

**Association of Metropolitan Municipalities (Metro Cities)
Association of Minnesota Counties (AMC)
Coalition of Greater Minnesota Cities (CGMC)
League of Minnesota Cities (LMC)
Minnesota Association of Small Cities (MAOSC)
Minnesota Inter-County Association (MICA)**

February 27, 2023

Dear Chair Gomez and Members, House Taxes Committee:

On behalf of our associations representing cities and counties across the state of Minnesota, we write to express our positions with respect to proposed increases for local government aid (LGA) and county program aid (CPA), as well as updates for the LGA formula, contained in HF 1938, the Governor's tax recommendations.

County and city aid programs are crucial in ensuring that cities and counties are able to provide local services and infrastructure without communities paying inordinately different levels of taxes.

We appreciate the recognition in the Governor's budget that Local Government Aid and County Program Aid are underfunded in current law. However, our associations strongly support increases of \$150 million for LGA and \$150 million for CPA, as proposed in HF 1377-Lislegard. Appropriations for both programs in 2023 remain well below 2002 levels adjusted for inflation. As such, these increases are necessary to relieve increasing inflationary pressures on local governments. Cities and counties are facing increased needs for the services they provide, and rapidly rising costs for providing those services, both of which put upward pressures on the property tax.

City associations support and appreciate the inclusion of LGA factor updates in HF 1938. These reflect work by the League of Minnesota Cities, Coalition of Greater Minnesota Cities, Metro Cities, and Minnesota Association of Small Cities, along with non-partisan staff and the Department of Revenue, to analyze and update the data underpinning the LGA formula so that it remains reflective of current city needs. The formula typically is updated every decade to reflect for current fiscal and demographic data from the US Census, American Community Survey, and local tax bases. Counties support maintaining the current law County Program Aid (CPA) formula as reflected in HF 1938.

City and county aids are critical to ensuring that local governments across Minnesota are able to provide basic services and infrastructure without over-reliance on the property tax, to fulfill state mandates, and to continue to be effective contributors to the state's well-being and prosperity.

We appreciate the committee's consideration of our positions and will continue to work with the author and committee members on the appropriation levels for LGA and CPA, as work on an omnibus tax bill moves forward.

Sincerely,



Nathan Jesson
League of MN Cities



Bradley Peterson
Coalition of Greater MN Cities



Patricia Nauman
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Cap O'Rourke
MN Association of Small Cities



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