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Senate

State of Minnesota

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Dear friend,

I'm writing to let you know about some good news that just happened for Minneapolis property tax payers, whether you're a homeowner, renter, or business owner.

Two pension funds, one for police the other for firefighters, both established over 100 years ago and long closed to new entrants, were starting to create a very serious impact on Minneapolis property taxes. As the number of retirees and survivors in the pension pool began to far outnumber those still actively working in the police and fire departments, the City continued to be responsible for a larger share of the benefit funding. Compounding the situation, with very little new funds coming in from the dwindling number of current employees, the stock market plunged and legal challenges were filed over the calculation of benefits. These property tax pressures and a number of other key issues led the City and the pension funds to seek a merger with the more stable and secure statewide retirement system that had been established a number of years ago (the Minnesota Public Employees Retirement Association [PERA]).

Working with City officials and representatives of the pension funds, I authored Senate legislation to direct the terms and conditions of this merger. Representative Jim Davnie served as author in the House. Achieving consensus among the stakeholders was challenging. Despite winning this consensus, members of the Republican majority in the legislature balked at its passage. However, we were able to overcome their objections and pass a bill authorizing the merger in the July special session.

One of the requirements of the legislation was that subsequent to its passage, the following stakeholders had to independently ratify the merger: members of both pensions, the City Council and Mayor, and the PERA Board. Yesterday, one of the most significant hurdles was passed when members of the police pension overwhelmingly approved the merger. Last week the members of the fire pension did the same. Approval by the City and PERA in a few weeks is expected to be fairly straightforward.

What this means is that an expected \$23 million levy increase in 2012 to pay these pension obligations is anticipated to drop to \$2.6 million. This would have represented an increase of 10-12% in the levy (translating to an even higher percentage for high-income properties that haven't experienced the same decline in value as other properties).

Coming on the heels of another large legacy pension merger, (the Minneapolis Employees Retirement Fund [MERF]) two years ago, and with the success by Governor Dayton and DFL legislators in fending off the mean-spirited, total elimination of Local Government Aid (LGA) solely for Minneapolis, St. Paul and Duluth by the Republican majority, Minneapolis tax payers have avoided total property tax catastrophe.

To be sure, property tax challenges remain. Republicans demanded the elimination of the Market Value Homestead Credit property value exclusion payments to cities, forcing the same levy to be assessed against artificially lower property values in our cities – effectively forcing property taxes up for everyone. The levy required of the MERF merger legislation, though it would have been much higher without the merger, begins this year. And Republicans, though they wanted deeper cuts, did succeed in making dramatic cuts to LGA permanent. Finally, there is the matter of the sluggish economic recovery, with housing and commercial property value losses and gains spread very unevenly throughout the City, creating dramatic imbalances over how the levy is assessed. (Please see my earlier letter that provides a lot of detail about property taxes in Minneapolis: www.tinyurl.com/SD60proptaxes.)

Credit and congratulations are owed to the Mayor and his staff, City Council Members Betsy Hodges, Elizabeth Glidden, Council President Barbara Johnson and City staff, all who negotiated over months and years, and put in long, difficult hours to negotiate terms that could achieve passage by the legislature, signature by the Governor and ratification by the pensioners. I also commend my colleagues Senator Larry Pogemiller, co-author Representative Jim Davnie, and Representative Paul Thissen, who were all instrumental in efforts to bring the parties together. I tip my hat to the representatives and leaders in the pension funds who worked hard and in good faith to advocate both for their retirees interests and a better way to achieve stability and management of these pensions.

Finally, thanks to each of you who followed this issue and engaged with city leaders and the legislature in order to build the necessary political environment for a successful outcome.

Please continue to call and write with your news, your views and your ideas.

Very truly yours,

A handwritten signature in black ink that reads "D. Scott Dibble". The signature is written in a cursive, slightly slanted style.

D. Scott Dibble
State Senator, District 60