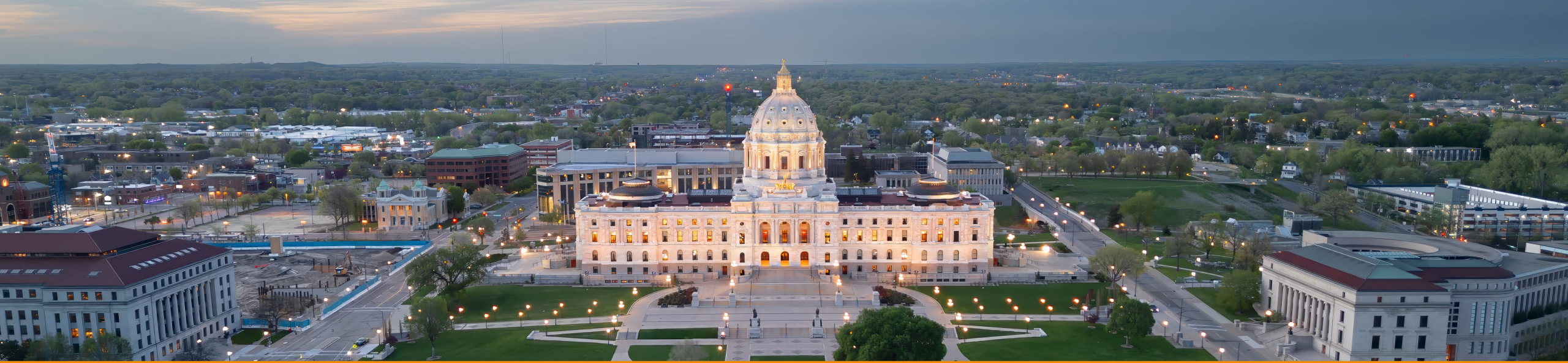




2026 CITY VISIT

ST. JAMES, MN

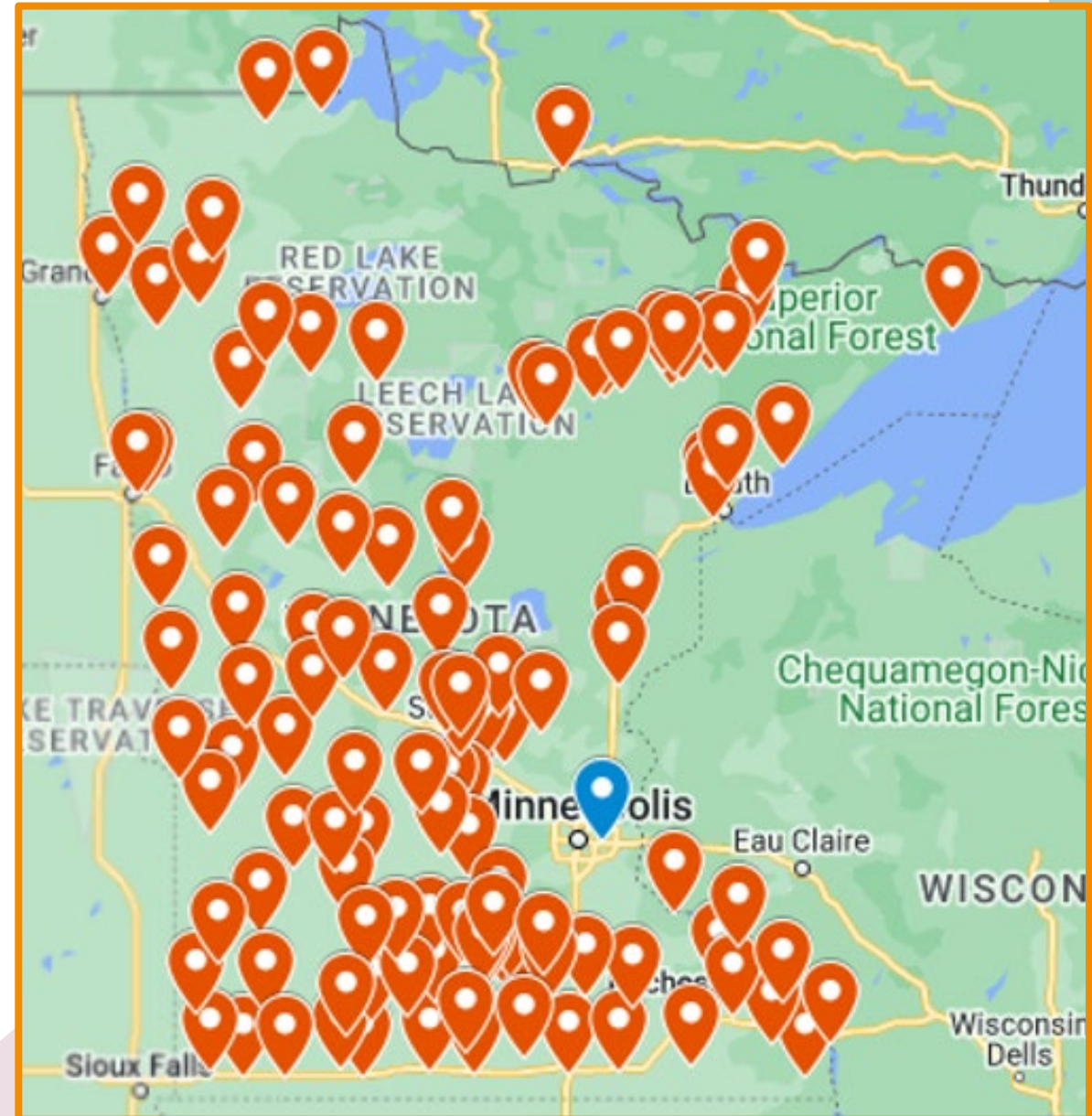


August 18, 2026 | Darrin Lee

CGMC:

MORE THAN 100 CITIES ACROSS THE STATE WORKING TOGETHER

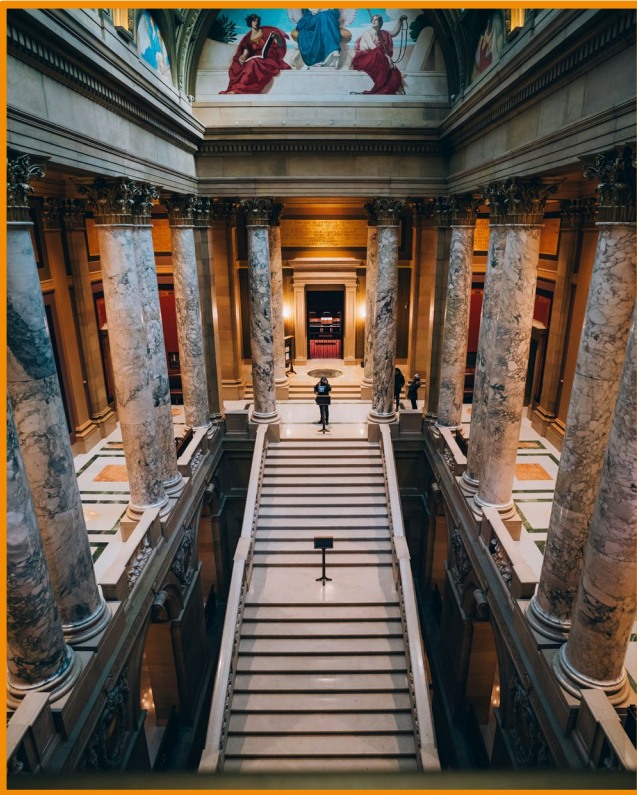
- Local Government Aid (LGA)/Property Taxes
- Environment and Energy
- Housing
- EMS
- Economic Development
- Transportation
- Annexation and Land Use
- Labor and Employment



2026 LEGISLATIVE SESSION RECAP



DIVIDED GOV'T BRINGS LOW EXPECTATIONS

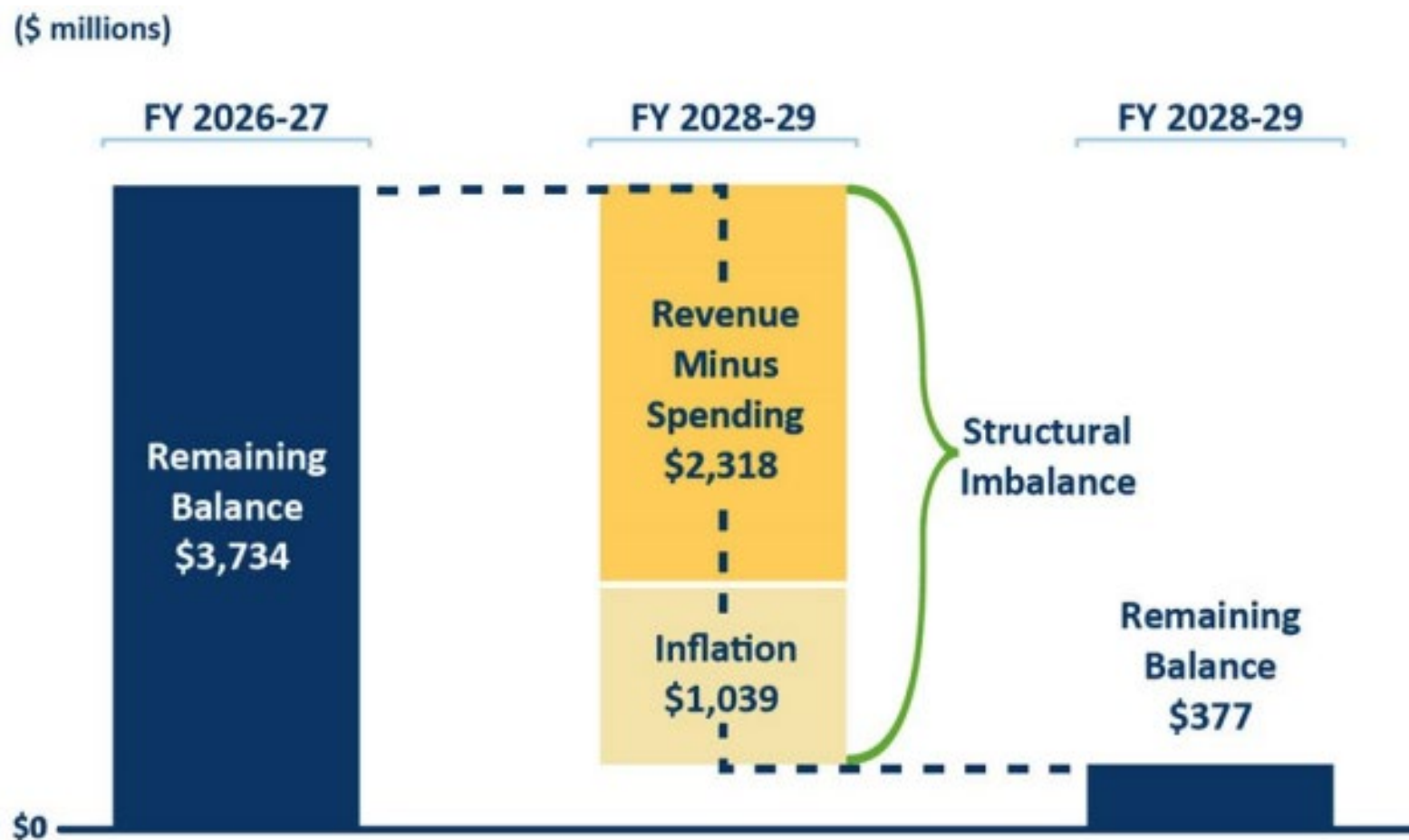


- DFL maintains 1-seat majority in Senate
- House evenly divided at 67-67
- Everything is a four-way negotiation: Gov. Walz, House DFL, Senate DFL, House GOP
- Focal points for the session:
 - Fraud
 - Guns
 - HCMC
 - School Safety
 - Bonding

TASKS FOR THE SESSION

- ✓ Protect LGA
- ✓ Pass a bonding bill
- ✓ Lead line funding
- ✓ Resist zoning and development pre-emption

FEBRUARY 2026 STATE BUDGET FORECAST



Source: Minnesota Management & Budget (February 2026)

NON-BUDGET YEAR, FISCAL CHALLENGES LIMIT SPENDING TALK

- Budget situation is improved, but still challenging
- Very little spending contemplated this session
- Focus on bonding bill and policy
- 2025 = Threat to LGA
 - Senate DFL proposal to cut \$20 million defeated
- 2026 = No discussion of cutting LGA



BONDING



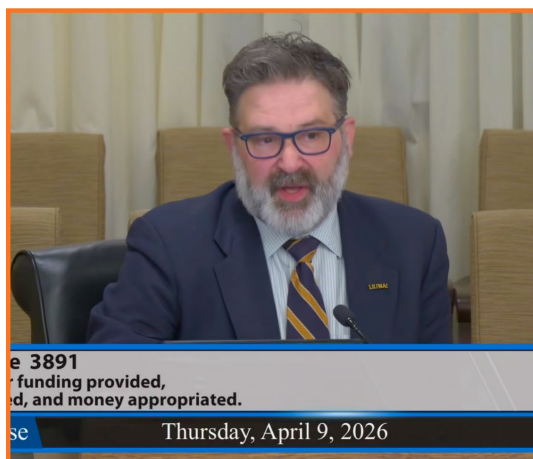
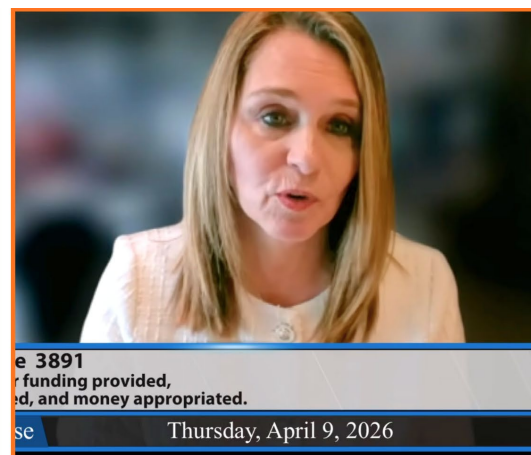
BACKGROUND ON THE BONDING BILL

- Bonding bill in 2025
- Bonding bill requires bipartisanship
- Governor's bonding proposal:
 - Heavy on state-owned assets
 - Capitol complex security
 - PFA = \$99 million
 - BDPI - \$2.5 million
 - Local roads/bridges = \$0
 - Local project set aside = \$35 million



CGMC BONDING EFFORTS

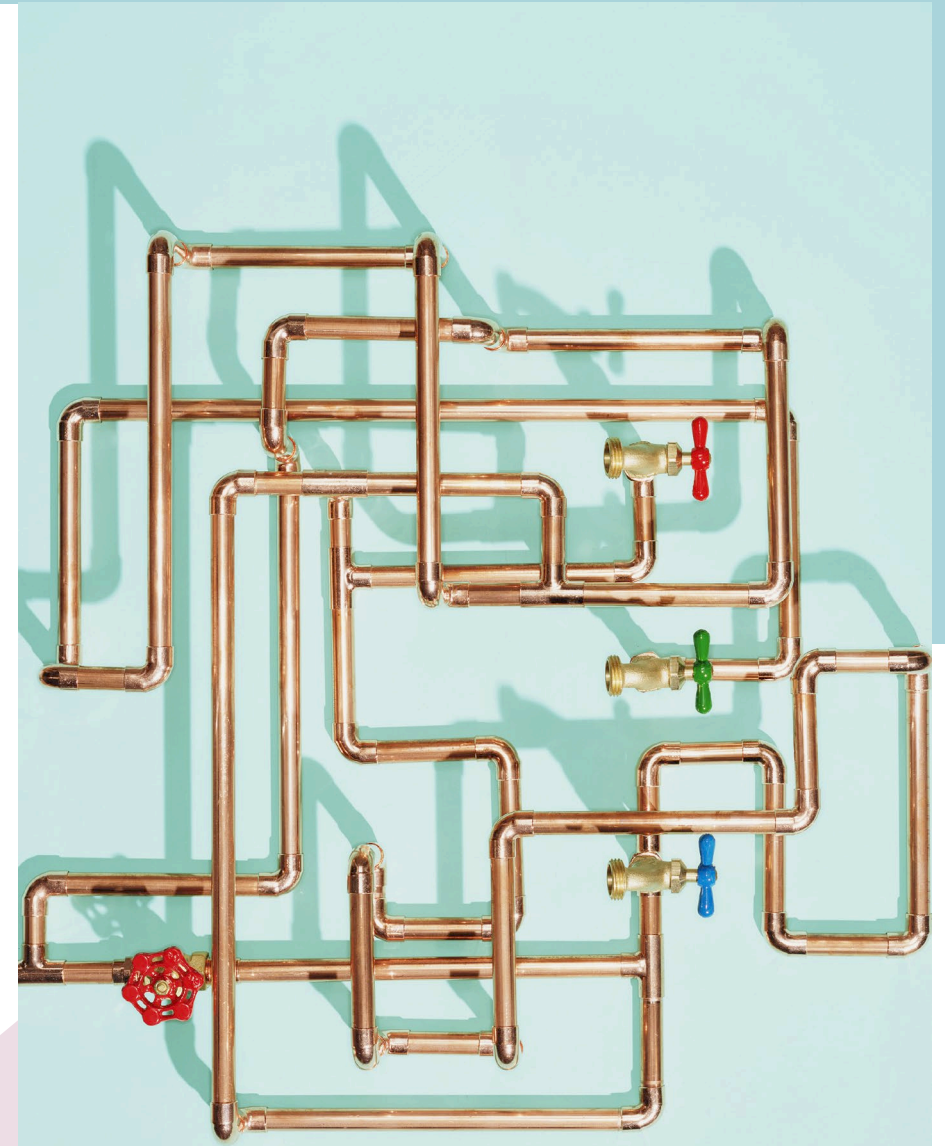
- Bonding bill a top focus of lobbying this session



BONDING BILL PASSES WITH IMPRESSIVE LEGISLATIVE SUPPORT

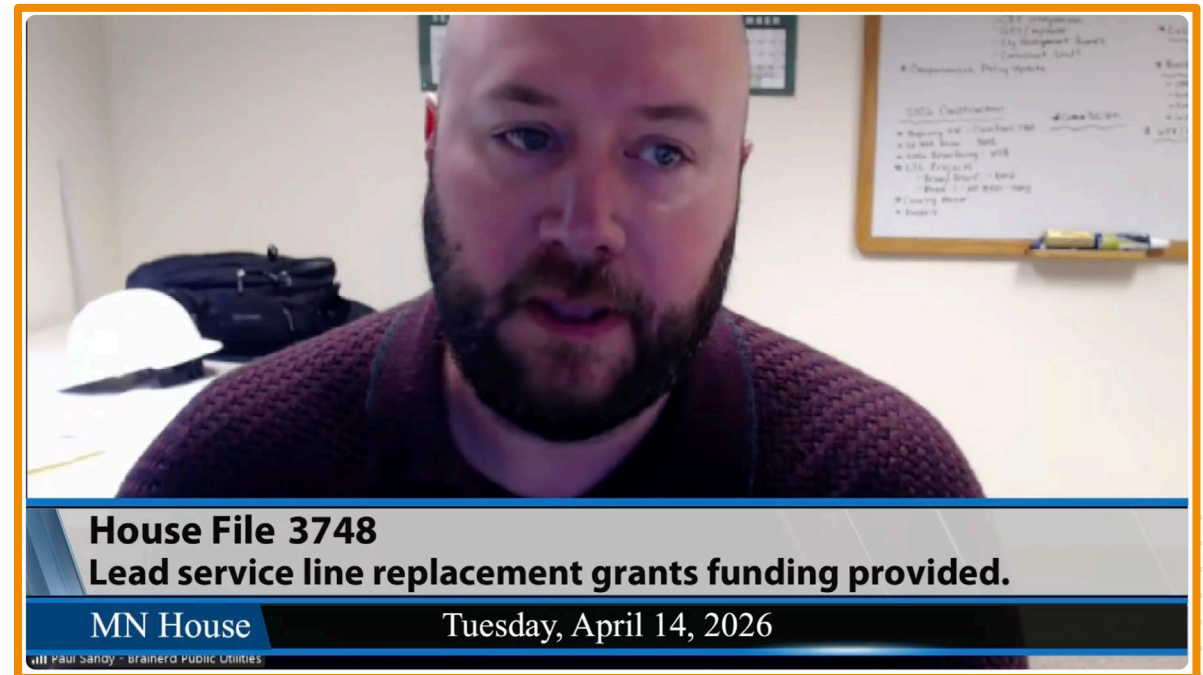
- Total \$1.24 billion package from all sources
- \$400+ million in PFA programs and local water and wastewater grants
 - PFA = \$122 million (grant and loan programs)
- Local bridges = \$25 million (undesignated)
- Local roads = \$47 million
- BDPI = \$2 million
- Unlike 2025, millions in local projects

LEAD SERVICE LINES



MOMENTUM ON LEAD LINES UNDER THREAT

- 2037 EPA deadline to remove lead service lines
- \$240 million allocated in 2023 session
- Initial inventory:
 - 87,000 lead lines statewide
 - 200,000 still to be identified
- Total cost estimate \$1.5 billion
- Reaching goal will require yearly progress with adequate funding
- Without infusion of dollars 2027 construction season in peril
- CGMC ask = \$250 million
- Inventory map → <https://maps.umn.edu/LSL/>



LEAD LINE DISAPPOINTMENT



- Lead line money included in bonding bill
- Squeezed by other bonding bill priorities
- **Only \$15 million** included in final package
- Need for dedicated funding source

HOUSING & ZONING



2024 “MISSING MIDDLE” → 2025 “YES TO HOMES” → 2026 “STARTER HOME ACT

“Starter Home Act” had many of the same elements. Different framework:

- Preemption of aesthetic and material standards, HOA preemption, require ADUs
- Cities over 5,000...
 - Must allow up to four units on 33% of area zoned as single-family
 - No minimum lot size greater than 1/8 acre in greenfield areas
 - Must allow multi-family in 33% of area zoned commercial

CITIES OVER 10,000

**Choose your
own adventure!**



- Cities of the 1st, 2nd, and 3rd class must pick a specified number of additional requirements from a list of choices. Choices include things like:
 - Parking minimums
 - Additional upzoning in single-family zones
 - Additional allowance for multi-family in commercial zones
 - Creation of a housing trust fund
 - Housing subsidy programs

CGMC & METRO ALLIES DEFEAT BILL

- LMC drops active opposition to bill
- CGMC, Metro Cities, and the Municipal Legislative Commission continues opposition
- Bill defeated in House committee
- No hearing in the Senate
- Expect advocates and legislators to bring back some version of preemption again in 2027

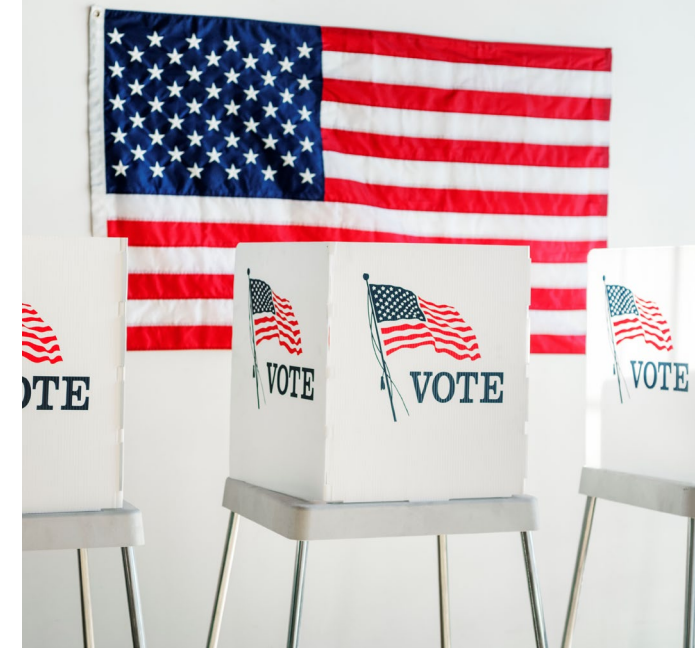


LOOKING AHEAD



ALL EYES ON THE ELECTION

- Open Governor's race with primary to set final field in August
- All 201 legislative seats on the ballot
- Lots of retirements mean lots of new faces
- CGMC will use interim to engage with candidates
 - Candidate education packet on CGMC issues coming later this summer
- Session scheduled to convene on January 14, 2027.



UPCOMING CGMC EVENTS

- 2026 CGMC Fall Conference – November 12-13, Waite Park
- 2027 CGMC Legislative Action Day – February 10, 2027, St. Paul
- 2027 CGMC Summer Conference – TBD, Owatonna

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

QUESTIONS?

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