Legislative Lay of the Land

BRADLEY PETERSON
Legislature off and running!

As predicted public safety continues to be the hottest discussion topic

Unemployment Insurance and frontline worker bonuses

March will be a flurry of activity with most initial bills in each body finalized by the beginning of the legislative Easter/Passover Break

April and May will be key time for:

- Discussions of Bonding Bill
- Supplemental Budget
- LGA and Tax Bill
Forecast sheds light on rest of session

STATE BUDGET FORECASTS
CURRENT BIENNIAL 22-23

<table>
<thead>
<tr>
<th>MONTH</th>
<th>FORECAST</th>
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</thead>
<tbody>
<tr>
<td>NOVEMBER</td>
<td>$7.7</td>
</tr>
<tr>
<td>FEBRUARY</td>
<td>$9.3</td>
</tr>
</tbody>
</table>

(billions)
Next biennium outlook

STATE BUDGET FORECAST
NEXT BIENNium, 24-25

November: $5.95
February: $6.29
Healthy Budget Reserve

State Budget Reserve, 2009-2022

- Budget Reserve
- 5% of Biennial General Fund Revenue

Updated 2/28/22
2022: Even MORE interesting after session adjourns

- Redistricting shake out to continue
- Governor’s race to heat up
- Lots of new candidates/legislators to educate on our issues
LGA and 2022
Local Government Aid (LGA) Explained!
LGA Funding (2009-2023)

Total LGA Funding Per Year (2009-2023)

*2022 includes $5 million in supplemental aid
Two LGA discussions underway

1. Updating the formula
2. Increasing the appropriation
Formula review, why now?

- Typically, the formula is looked at every 10 years after a census takes place.
- There is interest from the tax chairs to look at the formula alongside city groups.
- We have updated data to use in the regressions to finding the best fit for current city needs.
City groups have been meeting since October

- CGMC, LMC, Metro Cities, Small Cities
- House and Senate non-partisan staff
- Staff from Department of Revenue
Formula update discussions at the Legislature

First step: analyze existing formula

- Current formula increasingly outdated

Identify possible new need factors

- Analyzed dozens of potential need factors
- Looked for factors that had strong explanatory value when determining the differences in city spending

CGMC analytical capacity has been a significant advantage for our members during discussion
Potential updated formula

• Maintains basic LGA structure of evaluating a city’s need vs. its capacity to meet those needs (i.e. tax-base)

• Continues to split cities into three categories
  • Small (1-2,499 pop.)
  • Medium (2,500 – 9,999 pop.)
  • Large (10,000+ pop.)

• Same method of calculating a city’s capacity

• Same method to distribute money within the formula
Updated need factors – small cities

<table>
<thead>
<tr>
<th>Current Need Factors</th>
<th>New Need Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>Logarithm of population</td>
</tr>
<tr>
<td>Revenue need capped at $610/per capita</td>
<td>Revenue need with no cap</td>
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</tbody>
</table>
Updated need factors – medium cities

<table>
<thead>
<tr>
<th>Current Need Factors</th>
<th>New Need Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Pre-1940s Housing</td>
<td>% Pre-1940s Housing</td>
</tr>
<tr>
<td>Peak Pop. Decline</td>
<td>Peak Pop. Decline</td>
</tr>
<tr>
<td>Avg. Household Size</td>
<td></td>
</tr>
<tr>
<td>Sparsity Adjustment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% C/I &amp; Utility Prop. Market Value</td>
</tr>
<tr>
<td></td>
<td>Adj. Net Tax Capacity Per Capita</td>
</tr>
</tbody>
</table>
Updated need factors – large cities

<table>
<thead>
<tr>
<th>Current Need Factors</th>
<th>New Need Factors</th>
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</thead>
<tbody>
<tr>
<td>% Pre-1940s Housing</td>
<td>% Pre-1940s Housing</td>
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<tr>
<td>% Housing Built 1940-1970</td>
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<tr>
<td>Jobs Per Capita</td>
<td></td>
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<tr>
<td>Sparsity Adjustment</td>
<td>Peak Pop. Decline</td>
</tr>
<tr>
<td></td>
<td>%C/I &amp; Utility Prop. Market Value</td>
</tr>
<tr>
<td></td>
<td>% Pop. Aged 65+</td>
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<tr>
<td></td>
<td>Adj. Net Tax Capacity Per Capita</td>
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</table>
Advantages of new formula

Increases a city’s unmet need (or maximum LGA)
- As more money is added to the program cities will see greater benefit

<table>
<thead>
<tr>
<th>City</th>
<th>2022 Cert. LGA</th>
<th>2023 unmet need current law</th>
<th>2023 unmet need proposed formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eveleth</td>
<td>$2,915,689</td>
<td>$4,625,733</td>
<td>$5,148,565</td>
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<tr>
<td>Fairmont</td>
<td>$3,704,698</td>
<td>$4,935,245</td>
<td>$8,041,495</td>
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<tr>
<td>Austin</td>
<td>$8,755,992</td>
<td>$12,570,801</td>
<td>$16,630,127</td>
</tr>
<tr>
<td>Moorhead</td>
<td>$7,308,705</td>
<td>$9,772,177</td>
<td>$14,623,667</td>
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</tbody>
</table>
Advantages of new formula

- Decreases number of cities that are seeing reductions in their LGA (including several CGMC cities)
- Slightly decreases the number of cities that receive no LGA
Does the new formula have traction?

Workgroup has shared formula with House and Senate Tax Chairs as well as Governor’s Office and Dept. of Revenue

Positive reception in the House

Administration non-committal

Cool reception from Senate

- Concern that it is too generous to 1st class cities
Based on what you know and understand currently how do you feel about the potential LGA formula updates?

1. Positive
2. Cautiously optimistic
3. No opinion yet
4. Negative
With or without formula change CGMC supports an appropriation increase

Pushing for $90 million increase from $564 million to $654 million

Sen. Bakk and Rep. Lislegard introducing bills for LGA increase, HF 3794/SF 3576
Making the case for an LGA increase
City expenses continue to rise
Can we get an increase?

- Yes, but it is not guaranteed
- So far, most specific pushback is related to 1st class cities
Don’t throw out the Greater MN baby with the Mpls/St. Paul bathwater
Questions?
Transforming Our Water Infrastructure

ELIZABETH WEFEL
Transforming Water Infrastructure
Water needs increase unabated

- Historic funding levels for water infrastructure in 2020 bonding bill, but PFA programs not fully funded
- Federal infrastructure funds will help, but they do not meet all needs
- Aging infrastructure and regulatory requirements driving up costs
- Increasing weather events wreaking havoc on facilities
- Lead lines pose health danger throughout the state
20-year wastewater needs

Total statewide need is significant
- 822 projects = $5.3 billion
- 22% increase in cost in two years!

Data from 2021 Water Infrastructure Needs Survey
20-year drinking water infrastructure needs

Total Statewide Need: $7.4 billion

Data from 2017 EPA Survey
Bonding Request
- $150 million Point Source Implementation Grants (PSIG)
- $100 million Water Infrastructure Fund (WIF)
- $49 million match for federal funds

General Fund Request
- $75 million per biennium PSIG
- $5 million per biennium technical assistance grants
- Programmatic changes
Making the case

If money is not available, projects are delayed which drives up cost.

Greater Minnesota cannot spread costs over a large rate base like the metro can.

Aging sewer and wastewater infrastructure need replacement.

Improving the regulatory environment is important, but needs are still there.
Additional requests

• Lead line mapping and replacement to remove lead lines by 2032
  - $10 million to identify and map to meet EPA’s 2024 deadline
  - $30 million per year for 10 years for city grants to help remove both public and private portions of lines

• Stormwater Resiliency Upgrades: $21.1 million

• Individual projects: $256 million+
Annexation and Land Use
Townships and Annexation

• MN Association of Townships (MAT) continues to push for drastic changes to annexation laws
• MAT also pushing for detachment by ordinance
• Stakeholder group convened earlier this month, but no further action yet

• Bills we dislike:
  • SF 1927
  • SF 1969/HF 2282
“Legalize affordable housing” bill, HF 3256, is a well intentioned, but misguided, attempt to address the housing crisis.

Legislation built on anecdotes and data from alleged problems in Twin Cities area.

Legislation attempts to solve suburban problems with statewide policies, at the expense of Greater Minnesota.

CGMC is working with other city groups to push back on legislation and push forward on solutions targeted at real housing problems.
Examples of what the bill does

1. Requires that cities allow dual family homes or alternative dwelling units wherever single-family homes are currently zoned (with limited exceptions)

2. Cities may not require streets wider than 32 feet in a new development (unless arterial)

3. After adopting a comprehensive plan, city zoning must allow all contemplated residential uses, regardless of current city utility capacity
Our message

• We need to resolve the housing issue, but nothing in the bill addresses Greater MN’s housing problems

• CGMC has three bills that will tackle real housing issues
QUESTIONS?

Elizabeth Wefel

eawefel@flaherty-hood.com

651-492-3998
2022 Priorities: Economic Development

SCOTT McMAHON
2022 Housing priorities

Greater Minnesota Workforce Housing Development Fund
- $10 million in additional funds
- Increase project allowance from 25% to 50%

Greater MN Fix-Up Fund
- $5 million in funds
- Grants up to $200K to fix-up dilapidated housing
2022 Housing priorities

Greater MN Housing Public Infrastructure Grant

- $2.5 million in bonds
- Grants up to $16K per single-family lot or $50K per multi-family lot
- Grants cover sewer, water, roads, and other necessary public infrastructure
2022 Child Care priorities

Greater Minnesota Child Care Facilities Grant
- $10 million in general fund
- $10 million in bonds
- To be matched by at least $20 million in local funds
- Maximum grant: $500K or 50% of project cost

DEED Child Care Grant
- $5 million in additional funds for this program
2022 BDPI priorities

$20 million in GO Bonds

▪ DEED recently confirmed that the BDPI account balance is at $0
Contact
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Cell: 612-590-3464
Lobbying Tips and Key Messages

BRADLEY PETERSON
Tips for lobbying

• Make a plan
• Don’t assume anything
• Be courteous
• Make the most of your time
• Legislators are very good about not talking about what you want to talk about
• Put into your own words
• Draw on your city’s experience
Tips for lobbying

- It’s OK to not know the answer
- A legislator smiling and nodding is not agreement
- Ask for their support
- Invite to reception and dinner at Mancini’s
Key messages for legislators today

• Increase LGA by $90M
• Pass a big bonding bill with water infrastructure funding at its core
• Address childcare shortage in Greater Minnesota
• Pass housing grant programs
• Oppose one-size fits all housing and land use regulations that stifle local decision making and innovation
Today is just the beginning

1. Follow progress of our efforts in CGMC In Brief
2. Respond to Action Alerts
3. Guest columns and Letters to the Editor
## Upcoming events

<table>
<thead>
<tr>
<th>Event</th>
<th>Dates</th>
<th>Location</th>
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<tbody>
<tr>
<td>CGMC Breakfast at LMC Conference</td>
<td>June 24, 2022, Duluth</td>
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<tr>
<td>Summer Conference</td>
<td>July 27-29, 2022, Red Wing</td>
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<tr>
<td>Fall Conference</td>
<td>Nov. 17-18, 2022, Alexandria</td>
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