



3/28/2022

Dear Senator Weber and members of the Subcommittee on Property Taxes,

On behalf of the 837 members of the League of Minnesota Cities, I am writing to respectfully express our opposition to SF3882, a bill that would impose levy limits on cities where voters have enacted through referendum, rent controls on private residential properties within the city.

One of the long-held legislative positions supported by our members is the ability of city councils to respond to citizen and business needs in their communities. Levy limits create distortions in local budgetary matters that can prevent a city from addressing important local needs.

If SF3882 is enacted into law, we do appreciate that it includes several important exceptions from the levy limit calculation to protect a city's credit rating and ability to address unforeseen events. In the past, the state-imposed levy limit calculations under Minn. Stat. § 275.70-275.75 have allowed a city to fully cover "special levies" for expenditures such as debt service, judgments and natural disasters and this bill includes allowance for those "special levies."

However, the levy limit calculation contained in SF3882 does not include traditional adjustments for changes in population or households as well as for new commercial and industrial construction valuation. In addition, the levy limit would not be adjusted to offset possible future reductions in state aid distributions.

The levy limit calculation in SF3882 also does not include a long-standing and important feature of past levy limits that would allow a city to preserve unused levy authority from the previous year by beginning the levy limit calculation for a subsequent year not with the previous year's levy but with the previous year's levy limit. Informally called the "*if you don't use it, you won't lose it*" clause, it allowed a city council to set a levy under the levy limits knowing that unused levy authority would be carried forward to the next year. Under SF3882, the levy limit would not only become a ceiling on a city's levy but would almost assuredly become the levy increase floor as city councils try to preserve future levy authority.

We are also concerned about establishing levy limits on local units of government based on local policy decisions. Although the League has long opposed levy limits, heretofore, they have generally been used in conjunction with major property tax reforms. Applying levy limits based upon local policy decisions could lead to future legislative actions to restrict cities for other policy decisions otherwise allowable under state law.

Sincerely,

A handwritten signature in black ink that reads "Gary N. Carlson". The signature is written in a cursive, slightly slanted style.

Gary Carlson
League of Minnesota Cities