

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

2016 Local Government Lobbying Services

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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2016 Local Government Lobbying Services

For the Year Ended December 31, 2016



April 26, 2017

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State of Minnesota**

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Scope and Methodology

This report shows the expenditures by local governments and their associations for lobbyists and lobbying. The report is prepared in accordance with Minn. Stat. § 6.76, which states:

(a) On or before January 31 of each year, all political subdivisions shall report to the state auditor, on forms prescribed by the auditor, their estimated expenditures paid for the previous calendar year to a lobbyist as defined in section 10A.01, subdivision 21, except payments to associations of political subdivisions that are reported under paragraph (b), and to any staff person not registered as a lobbyist, over 25 percent of whose time is spent during the legislative session on legislative matters.

(b) Associations of political subdivisions subject to this section shall report annually, on or before January 31, to the state auditor and the association's members the proportionate amount of each member's dues spent for lobbying purposes.

(c) For purposes of this section, "political subdivision" has the meaning given in section 6.465, but also includes a metropolitan or regional agency or a public corporation audited by the legislative auditor.

The Office of the State Auditor has collected and published data on the lobbying services costs of local governments since 1989. This report summarizes expenditures on local government lobbying services during the calendar year 2016¹ and is intended to inform the public and policymakers of the amount spent by their local government on lobbying services.²

The reporting forms used to collect information on the expenditures by local governments and their associations for lobbyists and lobbying are presented as appendices in this report starting on page 391. The list of local government associations was developed by reviewing all associations that were registered with the Campaign Finance and Public Disclosure Board. While the Office of the State Auditor attempted to identify all associations of local governments and provide them forms to fulfill their reporting requirement, it is the responsibility of the associations to comply with the reporting requirement. The expenditures on lobbying services are the amounts self-reported by local governments and local government associations.

¹While the law requires associations to report on a calendar year, certain associations continue to report on their own fiscal years.

²This report only details local government lobbying expenditures used to influence legislative, administrative, or official actions by Minnesota officials. This report does not detail local government lobbying expenditures at the federal level.

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Executive Summary

- Local governments spent a total of \$9,110,139 on lobbying activities in 2016. This represents an increase of \$183,353, or 2 percent, over the amount spent on lobbying services in 2015 (pg. 5).
- In 2016, 105 local governments (four more than in 2015) reported that they directly employed staff or hired contract lobbyists. These local governments spent a total of \$4,948,577 on staff and contract lobbyists.³ This was \$274,174, or 6 percent, more than in 2015 (pg. 5).
- In addition to the \$4.9 million paid directly to staff and contract lobbyists, local governments paid dues of \$12,012,510 in 2016 to local government associations that also represented their interests before legislative, administrative, or other governmental bodies.⁴ These associations spent \$4,161,562 on lobbyists and lobbying in 2016, a decrease of 2 percent from 2015. Of the \$4.2 million spent on lobbyists and lobbying by these associations, \$3,554,109 was funded exclusively through dues. This represents a decrease of 6 percent from the \$3,776,740 in association dues that were spent on lobbying activities in 2015 (pg. 5).

³These expenditures do not include dues and membership fees paid to local government associations.

⁴The local government associations identified in this report do not include various professional associations that lobby on behalf of specific professional occupations within local governments. For example, Education Minnesota is registered with the Campaign Finance and Public Disclosure Board. However, because the association does not directly represent school districts or school district management personnel, its lobbying expenditures are not included in this report.

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Overview

The operation and funding of local governments can be greatly affected by decisions made by the State Legislature. Therefore, it is understandable that those affected by these decisions would want to have representation during the legislative process. This report documents the level of expenditures made by local governments and their associations to perform this function.

According to reports filed with the Office of the State Auditor, local governments spent a total of \$9,110,139 on lobbying activities in 2016. This represents an increase of \$183,353, or 2 percent, over the amount spent on lobbying services in 2015.

Expenditures on local government lobbying increased 2 percent between 2015 and 2016.

In 2016, 105 local governments (four more than in 2015) reported that they directly employed staff or hired contract lobbyists. These local governments spent a total of \$4,948,577 on staff and contract lobbyists.⁵ This was \$274,174, or 6 percent, more than in 2015. Staff and contract lobbyists are paid to provide information to policymakers to influence legislative, administrative, or official actions regarding local governments in Minnesota.

In addition to the \$4.9 million paid directly to staff and contract lobbyists, local governments paid dues of \$12,012,510 in 2016 to local government associations that also represented their interests before legislative, administrative, or other governmental bodies.⁶ These associations spent \$4,161,562 on lobbyists and lobbying in 2016, a decrease of 2 percent from 2015. Of the \$4.2 million spent on lobbyists and lobbying by these associations, \$3,554,109 was funded exclusively through dues. This represents a decrease of 6 percent from the \$3,776,740 in association dues that were spent on lobbying activities in 2015.

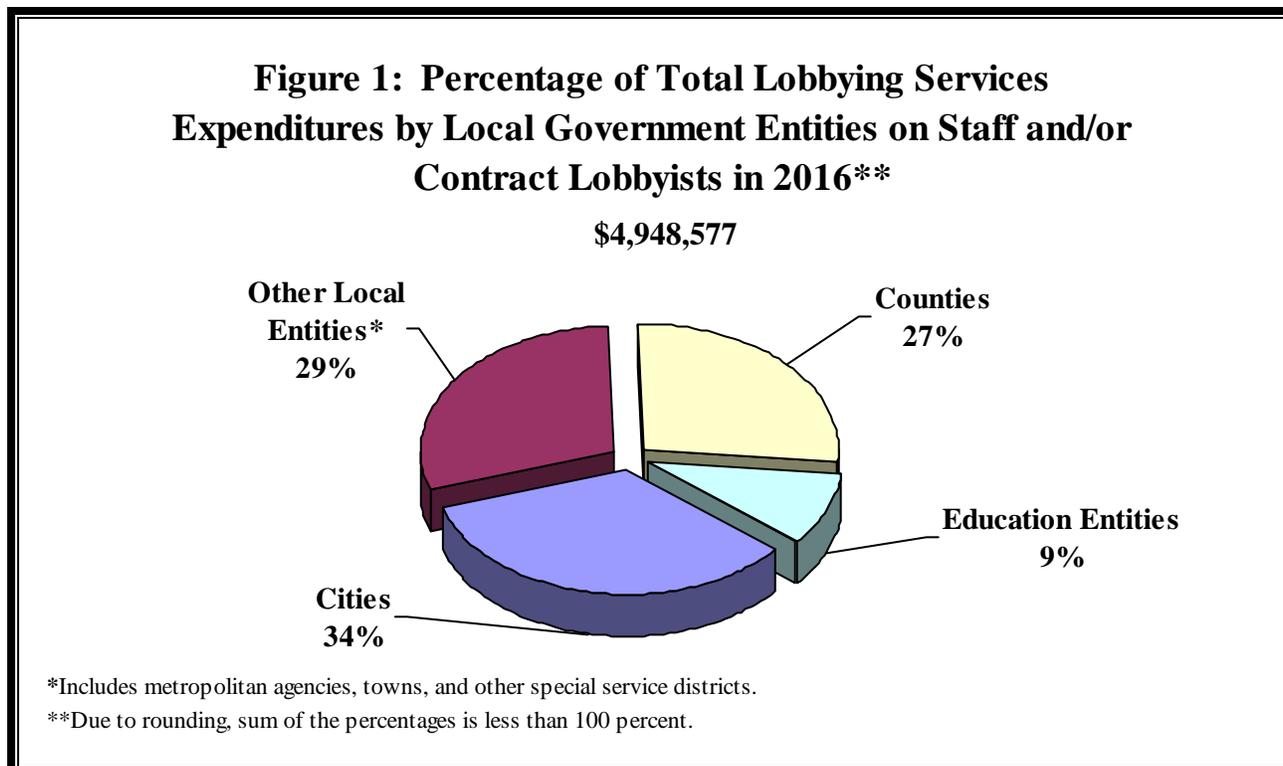
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Lobbying Services Expenditures by Local Governments

Staff and Contract Lobbyists

In 2016, 105 local governments, including cities, counties, school districts, and special districts, directly employed staff and/or contracted with professional lobbyists to represent their interests before the Legislature. Table 4 on pages 15 - 25 shows the payments made to these employees and hired professional staff as well as other costs attributable to lobbying efforts. Figure 1 below shows the 2016 percentage of total expenditures on staff and contract lobbyists by type of entity.



Of the 105 reporting entities that employed lobbying staff or hired contract lobbyists in 2016:

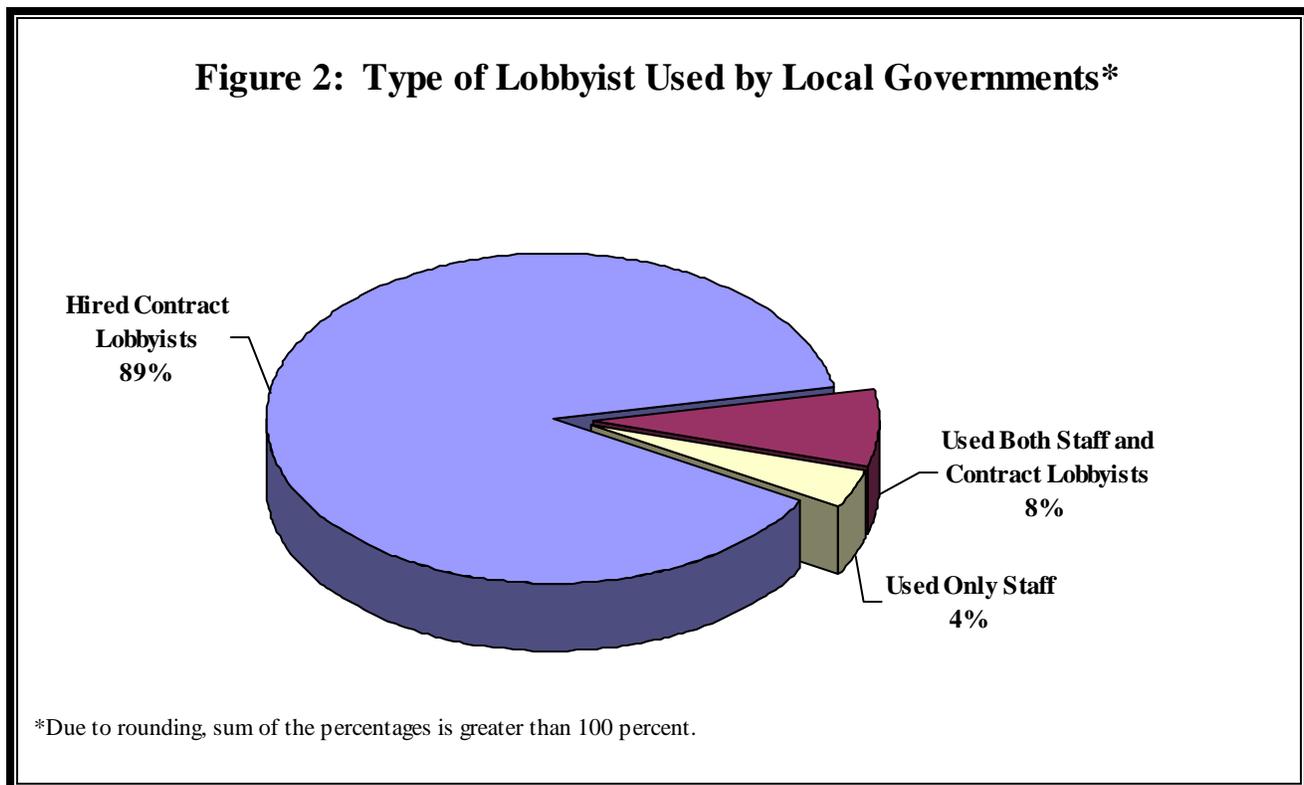
- Thirty-eight cities and city component units reported a combined total of \$1,682,968 in lobbying services expenditures. This compares to 35 cities and \$1,567,914 in 2015.
- Twenty counties and county component units reported a combined total of \$1,340,096 in lobbying services expenditures. This compares to 20 counties and \$1,281,977 in 2015.
- Fifteen education entities reported a combined total of \$469,520 in lobbying services expenditures. This compares to 11 entities and \$489,127 in 2015.
- Thirty-two metropolitan agencies, towns, and other special districts reported a combined total of \$1,455,993 in lobbying services expenditures. This compares to 35 entities and \$1,335,385 in 2015.

Reliance on Contract Lobbyists

Local governments more frequently use contract lobbyists than utilize their own staff to provide lobbying services. Contract lobbyists accounted for \$3,476,654, or 70 percent, of the total amount spent by those governments using contract or staff lobbyists. Local governments spent \$1,402,264 on staff lobbyists to represent their interests before the Legislature and other governmental bodies. In addition, local governments reported an additional \$69,659 in overhead costs related to lobbying services in 2016.

During 2016:

- four local governments relied entirely on their staff to represent them at the Legislature, compared to three in 2015;
- ninety-three local governments relied entirely on contract lobbyists to represent their interests, compared to eighty-eight in 2015; and
- eight local governments hired contract lobbyists and used their own staff for lobbying, compared to ten in 2015.



Highest Expenditures on Staff and Contract Lobbyists

Eleven of the 105 local governments that directly employed lobbying staff and/or hired contract lobbyists reported over \$100,000 in lobbying services expenditures, for a total of \$2,383,827. These 11 local governments accounted for 48 percent of the total amount paid to contract and staff lobbyists in 2016 (see Table 1 on the following page).

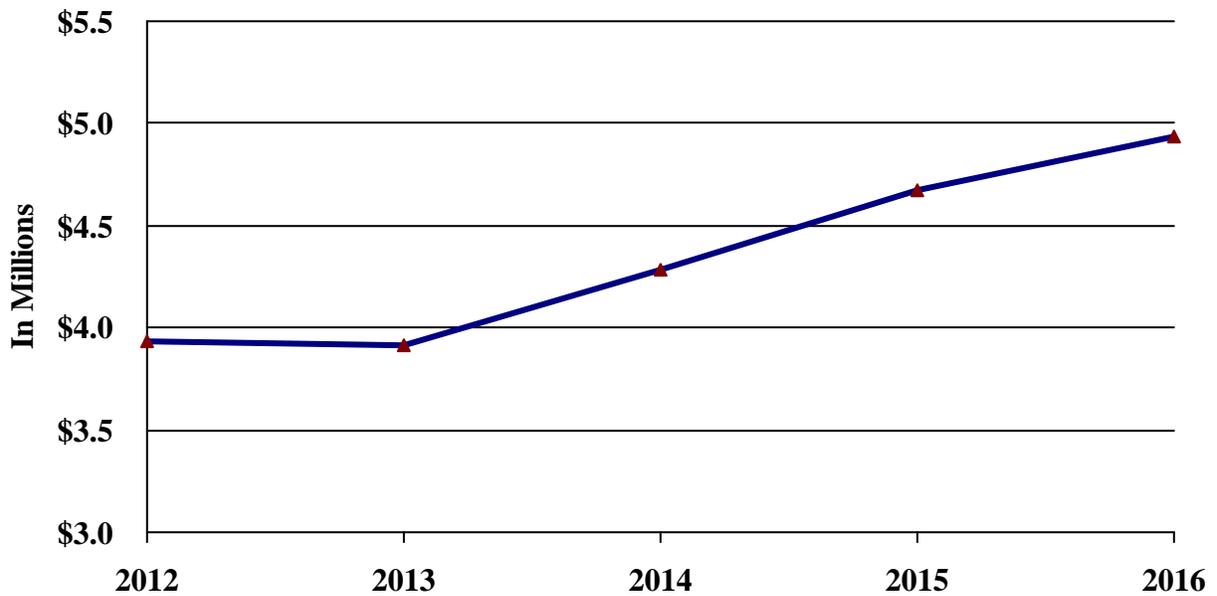
Table 1: Local Governments Spending More Than \$100,000 on Lobbying Services in 2016

City of Saint Paul	\$445,472	Ramsey County	\$145,846
National Joint Powers Alliance	\$398,284	Metropolitan Airports Commission	\$142,806
Hennepin County	\$314,987	Counties Transit Improvement Board	\$110,000
City of Minneapolis	\$277,419	Southern Minnesota Municipal Power Agency	\$109,626
Saint Louis County	\$185,441	Minnesota Sports Facilities Authority	\$108,005
Minneapolis Park and Recreation Board	\$145,941		

Trends in Expenditures for Staff and Contract Lobbyists

The number of entities that reported expenditures on contract and staff lobbyists increased from 101 in 2015 to 105 in 2016. There were 18 entities that reported lobbying expenditures in 2015 that reported no lobbying expenditures in the 2016 reporting period. There were 22 entities reporting lobbying expenditures in 2016 that reported no lobbying expenditures in the 2015 reporting period. Figure 3 below shows the long-term trend of expenditures on staff and contract lobbyists for the years 2012 to 2016.

Figure 3: Total Expenditures on Staff and Contract Lobbyists - 2012 to 2016



Lobbying Services Expenditures by Associations

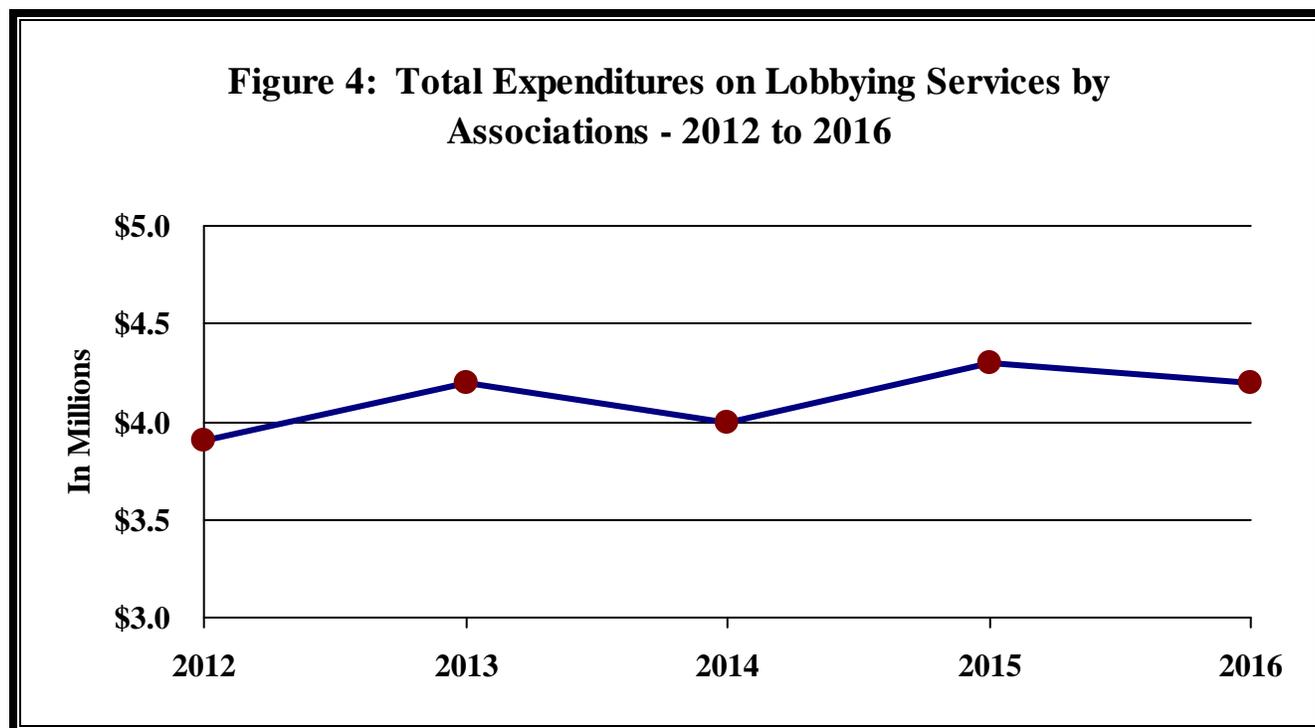
While 105 local governments opted to hire lobbyists or use staff to lobby on their behalf, it is more common for them to rely on various local government associations to represent their interests at the Legislature. These local government associations receive the majority of their funding from membership dues and other public funds. Some associations representing local governments not only lobby on behalf of their members, but also act as service associations. Groups such as the League of Minnesota Cities and the Association of Minnesota Counties provide a wide range of services to their members. For these associations, lobbying services account for a smaller share of their overall expenditures as compared to associations whose primary purpose is lobbying.

Other types of associations are formed for the explicit purpose of lobbying the Legislature on a specific issue or range of issues for which the members share a common interest. Most of these associations hire a lobbyist or a lobbying firm to influence legislative, administrative, or other official actions at the state, regional, or metropolitan level of government. The dues paid by members of these associations generally represent a percentage of the total amount paid to a contract lobbyist.

Trends in Lobbying Services Expenditures Made by Associations

In 2016, 26 associations representing local governments reported expenditures on lobbying services totaling \$4,161,562. Of this amount, \$3,554,109, or 85 percent, was funded through the dues of the association members. Total expenditures for lobbying/lobbyists by associations in 2016 decreased \$90,821, or 2 percent, from the level expended in 2015.

Figure 4 below shows total expenditures on lobbying services by associations from 2012 to 2016.



Association Lobbying by Type of Entity

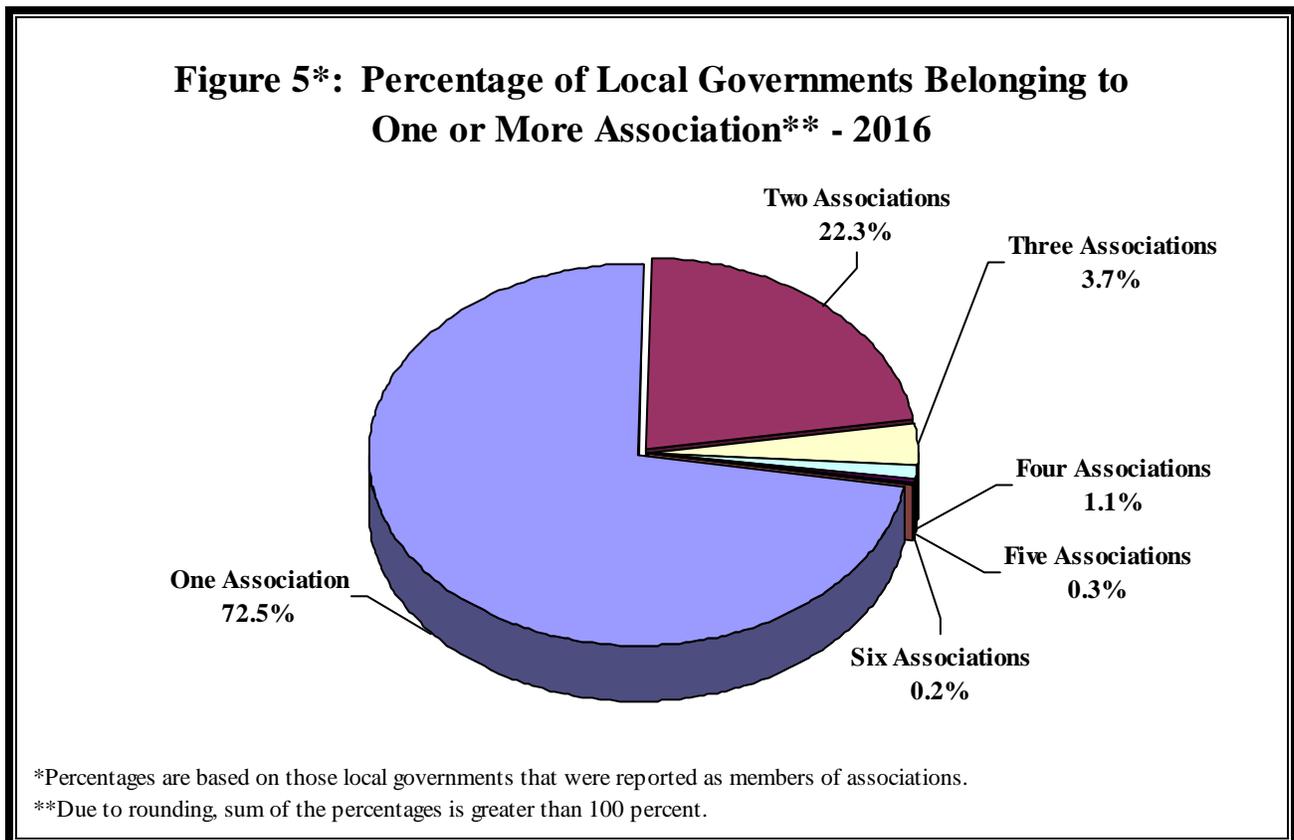
The associations reporting lobbying expenditures included:

- eight associations that represented the interests of cities;
- four associations that represented the interests of counties;
- four associations that represented the interests of school districts;
- one association that represented the interests of townships;
- two associations that represented the interests of special districts; and
- seven associations that represented more than one type of local government.

Multiple Association Memberships

While it is common for local governments to belong to at least one association, some local units belong to several. Of the 3,219 local units of government that belonged to at least one association, there were 169 local units of government that paid dues to three or more associations.

Figure 5 below shows the percentage of local governments that belong to one or more association.

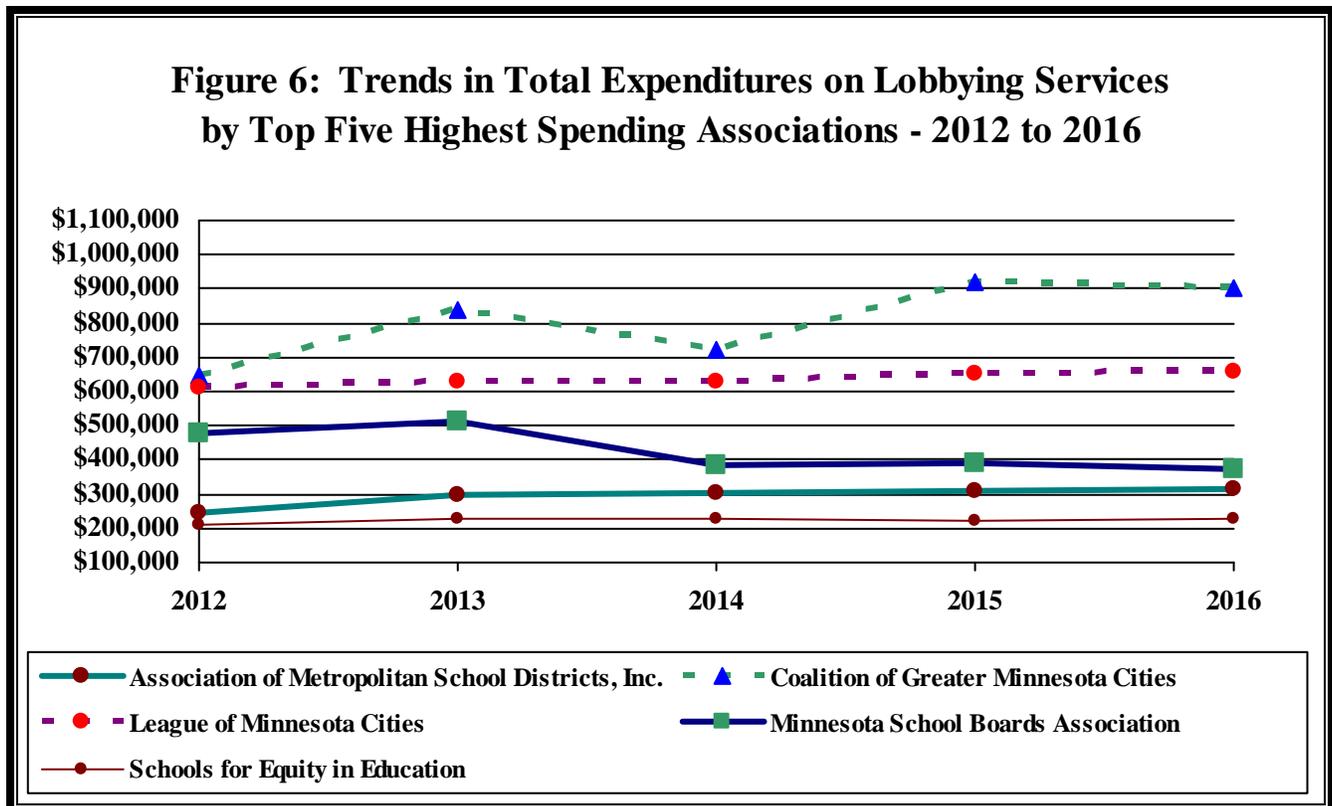


Associations With the Highest Expenditures on Lobbying Services

Among the 26 local government associations that lobbied the Legislature on behalf of their local government members, 12 associations reported expenditures on lobbying/lobbyists in excess of \$100,000 in 2016 (see Table 2 below). These 12 associations accounted for \$3,553,784, or 85 percent, of the total lobbying expenditures of associations in 2016.

Coalition of Greater Minnesota Cities	\$904,232	Association of Metropolitan Municipalities	\$182,083
League of Minnesota Cities	\$656,010	Minnesota Rural Education Association	\$171,252
Minnesota School Boards Association	\$371,668	Greater Minnesota Partnership	\$140,118
Association of Metropolitan School Districts, Inc.	\$316,562	Municipal Legislative Commission	\$139,630
Schools for Equity in Education	\$225,664	North Metro Mayors Association	\$130,696
Association of Minnesota Counties	\$193,145	Minnesota Inter-County Association	\$122,724

Figure 6 below shows the five-year trend in lobbying expenditures by the five associations with the highest lobbying expenditures in 2016.



Compensation Paid to Firms or Staff for Lobbying Services

In 2016, Minnesota local governments or associations of local governments paid 17 firms or lobbyists \$100,000 or more to provide lobbying services.⁷ The 17 firms or lobbyists receiving \$100,000 or more in payments from local governments or associations of local governments are listed below in Table 3.

Flaherty and Hood, P.A.	\$913,679	McGrann, Shea, Anderson, Carnival, Straughn and Lamb, Chartered	\$136,435
Lockridge, Grindal, and Nauen, PLLP	\$509,427	Rice, Michels, and Walther LLP	\$132,524
Messerli and Kramer	\$483,907	Joel Carlson	\$123,191
Ewald Consulting	\$250,326	Adam Prock	\$116,596
Larkin Hoffman Daly and Lindgren, Ltd.	\$233,785	Bill Otto	\$114,841
Capitol Hill Associates	\$184,577	Katie Knutson	\$111,609
Fryberger, Buchanan, Smith, and Frederick	\$179,507	Dan Listug	\$107,750
Amundson Strategies, LLC	\$157,554	Sletten Government Affairs and Public Policy, LLC	\$100,636
Costin Group	\$136,449		

⁷The amounts listed are those exclusively attributed to lobbying services. Some of these firms also received money for services they provided to the association or local government that they determined were not attributable to lobbying. Only the part of an employee's salary and benefits attributed to lobbying was included in this analysis.