

2025 City Policies

For Legislative and
Administrative Action

Adopted November 7, 2024

*The only comprehensive statewide advocacy agenda
for all Minnesota cities*



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on the League's website at www.lmc.org/policies*

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LMC POLICY DEVELOPMENT PROCESS

The *City Policies* document addresses more than 180 legislative issues that impact cities and serves as the foundation of the League of Minnesota Cities (LMC) advocacy efforts. City officials from across the state are recruited throughout the year to serve on one or more policy committees. In 2024, over 150 city officials participated in the policy committees. Policies are considered, discussed, and revised annually with considerable member input. Then, draft policies are published online for member comments before being considered for approval by the LMC Board of Directors. Guided by the *City Policies*, LMC member cities and staff actively advocate for city-friendly legislation. Below are some of the major events in the policy development process:

January	The Minnesota Legislature begins the first session of each two-year biennium in January of odd-numbered years. The 2025 Legislative session began on January 14.
February	The Legislature typically begins the second session of each biennium in February or March of even-numbered years. The 2024 Legislative Session began on Feb. 12.
March/April	In March, the National League of Cities hosts the Congressional City Conference in Washington, D.C. The League's legislative conference is held in St. Paul. The 2024 Legislative Conference attained over 200 participants.
May	Under the Minnesota Constitution, the deadline to end any legislative session is the first Monday following the third Saturday in May (May 22, 2024). The governor may call special legislative sessions when necessary.
June	In June members come together at the LMC Annual Conference (held in Duluth this year from June 26 to June 28).
July	Policy committees hold their first of three meetings. The July meeting typically includes a review of the most recent legislative session and a preliminary discussion of emerging issues.
August	Policy committees hold their second of three meetings to hear from subject-matter experts on existing and potential new policy topics.
September	Policy committees meet for a third time to finalize their work and make specific policy recommendations to the LMC Board of Directors.
October	Draft policies, as approved by the policy committees, are shared with members online during the comment period. Member input is also sought from city officials attending LMC City Meetups around the state each fall.
November	The LMC Board of Directors reviews member input, then considers and amends the policies for the following calendar year. The Board adopts policies on behalf of League members before the start of the next legislative session.

PURPOSE, PROCESS AND PRINCIPLES OF CITY POLICIES

The League of Minnesota Cities is dedicated to promoting excellence in local government through effective advocacy, expert analysis, and trusted guidance for all Minnesota cities. Each year, the League's member cities identify common needs and goals, and the Board of Directors adopts policies designed to help cities overcome obstacles and reach those goals. These policies serve as the foundation of the League's advocacy work on behalf of Minnesota cities.

There are 855 cities in Minnesota, and 837 cities are members of the League of Minnesota Cities. Eleven townships and 63 special districts/other members are also League members. The League's members include the smallest rural cities in Greater Minnesota and the largest cities in the urban core; they include suburban communities in the Metropolitan Area and regional centers in every corner of the state. Every member of the League has a voice in developing the following policies.

Two core principles guide the development of City Policies and the actions of the League:

1. Local units of government must have sufficient authority and flexibility to meet the challenges of governing and providing citizens with public services. The Legislature must avoid imposing unfunded and underfunded mandates that erode local control and create liability and financial risk for city taxpayers.
2. The increasingly complex and costly requirements necessary for cities to provide services to their citizens require a strong partnership between federal, state, and local governments. This partnership should be based upon a shared vision for Minnesota and should allow individual communities to tailor that vision to the unique needs of their citizens.

Because of the fluid nature of emerging issues, state and national politics, and current events, additional and alternative policies may be proposed after the policies are adopted by the Board of Directors. The League will make every effort to notify members of substantial changes or additions to policies after they are adopted by the Board of Directors.

IMPROVING SERVICE DELIVERY

SD-1. Local Control

Issue: Cities are often laboratories for determining public policy approaches to the challenges that face residents. Success in providing for the basic needs of a functional society is rooted in local control to determine how best to respond to the ever-changing needs of the population. Because city government most directly impacts the lives of people, and representative democracy ensures that locally elected officials are held accountable for their decisions through local elections, local governments must have sufficient authority and flexibility to meet the challenges of governing and providing residents with public services.

Response: The increasingly complex and costly requirements necessary for cities to provide services to their residents would benefit from a strong partnership between federal, state and local governments. This partnership should be based upon a shared vision for Minnesota and should allow individual communities to tailor that vision to the unique needs of their residents without mandates and policy restrictions imposed by state and federal policy makers. The state should recognize that local governments, of all sizes, are often the first to identify problems and inventive solutions to solve them, and should encourage further innovation by increasing local control. The state should not enact initiatives that erode the fundamental principle of local control in cities across Minnesota.

SD-2. Unfunded Mandates

Issue: Federal and state mandated programs substitute the judgment of Congress, the president, the Minnesota Legislature, and the governor for local budget priorities. These

mandates force cities to reduce funding for other basic services or to increase taxes and service charges.

Response:

- a) Existing unfunded mandates should be reviewed and modified or repealed where possible.
- b) No additional statewide mandates should be enacted unless full funding for the mandate is provided by the level of government imposing it or a permanent stable revenue source is established.
- c) Cities should not be forced to comply with unfunded mandates.
- d) Cities should be given the greatest flexibility possible in implementing mandates to ensure their cost is minimized.
- e) In the event that state funding for mandates or programs is repealed or sunsets, the original mandate or program should be repealed as well. The financial burden should not shift to the cities once state funding is no longer provided

SD-3. Local Approval of Special Laws

Issue: The Minnesota Constitution prohibits special legislation except for certain special laws relating to local government. It provides that a special law must name the affected local unit of government and is effective only after approval by the local government unit, unless general state law provides otherwise. Under (Minn. Stat. §§ 645.021-645.024), a special law is not effective unless approved by the affected local unit of government, except under limited circumstances.

In recent years, the Legislature has occasionally enacted general laws that affect a single local unit of government. By enacting a general law with limited application, local approval is not required.

***Response:* The League of Minnesota Cities supports the Constitutional requirement that a special law must be approved by the affected local unit of government before it can take effect. If a law is intended to affect or benefit a single local unit of government, the Legislature must follow the requirements for enacting a special law set forth in the Minnesota Constitution and in Minn. Stat. §§ 645.021-645.024. The League specifically opposes the Legislature's technique of bypassing the Constitution by not naming the local government, but describing the local government in such narrow terms that it can only apply to one entity.**

SD-4. State Government Shutdowns

Issue: Twice in less than one decade, the state Legislature and governor failed to reach a global agreement on the state budget by the end of the fiscal biennium (June 30 of odd-numbered years). As a result of these impasses, portions of state government were shut down. The shutdowns, particularly the shutdown in 2011, created a range of challenges for cities, as well as for the state's courts, residents, businesses, licensed professionals, state employees and others.

For cities, the most pronounced challenges related to the shutdowns were as follows:

- a) Uncertainty about the timing and amount of aid and credit reimbursement payments and the distribution of local sales tax revenues.
- b) Inability of licensed city professionals such as peace officers and water treatment facility operators to renew licenses.

- c) Loss of access to critical information such as the Bureau of Criminal Apprehension database and state-mandated reports.
- d) The shutdown of transportation projects on the trunk highway and state aid system.
- e) Interruption of local economic development due to the state having sole authority to inspect, review and approve various plans and types of projects.

Although the 2011 shutdown ultimately resulted in judicially-ordered continuation of many state government services, a 2017 Minnesota Supreme Court decision (A17-1142) would likely exacerbate the impacts on cities in a future state government shutdown. In that decision, the court stressed that “Article XI, Section 1 of the Minnesota Constitution does not permit judicially ordered funding for the Legislative Branch in the absence of an appropriation.” The effect of the 2017 decision has yet to be tested.

***Response:* The League of Minnesota Cities urges the Legislature and governor to establish a procedure in state law to continue certain state government operations into a new biennium in the event that the governor and legislators cannot reach a budget agreement. Specifically, the Legislature and governor should modify state law to assure that the staff necessary to distribute state funds that are already encumbered or statutorily appropriated to local governments are distributed as statutorily scheduled, or in the absence of a statutory payment schedule, are released in a predictable and timely manner in the event of future shutdowns.**

The Legislature should also pass legislation that allows existing licenses of public employees to be continued during any future state government shutdown

and should identify additional areas, such as electrical and plumbing inspection and plumbing plan review, where local governments could reasonably step in to handle the inspections, review, and approval necessary for local projects to move forward, and allows work on approved projects to continue in state rights-of-way.

SD-5. Duration of Conservation Easements

Issue: The Minnesota Marketable Title Act provides that any deed over 40 years old can be disregarded unless the holder of the interest re-records it. There is an exception for a person in possession of the property. A 2010 Minnesota Supreme Court decision said that the person in possession has to show that the possession has been visible enough to put a prudent person on notice of the interest, and that the possession has to be continuous. *Sampair v. Village of Birchwood*, 784 N.W.2d 65 (Minn. 2010).

This creates issues for cities that have conservation easements. It is difficult, if not impossible, to show actual use of the easement because conservation easements are passive easements, not active ones. As a result, cities will have to re-record the easements every 40 years in order to maintain them. This will result in a significant administrative burden and increase costs for local units of government due to staff time, legal fees, and recording fees.

Additionally, Minn. Stat. § 500.20, entitled “Defeasible Estates,” provides in subd. 2a that private covenants, conditions, or restrictions that affect the title or use of real estate cease to be valid 30 years after the date of the instrument creating them and they may be disregarded. This provision was initially enacted in 1988.

Minn. Stat. ch. 84C regarding conservation easements was enacted in 1985, and Minn.

Stat. §§ 84.64-.65 regarding conservation restrictions were originally enacted in 1974. Because conservation easements and conservation restrictions are not listed among the restrictions that are not subject to Minn. Stat. § 500.20, subd. 2a, it is possible to conclude, by negative implication, that subd. 2a does apply to the conservation easements and conservation restrictions created by earlier enacted statutes. This conclusion is inconsistent with the language in Minn. Stat. § 84C.02(b) that “a conservation easement is unlimited in duration unless the instrument creating it otherwise provides.”

Response: The League of Minnesota Cities supports legislation that excepts holders of conservation easements from re-recording the easements under the Minnesota Marketable Title Act and that clarifies that Minn. Stat. § 500.20, subd. 2a, does not apply to conservation easements and restrictions.

SD-6. Racial Equity in Minnesota

Issue: Since the earliest days of its history, race and racial inequity issues have been present in Minnesota. Land acquisition and ownership, discriminatory covenants restricting homeownership to white Minnesotans, and patterns of systemic, structural, and institutional racism have brought the state to experience some of the worst racial disparities in the country for employment, housing, education, health, criminal justice, and law enforcement. Explicit and implicit bias toward people of color is prevalent in public policies and other rules governing Minnesota residents. Racial equity is accomplished when race can no longer be used to predict success, and we have government and systems that work for all.

The data is readily available from the U.S. Census, the state demographer, and local government. For example, Minnesota ranks 50th in the nation for median income equality

and 49th in homeownership equality. The killing of George Floyd and the disproportionate impact of COVID-19 on communities of color have further highlighted the critical need to overhaul our laws, policies, and practices to address systemic racism.

Racial demographics are continually changing throughout the state. According to the state demographer, 20 percent of Minnesota's population are people of color. All racial groups have recently increased in the state, but between 2010 and 2018, Minnesota has added five times as many people of color as white residents.

While every city may be in a different place, the need for racial equity and the need to repair past racial harms touches all communities, from the most racially diverse cities to cities with very few or no people of color. In recognition of the need to strive for racial equity, cities are invested in building a more equitable future when every resident can thrive regardless of race. Among efforts cities are undertaking are:

- a) Examining how cities deliver services and set local policies among city staff and elected officials;
- b) Creating high-level staff positions and departments to address race equity, financial and educational opportunity, diversity, and analysis of city policies;
- c) Engaging with the communities of color to build/rebuild relationships and trust;
- d) Establishing city commissions to address race and racial equity issues with local affected communities; and
- e) Working to improve access to city procurement opportunities for veteran-, woman-, and minority-owned businesses.

However, cities acknowledge that there is much work that still needs to be done before success for all Minnesotans can be achieved

regardless of race. To optimize success for all Minnesotans, cities cannot work in isolation on racial equity issues.

Further, it should be acknowledged that community members who are both from communities of color and are immigrants require local governments to understand the intersection between these two issues and evaluate public policy initiatives from multiple social justice perspectives. League policies on immigration and racial equity are heavily interrelated in that situation.

***Response:* In order to best support and serve all Minnesotans, the State should take a leadership role by prioritizing addressing racial equity through its actions:**

- a) **Partner with local government and communities of color to identify and address racial equity issues;**
- b) **Proactively assess past racial harms and develop actions to address them;**
- c) **Collect and provide data disaggregated by race necessary for cities and the state to make informed decisions about how to address racial disparities;**
- d) **Develop a state system for the proactive and innovative development and delivery of resources to local government to address racial equity including policy and service options, local engagement tools, policy expertise, and financial resources; and**
- e) **Actively review and amend existing statutory language to identify laws that contribute to racial inequities and consider racial equity impacts when crafting proposed legislation and policies.**

SD-7. Immigration Reform

Issue: The United States and the State of Minnesota have long traditions of welcoming

immigrants. Immigrants strengthen Minnesota by contributing to the state's economy, enhancing cultural resources, and participating in efforts to build strong communities.

According to the National League of Cities, roughly 35 percent of undocumented immigrants have lived in the United States for 10 years or more. Approximately 1.6 million undocumented immigrants are children, and another 3.1 million children in the United States have at least one undocumented parent. These families are forced to live "underground" and are unable to get drivers' licenses or car insurance in most states. In addition, they are unlikely to obtain health insurance and are afraid to report crimes to local law enforcement.

Since immigrants are barred from most federal public assistance, the burden of providing social services, education, and health care falls to state and local governments that are increasingly feeling the financial impact of both legal and illegal immigrants living in their communities.

Response: The League of Minnesota Cities, together with the National League of Cities, urges Congress to move quickly to enact and enforce effective immigration laws.

Federal and state governments must not transfer responsibility for enforcing U.S. immigration laws to local personnel, including police officers, firefighters, educators, health professionals, and social service employees. Federal and state governments must not prohibit local units of government from implementing policies aimed at fostering positive relationships between local government officials, including law enforcement personnel, and immigrant communities.

SD- 8. Responsibility for Locating Private Underground Facilities

Issue: Cities are responsible for complying with state pipeline safety regulations that hold cities responsible for locating and marking private service laterals that connect in public rights-of-way to city sanitary and storm sewer, water, and district heating systems. The Minnesota Office of Pipeline Safety (MNOPS) is proposing amendments to state pipeline and safety rules related to the definition of excavation and changes to mandatory damage reporting.

Cities are concerned that damage to private service laterals within the public right-of-way continues due, in part, to construction methods during the replacement, repair and/or installation of underground utilities which cross city water and sewer services that are in the public rights-of-way. Trenchless excavation could potentially cause damage to underground service laterals and negatively impact the quality of utility services.

Response: The League supports the changes to the definition of excavation presented by MNOPS at the 2012 Review of Minn. Stat. ch. 216D. Cities support the elimination of windbreaks, shelterbelts, and tree plantations from the definition of excavation, unless any of these activities disturbs the soil to a depth of 18 inches or more.

The League supports exempting normal maintenance of roads and streets from the definition of excavation if the maintenance does not change the original grade and does not involve the road ditch by defining "original grade" as the grade at the date of issue of the first notice by the excavator.

The League supports increasing MNOPS fines for violators of state pipeline safety requirements, bringing state penalties in line with federal penalties.

The League opposes mandatory damage reporting and recommends a simple standardized form to encourage cities to voluntarily report damages. The League opposes requirements that would force cities to mark underground facilities of all sizes and materials.

The League recognizes that trenchless excavation presents concerns to cities. Private property owners in the excavation area must receive advance notice of any trenchless or other excavation activities that could affect the quality of utility services. Notice must include at least one phone number for assistance in case of any service problems.

Contractors must comply with city permits requiring that the drill head be visible when crossing any paint marks and moving through the pothole at the depth that the city allows for the installation.

Cities must not be required to locate privately-owned water and sewer laterals and must not be held responsible for actions by excavators when the city determines not to locate such facilities. Excavators should be responsible for locating and protecting any private service lateral that is impacted by excavation activities conducted on private property beyond the public right-of-way.

SD-9. Utility Relocation Under Design-Build Road Construction

Issue: The Minnesota Department of Transportation (MnDOT) has promoted legislation relating to the design-build construction process that would require private and public utilities to be responsible for utility relocation necessitated by road construction. The policy, if enacted, would create unanticipated costs for utilities owned and operated by cities. Municipally-owned utilities would be unreasonably held to the

same standards as privately-owned utilities that exist in the public right-of-way.

Response: The League of Minnesota Cities supports use of the design-build procedure, however, municipal utilities that exist in the public right-of-way should not be penalized under this process. Municipal utilities legitimately exist in the public right-of-way. When a MnDOT construction project requires the relocation of utilities, the cost of relocating municipal utilities should be shared equitably between MnDOT and affected municipal utilities.

SD-10. National Fire Protection Association (NFPA) Standards

Issue: The National Fire Protection Association (NFPA) is an international association of individuals and trade and professional organizations that deals with fire and life safety. The NFPA has advocated legislation and Occupational Safety and Health Administration (OSHA) requirements that would mandate two standards: NFPA 1710, Organization and Deployment of Fire Suppression Operations, Emergency Medical Operations, and Special Operations to the Public by Career Fire Departments, and NFPA 1720, Organization and Deployment of Fire Suppression, Emergency Medical Operations, and Special Operations to the Public by Volunteer Fire Departments. NFPA standards 1710 and 1720 define minimum response times, minimum fire company staffing levels, initial full alarm response levels, and extra alarm response levels. Although NFPA codes and standards are voluntary, they are often adopted by local jurisdictions.

Response: Levels of service delivery for fire and emergency medical services (EMS) have always been determined by local jurisdictions. If mandated, the NFPA standards would force local governments

to shift dollars from fire prevention programs to fire suppression activities, potentially increasing the risk of fire and the danger to local firefighters.

The League supports permanent and ongoing state funding to assist fire departments statewide to improve emergency response and work toward industry standards.

The League of Minnesota Cities opposes any attempt to mandate standards for minimum staffing levels of fire, specialized or EMS vehicles controlled by units of local government. The League also opposes any attempt to adopt a standard dictating or affecting the response time of any fire, specialized or EMS vehicle.

SD-11. Fire Mutual Aid

Issue: City and township fire departments regularly assist each other with firefighting and other response activities. This mutual aid is mostly authorized by individual written contracts with each city or township, which results in a patchwork of different agreements with different provisions. Often, each city attorney recommends different provisions.

Following the Red River floods and the St. Peter tornados, emergency responders (including fire departments) met and helped pass a statute to govern mutual aid situations when there is an emergency declared by mayor or governor and no written agreements exist. The statute, Minn. Stat. § 12.331, provides a framework for how worker's compensation, liability, property claims, insurance, and charges between the departments will be handled in mutual aid situations.

The League of Minnesota Cities Insurance Trust (LMCIT) developed a model mutual aid agreement that contains the same basic structure for liability as the statute. Many cities have entered into area-wide mutual aid

agreements that are similar to the LMCIT model agreement. To provide uniformity, there should be a statute that is similar to Minn. Stat. § 12.331, to govern daily fire mutual aid situations that do not rise to the level of emergencies.

Response: The Legislature should pass a statute to provide uniform provisions when fire departments assist each other. These provisions should include statutory definitions and clarifications for:

- a) Who is in command of the mutual aid scene.**
- b) Who will cover the firefighters for worker's compensation.**
- c) How liability and property claims will be handled.**
- d) Who will pay for expendable supplies such as foam.**
- e) When fire departments will charge each other for these services.**
- f) The ability for fire departments to opt out by having a separate written agreement.**

SD-12. Clarification of Joint Powers Relationships with Federally Recognized Indian Tribes

Issue: During the 2010 legislative session, Minn. Stat. § 471.59 was modified to allow federally recognized Indian tribes to participate in joint powers agreements with other governmental entities, including Minnesota cities. Indian tribes are extremely unique legal entities under federal law and international treaties. The new law was a broad brush authorization that did not address important issues that uniquely arise when dealing with Indian tribes related to sovereignty, insurance liability and liability limits (commonly called "tort caps"). Previous laws, such as Minn. Stat. § 626.93 (authorizing tribes to act as law enforcement

entities) explicitly addressed these concerns. Since the new law passed, interest has been expressed by public safety groups and individual cities in entering into joint powers agreements with federally recognized Indian tribes. However, legislative guidance is needed to address concerns related to sovereignty, insurance and liability limits for these agreements.

Response: Include in Minn. Stat. § 471.59 (the joint powers statute) language substantially similar to Minn. Stat. § 626.93 that clarifies that Indian tribes entering into joint powers relationships agree to:

- a) Be subject to liability for its torts and those of its officers, employees, and agents acting within the scope of their employment or duties arising out of the joint powers agreement to the same extent as a municipality under Minn. Stat. ch. 466; and**
- b) Notwithstanding Minn. Stat. § 16C.05, subd. 7, waive its sovereign immunity with respect to claims arising from liability under the joint powers.**

SD-13. Ambulance Service Costs and Liability

Issue: The cost of providing ambulance care has increased steadily over the last several years due in part to changes in Medicare and Medicaid reimbursement. The federal Balanced Budget Act (BBA) of 1997 made two significant changes to ambulance billing. First, the act mandated that all ambulance services accept Medicare and Medicaid assignments as payment in full; that is, ambulance services cannot bill the Medicare or Medicaid patient for any unpaid balance beyond the Medicare or Medicaid assignment. Second, the act mandated a uniform fee schedule that was implemented in April 2002. The new fee schedule significantly reduced reimbursement levels

for many ambulance services. In addition, in most cases Medicare does not pay for costs related to treatment of patients that are not transported. The BBA mandates are impacting the ability of some Minnesota ambulance service providers to adequately fund their operations.

The loss of revenue due to Medicare and Medicaid reimbursement changes, coupled with higher insurance rates, is affecting the ability of many ambulance service providers to deliver emergency care, particularly in rural Minnesota. All ambulance services and personnel are regulated by Minn. Stat. ch. 144E and must comply with the same licensing, training, and equipment-related requirements, regardless of ownership.

In addition, the liability exposure of medical directors associated with ambulance service is a concern. While medical directors of government-based ambulance services may arguably be covered by public official immunity, the law is unclear and should be clarified.

Response: The League of Minnesota Cities supports federal legislation that would:

- a) Require Medicare to set ambulance payment rates to cover the cost of providing service for both transport and non-transport care of patients;**
- b) Require adequate reimbursement for ambulance providers;**
- c) Require Medicare to reimburse for 911 ambulance transports regardless of medical necessity;**
- d) Make it easier for providers to file claims with Medicare by eliminating a processing system that often leads to the rejection of legitimate reimbursement claims.**

If the federal government does not increase Medicare and Medicaid rates in the immediate future to fully reimburse

providers for the cost of treating and transporting patients, the state should provide defined additional funding to offset the gap.

The League also urges the Legislature to extend the protection of the state and municipal Tort Claims Act to licensed third parties that contract with a municipality to provide ambulance services. The League also supports extending the applicability of public official immunity to medical directors in the course of ambulance service activities.

SD-14. Emergency Medical Services

Issue: The Emergency Medical Services Regulatory Board (EMSRB) is the State of Minnesota's regulatory entity that oversees and issues ambulance licenses. It will be replaced in 2025 by a new Office of Emergency Medical Services. Currently, the EMSRB has the authority to designate exclusive emergency medical services (EMS) operating areas, or primary service areas (PSAs), for ambulance providers. Once a provider has been approved to operate in a PSA, the provider is authorized to serve that PSA for an indefinite period of time. No other health licensing board in Minnesota grants a provider an exclusive operating area.

Historically, health licensing boards have played a critical role in setting professional standards and establishing credentialing processes. However, the EMSRB has not imposed operational standards to ensure an area has adequate coverage and service level such as response time requirements on EMS providers. Furthermore, there is currently no oversight of ambulance billing rates. The current system does not require ambulance services to disclose the number of ambulances staffed, where an ambulance is responding from or any other important data points that would ensure a community is receiving quality ambulance services. The lack of transparency within Minnesota's

ambulance industry compromises accountability by EMS providers.

Response: The League of Minnesota Cities calls for the legislature and Office of EMS to implement policies that would:

- a) **Allow local units of government to designate which licensed ambulance service provider or providers may serve their communities and to determine the appropriate level of service;**
- b) **Provide local units of government with tools and authority to ensure transparency by EMS providers;**
- c) **Uncouple the professional standards overview role of the Office of EMS from service area determinations;**
- d) **Include representatives of municipalities on the Office of EMS' EMS Advisory Council;**
- e) **Provide authority for the Office of EMS to set professional standards; and**
- f) **Requiring the Office of EMS to submit biennial reports on EMS service delivery data points for each local unit of government to appropriate legislative committees.**

SD-15. Fees for Service

Issue: While general services—such as permitting, inspections or enforcement—are typically funded out of a city's general fund, cities often impose fees to cover the cost of providing certain services, permits, and licenses.

The Legislature and interest groups often seek to mandate or preserve fee limitations for city services. Over the last several years, the Legislature has enacted a number of new laws designed to rigorously control local fee-setting authority. Examples of such mandates include placing limits on coin-operated amusement machine license fees, on-sale and

off-sale liquor license fees, license fees for retailers selling fireworks, deputy registrar fees and planning and zoning fees. The state also requires cities that collect more than \$5,000 in development-related fees each year to annually report all construction and development fees to the Department of Labor and Industry.

***Response:* While the state has a role in providing a general, statewide funding policy, the state should not interfere in the decision-making functions performed by cities when setting city budgets to provide city services. The League of Minnesota Cities seeks authority for cities to charge fees that are reasonably related to the cost of providing the service, permit or license. The League opposes legislation that would require specific methods to pay for city services or would place caps on city fees.**

SD-17. Improving and Increasing Access to Information

Issue: State law requires that cities publish certain types of information in a “qualified” newspaper designated by the city. While the requirements vary based on city population size, most cities must publish ordinances before they can take effect; advertisements for bids; various financial reports; meeting and hearing notices; notices of elections; dates for filing affidavits of candidacy; and sample ballots. Collectively, these items are referred to as “official notices,” legal notices” and “public notices” in state statute.

There are several requirements (Minn. Stat. § 331A.02) for a newspaper to be a “qualified” or “official” newspaper for the city. For instance, there can only be one newspaper chosen for the city; it must be printed in English in a newspaper format; if it is a daily newspaper, it must be distributed at least five days each week; if not a daily paper, it may be distributed twice a month with respect to the publishing of government public notices;

it must be circulated in the city which it purports to serve, and either have at least 400 copies regularly delivered to paying subscribers or have at least 400 copies distributed without charge to local residents. For cities under 1,300 population, the delivery and distribution threshold is 250 copies.

As the newspaper industry has been challenged by alternative technologies, a growing number of cities are unable to find a newspaper that meets the qualifications in state statute. In addition, as technology has evolved, people have become more accustomed to the instantaneous availability of online information. Because cities are committed to providing information to residents and responding to this demand, they have invested heavily in their websites and in growing a robust online presence. They survey residents about what method of communication is preferred and based on this, cities update, reform, evolve, and advance communication tools and often, they do so with limited means and resources to ensure residents have access to information about their city.

Because of the publishing mandate outlined in state statute, cities continue to publish in newspapers with limited resources while simultaneously providing information to residents in the format they actually demand online. These requirements originated in 1949 and to ensure the original intent of the law – providing residents access to their local government – it is time to eliminate these outdated requirements and make communicating with residents more efficient.

***Response:* The Legislature should eliminate outdated and unnecessary publication requirements that are no longer relevant or representative of the technology we now have that has significantly increased access to**

government. Cities should have the authority to:

- a) Determine whether web publication should replace or supplement newspaper publication based on the unique needs of each community.**
- b) Designate an appropriate publication that reaches the maximum number of residents possible.**
- c) Use alternative means of communication to fulfill statutory requirements such as city newsletters, cable television, video streaming, e-mail, blogs and city websites.**
- d) Expand the use of summaries where information is technical or lengthy.**
- e) Publish and provide public access to local codes of ordinances on a website accessible to the public and to post revisions and changes to city codes, resolutions, and rules on the city website, when feasible.**

SD-18. Administrative Fines for Code Violations

Issue: Many statutory and home rule charter cities have implemented administrative enforcement programs for violations of local regulatory ordinances such as building codes, zoning codes, health codes, and public nuisance ordinances. This use of administrative proceedings has kept enforcement at the local level and reduced pressure on over-burdened district court systems. Cities using administrative enforcement processes experience a lower cost of enforcement and a quicker resolution to code violations.

Minnesota statutes expressly provide the authority for all cities to utilize administrative enforcement of local codes and enforcement of liquor license and tobacco license violations.

In 2009, the Legislature amended Minn. Stat. ch. 169, the chapter of law pertaining to state traffic regulations, to allow cities and counties to issue administrative citations for certain minor traffic offenses. Since the passage of the 2009 administrative traffic citations law, some people have questioned whether administrative citations for non-traffic, liquor, and tobacco license code violations can be legally issued by statutory cities given that state law does not expressly provide authority on other code matters.

Response: The League of Minnesota Cities continues to support the use of city administrative fines for local regulatory ordinances, such as building codes, zoning codes, health codes, public nuisance ordinances, and regulatory matters that are not duplicative of misdemeanor or higher-level state traffic and criminal offenses. The Legislature should clarify that both statutory and home rules charter cities have the authority to issue administrative citations for code violations. Further, state statute should allow statutory and home rule charter cities to adjudicate administrative citations and to assess a lien on properties for unpaid administrative fines.

SD-19. Contracting and Purchasing

Issue: Minnesota statutes stipulate contracting and purchasing requirements for Minnesota cities. The law prescribes the process political subdivisions must use to make purchases and award contracts, and requires a competitive sealed bid procedure for contracts or purchases over \$175,000. The intent of these statutory requirements is to provide taxpayers with the best value for their dollar and ensure integrity in the process. However, imposing these statutory requirements may, at times, result in political subdivisions paying more for goods and services than private entities under the same circumstances.

The Legislature recognized the benefits associated with alternative purchasing methods when it amended municipal contracting law in 2004 to authorize the use of reverse auctions to purchase supplies, materials, and equipment. Similarly, other contracting procedures, including “design-build” and direct negotiation are proven alternatives to the formal bidding process. Authorizing broader use of these types of alternatives as the Legislature did in 2009 by authorizing a design-build pilot program, would enhance the ability of cities to make appropriate and fiscally responsible purchasing decisions.

Response: The League of Minnesota Cities supports broader use of alternative contracting and purchasing methods that streamline the process and reduce local purchasing costs. Specifically, the League supports authorizing cities to use the design-build procedure and providing municipalities with broader authority, similar to that of private businesses, to directly negotiate contracts. The Legislature should establish a task force to review municipal contracting laws, and consider contracting and purchasing reforms that give cities the flexibility to provide quality goods and services at the lowest cost to taxpayers.

SD-20. City Enterprise Operations

Issue: Historically, city enterprise operations have been created in response to community needs, lack of a private market, financial reporting requirements, state and federal mandates, to enforce state and local law, and to ensure a quality of life for the residents of a community. Establishing an enterprise operation allows a city to provide a desired service while maintaining financial control over service levels, costs, and public inputs.

In some cases, enterprise operations produce general public benefits and may require public support to ensure a desired level of

service at a reasonable cost. The benefits of an enterprise operation, therefore, should be evaluated not solely in terms of profitability but also on the service benefits to residents of the community.

Response: The League of Minnesota Cities supports the local decisions made by cities to deliver services by establishing a city enterprise operation. The state should refrain from infringing on the ability of a city to provide services for its community.

SD-21. Preservation of Order in City Council Meetings

Issue: The Minnesota Supreme Court held a provision in Minn. Stat. § 609.72, subd. 1(2), that prohibits disturbing public meetings was unconstitutionally broad. *State v. Hensel*, A15-0005 (Minn. 2017). Minn. Stat. § 412.191 gives statutory authority to city councils to preserve order and regulate procedure at their meetings. Cities rarely relied on the struck-down statute, but instead used other avenues to maintain order, such as issuing warnings and enforcing decorum rules. The struck-down statute served as a last resort when other options did not work.

Response: The Legislature should ensure statutes adequately balance public participation with the ability to effectively manage public meetings and protect public safety.

SD-22. Constitutional Amendments

Issue: The Minnesota Constitution requires that a constitutional amendment be approved by a simple majority of both chambers of the Legislature at one session, and must then be ratified by a majority of all the voters voting at the election. Minnesota is one of 18 states that require a simple majority vote by legislators while 26 states require a higher threshold (17 states require a two-thirds majority and nine require a three-fifths majority). Since statehood, 216 proposed

constitutional amendments have been voted on by the electorate; 121 of them have been approved (56%) and 95 rejected (44%).

Cities provide a variety of critical and essential services to residents of Minnesota. Many public policy decisions at the state level impact cities and therefore, city officials depend on their state legislators to represent city interests at the Legislature.

Additionally, unlike a statutory change, a constitutional amendment is difficult to modify or repeal once enacted.

Response: The League of Minnesota Cities strongly supports our representational system of government and opposes laws and amendments that restrict local government. The Legislature is the appropriate governing body to consider and enact laws that reflect statewide interests. Utilizing constitutional amendments to change public policy circumvents this process.

Therefore, the League supports requiring a supermajority vote (two-thirds in support) by the Legislature to put an amendment on the ballot.

SD-23. Initiative and Referendum

Issue: The Legislature has frequently considered legislation to establish initiative and referendum by proposing to place a question for voter approval on the state general election ballot to amend the state constitution to allow voters to initiate or repeal state laws by submitting a petition which would cause such questions to be placed on the state general election ballot.

Response: Cities strongly support our representational system of governance and, therefore, oppose amending the state constitution to provide for initiative and referendum. The Legislature is the appropriate governing body to consider

and enact public policy that reflects statewide interests.

The process of adopting state law based on good public policy is best upheld and supported by increasing the accountability and responsiveness of the legislative process, not by circumventing it. Presenting complex issues to voters in the guise of direct democracy further weakens representative government.

A state constitutional amendment to provide for initiative and referendum subjects cities and their residents and taxpayers to the unintended outcomes of sometimes unwise attempts to place significant public policy decisions into the hands of special interests that can raise unlimited funds for the purpose of promoting their more narrow interests.

SD-24. Civil Liability of Local Governments

Issue: One of the barriers to the delivery of governmental services and programs is the exposure of local governments and their officials to civil damage claims. The state has acted to protect itself and its local governments by enacting exceptions and limitations to liability suits, and authorizing self-insurance and other mechanisms to deal with claims allowed by law.

Response: The League of Minnesota Cities supports:

- a) Creating an exception to municipal tort indemnification law, Minn. Stat. § 466.07, where an employee is defended and indemnified for claims under a contract of insurance carried by the employee.**
- b) Extending the protection of the state and municipal Tort Claims Act to quasi-governmental entities when performing public services such as firefighting or licensed third-party**

ambulance providers that contract with a municipality to provide ambulance services.

- c) Existing constitutional safeguards for protecting public and private property interests without any statutory expansion of property rights.**
- d) Clarifying and maintaining the applicability of municipal immunity in various areas, including, but not limited to, vicarious official immunity and park and recreational immunity, including the extension to entities providing a public service that have not traditionally been included within the immunity (e.g., state trails over municipal utility easements).**
- e) Preserving changes to Minnesota's joint and several liability laws that require a municipality to be at least 50 percent at fault to be held responsible for 100 percent of a damage award.**
- f) Reasonable limits on the amount and circumstances in which statutory attorney fees may be awarded in order to encourage settlement by all parties and decrease the likelihood of litigation.**
- g) Preserving the essential structure of the local government tort liability caps in Minn. Stat. § 466.04.**

SD-25. Private Property Rights and Takings

Issue: In the wake of the U.S. Supreme Court's 2005 decision, *Kelo v. City of New London*, 545 U.S. 469, which upheld the ability of local governments to use eminent domain for economic development purposes, the Legislature enacted significant restrictions on cities' use of eminent domain for economic development and redevelopment, and imposed new compensation and procedural requirements

that apply to all condemnation actions, including those for traditional public uses such as roads, parks, and schools. Legislation to control cities' abilities to perform regulatory acts—such as road rights-of-way condemnation, shooting range zoning, and amortization—has also received strong support from legislators. In addition, some legislators would like to authorize businesses to seek inverse condemnation when a governmental entity enters the business market and provides competing goods or services or limits the number of businesses that can operate privately or receive public contracts.

Such legislative initiatives threaten a wide array of planning, environmental, historic preservation, and land conservation measures and undermine the fundamental responsibility of cities to protect the public health, safety, and welfare of its residents.

In 2006, the Legislature enacted Minn. Stat. § 117.031, a statute related to attorney fees in the eminent domain process. The structure of the statute has resulted in attorney fee awards in eminent domain actions that have no relationship to the outcome of the case, serve only to encourage litigation, and shift limited public funding away from infrastructure projects.

Response: State law must continue to provide cities with the tools needed to balance the rights of private property owners with the interests of the public. The League of Minnesota Cities opposes legislation that diminishes the ability of cities to act in the best interest of the health, safety, and welfare of its residents; that increases the cost of doing business for the public good; or that creates the possibility of additional lawsuits against cities.

Specifically, the League opposes legislation that:

- a) **Allows businesses to seek inverse condemnation when a city provides competing goods or services, or limits the number of private operators.**
- b) **Creates an automatic cause of action for damages any time a local regulatory action impacts the use or reduces the value of private property.**

The League supports legislation that:

- a) **Authorizes cities to use eminent domain for economic development and redevelopment projects that advance a greater public good that benefits the community.**
- b) **Empowers local elected officials to determine whether a particular taking of property serves a public purpose.**
- c) **Creates incentives to encourage landowners to voluntarily sell their property to the public for development or redevelopment.**
- d) **More appropriately balances awards of attorney fees and costs of litigation with the outcome of the eminent domain proceeding.**

SD-26. Organized Solid Waste Collection

Issue: “Organized collection” refers to a situation where a local unit of government, for any of a variety of reasons, decides that there is a public interest served by limiting the number of solid waste and recycling collection services available in the area. The reasons for implementing organized collection can vary, but include:

- a) Public safety concerns caused by the number and frequency of large trucks moving quickly through residential neighborhoods;
- b) Reducing wear on public infrastructure from heavy truck traffic;

- c) Improving the efficiency, cost and quality of garbage and recycling service provided to local residents;
- d) Cooperating with other local governments to best meet solid waste management and recycling objectives;
- e) Taking local steps to reduce energy impacts of public services; and
- f) Meeting the requirements of county ordinances and solid waste management plans as required under Minn. Stat. § 115.94.

Organized collection is also encouraged in state solid waste policies as a means of improving the efficiency and coordination of solid waste management between local units of government. There are very specific and burdensome public procedures laid out in statute defining how such a decision must be publicly vetted and approved and over what time period that can occur.

Despite all of these important and valid reasons for using organized collection, legislation has been discussed in several recent sessions that would allow special takings claims or contractual damages to be claimed by the solid waste industry if local governments make decisions that limit the number of companies that can collect garbage in a community in a manner that prevents a company currently operating in the community from continuing to do so through the implementation of organized collection. The unspecified and ongoing liability this change would create would have the effect of eliminating organized collection as a waste management option. This change would also create a virtual monopoly situation for any company awarded a solid waste contract under organized collection. The local unit of government would have to “buy out” a contractor in the future to change providers, even if their services were no

longer the lowest bid. It also creates an incentive for bidders under organized collection to submit high bids, as they would be eligible for damages if they fail to win without having to provide service. Furthermore, this is a precedent that, if applied to other government purchasing and service contracting decisions, would clearly run counter to the public purpose of government providing services at the lowest feasible cost to taxpayers.

***Response:* The League of Minnesota Cities opposes efforts to apply inverse condemnation claims to city solid waste contracting decisions or to allow automatic contractual damage claims for solid waste haulers that lose competitive bids in organized collection communities.**

Further, the League supports the current state policy that organized collection is a valuable tool as part of a comprehensive solid waste and recycling management program and recognizes the need to protect and preserve the authority of cities to adopt solid waste service contracts that protect public safety, the environment and public infrastructure.

SD-27. Private Well Drilling

Issue: The state has continued to place requirements on public water supply providers to add drinking water treatment and testing, to restrict the volume of water used, and to increase the cost of water use through fees and requirements on utility rate structures. As a result, many water users are choosing to obtain all or portions of their water from wells they place on their own property. This creates risks to public health and safety, can affect the surrounding environment, can affect city water supplies, and can leave city water utilities with massive losses of customer load and rate revenue.

Providing clean, safe, cost-efficient drinking water to residents is an essential service provided by 726 active municipal water systems. The Minnesota Department of Health (MDH) agrees that cities have the statutory authority to determine whether private wells are an appropriate use within their boundaries and that cities must protect the public water supplies from numerous private wells in city boundaries. Private wells in a city increase the risk of contaminating public water supplies and encourage over use of water. Cities have the authority to regulate and even prohibit private wells by local ordinance.

***Response:* The League of Minnesota Cities supports current law that authorizes cities to protect public health and safety through local controls regulating or prohibiting private wells being placed within municipal water utility service boundaries and would oppose any changes to law to remove that authority.**

SD-28. Sustainable Development

Issue: Minnesota cities spend significant time and resources planning for growth, development, and redevelopment that will best serve the future needs of their residents. Numerous factors are considered as part of that process, but an area of increasing interest involves concepts often categorized as “sustainable development.” Minn. Stat. § 4A.07, subd. 1(b), defines this term, as it pertains to local government, to mean “development that maintains or enhances economic opportunity and community well-being while protecting and restoring the natural environment upon which people and economies depend. Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Cities play a key role in fostering sustainable development and other conservation practices due to their role in land use planning and

zoning, stormwater and wastewater management, and local economic development. Local governments can take a lead on these issues by choosing to incorporate aspects of sustainable development into their local operations and facilities. They can also develop local policies and regulations that support and guide individual and private sustainability efforts. The ability of a city to affect these changes can, however, be restricted by policies and requirements imposed by other levels of government.

Sustainable development initiatives can cover a wide range of issues, but share the benefit of lessening the future environmental impacts of communities on the land, air, and water in their area. Lakes, streams, rivers, wetlands, wildlife habitat, shoreland areas, and other natural resources can be protected and enhanced in quality through local efforts. Energy efficiency and renewable energy production reduce the energy demands of a community and the environmental impacts of energy production. By more efficiently using public infrastructure and minimizing resource consumption, the costs to individuals, business, and government can be reduced. New and expanded business and job opportunities are also generated by the “green” products and services needed to implement sustainable development initiatives. The ideal result of well-planned sustainability, natural resources management, and conservation efforts is a city that is more efficient in the use of its resources and infrastructure, creates fewer environmental problems for future generations to address, and is a more desirable home for residents and businesses.

Response: The League of Minnesota Cities supports federal, state, and regional efforts to promote sustainable development where the effectiveness of the proposed practice is supported by sound science, and as long as those efforts do not

supersede the authority of local governments to determine their own policies regarding land use and related issues.

Providing technical assistance and financial incentives, streamlining regulations to encourage local governments and private property owners to engage in sustainable development practices, and providing education and information to the building industry and the public are the best means to generate successful results. These programs should focus on outcomes, allowing flexibility in how to best meet those outcomes in different locations and situations. The League opposes mandates that limit the authority of cities to determine what practices will best meet the needs of their communities.

The League supports sustainable development efforts that meet the above criteria, including programs proposed in the following areas:

- a) Shifting public resources, services, investments, purchasing power, and procurement toward more economically and environmentally sustainable outcomes where those solutions are cost effective and appropriate.**
- b) Using local land-use planning and zoning to protect and enhance limited natural resources, and reduce the impacts of growth and development on local infrastructure.**
- c) Promoting efficient and renewable energy sources.**
- d) Encouraging sustainable building design, construction, and operation strategies focused on integrated design, energy efficiency, water conservation, stormwater management, waste reduction, pollution prevention, indoor**

environmental quality, and the use of low-impact building materials and products.

- e) Supporting sustainable economic development, such as brownfield clean-up, on-site stormwater management, and sustainable business practices and technologies.**
- f) Assisting and recognizing local governments that take actions to reduce greenhouse gas emissions and increase energy efficiency by providing and identifying technical assistance, financial assistance, and best practices.**

SD-29. Construction Codes

Issue: The State Building Code (SBC) is the statewide standard for the construction, reconstruction, alteration, and repair of the buildings and other structures of the type governed by the code. A building code provides many benefits, including uniformity of construction standards in the building industry, consistency in code interpretation and enforcement, and life-safety guidance. Since 2018, the state will adopt a new version of the SBC every six years after a rulemaking process that allows for significant public input. The League supports adopting and amending the SBC through the rulemaking process, and opposes legislative changes to the building codes absent unusual or extraordinary circumstances.

While all cities must enforce certain codes—such as the accessibility code and the bleacher safety code—enforcement of the SBC remains a local option for cities outside of the seven-county metropolitan area with fewer than 2,500 people that did not adopt the code before Jan. 1, 2008. Requiring enforcement of the SBC by smaller cities in Greater Minnesota is cost-prohibitive for many cities, and would result in an unfunded mandated.

While a single set of coordinated codes helps provide consistency in code administration and enforcement, implementation of sustainable building design, construction, and operation does not readily integrate with the existing state building and energy code system. As a result, many cities are interested in adopting an advanced energy building standard beyond the base statewide commercial code for the construction, reconstruction, and alteration of public and private commercial buildings. An advanced energy building standard would allow municipalities to require more energy efficient buildings, reducing the energy burden for building occupants and lowering overall greenhouse gas emissions.

Response: A statewide-enforced building code may have benefits, but requiring it would result in an unfunded mandate.

Enforcing the State Building Code should remain a local option for the municipalities that have not already adopted the Code, unless the state fully funds the costs of enforcement and inspection services necessary to enforce a statewide building code. If the Legislature requires all cities to enforce the State Building Code, local governments must have the option to hire or select a building official of their choice and set the appropriate level of service—even if the state fully funds code enforcement activities.

The state should collaborate with local governments, construction industry representatives, and other stakeholders to review the building and energy codes and consider modifications to encourage sustainable building design, construction, and operation.

SD-30. Building Officials

Issue: There is a shortage of certified building officials in Minnesota. This shortage

is particularly acute in Greater Minnesota where some cities have trouble finding certified building officials to perform inspections required by state law. Minnesota needs to hire a new generation of certified building officials and must ensure that current officials have adequate training and opportunity to inspect a wide range of projects. In light of emerging technologies and offsite building methods such as panelization and modular construction, it is important that certified building officials have training opportunities that address inspection processes for new trends in homebuilding.

The Department of Labor and Industry (DLI) has authority over state-licensed facilities and public buildings. Pursuant to Minn. Stat. § 326B.106, subd. 2, it must delegate authority to inspect projects on these buildings to a municipality if DLI determines that the municipality has adequate qualified local building officials to perform plan review or inspection of the projects. In 2014 the Legislature passed legislation requested by the League of Minnesota Cities and agreed to by DLI to provide more transparency and clarity to the delegation process. DLI, after consulting local governments and the League, implemented a new delegation procedure as required by statute. Although the new delegation process is a significant improvement, it can still be difficult for local building officials to achieve the experience necessary to be delegated full inspection authority.

***Response:* Minnesota's housing and construction industries depend on the work of local building officials, and cities that enforce the State Building Code endeavor to provide quality code administration and enforcement. The State must increase its efforts to train new building officials and must provide sufficient education to help local officials efficiently administer and enforce**

construction regulations to protect the health and safety of residents. These education efforts should include training to assist local building officials gain the requisite experience to qualify for delegation of state-licensed facilities and public buildings. The Legislature should encourage the Minnesota Department of Labor and Industry to provide training opportunities to ensure certified building officials across the state have the skills and expertise to provide onsite inspections of buildings constructed by new building methods such as panelization and modular construction.

The League urges the state to make surplus revenue from the building permit surcharge available to local governments to help defray the cost of complying with code official training and education requirements.

SD-31. Disability Access Requirements

Issue: Title II of the Americans with Disabilities Act (ADA) of 1990 requires that state and local governments provide people with disabilities equal opportunity to benefit from all of their programs, services, and activities. Public entities are not required to take actions that would result in significant financial and administrative burdens, but they must modify policies, practices, and procedures to avoid discrimination unless they can demonstrate that doing so would fundamentally alter the nature of the service, program, or activity being provided.

State and local governments are also required to follow specific standards when constructing new facilities and altering existing public buildings, and they must relocate programs or otherwise provide access in inaccessible older buildings. Under the ADA, public entities are not necessarily required to make each existing facility

accessible. However, their programs—when viewed in their entirety—must be readily accessible to people with disabilities. A public entity may achieve program accessibility through various methods. For example, a city may alter existing facilities, acquire or construct new facilities, relocate a service or program to an accessible facility, or provide services at other accessible sites.

One district court judge has taken an expansive view of disability access requirements for public recreation facilities. The case involved a parent who sued a city due to difficulty viewing soccer and baseball games on certain city fields. The court, in interpreting the Minnesota Human Rights Act (MHRA), held that any public facility is a public service. Since the MHRA requires that every public service be accessible to disabled persons, the court concluded that each and every playing field and other public facility must be fully accessible. The court rejected the ADA's limitations on modifications for physical access to older facilities, as well as the ADA's "when viewed in its entirety" language for program access. The result is a more restrictive state standard for physical access to public facilities than required by the ADA and the State Building Code.

***Response:* The League of Minnesota Cities supports changes to the MHRA that will make state accessibility standards compatible with the federal ADA for public services and facilities. The Legislature should clarify that a facility that is in compliance with Accessibility Code provisions of the State Building Code meets the physical access requirements of the MHRA. State law should also specify that accessibility requirements apply to public programs and services as a whole, rather than to each individual aspect of a public program or service.**

SD-32. Assaults on Code Enforcement Officials

Issue: Many city employees and contractors are required to enforce city codes and ordinances and state statutes and rules as part of their job duties. Code enforcement can involve denying a building permit, ordering a landlord to make repairs to rental properties, or fining property owners for failing to abate a nuisance. Because of the nature of their job, code enforcement officials can be subjected to verbal assaults, threats, and physical violence.

Minnesota law recognizes the need to protect certain employees whose jobs make it more likely that they will be the target of assaults by escalating assault charges from fifth to fourth degree for the assaults of peace officers, firefighters, school officials, and "public employees with mandated duties". Minn. Stat. § 609.2231, subd. 6, specifically defines "public employees with mandated duties" as agricultural inspectors, occupational safety and health inspectors, child protection workers, public health nurses, animal control officers, and probation or parole officers. An assault on one of these employees who is engaged in the performance of a duty mandated by law, court order, or ordinance, is a gross misdemeanor if the person knows the employee is engaged in the performance of official duties and inflicts demonstrable bodily harm.

Under current law, an assault on a code enforcement official not enumerated in Minn. Stat. § 609.2231, subd. 6, while performing official business can only be charged as fifth degree assault, a misdemeanor, unless it results in substantial bodily harm. All code enforcement officials should be afforded the same protections under Minnesota Statutes, and the legislature should amend the statute to expand the employees covered by the statute.

Response: The legislature should expand Minn. Stat. § 609.2231, subd. 6, to include code enforcement officials. The term code enforcement official should be defined broadly to include public employees and contractors whose jobs require them to enforce all administrative codes, rules, ordinances, and state laws.

SD-33. Restrictions on Possession of Firearms

Issue: The Minnesota Citizens Personal Protection Act, also known as “conceal-and-carry,” prohibits guns on most school properties but forbids other local units of government from prohibiting loaded firearms on their properties. The inconsistencies in the law’s treatment of different kinds of properties have caused confusion about how the law applies to multi-use facilities, such as municipal ice arenas used for school-sponsored programs.

Further, the law gives private property owners the right to prohibit guns in their establishments, but prohibits landowners from restricting firearm possession by tenants and their guests without distinguishing between residential and commercial properties. This creates confusion for shopping malls and other retail properties with large common areas that are not occupied by the tenants but which the tenants and their customers must cross to access the tenant’s space.

Finally, the Citizens Personal Protection Act does not explicitly state the type of firearm a permit holder may carry, and this has led to ambiguity regarding whether the law is limited to the right to carry a pistol-length firearm in public or if it allows for any firearm, including a military-style assault rifle.

Response: The League of Minnesota Cities requests an amendment to the Citizens Personal Protection Act that would allow

cities to prohibit firearms in city-owned buildings, facilities, and parks. The League supports clarifying the Act to state that a permit holder, under the terms of a permit, is allowed to carry a pistol-length firearm, but not a semiautomatic military-style assault weapon. The League is not seeking a repeal of the Citizens Personal Protection Act, nor authority to prohibit legal weapons in parking lots or on city streets and sidewalks. The League also supports efforts by commercial property owners to clarify that the prohibition on restricting possession by tenants and their guests applies only to residential rental property.

SD-34. Public Safety Communications

Issue: The state role in financing public safety communications has important cost implications for cities. The state needs to accept financial responsibility for use by cities of the state public safety radio communications backbone. Cities have struggled to pay high expenses to participate in the 800 MHz statewide public safety system.

In previous state budgets, the Legislature turned to revenue sources upon which cities depend to cover costs to purchase and operate new communications technology and hardware for computer-aided dispatch, 911 public safety answering points (PSAPs), and interoperable radio communications equipment and subsystems in order to finance the build-out of the state backbone for the new system. As a result, fees were directed to fund revenue bond debt service used to complete the statewide build-out of the Allied Radio Matrix for Emergency Response (ARMER) and the cost of operations of the state public safety radio communications backbone.

At the federal level, the Federal Communications Commission (FCC) has ordered reservation of 700 MHz wireless spectrum for a national interoperable broadband network to meet public safety communications needs. FirstNet was established in 2012 as an independent authority within the National Telecommunications and Information Administration (NTIA) and is responsible for constructing a nationwide high-speed public safety wireless broadband network.

***Response:* The League of Minnesota Cities supports continued and increased state financing of substantial local costs to participate in ARMER, including the acquisition and modernization of subscriber equipment, such as portable and mobile radios required for ARMER users. The League also opposes efforts to divert dedicated ARMER funds to the state’s general fund. The Legislature should fund regional cooperation and partnerships for effective delivery of 911 service, training and use of ARMER.**

The League also urges the FCC to continue to support availability of wireless spectrum necessary to expand channel capacity that allows local public safety agencies to meet future needs of cities and other local units of government.

SD-35. Collateral Consequences and Expungements

Issue: Collateral consequences of criminal records have been discussed at the federal and state levels for many years. Collateral consequences are adverse impacts on housing, employment, professional licensure, immigration, etc. They can impact successful reentry and rehabilitation of offenders.

In 2023, legislation was enacted that requires automatic expungement of certain records from a person’s criminal history, replacing the existing requirement that a person

petition the court for an order expunging the record. These automatic expungement provisions go into effect Jan. 1, 2025. Offenses that are considered violent or otherwise not subject to automatic expungement in the new law will still require a petition and court order.

Additionally, 2023 legislation requires automatic expungement of certain cannabis-related records. Eligible felony level cannabis-related records will be reviewed by a Cannabis Expungement Board to determine whether the records meet the criteria identified for expungement. The cannabis law went into effect Aug. 1, 2023, and cannabis-related expungements are expected to be implemented mid-2024.

***Response:* The League supports legislation addressing the collateral consequences of criminal records in a balanced manner that helps rehabilitated individuals succeed and ensures public safety and victim interests are met.**

The interests of rehabilitated individuals seeking expungement to live without the stigma of an arrest or conviction record should be balanced with the public’s interest in maintaining criminal histories for future criminal investigations and to make safe hiring, rental, and other decisions about individuals. The state should monitor the impacts of changes enacted in 2023 to expungement laws and the legislature should make changes as necessary to balance the benefit to individuals in providing automatic expungements and the interests of the public and public safety.

SD-36. Criminal and Juvenile Justice Information

Issue: Criminal justice information integration is about getting the right information into the hands of the right people at the right time and in the right place to

make key decisions throughout the criminal justice process. The integration of criminal justice information remains complex and multifaceted. It takes time and resources from all levels of government. Public safety is compromised when there is a lack of centralized, complete, and accurate criminal history data about individuals, incidents, and cases.

City officials are aware of the complex issues raised by the utilization of electronic record keeping, data sharing, and access to records that identify data subjects. The League of Minnesota Cities recognizes that one of the ongoing challenges with the integration of criminal and juvenile justice information is meeting the requirements of the Minnesota Government Data Practices Act (MGDPA).

More than 500 cities operate police departments. These departments vary dramatically in fiscal capacity, staffing resources, and technical expertise. Further, each municipal law enforcement agency has unique operating procedures, strengths, and needs based on the community it serves. The League knows the integration and security access to criminal and juvenile justice information systems has a significant impact on municipal police business practices.

***Response:* The League of Minnesota Cities supports continued efforts by the state to integrate and make available criminal justice information systems. This includes efforts in key areas of funding, data practices, collaborative relationships, balancing privacy and public safety, and addressing aging systems. The League also supports the Criminal and Juvenile Justice Information Advisory Group, cooperation among legislators, law enforcement, corrections agents, court officials, prosecutors, community groups, and businesses that build public support for criminal justice systems.**

To ensure compliance with the MGDPA, comprehensive guidelines and operational practices should be implemented to safeguard access to and use of criminal and juvenile justice data. However, data practices policies should not create new, unfunded mandates for local units of government or compromise the usefulness of criminal and juvenile justice systems by creating unnecessary barriers.

SD-37. Pawn Shop Regulation and Use of the Automated Property System (APS)

Issue: Minn. Stat. ch. 325J enables licensure for pawnbrokers and provides statewide minimum regulations for the pawn industry.

Specifically, the law:

- a) Requires pawnbrokers to record all transactions, including details of the item pawned or sold, information about the customer and the cost of the transaction.
- b) Requires pawnbrokers to maintain records of all transactions for three years, and to make records available upon request to law enforcement agencies.
- c) Allows pawnbrokers to charge a maximum monthly interest rate of 3 percent of the principal amount loaned in a transaction, plus a reasonable fee for storage and services.

The Automated Property System (APS) is a computerized system for tracking and monitoring pawn transactions. The purpose of the APS is to provide a tool to verify compliance with Minn. Stat. ch. 325J, to help identify and minimize illegal activity, to recover stolen property, and to provide a legitimate environment for consumers. Currently, almost 260 law enforcement agencies and over 190 stores in Minnesota and Wisconsin participate in the APS system as either a “query only” or “contributing” member.

All access to and use of information in the APS system is governed by the Minnesota Data Practices Act. Only authorized users have access to the data. There is no public access to the data. Further, data that would reveal the identity of persons who are customers of a licensed pawnbroker or secondhand goods dealer are private data on individuals and only used for law enforcement purposes. Data describing the property in a regulated transaction with a licensed pawnbroker or secondhand goods dealer is public.

Original pawn and secondhand transactions reported to the APS carry a \$1 fee, regardless of the number of items involved. All subsequent updates or corrections to transactions are processed without charge. Contributing jurisdictions may also add regulatory costs to the transaction fee. The total transaction fee is then typically assessed by the dealer to the customer.

A bill that would weaken Minn. Stat. ch. 325J and restrict the use of the APS has been introduced in the Minnesota Legislature. Specifically, the legislation would forbid law enforcement agents from acquiring customer information from pawn and secondhand shops until they have probable cause to do so, and would eliminate the authority of local units of government to more strictly regulate pawn and secondhand dealers.

Response: The League of Minnesota Cities supports the authority of cities to regulate and license pawnbrokers, and opposes any legislation that would remove the authority of local governments to enact more restrictive regulations than currently exist in Minn. Stat. ch. 325J.

The League supports the authority of cities to set licensing and transaction fees that enable them to recover their full regulatory and enforcement expenses.

The League supports cooperation between law enforcement agencies and the pawn industry that enhances the ability to identify illegal activity and recover stolen property. Access to transaction information by law enforcement agencies is vital to accomplishing this goal. Further, the sharing of information through the use of the APS is a proactive way to prevent property and other crimes.

SD-38. City Costs for Enforcing State and Local Laws

Issue: Cities experience substantial costs enforcing state and local laws, particularly those related to traffic, controlled substances, and incarceration of prisoners. The current method in our criminal justice system of recovering costs for law enforcement and prosecution through fines is insufficient to meet the costs incurred by local governments. Further, when a violator requests relief from paying the full amount of the fine and surcharge, the courts have been more inclined to waive the fine than to reduce the surcharge. When this occurs, the local units of government recover no costs even though the city has incurred expenses.

Response: The Legislature should review this issue and adopt measures that provide for complete reimbursement of the costs incurred by local governments in enforcing state and local laws. Solutions that should be considered include:

- a) Increasing fine amounts.
- b) Removing or modifying county and state surcharges that conflict with cost recovery principles.
- c) Requiring the courts to consider ordering restitution from the defendant to reimburse the costs of enforcement and prosecution as part of any sentence.

- d) **Requiring that if a court reduces the amount paid by a violator, any reduction should be made from the surcharge and not the fine.**

SD-39. Compensation and Reimbursement for Public Safety Services

Issue: Municipal public safety personnel often respond to emergencies involving non-residents. For example, municipal fire, police, and/or ambulance services may be dispatched to the scene of a traffic accident on an interstate highway involving victims from other cities or states. Although cities can bill for some public safety services they provide to non-residents, they have limited authority to collect on unpaid bills.

Cities have also found that auto insurance policies vary when it comes to coverage for emergency responses. Insurance companies of those responsible for accidents sometimes deny payment for fire service.

Additionally, municipal public safety personnel commonly respond to emergencies that require the provision of medical services. The medical services provided by the city-employed first responders are part of a continuum of health care that is covered by insurance companies when provided by paramedics and other medical care providers; however, insurance policies vary when it comes to coverage for municipally provided medical services. Insurance companies of those treated by municipal public safety personnel frequently deny payment for emergency medical services when they are billed by a municipality.

Thus, when a municipal public safety agency provides first response medical assistance, they commonly do so at the expense of local property taxpayers.

Response: While emergency medical responses are legitimate functions of

municipal public safety departments, the costs of providing emergency medical care to individuals should be covered by insurance and not be borne exclusively by the community's taxpayers. Cities should have the authority to bill for the full cost of first responder medical services they provide and to collect on unpaid bills. Insurance companies should be required to reimburse local governments for the full cost of providing these emergency medical services. Finally, auto and homeowner's insurance policies should be required to insure for the cost of emergency responses.

SD-40. Administrative Traffic Citations

Issue: Cities have implemented administrative enforcement programs for violations of local regulatory ordinances, such as building codes, zoning codes, health codes, and public nuisance ordinances. This use of administrative proceedings has kept enforcement at the local level and reduced pressure on over-burdened district court systems.

The Legislature has repeatedly increased the fine surcharge on district court cases to generate revenues for the state's general fund. The surcharge—the amount paid over and above the fine—is now \$75 per citation. The growth in the surcharge has dramatically increased the cost of citations and has caused some to question whether the total of the fine and surcharge is disproportionate for minor matters. To lower the amount imposed on their residents, a number of cities have expanded their administrative programs to include some offenses traditionally heard in district court, such as minor traffic offenses.

The increased state surcharges have not been used to assist local units of government with the growing costs of enforcement and prosecution. No matter which entity—city, county or state—issues a statutory citation,

the violator pays between \$115 and \$127 for a minor speeding violation. Of this amount, the city receives between \$13 and \$20, and the county receives just slightly more.

Further, when a violator requests relief from paying the full amount of the fine and surcharge, the courts have been more inclined to waive the fine than to reduce the surcharge. When this occurs, the local units of government recover no costs even though the city has incurred expenses.

In 2009, the Legislature amended the statutes to allow administrative fines to be issued for certain minor traffic offenses. Cities report that the short list of offenses noted in that law change does not adequately address the needs of local law enforcement. Additional authority is necessary to allow law enforcement officers to implement an effective program to reduce violations.

Response: The League of Minnesota Cities continues to support the use of city administrative fines for local regulatory ordinances, such as building codes, zoning codes, health codes, public nuisance ordinances and regulatory matters that are not duplicative of misdemeanor or higher level state traffic and criminal offenses. Cities should have the authority to issue administrative citations for low-level moving and equipment violations that: 1) would otherwise result in warnings, and 2) occur on roadways where the speed limit is 45 miles per hour or less.

If state leaders choose not to expand the list of administrative traffic offenses, they should then change the distribution of statutory violation fine revenues so that cities are adequately compensated for enforcement and prosecution costs.

SD-41. Juveniles in Municipal Jails

Issue: Municipal jails have long served as holding facilities for suspects who are being questioned and/or booked, and for those

awaiting transfer to a county jail or juvenile detention facility. In 2012, the Minnesota Department of Corrections (DOC) issued a reinterpretation of an existing law to say that, “[W]here counties have secure juvenile correctional facilities...juveniles are not allowed to be held in jail and/or municipal lock-ups for any length of time.”

This interpretation is in conflict with a provision in Minn. Stat. § 260B.181, subd. 4, which provides that juveniles can be held in a licensed juvenile facility for up to six hours. Many municipal jails, including those in counties where juvenile detention facilities exist, have been operating under the six-hour holding law.

Managers of municipal jails indicate the reinterpretation of the law is contrary to common practice and presents significant challenges for municipal law enforcement personnel.

Response: The League of Minnesota Cities supports a statutory clarification that would allow juveniles to be held for questioning and booking in licensed jail facilities for up to six hours, regardless of whether the county has a juvenile detention facility.

SD-42. Justice System Funding

Issue: Over the past several years, Minnesota’s justice system has operated under consecutive budget shortfalls. Public service windows are closed part of each week in many courthouses. Delays in case filings, hearings and dispositions are building throughout the state as staff and judges struggle to keep up with caseloads. The budget shortfalls limit the ability of the courts to process cases pertaining to shoplifting, trespassing, worthless checks, traffic and ordinance violations, juvenile truancy, runaways and underage drinking, consumer credit disputes, property-related and small civil claims, and many other cases. Timely

processing of these cases is critical to keeping communities safe and to preserving the quality of life residents expect.

The State Court Administrator has advocated for statutory changes that have resulted in efficiencies and cost savings while preserving core services. These changes involve consolidating services where practicable and using technology to reduce costs. They include centralized payable processing, use of e-citations and restructuring of state mandated programs.

***Response:* The League of Minnesota Cities supports a statement by former Chief Justice Eric J. Magnuson that calls for “an adequately funded, functioning justice system that resolves disputes promptly in order to ensure the rule of law, protect public safety and individual rights and promote a civil society.” The League supports the use of technology to reduce costs and preserve services. The League opposes any changes that would decriminalize local ordinances, petty misdemeanors or misdemeanor offenses, or that would make prosecution of these crimes more difficult.**

SD-43. 21st Century Policing

Issue: Published in May 2015, the *President's Task Force on 21st Century Policing Report* makes multiple recommendations aimed at helping law enforcement agencies and communities strengthen trust and collaboration, while reducing crime by implementing the next phase of community-focused policing. The report contains recommendations related to six key areas of law enforcement:

- a) Building Trust and Legitimacy;
- b) Policy and Oversight;
- c) Technology and Social Media;
- d) Community Policing and Crime Reduction;

- e) Training and Education; and
- f) Officer Safety and Wellness.

Many Minnesota communities have embraced 21st Century Policing concepts, and municipal police departments throughout the state have adopted policies that align with 21st Century Policing principles. The Legislature and governor made progress toward advancing 21st Century Policing principles statewide by enacting the 2020 Police Accountability Act.

In Minnesota, police chiefs have indicated strong interest in securing additional training in 21st Century Policing practices for officers. Demand for training has increased in recent years, and in 2017 the Legislature responded by increasing continuing education requirements for officers, expanding the scope of this training to include more community policing, and by providing \$6 million per year for training reimbursement provided by the Peace Officer Standards and Training (POST) Board. This funding is not permanent and sunsets in 2024.

The POST Board is funded through a special revenue account from a surcharge on criminal and traffic convictions. However, a significant amount of the special revenues collected are diverted to the state's general fund and are not made available for training reimbursement, and the amount of the surcharge paid to the state has been declining. There is also growing concern about the impact of the surcharge on residents, particularly those of low income and persons of color, and concern about funding policy training based on ticket revenue.

***Response:* The League of Minnesota Cities recognizes the need for communities and law enforcement agencies to strengthen trust and collaboration, while continuing to reduce crime. The League supports the recommendations of the President's Task**

Force on 21st Century Policing Report as well as the training, policy and accountability provisions contained in the 2020 Police Accountability Act. To that end, the League supports:

- a) POST Board model policies that align with the recommendations of the President's Task Force on 21st Century Policing Report and the 2020 Police Accountability Act;
- b) POST Board approved training opportunities for new recruits and in-service peace officers that include but are not limited to procedural justice, bias/implicit bias and cultural awareness, de-escalation, and crisis intervention training;
- c) Increased state and federal funding for peace officer training that includes reimbursement for tuition, travel, time and backfilling the shifts of officers who are out for training;
- d) Permanent funding for police training that is not based on criminal and traffic ticket revenue;
- e) State and federal funding for peace officer safety and wellness initiatives;
- f) State policies, training and funding that support co-responder programs to enhance the safety and effectiveness of responses involving people with mental illnesses;
- g) State policies, training and funding that support non-traditional community based public safety programs; and
- h) Authority and grants for municipal police departments to deploy technologies such as dash cameras and police body worn cameras that enhance both criminal justice and officer accountability.

SD-44. Post-Incarceration Living Facilities

Issue: Sufficient funding and oversight is needed to ensure that residents living in post-incarceration living facilities have appropriate care and supervision, and that neighborhoods are not disproportionately impacted by high concentrations of these types of facilities. Under current law, operators of certain post-incarceration living facilities are not required to notify cities when they intend to purchase single family housing for these purposes. Cities do not have authority to regulate the locations of post-incarceration living facilities. Cities have reasonable concerns about the safety of facility residents and neighborhoods, particularly in cases of public safety. Cities also have an interest in preserving a balance in residential neighborhoods between this type of facilities and other uses. It is in the best interest of providers to inform and work with cities before opening a facility in order to educate providers of community standards and expectations.

Response: Cities should have statutory authority to require agencies, as well as licensed and registered providers, that operate post-incarceration living facilities to notify the city before properties are operated. Cities should be provided with the necessary contact information once licensed or registered. Providers applying to operate post-incarceration living facilities should be required to contact the city to be informed of applicable local regulations. The Legislature should also require establishment of non-concentration standards for post-incarceration living facilities to prevent clustering. Finally, licensing or registering authorities must be responsible for removing any residents incapable of living in such an environment, particularly if

they become a danger to themselves or others.

SD-45. Cybersecurity

Issue: Dating back to at least 2012, U.S. Defense Secretaries have warned that the United States are increasingly vulnerable to foreign computer hackers who could dismantle the nation's power grid, transportation system, financial networks and government. On a state level, the Governor's Task Force on Broadband issued recommendations regarding cybersecurity in their 2016, 2017, and 2018 annual reports. After consistent recommendation by the Broadband Task Force, a Legislative Commission on Cybersecurity was established in 2021 to provide oversight of the state's cybersecurity measures and review and make policy recommendations to state agencies and the legislature to strengthen the state's cybersecurity infrastructure. However, many of the commission and task force recommendations have not yet been implemented, which creates cybersecurity vulnerabilities especially at the local level as many communities lack the necessary tools and capabilities needed to protect their systems. The problem is serious. Each month Minnesota IT Services defends against roughly 27,000 phishing emails and messages across all state agencies and several cities and counties have been recent targets of ransomware attacks as local governments continue to remain particularly vulnerable to cyberattacks. The passage of the federal Infrastructure Investment and Jobs Act of 2021 provided additional federal resources to Minnesota to better prepare the state's preparedness and response to future cyberattacks. However, even with additional federal resources, many cities across the state remain vulnerable to cyberattack and are in need of hardware and software support.

Response: The League of Minnesota Cities supports state action to identify and

strengthen state and local capabilities. The League supports the inclusion of funding to evaluate state government cyber vulnerabilities, single points of failure, and fixes, and, based on those findings, create an ability for municipal governments to apply for grant funding or assistance to help conduct the same evaluation. Additionally, state and federal policymakers should:

- a) **Seek municipal government input on any direction of state or federal funding that seeks to address cybersecurity preparedness and response and ensure city government participation in any task force or planning committee tasked with directing funding priorities for local government cybersecurity efforts;**
- b) **Ensure that any grant program administered by Minnesota IT balances the unique needs of smaller less-resourced cities and larger cities and base cybersecurity funding opportunities on locally identified needs; and**
- c) **Avoid unfunded mandates related to data notification breaches by ensuring proactive discussions with lawmakers and state leaders regarding cybersecurity awareness, prevention, remediation and breach notification**

SD-46. Legalization of Fireworks

Issue: In 2002, the state enacted a law allowing the sale and use of non-aerial, non-explosive consumer fireworks, including sparklers, party poppers, snakes, and other novelty items—relaxing the ban on consumer fireworks in place in Minnesota since 1941. In 2008, the Legislature further relaxed the ban by increasing the amount of explosive material allowed in legal fireworks.

Local fire service professionals have reported that consumers and law enforcement

personnel have had difficulty distinguishing between legal and illegal fireworks, and that the 2002 law resulted in greater use in Minnesota of illegal fireworks purchased in other states.

According to data provided by the Minnesota State Fire Marshal Division, injury trends and dollar losses related to fireworks incidents surged after the consumer fireworks ban was lifted. Hospital reports reveal that the annual number of injuries caused by fireworks rose dramatically in 2002 and remains elevated. Likewise, Minnesota Fire Incident Reporting System records show that the annual dollar loss resulting from fireworks incidents increased significantly in 2002 and has since grown.

In 2003, the state enacted a number of provisions limiting local authority pertaining to fireworks sales. The 2003 law caps the allowable municipal permit fee at \$100 per vendor selling fireworks with other products, and \$350 per vendor selling fireworks exclusively. The law restricts cities from requiring fireworks sellers to purchase additional liability insurance. Finally, the 2003 law states that cities cannot prohibit or restrict the display of consumer fireworks if the display and structure comply with National Fire Protection Association (NFPA) Standard 1124. The NFPA is a private international association of individuals and trade and professional organizations. (NFPA Standard 1124 is not a public document and is available only for a fee.)

Fireworks products can cause serious injuries and fire loss. The legal sale of consumer fireworks undermines fire prevention efforts. The sale and use of consumer fireworks increase local public safety enforcement, emergency response, and fire-suppression costs.

Response: The League of Minnesota Cities opposes legislation that would further relax the ban on the sale and use of

consumer fireworks. The League supports a repeal of the 2002 law that relaxes the ban on the sale and use of consumer fireworks.

Fees are needed to cover the costs associated with compliance checks, education, and inspections relating to the sale of a regulated product. The current fee caps do not allow cities to recover these costs. The League supports allowing cities to establish and impose reasonable fees on retailers that sell fireworks. The League opposes restrictions on requiring fireworks retailers to purchase additional liability insurance. Finally, the League seeks repeal of the NFPA reference.

SD-47. Traffic Enforcement Cameras

Issue: Drivers who disobey traffic laws can cause serious traffic accidents and contribute to gridlock. In spite of the severity of this problem, cities cannot always afford the levels of peace officer enforcement that residents demand. The technology exists to enforce traffic laws with photographic evidence. For example, there is less running of red lights when motions imaging recording systems (MIRS) are installed at traffic signals.

Response: Local law enforcement agencies should have the express authority to use photo enforcement technology to enforce traffic laws. Sworn and non-sworn local law enforcement officers should have the express authority to issue citations for traffic violations by mail where the violation is detected with photographic evidence.

SD-48. Operation of Motorized Foot Scooters

Issue: Current state statute (Minn. Stat. § 169.225) regulates the operation of motorized foot scooters and treats motorized foot

scooters similar to bicycles in terms of rights and duties. By statutory definition (Minn. Stat. § 169.011, subd. 46), motorized foot scooters must be powered by an engine or motor that is limited to a maximum speed of 15 miles per hour. The law provides that an operator must be 12 years of age or older. Although the law contains safety provisions, including a requirement that operators under the age of 18 must wear helmets, it does not require training or permits for operators of any age.

Motorized foot scooters that are part of organized sharing or rental businesses rely on the ability to park in the public right-of-way, especially on public sidewalks, to facilitate customer access and vending. Cities have express authority to regulate parking on city streets and sidewalks. Local government units should also have clear authority to regulate or proscribe unauthorized use of city right-of-way for motorized foot scooter parking, to require a permit or license for each scooter or sharing company, and to include terms and conditions dictated by the granting authority.

In order to protect public health, safety and welfare, it is important that cities have clear authority to regulate motorized foot scooter parking and sharing options.

Response: State law should support the ability of local governments to regulate or proscribe unauthorized use of city right-of-way for motorized foot scooter parking, to require a permit or license authorizing motorized foot scooter parking or sharing in the public right-of-way, and to impose terms, conditions, and local rules on businesses seeking such a permit or license.

SD-49. Operation of Electric Assisted Bicycles

Issue: Minn. Stat. § 169.222 treats electric assisted bicycles, or ebikes, as defined in

Minn. Stat. § 169.011, subd. 27, with maximum capable speeds up to 28 miles per hour similarly to bicycles in terms of rights and duties. The law provides limited local control and prohibits any person under the age of 15 from operating them. Conversely, Minn. Stat. § 169.223 and 171.02, subd. 3, require a driver's license or motorized bicycle permit to operate motorized bicycles, which are defined in Minn. Stat. § 169.011, subd. 45, as having maximum capable speeds of 30 miles per hour.

With the advancements in ebike technology to provide similar maximum speeds as motorized bicycles the differences between the two are semantic and there is no public safety difference with their similar urban road speed capabilities.

Response: The League of Minnesota Cities supports modifying state statute to include the same driver's license or motorized bicycle/electric assisted bicycle permit for ebikes as it currently does for motorized bicycles. The required permit training should advance ebike rider safety. Ebike riders under 18 should be required to wear protective headgear just as is currently required for motorized bicycle riders. The minimum age for both ebike and motorized bicycle operation should remain 15 years old. No passengers should be allowed on an ebike unless it was originally designed to safely carry more than one rider. Providing law officers with better options for reasonable suspicion stops and violation citations will help to prevent accidents and tragedies.

SD-50. Copper Wire Theft Prevention

Issue: The high cost of copper has led to an increase in copper wire thefts from private property as well as streetlights, signal lights and other public infrastructure. Stolen copper wire is sold to businesses that profit from

selling recycled metal. Copper wire thefts compromise public safety by disabling streetlights and traffic signals. The cost to repair and replace infrastructure damaged by copper wire thefts is borne by taxpayers.

***Response:* The League of Minnesota Cities supports efforts to curtail the theft of copper wire from public infrastructure and private property. The League supports increasing penalties for copper wire theft that results in damage to public property and calls for statutory changes that prevent metal recycling businesses from purchasing and reselling stolen copper.**

SD-51. Drug Courts

Issue: The League of Minnesota Cities recognizes the impact of substance abuse on individuals, communities and taxpayers. According to the National Council on Alcoholism and Drug Dependence, the relationship between alcohol and drugs and crimes--including domestic abuse and violence, underage drinking, robbery, assault and sexual assault--is clearly documented. The National Center on Addiction and Substance Abuse reports 65 percent of the nation's inmates meet certain medical criteria for substance abuse and addiction, but only 11 percent received treatment for their addictions.

Drug courts are an effective problem-solving approach for dealing with alcohol and other drug addicted offenders in the judicial system. Drug courts closely monitor the defendant's progress toward sobriety and recovery through ongoing treatment, frequent drug testing, regular mandatory check-in court appearances, and the use of a range of immediate sanctions and incentives to foster behavior change.

In drug court, judges collaborate with other traditional court participants (prosecutors, defense counsel, treatment providers,

probation officers, law enforcement, educational and vocational experts, community leaders and others), whose roles have been substantially modified, but not relinquished, in the interest of helping defendants deal with addiction.

***Response:* The League of Minnesota Cities supports the efforts of drug courts to address substance abuse and reduce crime. The League supports funding for additional drug courts.**

SD-52. Drug Paraphernalia

Issue: In 2023 the legislature modified several provisions pertaining to the sale and possession of drug paraphernalia. As a result, under current state statutes it is not a crime to sell or possess drug paraphernalia, and possession of drug paraphernalia containing a residual amount of one or more mixtures of controlled substances is exempted from the definition of drug possession. The definition of "drug paraphernalia" does not include hypodermic syringes or needles or any instrument or implement which can be adapted for subcutaneous injection. The laws pertaining to the sale of drug paraphernalia conflict with some previously adopted local ordinances, and the decriminalization of possession of drug paraphernalia may create unintended consequences for law enforcement.

***Response:* The League of Minnesota Cities supports a requirement for the Department of Public Safety to collect data during the implementation of the 2023 changes to drug paraphernalia laws. If the laws are shown to have unintended public safety consequences, the League supports passage of legislation that would limit the sale and possession of drug paraphernalia.**

SD-53. Regulation of Massage Therapists

Issue: The state does not currently license nor register massage therapists. Minn. Stat. ch. 146A is the Complementary and Alternative Health Care Practices Act which identifies prohibited provider conduct and authorizes the Minnesota Department of Health to take disciplinary action against noncompliant providers who are not registered or licensed by a health-related licensing board. The office has authority to respond to allegations of prohibited behavior through an investigatory process but this function is triggered mainly by consumer complaints and there is no requirement that the office take any action. Additionally, resources for these purposes have been severely limited.

In absence of any required statewide standards or regulation, several cities have entered the traditional state domain of health-care licensure by enacting ordinances that require all massage therapists to obtain a local professional license and many cities have also required bricks and mortar establishments to obtain a business license. These ordinances help local law enforcement officers to differentiate between legitimate providers and businesses engaged in sex trafficking and prostitution as well as provide for health and sanitation standards.

City staff and law enforcement have spent much time and resources conducting statewide criminal background checks; investigating massage therapist accreditation programs to determine legitimacy and credibility; and inspecting and monitoring establishments due to resident complaints and concerns. This has resulted in different procedures, requirements and fee structures across the state. Despite the thorough work of city staff and law enforcement, when an illegitimate business suspects investigation, it will often close down and re-open in a

different city. Without any sort of statewide database of these businesses, one city's solution may become another city's problem.

Additionally, local law enforcement agencies do not have access to national criminal history data. This has allowed those with criminal convictions in other states related to sex trafficking and prostitution to obtain massage therapy business and/or professional licenses in cities in Minnesota. Allowing access to this information could help cities prevent sex trafficking across state lines.

Response: The League of Minnesota Cities supports the statewide registration or licensure of massage therapists that would not pre-empt the ability of cities to regulate massage therapy establishments. The League also supports legislation pertaining to the practice of massage therapy that accomplishes the following:

- a) **Helps cities establish legitimacy of providers and businesses applying for a local license to practice, including allowing local law enforcement agencies access to national criminal history databases.**
- b) **Prevents individuals from conducting criminal activities such as prostitution and sex trafficking out of establishments operating as massage therapy facilities.**
- c) **Improves provider compliance with Minn. Stat. ch. 146A and requires the state to take action in response to noncompliance.**
- d) **Protects the public from injury and from other conditions that may result in harm.**

SD-54. Regulation of Adult-Use Cannabis and Cannabinoid Products

Issue: The 2023 legislative session enacted legislation making Minnesota the 23rd state across the country to legalize adult-use cannabis. The new law, ch. 342, created a statewide regulatory framework for adult-use cannabis establishing state-issued licenses for the industry from seed to sale. The law also expunged certain prior convictions related to cannabis, implemented a tax on cannabis and cannabinoid products including a Local Government Cannabis Aid fund, and updated criminal penalties related to cannabis.

The regulatory structure includes local regulation, with cities responsible for registering certain cannabis businesses that are licensed by the state and conducting compliance checks. The law requires businesses to comply with local zoning ordinances, authorizes cities to implement license limits, and authorizes cities to implement ordinances to establish a petty misdemeanor for public use of cannabis and cannabinoid products. These authorizations aside, cities have very limited discretion in the regulation of the industry.

In addition to the adult-use cannabis market, cities continue to navigate the regulation of cannabinoid products legalized by the 2022 legislative session under chapter. § 151.72. As the Office of Cannabis Management is created and rulemaking is conducted, cities have continued to implement local licenses for the products.

Finally, the new law authorizes cities to impose an interim ordinance to study the issue and restrict, regulate, and prohibit cannabis businesses until January 1, 2025. However, estimates from state agencies and the rulemaking timeline established by law indicates that final rules will not be available until early 2025. The authority to conduct an

interim ordinance study should better align with the establishment of rules for the new law to allow cities to properly study the issue.

Many questions remain for what is to be seen from the Office of Cannabis Management and the cannabis industry as it is established. Cities will be a critical component of the regulation and enforcement of this industry.

Response: In any future legislation, the following should be considered:

- a) **The timeline authorized for interim ordinances to conduct studies on the adult-use cannabis industry should be extended to better align with the conclusion of rulemaking for ch. 342 to provide adequate time for cities to study the rules once adopted.**
- b) **Any legislation considered should be responsive to the needs of cities as they arise from the implementation of this industry, including evaluating and potentially increasing the appropriation provided through the Local Government Cannabis Aid fund to ensure adequate funding for local governments to respond to challenges resulting from the cannabis industry.**
- c) **Legislation should increase, and at a minimum maintain, any discretion and local control granted to cities in current legislation.**
- d) **The League opposes any proposals to diminish local control related to the cannabis industry.**

SD-55. Lawful Gambling and Local Control

Issue: As part of the 2009 reforms to lawful gambling statutes, some local control was removed from the lawful gambling process. Previously, the lawful gambling licensee would have to obtain the city council's approval as part of its application to renew the organization's premises permit (some

forms of lawful gambling require obtaining an organizational license and a premises permit(s) from the state). This step was removed when the state established a perpetual organizational license and premises permitting system. Because these licenses and permits are issued by the state, under the current system a city's authority over these licensees is limited to: 1) approval of the initial premises permit; and 2) enforcement of the city's lawful gambling ordinance. Some city officials have concerns that gambling organizations will be more apt to ignore local regulations (such as spending the required percentage of lawful gambling expenditures in the city's trade area) if they don't need the city's approval for the renewal of their state-issued premises permits.

***Response:* The licensee should be required to obtain local approval on an annual basis, or at longer intervals as determined by the city, and file the resolution of local approval with the Gambling Control Board.**

SD-56. Liquor Liability Insurance Limits

Issue: Minn. Stat. § 340A.409 requires that “no retail license may be issued, maintained or renewed unless the applicant demonstrates proof of financial responsibility with regard to liability imposed by Minn. Stat. § 340A.801” relating to the sale of alcoholic beverages. The minimum limits of liability currently in statute require \$50,000 of coverage because of bodily injury to any one person in any one occurrence, \$100,000 because of bodily injury to two or more persons in any one occurrence, \$10,000 because of injury to or destruction of property of others in any one occurrence, \$50,000 for loss of means of support of any one person in any one occurrence, \$100,000 for loss of means of support of two or more persons in any one occurrence, \$50,000 for other pecuniary loss of any one person in any

one occurrence, and \$100,000 for other pecuniary loss of two or more persons in any one occurrence. These limits have not been updated since at least 1985 and would provide very little relief to persons impacted by an intoxicated person. While cities can choose to require higher limits of liability than required by statute, it may create competitive imbalance between communities if the limits are not consistent.

***Response:* The minimum limits in Minn. Stat. § 340A.409 should be increased to \$500,000 per occurrence with a \$500,000 annual aggregate.**

SD-57. On-Sale Liquor or Wine Licenses

Issue: Minn. Stat. § 340A.404 defines the establishments to which a city may issue an on-sale intoxicating liquor license. Every year cities see local businesses and organizations with innovative models for event centers, food halls, arenas, boutiques, museums, art spaces, and cultural or community centers that are not clearly named in this statute but would like to obtain a liquor license. Several cities have received special legislation allowing their municipalities to issue on-sale liquor or wine licenses to these types of entities. However, this process interferes with the ability of municipalities to respond expeditiously to innovative business models, control the placement and operating manner of these entities, and limits municipalities from providing licenses for businesses that would generate local tourism and revenue.

***Response:* The Legislature should modernize and expand the list of establishments in Minn. Stat. § 340A.404 to which municipalities are authorized to issue on-sale liquor or wine licenses, subject to restrictions imposed by the municipality, to allow for innovative**

business models and economic development within their jurisdiction.

SD-58. Liquor Licensing of Non-Contiguous Spaces

Issue: During the COVID-19 outbreak, restaurants and bars were able to open at limited capacity for in-person service with spacing requirements between tables both inside and outside. To provide opportunities for businesses to open and serve the public, many cities allowed for non-contiguous spacing of tables outside despite requirements outlined in Minn. Stat. § 340A.410, subd 7. This allowed customers to go to restaurants and bars and remain outside, which had been deemed preferable to dining indoors in mitigating the risk of exposure to the virus. This model proved to be successful for many businesses and enjoyed by residents. Cities would like to respond to customer and business expectations and continue being authorized to issue licenses to non-contiguous spaces.

Response: The increased flexibility during the COVID-19 pandemic allowed businesses and cities to partner in response to the pandemic and city residents have enjoyed increased seating options. The League of Minnesota Cities supports amending Minn. Stat. § 340A.410 to allow for licensing of spaces that are not compact and contiguous during and after the pandemic.

SD-59. Wine and Off-Sale Licenses

Issue: Minn. Stat. ch. 340A authorizes cities to issue liquor licenses to various establishments within their jurisdictions, but in virtually all cases, the license issued by the city is not valid until the state approves it. This is true for such commonly issued licenses as wine, off-sale intoxicating liquor and temporary on-sale intoxicating liquor licenses. The result is extra time spent for city staff, as well as a time-based commercial

impact to the business pursuing the original license.

Additionally, if a business applies for an on-sale wine license, the state may choose to conduct an inspection of the business further delaying approval of the license and full operation of the establishment. This inspection is often in addition to a city certificate of occupancy inspection and a county health inspection.

Response: The Legislature should remove the requirement of approval by the commissioner for city-issued liquor licenses and simply require cities to notify the state of newly issued and renewed licenses as is already the case for intoxicating on-sale liquor licenses and all 3.2-liquor licenses. If the state requires an inspection to certify an on-sale wine license, this should be delegated to either the city or county to be conducted at the same time as other inspections. This will expedite the process for both the state and the business.

SD-60. Youth Access to Alcohol and Tobacco

Issue: To promote public safety and public health, cities have an interest in preventing youth from obtaining alcohol and tobacco. For example, the Minnesota Department of Health reports that 80 percent of adult smokers had their first cigarette before the age of 18; reducing youth tobacco use may help prevent adverse impacts of tobacco in the future. To this end, many cities operate compliance check programs in an effort to discern the current level of youth access and to reduce youth access. Statewide, a number of cities have created community partnerships with their court systems, local businesses, and school districts to quickly address problems associated with youth access to alcohol and tobacco.

Response: The League of Minnesota Cities opposes any proposal that could result in increased risks of youth access to alcohol and tobacco products and supports statutory changes that assist in reducing youth access to alcohol and tobacco products. The League supports locally-determined alcohol compliance check programs, but any state mandate for alcohol compliance checks should come with state-supported funding initiatives to support these locally-determined compliance efforts. The Legislature should consider a grant program supporting locally-based community partnerships that can quickly and effectively respond to youth access problems.

SD-61. Consumer Small Loans

Issue: Consumer small loans, also known as “payday loans,” are short-term cash loans based on the borrower's personal check held for future deposit or on electronic access to the borrower's bank account. Borrowers write a personal check for the amount borrowed plus the finance charge and receive cash. In some cases, borrowers sign over electronic access to their bank accounts to receive and repay payday loans. Lenders hold the checks until the borrower's next payday when loans and the finance charge must be paid in one lump sum.

Consumer small loans are typically predatory in nature. According to Debt.org, an organization dedicated to helping consumers understand and overcome debt, predatory lenders typically target minorities, the poor, the elderly and the less educated. They also prey on people who need immediate cash for emergencies such as paying medical bills, making a home repair or car payment. These lenders also target borrowers that do not qualify for conventional loans or lines of credit due to credit problems or unemployment.

Response: The League of Minnesota Cities seeks statewide legislation that would protect consumer small loan borrowers against predatory lending practices. Also, cities should have explicit authority to regulate consumer small loan conditions including the ability to cap finance charges and interest rates.

SD-62. Regulation of Mobile Businesses

Issue: The transient nature of mobile businesses presents unique challenges to traditional city zoning and permitting and may create an unfair competitive advantage over traditional businesses that pay property taxes and generate income for a city. Cities also make significant investments in the development of retail districts and downtowns and have a strong interest in maintaining a level playing field for brick and mortar establishments.

Minnesota has seen a sharp increase in the number of food trucks (Mobile Food Units) operating throughout the state. Food trucks are licensed as food and beverage service establishments by the Minnesota Department of Health (MDH) or by local jurisdictions pursuant to an MDH delegation agreement. Food trucks are prohibited from operating in the same location for more than 21 days without approval of the regulatory authority.

In 2015, the Legislature authorized the Board of Cosmetologist Examiners to adopt rules governing the licensure, operation and inspection of “Mobile Salons” which are operated in a mobile vehicle or mobile structure for exclusive use to offer personal services defined in Minn. Stat. § 155A.23, subd. 3. The rules must prohibit mobile salons from violating reasonable municipal restrictions on time and place of operation of a mobile salon within its jurisdiction, and shall establish penalties, up to and including

revocation of a license, for repeated violations of municipal laws.

***Response:* It is appropriate for mobile businesses to be licensed by the state or its designees in the same manner as non-mobile business establishments. Such state regulation must not preempt the ability of local governments to enact reasonable time and place restrictions on the operation of mobile businesses within their jurisdictions.**

SD-63. Regulation of Party Buses and Boats-for-Hire

Issue: A party bus (also known as a party ride, limo bus, limousine bus, party van, or luxury bus) is a large motor vehicle usually derived from a conventional (school) bus or coach, but modified and designed to carry 8 or more people for recreational purposes. In Minnesota, these vehicles are regulated by default under Minn. Stat. ch. 221 (the chapter of law dealing with motor carriers) and registered by the Minnesota Dept. of Transportation's (MnDOT's) Office of Freight and Commercial Vehicle Operations. The regulations require operators to carry commercial insurance, have an annual vehicle inspection and be registered with the state. Party bus drivers are required to hold a current commercial driver's license (CDL) issued through the Minnesota Dept. of Public Safety's Driver and Vehicle Services Division.

A boat-for-hire is a watercraft used by owners and operators to carry passengers for hire. Minn. Stat. § 326B.94 and Minn. Rules 5225.6000 through 5225.7200 govern the requirements of boat owners and operators carrying passengers for hire on Minnesota's inland waters. These vessels must have a permit to carry passengers for hire. They must have an annual safety inspection and a dry-dock inspection performed by Minnesota Department of Labor and Industry boiler

inspection personnel once every three years (or annually if the hull is made of wood). The vessels must also be operated by a licensed master and must follow all Minnesota Dept. of Natural Resources' boating and water recreation regulations.

Party buses and boats-for-hire are sometimes chartered for celebrations such as weddings, proms, bachelor and bachelorette parties, birthdays and tours. Party buses are also popular for round trips to casinos and sporting events, and personalized drop-offs and pick-ups at various bars and nightclubs. Additionally, both party buses and boats-for-hire have become popular settings for adult entertainment.

Cities have seen a sharp increase in the number of party buses and boats-for-hire being used as venues for illegal activities such as underage drinking, drug use and sex trafficking. The transient nature of party buses and boats-for-hire presents unique challenges to traditional city zoning, permitting and law enforcement. While state laws regulate requirements for the operation of party buses and boats-for-hire, the law is silent on enforcement, penalties, inspection and liability related to illegal activities that occur in party buses and on boats-for-hire.

***Response:* The League of Minnesota Cities supports changes to state statutes that would help reduce criminal activities taking place on party buses and boats-for-hire. Specifically, the League supports:**

- a) **Creation of statutory definitions of "party bus" and "boat-for-hire" that contain permissible uses of the vehicles;**
- b) **Prohibition on offering or allowing "adult entertainment" as defined by Minn. Stat. § 617.242, "sexual conduct" as defined by Minn. Stat. § 617.241, or "nudity" as defined by**

Minn. Stat. § 617.292, subd. 3, on party buses and boats-for-hire;

- c) Explicit authority for peace officers to investigate suspicious activities on party buses and boats-for-hire and to cite individuals on board who are involved in illegal activities; and**
- d) Requiring the appropriate authority to utilize existing authority to impose fines, or to deny, suspend, or revoke permits or registration certificates held by operators found to have adult entertainment, drug, or underage consumption violations.**

SD-64. Environmental Protection

Issue: Cities demonstrate strong stewardship for the protection and preservation of the environment. Minnesota municipalities have historically been the leading funding source for environmental protection and improvements. Municipal efforts include environmental protection through wastewater treatment, wetland restorations, stormwater treatment, public utility emission reductions, brownfield cleanup, safe drinking water programs, as well as others.

At some point, however, the diminishing or nonexistent environmental benefit received from additional efforts is fiscally irresponsible. The programs are often improperly designed to meet their stated goals. Additionally, the absence of funding by the state and federal government has removed an essential restraining feature in program design and implementation. Agencies are less accountable to the governments that mandate environmental programs when they do not have to find the money to implement the programs.

Specific problems faced by cities include:

- a) New programs or standards are continually adopted without regard to the

existence, attainability or cost of existing programs and standards.

- b) Regulatory bodies fail to consistently use the best science available and the most current and accurate data when establishing water quality standards.
- c) Regulatory bodies impose new permit requirements without going through rulemaking. Instead, the agencies rely on internal documents, program strategies, and “best professional judgment of staff” when setting permit criteria.
- d) Regulatory bodies approve permits and programs that compete with traditional municipal services and encourage urban sprawl. This behavior puts at risk the public investments and growth management efforts cities have made when planning for future development.
- e) Permit fees and other cost-transfer elements of federal and state programs do not provide an incentive for environmental agency efficiency, policy prioritization or risk assessment. Additionally, all residents of the state contribute to the need for wastewater, drinking water, and stormwater treatment and benefit from the resulting improved water quality. These factors make the state general fund an appropriate source for significant portions of state water program funding.
- f) Third-party environmental advocacy groups create significant hardships on cities by threatening litigation even when the best science available may not support the groups’ positions.
- g) Cities are often required to pay the cost of removing problem materials from the waste stream, rather than preventing the problem at the consumer product or manufacturing level.

Response: Alternative wastewater treatment and cooperative service systems should be prohibited from operating in areas that can reasonably and effectively be served by existing municipal systems, unless:

- a) The municipal system is proven to be substantially less cost-effective and substantially less beneficial to the environment; and
- b) The operation of these systems will not create a stranded public investment in the existing system.

Sufficient state and federal financial assistance should be provided to local governments when complying with state and federal infrastructure requirements, particularly with regard to wastewater, stormwater, and drinking water facilities.

The Minnesota Pollution Control Agency (MPCA) should streamline its permitting and re-issuing processes to allow for effluent standards and permit requirements to be known earlier, thereby giving communities more time to defend against contested case hearings.

The Legislature should require the MPCA to make its determination regarding permit-required submittals, permit modifications, and the reissuance of a permit within a reasonable set time period, and require the MPCA to make its determinations and reissue the permit within that reasonable set time frame.

The state should ensure townships are required to meet the same environmental protection and regulatory requirements as cities.

Legislation should be passed that requires state agencies to establish permit requirements only when the criteria they are using is developed through the rule-making process.

State agencies need to develop science-based standards and quantify new effluent standards, ensuring that they are scientifically and economically practicable. State and federal agencies should coordinate and integrate their monitoring data to assure that all pertinent data is available and utilized.

The state general fund is an appropriate source for state water program funding. Municipal water permit fees should only be increased if new revenue is needed because of increased costs of processing municipal water permits or if the funds would go for specific scientific research, technical and financial support for cities, or agency staffing needed by cities to address environmental and public health concerns, not as a means to generate new revenue to cover other budget shortfalls.

Additionally, the Legislature should create effective, producer-led reduction, reuse, and recycling programs to deal with a product's lifecycle impacts from design through end-of-life management and should regulate products and compounds that damage water quality, sewer collection, stormwater or wastewater treatment systems at the consumer and manufacturing levels, not just at the treatment and infrastructure maintenance level. Examples include requiring accurate labeling as to whether disposable wipes can be safely flushed and creating incentives for private salt applicators to reduce the volume of salt they apply.

SD-65. Impaired Waters

Issue: Despite the billions of dollars that Minnesota municipalities have invested and continue to invest in wastewater and stormwater management systems, and best management practices to protect, preserve, and restore the quality of Minnesota's surface waters, the quality of some of Minnesota's surface waters does not meet federal water

quality requirements. The federal Clean Water Act requires that further efforts be made by the state to reduce human impacts on surface waters that are determined to be impaired due to high pollutant loads of nutrients, bacteria, sediment, mercury, and other contaminants. Scientific studies of these waters must be conducted to determine how much pollution they can handle (Total Maximum Daily Loads, or TMDLs). The pollutant load reduction requirements will affect municipal, industrial, and agricultural practices and operations along any river, stream or lake determined to be impaired. While the sources of 86 percent of the pollutants affecting Minnesota waters are non-point sources, there will also be new costs and requirements for point-source dischargers, like municipal wastewater treatment facilities. Municipal stormwater systems will also face increased protective requirements and regulation as part of the state's impaired waters program.

Response: The League of Minnesota Cities will work actively with the administration, the Legislature, and other stakeholders in the design and implementation of Minnesota's impaired waters program to:

- a) Ensure equitable funding solutions are found, such as the state general fund or bonding, that broadly collect revenue to address this statewide problem;
- b) Support legislative appropriation of constitutionally dedicated clean water revenues that will supplement traditional sources of funding for these purposes, not be used to cover budget cuts, backfill past program reductions, or to otherwise supplant normal state spending on water programs;
- c) Direct the majority of funds collected by the state for impaired waters into programs that fund municipal wastewater and stormwater projects, and for state programs needed for municipal wastewater and stormwater permitting and technical support, including the Clean Water Revolving Loan Fund, Wastewater Infrastructure Fund, TMDL Grants Program, Small Community Wastewater Treatment Grant and Loan Program, and other state programs that provide financial resources for city wastewater treatment facilities, septic tank replacement, stormwater management projects, and other city water quality improvement and protection projects;
- d) More adequately cover the current five-year wastewater infrastructure funding need projection of more than \$1.65 billion;
- e) Recognize and address the upcoming costs of stormwater management infrastructure and operation on municipalities from new regulatory mandates and load reduction requirements;
- f) Allow flexibility in achieving pollutant load reductions and limitations through offsets or trading of pollutant load reduction credits for both point and non-point load reduction requirements within watersheds;
- g) Recognize and credit the work underway and already completed by local units of government to limit point and non-point source water pollutant discharges;
- h) Recognize the diversity of efforts and needs that exists across the state;
- i) Ensure the best science available is used to accurately determine the sources of pollutant load in order to maximize positive environmental outcomes and minimize unnecessary regulatory and financial burdens for cities by correctly accounting for and

addressing agricultural and other non-point pollutant sources;

- j) Ensure the state requires that the MPCA retain control of the TMDL development process and that all scientific research related to TMDLs is conducted by the MPCA or qualified, objective parties pursuant to state contracting, procurement, and conflict of interest laws; and**
- k) Clarify state water quality mandates so cities know specifically what they are required to do and what methods of achieving those outcomes are acceptable to state and federal regulators.**

SD-66. Municipal Public Water Supplies

Issue: Essential residential water supplies provided by public water supply systems are classified as the highest priority for the use of public water under Minn. Stat. §103G.261. Minnesota cities spend significant resources meeting their responsibility to providing safe, reliable, affordable water to their residents in a sustainable manner. That is an essential element in assuring a healthy and stable future for public health, the environment, and economic development. As a result, municipal water suppliers have collected some of the most current and accurate information available on local water conditions.

The state requires extensive planning and permitting processes for municipal water suppliers to document that their systems are drawing water at sustainable levels, that the water is safe for human consumption, that they have land use controls in place to protect public water supplies from contamination, that adequate plans exist for emergency and high demand situations, and that rate structures meet state statutory requirements. Those systems are constantly becoming more

technologically, environmentally, and economically efficient. City water suppliers have invested many billions of dollars to develop their utility systems and infrastructure in a manner that meets those criteria.

Demand and supply sides of this issue are being addressed throughout the state. Cities have established educational programs, incentives, and local water use restrictions to further improve water conservation efforts, while appliances and plumbing fixtures are becoming more efficient in their water use. Furthermore, stormwater is being infiltrated into the ground at unprecedented levels as part of municipal stormwater permit requirements and is being redirected for irrigation purposes in some cities.

Despite those efforts, there are places in the state where monitoring data indicates that water may be being used faster than the supply can sustain, particularly in the case of underground aquifers. These issues are very complex, however, and causes and effects are not always easily documented or understood. City water supplies are not the only users of that water, either. Industries, smaller private wells, agricultural operations, irrigation systems, and contamination containment and treatment can all be major drains on local water supplies.

Hard facts and sound science need to be used to determine the best courses of action to assure that safe, reliable, affordable water supplies are available to future Minnesotans. Those approaches will vary considerably depending on local water and soil conditions, the types and sizes of users, and the quantity and quality of available water. They also need to be coordinated between the many state entities that play a role in water management and regulations so that scarce local resources are not wasted and efforts are not counterproductive to other priority environmental and public health results.

Response: The state should lead the development of sound scientific information on water supply, aquifer recharge, and groundwater availability and quality, making good use of the existing studies, data, and staff expertise of municipal water suppliers.

The state should also be working to remove barriers to water re-use, aquifer recharge, encouraging cultural changes in water use practices, applying technology for smart water use, exploring impacts and creative mitigation options at contaminated sites, on ways to incent and enable alternate uses of stormwater, and ways to make sure that all water users play a role in ensuring that water supplies are being managed in a manner that is sustainable for future residents. Those solutions need to keep in mind that essential residential water use is the highest preferred use of public water supplies.

Finally, in cases where sound management of water resources will require substantial modifications in public water systems that were previously determined to be adequate, the state needs to be a partner in developing cost-effective solutions and in providing the technical and financial resources to make those changes to prevent communities from being economically uncompetitive.

SD-67. Municipal Electric Utilities

Issue: Municipal electric utilities provide essential community services to many Minnesota cities. The League of Minnesota Cities works closely with the Minnesota Municipal Utilities Association (MMUA) to identify issues of concern and to support their legislative and administrative efforts to address them.

How those entities are regulated by the state, how their service territory is defined and

amended, how their very limited customer base is protected, and how they are treated in relation to other types of electric utilities is important to them remaining affordable, efficient, and effective.

Currently, the legislative proposals have been made to allow unregulated third-party electricity sales from generators directly to the customer, circumventing long-established consumer protections. In some cases, municipal utilities would be required to “wheel” energy from third parties across their power lines to retail customers in violation of the utility’s exclusive service area rights.

Another way to arrange third-party sales is by selling electricity from solar panels or other generating equipment sited on a consumer’s own property to retail customers, while maintaining ownership of those panels or equipment. The equipment owner would charge for electricity it provides, yet rely on the local utility to provide reliable service to the customer at all other times. While such arrangements may seem convenient to an unregulated third-party, they come at a significant cost to the utilities and subsequently, to the rate payers of that utility.

Providing municipal reliable utility services comes with certain unavoidable expenses such as electric generation, power lines, poles, and substations. These types of fixed costs are on-going and should be equitably shared by the local customers. However, both current and previously proposed changes to state law would give third-party providers an advantage subsidized by the remaining rate payers and/or taxpayer.

Response: The legislature should support and maintain the current regulatory compact, and recognize the value of the dependable services provided by municipal utilities, and the fact that municipal utilities are accountable directly to residents. Further, the legislature should reject giving third-party providers

any advantage over municipal utilities, as well as any other effort to de-regulate utilities.

Additionally, current state practice is for the Department of Commerce and Public Utility Commission to require payment of quarterly fees on municipal utilities to the Department of Commerce three quarters in advance. The state should bill for those fees only for the upcoming quarter.

SD-68. State Support for Municipal Energy Policy Goals

Issue: The State of Minnesota has adopted an aggressive energy policy focusing on the promotion of energy efficiency and the expansion of renewable energy with the goal of achieving a reduction in carbon generation through reduced use of fossil fuels. To meet state energy and greenhouse gas reduction goals, efforts at the city level will be essential. That local work will generate significant economic benefits both in communities where it is done and more broadly, as industries and professional contractors expand their services throughout the state.

Minnesota cities share this goal, as demonstrated by over 140 cities voluntarily participating in the GreenStep Cities program. However, already strained budgets and reserves at the state and local level have limited the ability of the state to assist local units of government in furthering specific projects that support the overall state goal. In addition, institutional knowledge and capacity of most cities limits their ability to explore energy efficiency or renewable energy projects, even projects whose energy “payback” could finance project capital costs.

As the role cities are playing in reducing energy use and developing renewable energy generation expands, how those efforts are affected by electric utility practices also becomes more important. Utility billing is

not consistent between electric utilities, with many using different rate categories, significantly complicating B3 benchmarking reporting and billing transparency. For projects on which a utility provides capital, the length of time over which city projects are amortized can also be extended to the point that energy cost savings are eliminated, even with substantial demand reductions. The application of demand and peak demand rates in repayment schedules can also reduce or eliminate energy cost savings.

Response: The League of Minnesota Cities calls on our legislators and state executive agencies charged with accomplishing the state’s energy policy goals to assist cities, townships and counties with tailored efforts to identify appropriate energy efficiency and renewable energy projects for undertaking at the local level. Among those tools, the state should:

- a) Provide grants to support the development of local climate action and adaptation plans and tie those plans to funding made available to implement them;**
- b) Where possible, build on existing assistance and incentive programs to limit duplication of effort, improve efficiency, and minimize new tracking and reporting requirements;**
- c) Help ensure that reduced energy use results in reduced energy costs by addressing problems with amortization timing;**
- d) Have laws that allow and support utility grant and loan programs;**
- e) Create a grant program to assist in covering local capital costs to install solar energy systems on public buildings;**

- f) **Use proceeds from the Renewable Development Fund to support local government projects;**
- g) **Provide increased flexibility for utilities to work with local government;**
- h) **Support development of a unified electric energy billing and usage structure that is easily imported into a B3 Benchmarking tracking system;**
- i) **Develop a framework that allows Property Assessed Clean Energy Programs;**
- j) **Play an increased role in providing a comprehensive network of charging stations to support a transition to electric vehicles and equitable access to charging stations;**
- k) **Create a grant and loan program to offset start-up capital expenses for projects identified where the savings in energy costs can offset capital project costs or where projects are needed to meet energy policy goals;**
- l) **Clarify state law so that cities may use public utility franchise agreements to advance energy policy goals, and;**
- m) **Recognize that for the state to meet its goals, hands-on state energy agency technical expertise needs to be made available to cities at no cost.**

SD-69. Urban Forest Management Funding

Issue: Urban forests are an essential part of city infrastructure. Dutch elm disease, oak wilt disease, drought, storms, and emerald ash borer threaten our investment in trees. The costs for control and removal can be catastrophic and put pressure on city budgets. The Minnesota Department of Natural Resources, through its Urban and Community Forestry program, and the Minnesota Department of Agriculture,

through its Shade Tree and Invasive Species program, currently have regulatory authority to direct tree sanitation and control programs. Although these programs allow for addressing some tree disease, pest, and other problems, funding levels have been inadequate to meet the need of cities to build capacity for urban tree programs and respond to catastrophic problems. Cities share the goal of the state's Releaf Program—promoting and funding the inventory, planning, planting, maintenance, and improvement of trees in cities throughout the state. In addition, economic gains for stormwater management, tourism, recreation, and other benefits must be protected from tree loss. A lack of timely investment in urban forests costs cities significantly more in the long run.

Further, more and more cities are facing immediate costs for the identification, removal, replacement, and treatment of emerald ash borer (EAB) as it spreads across the state. The state has no program to assist cities in covering those expenses.

Response: The League of Minnesota Cities supports funding from the general fund or other appropriate state funds for a state matching grant program to assist cities with building capacity for urban forest management and meeting the costs of preparing for, and responding to, catastrophic urban forest problems, including emerald ash borer. The state should establish an ongoing grant program with at least \$15 million per year that is usable for those activities.

SD-70. City Pesticide Application Authority

Issue: Current state law in Minn. Stat. § 18B.09 was amended in 2023 to allow cities of the first class to prohibit the application or use of certain pesticides designated by the state as “pollinator-lethal,” with a list of uses

that would still be allowed. With many cities working to increase pollinator-friendly habitat and reduce the impact of pesticide usage known to be lethal to pollinators, cities are seeking further tools to meet those public expectations. With small lot sizes, primarily non-agricultural property uses, increased state and local promotion of natural landscaping, and dense residential concentrations, cities often find that the broader state pesticide regulations are not adequately protective of pollinators and are seeking additional state authority to address these issues in their communities.

Response: The state legislature should further amend Minn. Stat. § 18B.09 to allow cities of any size to opt to restrict the application or use of Minnesota Department of Agriculture designated pollinator-lethal pesticides within their community.

SD-71. Election Issues

Issue: Cities play an important role in administering state and federal election law and conducting voting activities.

Response: To strengthen the effectiveness of elections administration, the Legislature should:

- a) **Seek the input of cities, townships, counties, and school districts on proposed changes to voter registration, election law, and needed improvements and updates to the Statewide Voter Registration System;**
- b) **Amend the timeline for candidate filings in cities without a primary so that the final day of filing is prior to the August primary date and align the date when city and school district ballot questions must be submitted to the county to match the close of candidate filing;**

- c) **Expedite court action to resolve candidate eligibility related to residency in errors and omissions proceedings; and**
- d) **Eliminate redundant audio testing of assistive voting technology and equipment by election judges in precinct polling places on Election Day; and**
- e) **Increasing flexibility for elections administrators to purchase assistive voting equipment and technology that best meets the needs of voters with disabilities.**
- f) **Support local governments with ongoing and sufficient funding through the Voting Operations, Technology, and Election Resources Account (VOTER) fund to provide cities with resources to conduct elections and meet the mandated requirements set forth in statute.**

SD-72. Administering Absentee Balloting and Early Voting

Issue: Eligible voters in Minnesota may vote by absentee ballot prior to Election Day. Starting 46 days before the election, a voter can request an application for an absentee ballot and, if approved, receive and cast an absentee ballot in one visit to their county or city election offices. Ballots can also be requested, applied for and received by mail and returned by the voter to the election office by 8:00 pm on Election Day. Absentee balloting results are not known until combined with polling place results when the polls close on Election Day.

The process for voting by absentee ballot in-person was changed during the 2023 legislative session to establish early voting for the 18 days leading up to an election. Early voting will replace direct balloting, allowing voters to vote in person as they would on election day without filling out an

absentee ballot application. Until early voting is implemented the direct balloting timeline has also been extended to the 18 days leading up to an election. The law also established additional non-business hours that cities administering absentee balloting must be open for early voting, including extended evening hours on the Tuesday before the election and required weekend hours for the two Saturdays and one Sunday leading up to election day. While the extended timeline for early voting allows for additional time to process absentee ballots and the early voting process creates some efficiencies, the mandated extended hours require additional staff and resources for cities that administer absentee balloting.

For those who vote absentee in-person prior to the 18 days before Election Day, there is confusion and in some cases, frustration that they are not allowed to place their ballots directly into a tabulator. A voter can request to place their ballot in a series of envelopes similar to those returned by mail to be processed after they have left the building. Few, if any, voters request to place their ballot into envelopes.

Current law allows for in-person absentee voting until 5:00 p.m. on the day before Election Day. This does not leave adequate time for election officials to process absentee ballots, prepare supplemental lists indicating which voters have already cast absentee ballots and deliver the lists to precincts prior to opening of the polls on Election Day. The current absentee voting process further requires that additional supplemental lists of final absentee voters be delivered to the polls after the last mail delivery on Election Day and often leads to administrative challenges and increased potential for errors in the process.

There are several methods a voter can utilize to vote in each election. In addition to the 46-day absentee voting period in which a voter

may request a ballot by mail, a voter can also vote before election day through direct balloting and early voting, vote during the extended hours required on the Tuesday before a general election or the three weekend days required before a general election, or a voter can vote on election day. Reviews of available voter participation data and anecdotal observation by city clerks on in-person absentee participation prior to the 18th day indicate that it accounts for as little as a tenth or less of total turnout in a given election. While Minnesota has a long absentee balloting time, the most popular days for early voting are the 18 days before the election. With the many opportunities provided to voters, including the new extended early voting period, requiring all cities to conduct in-person absentee voting before the direct balloting and early voting timeline begins may not be the most efficient use of resources for all cities. In most cases, decisions made in partnership between cities and counties on appropriate service levels for absentee voting tend to work best as local jurisdictions best know their communities and trends regarding the demand for in-person voting.

As more and more voters choose to vote early with absentee balloting, improvements must be made to increase efficiency of administering absentee balloting before Election Day, reduce the potential for errors, and to improve voter experience.

Response: The League of Minnesota Cities supports:

- a) Eliminating the option to place an in-person absentee ballot in a series of envelopes instead of a tabulator;**
- b) Establishing an earlier deadline for ending in-person absentee voting;**
- c) Allowing cities to only conduct early voting and opt-out of in-person**

absentee voting before the early voting period.

- d) **Revising absentee ballot regulations to allow any person 18 and older to witness the absentee process and sign the envelope as a witness; and**
- e) **Providing ongoing resources to cities that administer absentee balloting and early voting for the extended early voting period and additional weekend hours required during a general election.**

SD-73. Ranked Choice Voting

Issue: Current law allows charter cities to consider and adopt Ranked Choice Voting (RCV) as an alternative voting method in local elections. State statute does not extend this authority to statutory cities. Additionally, there are no statewide standards for conducting RCV. The lack of consistent guidelines on how to effectively implement a RCV system imposes significant challenges for election administrators and voters.

The Office of the Secretary of State certifies voting systems for cities and counties across the state. This process does not include the systems used for RCV elections. This makes it difficult for cities to access voting systems approved by the state.

Minn. Stat. § 204D.11 and 206.90 require the use of one ballot only for a state general election unless there is a need for a separate judicial ballot. To allow cities that have implemented RCV to hold municipal elections in conjunction with a state general election, state statute must be amended to allow for more than one ballot.

Response: **The League of Minnesota Cities supports:**

- a) **Legislation that would give statutory cities the same authority given to charter cities to consider and adopt RCV. Any legislation should address**

and resolve any challenges with RCV elections that run concurrently with other elections;

- b) **Statewide standards for those cities that choose to adopt RCV to ensure it is implemented consistently throughout the state to give voters confidence in the fairness of the alternative process of casting their ballots and in the outcome of such elections;**
- c) **A state certification process for voting systems used in tabulating RCV elections; and**
- d) **Allowing for the use of more than one ballot should a city with RCV conduct a municipal election in conjunction with a state general election.**

SD-74. Election Judge Recruitment and Retention

Issue: Nearly 30,000 Minnesotans serve as election judges. The recruitment and retention of election judges is a significant and essential component of administering elections throughout the State of Minnesota.

State statute requires that precincts with more than 500 registered voters be assigned at least four election judges and those with fewer than 500 registered voters be assigned at least three election judges. Minn. Stat. § 204B.21 requires that at least two election judges in each precinct serve with a different major political party designation, except for student trainee election judges. The remaining election judges in a precinct can serve without an affiliation to a major political party and no more than half the judges in a precinct may belong to the same major political party. Statute specifically requires election judge party balance to perform four polling place activities: assisting a voter in curbside voting; opening the ballot box; duplicating ballots; and in conducting an election at a Healthcare Facility. Political party affiliation is also unnecessary in city

special elections when offices on the ballot are nonpartisan.

Minn. Stat. § 204B.19 allows high school students to be excused from school to serve as a trainee election judge if the student submits a written request signed and approved by the student's parent or guardian to be absent from school and a certificate from the appointing authority stating the hours during which the student will serve as a trainee election judge to the principal of the school at least ten days prior to the election. This process is not currently extended to college students which has proven to be a barrier for recruiting college students to serve as election judges. Additionally, teachers and college faculty are also allowed to take time off of work to serve as an election judge.

***Response:* To ensure state requirements are met, party balance is maintained, and to expand the opportunity of serving as an election judge to others, the League of Minnesota Cities supports the following changes:**

- a) **Authorize college students to get time off from classes if they have been appointed to serve as an election judge;**
- b) **Allow for one election judge affiliated with any major political party defined in Minn. Stat. § 200.02, subd. 7 or minor political party in Minn. Stat. § 200.02, subd. 23 to perform an election activity that requires party balance specifically outlined in statute and based on the election judge's oath that all will perform duties in a fair and impartial manner and not attempt to create an advantage for any party or candidate. If partisan requirements cannot be met because of late staffing changes in the polling place, then cities should be allowed to meet party balance through an election judge who**

has not declared a party affiliation; and

- c) **Require major political parties to provide updated lists of persons interested in serving as election judges directly to cities and counties and on an ongoing basis so that recruitment lists are timely to best assist cities in meeting party balance requirements.**

SD-75. Mail Balloting

Issue: Minn. Stat. § 204B.45 authorizes all townships and cities with less than 400 registered voters to hold elections by mail. A city may conduct mail balloting for an individual precinct having fewer than 100 registered voters, subject to the approval of the county auditor.

Staffing and equipment needs can be very costly and mail balloting is an efficient way of conducting an election for cities that have lower numbers of registered voters regardless of location in or outside the metro area. It is not uncommon for the redistricting process to create very small precincts in the metro area that are more cost-effectively served by a mail balloting process. Additionally, for special elections that historically have lower turnout, mail balloting could increase voter participation.

***Response:* The League of Minnesota Cities supports allowing all cities to conduct mail balloting.**

SD-76. Modernizing Charter Amendment Process

Issue: Minn. Stat. § 410.12 outlines the process for amending city charters and one of the methods is via petition for which Minn. Rules 8205 provides specific criteria for formatting. City staff then review the petition to determine if it is valid and has met statutory requirements for completion and submission. To ensure that both residents and

city staff fully understand the requirements, clarifying changes should be made.

Response: To improve the process for amending a city charter, the League of Minnesota Cities supports:

- a) **Adding clarifying language regarding “registered voters”. These voters must be eligible voters in the district for which the petition is being circulated who are in active status on the statewide registration system at the time of petition verification and have not had a name or address change since the most recent voter registration application was submitted.**
- b) **Ensuring that petitioners have access to the petition, public information lists used to verify registered voters, and the examination log available for inspection on request of any registered voter.**
- c) **Revising Minn. Rules 8205 to ensure that formatting requirements are clear and up to date.**

SD-77. Presidential Nomination Primary

Issue: In 2016, the legislature passed into law a process for the state of Minnesota to conduct a presidential nomination primary in 2020 for president of the United States. This is administered by cities and counties much the same way elections are conducted.

Minn. Stat. § 207A.15 provides a process for local units of government to be reimbursed for expenses incurred from conducting the primary. The Office of the Secretary of State (OSS) submits to the Department of Management and Budget (MMB) an estimated cost of administering the primary, and MMB provides funding to the OSS. That funding is then distributed to local units of government as a reimbursement based on expense reporting submitted to the OSS.

Because the presidential nomination primary is a partisan activity administered on behalf of political parties, it is critical that local units of government be reimbursed fully and that no cost be borne by cities. Additionally, conducting a primary election by mail could conserve resources and potentially increase voter participation.

Response: The League of Minnesota Cities supports:

- a) **Ensuring that local units of government are fully reimbursed for all anticipated and unanticipated costs of conducting the presidential nomination primary; and**
- b) **Allowing the presidential nomination primary to be conducted via mail balloting.**

SD-78. Health Care Facility Voting

Issue: Minn. Stat. § 203B.11 outlines the process for individuals living in health care facilities to vote. Local election officials send teams of election judges to facilities such as nursing homes and hospitals during the 35 days before the election. They distribute ballots to eligible residents of the facility and provide assistance as needed. Allowing more time for this process would increase resident ability to register to vote or apply for an absentee ballot and ensure their ballot is submitted.

There have been instances when facility staff have refused entry to city elections officials to provide health care facility outreach voting. It is essential that city staff are able to provide this service to ensure that every eligible resident is able to vote should they choose to.

It is not uncommon for residents of health care facilities to move to different rooms or units within a building. If their voter registration is tied to a specific unit within the building, they must re-register to vote

after moving or their ballot may be rejected. This is unnecessary given the resident still lives in the same facility.

The process for health care facility voting is required in precincts that conduct elections by mail. This is confusing for residents and facility staff. This requirement should be eliminated in mail-only precincts though elections administrators should work to ensure that any new resident of a facility is able to register and receive a ballot.

Response: It is critical that those living in health care facilities are able to vote securely and with minimal complication. To do so, the League of Minnesota Cities supports amending state law to increase flexibility for cities and health care facilities partnering in administering elections. This includes:

- a) Extending the time period that clerks are required to administer health care facility voting up to 46 days before an election to coincide with the start of absentee voting instead of the pre-registration deadline.;
- b) Requiring entry into facility for city elections officials to ensure residents are able to vote;
- c) Eliminating the need to include a specific room or unit number on voter registration or absentee ballot applications of those living in health care facilities; and
- d) Exempting mail-only precincts from also conducting health care facility voting while ensuring that new residents are able to register and receive a ballot.

SD-79. Voters Experiencing Homelessness

Issue: Minnesotans experiencing homelessness are able to register to vote using the location of where they usually sleep

as defined in Minn. Stat. § 200.031. This could be an intersection or shelter address. Because the voter does not have a permanent mailing address, the registration is often challenged which then requires a voter to re-register each election. This process also requires a registered voter in the precinct to vouch for that person which can be difficult to find when experiencing homelessness.

For those experiencing homelessness, leaving their space and any belongings can potentially mean losing them. This becomes a significant barrier to registering to vote and participating in elections.

Response: The League of Minnesota Cities supports the following to improve the process for voters experiencing homelessness to safely and securely vote.

- a) Update Minn. Stat § 200.031 to allow an eligible voter to designate a residential address or the address of a facility or residential shelter, such as homeless shelter or woman's shelter, that assists people experiencing homelessness where their official election mail may be sent and have that serve as the address for assigning a precinct and polling location.
- b) Allow cities to do outreach in areas with concentrated populations of those experiencing homelessness to register people to vote, assist with applications for absentee ballots, and issue and receive ballots in a process similar to Health Care Facility outreach.

SD-80. Voter Registration

Issue: While registering to vote is the most critical step an eligible voter must complete prior to casting a ballot, it remains a complicated process and barrier to new voters. Procedures currently utilized in the state have largely remained unchanged for many election cycles and fail to account for changes in population demographics and

increasing demands for non-traditional voting methods.

Minn. Stat. § 201.061 currently stipulates that eligible voters may either register to vote no less than 20 days prior to an election or on Election Day at their polling place. In addition to completing the necessary paperwork, a potential voter is required to provide proof of identity and residence. One option for proof of residence is to have a registered voter from the same voting precinct vouch for the eligible voter.

The vouching process is a vital option for voters lacking current documentation but remains challenging. While voters very likely know people in their neighborhood, this does not guarantee they reside in the same voting precinct. Local roads are often used to divide voting precincts, thus putting neighbors across the street in different precincts. This issue is even more prevalent for voters experiencing homelessness where vouching is often the only viable option for registering. Expanding the eligible vouching list to those who reside in the same city would provide further flexibility to voters and allow election officials to still track the limit of 8 vouches per person.

Under Minn. Rules 8200.5100 the Secretary of State defines the list of acceptable documents that voters may use for proof of residence. While there are many options currently authorized, many comparable or similar documents are not currently allowed. The lack of consistency creates a great deal of confusion for voters as to why documents providing the same information are not treated the same. New emerging industries

and services are also not accounted for. Consideration should be given to adding documents like work paystubs, tax returns, mortgage closing paperwork, non-standard lease/rental agreements (Hotels, AirBnB, group homes), a social service agency letter describing where a homeless voter lives, USPS address change verification, and other documents issued by government entities.

Additionally, under Minn. Rules 8200.5100, voters may present bills due or dated within 30 days of Election Day to meet proof of residence requirements. This timetable can be problematic when the absentee voting period starts 46-days prior to the election. The 30-day window around Election Day often results in some voters not having a current enough bill to register in the first few weeks of absentee voting. It can be confusing for voters as to why their most current bill is not accepted as proof of residence. Having a start date coincide with the start of absentee voting would provide more voters access and remove confusion on the different deadlines.

Response: The League of Minnesota Cities supports modernizing current voter registration procedures such as:

- a) Expanding eligible vouchers to any registered voter in the same city.**
- b) Expanding the list of acceptable documents that can be used for proof of residence.**
- c) Expanding the current 30-day window for original bills that voters may utilize for registration to coincide with the 46-day absentee voting period.**

IMPROVING LOCAL ECONOMIES

LE-1. Growth Management and Annexation

Issue: Unplanned and uncontrolled growth has a negative environmental, fiscal, and governmental impact on cities, counties, and the state because it increases the cost of providing government services and results in the loss of natural resource areas and prime agricultural land.

Response: The League of Minnesota Cities believes the existing framework for guiding growth and development primarily through local plans and controls adopted by local governments should form the basis of a statewide planning policy, and that the state should not adopt a mandatory comprehensive statewide planning process. Rather, the state should:

- a) Provide additional financial and technical assistance to local governments for cooperative planning and growth management issues, particularly where new comprehensive plans have been mandated by the Legislature;
- b) Keep comprehensive planning timelines on a ten-year cycle due to the financial and workload impacts these processes place on cities;
- c) Clearly establish the public purposes served by existing statewide controls, such as shore land zoning and wetlands conservation; clarify, simplify, and streamline these controls; eliminate duplication in their administration; and fully defend and hold harmless any local government sued for a “taking” as a result of executing state land-use policies;
- d) Give cities broader authority to extend their zoning, subdivision, and other land-use controls outside the city’s boundaries, regardless of the existence of county or township controls, to ensure conformance with city facilities and services;
- e) Provide authority for cities to plan and implement plans for roadway improvements in areas where urban or suburban development has created the need for annexation;
- f) Clearly define and differentiate between urban and rural development and restrict urban growth without municipal services or annexation agreements outside city boundaries. This should contain a requirement that counties and joint power districts that provide sewer, water, and other services, which have been traditionally provided by cities, include as a condition of providing service the annexation of properties that are the recipients of such services in cases where annexation is requested by a city that could feasibly be providing those services;
- g) Facilitate the annexation of urban land to cities by amending state statutes that regulate annexation to make it easier for cities to annex developed or developing land within unincorporated areas;
- h) Oppose legislation that would reinstate the election requirement in contested annexations;
- i) Support legislation to prohibit detachment of parcels from cities unless approval of the detachment has been granted by both the affected city and township and the affected county

has been notified prior to the city and township acting on the request;

- j) Oppose legislation that allows orderly annexation agreements to be adopted that prohibit annexation by other cities of property not being annexed under the agreement;**
- k) Encourage ideas consistent with the long-term goal of allowing urban development only in areas currently or about to become urban or suburban in character; and**
- l) Establish stricter criteria on the amount cities can pay to townships as part of an orderly annexation agreement so that payments to townships are limited to reimbursement for lost property tax base for no more than a fixed number of years, documented stranded assessments, and other items for which there is a clear nexus.**

LE-2. Wildlife Management Areas

Issue: The Department of Natural Resources has been pressing for legislative requirements creating development restrictions on property adjacent to land purchased by the state for hunting and other conservation purposes. This issue has been increasingly controversial as urban growth extends into areas previously considered rural and residential property owners are finding themselves adjacent to public hunting land. With large amounts of new revenue going into state land purchase for game and fish habitat and public access purposes because of the passage of the constitutional amendment, these problems could occur even more frequently.

The solution being proposed will put local governments in the position of enforcing state land use restrictions and would require extensive changes to local plans, controls and ordinances. It would also create large

numbers of nonconformities on properties within city limits and would make state wildlife management areas far less desirable due to impacts on future city development.

In rural areas, where this is less of a concern, counties and townships have the authority to object to the state purchasing land for the outdoor recreation system for these very reasons. Cities do not have that statutory right. Due to recent statutory changes (Minn. Stat. § 97A.137, subd. 4) removing city authority to adopt ordinances related to firearm discharge, hunting and trapping activity in wildlife management areas within their borders, these purchases should not occur without city consent and input.

Response: The League of Minnesota Cities opposes the state imposing retroactive development restrictions around existing wildlife management areas.

When purchasing state wildlife management areas and other conservation and outdoor recreation system land, the state should either purchase sufficient land to provide an internal buffer from surrounding development or purchase development rights to land adjacent to the property if such a buffer is deemed essential to preserving the intended uses for the property. This should be required for new land purchases and done where feasible for existing wildlife management areas.

Furthermore, Minn. Stat. § 84.944 and § 97A.145 should be amended to include cities in the local government notification and approval process the state must follow before purchasing public land.

LE-3. Official State Mapping Responsibility

Issue: For many years, the Minnesota Department of Transportation (MnDOT) has

provided the mapping services to keep survey-level accuracy in place for the state's official maps and records. That information changes when roads are made or improved, and needs regular adjustment when municipal boundary adjustments are made. The information is then used at all levels of government to accurately determine property boundaries for transportation aid, utility service boundaries, state and local funding formulas, election issues, and a number of other uses.

No state agency, however, has ever been statutorily provided with mapping responsibility and MnDOT is not funded for providing that level of detail in its mapping. Because MnDOT, as an agency, requires less specificity in its maps, a change has slowly been integrated to mostly restrict MnDOT mapping to what changes occur in road ownership and responsibility, leaving many mapping needs unmet for other users of boundary data.

***Response:* The League of Minnesota Cities supports legislation making a named state entity the official provider of survey-level mapping for the state, including maps for municipal boundary adjustments. The Legislature must provide the necessary appropriations to the entity for providing that service.**

LE-4. Electric Service Extension

Issue: Minnesota law preserves the right of municipal electric utilities to grow with the cities they serve. Municipal electric utilities may grow either through application to the Minnesota Public Utilities Commission (MPUC) or through condemnation proceedings. Eliminating authority of municipal electric utilities to extend services, or making extension of municipal electric service to annexed property unreasonably costly, would interfere with community development and make it unfeasible for municipal electric utilities to

serve properties located within rural electric cooperative (REC) or other electric service provider service territory in annexed areas, even if the REC or other electric utility had not served them prior to annexation.

***Response:* The League of Minnesota Cities opposes any attempt to remove or alter the eminent domain option available to municipal electric utilities in state law, or to make it financially unfeasible for municipal utilities to compensate rural electric cooperatives or other electric utilities for serving future customers who reside in annexed areas where that electric utility has not provided service.**

LE-5. Statutory Approval Timelines

Issue: Cities since 1995 have been required to act on written requests relating to zoning, septic systems, the expansion of Metropolitan Urban Service Areas (MUSA), and other land-use applications in accordance with a statutory time period generally referred to as the 60-day rule. Pursuant to Minn. Stat. § 15.99, state and local government agencies must approve or deny a permit within a statutory timeframe. Failure by the agency to issue a specific denial of the application is deemed an approval.

Minn. Stat. § 15.99 does not directly address whether an appeal of a decision triggers an extension or is part of an original zoning request that must be handled within the 60- or 120-day time period. In a 2004 Minnesota Court of Appeals decision, the court found that a zoning application is not approved or denied for the purposes of Minn. Stat. § 15.99 until the city has resolved all appeals challenging the application. *Moreno v. City of Minneapolis*, 676 N.W.2d 1 (Minn. Ct. App. 2004). According to the court, an appeal is not a request for a permit, license or other governmental approval; therefore, it

does not trigger a new 60-day time period. Under this interpretation, a decision rendered by a zoning board or planning commission is not the final approval or denial of an application if the city allows an appeal to the city council.

This court decision is problematic for a couple of reasons. Forcing cities to further condense the process for considering planning and zoning applications will make it more difficult to gather public input and leave less time for thoughtful deliberation by zoning boards and planning commissions. It may also provide an incentive for cities to extend the original 60-day period in every instance in order to build-in adequate time to consider possible appeals.

The Minnesota Supreme Court recently issued another 60-day rule decision that held that an application to the Minneapolis Heritage Preservation Commission for a certificate of appropriateness was a “written request related to zoning,” and therefore was subject to the automatic approval provision of the 60-day rule. *500, LLC v. City of Minneapolis*, 837 N.W. 2d 287 (Minn. 2013). This opinion creates ambiguity and uncertainty about what permit applications are subject to the law.

Additionally, the statute does not allow for exceptions to the timelines in event of extenuating local circumstances. If a state of emergency limits the ability of city staff to complete the work, it should not result in a de facto approval of applications. Clarification is needed about how these instances are fairly handled to ensure a fair public process can occur for all interested and involved parties.

While the Legislature has clarified some aspects of this law, additional modifications are necessary to assist cities in providing accurate and timely responses to applicants and to allow adequate time for public input. Furthermore, as city staff and financial

resources are increasingly limited, flexibility in the length of approval timeline requirements may be needed at the local level.

Response: The Legislature should repeal or amend Minn. Stat. § 15.99. If repeal is unlikely, amendments should:

- a) **Increase the initial time limit to 90 days or have the language in Minn. Stat. § 15.99 apply as the default requirement only in cases where permitting bodies have not established an independent approval timeline;**
- b) **Clarify that approval does not abrogate the need for approvals under other applicable federal, state or local requirements;**
- c) **Provide appeal rights to adjacent property owners;**
- d) **Clarify that, if requests are to be decided by a board, commission or other agent of a governmental agency, and the decision of the board, commission or other agent is adopted subject to appeal to the governing body of the agency, then the agency may extend the 60-day time limit to resolve the appeal; and**
- e) **More clearly define that the phrase “related to zoning” refers to a traditional land use decision such as rezoning, conditional use permits, and variances.**
- f) **To address states of emergency, add the following new language to the statute: (h) The time limits in subdivision 2 and 3 are paused if the governor declares a state of emergency under section 12.31. In cases described in these paragraphs, the deadlines in the areas included in the emergency declaration remain paused until ten days after the**

expiration of the state of emergency, applied to any written application awaiting action that was submitted prior to or during the state of emergency.

LE-6. Maintenance of Retaining Walls Adjacent to Public Rights of Way

Issue: The Minnesota Constitution grants cities the power to “levy and collect assessments for local improvements upon property benefited hereby.” Retaining walls are one of the many improvements that a city is authorized to make on behalf of its residents, and Minnesota’s special assessment law, Minn. Stat. ch. 429, authorizes cities to charge special assessments on properties that are benefitted by an improvement.

The Minnesota Court of Appeals held that the city of Minneapolis had a nondelegable duty of lateral support to a property owner with a retaining wall abutting a city sidewalk. *Howell v. City of Minneapolis*, 2013 WL 1707759 (April 22, 2013). A subsequent jury found that the city created the need for lateral support when it built the street and sidewalk adjacent to the property, making the city responsible for the maintenance the retaining wall, despite the fact that the property is clearly benefitted by the retaining wall.

The special assessment statute anticipates the need for cities to create retaining walls when making public improvements, and this holding could create significant costs for cities forced to repair and maintain retaining walls that benefit a single property. A choice by a developer or previous property owner to build a retaining wall to improve the value or usefulness of property may appear to be necessary today, but determining who first created the need for lateral support in the past can involve costly and time-

consuming historical research that may not reveal a clear answer.

Response: The Legislature should amend the special assessment statute so that retaining walls needed to facilitate public improvements are treated the same as other local improvements. In cases where retaining walls located along public rights of way or within drainage and utility easements separate public improvements from adjacent properties, the Legislature should establish a rebuttable presumption that the need for lateral support was created by the property owner.

LE-7. Development Disputes

Issue: State law is clear that fees collected under Minn. Stat. ch. 462 are eligible for judicial review in the event of dispute. The Legislature limited the timeframe during which an aggrieved party may challenge planning and zoning fees to 60 days after approval of an application. However, the law is not clear about what notice requirements to the municipality are necessary, relative to the timing for a person aggrieved by an ordinance or decision under the municipal planning act to seek review.

Response: The Legislature should amend Minn. Stat. § 462.361 to establish a 60-day time limitation in which an aggrieved person may bring an action against the municipality.

LE-8. Foreclosure and Neighborhood Stabilization

Issue: Cities dedicate scarce resources to address public safety and maintenance challenges associated with foreclosed, vacant, and under-maintained homes. Left unaddressed, these properties destabilize neighborhoods, depress neighborhood property values, and potentially increase the costs of municipal services. Cities’ revenue also continues to decline due to delinquent

utility payments and property tax payments, as well as added costs for nuisance abatements. Although the number of those mortgage foreclosures has stabilized somewhat since the peak of the recession in 2008 and the height of the COVID-19 pandemic, issues surrounding community recovery remain ongoing.

State and local governments can play an important role in spurring reinvestment in struggling neighborhoods, but without additional resources to address the variety and costly impacts of foreclosures and vacant properties, cities cannot maintain or increase those activities to meet local needs. The federal government has provided funds for neighborhood stabilization and direct mortgage assistance to residents, but such funds are limited in eligible uses and scope, and they are only available to a limited number of cities.

Contracts for deed have been used to successfully buy and sell thousands of homes around Minnesota. According to research completed by the Pew Charitable Trusts that analyzed land contracts in the U.S. from 2005-2022, Minnesota has the fourth-most land contracts in the U.S. However, some property owners use contracts for deed as an alternative to a traditional lease, even though the purchaser has no intention of buying the home. Some communities have encountered a situation where a property owner is buying many homes in a community, then selling them on contract for deed. This can allow a person to essentially act as a landlord while evading a city's rental inspection and rental licensing process, while the buyers lose the traditional legal rights and protections as tenants. Many view it as a way to rent the property and may not be aware of it being a contract for deed.

Numerous problems arise for cities and neighborhoods when property owners are

acting essentially as renters. It is difficult to determine who is responsible for maintaining the property or for paying utility bills and property taxes, and cities may not be able to inspect substandard properties if they are not subject to a lease agreement. In some situations, property owners may wish to have a renter be the responsible party for utility bills and utilize contract for deed arrangements to have the person living on the property be the responsible party. The property may also not be recorded at the county for homesteading purposes if the buyer is not aware of the formal change in ownership that results from a contract for deed. During the 2024 legislative session, contracts for deed policy reform was passed by the legislature and signed into law that provides additional protections to buyers. Policy to further protect buyers in contracts for deed include additional time to make late payments and a requirement that the burden for recording the contract is now on the seller among other protections to prevent predatory uses of contracts for deed.

In recent years, investor ownership of single-family housing stock has increased as investors including both small investors and large private equity companies have continued to purchase single-family homes to convert to residential rental uses. According to the Minneapolis Federal Reserve Bank, investor-ownership rate for residential properties in the metropolitan area has more than doubled from 2006 to 2015 but has since stabilized in the past three years. While the trend of investor ownership has stabilized, the increase in single-family rental housing continues to impact city housing stock as investor purchases of affordable single-family homes are often concentrated in lower income neighborhood, which can remove homeownership opportunities and make it harder for lower-income households to compete in the housing market. While

investor ownership creates single-family rental opportunities, strategies deployed by certain investors that seek to maximize profits can lead to a deterioration of housing quality.

Response: The Legislature should:

- a) **Secure increased state and federal resources and provide financing tools to help cover city costs associated with foreclosed and /or vacant properties, community revitalization strategies, and community investment, including revenue sources for programs that support foreclosure mitigation, homeownership counseling, and expanded homeownership opportunities and are sustainable;**
- b) **Explore additional city authority to allow cities to take more expedient action to acquire tax forfeited property in order to protect foreclosed and/or vacant homes from damage and to help preserve property values in neighborhoods where concentrations of such conditions are present, including an expedited process to address nuisance properties;**
- c) **Reexamine the Contract for Deed statutes to mitigate predatory contract for deed arrangements and ensure property owners adhere to local rental licensing requirements, and provide local jurisdictions resources to allow for education of future buyers and sellers in contract for deed arrangements;**
- d) **Support local authority for cities to collect all delinquent taxes, utility bills, liens, and assessments on foreclosed, vacant, boarded and/or tax forfeited properties;**
- e) **Improve notification to cities, and consistency in the information**

available to cities, when a property is in the foreclosure process and vacated and advance policies that make it easier for cities to step in during the tax forfeiture sale process in order to more effectively address blighted properties;

- f) **Support coordinated responses to prevent foreclosures, activate and guide private investment and home purchases, and support distressed neighborhoods;**
- g) **Continue to study and monitor the impacts on the housing market of investor-owned homes and enact policy that provides cities with the tools to mitigate any negative impacts on city housing stock and prospective homebuyers due to investor-owned purchasing of homes without penalizing small investors and property owners;**
- h) **Re-enact a program at the state level similar to “This Old House” to allow owners of qualifying single-family homes or multi-unit rental properties to defer the increase in tax capacity from repairs or improvements to their homestead property as an incentive for cities to maintain and improve the sustainability of housing stock or provide state assistance to cities who wish to provide incentives for homeowners to make repairs and improvements to their property; and**
- i) **Support programs that provide resources to cities for rehabilitation or new construction of single-family homes.**

LE-9. Housing Policy

Issue: Cities recognize that stable housing is essential to the health, safety, and welfare of residents. Since the Fair Housing Act of 1968, and more recently with the

recognition that certain barriers to housing disparately impact certain members of our communities, local government has been obligated to promote and reduce barriers to fair housing and equal opportunity. For example, households with housing choice vouchers face many barriers to securing housing in the private rental market, especially when rental vacancy rates are low. Currently rental vacancy rates are at a historic low in much of the state. As a result, many families and individuals may be unable to use their housing choice vouchers and thus unable to secure safe, decent and affordable housing. Additionally, many renters and homeowners face challenges from housing displacement due to rising costs, uninhabitable housing, and eviction that exacerbates housing instability and homelessness.

Despite progress since the Fair Housing Act of 1968, households of color nevertheless experience a gap in homeownership rates compared with white households and have faced barriers to housing due to a history of housing policies and lending practices that disproportionately benefit white households (i.e., application of GI bill largely only to white soldiers returning from war, redlining, and restrictive covenants). According to the U.S. Census Bureau and American Community Survey data, the homeownership rate in Minnesota for non-Hispanic White Americans is 78%, which is above the national rate of 74.4%. However, the homeownership rate for homeowners of color in Minnesota is 41.8%, which remains well below the national black homeownership rate of 44 percent. Comparatively for Hispanic Americans, the homeownership rate is around 47% and for Asian Americans, it has hovered around 53%. According to the Minnesota Housing Finance Agency analysis of the most recent U.S. Census Bureau's American Community Survey, Minnesota has one of the highest

homeownership rates in the nation, but the state has the fourth largest disparity in homeownership rates between white/non-Hispanic households and households of color.

According to the most recent U.S. Census Bureau's American Community Survey, households of color are also more likely to experience cost burden (paying more than 30% of their income on housing). In Minnesota, 57% of renter households of color experience cost burden as compared to 45.5% of white renter households. Project based and voucher based rental assistance that enable renters to pay no more than 30% of their income on housing are critical to reducing cost burden disparities. Nationally, according to data analysis provided by the Urban Institute, only 1 in 5 households who qualify for a Section 8 voucher receive this critical form of rental assistance. Despite legislative efforts in Minnesota to create a sustainable state rental assistance program, the program is likely to fall short of addressing the need. As a result, low-income families often make tradeoffs to reduce housing costs. Families may choose or only be able to afford living in poor-quality, substandard housing or a long distance from work opportunities to reduce housing costs. The imbalance between the demand for affordable housing and the supply of low-cost rentals contributes to increasing housing costs. At the same time, wages have remained stagnant and not kept up with increased housing costs resulting in more and more families experiencing housing cost burden. Rent-burdened households have higher eviction rates, increased financial fragility, and wider use of social safety net programs, compared with other renters and homeowners. The rates and severity of rent burden, especially for households of color, have increased housing instability and resulted in fewer households transitioning from renters to homeowners.

Response: The Legislature should:

- a) **Support policies that allow local leadership on zoning and land use changes that are sensitive to individual community needs and housing goals including incentive-based approaches and options that can be tailored to each individual community and oppose policies that seek to impose one-size-fits-all rigid zoning and land use framework on cities.**
- b) **Support resources and programs that seek to assist communities and landlords in their efforts to reduce barriers to housing and promote fair housing and equal opportunity including a prohibition on landlords denying housing opportunities to residents based on their source of income and support efforts by the federal government to promote fair housing policies intended to protect people from housing discrimination and encourage the federal government to provide more flexibility within the Section 8 voucher program so that renters can more readily maintain and place their vouchers in a tight rental market;**
- c) **Support housing stability for renters through policies that mitigate the impact of or reduce evictions filed including providing clear statutory authority for cities who seek to impose tenant protection ordinances that mitigate renter displacement;**
- d) **Seek to identify and reduce racial disparities in homeownership in Minnesota and support policies and encourage innovative solutions that address structural barriers for people of color when it comes to accessing housing including policies that encourage fair lending and provide homebuyer education and funding for down payment assistance to low-income households;**
- e) **Support programs that seek to recruit and retain emerging and diverse developers interested in housing development.**
- f) **Support programs that reduce cost burden among renters and support policies that address barriers for people of color when accessing safe, healthy and quality affordable rental housing; and**
- g) **Support resources and policies that encourage public-private partnerships between cities and entities seeking to expand new affordable homeownership and rental opportunities, prevent renter displacement, and reduce the racial gap in homeownership and reduce cost burden.**

LE-10. Resources for Affordable Housing

Issue: Cities, along with local housing officials, are concerned about the need for proactive commitment at the state level to aid cities to meet demand for affordable housing that is sensitive to local conditions, emerging trends, and changing demographics. This includes meeting the needs of lowest-income households as well as an aging population and ensuring a wide range of lifecycle housing options that allow seniors of all incomes to stay in their community, addressing racial disparity gaps in housing, and responding to emerging trends, such as the need to preserve federally subsidized housing and naturally occurring (unsubsidized) affordable housing. The League also recognizes that federal, state and local governments all have a role to play in meeting affordable housing needs, overcoming barriers to housing stability

such as high market prices, eviction, and foreclosure, and responding to problems caused by vacant homes and the increase in rental properties that are the result of foreclosure.

It is generally agreed that Minnesota has a substantial supply gap of housing units across the housing spectrum, especially units that are affordable to lower income Minnesotans making 30% of average median income or less. Housing for extremely low-income Minnesotans and supportive housing with social services are particularly underserved by traditional market rate housing providers and require committed ongoing operating funding along with initial capital support.

Response: The Legislature should:

- a) **Support the affordable housing priorities of the Minnesota Housing Finance Agency (MHFA) that benefit cities, which include making resources and methods available to maintain and improve existing affordable homes, including publicly subsidized deeply affordable, and housing stock that is aging such as naturally occurring (unsubsidized) affordable housing;**
- b) **Provide stable and long-term funding, including but not limited to dedicated funding sources, for Minnesota Housing and other affordable housing programs that support local housing efforts, including those that encourage innovation and recognize regional markets, provide flexibility for cities to create partnerships and leverage resources with private and public entities. Support capital investment resources for affordable and public housing, stable and long-term funding for supportive services and programs that address homelessness and reduce barriers to stable housing and**

homeownership, consistently fund the state housing tax credit program and contribution fund to continue building upon the state's partnership with local governments and the private sector in the development of homeownership, and multi-family rental assistance and housing renovation programs;

- c) **Consider establishing a program to address immediate needs throughout the year to provide a match for new or existing city-supported affordable housing projects. This could include matching funds, issued on a timeline that is consistent with local budgeting processes, for local revenues allocated to a local affordable housing trust fund;**
- d) **Expand authority for all cities to transfer unobligated pooled increment from a housing or redevelopment TIF district to support a local housing trust fund for any eligible expenditure under Minn. Stat. § 462C.16 and expand TIF flexibility to allow for housing TIF districts to include income averaging and allow for rental and homeownership units for incomes higher than the existing 20-50 and 40-60 income limitations;**
- e) **Substantially increase long-term funding for the Economic Development & Challenge Fund to leverage local private and public resources to develop workforce rental and single-family homes;**
- f) **Support legislation to provide sales, use, and transaction tax exemptions or reductions for development and production of affordable housing and use state bond proceeds for land banking and trusts as well as rehabilitation and construction of affordable housing;**

- g) Provide funding and financing tools to cities to create affordable senior housing for our aging population;
- h) Provide funding and financing tools to cities to create affordable housing and prevent foreclosure for veterans;
- i) Support for funding to reduce the racial gap in homeownership rates, such as targeted homeownership capacity building and homebuyer assistance;
- j) Support additional funding for the housing choice voucher programs or other rental assistance programs and financial, tax, and/or other incentives for rental property owners to participate in these programs;
- k) Support the continuation and possible expansion of guardrails required by the current 4d Low-Income Rental Classification under Minn. Stat. § 273.128 that provides a class rate reduction in property taxes to qualifying low-income rental properties. Extend the 4d transition aid to all cities on a permanent basis and base any program expansion proposals of any state mandated class-rate reduction on a full analysis of the impacts to local property tax bases. Ensure that any modifications to class-rate reductions or market value exclusions are balanced between the tax benefit to existing and future units that benefit from the property tax reduction and the increased tax burden on the existing property tax base due to any expansion;
- l) Support sustainable funding for infrastructure grants currently available to cities to assist with the cost of providing critical infrastructure and ensure that residential sites are shovel ready for development; and
- m) Authorize resources by way of a tax credit, tax increment financing including property in existing TIF districts, and other policy tools or general fund appropriations to support the conversion of existing non-residential property, including vacant properties, into multi-family housing or new types of uses that support economic growth of cities.
- n) Support cities and Housing and Redevelopment Authorities' affordable housing and homeownership programs by directing state agencies to eliminate or reduce the transactional costs associated with the purchase, transfer, remediation, and preparation of state-owned remnant, undeveloped or underutilized properties that could be utilized for residential development.
- o) Amend the pooling restrictions in 469.1763 subd. 2d to increase the percentage of expenditures for activities located outside the district from 10% to 25% and the eligible uses of those funds if the expenditure is transferred to housing initiatives that serve 115% or less of local area median income.

LE-11. Greater Minnesota Housing

Issue: Cities in greater Minnesota share many of the same housing needs as metro communities. However, not unlike differing real estate markets within a city, greater Minnesota communities often have vastly different market conditions for housing that can necessitate priorities that vary from metropolitan areas. Greater Minnesota cities face unique challenges that affect the affordability, quality, and availability of housing. While local communities in greater

Minnesota are focusing on local efforts to attract development and encourage growth, assistance is often needed from state and federal resources to construct and rehabilitate greater Minnesota housing stock and that assistance should better accommodate the varying realities of a diverse state and housing markets.

Like many metropolitan cities, greater Minnesota city housing studies often cite challenges at many levels of the economic spectrum that impact local economies and population growth. However, incomes within exclusively rural and rural/town mix counties are well below average incomes in exclusively urban counties. The US Bureau of Economic Analysis demonstrates over a 62% earnings gap between entirely rural and entirely urban counties. Greater Minnesota communities in many cases do not have a significant percentage of high-earner workers that earn a high enough salary to afford today's newly constructed housing units. This factor along with the rising costs of construction materials and labor are outside of the control of local communities but lead to an overall lack of housing stock in many greater Minnesota cities.

However, one of the most vexing difference in the housing continuum is the lack of production of market rate housing in rural communities. The lack of market rate production has led to aging housing stock in greater Minnesota cities that hinders economic growth. At least 25% of the housing stock in 34 of greater Minnesota's 80 counties was built before 1940 and only four counties in greater Minnesota have 5% or more of their housing stock constructed in 2010 or later. The aging owner-occupied and rental housing stock have low assessed values far below any reasonable cost of new construction and thereby translates to an environment where lenders and developers often shy away from new market rate

developments because of these valuations or low prevailing rents.

The circumstances also mean that the few affordable housing projects that do make their way to greater Minnesota are often notably of higher quality than the average market rate housing stock if they were lucky enough to produce any. Many of these affordable units rent for 20-37% higher than what individuals would otherwise be able to afford in many greater Minnesota cities if they were buying a median valued home of significant age. Though numbers certainly differ, modest market rate units that have been attempted or in some instances advanced in Greater Minnesota communities have a per unit cost of \$140-\$150,000 while a tax credit project with their added soft cost can often reach costs of \$225,000 per unit or more. Project costs for workforce housing can also become prohibitive for many developers in greater Minnesota due to prevailing wage requirements. While greater Minnesota cities are looking to gain every advantage and stretch limited local resources for housing, more state assistance should be focused to allow rural communities to minimize the financial gap of market rate production.

Response: The Legislature should:

- a) Appropriate funding to state assistance programs serving greater Minnesota including increasing base appropriations for the Statewide Affordable Housing Aid program to ensure all Greater Minnesota cities regardless of population receive a meaningful amount of resource via formula for housing priorities and ensure other program appropriations to account for the state imposed prevailing wage requirements;**
- b) Require a comprehensive analysis of the state's housing assistance programs to better determine the**

specific needs of greater Minnesota communities and adjust programs accordingly;

- c) **Change Tax Increment Financing rules to address specific housing challenges in greater Minnesota, including but not limited to, permanently extending the timeframe for pooling redevelopment TIF projects from 5 to 10 years to allow more flexibility for rural communities to amass properties and finance projects while removing blight and amending the affordability restrictions for housing TIF to be used for workforce or market rate housing production in areas of low market rate production to provide parity at a 25-year duration;**
- d) **Appropriate more state resources and establish grant and forgivable loan programs that support market rate and senior housing development proposals in greater Minnesota communities where production is extremely low and modify the Statewide Affordable Housing Aid program income restrictions to allow for market rate housing development; and**
- e) **Work to address the disconnect between communities that follow the Statewide Building Code and those areas that do not to ensure a level playing field while encouraging prudent health and safety measures and ensure that building code changes that add cost to housing construction and maintenance include a cost-benefit analysis. Furthermore, the building code should not be used to further disadvantage cities for the investments they have made in infrastructure to comply with**

regulatory and smart growth principles.

LE-12. Energy Efficiency Improvement Requirements for Housing

Issue: Rising energy costs have brought attention to the poor energy efficiency of many private residences and multi-family properties, especially in older housing stock. The affordability of housing could be severely impacted by continued increases in home energy costs. Improvements in the energy efficiency of housing would improve the affordability of local housing options and would help achieve state energy demand and greenhouse gas emission reduction goals. The challenge is how best to achieve that result.

Legislative discussions have suggested that minimum energy efficiency improvements could be added as point-of-sale requirements, including energy use disclosure and basic renovations such as improved attic insulation levels, window caulking and other air sealing, or improved light fixtures.

While the goals of such a program are laudable, there are a number of concerns for how this would actually be accomplished in individual cities. Most cities do not, for example, have point of sale inspections. There will also be cases where the building could be structurally unable to meet high attic insulation requirements, such as with manufactured housing or with older houses with very little attic space. There are also concerns that the cost of meeting these energy requirements could result in homeowners being reluctant to sell their houses because of the expense of the improvements that would be required to meet new standards or property owners passing on the cost of upgrades to tenants.

Increased exposure to educational information, such as increased access to energy audits and more familiarity with and access to programs that finance energy efficiency projects could increase adoption of energy efficiency improvements. Electric utilities provide successful, cost-effective energy efficiency programs, have a customer relationship with homeowners, a regulatory requirement to meet energy demand reduction goals through conservation spending, and access to technical expertise that can take into account variations in building age and construction. Cities could, however, play a strong role in increasing public exposure to approved educational materials and providing incentives through the use of other local financing support options for property owners, such as grants, loans, and a Property Assessed Clean Energy (P.A.C.E.) program. Cities could also take advantage of the recently added assessment authority in Minn. Stat. § 429.021 to provide financing for energy improvement projects in residential properties of five or more units if a property owner petitions for an energy improvement project in an existing building.

***Response:* The League of Minnesota Cities agrees that there is a need to improve the energy efficiency of residential building stock to reduce energy consumption and improve the affordability and livability of housing. The state should focus its efforts on improving educational programs and on improving the use of the existing statewide Conservation Improvement Program (CIP) and similar programs and provide property owners with technical and financial support for weatherization and energy efficiency improvements. Further, the state should work to make residential Property Assessed Clean Energy (P.A.C.E.) programs viable for local governments.**

Cities should use their communication tools, such as newsletters, web sites, and staff communications to promote these efforts and to help link property owners to educational materials and program resources. Additionally, cities could be incentivized to adopt strategies to disclose energy usage data for building owners to identify options for cost-efficient energy improvements.

LE-13. In-Home Day Care Facilities

Issue: There are restrictions on the ability of a city to regulate licensed day care facilities. Minn. Stat. § 462.357, subd. 7, states that certain licensed residential facilities and day care facilities must be considered a permitted single-family use for zoning purposes. The restriction is designed to protect “in-home” daycare facilities, but the law applies even if the facility is not the primary residence of the day care provider. This creates a loophole for providers to use a single-family home as a commercial daycare facility, which might not otherwise be allowable under a city zoning ordinance. In 2024, legislation was passed to prevent homeowner’s associations, condo associations, housing cooperatives, or any covenant on real property from prohibiting a homeowner from having a licensed in-home day care.

***Response:* The Legislature should amend Minn. Stat. § 462.357, subd. 7, to clarify that a licensed day care facility serving 12 or fewer persons is considered a permitted single-family use only if the license holder owns or rents and resides in the home.**

LE-14. Residential Programs

Issue: Minnesota’s deinstitutionalization policy seeks to ensure that all people can live in housing that maximizes community integration. Minn. Stat. § 462.357, subd. 6a. states that “persons with disabilities should

not be excluded by municipal zoning ordinance or other land use regulations from the benefits of normal residential surroundings.” Minnesota cities support inclusion of people with and without disabilities in their communities, but these policies are best implemented with minimal encroachments on municipal zoning authority and positive working relationships between cities, care providers, and the state.

On one hand, treating persons with disabilities differently generally raises questionable issues of disparate treatment with the Federal Fair Housing Act. On the other hand, without some regulation, cities are powerless to protect individuals with disabilities from a clustering of residential programs within one neighborhood. As the Department of Justice has stated, while density regulations are generally suspect, “if a neighborhood came to be composed largely of group homes, that could adversely affect individuals with disabilities and would be inconsistent with the objective of integrating persons with disabilities into the community.” (*Joint Statement of the Department of Justice and the Department of Housing and Urban Development.*)

To this end, and in upholding a state and local dispersal requirement, the Eighth Circuit Court of Appeals stated that the requirement was designed to ensure that people with disabilities “needing residential treatment will not be forced into enclaves of treatment facilities that would replicate and thus perpetuate the isolation resulting from institutionalization.” *Familystyle of St. Paul, Inc. v. St. Paul*, 923 F.2d 91, 95 (8th Cir. 1991).

City authority to regulate the locations of residential programs is limited by state statute and the federal Fair Housing Act (FHA), although Minn. Stat. § 245A.11, subd. 4, prohibits the Commissioner of Human Services from granting an initial

license to a residential program of six or fewer people within 1,320 feet of an existing residential program in cities of the first class.

In 2015, Minn. Stat. § 245A.11, subd. 4, was amended to clarify that the Commissioner of Human Services is required to approve licenses for “community residential settings” within 1,320 feet of existing residential programs. A “community residential setting” is commonly known as adult foster care. While this was the original intent of the legislature, statutory terms changed over the years; this amendment was to make various statutory references consistent.

In 2022, Minn. Stat. § 245A.11, subd. 2, was amended to temporarily allow licensed residential care services provided to more than four people with developmental disabilities in a supervised living facility, including intermediate care facilities for people with developmental disabilities as a permitted single-family residential use at an increased capacity of seven to eight people until July 2023. Cities that have zoning regulation already in place prohibiting this type of facility as a single-family residential use do not have to permit the use.

Sufficient funding and oversight are needed to ensure that residents living in residential programs have appropriate care and supervision, and that neighborhoods and residents of residential programs are not negatively impacted by high concentrations of these types of programs. As it stands now, there is nothing preventing clustering of residential programs in most cities in the state. Cities want to be part of the solution, and more than anything cities desire to be, and should be, partners in serving the policies of deinstitutionalization. Cities have an interest in, and are in the best position, to preserve a balance in residential neighborhoods between residential programs and all other uses. Because Minnesota cities

are committed to inclusion of all individuals, it is in the best interest of the state, care providers, and those individuals served, that all parties include cities as partners before opening a residential program to best plan for community integration.

In 2024, legislation was passed that prohibited all cities from subjecting state licensed group assisted living facilities licensed under Minn. Stat. § 144G and Minn. Stat. § 245D.02 with six or fewer residents from any city-imposed rental licensing requirements.

Response: Cities should maintain the statutory authority to require agencies, as well as licensed and registered providers that operate residential programs, to notify the city before properties are operated. Cities should be provided with the necessary contact information after a residential program is licensed or registered. Providers applying to operate residential programs should be required to contact the city to be informed of applicable local regulations. Finally, licensing or registering authorities must be responsible for quickly responding to life-safety issues within a property and issues that arise that impact surrounding residents including the removal of any residents incapable of living in such an environment, particularly if they become a danger to themselves or others. The Legislature should recognize the importance of city rental licensing requirements that ensure minimum life safety standards, hold providers accountable, and protect residents. The League supports repealing the legislation passed in 2024 that prohibited all cities from subjecting state licensed group assisted living facilities licensed under Minn. Stat. § 144G and Minn. Stat. § 245D.02 with six or fewer residents from any city-imposed life safety rental licensing requirements.

LE-15. Inclusionary Housing

Issue: Provisions in current state statute (Minn. Stat. § 462.358, subd. 11) allowing cities to enter into development agreements for the inclusion of a portion of the units in the development to be affordable for low- or moderate-income families have been a source of conflict between cities and housing developers.

Cities are concerned builders that view this statute as a restriction on local authority to adopt policies that promote availability of housing affordable to those who are unable to purchase or rent housing at price points that the market alone provides.

Response: The Legislature should:

- a) **Strengthen and clarify cities' authority to carry out policies that offer developers a range of incentives in return for including a designated number of affordable units in their projects and clarify in statute that both statutory and charter cities have the option to collect a payment in lieu of the inclusion of affordable housing units that can be directed to a local housing trust fund to support affordable housing preservation, development, and tenant stabilization;**
- b) **Identify strategies to ensure long-term affordability of rental and owner-occupied housing produced as a result of such policies and practices including expanding the parameters of affordable housing restrictive covenants to extend beyond 30 years to ensure long-term affordability;**
- c) **Focus state housing policy to support for local assessment of housing needs and direct additional state resources and the full exercise of local authority to increase development of affordable rental units and access to entry-level, owner-occupied housing; and**

- d) **Support voluntary measures to encourage cities to adopt and carry out land-use plans, activities, and subdivision regulations aimed at providing for construction and marketing of housing where a portion of all new units are affordable to lower-income households.**

LE-16. Community Land Trusts

Issue: The increasing price of land available for housing development, particularly for retaining affordability of housing for lower-income households, is a concern throughout the state. Creating more permanently affordable, owner-occupied housing depends heavily on maximizing the cost-effectiveness of taxpayer investments. The Legislature has previously appropriated funding and granted the Minnesota Housing Finance Agency authority to assist cities with funding community land trusts (CLTs) for affordable housing.

Currently, Land Trust properties have a tax classification of .75% and property owners must pay property taxes based on the market value of the property, which is assessed relative to neighboring properties. However, because land trust properties are to remain permanently affordable, land trust owners can only receive a portion of the appreciation of the value of the home when a sale is made.

Response: The Legislature should:

- a) **Support continuation of the land trust capacity-building program and provide capital start-up funds so community land trusts can continue to offer gap financing, interest rate write-downs, predevelopment financing, and financial underwriting and explore other incentives for homeowners to sell their properties to land trusts to build capacity; and**
- b) **Support class-rate reduction for community land trust properties equivalent to the existing 4d Low-Income Rental Classification so long as the reduction in property taxes does not result in an undue tax burden on other properties that will have to accommodate the shift in property taxes.**

LE-17. Telecommunications and Information Technology

Issue: Telecommunications and information technology is essential public infrastructure for the efficient, equitable, and affordable delivery of local government services to residents and businesses.

Telecommunications includes voice, video, data, and services delivered over cable, telephone, fiber-optic, wireless, and all other platforms.

Response: The League of Minnesota Cities supports a balanced approach to telecommunications policy that allows new technologies to flourish while preserving local regulatory authority. Regulations and oversight of telecommunications services are important prerogatives for local government to advance and balance community interests, including ensuring public safety, ensuring equitable access, maintaining high quality basic services that meet local needs, spurring economic development, and providing affordable rates to all consumers. Policies should strengthen and not diminish local authority to manage public rights-of-way including public and private infrastructure, to zone, to collect reimbursement of costs and reasonable compensation for the use of public assets, or to work cooperatively with the private sector. The League opposes the adoption of state and federal policies that restrict

cities' ability to finance, construct, and operate telecommunications networks.

LE-18. Broadband

Issue: High-speed Internet is essential infrastructure needed by cities to compete in a global economy. Yet many communities do not have access to broadband at affordable prices. High fixed costs, low density, and short-term return-on-investment thresholds for private sector providers contribute to the lack of broadband across the state. Investing in universal broadband access has substantial local and regional economic benefits for communities of all sizes. Cities and other local units of government are facilitating the deployment of broadband services to increase connectivity, reliability, availability, and affordability for residents, schools and businesses through a variety of models, including municipal broadband and public-private partnerships. However, attempts have been made to restrict cities from providing telecommunications services, particularly in unserved or underserved areas. Past court cases have overturned interpretation by the Federal Communications Commission (FCC) that states may not limit the extension of municipal broadband services from one city to another.

Due to the high costs of broadband infrastructure, the state continues to expand its role to identify and formulate tools and provide resources to expand broadband access. The Office of Broadband Development within the Department of Employment and Economic Development (DEED) has developed a strong partnership through its efforts on broadband infrastructure deployment and digital inclusion between the state, local communities, and broadband providers to deploy high-speed Internet in unserved and underserved areas. The Office supports

broadband expansion through broadband mapping and managing the state's Border-to-Border Broadband grant program, which is funded by state general fund appropriations and more recently funds authorized by the federal government for broadband deployment. In addition to the state's focus on extending broadband to unserved areas, Minnesota must also be on the cutting edge for next-generation broadband investments and ensuring that Minnesota's statutory speed goals in Minn. Stat. § 237.012 are updated to reflect emerging technologies and broadband use trends. It is also critical that the state maintain authorization of stable general fund spending for broadband infrastructure deployment as a priority to address the state's statutory speed goals and utilize state resources to bolster federal broadband funding including the Broadband Equity Access and Deployment (BEAD) Program authorized by the federal Infrastructure Investment and Jobs Act of 2021.

Response: To promote economic development, education and achieve state broadband goals, the Legislature, Governor's office, and state agencies should:

- a) **Identify and implement actions for the state to reach and maintain a position in the top five states for broadband speed that is universally accessible to residents and businesses;**
- b) **Make significant investments to the Border-to-Border Broadband Grant Program and continue to encourage public/private sector collaboration including options that use technologies such as wireless while remaining consistent with the League's Right-of-Way Management policy to cost-effectively expand broadband service access;**

- c) Support measures to authorize and encourage cities and other local units of government to play a direct role in providing broadband infrastructure and/or services;
 - d) Offer incentives to private sector service providers to respond to local or regional needs and to collaborate with cities and other public entities to deploy broadband infrastructure capable of delivering sufficient bandwidth and capacity to meet immediate and future local needs;
 - e) Adopt policies which seek to position Minnesota as a state of choice for testing next-generation broadband technologies;
 - f) Affirm that cities have the authority to partner with private entities to finance broadband infrastructure using city bonding authority;
 - g) Remove barriers that limit the ability for the state to deploy Border-to-Border Broadband grant funds in areas that may be served by existing or future federal broadband programs and those that restrict anti-competitive practices, and prevent predatory action that prevent or impede cities, municipal utilities, schools, libraries, and other public sector entities from collaborating and deploying broadband infrastructure and services at the local and regional level;
 - h) Supporting funding and efforts to continuously update and verify comprehensive statewide street-level mapping of broadband services to identify underserved areas and connectivity issues;
 - i) Discuss how well the FCC and state broadband maps document actual broadband coverage across Minnesota including wireless options. These maps are used by funders to determine grant program eligibility making overstatement of available services highly consequential with negative impacts for rural places;
 - j) Recognize the crucial role of local government in the work of the Governor's Broadband Task Force and fund the Office of Broadband Development (OBD) and ensure base budgets supporting OBD remain at levels sufficient for it to meet its statutory mandates;
 - k) Support the creation of new policies and resources that improve broadband adoption, hold internet service providers receiving funding accountable, achieve significantly higher broadband speeds, and support efforts to improve digital inclusion including the ability for cities to franchise broadband providers;
- On the federal level, the League urges Congress to adopt laws restoring the ability of municipalities to extend beyond their borders to serve unserved and underserved areas. The League also urges Congress and the Federal Communications Commission to structure federal broadband grant programs to work in conjunction with the state's Border-to-Border Broadband grant program and not prohibit state funding in areas that receive federal broadband assistance if those areas could also benefit from state funding.
- ### **LE-19. Cable Franchising Authority**
- Issue:* Municipal cable franchising has resulted in equitable construction with cable operators providing uniform quality of cable service and uniform cable pricing to city residents. Municipal franchising authorities

have acted to protect cable subscribers and have required cable operators to provide public benefits, such as the construction of municipal networks and access channels. Communications systems not subject to franchising in many areas have systems incapable of serving municipal residents uniformly. Municipal cable franchising has been the most successful authorization of communications service providers with access to the public rights-of-way including equitable deployments resulting in uniform quality of service, pricing and public benefits.

Response: State and federal policy should maintain local cable franchising authority and local oversight of the public rights-of-way and the legislature and federal government should take all efforts necessary to update and improve municipal cable franchising authority in all state and federal legislative and regulatory proceedings to reflect market trends and emerging technology.

- a) **Maintaining provisions in Minn. Stat. Ch. 238 that establish and uphold local franchising authority, including the authority to receive a franchise fee based on gross revenues irrespective of any in-kind contributions;**
- b) **Refraining from adopting any FCC rule changes that would further restrict existing local authority to charge for and control access to public rights-of-way by all video and cable service providers;**
- c) **Maintaining local authority to charge fees on providers to ensure the provision of public, educational, governmental (PEG) programming, and interactive technologies to require the provision of video channels and video streaming for PEG programming with video and audio quality/channel location equivalent to**

that of the local broadcast stations, and ensuring programming is accessible and searchable by all residents of the local authority through detailed Electronic Programming Guide listings and other navigation and distribution technologies that are equivalent to that of local broadcast stations;

- d) **Advancing legislation that dedicates funding for municipal digital media, such as a dedicated tax or fee on digital products**
- e) **Ensuring continued cost-effective local government access to capacity on institutional networks (I-Nets) provided by local cable system operators for public safety communications, libraries, schools, and other public institutions to use state-of-the-art network applications; and**
- f) **Strengthening local authority to enforce customer service standards and transparency in pricing.**

LE-20. Public Right-of-Way Management

Issue: Cities hold local rights-of-way in trust for the public as an increasingly scarce and valuable asset. As demand increases for use of public rights-of-way (PROW), cities must coordinate the use of this resource among competing uses and to manage the use of the PROW for delivery of essential municipal utility services. Cities continue to experience increased demand for space in the PROW including the siting of underground wired and overhead wireless facilities and sites for wireless communications. Additionally, technology located in the public right-of-way will continue to support the increase of new modes of mobility and delivery methods including Connected Autonomous Vehicles

(CAV) that may also operate in the public right-of-way. While local management responsibilities vary and are site specific, the increased demand for utilizing space in the public right-of way underscores the necessity for maintaining local authority.

Response: State and federal policymakers and regulators should:

- a) **Support municipal authority to manage and protect public rights-of-way, including franchising, reasonable zoning and subdivision regulation, reasonable regulations of structures in the public right-of-way, and the exercise of local police powers;**
- b) **Recognize that cities have a paramount role in developing, locating, siting, and enforcing utility construction and safety standards;**
- c) **Support municipal authority to franchise all service providers that site infrastructure in the public right-of-way and ensure local authority to control use of public rights-of-way.**
- d) **Support legislation to authorize Minnesota cities to franchise broadband providers and to receive franchise fees under Minn. Stat. Sec. 222.37 and 116J.399, Subd. 8 and such other statutes as necessary.**
- e) **Encourage a collaborative process with stakeholders, including cities, to determine any revised standards if needed;**
- f) **Recognize that as rights-of-way become more crowded, the costs of disrupting critical infrastructure become evident and the exercise of local authority to manage competing demands and ensure public safety in the PROWs becomes increasingly important;**

- g) **Ensure the removal of abandoned equipment and accompanying support structures by the service providers from the public right-of-way;**
- h) **Maintain the courts as the primary forum for resolving disputes over the exercise of such authority;**
- i) **Maintain existing local authority to review and approve or deny plans for installation or relocation of additional wires or cables on in-place utility poles. In the alternative, cities should have broader authority to require the underground placement of new and/or existing services at the cost of the utility or telecommunications provider;**
- j) **Support the collaboration with local units of government as the state explores efforts to expand infrastructure in the public right-of-way to provide for increased connectivity for Connected Autonomous Vehicles (CAV).**

LE-21. Wireless Infrastructure and Equipment Siting

Issue: Demand for wireless communication service has increased requests by private and public sector providers to site additional towers, antennas, small cells and other facilities in cities. It is anticipated that applications to install small cell wireless facilities and distributed antenna systems (DAS) will continue to grow as technology evolves over time. Despite changes made to Minn. Stat. § 237.163 that created a special process for the siting of small wireless facilities, maintaining cities' local zoning authority and police power to manage and coordinate the siting of these facilities continue is necessary and appropriate.

Response: Cities must continue to exercise full authority to consider public health, safety, and welfare concerns in

responding to requests to site, upgrade or alter wireless facilities. The Legislature, Federal Communications Commission (FCC), and Congress should not place further restrictions on city authority to manage the siting of wireless facilities in the public right-of-way nor enact compensation restrictions that would result in local government subsidization of wireless providers. Furthermore, cities must have recourse to require removal by the provider of equipment deemed abandoned.

LE-22. County Economic Development Authorities

Issue: The 2005 Legislature authorized all counties outside the metropolitan area to establish county economic development authorities (EDAs). Minn. Stat. § 469.1082 provides specificity on certain process and limitations issues, including the ability of cities to prohibit the county EDA from operating within the city as well as within an agreed-upon urban service area or within a distance approved during the formation of the county EDA. County EDA activity in areas surrounding cities will directly impact the adjacent city in terms of service provision and taxes.

Response: The Legislature should require city approval for proposed county EDA activities within two miles of a city.

LE-23. Local Appropriations to Economic Development Organizations

Issue: Cities and towns are allowed to appropriate up to \$50,000 per year from general fund revenue to an incorporated development society or organization for “promoting, advertising, improving, or developing the economic and agricultural resources” of the city or town. The \$50,000 cap has been in place since 1989 and places

unnecessary restrictions on a city’s ability to work with non-profit development corporations. Local governments should have the flexibility to work with outside organizations if local elected officials believe it is in the best interest of their communities to do so. Such appropriations are subject to the same budgetary oversight as other government expenditures, and local elected officials are ultimately responsible to the voters for how local tax dollars are spent.

Response: The Legislature should amend Minn. Stat. § 469.191 to eliminate or increase the cap on appropriations to incorporated development societies or organizations.

LE-24. Workforce Readiness

Issue: Incumbent worker training and education must be an important component of Minnesota’s efforts to improve workforce readiness. By making firms and employees more competitive, incumbent worker training can increase wages, increase employment opportunities, fill skilled worker gaps, and keep jobs and employers in their communities. The Minnesota Job Skills Partnership is one proven tool that provides training to thousands of incumbent workers each year.

Response: The Legislature should:

- a) **Fully fund the Minnesota Job Skills Partnership and other workforce training programs administered by the Department of Employment and Economic Development, the Department of Human Services, and the various education agencies;**
- b) **Provide additional flexible funding to local workforce councils, including governments and educational facilities, for the purpose of upgrading the skills and productivity of the workforce, and pursue additional**

creative programming and funding to prepare and place underemployed and unemployed Minnesotans, as well as address the issue of those phasing out of the workplace and retiring;

- c) Provide additional funding for programs specifically designed to address youth employment such as career and workforce readiness programs, and employment disparities; and
- d) Continue to support cities that provide workforce programs that are coordinated with and complement state and regional efforts by seeking municipal approval before making any changes to those service areas.

LE-25. Business Development Programs

Issue: Programs such as the Minnesota Investment Fund (MIF), the Job Creation Fund (JCF), the Redevelopment Program, and contaminated site clean-up grants provide funding opportunities for communities and businesses to develop their local and regional economies. These well-utilized programs create infrastructure, revitalize property, and help businesses generate and expand jobs. Cities are key facilitators in the implementation of economic development strategies through land use and other policies.

Response: The League of Minnesota Cities supports continued and sustainable funding for the Minnesota Investment Fund and the Job Creation Fund to assist local communities and businesses in creating, growing, and retaining jobs. The Legislature should also provide dedicated and sustainable funding for the Redevelopment Grant and Demolition Loan Program.

DEED should solicit input from cities about how best to implement the Fund,

and make adjustments to the administration of the program as necessary. The League supports Department of Employment and Economic Development (DEED) studying and making recommendations on methods to improve the geographic balance of recipients, by allowing the use of additional evaluation criteria beyond the current job creation goal such as providing higher-wage jobs or achieving racial equity policy goals. that would allow all regions of the state to better prosper.

LE-26. Remediation and Redevelopment

Issue: Communities across Minnesota are faced with expensive barriers to re-using property. These roadblocks include deteriorating, obsolete, and vacant structures, and contaminated land.

Larger scale redevelopment projects often require the purchase and assembly of multiple, smaller parcels of land that are not suitable for development on their own. Cities and development authorities may need to purchase land over a period of years and hold them for later development, reducing the effectiveness of traditional financing tools that require immediate development.

Such barriers pose significant problems for cities seeking to re-use existing infrastructure, maintain and improve property tax base, provide jobs and housing opportunities, and preserve historic structures. Land remediation activities are particularly costly because significant remediation must occur before private-sector interest can be generated. Exacerbating this situation, the land remediation programs administered by the Department of Employment and Economic Development

(DEED) and the Metropolitan Council programs continue to be underfunded.

Response: In recognition of the unique needs of land remediation projects statewide, the Legislature should increase funding for the statewide redevelopment account. The League of Minnesota Cities also supports the creation of a land assembly grant or loan program to assist cities and economic development authorities with the challenge of assembling small parcels for redevelopment. The League supports competitive programs administered by DEED that distribute the funds equitably between greater Minnesota and the metro area. The Legislature should continue its support and increase funding levels for state and regional programs to assist in contamination cleanup and brownfields remediation efforts.

The State should recognize that the rehabilitation of land due to obsolescence or incompatible land uses is a component of redevelopment. The Legislature should amend the definition of redevelopment district in Minn. Stat. § 469.174, subd. 10, to include the obsolescence and incompatible land uses included in a renewal and renovation district (Minn. Stat. § 469.174, subd. 10a), thereby providing cities with more flexible tools to address land remediation and redevelopment.

The Legislature should also revive a program similar to “This Old Shop” (Minn. Stat. § 273.11, subd. 19), which would allow cities greater flexibility in targeting commercial development and redevelopment. The Legislature should consider enacting authority that would provide a tax deferral on improvements to commercial buildings, including those located in designated rehabilitation or historic preservation districts. The

program’s age limit qualifications under Minn. Stat § 273.11, subd. 19, should be modified to include properties that are at least 30 years old.

The League is supportive of recent extensions to the Minnesota Historic Structure Tax Credit in Minn. Stat. § 116J.8737, which provides a 20 percent tax rebate for rehabilitation of qualified historic buildings. However, the Legislature should eliminate the sunset provision of the tax credit to provide certainty to cities and their project developer partners to proceed with historic redevelopment projects that are complex and time consuming.

LE-27. Development Authority Levy Limits

Issue: Under Minn. Stat. § 469.107, § 469.033, and § 469.053, Economic Development Authorities (EDAs), Housing and Redevelopment Authorities (HRAs) and port authority levies for economic development activities are capped. These limits can hinder the planning of future development.

Response: The Legislature should increase or repeal levy limits or increase the levying authority for EDA, HRA, and port authority activities in Minn. Stat. ch. 469.

LE-28. Tax Increment Financing (TIF)

Issue: TIF is the most important tool available to fund community development and redevelopment efforts. Over time, the TIF law has become increasingly complex as the Legislature seeks to provide cities with the resources to grow the state’s economy while maintaining limits on the use of property taxes. Cities need greater flexibility to use TIF for community and economic development that support a city’s

residents and businesses. Further restrictions of TIF would render the tool less effective and will hinder local efforts to support job creation, housing, redevelopment and remediation.

The need for flexibility has been accentuated due to the pandemic economic downturn which has dramatically slowed existing projects that must continue to comply with statutory timelines. Many projects will have difficulty meeting time-line requirements such as the five-year rule without special legislation authorization.

Further restrictions of TIF would render the tool less effective and will hinder local efforts to support job creation, housing, redevelopment and remediation.

Response: The Legislature should not enact future TIF law restrictions, rather the Legislature should:

- a) **Modify Minn. Stat. 469.174, subd. 10, to allow a redevelopment district to be established where only 50 percent of the buildings are required to be structurally substandard to a degree requiring substantial renovation or clearance.**
 - b) **Clarify that expenditures for the necessary maintenance of properties within TIF districts are an allowable use of tax increment under Minn. Stat. § 469.176, subd. 4;**
 - c) **Allow term extensions for redevelopment districts which are taking longer to develop;**
 - d) **Amend Minn. Stat. § 469.1763, subd. 3, to eliminate the “Five-year Rule” for districts that are taking longer to develop;**
 - e) **Amend Minn. Stat. § 469.174, subd. 25, to provide time limits on the “deemed increment” created by land sales, leases and loans, and allow**
- authorities greater flexibility in the use of lease revenues to fund ongoing operations;**
 - f) **Expand the use of TIF to assist in the development of technological infrastructure and products, biotechnology, research, multi-modal transportation and transit-oriented development, restoration of designated historic structures, non-retail commercial projects, and non-wetland areas where unstable/non-buildable soils exist;**
 - g) **Increase the ability of TIF to facilitate redevelopment and housing activities;**
 - h) **Modify the housing district income qualification level requirements to allow the levels to vary according to individual communities;**
 - i) **Encourage compact development and consider reauthorization of compact development TIF districts with modifications to increase their effectiveness;**
 - j) **Discourage any statutory mechanisms that directly or indirectly decrease the impact of city redevelopment and economic development projects;**
 - k) **Simplify the substandard building test to resolve ambiguities and reduce the continued threats of litigation;**
 - l) **Create an exception to the interfund loan resolution requirement in Minn. Stat. 469.178, subd. 7, to authorize the development authority to delegate to a staff person the ability to set the terms and conditions of an interfund loan.**
 - m) **Amend the definition of redevelopment district under the TIF Act to include the obsolescence and incompatible land uses included in a renewal and renovation district, thereby providing cities with more**

flexible tools to address land remediation and redevelopment.

- n) Amend Minn. Stat. 469.1763 subd. 2 to provide development authorities greater flexibility to address local housing needs by removing section 42 requirement for housing projects outside the district.

LE-29. Property Tax Abatement Authority

Issue: Although tax increment financing (TIF) continues to be the primary financing mechanism for local development projects, tax abatements provide cities with an important, additional economic development tool. Recognizing the need for municipal development tools, the 2008 Legislature expanded the abatement authority by converting the limit on abatements from ten percent of the current tax levy to ten percent of net tax capacity.

The tax abatement law requires that a political subdivision may only approve an abatement after holding a public meeting with a minimum of 10 days published public notice. When more than one political subdivision abates property taxes for a development project, there must be separate notices and hearings for each subdivision. This requirement can be particularly burdensome for programs designed to develop multiple properties over an extended period of time. If one political subdivision could be designated as the lead entity for purposes of the notice and hearing requirements, such projects could be made more efficient without sacrificing public transparency.

Property tax abatements should not be considered a replacement for TIF.

Response: In light of current economic conditions existing property tax abatement authority should be strengthened. The Legislature should:

- a) Expand the abatement authority to allow abatement revenues to be used for economic development activities such as workforce readiness and assistance programs, and technology infrastructure improvements;
- b) Develop a state fund to facilitate state participation in abatement projects by allowing the state property tax to be abated;
- c) Increase funding caps under Minn. Stat. § 469.1813, subd. 8 and duration limits under Minn. Stat. § 469.1813, subd. 6; and
- d) Amend Minn. Stat. § 469.1813, subd. 5, to create a streamlined notice and hearing requirement for multi-jurisdictional tax abatement projects.

LE-30. Revisions to the OSA Audit Function

Issue: Pursuant to Minn. Stat. § 469.1771, the Office of the State Auditor (OSA) is responsible for tax increment financing (TIF) oversight. As part of its review of TIF districts, the OSA identifies alleged violations of the TIF laws and issues noncompliance notices to TIF authorities. In recent years, a number of cities have received letters of inquiry from the OSA that raise questions about practices long accepted by the OSA or limit statutory definitions that have not been amended by the legislature for over a decade. The audit power in Minn. Stat. § 469.1771 is necessary to ensure that individual cities comply with the TIF statutes, but is not effective in clarifying the legislative intent of the TIF statutes.

In addition, the TIF statute requires that authorities respond to noncompliance notices within 60-days of receiving the notification. There is no deadline for the OSA to respond, and authorities often do not receive timely responses on the matter from the OSA. Government agencies typically

have response-time deadlines, and it is appropriate for the OSA to respond by a time certain to provide finality to the audit process. Any final disposition notice must be clear about the final disposition of the matter.

Finally, the statutory audit enforcement process does not create an environment where these policy questions can be fairly and sufficiently resolved. County attorneys lack the resources to prioritize TIF disputes and lack the subject matter expertise needed to analyze the merits of the OSA's audit findings. This results in excessive deference granted to the OSA's original audit findings. Faced with the potential loss of increment, payment of attorney fees, and small likelihood of success on the merits, cities often acquiesce to the OSA to save time and money.

***Response:* The League of Minnesota Cities believes there should be a more defined process to establish rules or guidelines for TIF authorities with adequate input from local government officials and public finance professionals prior to their adoption.**

In the event that the OSA determines to issue a final noncompliance notice to a TIF authority, the Legislature should require the OSA to issue the notice within 60 days of receiving the authority's response. Any final noncompliance notice should contain the OSA's final position on the matter, the date upon which it forwarded the matter to the county attorney, and the next steps that are required to be taken according to state law. Upon expiration of the 60-day period, the authority should be deemed to be in compliance with the TIF laws if no final noncompliance notice is received.

In order to ensure a fair process to resolve disputes over TIF findings of the OSA, the Legislature should consider

whether the authority to resolve such disputes should be shifted from county attorneys to the Office of Administrative Hearings.

LE-31. OSA Time Limitations

Issue: The Office of the State Auditor (OSA) has the authority to issue noncompliance notices for every existing tax increment financing (TIF) district in the state for alleged violations of the TIF laws. This authority extends retroactively to the inception of the district. Accordingly, TIF authorities can receive noncompliance notices for alleged violations that occurred 20 or more years ago. Often, staff and record-keeping procedures have changed, and TIF authorities find it difficult to reconstruct the past in order to identify and remedy these situations. Similarly, the OSA claims the authority, based on the state's records retention schedule, to audit TIF districts for up to 10 years after decertification, which requires cities to expend staff resources to maintain files and a working knowledge of old districts for an unreasonable period of time.

***Response:* A reasonable timeframe within which alleged violations are identified should be established. The Legislature should reasonably restrict the OSA's ability to issue noncompliance notices to the six-year period prior to the notice's issuance date. The Legislature should also require the OSA to conduct any audits on decertified districts within one year of decertification.**

LE-32. Workforce Housing

Issue: Job creation is one of the fundamental goals of economic development. When employers create new jobs through expansion or relocation there must be sufficient housing in the host community for the new workers and their families to live. In rural communities, a lack

of housing stock for new workers can prevent a planned expansion or relocation, hampering job growth and economic development. The economics of building a housing development in greater Minnesota communities makes private development difficult, and workers with higher paying jobs do not qualify for traditional affordable housing. This housing gap can bring development and job growth in a community to a halt.

In 2014, at the urging of cities through Minnesota, the Legislature created a workforce housing pilot program for three cities in Roseau and Pennington Counties. In 2015 the Legislature passed League-sponsored legislation that created the workforce housing development program and appropriated \$4 million to the Department of Employment and Economic Development (DEED) to administer the program. Once grant awards from DEED were made, prevailing wage requirements, construction costs, and land prices have shown to lessen the effectiveness of creating more workforce housing units. It is important to ensure the appropriate resources and process exist for the Department of Labor and Industry (DLI) to determine representative and accurate prevailing wage amounts in different areas across the state.

The 2017 Legislature approved funding for the Workforce Housing Grant Program at \$2 million each year. The program was moved from DEED to be administered by MN Housing Finance Agency (MHFA) in Minn. Stat. 469A.39 with a change in qualifications that gives preference to cities under 30,000 population (rather than 18,000 previously).

The 2017 Legislature also approved a new use of TIF authority for workforce housing (Minn. Stat. § 469.174-176). In addition to requirements under Minn. Stat. 469.175,

subd. 3, county and school boards must approve the TIF plan before it is enacted and the authority sunsets in 2027. These additional requirements specific to workforce housing TIF districts put additional barriers on workforce housing development and does not fully recognize the role of cities as the typical lead government entity on housing projects. Minn. Stat. § 469.175, subd. 2, currently requires cities to provide the county auditor and clerk of the school board with the proposed TIF plan and an estimate of the fiscal and economic implications of the proposed TIF district at least 30 days before the public hearing required by Minn. Stat. § 469.175, subd. 3. The county auditor and school board shall provide copies of these TIF plan materials to members of their boards. These current requirements provide sufficient notice to taxpayers and other government entities about proposed TIF districts.

Response: The League of Minnesota Cities supports additional tools for local communities to develop workforce housing:

- a) **MHFA should solicit input from local communities to ensure that the goals of the Workforce Housing Development Program are met, and MHFA should award funds to eligible projects as quickly and efficiently as possible;**
- b) **The Legislature should increase funding to the Economic Development and Housing Challenge Program to aid housing in support of job growth, and amend Minn. Stat. § 462A.33 to either increase or eliminate the maximum income levels for participation in the program; and**
- c) **The Minnesota Housing Finance Agency should make administrative changes to the Economic Development**

and Housing Challenge Grant program to streamline the application process, reduce the per-unit cost of constructing affordable housing, and increase the construction of affordable rental units at 80% of median income and owner-occupied units at 115% of median income, as currently allowed by state and federal law; and

- d) The Legislature should modify the statewide housing tax credit to more effectively spur development of workforce housing by removing income restrictions for projects in Greater Minnesota and allowing individual contributions to be eligible for donation to a city's local housing trust fund.**
- e) The Legislature should scale the Workforce Housing Development Program to account for the additional cost associated with the prevailing wage requirements.**
- f) The Legislature should streamline the provisions in Minn. Stat. § 469.175, subd. 3 required of cities to establish a workforce housing TIF district including eliminating the provision that requires a city to determine average vacancy rates and county board and school board approval for a workforce housing TIF plan before it is enacted and the Legislature should also eliminate the sunset of the workforce housing TIF authority.**

LE-33. Development Along Transit Corridors

Issue: While the establishment of transit lines and corridors provide the impetus for economic development, there are limits to existing development tools that hinder full development of transit corridors. For example, acquisition of land outside of the line but within the corridor can be difficult,

and current tools are not well-suited for the creation of public spaces, enhancement of infrastructure, and investments such as parking ramps that are necessary components of a transit-oriented development plan.

In 2008 the Department of Employment and Economic Development (DEED) was authorized to establish Transit Improvement Areas, which should complement long-term transportation planning initiatives such as MAP-21 and Minnesota GO. Transit Improvement Areas include parcels of land that are located in part within one-half mile of a transit station. A transit station is defined as a physical structure or designated area which supports the interconnection of various transportation modes, including light rail, commuter rail and bus rapid transit, and which promotes and achieves the loading, discharging and transporting of people. The commissioner of DEED may designate a Transit Improvement Area if it will increase the effectiveness of a mass transit project by incorporating one or more modes of public transportation with commercial and housing development, as well as providing a clean and pleasant place for pedestrian use. DEED has designated over 50 Transit Improvement Areas; all but two are located in the seven-county metropolitan area. Although the language passed and was signed into law by the governor (Minn. Stat. § 469.35), there was no funding put into place to implement the new program.

Response: The League of Minnesota Cities urges the Legislature to increase the ability of traditional economic development tools, including tax increment financing, tax abatement, and special service districts, to address the needs of transit-oriented development. The League encourages the Legislature to appropriate bonding and general fund dollars for revolving loans and grants to fund the TIA program. Additionally, the

Legislature should consider adding park and ride facilities to the list of qualifying transportation modes, as defined in Minn. Stat. § 469.351. Because the majority of the DEED-designated Transit Improvement Areas are currently located in the seven-county metropolitan area, increased funding for this program will not be balanced between greater Minnesota and the metro area. Additional funding for this program should not change the overall balance of state funding between greater Minnesota and the seven-county metropolitan area.

LE-34. Greenhouse Gas Emissions and Vehicle Miles Traveled Assessment Requirements on Trunk Highway Projects

Issue: For all grade separation and capacity improvement projects on the trunk highway system that are not in the Statewide Transportation Improvement Program (STIP) or have not submitted a layout to the Minnesota Department of Transportation (MnDOT) for approval by February 2025, state statute requires assessments of greenhouse gas emissions and vehicle miles traveled. The law applies to capacity improvement projects with a cost of \$15 million or more in the metro area and \$5 million or more in Greater Minnesota. If the project is not in conformance with established greenhouse gas emissions and vehicle miles traveled reduction targets, there must be a change in the scope or design of the project, sufficient impact mitigation on the statewide system and a revised assessment. If these conditions are not met, the project must be halted and disallowed from inclusion in the STIP. The requirements in this law will significantly increase costs on important future highway expansion and interchange projects in Minnesota. Further, the law does not exempt

projects that address safety needs or provide regional economic benefits.

Response: The League of Minnesota Cities supports limiting greenhouse gas emissions and vehicle miles traveled assessments to the trunk highway system. The requirements should continue to be administered and managed on a programmatic, or statewide, level versus at the project level to best encourage investment in transit and other projects that provide the greatest return on investment while also not unduly burdening Greater Minnesota projects where mitigation efforts may not be as efficient or implementable. The League also supports removing the vehicle miles traveled assessments as a requirement when a project improves greenhouse gas emissions. In Greater Minnesota, where feasible transit solutions do not uniformly exist, there must be reasonable alternatives for greenhouse gas emissions offsets. New interchanges should be exempt from both assessments when the project provides economic benefits. Safety improvement projects aimed at reducing fatalities should also be exempt due to public safety benefits. Finally, the League supports state funding for mitigation projects so mitigation/offsets will not have to be included in the cost of the project.

LE-35. Authority to Create Public Infrastructure Utilities

Issue: Successful economic development efforts and community stability are dependent upon a city's ability to make infrastructure investments. Current infrastructure funding options available to cities are inadequate and unsustainable. Funding pressures have been exacerbated by levy limits, unallotment and reductions in the local government aid and market value homestead credit programs. The existing special assessment law, Minn. Stat. ch. 429,

does not meet cities' financing needs because of the special benefit requirement. The law also requires a bond election unless a minimum of 20 percent of such a project can be specially assessed against affected properties due to the increase in fair market value or "benefit" from the project. In practice, however, proof of increased property value to this degree of benefit can rarely be proven from regular repair or replacement of existing infrastructure such as streets or sidewalks. Alternatives to the Minn. Stat. ch. 429 methods for financing infrastructure improvements are nearly nonexistent.

The Legislature has given cities the authority to operate utilities for waterworks, sanitary sewers, and storm sewers. The storm sewer authority, established in 1983, set the precedent for a workable process of charging a use fee on a utility bill for a city service infrastructure that is of value to everyone in a city. Similar to the storm sewer authority, a transportation or sidewalk utility would use technical, well-founded measurements and would equitably distribute the costs of local infrastructure services.

Response: The Legislature should authorize cities to create, as a local option, additional utilities such as a transportation or sidewalk utility, that ensure funding for the maintenance of these public amenities. Additionally, whether established as a new chapter of law or added to the list of service charges in Minn. Stat. § 429.101, cities should be able to impose service charges against property to ensure the maintenance and safety of the right of way for all Minnesotans without having to prove an increase in fair market value or having to determine whether those contributing to the utility fund are taxable or tax-exempt. Such authority would acknowledge the effects of repeated levy limits and the

general funding shift from the state to local governments for building and maintaining necessary infrastructure; the benefits to all taxpayers of a properly maintained public infrastructure; and, the limitations of existing special assessment authority.

LE-36. Adequate Funding for Transportation

Issue: A well-coordinated state transportation policy utilizing all modes of transportation in moving passengers and freight will enhance the state economic development of new and expanding business as well as foster additional tourism opportunities.

Response: More resources must be dedicated to all components of the state's transportation system, and local units of government must have access to resources and funding tools to meet growing needs. The League of Minnesota Cities supports:

- a) **Development of a comprehensive state transportation policy which provides an environment where all modes of transportation (motor, rail, air, water and pipeline) complement each other in moving passengers and freight within the state.**
- b) **Increased dedicated and sustainable state revenue source for non-municipal state aid city streets.**
- c) **MVST distribution of 60 percent for roads and bridges and 40 percent for transit.**
- d) **A permanent increase in the gas tax.**
- e) **Trunk highway bonding provided the Legislature implements reasonable restrictions on the amount of debt service the state will incur, and provided the Legislature appropriates funding to assist with local costs**

related to projects funded with trunk highway bonds.

- f) General obligation bonding for local roads and bridges, particularly for routes of regional significance.
- g) A sales tax increase dedicated to transportation.
- h) Funding to assist cities burdened by cost participation responsibilities imposed by improvement projects on the state's principal arterial system and on the county state aid highway (CSAH) system.
- i) Funding for transportation components of economic development and redevelopment projects.
- j) Full funding for all components of state highway projects, including related stormwater management systems, through state sources.
- k) Establishment of a "Mainstreets Fund" to assist cities with non-transportation related components of trunk highway projects such as utility upgrades and improvements that contribute to economic development.
- l) Funding to build roads to standards that can accommodate the year-round transport of heavy loads.
- m) A sales tax exemption for materials purchased for state and local road, bridge, sidewalk, trail and transit construction projects.
- n) Authority for cities to impose development impact fees for transportation infrastructure.
- o) Local funding options that would allow cities to raise revenues for roads, bridges, sidewalks, trails, and transit.
- p) Expanded use of alternative revenue sources such as MnPASS and other

tolling mechanisms for funding of maintenance and construction (where feasibility studies indicate the program is appropriate).

LE-37. Turnbacks of County and State Roads

Issue: As road funding becomes increasingly inadequate, more roads are being "turned back" to cities from counties and the state.

Response: Turnbacks should not occur without direct funding or transfer of a funding source. A process of negotiation and mediation should govern the timing, funding, and condition of turned-back roads. Agreements should be negotiated and finalized before work on a project requiring a turnback begins. City taxpayers should receive the same treatment as township taxpayers. The requirement for a public hearing, standards about the conditions of turnbacks, and temporary maintenance funding should also apply to county turnbacks to cities. At a minimum, roads that are proposed to be turned back to a city government should be brought up to the standards of the receiving government, or that city should be compensated with a direct payment. Direct funding should be provided for smaller cities that are not provided with turnback financing through the municipal state aid system.

LE-38. MnDOT Rights-of-Way Maintenance

Issue: Maintenance of property, including government property and facilities, is important to public safety and to the image of Minnesota cities. Cities are acutely aware of the responsibility they have for enforcing property maintenance codes pertaining to grass mowing, noxious weed abatement, the

placement of trash in yards and fence maintenance.

Minnesota has many miles of highways that run through cities. In recent years, the Minnesota Department of Transportation (MnDOT) has cut a substantial percentage of its rights-of-way management staff. The cuts have resulted in reduced maintenance along some corridors and on parcels acquired by MnDOT for transportation purposes. Specifically, MnDOT has reduced the frequency of mowing, litter collection, noxious weed abatement, graffiti abatement and repair of fences and guard rails. This maintenance reduction has created public safety concerns, undermined efforts to keep corridors attractive and presented challenges for communities working to promote economic development.

Response: MnDOT must maintain state rights-of-way and parcels acquired by MnDOT for transportation purposes located within city limits in a manner consistent with local ordinances governing the upkeep of private property when requested by the city. Alternatively, MnDOT should reimburse Minnesota cities for the labor, supplies, and equipment necessary to maintain state rights-of-way to meet city standards and/or minimize public safety hazards. The Legislature must provide MnDOT with adequate funds to maintain state rights-of-way.

LE-39. Funding for Non-Municipal State Aid City Streets

Issue: Minnesota has over 141,000 miles of roadway, and more than 22,500 miles—or 16 percent—are owned and maintained by Minnesota’s 855 cities.

The Minnesota Constitution limits eligibility for dedicated Highway User Tax Distribution Fund dollars to up to twenty percent of streets in cities with populations

over 5,000 (155 of 855 cities). This means almost 85 percent of municipal streets are ineligible for municipal state aid (MSA) funds and must be paid for with property taxes and special assessments. Funding challenges are compounded by city cost participation requirements in state and county highway projects, which divert resources from city-owned streets.

Recognizing the unique street funding needs in cities under 5,000 population, the 2015 legislature created the Small Cities Assistance Account (Minn. Stat. § 162.145). Funds in the account are distributed through a formula to all cities under 5,000 population for street maintenance and reconstruction.

Maintenance costs increase as road systems age, and no city—large or small—is spending enough on roadway capital improvements to maintain a 50-year lifecycle. For every one dollar spent on maintenance, a road authority—and therefore taxpayers—save seven dollars in repairs.

In 2023 the legislature created the Transportation Advancement Account, which will provide ongoing funding for the Small Cities Assistance Account and a new Larger Cities Assistance Account. The revenues for this account have not yet been collected, and there will be a delay of approximately two years before meaningful amounts of funding flow to these accounts.

Response: City streets are a separate but integral piece of the network of roads supporting movement of people and goods. Cities need greater resources and flexible policies in order to meet growing demands for street improvements and maintenance. The League of Minnesota Cities supports:

- a) Increased dedicated and sustainable state funding for non-MSA city streets in large and small cities statewide;**

- b) One-time funding for the Small Cities Assistance Account and the Larger Cities Assistance Account to bridge the gap between when the Transportation Advancement Account was created and when funds will reach the account;**
- c) enabling legislation that would allow cities to create street improvement districts (similar to sidewalk improvement districts already allowed under Minn. Stat. § 435.44); and**
- d) the creation of a new fund that would provide grants to cities burdened by cost participation requirements related to trunk highway and county state-aid projects.**

LE-40. City Cost Participation on State and County Roads

Issue: When municipal state aid (MSA) eligible cities (those with populations greater than 5,000) face significant cost participation requirements related to state and county road projects, they commonly dedicate all or large portions of their available MSA to meet cost participation obligations. When this happens, MSA funds are not available for use on the MSA system within the city, and local taxpayers must fully fund their own local roads and stormwater infrastructure. This has been exacerbated by significant new transportation infrastructure investments on the trunk highway system authorized by the state and federal governments. Additionally, these state and county projects often present a once-in-a-lifetime opportunity to replace or rehabilitate utilities under regional roadways, forcing cities to allocate resources immediately and defer more urgent utility infrastructure needs.

“The one-size fits all” cost participation policies adopted by the state and counties are inequitable. They do not consider unique

factors including a disproportionate number of trunk highway lane miles in some communities, the high cost of some projects, or tax base challenges that may limit the financial ability of some cities to pay. Cost participation obligations can consume the finances or debt capacity of communities for many years, especially because impacted cities largely have no say in the timing of projects. Furthermore, regional agencies are mainly focused on facilitating travel and commerce through--and not into--a local community. Trends in cost share policies, including ownership and long-term maintenance of regional assets, continue to add to the local burden every time a cost share policy is updated or developed.

Response: The League of Minnesota Cities supports flexibility in, or exemption from, cost participation policies when a city cannot meet cost share obligations due to unique circumstances. The League calls for special or additional funding for cities that have burdens of additional cost participation in projects involving state and county roads including the placement of underground utilities due to those projects

LE-41. Authority to Allow Amenities in MnDOT Rights-of-Way

Issue: Cities served by the state’s trunk highway system frequently request features on the highway right-of-way (ROW) that would improve the aesthetics of the highway or provide public amenities exceeding components the Minnesota Dept. of Transportation (MnDOT) may include. Minn. Stat. §161.20, Subd. 2(b), gives the MnDOT commissioner authority to make agreements with and cooperate with any governmental authority relating to trunk highway construction and improvements; however, Minn. Stat. §161.434 provides that

arrangements and agreements must be “for highway purposes”.

These restrictions are problematic in cities where a downtown commercial area exists along a trunk highway. Some of these cities desire amenities that would make commercial areas adjacent to trunk highways more vibrant by allowing outdoor dining, landscaping, decorative lighting or other aesthetic improvements that do not serve a highway purpose. Under current law, the city cannot approve amenities that encroach on the ROW.

Response: The League of Minnesota Cities supports authorizing cities, by ordinance, to allow amenities that do not serve highway purposes on trunk highway ROW within their jurisdictions. The League also supports a requirement that MnDOT develop and approve rules related to local ordinances.

LE-42. Authority to Implement Infrastructure Fees

Issue: New development and the resulting growth create an increased demand for public infrastructure and other public facilities. Severe constraints on local fiscal resources and dramatic forecasts for population growth have prompted cities to reconsider ways to pay for the inevitable costs associated with new development.

Traditional financing methods tend to subsidize new development at the expense of the existing community, discourage sound land-use planning, place inefficient pressures on public facilities, and allow under-utilization of existing infrastructure. Consequently, local communities are exploring methods to ensure new development pays its fair share of the true costs of growth.

In *Harstad v. City of Woodbury*, 916 N.W.2d 540 (Minn. 2018), the Minnesota Supreme Court recently clarified that state

statute does not provide the authority for cities to impose infrastructure fees to fund future road improvements when approving subdivision applications under Minn. Stat. § 462.358, subd. 2a. Given the existing authorization to impose fees on new development of other infrastructure, such as water, sanitary and storm sewer, and for park purposes, it is reasonable to extend the concept to additional public infrastructure and facilities improvement also necessitated by new development.

Response: The Legislature should authorize local units of government to impose infrastructure fees so new development pays its fair share of the off-site, as well as the on-site, costs of public infrastructure and other public facilities needed to adequately serve new development.

LE-43. Safe Routes to School Grants Management

Issue: The Safe Routes to School (SRTS) Program provides funding support for capital projects that promote and encourage more students to walk or bicycle to school by making the school routes safer and more accessible.

The following are some types of SRTS infrastructure improvement grants that are provided by the state and offered through the Minnesota Dept. of Transportation (MnDOT):

- a) School site improvements: secure bicycle parking facilities, traffic diversion improvements, and Americans with Disabilities Act (ADA) improvements;
- b) Pedestrian facilities: new sidewalk, sidewalk gap closures, and related ADA improvements;

- c) Bicycle facilities: bicycle trails, separated multi-use or shared paths and related ADA improvements; and
- d) Traffic calming and crossing improvements: curb extensions, speed humps, median refuges, enhanced crosswalk markings, timed on/off beacons, vehicle feedback signs (dynamic speed signs), and other traffic control devices.

Cities that receive municipal state aid (MSA)--those with populations above 5,000--may apply for and administer their own SRTS grants. Non-MSA cities, even those with a city engineer on staff or contract, must rely on the county to manage any grant funds secured as well as to approve the project design. In some cities, this requirement has led to project delays and disputes with counties over project design and delivery.

Response: The League of Minnesota Cities supports changes to MnDOT rules to allow small cities that have the capacity to manage SRTS grants and projects to do so without county approval.

LE-44. Railroads

Issue: Railroads support economic activity, relieve pressure on roadway and bridge infrastructure, and are the safest and most energy efficient form of land based freight transportation with greenhouse gas emissions that are a fraction of those for trucks per ton mile of freight. Improvements in Minnesota's intermodal connections between railroads and highways will reduce freight transportation costs and help Minnesota businesses to be more competitive in national and world markets. Conversely, railroads bring noise, environmental impacts and safety challenges for neighboring cities. Below are some of the concerns cities have raised about railroads:

- a) Local public safety personnel are under-equipped to respond to a potential derailment of a train carrying hazardous materials such as crude oil or nuclear products.
- b) The cost-share ratio related to roadway crossing improvements is borne disproportionately by the public sector. Some estimates are 80 percent public to 20 percent private funding, regardless of the public entity's ability to pay or whether service is provided within the community. Funding has not kept pace with the growing need for grade separations.
- c) Legislation brought by the railroad industry that would exempt railroads from stormwater fees and assessments and shift the cost of complying with stormwater management to other property owners.
- d) The financial burden is faced by the public sector to deal with mitigation improvements, a cost that the Surface Transportation Board (STB) is not requiring the private sector to pay.
- e) At-grade crossings are blocked by both long moving trains and by trains that stop and remain stopped, sometimes for hours at a time. Blocked crossings delay motorists and sometimes prevent passage of emergency vehicles.
- f) Difficulty and expense of imposing and enforcing whistleblowing ordinances.
- g) Unabated graffiti on railroad cars and structures.
- h) Negative impacts of long- and short-term storage of rail cars on adjacent properties.
- i) Pre-emption of local and state authority to regulate railroad activities.

Response: The League of Minnesota Cities opposes legislation and policies that

disproportionately shift authority, costs and/or liability away from railroad companies and onto other entities. The railroad industry, along with state and federal government, must:

- a) Adequately mitigate the negative impacts of railroads on communities;
- b) Allow local governments to enforce the existing state and federal laws regarding the maximum time a crossing may be blocked, and provide a mechanism to do so;
- c) Provide that timely notice to the impacted municipality is required in advance when a crossing or crossings will be blocked by a stopped train;
- d) Require railroad companies to provide a direct emergency response telephone number for city first responders (police, fire, ambulance or other designated official) to call when an at-grade crossing is blocked, and the emergency services need this crossing immediately unblocked to continue their response;
- e) Allow local governments to enforce whistle-free zones;
- f) Impose and implement safety standards that are in the best interest of the public;
- g) Equip and train local public safety officials to respond to potential catastrophic rail incidents;
- h) Develop plans and identify funding sources for more grade separations between railways and roadways; and
- i) Fund and implement improvements to rail car storage facilities.

The public sector should not incur the costs of improvements sought by the private sector, and cities should not be required to fund most of the cost of

crossing repairs or improvements. The federal government must exercise greater oversight of the STB to ensure fair and equitable solutions are reached when dealing with cities in Minnesota. Finally, the Minnesota Department of Transportation's (MnDOT's) Office of Freight and Passenger Rail should advocate on behalf of local communities when conflicts between cities and railroad entities arise.

The League supports efforts to improve intermodal connections between railroads and highways that do not have a disparate impact on neighboring communities.

LE-45. Airport Planning and Funding

Issue: Airports are an essential component of Minnesota's transportation infrastructure. Airports in the State of Minnesota serve important gateway to the region, the nation, and global markets. They serve as a primary access point to our national airport system. The Minneapolis St. Paul International Airport (MSP) is critical to the movement of people and goods in and out of the state and even with all the planned improvements, it will eventually reach its capacity. The state needs to implement a long-term strategy to make better use of other airport facilities and existing resources, reduce environmental impacts, and achieve sound and sustainable economic growth throughout the state.

Aviation planning is a multi-layered effort with different levels of responsibilities. Currently, the State Airports System Plan is put together by MnDOT with individual pieces developed by the Federal Aviation Agency (FAA), Metropolitan Council (MC), and Metropolitan Airports Commission (MAC). Aviation planning could be improved by a more unified statewide effort and coordination of the various aviation

strategies through creation of an oversight body.

Minn. Stat. § 360.017 establishes the State Airport Fund and authorizes the Minnesota Department of Transportation (MnDOT) Office of Aeronautics to support cities, counties and townships in the planning, development, maintenance and safe operation of public airports. In recent years, in order to help balance the state's budget, the Legislature transferred funds from the State Airport Fund to the General Fund. Although the borrowed funds were eventually repaid in full, efforts to preserve and improve the quality of airports throughout the state were hindered by the unavailability of these revenues.

The Minnesota Council of Airports (MCOA), a membership organization for airport authorities and municipal entities who own airports, has led efforts to bring stakeholders together. Most recently, the MCOA established the State Airports Fund Committee to work with the MnDOT Office of Aeronautics to discuss and advise future management practices of the State Airport Fund.

***Response:* The state needs a higher degree of integration of agencies (FAA, MnDOT, MC, and MAC) and communities related to aviation planning. The League of Minnesota Cities supports the collaborative efforts initiated by the MCOA and supports the development of a statewide airport advisory board, which could provide input, review and make recommendations to assist in development of a comprehensive statewide State Airports System Plan.**

The state needs to make planning and investment decisions that will maximize the potential for airports to become economic development centers that provide access to domestic and global marketplaces. Investments in airports

allow existing businesses to remain and grow, help attract new businesses, increase employment, and lower product and service costs for the benefit of the region.

Finally, the Legislature should not authorize shifting of dedicated State Airports Fund dollars to resolve general fund deficits

LE-46. Airport Safety Zones

Issue: The field of aeronautics is regulated generally by Minn. Stat. ch. 360 and Chapter 8800 of the Minnesota Rules. Land use safety zones and other public airport zoning standards are established in Minnesota Rules Chapter 8800.2400, and are adopted by local airport zoning regulations that are submitted to the Minnesota Department of Transportation (MnDOT) commissioner for review and approval before adoption. Airport safety zones are intended to restrict land uses that may be hazardous to the operational safety of aircraft using the public airport, and to protect the safety and property of people on the ground in the area near the public airport.

While some of the provisions included in the Minnesota Rules are required by the Federal Aviation Administration (FAA), other provisions go well beyond the federal requirements. In some cases, the Minnesota Rules do not make sense for the community served by a public airport.

Finally, in some cases airports cross multiple municipal jurisdictions. Neither state law nor Minnesota Rules provide powers for joint airport zoning boards. These boards could be useful in resolving interjurisdictional issues involving airport planning, development, funding and zoning.

***Response:* The League of Minnesota Cities supports efforts to protect the safety and property of people living and working near public airports. The League**

also recognizes that the Minnesota Rules related to public airport zoning standards exceed the FAA's and other states' standards and, thus, needlessly infringe on local control. The League supports changes to Minnesota Rules pertaining to airport zoning standards that will more closely align Minnesota's Rules with those in other states, while at the same time retaining local authority to be more restrictive than the Minnesota Rules. The League also supports changes to Minnesota Statutes and Minnesota Rules that would authorize powers for joint airport zoning boards so issues related to funding, staffing, and authority to enforce ordinances can be resolved at the local level.

HUMAN RESOURCES & DATA PRACTICES

HR-1. Personnel Mandates and Limits on Local Control

Issue: Many state laws increase the cost of providing city services to residents by requiring city governments to provide certain levels of compensation or benefits to public employees such as paid family and medical leave, and the provision of an expansion of earned sick and safe time, by specifying certain working conditions, or by limiting city governments' ability to effectively manage their personnel resources. For instance, existing state laws limit governments' ability to effectively address incompetence or misconduct of city employees by specifying certain procedures or standards of conduct that cities must follow. Additionally, state law limits the tools that cities can use to recruit and retain talent which creates challenges during times of low unemployment and a competitive labor market. Finally, several laws are potentially contradictory and force local governments to choose which one to follow.

Response: Any new legislation and changes to existing legislation should meet the following goals:

- a) **Recognize the need for local decision-making authority by local elected officials with regard to the terms and conditions of employment for local government employees (e.g. allow local elected officials to determine employee compensation, employee recognition and to make employee benefit decisions, and allow greater flexibility in how cities may utilize public funds for the recruitment and retention of employees in an ever changing job market).**
- b) **Provide funding that pays the full costs of any mandated employment-related expenditures.**
- c) **Avoid and eliminate expensive and time-consuming duplicative legal protections and processes for public employees, including those that preclude promotional probationary periods.**
- d) **Eliminate contradictory existing laws regarding public employment.**
- e) **Eliminate mandates for local government employers that are not imposed upon the state as an employer.**
- f) **Use the collective bargaining process established by state law, rather than legal mandates, to determine benefits for employees covered by collective bargaining agreements.**

HR-2. State Mandates on Employer Leave Policies

Issue: The 2023 legislature enacted two types of paid leave laws governing employer leave policies. The two paid leave laws include Earned Sick and Safe Time (ESST) and Minnesota Paid Leave (MN Paid Leave). These mandates at times conflict not only with each other but also existing federal and state leave laws, making implementation challenging. For most cities, these mandates are *in addition* to existing generous sick leave policies local governments already offer to their employees as part of key attraction and retention strategies. Along with increasing the amount of required paid leave the state mandates also limit employers' ability to monitor employees' use of the paid leave.

This is particularly burdensome on cities as they need to depend on personnel to be ready and available to provide core essential public services and respond to emergencies.

Earned Sick and Safe Time (ESST) law requires all employers provide employees one hour of sick and safe time for every 30 hours worked. This law required employees to be eligible to accrue up to 48 hours in a year and 80 hours ongoing after the first year of employment. The law does not have any exemptions for seasonal employees or unique positions that cities may have such as election judges, and paid appointed, unelected advisory, committee, or commission members or regular city employees. For these positions, it is difficult for cities to apply the new law's requirements due to their unique and limited employee-employer relationship. The 2024 legislature addressed some of the challenges cities faced when applying the new law's requirements, including but not limited to, creating exceptions for elected officials, volunteer firefighters, paid on-call firefighters, volunteer ambulance attendants, and ambulance service personnel and establishing a limited weather event exception—if approved through collective bargaining with unions—for select positions necessary to respond to weather-related emergencies as part of their job duties. However, the 2024 legislature also significantly expanded the application of ESST to other forms of paid leave provided by employers for absences related to an employee's personal illness or injury.

MN Paid Leave takes effect January 1, 2026, and provides an additional protected leave of absence with a combined maximum of 20 weeks in a benefit year for medical and/or family leave. The 2023 legislature established a cost sharing provision requiring employers pay at least 50 percent of the total premium, with the option to pay up to 100% of the total premium. The

remainder, up to 50 percent of the total premium, remains the employee's responsibility to be charged through payroll deduction. The law has a limited exemption for seasonal employees working in hospitality but lacks exemptions for unique city positions where it is difficult to apply the law's requirements due to their unique and limited employee-employer relationship, such as paid on-call firefighters, elected officials, election judges, and paid appointed advisory, committee, or commission members that are not elected officials or regular city employees.

With respect to represented workers, benefits are negotiated in good faith based on the legal requirements present at the time of contract negotiation. Prior to ESST and MN Paid Leave, employers were able to leverage savings clauses to bring non-compliant contract language into compliance with the minimum threshold of new laws enacted. Recent changes to ESST and MN Paid Leave, however, now require that some benefits be granted to union employees in addition to what the law requires. This leads to: (1) uncertainty in union negotiations due to changing laws; and (2) cities being required to provide greater benefits above and beyond what is obtained through the collective bargaining process and/or what is legally required.

Response: Any new legislation and changes to existing legislation should meet the following goals:

- a) With respect to ESST, amend Minn. Stat. § 181.9445, subd. 5 to incorporate a well-defined “public employee” definition, not to include unique positions in which there is not a formal employer-employee relationship such as paid appointed advisory, committee, or commission members, election judges, or other non-traditional positions.**

- b) Minimize legal mandates to incentivize employers to establish and/or continue to provide more generous paid leave benefits to employees. Specifically, eliminate the expansion of mandated benefits to paid leave previously negotiated in good faith and/or adopted in personnel policies in excess of what is legally required.
- c) Provide funding that pays the full costs of any mandated employment-related expenditures.
- d) Avoid and eliminate expensive and time-consuming duplicative legal protections and processes for public employees, including those that preclude promotional probationary periods.
- e) Eliminate contradictory existing laws regarding public employment.

HR-3. Pay Equity Compliance

Issue: In 1984, the Legislature passed the Local Government Pay Equity Act to eliminate sex-based wage disparities in public employment. The Act requires each local government to submit reports of its pay structure to the state's Pay Equity Compliance Coordinator within the Department of Management and Budget. The data is then subject to analysis to determine if there are inequities in the city's pay structure. Since its passage, the administrative rules implementing the Act have not substantively changed.

Response: The League of Minnesota Cities supports the Local Government Pay Equity Act and seeks to partner with the Legislature and the state's Pay Equity Compliance Coordinator to update and improve the current system so that cities can more efficiently and effectively fulfill the mandated reporting requirements. Local governments and the state should:

- a) Explore and document problems individual local governments are experiencing, and evaluate whether the problems are widespread and if they can be resolved administratively;
- b) Evaluate the reporting process, and make recommendations for improvement as needed;
- c) Review the methodology for analyzing pay equity data; and
- d) Evaluate the process by which cities receive notification of reporting requirements and compliance issues and make recommendations for improvement as needed.

HR-4. Public Employment Labor Relations Act (PELRA)

Issue: The League of Minnesota Cities supports the purpose of the Public Employment Labor Relations Act (PELRA) to balance the rights and interests of public employees, public employers, and the general public. However, certain changes are necessary to assist public employers in implementing this law. For example, current definitions of "public employee" are confusing and difficult to manage. In addition, the arbitration process has produced decisions that are contrary to the interests of the public, and the legal standard for overturning arbitration decisions is very difficult to meet. Also, recent interpretations of Minn. Stat. § 179A.25 (independent review of non-union employee grievances) has created uncertainty and confusion in the longstanding judicial process used by courts to review city council administrative decisions, particularly employment termination decisions of non-union employees.

Additionally, the 2023 legislative session resulted in changes to PELRA that diminish essential employer rights to conduct operations and provide public services. The

new law removed number of personnel as an inherent managerial right and added staffing ratios to the terms and conditions of employment subject to collective bargaining. It is unclear how this new condition would be bargained. Additionally, limiting public employers from determining the number of personnel hired for various positions could hinder the ability to respond expeditiously in a crisis, limits their ability to be responsive to taxpayers, and subjects them to risk if they are unable to meet bargained terms due to external challenges such as a competitive labor market.

Consistent with these themes, the 2024 legislative session resulted in an expansion of the number of instances that can give rise to an unfair labor practice charge. Specifically, it is now an unfair labor practice for a public employer to: 1) refuse to reassign a position after the Bureau of Mediation Services Commissioner has determined the position was not placed in the correct bargaining unit; and 2) fail or refuse to provide information related to contract enforcement or negotiations upon receipt of a request for this information from the exclusive representative, absent mutual agreement, within 30 days for contract enforcement information or 60 days for contract negotiation information.

Response: Minn. Stat. ch. 179A should be modified to:

- a) **Remove the existing service limit of 14 hours per week or 35% of the normal work week for part-time employees, and replace it with a definition in which part time employees are excluded if they work an annual average of 20 hours or less per week.**
- b) **Exclude temporary or seasonal employees, as well as unpaid volunteers, from the PELRA definition of public employee in Minn. Stat. ch. 179A.**

- c) **Provide different options for accessing arbitrators and utilizing the arbitration process in order to “address inequities” between union and management representatives.**
- d) **Allow public employers to bypass mandatory arbitration required under PELRA and directly access the district court or Office of Administrative Hearings system in situations where an employee is being terminated for gross misconduct (e.g., excessive use of force, sexual harassment, sexual abuse, theft or a felony conviction) that is related to the employee’s position with the public employer, including establishment of a standard that defers to the public employer’s decision on termination if it has met a standard of reasonableness.**
- e) **Repeal Minn. Stat. § 179A.25 or, in lieu of repeal, exclude employment terminations from Minn. Stat. § 179A.25; require a 60-day timeframe for filing a petition for review of a grievance under Minn. Stat. § 179A.25; and clarify that decisions of Bureau of Mediation Services (BMS) under this section are non-binding and merely advisory.**
- f) **The League opposes legislation that would propose employer payment of grievance arbitration fees when a settlement is offered to a grievant and declined.**
- g) **League opposes legislation that diminish or restrict inherent managerial rights of public employers.**

HR-5. Implications of Janus v. AFSCME

Issue: Historically, both members and non-members of public sector unions could opt out of paying the portion of dues that

explicitly go to the union's political activities. But, until recently, non-members were still required to pay what was called a "fair share" fee, allegedly because even non-members receive the benefits of union representation. Union dues are deducted from employee paychecks by employers based on notification of membership provided by labor unions.

Overruling decades of precedent, in June 2018, the U.S. Supreme Court ruled it is unconstitutional for public employees who object to belonging to a union to be required to pay a fair share fee. (*Janus v. AFSCME*). Specifically, the Supreme Court held that laws compelling fair share dues from unwilling members violated the First Amendment by requiring these employees to, in effect, pay for speech with which they do not agree, and that affirmative, voluntary consent is required for dues deduction. Given the degree of uncertainty about the implications of the ruling, public employees are seeking information about their constitutional rights regarding labor union membership and associated dues. The Minnesota Public Employment Labor Relations Act defines unfair labor practices ("ULPs") to include dominating or interfering with the formation, existence, or administration of union membership. To avoid a potential allegation that they have engaged in unfair labor practices, if employees seek information about union membership from their employers, employers often refer their employees to union representatives for additional information. The Minnesota Bureau of Mediation Services (BMS) is the state agency charged with providing technical training and information on collective bargaining for the public sector in Minnesota. BMS would be an ideal resource for employees to find critical information about labor union membership, particularly

in the wake of the recent Supreme Court ruling.

Additionally, as public sector unions are examining methods to compensate for fair share revenue that may now be lost, laws have been proposed in states outside of Minnesota, which preempt the bargaining process and impose new requirements on public employers. Some of the proposed requirements are designed to help unions market their services to their members or to require the public employers to pay the costs of collective bargaining.

***Response:* To ensure that both public employers and public employees successfully navigate the current unknowns following the Janus decision, the League of Minnesota Cities urges BMS to provide and disseminate information to employees about union membership across the state. The League also urges the Legislature to act to protect public employers against:**

- a) ULP charges when providing factual information to employees about union membership;
- b) ULP charges when requiring unions to provide original documentation of voluntary consent to dues deduction; and
- c) being forced to pay the direct cost of employee representation by unions.

HR-6. Essential Employees

Issue: Cities must balance the health, welfare, and safety of the public with the costs to taxpayers. Essential employee status removes the right to strike but gives the right to mandatory binding arbitration. This status can result in arbitration awards that exceed the city's budget or conflict with the city's compensation policy.

***Response:* The Legislature should carefully examine requests from interest**

groups seeking essential employee status under Minn. Stat. ch. 179A (PELRA). The League of Minnesota Cities opposes legislation that mandates arbitration that increases costs and removes local decision-making authority.

The League supports a mandate for Final Offer/Total Package arbitration for all essential groups on a trial basis. The League also supports a change in the PELRA law that would strengthen existing language (Minn. Stat. § 179A.16, subd. 7) requiring arbitrators to consider a public employer's obligation to efficiently manage their operations. Specifically, the statute should be amended to require arbitrators to take into consideration any wage adjustments already given to or negotiated with other groups – both union and non-union for the same employer in the same contract year.

HR-7. Re-employment Benefits

Issue: Cities are often required to help pay the benefits of workers who have initially been denied benefits through their employment with the city but later been re-employed by a different employer; sometimes this occurs when the employee has been found to have committed gross misconduct while employed by the city.

Additionally, employers are prohibited from entering into agreements with employees not to contest or appeal payment of unemployment benefits as part of a settlement agreement at termination of employment. Because most cities are “reimbursement employers,” the majority of the cost of benefits paid to the employee are at the direct expense of the city. The ability to enter into such an agreement can greatly aid a city in reaching a settlement at a relatively low-cost to the city's taxpayers.

Response: Cities should not be forced to pay benefits as base wage employers if the employee is determined to have committed gross misconduct during their employment with the city, even if the employee voluntarily resigns. In addition, cities (as reimbursement employers) should be allowed to enter into agreements with employees to not contest a determination of eligibility for unemployment benefits where the employer and employee mutually agree to this as a term of separation.

HR-8. Public Employee Defined Benefit Pension Plans

Issue: Public pensions are an important employee benefit that can help cities attract and retain employees. However, unlike salary and other employee benefits that are established by each city, the pension contribution rates and benefit levels are set by the state legislature. Benefit levels and plan costs must be carefully balanced to assure long-term sustainability of the pension plans and affordability to employers and employees.

In 2018, the Legislature enacted a major pension reform package to improve the long-term financial status of the PERA pension plans. The legislation included benefit reductions for active employees, contribution increases for Police and Fire Plan employers and active employees and a modified cost of living adjustment (COLA) for retirees.

The 2023 omnibus Pensions bill appropriated a total of \$485.9 million in one-time state aid, allocated to the plans roughly on the basis of accrued liabilities, and provided a one-time COLA increase. Due to the one-time nature of budget target for the Pensions bill, no significant structural changes were made to PERA plans.

The bill also reduced the actuarial assumption for investment return from 7.5% to 7%, effective June 30, 2023, and reduced the number of years of service required for full vesting from five years to three years for all members of the PERA General Plan.

Response: The League of Minnesota Cities supports the sustainability modifications enacted by the legislature in 2018 and continues to oppose any benefit improvements for retirees or active employees until the financial health of the General Plan and the Police and Fire Plan is restored.

For the PERA General Plan, any further increases in employer contributions should only be considered by the Legislature after other measures have been considered, including:

- a) An increase in employee contributions so that employees and employers truly bear the same responsibility to bring the pension plans to full funding; or
- b) The removal of the cap on PERA Pension Aid payments under Minn. Stat. § 273.1385 and the extension of the aid program after FY2020, so the state equalizes the contributions of employees and employers.

The League also supports:

- a) Fully offsetting the additional unfunded liability of any proposed employee contribution reduction with direct state aid to the plan.
- b) Modifications to the PERA eligibility guidelines to take into account temporary, seasonal, unique part-time, and student employment situations in cities, particularly in recreational operations. These modifications should include the use of pro-rated service credit, which

would make PERA consistent with the other major Minnesota pension plans.

- c) A comprehensive review of exclusions from pension participation with the goal of simplifying current eligibility guidelines. Such a review should also include a possible revision of current penalties for employers that fail to report covered employees to ensure that these penalties are not overly harsh and punitive.
- d) The transfer of all school district employees out of the PERA General Plan and into another fund that is more appropriate for school district employees as long as the change would not negatively impact the financial health of the pension funds nor result in employer contribution increases. The continued authority of cities to effectively use retirees in reemployment situations. The League supports policy changes which would include an increase in the earnings threshold for such retirees and supports keeping the required break in service at 30 days and opposes suspending payments to retirees.

For PERA Police and Fire, any further increases in employer contributions should only be considered by the Legislature after other measures have been considered, including:

- a) An initial increase in the employee contribution of at least 1.0% of salary with subsequent increases split evenly between employee and employer so that the contribution ratio moves toward a more equitable split between employees and employers; or
- b) An additional state general fund appropriation to fund the deficiency in police and fire pension aid payments so that the state equalizes

the contributions of employers and employees.

- c) Increasing the minimum and full retirement ages for new PERA Police and Fire plan participants.
- d) Implementing a contribution-based benefit formula that would align benefits payable with contributions made on behalf of an employee in order to address high-five spiking issues.

The League also supports:

- a) Maintaining the current 60/40 contribution split between employers and employees.
- b) Fully offsetting the additional unfunded liability of any proposed employee contribution reduction with direct state aid to the plan.
- c) Maintaining the statutory changes made to Minn. Stat. § 353.01 in 2007 that separate injuries resulting from “hazardous duties” from injuries resulting from “non-hazardous duties” for purposes of police and fire disability retirement benefits.
- d) A thorough study by PERA of the current effects of overtime accumulation and outside employment compensation on individual pension benefits and the overall funding of the plan. The study should also include recommendations on whether the overtime or outside employment should be factored into or excluded from high five average wage calculations.
- e) Allowing cities, including cities with combination (full-time and paid-on call staff) fire departments, to work with their fire relief associations to determine the best application of fire state aid.

For PERA Corrections Plan the League supports:

- a) Maintaining the current definition of covered employees for the PERA corrections plan, which does not include dispatchers due to the substantial differences between the job responsibilities of dispatchers and the existing corrections positions covered by this plan.
- b) Fully offsetting the additional unfunded liability of any proposed employee contribution reduction with direct state aid to the plan.

For all PERA defined benefit plans the League supports:

- a) Adjustments to the benefits for active members and retirees to reduce the cost of the plans.
- b) Requiring special legislation for individual employee pension benefit increases be initiated or approved by the city council of the impacted city unless the cost of the benefit increase is fully covered by the individual or the legislation addresses a clerical or administrative error.
- c) Requiring PERA to collect and consider all employer-provided information, including independent medical examinations and other relevant personnel data and to broaden the basis for appealing disability determination decisions.

HR-9. Deferred Compensation

Issue: Cities and other local units of government have been offering employees the option to invest in deferred compensation programs under 457(b) of the federal Internal Revenue Code. Minn. Stat. § 356.24, subd. 3 imposes requirements for the plan administrator or vendor of a deferred compensation plan to: (1) provide

the fee disclosure document to the plan's participants, and (2) file the fee disclosure document with the executive director of the LCPR (Legislative Commission on Pensions and Retirement) within 30 days of the end of each fiscal year of the plan. If a 457(b) plan administrator or vendor fails to comply with the reporting requirements, the plan would potentially be an unlawful recipient of public funds that are made by a city on behalf of an employee.

These new requirements are ambiguous and confusing. For example, it is unclear whether the prohibition on contributing "public funds" to a 457(b) plan includes situations where cities allow unused leave or unused health insurance contributions to be converted to a monetary contribution.

The law should also specify that any deferred compensation plan authorized by Internal Revenue Service regulations for local units of government are also authorized by the state.

***Response:* The Minn. Stat. § 356.24, subd. 3 reporting requirements enacted in 2020 for 457(b) deferred compensation plans are confusing, unclear and unnecessary and should be repealed. At minimum, the requirements need to clearly define what constitutes public funds, and exempt public employers that do not contribute public funds to a 457(b) plan from the reporting requirements. In addition, the law should be amended to include all IRS-approved deferred compensation plans that are authorized for local units of government.**

HR-10. Continued Health Insurance for Duty Disabled Peace Officers and Firefighters

Issue: Minn. Stat. § 299A.465 requires public employers to continue health insurance benefits for firefighters and peace officers injured in the line of duty. When the

law was enacted in 1997, it contained a provision requiring the Department of Public Safety (DPS) to reimburse employers for the full amount of administering this benefit.

By 2002, the fund created to provide this benefit became deficient. Instead of increasing the fund, the 2003 Legislature amended the law to pro-rate reimbursements to cities based on the amount available and the number of eligible applicants. The 2003 law change triggered a significant and unanticipated cost to cities. The cost has increased every year for cities, and the funding for the account has never been increased. Even if the health insurance benefit was discontinued entirely, the costs for existing recipients will substantially increase well into the future due to the growing cost of health insurance.

In 2015, the Legislature expanded the health insurance benefit to include survivors of volunteer firefighters who die in the line of duty. This change increased the number of firefighters eligible for this benefit from 2,000 to 20,000.

A League-supported bill that passed in 2023 reinstated full funding to reimburse employers for the cost of the continued health insurance benefit; however, the one-time funding appropriated is expected to run out in approximately three years.

***Response:* The League of Minnesota Cities supports the following legislative actions to adequately fund the continued health insurance mandate:**

- a) **The state must fully fund programs that pay for health insurance for police and fire employees injured in the line of duty and dependents of police and fire employees killed in the line of duty as originally required under Minn. Stat. § 299A.465.**

- b) The legislature must avoid further expansion of eligibility for benefits under Minn. Stat. § 299A.465 unless
 - 1) full funding for benefits is provided by the state; and 2) beneficiaries can be enrolled in a state health insurance plan such as the Public Employees Insurance Program (PEIP).
- c) Cumulative injuries that occur over time in the job should not qualify a police officer or firefighter for benefits under Minn. Stat. § 299A.465 since these types of cumulative injuries are not unique to the dangers of police officer and firefighter duties.
- d) The legislature must clarify that the amount of an employer's contribution under Minn. Stat. § 299A.465 is no greater than that given to active employees in the same job class.
- e) The legislature must establish the minimum criteria used to determine ability to work and set a percentage threshold of disability for eligibility into this program. At a minimum, the legislature must identify that a workers' compensation determination as to whether the injury is work-related is necessary in order to receive the benefits under Minn. Stat. § 299A.465.
- f) Employees who receive a police and fire disability retirement benefit and accept another job that offers them group health benefits should be required to pay for their group health benefits with the city should they decide to continue them. The legislature must amend Minn. Stat. § 299A.465 to reflect that employees are required to inform the city when they become eligible for coverage under another group plan and that failure to do so is grounds for termination from the benefits granted under Minn. Stat. § 299A.465.
- g) The legislature should establish a task force to study the long-term costs of this program, including funding for an actuarial consultant, and make recommendations on changes to make it more financially feasible for Minnesota taxpayers.
- h) The employer's obligation under Minn. Stat. § 299A.465 should expire when the employee reaches age 55, the normal age of retirement.
- i) Obligations under Minn. Stat. § 299A.465 should be proportioned between employers when the employee has worked for multiple employers and the employer at the time of injury is in question or the injury is cumulative.
- j) An employer should be able to appeal the binding assignment of continued health insurance coverage without the burden of proving a duty disability does not exist.

HR-11. Health Care Insurance Programs

Issue: Cities, like other employers in the state, are struggling with the rising costs of health care insurance for their employees. In addition, cities must cope with unfunded mandates imposed on them by the Legislature such as the requirement to pool early retirees with active employees and the requirement to bargain over changes in the "aggregate value" of benefits, even when the city's contribution has not changed.

Response: The League of Minnesota Cities supports legislative efforts to control health insurance costs while maintaining quality health care services. However, cities have differing local needs and circumstances and must retain the

flexibility to provide unique and creative solutions to the rising costs of health care insurance for their employees. The League:

- a) Opposes legislative action that undermines local flexibility to manage rising health care costs.
- b) Encourages the Legislature to carefully examine the costs and administrative impacts of any new, mandated insurance-related benefit before imposing it upon city employers.
- c) Supports changes to Minn. Stat. § 471.6161, subd. 5, that would clarify the intent of the subdivision is to address changes in cost vs. changes in value (e.g., changes in provider networks, changes in benefit levels required by an incumbent insurance carrier, changes required for compliance with state and federal laws).
- d) Supports changes to Minn. Stat. § 471.61 so that the requirement for cities to offer retiree coverage begins on the date the retiree and/or dependents become eligible for federal Medicare coverage.
- e) Supports a clarification to Minn. Stat. § 471.61 and to Minn. Stat. § 471.617 to explicitly alleviate a city's responsibility to comply with group health benefits mandated by state law when the city's employees are covered under a union plan authorized by federal statutes.
- f) Supports statutory authorization for cities to collect up to a two percent administrative fee from retirees receiving post-retirement health insurance benefits.

g) Opposes any mandatory, centralized, statewide health insurance option for active or retired city employees.

h) Supports changing Minn. Stat. § 62A.21 to place reasonable limits on health care continuation for former spouses, similar to the Federal COBRA law.

HR-12. Workers' Compensation

Issue: Rising medical costs are an increasingly serious problem for all employers and insurers, and now represent over half of all loss costs within the workers' compensation system. Medical costs will be a major driver of future workers' compensation premium increases. In addition, the 2013 legislature added post-traumatic stress disorder (PTSD) as a compensable injury and in 2014, a Minnesota Supreme Court decision found that provisions in the Workers' Compensation statute which allow workers compensation benefits for permanent and total disabilities to be offset by disability benefits and pension benefits such as Social Security does not apply to retirement benefits of the Public Employees Retirement Association. In 2018, the Legislature modified Minn. Stat. § 176.011, subd. 15, which defines an occupational disease to add a rebuttable presumption to a diagnosis of PTSD in certain public safety and related personnel. In 2020, the legislature initially modified Minn. Stat. § 176.011, subd. 15 to temporarily add a diagnosis of COVID-19 for peace officers, firefighters, paramedics and other defined employee classes as a presumed occupational disease covered by the workers' compensation system and this presumption was extended through January 13, 2023. The Minnesota Legislature also regularly considered proposals to expand the heart, lung and infectious disease presumptions for public safety workers, and to make the presumptions more conclusive

and difficult to rebut. These types of benefit expansions would further increase municipal workers' compensation costs.

Response: Legislative action is necessary to address increasing workers' compensation costs, particularly rising medical costs. The League of Minnesota Cities supports:

- a) Use of the Workers Compensation Advisory Council (WCAC) system to consider proposals for changes to the workers' compensation law and urges the WCAC and the Legislature to approve medical cost containment reforms.
- b) Filling an existing WCAC employer vacancy with a public-sector employer representative or adding a designated public-sector employer representative to the WCAC.
- c) Continuing the WCRA as the mandatory workers' compensation reinsurer for insurers and self-insurers in Minnesota and supports modifying state statutes to treat PTSD events involving several affected parties as one occurrence for retention purposes, thereby reducing the exposure of self-insured entities and the statewide insurance pools. Such a change would not have any effect on the benefit an individual employee would receive.
- d) Legislation that would disallow the "stacking" of PERA retirement benefits and Workers Compensation benefits due to the fact that some injured employees could receive total compensation from workers' compensation and PERA retirement benefits that would be well above the salary that they had been earning and the fact that the costs would ultimately

be passed on to cities and their taxpayers.

- e) Extending the time limit on denials of liability for PTSD injuries from the current 14 days in order to allow diagnosis in accordance with the requirements contained in the Diagnostic and Statistical Manual of Mental Disorders (DSM) which guides the diagnosis of PTSD under Minnesota Law (Minn. Stat. § 176.011, subd. 15).

The League opposes expansion of workers' compensation and related health insurance benefits because of the potential for dramatically increasing costs to cities. Specifically, the League opposes expansion of the heart, lung and infectious disease and PTSD presumptions, the creation of new occupational disease presumptions as well as any expansion of the law that would require payment of health insurance premiums.

HR-13. Public Safety Duty Disability

Issue: The League of Minnesota Cities and the communities it serves recognize the inherent dangers faced by peace officers and firefighters in the line of duty. The duties performed by public safety employees sometimes lead to physical and mental injuries.

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. This is particularly true in the wake of a 2019 legislative change that made post-traumatic stress disorder (PTSD) a presumptive condition for workers' compensation purposes. The League is

concerned about these trends for the following reasons:

- a) Every injury that leads to a PERA duty disability retirement and/or workers' compensation claim impacts the employee, the employee's family and the employee's organization.
- b) 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.
- c) The fiscal impact of the increasing number of claims is unsustainable for employers and, ultimately, taxpayers.
- d) Public safety agencies, particularly those that are very small and already experiencing recruitment and retention challenges, will not remain viable if they continue to sustain significant personnel losses.

Given these concerns, in 2023 the League and other stakeholders helped secure passage of legislation that establishes mental injury prevention and treatment measures and provides \$104M to pay for related costs. The bill also provides full reimbursement to employers for the continued health insurance requirement for disabled employees. The funding for the legislation is one-time, and ongoing funding will be needed to successfully address ongoing duty disability challenges. As the 2023 legislation has been implemented, the League has identified portions of the new law that should be clarified.

Additionally, the League and cities across Minnesota have invested resources into mental and physical injury education, prevention and treatment. The League has also consulted with experts, including those experienced with treating combat veterans, who report that with successful treatment, many injured public safety employees can

achieve optimal outcomes of restoring good health for themselves, their families and returning to work. The League is actively working with cities and other stakeholders, including public safety labor representatives, to advance the following:

- a) Normalizing conversations about mental health within local government organizations and their public safety departments;
- b) Promoting statewide peer support best practices and training programs;
- c) Identifying ways to promote cultural behaviors that enhance public safety physical and mental wellness;
- d) Educating stakeholders (employers, employees and state and local leaders) about PTSD signs, symptoms, treatment options and outcomes;
- e) Gathering empirical evidence related to treatability of mental injuries;
- f) Develop human resources guidance that focus on:
 - 1) Enhancing relationships between public safety and human resources managers to coordinate and streamline prevention of, and response to, duty disability injuries;
 - 2) Implementing best practices and initiatives aimed at improving mental health wellness and preventing and coping with PTSD;
 - 3) Providing early intervention/resources for public safety employees who experience work-related trauma; and
 - 4) Providing paid time off or light duty for public safety employees who experience work-related trauma;
- g) Identifying resources (partnerships) to help temporarily backfill positions so employees may take needed time off

without losing their jobs or causing hardship for employers/agencies; and

- h) Developing best practices for return-to-duty following a mental injury.

Response: In order for the 2023 duty disability law to be effective, ongoing state funding is necessary. The League of Minnesota Cities supports ongoing full state funding for:

- a) The Public Safety Officer Benefit Account that reimburses employers for providing continued health insurance to police officers and firefighters injured in the line of duty and dependents of those killed (Minn. Stat. § 299A.465);
- b) Reimbursement to 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;
- c) Initiatives and programs that provide peer support, emotional trauma training, early intervention and mental health treatment; and
- d) Emotional trauma training for pre-service and in-service public safety officers.

Additionally, clarifications are needed to ensure:

- a) adequate communication, including timely documentation, between employers, employees and PERA;
- b) employees and employers are held financially harmless while an employee is receiving treatment; and
- c) employees are eligible for mental health treatment while they are still working and they may continue to work while receiving treatment if they are able to work.

The Legislature should:

- a) provide an employee must meet correspondence requirements with their employer while seeking or taking leave to receive mental health treatment, and must communicate with PERA within established time frames;
- b) provide that employees receiving benefits under the duty disability law must provide to their employer minimal treatment data (i.e. start date, end date, and treatment week number) and treatment invoices within established time frames;
- c) clarify that employers are privy to mental health treatment invoices to the extent necessary to apply for reimbursement;
- d) require PERA to provide notice to an employee receiving treatment, and their employer, when there is 30 days remaining of the first 24 weeks of treatment, and require the employee to respond to PERA's requirements within established time frames;
- e) define "seeking treatment" and clarify when an employer's obligation to continue salary and benefits begins and ends;
- f) place a cap on the number of weeks an employer is obligated to continue an employee's salary and benefits during one treatment period;
- g) provide that employees may continue working while receiving treatment, and employers are eligible for reimbursement for treatment costs for employees who continue to work while being treated for a mental health condition;
- h) clarify that a public safety officer who has notified their employer and been approved by PERA to take a leave

from employment to receive mental health treatment under the duty disability law is not required to exhaust paid time off accruals while they are receiving treatment for a mental health condition; and

- i) clarify that salary continuation under Minn. Stat. § 353.032 runs concurrently with other paid leave such as the Family and Medical Leave Act (FMLA).**

HR-14. Drugs, Alcohol, and Cannabis Testing in the Workplace

Issue: Employer testing of job applicants, employees and independent contractors is governed by Minn. Stat. § 181.950 – 181.957, known as the Drug, and Alcohol Testing in the Workplace Act (DATWA). It applies to all employers with one or more employees, including cities. DATWA has not been amended to reflect various and significant changes in drug-testing technology nor policy changes at the federal level.

DATWA prohibits an employer from terminating an employee for their first a positive drug, alcohol or cannabis test without first providing the employee a chance for rehabilitation and treatment. This law applies to probationary employees as well as those who have completed their probationary period.

Currently, breathalyzer use and saliva swabs are permitted for alcohol testing under federal commercial driver testing laws though Minnesota does not allow for the use of breathalyzers in testing. Use of breathalyzers for employee alcohol testing is a less invasive, less expensive method. In addition, federal commercial driver testing laws address a number of outcomes other than a positive test result, including but not limited to tampering with a sample,

providing a substitute sample, providing a sample that is not human urine, providing a sample that is not capable of being tested, etc.

Finally, laws enacted during the 2023 and 2024 legislative sessions legalized adult-use cannabis in Minnesota and updated DATWA including, as an alternative to using services of a testing laboratory, to allow oral fluid testing for alcohol, drugs and cannabis or their metabolites for certain employees or job applicants. Currently, urine testing for cannabis can show evidence of usage 30 or more days prior to testing, while oral fluid testing can show evidence of usage 24 or more hours prior to testing, but there is no test available to determine an employee's current intoxication from cannabis. This creates challenges for employers when investigating workplace incidents in which an employee is suspected to be intoxicated by cannabis while working.

Response: The League of Minnesota Cities supports the following changes to the DATWA:

- a) Updates to reflect new issues, such as adding new definitions as needed to reflect current practices;**
- b) Clarification that a positive drug, alcohol, or cannabis test during an employee's probationary does not require the employer to provide an employee who has not completed their probationary period a chance for rehabilitation and treatment; and**
- c) Permitting the use of breathalyzers as acceptable technology for determining alcohol use.**
- d) The legislature should continue to invest funds into research to develop technology that can assist with determining cannabis intoxication in the workplace.**

HR-15. Veterans Preference

Issue: Cities have a long history of recruiting and hiring veterans as they are a natural fit in city government. Across the state, cities are partners in working with and ensuring veterans have a variety of opportunities afforded to them given their sacrifice and service. The purpose of the Minnesota Veteran's Preference Act (VPA) is to facilitate the transition of veterans from the military to civilian life and to help compensate veterans for their sacrifices of health and time to the community, state and nation. The VPA grants veterans limited preference over nonveterans in hiring and promotion for most state and local government employment to recognize the training and experience they received as a result of serving in the military. It also provides local government employees who are veterans some protection against unfair demotions and dismissals. These preferences and protections are commonly referred to as "veteran's preference" and are codified in Minn. Stat. § 43A.11, 197.455, 197.46, 197.48, and 197.481.

Once a veteran has completed an initial probationary period upon hire, they cannot be removed from their position or employment, except for incompetency or misconduct shown after a properly noticed hearing. Currently, a veteran can only be placed on probation upon hire but not following a promotion. It is common practice to place employees on probation following employee promotion making this restriction inconsistent with current practice and procedure.

Termination hearings are held before the local civil service commission or before an arbitrator and Minn. Stat. § 197.46 allows a veteran to choose a hearing before the local civil service commission, or an arbitrator. Members of civil service commissions are chosen for their expertise and experience

with employment law. Hiring an arbitrator for a hearing instead of utilizing an established civil service commission is inefficient.

Response: The League of Minnesota Cities recognizes the important contributions veterans have made and supports giving veterans limited preference in employment. To strengthen and improve the VPA, the legislature should:

- a) **Allow cities to place veterans on probationary periods upon promotion as they do with other employees; and**
- b) **Restore the language in Minn. Stat. § 197.46 requiring a hearing to be held before a local civil service commission where one exists.**

HR-16. Military Leave Reimbursement

Issue: Minn. Stat. § 192.26 subd. 1, requires local units of government to provide 15 days of compensation per year to employees who are members of the military for military leave. State laws give preference to hiring veterans for public sector jobs, and, veterans are a natural fit to also serve as public safety personnel. As such, many public safety personnel are often also members of the military and are required to conduct training and military duties throughout the year.

In addition to providing compensation for mandatory military leave, cities must also ensure that these temporary vacancies are adequately filled by public safety personnel whose training and qualifications are unique to providing public safety. This can result in added overtime costs and may impact public safety service levels.

Government employers honor and recognize the importance of ensuring members of the military are able to fulfill their duties and participate in mandatory training, while also

aiming to ensure that public safety service in their community is efficient, seamless, and cost-effective. In response to this issue, there have been recent legislative proposals to reimburse local units of government for military leave paid to public safety personnel.

***Response:* The League of Minnesota Cities supports state funding to ensure that local units of government can maintain quality and cost-effective public safety services in their communities and for their taxpayers while also offering full support for employees who are members of the military. Such state funding could include reimbursement of costs incurred to local units of government related to compensating personnel on military leave as well as reimbursement for costs related to ensuring these temporary vacancies are adequately filled.**

Data Practices

DP-1. Data Practices Compliance Costs

Issue: The purpose of the Minnesota Government Data Practices Act (MGDPA) is to protect personal information from indiscriminate disclosure while balancing the right of the public to know what the government is doing. The Act also attempts to balance these rights within a context of effective government operation. The League of Minnesota Cities supports the public policy behind the MGDPA while acknowledging that compliance with the law imposes costs on local taxpayers. Smaller cities struggle with limited staff and resources while larger cities struggle with larger complex databases. The MGDPA must balance the right of residents to access public data with the cost to municipalities of complying with certain types of data requests.

In 2014, the Legislature imposed additional security requirements on political subdivisions in an attempt to prevent unauthorized individuals from accessing private data. Adequate security measures are important, but they make compliance with the MGDPA more difficult and costly. Although the Legislature has made compliance with the MGDPA a priority, funding for the Data Practices Office of the Department of Administration, the department charged with overseeing the MGDPA, does not reflect the increased need for local government assistance.

Cities continue to receive repetitive, overly broad and far-reaching data requests that require significant staff time to locate government records, redact private data or data unrelated to the request, and assemble documents to be provided in order to comply with requirements to provide access to public government data. Cities are experiencing significant increases in wide-ranging data requests, often utilizing specific word searches through multiple databases. “Word search” requests typically result in a voluminous quantity of data that must be reviewed and redacted, with significant staff cost. Because word searches retrieve even incidental references to the searched term, the search results often contain a significant volume of data that has little informational value. If the requestor does not request copies, the search costs cannot be recovered – even though the requestor dictated the specifics of the search.

Furthermore, in some situations, as with overly broad data requests related to “applicant” lists, staff time and costs are significantly increased and not recoverable for very limited public benefit. The MGDPA also limits the ability of cities to be reimbursed for responding to requests.

Cities are limited to charging only 25-cents per page for copies of police motor vehicle

incident reports, which does not cover the city cost for copying, while the Commissioner of Public Safety is exempt from this restriction—thereby permitting the Department of Public Safety to continue to charge \$5 for incident reports that cities are required to submit to the department.

Response: As the cost of complying with the MGDPA increases, the League supports:

- a) **Providing additional state funding to assist political subdivisions with meeting the increasing complexity of managing government data.**
- b) **Providing state funding for statewide data practices training.**
- c) **Allowing political subdivisions to charge for the staff time that is required to comply with wide-ranging data requests regardless of whether copies of the data are requested or allowing political subdivisions to charge for actual costs for collection of data when the requestor makes his or her own copy of the data by taking a photo, bringing a copy device, etc.**
- d) **Providing a mechanism that would permit cities to challenge whether a data request is reasonable and made in good faith.**
- e) **Creating and funding an ombudsperson position in the Data Practices Office to determine reasonableness and proportionality of data practices requests.**
- f) **Providing funding and authority to the Data Practices Office to engage in the rulemaking process to establish standards and procedures related to requests and responses to data practices requests that impose significant burdens on government entities.**

g) **Amending the MGDPA to limit what is considered public applicant data to better balance the value of public data with the cost related to data practices compliance.**

h) **Allowing political subdivisions to charge the same amount for copies of motor vehicle incident reports issued by local police and fire departments as the commissioner of public safety.**

The League of Minnesota Cities opposes:

- a) **Further increasing the maximum exemplary damages that courts may impose against government entities, including cities, found to have violated the MGDPA; further increasing the maximum civil penalty that may be imposed when a court order is issued to compel a government entity to comply with MGDPA; or any statutory change that would make it a mandatory civil penalty to compel compliance under the MGDPA.**
- b) **Repealing of the administrative remedies provisions adopted by the 2010 Legislature to address disputes regarding MGDPA compliance issues.**

DP-2. Records Retention Compliance Costs

Issue: The Official Records Act requires government entities to “make and preserve all records necessary to a full and accurate knowledge of their official activities.” In accordance, cities must establish a records retention schedule, and maintain and destroy official records according to this schedule. There are rigorous requirements for any changes to a city’s records retention schedule, including getting approval from the statutorily-created Records Disposition Panel, which strikes an appropriate balance between the government entity’s decision-making role in determining retention and disposition of official records with the

public's right to know the government entity's official activities.

***Response:* As the cost of complying with the records management laws increases, the League supports providing additional state funding to assist political subdivisions with meeting the increasing complexity of managing government records.**

The League of Minnesota Cities opposes changing the current record management requirements and statutory definitions. If changes are needed, subject matter experts should make recommendations through the records retention schedule process.

DP-3. Updating the Minnesota Government Data Practices Act

Issue: The Minnesota Government Data Practices Act (MGDPA) was first enacted in 1979. Over 40 years later, times have changed dramatically. In particular, there has been exponential change in technology. In 1979, cities were largely maintaining data in paper form, computers had just become viable for home users, word processing had just become a reality, the first point-and-shoot, autofocus camera came on the market, and the internet was still about a decade on the horizon.

While the MGDPA was originally drafted to be future thinking by contemplating the various forms data could be held – including the concept of storage media – the legislators of the time could not have imagined where technology would be today. For example, the originally-drafted MGDPA made reference to photostatic, microphotographic, or microfilmed records. Minn. Stat. § 13.03, subd. 1. The current law still refers to these same mediums of data, despite few cities maintaining data in this manner.

Technology has exploded, and the type of data collected by this new technology has multiplied. In our current reality, the public and government have been frustrated by how best to access government data. In *Webster v. Hennepin County*, 910 N.W. 2d 420 (Minn. 2018), the County was asked to conduct a computer-aided search of all its email accounts over multiple years for 20 separate search terms related to biometrics and facial recognition. The Minnesota Supreme Court found that the County failed to establish procedures to ensure appropriate and prompt compliance with data requests but did not find that the County failed to keep its records in an arrangement and condition to make them easily accessible for convenient use. The Court also did not address if a term search was a valid data practices request or if a request could be unduly burdensome. The lack of direction from the Court on these issues leaves a void.

There are also other advances in technology that are not comprehensively addressed by the MGDPA. While the Legislature has attempted to address technological advancements as they come, it has been in piecemeal ways.

***Response:* The MGDPA should undergo a comprehensive review periodically to address technological changes, and the Legislature should update the law to address those changes. Because the MGDPA is a complicated area of law, the Legislature should make changes based on the recommendations from subject matter experts from all levels of government and interested stakeholders, including recommendations on what constitutes reasonable data practices request and when a data practices request is unduly burdensome.**

DP-4. Maintaining Government Data in Large Databases

Issue: The Minnesota Department of Administration Advisory Opinion 10-016 issued in June 2010 maintains that the Minnesota Government Data Practices Act (MGDPA) requires cities to keep records containing public government data so that they can be easily accessible and convenient to use, regardless of how they are kept. Cities maintain that the application of this advisory opinion to large databases in which records are kept in an electronic format forces cities to risk the daily threat of allegations of noncompliance or leaves local government officials confused regarding how to apply the requirement for access to data in circumstances where information technology is utilized to facilitate the management and organization of records and information which often includes public, private, and nonpublic data within individual data sets.

In addition, large databases today contain different forms of data, including video, audio, images, and social media. In responding to data practices requests, responsive data could be stored in multiple data bases. Further, with the advent of cloud-based information systems provided by the private sector, newer databases are not typically designed to be controlled by cities to easily separate public from non-public data.

Response: The state of current technology requires cities to maintain large databases that are designed to provide secure data storage and maintenance. Those databases are already burdensome and expensive for cities to maintain but are not available in a form in which public and private data can be easily separated. Requiring cities to design such databases to accommodate extensive data requests under MGDPA is

both financially and technologically challenging to achieve.

The Legislature should address the growing and costly impact on cities of providing access to specific public data housed in large electronic databases.

DP-5. Sharing of Student Data with Local Law Enforcement in Emergencies

Issue: Minn. Stat. § 13.32, subd. 3(l), defines education data as private data that must not be disclosed except to the juvenile justice system in cases where information about the behavior of a student who poses a risk of harm is reasonably necessary to protect the health or safety of the student or other individuals. In addition, the federal Family Education Rights & Privacy Act (FERPA) bars schools from disclosing information on student educational records that contains personally identifiable information without consent of a parent or eligible student, with only limited exceptions.

Minn. Stat. § 13.32 does not adequately define who is responsible for making the determination that an emergency or risk of harm exists. As a result, school district officials have interpreted the statute in conjunction with the restrictions in FERPA to require that the determination be made solely by school officials.

Local police officials are often frustrated in their efforts to investigate allegations of criminal or other illegal activity when school officials refuse, under Minn. Stat. § 13.32, subd. 3(l), and FERPA, to provide information to follow up such complaints or to assist local police in solving crimes that have already taken place.

School boards are responsible to have policies in place that require school officials to report a student who possesses an

unlawful firearm to law enforcement or the juvenile justice system. But schools are not allowed to release the name of a student in dangerous weapon reports involving use or possession of such weapons that are made to the Minnesota Department of Education.

Response: Minn. Stat. § 13.32 should be clarified to allow local law enforcement agencies to work with school officials to jointly make the determination that an emergency or risk of harm exists in order to enable police enforcement actions to be taken in a timely manner, and to aid in the investigation of possible crimes.

DP-6. Disclosure of Victim Data

Issue: Under the Minnesota Government Data Practices Act (MGDPA), the name and address of a victim or casualty of an accident or incident to which a law enforcement agency responds is public government data. In addition, the name and location of the health care facility to which victims or casualties are taken is public government data. The MGDPA allows a victim or witness to prevent the disclosure of public data unless the law enforcement agency determines that revealing the identity will not threaten the victim or witness's personal safety or property. However, victims and their families can be traumatized by the events that caused their injuries, even when their safety or property is not threatened. Publicly disclosing their identities and the location where they are receiving medical care places a burden on families and victims who may be questioned by reporters, solicited by lawyers, and contacted by other members of the community. While there are legitimate public policy reasons to make this information public, the MGDPA provides no discretion for city officials and law enforcement to temporarily withhold victim data when releasing it is not in the best interest of the victims. This not only makes

the initial period of recovery more difficult for victims but erodes the trust between victims and state and local government.

Response: The Legislature should amend Minn. Stat. § 13.82 to allow law enforcement agencies to temporarily withhold the disclosure of data that identifies victims and casualties and the medical facilities to which they are taken if the agency reasonably determines that access to the data would cause emotional harm to the individual or otherwise impede the individual's recovery. The Legislature should also amend Minn. Stat. 13.82 to clearly and permanently prohibit the disclosure of traffic accident victim identity, similar to the protections for crime victims.

DP-7. Challenges to the Accuracy of Data

Issue: The Minnesota Government Data Practices Act (MGDPA) allows the subject of government data to challenge the accuracy or completeness of data maintained by the government entity. If the government entity denies the challenge, the Act allows the data subject to appeal that determination through a contested case proceeding under the Administrative Procedures Act (APA).

In the human resources context, a performance evaluation is a tool used to document and evaluate employee job performance. Performance evaluations are not discipline; however, some jurisdictions and some union contracts have appeal processes to challenge a performance evaluation. Performance evaluations are normally conducted once a year.

The Minnesota Supreme Court has held that a public employee could use the MGDPA to challenge the accuracy of certain information contained in the employee's performance evaluation. *Schwanke v. Minn. Dept. of Admin.*, 851 N.W. 2d 591 (Minn.

2014). While the Court held that “dissatisfaction with a subjective judgment or opinion cannot support a challenge under the [MGDPA],” a data subject can still challenge data that supports the subjective judgment. There is currently no limitation on when a performance evaluation challenge may be brought. Often there is no retention period for the underlying data because it is rarely an official record. Furthermore, the more time that passes, the less likely those with the knowledge of a given performance evaluation may be still employed by the city. It is to everyone’s benefit to have the challenge to accuracy of data conducted as soon as possible.

Under *Schwanke*, an invalid challenge to a subjective opinion can no longer be dismissed by the Department of Administration; it can only be dismissed in a contested-case proceeding. In even a frivolous challenge the data subject will have the right to submit evidence and call witnesses at taxpayer expense.

This right of review is in addition to any union grievance process and can be exercised by an employee before or after such a grievance is undertaken. This process can result in conflicting decisions and has the potential to create a heavy burden on all levels of government and impose significant costs on taxpayers.

***Response:* In light of the *Schwanke* decision, the Legislature should modify the data challenge provision of Minn. Stat. § 13.04, subd. 4, to balance the rights of data subjects to challenge the accuracy and completeness of data with the administrative and financial burdens on local governments and taxpayers.**

DP-8. Law Enforcement Technologies

Issue: To aid law enforcement in work, law enforcement agencies need the flexibility to

effectively use all available tools, including technology, in a manner that balances privacy interests of individuals, transparency of their work, and costs related to these technologies. The Legislature has balanced these concerns in the recent License Plate Readers law and the Police-Worn Body Camera law.

License Plate Readers (LPRs) are an important tool that assist law enforcement agencies in locating wanted individuals, recover stolen vehicles, and many other types of investigations. Nevertheless, the use of this technology raises legitimate privacy concerns. In 2015, the Legislature passed compromise legislation regulating the use of LPRs, the classification of LPR data, and the retention period for LPR data that struck a fair balance between the need for robust law enforcement and individual privacy rights.

Police-worn body cameras (or portable recording systems) provide invaluable evidence when investigating crimes and prosecuting criminals and strengthened trust of residents in law enforcement by increasing the accountability between peace officers and the public. Different than other kinds of data, body camera data use involves the unique complexities of the sensitive nature in its use in private homes as well as the sheer volume of data in daily use. In 2016, the Legislature contemplated all of these issues and passed compromise legislation regulating use of body cameras, classification of body camera data, retention period for body camera data, release of body camera data, audit requirements, and written policy requirements.

The Legislature has recently engaged in conversation about other types of law enforcement technology, such as drones, facial recognition, etc.

***Response:* Cities and/or law enforcement agencies should be allowed to decide whether to utilize technology and be given**

the flexibility to decide how they are used in the field.

- a) **The League supports the continued use of License Plate Readers under the terms of the 2015 legislation and opposes any further restrictions on their use or any reduction in the current 60-day retention period.**
- b) **With emerging law enforcement technologies, the League supports a balanced approach to the values of privacy for individuals, transparency of the work of law enforcement, and discretion to determine what technologies will be used, such as effective use of these technologies, functional accuracy, emerging law enforcement needs, communities served, and costs and benefits of technology.**

DP-9. Body-Worn Cameras

Issue: Police-worn body cameras (or portable recording systems) provide invaluable evidence when investigating crimes and prosecuting criminals and strengthen trust of residents in law enforcement by increasing the accountability between peace officers and the public. Different than other kinds of data, body-camera data use involves the unique complexities of the sensitive nature in its use in private homes as well as the sheer volume of data in daily use. In 2016, the Legislature contemplated all of these issues and passed compromise legislation regulating use of body cameras, classification of body camera data, retention period for body camera data, release of body camera data, audit requirements, and written policy requirements.

The longer body-camera technology is used in Minnesota, the more nuanced questions have become. For example, the Legislature recently has engaged in more discussion

about how law enforcement uses body-camera technology, when the data should be released, etc. Cities have found redaction for private data and non-public data to be more extensive than anticipated, particularly as data practices requests for body-camera data have grown larger in scope and breadth and the number of first responders, such as city and county firefighters, paramedics, and mental health professionals, responding to calls has increased as well.

Response: **The League supports the continued use of police-worn body cameras under the terms of the 2016 legislation. However, if the Legislature makes changes to the body-worn camera law, the League encourages the Legislature to update the law by adequately balancing the competing values of transparency of police work, privacy interests of data subjects, and integrity of police investigations.**

DP-10. Open Meeting Law

Issue: The purpose of the Open Meeting Law generally requires that all meetings of public bodies must be open to the public. This presumption of openness serves three vital purposes: to prohibit actions from being taken at secret meetings, to assure the public's right to be fully informed, and to afford the public an opportunity to present views to the public body.

Technology has outpaced the Open Meeting Law. Recent city response to COVID-19 has illustrated that remote participation for meetings can allow for meaningful interaction with the city and the public. While the legislature recently changed the law to allow for greater participation by interactive technology when a state of emergency has been declared, this change was for a limited amount of time. Cities are in need of greater flexibility now to utilize technology for meetings to protect the health of elected officials, city staff, and the public.

Additionally, in order to expand the pool of qualified candidates that are eligible to serve in a public body subject to Open Meeting Laws, cities need to keep pace with the virtual world by having discretion to use remote technology in the future.

Response: The League of Minnesota Cities encourages the Legislature to authorize cities greater flexibility to allow remote participation under the Open Meeting Law, while addressing the public's needs to be fully informed of city decision-making and to have the opportunity to present views to the public body.

The League opposes any change to the Open Meeting Law that would expand the award of attorney's fees to unintentional violations.

DP-11. Needed Closed Meeting Exceptions to the Open Meeting Law

Issue: The League of Minnesota Cities supports the Open Meeting Law and recognizes the important role it plays in maintaining the public trust and the accountability of elected officials. The Open Meeting Law must, however, balance the need for public information and the need to protect privacy rights and certain negotiation strategies to protect the use of public resources. Currently, there are seven exceptions to the open meeting laws that authorize the closure of meeting to the public. Under these exceptions, some meetings may be closed at the discretion of the governing body and some must be closed. Two challenges exist with current law.

The first concern is the hiring process for management level positions. While existing law allows a governing body to close a meeting to evaluate the performance of an individual subject to its authority, the statute

doesn't grant the same level of privacy for the city council and prospective applicants. The statute should allow a governing body to close a meeting to interview applicants for employment if there is a quorum present; and, to allow a governing body to close a meeting to discuss the terms of an employment agreement to offer to a candidate to whom a job offer has been extended. This would be consistent with the existing authority for the governing body to close a meeting to discuss labor negotiations strategy. Allowing a closed meeting so that a council can discuss the results of an interview process for a management-level position will allow council members to express opinions or ask questions they may have concerns about discussing in a public meeting and preserves the integrity of the interview process of subsequent candidates.

The second concern with existing law is the inability for public bodies to conduct strategic negotiations. Current law allows the public body to close a meeting to discuss the purchase or sale of property and labor negotiations but does not allow the public body to close a meeting to discuss negotiation strategies for an agreement with private parties, non-profit organizations, and/or public entities. The ability for public bodies to close meetings in these situations provides public bodies the opportunity to form strategies in the best financial interest of the community, which is consistent with the importance of negotiation regarding purchase or sale of property and labor contracts. Further, the City may create documents outlining the negotiation strategy, which should be protected for the same reasons as for closing the meeting. Such data should be protected during negotiations of the contract until a contract for the goods or services is signed or abandoned, which is similar to the protection allowed for request for proposals under Minn. Stat. § 13.591.

Response: The Legislature should amend the Open Meeting Law:

- a) **To allow a governing body or a committee created by a governing body to close a meeting to interview candidates for management-level positions such as city manager, administrator, clerk-treasurer, city attorney, superintendent, or department head, and to close a meeting to evaluate and discuss the candidates, and discuss salary and benefit negotiations.**
- b) **To allow a governing body to close a meeting to discuss negotiation strategies for proposed contracts and/or agreements with private parties, non-profit organizations, and/or public entities and keep that data private or nonpublic until the contract is signed by the governing body or a decision is made to abandon a contract for those goods or services.**

Such closed meetings should follow the same or similar procedures for conducting closed meetings currently required under the Open Meeting Law.

DP-12. Remote Participation under the Open Meeting Law

Issue: The League of Minnesota Cities supports the Open Meeting Law and recognizes the important role it plays in maintaining the public trust and the accountability of elected officials. The Open Meeting Law must, however, balance the need for public information, the need to effectively run meetings, and the limitations it can place on the candidate pool for positions on public bodies. City councilmembers, along with advisory board and commission members, from time to time want to remotely participate in meetings as may be needed. While cities want these members to participate in city business to

their fullest extent, it is also important to protect the public's right to see how government works. Currently under the interactive technology exception to the Open Meeting Law in Minn. Stat. § 13D.02, subd. 1, members of public bodies can remotely participate in meetings if they meet certain requirements: (1) all members, wherever their physical location, can hear and see one another and can hear and see all discussion and testimony presented; (2) members of the public present at the regular meeting location of the body can hear and see all discussion and testimony and all votes of the members of the body; (3) at least one member of the public body is physically present at the regular meeting location; and (4) each location at which a member is present is open and accessible to the public. The current law allows an exemption from this last requirement if a member (1) is in the military and deployed or (2) has been advised by a health care professional not to be in a public place for personal or family medical reasons. The military and medical exceptions may only be used three times per year.

On occasion, members of public bodies want to remotely attend meetings, but when members have made their remote location "open and accessible," no city resident shows up at the remote location. COVID-19 has taught us that remote participation can allow for meaningful remote participation and public interaction. However, members of public bodies may want to fulfill their responsibility while traveling for work or personal reasons. Removing the requirement for remote locations to be "open and accessible to the public" still preserves the public's ability to hear and see all discussion, testimony, and voting by all participating members while allowing willing members to participate in city business and expanding the pool of qualified

candidates who would like to serve on a public body.

Response: The Legislature should amend the Open Meeting Law to allow city councilmembers and city board/commission members to participate in meetings without making their remote location open and accessible to the public as otherwise required under Minn. Stat. § 13D.02, subd. 1. While the Legislature amended the Open Meeting Law to allow the medical exception to be used without the declaration of a state of emergency, the Legislature should remove the three-times-per-year cap for the medical and military exceptions.

Federal Employment Law

FED-1. Consolidated Omnibus Budget Reconciliation Act (COBRA)

Issue: The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) law, which requires employers to offer continued health and dental insurance group benefits after an employee terminates, has been interpreted to apply to Employee Assistance Programs (EAPs) which provide any form of medical care, including short term counseling for drug and alcohol addiction. The application of COBRA to these programs results in unlikely and impractical outcomes and reduces the likelihood that employers will make them available. Final regulations issued in 2014 exempt EAPs that do not provide “significant benefits in the nature of medical care,” including EAPs that provide short term drug and alcohol counseling, from requirements of the Patient Protection and Affordable Care Act (ACA).

Response: Congress should clarify that EAPs which do not provide significant benefits in the nature of medical care are not subject to COBRA.

FED-2. Flexible Spending Accounts

Issue: Health care costs are rising dramatically, and employees and employers need financial relief. Flexible spending accounts provide some relief, but the current “use it or lose it” provision for medical spending discourages employees from participating in this program. Though the IRS permits carryovers of up to \$500, employers that offer this option may not offer the 2 ½ month grace period after the end of the plan year to incur eligible expenses. The Consolidated Appropriations Act (CAA) provided temporary relief, allowing employers to permit employees to carry over all or some of their unused health and/or dependent care FSA funds from a plan year ending in 2020 or 2021.

In addition, the \$5,000 annual maximum limit on dependent care accounts has not increased substantially since the program’s inception in 1986 and childcare costs continue to rise significantly. The American Rescue Plan Act of 2021 (ARP) provided temporary relief, increasing the annual maximum limit for dependent care to \$10,500 for taxable years beginning after December 31, 2020, and before January 1, 2022.

Response: The League of Minnesota Cities supports legislation that would make permanent the changes in the CAA to allow employees to roll all unused funds in a health or dependent care flexible spending account into the next plan year, or to allow unused funds to be contributed into a tax-qualified retirement plan, or a 457 plan. The League of Minnesota Cities also supports making permanent the \$10,500 maximum limit for dependent care accounts, with a cost-of-living inflationary increase each year after the initial adjustment.

FED-3. IRS Regulations on Death Benefits

Issue: Current IRS regulations do not allow any type of death benefit to be included in a health reimbursement arrangement (HRA) or tax-free, account-based group health plans. If a participant of the HRA or account-based group health plan dies, they cannot leave the remaining funds to a designated beneficiary unless the beneficiary is a spouse or dependent child who remains enrolled in the HRA. Public sector HRAs are often treated as fully vested even when unfunded. If the employee does not have a spouse or dependent child, the funds revert to the employer (who may then credit the balance among plan participants). A death benefit provision is an attractive feature for many employee groups. In 2008, Section 105 of the Internal Revenue Code was amended, with a further amendment in 2015, to include limited exceptions to this general rule but not all city plans meet the requirements of these limited exceptions.

Response: Congress should amend Section 105 of the Internal Revenue Code to allow all HRAs and account-based health plans for both active employees and retirees to include a provision that allows the employee to designate beneficiaries other than spouses and dependents. Such beneficiaries should be able to, at a minimum, receive reimbursement for their medical expenses from the inherited account.

FED-4. Federal Public Safety Collective Bargaining Bill

Issue: Congress is considering a bill that would require all states to establish collective bargaining procedures for all public safety employees. The bill directs the Federal Labor Relations Authority (FLRA) to determine, state by state, whether it meets the bill's requirements with regard to

collective bargaining rights for public sector employees. While it appears Minnesota is likely to pass the tests set out by the bill, federal public sector lobbyists have expressed serious concern that the bill is very much open to interpretation. In addition, the bill directs the FLRA to “consider and give weight, to the maximum extent practicable, to the opinion of affected employee organizations.”

Response: The League of Minnesota Cities opposes the federal collective bargaining bill for public sector employees. Public sector collective bargaining should be left to the determination of each state.

FED-5. Federal Health Care Reform

Issue: Certain provisions of the Patient Protection and Affordable Care Act (commonly referred to as the federal health care reform law or Affordable Care Act (ACA)) are problematic for cities. These issues range from administratively difficult to very costly. Tracking employee hours, particularly hours of seasonal and temporary employees and council members, is burdensome and requires significant administrative time and effort. Because most of these employees will not qualify for coverage under the ACA, the effort does not result in a worthwhile outcome. There are also situations where employees who are currently working more than 30 hours per week in a city will now be eligible for health care coverage by that city, which will drive up city costs significantly, particularly for cities using the “duty crew” concept at fire stations to ensure adequate daytime response. Finally, there are provisions which require the city to offer coverage to full-time students who are already covered by their parents' insurance and do not need the coverage through the city, which results in wasted effort.

Response: The League of Minnesota Cities supports the intent of the ACA to provide affordable health care coverage to all Minnesota residents. However, Congress should:

- a) Exempt (from the offer of coverage requirements) employees under age 26 who are covered by their parents' insurance;
- b) Exempt (from the offer of coverage requirements) employees who work in recreational facilities and programs owned and operated by governmental entities; and
- c) Exempt elected officials from being counted as "employees" for the purposes of the ACA.

FED-6. Amended Internal Revenue Code Regarding 403(b) Retirement Plans

Issue: Section 403(b)(1)(A)(ii) of the Internal Revenue Code allows an employer that is a State, a political subdivision of a State, or an agency or instrumentality of a State or a political subdivision of a State to establish a 403(b) retirement plan for employees who perform services for educational organizations as described in Section 170(b)(1)(A)(ii) of the Internal Revenue Code. This provision of the Internal Revenue Code allows employees to defer substantially more income for retirement savings than their city government employee counterparts. While government employees who do not perform services for an educational organization may participate in a 457(b) deferred compensation plan, they may not participate in a 403(b) retirement plan. Government employees who perform services for an educational organization are able to participate in both a 403(b) plan and a 457(b) deferred compensation plan. Furthermore, as a result of the

amendment to Section 457(c) of the Internal Revenue Code by the Economic Growth and Tax Relief Reconciliation Act of 2001, deferrals to a 457(b) plan are not coordinated with elective deferrals made to a 403(b) plan for purposes of complying with the limit on pre-tax contributions to either plan. Both employee groups serve the public and should be treated similarly under the Internal Revenue Code for purposes of tax-deferred retirement savings plans."

Response: Congress should amend Section 403(b)(1)(A)(ii) of the Internal Revenue Code to allow an employer that is a State, a political subdivision of a State, or an agency or instrumentality of a State or political subdivision to establish a 403(b) plan for all of its employees, regardless of whether they perform services for an educational organization.

FED-7. Amended Internal Revenue Code Regarding Health Savings Account Eligibility and Medicare Enrollment

Issue: Section 223(b)(7) of the Internal Revenue Code provides that the monthly limitation on contributions to a health savings account (HSA) is zero starting with the first month in which an individual is entitled to Medicare benefits. A person becomes entitled to Medicare benefits when their Medicare coverage becomes effective. In many cases, Medicare coverage is effective on a retroactive basis. Specifically, when an individual is required to submit an application for Medicare coverage, the Medicare coverage will be effective retroactively up to six months before the month in which the application is filed (depending on the date on which the individual first become eligible for Medicare coverage) as described in 42 CFR §406.6(d). The IRS has indicated that the monthly limitation on HSA contributions included in

Section 223(b)(7) applies during any retroactive period of Medicare coverage. This rule is confusing to employees, employers, and benefit administrators and may lead to unintended and unexpected tax consequences for employees and employers who may not be aware at the time an HSA contribution is made that the monthly limitation for that month will be zero if the employee applies for Medicare within the following six months and the coverage is effective retroactively under this rule. Furthermore, if an employer provides contributions to an HSA as part of its benefit package, then the rule may limit the benefits an active employee can receive from their employer.

***Response:* Congress should amend Section 223(b)(7) of the Internal Revenue Code to provide that the limitation on contributions to a health savings account for any month with respect to any individual shall be zero for each month beginning with the later of (i) the first month in which such individual is entitled to benefits under title XVIII of the Social Security Act or (ii) the month in which such individual submits a valid application for benefits under title XVIII of the Social Security Act.**

FED 8. Affordable Care Act Reporting

Issue: Almost all Minnesota cities that are Applicable Large Employers use the federal poverty line safe harbor and can state on Line 23 of Form 1095-C that they meet the Qualifying Offer Method and/or the 98% Offer Method. But they are still required to complete the entirety of Form 1095-C, and in particular, the complex and time-consuming code combinations in Lines 14 and 16. The complexity of the form also increases the likelihood of error. In December of 2021, the IRS announced that the “good faith” defense for errors in Forms

1094 and 1095 will no longer be permitted, because they “have now been in place for six years, and transitional relief is no longer appropriate.” This rationale does not reflect the reality of turnover in the workforce and the often limited resources available to public employers for legal and tax professionals. In 2023, penalties that may be assessed against applicable large employers for good faith errors made on Form 1095-C are \$290 per return furnished to the employee and \$290 for the same return filed with the IRS, for a potential total of \$580 per return. If a city meets the Qualifying Offer Method or the 98% Offer Method, Form 1095-C gathers too much detail at too great a cost to employers. In the public sector, the cost of this administrative burden, along with the potential for penalties due to the complexity, is passed on to the communities they serve.

***Response:* The League of Minnesota Cities supports the intent of the Affordable Care Act (ACA) to provide affordable health care coverage to all Minnesota residents. But Congress (or the IRS) should:**

- a) Allow applicable large employers in the public sector who meet the Qualifying Offer Method or the 98% Offer Method to furnish and file Forms 1095-B rather than Forms 1095-C to all full-time employees and other current and former employees;
- b) Deem employees who receive premium tax credits during months of non-coverage reported on Form 1095-B to be not employed by the employer, in part-time status, or fall within limited non-assessment periods (employers would still be subject to liability for failures determined on audit); and
- c) Reinstate relief from penalties relating to incorrect or incomplete filings for

public employers that make good faith errors in completing these forms.

IMPROVING FISCAL FUTURES

FF-1. State-Local Fiscal Relations

Issue: Since the 1970s, services provided by Minnesota cities have been largely funded through a combination of property taxes, state aids, and state property tax relief programs. This system of municipal finance has evolved to ensure that municipal services can be funded without excessive local tax burdens.

However, the state-local partnership vacillates with the state budget, challenging the ability of city officials to plan for the future fiscal needs of their communities.

Response: The League of Minnesota Cities supports a strong state-local fiscal partnership. The state-local fiscal system, and any future modifications, should be consistent with the following principles:

Accountability. Cities believe a viable partnership with the state requires cities and the state to communicate effectively with each other and with the public about their roles and responsibilities. Cities and the state must also exercise sound financial stewardship, including maximizing efficiencies in service delivery and other means of cost containment whenever possible.

Certainty. Cities need to have more certainty and predictability in all of their available revenue sources, including the property tax, the amount of funding they receive from local government aid and similar programs and from other sources of revenue. The past practice of retroactive adjustments to local government aid (LGA) and similar programs, unallotments of the appropriation and the imposition of levy

limits do not facilitate prudent financial planning and decisions. In addition, during a past state government shutdown the Department of Revenue indicated that despite the standing LGA appropriation, the shutdown of many state government operations would prevent the distribution of the LGA.

Adequacy. The revenue sources available to cities and the state must raise adequate funds to meet city needs, to fund mandates, and to maintain Minnesota's long-term competitiveness.

Flexibility. As cities become increasingly diverse in their characteristics and as existing aid and credit programs have eroded, a "one-size-fits-all" system that limits all cities to the property tax as the major, non-state aid revenue source is increasingly unworkable. Some cities have sufficient property tax base to sustain an adequate service level, but many do not. Cities should have greater access to other tax and revenue sources than currently permitted.

Equity. All residents should receive adequate levels of municipal services at relatively similar levels of taxation. This means that the state should provide financial assistance to cities that have high costs, including costs related to overburden created by non-resident users of city services, low fiscal capacity, or both. State financial assistance should also reduce tax burden disparities among communities and between cities and surrounding areas.

FF-2. State Budget Stability

Issue: Legislative actions to address past state budget deficits have included permanent reductions in funding to local units of government for programs such as local government aid as well as the full elimination of programs such as the market value homestead credit. In addition, the Legislature has frequently relied on short-term solutions that have only shifted a large share of the deficit problem into the next biennium without permanently addressing the state budget problems.

The legislature has taken steps to reduce state budget volatility. As required under Minn. Stat. § 16A.152, subd. 1, 33 percent of any state general fund budget surplus identified in the November state budget forecast must be directed to the state budget reserve until the account reaches a targeted level.

Response: To increase the stability of the state budget and avoid or reduce the impact of future state budget deficits, the Legislature:

- a) **Must consider all budget stabilizing options, including revenue increases, with a particular focus on changes that improve the stability of the state's revenue stream;**
- b) **Must not further reduce funding for property tax relief programs to cities and taxpayers;**
- c) **Must not accelerate the remittance of sales tax collections by retailers including municipal liquor operations, and should make steps to reverse past accelerations;**
- d) **Must consider the aggregate impact on Minnesota taxpayers of previous budget cuts and tax increases;**

- e) **Must maintain detailed estimates of inflationary increases to expenditure estimates in the state budget forecast;**
- f) **Should maintain a budget reserve as recommended by Minnesota Management and Budget based on their assessment of volatility in Minnesota's revenue system defined in Minn. Stat. §16A.152, subd. 8 with a minimum of a five percent reserve;**
- g) **Should modify the unallotment statute to place a reasonable statutory limit on the percentage and timing of the state's budget that can be unallotted during a biennium without legislative approval; and**
- h) **Must emphasize long-term budget solutions and budget stability and the continuation of both state and local government operations.**
- i) **The League of Minnesota Cities supports the principle of representative democracy and opposes limiting the Legislature's flexibility in making financial decisions through new Constitutional amendments.**

FF-3. Funding Local Government Aid

Issue: Local government aid (LGA) is an important component in the state's property tax relief system, and a critical tool to help equalize tax base to ensure needs for public services can be met. To avoid undue pressure on the property tax, funding for LGA must keep pace with inflationary pressures.

In past years, bills have been introduced that would have created offsets to a city's LGA distribution if the city imposed a local sales tax, spent funds for activities related to lobbying or a World's Fair, or would have reduced or eliminated LGA if the city enacted ordinances to ban plastic bags,

impose certain local labor laws, ordinances, or policies that restrict city employees from enforcing immigration laws, unauthorized ordinances related to diversion programs. Such changes would have been a significant deviation from the practice of using the formula to distribute LGA and could have jeopardized the long-term stability of the program.

In 2023 the Legislature enacted changes to the Local Government Aid formula that were recommended by the League of Minnesota Cities and other affiliate groups. These formula changes were coupled with an \$80 million increase in the appropriation. While the 2023 House omnibus tax bill included tying the appropriation to inflation for future years, that proposal was not included in the final bill.

In 2023, the Legislature included a one-time payment acceleration for payments made in 2025 only that distribute 9.402 percent of each city's 2025 LGA by March 20, with a second payment of 40.598 percent on July 20 and a final payment of 50 percent on December 26. For 2026 and beyond, LGA payments will again be made to cities in two equal installments on July 20 and December 26 each year.

In 2022, the House omnibus tax bill would have dedicated a portion of future state budget surpluses to phase-in an acceleration of the July 20 LGA distribution to March 15. The current distribution occurs late in the city fiscal year and can create short-term cash flow challenges for some cities.

Current law (Minn. Stat. § 477A.017, subd. 3) prohibits the distribution of LGA and Small Cities Assistance Account funding (Minn. Stat. § 162.145) to cities that have not complied with all financial reporting requirements to the Office of the State Auditor. Frequently, failure to comply is due to factors outside the control of the city. Although many cities subsequently comply

and seek special legislation to receive the withheld LGA, the growing regularity of the legislature's failure to approve tax bills has jeopardized the restoration of these payments.

Response: In order to reduce pressure on the property tax, and to equalize property tax bases, the League of Minnesota Cities continues to support the LGA formula as the appropriate mechanism to distribute LGA resources. In addition, the League supports:

- a) Regular increases in the LGA appropriation and review of the LGA formula**
- b) Restoring the annual inflation adjustment to the LGA program to move toward funding the total unmet need of all cities.**
- c) Permanently accelerating of the annual LGA payment schedule to assist cities with cash flow needs.**
- d) Establishing an administrative procedure that would allow cities that ultimately comply with financial reporting requirements to receive their withheld aid distributions.**

The League opposes targeting reductions to specific cities or groups of cities as well as reductions or offsets for local policy or expenditure decisions.

The legislature should avoid creating side-pots or special appropriations through the LGA (Minn. Stat. ch. 477A) program. If special circumstances such as a natural disaster warrant additional state assistance to specific cities, the criteria for the additional aid should be specifically enumerated and the appropriation should be separate and in addition to the appropriation through the general LGA formula.

FF-4. State Charges for Administrative Services

Issue: Currently, some state agencies have wide discretion in setting the fees for special services they provide to local governments.

Response: State agencies should be required to justify their service fees or for increases in existing service fees and not charge more than what is fair, reasonable, and proportionate to the cost of service. Agencies should give adequate notice of increases to allow local governments to budget for the increases. State agencies should set administrative service fees as close as possible to the marginal cost of providing the service. Local government should be given the option to self-administer or contract with the private sector for the service if the state cannot provide the service at a reasonable cost.

FF-5. Reporting Requirements

Issue: Budget and financial reporting requirements imposed on cities by the state often result in duplication and additional costs. In addition to the state mandated annual audits under Minn. Stat. §§ 471.697-.698, cities are required to prepare and submit or publish numerous other budget and financial reports including but not limited to:

- a) Summary budget reports (Minn. Stat. § 6.745);
- b) Summary budget information for the proposed budget, which is sent to the county for the annual tax hearing process (Minn. Stat. § 275.065, subd. 3b);
- c) Treasurers report to the city clerk (Minn. Stat. § 412.141);
- d) Statement of tax collections and other income by clerk to the city council (Minn. Stat. § 471.69);

- e) Report on outstanding obligations and the purpose for each issue filed with the county auditor (Minn. Stat. § 471.70);
- f) Publication of summary budget statement (Minn. Stat. § 471.6965);
- g) Publication of statement of liquor store operations (Minn. Stat. § 477A.017);
- h) Liquor store audited financial statements (Minn. Stat. § 471.6985);
- i) TIF district plan and amendments (Minn. Stat. § 469.175, subd. 4a);
- j) TIF district annual disclosure (Minn. Stat. § 469.175, subd. 5);
- k) TIF district annual financial report (Minn. Stat. § 469.175, subd. 6);
- l) Business subsidy reporting (Minn. Stat. §§ 116J.993-.995);
- m) State required financial activity reports (Minn. Stat. § 6.74);
- n) Local improvement requirements (Minn. Stat. § 429.031);
- o) Development and permit fees report (Minn. Stat. § 326B.145);
- p) Utility annual financial statements (Minn. Stat. § 412.381);
- q) Housing and redevelopment authority annual financial report (Minn. Stat. § 469.013); and
- r) Federal single audit or a program-specific audit (31 U.S.C. § 7502 (a)(1)).
- s) A temporary reporting requirement for the federal American Recovery Plan Act distributions.

Many cities have expanded the availability of information on their web sites in response to resident requests and some cities have begun using new tools to assist residents in understanding the city budget. Expanding state mandated financial reporting requirements could force cities to redirect

scarce resources to the state mandate and stifle innovative ways to communicate with residents.

***Response:* Requirements for reporting and advertising financial and budget information should be carefully weighed to balance the need for information with the administrative costs of compiling and submitting this information. In addition, the legislature should direct all state agencies to review existing local government reporting mandates and eliminate redundant or superfluous requirements. To this point, the legislature should consolidate municipal government financial reporting requirements in the Office of State Auditor, include an electronic submission alternative to any remaining paper filing requirements and authorize the use of web publication where newspaper publication is currently required.**

Finally, the legislature must not increase reporting burdens for local units of government. Any new reporting requirement should have a clearly defined statement of purpose and public need not currently met with existing reports, a sunset date to facilitate a future discussion of the usefulness of the requirement as well as full state funding for the costs associated with a new reporting mandate.

FF-6. Taxation Duplication

Issue: In Minnesota, local governments occasionally provide residents and businesses similar types of services. For example, counties maintain a sheriff's office while in many cities, police services are provided by the city to their residents and businesses. When the county levy for the sheriff's operations is spread across the county, city residents and businesses are being taxed for services that are not being

provided within the city or are being provided at a lower level.

Similarly, in some areas, the county provides 9-1-1 dispatching services funded through the property tax that is spread across the county but the county may also require cities to contribute to the 9-1-1 operations through the city budget and property tax levy. As a result, city businesses and residents are effectively paying twice for dispatch services—once through the county levy and again through the city levy.

***Response:* Where similar services are provided by different levels of local government, property tax levies for those services should only apply to those areas receiving the service. Additionally, counties should be prohibited from requiring cities to contribute to services that are being funded through the county-wide property tax levy.**

FF-7. Direct Property Tax Relief Programs

Issue: In 2013, the legislature expanded the homeowner property tax refund (PTR) program and renamed it the Homestead Credit Refund program. As a direct taxpayer relief program, the Homestead Credit Refund avoids the problems with the former Market Value Homestead Credit system where the state provided a credit on the homeowner's property tax statement but did not always reimburse cities and counties for the amount of the credit.

***Response:* The League of Minnesota Cities supports providing additional, direct property tax relief through an expansion of the Homestead Credit Refund program, the renters' income tax credit, the targeting program or other programs that provide property tax relief directly from the state to taxpayers. In addition, the League supports the recent conversion of the renters credit to an**

income tax credit using adjusted gross income rather than household income for determining eligibility and would also support similar changes to the homestead credit refund and targeting program to increase the accessibility of these programs and remove administrative hurdles in claiming them.

The League opposes property tax credit programs that reimburse local units of government for reduced tax burden such as the former market value homestead credit system due to the fact that the reimbursements to local units of government can be cut while the credit to the taxpayer remains on the property tax statement. In addition, the League opposes reinstituting Limited Market Value, a program that reduces the taxable value of individual properties based on assessor's valuation increase or freezes in property valuations. Limited Market Value or a valuation freeze create property tax shifts and tax burden inequities between similar properties.

FF-8. Sales Tax on Local Government Purchases

Issue: The local government sales tax exemption enacted in 2013 and expanded in 2014 does not apply to all city purchases. Some purchases for municipal enterprise operations, such as liquor stores and golf courses are excluded from the exemption. In addition, in order to receive the sales tax exemption on construction materials under current law, cities must bid labor and materials separately and also designate a contractor to be a purchasing agent on behalf of the city. The existing Department of Revenue rules (Minn. Rule 8130.1200, subp. 3) are complex and the implementation can be so complicated that it can cost cities more money to implement than they will save on the tax exemption. Finally, although cities currently do not pay

the motor vehicle sales tax on marked police vehicles or firefighting vehicles, other city vehicles are not exempt from the motor vehicle sales tax.

The 2021 legislature extended the sales tax refund process under Minn. Stat. § 297A.71 and Minn. Stat. § 297A.75 to contractor purchases of construction materials, supplies and equipment incorporated into public safety buildings for initial construction, remodeling, expansion and improvements for public safety facilities owned by local units of government. The refund process also applies to materials used in related facilities such as access roads, lighting, sidewalks and utility components.

Response: In order to ensure that taxpayers receive the full benefit of the local government sales tax exemption:

- a) The exemption should apply to all purchases made by local units of government;**
- b) The process to receive the exemption for construction materials used in local government projects should be simplified or added to the refund process now available for local government public safety facilities; and**
- c) The exemption should be extended to all local government purchases that would otherwise be subject to the motor vehicle sales tax in Minn. Stat. ch. 297B.**

FF-9. Taxation of Electronic Commerce

Issue: The 2018 U.S. Supreme Court decision [*South Dakota v. Wayfair, Inc.*, 585 U.S. ____ (2018)] overturned two earlier Supreme Court decisions [*Quill Corp. v. North Dakota*, 504 U.S. 298 (1992) and *National Bellas Hess v. Department of Revenue*, 386 U.S. 753 (1967)] that had

prevented states from requiring retailers without a physical presence from collecting state and local sales taxes on purchases made by state residents and businesses.

A group of 23 states participating in the Streamlined Sales Tax Project have worked together for more than 18 years to simplify the administration of state and local sales taxes and reduce the administrative burden on retailers. The success of this project was referenced in the *Wayfair* decision.

Despite the Supreme Court's *Wayfair* decision, new legal challenges could be filed by remote retailers or Congress could intervene to address remaining sales tax administration issues including the fact that more than 20 states with sales taxes have not adopted the SSUTP standards.

***Response:* Federal tax policy should not place main street businesses at a competitive disadvantage to electronic retailers, must not jeopardize repayment of bonds backed by state and local sales tax revenues, and should ensure stability in state and local revenues. To address the challenges created by the growth of electronic commerce, the League of Minnesota Cities continues to support the multi-state effort to develop a streamlined sales tax system.**

Should Congress intervene, the League would support nation-wide sales tax administration standards based on the model developed by the Streamlined Sales Tax Project. The League will oppose Congressional efforts to reverse remote retailer collection requirements.

FF-10. Local Lodging Taxes

Issue: In 2011, the legislature amended Minn. Stat. § 297A.61 to define accommodation intermediaries and clarified that their services are subject to the state sales tax as part of the tax imposed on lodging. Local lodging taxes collected by

the state for local units of government under Minn. Stat. § 469.190, subd. 7, also clearly apply to services provided by these accommodation intermediaries since these taxes are required under Minn. Stat. § 270C.171 to use the definition for tax base contained in the general sales tax statute.

Since 2011, some accommodation intermediaries have not been collecting and remitting locally-administered lodging taxes based on the full cost of the accommodation plus the accommodation intermediary services. This presents an inequitable system where these services are taxable for the select few state administered local lodging taxes more typically located in larger regional centers, but not locally administered local lodging taxes. There are currently over 120 cities and towns that individually or jointly impose lodging taxes for tourism purposes under Minn. Stat. § 469.190. Another eight cities impose a lodging tax that is administered locally under special law. 14 city local lodging taxes are currently administered by the state.

***Response:* The League of Minnesota Cities supports legislation that will clarify that all lodging taxes, whether administered by the state or administered locally, apply to the total charges to the customer, including charges for services provided by accommodation intermediaries.**

FF-11. Taxation of Electric Generation Personal Property

Issue: Investor-owned utilities (IOUs) have a longstanding relationship with Minnesota cities. IOUs site baseload power plants in host communities, and in exchange pay personal property tax on attached generation machinery to the cities, counties and school districts hosting the plants. These plants bring jobs to our communities, but they also create nuisances such as air pollution,

nuclear waste, noise, vibration, and coal train traffic. They also create security risks and take up land that could be used for other, less disruptive commercial and industrial development. Cities believe personal property taxes paid by IOUs are a fair compensation for the environmental and economic costs of hosting baseload power plants.

IOUs argue that personal property tax relief is important to pass along to their shareholders and ratepayers. However, only a few IOU shareholders and ratepayers actually live in the communities hosting baseload power plants. Further, almost all new power plants receive personal property tax exemptions from the Legislature, while host communities with existing, non-exempt baseload plants will continue to have them for decades to come.

Currently the taxation of electric generation personal property represents the best method for reimbursing host communities for the cost of hosting IOUs.

***Response:* Personal property taxes on attached electric generation machinery are a fair way to spread the environmental and economic costs of electric generation power plants among all IOU shareholders and ratepayers. The League of Minnesota Cities supports the continuation of personal property taxes paid by IOUs to host communities for existing and new facilities or a tax system which generates equal or greater revenue for host communities. If the Department of Revenue or the Legislature chooses evaluate new methods of utility taxation, the League supports the inclusion of these environmental and economic costs in assessing the appropriate property taxes paid to host cities by electric generation facilities.**

FF-12. Electric Generation Taxation Reform

Issue: Currently, electric utilities are subject to a personal property tax on personal property which is part of an electric generating, transmission, or distribution system. This tax has a number of exemptions and exclusions which make a patchwork of taxation statewide. The Department of Revenue issued a report on February 15, 2015 which laid out the details of this tax system, stating, “The utility tax base comprised of these energy producing facilities is not predictable. The unpredictability is a result of law and rule changes that determine the amount of utility tax base available for host communities.”

Cities which host Investor-Owned Utility base load power plants have faced unpredictability in tax base from both changes to state law regarding the personal property tax on electric generation equipment and from changes in valuation due to the upgrade/depreciation cycle of equipment.

In the past, the Minnesota Legislature has considered a reform to the system of taxing electric generation, which would repeal the personal property tax and all of its exclusions and exemptions, and replace it with new approaches to valuing utility property. More recently the Department of Revenue has reached out to discuss the possibility of a gross operating revenues tax with local governments and other stakeholders to replace the existing state assessed property system.

Statutory changes to the system of electric generation taxation should not adversely affect host city tax revenues. Any proposal to change the system must include some form of replacement aid which compensates cities for adverse effects due to changing state law on electric generation taxation.

Moreover, utility company appeals of Department of Revenue valuations of utility property can cause significant turmoil for local governments, including property tax shifts onto residents and businesses and—in the case of a successful tax court challenge by a utility—the possibility of being forced to pay back taxes that have already been collected and spent in prior years.

***Response:* The personal property tax on electric generation equipment as well as the exemptions, exclusions and sliding scales to that tax represent a patchwork of taxation rules statewide. Changes to state law which replace the personal property tax on electric generation equipment with a tax base valuation based on electric generation capacity, production, nuclear storage, transmission, and distribution will benefit IOU host cities so long as the change comes with a factor to increase the tax base valuation over time and reimbursement to cities for revenues lost due to a change in state law. Likewise, any changes to process by which investor owned utilities appeal the valuation of their property should be made with the goal of reducing negative impacts on local governments, and increasing stability, predictability, and transparency.**

FF-13. Support for Transitioning Communities

Issue: Technological advancements and market forces are rapidly changing the electric generation industry. Investor-owned utilities (IOUs) in Minnesota are increasing the share of their electric generation portfolios that are made up of renewable generation sources like wind and solar, while planning to decrease the share of electric generation that is derived from baseload power plants that produce energy from coal or nuclear sources. Due to the deep and longstanding relationship IOUs

have with some Minnesota cities, the possible retirement of these power plants stands to have a significant disruptive effect on these cities.

Cities that host baseload power plants make significant investments to support those plants, including infrastructure, public safety, and disaster preparedness. To compensate for this, IOUs pay personal property tax on electric generation machinery. For some cities, these revenues can account for over 50% of the city's annual budget. Moreover, IOUs have other significant direct and indirect impacts on host communities. IOUs tend to employ significant numbers of employees at baseload power plants. Those employees are likely to live, work, attend school, and shop in and around the local community. Therefore, the retirement of these plants would have significant negative impacts on these communities.

While the power that is generated at these facilities goes to support the entire state of Minnesota, the impacts of hosting these plants is felt most acutely in these local communities. In recent years, the State of Minnesota has taken steps to support cities facing these unique circumstances, including the creation of the Community Energy Transition Grant Program under Minn. Stat. § 116J.551, and the creation of the Energy Transition Office and Advisory Committee under Minn. Stat. § 116J.5491 – 5493. In 2023 the legislature established an electric generation transition aid under 477a.24 for counties, cities, townships, and school districts that lose tax base when an electric generation plant is retired. The initial aid amount is equal to the tax base lost due to the retirement times the jurisdiction's tax rate in the year prior to the tax base loss. The aid is phased out over 20 years.

***Response:* The League of Minnesota Cities recognizes that the energy**

landscape is rapidly changing and supports state policies to replace tax base in communities facing the closure of a baseload power plant, as well as other policies or programs to help those communities replace their local tax base through economic development. The League of Minnesota Cities also support efforts by the state legislature and state agencies to study, analyze, and design policy solutions to address the unique challenges these communities face.

FF-14. Taxation of Municipal Bond Interest

Issue: The federal and state laws that grant a tax exemption to bondholders for municipal bond interest lowers borrowing costs for cities and reduces property tax levies. Recent proposed Internal Revenue Service rules would potentially restrict some local government entities such as housing and redevelopment authorities, economic development authorities and port authorities from issuing tax exempt bonds.

Response: Congress and the state should maintain the tax exemption for municipal bond interest income. Congress should also clarify the law to supersede proposed IRS rules and thereby continue to allow housing and redevelopment authorities, economic development authorities and port authorities to issue tax exempt debt.

FF-15. Pollution Control Exemption

Issue: Minnesota grants electric utilities and several other industries a property tax exemption for personal and real property that is primarily used for pollution control. Minnesota adopted the property tax exemption that now extends to electrical generation systems, agricultural operations, and wastewater treatment facilities in 1967, before water and air pollution were heavily regulated by the Environmental Protection

Agency and the Minnesota Pollution Control Agency. The language and the purpose of these statutes have evolved through the years. When states first began adopting these tax incentives in the 1960s, they hoped to encourage utilities, industrial plants, and others to install pollution control equipment. Gradually, as regulation increased, states adopted the exemptions to help companies offset the cost of the equipment.

This tax benefit erodes local tax bases. In 2013, more than \$1.8 billion of personal and real property for electrical generation was exempted from the market value of utilities. The incentive value of this benefit is low because utility companies are required to install the equipment anyway. In addition, these companies frequently recover the cost of the equipment through rate riders granted by the Public Utilities Commission. Allowing the pollution control equipment exemption places the cost of this equipment on the residents of the host community, rather than the purchasers of electricity.

Response: The pollution control exemption places an undue burden on host communities without incentivizing the environmentally responsible behavior that it was originally created to encourage. The League of Minnesota Cities supports narrowing or eliminating the pollution control equipment exemption for investor-owned electric generation facilities. The League would also support allowing utilities to continue to recover their costs relating to the pollution control equipment by spreading those costs to electricity users.

FF-16. Representative Democracy and Local Control

Issue: Local officials are elected to make decisions on behalf of their community, including important taxation and expenditure decisions. At times, the

legislature has enacted blunt tools such as levy limits to supersede the discretion of city councils. Levy limits replace local accountability with a state judgment about the appropriate level of local taxation and local services. Additionally, state restrictions on local budgets, ordinances and fees can unnecessarily restrict the abilities of city councils to respond to local needs and also have a negative effect on a city's bond rating due to the restriction on revenue flexibility.

As city officials try to plan for future local needs, levy limits can be as much a floor as a ceiling on local government levies as local officials try to anticipate future state actions by "levying to the limit" to preserve future levy authority.

Levy limits also fail to account for the decertification of tax increment financing districts. Upon decertification, the property taxes that were formerly collected and used to support the public improvements in the TIF district can no longer be collected at the same rate and used to support ongoing general city operations.

Response: Local elected officials are elected to make decisions about local issues and concerns and act to meet community needs in the short-term and the long-term. City councilmembers and city mayors are elected to represent their community in decision-making processes. Those elected to serve are best suited to make decisions closest to the people most closely affected. They make decisions about their activities in their city which are reflective of their adopted municipal ordinances and annually adopted fee schedules. Local budgets, fees and ordinances are based on each particular city's own particular unique community needs, attributes and considerations. The League of Minnesota Cities supports the principle of representative democracy that allows local officials to make

decisions without state or other restrictions.

FF-17. Tax Hearing and Notification Process

Issue: Cities must set a preliminary levy by September 30, which is the levy used to compute the parcel-specific property tax notification forms. With only a few limited exemptions (e.g., voter-approved levies, levies for natural disasters and levies for certain tort judgments), this preliminary levy, by law, becomes the maximum that cities can levy the following year. As a result, cities may be unable to budget for unforeseen needs that arise after September 30.

Response: Cities should have the authority to increase the final levy from the preliminary levy with the approval of the commissioner of the Department of Revenue, to meet additional, unforeseen and uncontrollable needs, including arbitrator awards resulting from labor negotiations, the impact of new and existing federal or state mandates including administrative rules, or other non-discretionary budget factors.

The tax hearing and notification law should be carefully reviewed to assure that the legislative intent is reflected in the statutes.

Specifically, the League of Minnesota Cities supports the following:

- a) Modifying Minn. Stat. § 275.065 to clearly and fully exclude cities of population 500 and under from the budget and levy hearing requirements;
- b) Reinstating the exception to the tax hearing and notification requirements for cities with more than 500 residents with a proposed levy increase below the implicit price deflator (IPD); and

- c) **In order to assist local officials with the challenge of explaining legislative changes to the property tax system, legislators should attend and be encouraged to participate in local government budget hearings in their districts.**

FF-18. General Election Requirement for Ballot Questions

Issue: Under current state law, when cities are required to seek voter approval on a ballot question or where statutes allow voters to petition for an election on a council action (reverse referendum), these referenda can generally be held at a general or special election. This flexibility allows cities to respond to local circumstances in a timely manner.

Response: Cities should be allowed to conduct elections on ballot questions at a date and time set by the city council and that complies with existing election notification statutes.

FF-19. City Fund Balances

Issue: As a component of a prudent financial management plan, cities maintain a fund balance composed of cash flow funds, savings for projects, and rainy-day reserves to maintain high level bond ratings and to minimize borrowing costs. Although the size of a city's fund balance should be determined through local financial needs and local preferences, some cities are being criticized for maintaining "excessive" reserves. As the recent pandemic unfolded, there were calls to delay tax payments by property owners, citing city fund balances as evidence that cities could absorb cash flow delays.

The Office of the State Auditor (OSA) report measures city fund balances on December 31, shortly after the city receives its largest sources of revenue from the

property tax and state aid distributions. Measuring at this time, however, yields a picture of a high fund balance even though the city will spend down these funds to cash flow the next five to six months of its operations.

Response: The state should respect local decisions on adequacy of local fund balances. The League of Minnesota Cities opposes any attempt to divert local reserves to benefit the state budget or use reserves as a rationale for state aid cuts or property tax payment delays.

FF-20. Local Option Sales Tax and City Revenue Diversification

Issue: Under current state law, the property tax is the only generally accessible form of local tax revenue for cities. Allowing cities to diversify their revenue stream would help prevent rapid additional future reliance on the property tax.

The basic public finance rationale for diversification of local tax systems is rooted in the fact that economists generally agree that there is no perfect tax. Each tax has unique strengths and weaknesses and the more intensively any single tax type is used, the more obvious its shortcomings become. For example, the property tax is generally regarded as being very stable throughout the economic cycle and it is considered to be a relatively easy tax to administer and enforce. However, when property tax burdens become too high, there may be negative consequences for other public policy objectives such as business development and home ownership.

In addition to avoiding the problems created by excessive reliance on any single tax, a balanced and diversified revenue system for Minnesota cities may create a more favorable business climate and provide for greater stability of revenues to the recipient

government unit throughout the course of the economic cycle.

Under Minn. Stat. § 297A.99, the Legislature has created a set of local sales tax rules and a defined process by which cities and other political subdivisions can impose a general local option sales tax. Although the statutory process requires the city council to adopt a resolution supporting the local sales tax, the process continues to require the authorization of the local sales tax by the Legislature through the passage of a special law before finally seeking voter approval at a general election.

The 2019 requirement to have separate ballot questions for each project has challenged cities to draft ballot questions that are clear to voters. Each question must describe the project and the sales tax that will support the proposed project however, the requirement could confuse voters that each project would result in separate sales tax rate increases that would be cumulative.

Cities are also currently prohibited from imposing a new sales tax for a period of one-year from the expiration of an existing local sales tax under Minn. Stat. § 297A.99, subd. 3(d), which creates an administrative challenge for retailers who collect the local sales taxes when local sales taxes blink off and then on again for a new project.

City requests for sales tax authority continue to increase. In 2019, the legislature granted local sales tax authority to an additional 16 cities and in 2021, an additional 16 cities were authorized to conduct a referendum to impose new or expanded local sales taxes. In 2023 the legislature authorized 32 cities for either new local sales taxes or modifications to existing authority. Additionally, the 2023 legislature created a two year moratorium on future consideration of any local sales tax authorizations and created a task force to make recommendations on how these requests should be handled moving forward.

Response: Cities should be able to diversify their sources of revenues. The League of Minnesota Cities continues to support a statutory change to generally allow a city to enact a local sales tax for public improvements and capital replacement costs, including but not limited to those specified in the 2019 legislation:

- a) Convention or civic centers;
- b) Public libraries;
- c) Parks, trails, and recreational facilities;
- d) Overpasses, arterial and collector roads, or bridges, on, adjacent to, or connecting to a Minnesota state highway;
- e) Railroad overpasses or crossing safety improvements;
- f) Transportation infrastructure improvements, including construction, repair of roadways, bridges and airports;
- g) Flood control and protection;
- h) Water quality projects to address groundwater and drinking water pollution problems;
- i) Court facilities;
- j) Fire, law enforcement, or public safety facilities; or
- k) Municipal buildings.

Local sales taxes would follow the process outlined in Minn. Stat. § 297A.99 but without the need for the approval by the Legislature and governor through the passage of special legislation.

The existing general law governing local sales (Minn. Stat. § 297A.99) should be modified as follows:

- a) **The local referendum requirement under Minn. Stat. § 297A.99, subd. 3(a) should be clarified to allow the referendum to occur at any November election, regardless of whether a city has candidates or questions on the ballot or a special election.**
- b) **The requirement for separate ballot questions for each proposed project under Minn. Stat. § 297A.99, subd. 3(a) should be clarified, possibly through changes to the structure of the ballot, to avoid voter confusion. Alternatively, the legislature should consider allowing a city the option of combining projects into a single ballot question.**
- c) **The current prohibition on imposing a new local sales tax for a period of one-year from the expiration of an existing local sales tax under Minn. Stat. § 297A.99, subd. 3(d), creates administrative challenges for retailers and should be repealed.**
- d) **The general law outlining the local sales tax process or individual special laws should allow a city the flexibility to modify the ballot question to increase the total amount of the sales tax collected and extend the duration of tax to cover unanticipated project cost increases.**

State law should also be modified to generally authorize any city to impose other types of taxes such as a local payroll tax or an entertainment tax with the adoption of a supporting resolution by the city council and after approval by the voters at a general or special election.

In addition, Minn. Stat. § 469.190 should be amended to allow cities to impose up to a five percent local lodging tax and to allow cities to modify the uses of their local lodging tax revenues to meet local needs.

Cities should also have general authority to create utilities, similar to the storm sewer utility authority, in order to fund local services where benefit or usage of the service can be measured.

FF-21. City Franchise Authority

Issue: Under Minn. Stat. ch. 216B and Minn. Stat. § 301B.01, a city may require a public utility furnishing gas or electric utility services or occupying streets, highways or other public property within a municipality to obtain a franchise to operate within the community. In addition, cable system operators are required to obtain a franchise under Minn. Stat. ch. 238.

Under a franchise, the city may require the utility to pay a fee to the municipality to raise revenue or to defray increased municipal costs, such as maintenance and reconstruction costs, accruing as a result of utility operations, or both.

State law currently allows the franchise fee to be based upon gross operating revenues or gross earnings of the utility from its operations in the municipality. In this manner, all utility users within the municipality contribute to the public costs associated with the utility operation. In the absence of franchise fees, municipal costs resulting from utility operations are currently being funded by property taxpayers.

Many cities also have policies related to utility company services and products that could be supported under conditions of a franchise agreement, such as local renewable energy and energy efficiency programs. Current statutes do not explicitly provide city authority to include those types of performance conditions in a franchise agreement.

Under current law, cities are permitted to engage residents when discussing a new or renewed franchise fee arrangement in the

manner that best fits the community. A recent legislative proposal would have added a prescriptive notification and reverse referendum requirement to the process of imposing or renewing a franchise agreement with a gas or an electric utility.

Response: Municipal authority to collect franchise fee revenues from utilities is an important and equitable mechanism to offset the costs of maintaining public right-of-way and to generate a return on a publicly held asset. Municipal franchise authority must be preserved and should be expanded to allow city policy priorities to be addressed through conditions in franchise agreements that have the cost covered by local ratepayers, where appropriate, and can be accomplished within the local franchise boundaries. The League opposes adding a one-size-fits-all notification requirement and a reverse referendum procedure to the gas and electric franchise fee process. In addition, in situations where a local provider decides to sell their operations, the city must have the right of first refusal to purchase the assets of the utility.

FF-22. State Assistance for Property Tax Refunds for State-Assessed Property

Issue: State law requires certain property, including pipelines, railroad, utility property be assessed for property taxation purposes by the Minnesota Department of Revenue. When companies challenge the valuation of these properties, local units of government may be required to refund excess taxes, which in some cases, can create financial hardship for local units of government and their taxpayers.

In 2021, the legislature appropriated \$29.4 million from the state's general fund to reimburse a pipeline company for the tax court judgment. However, this one-time

appropriation will not provide assistance to other recent tax court decisions.

Response: The state should establish a permanent program to provide financial compensation to all units of local government for court ordered property tax refunds where the state has determined values.

FF-23. Transition for Property Acquired by Tax-Exempt Entities

Issue: When an existing taxable property is acquired by a tax-exempt entity other than a city or a city development authority or otherwise becomes tax exempt and removed from the tax base, the taxes formerly paid by the property owner are shifted to other, remaining taxable properties within the jurisdiction. When the acquired property is a large percentage of the tax base of a city or other local unit of government, the shift in taxes can be substantial.

Response: The state should establish a program to provide financial compensation to all units of local government for court ordered property tax refunds where the state has determined values.

FF-24. Payments for Services to Tax-Exempt Property

Issue: Taxable property in many cities is being acquired by nonprofit and government entities. Converting the property to tax-exempt status can lead to serious tax base erosion without any corresponding reduction in the service needs created by the property.

In 2013, legislation was introduced that would have broadly exempted non-profit property from paying user fees or service charges for any service funded in part with property taxes over the previous five years. Under certain circumstances, this proposal could have potentially exempted non-profits from paying for even utility charges.

***Response:* Cities should have the authority to collect payments from statutorily-exempt property owners to cover costs of service similar to the authority provided under the special assessment law. The League of Minnesota Cities opposes legislation that would exempt non-profits from paying for user fees and service charges that help fund services these organizations use.**

FF-25. Housing Improvement Areas and Special Service Districts Petitioned by Business

Issue: In 1996, cities were granted general authority under Minn. Stat. §§ 428A.11-.21 to use Housing Improvement Areas (HIAs) in order to finance housing improvements for condominium and townhome complexes. Several cities around the state have used this tool and found it to be a useful mechanism for maintaining older association homes.

The 2013 Legislature also granted HIA authority to a county Community Development Authority (CDA). As part of that authority, the CDA is required to gather local approval before creating an HIA.

In 1996, the Legislature also gave cities the general authority to create Special Service Districts (SSDs) under Minn. Stat. §§ 428A.01-.101. Cities around the state have used this tool to provide an increased level of service to commercial or industrial areas, commonly in areas of retail concentration. SSDs are established at the request of local businesses, who ultimately pay for and benefit from the increased level of service. A SSD may be established anywhere in a city but only business property (i.e. commercial, industrial, utility, or land zoned for commercial or industrial use) will be subject to the service charge. Some special services have included street and sidewalk cleaning, snow and ice removal, lighting, signage, parking, parking

enforcement, marketing and promotion, landscaping, and security. A SSD may be established only by petition and the city adopts an ordinance to establish it. Minn. Stat. §§ 428A.09-10 establishes procedures for the business owners in the SSD to veto or end the SSD. The 2013 legislature extended the sunset for both tools for 15 years, making it set to expire on June 30, 2028. In 2017, the House considered legislation that was ultimately unsuccessful to repeal the general SSD authority for cities. There are currently over 15 cities that have established SSDs around the state.

Additionally, in addressing the changing landscape of modern urban cores and the increase of multi-family properties in downtown areas, the 2023 legislature allowed qualified multi-family properties to be included in SSDs.

As cities work to develop and/or redevelop commercial, industrial, and residential areas, new ways of paying for and providing increased levels of service should be available to local entities. Use of Special Service Districts in mixed-use development is one tool that could be available for this purpose.

***Response:* The Legislature should give cities permanent authority to create HIAs and SSDs. The League of Minnesota Cities supports the authority for cities to work with multi-family properties and businesses to establish SSDs and opposes efforts to restrict general authority of the tool.**

If the Legislature grants multi-jurisdictional entities the authority to create HIAs, creation of an HIA must require local approval.

FF-26. Tax-Forfeited Properties and Local Special Assessments

Issue: Special assessments are a charge authorized by the Legislature and state law,

imposed on properties for a particular improvement that benefits those selected properties. Cities follow complex, time-consuming statutory special assessment procedures to specially assess the appropriate amount of the local infrastructure improvements to those properties.

If a property with validly attached special assessments goes into tax-forfeiture, the county auditor cancels all of the local special assessments due and remaining unpaid on each parcel, which is authorized in Minn. Stat. § 282.07. Therefore, the city loses the funds previously budgeted and planned for to pay for the local improvements. To underline this point, the funds have already been expended and if not collected, result in losses to the city.

When tax-forfeited land returns to private ownership, and the parcel benefitted from an improvement for which the city canceled special assessments because of the forfeiture, the city may assess or reassess the parcel. But cities must go through the same cumbersome notice and hearing procedures in order to re-attach the assessments.

Response: The Legislature should remove cancellation of local special assessments from state law, allowing cities to receive the funding validly assessed and counted on to fund local infrastructure improvements.

FF-27. Distribution of Proceeds from the Sale of Tax-Forfeit Property

Issue: When properties go into tax forfeiture all levels of government lose tax revenue that would otherwise support the services they provide. It is always in the best interest of taxpayers to return these properties to the tax rolls as quickly as possible.

Although the tax forfeiture process is controlled by the county, and counties have a legitimate need to be reimbursed for reasonable administrative costs, the city often has more at stake financially in terms of costs fronted to facilitate development (e.g., assessments for public infrastructure and unpaid development or utility fees). While the tax forfeit procedure provides a process for the repayment of special assessments, it does not require the repayment of unpaid utility charges or unpaid building and development fees. Further, due to large assessments that some cities are left with, it may not be practical to sell a tax-forfeited property subject to a special assessment, and city taxpayers may be forced to absorb the sunk costs of a project in order to sell the property.

State statutes governing the apportionment of the proceeds from the sale of tax forfeit property allow counties to first recover administrative costs related to the tax forfeiture process before subsequent allocations are made for special assessments and hazardous waste cleanup associated with the property. State law is unclear whether the proceeds from a tax forfeiture transaction should be used to reimburse the county only for the expenses associated with the transacted parcel, or if the proceeds can be used to reimburse the county for administrative costs associated with other parcels that were not transacted. When the latter allocation method is employed by a county, the transaction proceeds can be disproportionately applied to county administrative costs resulting in a lower allocation of remaining proceeds to cover existing special assessments, hazardous waste cleanup costs and ultimately the final allocation of residual tax forfeit sale proceeds to cities.

In addition, counties are allowed to use 30 percent of the amount remaining after the deduction for administrative expenses and

the repayment of special assessments for forest development projects and then 20 percent of any remaining proceeds for county parks and recreation projects. The structure of the distribution of the proceeds frequently results in cities receiving a very small percentage of the initial forfeit sale proceeds. As a result, cities may not recoup even a portion of the unpaid taxes or special assessments owed on a property.

In most cases, cities and counties work collaboratively to ensure that properties are returned to the tax rolls quickly to benefit all taxpayers. However, when consensus is not reached, the tax forfeiture statutes place cities at a disadvantage and can disproportionately burden the taxpayers of the city in which the properties are located.

Response: The League of Minnesota Cities believes the tax forfeiture statutes should be reviewed and amended as necessary to ensure that the needs of city and county taxpayers are properly balanced. Specifically, the League supports changes in the distribution of the proceeds from the sale of tax forfeit property contained in Minn. Stat. § 282.08 to elevate the priority for repayment of unpaid charges for electricity, water and sewer charges certified pursuant to Minn. Stat. § 444.075 subd. 3(e), and any unpaid fees prescribed pursuant to Minn. Stat. § 462.353 subd. 4(a), to require those unpaid charges and fees to be repaid immediately after unpaid special assessments.

The proceeds from the sale of a tax forfeited parcel should be used to pay the assessments and administrative and development costs for the transacted parcel. Minn. Stat. § 282.09 should be amended to prevent the proceeds from the sales of a tax forfeited parcel to be used to pay excessive administrative costs

or the costs for other parcels in the county until the city is fairly reimbursed for unpaid assessments and development costs of the transacted parcel.

Before the final distribution of any remaining proceeds from the sale of tax forfeited land are distributed to cities, counties, and school districts, Minn. Stat. § 282.08(4)(i) and (ii) give counties the right to take up to half of those proceeds for county forest development and county park and recreation areas. The League also supports the elimination of these separate statutory apportionments while allowing counties to use their designated 40 percent share of the remaining proceeds for these uses.

FF-28. State Hazard Mitigation and Response Support

Issue: Cities in Minnesota are exposed to extreme weather events such as winds, flooding, fires, and drought and are facing the severe financial consequences of the clean-up, repairs, and community social and economic recovery, even though damages may be deemed “not of such severity and magnitude” as to qualify for federal assistance.

Response: The League of Minnesota Cities calls on our legislators and state executive agencies charged with hazard mitigation planning to address not only a response to extreme weather events but to also put into place a proactive strategy to minimize or mitigate the financial consequences. At a minimum, this effort should offer a reasonable loan funding program that is easily accessible by cities, businesses and homeowners to financially recover and rebuild, with the ultimate goal of preserving jobs, industries, and communities.

The state response should allow for the use of new technology and best

management practices for any reconstruction of infrastructure to lessen the impact of future disasters and to mitigate the effects of disasters resulting from future extreme weather events.

FF-29. Library Funding

Issue: State law requires that local governments maintain a minimum level of funding for public library services. This is collectively known as “state-certified levels of library support,” or more commonly known as, “maintenance of effort (MOE)” and is described in Minn. Stat. § 134.34.

A majority of public libraries in Minnesota belong a regional library system, which is the entity that receives library funding from the Minnesota Department of Education. Six of the 12 regional library systems are structured as a federated system where the individual libraries or library systems operate autonomously from the regional library system but they can utilize certain services such as inter-library loan distribution, digital card cataloging, which capitalize on economies of effort from partnering with the other libraries in the regional system. The MOE for any city that taxes separately for library services is now set at 90% of the amount established in 2011 (see Minn. Stat. § 275.761). In 2011, it was calculated using a formula that included payments made in the form of the library employee salaries, payments toward operating the facility, purchasing materials from the library, and other operating costs, adjusted net tax capacity, and several other factors. The other half of the state’s public library systems are consolidated systems, where the regional library system runs the libraries through a joint powers agreement with counties and participating cities. The regional library system has a board and hires the director. A city that participates in the regional system will have an MOE (calculated as described above). The city

MOE may include dollars provided directly to the regional library system or operating dollars provided to support building costs (i.e. city-provided maintenance services).

In the metropolitan area, the seven county library systems and one city library system belong to the Metropolitan Library Services Agency (MELSA), the metro area regional library system. Most of the cities that operate libraries independently from their county library system belong to MELSA as affiliates of their county library system. The funding of libraries in MELSA may be from a county levy, a city levy, a city library fund from the general city levy or a combination.

Most libraries not only serve city residents, but also serve people that reside outside of city limits who, in some cases, are not fully contributing to the upkeep, maintenance or operations of the library through property tax levies. While counties do contribute to municipal libraries, this support falls well short of the per capita amounts contributed by city residents.

City officials support libraries and believe that a system of equitably funded libraries is needed. One approach that has been previously approved by the Legislature is providing for funding through regional tax levies designated as “library districts.” A district would have the authority to levy for public library services in lieu of their member cities and counties. Under Minn. Stat. § 134.201, the Great River Regional Library System and the East Central Regional Library System already have authority to create “library districts.”

Some cities also contribute a supplemental amount of funding separate from MOE requirements, usually to pay for building maintenance costs. When the state calculates the required MOE for each local unit of government, local building costs are included in city MOE requirements and all monies cities contribute to a library

building, except capital, are taken into account. The MOE requirement is a mandate on cities that does not allow for local decision making. However, it provides a stable source of funding to protect the investment in library resources and services around the state. There are some groups that are advocating for a restoration of the MOE to levels at least as high as the 2010 level.

Response: The League of Minnesota Cities supports sufficient, stable and equitable funding for local libraries to allow for local budget decision making.

The League supports changes to the library maintenance of effort by the Legislature as follows:

- a) The required annual payment should reflect the amount the city itself pays toward maintenance, upkeep, and capital improvements to the library in that year.
- b) If the MOE reduction in Minn. Stat. § 275.761 is restored to a level at least as high as the 2010 level, it should be phased in over three years.
- c) Any relief provided to the county MOE requirement should not result in additional funding requirements to cities.

The League also supports the creation of general authority for library systems to create library taxing districts and the authority for municipal libraries to charge non-residents for membership and/or other services without the loss of any State or Federal aids.

FF-30. Park and Library Land Tax Break

Issue: As the price for land increases, it is becoming more difficult for cities and other local units of government to compete with developers to save and secure land and

easements that are deemed appropriate for park, library, trail, and green spaces.

Response: The state should amend the tax laws to provide tax incentives for property owners who sell land and easements to local units of government when the land is to be used for park, library, trail or green space purposes.

FF-31. Increasing Safe School Levy Authority

Issue: Strong partnerships between schools and local law enforcement are critical to school safety. Police School Resource Officers (SROs) are valued professionals in school communities and provide support, safety and security for students, staff and the public. Further, SROs can provide regular opportunities for informal, positive interactions between students and police personnel.

Under Minn. Stat. § 126C.44, the Safe Schools Levy allows school districts to levy for costs associated with student and staff safety based on student enrollment numbers. Some eligible expenses include police liaison services; drug abuse prevention programs; gang resistance education training; school security; crime prevention; and implementation of student and staff safety measures.

Using Safe Schools Levy authority, local school boards may raise additional resources for school safety and security. Almost every Minnesota school district currently levies the full amount of \$36 per pupil. This amount does not cover the full cost of providing this important service, and local law enforcement agencies are not being fully compensated for providing SROs.

Response: The League supports increasing the maximum Safe Schools Levy from \$36 per pupil up to \$60 per pupil to ensure schools and communities

are able to continue providing safe schools programming.

FF-32. Equitable Funding of Community Education Services

Issue: Under Minn. Stat. § 124D.20, school districts are authorized to levy for community education programs that can include youth recreational activities. However, state statute limits the total amount of revenue that can be raised by the school district to fund community education programs and this limit has not been sufficiently increased in recent years. In many instances, cities participate in the funding of these programs and with the statutory limit on the amount school districts can levy, the increased cost of these programs is increasingly falling on cities and their property taxpayers. In areas where the school district is significantly larger than the city, the burden of funding these programs is falling disproportionately on city taxpayers while the programs benefit the entire school district. In 2023 the legislature increased the basic community education revenue allowance from \$5.42 per capita to \$6.35 per capita beginning in fiscal year 2025.

Response: The League of Minnesota Cities supports a periodic increase in the community education revenue authorization for school districts. Increasing the amount of the community service revenue available to school districts would provide a steady source of revenue, which would be assessed against all properties in the school district, not just against properties in the city.

FF-33. Street Reconstruction Bond Approval

Issue: Under Minnesota law, financing the maintenance of streets can be a challenge for city councils. Minn. Stat. § 475.58 subd. 3b, authorizes a city council, by two-thirds vote, to approve the issuance of bonds to finance

street reconstruction or bituminous overlays without voter approval. The two-thirds council approval requirement is further subject to a reverse referendum process whereby a number equal to five percent of those voting in the last municipal general election can petition for a referendum to approve the issuance of the bonds.

Response: Street maintenance is one of the essential functions of cities in Minnesota. The laws governing issuance of bonds to maintain streets should be amended to allow the approval of the bonds by a simple majority of the council. The existing reverse referendum process assures that taxpayers could trigger a referendum on the issuance of bonds if they can meet the five percent petition threshold.

FF-34. Special Assessment Election Requirements

Issue: City Councils are best situated to recognize the need to replace infrastructure and when to schedule the replacement projects. Cities are often only able to carry out these and other vital improvements by issuing bonds and assessing some amount of the cost to property owners.

Issuing bonds to finance most local improvement projects requires a special election unless the city can legally collect at least 20% of the project costs through special assessments. As a legal limit, cities cannot collect special assessments from any property greater than the increase in fair market value bestowed to that property by the improvement (the "special benefit test"). On occasion, the increase in property values as a result of the improvement can fail to add up to the 20% threshold necessary to finance projects without requiring a special election.

Response: In order to facilitate the financing of public infrastructure

projects, the threshold for requiring voter approval for issuance of improvement bonds under Minn. Stat. 429.091 should be reduced to 15 percent. This change would provide more flexibility for cities with their construction/bonding/assessment decisions and may be more likely to survive a challenge while still providing value to the property owner.

FF-35. Homestead Market Value Exclusion

Issue: In 2011, the legislature repealed the existing homestead market value credit program and replaced it with a new Homestead Market Value exclusion (Minn. Stat. § 273.13, subd. 35). Recent trends in residential home values significantly reduced the value of the exclusion for many homeowners. According to the Minnesota Association of Realtors, in 2011, the median sales price of homes in Minnesota, was \$135,000, which received an exclusion of \$25,090 or nearly 19 percent of the total value of the home. In 2023, the median sales price was \$355,000, which received an exclusion of \$5,290, or just 1.5 percent of the total value of the home. In response to these rising home values, in 2023 the legislature modified the exclusion to equal 40% of the first \$95,000 of market value. For homesteads valued between \$95,000 and \$517,200, the exclusion equals \$38,000 minus 9% of the value over \$95,000. Homesteads valued at \$517,200 or more are not eligible to receive the exclusion.

Response: The League of Minnesota Cities supports periodic 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

FF-36. State Fund for Non-weather-related Disaster/Catastrophe Relief

Issue: Municipalities and other governmental units are at risk of experiencing disastrous events affecting their communities beyond natural disasters, whether from civil disturbances, industrial catastrophes, or other disastrous events. Such events may result in unbudgeted and unfunded costs related to clean-up, repairs, “social” and economic recovery, infrastructure restoration, rebuilding structures, and other damage repair which may not be qualify for relief from Federal resources. While some limited State resources may be available, cities do not have the resources to respond to such disasters.

Response: The League of Minnesota Cities supports the creation of a state fund to assist local communities in repair and response to these disastrous events with the ultimate goal of preserving jobs, industries, and communities.

FF-37. Park Dedication

Issue: For decades, Minnesota cities have been permitted in Minnesota Law Chapter 462 to adopt ordinances that require a reasonable portion of land be dedicated to the public, or to impose a dedication fee on new housing units and new commercial and industrial development in a city for parks. As a result, cities across the state have been able to create parkland that provides intrinsic environmental, aesthetic, and recreation benefits to cities and their residents, which enhances property values, increases municipal revenue, and supports local economic development. However, current law only permits cities aside from Minneapolis and St. Paul to collect parkland dedication only on subdivided land, which prohibits a city from collecting park dedication or fees for redevelopment of

existing parcels that does not require subdivision of the property, but still generates need and impact for city parks. Cities with built out environments are particularly disadvantaged as new residential units are added via redevelopment or infill development without the ability for cities to assess a fee or land dedication for the new residential units despite the increased demand for parks and green spaces from the new residential units.

***Response:* The legislature should preserve existing city authority to require parkland dedication and park dedication fees and amend Minn. Stat. § 462.358 to allow all cities the option to require a reasonable portion of land or park dedication fee on new housing units and new commercial and industrial development without the requirement that land be subdivided.**

FF-38. Fundraising Authority

Issue: Recent years have seen an increase in cities looking to find ways to accept donations for specific projects that community members, non-profit organizations, or businesses have interest in. Though there is authority for cities to accept gifts under Minn. Stat. § 465.04, an opinion from the Office of the State Auditor has stated that cities lack the authority to fundraise.

There are specific situations in which city personnel can solicit contributions. Under Minn. Stat. § 465.90, firefighters are authorized to solicit charitable contributions from motorists for a charitable organization. Under Minn. Stat. § 471.198, a city may authorize officials and staff to solicit contributions for the purposes of funding National Night Out or any event or purpose that the governing body determines will foster positive relationships between law enforcement and the community.

Many cities desire the ability to fundraise for equipment for firefighter and EMS services, libraries, or special projects such as parks and trails. Authorizing cities to more broadly solicit and accept charitable donations for projects in which there is broad community support would allow the funding for desired projects without requiring an increase in property taxes or seeking a local option sales tax.

***Response:* The League of Minnesota Cities supports amending Minn. Stat. § 471 to authorize cities to solicit charitable donations for the purpose of projects that have generated community interest such as parks, trails, community events, and community centers or resources needed for city services.**



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