A Challenge For St. Paul Leaders: Do Some Truly Unglamorous Work To Save The City

By: Jane Prince and Gary Todd, Co-chairs, In$ight St. Paul

St. Paul faces a $26 million budget gap for 2027. This deficit is more than a math problem; it is a litmus test for the city's future affordability. After closing a $23 million shortfall last year with temporary hiring freezes, the city has exhausted its easy options. St. Paul must now address structural failures.

The instinct in a moment like this is to reach for the property tax levy. That instinct should be resisted.

St. Paul already carries the highest effective property tax rate of any region in Minnesota, on top of the highest municipal sales tax in the state. Residents on fixed incomes have no cushion left to absorb another increase, and renters feel the crunch directly in their monthly bills. The population numbers tell the story: St. Paul was the only city among Minnesota's five largest to actually lose residents between 2020 and 2023, and it lost two major downtown employers in 2024. Treating the levy as the default fix doesn't stabilize the budget. It pushes more people and businesses toward the exit, which shrinks the tax base the city is trying to protect.

Closing this gap requires essential, non-negotiable administrative actions. The city must stop delaying the unglamorous work of fiscal reform.

Decertify tax increment financing districts now. St. Paul relies on TIF more heavily than any other Minnesota city, yet the City experienced the slowest growth of our property tax base over the past 10 years. Officials allow districts to remain open long after they have fulfilled their purpose. These districts must release revenue back to the general fund, the county, and the schools immediately. This is not a policy choice; it is overdue bookkeeping worth millions annually.

Then look at what the city is already building versus what it already owns. St. Paul has a substantial backlog of unmaintained streets, sidewalks, and parks. Despite this fact, there are plans in the works to move forward on tens of millions of dollars in new projects like the river balcony and a new regional athletic complex. Every new facility comes with ongoing staffing and upkeep costs that land in future budgets, usually paid for with higher property taxes. The 2023 sales tax that voters approved was pitched specifically as a way to catch up on deferred maintenance. Spending it on new construction instead of the backlog it was created to fix undercuts the promise made to get it passed.

There's also revenue the city isn't collecting at all. Close to 20 percent of the property value within St. Paul is tax-exempt. This is a far higher share than in the surrounding suburbs of Ramsey County, even though those properties still rely on the fire department and expect their streets to be cleared in winter. Payment-in-lieu-of-taxes agreements with the largest nonprofit and institutional landholders would turn that gap into real revenue without raising anyone's tax bill. Separately, the state has fallen behind on its commitment to help fund regional parks; that's a shortfall St. Paul should be pressing Minnesota to make good on at the Capitol, rather than quietly covering with local dollars.

None of this requires layoffs. It requires the council to keep doing what worked last year, leaving vacancies open rather than filling them automatically, and to take a hard look at whether every position funded with one-time COVID relief dollars is still doing essential work. It requires capital projects to come with a real estimate of what they'll cost to operate for years afterward, not just what they'll cost to build, so this same gap doesn't reappear on schedule. And it requires an actual debt policy, since a downgrade to the city's bond rating would make every future budget problem more expensive to fix.

Mayor Kaohly Her ran on making St. Paul affordable. This budget is where that promise gets tested. The choice in front of the administration and the council isn't complicated, even if the work is. We need them to quit leaning on property owners every time the budget comes up short. We need them to do the slower work, decertifying TIF districts, finishing what's already been built before starting what's new, collecting PILOT payments, and getting a better grasp on capital spending.

St. Paul residents and businesses have already shown they'll leave when the numbers stop making sense for them. With the city’s next budget coming into better focus in the coming weeks, now is the time for all residents and business owners to reach out to our elected officials. We need to let them know that we support the idea of them doing the unglamorous things that are necessary to protect us from the growing pressure of more tax increases.

The authors are co-chairs of In$ight St. Paul, an independent group of citizens who are taking a non-partisan approach to understanding the financial challenges facing St. Paul and developing solutions designed to address those challenges. More of their ideas for the city can be found at www.insightstpaul.org.