

LGA and Mankato's future

Local government aid (LGA) came on Minnesota's radar screen in 1965 and was finally legislated in 1967 under the Tax Relief and Reform Act Chapter 32 Article V. Its funding mechanism was basically a 3 percent sales tax, one fourth of which would be distributed to counties, cities, townships and school districts. The intent behind such legislation was for there to be a means by which these government entities could bolster their general funds and have the opportunity to level the playing field with some of the wealthier communities with regard to opportunity, infrastructure enhancements and increasing compliance to federal and state mandates.

Since 1967 LGA has had over 25 changes in either its formula, per capita aid amount, sales tax amount or was subject to potential unallotment. This unreliable revenue stream should be reserved for anything but essential services such as police and fire protection. Local governments most basic role is police and fire protection of its constituents and their property. Yet, in the city of Mankato any reference to LGA is always followed up with the scare tactic of reducing police and fire response times.

Police and fire are a large portion of the general fund. However, the rest of the fund is not essential service.

The bulk of the remaining portion of the fund consists of the street department, capital outlays, planning and zoning, legal and accounting, admin-istration, parks and recreation.

LGA accounts for a little over 30 percent of the general fund and has been as high as over 50 percent back in 2002. So the city would appear to be weaning itself slightly but when you figure in the growth of the fund since 2002 coupled with another 8 percent increase in expenses and salaries you can see that these percentages can be skewed.

LGA disbursements are at the mercy of the governor. If the State has enormous deficits, the governor can unallot and not distribute these funds. This year Minnesota has roughly a billion dollar deficit. That deficit will grow to seven billion in two to three years by employing time value of debt and without a federal injection like the stimulus received in 2009.

Another stimulus, or an extension of the one we have, is highly unlikely because of the alarming growth of national debt and the unwillingness of foreign investors, namely Japan and China, to invest in the United States, thereby raising the cost of future revenues. Therefore, our local LGA is unsustainable because the state is failing almost as fast as the federal government.

Let's talk debt. When I was a student at MSU, I'll never forget the day (in 1974) when Dr. Jones came into our economics class and hit the desk with his fist and said that the national debt had just hit one half a trillion.

He said that we will never recover from this and that in our lifetime we will see collapse of our monetary system.

Well, today we have \$12.5 trillion of national debt and are well on the way to his vision. With only a net worth of \$51 trillion, is it out of the question to wonder is the U.S. heading toward bankruptcy and higher costs of debt? You decide (www.usdebtclock.org).

I had great economic professors at MSU. To this day, I wonder if what they taught us about macro- economics, Keynesian theory, supply-side economics different aspects of the money supply and sustainable economics was all for naught? So much of what is taught in our higher education institutions provide the answers.

Yet, graduates leave the steps of these institutions only to embrace the real world of greed, power and extreme politics. Their focus turns to systems, bureaucracies, top- down management models and survival.

What is lost is the innocence and the hunger to reshape tomorrow with measurements of optimism that motivate them to provide the answers using the tools provided to make sense, to apply and to accomplish, what is needed in this world of checks and balances.

The citizens of Mankato are faced with a tough row to hoe if changes aren't made in both the disbursement of LGA and in the method of doing business. These are some of my suggestions. First, the well-intended people who rode the bus to St. Paul to lobby for the civic center expansion bonding (maintenance we cannot afford) need to get back on that bus and lobby once again for a New Tax Relief and Reform Act (LGA) that is sustainable. One that firms up the equality and assurance of payment distribution based on new more permanent parameters.

Secondly, Mankato needs to throw away its computer- driven depreciation system on vehicles and other hard assets. It makes no sense to have the latest and greatest state of the art " leaf sucker upper" if you can't afford to hire an operator! You need to repair your depreciable assets. Capital expenditures should have been curtailed greatly years ago. We now face the real consequences of elaborate accounting practices.

Third, explore duplication of services and services that could be more cost effective if provided by the private sector. Fourth, the city

owns a beautiful airport ... hire a new airport operator and start contracting for profitability. The city is financially overwhelmed by the entities it seeks to manage, including the airport and the civic center. Managing is a long term expense.

Fifth, term limits across the political spectrum, especially at the local level. Being a city councilor was never meant to be a career. It should be a learning and advisory position offered to as many of your constituents as possible. An informed public is a responsible public.

Sixth, of all the things that the Greater Mankato Growth could be doing, they got one idea right by encouraging all of us to buy at home.

This is an excellent campaign.

Anyone for a Schells?

Lastly, Mankato is a community of great potential. Its promise to the future will be measured by its ability to recognize the need for financial independence, re- evaluation and custodial integrity.

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My View

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