



DEDICATED TO A STRONG GREATER MINNESOTA

February 8, 2022

Dear Chair Youakim and House Property Tax Division Members,

Thank you for the opportunity to share our 2022 legislative priorities regarding property and local taxes. As I testified at the division hearing last week, the promotion and protection of Local Government Aid (LGA) is our highest priority.

LGA helps each city provide high-quality, affordable public services and infrastructure regardless of the city's property tax wealth. While a relatively small portion of the state's general fund budget (2-3%), LGA is critical for cities across the state, especially in rural Minnesota.

As noted in the hearing last week, CGMC is participating in an LGA working group with the League of Minnesota Cities, Metro Cities, and Minnesota Association of Small Cities to determine whether the current formula needs updates. We hope to have recommendations to share with the legislature soon and appreciate the engagement of Chair Youakim, as well as the excellent support we have received from House Research staff, especially Jared Swanson.

As noted in the hearing, the LGA program is currently funded with an appropriation of \$564 million. The LGA appropriation has not kept up with inflation, growing only 16% since 2009 compared to a rise in inflation of 27%. To ensure LGA funding can catch up to cities' needs, we are seeking a \$90 million increase to the LGA appropriation this year.

In addition to an increase in LGA, we also support the efforts of several local government advocacy groups to finally clarify and streamline the exemption from sales tax on construction materials. Addressing this issue will ensure that more local dollars can go into worthy projects and will certainly be relief for property taxpayers who are in many cases already paying for a large share — or in some cases all — of these projects.

Finally, while these are our two main property tax-related priorities, it should be noted that as a general rule we are supportive of the positions taken by the League of Minnesota Cities on other issues. We typically only weigh in on issues that are especially critical to Greater Minnesota cities or where there is some important Greater Minnesota perspective that needs to be communicated.

If you have questions about any of these issues or other concerns facing Greater Minnesota cities, please contact me at bmpeterson@flaherty-hood.com or 651-259-1911. Thank you and I look forward to working with you this session!

Sincerely,

Bradley Peterson
Executive Director, Coalition of Greater Minnesota Cities