Chair Gomez, Chair Davids, and members of the House Committee on Taxes,

Thank you for the opportunity to provide comments on HF 4845 (Hollins). County Program Aid (CPA) plays a vital role in supporting counties across the state. CPA is not simply a line item in the state budget—it is a foundational tool for counties and a vital component of the state and local partnership. Counties are implementers of state and federal programs, county employees are often the ones making state and legislative priorities a reality. CPA is a tool that can help counties pay for putting those mandated changes into action, reduce the pressure on property taxes, and address critical needs in the community.

CPA is one of the most effective mechanisms available to reduce upward pressure on county property tax levies. In 2026 county levies increased by 7.6%, the highest increase in over 25 years due to rising mandates and other cost pressures. Counties operate within a constrained revenue structure, with property taxes serving as the primary locally controlled funding source. Over 85% of own source revenues at the county level are from property taxes, with the other 15% of revenues usually being dedicated to specific projects.

Without sufficient county program aid, counties are left with few alternatives but to increase levies to maintain service levels that are mandated. And the work of counties is largely filling out these mandates, with counties typically seeing 70%-85% of their levy purely to fulfill the work of the state and federal government.

These mandates are often complex, cost-intensive, and subject to policy changes at the state and federal level. In some cases, funding is provided alongside these mandates but in most cases it is not. CPA helps bridge that gap in all 87 counties, helping them fulfill these obligations to ensure that they're delivered efficiently to taxpayers without causing significant property tax increases.

The current level of CPA is at a relative low compared to its share of the overall state budget and as a percentage of levies. In 2002 County Program Aid reflected about 2% of the state budget, now that number sits at 1%. A similar story is the case when compared to levies, in 2026 CPA reflects just 7% of levies plus CPA, compared to 14.5% in 2001.

State investment in CPA represents a strong partnership between the state and all 87 counties, ensuring that vital services are delivered effectively and equitably across Minnesota.

Sincerely,

Nathan Jesson
Minnesota Inter-County
Association

Matt Hilgart
Association of Minnesota
Counties

COALITION OF GREATER MN CITIES

DEDICATED TO A STRONG GREATER MINNESOTA

April 28, 2026

Co-Chairs Gomez and Davids, and members of the House Taxes Committee:

On behalf of the Coalition of Greater Minnesota Cities (CGMC), I am writing to thank you for the opportunity to comment on H.F. 4845. I would also like to extend my gratitude to Rep. Hollins for bringing this bill forward. While the CGMC does not have a position on the income tax portions of the bill, we do want to take this opportunity to comment on the local government aid (LGA) increases also contained in this legislation.

A robust local government aid program is important to support cities across the state, ESPECIALLY in Greater Minnesota. LGA helps restrain property tax increases, while also helping to provide core services and infrastructure that our residents and businesses rely on.

While the increase that was passed in 2023 is greatly appreciated, LGA remains underfunded. In fact, if the program were to meet the actual calculated needs of cities, the appropriation would need to be over $1 billion, rather than its current $644 million.

Unlike other property tax aids and credits, LGA is not indexed to inflation. Like many enterprises, personnel costs are a significant portion of city budgets. Though wage and benefit costs increase every year, LGA does not. Additionally, the costs of infrastructure maintenance and capital projects have also dramatically increased in recent years.

In closing, the LGA program is critical to building strong, safe, resilient, prosperous, and affordable cities across the state. CGMC strongly supports increasing LGA to meet these goals.

Sincerely,

Bradley Peterson, Executive Director
Coalition of Greater Minnesota Cities

Minneapolis
City of Lakes

Intergovernmental Relations Department
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April 29, 2026

Representative Aisha Gomez
Representative Greg Davids
Co-Chairs of the Committee on Taxes
Minnesota House of Representatives

Re: HF 4845 – Hollins: Aids to local governments; new fifth tier individual income tax rate established, and local government aid and county program aid appropriations increased.

Dear Chair Gomez, Chair Davids, and Committee Members,

The City of Minneapolis appreciates the opportunity to comment in support of HF 4845.

This bill increases appropriations for Local Government Aid (LGA), which directly supports cities' ability to deliver essential services, maintain infrastructure, and manage budget pressures without abrupt tax shocks to our residents. Minneapolis uses its LGA to support city operations, and it directly offsets the burden on the property tax levy. LGA is particularly important at a time when property values are shifting from Commercial and Industrial properties to residential properties. From 2025 to 2026, the Estimated Market Value of downtown commercial properties decreased by 9.84%, following declines for the past several years coming out of the pandemic.

Predictable and enhanced state funding allows cities to plan more effectively for economic development, public safety, transportation, and community projects, and eases the property tax burden on residents.

Thank you for your thoughtful consideration of HF 4845.

Sincerely,

Katie Topinka
Director, Intergovernmental Relations

METRO CITIES
Association of Metropolitan Municipalities

April 28, 2026

Dear Chair Gomez, Chair Davids and Members, House Taxes Committee:

Metro Cities, representing the joint interests of cities in the metropolitan area, appreciates the opportunity to comment on HF 4845- Hollins, specifically the language in the bill that increases the Local Government Aid (LGA) appropriation. Local government aid is a fundamental component of the state and local fiscal partnership.

In recent years, public service demands have grown, and personnel and service costs have increased, which places additional burdens on local taxpayers. Metro Cities supports the local government aid (LGA) program and increases in the appropriation.

Appropriation increases ensure that the program can meets its objective in ensuring that cities in Minnesota can address basic local service needs without highly differing levels of taxation or over-reliance on the property tax.

Thank you for your consideration of an increase to the LGA program. Please let me know if you have any questions.

Sincerely,

Patricia Nauman
Executive Director

MINNESOTA BUDGET PROJECT
An initiative of the Minnesota Council of Nonprofits

April 28, 2026

Co-Chair Aisha Gomez
Minnesota House Taxes Committee
Centennial Office Building
St. Paul, MN 55155

Co-Chair Greg Davids
Minnesota House Taxes Committee
Centennial Office Building
St. Paul, Minnesota 55155

Dear Co-Chair Gomez, Co-Chair Davids, and House Taxes Committee members:

The Minnesota Budget Project supports enacting a new "5th tier" income tax bracket focused on the highest-income households as a component of a fair tax system that sustainably raises the resources needed to fund the services Minnesotans value and count on.

Raising revenue by creating a new income tax bracket on the highest-income households is a strategy Minnesota has successfully used before. In 2013, Minnesota passed a 4th tier in a progressive tax package that ended a decade of frequent budget deficits, and funded investments in education from our youngest learners through college, and other crucial public services. Despite concerns that some had, the number of high-income Minnesota taxpayers grew after the 4th tier was enacted.

A 5th tier could contribute to addressing the real challenges that everyday Minnesotans are facing by raising sustainable funding for crucial public services, including affordable health care, child care, housing, a quality education from the earliest years through college and training, clean air and water, and other building blocks of a high-quality standard of living.

Minnesota is facing unprecedented federal funding cuts and harmful policy changes that will harm Minnesotans' health and economic well-being. Federal policymakers have dramatically stepped back from their commitments to health care, food support, and other services Minnesotans count on to be healthy and get by. They have shifted more responsibilities to the states to fund and deliver essential public services. In this environment, Minnesota needs to raise additional revenues to protect public services that contribute to shared prosperity.

High-income Minnesotans are receiving big tax cuts from H.R. 1, the federal budget reconciliation bill passed last year. According to the Institute on Taxation and Economic Policy, the 20 percent of Minnesota households making less than $36,000 will get an average federal tax cut of $240 in 2026. In contrast, the richest 1 percent, making more than $927,700, will get an average tax cut of $52,370 – more than 200 times larger. In 2026 alone, the highest-income 1 percent of Minnesotans will collectively get $1.6 billion in federal tax cuts from H.R. 1.

It makes sense for those with the most resources to contribute more in order to build a stronger future for our state. A new 5th tier income tax bracket focused on the highest-income Minnesotans is a targeted policy to achieve that goal.

Sincerely,

Nan Madden
Minnesota Budget Project Director

The Minnesota Budget Project, an initiative of the Minnesota Council of Nonprofits, identifies and promotes public policies so that economic security is available to all Minnesotans, regardless of who they are or where they live.

LEAGUE of MINNESOTA CITIES

April 29, 2026

Re: HF 4845 – Local Government Aid

Chair Gomez, Chair Davids, and members of the House Tax Committee:

On behalf of the League of Minnesota Cities representing 842 cities across the state of Minnesota, we appreciate the ability to comment on HF 4845. Local Government Aid (LGA) is the main city aid program that distributes money based on a formula that compares a city's expenditure need to its ability to pay. It plays a crucial role in ensuring that cities across the state are able to provide basic local public services and infrastructure without communities paying inordinately different levels of taxes.

Cities, like the state, are facing increasing pressures on both needs for the services they provide, and the rapidly rising costs for providing them, both of which put great pressure on local property taxes. Cities along with our county and school districts partners are facing increasing pressure from rising costs for maintenance and construction, aging infrastructure, uncertainty of federal funding, and increased personnel and employment costs.

LGA is the fundamental tenant of the state and local fiscal partnership, however, it does not grow based on rising costs or increased demand – the appropriation remains stagnant without legislative action. We are grateful for the 2023 tax bill increased LGA above the 2002 highwater mark, however, adjusted for inflation, the 2002 appropriation would be a little over $1 billion today. We strongly support increasing the appropriation to nearly $800 million, allowing local governments to better fund the needs of their communities.

Across Minnesota, LGA is critical to ensuring that local governments are able to provide basic services, infrastructure and fulfill state mandates without over-reliance on the property tax, and ensure cities are able to continue to be effective contributors to the state's well-being and prosperity. Thank you for your time and attention to this important issue.

Sincerely,

Beth Johnston

Beth Johnston
Intergovernmental Relations Representative
League of Minnesota Cities

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