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1250 West Broadway
Minneapolis, Minnesota 55411
Phone: 612.668.0200
Email: Ed.Graff@mpls.k12.mn.us

Ed Graff
Superintendent of Schools

May 4, 2021

Representative Michael Nelson
Chair, House State Government Finance and Elections Committee
585 State Office Building
St. Paul, Minnesota 55155

Senator Mary Kiffmeyer
Chair Senate State Government Finance and Policy and Elections Committee
95 University Avenue West
Minnesota Senate Bldg, Room 3101
St. Paul, MN 55155

Chairs Kiffmeyer and Nelson,

The Senate Omnibus State Government Finance and Elections Bill contains two pension provisions, Article 2, Sections 94 and 95, that would shift more of the cost of funding the closed Minneapolis Employee Retirement Fund (MERF) from the state to local property taxpayers. We oppose these provisions and ask that the State Government Conference Committee not adopt these two provisions.

One aspect of Minnesota's Legislature that sets Minnesota apart from other states is the bicameral, bipartisan Legislative Commission on Pensions and Retirement. The Commission has been key to removing politics from pension policies which has led to more stable, well thought out pension policies. The Commission held six hearings and took more than twelve hours of testimony. Not once did a Commission member or Legislator bring forward legislation to cut state support for MERF.

In fact, no bills were introduced this session cutting MERF funding. No hearings were held in either body. And no testimony was taken. These provisions were added to the Senate State Government Finance Committee Omnibus Bill without the Commission or any committee properly vetting the proposal.

As you're aware, local units of government have levy authority for pension obligations. Over the remaining ten years of the MERF plan, cutting $10 million annually in state support for the plan will shift nearly $100 million onto local businesses and homeowners. Hennepin County taxpayers, including Minneapolis businesses and homeowners, will shoulder higher tax burdens because of these two provisions.

The current law language requires local units of government to pay $21 million annually to support MERF while the state pays $16 million. This bipartisan agreement reached in 2015 aligns with the historic split in how the state and local units of government have supported the fund since the state closed it in the late 1970s. Due to the thoughtful work of the Pension Commission and Minnesota Management and Budget, many pension funds across the state rely on a mix of state and local funding and are now on much stronger financial footings.

We ask that you not adopt these provisions and not increase property taxes on businesses and homeowners.

Thank you,

Ed Graff

Ed Graff, Superintendent
Minneapolis Public Schools

CC: State Government Finance Committee Conferees
Jim Schowalter, Commissioner, Minnesota Management and Budget
Alec Biorn
Amanda Rudolph