annual projects, whichever is greater (this change was suggested by the League).
- Adjust the bid limits for special assessments to mirror the limit adjustments enacted last year for competitively bid projects under *Minnesota Statutes 471.345*, the uniform municipal contracting law (this change was suggested by the League).
- Eliminate the separate truth-in-taxation (TNT) hearing requirement and the newspaper publication requirement and advance the entire TNT process by roughly two weeks. These changes include a requirement for preliminary levy certification on Sept. 5 rather than Sept. 15 each year, and require that TNT notices be mailed to property owners between Oct. 15 and Oct. 24 (current law requires notices to be mailed between Nov. 10 and Nov. 24).
- Require the commissioner of Revenue to study the current fiscal disparities program.
- Reduce the MVHC maximum from \$304 to \$300 and modify the phase-out so that the credit is entirely phased-out for homes in excess of \$375,000 (currently \$414,000).
- Use the savings from the MVHC changes to enhance the homeowner's property tax refund program.
- Prospectively allow cities and counties to recertify their property tax levies by Jan. 15 if an aid/credit unallotment should occur in December (this change was suggested by the League).
- Authorize cities and counties to issue emergency certificates of indebtedness to cover unexpected revenue losses that would prevent a city from covering current expenses (this change was suggested by the League).
- Allow Mankato to use local sales tax revenues for a modified list of projects.
- Allow Owatonna to use local sales tax revenues for a modified list of projects.
- Provide a one-time LGA payment to Coon Rapids to complete the repayment of interchange costs. The governor's unallotment of the December Coon Rapids LGA distribution eliminated the final state payment for this project.
- Provide a temporary LGA increase of \$100,000 for the city of Mayer for distributions in 2011 through 2015.

Although levy limits are repealed for cities, the amendment would also (1) modify the levy limit law to allow cities to replace future losses of state aid and credit reimbursements, and (2) prevent the implicit price deflator from declining in future years, should levy limits be reenacted.

For more information, contact **Gary Carlson**, LMC, at [gcarlson@lmc.org](mailto:gcarlson@lmc.org) or (651) 281-1255; or **Jennifer O'Rourke**, LMC, at [jorourke@lmc.org](mailto:jorourke@lmc.org) or (651) 281-1261.

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**2009 and 2010 LGA and MVHC Cuts in House Property Tax Division Report (HF2020)**  
**Figures from House Research as of March 31, 2009**  
**Cuts are calculated as 1.2111% of ANTC in Pay 2009 and 1.8889 % of ANTC in Pay 2010; taken 1st from LGA, then from MVHC**

City name	2009 Certified LGA	Est. 2009 MVHC	ANTC (pay 2010 lga)	2009 LGA Cut	2009 MVHC Cut (est)	2009 LGA Remaining (from 09 lga)	2010 LGA cut	est. 2010 MVHC	2010 MVHC Cut (est)	2010 LGA remaining	2010 MVHC remaining
WABASSO	181,888	30,123	247,104	2,993	0	178,895	4,668	29,383	0	177,220	29,383
WACONIA	0	151,005	13,839,527	28,517	0	1,238,354	44,476	75,652	0	1,282,830	75,652
WADENA	1,326,871	77,558	2,354,624	6,333	0	5,519	9,878	5,192	0	1,974	5,192
WAHCON	11,852	5,323	522,924	113,542	0	182,838	177,086	143,029	0	18,794	143,029
WAITE PARK	295,880	146,633	9,375,095	1,258	0	44,823	1,961	8,831	0	44,120	8,831
WALDORF	46,081	9,054	103,833	16,395	0	130,839	25,570	37,228	0	121,664	37,228
WALKER	147,234	38,166	1,353,708	2,477	0	223,494	3,863	19,071	0	222,108	19,071
WALNUT GROVE	225,971	19,552	204,537	163	0	20,430	255	2,038	0	20,338	2,038
WALTERS	20,593	2,089	13,482	1,281	0	35,421	1,998	4,870	0	34,704	4,870
WALTHAM	36,702	4,993	105,759	9,829	0	220,058	15,331	31,913	0	2,145,556	31,913
WANAMINGO	229,887	32,717	811,616	271	0	22,393	423	3,062	0	22,241	3,062
WANDA	22,664	3,139	22,390	1,380	0	12,131	2,132	5,385	0	11,359	5,385
WARBA	13,511	5,521	113,936	6,004	0	593,762	9,364	53,843	0	590,402	53,843
WARREN	599,766	55,200	495,745	10,773	0	805,127	16,802	35,854	0	799,098	35,854
WARROAD	815,900	36,757	889,522	66,684	0	2,607,811	104,005	276,270	0	2,570,490	276,270
WASECA	2,674,495	283,232	5,506,101	50,811	0	55,358	79,248	67,974	0	26,921	67,974
WATERTOWN	106,169	69,687	4,195,438	18,241	0	512,177	28,450	76,549	0	501,968	76,549
WATERVILLE	530,418	78,478	1,506,147	5,961	0	231,789	9,298	35,313	0	228,452	35,313
WATKINS	237,750	36,203	492,236	590	0	59,600	920	8,105	0	59,270	8,105
WATSON	60,190	8,309	48,720	1,429	0	87,749	2,229	10,190	0	86,949	10,190
WAUBUN	89,178	10,447	117,986	20,256	0	41,992	31,593	38,361	0	30,655	38,361
WAVERLY	62,248	39,328	1,672,539	0	13,233	0	0	12,908	12,908	0	0
WAYZATA	0	13,233	16,786,684	4,527	0	210,807	7,060	36,890	0	208,274	36,890
WELCOMIE	215,334	37,820	373,759	12,997	0	939,608	20,271	100,344	0	932,334	100,344
WELLS	952,605	102,873	1,073,166	1,079	0	36,433	1,683	7,495	0	35,829	7,495
WENDELL	37,512	7,684	89,119	4,883	0	249,263	7,615	51,148	0	246,531	51,148
WEST CONCORD	254,146	52,437	403,162	257,324	0	1,265,818	401,337	435,266	0	1,121,805	435,266
WEST SAINT PAUL	1,523,142	446,234	21,247,136	482	0	5,319	751	1,247	0	5,050	1,247
WEST UNION	5,801	1,278	39,765	3,062	0	235,483	4,776	29,853	0	233,769	29,853
WESTBROOK	238,545	30,605	252,848	285	0	5,140	444	878	0	4,981	878
WESTPORT	5,425	900	23,497	728	0	8,383	1,135	3,180	0	7,976	3,180
WHALAN	9,111	3,260	60,070	7,603	0	619,939	11,858	54,025	0	6,15684	54,025
WHEATON	627,542	55,386	627,749	377,431	0	1,657,893	588,663	206,285	0	1,446,661	206,285
WHITE BEAR LAKE (JT)	2,035,324	211,483	31,164,338	299	0	16,048	466	2,107	0	15,881	2,107
WILDER	16,347	2,160	24,661	7,959	0	72,087	13,434	13,104	0	67,632	13,104
WILLERNIE	80,046	13,434	657,209	969	0	39,744	5,349	5,218	0	39,201	5,218
WILLIAMS	40,713	5,349	80,050	163,919	0	4,432,167	265,658	289,622	0	4,340,428	289,622
WILLMAR	4,566,086	296,920	13,534,734	4,047	0	45,219	9,121	8,897	0	42,963	8,897
WILLOW RIVER	49,266	9,121	334,190	1,311	0	86,423	2,045	11,463	0	85,689	11,463
WILMONT	87,734	11,752	108,286	1,504	0	5,316	1,342	1,342	0	4,475	1,342
WILTON	6,820	1,376	124,144	26,612	0	1,307,456	41,505	168,579	0	1,292,563	168,579
WINDOM	1,334,068	172,827	2,197,329	798	0	35,032	1,244	3,939	0	34,586	3,939
WINGER	35,830	4,038	65,860	9,009	0	589,925	59,144	57,690	0	564,884	57,690
WINNEBAGO	578,934	59,144	743,845	0	0	0	14,050	0	0	0	0



# CITIES BULLETIN

ONLINE EDITION

## 15-Minute Advocate: Bill supports funding flexibility for cities

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Issue 13

Published: April 1, 2009

### 1. Get Informed

A bill that would provide mechanisms for cities to respond to state aid reductions and other revenue shortfalls is scheduled to be heard in the House Taxes Committee at 9 a.m. this Friday, April 3, in State Office Building Room 10. HF 2077 contains several League of Minnesota Cities (LMC) initiatives aimed at providing funding flexibility for cities. It is sponsored by Taxes Committee Chair Rep. Ann Lenczewski (DFL-Bloomington) and Property and Local Sales Tax Division Chair Rep. Paul Marquart (DFL-Dilworth), both of whom are former elected city officials.

League-supported provisions in the bill include:

- Authority for cities to issue emergency debt certificates for unexpected revenue shortfalls.
- Authority for cities to establish street improvement districts.
- Authority for cities to transfer excess increments from a tax increment financing (TIF) district to a city's general fund to be used for any general fund purpose.
- Temporary authority for cities to use lodging tax revenue for any general fund purpose.

### 2. Take Action

Thank the sponsors. Please contact Reps. Lenczewski and Marquart and thank them for recognizing the need for flexibility in setting local budgets. Encourage them to push hard for passage of this bill.

Contact your legislators. Tell your legislator about your city's budget challenges and explain the need for more tools that provide flexibility. Contact members of the House Taxes Committee and encourage them to support HF 2077 (see contact information below).

If possible, attend the Taxes Committee meetings, especially on Saturday, where the bill will likely be up for a vote.

### 3. Stay Involved

This legislation has several key components the League has been pursuing this session. For information regarding the street improvement district section, contact **Anne Finn**, LMC, at [afinn@lmc.org](mailto:afinn@lmc.org) or (651) 281-1263. For information regarding the lodging tax or TIF pooling, contact **Jennifer O'Rourke**, LMC, at [jorourke@lmc.org](mailto:jorourke@lmc.org) or (651) 281-1261. And for information regarding the emergency borrowing section, contact **Gary Carlson**, LMC, at [gcarlson@lmc.org](mailto:gcarlson@lmc.org) or (651) 281-1255.

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### **Senate unveils outline of budget**

On Thursday, the Senate DFL leadership unveiled the broad outlines of a budget proposal to tackle the state's massive \$4.6 billion deficit. According to [Sen. Larry Pogemiller](#) (DFL-Minneapolis), the bill will structurally balance the state's budget over the next four years through a combination of expenditure reductions, tax increases and one-time resources that include federal stimulus funding.

The proposal was described by Sen. Pogemiller to include across-the-board reductions in state spending equal to approximately seven percent. If that percentage is applied to 2009 city local government aid (LGA) and market value homestead credit (MVHC), the reduction would be roughly \$42 million. In comparison, the governor's January budget proposal would have reduced LGA and MVHC for 2009 by approximately \$100 million.

The plan includes two components that will likely be very controversial. First, the plan would subject school funding to budget-balancing reductions, which is in contrast to [Governor Pawlenty's](#) budget proposal that would preserve school funding through the upcoming biennium. Second, the Senate's plan includes an unspecified tax increase that [Sen. Bakk](#) described as being focused on higher-income taxpayers—presumably an income tax surcharge or a new tier in the state's income tax structure. Bakk specifically stated that he was personally opposed to some of the rumored sales tax expansions such as extending the state sales tax to clothing or extending the sales tax to certain services such as legal and accounting.

We expect that more details on the Senate proposal next week. We also expect the governor to release his supplemental budget proposal next week, which will include adjustments to his January budget to reflect the recent budget forecast and possibly other new initiatives. The House will likely unveil their budget outlines within the next two weeks.

*Questions? Contact Gary Carlson at 651.281.1255 or [gcarlson@lmc.org](mailto:gcarlson@lmc.org).*

### **Sales tax developments**

[Sen. Ron Lutz](#) (DFL-St. Louis Park) has introduced a bill to exempt cities from the state sales tax. That bill, [SF 912](#), has not yet been scheduled for a hearing. Based upon attempts in recent years to repeal this tax, the cost to the state could exceed \$150 million per year—making it a long-shot with the current deficit.

There are informal discussions around the Capitol about the solving the state deficit by expanding the base of the sales tax to currently exempt items such as clothing or certain services. [Sen. Ann Rest](#) (DFL-New Hope) has introduced a bill, [SF 1274](#), that is aimed at reducing the overall volatility of state revenues by broadening tax bases and reducing tax rates. One aspect of her larger tax reform bill would extend the sales tax to legal and accounting services. The concept of extending the sales taxes to services has been discussed at the Capitol for years but has been successfully opposed by professional groups.

With this year's massive state deficit, it seems that no idea is off-the-table and this year, her bill might gain traction. Most of the expanded sales tax would be paid by businesses and individuals for legal and accounting services. This sales tax change would also have an impact on cities that contract for these services. The League has asked city clerks and finance officers through our e-mail listservs for information about costs for legal and accounting services so that we can understand the potential implications of such a change.

Fortunately, the Rest bill would also reduce the overall 6.5 percent sales tax rate that would be applied to taxable purchases, but the bill does not specify what the new rate would be and therefore, the overall impact on cities is difficult to quantify. If you are interested in providing information about your city's costs for legal and accounting services, please contact Rachel Walker at [rwalker@lmc.org](mailto:rwalker@lmc.org).

*Questions? Contact Gary Carlson at 651.281.1255 or [gcarlson@lmc.org](mailto:gcarlson@lmc.org).*

### **Pension Commission considers bill to merge MERF with PERA**

At this morning's hearing of the [Legislative Commission on Pensions and Retirement](#), commission members considered [HF 1100/SF 914](#), companion bills offered by [Rep. Paul Thissen](#) (DFL-Minneapolis) and [Sen. Don Betzold](#) (DFL-Fridley) that would merge the closed Minneapolis Employees Retirement Fund (MERF) with the broader Public Employees Retirement Association (PERA). The merger is being proposed because the MERF plan is currently funded at roughly 55 percent of its actuarial liabilities and due to the fact that the plan has been "closed" to new employees since 1979. Given these two factors and the recent steep declines in market returns, there is a chance that the fund could default on pension payments to retirees in the future.

Rep. Paul Thissen introduced the bill to the commission by indicating that the fund is currently estimated to need an infusion of roughly \$75 million per year to meet the obligations of the fund. Rep. Thissen went on to stress that current PERA members and employers should not

bear the burden of addressing this issue and that the solution must require that a MERF merger must come “fully funded.”

The MERF plan was originally established in 1919 and was closed to new members in 1979, when all new hires of Minneapolis entered the PERA plans. Roughly 80 percent of MERF members are current and former employees of the City of Minneapolis. The balance of the plan’s participants were persons employed by the Minneapolis school district, the Metropolitan Airports Commission, Minnesota State Colleges and Universities System (MnSCU), Hennepin County, Minnesota Court System and the Metropolitan Council. Today the plan has 211 remaining active members and roughly 3,600 retirees.

As introduced, the bill would merge MERF with PERA on July 1, 2010 and would require the unfunded liability to be amortized by 2020. The estimate of the annual contribution of roughly \$75 million offered by Rep. Thissen assumes an amortization date of 2031. The state has been contributing roughly \$9 million per year to MERF, leaving roughly \$66 million that would have to be funded by the affected employers. According to Pat Born, Finance Officer for the city of Minneapolis, the city’s share would be roughly \$46 million per year while the school district’s share would be roughly \$14 million per year. The other affected employers would contribute the balance. The commission took no action on the bill and laid it over for future consideration. The League will continue to monitor this legislation to assure that any merger proposal will not have an adverse impact on PERA, its employees and employers.

*Questions? Contact Gary Carlson at 651.281.1255 or at [gcarlson@lmc.org](mailto:gcarlson@lmc.org).*

## League’s levy limit removal bill heard in the Senate

A League-sponsored bill to remove levy limits made its way out of Senate Taxes on Tuesday morning with broad support from the committee and only one “no” vote on the voice vote taken. SF 1054 (Bakk, DFL-Cook) abolishes levy limits beginning in 2010. League President Mary Hamann-Roland was first up to testify for the bill, and was followed by Mayor Mike McGuire of Eagan, Pat Hentges, city administrator for Mankato, and a lobbyist for the North Metro Mayors.

The bill was amended with a few tax-related mandate relief provisions. Under the amended bill, which passed out of committee, local governments would not have to hold Truth-in-Taxation (TNT) hearings but would still do a mailing to taxpayers with the information. Sen. Pogemiller (DFL-Minneapolis) was successful in amending the bill to give local governments a two-year break from publishing the TNT information. The committee had a lengthy discussion on the oral amendment—not unlike many of the other publication debates that have taken place already this year in the mandate debate.

Rep. Jim Davnie (DFL-Minneapolis) has the House version in HF 1610, which has 16 co-authors that the League encouraged to sign-on to the bill. That legislation was introduced on Thursday of this week. The removal of levy limits has been a topic of conversation on several fronts, especially given the December 2008 unallotment of local government aid (LGA) and market value homestead credit (MVHC).

*Questions? Contact either Jennifer O’Rourke at 651.281.1261 / [jorourke@lmc.org](mailto:jorourke@lmc.org) or Gary Carlson at 651.281.1255 / [gcarlson@lmc.org](mailto:gcarlson@lmc.org).*

## Eminent domain flexibility for vacant and foreclosed properties proposed

Rep. Joe Mullery (DLF – Minneapolis) introduced HF1537, a bill that will provide cities with some flexibility in eminent domain powers to address foreclosed and abandoned properties. This bill was introduced in part due to local governments need to remediate foreclosed and vacant properties.

The Neighborhood Stabilization Program (NSP), created as part of the Housing and Economic Recovery Act of 2008 (HERA) by the federal government further highlighted the need for cities to be able to acquire foreclosed and vacant properties quickly. To assist local governments in foreclosure remediation efforts, grants were made available to local governments through the Neighborhood Stabilization Program (NSP). The grants require local governments to spend the funds within 18 months of receipt to acquire, rehabilitate or demolish foreclosed and abandoned properties for purposes of neighborhood recovery. Some cities are finding it difficult to acquire properties for remediation purposes. HF 1537 attempts to provide some flexibility in current eminent domain law which was changed to make it difficult to prove that a taking is for a public use and necessary for reducing abandoned buildings.

Legislation restricting the use of eminent domain was passed during the 2006 legislative session. Among other changes to cities’ eminent domain authority, the Legislature limited the use of eminent domain for a public use or public purpose and defined public use or public purpose as:

1. The possession, occupation, ownership, and enjoyment of the land by the general public, or by public agencies;
2. The creation or functioning of a public service corporation; or
3. The mitigation of a blighted area, remediation of an environmentally contaminated area, reduction of abandoned property, or removal of a public nuisance

HF 1537 adds a second definition of abandoned property. Abandoned property is currently defined as property that (1) has been unoccupied or unused for at least 1 year; (2) has not been maintained; and (3) for which taxes have not been paid for at least the previous two years.

The second definition of abandoned would apply only to properties located in a targeted community or in communities slated to receive federal Neighborhood Stabilization Program (NSP) dollars. These properties would be eligible for condemnation if the property meets one of

the following criteria: (1) has been substantially unoccupied or unused for any commercial or residential purpose for at least 6 months by a person with a legal or equitable right to occupy the property, or (2) has not been maintained, or (3) for which taxes have not been paid for at least one previous year.

The League would like your thoughts on this bill. Questions have been raised by some legislators if cities need this additional definition, and whether or not current eminent domain law allows cities to address foreclosed and vacant properties.

*Questions? Contact Hue Nguyen at 651.281.1260 or [hnguyen@lmc.org](mailto:hnguyen@lmc.org).*

### **Just another mandate Monday...**

The Senate State and Local Government Operations and Oversight Committee will turn their attention to mandate relief efforts on Monday, March 16, when they take up Chair, Sen. Ann Rest's (DFL-New Hope) mandate relief bill, SF 1544. The bill contains a number of provisions requested by local governments, but will not match up perfectly with House efforts. Sen. Rest told local government groups early on that the bill would be a group effort, and that she would be working with lead Republican Sen. Chris Gerlach (R-Apple Valley) and committee vice-chair, Sen. Tony Lourey (DFL-Kerrick). The matters in the bill we have seen appear to be items the three were able to agree on. Among the provisions:

- Allowing group applications for certain rule/law waivers.
- Changing who pays for the cost of challenging an election.
- Moving the building fee reporting threshold from \$5,000 to \$10,000.
- Moving the pay equity reporting cycle from three to five years for those cities who have been compliant.
- Expanding several of the uniform bidding and contracting laws.

The League expects to testify in support with other local government groups.

*Questions? Contact Jennifer O'Rourke at 651.281.1261 or [jorourke@lmc.org](mailto:jorourke@lmc.org).*

### **Redevelopment bonding bill heard in committee**

On Wednesday, HF 1243 (Obermueller, DFL-Eagan) was presented along with several other local bonding bills in the House Higher Education and Workforce Development Finance and Policy Division. The League testified in support of the \$20 million bonding request for the statewide redevelopment account housed at the Department of Employment and Economic Development. The Senate version, SF 897, (Dibble, DFL-Minneapolis) was heard last week in the Senate Business, Industry and Jobs Committee, but was not included in the recommendations that came out this week from Capitol Investment Committee chair, Sen. Keith Langseth (DFL-Glyndon).

It is not clear when the House will release their recommendations, but it should happen sometime in the next couple of weeks. In all likelihood, this year's bonding bill will be smaller than next year's, and HF 1243/SF 897 would still be on the list for next year's appropriation.

*Questions? Contact Jennifer O'Rourke at 651.281.1261 or [jorourke@lmc.org](mailto:jorourke@lmc.org).*

### **Pace quickens for House action on priority election reforms**

The League urges city election officials to contact local legislators who serve on the House State and Local Government Operations Reform, Technology and Elections on Monday, March 16, to urge them to support legislation to reform, and reduce costs now imposed on cities to process voter registration applications and to make changes to absentee voting that will make it easier and less expensive for cities that administer absentee voting. (See below.) Both bills are being heard in committee on Tuesday morning, March 17.

HF 1351, authored by Rep. Ryan Winkler (DFL-St. Louis Park) and co-authored by Rep. Bill Hilty (DFL-Pine County) and Rep. Frank Hornstein (DFL-Minneapolis), will allow cities that administer absentee voting to use the Statewide Voter Registration System (SVRS) to record absentee ballot application data and track ballots as they are returned, accepted or rejected by the local absentee ballot board. Absentee ballot boards will also count the ballots after the polls close so that it will no longer be necessary to deliver absentee ballots to polling places in the final hours of Election Day to be counted.

HF 1053, authored by Rep. Steve Simon (DFL-St. Louis Park), along with seven other members of the House, will introduce the use of electronic databases operated by the courts, the Minnesota Department of Corrections, the Division of Motor Vehicles, and the Social Security Administration to update voter registration files to regularly update names, felony conviction status, and citizenship status of Minnesota residents whose voter registration status is maintained on SVRS. In addition, persons applying for state drivers licenses, instruction permits or state ID cards will be automatically registered to vote unless the applicant opts out.

*Questions? Contact Ann Higgins at 651.281.1257 or [ahiggins@lmc.org](mailto:ahiggins@lmc.org).*

### **Town hall meetings**

Town hall meetings are a great chance to meet with your legislators and tell your city story, sometimes right inside city hall. Upcoming meetings in a city near you include:

March 14 in **Parkers Prairie** (RK's Prairie Café, 123 S. Otter Ave., 8 a.m.) with Rep. Mark Murdock

March 14 in **Montevideo** (Trailways Café, 605 W. Hwy. 212, 8:30 a.m.) with Sen. Gary Kubly and Rep. Andrew Falk

March 14 in **Sauk Centre** (Lynx National Golf Course clubhouse, 8:30 a.m.) with Rep. Paul Anderson

March 14 in **Rochester** (Dunn Brothers Coffee, 120 Elton Hills Drive NW, 8:30 a.m.) with Rep. Kim Norton

March 14 in **Henning** (Kountry Korner Kafe, 418 Douglas Ave., 9 a.m.) with Rep. Mark Murdock

March 14 in **Dawson** (CityHall, 675 Chestnut, 10:30 a.m.) with Sen. Gary Kubly and Rep. Andrew Falk

March 14 in **Albany** (Hillcrest Family Restaurant, 10:30 a.m.) with Rep. Paul Anderson

March 14 in **Sebeka** (J's Café, 116 Minnesota Ave. W., 10:30 a.m.) with Rep. Mark Murdock

March 14 in **International Falls** (Bob Walls Union Hall, 11 a.m.) with Sen. Tom Saxhaug, Rep. David Dill, and Rep. Tom Anzenc

March 14 in **Menahga** (Cottage House Café, 119 Main St. NW, 11:30 a.m.) with Rep. Mark Murdock

March 14 in **Madison** (DeToys Café, 502 W. 1st St, p.m.) with Sen. Gary Kubly and Rep. Andrew Falk

March 14 in **Perham** (Lakes Café, 136 W. Main St, 1 p.m.) with Rep. Mark Murdock

March 14 in **Winthrop** (Veterans Club, 206 S Main Street, 1 p.m.) with Sen. Kathy Sheran and Rep. Terry Morrow

March 14 in **North Mankato** (Christy's Café, 229 Belgrade Ave, 3:30 p.m.) with Sen. Kathy Sheran, Rep. Terry Morrow and Rep. Kathy Brynaert

*Questions? Contact Brian Strub at 651.281.1256 or [bstrub@lmc.org](mailto:bstrub@lmc.org).*

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## Cities helping cities: Flood assistance across Minnesota

Cities in the Red River Valley and other parts of the state are grappling with flooding that has reached the crisis stage, and some cities are evacuating residents. Cities that want to send staff, equipment, or other resources should contact the State Emergency Operations Center at 651.201.7467. The Center will coordinate offers to help with emergency management personnel in the affected areas to make sure resources are directed where most needed.

Providing and receiving disaster assistance raises some coverage and liability issues for Minnesota cities, some of which can be different when responding out of state. Learn about applicable statutes and how the city's LMCIT coverage would apply, and understand other important issues by reviewing the League's information memo on [Providing Assistance in Emergencies](#) (pdf).

## Committee deadline week

The past seven days have been frenetic as House and Senate committees have processed hundreds of bills in an attempt to meet a self-imposed restriction for consideration of bills in policy committees. Today marks the passing of the first committee deadline—the date by which a bill, or its companion bill in the other body, must be reported out of all committees in the house of origin. The deadlines generally apply to policy committees but specifically do not apply to the House [Capital Investment Finance Division](#), [Ways and Means](#), [Taxes](#), or [Rules and Legislative Administration](#), nor to the Senate [Capital Investment](#), [Finance](#), [Taxes](#), or [Rules and Administration](#) committees.

After 8 p.m. today, a bill that does not meet the first committee deadline is technically dead unless it is resurrected by the Rules and Legislative Administration Committee in either the House or the Senate before completing its committee journey. With 2,202 bills introduced so far this year in the House and 1,938 bills introduced in the Senate, the committee agendas this week have been packed and the hearings have been lengthy. Nonetheless, many bills will not receive the necessary hearings by the end of the day today.

The second committee deadline is Tuesday, April 7. By that date, companion bills to bills that met the first deadline must be reported out of all committees in the other body. The House and Senate have tentatively agreed to a break from April 8 through April 13.

*Questions? Contact Gary Carlson at 651.281.1255 or [gcarlson@lmc.org](mailto:gcarlson@lmc.org).*

## Committees approve two criminal justice bills containing provisions objectionable to cities

After a long week of negotiations between representatives of the courts, city attorneys and legislators, the House [Public Safety Policy and Oversight Committee](#) passed one bill and the Senate [Judiciary Committee](#) passed its companion as well as a broader bill containing significant changes to judiciary policies. Both bills were introduced to address potential court funding issues.

The first bill, [HF 1827](#) (Paymar, DFL-St Paul) and its companion, [SF 1627](#) (Foley, DFL-Coon Rapids), were heard in the House Public Safety Policy and Oversight Committee and Senate Judiciary Committee respectively this week.



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The bill, which was initiated by the courts as a cost saving measure, includes the following provisions:

- Requires the Judicial Council to establish a uniform fine schedule that may include petty misdemeanor and misdemeanor offenses. The uniform fine schedule sets a fine that may be paid in lieu of a court appearance.
- Provides that any misdemeanors included on the uniform fine schedule are treated as petty misdemeanors.
- Expands application of the state surcharge to violations of local ordinances and administrative rules.

Sue Dosal, state court administrator, said the bill will automate the process of handling approximately 1.2 million citations processed by the courts. The courts say the measure could provide better enforcement of judicial sanctions and improve the court collection program.

The League, along with city attorneys, testified against the measure in both bodies, saying the measure would jeopardize public safety by negatively impacting the ability of cities to prosecute serious violations. Tom Grundhoefer, the League's general counsel, expressed opposition to the legislation on grounds it gives unilateral discretion to the Judicial Council to determine which misdemeanors are on the payables list, impairs a peace officer's power to arrest for a variety of misdemeanors and eliminates a city's ability to charge by formal complaint under many circumstances.

In spite of objections raised by the League and others, the measure passed to finance divisions

with only minor changes in both the House and Senate committees.

A second bill also containing objectionable measures for cities, was assembled by the Senate Judiciary Committee this week. The bill, which has not yet been introduced, was provided in draft form as SC6935. Below are some of the provisions contained in the legislation:

- Converts all first time misdemeanors contained in local ordinances to petty misdemeanors.
- Converts a list of state misdemeanors to petty misdemeanors.
- Prohibits local units of government from imposing administrative penalties to enforce petty misdemeanor or higher level crimes.
- Increases various court fees, including fees for filing a civil action, requesting a jury, certified and uncertified copies, subpoenas, motions and executions. It also imposes a fee of \$1 per page for most documents.
- Increases the state surcharge on criminal and traffic violations from \$75 to \$85.
- Provides that the criminal and traffic offender surcharge must be assessed on a person who completes a diversion or similar program for a traffic offense.
- Repeals the mandatory minimum sentences that must be imposed by a sentencing judge for first-through fifth-degree controlled substance crimes committed by repeat offenders.
- Amends the felony driving while intoxicated (DWI) law to apply it to a person's fifth DWI within ten years rather than the fourth.



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League staff, along with several city attorneys, made exhaustive efforts to oppose this bill, including asking members of the committee to offer amendments to delete or mitigate provisions in the package. In spite of these efforts, in a late-night hearing on Thursday, the committee voted to keep the bill substantially intact and to have it drafted and introduced as a committee bill. Upon introduction, it will be assigned a senate file number and referred to a finance division.

*Questions? Contact Anne Finn at 651.281.1263 or [afinn@lmc.org](mailto:afinn@lmc.org), or Tom Grundhoefer at 651.281.1266 or [tgrundhoefer@lmc.org](mailto:tgrundhoefer@lmc.org).*

## **Rest/Scalze levy limit bills considered**

During this week's House and Senate Tax Committee hearings, two bills were considered that would modify the current levy limits to allow cities to levy for the pending loss of 2009 local government aid (LGA) and market value homestead credit (MVHC) in 2010 and beyond. The bills, SF 1047, authored by Sen. Ann Rest (DFL-New Hope) and HF 1389, offered by Rep. Bev Scalze (DFL-Little Canada) were both considered and laid over for possible inclusion in the respective omnibus tax bills. Eagan Mayor Mike Maguire testified in support of both bills.

Based upon language suggested last year by the League, the 2008 unallotment of LGA and MVHC can be declared as a special levy for taxes payable in 2010. However, the 2008 levy limit law did not anticipate the additional loss of 2009 and 2010 aids and credit reimbursements. The cuts that appear to be likely for 2009 would occur mid-year and therefore would not be factored into the 2010 levy limit calculation. Under current law, the

likely cuts in LGA for 2010 would result in an automatic levy limit increase in the 2010 levy limit but the 2010 loss of MVHC would not be factored into a levy limit increase.

The Rest/Scalze legislation was suggested by the League as a fallback if the passage of legislation that would fully repeal of levy limits appears to be in jeopardy. The League has worked with Sen. Tom Bakk (DFL-Cook) and Rep. Jim Davnie (DFL-Minneapolis) on SF 1054 and HF 1610, bills that would completely and immediately repeal levy limits. Sen. Ann Rest has separately introduced SF 1268, a full levy limit repeal bill and Rep. Morrie Lanning (R-Moorhead) has included HF 1195, a repeal in his mandate relief legislation.

*Questions? Contact Gary Carlson at 651.281.1255 or [gcarlson@lmc.org](mailto:gcarlson@lmc.org).*

## **House adopts budget resolution**

On Friday afternoon, the House Ways and Means Committee debated, and ultimately adopted, targets for the state's 2010-2011 biennium to address the \$4.6 billion deficit. The House budget resolution becomes the blue print for individual committee actions on the state budget. The House budget committees will now begin the process of crafting budget proposals for their respective portions of the state budget to meet these spending targets. The Senate will be processing their own version of the state budget.

The House targets include \$250 million in budget cuts to the broad category of taxes and state aids and \$1.5 billion in revenue increases. The distribution of the \$250 million in program cuts will be determined by the House Tax



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Committee beginning next week, but we expect the committee to recommend that a substantial portion of the \$250 million will be derived from reductions to city and county programs, including reductions in local government aid (LGA) and market value homestead credit (MVHC).

Although the House targets include a \$276 million reduction in K-12 spending, the plan would offset that reduction through the use of \$276 million in state stabilization funds from the federal stimulus package. However, schools do not escape the budget-balancing pain entirely. The House plan would delay the payment of \$1.746 billion in state funding through an accounting shift, which will provide one-time savings for the state's general fund budget. Higher education programs would be reduced by \$390.5 million, but this reduction would also be largely offset through the use of \$362 million in state stabilization funds from the federal stimulus package.

Health and Human Services programs would be cut by \$489 million, and smaller reductions would be applied to public safety (-\$90 million) and state government (-\$39.2 million). The health and human services and public safety reductions would again be offset through the use of state stabilization funds of \$89.3 million and \$38 million, respectively. The plan makes smaller cuts in the areas of energy (-\$2 million), agriculture and veterans (-\$13.2 million), environment and natural resources (-\$18.5 million), housing and public health (-\$15.5 million), cultural and outdoor resources (-\$9.2 million) and transportation (-8.4 million).

*Questions? Contact Gary Carlson at 651.281.1255 or [gcarlson@lmc.org](mailto:gcarlson@lmc.org).*

## House to unveil property tax package on Monday

On Thursday, House Property Tax Chair Rep. Paul Marquart (DFL-Dilworth) announced that his committee would release their property tax division work on Monday, March 30. The plan is for this to be amended onto HF 2020 (Marquart, DFL-Dilworth), with testimony likely Tuesday and markup on Wednesday. The League will be attending all of these meetings, and will cover what exactly is included in the proposal in next week's *Cities Bulletin*.

*Questions? Contact Jennifer O'Rourke at 651.281.1261 or [jorourke@lmc.org](mailto:jorourke@lmc.org) or Gary Carlson at 651.281.1255 or [gcarlson@lmc.org](mailto:gcarlson@lmc.org).*

## LGA appropriation offsets considered

A bill that would have reinstated a number of local government aid (LGA) appropriation offsets to cover various state agency costs was considered in the House Property and Local Sales Tax Division on Wednesday evening. HF 1403, authored by Rep. Phyllis Kahn (DFL-Minneapolis) was introduced in the wake of last year's legislation that repealed appropriations for certain state agency functions that are associated with a variety of local government functions. The League supported last year's repeal of these appropriations due to the fact that funding for LGA was being diverted to state agency operations.

The bill would have reinstated appropriations for the state demographer, the state auditor for the costs of best practices reviews, the government information function and tax



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increment financing functions, the commissioner of administration for the costs of the local government records program and the intergovernmental information systems activity and the commissioner of finance for the costs of administering the local government pay equity function. In total, these appropriations redirect nearly \$875,000 of LGA to these agencies. The bill would have increased the appropriation for LGA by an equivalent amount.

Rep. Kahn explained that since the bill was introduced, she had learned that the appropriations for these agencies were increased last year to replace the loss of the LGA diversion. Although she did not withdraw her bill, she explained to the committee that she was not pursuing the change. We do not expect the bill to be considered again this session.

*Questions? Contact Gary Carlson at 651.281.1255 or gearlson@lmc.org.*

## **Senate committee advances bill that would prohibit administrative fines for traffic offenses**

The Senate Judiciary Committee on Thursday approved a bill containing a measure that would prohibit local units of government from imposing administrative penalties to enforce petty misdemeanor violations, including traffic violations. The bill, currently drafted as SC6935, was considered and passed as a committee bill on Thursday and will be introduced by Sen. Mee Moua (DFL-St. Paul) in the coming days.

The same package also increases the state surcharge on traffic offenses from \$75 to \$85 and requires that the criminal and traffic

offender surcharge must be assessed on a person who completes a diversion or similar program for a traffic offense. Other details of the bill are summarized in the article entitled, "Committees approve two criminal justice bills containing measures objectionable to cities."

The League opposed the measure and attempted to identify a committee member to offer an amendment containing the administrative fines compromise language that is advancing in the House. No member was willing to offer the amendment.

The House measure, HF 1517 (Hosch, DFL-St. Joseph), contains the following key components:

- A local unit of government may, by ordinance, authorize its police officers to issue administrative citations.
- The ordinance must contain a process for a violator to appeal the citation, and the process must involve a neutral third party such as an administrative hearing officer.
- The violations eligible for an administrative citation are 1) speeding less than 10 miles per hour above the posted limit; 2) stop line violations; and 3) equipment violations such as a cracked windshield.
- The amount of the administrative fine is \$60.
- When a local unit of government issues the citation, two-thirds of the fine is retained by the issuing authority and one-third must be given to the state.
- When the State Patrol issues the citation, two-thirds of the fine is retained by the state, and one-third is turned over to the local jurisdiction where the citation was issued.

For more information on city legislative issues, contact any member of the League of Minnesota Cities Intergovernmental Relations team.

651.281.1200 or 800.925.1122 and [www.lmc.org](http://www.lmc.org)



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The bill has the support of all the stakeholder groups that have battled on this issue in recent sessions. The companion to the Hosch bill, SF 1894, was introduced this week by Assistant Majority Leader Sen. Tarryl Clark (DFL-St. Cloud). SF 1894 has not yet been amended with the compromise language, but the amendment is expected to be offered when the bill is heard in the Senate State and Local Government Operations and Oversight Committee.

*Questions? Contact Anne Finn at 651.281.1263 or [afinn@lmc.org](mailto:afinn@lmc.org).*

## TIF day in the House April 3

The House Tax Committee will hear a slew of individual city tax increment finance bills next Friday, April 3 at 9 a.m., room TBA in the State Office Building. In addition to the individual bills, there are a few more general bills on the agenda including: HF 1035 (Hosch, DFL-St. Joseph) creating a compact development TIF, HF 1431 (Hortman, DFL-Brooklyn Park) TIF for Transit Improvement Areas (TIAs), and HF 2077 (Lenczewski, DFL-Bloomington) that would allow cities with excess TIF increments to use those in times of aid loss. There are 18 individual city bills scheduled at this point. For a link to the agenda, go to [www.house.leg.mn.us/schedules](http://www.house.leg.mn.us/schedules). Cities coming to present and testify should remember to park in the League's parking lot—which is always free!

*Questions? Contact Jennifer O'Rourke at 651.281.1261 or [jorourke@lmc.org](mailto:jorourke@lmc.org).*

## House talks about Sunday liquor sales

The House Commerce and Labor Committee discussed HF 1294 (Kahn, DFL-Minneapolis) last Tuesday evening, which would have allowed liquor stores and auto dealerships to be open on Sundays. The committee had a lively discussion on the liquor store portion, and laid the bill over for possible inclusion in the committee's omnibus bill. This bill represented one of the more controversial liquor issues of the year as far as liquor related legislation went. There has not been a wine in grocery stores bill introduced this year. The Sunday sales bill has not been introduced on the Senate side yet.

On Thursday night, the committee met again and the Sunday sales expansion was not included in their omnibus bill draft. During the testimony, the advocates claimed that it would raise revenue for the state—dollars that are currently going to other state's coffers on Sundays as most of our neighboring states offer Sunday sales. Opponents countered that it really just spreads out six days of liquor shopping over seven and would cost them more in overhead. Opponents include representatives of the Minnesota Municipal Beverage Association and the Minnesota Licensed Beverage Association.

This issue will likely be back, whether this year or in the future as the state looks to find more revenues. A longer article will appear in next week's *Cities Bulletin*.

*Questions: Contact Jennifer O'Rourke at 651.281.1261 or [jorourke@lmc.org](mailto:jorourke@lmc.org).*



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## Cooperating purchasing bills moving

The local government cooperative purchasing (almost) mandate bill, SF 1459 (Bonoff, DFL-Minnetonka), could find itself combined with a mandatory shared services for school districts sometime soon. The city/county/township bill, SF 1459, is much looser than the more restrictive school bill, SF 10, (Bonoff, DFL-Minnetonka), which forces shared services and cooperative purchasing for school districts. Both bills are currently in the Senate Rules and Administration Committee and could soon be moved to the Senate floor for a vote. It is a good time to contact your senators about your concerns with a new purchasing mandate.

The League is collecting examples from cities on their experiences—whether you are purchasing with the state's current cooperative efforts, purchasing in a joint venture effort with your neighboring communities, or buying everything locally. The discussions on this topic have been many and varied in committee—with legislators sympathetic, but desperate for ways to save the state and locals money this year. Please send that information the way of Jennifer O'Rourke at [jorourke@lmc.org](mailto:jorourke@lmc.org).

When cooperative purchasing was originally authorized for local units of government, a city would have to pay a fee of several hundred dollars to participate. To encourage local units of government to utilize the state contract, the Department of Administration has recently dropped the participation charge. During committee discussions, legislators have asked League representatives why more cities do not participate in the state's plan. According to the Department's information, currently roughly 290 cities and 84 counties are participating. For

more information go to:

<http://www.admin.state.mn.us/>.

*Questions? Contact Jennifer O'Rourke at 651.281.1261 or [jorourke@lmc.org](mailto:jorourke@lmc.org).*

## Neighborhood recovery for targeted communities

Cities facing high levels of foreclosures could see some relief if a bill appropriating \$30 million to a targeted communities program becomes law. Supported by the League of Minnesota Cities, SF 1772 authored by Sen. James Metzen (DFL-South St Paul) revives the Urban Revitalization Action Program (URAP), which was created during Minnesota's last housing crisis.

This program is still in statute but has not been funded in a number of years. When it was funded, URAP funded very specific, targeted program dollars to neighborhoods for proposes of affordable housing and economic recovery. Current law allows the cities of Minneapolis, St. Paul, and South St. Paul to use funds for construction, reconstruction, alteration and repair of buildings, provide energy assistance loans and grants, relocation or acquisition of real property.

SF 1772 proposes to revive the program, rename the program Targeted Communities and expand the authority statewide. The bill will address the needs of foreclosed and vacant properties. As proposed, a city could designate an area a targeted community if it meets three of the four criteria:

1. Unemployment rate that is twice the rate for the Minneapolis and St. Paul metropolitan statistical area



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2. Residential dwellings that are in need of substantial rehabilitation. Twenty-five percent of units are in substandard condition.
3. Median income of the area is no more than 80 percent of metropolitan statistical area.
4. An area that has a high rate of foreclosed and vacant properties.

Making state dollars available to cities will not only help cities revitalize communities but hopefully also leverage federal Neighborhood Stabilization Program (NSP) dollars. The federal government created the Neighborhood Stabilization Program as part of the Housing and Economic Recovery Act of 2008. Of the \$4 billion appropriated via formula, Minnesota received roughly \$58 million for foreclosure remediation efforts. The federal stimulus bill recently passed by Congress and signed by the President included an additional \$2 billion for NSP. Unlike the first round, the second round of funding will be distributed on a competitive basis by the Department of Housing and Urban Development (HUD). When considering applications HUD will look at the ability of the applicant to leverage other sources of funding. The Targeted Communities program will help local governments leverage the federal funds.

SF 1772 was passed out of the Senate committee on Business, Industry and Jobs and referred to the Senate Finance Committee. HF 2070, authored by Rep. Joe Mullery (DFL - Minneapolis) is scheduled to be heard in the House Housing Finance and Policy and Public Health Finance Division next Wednesday.

Questions? Contact Hue Nguyen at 651.281.1260 or [hnguyen@lmc.org](mailto:hnguyen@lmc.org).

## Buy American

Under a HF 1169 and SF 1058, all Minnesota cities would be prohibited from buying public safety equipment and apparel required to be worn by employees that is not manufactured in the United States. These bills were introduced by Rep. Tom Rukavina (DFL-Virginia) and Sen. David Tomassoni (DFL-Chisholm). In addition to the buy American requirement, preference must be given to purchases from manufacturers who pay an average annual income, including wages and benefits, of at least 150 percent of poverty adjusted for a family of four.

This bill would not only affect cities but all public employers. The bills define public employers as a city, town, and school district, metropolitan or regional agency, public corporation, political subdivision, special district, municipal fire department, nonprofit firefighting organization, the University of Minnesota, Minnesota State College and Universities, the state and its agencies.

The League has testified against the bill in two House committees citing that this bill would create yet another mandate on cities and that complying with the provisions of the bill could cause considerable overhead for cities.

The League also raised concerns about how cities are supposed to comply with the new mandate. It is not clear how cities are supposed to identify the manufacturer and if they comply with living wage preference in the bill. The League also pointed to another bill moving through the process that requires cities purchase through the state's cooperative purchasing plan and if the current state cooperative purchasing program comply with



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the requirements of this bill. The League will continue to monitor and express our concerns with this bill as it makes its way through the legislative process.

*Questions? Contact Hue Nguyen at 651.281.1260 or [hnguyen@lmc.org](mailto:hnguyen@lmc.org).*

## **Street improvement district language included**

A bill to that is scheduled to go before the House Tax Committee on April 3 includes authority that would allow a city to establish street improvement districts. HF 2077, which contains several other provisions as well, is sponsored by House Tax Committee Chair Ann Lenczewski (DFL-Bloomington) and House Property and Local Sales Tax Division Chair Paul Marquart (DFL-Dilworth).

*Questions? Contact Anne Finn at 651.281.1263 or [afinn@lmc.org](mailto:afinn@lmc.org).*

## **Cities rally at Capitol**

City officials from across Minnesota held a rally on the Capitol steps on March 26 to defend Local Government Aid (LGA) and other critical state aid programs for cities. Speakers included Wadena Mayor Wayne Wolden, St. Paul Mayor Chris Coleman, LMC President and Apple Valley Mayor Mary Hamann-Roland, as well as a Mankato police officer, a firefighter from St. Paul, several other city employees and several legislators. After the rally, city officials spread out across the Capitol and State Office Building to advocate for local government aid (LGA) and other state aid programs.

## **Town hall meetings**

Town hall meetings are a great chance to meet with your legislators and tell your city story, sometimes right inside city hall. Upcoming meetings in a city near you include:

March 28 in **Rockville** (Granite Edge Café, 9 a.m.) with Rep. Steve Gottwalt

March 30 in **St. Cloud** (Caribou Coffee, by Crossroads Shopping Center, 9 a.m.) with Rep. Steve Gottwalt

April 2 in **Eagan** (Wescott Library, 1340 Wescott Rd, Eagan, 6:30 p.m.) with Rep. Mike Obermueller

April 3 in **St. Augusta** (The Hayloft, 22779 Hwy 15, 11:30 am) with Rep. Steve Gottwalt

April 4 in **Dent** (Nootzi's on Main, 106 Main St., 9:00 a.m.) with Rep. Mark Murdock

Check your local newspaper or radio station for additional dates.

*Questions? Contact Brian Strub at 651.281.1256 or [bstrub@lmc.org](mailto:bstrub@lmc.org).*



**Main Identity**

**From:** "Carlson, Rachel" <r Carlson@lmc.org>  
**To:** "Clerk/Administrators" <clerk-admins@listserv.lmc.org>  
**Sent:** Wednesday, March 25, 2009 4:30 PM  
**Subject:** [clerk-admins] Tips for local board of review meetings for tax valuation purposes

Dear All:

Many cities will be soon holding their local board of review meetings. This article was recently published in the LMC Cities Bulletin, but I thought it might be helpful to make it available here as well.

Sincerely,

*FYI -  
From the LMC:*

**Rachel L. Carlson** | Staff Attorney

**Board Certified Real Property Law Specialist**  
Tel: (651) 281-1226  
r Carlson@lmc.org | [www.lmc.org](http://www.lmc.org)  
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**Tips for local board of review meetings for tax valuation purposes**

Many cities are anticipating holding their board of review meeting (sometimes called city board of appeal and equalization meeting) between April 1 and May 31. Often the city council sits as the city board of review, unless this function has been delegated to the county or a specially appointed local board of review. The purpose of the board of review meeting is to allow residents an opportunity to seek adjustment in the valuation of their property for tax purposes. However, the local board of review may not reduce the total or aggregate amount of the county assessor's assessment by more than 1 percent.

This year's board of review meetings may have better attendance than usual. It is no secret that the national economy has placed new stresses on city residents. Residents who are facing issues such as unemployment, loss of retirement funds, and adjustable rate mortgage problems (including foreclosure), may scrutinize their property valuation more closely than in previous years. In addition, citizens may be aware of recent news articles asserting that many county property valuations for tax purposes are not in sync with rapidly plummeting home market values.

For these reasons, many more city residents may be motivated to participate in the local board of review meeting than in past years. As a result, cities may wish to review their procedures for holding public hearings. Cities that have not already done so are encouraged to adopt policies for public meetings that preserve order and encourage respectful discourse. The League of Minnesota Cities (LMC) Research Service has sample policies available upon request. In addition, cities may wish to take stock of their current meeting facilities to ensure that they are adequate for the task.

**Purpose of board of review hearings**

The county assessor sets property valuations and provides these valuations to city residents. After this occurs, the board of review has three main functions. It must:

- Review the county assessor's list, making sure all taxable property in the city has been properly placed on the list.
- Review the county assessor's valuations, striving to standardize the ratio between market value and adjusted market value for each individual piece of property. To accomplish this, the board may raise or lower valuations on individual properties, but it cannot increase valuations without notifying the property owner and giving that person an opportunity to be heard.
- Hear and settle the complaints of individual property owners regarding the valuations on their property.

The local board does not have authority to grant an exemption or to order property removed from the tax rolls. In addition, the local board of review *may not reduce the total or aggregate amount of the county assessor's assessment for all properties by more than 1 percent*. Accordingly, anything other than a modest reduction in a person's property value would have to be matched by comparable increases in assessments against other parcels of property. In short, the local board of review has very little authority to simply rewrite the work of the county assessor on a large scale basis.

Residents who feel that the city board of review has not adequately addressed their concerns can appeal their property valuation to the county board of equalization and also to tax court.

### **Preserving order**

State statute requires the local board of review to meet and allow residents the opportunity to speak. However, it is important to remember that a statutory city council is also authorized by state law to preserve order at its meetings. Most charter cities have similar authority in their local charter. The mayor, as the presiding officer, is also vested with some authority to prevent disturbances. As a result, the city may establish ground rules for citizen testimony and comment at board of review meetings.

The best way to foster respectful discourse is to plan for citizen input in advance. Ideally, expectations for citizen input would be adopted in a written city policy, though this is not required by law. A policy may:

- Require that speakers be recognized by the chair before speaking.
- Require that speakers sign up for a “slot” to provide commentary.
- Require that speakers speak from a podium and not make random comments from the audience.
- Establish time limits for individual speakers.
- Require speakers to address their comments exclusively to the chair.
- Require that speakers not use inflammatory or disruptive language, profanity, or threats.
- Require speakers to speak only on the subject of the hearing.
- Establish a procedure for dealing with citizens who do not abide by the rules (for example, providing a warning and then asking the person to leave).
- Require citizens with repetitive testimony to appoint a spokesperson.

Many cities provide or post a copy of the rules for citizen input in the meeting room. In addition, it may be helpful for the presiding officer to read the rules aloud at the beginning of the public hearing. This assures that the group as a whole is aware of the rules and is put on notice that the city will enforce its rules of procedure if needed.

In addition, cities may want to provide and encourage name tags at their hearing. The chair may also request that speakers provide their name, before they begin speaking. Name tags reduce a person’s sense of anonymity. People who believe that they are acting anonymously may be more aggressive and potentially disruptive to the meeting, as they have less fear of consequences.

Finally, if the city anticipates a large gathering, the city may wish to provide a microphone. Providing this equipment allows speakers to feel heard while still speaking in a normal voice and encourages the audience to remain attentive.

### **Disruptive persons**

It is important to note, that even when a hearing is required by law, no individual who is noisy or unruly has a right to remain in the meeting room. When the council or the presiding officer decides that a disorderly person should not remain in the meeting hall, law enforcement officers may be called to execute the orders of the presiding officer or the council. Cities may wish to have law enforcement on hand or standing by at the upcoming hearings, if they anticipate disruptive behavior.

A person who disturbs a lawfully held public meeting may also be guilty of criminal disorderly conduct. Any conduct that disturbs or interrupts the orderly progress of council proceedings is a disturbance that may be prevented or punished without infringing on constitutional rights.

### **Tips for meeting chambers**

The meeting chambers can be arranged in a manner that helps foster respectful discourse from citizens by encouraging positive emotions. Citizen who are upset over their tax valuation, may become even more distressed if they arrive at the hearing and find no place to sit, are cramped, too hot, or too cold. A pleasant environment can often help diffuse tense situations. In deciding how many chairs to put out this year, cities may wish to err on the side of caution and place out the maximum number of chairs available. In addition, to avoid cramped or stifling situations, the city may wish to consider holding the hearing in a larger venue than city hall (if such a place is available).

### **Tips for the meeting chairperson**

The meeting chairperson plays a critical role in encouraging respectful citizen discourse. The chairperson should be familiar with the city rules for public hearings (such as time limits) and be ready to enforce them. In addition, the chairperson may wish to prepare in advance a statement for opening the hearing. The opening statement should highlight the rules for citizen participation and explain the basic purpose of the hearing. Sample opening language is available from the League Research Service. In addition, the Chairperson may wish to prepare advance comments for handling disruptive persons, and closing remarks.

### **Helpful resources**

The League has resources related to assessment of property for property tax purposes in Chapter 20. "Sources of Revenue," of the *Handbook for Minnesota Cities*, available at [www.lmc.org/page/1/resource-library.jsp](http://www.lmc.org/page/1/resource-library.jsp). In addition, the Minnesota Department of Revenue provides the *Local Board of Appeal and Equalization Handbook*, available at [www.revenue.state.mn.us/taxes/property\\_tax\\_administrators/other\\_supporting\\_content/local\\_board\\_handbook\\_final.pdf](http://www.revenue.state.mn.us/taxes/property_tax_administrators/other_supporting_content/local_board_handbook_final.pdf).

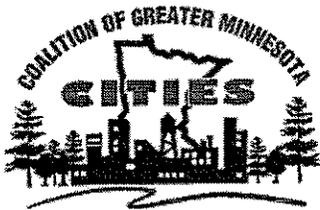
For more information on handling public participation in meetings, see the LMC information memo, *Meetings of City Councils*, available at [www.lmc.org/media/document/1/meetings\\_of\\_city\\_councils.pdf](http://www.lmc.org/media/document/1/meetings_of_city_councils.pdf).

For more information, contact **Rachel Carlson**, LMC, at [rcarlson@lmc.org](mailto:rcarlson@lmc.org) or (651) 281-1226.

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Coalition of Greater Minnesota Cities

# CGMC in Brief

March 25, 2009

Contact: Tim Flaherty  
651-225-8840

## LGA rally day needs YOU!

After an initial headcount of CGMC cities, we are expecting fewer members to attend the CGMC membership meeting and LGA rally at the Capitol on Thursday, March 26, than we originally anticipated. Understandably, some members will not be attending due to flood emergencies or travel limitations. If this is not the case for you, please make every effort to be in St. Paul for this very important day.

In addition to discussing LGA strategy and lobbying at the membership meeting, we will also be discussing our position on the House's proposed county local option sales tax (see next article) and will want as much input from our members as possible.

If you or members from your city will be able to attend Thursday's events and have not yet indicated so to Lauren Anderson, please contact Lauren ([laanderson@flaherty-hood.com](mailto:laanderson@flaherty-hood.com)) as soon as possible so that we can have an accurate headcount. Complete details for Thursday's events are provided in the attached agenda.

## Marquart proposes local option sales tax to counties

Rep. Marquart (DFL-Dilworth), Chair of the House Property Tax Division of the Tax Committee, brought forth the second major tax reform from the House DFL. The proposal would cut the County Program Aid (CPA) by \$100 million, but allows counties to impose a ½-cent sales tax for general purposes. The sales tax would be equalized by further reductions in CPA for counties with strong sales tax collections. Counties with weak sales tax collections would not see further reductions in CPA. You can view this proposal in the News section of [www.greatermncities.org](http://www.greatermncities.org).

Cities with a current local option sales tax will not see their sales tax rate increase. Instead, counties that enact a sales tax are required to pay cities for their current obligations until the city sales tax expires (first class cities are exempt and will see an increase in their tax rate).

Rep. Marquart designed the bill to give counties options to either raise their levy to replace the cuts or raise the sales tax, but not both because levy limits will remain on counties. Cities are removed from levy limits. The sales tax raises more revenue for counties than is cut through CPA, but is also subject to a reverse referendum.

The bill may reduce LGA cuts. By cutting CPA between \$100 and \$125 million, fewer cuts may come from LGA. Both LGA and CPA are part of the \$3.4 billion budget for property tax aids and credits that must be cut by \$250 million to meet the House's budget targets.



## **Update: CGMC Land Use Bill**

As we informed you last week, the CGMC land use reform bill (S.F. 913/Bakk, H.F. 1035/Hosch) was heard in the Senate State and Local Government Operations and Oversight Committee last Wednesday and was laid over for a final vote. This vote is expected to be taken this afternoon (March 25).

Also, Tim Flaherty and Bradley Peterson of Flaherty & Hood, P.A. met with township and county representatives and Sen. Bakk, author of the Senate bill, to discuss points of contention in the legislation. No agreements were reached at this meeting.

## **SAVE THE DATE: CGMC Labor and Employee Relations Seminars to address layoffs, wage freezes, and health insurance costs**

The CGMC Labor & Employee Relations Committee has scheduled two seminars for later this spring. Please mark your calendar for the date and location that is most convenient for you:

- **Thursday, June 4 in Mankato from 9:30 a.m. to 4:00 p.m.**
- **Thursday, May 21 in Brainerd from 9:30 a.m. to 4:00 p.m.**

An agenda and registration materials for the seminar program are being developed now and will be sent to members in the near future. The focus of the seminars will be how to manage employees and reorganize local government in light of the economic downturn. The seminars will provide practical and legal solutions regarding such topics as: restructuring departments and positions, cost-cutting techniques for cities, scheduling issues such as reducing hours, layoffs and recall, freezing wages, reducing benefits, and work place policies and incentive programs. Additionally, we will have a health insurance expert discuss ways cities can save on health insurance expenditures, and a panel of knowledgeable city representatives will discuss what their cities are doing from a labor and employment standpoint to deal with the anticipated LGA cuts and other economic impacts. We hope all CGMC cities will send representatives (e.g., city managers and administrators, human resources personnel and elected officials) to this informative program. Mark your calendar today and look for registration materials soon! For more information, contact Chris Hood at [cmhood@flaherty-hood.com](mailto:cmhood@flaherty-hood.com) or (651) 225-8840.

## **CGMC testifies in support of public safety equipment donation legislation**

Last Thursday, Flaherty & Hood lobbyist J.D. Burton testified in the Senate Judiciary Committee on behalf of the CGMC in support of legislation that provides cities immunity from lawsuits surrounding donated public safety equipment. The bill (S.F. 568/Scheid) would make it easier for cities to donate used or unneeded public safety equipment to communities in need without fear of potential litigation. The bill was supported by the CGMC, the Minnesota State Fire Chiefs Association, and the State Fire Departments Association. As amended, the bill now moves to the Senate State and Local Government Operations and Oversight Committee. The House companion bill is H.F. 1360/Bingham.



**Statewide transit  
agency discussed in  
committee**

Last week, the House Transportation Committee heard testimony regarding legislation (H.F. 1535/Hausman) that would create a statewide transit agency. The legislation would transfer all transit functions in the Met Council to a new Minnesota Transit Authority, as well as transfer functions from MnDOT's Office of Transit, all regional rail authorities, and the Metro Transit Development Board. The new Authority would direct all purchases of buses and bus parts, repairs, and fuel purchases statewide, among other powers. The committee ultimately did not vote on the bill, and according to the MPTA, the author will not pursue the central purchasing power provisions. Future action on the bill is unknown at this time. Over the weekend, a related "central purchasing power" bill (H.F. 1438/Hausman), was pulled from Monday night's Transportation Policy Division agenda. Future action on this bill is also unknown.







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## **Governor's supplemental budget— little immediate change for cities**

On Tuesday afternoon, the governor unveiled the supplement to his January budget recommendations. The supplement accounts for the updated revenue and expenditure projections contained in the state's March budget forecast and a more comprehensive accounting of the impact of the federal stimulus package.

The governor uses available federal stimulus funding to provide an even larger K-12 funding increase relative to his January proposal. However, the governor's revised budget retains a school aid shift of more than \$1 billion to balance the budget deficit. For the University of Minnesota and the Minnesota State Colleges and University system, he restores his January proposed reductions, but at the same time, calls for both higher education systems to freeze tuition increases.

The proposal also retains the controversial use of future tobacco settlement funds through a securitization process now referred to as appropriation bonding. The tobacco appropriation bonds would generate approximately \$1 billion in revenues that would be used to reduce the current deficit. However, future Legislatures would no longer have that stream of revenue for budgetary purposes.

For cities, the supplemental budget does not include any additional 2009 or 2010 cuts in local government aid (LGA) or market value homestead credit (MVHC). However, the supplemental budget recommendations apparently eliminate the restoration of roughly \$60 million in LGA beginning with the 2011 distribution that the governor had proposed in his January budget recommendations. Although the governor's recommendations for the next biennium apparently address the longer-term

deficit, the information released on Tuesday provides few details for the 2012-2013 biennium nor is the governor technically required to balance that longer-term deficit.

Interestingly, the supplemental budget documents show an increase of nearly \$25 million in state spending for the broad category of "property tax aids and credits." At his press conference, the governor attributed this increase to the cost of the market value homestead credit program. Although the cost of that program has been declining in recent years due to the fact that home values have been increasing (the program phases out entirely when a home reaches roughly \$414,000 of value), recent declines and new estimates of further future home value declines will mean that the cost of the program will actually increase.

Perhaps the biggest question about the supplemental budget is the long-term deficit. Based upon Chapter 5 ([SF 824](#)), a bill signed on March 2, the governor is required to propose a balanced budget for the 2010-2011 biennium as well as the 2012-2013 biennium. His recommendations apparently assume that health and human service programs along with property tax aids and credits as described above would be capped at the 2010-2011 level. This assumption represents a total reduction of approximately \$2.5 billion over the current projected expenditure levels.

*Questions? Contact Gary Carlson at 651.281.1255 or [gcarlson@lmc.org](mailto:gcarlson@lmc.org).*

## **City aids rally on March 26**

On Thursday, March 26, the League will join other municipal associations, along with the cities of Minneapolis and St. Paul, in a rally at the state Capitol to show support for the services and jobs that are supported by city aids. At the rally,



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individuals from around the state will speak on behalf of the service areas they represent including police, fire, libraries, parks and recreation, and city governments. The rally is expected to take place on the south Capitol steps from 12 - 1 p.m. In addition to city officials representing the associations, a number of state legislative leaders have been invited to speak. All member cities are invited to send representatives.

*Questions? Contact Don Reeder at 651.215.4031 or [dreeder@lmc.org](mailto:dreeder@lmc.org).*

## House DFL leadership announces budget framework

On Thursday, House DFL leadership announced their budget framework to balance the state's \$4.6 billion deficit. According to House Speaker Margaret Anderson Kelliher (DFL - Minneapolis) the proposal structurally balances the state's budget over the next four years. The budget outlined includes; \$1.5 billion in new revenue, spending cuts of \$843 million and shifts totaling over \$1.7 billion.

The plan contained very few details, but House DFL leadership did say that their priority was to hold education harmless; the proposal makes no reductions to early education, K-12 education or higher education programs but does delay over \$1.7 billion in payments to schools. The plan includes a 7.3 percent reduction to tax aids and credits totaling \$250 million in fiscal years 2010/2011. This is slightly higher than the Senate DFL plan announced last week that proposes to make 7 percent cuts across the board. The Senate DFL plan proposes to cut \$240 million from tax aids and credits. The plan cuts state spending by \$1.6 billion but uses \$750 million in federal funds to fill in some of the cuts. The proposal indicated that \$1.5 billion in new revenues would be needed. When asked how the

House DFL proposes to raise the revenue, Speaker Kelliher would not say, but did say that it would be raised in a progressive and fair way, and then added that income taxes are the most progressive tax. Speaker Kelliher said that the House Tax Committee would be assembling a package and could release their plan as early as next week.

At this point, the governor, Senate DFL and House DFL leadership have all released their budget proposals. The Legislature and governor have approximately two months to find a compromise on how to close the state's budget deficit. We expect that more details on the House DFL proposal in the coming weeks.

*Questions? Contact Hue Nguyen at 651.281.1260 or [hnguyen@lmc.org](mailto:hnguyen@lmc.org).*

## Proposed Board of Residential Construction advances

On Wednesday, the House Labor and Consumer Protection Division heard and passed HF 968 a bill that would create a Board of Residential Construction, to the Commerce and Labor Committee. Authored by Rep. Larry Hosch, (DFL-St Joseph) the bill would transfer the authority for adopting and interpreting the residential building code from the Department of Labor and Industry (DLI) to a board made up primarily of industry representatives.

As written, the board would have the authority to adopt the state residential building code, have authority over licensure and registration of residential building contractors and remodelers, elect officers, appoint members to other advisory councils or boards and recommend fees for licenses and certifications.

The board would consist of 13 members, 12 appointed by the governor with the advice and



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consent of the Senate and the commissioner of Labor and Industry. The 12 appointed members consist of eight representatives from the construction industry, two building officials, one fire marshal, and a public member.

HF 968 and its companion SF 730 authored by Sen. Kathy Saltzman (DFL-Woodbury) is sponsored by the Builders Association of Minnesota, who testified in support of the bill. The committee also heard from several organizations that oppose the bill, including the Association of Minnesota Building Officials (AMBO) and Minnesota Fire Chiefs Association.

The League supports a coordinated code development process, and believes the creation of boards fragments the code development process. Replacing a consolidated state code development process with a board dominated by residential contractors and building trades interest could overshadow public safety and interests. The League will continue to monitor this bill as it makes its way through the legislative process.

*Questions? Contact Hue Nguyen at 651.281.1260 or [hnguyen@lmc.org](mailto:hnguyen@lmc.org).*

## TIF Day in the House coming up

The House Tax Committee has slated Friday April 3 as the day that they will hear the individual requests dealing with individual cities' changes to tax increment financing (TIF) law. The committee is supposed to meet at 9 a.m. in the State Office Building (room TBD). There are many bills introduced this year, perhaps more than usual. The bills scheduled at this point are:

HF 215 (Rep. Terry Morrow, DFL-St. Peter), North Mankato

HF 219 (Rep. Kathy Brynaert, DFL-Mankato), Mankato

HF 294 (Rep. Maria Ruud, DFL-Minnetonka), Minnetonka

HF 360 (Rep. Steve Simon, DFL-St. Louis Park), St. Louis Park

HF 361 (Rep. Steve, DFL-St. Louis Park), St. Louis Park

HF 1492 (Rep. Steve Simon, DFL-St. Louis Park), Hopkins

HF 676 (Rep. Carolyn Laine, DFL-Columbia Heights), Columbia Heights

HF 870 (Rep. Roger Reinert, DFL-Duluth), Duluth Seaway Port Authority

HF 1291 (Rep. John Lesch, DFL-St. Paul), St. Paul; Central corridor light rail transit project

HF 1296 (Rep. Joe Mullery, DFL-Minneapolis), Brooklyn Park; St. Paul; Fridley; Housing replacement districts

HF 1431 (Rep. Melissa Hortman, DFL-Brooklyn Park), TIF and transit improvement area provisions amended

HF 1453 (Rep. Tim Faust, DFL-Hinckley), TIF tourism facility development region eligibility extension

HF 1468 (Rep. Kate Knuth, DFL-New Brighton), Arden Hills

HF 1613 (Rep. Karla Bigham, DFL-Cottage Grove), South St. Paul

HF 1787 (Rep. Leon Lillie, DFL-North St. Paul), North St. Paul

HF 1878 (Rep. Steve Smith, DFL-Mound), Medina

HF 1879 (Rep. Steve Smith), Mound

HF 1945 (Rep. Sandra Masin, DFL-Eagan), Eagan

HF 1949 (Rep. Denise Dittrich, DFL-Champlin), Coon Rapids

Any late TIF bill introductions will likely be included in the hearing, but it is getting very late in the process for bill introductions in general.

When bills of this type come in, submitters are asked to complete some background TIF worksheets for House members to consider.



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Those worksheets were due out the end of February. While the committee hears the bill, there is an informal TIF working group in the House that studies the details of each project and makes recommendations to the full House Tax committee. According to House staff on Friday, those members will be announced on Monday.

The Senate has spread the TIF bills over a couple of hearings thus far, and laid over everything for possible inclusion in the omnibus tax bill. See next week's *Cities Bulletin* for an article with more detail on those TIF bills, the members of the House TIF working group and other economic development issues.

*Questions? Contact Jennifer O'Rourke at 651.281.1261 or [jorourke@lmc.org](mailto:jorourke@lmc.org).*

## **Administrative fine compromise bill advances**

An administrative fines bill representing an agreement between city, county and law enforcement organizations advanced without opposition on Thursday in the House Public Safety Policy and Oversight Committee. HF 1517 (Hosch, DFL-St. Joseph), as amended during the hearing, would allow local units of government and the State Patrol to issue administrative citations for a limited list of traffic offenses. (Note: the version of the bill available on Friday, March 20, is not the compromise language. This bill has been amended with a "delete-everything" amendment. The updated version of the bill will be available in the afternoon on Monday, March 23).

Key components of the compromise include the following:

- A local unit of government may, by ordinance, authorize its police officers to issue administrative citations.

- The ordinance must contain a process for a violator to appeal the citation, and the process must involve a neutral third party such as an administrative hearing officer.
- The violations eligible for an administrative citation are 1) speeding less than 10 miles per hour above the posted limit; 2) stop line violations; and 3) equipment violations such as a cracked windshield.
- The amount of the administrative fine is \$60.
- When a local unit of government issues the citation, two-thirds of the fine is retained by the issuing authority and one-third must be given to the state.
- When the State Patrol issues the citation, two-thirds of the fine is retained by the state, and one-third is turned over to the local jurisdiction where the citation was issued.

Noticeably absent in the bill is local control over which violations are eligible for administrative citations and the amount of the fine. The League sought flexibility in these areas. However, in the end, the provisions requiring uniformity across the state neutralized opposition. In fact, long-time critic of administrative fines Rep. Tony Cornish (R-Good Thunder) not only endorsed the bill, but helped present the compromise in the chief author's absence. He also withdrew from the committee agenda his bill that would have prohibited use of administrative citations for traffic enforcement. The Minnesota Police and Peace Officers Association (MPPOA), which also opposed previous efforts by cities to secure authority to use administrative fines, accepted the compromise.

The League and other proponents of administrative fine authority resisted the requirement that a portion of the fines be remitted to the state. Unfortunately, the alternative presented by key legislators was to place a \$25 state surcharge on administrative tickets. Since the Legislature has routinely increased surcharge



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amounts in order to fill holes in the general fund, stakeholders opposed this option. The current amount of the state surcharge on the uniform traffic ticket is \$75.

Given the lack of opposition in the House Public Safety and Oversight Committee, supporters are optimistic that the bill will be approved at its next stop in the House Public Safety Finance Division. The League, along with the Minnesota Chiefs of Police Association and the Minnesota Sheriffs Association, are working to secure an author for the Senate companion to HF 1517.

*Questions? Contact Anne Finn at 651.281.1263 or [afinn@lmc.org](mailto:afinn@lmc.org).*

## **Bipartisan support key to success for voter registration and absentee voting reforms**

City officials, particularly those responsible for conducting voting activities, can help increase chances for enactment this session of major improvements to voter registration and absentee voting. The key ingredient still missing is strong bipartisan support for the measures. As indicated in previous updates, it is vital for city officials to encourage local legislators to support the reforms. Governor Pawlenty has indicated that bipartisan support for the bills is essential.

The League strongly urges city officials to discuss the importance of bipartisanship in support of changes designed to reduce errors and increase the security of the voter registration process and the process of accepting, rejecting and counting absentee ballots. Please contact your local legislators as soon as possible to urge them to work toward the goal of strong bipartisan support for these measures. City election administrators who serve on the LMC Elections Task Force have been actively involved

developing the legislation. Of immediate importance are HF 1351/SF 1331, the absentee voting bill, and HF 1053/SF 660, legislation to make it likely that many more eligible voters will be registered prior to Election Day and that the official voter records maintained in the Statewide Voter Registration System (SVRS) will be continually up-dated electronically by incorporating voter address, name change and eligibility status information available from state and federal government databases, including the Social Security Administration, the courts, the Department of Corrections, and the Division of Vehicle Services.

For cities, the proposed changes to voter registration will save cities by reducing costs to hire election judges who will have fewer voters to register on Election Day. Currently, between 50-90 percent of voters who register on Election Day use their driver license to verify their residence address and identity. If HF 1053/SF 660 is enacted, the Secretary of State will be able to register them as they obtain, renew or update their driver license and be able to provide cities current and complete voter rosters for use at the polls. In addition, the lines of voters waiting to cast their ballots at elections where heavy turnouts occur will be smaller since most potential voters will find that they do not need to register at the polls. The new procedures outlined in the bill also give the Secretary of State new tools to make the voter lists more accurate with regard to voters whose status is challenged or who are ineligible to vote because of citizenship or felony status.

The absentee voting reforms also include major cost-saving measures for cities as well as changes in procedures that will reduce errors and result in more accurate results in the final tabulation of absentee voting. Cities and counties will have authority to process absentee ballots using an absentee ballot board and no longer be required



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to distribute absentee ballots to polling places on Election Day.

*Questions? Contact Ann Higgins at 651.281.1257 or [ahiggins@lmc.org](mailto:ahiggins@lmc.org).*

## House Property Tax announcement Monday morning

House Property and Local Sales Tax Division Chair Rep. Paul Marquart (DFL-Dilworth) will hold a Monday morning press conference to unveil the outline of what will likely be his property tax division report. On Friday, Rep. Marquart confirmed that a bill would be introduced during the Monday floor session. The League will cover the details of this new legislation for the next *Cities Bulletin*.

What might be included based on committee discussions thus far: local government aid (LGA) and market value homestead credit (MVHC) funding and formula changes, local option sales tax changes, Green Acres changes, Housing Improvement Area authorization and the House working group efforts such as mandate relief, local performance measurements, and the state property tax benchmark legislation of Rep. Denise Dittrich's (DFL-Champlin).

*Questions? Contact Jennifer O'Rourke at 651.281.1261 or [jorourke@lmc.org](mailto:jorourke@lmc.org).*

## Town hall meetings

Town hall meetings are a great chance to meet with your legislators and tell your city story, sometimes right inside city hall. Upcoming meetings in a city near you include:

March 21 in **Milaca** (Embers Restaurant, 120 10th Ave. SE, 12 noon) with Rep. Gail Kulick Jackson

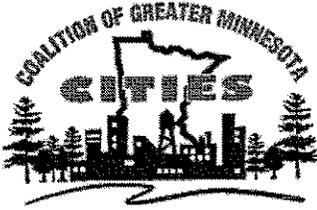
March 21 in **Foley** (Dewey's Restaurant, 141 4th Ave South, 2 p.m.) with Rep. Gail Kulick Jackson

March 21 in **Eagan** (Board Room, Eagan Community Center, 1501 Central Parkway, Eagan, 2 p.m.) with Rep. Mike Obermueller

March 27 in **Waite Park** (Ultimate Sports Bar & Grill, 1101 Division St., 11:30 a.m.) with Rep. Steve Gottwalt

Check your local newspaper or radio station for additional dates.

*Questions? Contact Brian Strub at 651.281.1256 or [bstrub@lmc.org](mailto:bstrub@lmc.org).*



Coalition of Greater Minnesota Cities  
**CGMC in Brief**

March 19, 2009

Contact: Tim Flaherty  
651-225-8840

**Governor's budget changes do not impact original LGA cuts**

Maximizing the federal stimulus money, Governor Pawlenty outlined changes to his original budget on Tuesday. While some details of his new budget are still unknown, what is known is that cuts to cities for 2009 and 2010 remain the same. The biggest change in the governor's budget came in Health and Human Services, which will take an additional \$1.4 billion cut.

Stay tuned for a more detailed look at the governor's budget and a comparison to the Senate DFL budget outline and House DFL budget outline (see below for more information on the House targets), which will be provided on our website [www.greatermncities.org](http://www.greatermncities.org). We will notify you when this information is available. We would also like to thank CGMC members who have contacted their House DFL members regarding their budget targets.

**House DFL releases budget targets**

The House DFL released their budget targets this afternoon, laying the groundwork for their budget. The House puts a strong emphasis on education, holding K-12 education, Higher Education, and Early Education harmless. The House reduces the \$3.5 billion of Property Tax Aids and Credits by 7.3%, which is 0.3% more than the Senate DFL. Local Government Aid is roughly \$1 billion of that budget. The exact programs within the Property Tax Aids and Credits that will be cut and by how much is still unknown and will be left up to the tax committee. The House DFL targets balance the 2010-2011 budget with \$1.6 billion in cuts (which is back-filled with \$759 million in federal stabilization aid), \$1.5 billion in new revenues, and shifts of \$1.8 billion in payments to schools.

**"5% Cut" & "Rainy Day Funds" myths**

On multiple occasions, Governor Pawlenty has said that cities should be able to handle a 5% cut to their levy plus aid, which he is proposing in his budget plan. It is true that the governor is proposing a 5% cut of levy plus aid in 2009, but that is **not the full story**. Cities already took a 4% cut to their levy plus aid in December of 2008. Because these cuts occurred so late in 2008, most cities are accounting for the cuts in 2009. Adding the 2008 and 2009 cuts together, cities would have **up to 9% of their levy plus aid cut in 2009** under the governor's plan. In 2010, the governor proposes to cut 10.5% of levy plus aid. This amounts to a 31% reduction in LGA in 2010.

*(Continued on next page)*



The governor has also stated on more than one occasion that cities should be able to absorb his cuts by using their reserve funds; as he likes to put it, cities should use their “rainy day funds, because it’s raining.”

Unfortunately, the governor omits the fact that the state auditor suggests most cities carry reserve fund balances between 35% and 50% of their operating revenues (this figure increases for smaller cities). The governor’s statements also ignore the fact that cities with higher levels of reserves keep money in special funds that cannot be used for general fund purposes.

CGMC has provided the press with the attached facts in hopes they will bring the truth to light. If you feel your local press is not entirely grasping the full story behind the numbers, please be sure to contact and correct them. We need your help to keep the record straight.

## **UPDATE: Land use reform bill and annexation bill progress**

### **Land Use Reform Bill**

On Wednesday, the CGMC land use reform bill (S.F 913/Bakk, H.F. 1035/Hosch) was heard in the Senate State and Local Government Operations and Oversight Committee. Special thanks to Eric Sorenson, City Manager for Winona, for testifying at the hearing. The bill was laid over and is expected to be scheduled for more testimony and a vote as early as Monday. Currently, we anticipate the vote will be 7-6 **against** the bill (CGMC will be sending out an Action Alert to members regarding this vote). In the meantime, CGMC will participate in further discussions with county and township representatives Friday morning.

### **Annexation Bill**

On Monday, the CGMC annexation bill (S.F. 1163/Dille, H.F. 1297/Winkler) passed out of the House Local Government Division on a 4-3 vote in our favor. CGMC would like to thank Warroad Mayor Bob Marvin for providing compelling testimony regarding annexation issues in his city. Several annexation-related handouts, including a Warroad-specific handout, are available at [www.greatermncities.org/annexation](http://www.greatermncities.org/annexation).

Major components of the annexation bill include a definition of “urban or suburban in character”, an enhanced annexation by ordinance process, and a rule that prohibits excessive payments to townships which are unrelated to lost tax base. All of these features are geared toward saving both cities and townships the significant expenses related to the annexation process.

The next step for the CGMC annexation bill is a hearing in the full House State and Local Government Operations Reform, Technology, and Elections Committee. Committee Chair Gene Pelowski (DFL-Winona) has yet to schedule a hearing.

If you have any further questions, please contact Bradley Peterson at [bmpeterson@flaherty-hood.com](mailto:bmpeterson@flaherty-hood.com) or 651-225-8840.



## Clean water funding update

Senator Rummel (DFL-White Bear Lake) introduced S.F. 1651 this week, which makes both technical changes to the clean water funding account and appropriation recommendations for how those funds should be spent. The bill cleans up state law by eliminating the clean water legacy account, which had been funded through one-time appropriations. The Clean Water Fund would remain as the account for money from the sales tax that is dedicated to clean water.

The bill also sets forth categories for appropriations from the Clean Water Fund, though dollar amounts have not yet been attached. The bill includes allocations to the Pollution Control Agency (MPCA) and to the Department of Natural Resources for TMDL (total maximum daily load) plan development and TMDL implementation.

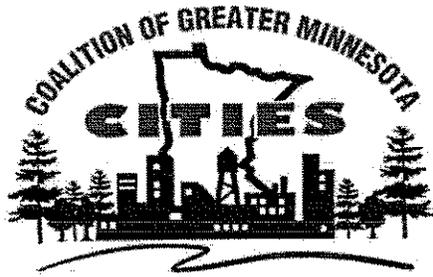
## REMINDER: CGMC membership meeting and LGA Rally Day to be held March 26

Join us in St. Paul Thursday, March 26<sup>th</sup> for an LGA lobbying day. The day will start with a full membership meeting at Flaherty & Hood offices at 10:00 a.m. A rally at the Capitol will start at 12:00 p.m., which will be followed by time for meeting with your legislators (see attached agenda for more information). **CGMC staff will be calling each city to determine a headcount for the membership meeting.**

The afternoon rally, which is being coordinated with other city organizations, will be a great opportunity to get the attention of the Legislature and the press and inform them of the importance of LGA. We are hoping to attract as large of a crowd as possible, so please encourage your off-duty police officers and firefighters (in uniform, if possible), librarians, public works employees, and any other individuals impacted by LGA cuts to join us at the Capitol. These employees must be off-duty and unpaid for their attendance. Community members who are concerned about losing city services are also welcome to attend.

We also recommend that you bring any city employees or community members along with you to your meetings with legislators. CGMC members are responsible for arranging these meetings, so please contact your legislators as soon as possible to get on their schedules for the afternoon of March 26<sup>th</sup>.





**Dedicated to a Strong Greater Minnesota**

**Contact:**

Glen Fladeboe

Fladeboe Communications

651-208-3262

Erin Flaherty

Flaherty & Hood, P.A.

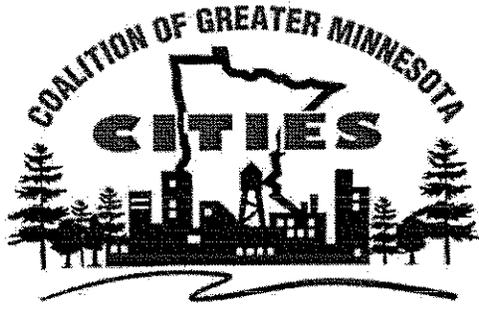
651-225-8840

**It's not a 5% cut: The facts about the governor's cuts to LGA**

- **2009 Cut is 9%:** The governor remarked that cities should be able to handle a 5% cut in their revenues (levy + aids). This figure is misleading. The governor's proposed 5% reduction in levy + aid in 2009 ignores the 4% cut in levy + aid from the December unallotment. Because the unallotment occurred with less than two weeks left in the cities' budget year, the cuts are being made in 2009, for a total of a **9% cut of levy + aid for 2009**.
- **2010 Cut is 10.5%:** While the governor mentioned that his proposed LGA cut for 2009 is "5%", he failed to mention that his proposal for 2010 calls for a **10.5% cut of levy + aid**.
- **Reserves are not "rainy day funds":** The governor insisted that cities are carrying excessive reserve funds that should be used to cover LGA losses. The governor is referring to a 2007 state auditor report that showed cities collectively carried \$1.5 billion in reserves during that year. The state auditor recommends that cities have 35% - 50% of operating revenues, or no less than five months of operating expenditures, in their reserves; in 2007, the \$1.5 billion figure fell within this range. Since 2007, cities have had to use their reserves to cover shortfalls such as the 2008 December unallotment.

**There is widespread confusion about what city reserve funds actually are:**

1. Cities receive revenues only 2 different times a year. These payments go into the city's reserves, which is really a cash-flow account. In between these 2 payments, cities have to make payroll and pay bills. **If you're a family and you only get 2 paychecks a year, you need to save that money so you can feed your family for 6 months.**
2. Some cities build up reserves to purchase capital equipment and do capital projects. This saves cities money as opposed to paying interest on bonds. These cities are not hoarders—they are being prudent with taxpayer dollars.
3. Good financial management requires cities to maintain reserves and money for cash-flow. If cities spend their reserves—which almost all cities are currently doing—they need to restore their reserves. **Families and businesses can't spend down to zero and pay their bills and maintain their credit, and neither can cities.**



**Dedicated to a Strong Greater Minnesota**

## March 26<sup>th</sup> LGA Lobbying Day in St. Paul

- 10:00 – 11:00 a.m.            **CGMC Full Membership Meeting at Flaherty & Hood office**  
*See attached directions and parking information.*
- 11:00 a.m. – 12:00 p.m.      **Lunch**  
*Members will be responsible for their own lunch. We recommend the Capitol cafeteria for proximity to the afternoon's events.*
- 12:00 – 1:00 p.m.            **LGA Rally at the Capitol**  
*The rally will be held on the front steps of the Capitol. We recommend that you bring signs for your group that say your city name or something like "Winona Police for LGA" (feel free to be creative).*
- 1:00 p.m. – ?                 **Lobby your legislators**  
*Members are responsible for setting up their own meetings with their legislators.*

