2022 Municipal Revenues Committee Members

Name	Title	Organization
Daniel Buchholtz	City Administrator	Spring Lake Park
Gary Carlson**	IGR Director	League of MN Cities
Casey Casella	Management Analyst	Savage
Jim Dickinson	City Administrator	Andover
Lori Economy-Scholler*	Chief Financial Officer	Bloomington
LaTonia Green	Finance Director	Brooklyn Park
Dana Hardie	City Manager	Victoria
Alex Hassel**	IGR Representative	League of MN Cities
Chris Heineman	City Administrator	Little Canada
Steven Huser	Government Relations Representative	Minneapolis
Tom Lawell	City Administrator	Apple Valley
Daniel Lightfoot**	IGR Representative	League of MN Cities
Madeline Mitchell	Senior Budget Analyst	St. Paul
Darin Nelson	Finance Director	Minnetonka
Loren Olson	IGR Director	Minneapolis
Hannah Pallmeyer**	Community Relations Specialist	Metropolitan Council
Cara Schulz	Councilmember	Burnsville
Steven Stahmer	City Administrator	Rogers
Christian Taylor	IGR Director	St. Paul
Christina Volkers	City Administrator	Oakdale

*Committee Chair
**Guest/Non-City Official

METRO CITIES
Association of Metropolitan Municipalities

September 14, 2022

TO: Municipal Revenues Policy Committee Members
FROM: Lori Economy Scholler, Committee Chair, Chief Financial Officer, City of Bloomington
SUBJECT: Meeting Notice and Agenda

Tuesday, September 20, 2022
9:00 am – 11:30 am
Virtual Meeting

- Thank you for agreeing to be a policy committee member!

Attached are the materials for the third Municipal Revenues Policy Committee meeting. Please take the time to review the policies and come with your ideas and suggestions.

AGENDA

1. Call to Order. (Lori Economy Scholler, Chair)
2. Introductions
3. Approval of minutes for the August 23, 2022 meeting.
4. Review policy committee memo (Patricia Nauman, Metro Cities Staff)
5. Discussion of policies and suggested modifications.
6. Discuss additional suggestions for policies, and issues for future consideration.
7. Other business.
8. Adjourn

Municipal Revenue Policy Committee
Meeting of August 23, 2022

Present: Lori Economy-Scholler, Steven Huser, Anne Finn, Tom Lawell, Gary Carlson, Daniel Lightfoot, Alex Hassel, Casey Casella, Chris Volkers, Dana Hardie, Darin Nelson, Madeline Mitchell, LaTonia Green, Chris Heineman, Loren Olson, Bjorn Arneson, Daniel Buchholtz, Jim Dickinson, Patricia Nauman, Charlie Vander Aarde, Jennifer Dorn.

The meeting was called to order at 9:03 am by Chair Economy-Scholler.

Motion by Huser, seconded by Lawell to approve the minutes for the meeting of July 19, 2022. Motion adopted.

Anne Finn, Assistant IGR Director for the LMC, presented on Duty Disability/PTSD legislation and League efforts with advocacy on a bill this year as well as its efforts on increasing public awareness and the creation of a toolkit for cities. Ms. Finn stated that there is a toolkit on the League's website. Discussion. Mr. Huser questioned if the LMC plans to advocate for a similar bill next session. Ms. Finn said the approach for 2023 remains under consideration and noted some cities would like the bill to go further. Ms. Finn noted the legislation particularly affects municipalities with independent police departments but that on some level all cities are impacted by the significant increases in workers compensation premiums. Mr. Heineman noted the challenges with these issues and the reductions for cities in local government aid. Further discussion.

Ms. Nauman introduced Bjorn Arneson who presented on LGA legislation considered this year, following work by city associations, legislators, and legislative staff. Ms. Mitchell asked what the rationale is for including an LGA factor addressing age over 65 with families. Mr. Arneson said the variables used were those most reliable in measuring city needs. Discussion.

Ms. Nauman stated that there was also discussion on legislation for cities that don't receive LGA and a proposal to provide a capped per capita aid to cities that do not receive LGA. Mr. Lawell asked about cities in the metropolitan region that do not receive aid. Mr. Lawell suggested that a per capita aid, similar to what was proposed by Rep. Hertaus, could help maintain a sustainable program and could be structured so as not to harm other cities receiving aid through the formula. Mr. Lawell asked about sales taxes generated by local governments, that go to the state and help to fund state aid programs. Mr. Huser thanked the League and Metro Cities for their support of the LGA program.

Ms. Nauman reviewed the committee memo. Chair Economy-Scholler went over the policies without recommended changes. Mr. Heineman asked about policy 1-V and whether there is any nexus with the issue of streaming/cable revenue. Ms. Nauman outlined the content and focus of the current policy and its nexus with travel intermediaries.

Mr. Lawell said he is interested in language on PTSD. Ms. Nauman suggested holding the PERA policy to address this issue. Mr. Huser asked if current policies allow Metro Cities to address and support the LMC's PTSD legislation. Ms. Nauman said Metro Cities has generally supported the legislation and increasing tools for cities in this area, without a specific policy.

Motion by Lawell, seconded by Huser to adopt policies 1-A State and Local Fiscal Relationship 1-D Restrictions on Local Government Budgets 1-G State Property Tax Relief Programs 1-H Property Valuation Limits/Limited Market Value 1-I Market Value Homestead Exclusion Program (MVHE) 1-J Metropolitan Area Fiscal Disparities Program 1-K Constitutional Tax and Expenditure Limits 1-L State Property Tax 1-M Class Rate Tax System 1-N Regional Facility Host Communities 1-O Sales Tax on Local Government Purchases 1-P City Revenue Stability and Fund Balance, and 1-R State Program Revenue Sources 1-S Post-Employment Benefits 1-T Health Care Insurance Programs 1-U State Budget Stability, and 1-W Payments for Services to Tax Exempt Property 1-X Proceeds from Tax Forfeited Property 1-Y Vehicle Title and Registration System (VTRS) 1-Z Special Assessments. Motion adopted.

Ms. Nauman reviewed changes to policy 1-B COVID-19 Pandemic Assistance. Chair Economy-Scholler asked if there were any changes in the federal government relief programs and whether the policy would be sufficient to support those. Ms. Nauman said the policy as drafted supports continued assistance. Motion by Casella, seconded by Huser to approve the policy as drafted. Motion adopted.

Ms. Nauman reviewed changes to policy 1-C Revenue Diversification and Access. Mr. Carlson discussed the 2020 law changes and some of the challenges with existing statutory language governing local taxes. He said the LMC is drafting language and can work with Metro Cities on its policy. Ms. Nauman suggested holding the policy to work on language.

Ms. Nauman reviewed changes to policy 1-E Budget and Financial Reporting Requirements. Chair Economy-Scholler noted the new change is expansive. Ms. Nauman said we will continue to monitor the new law. Motion by Lawell, seconded by Green to recommend the policy. Motion adopted

Ms. Nauman reviewed changes to policy 1-F Local Government Aid (LGA) and proposed to hold this policy per the discussion today.

Chair Economy-Scholler said we would bring back policies 1-C, 1-F, 1-Q, 1-V.

Motion by Huser, seconded by Lawell to adjourn at 10:57am. Motion adopted.

September 14, 2022

TO: **Municipal Revenues Policy Committee**
FROM: **Patricia Nauman, Executive Director**
RE: **Third Meeting of Municipal Revenues Committee**

Welcome to the third 2022 meeting of Metro Cities' Municipal Revenues Policy Committee.

At the second meeting, members considered and adopted several policies without recommended modifications. Those policies are noted as "Adopted" on the attached policy document.

The policies below were left open for further discussion and possible amendments:

1-C Revenue Diversification and Access: held open for potential modifications to language regarding local option sales taxes. Please see the policy for draft language suggested by staff following discussion at the August meeting.

1-F Local Government Aid: held open for further possible discussion on aid and formula. Please see the policy for draft language suggested by staff to reflect support for updates to the LGA formula as proposed in 2022.

I-I Market Value Homestead Exclusion: Please see a language suggestion from the city of Apple Valley. Please note that this policy was adopted at the second meeting, and can be re-opened by the committee for further consideration.

1-Q Public Employees Retirement Association (PERA): held open for possible amendment regarding duty disability/PTSD. Please see the policy for suggested draft language from the city of Apple Valley regarding PTSD.

1-V Taxation of Electronic Commerce: held open for possible amendments. There are no suggested amendments at this time, and staff would recommend adoption of the policy in its existing form.

Staff will provide further information on the policies and suggested modifications next week. We look forward to seeing you then. Please note this meeting will be held virtually.

1-A State and Local Fiscal Relationship ADOPTED

A functional state and local fiscal relationship must emphasize adequacy, equitability, sustainability and accountability for public resources and communication among the state, cities, and public. An effective partnership must also emphasize practices that strengthen collaboration and partnership between the state and local units of government.

Services provided by cities are traditionally funded through a combination of property taxes, fees, and state aids. Increasingly, cities are bearing more costs for services that have historically been the responsibility of the state.

Metro Cities supports a state and local fiscal partnership that emphasizes the following:

- **Strong financial stewardship and accountability for public resources that emphasizes efficiencies in service delivery and effective communication among the state and local units of government and the public.**

- **Reliable and adequate revenue sources including the property tax and local government aids, and dedicated funds to meet specific local needs. Metro Cities opposes diverting dedicated funds or local aids to balance state budgets.**

- **Sufficient revenue sources available to cities that allow cities to address local needs and citizens to receive adequate services at relatively similar levels of taxation, and that maintain local, regional, and state economic vitality and competitiveness.**

- **Full state funding to cover mandates enacted by the state, and flexibility for local governments in implementing state mandates to ensure local costs are minimized.**

- **Local decision-making authority regarding the terms and conditions of employment for local government employees, including compensation, recognition, and benefits.**

- **Adequate and timely notification regarding new legislative programs or modifications to existing programs or policies to allow cities time to plan for implementation and manage any effects on local budgeting processes.**

- **Support for cooperative purchasing arrangements between the state and local units of government. Such arrangements must be structured to be able to address unexpected delays or other challenges in the procurement of goods, so that any disruptions to local government operations and services that may result from such delays are minimized. State officials should seek local feedback in the vetting of product vendors.**

- **The concept of performance measuring, but opposition to using state established measurements to determine the allocation of state aids to local governments or restrict the ability of local governments in establishing local budgets and levies.**

1-B COVID-19 Pandemic Assistance ADOPTED

~~In 2020, $841.4 million of the state's allocation of the Coronavirus Relief Fund (CRF) was distributed to cities, counties, and townships.~~ Metro Cities supported the distribution of federal funds distributed under the Coronavirus Relief Fund and State and American Rescue Plan Act Local Fiscal Recovery Fund, to assist cities in addressing service needs and expenses related to the COVID-19 pandemic, including certain personnel costs as well as local service and operational improvements and modifications required to ensure public health and safety. Metro Cities will continue to support federal and state funding to assists cities in addressing ongoing local needs and costs related to the pandemic. *(language suggested by staff)*

~~**Metro Cities supports additional federal assistance to municipalities to address revenue losses including property taxes, utility and permit fees, local sales taxes, and other revenue streams, resulting from the COVID-19 pandemic, and supported funding appropriated through the federal Local Fiscal Recovery Fund under the American Rescue Plan Act.**~~ **Metro Cities is monitoring federal rules and requirements for funds, and supports clarity in the guidance on the uses of funds and flexibility in eligible uses that allows local officials to address varied needs and challenges resulting from the pandemic.** ~~**Metro Cities will monitor additional direction and clarity on uses and requirements as funds are distributed.**~~

Metro Cities supports state financial assistance to address the long-term financial effects of the pandemic on local government budgets and revenues, and changes to state laws to allow cities temporary flexibility in the use of unobligated tax increment financing (TIF) increment and unobligated local sales and lodging tax revenues, to address local financial challenges resulting from the pandemic. Metro Cities supported 2021 statutory changes that allow unobligated increment to be used to assist businesses.

1-C Revenue Diversification and Access

Metro Cities supports a balanced and diversified revenue system that acknowledges diverse city characteristics, needs and capacities and allows for greater stability in revenues.

~~Metro Cities is monitoring the effects of 2019 laws that modified statutory requirements for local option sales taxes and~~ Metro Cities **continues to support the ability of a city to impose a local option sales tax for public improvements and capital replacement costs using local processes specified by law but without the need for special legislation.** ~~**Metro Cities supports having local sales tax referendums conducted at a general or special election.**~~ **Metro Cities supports changes to state laws governing local taxes to include the following:**

- **A statutory clarification to allow a referendum to occur at any November election or special election.**
- **A clarification of laws governing separate ballot questions for each proposed local project, or allowing a city to combine projects into a single question, to avoid voter confusion.**
- **A repeal of the prohibition on imposing a local sales tax for one year from the expiration of an existing local sales tax.**
- **Changes to laws on the local sales tax process to allow a city flexibility to modify a ballot question to increase the amount of the collected tax and extend the duration of tax to cover unanticipated cost increases. (*language suggested by staff based on committee discussion)***

The Legislature should recognize equity considerations involved with local sales taxes and continue to provide aids to cities that have high needs, overburdens and/or low fiscal capacity.

Metro Cities supports a modification to laws governing local lodging taxes to allow cities to impose up to a five percent lodging tax, and the ability of cities to modify the uses of revenues to meet local needs.

Metro Cities supports current laws providing for municipal franchise fee authority and opposes statutory changes such as reverse referendum requirements or other constraints that would reduce local authority and flexibility for establishing, amending, or renewing franchise fees and interfere with local public processes and goals for establishing such fees.

1-D Restrictions on Local Government Budgets ADOPTED

Metro Cities strongly opposes levy limits, reverse referenda, super majority requirements for levy and valuation freezes, or other restrictions on local government budgeting and taxing processes. Such restrictions undermine local budgeting and taxing processes, planned growth, and the relationship between locally elected officials and their residents by allowing the state to decide the appropriate level of local taxation and services, despite varying local conditions and circumstances.

1-E Budget and Financial Reporting Requirements ADOPTED

State laws require cities to prepare and submit or publish numerous budget and financial reports. These requirements often create significant costs to cities, and some requirements result in duplication. Additional reporting requirements should have a clearly defined statement of public purpose and need not covered under existing requirements and should balance the need for additional information with the costs of compiling and submitting the information.

Considering the numerous existing reporting requirements, Metro Cities supports reducing the number of mandated reports. Metro Cities supports efforts to consolidate municipal government financial reporting requirements in the Office of the State Auditor, including an electronic submission alternative to any remaining paper filing requirements, and to authorize the use of web publication where newspaper publication is currently required.

<u>While Metro Cities recognizes that enacted</u> statutory requirements to the local truth-in-taxation process <u>enacted in 2022</u> ~~While Metro Cities recognizes that the additional requirements~~ are intended to enhance citizen involvement in budget processes, the new requirements are significant and will be administratively challenging to produce and disseminate. Existing requirements are expansive and were designed to maximize citizen engagement in budgeting processes. <u>Metro Cities will continue to monitor the new law and its effects on local government processes and budgets.</u> ~~Metro Cities supports a legislative review of current and new requirements, with local official input, prior to the law taking effect.~~ *(language suggested by staff)*

1-F Local Government Aid (LGA)

The state's prosperity and vitality depend significantly upon the economic strength of the metropolitan region, and cities within the region play critical roles in fostering the economic development, job creation and business expansion that underpin the state's economic health. **Metro Cities supports the city Local Government Aid (LGA) program as a means of ensuring cities remain affordable places to live and work while meeting the public service needs of residents and businesses.**

~~2013 statutory modifications to the LGA formula improved program factors to better recognize city needs and capacities. However, the distribution of aid continues to be geographically~~

~~disparate, and unstable for some cities. Several metropolitan cities have experienced precipitous and significant reductions in aid.~~

Metro Cities supports updates to the LGA formula factors and an increase in the program appropriation consistent with recommendations by a work group of city associations during the 2022 legislative session. These updates will ensure the LGA program continues to adequately reflect and address city needs. (*language suggested by staff)*

~~Metro Cities supports further examination of the LGA formula and capacity and need~~ factors~~, the distribution of aid between metropolitan and non-metropolitan cities, and stability factors in the distribution of aid. A review should include opportunities for input by metropolitan city officials as program modifications are considered, to ensure that formula factors adequately reflect capacities, needs and circumstances of metropolitan cities.~~
To ensure appropriation levels are adequate to meet program objectives, Metro Cities supports increasing the LGA appropriation to address cities' unmet need as defined by the LGA formula as well as increases in the LGA appropriation to account for inflation. By way of reference, the total need identified in the LGA formula for 2023 ~~2020~~ is estimated at $~~745~~ $767.9 million, whereas the current funding is set at $564.3 million, putting the remaining need at $203.5 ~~180.7~~ million. (*language suggested by staff)*

Metro Cities supports formula-based allocations for increases to the LGA appropriation, and opposes freezes of the LGA appropriation, reductions of LGA for balancing state budget deficits, and diversions of the LGA appropriation to other purposes or entities. Metro Cities also opposes artificial limits or reductions that single out specific cities, and further opposes using LGA as financial leverage to influence activities and policy decisions at the local level.

1-G State Property Tax Relief Programs ADOPTED

Metro Cities supports state funded property tax relief programs paid directly to homestead property taxpayers such as the "circuit breaker" program and enhanced targeting for special circumstances. Metro Cities also supports the renter's credit program. Metro Cities supports an analysis of property tax relief programs to determine their effectiveness and equity in providing property tax relief to individuals and families across the state.

Metro Cities supports efforts by the Minnesota Department of Revenue to expand outreach and notification efforts about state property tax relief programs to homeowners, and notifications to local units of government to support such efforts. Metro Cities also supports legislative modifications to make tax relief payments to taxpayers automatic.

Metro Cities supports the use of the Department of Revenue's Voss database to link income and property values, and the consideration of income relative to property taxes paid in determining eligibility for state property tax relief programs. Updates to the database should occur in a timely manner, with data reviewed periodically to ensure the database's accuracy and usefulness.

1-H Property Valuation Limits/Limited Market Value ADOPTED

Metro Cities opposes the use of artificial limits in valuing property at market for taxation purposes since such limitations shift tax burdens to other classes of property and create disparities between properties of equal value.

1-I Market Value Homestead Exclusion Program (MVHE) ADOPTED

The Market Value Homestead Exclusion Program (MVHE) provides property tax relief to qualifying homesteads, through reductions in property tax values, which shifts property taxes within jurisdictions. The MVHE replaced a former Market Value Homestead Credit Program, which provided credits on local government tax bills to qualifying properties, with reimbursements provided by the state to local governments.

Metro Cities opposes restoration of the former Market Value Homestead Credit, as reimbursements to local governments were inconsistent, and encourages further study of the exclusion program, with input by city officials, to determine the program's overall efficacy and its effects on local tax bases. Due to the recent rapid increase in home values, Metro Cities supports modifications to the homestead market value exclusion program to increase the benefit of the exclusion to qualifying homeowners. Changes to the homestead market value exclusion should be considered in concert with the impact of the homestead credit refund program. (*language suggested by Apple Valley)*

1-J Metropolitan Area Fiscal Disparities Program ADOPTED

The Metropolitan Area Fiscal Disparities Program, enacted in 1971, was created for the purposes of:

- providing a way for local governments to share in the resources generated by the growth of the metropolitan area without removing existing resources;
- promoting orderly development of the region by reducing the impact of fiscal considerations on the location of business and infrastructure;
- establishing incentives for all parts of the area to work for the growth of the area as a whole;
- helping communities at various stages of development; and
- encouraging protection of the environment by reducing the impact of fiscal considerations to ensure protection of parks, open space and wetlands.

Metro Cities supports the Fiscal Disparities Program. Metro Cities opposes any diversion from the fiscal disparities pool to fund specific state, regional or local programs, goals or projects as such diversions contradict the purposes of the program.

Legislation that would modify or impact the fiscal disparities program should only be considered within a framework of comprehensive reform efforts of the state's property tax, aids, and credits system. Any proposed legislation that would modify or impact the fiscal disparities program

must be evaluated utilizing the criteria of fairness, equity, stability, transparency, and coherence in the treatment of cities and taxpayers across the metropolitan region and must continue to serve the program's intended purposes.

Metro Cities opposes legislation that would allow for capturing and pooling growth in residential tax capacity to fund specific programs or objectives.

Further studies or task forces to consider modifications to the fiscal disparities program must include participation and input from metropolitan local government representatives.

1-K Constitutional Tax and Expenditure Limits ADOPTED

Metro Cities strongly opposes including tax and expenditure limits in the state constitution, as it limits flexibility by the Legislature or local governments to respond to unanticipated critical needs, emergencies, or fluctuating economic situations. When services such as education, public safety and health care require increased funding beyond the overall limit, other publicly funded services potentially stand to receive inadequate resources. Constitutional limits result in reduced revenue bases during times of economic downturn and the inability to recover to previous service levels when economic prosperity returns.

1-L State Property Tax ADOPTED

The state levies a property tax on commercial/industrial and cabin property. **Since cities' only source of general funds is the property tax, Metro Cities opposes extension of the state property tax to additional classes of property. Metro Cities opposes using the state property tax to fund specific programs or objectives generally funded through state income and sales tax revenue.**

To increase transparency, Metro Cities supports efforts to have the state provide information on the property tax statement regarding the state property tax. Metro Cities opposes exempting specific classes of property under the tax as such exemptions shift the costs of the tax onto other classes of property.

1-M Class Rate Tax System ADOPTED

Metro Cities opposes elimination of the class rate tax system or applying future levy increases to market value since this further complicates the property tax system.

1-N Regional Facility Host Communities ADOPTED

Municipalities hosting regional facilities such as utilities, landfills or aggregate mining incur costs and effects such as environmental damage or lost economic development opportunities. Communities should be compensated for the effects of facilities that provide benefits to the region and state. **Metro Cities supports efforts to offset the negative effects of these facilities and activities on host communities.** Metro Cities would prefer that municipalities be allowed to collect a host fee that may be adjusted when state decisions affect those fees.

1-O Sales Tax on Local Government Purchases ADOPTED

Metro Cities supported the 2013 reinstatement of the sales tax exemption for purchases of goods and services made by cities. This reinstatement does not apply to all local government purchases.

To ensure citizens receive the full benefit of this exemption, the law should treat purchases of all local government units the same, including purchases made by special taxing districts, joint powers entities, or any other agency or instrumentality of local government.

Metro Cities supports simplifying the process on the exemption for construction materials that is complex and cost ineffective or converting the process to a refund program. Metro Cities supported the law enacted in 2021 that exempts construction materials purchased to construct public safety facilities from state sales tax.

Metro Cities supports granting an extension of the motor vehicle sales tax exemption to all municipal vehicles that are used for general city functions and are provided by governmental entities. Currently, only certain vehicles, including road maintenance vehicles purchased by townships, and municipal fire trucks and police vehicles not registered for use on public roads, are exempt from the MVST.

1-P City Revenue Stability and Fund Balance ADOPTED

Metro Cities opposes state attempts to control or restrict city fund balances, or to use city fund balances as a rationale for reducing state aids or property tax payment delays. These funds are necessary to maintain fiscal viability, meet unexpected or emergency resource needs, purchase capital goods and infrastructure, provide adequate cash flow and maintain high level bond ratings.

1-Q Public Employees' Retirement Association (PERA)

Metro Cities supports employees and cities sharing equally in the cost of necessary contribution increases and a sixty percent employer/forty percent employee split for the PERA Police and Fire Plan. Metro Cities also supports state assistance to local governments to cover additional contribution burdens placed on cities over and above contribution increases required by employees. Cities should receive sufficient notice of these increases so that they may take them into account for budgeting purposes.

Metro Cities opposes benefit improvements for active employees or retirees until the financial health of the PERA General Plan and PERA Police and Fire Plan are restored.

Metro Cities supports modifications to help align PERA contributions and costs, and reduce the need for additional contribution increases, including a modification of PERA eligibility guidelines to account for temporary, seasonal, and part-time employment situations, the use of pro-rated service credit and a comprehensive review of exclusions to simplify eligibility guidelines. Further employer contribution rate increases should be avoided until other cost alignment mechanisms are considered.

Metro Cities supports cities and fire relief associations working together to determine the best application of State Fire Aid. Flexibility in the application of State Fire Aid, where combination departments exist, will ensure that fire services can be provided in the most cost-effective means possible.

Regarding police pension contributions, Metro Cities supports a proactive review of factors contributing to the financial status of police and fire pension plans, to ensure that structural adjustments are considered in conjunction with potential increases in employee and employer contribution rates. Specifically, an area that could be considered is contractual overtime impacts on pension levels.

In recent years, the number of public safety employees seeking duty disability determinations through the Public Employees Retirement Association (PERA) and making workers' compensation claims for line-of-duty injuries has accelerated. The current system for processing and addressing duty disability benefits can be incompatible with the goal of restoring good health and returning employees to work and the fiscal implications of the increasing number of claims are unsustainable for employers and, ultimately, taxpayers.

Metro Cities supports efforts by the League of Minnesota Cities and cities to invest resources into mental and physical injury, education, prevention, and treatment, and to gather empirical evidence related to the treatability of mental health injuries and provide early treatment.

Metro Cities further supports full state funding for the Public Safety Officer Benefit account that reimbursees employers for continued health insurance to police officers and firefighters injured in the line of duty, funding to reimburse local governments for providing paid time off to public safety employees who experience work related trauma and/or are seeking treatment for a mental injury, and funding for trauma training, early intervention, and mental health treatment.
(language suggested by city of Apple Valley)

Metro Cities supports removing the sunset of the PERA aid that is paid to local units of government to help address increased employer contribution costs.

1-R State Program Revenue Sources ADOPTED

Metro Cities opposes any attempt by the state to finance programs of statewide value and significance, that are traditionally funded with state revenues, with local revenue sources such as municipal utilities or property tax mechanisms. Statewide programs serve important state goals and objectives and should be financed through traditional state revenue sources such as the income or sales tax.

Metro Cities further opposes substituting traditionally state funded programs with funding mechanisms that would disparately affect taxpayers in the metropolitan area.

1-S Post-Employment Benefits ADOPTED

Metro Cities supported statutory changes that allow local governments to establish trusts from which to fund post-employment health and life insurance benefits for public employees, with participation by cities on a strictly voluntary basis, in recognition of differing local needs and circumstances. Cities should retain the ability to determine the level of post-employment benefits to employees.

1-T Health Care Insurance Programs ADOPTED

Metro Cities supports legislative efforts to control health insurance costs but opposes actions that undermine local flexibility to manage rising insurance costs. Metro Cities encourages a full examination of the rising costs of health care and the impacts on city employers and employees. **Metro Cities also supports a study of the fiscal impacts to both cities and retirees of pooling retirees separately from active employees.**

1-U State Budget Stability ADOPTED

Metro Cities strongly supports a state revenue system that provides for stability, flexibility, and adequacy in the system, reduces the volatility of state revenues and improves the long-term balance of state revenues and expenditures. Metro Cities supports a statutory budget reserve minimum that is adequate to manage risks and fluctuations in the state's tax system and a cash flow reserve account of sufficient size so that the state can avoid short-term borrowing to manage cash flow fluctuations.
Metro Cities also supports an examination of the property tax system and the relationships between state and local tax bases, with an emphasis on state budget cuts and effects on property taxes. State budget deficits must be balanced with statewide sources and must not further reduce funding for property tax relief programs and aids to local governments that result in local governments bearing more responsibility for the costs of services that belong to the state.

1-V Taxation of Electronic Commerce

Metro Cities supports efforts to develop a streamlined sales and use tax system to simplify sales and use tax collection and administration by retailers and states. Metro Cities supports policies that encourage remote retailers to collect and remit state sales taxes in states that are complying with the Streamlined Sales and Use Tax Agreement.

Metro Cities opposes legislation that allows accommodation intermediaries such as online travel companies a tax exemption that terminates obligations to pay hotel taxes to state and local governments, or otherwise restricts legal actions by states and localities. The Legislature in 2011 clarified that these services are subject to state sales tax. Metro Cities supports statutory changes to further clarify that all lodging taxes, whether administered by the state or locally, apply to total charges, including charges for services provided by accommodation intermediaries.

1-W Payments for Services to Tax Exempt Property ADOPTED

Metro Cities supports city authority to collect payments from tax exempt property owners to cover the costs of services to those entities, similar to statutory authority for special assessments. Metro Cities opposes legislation that would exempt nonprofit entities from paying user fees and service charges.

1-X Proceeds from Tax Forfeited Property ADOPTED

Metro Cities supports changes to state laws governing the proceeds for tax forfeited properties. Currently, counties can recover administrative costs related to a property before other allocations are made, and the law allows for the county to recoup a percentage of assessment costs once administrative costs are allocated. The result is often no allocation or a very low allocation, and usually insufficient level of proceeds available for covering special assessments, unpaid taxes, and fees to cities. State processes addressing tax-forfeited properties can have implications for local land use plans and requirements and can result in unexpected and significant fiscal impacts on local communities. The current process also does not require the repayment of unpaid utility charges or building and development fees.

Metro Cities supports statutory changes that balance repayment of unpaid taxes and assessments, utility charges and other fees and that more equitably allocates the distribution of proceeds between counties and cities.

1-Y Vehicle Title and Registration System (VTRS) ADOPTED

Issues associated with the rollout of the state MN Licensing and Registration System (MNLARS) have caused significant unanticipated and ongoing disruptions to services provided by local deputy registrars. Some registrar offices have relied on other local revenues, such as the property tax, to manage normal expenses due to unresolved glitches in the system and a shift from the state to the local level for additional processing time. These challenges have also created a high potential for negative public perceptions on local government services, on an issue over which local governments have no ability to control.
In 2019, state officials elected to replace the MNLARS system with the Vehicle Title and Registration System (VTRS). **Metro Cities supports state funding to compensate local deputy registrars for unanticipated, increased costs associated with implementation of the new system, and the shifting of per-transaction processing burdens that may result from the implementation of VTRS.**

As the state works to identify efficiencies in the vehicle registration process and system, policy makers must consider the effects of changes on the financial viability of deputy registrars resulting from decreases in transaction fees collected by local registrars.

Metro Cities supports increases to existing transaction fee levels that are set by state law, to ensure that local deputy registrars can sufficiently function and meet continually evolving local registrar service needs and address any necessary modifications to registrar operations to ensure these services can be provided safely to the public.

1-Z Special Assessments ADOPTED

When property owners challenge special assessments based on application of the special benefit test, some courts have interpreted “benefits received” to mean the one-year increase in property value that is directly attributable to a construction project. There is currently no consistency between state laws and rulings by some courts on the term “benefits received”. **Metro Cities supports modifications to state laws governing special assessments for construction projects or other improvements arising from legislative authority to clarify the definition of “benefits received”.** The modified definition should more closely align with how special assessments are calculated and recognizes that the benefit of the improvement to a property may be realized over time and not within one year.