COALITION OF GREATER MN CITIES

DEDICATED TO A STRONG GREATER MINNESOTA

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Contact: Alex Wildfang
651-259-1917
ahwildfang@flaherty-hood.com

CGMC leaders: Focus investment in the basics that will bolster Greater Minnesota communities, refrain from new mandates

Urging lawmakers to protect Local Government Aid, pass a bonding bill with significant investments in water and wastewater funding, and focus on the fundamentals are among Coalition's top legislative priorities for 2026

ST. PAUL—As lawmakers return to the Capitol and dive into another legislative session, leaders from the Coalition of Greater Minnesota Cities (CGMC) are calling on Governor Walz and the Legislature to invest in fundamental programs and priorities that address pressing issues in communities throughout Minnesota.

"There will be a lot of issues competing for legislators' attention this session," said CGMC Executive Director Bradley Peterson during a virtual meeting with statewide media this morning. "While not a budget session, this year, there are still numerous ways that the Legislature can have both positive and negative impacts on our cities. Protecting Local Government Aid, passing a capital investment package that invests in water and wastewater infrastructure, including lead service line removal and replacement, and rejecting overreaching one-size-fits-all housing mandates should be top-line agenda items for the Legislature this year."

Peterson, who was joined on the call by St. Peter city councilor and CGMC President Keri Johnson, New Ulm Mayor Kathleen Backer, and CGMC Lobbyist Elizabeth Wefel, said that in in a short session such as this one, the focus at the Capitol should be on investing in the fundamental, critical needs that ease the financial burdens on already strained cities and support the futures of their communities.

"It is only with diligent, proactive, and bipartisan action that we can ensure the critical needs of our families and communities are met, which should be a top priority for lawmakers during the upcoming legislative session," said Johnson.

LGA keeps Greater Minnesota cities affordable

As its top legislative priority for 2026, the CGMC is imploring legislators to protect Local Government Aid (LGA), a statewide program that is vital to restraining property taxes, reducing inequities between communities, and making sure all cities are able to provide high-quality services and quality-of-life amenities to their residents and businesses.

"Given the importance of LGA to cities across the state, we were shocked when the chair of the Senate Tax Committee proposed a cut to LGA last session," said Johnson. "We're grateful for the

work of House and Senate members across the political spectrum who spoke out in opposition and defeated this proposal."

"That being said, funding for LGA has not kept pace with rising expenses and inflation, and cities are feeling the effects," she added.

Johnson noted that in St. Peter, LGA represents 36% of the City's general fund budget. That level of reliance matters. With the disproportionately high number of tax-exempt properties in St. Peter, LGA is essential to preventing even greater property tax pressure on homeowners and businesses.

City expenses have risen in almost every category. From the increased cost of fuel needed to run snowplows to the soaring price of construction material and higher wages for city employees, taxpayers across the state are feeling the financial strain.

"This past fall, the importance of the LGA program was front and center as cities set their property tax levies for 2026. The impacts of inflation and increased state mandates are putting significant pressure on city budgets," Johnson stated. "Instead of talking about cutting LGA, the Legislature should be looking for opportunities to increase it."

Water infrastructure continues to need major investment

The CGMC is urging the Legislature to pass a capital investment bill (a.k.a. a "bonding bill") with $225 million in total funding for Public Facilities Authority (PFA) programs to bolster water and wastewater infrastructure and $250 million in funding for lead service line replacement.

"We recognize and applaud the investments the Legislature made last year, but more funding is needed to address the backlog of water and wastewater projects across the state and, equally important, to keep the lead line replacement program moving forward," Wefel said. "This [lead lines] program will run out of money later this year if the Legislature does not make a significant investment in the program."

"It is incredibly difficult to pay for these sometimes massive projects without assistance from the state," she added.

Mayor Backer of New Ulm explained how, like many cities across Minnesota, New Ulm inventoried the water lines in its city and found that there were hundreds of lead lines in need of replacement. The cost to replace the identified lines is extensive, and caps on state funding assistance due to the increasing number of applicants and lack of funds could prevent the City from being able to meet state and federal deadlines.

"We applied to the state program for financial assistance. We are only eligible for $1 million this year because so many cities like ours applied," Mayor Backer said. "We're very worried about what will happen if the state does not put more money into this program. Our homeowners cannot afford to pay the cost of replacement. Without more funding, we cannot move forward with our replacement program."

Housing solutions should be tailored to cities' unique needs, not one-size-fits-all

Over the last couple of years, advocates have unsuccessfully pushed to usurp local decision-making on local zoning, an issue that is expected to reappear during the upcoming legislative session. The CGMC continues to question the efficacy and necessity of measures such as those proposed last year, as housing is a complicated issue with numerous factors contributing to the high cost of housing, including mortgage rates and the cost of labor and materials.

In fact, cities across the state have already updated their local zoning ordinances to encourage more homebuilding and higher density. They are doing this in dialogue with their own residents and without mandates from St. Paul. Instead of focusing on unnecessary and unhelpful mandates, the Legislature should focus on solutions that work for cities across Minnesota.

“Investing in the Greater Minnesota-focused grant programs and ensuring their usability for the region’s cities is absolutely critical in addressing our housing challenges,” said Peterson. “That’s why we’re advocating for $20 million for the Greater Minnesota Housing Infrastructure Grants Program for fiscal year 2026-27 and ongoing. We are also pushing for legislation that eliminates income restriction for housing Tax Increment Finance (TIF) for Greater Minnesota.”

Legislature needs to focus on the fundamentals

With the 2026 legislative session being a shorter “non-budget” session, the Legislature should keep their focus on the things that Greater Minnesota cities need to thrive, including critical water and wastewater infrastructure. With residents across the state feeling the pinch of higher property taxes, the last thing the Legislature should do is enact policies that will increase the cost of public services that residents and businesses rely on. Any consideration of cutting LGA should be off the table.

“We recognize that there is a lot going on in our state that has put us in the national spotlight and that will have an effect on the Legislature’s agenda,” said Peterson. “But the bottom line is that this year, the lawmakers need to focus on critical investments in our deteriorating water and wastewater infrastructure and protecting Local Government Aid for our cities, while leaving the sweeping one-size-fits-all mandates behind.”

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The Coalition of Greater Minnesota Cities is a nonprofit, nonpartisan advocacy organization representing cities outside of the Twin Cities metropolitan area. The Coalition educates legislators about issues important to Greater Minnesota. Visit the CGMC at greatermncities.org and follow us on Twitter @greatermncities.