



# 2019 CGMC Policy Positions: Property Taxes, LGA and State Government Finance

## 1. Local Government Aid funding

In 2019, the governor and legislature should restore the LGA appropriation equal to or exceeding its 2002 funding level (\$564,982,145) and annually increase LGA thereafter by at least inflation and population growth. The amount necessary to fully fund the needs identified by the LGA formula (\$814,659,086 under current data) should be a long-term funding goal by state policymakers. Furthermore, property tax relief should favor LGA above other property tax relief programs.

## 2. Local Government Aid Formula

No changes should be made to the LGA formula adopted in 2013 other than to correct technical mistakes and address noncontroversial issues. Any changes in the formula should be agreed upon by all city organizations before passage in the legislature, and to the greatest extent possible:

- Be based on a city's tax base and need
- Include no separate pots based on geographic location or population
- Reduce property tax rate disparities among Minnesota cities
- Reduce yearly fluctuations in aid
- Be intuitive and rational

CGMC opposes artificial, non-formula limits on aid for individual cities or group of cities. Additionally, the CGMC opposes using LGA as a tool to coerce or influence cities on policy decisions that the Legislature does not agree with.

## 3. Homestead Credit Refund

CGMC opposes changes to the Homestead Credit Refund that would increase the cost of the program into future years.

## 4. State Budget

CGMC supports a balanced budget solution that in time of deficits incorporates spending reductions, revenue increases, limited reliance on one-time money, limited payment shifts and balances long-term. The governor and legislature should not use reserve funds for anything other than to fund emergency spending during a state budget deficit. The governor and legislature should take steps to gradually increase the budget reserve over the next several years until it reaches 5% of the biennial general fund revenue, as recommended by the state's Council of Economic Advisors. The governor and legislature should not take any action this biennium that will increase or create a structural budget deficit in the next biennium.

## 5. State Commercial Industrial Property Tax

The state commercial / industrial property tax should continue to collect enough revenues to meet state obligations.

## 6. Inflation

To accurately reflect the cost of government, the governor and state legislature should include inflation in the spending forecast beginning in November 2019.

## 7. Levy Limits

Levy limits should not be reinstated in any form.



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### **8. Local Option Sales Tax**

LGA should not be offset by a local option sales tax imposed by a city. CGMC also supports measures to ensure that sellers pay required local sales tax consistent with the Supreme Court's ruling in *South Dakota v. Wayfair*.

### **9. Unfunded Mandates**

CGMC supports reviewing and modifying or repealing existing unfunded mandates in collaboration with the League of Minnesota Cities. No additional mandates should be enacted unless the legislature or agency imposing the requirements provides a permanent stable revenue source for the mandate.

### **10. Unallotment**

CGMC supports reforming the unallotment statute so that it serves the limited purpose of addressing unforeseen budget deficits that arise when the legislature is not in session. Such reform could include limiting the total unallotment to a stated percentage of the entire state budget and limiting the amount that could be unallotted from any category.

### **11. Constitutional Amendments**

The CGMC supports increasing the votes needed to place an amendment to the Minnesota State Constitution on the ballot to at least 60% of each legislative body.

### **12. Special Service Taxing Districts**

CGMC supports city authority to establish special service districts. The current 2028 sunset of a city's ability to establish a district by ordinance instead of needing special legislation, should be repealed.

### **13. Local Government Sales Tax Exemption**

CGMC supports the action taken during the 2013 and 2014 sessions to exempt local units of government from paying most state sales tax, and supports initiatives to further clarify and reduce cities' state sales tax burden, make the sales tax exemption administratively convenient for cities and their vendors, treat purchases by all types of local governments the same, and exclude from sales tax all purchases that would otherwise be subject to the Motor Vehicle Sales Tax.

### **14. Local Impact Fees**

CGMC supports legislative authorization for cities to impose local impact fees on new development to ensure that the costs of both on-site and off-site public infrastructure that support the new development are shared by all of the beneficiaries of public infrastructure investments.

### **15. "Dark Store" Valuation**

CGMC opposes valuation methods for "big box" stores that unfairly use comparable property valuations of "functionally obsolete" properties. Moreover, consistency in valuations should be assumed between broadly-defined "big box" stores.



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### **16. Municipal Liquor Stores**

CGMC opposes efforts to restrict local control of municipal liquor stores and liquor licensing authority. Municipal liquor stores play a key role in city finances, have safeguards in place to protect tax payers, and serve as a liquor control tool for local communities.