



Regional Council of Mayors

July 9, 2012

PRESENTATIONS

Tax Reform

Is Minnesota a high tax state or a low tax state? It depends on whom you ask and what the measures are, said Revenue Commissioner Myron Frans.

Minnesota collected tax revenues at or above the national average for 45 years through 2002, but has collected below the national average for seven of the last eight years. Ernst and Young says Minnesota is among the top 10 states with the lowest effective tax rates on new investment because of such things as the personal property exemption, the capital equipment exemption and the research-and-development tax credit.

At the same time, the Small Business and Entrepreneurship Council says Minnesota is one of the 10 worst tax systems because of its high statutory rates. But, Frans said, the statutory rates may be high, but the effective rates—what is actually paid—is typically much lower. This is true at the national level as well.

Frans said making Minnesota's tax system more fair is one of Gov. Mark Dayton's top priorities. The political question is: What is fair? A full report on tax reform will be released after this November's election, to lead the next year's budget process.

The state's property tax system is one of the most complicated in the country, and the credits, exemptions and other rules have made the income system more complicated. In 1987, there were six forms that might be used for filing personal state income tax; today, there are 18. There were nine credit adjustments in 1987; now there are about 50.

This complexity has meant that what Frans called "tax expenditures" not only have increased in number but have become almost hidden in terms of revenue that might be collected, but isn't. A "tax expenditure" is an exemption or a credit for a special purpose. The homestead credit, for example, is a tax expenditure, reducing the tax of the homeowner because of the state's one-time goal of encouraging homeownership. "Some of our complexity is the result of our doing the right thing for the right reason," he said, but the tax expenditures represent income the state might otherwise have. "It really is hidden spending."

While there is some interest in looking at—and perhaps eliminating—some tax expenditures, Frans said there is likely to be a political appetite only for some of the smaller ones.

The middle class is paying a larger share of their income in state taxes than those at the top levels of income, Frans said. Households making annual incomes of \$41,000 to \$90,000 are paying about 12.3 percent of their income in state income tax, property taxes, state and local sales taxes and other state taxes (such as licenses), while those making \$183,000 or more—the top 5 percent in the state—pay 10 percent or less.

For many years, the income tax, property tax and sales tax were roughly equal (Frans used a stool to demonstrate this). Today, while the income tax still makes up about a third of the state's tax revenue, property taxes account for 40 percent and sales tax for just 27 percent.

View [Frans' presentation](#).

Thrive 2040

Gary VanEyll

When you think about the future of the Metro region, think grand—and let the Metropolitan Council know what you're thinking, urged Metropolitan Council member Gary VanEyll.

The Met Council has begun the first phase of work on Thrive MSP 2040, its next long-range plan. "It's the plan to let us do our work for the next 30 years," VanEyll said. "It will be better if it includes involvement and the ideas of local residents and stakeholders."

To make sure that involvement and those ideas are part of the plan, the Met Council is making strong outreach efforts at four key stages.

- From now through September, the Met Council is asking for ideas about the big, broad questions for the region before the plan is drafted.
- From now through December, Council staff will analyze the existing Regional Development Framework and develop alternative policy scenarios. At the beginning of next year, January through March, the Met Council will do more outreach, getting reactions to the various scenarios and what they might mean to the region.
- In April and May 2013, a preferred policy framework and preliminary local forecasts will be issued. From May through August, the Council will seek reaction to the new framework.
- The Thrive MSP 2040 draft will be finalized in September 2013, followed by public meetings and a public hearing in October and November.
- The final MSP 2040 plan is scheduled to be adopted in February 2014.

The Met Council is using social media and several new tools to interact with stakeholders and anyone who is interested in the future of the region, including yourideas.metrocouncil.org, a platform for the public to get information about the plan and to submit their own, rank what's there and hold discussions. This "crowd-sourcing platform" allows interaction in a live, public and transparent way. In addition, the public will be able to follow the plan on Twitter, YouTube and Facebook—and at public meetings.

For more about ThriveMSP 2040, and to link to its social media options, go to www.thrivemsp.org.

View [VanEyll's presentation](#).

METRO WATCH

MSP Export Initiative

RCM Co-Chair Jim Hovland said the MSP Export Initiative is currently creating several teams to address different action strategies in the initiative. "It will be an interesting six months to a year ahead of us," he said. The group is transitioning from the planning phase to the implementation phase.

INITIATIVE UPDATES

Housing Initiative

Eagan Mayor Mike Maguire summarized the [Housing Summit presentations](#) in June, which concluded that the Twin Cities metro—like most regions in the nation—is not producing the right kind of flexible housing for today's Baby Boomers, who will begin retiring and, possibly, seeking new places to live in the next 10 years or so. "The tendency is to lump together seniors as all having the same experiences and the same needs," he said. "We do the same with our younger residents."

Maguire said ULI Minnesota's MSP Housing + Transportation Cost Calculator <http://apps.cnt.org/msp/>, which allows those seeking housing to easily compute both housing and transportation costs of places they are looking at, has quickly become a valuable tool for realtors in the region. Some realtors and the MLS have asked to link to the calculator on their websites.

Environment Initiative

Kristina Smitten of ULI Minnesota said the GreenStep Cities program <http://greenstep.pca.state.mn.us/> had won awards from the Environmental Initiative in the categories of Sustainable Communities and Partnership of the Year <http://www.environmental-initiative.org/projects/environmental-initiative-awards>. There were 15 finalists for Partnership of the Year.

Richfield Mayor Debbie Goettel said that four cities, all with mayors in the Regional Council of Mayors, had reached the Step 3 level in the GreenStep Cities program: Apple Valley, Burnsville, Eagan and Eden Prairie.

Goettel said Richfield has just become a GreenStep City. “When you look at it, you’re probably doing 75 percent of what you need already,” she said.

Rick Carter, LHB, said there are now 20 cities signed on to the Regional Indicators Initiative for a complete energy audit. “We’re hoping soon to make a presentation showing four years of data for those 20 cities,” he said.

In general, the air quality in the Twin Cities is getting better, said Bill Droessler, Environmental Initiative, but the standards are being tightened and non-compliance may become a significant concern not just for individual cities, but for the whole region.

“This is going to have to have a lot more to do with how we live and how we get around,” he said, stressing that many of the initial steps for a better environment have already been taken. He warned that future measures could include a return to vehicle inspections.

Edina Mayor Jim Hovland said that federal Highway Trust Fund money could be at risk if the Twin Cities fails to meet pollution standards.

Environmental Initiative is facilitating a conversation to lay the groundwork for future collaboration to improve air quality in Minnesota <http://www.environmental-initiative.org/projects/minnesotas-clean-air-dialogue>. Project Green Fleet is looking at ways to reduce emissions from school buses and other diesel vehicles <http://www.projectgreenfleet.org/>.

Jobs and Work Force Solutions Initiative

Burnsville Mayor Elizabeth Kautz said that she and Caren Dewar are going to meet with former Minneapolis Mayor Sharon Sayles Belton, who is now at Thomson Reuters, to discuss ways in which mayors could bring together business and education leaders in their cities to create effective mentorship opportunities for high school students.

COMING UP

There will be no RCM meeting in August. The next meeting will be Monday, September 10, 11:30 am–1:30 pm, at Dorsey & Whitney.

RCM meetings are held on the second Monday of every month at Dorsey & Whitney. Mayors are encouraged to email Caren Dewar with their suggestions for topics to add to the agenda.

ATTENDEES

The following individuals were in attendance on July 9, 2012:

Mayors

Doug Anderson, City of Dayton; Bill Droste, City of Rosemount; Jerry Faust, City of St. Anthony; Tom Furlong, City of Chanhassen; Mary Giuliani Stephens, City of Woodbury; Debbie Goettel, City of Richfield; Kathi Hemken, City of New Hope; James Hovland, City of Edina; Tim Hultmann, City of Long Lake; Marvin Johnson, City of Independence; Dean Johnston, City of Lake Elmo; Elizabeth Kautz, City of Burnsville; Alan Lindquist, City of Osseo; Peter Lindstrom, City of Falcon Heights; Mike Maguire, City of Eagan; Sandy Martin, City of Shoreview; Dan Roe, City of Roseville; Terry Schneider, City of Minnetonka; John Sweeney, City of Maple Plain; Nancy Tyra-Lukens, City of Eden Prairie; Ken Willcox, City of Wayzata; Gene Winstead, City of Bloomington

Guests

Cecile Bedor, City of St. Paul; Pat Born, Metropolitan Council; Rick Carter, LHB; Mark Casey, City of St. Anthony Village; Bill Droessler, Environmental Initiative; Denise Engen, Metropolitan Council; Jim Erkel, MCEA; Kevin Frazell, League of Minnesota Cities; Mark Grimes, City of Golden Valley; Michael Huber, Blue Cross Blue Shield; Larry Lee, City of Bloomington; Jay Lindgren, Dorsey & Whitney; Mike Logan, Comcast; Ahna Minge, Family Housing Fund; Patricia Nauman, Metro Cities; Jenn O'Rourke, City of Minneapolis; Michael Petersch, ULI MN; Guy Peterson, Metropolitan Council; Cathy Polasky, City of Minneapolis; Elizabeth Ryan, Family Housing Fund; Kristina Smitten, ULI MN; Jenelle Teppen, City of Inver Grove Heights; Gary VanEyll, Metropolitan Council;

ULI Minnesota Staff

Caren Dewar, Cathy Bennett, Katie Anderson, Linda Picone