



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

PROGRAM EVALUATION REPORT

State Mandates on Local Governments



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Office of the Legislative Auditor

State of Minnesota • James Nobles, Legislative Auditor

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Members
Legislative Audit Commission

Last June, the Legislative Audit Commission directed us to evaluate state mandates on local governments—in this case, counties, cities, and towns, but not school districts. The commission wanted to gain a better understanding of an issue that often creates tension between the state and local governments.

We found that local officials are more concerned about the cumulative effect of state mandates than about any single state-imposed requirement or restriction. We also found that many local officials, particularly county officials, consider the “mandate problem” to be symptomatic of serious flaws in the state-local relationship. In their view, the state makes decisions about program policy and funding without adequate consultation with those who are responsible for implementing the programs at the local level.

On the other hand, several underutilized mechanisms exist to mitigate the adverse effects of individual mandates on local government. We recommend a renewed effort by state and local officials to make use of these tools and to improve state-local communications. Because Minnesota’s state-local relationship is so complex, there is a manifest need for better understanding across jurisdictional boundaries.

This report was researched and written by Jo Vos (project manager), Carrie Meyerhoff, and Lawrence Grossback. We received the full cooperation of a variety of state and local officials, including the members of the Local Government Advisory Council whose letter of reaction to this report is published at the end of the document.

Sincerely,

/s/James Nobles

James Nobles
Legislative Auditor

/s/Roger Brooks

Roger Brooks
Deputy Legislative Auditor

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The state has clear constitutional authority to impose mandates, but needs to consider the concerns of local governments.

Major Findings:

- There are various ways to define a mandate; therefore, people may mean very different things when they talk about “the mandate problem.” (p. 4 in the full report*)
- Most local officials have specific mandates they dislike, but some also think that “the mandate problem” should be addressed broadly because it results from the state not treating local governments as partners. (p. 18)
- Most local government officials say that inadequate funding for mandates along with the fiscal constraints set by the Legislature make it difficult for them to provide mandated services and still address local priorities. (p. 18)
- Most local officials think that state-imposed requirements on local governments are appropriate if at least partially funded. (p. 21)
- Although local officials say that the cumulative impact of state requirements is more detrimental to local operations than specific requirements (p. 19), they object to six mandates most frequently: levy limits, truth-in-taxation notices and hearings, paying sales tax on local government purchases, pay equity, tax increment financing restrictions

and reporting, and out-of-home placement costs. (p. 25)

- Over the past 15 years, Minnesota has established entities and procedures to address state-local relations and mandate concerns. (p. 38) Some have been repealed and those that remain are used infrequently or not at all. (p. 41)

Recommendation:

- State and local officials should make greater use of the tools currently available to address individual mandate concerns and collaborate on ways to improve the relationship between the state and local governments. (p. 61)

*For the full evaluation report, *State Mandates on Local Governments* (#PE00-01), which includes a response from local governments, call 651/296-4708 or download from:

www.auditor.leg.state.mn.us/ped/2000/pe0001.htm

Report Summary:

Concerns about state mandates have persisted in Minnesota for many years and are not likely to ever be fully resolved. Various tools are already in place to help address state-local relations and specific concerns about proposed and existing mandates, but they need to be used more extensively.

For Some, Mandates Raise Serious Questions About State-Local Relations

Lack of agreement over what constitutes a mandate makes discussing mandate issues and responding to them difficult. Some policymakers define mandates narrowly, as *mandatory requirements* that dictate what local government must do. Others define mandates more broadly to include *conditional requirements* that local governments must meet if they want to participate in optional programs or receive aid. Still other officials expand the definition to include program and revenue-raising *restrictions* that are placed on local governments.

For some local officials, however, “the mandate problem” is not about specific mandates but the state-local relationship generally. And, indeed, mandates can raise questions about which level of government should set policy for, implement, and fund different government responsibilities.

Although there are valid arguments for and against the imposition of mandates, the Minnesota Legislature has clear constitutional authority to impose mandates on local governments. At the same time, it is important that legislators consider local governments’ concerns when adopting or reviewing mandates, especially since the state does not always appropriate funds to pay for them.

Lack of Funding for State Mandates Creates Difficulties for Local Governments

Local officials, especially those from counties and large cities (those with 10,000 or more residents), are primarily concerned about funding for state mandates and the fiscal constraints that the state places on them. While they particularly object to laws and rules that tell them how to operate their local governments, they say that mandates in general are not funded adequately, preempt local authority, do not address local problems, and are administratively inflexible.

A majority of local officials agree that state requirements are generally appropriate if at least partially funded, and more than half of officials from small cities (those with fewer than 10,000 residents) and towns say that state requirements are generally reasonable. Over half of officials from counties and large cities, however, say that general government and environmental requirements are unreasonable.

While there is little consensus about which individual mandates are most objectionable and why, local officials object to six mandates most frequently: levy limits, paying sales tax on local government purchases, truth-in-taxation notices and hearings, out-of-home placement costs, tax increment financing restrictions and reporting, and pay equity. They generally oppose these mandates for one of three main reasons: they preempt local authority, entail excessive reporting or procedural requirements, or are not adequately funded.

There Is No Single Way to Address All Mandate Concerns

A review of the mechanisms that Minnesota has established and the approaches taken by other states to

Mandates raise questions about what level of government should set, implement, and fund public policy.

There are a variety of tools to address mandate concerns, but they have not eliminated mandates as an issue.

address concerns about local government mandates makes it clear that there is no single way to address all mandate concerns. While local officials support increased funding, research suggests that broad statutory or constitutional provisions that either require states to fund mandates or reimburse local governments' expenses rarely bring relief to local governments. While Minnesota has other statutory tools that could help address local governments' concerns, they have been used infrequently.

Statutory Tools to Address Mandate Concerns

- Local fiscal impact notes
- Fiscal impact summary report
- Funding or reimbursement provisions
- Mandate explanations
- State agency variances
- Rule petitions
- Board of Government Innovation and Cooperation waivers
- Mandate studies

For example, two statutory tools that can help mitigate the effects of mandates—local fiscal impact notes and mandate explanations—provide financial and other information to legislators, but legislators have rarely requested them. In addition, the Board of Government Innovation and Cooperation, which allows local governments to pilot test their ideas by granting waivers from rules and procedural laws, has not enjoyed widespread support from state officials. Lessons learned through the waiver process might help address statewide problems with specific mandates.

At the same time, local governments could look for more opportunities to use existing tools to address their problems. Local officials say that mandates are administratively inflexible and they support outcome-based mandates that

would allow them to develop unique ways to meet goals. However, few local governments apply to the Board of Government Innovation and Cooperation for waivers that would let them develop and implement alternative ways to meet mandate requirements. Also, although legislators must request local fiscal impact notes and mandate explanations, local officials could encourage their local representatives to do so. While local officials say that the Legislature, as a whole, is unresponsive to their needs and concerns, some officials point out that their local legislators are generally receptive to their concerns.

Local government associations could also be more proactive, perhaps serving as clearinghouses for information about the availability of waivers and variances, what applications have been approved and denied, and what projects have been successful. They could also identify problematic mandates and work with local governments to develop acceptable, alternative ways to meet mandate goals. Finally, local government associations could encourage legislators to use existing tools, especially mandate explanations. We think that this tool could provide a framework for interested parties to discuss all aspects of mandates, thereby focusing debate on questions of need and flexibility in addition to funding. Addressing these questions when a mandate is proposed could help state and local officials resolve issues and problems before rather than after a mandate is adopted.

Other Tools to Address Mandate Concerns

- Pilot projects
- Delayed effective dates
- Local government approval
- Two-thirds vote of the Legislature
- Mandate inventories
- Sunset language

State and local officials should also look for more opportunities to use some of the mechanisms that Minnesota has used on an individual basis. For example, pilot projects could be used when there are no proven ways to achieve a desired outcome. Delayed effective dates might help local governments accommodate new mandates that require substantial resources to implement.

Mandate Issues May Never Be Completely Resolved

There will probably always be some tension or disagreement between state and local officials about the efficacy of mandates. They often bring different perspectives to discussions about mandates. Local officials object to some mandates—levy limits and paying sales tax on local government purchases—because they disagree with

the mandates themselves rather than the way the mandates try to achieve a goal. Legislators might view the same mandates as legitimate state interests best addressed with a uniform statewide policy. To some extent, the continued tension over mandates is rooted in larger questions about the assignment of responsibilities between state and local governments that are not likely to ever be fully resolved. Although there is little need for major structural changes at this time, closer attention to questions of who should set, implement, and fund mandates on an individual basis should help improve intergovernmental relations in Minnesota. Until state and local officials work together to improve state-local relationships, tension surrounding state mandates on local governments will likely continue unabated.

Summary of Response:

On January 7, 2000, Charles Meyer, chair of the Best Practices Local Government Advisory Council wrote: “Your recommendation for collaboration between state and local officials to improve and clarify the relationship between state and local government is sound.” He also said that “our hope is that this report will set the stage for an immediate review of the appropriate relationship between state and local government in our state.” But he said the report does not stress these points enough:

1. “Many other states have addressed mandate issues and considered or undertaken a wide variety of solutions – including optional compliance mechanisms, reimbursement requirements, cost-sharing, and sunset/cyclical reviews of mandates.”
2. “The financial burden of state-assigned programs is a major factor in local property taxes, and a serious examination of this impact is necessary.”
3. “Most of the existing mechanisms to address mandate concerns occur after, not before, the creation of mandates, and are at the control of the Legislature, not local government. . . . We suggest strengthening the fiscal note process.”

Introduction

For many years, local government officials in Minnesota have expressed concerns about the Legislature and state agencies mandating them to comply with state laws and rules without providing additional funding. In addition, they have said that state-imposed requirements and restrictions, regardless of the funding connected with them, have often hindered the cost-effective delivery of services at the local level.

In June 1999 the Legislative Audit Commission directed us to examine the nature and role of state-imposed mandates on local governments and their effect on local governments' operation and practices. In response, we conducted research and prepared this report, which addresses the following questions:

- **What are the different types and sources of mandates?**
- **According to local units of government, which state mandates have the most significant impact on their costs and practices? What types of mandates are the most burdensome?**
- **To what extent have the various mechanisms that Minnesota has adopted to specifically address local government mandates been used? How well do these mechanisms address local governments' concerns?**
- **What approaches have the federal government and other states taken to review proposed or existing mandates or to provide compensation for mandated activities?**

In doing our research, we reviewed the literature on government mandates to better understand how they can be defined and classified. We met with local government associations and surveyed officials in 654 counties, cities, and towns throughout the state to examine the overall impact of state mandates and to identify mandates of particular concern to local governments. For the purposes of our study, we defined local governments as counties, cities, and towns.¹ Using information collected in our survey, we analyzed selected mandates to better understand why they were originally adopted and what impact they have on local governments. In addition, we met with state agency officials and analyzed agency data related to the various mandate review mechanisms currently in place. Finally, we examined the policies of the federal government and other states to learn how they defined mandates and the advantages and disadvantages of the various review mechanisms they have adopted.

¹ We excluded school districts because many of the mandates that affect school districts concern education policies that do not affect other units of local government.

This is an overview of mandates, not a fiscal analysis of state-local relations.

Our report provides a broad overview of state mandates, not an inventory of all mandates. A comprehensive inventory would have required resources beyond our capacity with limited benefit to legislators. Nor does our report examine the cost or effectiveness of state mandates. Documenting costs would have been very difficult—if not impossible—because such costs depend on the actions that local governments would have taken in the absence of mandates. For example, if local governments would have undertaken the mandated activities without a state mandate, then the mandate has imposed no additional cost. Also, some mandates might cause local governments to change their spending priorities but not their overall level of spending.² In such cases, local governments forgo discretionary activities in favor of mandated activities. Likewise, our report does not examine whether current levels of local government aid are adequate to pay for unfunded mandates. Also, we did not examine whether mandates should exist in the first place. Finally, we did not evaluate the general processes through which legislators and state agency officials adopt laws and administrative rules.

This report has three chapters. In Chapter 1 we identify the different types and sources of mandates and discuss state aid to local governments. Chapter 2 contains the results of our survey of local government officials regarding state-local relations and their general views on state mandates. It also discusses six mandates that local officials identified most frequently as objectionable. Chapter 3 describes the various mechanisms currently in place in Minnesota to help review proposed or existing mandates, discusses the different approaches adopted by other states and the federal government, and examines whether changes to the way Minnesota policymakers address mandate issues are necessary.

² An earlier study by our office examined trends in local government spending. See: Office of the Legislative Auditor, *Trends in State and Local Government Spending* (St. Paul, 1996). <http://www.auditor.leg.state.mn.us/ped/1996/pe9603.htm>

Background and Issues

SUMMARY

There is not a universally accepted definition of “mandate.” This lack of consensus complicates discussions about government mandates and their effects. Mandates raise questions about which level of government should set policy for, implement, and fund different government responsibilities. These are difficult questions to answer because there are valid arguments for and against mandates. Regarding funding, the Minnesota Legislature does not automatically appropriate money to pay for mandates, but it does provide general and categorical financial aid to local governments.

Mandates are a constant source of friction in state-local relations. They raise questions about the most appropriate level of government for setting, implementing, and funding policy. Before policymakers can answer these questions, however, they must have a common understanding of what a mandate is. Therefore, in this chapter we address the following questions:

- **What is a state mandate?**
- **What are the various types and sources of mandates?**
- **What are some of the arguments for and against mandates?**

To answer these questions, we reviewed reports and academic literature on federal and state mandates to find different ways that mandates can be defined. We read literature on state-local relations and spoke with representatives of Minnesota’s local government associations to learn why a state mandate may or may not be a good idea. Finally, we studied reports by the State Auditor’s Office on revenue sources for county, city, and town budgets.

MANDATE DEFINITIONS

There is not a universally accepted definition of “mandate.” Even within Minnesota statutes, the definition has varied over time. In conducting our study, we concluded that:

- **There are various ways to define a mandate; therefore, people may mean very different things when they talk about “the mandate problem.”**

It is important that legislators, local government officials, and other interested parties have a common definition of mandate or they will have difficulty identifying the issues that mandates raise and possible responses to them. Some government officials and scholars define mandate narrowly as a *mandatory requirement* that dictates what local governments must do. Joseph Zimmerman, a professor of political science who has written about mandates, defines a mandate as “a legal requirement that a local government must undertake a specified activity or provide a service meeting minimum state standards.”¹

Others define mandate more broadly, including *conditional requirements* that local governments must meet if they want to participate in optional programs or receive aid. People who use this definition argue that the conditions of optional programs and grants sometimes change. It is difficult for local governments to stop participating in a program or accepting funding that benefits a potentially vocal population.

Officials do not agree on what is “the mandate problem.”

Still others expand the definition to include program and revenue-raising *restrictions*. Restrictions can have local fiscal impacts and may prevent local governments from acting as they choose. In a 1994 study on federal mandates, the United States Advisory Commission on Intergovernmental Relations defined a mandate as a “statutory, regulatory, or judicial instruction that (1) directs state or local governments to undertake a specific action or to perform an existing function in a particular way; (2) imposes additional financial burdens on states and localities; or (3) reduces state and local revenue sources.”²

Sometimes definitions focus on a mandate’s financial impact. Florida’s Constitution suggests a definition of mandate that includes “laws requiring counties or municipalities to spend funds or to take an action requiring the expenditure of funds, laws reducing the authority to raise revenue, or laws reducing the percentage of a state tax shared with counties and municipalities.”³

Issues related to mandates and the state and local governments’ responses to them vary depending on how a mandate is defined. A narrow definition of mandate excludes some of the laws and rules that are of concern to local governments, such as reporting requirements for tax increment financing (a conditional requirement) and levy limits (a restriction). On the other hand, a broad definition runs the risk of overshadowing the most important issues, hampering policies to address them,

¹ United States Advisory Commission on Intergovernmental Relations, *State Mandating of Local Expenditures* (Washington, D.C., July 1978), 38.

² United State Advisory Committee on Intergovernmental Relations, *Federally Induced Costs Affecting State and Local Governments* (Washington, D.C., September 1994), 2.

³ Florida Legislative Committee on Intergovernmental Relations, *1998 Intergovernmental Impact Report (Mandates and Measures Affecting Local Government Fiscal Capacity)*, (Tallahassee, FL, January 1999); <http://fcn.state.fl.us/lcr/mandate98.pdf>; accessed December 8, 1999.

and possibly affecting how receptive the Legislature might be to hearing about them.

- **In this report, we use the word “mandate” to mean requirements, including conditions of receiving aid or participating in a program, and restrictions.**

We adopted a broad definition of mandate to ensure that our study would encompass the full range of local governments’ concerns.

TYPES AND SOURCES OF MANDATES

Using the above definition, we identified three types of mandates, although a mandate might fit more than one type or have individual components of different types. The three types are described below.

1. **Program requirements** generally specify particular outcomes, levels of service, entitlements, infrastructure standards, or memberships.
2. **Procedural requirements** generally specify certain tasks, financial standards, personnel policies, record keeping requirements, government structures, or reports.
3. **Restraints** generally restrict local governments’ revenue-raising ability, tax base, expenditure levels, or autonomy.

In addition, there are several categories of mandates within each of these types. Table 1.1 provides examples of state mandates on local governments by type and category.

The first two types of mandates, program and procedural requirements, may differ in their complexity and in the flexibility they offer local governments. The Legislature could pass a program requirement that directs local governments to achieve an outcome or provide a minimum level of service to residents. Alternatively, the Legislature could pass procedural requirements that define program components, outline processes and procedures to implement them, set staff training requirements, and require detailed reports.

It can be difficult to distinguish between a requirement and a restraint. A law or rule that requires local officials to address a situation in a specific way also prevents officials from acting differently. Restrictions are also found within requirements. For example, the state requires chiefs of police and county sheriffs to process transfer permits for guns but restricts their ability to charge fees for related activities or materials.⁴

⁴ *Minn. Stat.* §624.7131, subs. 3 and 11.

Table 1.1: Types and Examples of Mandates

Program mandates

Outcome : If a county participates in the community corrections act, the county attorney must establish a pretrial diversion program for adult offenders designed to achieve five goals specified in statute. (*Minn. Stat.* §401.065, subd. 2)

Levels of service : “. . . the average caseload of a case manager providing case management services to children with severe emotional disturbance shall not exceed the ratio of 15 clients to one full-time equivalent case manager . . .” (*Minn. Rules* 9520.0903, subp. 2B)

Entitlement : “No applicant for any license required of persons for the sale or manufacture of cigarettes shall be required to pay any fee to the state or any political subdivision thereof upon furnishing a doctor’s certificate showing that the applicant is blind.” (*Minn. Stat.* §461.15)

Infrastructure : With some exceptions, “all bridges and culverts on any trunk highway, county state-aid highway, or municipal state-aid street hereafter established, constructed, or improved ” must meet minimum width standards. (*Minn. Stat.* §165.04, subd. 1)

Membership : “There is hereby created a county attorneys council . . . to be composed of the county attorney from each of the 87 counties and the attorney general of the state of Minnesota. ” (*Minn. Stat.* §388.19)

Procedural mandates

Reporting : Municipalities with tax increment financing districts are required to file annual reports on the status of the districts with the State Auditor and others. The reports must contain specific information identified in law and any additional information required by the State Auditor. (*Minn. Stat.* §469.175, subs. 5, 6, and 6a)

Performance : If a county chooses to participate in the consumer support grant program, the local agency has to establish written procedures that include, at least, “the availability of respite care, assistance with daily living, and adaptive aids.” (*Minn. Stat.* §256.476, subd. 4(a))

Fiscal : “Any city operating a municipal liquor store shall publish a balance sheet using generally accepted accounting procedures and a statement of operations of the liquor store within 90 days after the close of the fiscal year in the official newspaper of the city.” (*Minn. Stat.* §471.6985, subd. 1)

Personnel : “The blind, the visually handicapped, and the otherwise physically disabled shall be employed by . . . political subdivisions . . . on the same terms and conditions as the able-bodied, unless it is shown that the particular disability prevents the performance of the work involved. ” (*Minn. Stat.* §256C.01)

Planning/evaluation : “Beginning in 1989, and every two years after that, the county board shall submit to the commissioner [of human services] a proposed and final community social services plan for the next two calendar years.” (*Minn. Stat.* §256E.09, subd. 1)

Record keeping : Local agencies must maintain or destroy records relating to reports of maltreatment based on criteria specified in law. (*Minn. Rules* 9560.0230, subp. 6)

Government structure : “In every county in this state there shall be elected at the general election in 1918 a county auditor, a county treasurer, sheriff, county recorder, county attorney, and coroner. . . . These offices shall be filled by election every four years thereafter .” (*Minn. Stat.* §382.01)

Restraint mandates

Revenue-raising ability and tax base : Improvements to some homestead properties made before January 2, 2003, shall be fully or partially excluded from the value of the property for assessment purposes. (*Minn. Stat.* §273.11, subd. 16)

Expenditure levels : “Any home rule charter or statutory city or any town [or] county may expend not to exceed \$800 in any one year, for the purchase of awards and trophies. ” (*Minn. Stat.* §471.15)

Programs/requirements : “Notwithstanding any contrary provision of other law, home rule charter, ordinance or resolution, no statutory or home rule charter city or county shall require that a person be a resident of the city or county as a condition of employment by the city or county except for positions which by their duties require the employee to live on the premises of the person’s place of employment. ” (*Minn. Stat.* §415.16, subd 1)

Finally, many different entities create mandates. The Legislature and state agencies create mandates in laws and rules. Other sources of mandates are courts, which create mandates through their interpretation of laws, the Governor, and special districts, such as the Metropolitan Council. Citizens, via referenda, and the federal government can impose mandates on local governments. The source of a mandate affects what the Legislature or an agency can do should it want to change the mandate. Our report focuses on mandates created by the Legislature and state agencies.

ARGUMENTS FOR AND AGAINST MANDATES

Mandates raise questions about the most appropriate level of government for setting, implementing, and funding policy. While there are no easy answers to these questions, we start from this position:

Local governments are constitutionally subject to state authority.

- **Although the Minnesota Legislature has clear constitutional authority to impose mandates on local governments, it is important for the state to consider local government concerns.**

Article XII, Section 3 of the *Minnesota State Constitution* says that the “Legislature may provide by law for the creation, organization, administration, consolidation, division and dissolution of local governments and their functions. ” “Local governments ” include cities, counties, towns, school districts, and special purpose districts such as soil conservation districts, hospital districts, and the Metropolitan Council. Created by state law, these units are ultimately subject to the authority of the state. However, having the legal authority to mandate does not excuse the Legislature and state agencies from considering the fairness and practical implications of the mandates they create. Indeed, good management requires consideration of local perspectives and concerns.

To illustrate, Minnesota’s human services programs are administered by counties under state supervision. Since county officials and human services workers might be in a better position to understand local challenges and needs —and respond to them—mandates might inhibit the efficient and effective administration of the programs. For example, state rules for verifying the annual income of medical assistance recipients on a fixed income required counties to mail forms to all recipients twice a year. Not only did this process require staff time and postage costs, but recipients who did not return their forms were terminated. One county proposed meeting the semi-annual income verification requirements by using computer software to identify recipients’ annual income reported on social security and other federal pension records. The county reported that the new procedure saved staff time and postage and reduced the number of unnecessary

benefit terminations. In 1995, the Legislature made this income verification option available to all counties.⁵

Arguments For Mandates

As Table 1.2 shows, state government might respond to problems with statewide mandates for several reasons. While these reasons do not provide blanket support for all mandates, they offer reasonable justification for some. First, mandates might be appropriate if they concern government services or protections that should be available to all Minnesota citizens regardless of where they live. These mandates have “the well-being of citizens of the state, not the local capacity for self-government” as their motivating factor.⁶ For example, the Legislature has indicated a desire for statewide minimum standards in child protection services by defining in statute child abuse and neglect. At the same time, the statute allows counties to develop more detailed definitions and criteria for abuse and neglect.⁷

Mandates can be a legitimate way to achieve some policy objectives.

Table 1.2: Arguments For and Against Mandates

Arguments For Mandates

Mandates can:

- Insure government services or protections for all Minnesota citizens.
- Impose a statewide perspective.
- Regulate local actions that have negative consequences outside the local jurisdiction.
- Advance a state interest in local affairs.
- Be justified because they survived a legitimate and open democratic political process.

Arguments Against Mandates

Mandates can:

- Limit local autonomy.
- Confuse lines of responsibility.
- Be inefficient or ineffective.
- Strain local budgets.

Second, the Legislature might believe an issue requires a perspective that recognizes the implications of local governments’ actions on the state as a whole. For example, tax increment financing (TIF) is an economic development tool that the state makes available to cities and other levy authorities. One of the side effects of TIF is that cities capture property taxes that would otherwise go to counties, school districts, and other taxing jurisdictions. While a city may see the benefits that tax-increment projects bring to its residents, the Legislature has to

⁵ The Board of Government Innovation and Cooperation gave the county a waiver from rules to test the idea. We discuss the Board in Chapter 3. Board of Government Innovation and Cooperation, *A Synopsis of the Waivers and Exemptions Granted by the Board* (St. Paul, December 1996), 13.

⁶ Janet Kelly, *State Mandates: Fiscal Notes, Reimbursement, and Anti-Mandate Strategies* (Washington, D.C.: National League of Cities, February 1992), 4.

⁷ *Minn. Stat.* §656.556, subs. 10 and 10e.

consider the costs tax increment financing imposes on residents that live outside the municipality.

A third argument justifying mandates is raised when negative effects of a local government's actions cannot be contained within its borders. For example, statutes require a county that prepares a community-based comprehensive plan "to coordinate its plan with the plans of its neighbors and its constituent municipalities and towns in order to prevent its plan from having an adverse impact on other jurisdictions."⁸

Fourth, state mandates might be appropriate when the state has a compelling interest in what might otherwise be considered local affairs. Mandates can address "good government" concerns such as guaranteeing citizens' rights that the state believes are fundamental to operating open and accountable governments. Good government mandates generally specify requirements for due process, equal treatment, ethical behavior of local officials, good neighbor behavior, data privacy, and access to information. For example, in Minnesota, the open meeting law requires political subdivisions to post notices of upcoming meetings and to make most meetings open to the public.⁹ The purposes of the law are "to prohibit secret meetings where it is impossible for interested [members of the] public to become fully informed or to detect improper influences; assure [the] public's right to information; and afford [the] public [a] chance to express its views."¹⁰

Finally, it can be argued that mandates are justified because they are the product of a democratic process. The legislative process allows for public involvement and debate and the decision to mandate is made by citizens' elected representatives. Likewise, the Administrative Procedure Act requires agencies to show that a rule is "needed and reasonable" and affords the public opportunities to support or challenge proposed or existing rules. If mandates survive these processes, it could be argued that they are justified by virtue of being outcomes of legitimate and open political processes.

Arguments Against Mandates

State mandates can, however, have negative impacts on local governments.

Table 1.2 also lists four objections to state mandates, focusing on objections to how mandates achieve goals, not to the goals themselves. First, some mandate opponents argue that mandates limit local autonomy by restricting local officials' ability to address concerns in ways appropriate to local circumstances and preferences. Mandates may be contrary to policies that were established at the local level through legitimate and open democratic processes. Some local officials who responded to our questionnaire said that levy limits have caused them to make less-than-ideal management decisions, such as relying on reserves or debt more than they think appropriate or deferring capital improvements. Local

⁸ *Minn. Stat.* §394.232, subd. 3.

⁹ *Minn. Stat.* §471.705.

¹⁰ *Rupp v. Mayasich*, 533 N.W.2d 893 (App. 1995), as cited in *Minn. Stat. Annotated, 1999 Cumulative Annotated Pocket Part* §471.705 (St. Paul: West Publishing Co., 1998).

officials argue that they were elected by their constituents to govern and mandates can prevent them from effectively doing so.

Second, mandates might make it difficult for citizens to determine who is accountable for specific government decisions. Imagine a resident who objects to her city's property tax increases and calls her state representative to complain. The legislator might direct her to the city's truth-in-taxation hearings where she can talk with officials. The city officials might respond that they had to increase taxes to meet new state requirements, thus arguing that the Legislature is really responsible.

Third, mandates might not accomplish an objective efficiently or effectively. There are a number of aspects to this argument. Mandates often apply a "one-size-fits-all" solution to a problem, ignoring the possibility that not all local governments have the problem that gave rise to the mandate. In addition, differences in the geography, demographics, culture, finances, and technical capacity of local governments might affect how well a mandate will work. Mandates might also inhibit creative solutions and innovation at the local level. Because mandates tend to remain in statute or rule once they are created, they can become unnecessary or obsolete over time. Finally, mandates are not always based on research or evidence showing that the mandated approach is superior to others.

A final argument against mandates is that they may not be funded by the state. Unfunded or underfunded mandates put demands on local budgets that are limited by state-imposed levy limits and restrictions on charges, fees, and other sources of revenue. The United States Advisory Commission on Intergovernmental Relations noted, "Much of the mandate controversy surrounds the mismatch between mandated responsibilities and local funding capacities."¹¹

State Funding

The Legislature does not automatically fund mandates.

Unlike some other states, Minnesota does not have a statutory or constitutional mechanism that automatically funds state mandates. The Legislature has, at times, appropriated funds to help cover mandate costs. For example, after the truth-in-taxation laws were first passed, the Legislature appropriated \$1.8 million to help offset costs. Likewise, when the truth-in-taxation statements were made more complex in 1997, the Legislature appropriated \$1 million in part to help cover initial costs of implementation.

Although Minnesota does not always appropriate state funding to pay for mandates, it does provide a significant amount of general and categorical financial aid to local governments. We looked at how much aid the state has given to local governments and the sources of revenue that comprise local budgets. The Minnesota Legislature gave counties, cities, and towns over \$3.3 billion in state aid for 1996. About one-quarter of this aid was general purpose aid provided through local government aid, homestead and agricultural credit aid (HACA), and

¹¹ United States Advisory Commission on Intergovernmental Relations, *Mandates: Cases in State-Local Relations* (Washington, D.C., September 1990), 4.

Minnesota provides both general purpose and "categorical" aid to local governments.

disparity reduction aid. Not all local governments are eligible for each type of aid. The state gives local government aid to cities and towns, HACA to counties, and disparity reduction aid to counties and towns.

Almost three-quarters of the state aid in 1996 was categorical aid for income maintenance and social service programs, roads and highways, and criminal justice and corrections programs. By far, the largest portion of state aid to local governments went to counties. Counties have a relationship with the state that is quite different from that of cities and towns. As the administrative arm of the state, counties administer many of the programs that the Legislature crafts. For example, Minnesota is one of only a few states that relies heavily on counties for the financing and delivery of human services programs. From the county perspective, the financial and policy issues that arise out of this complicated arrangement can strain state-local relationships.

Comparing current state aid levels to those in prior years, we found that:

- **Inflation-adjusted state aid per capita to cities was slightly lower in 1996 than in 1987, while state aid to counties was about the same and aid to towns was higher.**

At about \$206, state aid per capita to cities was 2 percent lower in 1996 than in 1987. Per capita aid to counties was about \$208 in both 1987 and 1996. Per capita aid to towns, which was about \$43 in 1996, was 15 percent higher than in 1987.¹²

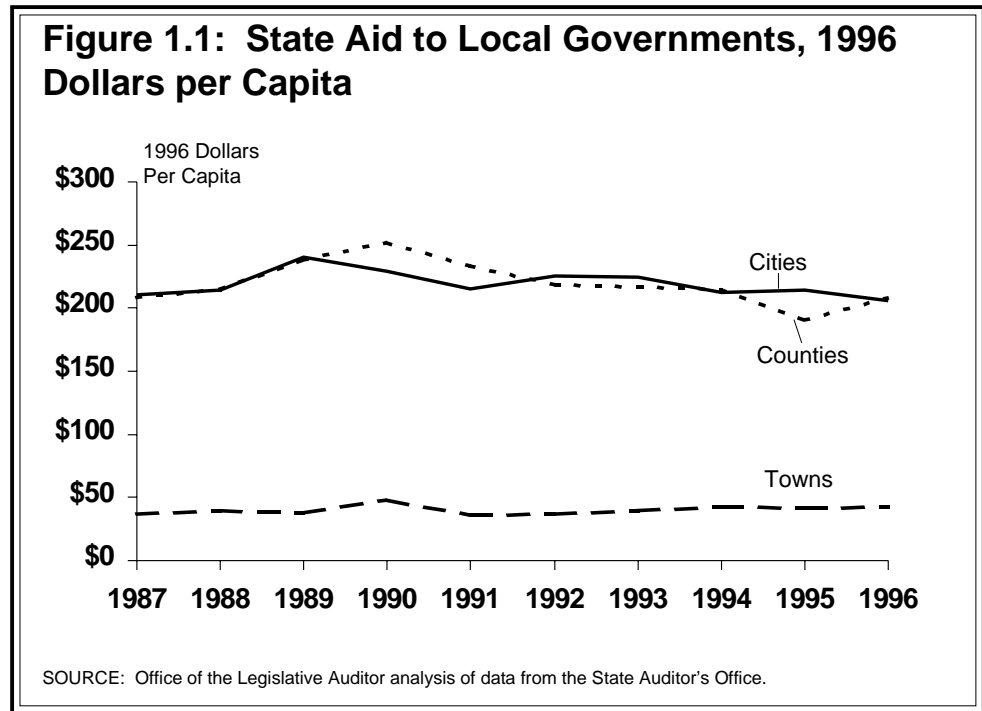
As Figure 1.1 shows, state aid per capita for all three levels of government peaked in the late 1980s and early 1990s. Part of the decrease in state aid to counties was due to the state takeover of some human services and court costs previously paid by counties. Most of the decline in state aid to cities between 1990 and 1991 was due to changes in aid to Minneapolis and St. Paul. The 1992 increase in state aid per capita to cities can be partly explained by a grant from the Minnesota Pollution Control Agency to the city of St. Paul.¹³

Cities and counties received less federal aid per capita in 1987 than they did in 1996. After adjusting for inflation, federal aid per capita was 18 percent lower for counties and 28 percent lower for cities.

While state aid per capita was lower for cities in 1996 and federal aid per capita was lower for both counties and cities, their overall revenue per capita was

¹² Total state aid in constant dollars to counties, cities, and towns increased between 10 and 13 percent between 1987 and 1996. We used the PCWGS as the price deflator. It is calculated by the federal Bureau of Economic Analysis and is based on state and local government consumption and investment.

¹³ State Auditor's Office, *Revenues, Expenditures, and Debt of Minnesota Counties for the Year Ended December 31, 1995* (St. Paul, August 1997), 1; *Revenues, Expenditures, and Debt of Minnesota Cities Over 2500 in Population for the Year Ended December 31, 1991* (St. Paul, December 1992), ii; and *Revenues, Expenditures, and Debt of Minnesota Cities Over 2500 in Population for the Year Ended December 31, 1992*, i.



greater. In addition, while state aid per capita was higher for towns, their overall revenue per capita increased by a greater amount. This means that:

- **Per capita revenue collected by local governments from nongovernmental sources was higher in 1996 than in 1987.**

Looking at constant 1996 dollars, the amount of revenue per capita counties collected from nongovernmental sources was \$336 in 1987 and \$402 in 1996. In 1987, cities collected \$498 per capita from nongovernmental sources. By 1996, the figure was \$538. Town revenue per capita from nongovernmental sources was \$88 in 1987 and \$105 in 1996.¹⁴

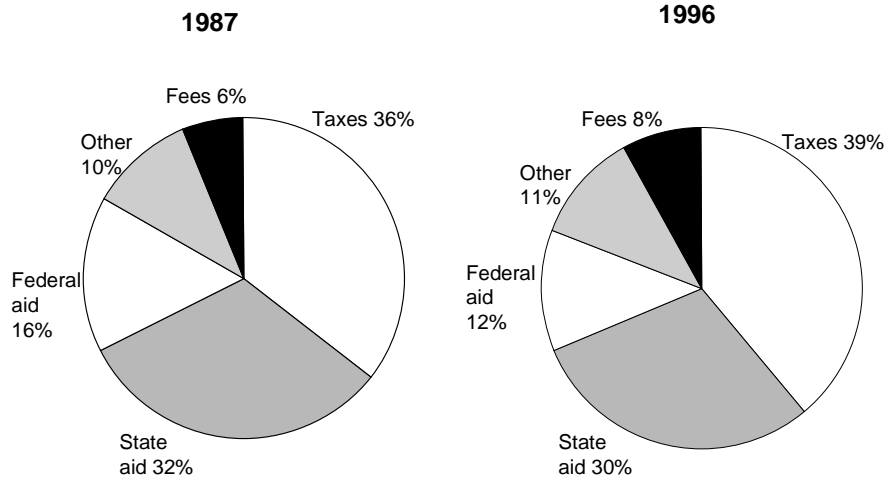
Figure 1.2 shows the proportions of counties' total revenue provided by state aid and other sources in 1987 and 1996. The proportion of county revenue provided by state aid declined from 32 percent to 30 percent between 1987 and 1996. Figure 1.3 reflects the proportion of city revenues from different sources in 1987 and 1996. Though the proportion of cities' total revenue provided by the state declined from 28 to 26 percent, state aid still provided the single greatest source of revenue for cities. State aid provided 28 percent of town revenue in 1987 and 1996.

While state aid made up a smaller share of city and county revenue in 1996 than in 1987, local officials would probably argue that the demands placed on local governments have not decreased. As we discuss in the next chapter, the level of state funding for state mandates is one of local officials' primary mandate concerns.

¹⁴ Nongovernmental sources include taxes, taxes increments, special assessments, license fees, services charges, fines, interest earned, and miscellaneous revenue.

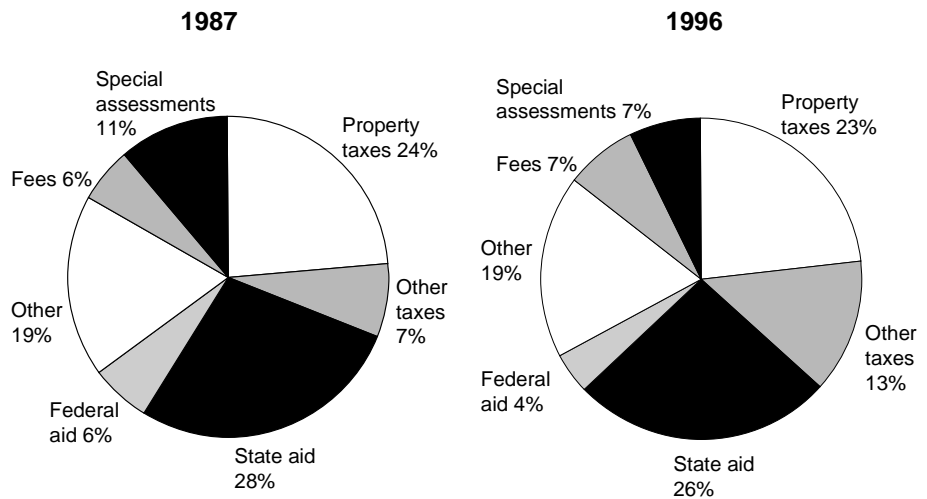
State aid makes up about one-fourth to one-third of county and city budgets.

Figure 1.2: County Revenues by Source, 1987 and 1996



NOTE: "Other" includes special assessments, licenses, local aid, fines, interest, and miscellaneous.
 SOURCE: Office of the Legislative Auditor summary of data from the State Auditor's Office.

Figure 1.3: City Revenues by Source, 1987 and 1996



NOTE: "Other taxes" includes franchise, sales, hotel/motel, and gravel taxes and tax increments. "Other" includes licenses, county aid, local aid, fines, interest, game gifts, and miscellaneous.
 SOURCE: Office of the Legislative Auditor summary of data from the State Auditor's Office.

Opinions of Local Government Officials

SUMMARY

While most of the local officials that we surveyed disliked specific mandates, some officials thought that “the mandate problem” should be addressed broadly because it resulted from the state not treating local governments as partners. Local officials reported a poor relationship with state government—most did not believe that the Legislature or state agencies were responsive to their needs or concerns. They said that the cumulative impact of state requirements was more detrimental to local operations than specific requirements. Local officials, particularly those from counties and large cities, were concerned about funding for state mandates and the fiscal constraints that the state places on them. They objected to laws and rules, especially ones related to general government operations, that they believed were inadequately funded, preempted local authority, did not address local problems, and were administratively inflexible.

As we noted in the previous chapter, there are three broad types of mandates, each of which may affect individual units of government differently. This chapter discusses how local government officials view the appropriateness and reasonableness of mandates and identifies individual mandates of particular concern to local officials. While this chapter presents only the opinions of local governments, it is important to understand the nature of local officials’ concerns. Specifically, this chapter addresses the following questions:

- **How do local governments view the state-local government relationship?**
- **What are local governments’ opinions on mandates in general?**
- **To what extent have local governments had to forgo local priorities to comply with state mandates?**
- **Which state mandates are the most objectionable to local governments and why?**

**We surveyed
654 local
government
officials.**

To answer these questions, we surveyed 654 local government officials from counties, cities, and towns throughout the state. Our sample included all 87 county administrators or auditors, all 79 city managers or administrators from cities with populations of 10,000 residents or more, a random sample of 288 city clerks from cities with populations under 10,000, and a random sample of 200 town clerks.¹ To make their responses more representative of their unit of government, we encouraged respondents to seek input from other staff and elected officials in their jurisdiction. We obtained an overall response rate of 69 percent (74 percent for counties, 80 percent for large cities, 69 percent for small cities, and 61 percent for towns).²

DEFINITION

As mentioned in Chapter 1, we defined “mandate” broadly, including both mandatory and conditional requirements and restrictions imposed by the state. Requirements are state laws or rules that direct local jurisdictions to provide a service, perform a service in a certain way, or meet an outcome or goal. Restrictions are state laws or rules that prevent local jurisdictions from providing a service, adopting local requirements, or raising revenue. Although mandates can come from many sources, our report focuses on mandates created by the Legislature and state agencies.

STATE-LOCAL RELATIONSHIPS

As noted in Chapter 1, disagreement over the definition of a mandate has led many observers to view “the mandate problem” differently. Because mandate issues may involve larger issues of state-local relations, we asked local officials whether the Legislature and state agencies did a good job seeking input from them and whether state government was responsive to their concerns. Overall, we found that:

- **Most local officials, especially those from counties and large cities, did not think that state government was responsive to the needs or concerns of local governments.**

As shown in Table 2.1, only 21 percent of local officials agreed or strongly agreed that the Legislature did a good job seeking local government input about proposed legislation that would place requirements or restrictions on them. Agreement was especially low among county and large-city officials, where fewer than 10 percent agreed that the Legislature was doing a good job in soliciting their input. Only 17 percent of local officials agreed or strongly agreed that the Legislature was

¹ Throughout this report, we use the phrase “large cities” to refer to cities with populations of 10,000 or more residents and “small cities” to refer to cities with populations under 10,000.

² See Appendix A for lists of local governments that received our questionnaire.

Table 2.1: Local Governments' Opinions About State-Local Relationships

	<u>Strongly Agree</u>	<u>Agree</u>	<u>No Opinion</u>	<u>Disagree</u>	<u>Strongly Disagree</u>
The Legislature does a good job seeking input from local governments about proposed legislation that would place requirements or restrictions on us.					
Counties (N = 64)	2%	6%	8%	58%	27%
Large cities (N = 62)	0	7	7	50	37
Small cities (N = 187)	1	22	20	45	12
Towns (N = 116)	2	30	22	37	10
Total (N = 429)	1	20	17	46	17
The Legislature is responsive to local concerns when considering proposed legislation that would place requirements or restrictions on us.					
Counties (N = 62)	0%	10%	15%	60%	16%
Large cities (N = 61)	0	7	7	56	31
Small cities (N = 187)	1	19	25	48	9
Towns (N = 116)	1	22	32	38	7
Total (N = 426)	1	17	23	48	12
Local government associations do a good job of representing our concerns about requirements and restrictions before the Legislature.					
Counties (N = 64)	8%	77%	11%	3%	2%
Large cities (N = 61)	21	72	3	2	2
Small cities (N = 188)	20	54	22	4	1
Towns (N = 116)	19	50	25	6	2
Total (N = 429)	18	59	18	4	1
State agencies do a good job seeking input from local governments about proposed rules that would place requirements or restrictions on us.					
Counties (N = 64)	0%	13%	9%	52%	27%
Large cities (N = 61)	0	5	20	47	28
Small cities (N = 187)	2	17	36	35	11
Towns (N = 116)	3	20	34	36	8
Total (N = 428)	1	15	29	40	15
State agencies are responsive to local concerns when considering proposed rules that would place requirements or restrictions on us.					
Counties (N = 64)	0%	13%	11%	53%	23%
Large cities (N = 61)	0	5	15	62	18
Small cities (N = 183)	1	10	37	45	7
Towns (N = 112)	0	18	40	35	7
Total (N = 420)	1	12	31	46	11
State agencies are generally receptive to requests for waivers from rules.					
Counties (N = 62)	0%	10%	58%	26%	7%
Large cities (N = 60)	0	3	68	20	8
Small cities (N = 183)	1	4	89	4	2
Towns (N = 110)	0	2	90	6	2
Total (N = 415)	< 1	4	82	10	4

NOTE: Percentages may not total 100 due to rounding.

SOURCE: Office of the Legislative Auditor Survey of Local Government Officials, 1999.

responsive to local concerns. Again, county and large-city officials had more critical views of the Legislature than small-city and town officials.

Local officials' views about state agencies' responsiveness were similar to their views about the Legislature's responsiveness. Overall, only 16 percent agreed or strongly agreed that state agencies sought local government input. Likewise, only 13 percent agreed or strongly agreed that state agencies were responsive to local governments' concerns when promulgating agency rules.

In addition:

- **While most local officials had specific mandates that they disliked, some also thought that “the mandate problem ” should be addressed broadly because it resulted from the state not treating local governments as partners.**

Some officials think the "mandate problem" is about intergovernmental relations in general, rather than specific mandates.

Some local government officials, in both our survey and our interviews, said that the Legislature considered them “just another special interest group. ” They felt that the Legislature needed to pay more attention to their concerns about “one-size-fits-all ” mandating and the effects of unfunded mandates on local government operations.

When these concerns are combined with local officials' views on the responsiveness of state government, they suggest problems in state-local relationships that are larger and potentially more serious than the issue of "mandates." As discussed earlier, mandates raise questions about which level of government should set policy for, implement, and fund different government responsibilities. It is important to keep these larger issues in mind when examining local officials' views on mandates. For example, county opinions may reflect the complex relationship between the state and counties in the funding and provision of services.

GENERAL OPINIONS ON MANDATES

Individual mandates may not apply to all units of local government. Some mandates, such as those related to child protection, apply only to counties while others, such as open meeting and data privacy requirements, apply to all units of government. We asked local officials what overall impact state requirements and restrictions had on their government's ability to do its job well. In response, we found that:

- **Most local officials said that inadequate funding for mandates along with the fiscal constraints set by the Legislature have made it difficult for them to provide mandated services and still address local priorities.**

As shown in Table 2.2, 75 percent of local government officials who responded to our survey indicated that state requirements made it somewhat or considerably

Table 2.2: Perceived Impact of State Requirements and Restrictions on Local Governments' Ability to Do Their Jobs Well

	Counties (N = 63)	Large Cities (N = 62)	Small Cities (N = 171)	Towns (N = 103)	Total (N = 399)
State Requirements:					
Make it considerably more difficult	40%	24%	18%	9%	20%
Make it somewhat more difficult	59	76	55	41	55
Have little or no impact	0	0	19	43	19
Make it somewhat easier	2	0	8	8	6
Make it considerably easier	0	0	0	0	0
	Counties (N = 64)	Large Cities (N = 61)	Small Cities (N = 170)	Towns (N = 84)	Total (N = 379)
State Restrictions:					
Make it considerably more difficult	33%	21%	13%	7%	16%
Make it somewhat more difficult	63	75	53	41	55
Have little or no impact	5	3	27	48	24
Make it somewhat easier	0	0	7	5	4
Make it considerably easier	0	0	1	0	< 1

NOTE: Percentages may not total 100 due to rounding.

SOURCE: Office of the Legislative Auditor Survey of Local Government Officials, 1999.

more difficult for them to do their jobs. This sentiment was especially strong among officials from counties and large cities, with county officials indicating more difficulty than large-city officials. While the majority of officials from small cities indicated that state requirements made their jobs more difficult, as a group they were less negative about the overall effect of state requirements than officials from larger units of government. In contrast to county and large-city officials, over one-fourth of small-city officials and a majority of town officials said that state requirements either had no effect or made it somewhat easier for them to do their jobs.

According to local officials, state requirements made job performance difficult for a variety of reasons. A majority of survey respondents agreed that state laws and rules that required them to provide certain programs or services or meet certain goals or outcomes created problems because they were not adequately funded, addressed concerns that were not local problems, or preempted local authority. Officials also thought that state laws and rules that required local governments to follow certain procedural or reporting requirements were not adequately funded, did not provide enough flexibility, or did not address local concerns.

In addition:

- **According to local officials, the cumulative impact of state requirements was more detrimental to local operations than specific requirements.**

Three-fourths of local officials who indicated that state requirements negatively affected them said that it was primarily due to the cumulative impact of

requirements rather than the burden of individual ones. For example, local governments must file or publish reports in a variety of areas, including human services, health, and finances. When asked to identify specific mandates that were objectionable, some officials simply said “too many reports,” “all sorts of procedural jargon,” and “all of the paperwork.”

Table 2.2 shows that 71 percent of local officials reported that state restrictions also adversely affected their activities. Ninety-six percent of county and large-city officials and 66 percent of small-city officials reported that state restrictions made it somewhat or considerably more difficult for them to do their jobs. A majority of respondents agreed that restrictions, especially those that limit their ability to raise revenue, led to financial problems, preempted local authority, or made it difficult to address local concerns. Town officials again had a less negative view, with 53 percent of them reporting that state restrictions either had little or no impact or made it somewhat easier for them to do their jobs.

Survey results also showed that:

- **Except for town officials, the majority of local officials said they raised local revenue to help pay for state requirements; officials from counties and large cities also reported forgoing local priorities.**

As Table 2.3 shows, county officials reported making the most changes in response to the cost of state requirements. Ninety-four percent of county officials and 79 percent of large-city officials reported that since January 1994, they had increased local taxes to help cover the costs of state requirements. Ninety-three percent of them reported increasing local charges, such as fees for solid-waste management or building permits. Eighty-one percent of county and large-city officials said that complying with state requirements meant not addressing local priorities, such as park or trail development. Sixty-one percent of counties and 49 percent of large cities reported reducing local services, such as highway or building maintenance. While more than half of the small cities reported increasing their revenue due to mandates, only 16 percent said they had reduced local service levels, while 28 percent said they had to forgo local priorities. Over half of town officials reported taking none of these four actions to pay for state requirements.

Table 2.3: Local Governments' Actions to Help Cover the Costs of State Requirements

Actions	Counties	Large Cities	Small Cities	Towns	Total
Increase local taxes	94% (N=62)	79% (N=58)	58% (N=171)	36% (N=111)	60% (N=402)
Increase fees or other charges	98 (N=60)	88 (N=58)	56 (N=181)	14 (N=109)	54 (N=408)
Reduce levels of local services	61 (N=57)	49 (N=53)	16 (N=173)	5 (N=104)	24 (N=387)
Forgo local priorities	89 (N=55)	74 (N=53)	28 (N=170)	6 (N=99)	38 (N=367)

SOURCE: Office of the Legislative Auditor Survey of Local Government Officials, 1999.

We asked local officials about the appropriateness and reasonableness of state requirements in eight different subject areas. Officials' opinions varied depending on the subject area. In our questionnaire, "appropriate" meant that the state had a justifiable reason for, or interest in, requiring minimum standards or services in a particular area. As Table 2.4 shows:

- **Most local officials thought that state-imposed requirements on local governments were appropriate if at least partially state funded.**

Between 80 and 90 percent of local officials indicated that public safety, infrastructure, environmental, human services, and health requirements were appropriate if fully or partially funded. Seventy-five percent of county officials said that human services requirements were appropriate if fully state-funded. In none of the eight areas of government did more than 10 percent of local officials say that requirements were appropriate even with no state funding. About one-half of large-city officials, one-third of county officials, and one-fourth of small-city officials said that general government, recreation and culture, and economic development requirements were inappropriate regardless of state funding. One-fourth of town officials said that economic development requirements were inappropriate regardless of state funding. General government requirements include requirements related to budgeting, finances, personnel, and taxation; recreation and culture requirements include those related to parks, trails, and libraries; and economic development requirements include those related to planning, zoning, and tax increment financing.

Local officials were more opposed to mandates in some policy areas than in others.

Our questionnaire defined "reasonable" to mean that, overall, state requirements contained acceptable procedural requirements for providing services or set appropriate standards for the quality of service. "Unreasonable" meant that, overall, state requirements (a) required inappropriate types or levels of service, (b) were inflexible or restricted local government from implementing cost-effective alternatives, or (c) were antiquated or no longer relevant. As Table 2.5 shows:

- **While the majority of small-city and town officials said state requirements were generally reasonable overall, the majority of county and large-city officials said that requirements in the areas of general government and the environment were unreasonable.**

More than half of small-city and town officials reported that state requirements in all areas of government were generally reasonable or very reasonable. For the most part, officials from counties and large cities shared this view; however, more than half of them said that general government and environmental requirements were unreasonable or very unreasonable. In addition, 64 percent of county officials said that human services requirements were unreasonable, and 81 percent of large-city officials said that economic development requirements were unreasonable. Finally, slightly more than 40 percent of small-city and town officials said economic development and environmental requirements were unreasonable.

Table 2.4: Local Officials' Views on the Appropriateness of State Requirements by Subject Area

	Appropriate if Fully State-Funded	Appropriate if Partially State-Funded	Appropriate with No State Funding	Not Appropriate Regardless of State Funding
General Government				
Counties (N = 64)	27%	38%	2%	34%
Large cities (N = 62)	26	26	2	47
Small cities (N = 177)	20	43	13	24
Towns (N = 80)	33	36	13	19
Total (N = 383)	25	38	9	28
Public Safety				
Counties (N = 64)	42	50%	2%	6%
Large cities (N = 61)	31	44	10	15
Small cities (N = 161)	32	50	8	11
Towns (N = 57)*	28	56	11	5
Total (N = 343)	33	50	8	10
Infrastructure				
Counties (N = 64)	33%	56%	2%	9%
Large cities (N = 62)	29	57	2	13
Small cities (N = 171)	34	50	6	11
Towns (N = 90)	36	52	2	10
Total (N = 387)	33	52	4	11
Environment				
Counties (N = 64)	53%	41%	0%	6%
Large cities (N = 62)	44	40	11	5
Small cities (N = 154)	38	53	4	5
Towns (N = 76)	41	43	5	11
Total (N = 356)	42	46	5	6
Recreation and Culture				
Counties (N = 62)	21%	45%	3%	31%
Large cities (N = 61)	23	23	0	54
Small cities (N = 159)	25	38	11	26
Towns (N = 49)*	29	49	8	14
Total (N = 331)	24	38	7	31
Human Services				
Counties (N = 63)	75%	24%	0%	2%
Large cities (N = 31)*	60	33	3	3
Small cities (N = 83)*	40	39	8	13
Towns (N = 35)*	43	37	6	14
Total (N = 211)*	54	33	5	9
Health Services				
Counties (N = 64)	58%	41%	2%	0%
Large cities (N = 27)*	67	22	4	7
Small cities (N = 75)*	44	36	9	11
Towns (N = 33)*	64	21	0	15
Total (N = 199)*	55	33	5	8
Economic Development				
Counties (N = 64)	28%	31%	3%	38%
Large cities (N = 62)	21	29	8	42
Small cities (N = 155)	21	50	6	23
Towns (N = 65)	35	32	6	26
Total (N = 336)	25	39	6	29

NOTE: Percentages may not total 100 due to rounding. An asterisk (*) means that fewer than half of local officials who returned a survey answered the specific question.

SOURCE: Office of the Legislative Auditor Survey of Local Government Officials, 1999.

Table 2.5: Local Officials' Views on the General Reasonableness of State Requirements by Subject Area

	Very Reasonable	Reasonable	Unreasonable	Very Unreasonable
General Government				
Counties (N = 61)	0%	30%	51%	20%
Large cities (N = 88)	0	13	53	34
Small cities (N = 174)	2	67	25	6
Towns (N = 62)	2	82	9	7
Total (N = 385)	2	56	30	13
Public Safety				
Counties (N = 58)	2%	59%	29%	10%
Large cities (N = 59)	0	72	26	3
Small cities (N = 159)	2	84	14	1
Towns (N = 53)*	0	85	9	6
Total (N = 329)	1	77	18	4
Infrastructure				
Counties (N = 57)	0%	75%	23%	2%
Large cities (N = 61)	0	56	41	3
Small cities (N = 159)	1	72	23	4
Towns (N = 84)	4	76	13	7
Total (N = 361)	1	71	24	4
Environment				
Counties (N = 59)	2%	32%	49%	17%
Large cities (N = 61)	2	43	44	12
Small cities (N = 143)	2	57	35	6
Towns (N = 69)	4	51	26	19
Total (N = 332)	2	48	37	12
Recreation and Culture				
Counties (N = 53)	0%	64%	26%	9%
Large cities (N = 53)	2	66	25	8
Small cities (N = 128)	2	75	20	3
Towns (N = 28)*	4	75	14	7
Total (N = 262)	2	71	22	6
Human Services				
Counties (N = 59)	0%	36%	39%	25%
Large cities (N = 15)*	13	60	20	7
Small cities (N = 49)*	6	67	24	2
Towns (N = 19)*	0	79	16	5
Total (N = 142)*	4	55	29	13
Health Services				
Counties (N = 57)	0%	65%	28%	7%
Large cities (N = 16)*	13	75	6	6
Small cities (N = 43)*	7	70	23	0
Towns (N = 17)*	6	76	6	12
Total (N = 133)*	5	69	21	5
Economic Development				
Counties (N = 56)	2%	48%	36%	14%
Large cities (N = 60)	2	17	55	27
Small cities (N = 139)	1	55	32	12
Towns (N = 50)*	6	52	32	10
Total (N = 305)	2	46	37	15

NOTE: Percentages may not total 100 due to rounding. An asterisk (*) means that fewer than half of local officials who returned a survey answered the specific question.

SOURCE: Office of the Legislative Auditor Survey of Local Government Officials, 1999.

County and large-city officials' opinions about general government requirements mirror findings from similar studies in other states. Studies in South Carolina, Utah, and Connecticut found local government officials (or associations representing them) citing the area of general government as having the most burdensome or unreasonable mandates.³

OBJECTIONABLE MANDATES

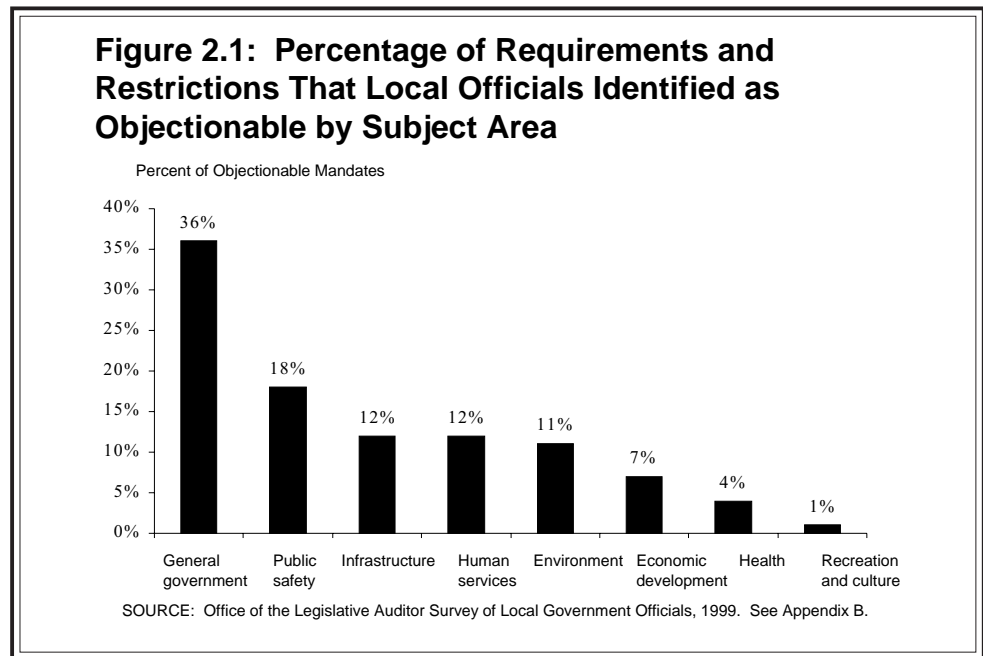
To learn which mandates local government officials considered the most unreasonable and why, we asked them to identify up to three state requirements and up to three state restrictions that created the most problems for them or were most objectionable. As noted previously, about one-fourth of local officials said that state mandates did not make their jobs more difficult. In a similar vein, about one-fourth of respondents (mostly small-city and town officials) did not identify any mandates as particularly objectionable.

We counted the total number of different mandates that local officials objected to and found that:

- **Local officials identified about 150 different laws and rules as objectionable.**

Figure 2.1 classifies, by subject area, specific mandates that local officials said created the most problems for them or were most objectionable.⁴ As the data

Local officials objected most frequently to mandates affecting the general operation of local government.



³ Janet Kelly, "Unfunded Mandates: The View from the States," *Public Administration Review* 54, no. 4 (July/August 1994): 405.

⁴ See Appendix B for a list of the requirements and restrictions that local officials identified as objectionable.

There was little agreement among local officials about which mandates were most objectionable.

show, about a third of the individual requirements and restrictions were related to general government operations. About a fifth of the general government mandates could be classified as “good government ” mandates. Good government mandates generally specify due process, equal treatment, ethics, good neighbor, or information requirements to help ensure that government is accountable to the public. Eighteen percent of the individual mandates identified as objectionable were related to public safety laws and rules, 12 percent concerned infrastructure mandates, and 11 percent involved environmental laws and rules.

We also counted the number of local officials who identified individual requirements and restrictions as most objectionable. We found that:

- **While there was little consensus about which individual mandates were most objectionable, the majority of local officials objected to laws and rules in the area of general government operations.**

Fifty-six percent of local officials identified laws and rules related to operating government as most objectionable, such as levy limits, paying sales tax, pay equity, truth-in-taxation hearings and notices, open meetings, data practices, and charitable gambling. Twelve percent of officials objected to laws and rules related to economic development, which include requirements and restrictions about tax increment financing, land use, and zoning, among others. Requirements and restrictions in the other areas of government —public safety, infrastructure, environment, and health —were each mentioned by fewer than 10 percent of respondents. Also, most county officials identified mandates in human services—an area that is largely the domain of counties —as burdensome. County officials mentioned various requirements and restrictions related to out-of-home placement, group homes, and child protection, among others, as burdensome or objectionable.

As shown in Table 2.6:

- **Local officials objected to six mandates most frequently: levy limits, truth-in-taxation notices and hearings, paying sales tax on local government purchases, pay equity, tax increment financing restrictions and reporting, and out-of-home placement costs.**

To better understand the concerns of local officials, we examined these six mandates in greater detail. Generally, local officials opposed them for one of three main reasons: they preempted local authority, entailed excessive reporting or procedural requirements, or were not adequately funded. For example, local officials said that paying state sales tax, pay equity requirements, and levy limit restrictions all preempted their authority to manage local affairs. They said that reporting requirements related to tax increment financing and, to a lesser extent, pay equity, were onerous and complicated, and noted that they could probably meet truth-in-taxation goals in a less costly or burdensome way. Although local officials expressed a number of concerns about out-of-home placement, the most prominent was the perceived inadequacy of state funding. In addition, local officials said that some mandates, such as paying the state sales tax on local

Table 2.6: Mandates Objected to Most Frequently by Local Governments

Mandate	Percent of Local Officials Identifying It as Objectionable				
	Counties N=64	Large Cities N=63	Small Cities N=199	Towns N=122	Total N=448
Levy limits	72%	52%	14%	0%	24%
Truth-in-taxation notices and hearings	23	17	13	0	12
Sales tax on local government purchases	11	25	10	4	10
Pay equity for local government jobs	9	41	6	0	10
Tax increment financing					
Reporting requirements	0	22	8	0	7
Restrictions	5	19	5	0	6
Out-of-home placement costs	34	0	0	0	5

SOURCE: Office of the Legislative Auditor Survey of Local Government Officials, 1999.

government purchases, continue to exist even though the conditions precipitating the mandates no longer do.

Levy Limits

Levy limits restrict local governments' ability to raise revenue.

First passed in 1971, levy limits restrict local governments' ability to raise revenue by limiting how much they can levy in property taxes. In 1989 the Legislature repealed levy limits on counties, cities, and towns, effective for taxes payable in 1993, as part of a larger property tax reform package that shifted more responsibility for controlling property taxes from the state to local government.⁵ But in 1997, the Legislature reenacted levy limits on counties and cities with more than 2,500 residents for taxes payable in 1998 and 1999 "to help ensure that the state tax relief would reduce property taxes and not increase local government spending."⁶ The 1999 Legislature extended the limits through taxes payable in 2000.⁷

Levy limits restrict the amount of revenue a local government can collect from property taxes and general purpose state aid. Currently, the levy limit base for a jurisdiction is calculated using the prior year's adjusted base multiplied by factors for inflation, household growth, and commercial and industrial development. The current year's general purpose aid is subtracted from this figure and the remainder is the amount the local government can levy in the current year. The 1999 Legislature adjusted counties' bases for taxes payable in 2000 to reflect the state's takeover of court costs.

⁵ *Minn. Laws* (1Sp1989), ch. 1, art. 5, sec. 51. Minnesota House Research, *Information Brief: Truth in Taxation* (St. Paul, October 1992), 12. As we discuss later, truth-in-taxation legislation was part of this general reform.

⁶ *Minn. Laws* (1997), ch. 231, art. 3, sec. 4 and Minnesota House Research, *Information Brief: 1997 Changes to Minnesota's Property Tax System with 1998 Update* (St. Paul, September 1998), 2.

⁷ *Minn. Laws* (1999), ch. 243, art. 6, sec. 6.

Some local government expenditures are not subject to levy limits. For example, local governments can levy for debt and natural disasters outside their limit. In 1999, the Legislature added a special levy for counties for expenses of operating and maintaining a county jail if the expenses were the result of a requirement or directive from the Department of Corrections. Special levies allow local governments to levy outside their limit for certain expenses. Local governments can also levy beyond their limit if the additional amount is approved by a majority of their voters.

Almost one-fourth of the local officials who responded to our questionnaire objected to levy limits. However, almost two-thirds of the officials from counties and cities currently subject to the limits objected to them.

- **Local government officials objected to levy limits because, in their opinion, the limits preempted local authority.**

Local officials thought that levy limits sometimes hindered good management.

In their written comments, local officials indicated that levy limits prevented them from responding to local problems such as rapid population growth, no population growth but an aging infrastructure, demands for local services, and large increases in the health insurance costs for public employees. In discussing how they might respond if levy limits were repealed, some local officials said taxes might go up because of local service needs and circumstances. Others said that they could plan and finance projects better without limits and would not rely so heavily on borrowing. In the absence of levy limits, local government officials cited both the election process and the truth-in-taxation hearings as methods that hold them accountable to taxpayers. One official noted that imposing a limit “defeats the purpose of allowing a community to meet and decide its spending priorities.”

There are advantages and disadvantages to levy limits, and their overall effects are unclear. The primary advantage is that they set a ceiling on property tax levies and ensure that state property tax relief is passed on to property taxpayers. However, some have argued that levy limits might actually lead to higher property taxes in the long run because local governments might levy the maximum allowed under their limit if they think it could affect subsequent years’ limits.⁸ Local governments might also present increases in levies as “reasonable” because they are within limits set by the state.⁹

It is difficult to compare property tax growth rates in years with levy limits to those without them because of changes in property tax law, state aid, and the responsibility for funding some programs. In 1991, Department of Revenue and legislative staff studied levy limits and their effect on levy growth in cities with populations between 1,000 and 5,000. This study looked at levy growth between 1972 and 1990. It showed “a minor tendency for levy growth to be slightly higher in the first year that limits were removed; however, after the first year there

⁸ Minnesota House Research, *1997 Changes to Minnesota’s Property Tax System*, 13. When the previous levy limits were in place, the state sometimes set the levy limits at the amount the governments actually levied in the previous year, as opposed to the amount they could have levied. Pat Dalton, Minnesota House Research, Memorandum to the members of the House Property Tax Division, March 1, 1999.

⁹ Minnesota House Research, *1997 Changes to Minnesota’s Property Tax System*, 13.

was no statistically significant difference in levy growth rates between cities subject to limits and those that were not. ¹⁰ Legislative staff have also looked at whether local governments levy to their limits. A recent review showed that, while fewer than half of the affected governments levied to their limit for taxes payable in 1999, most governments subject to levy limits did levy to their limit in the 1980s and early 1990s. ¹¹

Finally, special levies might compromise the effectiveness of levy limits in controlling spending. Legislative staff reported that in 1991, before the previous levy limits were lifted, there were 28 general special levies and 10 jurisdiction-specific special levies. ¹²

Truth-in-Taxation

The Minnesota Legislature passed truth-in-taxation (TNT) legislation in 1988, with full implementation scheduled for taxes payable in 1990. ¹³ The law was designed to educate property taxpayers about how local jurisdictions' levy decisions affect citizens' property taxes. It also aimed to increase public understanding of, and involvement in, setting local spending priorities. Truth-in-taxation's full implementation, which occurred in 1993, coincided with the repeal of levy limits on county and city governments. Legislators thought TNT would help hold public officials accountable for their spending decisions. ¹⁴

There are several parts to truth-in-taxation. ¹⁵ First, TNT requires taxing jurisdictions to adopt a proposed budget (a final budget in the case of towns). Then counties must mail notices to property owners showing the effect of each taxing jurisdiction's proposed levy on owners' property taxes. Cities with populations over 500 and counties must hold truth-in-taxation hearings before the final levy is adopted. Cities with populations over 2,500 and counties have to publish a notice of the proposed property taxes and public hearing in the local newspaper; cities with populations between 500 and 2,500 must post a notice.

When we asked local government officials to list the three requirements that were most burdensome or objectionable to them, 22 percent of officials from counties and cities with over 500 residents cited truth-in-taxation. Their responses indicated that:

¹⁰ Study results as reported in: Pat Dalton, Memorandum.

¹¹ *Ibid.*

¹² *Ibid.*

¹³ *Minn. Laws* (1988), ch. 719, art. 5, secs. 30 and 86. Subsequent laws delayed full implementation until taxes payable in 1993.

¹⁴ Before TNT, property taxpayers' main involvement was at the market valuation stage; the property tax statement was received by the taxpayer almost a year after market valuation notices were received and after spending decisions had been made. Minnesota House Research, *Minnesota's Property Tax System: Description of Changes in Minnesota's Property Tax System Beginning in 1990* (St. Paul, January 1991), and *Information Brief: Truth in Taxation* (October 1992).

¹⁵ This discussion does not reflect requirements on school districts or taxing jurisdictions other than cities, counties, and towns.

Truth-in-taxation requirements are intended to educate taxpayers.

- **Local officials thought they could probably achieve the goals of truth-in-taxation in a less financially or administratively burdensome way.**

Most local officials did not specify which part of the TNT process they objected to, but noted that the process consumed financial and personnel resources, confused taxpayers, and was ineffective in informing and involving the public. Some officials specifically mentioned either the truth-in-taxation hearings or the notices as troublesome. The primary complaint about the TNT hearings was that few citizens attended them.¹⁶ Officials who specifically mentioned the truth-in-taxation notices usually objected to their cost.

Sales Tax on Local Government Purchases

State and local governments must pay sales tax on most of their purchases.

When the Legislature adopted the state sales tax in 1967, it exempted state and local government purchases.¹⁷ During the budget crises of the late 1980s and early 1990s, the Legislature began to repeal government exemptions in an effort to balance the state's budget.¹⁸ State agencies began paying sales tax on their purchases in 1987 and local governments followed in 1992. The Legislature considered cutting state aid as an alternative to imposing the sales tax; however, it instead repealed the local government exemption because the exemption was thought to have a more equal impact on local budgets. Some local government entities, including public postsecondary schools, school districts, public libraries, and local government hospitals and nursing homes, continue to be exempt from the sales tax.

Each year, legislators introduce bills to restore local governments' sales tax exemption. During the 1996 and 1997 legislative sessions, at least nine bills were introduced to repeal the state sales tax on local governments, and about nine more were introduced during the 1998 and 1999 sessions. Although the bills have usually enjoyed bipartisan support, none has passed both houses. Instead, the Legislature has opted to amend statutes to exempt certain types of local government purchases from the sales tax, including:

- Fire trucks, police squad cars, and ambulances,
- Repair parts for emergency rescue vehicles,
- Supplies and equipment used in ambulances,
- Fuel for fire trucks and emergency vehicles, and fire fighters' protective equipment,

¹⁶ The Department of Revenue recently sent questionnaires to counties, school districts, and cities with populations over 500 asking about attendance at the 1999 hearings by the general public, public officials, and staff.

¹⁷ *ExMinn. Laws* (1967), ch. 32, art. 13, sec. 2.

¹⁸ *Minn. Laws* (1987), ch. 268, art. 4, sec. 14 and *Minn Laws* (1992), ch. 511, art. 8, sec. 15.

- Construction materials for correctional facilities,
- Bullet-proof vests for police officers,
- Landfill equipment, and
- Gravel and road maintenance machinery for towns.

When we asked local government officials to identify state requirements that were the most objectionable to their government, paying state sales tax on their purchases ranked as their third concern. About 13 percent of city officials, 11 percent of county officials, and 4 percent of town officials responding to our survey objected to having to pay the state sales tax. When asked to explain why they found this requirement objectionable:

- **Most local officials objecting to sales tax requirements said that paying sales tax on their purchases preempted local authority.**

Local officials said the sales tax translates into higher property taxes.

Some officials reported that repealing the state sales tax on local government would result in lower taxes for their residents or improved service delivery. For example, an official in one suburban city reported that the city would be able to cut its tax levy by \$250,000 a year —a 1.8 percent reduction —if it did not have to pay the state sales tax.

Valid arguments can be made on both sides of the sales tax issue. Opponents argue that the original reason for imposing the sales tax on local governments is no longer valid —the state has had recurring budget surpluses. Opponents also argue that the sales tax represents an additional tax on property owners, since local governments rely on property taxes to pay sales taxes.

On the other hand, several arguments favor continuing the sales tax on local governments. First, the state would have to replace the revenue created by the sales tax with revenue from other sources if the exemption was reinstated. The Department of Revenue has estimated that local governments will pay approximately \$81 million in sales taxes in fiscal year 2000 and \$93 million in fiscal year 2001.¹⁹ Second, proponents argue that state agency purchases are subject to sales tax, and that all government entities should be treated equally. Finally, local governments sometimes provide some of the same services as the private sector, such as liquor sales. Requiring that local governments pay sales tax in these areas places them on equal footing with the private sector.

Pay Equity

Pay equity (also called comparable worth) holds that job classes that are valued similarly by an employer should be similarly compensated and, as a rule, job classes that are valued more should be paid more than those that are valued less. In 1982, the Legislature passed a pay equity law for state government and, two

¹⁹ Department of Revenue, *Fiscal Note for S.F. 150 and H.F. 161* (St. Paul, February 1999).

Pay equity tries to ensure comparable pay for work of equal value.

years later, passed a law that applied to local governments. The law was designed to “eliminate sex-based wage disparities in public employment in this state.”²⁰

Pay equity requires local governments to develop a job evaluation system to assign “value” to job classes based on the classes’ required skill, effort, responsibility, working conditions, and other work-related criteria. Local governments can use the state’s evaluation system or choose a different one. For jurisdictions to be in compliance, the wages of female-dominated and male-dominated classes that are considered of equal value must be substantially equal.

Since 1994, Department of Employee Relations’ (DOER) rules have required local governments to report certain wage data to the department every three years.²¹ The department can cite and fine local governments for noncompliance if their report is not complete and accurate or if their wages fail certain tests.²² According to DOER’s most recent report, 95 percent of all jurisdictions were in compliance, 4 percent were out of compliance, and 1 percent were undecided for the years 1996, 1997, and 1998.²³

In response to our questionnaire, 10 percent of local officials cited pay equity as one of Minnesota’s most onerous state requirements. When asked why they objected to pay equity, we found that:

- **Most local officials who objected to pay equity said that the law preempted local authority, was difficult to implement, and did not consider local circumstances.**

A number of officials opposed pay equity because it affected their ability to respond to local market conditions and manage personnel costs. However, others had problems with the administration of the law. Some felt that the way the law is administered is biased against men, instead of being gender-neutral. Others complained that the compliance software is outdated and not user-friendly. For example, it does not allow local governments to easily perform “what-if” scenarios. Also, state law requires local governments to update and maintain their job evaluation systems. Some jurisdictions have felt the need to hire consultants to help them maintain evaluation systems that are compliant. While local governments had the option of using the state’s job evaluation system, DOER has not updated it since 1984.²⁴

²⁰ *Minn. Laws* (1984), ch. 651.

²¹ *Minn. Rules* 3920.1300, subp. 2.

²² In its rules, DOER outlines the tests local governments must pass in order for their similarly valued male-dominated and female-dominated classes to be considered comparably compensated. *Minn. Rules* 3920.0400-3920.7000.

²³ Department of Employee Relations, *Minnesota Local Government Pay Equity Compliance Report* (St. Paul, January 1999), 5.

²⁴ The Department of Employee Relations’ pay equity coordinator said the department anticipates issuing a new version of software in January 2000 that will be available on the Internet free of charge, is Windows-compatible, and allows for “what-if” calculations. The coordinator said that an update of the state’s job evaluation system is underway and should be available in 2000.

Tax increment financing requirements and restrictions are "conditional" mandates.

Other officials had compliance concerns. For example, small hiring changes can make a formerly-compliant jurisdiction non-compliant. Ironically, one city that DOER determined was out of compliance in 1999 failed the test for exceptional service pay because it had hired women into management and professional positions previously held by men. Because the women were newer employees, they were not receiving longevity pay, while men were.²⁵ Finally, one official noted that, as of December 2, 1999, she had not heard whether her county was compliant in 1999; she was about to enter a new round of labor negotiations and did not know if salary changes were needed to achieve compliance.

Tax Increment Financing

Tax increment financing (TIF) is a voluntary tool used by local governments, primarily cities, to help promote and finance economic development, redevelopment, and housing in areas where it might not otherwise occur. Cities that choose to participate “capture” the additional property tax revenue generated by the development that would have gone to other taxing jurisdictions, such as counties and school districts, and use it to help finance development costs.²⁶

In order to use TIF, cities must comply with specific planning and reporting requirements. Statutes require that participating cities develop TIF plans that describe, in part: the proposed development, project objectives and activities, when the development is expected to occur, development contracts associated with the project, and estimated costs, revenues, and impact on taxing jurisdictions.²⁷ Plans are sent to the Department of Revenue, along with a summary sheet that details specific information requested by the department.

Participating cities must submit three forms per TIF district to the State Auditor’s Office by August 1 of each year: a financing authority report, a municipality report, and a pooled debt report.²⁸ Participating cities must also disclose the status of each TIF district to their county board, county auditor, school board, and the State Auditor annually. In addition to filing reports, participating cities must publish certain financial information about each of its TIF districts in a newspaper of general circulation each August 1, and forward a copy of that disclosure to the State Auditor’s Office.

Statutes place certain restrictions on the way cities use TIF for districts created after 1979.²⁹ These restrictions include limiting (1) the type and amount of tax increment spending, (2) the ability of cities to capture tax increments from

²⁵ Diane Kittower, “A Minnesota Town Beats Back an Equity-in-Pay Challenge, ” *Governing*, December 1999, 44. Ultimately, DOER reversed its decision.

²⁶ The state compensates school districts for most of their revenue losses by increasing state education aids.

²⁷ *Minn. Stat.* §469.175.

²⁸ The latter report is only necessary if an entity has authorized pooling of tax increments and such debt has been issued. Minnesota statutes permit the State Auditor’s Office to combine these three reports into one. Because the reports have to be filed by different levels of government, the State Auditor has not merged the reports.

²⁹ *Minn. Stat.* §469.176.

development not stimulated by TIF, (3) increases in increments created by increased tax rates, and (4) the ability of TIF authorities to take excessive risks. In addition, statutes reduce the state aid of those local governments that choose to use TIF.³⁰

In our survey, 19 percent of city officials ranked tax increment financing as one of their most burdensome mandates.

- **Local officials objecting to tax increment financing had two major concerns: excessive reporting and restrictions on the use of tax increment districts.**

Some city officials said that reporting requirements were time consuming and poorly designed and that “the multiplicity of state agencies requiring TIF forms makes the process more complicated.” A number of cities reported hiring additional staff or consultants to help meet all the reporting requirements.

According to the State Auditor’s Office, only 42 percent of the 415 TIF authorities had filed substantially complete reports for all of their TIF districts and copies of their annual disclosure statements by the July 1, 1998 deadline for the year ending December 31, 1997.³¹ An additional 35 percent of TIF authorities filed substantially incomplete reports, and the remaining 23 percent did not file any reports. One month later, 13 percent still had not filed any reports and 18 percent had substantially incomplete reports on file. Nearly half of the cities citing TIF reporting as burdensome in our survey had been cited by the State Auditor’s Office for not filing the required reports in a timely fashion.

With the support of the State Auditor’s Office, the Minnesota Association of Metropolitan Municipalities is developing a legislative proposal to combine some of TIF’s reporting requirements to eliminate duplicate information and reports. Also, staff from the State Auditor’s Office told us that TIF laws are very complicated, partly because individual TIF districts are generally governed by laws in effect at the time they were created. This makes it difficult for local governments with normal staff turnover to keep track of specific requirements related to each district.

The second objection to TIF concerned the numerous program restrictions placed on cities that have chosen to use it. One city reported that, if restrictions were lifted, it would “use TIF funds by pooling rather than creat(ing) new districts. This would mean fewer TIF districts, lower costs to the city, state, county, and schools.” Another reported that it would have more opportunities for redevelopment, which is “substantially more difficult than development.”

³⁰ The state has compensated local governments when property classification changes have reduced expected TIF revenues.

³¹ At the State Auditor’s request, the Legislature lengthened the time TIF authorities had to file their reports and disclosure statements from July 1 to August 1, effective for the year ending December 31, 1998. See *Minn. Laws* (1998), ch 389, art. 11, sec. 29. State Auditor’s Office, *Tax Increment Financing Report* (St. Paul, April 1999).

Although cities objected to “excessive” restrictions in how TIF can be used, many restrictions were the result of problems and abuses. In 1986, our office issued a report that documented how local governments were using —and misusing—TIF.³² That report found that local governments, usually cities, were: (1) capturing taxes from development that was already occurring without TIF assistance, (2) finding ways around having to decertify districts, (3) not always spending tax increments as intended, and (4) not always using TIF to help develop or redevelop areas that needed it the most. The Legislature subsequently amended TIF laws to address these problems and to slow the overall growth in TIF activity. A more recent report by our office found that TIF restrictions did in fact help resolve many of the previously identified problems.³³

Out-of-Home Placement

County officials objected to out-of-home placement funding rather than the program itself.

Every year, thousands of Minnesota children are removed from their homes and placed in publicly-funded care and treatment facilities and homes. Although children may be placed through a variety of ways, court-ordered placements are most common. State law requires courts and child placing agencies (counties) to make placements according to children’s individual needs.³⁴ Minnesota laws and rules provide only limited guidance about the specific circumstances that justify removing children from their homes, giving counties and courts considerable discretion to determine when it is appropriate.

In our survey, juvenile out-of-home placements was a major concern of county administrators. Results showed that:

- **One-third of county officials objecting to out-of-home placement requirements said that state funding was insufficient to cover the costs.**

Many counties indicated that they did not disagree with the mandate, but that they needed more financial assistance from the state to comply. For example, one county administrator said that out-of-home placement costs have depleted the county’s cash reserves from \$1.3 million to less than \$200,000 over the last three years. Two others reported spending \$617,000 and \$800,000 respectively to cover annual out-of-home placement costs. Another administrator reported that such costs were already \$600,000 over budget for 1999 with five months yet to go.

Out-of-home placement costs have increased considerably over the last few years and county governments have borne most of the financial responsibility. According to a 1999 study conducted by our office, public agencies in Minnesota spent more than \$200 million for out-of-home placements in 1997, with costs

³² Office of the Legislative Auditor, *Tax Increment Financing* (St. Paul, January 1986).

³³ _____, *Tax Increment Financing* (St. Paul, March 1996). <http://www.auditor.leg.state.mn.us/ped/1996/pe9606.htm>

³⁴ *Minn. Stat.* §260.181, subd. 3.

County governments pay most out-of-home placement costs.

increasing faster than inflation over the last five years.³⁵ In comparison with other states, Minnesota state government funded a relatively small portion of placement costs.

This study also found that placement spending varied considerably among counties, with costs in some counties declining significantly over the last five years. While some variation was due to county demographics, most notably poverty rates, some of the variation could be explained by county philosophy and practices. The study noted that counties themselves said they could do more to help control out-of-home placement costs while maintaining quality services.

Our earlier 1999 report offered no recommendations regarding the proper level of state funding for out-of-home placement costs. It noted that more state funding might be justified by inadequacies in some residential and non-residential services or by Minnesota's relatively low level of commitment compared with other states. Also, more state funding could be justified by the fact that counties do not have total control over placement decisions, since the number of children needing placement is positively related to local poverty rates. On the other hand, counties do have broad discretion about which children to recommend to the courts for out-of-home placement. A significant local role in funding placement costs may encourage better decisions and closer ongoing scrutiny. Also, some analysts have suggested that Minnesota has not made maximum use of nonstate revenue sources for out-of-home placement, such as federal funds and parental fees.³⁶

³⁵ Office of the Legislative Auditor, *Juvenile Out-of-Home Placement* (St. Paul, January 1999). <http://www.auditor.leg.state.mn.us/ped/1999/pe9902.htm>

³⁶ *Ibid.*, 100.

Mechanisms to Address Mandate Concerns

SUMMARY

Minnesota has created various tools to address state-local relations and mandate concerns. However, state and local policymakers have seldom used the mechanisms currently in place. Although other states have enacted broad statutory or constitutional mechanisms that Minnesota does not have, research suggests that these tools have been generally ineffective. We conclude that major structural changes or new mechanisms for adopting or reviewing local government mandates are not needed in Minnesota at this time. We recommend that state and local officials make greater use of existing tools to help address mandate concerns. Policymakers should continue to address mandate issues on a case-by-case basis, using whatever tools seem most appropriate in each instance. We further recommend that state and local officials collaborate on ways to improve the relationship between the state and local governments.

This chapter explores how Minnesota and other states have responded to local governments' concerns that state mandates are not adequately funded, preempt local authority, do not address local issues, and are administratively inflexible. It focuses on the following questions:

- **What tools has Minnesota used to address local governments' concerns about state mandates?**
- **What approaches have other states and the federal government taken to review proposed or existing mandates or to compensate local governments for the costs of mandated activities?**

To answer these questions, we reviewed Minnesota laws, rules, executive orders, and reports produced by various task forces and commissions. We also interviewed state agency and legislative staff. To learn about approaches other states and the federal government have taken, we reviewed the mandate literature and examined the policies of other states.

HISTORY

Both the Minnesota Legislature and the executive branch have shown a continuing interest in addressing concerns about mandates. In reviewing Minnesota's history with mandates, we found that:

- **Over the past 15 years, Minnesota has established entities and procedures to address state-local relations and mandate concerns.**

Since the early 1980s, Minnesota has created various tools to help policymakers and local government officials when adopting, reviewing, or implementing state mandates. Table 3.1 shows several of these efforts. Although opinions about the success of these efforts may vary, clearly they have not eliminated local governments' concerns.

Table 3.1: Past Efforts by Minnesota to Address State Mandates on Local Governments

1982

Governor Quie established the Governor's Task Force to Reduce State Mandates on Local Governments. Its final report recommended eliminating or amending specific mandates, a fiscal note process for local government mandates, reviews of existing mandates every odd-numbered year, and creation of a category of administrative rules—obsolete/clerical—that could be changed through an expedited process.

1983

Governor Perpich created the Commission on Reform of Government. Among other things, its final report recommended that state fiscal notes include local costs of mandates, a periodic inventory and review of state mandates, and exploration of ways to modify the system of levy limits.

1985

Governor Perpich created the Governor's Advisory Council on State-Local Relations. The council adopted a statement advocating restraint in state mandating and urged the Legislature and state agencies to ask a series of eight questions before creating mandates.

A new law required fiscal notes for mandates on cities, towns, counties, special districts, school districts, and other political subdivisions.

1986

Governor Perpich sent a memorandum to state agencies urging them to use the questions posed by the advisory council and "refrain from imposing significant costs on local governments unless reasonable means exist for local recovery."

1988

The Governor's Advisory Council on State-Local Relations released the *State and Local Service/Fiscal Responsibilities Study*. It identified the roles of different levels of government in authorizing, financing, and delivering services and "issues that may impair the effective and efficient delivery of public services."

1989

A new law revised the definition of mandate, included a general policy statement on who should fund different types of mandates, and directed the Legislative Commission on Planning and Fiscal Policy to select mandates for review by the Governor.

1991

Governor Carlson established the Dyrstad Commission on Local and State Government Relations.

Executive Order 91-12 directed each agency to compile a list of all of its mandates, review it, and identify all mandates that should be modified or eliminated.

The Legislature created an Advisory Commission on Intergovernmental Relations.

Table 3.1: Past Efforts by Minnesota to Address State Mandates on Local Governments, continued

1992

The first annual report of the Dyrstad Commission recommended elimination, modification, or study of several mandates and a role for itself in the follow-through of Governor Carlson's 1991 executive order.

1993

The Advisory Commission on Intergovernmental Relations recommended that it "act as advisory in efforts to establish and implement programs designed to encourage local government cooperation through State grants or waivers of mandates/rules."

The Legislature created the Board of Government Innovation and Cooperation.

1994

The Legislature eliminated the Advisory Commission on Intergovernmental Relations.

1995

The Legislature repealed most of the 1989 law mentioned above.

1997

The Legislature rewrote and expanded statutes affecting local fiscal impact notes for laws and rules, required mandate explanations, conceptualized "class B mandates" that local governments could opt out of if state funding fell below 85 percent, required the Department of Finance to prepare a report every two years on the costs of class A mandates, and required the Department of Finance to review and make recommendations every five years on rules passed after June 1998 that had significant financial impact on political subdivisions. Political subdivisions included counties, cities, towns, and other taxing districts or municipal corporations.

1998

The Legislature changed mandate explanations from a requirement to an option, eliminated towns and other taxing jurisdictions from the definition of political subdivision, eliminated rule reviews by the Department of Finance, delayed the effective date for local fiscal impact notes for rules, and delayed and modified the Department of Finance's biennial report on mandate costs.

1999

The Legislature passed a law allowing counties and cities to petition agencies for amendment or repeal of rules, with the requests going to administrative law judges if the agencies denied them. It also delayed the effective date for local impact notes for rules.

During the first special session in 1985, the Legislature passed a law requiring fiscal notes for bills, rules, and executive orders containing provisions that would increase local governments' costs.¹ Committee chairs were required to request fiscal notes before hearing bills that proposed new costs on local governments. The law defined mandates and costs and listed numerous exceptions to the fiscal note requirement that were similar to the definitions and exceptions in law today.

In 1989 the Legislature enacted numerous tools to reform state-local finance. It did not provide increased funding, an approach currently supported by local officials, but did outline principles for determining financial responsibility for mandates.² According to the general principles, the state should finance program mandates, local governments should finance nonprogram mandates and local programs not mandated by the state, and both should finance programs that were shared responsibilities. The program mandates that were the most restrictive and concerned individuals rather than property were to be given higher priority for

¹ *Minn. Laws* (1Sp1985), ch. 10, secs. 34-36.

² *Minn. Laws* (1Sp1989), ch. 1, art. 1.

The Legislature has adopted a number of tools to address concerns about mandates.

state funding. In its definition of nonprogram mandates, the Legislature included requirements in law or rule that some might call “good government” mandates, such as providing constitutionally prescribed rights and privileges, open meetings, and financial audits. Program mandates were defined as “state mandates other than nonprogram mandates.”

The 1989 law also directed the Legislative Commission on Planning and Fiscal Policy to select individual mandates for review, after conferring with the Governor. The Governor, using executive and legislative staff, was responsible for conducting the reviews, the contents of which were spelled out in law. A review of rules governing adolescent residential treatment services was one product of this law.³ Also, partly in response to the law, the Department of Human Services created an almost 300-page catalog of social services mandates.⁴ The 1989 law was repealed, for the most part, in 1995.

In 1991 the Legislature created the Advisory Commission on Intergovernmental Relations. The commission, comprised of legislators and local government representatives, was to make recommendations for a formula to distribute revenue in a newly created local government trust fund. The commission was also to study state-local relations, which could include a study of “requirements under state law that local governments provide services or benefits not funded by the state.”⁵ In its final report, the commission recommended that “one of its activities be to act as advisory in efforts to establish and implement programs designed to encourage local government cooperation through State grants or waivers of mandates/rules.”⁶ In 1994, the Legislature eliminated the commission.

The 1993 Legislature created the Board of Government Innovation and Cooperation, a state entity that can make grants to local government units to assist them in cooperative efforts and approve waivers to state administrative rules and procedural laws. As discussed later, the Board was also given responsibility to conduct studies of individual mandates and intergovernmental relations to the extent its resources permit.

The 1997 Legislature passed the current law on local fiscal impact notes. Four parts of this law —local fiscal impact notes for laws and rules, local fiscal impact summaries, “class B” mandates, and mandate explanations —are still in law and are discussed in the next section. Another provision required the Department of Finance to review administrative rules “that have significant financial impact upon political subdivisions.”⁷ The department was to conduct the reviews every five years, determine the rules’ costs and benefits, and report its opinion on

³ *Mandate Review Report to the Legislative Commission on Planning and Fiscal Policy: Rules 5 and 8: Adolescent Residential Treatment Services* (St. Paul, December 1990).

⁴ Minnesota Department of Human Services, *Social Services Mandates and Social Services Mandates Catalog* (St. Paul, December 1990).

⁵ *Minn. Laws* (1991), ch. 291, art. 2, sec. 1, subd. 3.

⁶ *1993 Report of the Advisory Commission on Intergovernmental Relations* (St. Paul, March 1993), 7. This may have been part of the thinking that led to the creation of the Board of Government Innovation and Cooperation in 1993.

⁷ *Minn. Laws* (1997), ch. 231, art. 11, secs. 1-5. Section 5, the rule reviews, was repealed in 1998.

whether the rules needed to be modified or eliminated to the Legislative Coordinating Commission. The 1998 Legislature repealed these rule reviews and delayed the effective date of local fiscal impact notes for rules.

In 1999 the Legislature passed a law that allows counties and cities to petition agencies to amend or repeal rules. An agency forwards the petition to an independent law judge if it denies the request. The 1999 Legislature again delayed the effective date of local fiscal impact notes for rules.

The executive branch has also studied mandates. Since the early 1980s governors have created study groups including the Governor's Task Force to Reduce State Mandates on Local Governments (Governor Quie), the Commission on Reform of Government (Governor Perpich), the Governor's Advisory Council on State-Local Relations (Governor Perpich), and the Dyrstad Commission on Local and State Government Relations (Governor Carlson). These groups issued reports with recommendations that the Legislature and state agencies repeal or modify specific mandates, establish an ongoing mandate review process, create an expedited rulemaking process for obsolete/clerical rules, create a fiscal note process for local government mandates, consider a set of questions before enacting mandates, and refrain from enacting new mandates with significant costs to local governments unless opportunities for local cost recovery exist.⁸

In 1991 Governor Carlson issued an executive order "providing for the reduction of state mandates on local units of government."⁹ The order directed state agencies to submit to Minnesota Planning a compilation of all mandates imposed by the agency and a plan for eliminating or modifying unnecessary or problematic ones. About 21 agencies, boards, and commissions responded.

There have been numerous executive task forces to study mandates.

MINNESOTA'S MANDATE TOOLS

There are a variety of statutory, constitutional, and policy alternatives that state officials across the country have adopted to address local governments' concerns about mandates. Table 3.2 identifies mechanisms currently in Minnesota law that can be applied to various types of local government mandates.

Overall, we found that:

- **The mechanisms currently in Minnesota law that address mandates and related concerns have been used infrequently or not at all.**

⁸ Minnesota Planning, *Partners: The Dyrstad Commission on Local and State Government Relations* (St. Paul, January 1992); Minnesota State Planning Agency, *Minnesota: Governor's Advisory Council on State-Local Relations, Annual Report* (St. Paul, November 1985); *Report of the Commission on Reform of Government* (St. Paul, May 1983); Minnesota Department of Administration, *A Report Describing the Efforts of the Governor's Task Force to Reduce State Mandates on Local Governments* (St. Paul, November 1982); and *Final Report and Recommendations of the General Government Mandates Working Committee Presented to the Governor's Task Force to Reduce State Mandates on Local Governments* (St. Paul, October 1982).

⁹ Executive Order 91-12, April 18, 1991.

Table 3.2: Statutory Tools to Address Mandate Concerns

- Local fiscal impact notes
- Fiscal impact summary report
- Funding or reimbursement provisions
- Mandate explanations
- State agency variances
- Rule petitions
- Board of Government Innovation and Cooperation waivers
- Mandate studies

NOTE: Minnesota has language in statute outlining a process for using these tools and/or has identified agencies responsible for administering them. Though some types of laws or some agencies may be exempt from individual tools, the tools are otherwise available for broad application.

As we show in the following sections, neither state policymakers nor local government officials have made extensive use of these tools. However, some of the mechanisms are new and may be used when opportunities present themselves.

Local Fiscal Impact Notes

Established by the Legislature in 1997, local fiscal impact notes are intended to measure the monetary impact of proposed legislation or administrative rules on counties and cities.¹⁰ They are designed to satisfy state policymakers' need for accurate and reliable cost information and local officials' desire to have costs considered before mandates are adopted. They are not designed to stop legislation from being passed. For the impact note process, state law defines a mandate as “a requirement imposed upon a political subdivision in a law by a state agency or by judicial authority that, if not complied with, results in: (1) civil liability, (2) criminal penalty, or (3) administrative sanctions such as a reduction or loss of funding.”¹¹

State law defines “local fiscal impact ” as increased or decreased costs or revenues that a local government would incur as a result of a law enacted after June 30, 1997, or a rule proposed after December 31, 1999.¹² The law recognizes that state actions requiring new programs or eliminating old ones, calling for increased or decreased levels of service, removing options previously available to local government, adding new requirements to optional programs, changing property or sales tax exemptions, or requiring new fees or increasing existing ones have fiscal impacts on local governments.

At the same time, the law exempts some state actions from the local fiscal impact note process, as shown in Table 3.3. For example, local fiscal impact notes do not cover “good government ” bills, such as those addressing ethical practices, public notices and hearings, elections, financial auditing, and due process. This suggests

¹⁰ *Minn. Laws* (1997), ch. 231. The 1998 Legislature removed towns, other taxing jurisdictions, and municipal corporations from the definition of “political subdivision.”

¹¹ *Minn. Stat.* §3.986, subd. 3.

¹² *Minn. Stat.* §3.986, subd. 2.

Local fiscal impact notes provide estimates of the costs of proposed mandates on local governments.

Table 3.3: Statutory Exemptions to Local Fiscal Impact Notes

Local fiscal impact notes need not be prepared when the proposed law:

- Accommodates a specific local request
- Does not result in new local duties
- Leads to revenue losses from tax exemptions
- Provides clarifying or nonsubstantive charges
- Imposes minor additional net costs*
- Implements a federal, court, or voter-approved mandate
- Results in savings that equal or exceed costs
- Requires holding an election
- Ensures due process or equal protection
- Provides for the notification or holding of public meetings
- Establishes administrative and judicial review procedures
- Provides ethical safeguards
- Relates to financial administration, including tax levy, assessment, and collection, and financial audits

*Minor net costs are defined as amounts less than or equal to one-half of one percent of the local revenue base, or \$50,000, whichever is less, for any single local government if the mandate does not apply statewide or less than \$1 million if the mandate is statewide.

SOURCE: *Minn. Stat.* §3.988.

that the state believes mandates generally considered fundamental to an open and accountable local government are the fiscal responsibility of local governments. Also, local fiscal impact notes are generally limited to proposed legislation that would cost local governments at least \$1 million to implement statewide. ¹³

The chair or ranking minority member of either legislative tax committee can request local fiscal impact notes. According to guidelines developed by the Department of Finance, which coordinates the process, local fiscal impact notes should be completed within 10 days of their request. The department uses a network of cities and counties to prepare the cost estimates, ideally within seven days of a request. Guidelines require that the department review the estimates from local governments, create a statewide cost estimate within three days, and forward the impact note on the eleventh day to the legislative tax committee. The note itself contains a summary of the cost analysis, an explanation of the proposed legislation, a detailed analysis of the cost estimate, and a list of the local jurisdictions used to develop the estimate. *Minn. Stat.* §273.1398, subd. 8, directs the Commissioner of Finance to bill the Commissioner of Revenue for some of the costs of preparing the notes, who then deducts the expenses from county and city aid. To date, the Department of Finance has spent about \$100,000 of its \$200,000 local fiscal impact note budget.

¹³ As discussed in Chapter 2, most local officials said that general government requirements were appropriate only if accompanied by state funding; a substantial number said that such requirements were inappropriate, regardless of state funding.

We examined the number and timing of the local fiscal impact notes requested and concluded that:

- **Overall, the local fiscal impact note process has been of limited use in informing legislators about mandate costs.**

There are two reasons the impact note process has had little impact. First, few local fiscal impact notes have been requested and prepared. The Department of Finance completed only eight impact notes during the 1998 and 1999 legislative sessions combined. The Association of Minnesota Counties and the Metropolitan InterCounty Association initiated the requests for almost all of the eight notes, and only one of the notes contained fiscal impact information on cities. According to the Department of Finance, local governments have targeted their requests for fiscal impact notes to bills with unknown financial implications. In this way, local governments are trying to ensure that notes provide additional information to the legislative process. Obtaining accurate cost information can be difficult and time consuming because the costs associated with a mandate depend on what actions local governments would have taken without the mandate, which is difficult to measure.

Only eight local fiscal impact notes have been prepared.

Second, local fiscal impact notes are generally prepared late in the session—usually after bills have left the policy committees. One local impact note was requested during conference committee hearings. While this helps control the number of times the notes need to be revised due to amendments, it also limits the impact they can have on how proposed mandates are designed. According to some legislative staff, the timing of local impact notes has not always allowed for staff review.

The fiscal impact process for state agency rules has yet to be implemented. Although the Legislature originally called for such notes to be prepared upon request for rules proposed after December 31, 1998, the 1998 and 1999 Legislatures delayed the effective date.

Overall:

- **Local government officials who were familiar with the local fiscal impact note process liked it.**

More than two-thirds of county and large-city officials said they were aware of the local fiscal impact note process but fewer than 10 percent of small-city and town officials knew the process existed. Approximately 60 percent of county officials, but only 20 percent of large-city officials, said they have been involved in the process. Over three-fourths of county and large-city officials agreed that the process produced somewhat or very accurate information, and most felt that the Legislature used the information when deliberating a proposed mandate.

In looking at how other states provide financial information about proposed mandates, we found that:

- **Like Minnesota, most states have a fiscal note process to provide policymakers with financial information before a mandate is adopted.**

Unlike other states, Minnesota's local fiscal impact notes provide quantitative information from local governments.

Almost all states have statutory provisions for fiscal notes to accompany proposed mandates on local governments.¹⁴ However, a 1992 study of fiscal note requirements found that fiscal note processes did not work well in most states, often producing inaccurate or little-used estimates.¹⁵ Fiscal notes were often qualitative rather than quantitative, typically describing the impact on local governments as “indeterminate” or “not significant.” Others simply reported that data were not available to measure local costs. In addition, not all states solicited local government input in estimating costs. The study noted that policymakers in some states ignored the cost information when deliberating mandates. As noted previously, Minnesota's local fiscal impact notes address at least two of these problems: they are quantitative rather than qualitative and local governments participate directly in the process.¹⁶

The federal government also relies on fiscal notes to help manage mandates. The 1995 Unfunded Mandates Reform Act directs the Congressional Budget Office to estimate the cost of mandates on state and local governments or the private sector, depending on the target of the mandate. In assessing the fiscal impact of a proposal, the budget office not only examines costs, but also federal funding sources. Most evaluations indicate that the act's overall goal —better information about mandates and their costs —was generally being met, although there have been problems with defining mandates, costs, and savings.¹⁷

Local Fiscal Impact Summary

Legislation adopted in 1997 requires the Department of Finance to prepare a biennial local fiscal impact summary report beginning September 1, 2000 that documents the costs to local governments of certain types of mandates passed after June 30, 1997.¹⁸ The commissioner must also report the statewide total cost in the state's biennial budget.

As with the local fiscal impact note process, the summary report defines a mandate as a requirement that, if not complied with, results in criminal, civil, or administrative liability for the local government. The summary report also excludes the same types of mandates that we listed earlier in Table 3.3. Thus,

¹⁴ Arizona, Delaware, Oklahoma, South Dakota, Vermont, and Wyoming do not have similar processes. Janet Kelly, “Institutional Solutions to Political Problems: The Federal and State Mandate Cost Estimation Process,” *State and Local Government Review* (Spring 1997): 90-97.

¹⁵ Janet Kelly, *State Mandates: Fiscal Notes, Reimbursement, and Anti-Mandate Strategies* (Washington, D.C.: National League of Cities, February 1992).

¹⁶ Minnesota state agencies also prepare, upon request, agency fiscal notes and tax notes that identify the fiscal impact of proposed legislation on state government operations. Although these notes also contain a local impact section, the information contained therein is usually quite vague and qualitative rather than quantitative.

¹⁷ Congressional Budget Office, *An Assessment of the Unfunded Mandates Reform Act in 1998* (Washington, D.C., February 1999).

¹⁸ *Minn. Stat.* §3.989, subd. 2.

costs for some general government mandates that local officials said were generally inappropriate without state funding will not be included in the summary report.

Regardless of its exclusions, the summary report has the potential to provide useful information to policymakers, particularly if it examines changes in state aid, which could exacerbate or offset the cost implications of mandates. We think that adding such information to the report could provide a more balanced view of the local impact of mandates.

Funding or Reimbursement Provisions

Minnesota law sets forth a very limited reimbursement program for certain types of mandates referred to as “class B” mandates. Class B mandates are laws adopted after July 1, 1998 that specifically reference *Minn. Stat.* §3.989.¹⁹ They allow local governments to stop administering mandated programs that the state previously funded when (a) state funding falls below 85 percent of total costs and (b) the Legislature does not appropriate additional funds to cover the shortfall in the next fiscal year. Beginning September 1, 1998, state law requires local governments that administer class B mandates to report annually to the Commissioner of Finance each time state funding drops below 85 percent and the jurisdiction plans to stop program administration. To date, the Legislature has not adopted any class B mandates.

**Minnesota’s
mandate
reimbursement
provision has
never been used.**

Many other states use broader mechanisms to address funding problems. As shown in Table 3.4, at least 24 other states have enacted statutory or constitutional funding provisions. Such provisions frequently require that the state fund mandates or permit local governments to suspend implementation when state funding runs out. For example, at least 12 states generally prohibit new mandates on local governments unless they are accompanied by state funding.²⁰ In 1991 the Colorado Legislature passed legislation that prohibits new mandates or increases in service levels of existing mandates unless additional funds are appropriated. A year later, Colorado voters approved a referendum that permits local jurisdictions to reduce or end their subsidy of any legislatively-mandated program upon 90 days notice. Michigan’s constitutional amendment, approved in 1979, requires the state to continue funding existing mandates at the 1979 level and to completely fund new mandates or increases in levels of service.

At least 12 states, including California and Illinois, have reimbursement provisions for local expenditures due to mandates.²¹ The 1981 Illinois State Mandates Act requires the state to reimburse 100 percent of the costs of personnel and tax exemption mandates and 50 to 60 percent of service mandate costs. Local governments can refuse to comply with mandates when the state does not provide

¹⁹ “Class A” mandates are laws that define the organizational structure and procedural requirements of programs that local governments must administer.

²⁰ Joseph Zimmerman, *State-Local Relations: A Partnership Approach* 2nd ed. (Westport, CT: Praeger Publishers, 1995). State provisions usually contain various exemptions to funding requirements.

²¹ *Ibid.*

the required reimbursement. Illinois is not required to reimburse local costs associated with government organization and due process mandates.

Instead of directly funding mandates, six states require legislative authorization of new funding sources before unfunded mandates become effective.²² In 1984 New Mexico amended its constitution to require the state to either (a) reimburse local governments for costs associated with state mandates established by rule or regulation or (b) authorize a new funding mechanism for local governments to pay for the mandates. In 1991 Louisiana adopted a similar constitutional amendment.

Although broad statutory or constitutional provisions that require states to finance the costs associated with state mandates would appear to address local governments' concerns:

- **Research suggests that general statutory or constitutional provisions that prohibit unfunded state mandates have seldom had the desired effect.**

According to a 1994 survey, states that have funding or reimbursement requirements reported mixed results in terms of protecting local governments against unfunded mandates and providing adequate state reimbursement.²³ The study noted that constitutional provisions seemed to offer more protection than statutory provisions. According to Janet Kelly, who has published numerous articles on state mandates, “. . . despite the stringency of the anti-mandate legislation, when a state legislature has a will to pass an unfunded mandate, a way will ultimately present itself.”²⁴ She indicated that unfunded mandate bills in

Table 3.4: States with Statutory or Constitutional Provisions That Address Funding Mandates on Local Governments, 1998

Statutory Provisions	Constitutional Provisions
Alabama	California
Connecticut	Colorado
Idaho	Florida
Illinois	Hawaii
Indiana	Maine
Louisiana	Michigan
Massachusetts	Missouri
Minnesota	Montana
Rhode Island	New Jersey
South Dakota	New Mexico
Texas	Oregon
Virginia	Tennessee
Washington	

SOURCE: National Conference of State Legislatures, On-line search of state statutes and constitutions, September, 1998.

²² *Ibid.*

²³ *Ibid.*, 100.

²⁴ Janet Kelly, “Lessons from the States on Unfunded Mandates, ” *National Civic Review* (Spring 1995): 133-139.

states with statutory prohibitions often begin with language such as “Notwithstanding any provision to the contrary. . . ”

Even when states are willing and able to fund or reimburse mandate costs, it is difficult to determine these costs. Funding and reimbursement provisions require accurate cost estimates that, as we discussed earlier, are very difficult to determine. Both New York and Connecticut found that the cost of setting up a reimbursement system was apt to be more costly than the mandates themselves. 25 From an administrative perspective, it might be simpler for states to help local governments fund mandates by easing or removing restrictions on their ability to raise revenue. For example, the 1999 Minnesota Legislature established a special levy for counties’ costs of operating and maintaining county jails if they can show that the expense is due to a requirement or directive from the Department of Corrections.

Mandate Explanations

Mandate explanations address concerns before mandates are adopted.

Enacted in 1997, mandate explanations are designed to inform policymakers of the rationale behind proposed mandates on local governments. Before a committee hears a bill that would impose program or financial mandates on local governments, the chair or ranking minority member of the committee may request that the author prepare a mandate explanation. 26 Table 3.5 shows the specific items that must be discussed in the explanation. The mandate explanation law defines mandate the same way as do local fiscal impact notes and the statewide fiscal summary report.

Table 3.5: Elements Required in Mandate Explanations

Mandate explanations for proposed legislation must describe:

- The policy goals that are being sought
- Performance standards that allow local governments flexibility
- How each standard governs staffing and other administrative aspects
- Revenue sources
- Reasons why financial or voluntary compliance would not work
- Efforts to gain the input of affected agencies regarding their capacity to implement the proposed mandate
- Efforts to involve local governments in developing the proposed mandate

SOURCE: *Minn. Stat.* §3.987, subd. 2.

25 Janet Kelly, “Unfunded Mandates: The View from the States, ” *Public Administrative Review* 54, no. 4 (July/August 1995): 407.

26 As originally passed in 1997, the law required mandate explanations but this was changed during the 1998 legislative session.

Using mandate explanations could improve mandate design, adoption, and financing.

However:

- **Although a majority of local officials agreed that policymakers should accompany mandates with clear statements of rationale, mandate explanations apparently have not been requested or prepared.**

While legislators likely discuss many of the items that must be covered in mandate explanations, having documents that specify legislative intent, among other things, may bring more consistency and uniformity to the process of adopting mandates. They could also help local government officials as they consider their positions on proposed mandates.

Mandate explanations could help state and local policymakers deliberate mandates within a context that simultaneously addresses questions about need, flexibility, and funding. Addressing these questions when a mandate is proposed could help state and local officials resolve issues and problems before rather than after a mandate is adopted. Using mandate explanations could help improve how mandates are designed, adopted, and financed. Explanations must include statements of policy goals behind the mandates and why financial or voluntary compliance is untenable. They must also discuss performance standards that would give local governments the flexibility to develop innovative methods to meet the proposed mandates' goals. Finally, mandate explanations must identify additional sources of revenue linked to the proposed mandate that would provide adequate and stable funding. Mandate explanations could bring discussions about mandates full circle by linking funding with need and flexibility concerns.

State Agency Variances

Unless specifically prohibited by law, the Administrative Procedure Act gives state agencies the authority to grant variances to their rules. To use this authority, agencies must spell out in rule their process and criteria for granting variances.²⁷ Although this law does not specifically mention mandates, requirements in rules can be mandates and variances from them would provide some flexibility to local governments.

For information on state agency variances, we interviewed staff from three state agencies: the Department of Human Services, the Pollution Control Agency, and the Department of Transportation. We found that the variance process was different in each department, as was the number of requests each received. However, they had one thing in common:

- **The variances granted by the three departments we contacted generally addressed unique local circumstances and did not lead to rule changes.**

The Family Systems Unit in the Division of Licensing in the Department of Human Services grants variances to its family day care and adult and child foster

²⁷ *Minn. Stat.* §14.05, subd. 4.

State agencies have various procedures for granting rule variances.

care licensing rules. Staff told us that counties submit probably fewer than ten requests for variances a year. Most of these requests concern a requirement that a licensing agency — which can be a county social service agency — “ensure that the [foster care] license holder is visited by a placement worker or the licenser at least monthly for the first six months after the first placement in child foster care.”²⁸ According to unit staff, the purpose of this requirement is to provide support for new foster families. However, some foster families are licensed for specialized care, such as respite care, and the best means of providing support to these families may be different than the requirement in rule. The Family Services Unit may grant variances in these circumstances so that counties can provide support to these families in different ways.

According to the rule, counties must submit a request for a variance in writing to the Commissioner of Human Services indicating why the variance is being sought and alternative measures the county would take to “ensure the health and safety of persons served by the program.”²⁹ A staff member told us that she usually approved requests within a few weeks and she could not remember rejecting one.

We contacted the Pollution Control Agency about variances from water quality standards. Staff told us that local governments have submitted three requests for variances during 1998 and the first 10 months of 1999 combined.

The Pollution Control Agency’s variance process generally takes longer than the Department of Human Services’ process. The Pollution Control Agency must publicize a request for a variance and the agency’s preliminary decision and give the public 30 days to comment or request a hearing. Agency staff estimated that the variance process takes about 6 to 12 weeks from the time a complete application is received to the time the Pollution Control Board makes a decision. The agency said that it has approved most formal requests.

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Finally, we contacted the State Aid for Local Transportation Division in the Minnesota Department of Transportation. The division can grant variances to state-aid highway standards and receives, on average, 30 applications from local governments each year. Most applications have been for variances from highway width standards (e.g., lane width, shoulder width) or design speed standards.

Unlike the other two departments that we contacted, the Department of Transportation has a committee of local government officials that meets quarterly to make recommendations to the state aid engineer on variance requests.³¹ Variance requests must be published for public comment before being forwarded to the committee. Staff told us that the committee weighs costs and other impacts (such as environmental impact) against safety when making decisions. According

²⁸ *Minn. Rules* 9543.0060, subp. 5, clause B.

²⁹ More detailed requirements can be found in *Minn. Rules* 9543.0050.

³⁰ According to PCA, staff will review and comment on applicants’ draft applications. Staff estimated the time from first contact to decision is three to six months. If a hearing is requested or a water quality study is needed, it can take longer.

³¹ Division staff make recommendations directly to the state aid engineer for waiver requests that are very similar to ones that have been approved by the advisory committee in the past.

to staff, once the advisory committee meets, final decisions have occurred fairly quickly. Staff indicated that the department has approved over 90 percent of the variance applications it has received in the past five years.

Rule Petitions

Rule petitions are a new tool available to local governments.

A 1999 Minnesota law allows the governing body of a county or city to petition a state agency to amend or repeal a rule or portion of a rule under certain circumstances.³² The petition must specify whether new evidence related to the need or reasonableness of the rule exists or whether less costly or intrusive methods can achieve the rule's purpose. If the agency denies the petition, the agency must forward it to an administrative law judge for review. If the judge agrees with the local government, the rule loses the effect of law unless the agency changes its position.

Rule petitions differ from agency variances in the breadth of their impact. As discussed previously, the three agencies that we contacted said that they usually granted variances to cover unique circumstances and that they seldom led to rule changes. Successful petitions, however, could result in rule changes that would affect all local governments subject to the rule.

The first such petition was filed in Fall 1999. The Department of Employee Relations found a city out of compliance with rules governing pay equity for seniority or "longevity" pay. According to city officials, the city had been hiring women to fill middle management and professional positions previously held by men. Consequently, in certain job classes the percentage of women who had worked long enough to receive longevity pay was lower than the percentage of men receiving the pay. The city challenged the department, which changed its finding. Thus, the city withdrew its petition.

Board of Government Innovation and Cooperation Waivers

The Board of Government Innovation and Cooperation has authority to grant waivers for school districts, counties, cities, and towns from procedural laws and administrative rules affecting local governments' provision of services.³³ The Board can grant waivers from rules affecting counties, cities, and towns when state agencies cannot or will not grant them.³⁴

³² *Minn. Laws* (1999), ch. 193.

³³ *Minn. Stat.* §465.796, subd. 2 refers to "waivers of administrative rules and temporary limited exemptions from enforcement of procedural requirements in state law." We refer to both as waivers to simplify discussion. The commissioners of finance and administration, the State Auditor, two administrative law judges, and six legislators comprise the board. The legislators are nonvoting members.

³⁴ The Board's ability to grant waivers for school districts is more limited; it cannot grant waivers from rules if the Commissioner of Children, Families & Learning has the authority to do so. The remaining discussion refers only to the Board's work with counties, cities, and towns.

Before local jurisdictions apply to the Board for a waiver, their local governing body has to approve the concept of the waiver at a public meeting. In their application, local governments must indicate how a waiver will help them achieve an improved outcome. The Board cannot waive a required outcome, but can waive required processes for achieving an outcome. Rule waivers last from two to four years; waivers from laws expire “ten days after adjournment of the regular legislative session held during the calendar year following the year when the [waiver] is granted, unless the legislature has acted to extend or make permanent the [waiver].”³⁵

According to our survey, local officials want more flexibility with mandates and were critical of administrative requirements, such as routine reporting. But, when we examined Board records, we found that:

- **Few local governments have applied to the Board of Government Innovation and Cooperation for waivers from laws and rules.**

The number of applications for waivers to the Board of Government Innovation and Cooperation has dropped since 1993.

Since the Board’s creation in October 1993, 21 counties, 7 cities, and 2 towns have applied for waivers, submitting a total of 68 applications.³⁶ Three counties accounted for 25 of the 55 applications submitted by counties.

We also noted that the number of applications for waivers has dropped considerably in recent years. Table 3.6 shows the number of applications received and approved each year since 1993. Local governments submitted 23 applications in 1993, but only 1 in 1998 and 1 in the first nine months of 1999. The Board’s director suggested to us the following as possible reasons for a drop in applications: the improved economy may have reduced the pressure on local governments to seek waivers as a means of improving efficiency or effectiveness; state agencies may be more willing than in the past to work with local governments; and the fact that the Board can only waive required processes, not outcomes, may limit its ability to address local governments’ concerns.

Of the 68 applications submitted by counties, cities, and towns, about 45 fell within the Board’s jurisdiction. Thirteen applications were dismissed because they involved federal requirements or other requirements outside the Board’s jurisdiction. For example, one county applied for a waiver to seek competitive bids for its annual financial audit rather than using the State Auditor’s Office as required by law. The Board dismissed the application because it did not involve local government services and was thus outside the Board’s jurisdiction. Local governments withdrew another 10 applications either because a waiver was not needed or because the local government was working directly with the agency.

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³⁵ *Minn. Stat.* §465.797, subd. 5(a). This provision was adopted in 1995.

³⁶ For applications submitted by more than one unit of government, all units of government are reflected in our count of local governments who have applied to the Board. Three of the 68 applications were submitted by organizations made up of local government representatives. The individual members are not reflected in our count. In addition to the 68 applications, three schools filed applications with the Board.

³⁷ In some cases, the Board’s involvement was instrumental in the local government and agency working together.

Table 3.6: Board of Government Innovation and Cooperation, Waiver Activity, 1993-99

Applications	Year							Total
	1993	1994	1995	1996	1997	1998	1999 ¹	
Received	23	10	15	9	9	1	1	68
Approved	8	6	9	5	8	1	0	37
Withdrawn - Board waiver not needed	5	1	4	0	0	0	0	10
Withdrawn - Other	0	0	2	0	0	0	0	2
Denied - Outside Board's authority	8	2	0	2	1	0	0	13
Denied - Other	2	1	0	2	0	0	0	5
Pending	0	0	0	0	0	0	1	1

¹Through September 1999.

SOURCE: Office of the Legislative Auditor review of Board of Government Innovation and Cooperation files and reports.

The Board approved 82 percent of the 45 applications that fell within its jurisdiction. Table 3.7 describes some of the waivers that the Board has approved.

The Board can make recommendations to the Legislature “regarding the elimination of state mandates that inhibit local government.”³⁸ The Board’s director indicated that the Board generally has not taken the lead on recommending changes to laws or rules but he has provided testimony in support of successful projects.³⁹ We examined Board files and found that:

- **Since 1993, when the Board was established, 20 waivers have been associated with 9 changes to laws or rules.**

For example, the Board granted waivers related to mental health case management to several counties between 1994 and 1997. Minnesota laws and rules required county case managers to review and update community support plans for adults and children with mental illness and to complete an assessment of clients’ progress every 90 days.⁴⁰ Counties applied for waivers from these requirements because case management workers said that most mentally ill clients made little progress in 90 days and telling them so might be counterproductive. The counties requested waivers to allow case management workers to review, update, and assess cases every 180 days, thereby allowing workers to spend less time on paperwork and more time with clients. In 1997, the Legislature changed the law to require the review, update, and assessment every 180 days, unless the client or client’s family requests 90-day reviews.⁴¹

In our survey of local governments, we asked local officials why they have not requested Board waivers. Over half of the officials did not provide a reason. Of

³⁸ *Minn. Stat.* §465.796, subd. 3, clause 7.

³⁹ Mr. Jim Gelbmann, Board’s director, interviews by author, August 23 and November 4, 1999.

⁴⁰ *Minn. Stat.* §§245.4711 and 245.4881 and *Minn. Rules* 9520.0900.

⁴¹ *Minn. Laws* (1997), ch. 93.

Table 3.7: Examples of Waivers Approved by the Board of Government Innovation and Cooperation

- A waiver allowed Lake of the Woods County to publish a full county financial statement in one newspaper and a notice in a second paper. The law required publication of annual county financial statements in two newspapers. The county believed the waiver would reduce the rate charged by the papers because there were only two newspapers of general circulation in the county. The county reported paying only \$.97 per column inch in 1994, when the previous year's rate was \$3.48. Bills to change the law were introduced in 1997 but were not reported out of the committees to which they were referred.
- Waivers for Lake of the Woods and Big Stone counties allowed them to assign all responsibilities relative to the collection of property taxes and delinquent property taxes to their county treasurers. The law required the duties to be split between the county treasurer and county auditor. Lake of the Woods County reported that a client survey showed 80-90 percent of clients indicated that the consolidation eliminated confusion and saved them or their company time.
- According to law, people can vote by absentee ballot for certain reasons. A 1994 waiver allowed Ramsey County to eliminate the requirement that a person give a reason for voting by absentee ballot. The county thought the waiver would allow it to provide better service to voters and increase voter turnout. Ramsey County reported receiving about 6,600 absentee ballots in the 1990 general election, compared with over 11,800 in 1994. (Both years were non-Presidential election years.) A bill that would have deleted from statute the reasons for voting absentee and required only that voters provide a reason was passed by the Legislature in 1997 but vetoed by then-Governor Carlson.
- The Board approved waivers from requirements in rules related to distances between deputy registrar offices for St. Louis, Anoka, and Stearns counties, all three of which wanted to establish county-operated offices near existing county-operated offices. St. Louis County reported that a customer survey showed that 95 percent of respondents appreciated the added convenience of the new location.

SOURCE: Board of Government Innovation and Cooperation, *A Synopsis of the Waivers and Exemptions Granted By the Board*, (St. Paul, December, 1996). Reported effects of the waivers have not been verified by the Office of the Legislative Auditor.

those who did, over 80 percent of small-city and town officials said that they did not need waivers or were unfamiliar with the process. Twenty-seven percent of officials from large cities also said they had not needed waivers. However, almost a third of the large-city officials and half of the county officials indicated problems with the application process, the limited authority of the Board to grant waivers, and the temporary nature of the waivers. Local officials' suggestions for improving the Board included simplifying and speeding up the process, giving the Board more authority, and distributing more information about it and examples of how it has worked.

Regarding the application process, we noted state law partially dictates its length. The Board must forward an application for a waiver to the relevant state agency and give the agency 60 days to respond. The Board's application requires the local governing body's approval of the waiver concept and one page of basic information about who is applying for the waiver, what rule and/or law is involved, the length of time for which the waiver is being sought, and when the exclusive union representatives of affected employees were notified of the application. The Board also requires a description of the proposal and the barriers the requirements present. According to the Board's director, all of this information is explicitly or implicitly required in law. Finally, the application asks what other avenues the local government has explored to address the barrier (e.g., agency waiver). The Board requests that the narratives not exceed three pages. In its first 18 months of operation, the Board sent back almost every application it received because they were incomplete. In mid-1994 the Board developed a new

The Board of Government Innovation and Cooperation has tried to disseminate information about mandate waivers to local governments.

application and since that time the Board has not returned any applications, though the Board sometimes requested additional information.

Regarding the Board's publicity efforts, the Board's director indicated that staff mails information about the availability of waivers to county administrators and city managers and town clerks in municipalities with populations over 400 residents every year. It also provides information at local government conferences and in local government associations' publications. Finally, the Board facilitates regional forums hosted by area legislators in odd-numbered years. These forums, which are for elected and senior appointed officials from counties, cities, towns, and school districts, give the Board additional opportunities to publicize waivers.

Studies

Giving responsibility to independent boards or agencies to review state mandates on local governments is not a new concept. As discussed previously, Minnesota has given a number of entities this responsibility over the last 15 years, including the Legislative Commission on Planning and Fiscal Policy and the now-defunct Advisory Commission on Intergovernmental Relations. Currently, Minnesota law requires that the Board of Government Innovation and Cooperation, to the extent possible, "investigate and review the role of unfunded mandates in intergovernmental relations and assess their impact on state and local government objectives and responsibilities."⁴² The Board can also identify and make recommendations to the Legislature and Governor about specific unfunded mandates that are overly prescriptive, contradictory, duplicative, or obsolete.

Although statutes require that affected state agencies assign staff to assist the Board in carrying out these responsibilities:

- **According to the Board's director, limited resources have prevented the Board from conducting studies on state-local relations and making recommendations about unfunded mandates.**

Periodically, the Legislature has required individual agencies to review specific rules. For example, *Minn. Stat.* §245.494, subd. 5 required the Commissioner of Human Services to evaluate its mental health case management rules for children with severe emotional disturbances. The department published its report in February 1994. According to one agency official, the report was discussed by the Legislature and may have been a factor in the Legislature's decisions to increase medical assistance reimbursement rates and change the medical assistance case management mental health billing system.

In 1988, the Governor's Council on State-Local Relations authorized a study that looked at the often complicated relationships that develop among governments that share responsibility for designing, funding, and delivering services. Unlike some earlier studies, this one did not focus on specific mandates or suggest new mechanisms to address mandate concerns. Instead, the study looked at eight

⁴² *Minn. Stat.* §465.796, subd. 2.

different policy areas, identified the division of responsibility in those areas, outlined how the division of responsibilities originated, and identified issues that might affect the efficiency and effectiveness of programs. The authors suggested that the study be used as a base for discussions about possible reforms, but they did not make any recommendations for reform.⁴³

Other states have independent bodies that study state-local relations and mandates. For example, Connecticut's Advisory Commission on Intergovernmental Relations published *A Compendium of Regulatory Mandates on Municipalities in Connecticut* in 1998. The South Carolina Advisory Commission on Intergovernmental Relations studies intergovernmental issues and examines proposed and existing programs affecting state and local governments, among other things. The State and Local Government Commission of Ohio has a subcommittee—the Local Government Mandate Task Force—that identifies and prioritizes unfunded state mandates in need of funding, modification, or repeal. At the federal level, the now-defunct Advisory Commission on Intergovernmental Relations studied these issues.

OTHER MANDATE TOOLS

Table 3.8 lists several additional tools that can address mandate concerns. Minnesota has occasionally used some of these tools with specific mandates, but does not have statutory or constitutional language making them generally applicable to local government mandates. Below we provide a brief description of the tools and how Minnesota and other states have used them.

Table 3.8: Other Tools to Address Mandate Concerns

- Pilot projects
- Delayed effective dates
- Local government approval
- Two-thirds vote of the Legislature
- Mandate inventories
- Sunset language

NOTE: Minnesota does not have language in statute making these tools widely available, though it has used some of these tools for specific programs or mandates.

Pilot Projects

Pilot projects allow states to test new mandates or changes in existing ones in selected local governments before applying them statewide. Pilot projects can help the state identify and eliminate unworkable provisions and undesirable effects in new programs or procedures. Pilot testing can also shed light on the fiscal implications of mandates on local governments before full implementation.

⁴³ Governor's Council on State-Local Relations, *State and Local Service/Fiscal Responsibilities Study* (St. Paul, August 1988).

The Legislature has successfully used pilot projects to test human services waivers.

One state that requires pilot testing is Virginia, which enacted a 1993 requirement that regulations be pilot tested before implementation.⁴⁴

The Minnesota Legislature has authorized specific pilot projects to test alternatives to existing human services mandates. In 1991, the Legislature enacted the Mandates Reform Law which authorized county demonstration projects to test the impact of waiving some social service mandates.⁴⁵ The Department of Human Services received 43 proposals designed to reduce administrative burdens and procedural requirements and subsequently approved 4 of them.⁴⁶ A 1997 evaluation by our office found that the projects implemented under this law reduced administrative costs without adversely affecting social services.⁴⁷ In 1995 the Legislature passed similar legislation authorizing the Commissioner of Human Services to approve pilot projects in adult mental health services.⁴⁸ The purpose of these projects was to develop innovative and effective ways of providing community mental health services and to identify rules or laws that were barriers to providing services. Currently, all counties in the state are involved in these pilot projects, mostly in multi-county projects.

Delayed Effective Dates

Another option that can give more flexibility to local governments, at least initially, involves delaying implementation of unfunded mandates for one year. Delayed effective dates give local governments more time to accommodate additional responsibilities within their personnel, financial, and other resource limitations. Connecticut statutes permit cities and towns to delay implementing mandates for one year if they are not accompanied by state funding.

Minnesota used delayed effective dates in combination with pilot projects to phase in truth-in-taxation requirements. The Legislature realized that implementing the parcel-specific notices would require substantial county resources. Consequently, it delayed their effective date. While the truth-in-taxation hearing requirements became effective immediately for taxes payable in 1990, generic notices were not required until taxes payable in 1991, and parcel-specific notices were not required until taxes payable in 1992. In addition, the Legislature pilot tested the parcel-specific notices. Only Hennepin, Ramsey, and St. Louis counties were required to mail parcel-specific notices for taxes payable in 1992; full implementation did not occur until taxes payable in 1993.

⁴⁴ Adele MacLean, "The Mandates Mosaic in Virginia," *University of Virginia News Letter* 71, no.7 (July 1995).

⁴⁵ *Minn. Laws* (1991), ch. 94, sec.16.

⁴⁶ The department did not approve some proposals because they involved federal requirements or because waivers were not necessary to do what was proposed.

⁴⁷ Office of the Legislative Auditor, *Social Services Mandates Reform* (St. Paul, 1997). <http://www.auditor.leg.state.mn.us/ped/1997/pe9708.htm>

⁴⁸ *Minn. Laws* (1995), ch. 207, art. 8, sec. 41.

Local Approval

To help ensure that unfunded mandates address local concerns, some states require local government approval of unfunded mandates. As of 1994, at least five states required that local governments or their citizens formally approve unfunded state mandates before they become effective.⁴⁹ The Alaska Constitution stipulates that special acts requiring local government appropriations are not effective until ratified by affected voters in a referendum. New Hampshire statutes forbid state agencies from adopting unfunded provisions that go beyond federal mandates unless local governments approve the expanded responsibilities. According to the Louisiana Constitution, unfunded mandates that increase wages or fringe benefits for local government employees are not effective until approved by local governments.

Two-Thirds Vote

One study of mandate review mechanisms suggests that requiring a two-thirds vote of the state legislature to pass unfunded mandates is the most effective method of protecting local government from unfunded mandates.⁵⁰ At least five states require that unfunded mandates on local government pass by a two-thirds vote of their Legislature.⁵¹ For example, the Florida Constitution provides that local governments are not generally bound by an unfunded state mandate unless the law is passed by a two-thirds majority in each house of the Legislature. Likewise, it requires a two-thirds vote of the Legislature to enact, amend, or repeal any general law that would limit local governments' ability to raise revenue or reduce their share of state taxes. Maine prohibits the imposition of mandates unless 90 percent of the costs are funded by the state or the mandates are approved by a two-thirds majority in each house of the Legislature. Massachusetts and South Carolina have similar provisions.

Inventories

As a frequent starting point for addressing mandate concerns, states have developed complete inventories of existing mandates on local governments. Although the rationale for such an approach is largely informational, it is also hoped that outdated mandates will be identified and eliminated. However, mandate inventories are unwieldy mechanisms, requiring considerable resources to develop and maintain. In 1990, the Minnesota Department of Human Services developed a 285-page catalog that contained only social services mandates. South Carolina and Virginia have both developed extensive catalogs of state mandates. In 1991, four legislative staff in Virginia, relying extensively on agency staff, took an entire year to catalog all mandates in the state.

⁴⁹ Zimmerman, *State-Local Relations*.

⁵⁰ *Ibid.*, 112.

⁵¹ Zimmerman, *State-Local Relations*.

Sunset Provisions

To address the concern that some mandates represent permanent solutions to temporary problems, some reformers recommend that local government mandates contain sunset provisions. Such provisions could force periodic reviews of individual mandates by either state or local parties. According to Janet Kelly, states that have compiled inventories of existing mandates usually identify some mandates that have outlived their usefulness.⁵² In many of these cases, local governments had stopped complying with the outdated mandates and the state had stopped enforcing them.

CONCLUSIONS

In our survey of local governments, we asked officials about various policy options that might address their concerns about mandates. We found that:

- **Local government officials supported addressing mandate problems with increased state funding and flexibility, fewer revenue restrictions, a focus on outcomes, and clear statements of legislative rationale.**

As shown in Table 3.9, 87 percent of local officials agreed or strongly agreed that state mandates should be accompanied by a clear statement of the Legislature’s rationale for creating them. In addition, 86 percent of local officials said local governments should have more flexibility when it comes to meeting state requirements, but only 14 percent were willing to accept a greater portion of mandates’ costs in exchange. Eighty-two percent of local officials favored more state aid to cover the costs of mandates, 71 percent favored state requirements that focus on outcomes rather than specific programs or procedures, and 65 percent favored relaxing local revenue-raising constraints. Only about one-third of the officials favored creating a state advisory commission on intergovernmental relations to help address state-local issues —a tactic previously tried by Minnesota and the federal government.

Local officials want to be more involved in designing and adopting mandates.

When asked for additional ways the Legislature could improve the process of passing or reviewing mandates, some local officials noted that they needed to be more involved in providing information and feedback to the Legislature. Others thought that the Legislature considered them “just another special interest group” instead of a government partner. Finally, some felt that the Legislature needed to pay more attention to their concerns about “one-size-fits-all” mandating.

After reviewing the mechanisms that Minnesota has established and the approaches taken by other states to address concerns about local government mandates, it is clear that there is no single way for Minnesota to address all mandate concerns. While local officials support increased funding, research suggests that broad statutory or constitutional provisions that require states to

⁵² Kelly, *State Mandates*, 76, 77.

Table 3.9: Local Governments' Opinions on Possible Options to Address Mandate Concerns

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
Local governments should continue to meet state requirements even if state funding is insufficient.					
Counties (N = 63)	0%	25%	11%	51%	13%
Large cities (N = 60)	5	38	8	38	10
Small cities (N = 186)	1	22	23	50	6
Towns (N = 113)	2	16	19	50	14
Total (N = 422)	1	23	18	48	10
Local governments should have more flexibility when it comes to meeting state requirements.					
Counties (N = 64)	34%	59%	3%	3%	0%
Large cities (N = 62)	45	52	2	2	0
Small cities (N = 189)	13	73	12	2	0
Towns (N = 112)	13	64	21	2	0
Total (N = 427)	21	65	12	2	0
In exchange for increased flexibility in meeting state requirements, local governments should accept a greater portion of the costs.					
Counties (N = 63)	0%	5%	6%	70%	19%
Large cities (N = 61)	0	18	10	57	15
Small cities (N = 188)	1	12	23	58	7
Towns (N = 111)	3	16	23	50	9
Total (N = 423)	1	13	18	57	11
A state advisory commission on intergovernmental relations should be created to help address state-local issues.					
Counties (N = 63)	21%	21%	27%	24%	8%
Large cities (N = 62)	13	32	24	13	18
Small cities (N = 186)	3	30	38	22	8
Towns (N = 114)	3	20	37	24	18
Total (N = 425)	7	26	34	21	12
State requirements and restrictions on local governments should be accompanied by a clear statement of the Legislature's rationale for creating them.					
Counties (N = 64)	47%	48%	5%	0%	0%
Large cities (N = 62)	42	47	8	2	2
Small cities (N = 188)	28	57	13	2	0
Towns (N = 114)	28	54	16	1	1
Total (N = 428)	33	54	12	1	1
State requirements and restrictions are an appropriate means of holding local governments accountable.					
Counties (N = 63)	0%	14%	14%	46%	25%
Large cities (N = 62)	2	10	8	42	39
Small cities (N = 186)	1	35	24	32	8
Towns (N = 112)	0	43	29	22	6
Total (N = 423)	1	30	22	33	15
The Legislature should provide more aid to local governments to cover the costs of requirements and restrictions.					
Counties (N = 64)	66%	33%	2%	0%	0%
Large cities (N = 62)	42	44	5	8	2
Small cities (N = 188)	19	61	17	3	0
Towns (N = 113)	15	58	23	4	0
Total (N = 427)	28	54	15	3	< 1

Table 3.9: Local Governments' Opinions on Possible Options to Address Mandate Concerns, continued

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
The Legislature should relax revenue-raising constraints on local governments.					
Counties (N = 64)	55%	36%	9%	0%	0%
Large cities (N = 62)	52	42	3	2	2
Small cities (N = 188)	17	47	31	5	0
Towns (N = 112)	5	31	55	9	0
Total (N = 426)	25	40	30	5	< 1
State requirements should focus on outcomes rather than specific programs or procedures.					
Counties (N = 64)	42%	41%	16%	0%	2%
Large cities (N = 62)	52	44	5	0	0
Small cities (N = 187)	12	54	31	4	0
Towns (N = 112)	10	50	36	5	0
Total (N = 425)	22	49	26	3	< 1
The Legislature should assume greater responsibility for delivering services or administering programs.					
Counties (N = 64)	14%	28%	30%	16%	13%
Large cities (N = 62)	2	15	15	44	26
Small cities (N = 187)	6	35	35	19	5
Towns (N = 114)	7	25	32	29	8
Total (N = 427)	7	28	30	25	10

NOTE: Percentages may not total 100 due to rounding.

SOURCE: Office of the Legislative Auditor Survey of Local Government Officials, 1999.

either fund mandates or reimburse local governments' expenses rarely bring relief to local governments. While Minnesota has other statutory tools that could help address local governments' concerns, they have been used infrequently. At the same time, Minnesota has successfully used other approaches on an *ad-hoc* basis to address individual mandate concerns.

RECOMMENDATION

State and local officials should make greater use of the tools currently available to address individual mandate concerns and collaborate on ways to improve the relationship between the state and local governments.

As we discussed in Chapter 1, the state has clear constitutional authority to impose mandates on local governments. In addition, the reasons mandates were created and the flexibility they allow local governments vary. We are not convinced by the literature or Minnesota's own experiences that additional statutory or constitutional tools of broad application will eliminate mandate concerns.

Legislators, agency officials, and local governments and their associations should all look for opportunities to use whatever mechanisms seem most appropriate to a particular mandate or proposed mandate. For instance, the Legislature and local governments could design pilot projects when there are no proven ways to achieve the goals or outcomes of proposed mandates. Pilot projects could also be used to test waivers for nonprocedural laws. Likewise, the Legislature could use pilot projects or delayed effective dates when substantial investments of time or money would be required to implement proposed mandates. Reviews of specific mandates might be desirable if legislators or agencies receive many complaints about them or there are indications that the mandates are no longer needed. The Legislature could also provide funding for or add sunset dates to individual mandates.

State and local officials should use existing tools to address concerns about proposed and existing mandates.

In addition, the Legislature could make greater use of the statutory tools already in place. Although Minnesota has two mechanisms —local fiscal impact notes and mandate explanations —that can provide financial and other information about proposed mandates, legislators have rarely requested them. Also, the Board of Government Innovation and Cooperation, which allows local governments to pilot test their ideas by granting waivers from rules and procedural laws, has not always enjoyed widespread support from state officials. Lessons learned through the waiver process might help address statewide problems with specific mandates.

At the same time, local governments could look for more opportunities to use existing tools to address their concerns. Local officials said that state mandates were administratively inflexible and they supported outcome-based mandates that would allow them to develop unique ways to meet goals. However, few local governments have applied to the Board of Government Innovation and Cooperation for waivers that would allow them to develop and implement alternative ways of meeting mandate requirements. Many officials said they did not need waivers or were unaware that the Board had the authority to grant them. Others dismissed Board procedures as “too cumbersome ” or its authority as “too limited.” While we recognize the Board’s limited ability to address some of the mandates that local officials most frequently identified as objectionable, local officials also said that it was the cumulative impact of state requirements rather than specific ones that made their jobs more difficult. Addressing less objectionable mandates through Board waivers could alleviate at least some of the negative impact that mandates might have on local governments.

Also, although legislators must request local fiscal impact notes and mandate explanations, we think that local officials could encourage their local representatives to request them. While local officials said that the Legislature as a whole was unresponsive to their needs and concerns, some officials pointed out that their local legislators were generally receptive to their concerns.

Local government associations could also be more proactive, perhaps serving as clearinghouses for information about the availability of waivers and variances, what applications have been approved and denied, and what projects have been successful. They could also identify problematic mandates and work with local governments to develop acceptable, alternative ways to meet mandate goals.

Finally, local associations could encourage legislators to use existing tools, especially mandate explanations. We think that this tool could provide a framework for interested parties to discuss all aspects of mandates, thereby focusing debate on questions of need and flexibility in addition to funding. Addressing these questions when a mandate is proposed could help state and local officials resolve issues and problems before rather than after a mandate is adopted.

State and local officials need to work to improve state-local relationships.

There will probably always be some tension or disagreement between state and local officials about the efficacy of mandates. They often bring different perspectives to discussions about mandates. For example, according to our survey, local officials objected to some mandates —levy limits and paying sales tax on local government purchases —because they disagreed with the mandates themselves rather than the ways the mandates tried to achieve a goal. On the other hand, state officials might view the same mandates as legitimate state interests best addressed with a uniform statewide policy. To some extent, the continued tension over mandates is rooted in larger questions about the assignment of responsibilities between the state and local governments that are not likely to ever be fully resolved. Although we see little need for major structural changes at this time, closer attention to questions of who should set, implement, and fund mandates on an individual basis could help improve intergovernmental relations in Minnesota. Until state and local officials work together to improve state-local relationships, tension surrounding state mandates on local governments will likely continue unabated.

Local Government Survey on State Mandates

APPENDIX A

On July 28, 1999, we sent questionnaires to 654 local government officials from counties, cities, and towns throughout the state. Our sample included all 87 county administrators/auditors, all 79 city managers/administrators from cities with 10,000 residents or more, a random sample of 288 city clerks from cities with populations under 10,000, and a random sample of 200 town clerks. Respondents were instructed to answer the questionnaire from the perspective of their city, county, or town, based upon their professional experience. In order to help ensure that responses were reflective of the local government's point of view, we encouraged respondents to get input from elected officials, department heads, and other staff. We sent a reminder letter on August 27 and stopped processing responses on October 2, 1999.

Of the 654 surveys mailed, 448 useable surveys were returned by the deadline, resulting in an overall response rate of 69 percent. The response rates were: 74 percent for counties, 80 percent for large cities, 69 percent for small cities, and 61 percent for towns. Tables A.1 through A.4 contain lists of local governments who received and responded to our survey.

To assess whether survey respondents were representative of the population of local government units, we compared their characteristics with those of all local governments in Minnesota. We found that respondents closely resemble their respective populations. Tables comparing the characteristics of survey respondents with the population, along with a copy of our questionnaire, can be found on our website at <http://www.auditor.leg.state.mn.us/ped/2000/pe0001.htm>

Table A.1: Counties in Our Sample

Aitkin	Dakota	Lac qui Parle	Olmsted	Stearns
Anoka	<i>Dodge</i>	Lake	Otter Tail	<i>Steele</i>
Becker	Douglas	Lake of the Woods	<i>Pennington</i>	Stevens
Beltrami	<i>Faribault</i>	Le Sueur	<i>Pine</i>	Swift
<i>Benton</i>	Fillmore	<i>Lincoln</i>	Pipestone	Todd
Big Stone	<i>Freeborn</i>	<i>Lyon</i>	Polk	<i>Traverse</i>
Blue Earth	<i>Goodhue</i>	Mahnomen	Pope	Wabasha
Brown	<i>Grant</i>	Marshall	Ramsey	Wadena
<i>Carlton</i>	Hennepin	Martin	Red Lake	Waseca
Carver	Houston	<i>McLeod</i>	<i>Redwood*</i>	Washington
Cass	Hubbard	Meeker	<i>Renville</i>	Watonwan
Chippewa	Isanti	Mille Lacs	Rice	Wilkin
Chisago	Itasca	Morrison	Rock	Winona
Clay	Jackson	<i>Mower</i>	<i>Roseau</i>	Wright
Clearwater	Kanabec	Murray	<i>Scott</i>	<i>Yellow Medicine</i>
<i>Cook*</i>	Kandiyohi	Nicollet	Sherburne	
Cottonwood	Kittson	Nobles	<i>Sibley</i>	
<i>Crow Wing</i>	Koochiching	Norman	St. Louis	

We received and processed responses from counties listed in regular type.

We received responses from counties listed in italics with an asterisk (*) too late for processing.

We did not receive responses from counties listed in italics.

Table A.2: Cities in Our Sample with at Least 10,000 Residents

Albert Lea	<i>Columbia Heights</i>	<i>Hibbing</i>	New Hope	<i>Savage</i>
Andover	<i>Coon Rapids</i>	Hopkins	New Ulm	Shakopee
Anoka	Cottage Grove	<i>Hutchinson</i>	<i>North Mankato</i>	Shoreview
<i>Apple Valley</i>	Crystal	Inver Grove Heights	<i>North St. Paul</i>	South St. Paul
Austin	<i>Duluth</i>	Lakeville	Northfield	<i>St. Cloud</i>
Bemidji	Eagan	Lino Lakes	Oakdale	St. Louis Park
Blaine	Eden Prairie	Mankato	Owatonna	St. Paul
Bloomington	Edina	Maple Grove	Plymouth	Stillwater
Brainerd	Elk River	Maplewood	Prior Lake	Vadnais Heights
<i>Brooklyn Center</i>	Fairmont	Marshall	Ramsey	West St. Paul
<i>Brooklyn Park</i>	<i>Faribault</i>	Mendota Heights	Red Wing	White Bear Lake
Burnsville	Fergus Falls	Minneapolis	Richfield	Willmar
Champlin	Fridley	Minnetonka	Robbinsdale	Winona
Chanhassen	Golden Valley	Moorhead	Rochester	Woodbury
Chaska	Ham Lake	<i>Mounds View*</i>	Rosemount	Worthington
<i>Cloquet</i>	Hastings	<i>New Brighton</i>	Roseville	

We received and processed responses from cities listed in regular type.

We received responses from cities listed in italics with an asterisk (*) too late for processing.

We did not receive responses from cities listed in italics.

Table A.3: Cities in Our Sample with Fewer than 10,000 Residents

Aitkin	Dassel	<i>Iona</i>	Minnesota City	St. Francis
<i>Akeley</i>	<i>Dawson</i>	Iron Junction	Minnetonka Beach	St. Joseph
Albany	<i>De Graff</i>	Ironton	<i>Montgomery</i>	<i>St. Martin</i>
Alden	<i>Delano</i>	Isanti	Morgan	St. Michael
Aldrich	Delavan	Karlstad	Morris	<i>St. Peter*</i>
Alexandria	Detroit Lakes	Keewatin	Morristown	<i>St. Rosa</i>
Alvarado	Dodge Center	Kelliher	Morton	Stacy
Appleton	<i>Dovray</i>	<i>Kellogg</i>	<i>Mound</i>	Stewart
<i>Arden Hills</i>	Easton	Kennedy	Mountain Lake	Storden
<i>Arlington</i>	<i>Eden Valley</i>	<i>Kent</i>	New Prague	<i>Sturgeon Lake</i>
Askov	Elizabeth	<i>Kenyon</i>	<i>New Trier</i>	<i>Swanville</i>
<i>Avon*</i>	Elkton	Kerkhoven	Nicollet	Tamarack
Backus	Ellsworth	Kerrick	<i>Northome</i>	Tenney
Balaton	Elmore	Kiester	<i>Northrop</i>	Thief River Falls
Beaver Creek	<i>Erosa</i>	Kimball	Oak Park Heights	Tintah
Bellingham	Emily	Kinbrae	Odin	<i>Tonka Bay</i>
Belview	Erhard	<i>Lafayette</i>	Ogilvie	<i>Tracy</i>
Bertha	Erskine	Lake City	Okabena	Trail
Big Falls	<i>Eveleth</i>	Lake Henry	<i>Onamia</i>	<i>Trimont*</i>
Big Lake	Farwell	Lake Lillian	<i>Ormsby</i>	Trosky
<i>Bigelow</i>	<i>Fifty Lakes</i>	Lake Park	Orono	Truman
Bird Island	<i>Fisher</i>	Lake Shore	Orr	<i>Twin Valley</i>
<i>Biscay</i>	Flensburg	<i>Lake St. Croix Beach</i>	Ortonville	Two Harbors
<i>Blomkest</i>	Foreston	Lake Wilson	Parkers Prairie	Tyler
Blue Earth	<i>Fort Ripley</i>	Landfall	Paynesville	<i>Ulen</i>
<i>Borup</i>	<i>Frazee*</i>	Lanesboro	Pennock	Underwood
Bowlus	<i>Funkley</i>	<i>Lastrup</i>	<i>Pequot Lakes</i>	Upsala
<i>Brandon</i>	Gary	<i>Le Center</i>	Pierz	Utica
<i>Brewster</i>	Ghent	Le Roy	Pillager	<i>Vermillion</i>
Brookston	Gibbon	Leonard	Pine City	<i>Viking</i>
Brownton	Gilman	Lester Prairie	Pine Island	Vining
Buckman	Good Thunder	<i>Lindstrom</i>	Pine River	Virginia
Burtrum	<i>Goodhue</i>	<i>Little Canada*</i>	Pipestone	Wabasha
<i>Byron</i>	Graceville	Little Falls	Plato	<i>Wadena</i>
<i>Cambridge</i>	Granada	<i>Long Beach</i>	<i>Plummer</i>	<i>Wahkon</i>
<i>Cannon Falls</i>	Grand Marais	Lonsdale	<i>Princeton</i>	Waldorf
<i>Canton</i>	<i>Grand Meadow</i>	Louisburg	Prinsburg	Walker
<i>Carlton</i>	Greenfield	Lowry	Racine	Walnut Grove
Cedar Mills	<i>Greenwood</i>	Lucan	Randolph	Warba
Center City	Gully	Lyle	<i>Raymond</i>	Warren
Chisholm	<i>Hadley</i>	Mabel	<i>Regal</i>	Waterville
Circle Pines	Hammond	Madelia	Remer	Watkins
Claremont	Hancock	Madison Lake	Rockford	Waverly
Clarissa	Hanover	Magnolia	Rockville	<i>Wayzata*</i>
Clinton	Harding	Manchester	<i>Roscoe</i>	Wendell
Cold Spring	Hatfield	Mantorville	Rothsay	<i>West Concord</i>
Comfrey	Hawley	Maple Lake	Round Lake	West Union
<i>Conger</i>	<i>Heron Lake</i>	Maple Plain	Sabin	Willernie
<i>Cook</i>	Hewitt	Mapleview	Sacred Heart	<i>Wilmont</i>
Cosmos	Hinckley	Marietta	Sedan	Windom
<i>Cottonwood</i>	Hitterdal	Mazeppa	Shorewood	Winger
Crosby	Hoffman	<i>Medicine Lake</i>	Slayton	Winthrop
<i>Currie</i>	<i>Holdingford</i>	<i>Meire Grove</i>	<i>Solway</i>	Woodland
Cyrus	<i>Holloway</i>	Melrose	Spring Grove	Woodstock
<i>Dakota</i>	<i>Houston</i>	Menahga	Spring Valley	<i>Wykoff</i>
<i>Dalton</i>	Howard Lake	<i>Mendota</i>	Springfield	Zimmerman
Danvers	<i>Humboldt</i>	Miesville	St. Anthony	
Darwin	International Falls	<i>Minneiska</i>	<i>St. Bonifacius</i>	

We received and processed responses from cities listed in regular type.

We received responses from cities listed in italics with an asterisk (*) too late for processing.

We did not receive responses from cities listed in italics.

Table A.4: Towns in Our Sample

<i>Alba</i>	Dahlgren	Hendrum	Middleville	Scambler
<i>Albion</i>	Darling	<i>Hersey</i>	Midway	<i>Shelburne</i>
Alden	Dassel	High Forest	Moore	<i>Shelby</i>
Alexandria	Deerwood	<i>Hines</i>	<i>Moose Lake</i>	<i>Shible*</i>
Andover	<i>Donnelly</i>	<i>Holt</i>	<i>Moose Park</i>	Silver Creek
Angus	Dublin	<i>Home</i>	<i>Morgan</i>	Silver Lake
<i>Ann</i>	Elizabeth	<i>Hudson</i>	<i>Mound</i>	Silver
<i>Arlington</i>	Elk Lake	Humboldt	<i>Moyer</i>	<i>Spencer Brook</i>
<i>Arrowhead</i>	<i>Ellsborough*</i>	<i>Huntsville</i>	Mudgett	<i>Springdale*</i>
<i>Barnett</i>	Elm Creek	Ida	Nebish	<i>Springfield</i>
Beauford	Euclid	Ideal	Nelson Park	Springwater
<i>Beaulieu</i>	Evergreen	Idun	<i>New Folden</i>	St. Charles
Belgrade	<i>Eyota*</i>	<i>Iron Range</i>	New Richland	St. Vincent
<i>Belle Prairie</i>	Fairfield	<i>Jamestown</i>	Nininger	Summit Lake
Bemidji	Farden	Jo Davies	Nokay Lake	Sumter
Benton	<i>Farmington</i>	<i>Judson</i>	North Fork	Tamarac
Bernadotte	Feeley	Kimberly	Oak	<i>Ten Mile Lake</i>
Beseman	Flom	Kingston	Page	<i>Three Lakes</i>
Beulah	Florida	<i>Kragnes</i>	<i>Parker</i>	Thunder Lake
Birch	Flowing	La Crescent	Parnell	Timothy
Bloomer	Ford	<i>Lake Benton</i>	Pepin	<i>Trout Lake</i>
Blue Earth City	Forest	Lake Henry	<i>Percy</i>	<i>Twin Lakes</i>
Brandrup	<i>Forest Prairie</i>	Lakewood	Plainview	Underwood
Bristol	<i>Fox Lake</i>	<i>Lamberton</i>	Pleasant Grove	<i>Union</i>
Campbell	<i>Foxhome</i>	<i>Laona</i>	<i>Pliny</i>	Vallers
<i>Canton</i>	Fremont	Lawrence	<i>Ponto Lake</i>	<i>Verdi</i>
Carpenter	Garrison	<i>Leaf River</i>	<i>Poppleton</i>	<i>Walcott</i>
Carson	Goodhue	Lee	<i>Racine</i>	Wang
Cedar Valley	Goose Prairie	<i>Lime</i>	<i>Rice*</i>	Warren
<i>Cedarbend</i>	Grace	Limestone	Rice Lake	<i>Warrenton</i>
Chatham	Grafton	<i>Litchfield</i>	<i>Ridgely</i>	<i>Wasioja</i>
Chengwatana	Granby	<i>Logan</i>	<i>River</i>	<i>Wheatland</i>
Clear Lake	Grand Lake	London	Riverdale	White Bear
<i>Clinton Falls</i>	Great Scott	<i>Lone Tree</i>	Roberts	Willmar
Clover	<i>Greenwood</i>	<i>Lura</i>	<i>Rocksbury</i>	<i>Winger</i>
Columbus	Halstad	<i>Lynden</i>	Rockwell	<i>Wolford</i>
Colvin	Hamden	Manyaska	<i>Rogers</i>	Woodland
Coon Creek	Hawk Creek	Marcell	Russia	<i>Woods*</i>
Cordova	Hegne	Medo	<i>Salo</i>	Wyoming
Custer	Helena	Merton	<i>Sandstone</i>	Zumbro

We received and processed responses from towns listed in regular type.

We received responses from towns listed in italics with an asterisk (*) too late for processing.

We did not receive responses from towns listed in italics.

Table A.5: Comparison Between All Counties and Those Represented in the Survey

	<u>Statewide</u>	<u>Survey Respondents</u>
Region		
Central	31%	31%
Metropolitan	8	9
North	28	30
South	33	30
Population		
Fewer than 10,001	17%	17%
10,001 – 20,000	29	27
20,001 – 30,000	17	20
30,001 – 50,000	17	13
50,001 – 100,000	10	11
More than 100,000	9	13
Population Growth, 1997-98		
Yes	62	63
No	38	38

NOTE: Geographic region is based on the state's economic development regions. Percentages may not total 100 due to rounding.

Table A.6: Comparison Between All Cities with at Least 10,000 Residents and Those Represented in the Survey

	<u>Statewide</u>	<u>Survey Respondents</u>
Region		
Central	8%	6%
Combination	1	3
Metropolitan	68	71
North	6	3
South	17	18
Population		
10,000 – 13,000	15%	11%
13,001 – 17,000	20	24
17,001 – 21,000	17	16
21,001 – 30,000	16	16
30,001 – 50,000	18	21
More than 50,000	15	13
Population Growth, 1997-98		
Yes	82%	83%
No	18	18

NOTE: Geographic region is based on the state's economic development regions. The combination category includes cities whose boundaries include counties in two or more regions. Percentages may not total 100 due to rounding.

Table A.7: Comparison Between All Cities with Fewer Than 10,000 Residents and Those Represented in the Survey

Region	Statewide	Survey Respondents
Central	32%	36%
Combination	1	2
Metropolitan	11	7
North	26	24
South	31	32
Population		
Fewer than 501	48%	43%
501 – 1,000	20	24
1,001 – 2500	17	19
2501 – 5000	9	8
5001 – 7500	4	3
7501 – 10,000	3	4
Population Growth From 1997 to 1998		
Yes	48%	48%
No	52	52

NOTE: Geographic region is based on the state's economic development regions. The combination category includes cities whose boundaries include counties in two or more regions. Statewide figures for population growth are based on our random sample and not the statewide population. Percentages may not total 100 due to rounding.

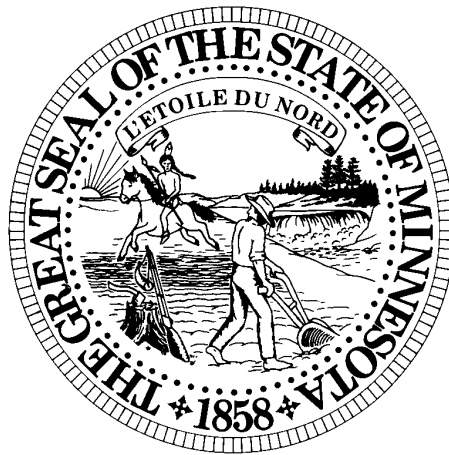
Table A.8: Comparison Between All Towns and Those Represented in the Survey

Region	Statewide	Survey Respondents
Central	32%	33%
Metropolitan	3	5
North	37	32
South	28	30
Population		
Fewer than 501	70%	67%
501 – 1,000	19	18
1,001 – 1500	5	7
More than 1500	6	8

NOTE: Geographic region is based on the state's economic development regions. Estimates of town populations for 1998 were not available so no comparison on population growth could be made. Percentages may not total 100 due to rounding.

Office of the Legislative Auditor

State of Minnesota



Questionnaire on STATE MANDATES

Affix label here

Please return in postage-paid envelope by August 18, 1999.

STATE MANDATES QUESTIONNAIRE

July 1999

Office of the Legislative Auditor Program Evaluation Division

GENERAL INSTRUCTIONS:

Please complete this questionnaire about your county's views regarding state mandates on local government. It is designed to obtain opinions on state mandates in general and to identify specific mandates that help illustrate the concerns of local governments. The first two sections of this questionnaire focus on programs, services, or activities that the state requires local governments to perform, including conditions of receiving aid. The next sections refer to restrictions the state places upon local governments' ability to implement local programs or requirements or to raise revenue. The last two sections cover mechanisms created to deal with state mandates and state-local relationships.

Our study addresses mandates created by the Legislature in laws and by state agencies in rules. Federal requirements and restrictions are included in our study only if the state has adopted provisions that go beyond federal provisions.

Please answer this questionnaire from the perspective of your county, based upon your professional experience. To help ensure that your responses accurately reflect your county's opinions, we encourage you to get the input of county board members, department directors, or others you believe will help reflect your county's viewpoint. Please return only one questionnaire for your county. Because we are posing the same set of questions to county, city, and township administrators, some questions may not apply to your jurisdiction. In these instances, answer by checking "Not Applicable." *Unless otherwise indicated, please provide only one response per question.*

If any of your answers require additional explanation, please provide it in the margins or on another sheet of paper. When finished, sign the questionnaire and **return it in the enclosed postage-paid envelope by August 18, 1999**. Feel free to enclose any additional materials that you think may assist us in our study.

If you have any questions about this questionnaire or our study, please contact Jo Vos, project manager (651/296-1233), or e-mail her at jo.vos@state.mn.us

Signature: _____ Date: _____

Position: _____ Telephone: _____

County: _____ e-mail: _____

Number of permanent staff (in full-time equivalents) employed by your county as of July 1, 1999: _____

FIRST, WE'D LIKE TO GET YOUR OVERALL IMPRESSIONS OF THE *REQUIREMENTS* THAT THE STATE PLACES ON COUNTIES.

We use the word "**requirements**" to refer to state laws or rules that require local government to provide a service, perform a service in a certain way, or meet an outcome or goal, including those resulting from conditions of aid.

1a. Overall, what impact do you think state requirements have on your county's ability to do its job well?

- 1 State requirements make it considerably more difficult.
 2 State requirements make it somewhat more difficult.
 3 State requirements have little or no impact. (*Go to Question 2.*)
 4 State requirements make it somewhat easier. (*Go to Question 2.*)
 5 State requirements make it considerably easier. (*Go to Question 2.*)
 8 Don't know (*Go to Question 2.*)

1b. If state requirements make it more difficult, is it primarily due to specific state requirements or to the cumulative impact of state requirements?

- 1 Specific requirements
 2 Cumulative impact of requirements
 8 Don't know

Questions 2 through 4 focus on **three different types of requirements** that the state might place on local government. The first type requires counties to provide certain programs or services or to meet certain goals or outcomes, but gives them latitude in how to do this. The second type requires counties to provide certain programs or services, but according to specific state standards. The third type requires counties to follow certain procedural or reporting requirements. Please indicate your level of agreement with each of the following statements, considering your county's overall experience with each type of requirement.

2. In general, state laws or rules that require my county to provide certain programs or services or meet certain goals or outcomes, but give us latitude in how to do this, usually:

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Not Applicable
a. allow for sufficient flexibility.	1	2	3	4	5	7
b. lead to financial problems.	1	2	3	4	5	7
c. are adequately supported with state funds.	1	2	3	4	5	7
d. address concerns that are not problems locally.	1	2	3	4	5	7
e. make it difficult to address local priorities.	1	2	3	4	5	7
f. preempt local authority.	1	2	3	4	5	7
g. address problems that might be difficult to address locally because of resistance.	1	2	3	4	5	7

3. In general, state laws or rules that require my county to provide certain programs or services according to *specific state standards* usually:

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Not Applicable
a. allow for sufficient flexibility.	1	2	3	4	5	7
b. lead to financial problems.	1	2	3	4	5	7
c. are adequately supported with state funds.	1	2	3	4	5	7
d. address concerns that are not problems locally.	1	2	3	4	5	7
e. make it difficult to address local priorities.	1	2	3	4	5	7
f. preempt local authority.	1	2	3	4	5	7
g. address problems that might be difficult to address locally because of resistance.	1	2	3	4	5	7

4. In general, state laws or rules that require my county to follow certain procedural or reporting requirements usually:

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Not Applicable
a. allow for sufficient flexibility.	1	2	3	4	5	7
b. lead to financial problems.	1	2	3	4	5	7
c. are adequately supported with state funds.	1	2	3	4	5	7
d. address concerns that are not problems locally.	1	2	3	4	5	7
e. make it difficult to address local priorities.	1	2	3	4	5	7
f. preempt local authority.	1	2	3	4	5	7
g. address problems that might be difficult to address locally because of resistance.	1	2	3	4	5	7

5. Please indicate whether you think it is generally *appropriate* for the state to place requirements on counties in each of the following areas of local government. If your county does not provide services in a particular area, please circle “Not Applicable.”

For this question, “*appropriate*” means that you think the state has a justifiable reason for, or interest in, requiring minimum standards or services in that particular area.

Area of Local Government	State Requirements Are					
	Appropriate if Fully State-Funded	Appropriate if Partially State-Funded	Appropriate with No State Funding	Not Appropriate Regardless of State Funding	Not Applicable	Don't Know
a. General government (personnel, budget, finance, taxation, etc.)	1	2	3	4	7	8
b. Public safety (police, fire, corrections, etc.)	1	2	3	4	7	8
c. Infrastructure (buildings, roads, transportation, sewers, airports, etc.)	1	2	3	4	7	8
d. Environment (wetlands, pollution control, recycling, etc.)	1	2	3	4	7	8
e. Recreation and culture (parks, libraries, etc.)	1	2	3	4	7	8
f. Human services (income maintenance, child protection, etc.)	1	2	3	4	7	8

Question 5, continued ...

Area of Local Government	State Requirements Are					
	Appropriate if Fully State-Funded	Appropriate if Partially State-Funded	Appropriate with No State Funding	Not Appropriate Regardless of State Funding	Not Applicable	Don't Know
g. Health services (vital statistics, immunizations, etc.)	1	2	3	4	7	8
h. Economic development (planning, zoning, tax increment financing, etc.)	1	2	3	4	7	8
i. Other (<i>specify</i>): _____	1	2	3	4	7	8

6. Now, please indicate how *reasonable*, in general, you think state requirements are in the following areas of local government. If your county does not provide services in a particular area, please circle "Not Applicable."

"Reasonable" means that, overall, you think state requirements in the area contain acceptable procedural requirements for providing services or set appropriate standards for the quality of service. **"Unreasonable"** means that, overall, state requirements in the area (a) require inappropriate types or levels of service for your county, (b) are inflexible or restrict local ability to implement cost-effective alternatives, or (c) are antiquated or no longer relevant.

Area of Local Government	Overall, State Requirements in this Area Are					
	Very Reasonable	Reasonable	Unreasonable	Very Unreasonable	Not Applicable	Don't Know
a. General government (personnel, budget, finance, taxation, etc.)	1	2	3	4	7	8
b. Public safety (police, fire, corrections, etc.)	1	2	3	4	7	8
c. Infrastructure (buildings, roads, transportation, sewers, airports, etc.)	1	2	3	4	7	8
d. Environment (wetlands, pollution control, recycling, etc.)	1	2	3	4	7	8
e. Recreation and culture (parks, libraries, etc.)	1	2	3	4	7	8
f. Human services (income maintenance, child protection, etc.)	1	2	3	4	7	8
g. Health services (vital statistics, immunizations, etc.)	1	2	3	4	7	8
h. Economic development (planning, zoning, tax increment financing, etc.)	1	2	3	4	7	8
i. Other (<i>specify</i>): _____	1	2	3	4	7	8

7a. Since January 1994, has your county had to do any of the following specifically to help cover the cost of state requirements?

	Yes	No	Don't Know
a. Increase local taxes	1	2	8
b. Increase fees or other charges	1	2	8
c. Reduce levels of local services	1	2	8
d. Forgo local priorities	1	2	8
e. Other (specify): _____	1	2	8

7b. If yes to any of the above activities, please describe what your county has done.

NEXT, WE'D LIKE TO KNOW ABOUT SPECIFIC STATE REQUIREMENTS THAT CREATE PROBLEMS FOR, OR ARE OBJECTIONABLE TO, YOUR COUNTY.

Question 8 asks you to identify up to three state requirements that create the most problems for, or are the most objectionable to, your county. If state requirements are not a problem for, or are not objectionable to, your county, please skip to Question 24.

8. Please describe up to three state requirements that create the most problems for, or are the most objectionable to, your county, with "a" being of most concern to your county. Be specific in describing the requirement and why it is a problem or is objectionable. If possible, include statutory or administrative rule citations.

a. First requirement:

b. Second requirement:

c. Third requirement:

Now, thinking about the requirement that you identified in Question 8(a), please answer Questions 9 through 13. If you did not identify any requirements in Question 8, go to Question 24.

9. Which of the following statements explains why your county has problems with, or objects to, this particular state requirement? (Check all that apply.)

- a. It preempts local authority.
- b. It makes us do something that we would not otherwise do or would do to a lesser extent.
- c. It is designed in a way that makes it difficult for us to implement.
- d. We could probably meet the goals of the requirement in a less financially or administratively burdensome way.
- e. State funding for the requirement is insufficient to cover its cost.
- f. It does not take into consideration our local circumstances.
- g. It specifies how we must comply rather than setting overall goals for us to meet as we see fit.
- h. Other (*specify*): _____

10. If you checked more than one response in Question 9, please indicate which one of your responses is the *primary* reason your county has problems with, or objects to, this requirement.

11. Did your county offer a similar service or perform a similar activity before it became a state requirement?

- 1 Yes
- 2 No
- 3 Partially
- 7 Not applicable
- 8 Don't know

12. How do you think your county's expenditures on the required activity or service would be affected over the next five years if the state immediately discontinued the requirement?

- 1 Probably increase significantly
- 2 Probably increase somewhat
- 3 Probably stay about the same
- 4 Probably decrease somewhat
- 5 Probably decrease significantly
- 8 Don't know

13. Please describe how your county would likely respond if the state discontinued this particular requirement. (Be specific.)

Thinking about the requirement that you identified in Question 8(b), please answer Questions 14 through 18. If you did not identify a requirement in Question 8(b), go to Question 24.

14. Which of the following statements explains why your county has problems with, or objects to, this particular state requirement? (Check all that apply.)

- a. It preempts local authority.
- b. It makes us to do something that we would not otherwise do or would do to a lesser extent.
- c. It is designed in a way that makes it difficult for us to implement.
- d. We could probably meet the goals of the requirement in a less financially or administratively burdensome way.
- e. State funding for the requirement is insufficient to cover its cost.
- f. It does not take into consideration our local circumstances.
- g. It specifies how we must comply rather than setting overall goals for us to meet as we see fit.
- h. Other (specify): _____

15. If you checked more than one response in Question 14, please indicate which one of your responses is the primary reason your county has problems with, or objects to, this requirement.

16. Did your county offer a similar service or perform a similar activity before it became a state requirement?

- 1 Yes
- 2 No
- 3 Partially
- 7 Not applicable
- 8 Don't know

17. How do you think your county's expenditures on the required activity or service would be affected over the next five years if the state immediately discontinued the requirement?

- 1 Probably increase significantly
- 2 Probably increase somewhat
- 3 Probably stay about the same
- 4 Probably decrease somewhat
- 5 Probably decrease significantly
- 8 Don't know

18. Please describe how your county would likely respond if the state discontinued this particular requirement. (Be specific.)

Thinking about the requirement that you identified in Question 8(c), please answer Questions 19 through 23. If you did not identify a requirement in Question 8(c), go to Question 24.

19. Which of the following statements explains why your county has problems with, or objects to, this particular state requirement? (Check all that apply.)

- a. It preempts local authority.
- b. It makes us do something that we would not otherwise do or would do to a lesser extent.
- c. It is designed in a way that makes it difficult for us to implement.
- d. We could probably meet the goals of the requirement in a less financially or administratively burdensome way.
- e. State funding for the requirement is insufficient to cover its cost.
- f. It does not take into consideration our local circumstances.
- g. It specifies how we must comply rather than setting overall goals for us to meet as we see fit.
- h. Other (specify): _____

20. If you checked more than one response in Question 19, please indicate which one of your responses is the primary reason your county has problems with, or objects to, this requirement.

21. Did your county offer a similar service or perform a similar activity before it became a state requirement?

- 1 Yes
- 2 No
- 3 Partially
- 7 Not applicable
- 8 Don't know

22. How do you think your county's expenditures on the required activity or service would be affected over the next five years if the state immediately discontinued the requirement?

- 1 Probably increase significantly
- 2 Probably increase somewhat
- 3 Probably stay about the same
- 4 Probably decrease somewhat
- 5 Probably decrease significantly
- 8 Don't know

23. Please describe how your county would likely respond if the state discontinued this particular requirement. (Be specific.)

NOW WE'D LIKE TO GET YOUR GENERAL IMPRESSIONS ON THE RESTRICTIONS THAT THE STATE PLACES ON COUNTIES.

We use the word "restrictions" to refer to state laws or rules that prevent a local government from providing a service, adopting local requirements, or raising revenue.

24. Overall, what impact do you think state restrictions have on your county's ability to do its job well?

- 1 State restrictions make it considerably more difficult.
- 2 State restrictions make it somewhat more difficult.
- 3 State restrictions have little or no impact.
- 4 State restrictions make it somewhat easier.
- 5 State restrictions make it considerably easier.
- 7 Not applicable
- 8 Don't know

Questions 25 and 26 focus on two different types of restrictions that the state might place on local government. The first type of restriction limits counties' ability to engage in certain services or activities or to adopt local requirements. The second type limits counties' ability to raise revenue through local taxes, fees, or special assessments. Please indicate your level of agreement with each of the following statements, considering your county's overall experience with each type of restriction.

25. In general, state laws or rules that restrict my county’s ability to engage in certain services or activities or to adopt local requirements usually:

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Not Applicable
a. create administrative problems.	1	2	3	4	5	7
b. lead to financial problems.	1	2	3	4	5	7
c. address concerns that are not problems locally.	1	2	3	4	5	7
d. make it difficult to address local priorities.	1	2	3	4	5	7
e. preempt local authority.	1	2	3	4	5	7
f. set justifiable limits on local government.	1	2	3	4	5	7

26. In general, state laws and rules that restrict my county’s ability to raise revenue through local taxes, fees, or special assessments usually:

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree	Not Applicable
a. create administrative problems.	1	2	3	4	5	7
b. lead to financial problems.	1	2	3	4	5	7
c. address concerns that are not problems locally.	1	2	3	4	5	7
d. make it difficult to address local priorities.	1	2	3	4	5	7
e. preempt local authority.	1	2	3	4	5	7
f. set justifiable limits on local government.	1	2	3	4	5	7

NOW WE’D LIKE TO KNOW ABOUT SPECIFIC STATE RESTRICTIONS THAT CREATE PROBLEMS FOR, OR ARE OBJECTIONABLE TO, YOUR COUNTY.

Question 27 asks you to identify up to three state restrictions that create the most problems for, or are the most objectionable to, your county. If state restrictions are not a problem for, or are not objectionable to, your county, please skip to Question 38.

27. Please describe up to three state restrictions that create the most problems for, or are the most objectionable to, your county, with “a” being of most concern to your county. Be specific in describing the restriction and why it is a problem or is objectionable. If possible, include statutory or administrative rule citations.

a. First restriction: _____

b. Second restriction: _____

c. Third restriction: _____

Now, thinking about the restriction that you identified in Question 27(a), please answer Questions 28 through 30. If you did not identify any restrictions in Question 27, go to Question 38.

28. Which of the following statements explains why your county has problems with, or objects to, this particular restriction? (Check all that apply.)

- a. It preempts local authority.
- b. It hampers our ability to raise funds.
- c. It prevents us from providing certain services or performing certain activities.
- d. It does not take into consideration our local circumstances.
- e. Other (specify): _____

29. If you checked more than one response in Question 28, please indicate which one of your responses is the *primary* reason your county has problems with, or objects to, the restriction.

30. Please describe how your county would likely respond if the state discontinued the restriction. (Be specific.)

Thinking about the restriction that you identified in *Question 27(b)*, please answer Questions 31 through 33. If you did not identify a restriction in *Question 27(b)*, go to *Question 37*.

31. Which of the following statements explains why your county has problems with, or objects to, this particular restriction? (Check all that apply.)

- a. It preempts local authority.
- b. It hampers our ability to raise funds.
- c. It prevents us from providing certain services or performing certain activities.
- d. It does not take into consideration our local circumstances.
- e. Other (*specify*): _____

32. If you checked more than one response in Question 31, please indicate which one of your responses is the *primary* reason your county has problems with, or objects to, the restriction.

33. Please describe how your county would likely respond if the state discontinued the restriction. (Be specific.)

Thinking about the restriction that you identified in *Question 27(c)*, please answer Questions 34 through 36. If you did not identify a restriction in *Question 27(c)*, go to *Question 37*.

34. Which of the following statements explains why your county has problems with, or objects to, this restriction? (Check all that apply.)

- a. It preempts local authority.
- b. It hampers our ability to raise funds.
- c. It prevents us from providing certain services or performing certain activities.
- d. It does not take into consideration our local circumstances.
- e. Other (*specify*): _____

35. If you checked more than one response in Question 34, please indicate which one of your responses is the *primary* reason why your county has problems with, or objects to, the restriction.

36. Please describe how your county would likely respond if the state discontinued the restriction. (Be specific.)

In Questions 8 and 27, you identified up to six state requirements and restrictions that create problems for, or are objectionable to, your county.

37. Please rank the state requirements and restrictions that you identified in Questions 8 and 27 in order of concern for your county, with “1” being of most concern and “6” being of least concern.

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

NEXT, WE’D LIKE TO ASK YOU ABOUT SOME OF THE MECHANISMS MINNESOTA CURRENTLY HAS IN PLACE TO ADDRESS ISSUES REGARDING STATE REQUIREMENTS ON LOCAL GOVERNMENT.

*When the Legislature considers proposed legislation that would place new requirements on local government, legislators may request that **local fiscal impact notes** be prepared. These notes provide cost information about the fiscal impact of the proposed legislation on some local units of government.*

38. Were you aware that the Legislature has created a local fiscal impact note process?

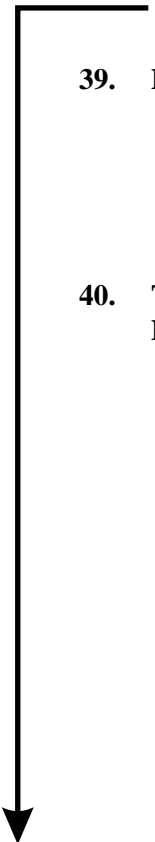
- 1 Yes
- 2 No (*Go to instructions for Question 43a.*)

39. Has your county ever been involved in preparing a local fiscal impact note?

- 1 Yes
- 2 No
- 7 Not applicable
- 8 Don’t know

40. To what extent do you think local fiscal impact notes provide accurate information to the Legislature?

- 1 Information is very accurate.
- 2 Information is somewhat accurate.
- 3 Information is not accurate at all.
- 7 Not applicable
- 8 Don’t know



41. To what extent do you think the Legislature uses the information in local fiscal impact notes when considering a particular state mandate for local governments?

- 1 Uses to a great extent
- 2 Uses somewhat
- 3 Uses not at all
- 7 Not applicable
- 8 Don't know

42. What changes, if any, do you think should be made to the local fiscal impact note process?

The Board of Government Innovation and Cooperation has the authority to provide temporary waivers of administrative rules and procedural laws to local units of government that request them. Individual state agencies can also grant waivers from their administrative rules.

43a. Has your county ever applied to the Board of Government Innovation and Cooperation for a waiver?

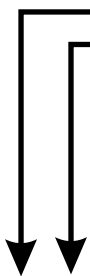
- 1 Yes (Go to Question 44.)
- 2 No
- 8 Don't know (Go to Question 44.)

43b. If no, why not?

44. What changes, if any, should be made to the waiver process through the Board of Government Innovation and Cooperation?

45a. Since January 1994, has your county applied to a state agency for a waiver from a rule?

- 1 Yes
- 2 No (Go to Question 45c.)
- 8 Don't know (Go to Question 46.)



45b. If yes, list the agencies involved and whether the waivers were granted. (Then go to Question 46.)

Agency _____	Waiver Granted?			
	Yes	Partially	No	Don't Know
a. _____	1	2	3	8
b. _____	1	2	3	8
c. _____	1	2	3	8

45c. If you answered no to Question 45(a), please explain why your county has never applied to a state agency for a waiver from a rule.

46. What changes, if any, should be made to state agencies' waiver processes to make them more useful to counties?

FINALLY, WE'D LIKE TO GET YOUR OPINIONS ON COUNTY-STATE RELATIONSHIPS AND RECOMMENDATIONS FOR CHANGE.

47. To what extent do you agree or disagree with the following statements about county-state relationships?

	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
a. The Legislature does a good job seeking input from counties about proposed legislation that would place requirements or restrictions on us.	1	2	3	4	5
b. The Legislature is responsive to local concerns when considering proposed legislation that would place requirements or restrictions on us.	1	2	3	4	5
c. Local government associations do a good job of representing my county's concerns about requirements and restrictions before the Legislature.	1	2	3	4	5
d. State agencies do a good job seeking input from counties about proposed rules that would place requirements or restrictions on us.	1	2	3	4	5

Question 47, continued ...

	<u>Strongly Agree</u>	<u>Agree</u>	<u>No Opinion</u>	<u>Disagree</u>	<u>Strongly Disagree</u>
e. State agencies are responsive to local concerns when considering proposed rules that would place requirements or restrictions on us.	1	2	3	4	5
f. State agencies are generally receptive to requests for waivers from rules.	1	2	3	4	5

48. To what extent do you agree or disagree with the following statements?

	<u>Strongly Agree</u>	<u>Agree</u>	<u>No Opinion</u>	<u>Disagree</u>	<u>Strongly Disagree</u>
a. Counties should continue to meet state requirements even if state funding is insufficient.	1	2	3	4	5
b. Counties should have more flexibility when it comes to meeting state requirements.	1	2	3	4	5
c. In exchange for increased flexibility in meeting state requirements, counties should accept a greater portion of the costs.	1	2	3	4	5
d. A state advisory commission on intergovernmental relations should be created to help address state-local issues.	1	2	3	4	5
e. State requirements and restrictions on counties should be accompanied by a clear statement of the Legislature's rationale for creating them.	1	2	3	4	5
f. State requirements and restrictions are an appropriate means of holding counties accountable.	1	2	3	4	5
g. The Legislature should provide more aid to counties to cover the costs of requirements and restrictions.	1	2	3	4	5
h. The Legislature should relax revenue-raising constraints on counties.	1	2	3	4	5
i. State requirements should focus on outcomes rather than specific programs or procedures.	1	2	3	4	5
j. The Legislature should assume greater responsibility for delivering services or administering programs.	1	2	3	4	5

49. If you have any recommendations for how the Legislature could improve the process of passing or reviewing requirements or restrictions on local government, please list them below.

- 50. If you have any recommendations for how state agencies could improve the process of adopting or reviewing requirements or restrictions on local government, please list them below.

Thank you for completing this questionnaire.
Please return it in the enclosed envelope by August 18, 1999, to:
The Office of the Legislative Auditor
Program Evaluation Division
Centennial Building - 1st Floor South
St. Paul, MN 55155
(651/296-4708)
(FAX: 651/296-4712)

Mandates Identified By Local Government Officials

APPENDIX B

As part of our survey of local government officials, we asked them to identify up to three state requirements and up to three state restrictions that created problems for their jurisdictions or that they found most objectionable. This appendix lists the mandates identified by local officials broken down by eight areas of government activity. Because some officials did not distinguish between requirements and restrictions, some questionnaires listed more than three requirements or restrictions. The descriptions are taken from the local officials' comments and may not reflect current state law or agency rules. In some instances, mandates could be classified in more than one subject area. In these cases, we assigned the mandates to the areas most descriptive of local officials' concerns. In addition, some of the mandates identified were too broad to warrant a description. The intent of this list is to provide information about objectionable mandates as they are perceived and understood by local government officials.

	Number of Officials Responding:			
	County N=64	City N=262	Town N=122	Total N=448
General Government				
Levy Limits Statutory restrictions limit property tax levies for counties and cities over 2,500 residents.	46	61	0	107
Truth-in-Taxation State law requires local governments to provide pre-notification of property tax changes, including parcel-specific notices, newspaper advertisements, and public hearings.	19	39	0	58
State Sales Tax Local governments are required to pay the state sales tax on most purchases of goods and services.	7	41	5	53
Pay Equity Local governments must conduct job evaluation studies, report on implementation, and meet equitable compensation standards.	6	38	0	44
Reporting Requirements State law or rules often require detailed and comprehensive reports of local government activities.	4	20	6	30
Annual Audit Local governments must use the State Auditor's Office to conduct an annual financial audit that must be published in a local newspaper.	5	14	1	20
State Financial Aid The state provides various aids to local government.	2	12	1	15

	Number of Officials Responding:			
	County N=64	City N=262	Town N=122	Total N=448
Competitive Bidding The state's uniform contracting law contains regulations regarding the advertising and bidding of local government contracts.	1	12	0	13
Data Practices The Minnesota Government Data Practices Act considers most government data to be public and requires local governments to provide access to this information.	5	5	0	10
Public Employment Labor Relations Act State law prescribes approaches to negotiations and dispute resolution between public employees and employers, including binding arbitration for some public safety employees.	2	8	0	10
Property Tax Valuations State law prescribes many aspects of the state's property tax system, including assessments on recreational properties and a requirement that local governments adjust valuations to meet statewide averages.	5	2	2	9
Veterans Preference Local governments must give veterans preferential treatment for hiring, protection from discharge, and full paid leave while challenging discharge or disciplinary action.	0	9	0	9
Limits on Enacting Local Taxes State law either restricts the use of local sales and income taxes or requires legislative approval before enactment.	1	7	0	8
Limits on Local Special Assessments The state regulates the use and collection of special assessments and requires specific procedures for notices, hearings, and the apportionment of costs related to allowable assessments.	0	8	0	8
Property Tax Levy Process Statutes govern the procedures and schedules for determining property tax levies including provisions for public hearings and referenda.	1	5	0	6
Limits on Enacting Local License Fees State law often restricts the use of local license fees or sets a maximum fee that local governments can charge.	1	5	0	6
Prevailing Wages Paid on Public Contracts Local governments must pay prevailing wages on government contracts.	2	4	0	6
Conducting Elections State requirements determine when and how local governments conduct elections.	0	1	4	5
Human Resource Requirements Statutes govern local government procedures in human resources, including employee discipline, testing procedures, training, and workers compensation.	1	5	0	6
Tax Forfeited Property State requirements govern the sale of tax-forfeited land when the property borders certain categories of land or bodies of water.	5	0	0	5
Limits on the Use of Certain Funds State law sometimes restricts the use of funds collected through special programs, such as charitable gaming.	0	4	0	4

	Number of Officials Responding:			
	County <u>N=64</u>	City <u>N=262</u>	Town <u>N=122</u>	Total <u>N=448</u>
<p>Limitation on the Use of Local Impact Fees State law restricts the ability of local governments to impose local impact fees on some aspects of new development.</p>	0	4	0	4
<p>Open Meeting Law Local governments are required to open most of their meetings to the public and must adhere to state requirements for meeting notices, agendas, and minutes.</p>	1	2	1	4
<p>Use of Amortization Procedures Recent legislation restricts local government use of amortization procedures as applied to businesses, including restrictions on applying amortization to billboards.</p>	0	3	0	3
<p>Summary Budget Procedures and Reporting The state requires that local governments follow specific procedures and guidelines for enacting a budget, setting levies, holding public meetings, and producing a summary budget report.</p>	1	2	0	3
<p>Unfunded Mandates State aid is often not tied directly to mandated programs or does not cover the entire cost of providing mandated services.</p>	1	2	0	3
<p>Fiscal Disparities Law The Fiscal Disparities Act requires participation in a revenue sharing pool based, in part, on the local property tax base.</p>	2	0	0	2
<p>Government Organization State requirements govern the organization of county government.</p>	2	0	0	2
<p>Local Improvement Requirements State requirements govern the content of feasibility studies of local improvements and require specific notification and publication procedures before a local government can contract for local improvement.</p>	1	1	0	2
<p>Referendum for General Obligation Debt State law requires that local governments receive approval through a referendum before issuing general obligation bonds.</p>	0	2	0	2
<p>Revenue Regulations The state places requirements or restrictions on local government use of mechanisms for raising revenue.</p>	1	1	0	2
<p>Tax Exempt Properties Some properties are defined by state law as exempt from property taxes.</p>	0	2	0	2
<p>Providing Corrections Services to Native American Bands Counties are required to furnish and pay for the prosecution and incarceration of individuals arrested by tribal authorities.</p>	2	0	0	2
<p>Budget Limits State requirements govern the development and size of local government budgets.</p>	0	1	0	1
<p>Charitable Gambling Restrictions State law restricts the participation of local governments in charitable gambling programs.</p>	0	1	0	1

	Number of Officials Responding:			
	County <u>N=64</u>	City <u>N=262</u>	Town <u>N=122</u>	Total <u>N=448</u>
Compliance Deadlines State programs often include specific dates by which local governments must comply with new regulations or program requirements.	0	1	0	1
Control of County-Owned Resources State law, in some instances, restricts the use of property owned or controlled by local governments.	1	0	0	1
Electronic Filing of Reports State agencies require some mandatory reports to be filed electronically rather than by hand.	0	1	0	1
Eligibility for Redevelopment Funds State guidelines govern eligibility of projects for redevelopment grants.	0	1	0	1
State Agency Rules Local governments are required to adhere to rules promulgated by state agencies.	1	0	0	1
State Aid Formulas Funding increases received through changes in a state aid formula are sometimes accompanied by reductions in discretionary aid.	1	0	0	1
Lack of Implied Authority to Act Counties lack the implied authority to act.	1	0	0	1
Investment Restrictions State regulations govern the investment of local governments' excess funds.	0	1	0	1
Joint Powers Appointments State guidelines regulate appointments to governing committees created by joint powers agreements.	0	1	0	1
Limits on the Enactment of User Fees State law restricts the ability of local governments to enact or set the level of local user fees.	0	1	0	1
New Employee Reporting Local governments are required to periodically report on personnel additions.	0	0	1	1
Minnesota Occupational Health and Safety Act Local governments are required to adhere to and enforce work place safety regulations.	0	1	0	1
Public Pensions State law mandates that local governments participate in the state Public Employee Retirement Association and specifies employer contribution rates.	0	1	0	1
Personnel Training Requirements State law requires that local governments incur the costs of continuing education for many government employees.	0	1	0	1
Conducting Primary Elections State law requires local governments to conduct primary elections even if no local elections are on the ballot.	0	1	0	1
Requirements for Government Purchases of Property State law requires cities to pay the full assessed value and relocations costs when purchasing property.	0	1	0	1

	Number of Officials Responding:			
	County N=64	City N=262	Town N=122	Total N=448
Computer Requirements Cities receiving municipal state aid must purchase and use Department of Transportation specified computer hardware and software.	1	0	0	1
Unemployment Compensation Local governments are required to adhere to the same unemployment compensation program rules required of private employers.	0	1	0	1
Public Safety				
Peace Officer Standards and Training Board Local governments' public safety personnel must complete certain preservice and continuing in-service training to maintain licenses.	0	7	0	7
Correctional Facility Standards The state sets standards for the building, maintenance, and staffing of correctional facilities.	6	0	0	6
Mandatory Criminal Penalties State guidelines mandate sentences and jail time for certain offenders.	6	0	0	6
Fire Fighter Training Local governments are responsible for the continuing education of fire personnel.	0	3	1	4
Part-Time Peace Officers State regulations govern the use and training of part-time police officers.	0	4	0	4
State Correctional System The state sets program requirements in the areas of courts, probation, prisoner transportation, and correctional facilities.	3	0	0	3
Detoxification Centers Local government facilities for temporarily holding persons who have been arrested must meet state standards for building and maintenance.	3	0	0	3
Extended Juvenile Jurisdiction Counties are required to implement cases involving the use of extended juvenile jurisdiction that often requires extended out-of-home placement.	3	0	0	3
Police Services Local governments are responsible for costs incurred in providing or contracting for police services.	0	2	1	3
Tobacco Compliance Programs Local governments must develop, implement, and report on tobacco compliance efforts. State law limits license fees used to fund the program.	2	1	0	3
Corrections Employee Pension Plans State law requires that counties pay higher Public Employee Retirement Association benefits to corrections workers and allow the workers to retire at a younger age.	2	0	0	2
Emergency Medical Services on State Highways State reimbursement for public safety services on state highways is limited and may not fully cover local governments' costs.	0	2	0	2
Emergency Medical Technician Training Requirements State requirements govern the preservice and continuing education for emergency medical technicians.	0	2	0	2

	Number of Officials Responding:			
	County N=64	City N=262	Town N=122	Total N=448
Medical Assistance Applications for Inmates State regulations govern the procedures for taking applications from inmates for medical assistance.	2	0	0	2
Emergency 911 Service State law requires local governments to provide emergency 911 services according to certain minimum standards. The state provides only partial funding for the service.	1	0	0	1
Adult and Juvenile Pre-Trial Diversion Programs County attorney offices administer adult and juvenile pre-trial diversion programs according to state guidelines.	1	0	0	1
Animal Control Regulations State regulations set standards for facilities used for animal control, procedures for apprehending animals, and minimum holding periods.	0	1	0	1
Prosecution of DUI Cases Sentencing laws and guidelines increased local government responsibility for prosecuting DUI offenders.	0	1	0	1
Community Corrections Funds State regulations govern the use of money allocated for caseload reduction in the area of community corrections.	1	0	0	1
Availability of Court Interpreters State law requires using certified court interpreters.	1	0	0	1
Emergency Vehicle Regulations Emergency vehicles must meet standards determined by the state.	1	0	0	1
Fire Pit Restrictions State regulations govern the use of fire pits in residential areas.	0	0	1	1
Lifeguard Requirements State requirements govern the age of lifeguards, staffing of public beaches, and training.	0	1	0	1
Ambulance Staffing Requirements The Emergency Medical Services Board governs staffing and equipment of ambulances.	0	1	0	1
Use of Seat Belt Fines Funds collected through seat belt violations currently go to state safety programs and not local governments.	0	1	0	1
Speed Limit Requirements State regulations establish speed limits on certain classes of roads.	0	1	0	1
Elimination of Traffic Citation Quotas Local governments are restricted from establishing traffic citation quota for peace officers.	0	1	0	1
Infrastructure				
Bleacher Safety Regulations State law sets safety requirements for bleachers and local governments must certify that bleachers comply with safety regulations.	0	13	0	13

	Number of Officials Responding:			
	County <u>N=64</u>	City <u>N=262</u>	Town <u>N=122</u>	Total <u>N=448</u>
<p>City Sewer and Water Service Local governments are responsible for providing water and sewer services to residents according to state guidelines.</p>	0	5	3	8
<p>Road Construction and Maintenance Local governments are responsible for road construction and maintenance that meet state engineering and safety regulations.</p>	3	2	3	8
<p>State Building Code Local governments in the seven county metropolitan area must adopt and enforce the state’s building code. Remaining jurisdictions that want a building code must adopt the state’s code.</p>	0	4	1	5
<p>Minnesota State Aid Roads Local governments must comply with state standards to receive reimbursement for constructing and maintaining certain roads.</p>	0	5	0	5
<p>Handicap Accessibility Local governments must meet federal and state requirements for handicap accessibility in public buildings.</p>	0	2	1	3
<p>Road Signs Local governments are required to light or mark roads when deemed necessary for the safety and convenience of public travel.</p>	0	1	2	3
<p>Bridge Replacement As the road authority, local governments are responsible for building and maintaining bridges according to state engineering standards.</p>	0	0	2	2
<p>Drainage Issues State regulations govern the construction and maintenance of drainage systems on local roads and property.</p>	1	0	1	2
<p>Metropolitan Council Policies Local governments in the seven county metropolitan area must comply with Metropolitan Council policies.</p>	0	2	0	2
<p>Holding Ponds Regulations New developments are required to meet state standards for the size, placement, and construction of holding ponds for storm water run-off.</p>	0	2	0	2
<p>Engineering Requirements for Infrastructure State regulations set engineering standards for most infrastructure projects undertaken by local governments.</p>	0	1	0	1
<p>Public Works Employee Training Requirements State law requires that local governments provide continuing training for public works employees.</p>	0	1	0	1
<p>Inability to Charge Rent on Right of Ways Local governments are restricted from charging rent on the private use of a public right of way by a for-profit entity.</p>	0	1	0	1
<p>Restrictions on Sources of Road Funding Cities under 5,000 population are restricted from using county municipal accounts and the 5 percent account of the highway user distribution fund.</p>	0	1	0	1
<p>Weight Limits on Roads The Minnesota Department of Transportation imposes weight limits on township roads during spring.</p>	0	0	1	1

	Number of Officials Responding:			
	County N=64	City N=262	Town N=122	Total N=448
Tree Removal in Right of Way Local governments are responsible for removing trees that interfere with the maintenance and safety of roads and must follow prescribed procedures when removing trees.	0	0	1	1
Environment				
Wastewater Treatment Standards Local governments must meet treatment and reporting requirements mandated by the Minnesota Pollution Control Agency.	1	18	1	20
Shoreland Management Act The Department of Natural Resources requires and approves local government reporting on shoreland management ordinances and monitors ongoing land use on or near shorelands.	2	7	0	9
Wetland Regulations Local units of government must adhere to and implement the Wetlands Conservation Act.	4	3	2	9
Minnesota Pollution Control Agency Reporting Requirements	1	4	1	6
Individual Sewage Treatment Systems Act State law sets requirements for minimum treatment standards, new construction and replacement of septic systems, and requires the licensing of all sewage treatment businesses.	2	2	1	5
Solid Waste Management State law specifies the existence and parameters of local recycling programs and waste collection procedures.	3	1	1	5
Minnesota Pollution Control Agency Regulations	2	2	0	4
Department of Natural Resources Regulations	2	1	0	3
Animal Feedlot Regulations	1	0	1	2
Landfill Regulations State regulations mandate most aspects of the construction and operation of sanitary landfills.	0	1	1	2
Environmental Assessment Worksheets Local governments, in certain situations, are required to conduct environmental impact studies or environmental assessment worksheets.	0	1	0	1
Flood Plain Zoning The Department of Natural Resources requires and approves local government ordinances regarding flood plain management.	0	1	0	1
Ground Water Use Local units of government are required to participate in the development and costs of a comprehensive water management plan.	0	1	0	1
Lake Quality Requirements Local governments are required to maintain water quality standards.	0	1	0	1
River Corridor Development Plans State agency regulations govern planning for and development in and along river corridors.	0	1	0	1

	Number of Officials Responding:			
	County N=64	City N=262	Town N=122	Total N=448
Recycling State law specifies the existence and parameters of recycling programs and restricts the use of taxes collected to fund the programs.	1	1	0	2

Recreation and Culture

Regional Library Funding The state requires that, once a local government participates in funding a regional library, the local government may not reduce its minimum contribution.	0	1	0	1
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Human Services

Out-of-Home Placements Counties are required to finance out-of-home placements, even when ordered by state courts.	22	0	0	22
Mental Health Services Counties are required to provide day training and habilitation services for people age 21 years or older who qualify for services.	8	0	0	8
Community Social Services Act Requirements Every two years counties are required to establish and implement a community social service plan according to state guidelines.	6	0	0	6
Human Service Requirements The state sets forth detailed processes for providing services to vulnerable populations.	6	0	0	6
Child Support Service Fees The state restricts a county's ability to charge fees for child support services to clients not on public assistance.	4	0	0	4
Group Homes State law regulates the siting of group homes and restricts a city's ability to adjust zoning regulations.	0	3	0	3
Vulnerable Adults Act The state requires counties to take adult maltreatment reports within 24 hours and to intervene, investigate, and ensure the adults' safety	3	0	0	3
Use of Administrative Law Judges for Child Support Decisions A recent court ruling has placed restrictions on the use of administrative law judges in deciding child support cases.	1	0	0	1
Child Protection Planning Counties are responsible for all services related to concurrent planning for child protection.	1	0	0	1
Day Care Payments Counties are required to pay day care providers directly rather than having clients pay for childcare services.	1	0	0	1
Domestic Abuse Assessments Counties are required to assess maltreatment cases when domestic abuse is a factor.	1	0	0	1

	Number of Officials Responding:			
	County N=64	City N=262	Town N=122	Total N=448
Foster Care Placements State law regulates eligibility of foster families and restricts the ability of relatives to serve as foster parents.	1	0	0	1
Guardian Ad Litem Program Certain family law cases cannot be heard until guardian ad litem services are provided.	1	0	0	1
HUD Houses and Payment In Lieu of Taxes Structures involved in HUD housing programs are removed from property tax roles and the state and federal governments regulate reimbursement through the payment program.	1	0	0	1
Income Maintenance Programs The State Auditor's Office and state agencies require counties to undertake a variety of case tracking and reporting activities related to income maintenance programs.	1	0	0	1
Pre-Paid Medical Assistance Program State law governs the implementation of county-based pre-paid medical assistance programs and restricts a county's ability to negotiate directly with service providers.	2	0	0	2
Welfare Reform Requirements	1	0	0	1

Health Services

Drinking Water Standards State regulation of drinking water requires testing and reporting to assure adherence to state standards.	1	22	0	23
Alternative Care Premiums Counties are responsible for billing and collecting premiums from clients in alternative care assistance programs.	1	0	0	1
Cost of Care State fee schedules included in cost-of-care statutes apply to county placements of emotionally disturbed children in addition to medical assistance programs.	1	0	0	1
Medical Assistance Waivers Separate program regulations and fee schedules regulate each medical assistance waiver designed to promote care outside of a institutional setting.	1	0	0	1
Public Health Nursing State regulations govern the qualifications, in-service training, and staffing of public nurse programs.	1	0	0	1
Uncompensated Care County-owned health care facilities pay for the care of both county and non-county residents who are incapable of paying for care.	1	0	0	1

Economic Development

Tax Increment Financing Reports Comprehensive, detailed annual reports of each tax increment finance district are required and must be provided to county boards, county auditors, school boards, and the State Auditor's Office.	0	32	0	32
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	Number of Officials Responding:			
	County N=64	City N=262	Town N=122	Total N=448
Tax Increment Financing Regulations State law regulates the use of tax increment finance districts to certain types of development.	4	22	0	26
Annexation procedures State laws govern the process by which cities can annex parcels of land and specifies what types of land qualify for annexation.	0	7	3	10
Land Use Plans The state requires cities in the seven-county metropolitan area to have a comprehensive land use plan that must be updated periodically.	1	9	0	10
Zoning Standards The state limits local zoning decisions for manufactured homes, group homes, and other developments.	1	5	2	8
Business Subsidy Restrictions State law requires local governments to establish plans for giving assistance to businesses, requires public hearings, and limits the type of subsidies local governments can offer.	0	3	0	3
City Created Non-Profits Corporations Cities cannot establish non-profit corporations.	0	2	0	2
Livable Communities Act Cities must comply with the Livable Community Act in order to qualify for select state funds.	0	2	0	2
Development Decision Process State law requires that development decisions be made within sixty days.	0	1	0	1
Industrial Development Revenue Bonds Industrial development revenue bonds are restricted to manufacturing uses only.	0	1	0	1

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January 7, 2000

James Nobles, Legislative Auditor
Roger Brooks, Deputy Legislative Auditor
Office of the Legislative Auditor
658 Cedar Street, Room 140
St. Paul, MN 55155-1603

Dear Mr. Nobles:

As members of the Best Practices Local Government Advisory Council, we appreciate the opportunity to comment on your State Mandates on Local Government evaluation report. We recognize the significant challenge you faced in addressing a topic of such breadth and impact, and commend you on the efforts you have made to respond to the Legislative Audit Commission. Your recommendation for collaboration between state and local officials to improve and clarify the relationship between state and local government is sound, and the importance of this issue to millions of taxpayers and service recipients should be apparent.

We believe there is little public support for unfunded mandates, in particular, and that accountability to taxpayers is undermined by this lack of clarity. The Legislature's efforts to ensure public awareness of local government taxation, such as through Truth-in-Tax requirements, becomes misleading when the responsibility for expense creation is not aligned with the responsibility for raising the corresponding revenue.

Coping with state mandates is one of the greatest challenges facing local government in Minnesota, **and our hope is that this report will set the stage for an immediate review of the appropriate relationship between state and local government in our state.** The need for a complete and critical analysis of this issue has never been more important.

While we understand the limited nature of your analysis, we believe there are key aspects of the mandate issue which are not apparent from the report:

1. While there is no single solution to mandate problems, **many other states have addressed mandate issues and considered or undertaken a wide variety of solutions** – including optional compliance mechanisms, reimbursement requirements, cost-sharing, and sunset/cyclical reviews of mandates. In the words of a prominent national mandate expert, “there is much room for a new Minnesota approach to mandate reform.” We believe there are opportunities to improve how mandates are adopted and financed, perhaps by focusing on the outcome-based initiatives strongly advocated by local governments. We have faith that our Legislators and local elected officials together could establish a clear vision for an appropriate working and financing relationship between state and local governments.
2. **The financial burden of state-assigned programs is a major factor in local property taxes, and a serious examination of this impact is necessary to fully understand the importance of the mandate issue.** The financial burden is particularly significant for counties in Minnesota. Not only does our state rely on a county delivery system for human services and criminal justice, but counties in Minnesota are far more reliant on property taxes than are counties in most other states. In a previous report (#98-01, p. 16), the Legislative Auditor confirms that “Minnesota’s social services system is funded with local property taxes more than most states’ systems.” The intergovernmental fiscal impacts of these services should be quantified and should guide any future legislation which affects either the revenues or expenses of local governments.

3. The report calls for local officials to make greater use of the tools currently available to address mandate concerns, but there are serious shortcomings to this approach. **Most of the existing mechanisms to address mandate concerns occur after, not before, the creation of mandates, and are at the control of the Legislature, not local government.** We believe that process improvement theory suggests that it is far more productive to address the “front end” of the mandate creation process – to alter how mandates are written into law – than it is to attempt to alter or improve them once in statute. We believe that local governments would be eager to work with the Legislature to consider how the techniques of process improvement could be applied to the design of state-local responsibilities in statute.

Even those mechanisms which already exist warrant attention. We suggest strengthening the fiscal note process as an example, by giving greater priority to the production of fiscal notes by the state Finance Department, and expanding the authority to request fiscal notes beyond the few legislators that currently have the authority to do so.

We appreciate the efforts made in this report, and together we must not lose the opportunity opened by your analysis to address one of the most significant challenges facing local government. We hope your work serves as a catalyst to further strengthen the working relationships between state and local government in Minnesota.

Sincerely,

/s/Charles W. Meyer

Charles W. Meyer, Chair
Best Practices Local Government Advisory Council

Cc Members of Best Practices Local Government Advisory Council

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Steve Schug
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