VIEWPOINT

Fruit of fiscal reform is in reach, but city needs to act now

By Gerry McInerney

Saint Paul Mayor Kaohly Her's newly proposed 2027 budget outlines a critical juncture for our city. Facing a projected $26 million deficit, tough choices were inevitable, and Mayor Her deserves credit for taking symbolic first steps. She drew the line on executive staff raises and trimmed administrative overhead, including cutting her own pay, to rein in costs.

However, reducing costs and still landing on a 6.8% tax levy increase is not a fiscal victory; it is a compromise with overspending. Pushing through another tax hike relies on the same tired playbook—demanding more from weary residents rather than delivering true structural reform.

Between now and final budget adoption in December, city leaders have a window to pivot. Rather than once again reaching deeper into local taxpayers' pockets, the administration and City Council must execute the unglamorous fiscal reforms needed to secure Saint Paul's financial future.

TAXPAYERS HAVE REACHED BREAKING POINT

Saint Paul taxpayers are exhausted. The city already bears the highest effective property tax rate in Minnesota, on top of the state's highest municipal sales tax. Compounding this burden, a recent decline in commercial-industrial property values is shifting an ever-larger portion of the tax load onto homeowners and renters. These rising costs carry devastating real-world consequences.

Fixed-income seniors have zero financial cushion left to absorb another tax surge. Renters could see property tax hikes passed directly through to higher monthly rent bills. High tax burdens drive out businesses, accelerating capital flight. Saint Paul was the only one of Minnesota's five largest cities to lose population between 2020 and 2023. Pushing tax levies higher will not bring stability. It just further jeopardizes the tax base and leaves remaining residents holding a larger bill for fewer services.

THE LOW-HANGING FRUIT OF FISCAL REFORM

Mayor Her campaigned on making Saint Paul affordable. A 6.8% tax increase directly contradicts that promise. Before hitting residents with another hike, city leaders must adopt four straightforward financial reforms:

1. Decertify expired TIF districts. Saint Paul relies more heavily on tax increment financing (TIF) than any municipality in Minnesota, yet experienced the slowest tax base growth in the state over the past decade. By trapping property values in TIF districts for decades, the city starves the general fund, county and school district of vital revenues. Decertifying completed TIF districts and returning properties to the standard tax rolls isn't radical policy. It's overdue accounting that will unlock millions for the city annually.

2. Prioritize infrastructure maintenance over capital expansion. Saint Paul faces a staggering backlog of unmaintained streets, crumbling sidewalks and deteriorating parks. Voters approved a 1% municipal sales tax in 2023 to address this deferred maintenance. Yet the city continues pushing forward with tens of millions in speculative new projects, such as the Mississippi River Balcony, the Mississippi River Learning Center and a regional multi-sport athletic complex. Every new facility creates operating and maintenance obligations that drain future budgets. Saint Paul must adopt a strict policy: no new capital builds without mandatory fiscal notes disclosing full, long-term operating and maintenance costs.

3. Capture exempt revenue through PILOT agreements. Nearly 20% of property in Saint Paul is tax-exempt—a far higher proportion than neighboring suburbs. Large nonprofit institutions and universities depend heavily on city emergency services, public transit and plowed streets. While this budget makes a nod toward using grant money to research the depths of this problem, the city really needs to take decisive steps toward making Payment In Lieu Of Taxes (PILOT) agreements with major tax-exempt landholders. Doing so would yield critical revenue without raising tax rates on everyday citizens.

4. Hold the state accountable for regional assets. Saint Paul serves as the state capital and hosts regional parks and facilities enjoyed by visitors statewide. The city must aggressively demand that the state of Minnesota fully honor its funding obligations for capital assets rather than passing the buck onto Saint Paul taxpayers.

The coming weeks represent a crucial window for civic action. Closing Saint Paul's budget gap requires structural discipline, not an automatic tax hike. By decertifying expired TIF districts, prioritizing asset maintenance over new construction, securing institutional PILOT payments, and enforcing strict long-term fiscal planning, Mayor Her and the City Council can balance the budget while keeping Saint Paul more affordable for everyone.

Gerry McInerney is a resident of Saint Paul and a member of the Steering Committee of In$ight Saint Paul, a nonpartisan fiscal watchdog organization dedicated to promoting transparent municipal governance, fiscal accountability and informed public policy.