



2025 CITY VISIT

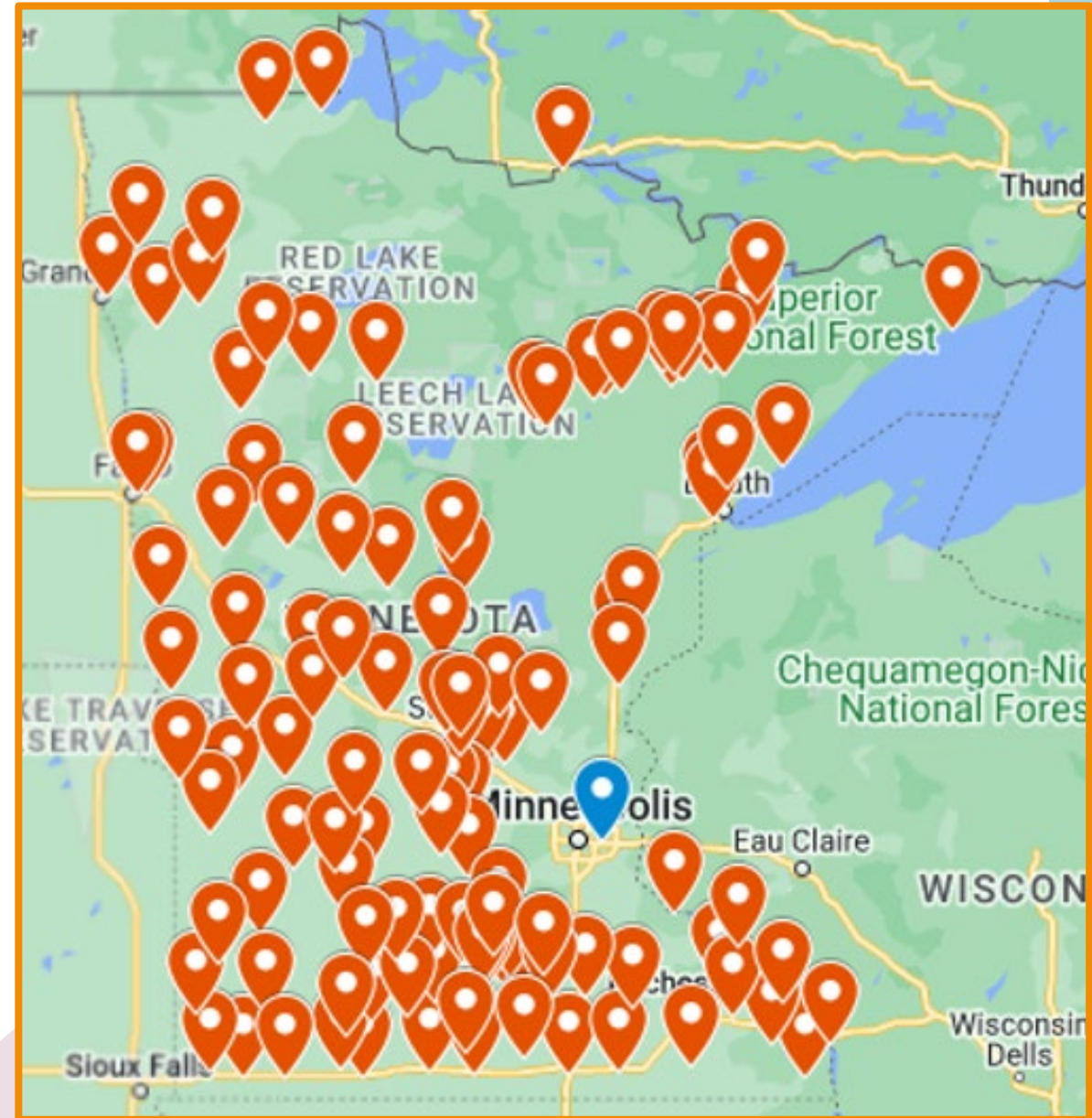


Hinkley, Darrin Lee, Sept. 9

CGMC:

MORE THAN 100 CITIES ACROSS THE STATE WORKING TOGETHER

- Local Government Aid (LGA)/Property Taxes
- Environment and Energy
- Economic Development
- Transportation
- Annexation and Land Use
- Labor and Employment



2025 LEGISLATIVE SESSION RECAP



ELECTION BRINGS DIVIDED GOV'T



- DFL maintains 1 seat majority in Senate after special elections
- House evenly divided at 67-67
- No power sharing agreement until after March special election
 - Lisa Demuth (R-Cold Spring) becomes House Speaker
 - Committees evenly split
 - DFL and GOP Co-Chairs
- Everything becomes a four-way negotiation: Gov. Walz, House DFL, Senate DFL, House GOP

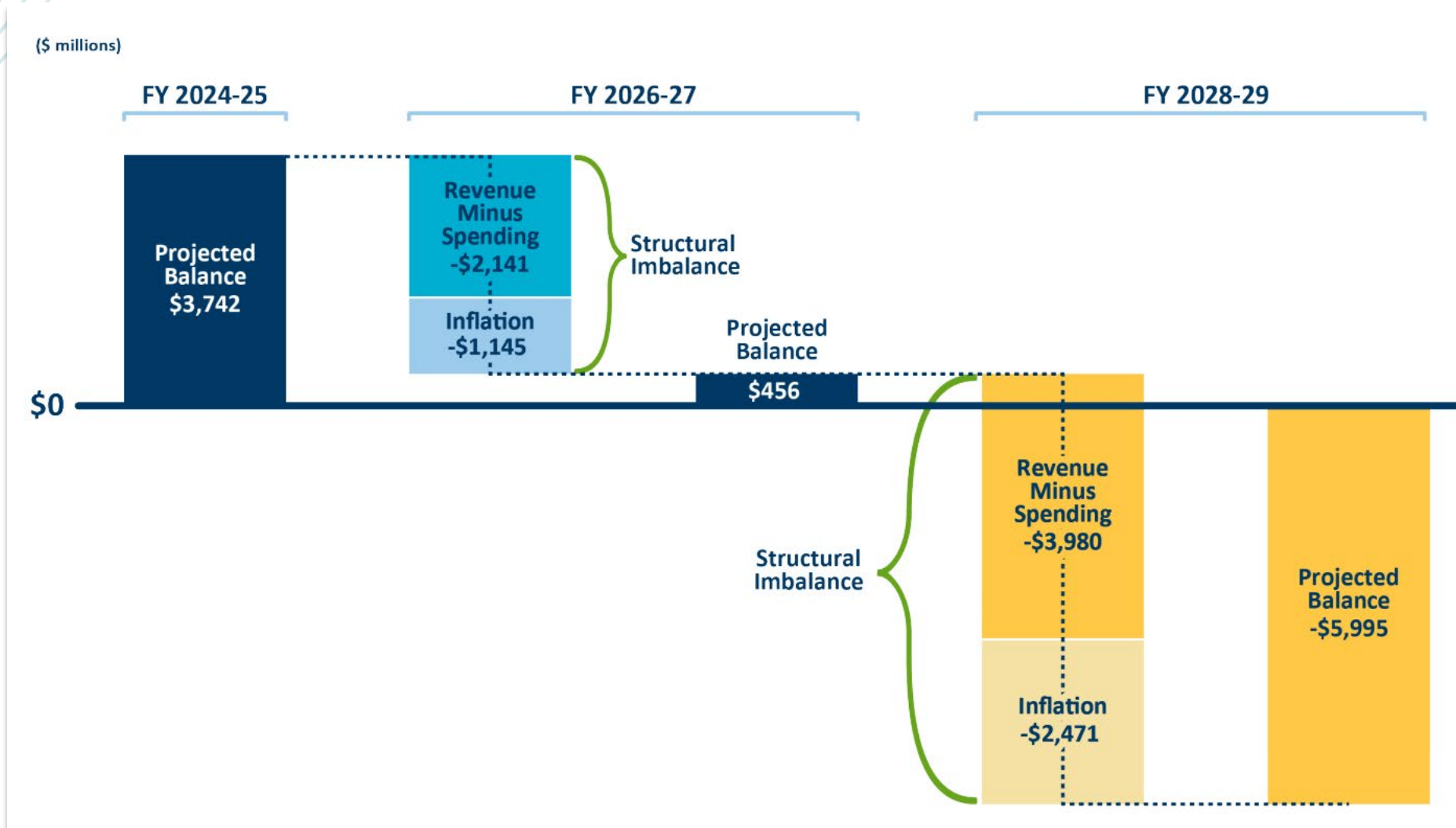
TASKS FOR THE SESSION

- Pass 2026-2027 two-year budget
- Pass a bonding bill (hopefully!)

CGMC 2025 LEGISLATIVE AGENDA

- Protect LGA
- Bonding bill
 - Public Facilities Authority (PFA) funds
 - Business Development Public Infrastructure (BDPI) grants
 - Lead line inventory and replacement
 - Local infrastructure projects across Greater MN
 - Greater Minnesota Child Care Facilities grants
- Pass sustainable, ongoing EMS funding program
- Resist one-size fits all zoning mandates

STATE BUDGET OUTLOOK



Source: Minnesota Management & Budget (March 2025)

LOOMING DEFICIT SETS TONE FOR BUDGET DISCUSSION

- \$6 billion deficit in 2028-2029 drives budget thinking
- Governor proposes reduced general fund spending
 - Reduction of \$573 million in 2026-27
 - Reduction of \$1.7 billion in 2028-29
 - Leaves work to do when legislature contemplates actual 2028-29 budget in 2027
 - Governor raises revenue through expansion of sales tax and HHS fees and surcharges



HOUSE AND SENATE START BUDGET WORK

HOUSE BUDGET TARGETS

- \$1.1 billion reduction in 2026-27
- \$2.6 billion reduction in 2028-29

SENATE BUDGET TARGETS

- \$767 million reduction in 2026-27
- \$2.4 billion reduction in 2028-29



WHAT DOES THIS MEAN FOR LGA?

SENATE TARGET PUTS BULLSEYE ON LGA

- Governor Walz Proposal = No LGA cut
- House Tax Bill = No LGA cut
- Senate Tax Bill = \$20 million LGA cut
 - Similar cut to County Program Aid (CPA)
 - Raised significant taxes
 - Spending in other areas

CGMC VERY CRITICAL OF SENATE TAX BILL

- Cuts are **unnecessary and unfair**
 - How can the Senate be raising taxes, yet still need to cut LGA?
 - How can the Senate find \$\$\$ for a sales tax exemption on ticket sales to professional golf events, yet can't find dollars for LGA?
 - Cuts would have fallen especially heavy on Greater Minnesota cities.
 - Why is the Senate cutting LGA—which does not grow with inflation—yet holding harmless numerous programs that grow on auto-pilot, such as the Homestead Credit Refund (which mostly benefits the metro)?

CGMC LOBBIES TO PROTECT LGA

- Rural Senators
 - Present alternatives to cuts
- Senate staff
- Governor's Office
- Action Alerts
- House DFL & GOP opposed to the cuts
- As final deal took shape, LGA was left intact
- Future deficits could threaten LGA



BONDING



BACKGROUND ON THE BONDING BILL

- No bonding bill since 2023
- Bonding bill requires bipartisanship
- Relatively small debt capacity according to forecast = \$700 million
- Governor's bonding proposal
 - Heavy on state-owned assets
 - PFA = \$99 million
 - BDPI - \$2 million
 - Local Roads/Bridges = \$0
 - Very little set aside for local projects



CGMC BONDING EFFORTS

- Bonding bill top focus of lobbying this session
- Participated in press conference with Senate leadership and labor
- CMGC sponsored radio and online ad with labor and contractors before special session



BONDING BILL OUTCOMES

- Total \$773 million package from all sources
- PFA = \$176 million
 - Includes new Emerging Contaminants Grant Program
- Local bridges = \$20 million (undesignated)
- Local roads = \$42 million
- BDPI = \$1.5 million
- Increase caps on PFA programs
 - Water Infrastructure Fund (WIF) \$5 million -> \$10 million
 - Point Source Implementation Grant (PSIG) \$7 million -> \$12 million

HOUSING & ZONING



LAST YEAR “MISSING MIDDLE,” THIS YEAR “YES TO HOMES”

New package of bills similar to last year in goals and content:

- Create more housing by increasing density on single-family lots
- Multi-family in commercial zones
- Parking “reform”
- Ban on aesthetic and building material mandates
- HOA reform

CITIES MOUNT SIGNIFICANT EFFORTS TO RESIST BILLS

- Lots of committee hearings, lots of testimony
- Bills fail to reach either House or Senate floors
- Last-minute opportunity to compromise
 - Cities willing to compromise on issues such as aesthetic and material mandates
- Some legislators and advocates back away, saying “too little, too late”
- Stage set for continued confrontation on issue in 2026



LOOKING AHEAD



LOTS OF UNCERTAINTY

- Unclear what the impacts will be from the loss of Melissa Hortman and threats of political violence
 - Special election for Hortman seat on Sept. 16
 - Leadership transitions
 - Increased security & safety measures?
- Special elections on Nov. 4 will determine power balance in Senate
- Federal tax and spending decisions on Medicaid could result in holes in the state budget, possible special session?
- Other economic uncertainty on things like tariffs could affect state budget
- State Office Building construction will continue
- Session scheduled to convene on February 17, 2026

UPCOMING CGMC EVENTS

- **2025 CGMC Fall Conference –**
November 13-14, Grand Rapids
- **2026 CGMC Legislative Action Day –**
March 25, 2026, St. Paul
- **2026 CGMC Summer Conference –**
July 22-24, 2026, New Ulm

Reach out to Emma Nelson at ennelson@flaherty-hood.com with any questions about CGMC events!

QUESTIONS?

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