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A THOUGHTFUL APPROACH TO NEWS

LGA is key to strong businesses; further cuts will undermine them

By Randy Kehr | Thursday, Feb. 3, 2011

I hear the sounds of cutting coming from the State Capitol, and those are sounds that weigh heavy on owners of businesses located in Greater Minnesota.

I am the executive director of the Albert Lea — Freeborn County Chamber of Commerce, and I've heard those sounds — the cutting of funding for the Local Government Aid (LGA) program — all too often over the past eight years. Unfortunately, many legislators are of the opinion that those cuts will only affect city hall, ignoring the fact that they also put local businesses at risk.

Everyone who runs a business or lives in rural Minnesota understands that there will be discomfort as the governor and Legislature address our budget deficit. However, for almost 40 years, the LGA program helped to level the playing field by keeping our property taxes and our city services on an even keel with those in areas with greater tax capacity. That was a policy decision that kept our entire state strong and economically healthy.

The decision to drastically reduce or eliminate LGA will also be a policy decision, and as such, should be thoroughly examined in consultation with all the stakeholders before decisions are made. A policy that arbitrarily results in aid cuts will diminish our communities and accelerate the exodus of people and businesses from Greater Minnesota. Everyone impacted by such a policy change should have a full understanding of those impacts before proceeding along this path.

Past cuts have left cities less competitive
Albert Lea is typical of many mid-sized rural cities, and past cuts have already left it and other Greater Minnesota communities less competitive and less attractive to families and new businesses. The LGA cuts proposed this year by the legislature will add to that burden. If LGA is severely cut or eliminated, businesses in rural Minnesota could face paying up to double their current property taxes. In Albert Lea, taxes on an average size business could potentially rise from approximately $4,000 to over $8,000 a year. Similar tax hikes could hit businesses located all over Greater Minnesota, while those in areas with a significantly higher tax base would remain untouched. That does not bode well for our rural economy or for the economy of the state as a whole.

Those who say that taxes won't rise — that cities will absorb the cuts — are apparently unaware of the significant cuts that many cities in greater Minnesota have already made in response to previous unallotments. Services have been cut, employees laid off or retired early and open positions have not been filled. All of these actions have resulted in lower levels of service to the area's citizens.

Additionally, property taxes have already increased in most Greater Minnesota cities. Businesses can't thrive if infrastructure isn't maintained, police and fire services are cut back, library and city hall hours are reduced and parks and pools closed down. In many cases, those public services have already been cut to the quick. Any additional cutting will negatively impact our cities and undermine our businesses.

For years the LGA program was seen as an investment, and it was an investment that paid off. We had a robust economy, not just in part of the state, but in the entire state, with outcomes that were positive for businesses and cities everywhere. This is not the time to abandon a policy that values strong rural cities and helps rural businesses survive despite today's tough economy. It is time to stand up for a strong, united State of Minnesota and say "no" to further cuts to the LGA program.

Randy Kehr is executive director of the Albert Lea — Freeborn County Chamber of Commerce. This article originally appeared in the Morris Sun Tribune and is republished with permission.

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