



May 7, 2025

Re: SF 2374 DE – Senate Omnibus Tax Bill

Chair Rest and Members of the Senate Taxes Committee:

The League of Minnesota Cities appreciates the opportunity to comment on the delete-everything amendment to SF 2374 on behalf of our 842 member cities.

Local Government Aid

The League strongly opposes the \$20 million reduction in Local Government Aid (LGA) included in article 4, section 6. LGA aims to ensure that all cities are able to provide a basic level of quality services to businesses and residents regardless of their ability to generate property tax revenue. LGA is property tax relief on the front end. It is the fundamental tenant of the state and local fiscal partnership, and cities rely on our state leaders to ensure this fiscal relationship remains healthy and balanced. However, LGA has not grown based on rising costs or increased demands, in 2002 the appropriation for LGA was \$564 million, adjusted for inflation it would be over a \$1 billion today.

Cities, like the state, are facing increasing financial pressures related to factors such as the rising costs of street maintenance and construction, aging infrastructure, uncertainty of federal funding, and increased personnel and employment expenses. City officials make tough financial decisions every day, but the needs do not go away and a cut in LGA will force cities to reduce services such as police and fire and other critical services or put further strain on local property taxpayers.

Local Sales Taxes

The League has long been supportive of establishing general authority for cities to enact local sales taxes that receive referendum approval without requiring the passage of special legislation. We appreciate Chair Rest's attention to local sales taxes and the collaborative meetings with stakeholders.

Article 5 provides clear and transparent process for cities to impose a local sales tax without requiring a special law authorization. This process is a significant improvement to current law and better allows cities to budget better and provide a clearer picture to voters about the cost of projects.

League members are concerned about the extension of the local sales tax moratorium in article 3, section 8 absent the passage of general authority for local governments. This will result in a growing backlog of requests from local governments and add more uncertainty to the process for local governments.

Tax Increment Financing (TIF)

The League is grateful for the many project specific TIF provisions included in this bill, however, we are disappointed that the committee chose not to include many of the general TIF law bills heard this session, especially those that help with production of affordable housing, those that recognize the continued slowing or changing development needs in some parts of our state or those that would reduce the need for future special TIF bills like those included in this legislation.

Local Cannabis Aid

The League does not support eliminating Local Government Cannabis Aid in article 10, section 23. This aid was created in recognition of the regulatory work cities with cannabis retailers will be doing. This aid will provide cities with retailers a resource for age verification requirements, local registration, and other important compliance work. Repealing this aid as the state begins issuing licenses is premature.

The League of Minnesota Cities is grateful for the work of the committee and its members to help cities both specifically and in general on tax issues. We understand the committee's budget target and the current financial pressures and hope to continue to work with you as this bill progresses.

Sincerely,



Beth Johnston
Intergovernmental Relations Representative



Pierre Willette
Senior Intergovernmental Relations
Representative