



Southwest Regional Development Commission

Legislative Priority Issue #3 2010 Legislative Session

Aid to Local Governments

Background

The Southwest Regional Development Commission (SRDC) is a nine-county Regional Development Commission as established under Minnesota Statute §462.381-462.398 the “Regional Development Act.” As a representative of local units of government in Cottonwood, Jackson, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood and Rock counties, the SRDC represents an area with vast potential wind energy resources and also contains a large amount of installed wind generation. The SRDC provides staff services to the Rural Minnesota Energy Board, a seventeen county joint powers located in southwest and south-central Minnesota. The Energy Board’s purpose is to promote renewable energy production and help to eliminate barriers to renewable energy development.

Priority Aid to Local Government Issues

1. Local Government Aid

Explanation: Local Government Aid, (LGA) was established as a method of providing fairness in property taxation across the state. Cities pay for services through a combination of property tax revenues and state LGA payments. LGA is distributed to cities based on a formula that identifies a city’s need versus it’s ability to raise sufficient revenues. Without LGA, disparities between metropolitan cities and rural cities are intensified. Currently, rural property taxpayers pay an average of 10% higher tax rate than metro tax payers. This disparity grows significantly when LGA is cut. There are eighty-one (81) rural cities within the Region ranging from Marshall at the largest to Kinbrae at the smallest. Each city must provide needed services such as snow removal, street maintenance, and clean water to its citizens regardless of the size of the community and the tax base. LGA helps to assist these rural communities to provide these needed services without placing an unbearable tax load on the local citizens. In total, the LGA program comprises only 2.8% of the state’s general fund. This percentage has steadily declined in recent years. In response to diminishing LGA funding, cities have cut their workforce (including public safety employees), reduced hours of operation for services such as libraries and parks, and postponed projects, among other actions.

Policy Position: The SRDC supports the efforts of the Coalition of Greater Minnesota Cities to maintain Local Government Aid levels so that rural communities throughout the state can continue to provide needed services as well as jobs in the community.

2. State Aids to Counties

Explanation: The SRDC supports the following positions of the Association of Minnesota Counties (AMC) in regards to state aids and local government taxation:

- SRDC supports alternative and locally flexible county revenue sources to reduce the reliance on the property tax for funding county and state mandated services; for example, full transfer of the deed tax and authorization of local county option sales tax authority.
- SRDC supports the exemption of local government purchases from state and local sales and use taxes.
- SRDC supports the principle that individual local governments are best able to determine the appropriate taxing and spending levels for each of their communities. Property taxes are created to finance local government programs and services. The use of the property tax to finance locally determined and delivered services should be considered the exclusive domain of local government. SRDC opposes efforts to fund state entities and programs through the county property tax mechanisms.
- SRDC supports increasing funding for county aid programs to assist the county role in the delivery of increasing state mandated services.
- SRDC supports the reinstatement of family preservation aid.
- SRDC supports automatically adjusting county program aid for inflation similar to the former HACA program.

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