



**OFFICE OF THE LEGISLATIVE AUDITOR**  
STATE OF MINNESOTA

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# State Mandates on Local Governments

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**The state has clear constitutional authority to impose mandates, but needs to consider the concerns of local governments.**

## Major Findings:

- There are various ways to define a mandate; therefore, people may mean very different things when they talk about “the mandate problem.” (p. 4 in the full report\*)
- Most local officials have specific mandates they dislike, but some also think that “the mandate problem” should be addressed broadly because it results from the state not treating local governments as partners. (p. 18)
- Most local government officials say that inadequate funding for mandates along with the fiscal constraints set by the Legislature make it difficult for them to provide mandated services and still address local priorities. (p. 18)
- Most local officials think that state-imposed requirements on local governments are appropriate if at least partially funded. (p. 21)
- Although local officials say that the cumulative impact of state requirements is more detrimental to local operations than specific requirements (p. 19), they object to six mandates most frequently: levy limits, truth-in-taxation notices and hearings, paying sales tax on local government purchases, pay equity, tax increment financing restrictions

and reporting, and out-of-home placement costs. (p. 25)

- Over the past 15 years, Minnesota has established entities and procedures to address state-local relations and mandate concerns. (p. 38) Some have been repealed and those that remain are used infrequently or not at all. (p. 41)

## Recommendation:

- State and local officials should make greater use of the tools currently available to address individual mandate concerns and collaborate on ways to improve the relationship between the state and local governments. (p. 61)

\*For the full evaluation report, *State Mandates on Local Governments* (#PE00-01), which includes a response from local governments, call 651/296-4708 or download from:

[www.auditor.leg.state.mn.us/ped/2000/pe0001.htm](http://www.auditor.leg.state.mn.us/ped/2000/pe0001.htm)

## Report Summary:

Concerns about state mandates have persisted in Minnesota for many years and are not likely to ever be fully resolved. Various tools are already in place to help address state-local relations and specific concerns about proposed and existing mandates, but they need to be used more extensively.

### For Some, Mandates Raise Serious Questions About State-Local Relations

Lack of agreement over what constitutes a mandate makes discussing mandate issues and responding to them difficult. Some policymakers define mandates narrowly, as *mandatory requirements* that dictate what local government must do. Others define mandates more broadly to include *conditional requirements* that local governments must meet if they want to participate in optional programs or receive aid. Still other officials expand the definition to include program and revenue-raising *restrictions* that are placed on local governments.

For some local officials, however, “the mandate problem” is not about specific mandates but the state-local relationship generally. And, indeed, mandates can raise questions about which level of government should set policy for, implement, and fund different government responsibilities.

Although there are valid arguments for and against the imposition of mandates, the Minnesota Legislature has clear constitutional authority to impose mandates on local governments. At the same time, it is important that legislators consider local governments’ concerns when adopting or reviewing mandates, especially since the state does not always appropriate funds to pay for them.

### Lack of Funding for State Mandates Creates Difficulties for Local Governments

Local officials, especially those from counties and large cities (those with 10,000 or more residents), are primarily concerned about funding for state mandates and the fiscal constraints that the state places on them. While they particularly object to laws and rules that tell them how to operate their local governments, they say that mandates in general are not funded adequately, preempt local authority, do not address local problems, and are administratively inflexible.

A majority of local officials agree that state requirements are generally appropriate if at least partially funded, and more than half of officials from small cities (those with fewer than 10,000 residents) and towns say that state requirements are generally reasonable. Over half of officials from counties and large cities, however, say that general government and environmental requirements are unreasonable.

While there is little consensus about which individual mandates are most objectionable and why, local officials object to six mandates most frequently: levy limits, paying sales tax on local government purchases, truth-in-taxation notices and hearings, out-of-home placement costs, tax increment financing restrictions and reporting, and pay equity. They generally oppose these mandates for one of three main reasons: they preempt local authority, entail excessive reporting or procedural requirements, or are not adequately funded.

### There Is No Single Way to Address All Mandate Concerns

A review of the mechanisms that Minnesota has established and the approaches taken by other states to

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**Mandates raise questions about what level of government should set, implement, and fund public policy.**

**There are a variety of tools to address mandate concerns, but they have not eliminated mandates as an issue.**

address concerns about local government mandates makes it clear that there is no single way to address all mandate concerns. While local officials support increased funding, research suggests that broad statutory or constitutional provisions that either require states to fund mandates or reimburse local governments' expenses rarely bring relief to local governments. While Minnesota has other statutory tools that could help address local governments' concerns, they have been used infrequently.

#### **Statutory Tools to Address Mandate Concerns**

- Local fiscal impact notes
- Fiscal impact summary report
- Funding or reimbursement provisions
- Mandate explanations
- State agency variances
- Rule petitions
- Board of Government Innovation and Cooperation waivers
- Mandate studies

For example, two statutory tools that can help mitigate the effects of mandates—local fiscal impact notes and mandate explanations—provide financial and other information to legislators, but legislators have rarely requested them. In addition, the Board of Government Innovation and Cooperation, which allows local governments to pilot test their ideas by granting waivers from rules and procedural laws, has not enjoyed widespread support from state officials. Lessons learned through the waiver process might help address statewide problems with specific mandates.

At the same time, local governments could look for more opportunities to use existing tools to address their problems. Local officials say that mandates are administratively inflexible and they support outcome-based mandates that

would allow them to develop unique ways to meet goals. However, few local governments apply to the Board of Government Innovation and Cooperation for waivers that would let them develop and implement alternative ways to meet mandate requirements. Also, although legislators must request local fiscal impact notes and mandate explanations, local officials could encourage their local representatives to do so. While local officials say that the Legislature, as a whole, is unresponsive to their needs and concerns, some officials point out that their local legislators are generally receptive to their concerns.

Local government associations could also be more proactive, perhaps serving as clearinghouses for information about the availability of waivers and variances, what applications have been approved and denied, and what projects have been successful. They could also identify problematic mandates and work with local governments to develop acceptable, alternative ways to meet mandate goals. Finally, local government associations could encourage legislators to use existing tools, especially mandate explanations. We think that this tool could provide a framework for interested parties to discuss all aspects of mandates, thereby focusing debate on questions of need and flexibility in addition to funding. Addressing these questions when a mandate is proposed could help state and local officials resolve issues and problems before rather than after a mandate is adopted.

#### **Other Tools to Address Mandate Concerns**

- Pilot projects
- Delayed effective dates
- Local government approval
- Two-thirds vote of the Legislature
- Mandate inventories
- Sunset language

State and local officials should also look for more opportunities to use some of the mechanisms that Minnesota has used on an individual basis. For example, pilot projects could be used when there are no proven ways to achieve a desired outcome. Delayed effective dates might help local governments accommodate new mandates that require substantial resources to implement.

### **Mandate Issues May Never Be Completely Resolved**

There will probably always be some tension or disagreement between state and local officials about the efficacy of mandates. They often bring different perspectives to discussions about mandates. Local officials object to some mandates—levy limits and paying sales tax on local government purchases—because they disagree with

the mandates themselves rather than the way the mandates try to achieve a goal. Legislators might view the same mandates as legitimate state interests best addressed with a uniform statewide policy. To some extent, the continued tension over mandates is rooted in larger questions about the assignment of responsibilities between state and local governments that are not likely to ever be fully resolved. Although there is little need for major structural changes at this time, closer attention to questions of who should set, implement, and fund mandates on an individual basis should help improve intergovernmental relations in Minnesota. Until state and local officials work together to improve state-local relationships, tension surrounding state mandates on local governments will likely continue unabated.

## **Summary of Response:**

**O**n January 7, 2000, Charles Meyer, chair of the Best Practices Local Government Advisory Council wrote: “Your recommendation for collaboration between state and local officials to improve and clarify the relationship between state and local government is sound.” He also said that “our hope is that this report will set the stage for an immediate review of the appropriate relationship between state and local government in our state.” But he said the report does not stress these points enough:

1. “Many other states have addressed mandate issues and considered or undertaken a wide variety of solutions – including optional compliance mechanisms, reimbursement requirements, cost-sharing, and sunseting/cyclical reviews of mandates.”
2. “The financial burden of state-assigned programs is a major factor in local property taxes, and a serious examination of this impact is necessary.”
3. “Most of the existing mechanisms to address mandate concerns occur after, not before, the creation of mandates, and are at the control of the Legislature, not local government. . . . We suggest strengthening the fiscal note process.”