BLEEDING COMMUNITIES DRY
HOW LGA CUTS ARE HURTING RURAL MINNESOTA

Jeff Van Wychen
Minnesota 2020 Fellow
March 2009
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary &amp; Key Findings</td>
<td>1</td>
</tr>
<tr>
<td>Background: History of State Aid to Cities</td>
<td>4</td>
</tr>
<tr>
<td>Declining State Assistance Since 2002</td>
<td>6</td>
</tr>
<tr>
<td>Surveying Greater Minnesota Mayors</td>
<td>9</td>
</tr>
<tr>
<td>Open-Ended Responses from Mayors</td>
<td>14</td>
</tr>
<tr>
<td>Conclusion: Front Row Seat to a Fiscal Train Wreck</td>
<td>16</td>
</tr>
</tbody>
</table>
Executive Summary & Key Findings

No group of Minnesotans are more qualified to comment on the challenges of delivering public services during a period of diminishing resources than our state’s city mayors. Minnesota 2020, in partnership with the Coalition of Greater Minnesota Cities, and Macalester College, surveyed 43 greater Minnesota mayors about the critical issues facing Minnesota cities.

As a result of large reductions in state aid, Minnesota cities have been compelled to increase property taxes at the same time that they must cut essential services. From 2002 to 2008, real (i.e., inflation adjusted) per capita state aid to Minnesota cities declined by 47 percent. Because of their relatively low per capita tax base, greater Minnesota cities are more dependent on state aid than cities in general.

The Minnesota 2020 mayors’ survey highlights the harm done to greater Minnesota cities from past aid cuts and the damage of future aid cuts from the perspective of the greater Minnesota mayors. The responses, which clearly show the strain many of the cities are under to provide critical services with less and less, do not include the impact of the $66 million cut to city local government aid (LGA) and market value homestead credits in December 2008 resulting from the Governor’s unallotments. Those cuts occurred after the survey was conducted.

Ongoing State Cuts are “Devastating” to Minnesota Cities

• Given that the state of Minnesota greatly restricts the abilities of cities to generate revenue from local tax bases, it is not surprising to learn that 81.4 percent of the mayors surveyed agreed that the state has an obligation to assist in funding city services.
In light of the fact that real per capita city LGA has been cut nearly in half over the last six years, 69.8 percent of mayors felt that the state was not providing enough aid to their city, while 74.4 percent felt that the state does not provide enough assistance to cities in general.

Given that state aids and credits comprise nearly 43 percent of the revenue base (i.e., property tax levies plus state aid) of greater Minnesota cities, it is not surprising that 74.4 percent of mayors felt that the elimination of LGA would be “devastating.” Of the remaining 25.6 percent, a large majority felt that LGA elimination would be bad but manageable.

If LGA were eliminated, 79.1 percent of the mayors surveyed said their cities would increase property taxes or cut services or both.

More than 90 percent of the mayors indicated that the large state aid cuts enacted in 2003 caused increases in property taxes or cuts in city services or both.

Large majorities of the mayors surveyed indicated that LGA cuts hurt economic development (79.1 percent) and the quality of life (90.7 percent) in their cities.

In the absence of adequate revenues, most mayors (72.1 percent) indicated that they would cut parks, recreation, and libraries. Nearly half (48.8 percent) indicated that they would cut public safety.

At the insistence of Governor Pawlenty, new restrictions on the ability of cities and counties to raise property taxes—referred to as “levy limits”—were enacted in 2008. Over three-quarters (76.7 percent) of the mayors who responded to the survey agree with the non-partisan House Research Department that levy limits are not effective in holding down property taxes over the long term.

**Balancing the Budget on the Backs of Minnesota Communities**

Since 2002, state leaders have solved a disproportionate share of state budget problems on the backs of cities and local property taxpayers through state aid cuts. Furthermore, some state leaders—most notably Governor Pawlenty—chide local governments for a lack of frugality, despite the fact the cities and other local governments have reduced their budgets more than state government. Within this context, it’s not surprising to learn that 55.8 percent of the mayors feel that state leaders do not value the state-local partnership, while 83.7 percent believe that state leaders do not understand the needs of cities.

The plight of Minnesota local governments has been well documented by Minnesota 2020 and others, as they are compelled to increase property taxes at the same time that funding for services and infrastructure is cut. However, it is one thing to look at this ongoing fiscal travesty by the numbers; it is quite another to hear about it directly from greater Minnesota mayors who have to manage the budgets of their cities under these circumstances.

As one mayor put it, “We do a good job and I find it unfortunate that some state leaders point the finger at us for property tax increases without acknowledging their own role in that problem by cutting aid or increasing mandates.”

This mayor has aptly described the crisis of accountability that has gripped the state-local fiscal relationship. The most frugal levels of government are vilified as big spenders, while the Governor—who manages the level of government with the most rapid rate of revenue growth—postures as the champion of “no new taxes.”
Pay More and Get Less
As the majority of mayors surveyed noted, when state dollars for property tax relief are slashed, property taxes will increase or funding for public services and infrastructure will be cut. In fact, frequently both happen simultaneously.

This situation is not unique to greater Minnesota cities. It is not difficult to find metropolitan cities that are in the same boat. Nor is the situation restricted to cities. Counties and school districts have also been compelled to increase property taxes while simultaneously cutting budgets.

Thanks to unsustainable tax cuts and a collapsing national economy, Minnesota is once again on the precipice of a deep fiscal chasm. If the state responds in the same way as it did six years ago, we can expect the same results: higher local property taxes and fewer public services and investments. In short, pay more and get less.

A Balanced Approach Is Needed
No one should be so naïve as to think that the state will be able to resolve the massive $6.4 billion deficit (projected structural deficit for FY 2010-11 including the impact of inflation, not counting one-time federal recovery dollars) without some cuts in aid to local governments. However, based on the mayors’ responses, Minnesota 2020 recommends a balanced approach to the crisis.

A balanced approach will not require local governments to make far deeper budget cuts than state government. A balanced approach will not shift a greater percentage of the tax burden on to those Minnesotans with the least ability to pay through increases in regressive property taxes, while avoiding at all costs increases in progressive income taxes. Finally, a balanced approach rejects politically expedient dogma that automatically precludes the option of increasing state revenue.
**Background: History of State Aid to Cities**

Most of the revenue used to fund the ongoing operating expenses of Minnesota cities come from two sources: property taxes and state aid. However, this was not always the case.

Prior to 1972, cities were largely dependent on property taxes, with only limited reliance on general purpose state aid. However, in response to a rising public outcry over increasing property taxes, the state enacted an array of programs that became known collectively as the “Minnesota Miracle.” These programs reduced property taxes across the state largely by providing dollars to local governments in the form of state aids and credits.

An important component of the Minnesota Miracle was the city local government aid (LGA) program. In the first year of the LGA program, aid was provided not just to cities, but to counties, towns, and special taxing districts. However, LGA for jurisdictions other than cities was gradually supplanted with other aid programs or eliminated as part of broader property tax reforms. Since 2002, cities have been the only level of government in Minnesota that receives LGA. (Counties and townships continue to receive aid from the state, but this aid does not come through the LGA program.)

In exchange for receiving LGA, cities were largely precluded from generating revenue from major taxes other than the property tax. (A small number of cities are allowed to levy a sales tax, but these local sales taxes are generally for limited purposes and duration and at rates far below the state sales tax rate.) In this way, property taxes and state aid became the two major sources of general purpose city revenue.

---

**City LGA and Total City Aid in Nominal Dollars: 1972 to 2008**

- **Other City Aids**: disparity reduction aid, equalization aid, homestead and agricultural credit aid, local performance aid, and the city share of the market value homestead credit.

Through the years, other programs have supplemented city LGA as sources of state assistance to cities. These programs include disparity reduction aid (1989-1993), equalization aid (1990-1993), city homestead and agricultural credit aid (1990-2001), local performance aid (1997-1999), and market value homestead credit.
payments (2002-present).1 The graph on the previous page shows city LGA and total city aid in nominal dollars (not adjusted for inflation) since the inception of the LGA program in 1972 through 2008.

State aid to Minnesota cities certainly increased in nominal dollars from 1972 to 2002, but has diminished since then. However, the purchasing power of state aid dollars erodes over time due to the effects of inflation. In addition, the need for city revenue increases as cities grow. The following graph shows per capita state aid to cities after adjusting for population growth and inflation in the cost of local government services.

City LGA and Total City Aid in Constant 2008 Dollars Per Capita: 1972 to 2008

Inflation adjustment based on implicit price deflator for state & local govt purchases

*Other city aids include disparity reduction aid, equalization aid, homestead and agricultural credit aid, local performance aid, and the city share of the market value homestead credit.

In real (i.e., inflation adjusted) dollars per capita, total state aids to cities peaked in 1990 at $267 (constant 2008 dollars). However, since then state aid to cities has declined steadily and—at times—sharply. In 2008, real per capita city LGA was 17.3 percent less than it was in 1972 at the inception of the LGA program, while total state aid (as used below, “state aid” will include the city portion of the market value homestead credit) was 4.9 percent less than in 1972.
Declining State Assistance Since 2002

The decline in state aid to Minnesota cities has been particularly drastic since 2002. Aid cuts were particularly precipitous in 2003 and 2004 when the state was attempting to manage a large budget deficit. In those years, state aid to cities was cut by $100 million in 2003 relative to 2002 and by another $27.5 million in 2004. In addition, city market value homestead credit payments were reduced by more than $20 million. From 2002 to 2004, total real per capita state aid to cities fell by 30.5 percent.

City aid was increased by $48 million in 2006. However, in aggregate city aid increases from 2004 to 2007 were insufficient to keep pace with inflation and population growth, thereby causing a further decline in real per capita state aid to cities of 8.7 percent over this period.

In response to a budget deficit projected for the current two year biennium, Governor Pawlenty reduced December 2008 city aid payments by $66 million, distributed between LGA ($53.5 million) and market value homestead credit payments ($12.5 million). From 2007 to 2008, real per capita state aid to cities fell by 17.2 percent.

During the entire period from 2002 to 2008, real per capita state aids to cities have been reduced by 47.5 percent—cut nearly in half over a six year period. Under current law, cities will receive a significant aid increase in LGA in 2009. However, with a massive budget deficit projected for the approaching two year biennium, large cuts in both LGA and the market value homestead credit are expected. The historical trend of declining LGA is likely to continue in 2009.

Impact on City Finances and Property Taxes

This sharp decline in city aid has been a prominent feature of the fiscal landscape of Minnesota cities since 2002, producing both large property tax increases and a decline in real city revenue, as illustrated below.
First, cities cut their budgets. From 2002 to 2008, the revenue base (defined in statute as the sum of property taxes plus state aid) of Minnesota cities declined by $64 per capita in constant 2008 dollars; this translated to an 11.5 percent decline.2

Second, cities increased property taxes. From 2002 to 2008, city property taxes increased by $44 per capita; this amounted to a 13.1 percent jump in real per capita city property taxes over a six year period.

The important point to note here is that cities were compelled to increase property taxes at the same time that they were reducing real per capita revenues.

**Cuts in Greater Minnesota**

There is significant diversity among Minnesota cities’ dependence on state aid. The major source of state aid to cities—LGA—is designed to help cities provide adequate public services without having to impose exorbitant property tax rates. For this reason, a large portion of city LGA is distributed to cities with relatively small property tax bases.

Since most low property tax base cities are located in greater Minnesota³, they tend to be more heavily dependent on LGA than metropolitan cities. The graph above compares the composition of revenue base among greater Minnesota cities versus metropolitan cities.

Because of their smaller tax base, greater Minnesota cities generally depend more on state aid and less on property taxes than do metropolitan cities. Nearly 43 percent of the 2008 revenue base of greater Minnesota cities consists of state aid, compared to less than 13 percent for metropolitan cities.

This heavier dependence on LGA leaves greater Minnesota cities somewhat more vulnerable to state aid reductions. The graph below shows the change in state aid, property taxes, and total revenue base among
greater Minnesota cities from 2002 to 2008 in constant 2008 dollars per capita.

From 2002 to 2008, state aid to greater Minnesota cities declined by $134 in constant 2008 dollars per capita, more than the statewide average. While the percentage decline in state aid was much greater among metropolitan cities, the real per capita dollar decline was larger among greater Minnesota cities. In addition, the revenue base reduction was $81 per capita and the property tax increase per capita was $53 per capita, both modestly greater than the statewide average.

It is important to note that there is significant variation among cities within regions of the state in terms of the magnitude of state aid cuts. Some cities in the metropolitan area saw real per capita reductions in aid and revenue base that were significantly higher than experienced by the vast majority greater Minnesota cities. (For example, real per capita aid cuts in Minneapolis and Saint Paul were significantly greater than the average aid cut in greater Minnesota.) Meanwhile, some greater Minnesota cities saw only small aid cuts or even an increase over the last six years.

In aggregate, the average per capita aid cut among greater Minnesota has been somewhat greater than the average per capita cut among metro cities, while metro cities have experienced a larger percentage cut in aid. In general, cities in both greater Minnesota and the metropolitan area have been forced to simultaneously make deep budgets cuts and increase property taxes as a result of state aid cuts. The following section examines the fiscal problems of cities from the perspective of greater Minnesota mayors.
Surveying Greater Minnesota Mayors

Amidst this backdrop of declining revenue and increasing taxes, our survey solicited responses from 81 mayors of cities that were members of the Coalition of Greater Minnesota Cities. Of these 81 mayors, 43 responded to the survey.

It should be noted that all responses were received during November or early December of 2008. Thus, when responding to this survey mayors had no knowledge of the $66 million aid reduction made by Governor Pawlenty late in December. A reduction of this magnitude coming at the end of a city’s budget year will have an additional negative impact on city cash flow.

Respondents and Their Cities
Mayors that responded to this survey come from cities of various sizes and regions across greater Minnesota.

Opinions Regarding State Aid to Cities
In the early 1970s, the legislature enacted an array of property tax relief programs known collectively as the “Minnesota miracle.” A key element of the Minnesota miracle involved a trade-off between state and local governments. In exchange for state paid property tax relief dollars, local governments lost the authority to levy sales or income taxes except in rare
circumstances that were heavily circumscribed by state law.

Given that the taxing authority of Minnesota cities is severely restricted by the state, most of the mayors who responded felt that the state has a responsibility to provide assistance to cities.

However, approximately 70 percent of mayors feel that the state does not provide enough assistance to their city in particular or to Minnesota cities in general.

As noted earlier, real per capita state aid to Minnesota cities has declined by 47.5 percent from 2002 to 2008. Furthermore, real per capita state general fund spending has increased by over 60 percent since 1972, while real per capita state aid to cities has fallen—a clear indication that the state’s commitment to revenue sharing with cities has waned. In this context, it is not surprising that most of the mayors felt that the current level of state aid is inadequate.

Importance of LGA to Greater Minnesota Cities

Nearly three-quarters of the mayors that responded to this survey feel that the elimination of LGA would be devastating; of the remaining quarter, the vast majority feel that the elimination of LGA would be bad but manageable.

Given that nearly 43 percent of the levy plus aid revenue base of greater Minnesota cities is in the form of state aid (and the vast majority of this aid is in the form of LGA), it is not surprising that the mayors generally concluded that the loss of LGA would be very damaging to their communities.

The reaction of mayors to the elimination of LGA varied, although nearly two-thirds (62.8 percent) felt that there cities would impose a combination of property tax increases and service reductions.
About one in six mayors indicated that they would respond by cutting services but not increasing property taxes. The fact that a small but significant portion of respondents would not increase property taxes even if LGA was eliminated is an indication of the sensitivity of greater Minnesota mayors to property tax increases.

Since 2002, the real per capita state aid of greater Minnesota cities has fallen by over a third (37.5 percent). As noted above, the largest decline occurred from 2002 to 2003, with a more gradual decline since then. Our survey asked the mayors how aid cuts have impacted their cities.

Over 90 percent of the mayors that responded indicated that the aid cuts had caused higher property taxes in their communities, while over half indicated that aid cuts had caused both property taxes increases and a reduction in city services. In addition, 79 percent of mayors felt that aid cuts have hindered economic development within their cities.

Just over ninety percent of the respondents felt that LGA cuts are detrimental to the quality of life in their city.

Nearly half (46.5 percent) of the mayors that responded to this survey indicated that the cash-flow situation of their cities has deteriorated in recent years. Aid cuts no doubt contributed to this deterioration.

---

**If LGA was eliminated, what do you think that your city would do?**

- 25.6% Raise property taxes a little
- 37.2% Raise property taxes a lot
- 16.3% Maintain current tax levels & cut services to match revenue
- 0.0% Lower property taxes & cut services to match revenue
- 20.9% None of the above/Other

---

**What has been the impact of the 2003 LGA cuts on your city?**

- 53.5% Fewer services & higher taxes
- 37.2% Same level of services & higher taxes
- 4.7% More services & lower taxes
- 2.3% Fewer services & lower taxes
- 0.0% Same level of services & lower taxes
- 0.0% More services & higher taxes
- 2.3% No impact

---

**Do LGA cuts help, hurt or have no impact on your city’s economic development efforts?**

- 0.0% Help
- 18.6% Have no impact
- 79.1% Hurt
- 2.3% No reply

---

**Do LGA cuts help, hurt, or have no impact on your city’s quality-of-life?**

- Hurt, 90.7%
- Help, 0.0%
- Have no impact, 9.3%

---

**In the past five years, has your city’s cash-flow position improved, declined or stayed about the same?**

- Stayed the same, 41.9%
- Improved, 11.6%
- Declined, 46.5%
Impact of Levy Limits
Over the years, the state of Minnesota has imposed and then repealed restrictions on the ability of city and county governments to levy property taxes. These restrictions are referred to as “levy limits.” Despite the fact that real per capita city revenues have fallen more rapidly than state revenues during the years of the Pawlenty administration⁵, Governor Pawlenty nonetheless pushed for and ultimately succeeded in reimposing levy limits on cities with a population over 1,000 beginning for taxes payable in 2009. The overwhelming majority of the mayors (76.7 percent) felt that levy limits do not help to hold down property taxes.

At first, this finding may seem counter-intuitive, but upon close scrutiny the views of the mayors are well founded. Property taxes are unpopular because they fall disproportionately on those households with the least ability to pay. Minnesota mayors know this and do not impose property tax increases when they are not necessary. Both city and county officials know the needs of their community and the local tolerance for property taxes far better than to policymakers at the state capitol; for this reason, local officials generally regard state attempts to micro-manage their levy decisions as ill-conceived.

The view of the respondents to this survey is bolstered by analysis from the non-partisan Minnesota House of Representatives Research Department. A statistical analysis conducted by the House Research Department concluded that, “In general, there is no relationship between cities under levy limits vs. cities not subject to limits with respect to variation in certified levy growth rates.”

While levy limits are flawed as a way of constraining property tax growth, they do have a publicity appeal to politicians who are attempting to posture as fiscal watchdogs.

Responding to Scare Resources
The real per capita revenue base of greater Minnesota cities has declined by 13.4 percent from 2002 to 2008. In light of the erosion of state aid and the prospect of even more aid cuts in the future, the mayors were asked how they would deal with continued scare resources. Specifically, the mayors were asked what in their budgets would get cut in the absence of a revenue increase.

Nearly three-quarters (72.1 percent) of mayors indicated that parks, recreation, and libraries would get...
cut. The next largest percentage indicated that police, fire, and public safety would get cut. After a double digit decline in real per capita city revenue over the last six years, it should not be surprising that cities are considering cuts to public safety, which is often considered the most essential function of city government. Public safety is too large a portion of the city budget to be spared from cuts indefinitely, especially in light of the large and ongoing decline in city revenues.

**The City-State Fiscal Relationship**

The relationship between Minnesota cities and state government is frayed, to say the least. Over half (55.8 percent) of the mayors who responded to this survey disagreed or strongly disagreed with the statement that state-elected leaders value the state-local partnership, while fewer than one in six (16.3 percent) agreed with the statement.

Over 80 percent of the mayors who responded felt that state policymakers did not understand the needs of greater Minnesota cities and “don’t really think much about rural cities.”

Over the last six years, a disproportionate share of the state’s budget problems have been dumped on local governments, including cities. In response to this situation, city leaders have been placed in the unenviable position of having to increase taxes at the same time that they are cutting budgets.

While Minnesota cities have made far deeper budget cuts than state government, state leaders continue to pontificate to local governments about having “to learn to control their spending.”

In light of this behavior, it is not surprising that greater Minnesota mayors are disenchanted with the current condition of the city-state partnership.
Open-Ended Responses from Mayors

On the city-state fiscal relationship:

• The state cannot do everything, yet cities are partners with the state because we must carry out state mandates. The mandates keep coming yet we get hit with LGA cuts and levy limits. That simply will not work in the long run. Cities provide services at fair costs, probably far less than the state could. What would it cost the state to run our sewage treatment plant or water system? It would take them more people at higher salaries. We do a good job and I find it unfortunate that some state leaders point the finger at us for property tax increases without acknowledging their own role in that problem by cutting aid or increasing mandates.

• State elected officials always say that local government is best managed at the local level and then set policy that takes control and decision making away from the local level. This applies to cities and schools alike.

• Levy limits cause huge budget problems for cities and in the long run increase taxes, not decrease them.

• I believe the state helps itself first and tries to keep the rural cities from receiving the LGA funds...

• If you mandate it, fund it or don’t mandate it.

• How do we get our state leaders to work together for a better state and local partnership?

On city fiscal issues:

• There needs to be some stability to this whole process so that we are not constantly fighting cuts or championing increases. Our jobs and city government would be much easier to run if we could project with some decree of certainty what our receipts would be in the future.

• As population grows older more and more services are required; from medical to transportation to housing as well as things that help bring a quality of life (i.e., libraries, parks, etc.).

• I do not look forward to any LGA cuts but as a community we will deal with them. That is why we are elected is to lead, under the best or worst circumstances we are dealt.

• Since 2003 we have had to make drastic cuts. We cut an entire department, we have pushed back capital improvements to the point that we can’t fund them, we have drastically reduced our reserves, we can’t fund our Strategic Plan projects, we have increased bonding, and 1/3 of our entire budget now goes toward debt. We are headed for a financial train wreck in 2014.

Ideas for change:

• Our city is under 5,000 in population but it provides services for the surrounding townships with about 10,000 people. Cities over 5,000 received additional tax money (beyond LGA) for road/street maintenance that is unavailable to smaller cities. I think this is an unfair distribution of taxes. I think the legislature should reconsider the 5,000 minimum population to include cities that serve at least that number on an
area or regional basis.

• Many cities our size have many miles of infrastructure to maintain, which is funded either locally or through LGA. I'd like to see a small, possibly 1 cent increase in the gas tax to assist in the funding of these projects.

• I would like to meet with legislators in other parts of the state to talk about solutions to rural economic development and the impact to schools because of open enrollment. We need to rethink past decisions to see if they are still working. All too often we neglect change as it can be very difficult to accomplish.
Conclusion: Front Row Seat to a Fiscal Train Wreck

The plight of Minnesota local governments has been well documented by Minnesota 2020 and others. Since 2002, cities and other local governments have made far deeper budget cuts than state government at the same time that state leaders lecture them about the need to learn to control spending growth. In fact, the state has shifted a disproportionate share of its budget problems on to local governments through state aid cuts, thereby forcing local governments to do the dirty work of increasing taxes and cutting budgets.

It is one thing to document this ongoing fiscal travesty empirically. It is quite another to hear about it directly from greater Minnesota mayors who have had to manage the budgets of their cities under these circumstances. As one mayor put it, “We do a good job and I find it unfortunate that some state leaders point the finger at us for property tax increases without acknowledging their own role in that problem by cutting aid or increasing mandates.”

This mayor has aptly described the crisis of accountability that has gripped the state-local fiscal relationship. The most frugal levels of government are vilified as big spenders, while the leader of the level of government with the most rapid rate of revenue growth postures as the champion of “no new taxes.”

The majority of mayors surveyed have identified the logical conclusion of the policies that the state has pursued over the last six years. When dollars for property tax relief are slashed, property taxes will increase or funding for public services and infrastructure will be cut. In fact, frequently both happen simultaneously.

This situation is not unique to greater Minnesota cities. It is not difficult to find metropolitan cities that are in the same boat. Nor is the situation restricted to cities. Counties and school districts have also been compelled to increase property taxes while simultaneously cutting budgets.

Thanks to unsustainable tax cuts and a collapsing national economy, Minnesota is once again on the precipice of a deep fiscal chasm. If the state responds in the same way as it did six years ago, we can expect the same results: higher local property taxes and fewer public services and investments. In short, pay more and get less.

No one should be so naïve as to think that the state will be able to resolve the massive $6.4 billion deficit (projected structural budget deficit for FY 2010-11, including the impact of inflation on state spending, not counting one-time federal recovery dollars) without some cuts in aid to local governments. However, in general the mayors who responded to this survey, as well as other local officials, want a balanced approach to the crisis.

---

1 Technically, the market value homestead credit is not an aid, put a property tax relief credit. However, some have argued that the market value homestead credit was a replacement for city homestead and agricultural credit aid, which was terminated in the year that market value homestead credit payments began. For comparability purposes and to ensure that the current level of state aid to cities is not understated, the city market value homestead credit is included in this analysis.

2 Revenue base amounts in this analysis are based on final aid and credit amounts after reductions.

3 Greater Minnesota cities are defined as those cities outside of the seven county metropolitan area. (The seven metro counties are Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.) Metropolitan cities are those within the seven county metropolitan area.

4 The Coalition of Greater Minnesota Cities consists primarily of regional centers, sub-regional centers, and other larger cities outside of the seven county metropolitan area. Very small cities tend not to be members of the Coalition. No city in the Coalition has a population under 1,200.


6 Governor Pawlenty on “Good Morning Minnesota” broadcast, April 4, 2008. (http://www.830wcco.com/topic/play_window.php?audioType=Episode&audioId=1759166)