



Citizens League Report

Because That's Where the Money Is:

Why the Public Sector Lobbies

***Public affairs research and education
in the Twin Cities metropolitan area***



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CITIZENS LEAGUE REPORT

***BECAUSE THAT'S WHERE
THE MONEY IS***

WHY THE PUBLIC SECTOR LOBBIES

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Public Sector Lobbying Committee

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Approved by the Citizens League Board of Directors

June 28, 1990

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EXECUTIVE SUMMARY

Observers of Minnesota's Legislature have seen lobbying by the public sector has intensified and become a visible part of the legislative environment in recent years. Public sector lobbying merits careful attention. It is unique in two ways:

- First, public bodies typically represent their projects and proposals as "in the public interest."
- Second, public bodies use public funds in lobbying, and public officials are accountable to taxpayers and voters for those expenditures.

In this study, we were asked to examine concerns expressed about the growing volume and cost of public sector lobbying and whether the rules in place then for public lobbyists were adequate. Based on discussions with lobbyists, legislators, and local government representatives, we conclude that expanded public sector lobbyist disclosure requirements are desirable, and the Legislature should examine its own practices to address how it contributes to the level of lobbying activity.

BACKGROUND

WHAT IS PUBLIC SECTOR LOBBYING?

In general, we limited our analysis of public sector lobbying to looking at how local governments (including school districts) and their associations lobby the state Legislature. Public bodies lobby with different styles and motives, and we grouped the styles under four headings:

- providing information to the Legislature;
- conducting public relations activities;

- advocating through information and analysis; and
- advocating through relationships with legislators.

Lobbying by individual government units and associations of governments is a legitimate part of the democratic process. The public sector's insights into and interpretations of policy proposals often contribute important information and can provide a valuable balance to the views of private interests.

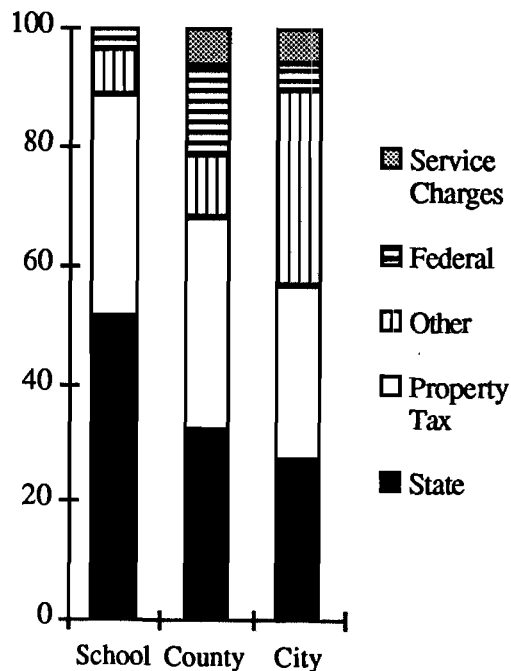
WHY DOES THE PUBLIC SECTOR LOBBY?

The public sector lobbies the Legislature because "that's where the money is." Two-thirds of state-collected revenues are redistributed to Minnesota's local governments. As the figure on the next page shows, local governments derive significant portions of their budgets from the state: on average, in 1988, state grants provided 27.2 percent of city revenues and 31.6 percent of county revenues.

Each year, local governments increase their spending; they aggressively seek to receive more or retain state aid; and their spending rises again. Their success encourages them to return each year to the Legislature in search of more money. The formulas used to distribute aid and distribute property tax relief are subject to change each year.

In addition, the public sector lobbies because the Legislature controls how local governments raise revenues. For example, the Legislature sets the basic level of property taxes that school districts levy and imposes levy limits on cities and counties to contain property tax increases. It also grants authority to local units to exceed the limits for express purposes.

**PERCENTAGE OF REVENUES
TO CITIES, COUNTIES, AND
SCHOOL DISTRICTS
IN MINNESOTA
BY SOURCE, 1988**



Besides advocating for direct financial assistance, local governments lobby because they seek specific legislative outcomes such as obtaining a state-financed public improvement or authority to avoid referendum requirements for capital projects. For example, the 1990 Legislature authorized special bonding authority to Bemidji for airport use and gave hotel-motel tax authority to Bloomington to promote the Met Center. The Legislature has no formal criteria to evaluate such requests, which seem to arrive in increasing numbers in recent years.

The public sector lobbies in response to state-mandated programs that require local government spending. It may also lobby to advocate its position on policy issues that may have fiscal implications. For example, in 1989 Minneapolis and St. Paul lobbied for legislation relating to the siting and dispersal of highly concentrated group home facilities. Hennepin County also lobbied on that issue, challenging some of the arguments made by the cities and state agencies.

HOW ARE LOBBYISTS REGULATED?

Minnesota regulates lobbyists through the Ethical Practices Board, which administers the registration and disclosure program outlined in *Minn. Stat. Chap. 10A*. In general, the law regulates through disclosure of who lobbies and some information about what they spend on their lobbying activities. The law does not restrict lobbying activity; it is not intrusive and does not limit who can lobby or how they do it.

MAJOR ISSUES

We identified five concerns resulting from public sector lobbying.

MINNESOTA'S STATE-LOCAL FISCAL SYSTEM STIMULATES LOBBYING

Minnesota's extremely complex and interdependent state-local fiscal system, with its relatively high state support of local spending, provides a major stimulus to city, county, and school district lobbying. Increasingly, since the early 1970s, cities, counties, and school districts have come to blame the Legislature for whatever revenue deficiencies they might have or perceive.

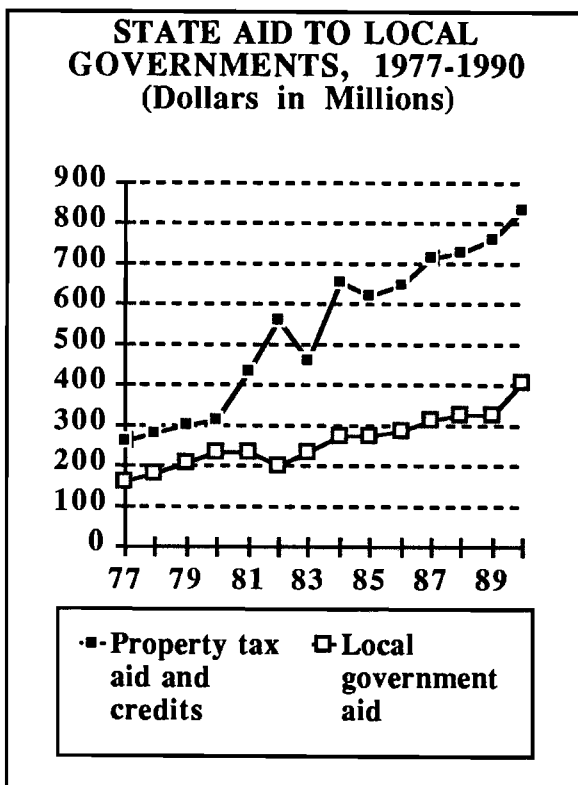
Furthermore, they depend on the Legislature for (or demand of it) ever-larger amounts of local aid and/or property-tax subsidies.

Aggressive (and successful) lobbying by local governments and state agencies can, over time, drive up state spending and lead ultimately to larger state budgets. For example, after local governments complained bitterly about aid cuts in the governor's budget and lobbied aggressively against them in 1990, the Legislature partially restored the cuts and spent more than the governor recommended.

Much local government lobbying is advocating for increases in state-paid general aid and property tax relief. Recent research indicates that state aid stimulates city spending to some extent; there is a clear correlation between increased aid and increased spending.

Except during several years of severe fiscal difficulties in the early 1980s, the Legislature has consistently increased its total spending for local aid and property tax relief each biennium, often by amounts well in excess of inflation. The figure below shows that property tax aid and credits have increased from \$262 million in 1977 to \$833 million in 1990.

Local government aid has also increased, though by less: from \$163 million in 1977 to \$403 million in 1990. Together, these state expenditures now equal \$1.2 billion, or 18 percent of the state's general fund budget.



The Legislature acts to increase the proportion of state-local government spending derived from the state income and sales taxes, which legislators and taxpayers see as less onerous than the local property tax. It also acts to hold down or substitute for property-tax increases and to respond to pressure from local units of government for ever-increasing support.

In any case, the result is an obvious pattern: local governments increase their spending; they aggressively seek and receive more or retain state aid; and their spending rises again. The local governments' success encourages them to

return each year to the Legislature in search of more money.

NARROWING OF INTERESTS

As shown in the figure on the next page, more and more individual government units and sub-state organizations of governments, such as the North Metro Mayors Association, the Association of Stable or Growing School Districts, and the Arrowhead Counties Association, have lobbyists at the Legislature to represent their concerns.

According to the Legislative Auditor, the number of government associations with registered lobbyists grew from nine to 19 between 1977 and 1989. The number of local governments and agencies with contract lobbyists grew from 10 to 62 over the same period.¹

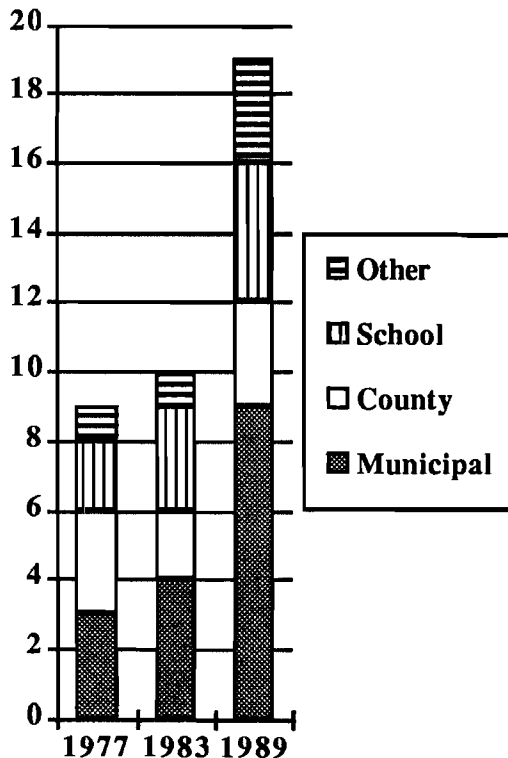
As individual local units lobby or join coalitions or associations to lobby, they may pursue narrow outcomes to benefit their interests without considering statewide policy concerns. It has become far more difficult, if not impossible, to enact state aid and property-tax bills and formulas that reflect broad, state-wide policy goals. Rather, the Legislature has increasingly produced the most possible state aid for the largest possible number of local units.

To the extent that individual local governments or coalitions are successful, additional local units are encouraged to step up their lobbying efforts and expenditures. Legislators can't -- or won't -- say no to local units. Local government aid and property-tax bills increasingly must have something for nearly everyone in order to pass, and either overall state expenditures rise or other programs receive less.

In addition, the public lobbying environment has become more complex. Statewide organizations are less likely to serve as the sole lobbying voice for the cities, counties, or school districts.

¹ Program Evaluation Division, Office of the Legislative Auditor, *Local Government Lobbying*, 1990, pp. 5-6.

GROWTH IN LOBBYING ASSOCIATIONS OF LOCAL GOVERNMENTS



overhead, while spending for contract lobbyists accounted for \$2 million.

As shown below, cities and their associations account for 48 percent, or about \$2.2 million of the \$4.65 million spent on lobbying. Counties (25 percent), schools (15 percent), metropolitan agencies (seven percent) and special local units (five percent) account for the remainder.

LOBBYING BASED ON SPECIAL RELATIONSHIPS

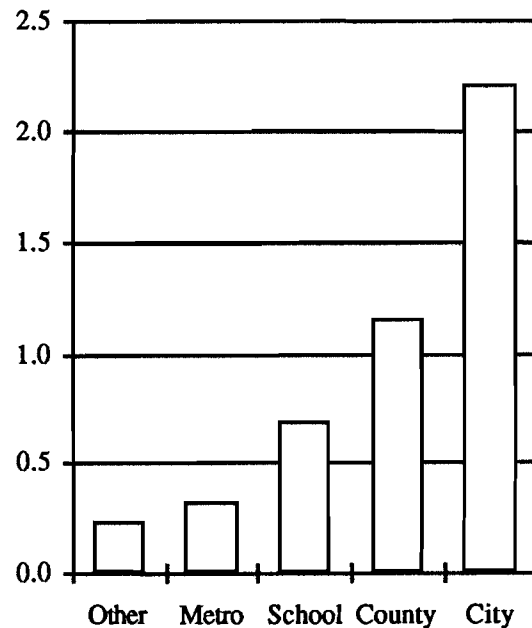
Some public lobbying practices should be cause for public concern. In particular, we question local governments relying heavily on special relationships between legislators and lobbyists. For example, a government or association will sometimes hire several lobbyists during the legislative session or on a single issue in order to reach different legislators, either individuals or groups such as suburban IRs or Iron Range DFLers.

COST

To date, the cost of public sector lobbying is not alarming. The best estimate available -- from a report by the Legislative Auditor -- is that local governments spent \$4.65 million lobbying in 1989. However, if public lobbying continues to escalate, the number of lobbyists and the amount of public money they spend could become a serious problem.

Last year, the Legislative Auditor collected information about lobbying expenditures by local governments and government associations specifically staff costs (including estimated overhead) and contract expenditures. It found that of the \$4.65 million total, local governments and school districts spent \$2.44 million on lobbying and government associations spent \$2.21 million. Viewed another way, \$2.65 million was spent on staff lobbying and

1989 LOBBYING SPENDING BY TYPE OF LOCAL GOVERNMENT (Dollars in Millions)



Public bodies sometimes retain contract lobbyists primarily because they have such relationships. Although the lobbyists' practices might be pragmatically sound, the public is not well-served if a personal relationship supersedes or substitutes for thoughtful decision-making based on objective fact and analysis.

INVOLVEMENT IN CAMPAIGN FUNDRAISING

We also found troubling the involvement of public sector lobbyists in soliciting and contributing campaign funds. Ideally, the legislative environment should not be shaped by unspoken expectations about campaign contributions. The public interest is ill-served when -- and if -- campaign contributions shape or influence legislative decisions.

Some lobbyists for public agencies told us they felt they need to attend fundraisers as part of doing business at the Capitol. Some told us they thought they need to become even more involved in fundraising to get legislators' attention.

DISCLOSURE OF LOBBYIST ACTIVITIES

Until the 1990 Elections and Ethics Reform Act was passed, public employees representing local governments were not required to register as lobbyists. The requirements added in 1990 indicate that the Legislature took note of the volume of public sector lobbying and acted to increase its oversight of those activities.

Several barriers to accurate measurement and understanding of public sector lobbying activities still exist, including:

- Lobbyists, their employers, and employees must report individual gifts, loans, honoraria, items, or benefits of \$50 or more to public and local officials. However, smaller gifts that accumulate to more than \$50 are not reported.
- Lobbyists are not required to disclose donations they solicit from others and pass on as campaign contributions.

- All state employees and elected local officeholders are specifically exempted from the legal definition of a lobbyist.
- No central record of public sector lobbying activity exists, nor could one be readily assembled.
- By law, a local government employee-lobbyist is now identified by a different, broader definition than other lobbyists.

CONCLUSIONS AND RECOMMENDATIONS

We think that expanded, reliable disclosure is preferable to placing limits or prohibitions on public sector lobbying. Increased disclosure would produce readily available, useful information and improve the public sector's accountability. It may also encourage ethical behavior in the public sector.

We also think the Legislature should examine how its practices have encouraged the growth of public sector lobbying.

Therefore, we recommend:

- ☐ The Legislature should require all public sector lobbyists to report to the Ethical Practices Board:
 - their campaign contributions which in aggregate exceed \$100 per year to a legislative or statewide candidate;
 - all campaign contributions they solicit from others and pass on to candidates; and
 - the total value of all honoraria, gifts, loans, or items/services of economic value (above a threshold) given by them.

The Legislature should consider whether it is useful to apply similar requirements to private sector lobbyists as well.

We also recommend:

- ☐ The Legislature should require each local government and special pur-

pose district to report annually to the Ethical Practices Board the names of its lobbyists and its expenditures on lobbying.

- ☐ The Legislature should require each state department and public higher education system to report each year to the Ethical Practices Board the names of its employees who spend more than 50 hours in any month attempting to influence legislative action and the amount each entity spends on lobbying.
- ☐ The Legislature should require all local units of government that contract for lobbyists to specify in the contract the purpose of the contract, the legislative issues, the amount of compensation, and the duration of the contract. In addition, the lobbyist should submit a final report to the government unit detailing the outcomes or legislative actions on each issue lobbied.
- ☐ The Legislature should provide the Ethical Practices Board enough staff and funding to meet its current responsibilities, including the 1990 amendments and any additional workload created by enacting our recommendations.

We think the Legislature's practices contribute significantly to the level of public sector lobbying. In our view, the Legislature must grapple with its role if it expects to meaningfully address recent growth in public sector lobbying activity.

We recommend:

- ☐ The Legislature should examine how its practices encourage public sector lobbying. In particular it should consider its annual adjustment of the formulas by which state-collected revenues are distributed to local governments.
- ☐ The Legislature should study, adopt, and enforce criteria for considering local special projects.
- ☐ The commissions and committees studying Minnesota's state-local fiscal system should analyze the connection between the state's fiscal system and the increased level of public sector lobbying activity.
- ☐ The Legislature should examine the close link between campaign financing and public sector lobbying.

INTRODUCTION

Minnesota's system of state and local government has produced, over time, a sizable network of public sector lobbyists. In 1989, local units and government associations actively lobbying the Legislature focused a great deal of attention on the practice. Legislators and others expressed concern about the cost and extent of the activity.

In terms of numbers of lobbyists and associated costs, the public sector pales beside the private sector. Public sector lobbying is unique, however, because it represents the use of public staff and dollars to achieve, retain, or direct public monies and programs. Accordingly, the public has a special interest in the disclosure of information about public sector lobbying.

"Public sector lobbying" can describe a broad range of activities by a variety of players. The Citizens League study committee concentrated on legislative lobbying by staff and contract lobbyists of local governments, such as counties, cities, school districts, and government associations. We also examined legislative lobbying by the public higher education systems and state departments and agencies.

In our study, we looked at these questions:

- What is the extent of public sector lobbying? What does it cost and has it changed in recent years?
- What laws and rules govern public sector lobbyists? Do they differ from those covering private lobbyists?
- Are additional rules necessary to govern public lobbyists? If so, what should be the principal elements of these rules?

In Chapter 1 we describe public lobbyists, the environment in which they work, and how they lobby. In Chapter 2 we develop our conclusions about what public sector lobbying contributes to the legislative process and which aspects merit further attention. Chapter 3 presents our recommendations for changes in the state's approach to public sector lobbying and suggests where additional study is needed.

CHAPTER 1

BACKGROUND: PUBLIC SECTOR LOBBYING IN MINNESOTA

This chapter provides an overview of how and why the public sector lobbies and describes the extent and costs -- insofar as data are available -- of lobbying by local governments and government associations.

WHAT IS LOBBYING?

State law defines a lobbyist, but not lobbying. A lobbyist is any individual who spends more than five hours per month or \$250 per year "attempting to influence legislative or administrative action, or the official action of a metropolitan governmental unit, by communicating or urging others to communicate with public or local officials."¹ The law also provides some significant exceptions to the definition. (Appendix 1 includes selections from *Minn. Stat. Chap. 10A*, "The Ethics in Government Act.")

The committee discussed at length how lobbying should be defined and ultimately decided that lobbying is what lobbyists do. Absent a precise, generally accepted definition, we agreed that lobbying means attempting to influence state legislative or administrative action.

WHAT IS PUBLIC SECTOR LOBBYING?

Public sector lobbying can include a wide array of efforts to influence government actions, depending upon one's interpretation. We chose to focus our work on legislative lobbying by local units of government -- cities, counties, and school districts -- and the public higher education systems for several reasons. Our focus allowed us to make judicious use of our time and to keep our study within disciplined bounds.

We decided not to study administrative lobbying, which is directed at an entirely separate group of decisionmakers. Lobbying to influence agencies in the executive branch of government is a distinctly different activity from legislative lobbying and seemed to require its own study. We did not concentrate on legislative lobbying by employees of state departments because no data are available about their lobbying activities. Also, because of their role, state employees often function more as extended legislative staff than as lobbyists for their agencies or the administration.

State Rep. Phil Carruthers (DFL-Brooklyn Center) groups lobbying activities into four categories. We found the distinctions helpful and elaborated on his framework to develop an overview of public sector lobbying:

¹ Laws 1990, Chap. 608, art. 1, sec. 1.

Providing information. The Legislature calls on state and local public employees and elected officials to supply information, based on their experience, about existing and proposed programs. The Legislature often seeks testimony on how state and/or local governments run a program, implement a law and/or spend state appropriations. On their own initiative, local governments also provide information to committees in support of or in opposition to legislation. Because these activities -- providing factual information to aid decision-making -- often are designed to influence the Legislature, legislators regard them as a form of lobbying.

Conducting public relations activities. Local governments have a stake in how legislators perceive them -- both individually and collectively -- their programs, and particular issues affecting them. They build relations by having their officials and other lobbyists make personal contact with legislators, and by distributing materials; providing services, assistance, and tours; and distributing gifts such as event tickets. Such image-building efforts are not always directed toward specific legislative goals, but are intended to increase legislators' receptiveness to the government unit or its policy interests.

Direct advocacy, using information and analysis. Many government units, whose work and finances the Legislature affects directly, argue for what they consider their best interests by using research, information, and analysis. They often use the information selectively or -- some argue -- in a self-serving way. Local governments lobby, for example, by providing projections of how property taxes will increase in the absence of more state support. They also lobby against mandates by providing their own calculations about the cost of implementing the mandates.

Perhaps the most sophisticated such efforts are the computer models of the state-local fiscal system that Minneapolis and the Coalition of Greater Minnesota Cities employ to analyze the impact on cities of proposed changes in aid formulas and in other provisions, such as property tax laws.

Direct advocacy through relationships with legislators. Another form of advocacy relies more on relationships between lobbyists and legislators. Government units and their lobbyists build relationships with legislators in many ways: working together in current or past positions -- whether in their regular jobs or on common projects or problems; outside associations; longstanding friendships; past and present political alliances; campaign donations and other fund-raising activities; or political party associations.

In addition, legislators, public officials, and state and local government staff members sometimes become lobbyists. They often enjoy good access, and their ability to argue persuasively for local government is often excellent.

WHO ARE PUBLIC SECTOR LOBBYISTS?

Until 1990, the lobbyist regulations of the Ethics in Government Act relating to the public sector applied only to government association lobbyists (staff and contract) and contract lobbyists retained by individual government units. Many of the people who worked to influence legislation for local units of government -- including public employees and elected officials -- were exempted from the regulations. (The 1990 amendments, part of a broad elections and ethics reform bill, are discussed later.)

Statewide and sub-state associations of school districts, cities, and counties together with a few large cities, counties, and school districts account for much of the local government lobbying activity at the Legislature. They employ staff lobbyists, use other staff members and elected officials, and retain contract lobbyists, regularly or selectively. A small number of additional cities and counties, mostly in the Twin Cities area, use individual contract lobbyists. Smaller units of government depend on the statewide, umbrella associations of governments and work through direct contact between their officials and the legislators representing their areas.

PUBLIC EMPLOYEES AND ELECTED OFFICIALS

Many of the largest cities, counties, and school districts employ staff lobbyists. In addition, elected officials sometimes represent their local units at the Legislature.

Public employees and local elected officials are more likely to lobby by providing information and basing their arguments on facts rather than the use of relationships, our resource speakers said. The committee heard that some legislators prefer to hear needs and opinions from "first-hand" sources--public employees and elected officials who are familiar with their government unit's operations. Sole reliance on them, however, would put smaller government units and those located significant distances from St. Paul at a disadvantage.

Almost all local elected office-holders in Minnesota--including city council members, mayors, county commissioners, and school board members--are part-time public servants clearly unable to spend much time at the Capitol. Few local governments are in a position to finance their own individual lobbyists in St. Paul, be they elected officials or staff members, full- or part-time. In any event, if a large number of local governments were to represent themselves individually at the Legislature, they would necessarily lay claim collectively to an exceedingly large share of legislators' time. Some legislators believe there already are too many public sector lobbyists at the Legislature.

ASSOCIATIONS OF GOVERNMENTS

Associations represent a major lobbying presence at the Legislature, although their role has shifted over time. For many years, three major "umbrella" associations -- the League of Minnesota Cities, the Association of Minnesota Counties, and the Minnesota School Boards Association -- served as the primary, and often the sole, voice for their members' legislative agendas. However, the statewide associations increasingly share the lobbying stage in St. Paul with sub-state organizations as well as lobbyists for individual government units.

Umbrella associations no longer perform the same function in the legislative process. Local governments have formed sub-state or "splinter" associations, usually on a geographic basis and often to lobby for more funding for their members. The number of government associations with registered lobbyists grew from nine in 1977 to 19 in 1989, based on Ethical Practices Board data.² Six of the 10 new associations represent sub-groups of municipalities, such as the Ramsey County League of Local Governments, the Coalition of Greater Minnesota Cities, and the North Metro Mayors Association.

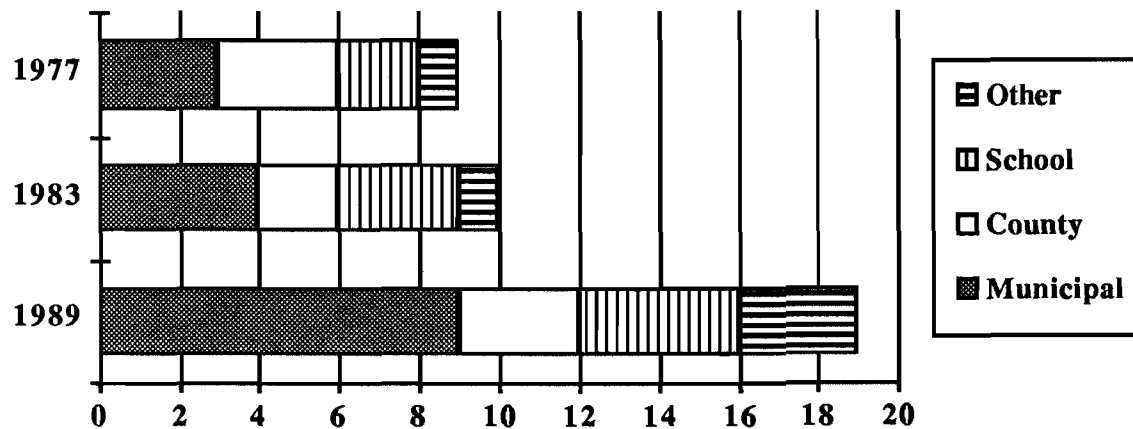
While 13 sub-state associations reported total lobbying and lobbying-related expenditures of \$1,307,570 in 1989, the three umbrella organizations spent a total of \$830,215. In 1989, the splinter

² Program Evaluation Division, Office of the Legislative Auditor, *Local Government Lobbying*, 1990, p. 6. The Office of Legislative Auditor studied local government lobbying in 1989 and produced a one-time "snapshot" of local government lobbying and lobbying-related activity. The Legislative Auditor surveyed cities, counties, school districts, and other public agencies about their lobbying efforts, interviewed lobbyists and staff, and conducted other research. It gathered information from local governments about salaries, expenses, and benefits for staff lobbyists who spent more than 25 percent of their time during the session working on state legislative matters -- including lobbyists, research, and clerical support. For each unit, it added a straight 40 percent to the costs reported by each local unit to account for overhead and other costs.

The Legislative Auditor also collected information on payments to contract lobbyists, membership dues paid to organizations that lobby the Legislature and payments to public relations contractors, including consultants who provided advice on how to communicate with legislators or who made direct contact with state legislators.

FIGURE 1.1

GROWTH IN LOBBYING ASSOCIATIONS OF LOCAL GOVERNMENTS



Source: Legislative Auditor, *Local Government Lobbying*, 1990, p. 6.

groups accounted for 61 percent of total expenditures on lobbying by municipal, county, and school board associations.³

The broad membership of umbrella organizations seems less able today to work out a consensus on important matters, often relating to state funding. A statewide organization cannot agree on legislative positions if its members' individual self-interests are fundamentally in opposition to each other which might be the case, for example, for school districts with growing and declining enrollments.

Several legislators expressed their concerns about local governments banding together in multiple sub-groups of umbrella associations to lobby. Some legislators referred with nostalgia to a period when the umbrella groups resolved differences among their local government members and developed unified positions for the Legislature.

Absent that consensus, the Legislature today must itself cope with choosing among positions of multiple -- and often competing -- groups of cities, counties, or school districts. As the number of government associations with their own, conflicting objectives grows and as more individual governments lobby, legislators find it more and more difficult to reflect a statewide perspective.

THE CHANGING ROLE OF STATEWIDE ORGANIZATIONS

We reviewed legislative platforms of the League of Minnesota Cities (LMC) to trace its stance since 1978 on local government aid. Since the early 1970s, local government aid has become a significant and carefully nurtured source of revenue for many Minnesota cities. The LMC's annual legislative platforms seem to reflect a changed role in developing consensus among its members.

In 1978, the cities agreed that the then-current local government aid distribution formula rewarded municipalities with the highest property taxes and proposed specific changes "to build additional equity" into the aid formula. By 1981, the LMC was warning that "any changes in the formula initiated by any city or group of cities (should be) made only through the League process." In 1986, it offered to "bring various city interests together to assist in analyzing and responding to proposals," but offered none of its own; and by 1990, the recommendation was for more money annually to keep pace with inflation.

We understand that as federal aid decreased and the Legislature imposed levy limits on cities in an effort to hold down property-tax increases, competition for state aid has increased. Many cities have chosen to compete through membership in different government associations, affecting the LMC's role as spokesperson of the cities' interests.

³ *Local Government Lobbying*, pp. 13-15.

The problem here is not simply one of legislators' jobs becoming tougher. The difficulty is that property-tax relief and local aid bills must increasingly have something for nearly everyone in order to pass.

CONTRACT LOBBYISTS

Contract lobbyists offer clients knowledgeable representation at the Legislature: a regular legislative presence, subject expertise, familiarity with the legislative process, and/or access to particular legislators. Often, smaller and/or rural local governments cannot justify the expense of full-time staff lobbyists. Contract lobbyists can offer the only affordable, cost-effective lobbying option for these governments.

The use of contract lobbyists also carries several potential disadvantages, we were told. Contract lobbyists might be largely unfamiliar with their client's general operations, although we found no consensus that familiarity is critical to lobbying effectiveness. They might be more inclined than staff lobbyists to seek immediate, tangible results without enough regard for longer-term considerations. Furthermore, contract lobbyists are likely to be more expensive, at least on an hourly basis, than staff lobbyists. Contract lobbyists are paid up to an estimated \$125 an hour, while it costs up to \$50 an hour (including overhead) to employ staff lobbyists.⁴ Committee members, however, suggested that some contract lobbyists earn far more than \$125 an hour.

In addition, professional, contract lobbyists are far more likely than staff lobbyists to be actively involved in campaign fundraising and other political activities. They may make or solicit more campaign contributions and may be more involved in the work of party organizations and individual campaigns.

MEDIA CONSULTANTS

In addition to contracting with lobbyists who directly contact legislators, a few local governments sometimes use media consultants -- a specialty within public relations -- as part of their overall legislative strategies.

Media consultants help public sector clients communicate their policy ideas and concerns to the general public and legislators. In effect, the media consultants work with the media on behalf of their clients by developing opportunities for local governments to express policy positions and legislative goals. For example, media consultants would typically meet with newspaper editorial-writers and/or reporters to present their clients' perspectives in an attempt to influence public opinion through the media. In addition, some local governments use other types of professional public relations/advertising specialists.

At present, media consultants and other public relations professionals do not typically register as lobbyists. They don't consider themselves lobbyists because they do not directly communicate with public officials. We wonder if this is a distinction without a difference.

STATE GOVERNMENT EMPLOYEES

Some employees of state government, including higher education systems, lobby. Their activities include: (1) providing information as, more or less, staff to the Legislature; (2) advocating the Governor's program or position; (3) promoting a goal or program of the department; and (4) working

⁴ *Local Government Lobbying*, p. 23.

closely with interest groups or special constituencies to advance their mutual interests. While we recognize that these activities involve lobbying, we did not look closely at lobbying by state employees for the reasons described earlier.

PUBLIC EMPLOYEE ORGANIZATIONS

We also did not include public employee unions, pension organizations, and other associations as public sector lobbying organizations. They represent the interests of employees but not governments. Their goals are not established by publicly elected policy bodies, such as city councils, boards of education, and county boards. In fact, their objectives are in opposition to such policy bodies as often as they coincide.

Public employee organizations exert considerable influence on the Legislature. Such organizations' lobbying efforts for wage, benefits, or pension increases -- if successful -- affect state and local government expenditures, sometimes significantly.

WHY DOES THE PUBLIC SECTOR LOBBY?

FINANCIAL DECISIONS BY THE LEGISLATURE AFFECT LOCAL GOVERNMENTS' REVENUES

The public sector lobbies the Legislature because "that's where the money is." Minnesota has, in effect, a single, interdependent state-local fiscal system. What local government does, or is permitted to do, significantly affects state government, and vice versa. The state-local fiscal system in Minnesota also is complex, with many implications for local spending decisions. Two-thirds of state-collected revenues are redistributed to local governments through various aid formulas and programs. Only California returns a higher percentage of the state's total revenues to local governments and school districts.⁵

Figure 1.2 shows that, on average, Minnesota cities received 29.6 percent of their revenues from property taxes and 27.2 percent from state grants and aids in 1988. Similarly, Figure 1.3 shows that counties received 36 percent from property taxes and 31.6 percent from state grants and aids.⁶ In 1987-88, Minnesota school districts received 50.3 percent of their total revenues -- and nearly 60 percent of their operating funds -- from state sources, 45.9 percent from local taxes, and 3.8 percent from federal sources.⁷

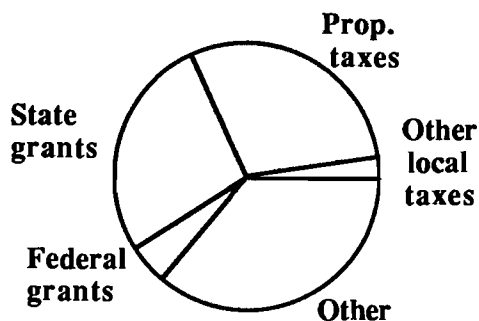
In addition, the Legislature sets the basic level of property taxes that school districts levy, imposes levy limits on cities and counties to contain property tax increases, and grants authority to local units to exceed the limits for express purposes. The Legislature also establishes other basic ground rules applying to all local units. The sidebar on the next page describes one example of how the Legislature sets rules affecting local governments.

Clearly, legislative decisions weigh heavily on local government. Conversely, local government and school board decisions -- particularly on spending -- can and repeatedly do put heavy pressure on the Legislature, either to subsidize local spending or to hold down property-tax increases, or both.

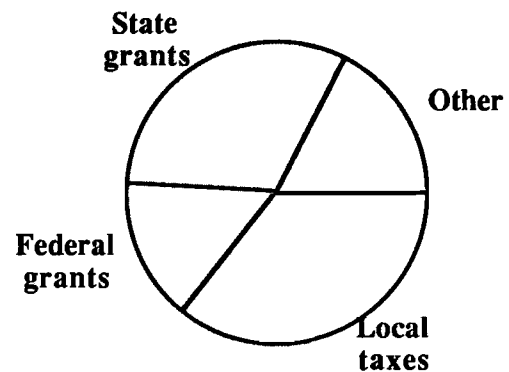
⁵ Advisory Commission on Intergovernmental Relations, *Significant Features of Fiscal Federalism*, 1989, Washington D.C., p. 94.

⁶ Office of the State Auditor, *Report of the State Auditor on the Revenues, Expenditures and Debt of the Cities in Minnesota*, 1988, p. 11; *Report of the State Auditor on the Revenues, Expenditures and Debt of Minnesota Counties*, 1988, p. 13.

⁷ House Research Department, *Minnesota School Finance*, 1990, p. 5.

FIGURE 1.2**1988 SOURCES OF
CITY REVENUES**

Source: See Footnote 6

FIGURE 1.3**1988 SOURCES OF
COUNTY REVENUES**

Source: See Footnote 6

**STATE-MANDATED PROGRAMS
REQUIRE LOCAL GOVERNMENT SPENDING**

The Legislature also imposes numerous requirements on local governments, which protest that legislators too often do not accompany these mandates with funds necessary to carry them out. With some key exceptions (such as highways, prisons, and state hospitals), Minnesota state government does not itself provide major services. Counties and school districts provide many of the services associated with (or guaranteed by) the state, and therefore the local units are most affected by state mandates.⁸

For example, the state requires county agencies to provide case management services for persons with mental retardation, but funds only part of the cost. Municipalities, too, frequently complain about costly state requirements. Local units are outspoken in asserting how important to their welfare it is that they lobby for state funding of new mandates and/or against unfunded mandates.

Some mandates create conflict between different levels of local government. For example, the 1989 Legislature considered but defeated legislation relating to the siting and dispersal of residential facilities ("group homes") for persons with mental retardation, mental illness, or chemical dependency. Many of Minnesota's group homes are concentrated in central city neighborhoods in Minneapolis and St. Paul. These and other cities were strong advocates for the bill's passage because it provided for planning for the dispersal of overconcentrated facilities. Some counties, however, opposed the legislation. For example, a Hennepin County official told our committee that the county was concerned about the cost of relocating the residents and developing new facilities, the level of state participation in financing the relocation effort, and the time allotted to it to develop its detailed relocation plans.

⁸ Program Evaluation Division, Office of the Legislative Auditor, *Local Government Spending*, 1990, p. 20.

FEDERAL FUNDING PRIORITIES HAVE SHIFTED

During the 1980s, federal funding priorities shifted for state and local programs. In many cases, program funding was reduced or eliminated. The federal role in funding domestic programs has changed markedly since the 1960s and 1970s. The federal government has remained involved in financing state- and locally-provided services and programs through grants-in-aid, subsidies, loans, and loan guarantees. However, funding for some programs, particularly grant programs -- has been reduced or eliminated as funding philosophy and economic conditions changed. A recent U.S. General Accounting Office report noted that during the 1980s, "Federal aid for governmentally administered programs designed to meet the needs of individuals increased, while aid directed to governments to meet community-wide or public service needs declined."¹⁰

For example, elimination of the federal General Revenue Sharing program affected many communities. Minnesota cities had received nearly \$40 million annually. The program was designed to "moderate differences in fiscal capacities between wealthier and poorer communities" and provided aid to both counties and cities. There were few restrictions on the funds, so many cities and counties used the aid for general operating costs.

Other programs have also been affected. Federal Title XX block grants, which fund community social service programs, are awarded to states and distributed to Minnesota counties. In the past, the federal government would match state dollars, and states could leverage more federal funding by supplying more state and county dollars. However, the amount available was capped in the early 1980s.

LOCAL GOVERNMENTS SEEK SPECIFIC LEGISLATIVE OUTCOMES

Cities, counties, and school districts often lobby for particular legislative goals specific to the individual unit. The objective can be affirmative -- obtaining a grant; a state-financed public improvement; or authority to exceed levy limits or avoid referendum requirements for capital projects. Or it can be defensive, in the sense of warding off a potentially damaging act.

In 1990, for example, the St. Paul, Minneapolis, and Duluth school districts lobbied successfully for special approval to borrow money for school construction, and to levy property taxes to repay the bonds, without a referendum. The Regional Transit Board and Hennepin and Ramsey counties lobbied unsuccessfully for, successively, \$100 million, \$10 million, and \$1 million in state bonds for light-rail

LOBBYING ON TAX-INCREMENT FINANCING

One example of the Legislature setting ground rules is tax-increment financing, a mechanism for funding local development. Cities lobbied in recent years to broaden and then protect the law's authorization of a variety of ways they could use this subsidy. The property-tax proceeds from new development are reserved uniquely to cities to repay bonds sold to help underwrite development, and for other purposes. Those proceeds are not available to counties and school districts, or to finance general city services.

Cities' use of tax-increment financing and the revenues set aside grew substantially during the 1980s. As a consequence, counties began to object and the state realized it was indirectly paying for part of the municipal spending through increased school aid. As the Legislature debated placing limits on tax-increment financing, cities and their associations lobbied intensively to protect their use of these funds to subsidize development. Counties and their organizations were equally active in seeking changes in the law.⁹

⁹ The Citizens League has been a critic of TIF and was aligned with groups advocating restrictions in 1990.

¹⁰ U.S. General Accounting Office, *Federal-State-Local Relations: Trends of the Past Decade and Emerging Issues*, 1990, p. 18.

transit. The metropolitan counties already had ongoing authority, enacted in earlier years, to make special property-tax levies for spending on light-rail transit.

During the last weeks of the 1990 session, the Eden Prairie city council opposed a private company's efforts to expand a large, controversial regional landfill in the city. The council interpreted proposed amendments to the Waste Management Act as preempting local authority (and making expansion of the landfill more likely) by expressly authorizing other agencies to overrule the council's zoning authority. The city quickly hired two contract lobbyists to block the bill; city officials said the lobbyists would provide improved access to DFL legislators and "quicker access to legislators than would occur if city council members lobbied lawmakers."¹¹

The Legislature in 1990 also acted on these local requests:

- authorized bonding without a referendum for the Coleraine, Lake Superior, Chisholm, Ely, Eveleth, Gilbert, Babbitt, and St. Louis County school districts;
- provided special bonding authority to Hennepin County to build a jail, to Ramsey County for restoration of St. Paul's Union Depot, to Bemidji for airport use, and to Rosemount for an armory;
- allowed Koochiching, Douglas, Mille Lacs, Becker and Goodhue counties, and the cities of Windom and Bayport to exceed levy limits for specific purposes ranging from library operations to providing social services; and
- gave hotel-motel tax authority to Bloomington to promote the Met Center and to Roseville to build a speedskating-bandy rink.

COMPLEXITY OF LAWS AND THE LEGISLATIVE PROCESS

The sheer complexity and competitiveness of the legislative process make it extremely difficult for local governments to achieve their goals without extensive lobbying. Legislators are too busy, and laws usually too complex for a city, say, simply to ask its senator to handle a matter.

A city or county sometimes believes -- whether correctly or not -- that it must retain a lobbyist who has access to key legislators and/or members of the majority party. A group of cities might well have little or no chance to influence a complex aid formula unless they get help from knowledgeable fiscal analysts and lobbyists. This process feeds on itself. As local units see (or perceive) that the governments with lobbyists achieve their objectives, more local governments begin to lobby. This further complicates the already complex process, and makes it even harder for a local unit to achieve its goals without professional lobbying help.

HOW MUCH DOES THE PUBLIC SECTOR SPEND ON LOBBYING?

Before 1990, a limited amount of information was reported about public sector lobbying. In its study, the Legislative Auditor found that local governments and associations spent \$4.65 million on lobbying in 1989. Of that total, \$2.65 million was in staff costs (including the estimated overhead), and contract expenditures accounted for \$2.0 million. Local units spent about half (\$2.44 million) directly, and associations of governments spent the remaining \$2.21 million.¹²

¹¹ *Eden Prairie News*, March 28, 1990.

¹² *Local Government Lobbying*, pp. 11, 15, 14.

As shown in Figure 1.4 on the next page, cities and their associations spent 48 percent or about \$2.2 million of the \$4.65 million spent on lobbying in 1989. Counties (25 percent), school districts (15 percent), metropolitan agencies (seven percent), and other governments (five percent) accounted for the rest.

Looking at just the \$2.2 million government associations spent on lobbying, municipal associations account for 57 percent of the total, schools for 23 percent, counties for 19 percent, and other associations for one percent. Table 1.1 shows the top spenders for each type of local unit. Note that no individual school district reported spending more than \$61,000 on lobbying.

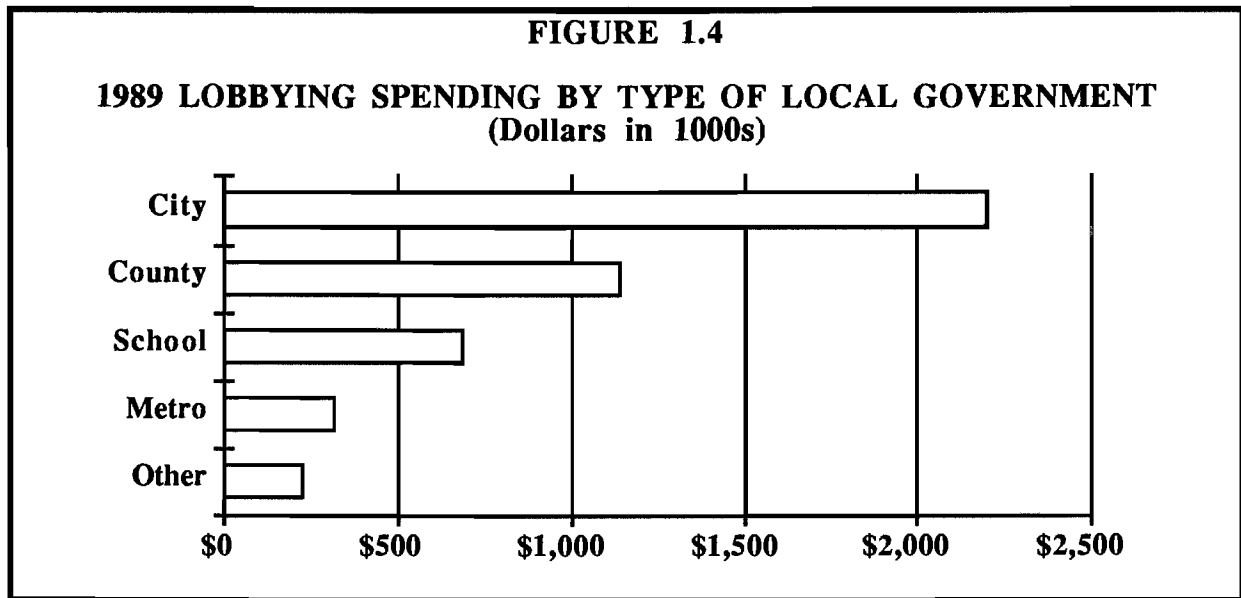
TABLE 1.1

**SPENDING ON STAFF AND CONTRACT LOBBYISTS
SELECTED LOCAL UNITS, 1989**

CITIES	STAFF*	CONTRACT	TOTAL
Minneapolis	\$345,082	\$44,000	\$389,082
St. Paul	142,150	89,540	231,690
Brooklyn Park	80,257	0	80,257
Bloomington	11,375	34,000	45,375
Moorhead	13,762	20,046	33,808
Duluth	0	30,000	30,000
Coon Rapids	0	27,715	27,715
Blaine	0	25,671	25,671
Luverne	0	16,628	16,628
St. Louis Park	0	14,583	14,583
COUNTIES	STAFF*	CONTRACT	TOTAL
Hennepin	\$203,105	\$73,751	\$276,856
Ramsey	117,762	30,500	148,262
Anoka	44,278	38,554	82,832
St. Louis	38,273	26,000	64,273
Dakota	0	56,500	56,500
Scott	0	42,000	42,000
Washington	38,150	0	38,150
Olmsted	15,849	0	15,849
Sherburne	0	6,000	6,000
SCHOOL DISTRICTS	STAFF*	CONTRACT	TOTAL
Anoka/Hennepin District 11	\$0	\$60,758	\$60,758
St. Paul	0	45,732	45,732
Minneapolis	0	32,500	32,500
Duluth	31,373	0	31,373
Northeast Intermediate District 916	0	7,946	7,946
Brooklyn Center District 286	0	2,883	2,883

* Includes estimated 40 percent overhead

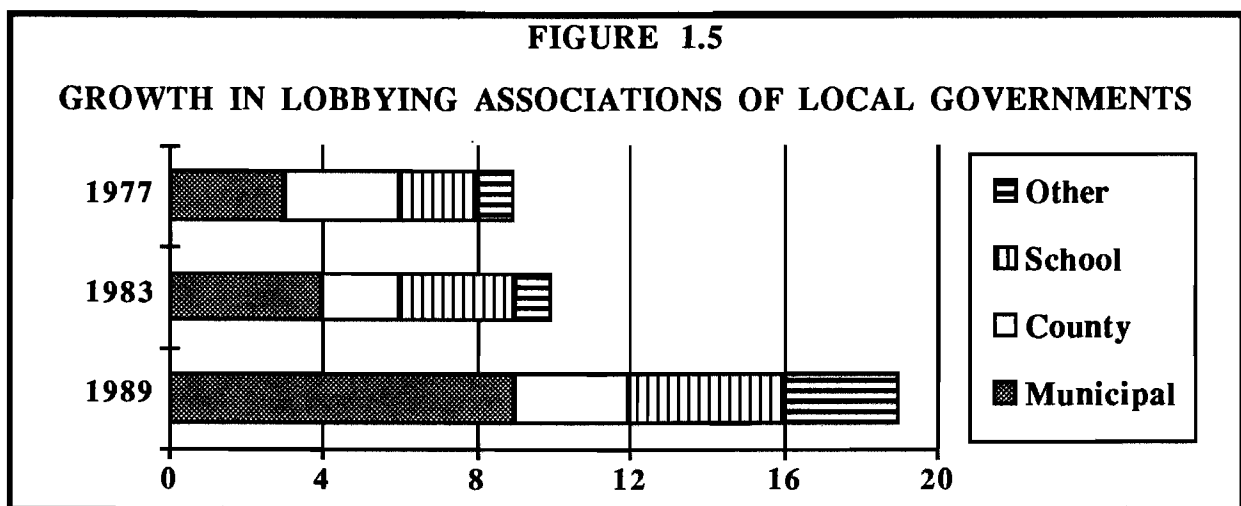
Source: *Local Government Lobbying*, pp. 12-13.



In terms of total spending on lobbying and related activities, the biggest spenders are the largest counties and metropolitan municipalities. As shown in Table 1.2 on the next page, a look at per capita spending results in a different ranking.

The Legislative Auditor also reviewed lobbyist registration and disbursement reports filed with the Ethical Practices Board to measure changes in local government lobbying efforts. Among its findings:

- The number of local governments that retained contract lobbyists grew from 10 to 62 between 1977 and 1989. (See Figure 1.5) The number of government associations with registered lobbyists grew from nine to 19 over the same period.
- Staff and contract lobbyists for government associations and contract lobbyists for local governments reported spending \$122,808 in 1984-85 and \$263,003 in 1988-89. The number of lobbying entities and associations grew from 56 to 83 in those years.¹³



¹³ *Ibid*, pp. 4-8. By way of information, Minnesota has 87 counties, 855 cities, and 433 school districts. These units have three, nine, and four government associations, respectively, representing them at the Legislature with contract and staff lobbyists.

TABLE 1.2

**PER CAPITA LOBBYING EXPENDITURES
FOR SELECTED LOCAL UNITS, 1989***

TOP TEN CITIES	PER CAPITA SPENDING	TOTAL SPENDING
1. Luverne	\$4.57	\$20,640
2. Corcoran	2.96	14,400
3. Long Lake	2.73	5,380
4. Brooklyn Park	2.08	109,185
5. St. Peter	1.94	17,726
6. Moorhead	1.90	57,915
7. Fergus Falls	1.62	20,092
8. Minneapolis	1.18	422,285
9. Blaine	1.11	39,424
10. Worthington	1.06	11,018
<i>for comparison:</i>		
15. St. Paul	0.95	250,760
TOP TEN COUNTIES	PER CAPITA SPENDING	TOTAL SPENDING
1. Scott	\$0.99	\$53,270
2. Cook	0.79	3,374
3. Anoka	0.56	125,631
4. St. Louis	0.51	103,306
5. Washington	0.48	62,423
6. Ramsey	0.47	221,406
7. Dakota	0.38	92,097
8. Hennepin	0.32	308,609
9. Lake	0.31	3,451
10. Aitkin	0.27	3,580
TOP FIVE SCHOOL DISTRICTS	PER STUDENT SPENDING	TOTAL SPENDING
1. Brooklyn Center	\$4.88	\$6,756
2. St. Anthony	3.76	3,618
3. Duluth	2.42	33,249
4. Mahtomedi	2.32	4,125
5. Orono	2.11	4,300
6. Hastings	1.95	8,906
7. Anoka/Hennepin	1.88	60,758
8. Shakopee	1.82	4,647
9. Fridley	1.82	4,730
10. Westonka	1.80	4,635
<i>for comparison:</i>		
16. St. Paul	1.49	47,802
68. Minneapolis	0.88	34,570

*These figures include the government unit's reported staff and contract expenditures as well as its prorated share of association expenditures.

Source: Program Evaluation Division, Office of the Legislative Auditor, *Local Government Lobbying, Supplementary Data*, pp. 14, 26, 36, 1989.

HOW DOES MINNESOTA REGULATE LOBBYISTS?

THE ETHICAL PRACTICES BOARD

The Ethics in Government Act (*Minn. Stat. Chap. 10A*) establishes a lobbyist registration and disclosure program which "regulates" lobbyists almost solely by requiring them to register and to disclose certain expenditures. It does not impose restrictions on the activity; the law is not intrusive and does not limit who can lobby or how they do it.

The governor appoints the six-member Ethical Practices Board, which administers, interprets, and enforces the Ethics in Government Act. In addition to the lobbyist program, it administers other programs such as campaign finance disclosure, economic interest disclosure, and public financing of state-level campaigns.

The Ethical Practices Board has a six-person staff and a small budget of \$297,525 for 1991. This staff must inspect an exceedingly large number of reports for compliance with the law. It handles about 9,000 reports each year from lobbyists; about 1,400 economic-interest forms annually; and a minimum of 1,450 campaign finance reports of political committees and candidates in non-election years and far more in election years.

The board maintains these and other reports, all of which are available for public inspection. It publishes summaries of activity in areas such as public financing of campaigns; registered political committees and funds; and lobbying disbursements. The board oversees the distribution of public money to candidates who abide by campaign spending limits. It also issues formal advisory opinions.

THE 1974 ETHICS IN GOVERNMENT ACT

The lobbying provisions of the 1974 Ethics in Government Act remained largely unchanged for many years. Until the law was amended in 1990, the lobbyist registration and disclosure provisions specifically excluded state and local public officials and employees (including staff lobbyists). So, in terms of public sector lobbying, the law applied only to:

- contract lobbyists hired by individual government units; and
- staff employees and contract lobbyists representing associations of governments.

Before 1990, the law required that the lobbyists it covered register with the Ethical Practices Board and disclose in quarterly reports to the board:

- Their direct expenditures incurred in lobbying, in nine disbursement categories including preparation and distribution of lobbying materials, media advertising, entertainment, food and beverage, and travel and lodging.
- Individual gifts, loans, or "benefits" of \$50 or more that lobbyists or their clients provide to "public officials" (defined as state legislators, constitutional officers and numerous other state officials, and the board members and staff heads of metropolitan agencies).
- The source (but not the amount) of more than \$500 received in any year for lobbying (including salaries, expenses, and fees).¹⁴

¹⁴ *Minn. Stat. §10A.04*. See Appendix 2 for the registration and disclosure forms.

Campaign contributions are treated under a separate section of the law. Lobbyists' contributions of more than \$100 a year, like contributions from any source, are reported separately by legislative candidates' campaign committees and listed by recipient, not donor.

The lobbyist provisions were shaped by the Legislature's concerns in 1974, according to several legislators interviewed. Former State Rep. Thomas Berg, chief House author of the legislation, said that the Legislature tried to avoid over-regulation by focusing on private sector lobbyists, about whom members then were most concerned. Berg and other legislators of that period can recall no concern about public sector lobbying; they note that in the early 1970s the state provided only modest financial aid to cities and counties, compared to today, and that lobbyists representing these units of government were far less numerous than today.

Legislators in 1974 also reasoned that public lobbying expenditures would be disclosed adequately at the local level, since local governments -- unlike the private sector -- must adopt budgets and make other decisions in public. As a result, elected officials and public employees were specifically excluded from the law's definition of lobbyists and the requirements governing them.

CHANGES IN 1989 AND 1990

In 1989, some legislators criticized what they perceived as growth in local governments' lobbying and their use of professional lobbyists, together with an increase in the amount of public money expended for lobbying. This concern produced two reactions. First, the Legislative Audit Commission directed the Office of Legislative Auditor to study local government lobbying.

Second, the Legislature required that each year local governments disclose their payments to lobbyists -- reporting not to the Ethical Practices Board, under the Ethics in Government law, but to the State Auditor. The local units must report to the Auditor contract fees they pay to professional lobbyists and their expenditures for staff members who spend more than 25 percent of their time during a legislative session "on legislative matters." The 1989 law specifies that the following units report to the State Auditor: all counties, cities, school districts, metropolitan agencies, regional rail authorities, and the Regional Transit Board.

The 1990 Legislature went in a different direction; some of its changes affecting public sector lobbyists are shown in Figure 1.6. It amended the Ethics in Government Act (as part of an extensive campaign-finance and ethics bill) to expand the definition of a lobbyist to include city, county, township, or school district employees who spend more than 50 hours in any month lobbying, conducting related research and analysis, and compiling or disseminating information related to lobbying.¹⁵ Beginning January 1, 1991, lobbyists will report their total disbursements on lobbying, separately listing disbursements to influence legislative action, administrative action, or official actions of a metropolitan government unit.

The 1990 changes also require that "principals" annually disclose a generalized total of their expenditures for direct payments to lobbyists; salaries and administrative expenses spent on lobbying; and advertising, mailing, research, analysis, compiling and disseminating information, and public relations campaigns (including the work of media consultants). This information is to be reported only in the aggregate, by declaring in which of the following general categories it falls: \$501-50,000; \$50,001-150,000; \$150,001-250,000; and each additional increment of \$250,000.

"Principals" are defined as individuals or "associations" -- corporations, businesses, firms, committees, labor organizations, clubs, and other "groups of two or more persons." Although the requirement for

¹⁵ The 1990 Legislature appropriated an additional \$20,000 to the Ethical Practices Board. It also banned fundraisers during the legislative session and reduced the number of lobbyist disclosure reports from four to three a year.

FIGURE 1.6

CHANGES IN STATE LAW AFFECTING PUBLIC SECTOR LOBBYISTS

ISSUE	LAW BEFORE 1990	1990 CHANGES
Lobbyist definition	1974 Ethics in Government Act is in effect. The Act applies to all lobbyists who spend more than \$250 per year or five hours per month to influence legislative or administrative action by communicating or urging others to communicate with public officials.	The definition of a lobbyist is expanded to include attempting to influence the "official action of a metropolitan governmental unit."
Which public sector lobbyists are covered by the definition?	Contract lobbyists for government units and staff or contract lobbyists for associations of governments.	Add any nonelected local official or employee of a political subdivision who spends more than 50 hours in any month attempting to influence governmental action, <i>including</i> time spent monitoring legislative, administrative, or metropolitan agency action, and related research, analysis, and compilation and dissemination of information.
Which public lobbyists are excluded from the definition?	Any public official or employee of the state or any of its political subdivisions or public bodies acting in an official capacity.	A public official; an employee of the state, including an employee of any of the public higher education systems; an elected local official; and nonelected local officials or employees of political subdivisions falling below the 50 hour per month threshold.
Other provisions affecting public sector lobbyists*		<p>The Ethics in Government Act is amended to require reporting by principals (individuals or associations) who spend more than \$500/year on a lobbyist or at least \$50,000/year to influence legislative or administrative action. Principals are required to report annually total lobbying expenditures in broad categories (for instance, \$501-50,000; \$50,001-150,000; \$150,001-250,000).</p> <p>Individual fundraisers are prohibited during the legislative session.</p>

* In 1989, the Legislature required cities, counties, school districts, and metropolitan agencies to report annually to the State Auditor their expenditures "to a lobbyist and to any other staff person who spends more than 25 percent of his or her time during the legislative session on legislative matters."

principals to report remains open to interpretation as we complete this report, it apparently applies to associations or groups of local governments, but not to individual governments.

The following additional provisions, contained in the Senate bill, were dropped in a conference committee and did not become law:

- Requiring that lobbyists report their campaign contributions, so that persons interested in understanding lobbyists' activities need not (as at present) check the campaign-committee reports of 201 separate legislators.
- Requiring that lobbyists also report contributions they solicit from others and pass on to legislative candidates.
- Requiring that lobbyists report "gifts, loans, or benefits" to legislators in aggregate, rather than only those that individually exceed \$50, as is now the case. Current law allows an unlimited number of unreported, separate gifts so long as each is less than \$50.
- Listing the expenditures of "principals" in narrower ranges.

SUMMARY

Prior to 1990, public employees representing local governments did not have to register as lobbyists. The requirements added in 1990 indicate that the Legislature took note of the volume of public sector lobbying and acted to increase its oversight of those activities. Indeed, by its broad definition of who is a local government lobbyist, the Legislature, in some ways, now requires more of the public sector than the private sector.

CHAPTER 2

ISSUES AND CONCERNS

As we have seen in Chapter 1, public sector lobbying has increased significantly in recent years. This chapter contains our conclusions about the contributions and problems of public sector lobbying.

Lobbying by individual government units and associations of governments is a legitimate part of the democratic process. Public sector lobbying is useful and necessary for a number of reasons. A good deal of it is for purposes such as expressing public sector needs and viewpoints; supplying information and analysis; and commenting on programs the public units administer and on proposed changes in law. In some instances, public agencies' insights and interpretations provide a valuable balance to private interests. This is a welcome activity. It is helpful to the state Legislature, desirable and even necessary to the formulation of good public policy and, in general, clearly in the public interest.

The public sector, as well as the private, should be free as a matter of principle to pursue its interests in the Legislature and to participate in the ongoing debate on policies and programs.

Lobbying by the public sector, however legitimate, should always be subject to careful scrutiny because it is unique in two ways:

- First, public bodies typically represent their projects and proposals as "in the public interest." Public officials do, in fact, represent the electorate and they are assumed to reflect the interests of their constituencies -- a geographic area and its residents or a governmental activity. The private sector cannot so easily lay claim to reflecting "the public interest."
- Second, public bodies use public funds in lobbying -- expenditures for which the public officials are accountable to taxpayers and voters. Money spent on lobbying could readily be used for another public purpose or not spent at all.

LOBBYING AFFECTS STATE SPENDING

Public sector lobbying can both influence the direction of state spending and contribute to increased state spending. The public sector lobbies the Legislature for a variety of purposes. Some involve little or no funding, while others require significant increases in state or local spending.

In the sense that the state constitution requires Minnesota to balance its budget each biennium, and the state has available only a set amount to spend, public sector lobbying is a zero-sum game; every dollar increase for a winner means an equal decrease elsewhere. A decision to fund one program means turning down or reducing others; use of a given aid formula benefits some local units at the expense of others; or increasing the aid distributed to local units of government decreases the funding available for other purposes.

In addition, aggressive (and successful) lobbying by local governments and state agencies can, over time, drive up state spending and lead ultimately to larger state budgets. For example, after local

governments complained bitterly about aid cuts in the governor's budget and lobbied aggressively against them in 1990, the Legislature partially restored the cuts and spent more than the governor recommended.

Much local government lobbying is advocating for increases in state-paid general aid and property tax relief. The Office of Legislative Auditor recently studied municipal government spending, service needs and fiscal capacity. Its 1990 report, *Local Government Spending*, indicates that state aid stimulates city spending to some extent but that this is difficult to prove conclusively. The report establishes a clear correlation between increased aid and increased spending but does not prove a direct causal relationship.

The cost of public sector lobbying to date is not alarming. Continuing escalation at past rates of increase would cause concern.

Some legislators and others have expressed indignation that local governments are spending increasing amounts of public dollars in order to get even more state money. The best estimate available -- from the Legislative Auditor -- is that local units and associations of governments spent \$4.6 million lobbying in 1989. This represents one-tenth of one percent of total city-county spending in 1988 and about six one-hundredths of one percent of state expenditures of some \$7 billion.

However, if public lobbying continues to escalate at recent rates of increase, the number of lobbyists and the amount of public money they spend could become a serious problem. At even its current level, public sector lobbying has heightened concerns among some state legislators and others about certain lobbying practices. We discuss some disturbing practices below.

AID TO CITIES AND LOCAL SPENDING IN MINNESOTA

The Legislative Auditor's report, *Local Government Spending*, showed that aid to cities and local spending in Minnesota are both well above national averages. Between 1966 and 1986, Minnesota's aid to cities rose by \$120 per capita, almost three times the national average increase of \$42 per capita, according to the report.

In 1986, Minnesota's aid to municipalities stood at \$162 per person, which is 167 percent of the national average of \$97 per person. After adjusting for inflation, the report notes, city spending between 1966 and 1986 rose by 74 percent in Minnesota, compared with 57 percent for cities across the nation, 28 percent in Wisconsin and 65 percent in Illinois.

CONCERNS ABOUT LOBBYING PRACTICES

Some public sector lobbying practices should be cause for public concern. In addition to activities that are largely informational and straight-forward, public sector lobbying (like that in the private sector) can be manipulative in character -- withholding information; providing information selectively; and/or only when it is advantageous to the government body; or providing information only to a few targeted legislators. We are particularly concerned about these practices:

LOBBYING BY RELATIONSHIP

Public sector lobbyists, like private sector lobbyists, develop and rely on special relationships with legislators. Various professional, political, vocational, and/or social interactions between legislators and lobbyists develop over time into close personal networks and friendships. Some lobbyists (usually professional contract lobbyists) cultivate and exploit these relationships; one common method involves fundraising and is discussed below.

Public bodies sometimes retain contract lobbyists primarily because they have such relationships. These lobbyists have access to or influence with specific, key legislators such as committee chairs, a particular group of legislators or a party caucus. Although the lobbyists' practices might be

pragmatically sound, the public is not well-served if a personal relationship supersedes or substitutes for thoughtful decisionmaking based on objective fact and analysis.

INVOLVEMENT IN CAMPAIGN FUNDRAISING

Involvement of lobbyists for the public sector in raising campaign funds is a troubling trend, we concluded from the testimony of our resource speakers. Ideally, the legislative environment should not be shaped by unspoken expectations about campaign contributions. The public interest is ill-served when -- and if -- campaign contributions shape or influence legislative decisions.

In general, government staff lobbyists and local officials are not as involved as professional contract lobbyists in campaign fundraising as part of their occupational responsibilities. We were told that public employees and local officials contribute their own money when they attend fundraisers, and that few of them make substantial campaign contributions. On the other hand, several of them told us they felt they need to attend fundraisers (or see to it that their associates do) as part of doing business at the Capitol. Some told us that they thought they need to be even more involved in fundraising to get legislators' attention. Some (but, we emphasize, not all) contract lobbyists regard making significant campaign contributions as a necessary business expense and figure such expenditures into their contracts with public (as well as private) clients. Some (but again, not all) contract lobbyists solicit campaign contributions for legislators from other persons and are actively engaged in other aspects of campaign fundraising. These efforts improve the lobbyists' access to, and relationships with, legislators and their ability to influence legislation.

MINNESOTA'S STATE-LOCAL FISCAL SYSTEM STIMULATES LOBBYING

Minnesota's extremely complex and interdependent state-local fiscal system, with its relatively high state support of local spending, provides a major stimulus to city, county, and school district lobbying. Local units of government derive significant portions of their budgets from state aid and are limited by state law in the amount of revenues they may raise locally. As a natural consequence, these units focus on the state Legislature.

Increasingly, since the early 1970s, cities, counties, and school districts have come to blame the Legislature for whatever revenue deficiencies they might have or perceive. In addition, they depend on the Legislature for (or demand of it) ever-larger amounts of local aid and/or property-tax subsidies.

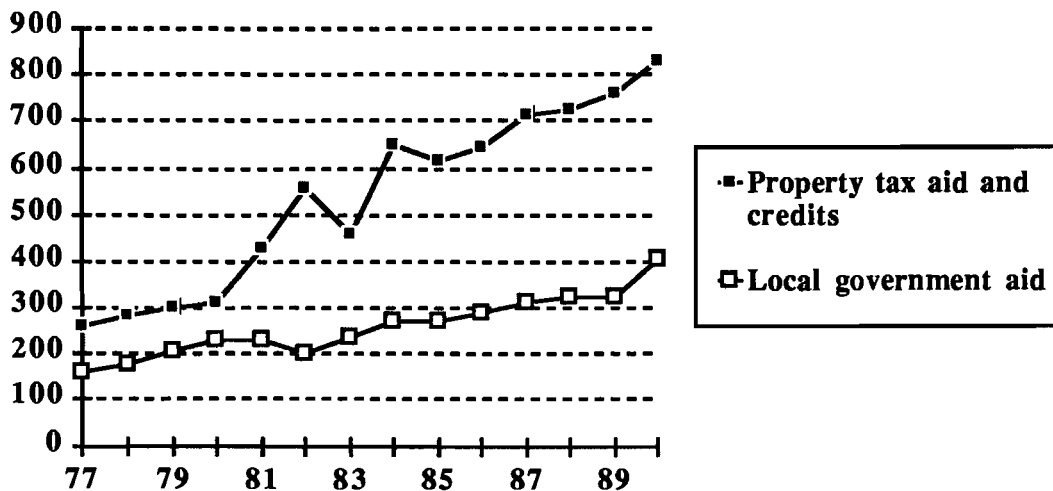
Except during several years of severe fiscal difficulties in the early 1980s, the Legislature has consistently increased its total spending for local aid and property tax relief each biennium, often by amounts well in excess of inflation. Figure 2.1 shows that property tax aid and credits have increased from \$262 million in 1977 to \$833 million in 1990. Local government aid has increased, though by less: from \$163 million in 1977 to \$403 million in 1990. (Note that the Legislature reduced local government aid by \$22 million in 1991, generally shifting that amount to elementary and secondary education aid.) Together, these state expenditures equal \$1.2 billion, or 18 percent of the state's general fund budget.

The Legislature acts to increase the proportion of state-local government spending derived from the state income and sales taxes, which legislators and taxpayers see as less onerous than the local property tax. It also acts to hold down or substitute for property-tax increases and to respond to pressure from local units of government for ever-increasing support.

In any case, the result is an obvious pattern: local governments increase their spending; they aggressively seek and receive more or retain state aid; and their spending rises again. The local governments' success encourages them to return each year to the Legislature in search of more money.

FIGURE 2.1

**GROWTH IN PROPERTY TAX AND LOCAL GOVERNMENT AID
1977-1990***
(Dollars in Millions)



* Not adjusted for inflation.

Source: 1990 Economic Report to the Governor

PUBLIC SECTOR UNITS ADVOCATE THEIR NARROW INTERESTS AT THE LEGISLATURE

More and more local governments are applying growing pressure for state aid and property-tax provisions calculated to provide maximum benefit to themselves. Since each acts in its own self-interest, these voices often are in conflict.

The local units' intensified lobbying efforts have significantly complicated -- or made impossible -- legislating from a statewide perspective on city, county, or school aid and property-tax relief. This narrowing of interests can be seen in at least three ways:

LOOKING OUT FOR NUMBER ONE

Increasingly, public units represent themselves, hire lobbyists, or join coalitions of like-minded governments in order to gain the maximum possible dollars for themselves from state aid and property-tax legislation. The local units pressure legislators for whatever provisions get them the most money, with little or no regard for broader, statewide policy concerns.

The growing use of computers has contributed to this trend. The technology makes it possible for lobbyists to determine quickly the effects of proposed programs or complex aid distribution formulas on individual cities, counties, and school districts. Legislators refer scathingly to this situation as "legislating by computer run," but seem unable, or unwilling, to discourage, restrict, or end the practice. In addition, the legislative task becomes more complicated when models used by different groups, such as House Research and the Coalition of Greater Minnesota Cities, show different results because the models were built on different assumptions.

DECLINE OF STATE-WIDE PERSPECTIVE

It has become far more difficult, if not impossible, to enact state aid and property-tax bills and formulas that reflect broad, state-wide policy goals. Rather, the Legislature has increasingly produced the most possible state aid for the largest possible number of local units. In general, reaching a consensus on any legislation in these areas has become more difficult and demanding of legislators' time and effort.

Refusing to vote for local government aid or property tax bills unless a legislator's district gains money from them is becoming routine. This encourages each individual legislator to behave parochially and helps to move the focus of his/her responsibility from broad state policy concerns to simply bringing home the bacon.

To the extent that individual local governments or coalitions are successful, additional local units are encouraged to step up their lobbying efforts and expenditures. Legislators can't -- or won't -- say no to local units. Local government aid and property-tax bills increasingly must have something for nearly everyone in order to pass, and either overall state expenditures rise or other programs receive less support.

EMPHASIS ON LOCAL PROJECTS

One typical goal of local government lobbying is special treatment for local projects. It takes a variety of forms. Some local units work to get state-financed capital projects; some for authority to bypass local referendum requirements for locally-financed projects; and some for authorization to exceed levy limits for programs or capital projects.

The success of some cities, counties, and school districts in these efforts has encouraged subsequent attempts by other local units. No general legislative policy exists governing such local requests, and ambiguity about what is -- or should be -- a local, regional, or state responsibility has contributed to an increasing number of requests.

DISCLOSURE IS PREFERABLE TO PROHIBITION

Disclosure, we concluded, is the best available method to assure that the public understands the actions of its representatives. Disclosure encourages ethical behavior and can help uncover unethical behavior. Our interest in reporting and full disclosure lies neither in amassing detail, per se, nor in assembling generous amounts of information for auditing purposes. Rather, it stems from our belief that the ready availability and disclosure of useful information will enhance accountability and ethical practice in public sector lobbying.

The committee discussed a number of proposed prohibitions and concluded that none would be in the public interest at this time. We rejected an outright ban, on grounds that much public sector lobbying is useful and necessary. Even though many of our concerns are primarily associated with contract lobbyists, we don't think government units should be prevented from hiring contract lobbyists because: (1) contractors can provide needed expertise not available from staff, (2) they are an efficient way to obtain lobbying services, particularly for small units of government, and (3) local officials should have discretion to decide how best to achieve their goals.

We also concluded that prohibiting lobbyist campaign contributions or gifts would be unconstitutional or unenforceable. Furthermore, requiring local governments to use a bidding process to hire lobbyists would (or could) put the public sector at a disadvantage, compared to the private, in several ways, including lobbying effectiveness and speed of response to unanticipated situations.

DISCLOSURE UNDER CURRENT LAW IS INADEQUATE

In addition to changes the Legislature enacted in 1990, fuller, more consistent disclosure is needed in order to improve accountability. During our study we identified some barriers to improved measurement and understanding of public sector lobbying activities.

- All state employees and elected local office-holders are specifically exempted from the legal definition of a lobbyist, regardless of how much time they spend at the Legislature or whether they are lobbying or simply supplying information.
- No accurate, central record of public sector lobbying exists nor could one be readily assembled. Because state or local government employees have not been required to register as lobbyists, no central historical data on their number or lobbying expenditures exists. Pre-1989 information is available only on contract lobbyists for local units of government and on both contract and employee lobbyists for associations of governments.
- Associations of governments (and their employees) are subject to different lobbyist reporting requirements than the individual local units of governments that comprise such associations.
- For a local government employee to be considered a lobbyist and required to register with the Ethical Practices Board, s/he must spend more than 50 hours in any month on lobbying or related activities (*Minn. Stat.* §10A.01). This differs from the provision in *Minn. Stat.* §6.76 that local government units must disclose their expenditures for employees who spend more than 25 percent of their time on legislative matters during a legislative session.

This inconsistency contributes neither to public understanding nor to local units' accountability. It does, however, make record-keeping and reporting unnecessarily complex for local units and their employees, who are held to two differing reporting standards. The law also mandates that local governments report their total expenditures to the State Auditor, although the Ethical Practices Board is the repository for all other such information that must be reported.

- Lobbyists, their employers, and employees must report gifts, loans, honoraria, items, or benefits of \$50 or more to public and local officials. However, this does not include multiple gifts, regardless of their total, if each is individually valued at less than \$50.
- Political committees and political funds must report to the Ethical Practices Board the names of those who make campaign donations which in aggregate exceed \$100 per year. The Board maintains and publishes the information by recipient, rather than by donor, making it difficult to determine which lobbyists are contributing to which candidates and how much they are contributing. Lobbyists are not required to disclose donations they solicit from others and pass on as campaign contributions.

THE ETHICAL PRACTICES BOARD LACKS RESOURCES TO DO ITS JOB

The Ethical Practices Board and its staff are responsible for very large amounts of detailed information. It is neither authorized nor funded to perform additional analysis, interpretation or summaries that would contribute to a broad, general understanding of campaign finance and lobbying activities. For example, the board cannot integrate the separate reports by lobbyists on their lobbying activities and by candidate committees on donations received. Thus, the public cannot readily ascertain which lobbyists are contributing to which legislators, and in what amounts. The board also does not aggregate the separate, individual reports from a number of lobbyists working in the same firm.

CHAPTER 3

RECOMMENDATIONS

This chapter contains our recommendations for changes in public sector lobbying. We have grouped them under two broad headings:

- increasing disclosure of public sector lobbying activities; and
- examining structural changes to reduce the need for public sector lobbying.

EXPAND DISCLOSURE

We favor expanded disclosure and reject prohibiting or restricting the public sector's lobbying activities. We believe the public will be best served by increased disclosure about the extent of public sector lobbying.

DISCLOSURE BY LOBBYISTS

In order to understand the scope of public sector lobbyists' work, it is necessary to collect information about their campaign finance activities as part of the lobbyist disclosure program. Each campaign committee now reports the names of individuals making contributions that in aggregate exceed \$100. However, the information is collected by the Ethical Practices Board through a separate reporting system.

A lobbyist's work can include soliciting campaign contributions from others. At present, this activity is not disclosed through the lobbyist reporting program at the Ethical Practices Board. However, if the donor has contributed more than \$100 per year to the candidate, the donation is reported by the candidate's campaign committee under the campaign reporting system. We think the lobbyist should report his or her participation to the Ethical Practices Board.

Under present law, lobbyists must report gifts made to legislators that are worth more than \$50. We think it is worth documenting if public sector lobbyists, their employers, or employees give a series of smaller gifts to legislators. If the total value of the gifts given to legislators exceeds \$50 a year, we think the lobbyist should report to the Ethical Practices Board to whom the gifts were made and the value of each gift.

Thus, we favor imposing additional reporting requirements on public sector lobbyists. For the purpose of these recommendations, we include those lobbyists as defined in statute that represent local and regional governments or their associations, including staff and contractors.

We recommend:

- ☐ **The Legislature should require all public sector lobbyists to report to the Ethical Practices Board:**
 - **their campaign contributions which in aggregate exceed \$100 per year to a legislative or statewide candidate. The report should include the names of all such candidates and the amounts and dates of the contributions;**
 - **all campaign contributions they solicit from others and pass on to candidates, including the original donor's name and the amount of the contribution; and**
 - **the total value of all honoraria, gifts, loans, or items/services of economic value given by them or their employers or employees which in aggregate exceed \$50 in value to any legislator or public official during a year.**

The Legislature should consider whether it is useful to apply similar requirements to private sector lobbyists, as well. Figure 3.1 summarizes our recommended changes in current state law.

DISCLOSURE BY LOCAL GOVERNMENTS

Under the 1989 law, local governments must report to the State Auditor their total lobbying expenditures each year. It would be more useful if local governments reported their lobbying expenditures broken down by activity categories, such as advertising, research and analysis, and compilation and dissemination of information.

Also, to improve efficiency and simplify disclosure, all reporting about or by public sector lobbyists should be centralized with a single agency. We propose moving the existing reporting requirement from the State Auditor to the Ethical Practices Board. In turn, we recommend repealing the reporting provision in *Minn. Stat.* §6.76, which requires local governments to report total lobbying costs to the State Auditor.

We recommend:

- ☐ **The Legislature should require each local government and special purpose district to report annually to the Ethical Practices Board the name(s) of its lobbyist(s) and its expenditures on lobbying. Each unit should report:**
 - **direct payments to lobbyists;**
 - **all salaries and administrative expenses attributable to its efforts to influence legislative action; and**
 - **expenditures for attempting to influence legislative action using the following categories: advertising, mailing, research and analysis, compilation and dissemination of information, and public relations campaigns.**

Neither the present law nor our proposal defines state employees or employees of the public higher education systems as lobbyists. However, because some of these employees are clearly engaged in lobbying activities, we believe their lobbying-related expenditures should be reported. If a state

FIGURE 3.1

PROPOSED CHANGES IN STATE LAW AFFECTING PUBLIC SECTOR LOBBYISTS

ISSUE	CURRENT LAW (FOR COMPARISON)	PROPOSED CHANGES
Disclosure by Lobbyists	(1) Political committees and political funds file reports disclosing the names and other information of individuals, political committees and funds that contribute more than \$100 during a year; (2) No similar provision; (3) Most local governments report to the State Auditor total expenditures on lobbyists.	Require all public sector lobbyists to report: (1) Campaign contributions to legislative and statewide candidates that exceed \$100 in aggregate during a year; (2) All campaign contributions they solicit from others and pass on to candidates; (3) The total value of all gifts given by them, their employees, or employers which in aggregate exceed \$50 in value to any legislator or public official during a year.
Disclosure by Local Governments	Many local governments must report to the State Auditor their total lobbying expenditures for lobbyists and staff who spend more than 25percent of their time during the legislative session on legislative matters.	Local governments and special purpose districts must report to the Ethical Practices Board: names of lobbyists; direct payments to lobbyists; salaries and administrative expenses attributable to efforts to influence legislative action; and expenditures for attempting to influence legislative action.
Disclosure by State Government Agencies	No similar provision.	Require state departments and public higher education systems to report the names of their employees who spend more than 50 hours in any month attempting to influence legislative action. They should report the names of such employees; direct payments to them; salaries and administrative expenses; expenditures for attempting to influence legislative action (in categories); and the recipient's name and dollar value of gift and honoraria given to legislators and public officials
Disclosures and Contract Terms	No similar provision.	All local governments that contract for lobbyists to specify in the contract: the purpose of the contract; the legislative issues the lobbyist will work to affect or advance; and amount of compensation and duration of the contract. The lobbyist should submit a final report to the government unit detailing outcomes or legislative actions on each of the issues lobbied.
Resources and duties for the Ethical Practices Board	No similar provision.	The Ethical Practices Board should receive adequate staff and funding and should prepare annual reports on: public sector lobbyists – what issues they lobby; their campaign contribution activity, etc.; lobbying expenditures by cities, counties, school districts and metropolitan agencies; and lobbying activities by state departments and agencies and public higher education systems.

department or a public higher education system retains a contract lobbyist, its expenditures should be included in the reporting requirement.

We recommend:

- ☐ **The Legislature should require each state department and each public higher education system to report each year to the Ethical Practices Board the name(s) of its employee(s) who spend more than 50 hours in any month attempting to influence legislative action and the amount each entity spends on lobbying. Each department and higher education system should report:**
 - **direct payments to such employees;**
 - **all salaries and administrative expenses attributable to its efforts to influence legislative action;**
 - **the recipient's name and dollar value of honoraria, gifts, loans, or items/services of economic value given to legislative and statewide candidates; and**
 - **expenditures for legislative actions on the following items: advertising, mailing, research and analysis, compilation and dissemination of information, and public relations campaigns.**

To provide additional information to constituents of local units of government about the work of lobbyists retained by their local units, we recommend:

- ☐ **The Legislature should require all local units of government that contract for lobbyists to specify in the contract:**
 - **the purpose of the contract;**
 - **the legislative issues the lobbyist will work to advance or affect; and**
 - **the amount of compensation and duration of the contract.**

In addition, the lobbyist should submit a final report to the government unit detailing the outcomes or legislative actions on each of the issues lobbied.

ETHICAL PRACTICES BOARD

In order for this additional information to reach the public, the Ethical Practices Board must have adequate resources and clear legislative direction. For ease of public understanding, the additional data should be collected and packaged in comprehensive, comprehensible reports.

We recommend:

- ☐ **The Legislature should provide the Ethical Practices Board enough staff and funding to meet its current responsibilities, including the 1990 amendments, and the workload created by enacting our recommendations. The Board should prepare:**

- a comprehensive annual report detailing which lobbyists are working for public sector units; for what issues they lobby; and their activity in making campaign contributions to each legislative candidate, soliciting legislative campaign contributions and providing honoraria, gifts, loans, or items/services of economic value to legislators;
- an annual report on lobbying expenditures by cities, counties, school districts, and metropolitan agencies; and
- an annual report on lobbying by state departments, agencies, and public higher education systems.

The Legislature should specifically direct the Ethical Practices Board to publish these reports.

ADDRESS STRUCTURAL REASONS FOR PUBLIC SECTOR LOBBYING

We are concerned about the current level of lobbying activity and what might result if current trends continue. The Legislature should consider changes to reduce some of the existing pressures on public units to lobby.

We think that the Legislature's practices contribute significantly to the level of public sector lobbying. In our view, it's essential for the Legislature to grapple with its own role in addition to establishing requirements affecting lobbyists, the Ethical Practices Board, government units, and associations.

LEGISLATIVE PRACTICES

The Legislature should review and act on its own practices because it creates the environment in which lobbyists work.

We recommend:

- ☐ The Legislature should examine how its practices contribute to the level of public sector lobbying activity. In particular, the Legislature should review its annual adjustment of the formulas by which state-collected revenues are distributed to local governments. It should also examine legislators' willingness to pass mandates without funds or funding authority, and to approve legislation filled with provisions for many districts which enhance the likelihood of a bill's passage.

LOCAL SPECIAL PROJECTS

The goal of some public sector lobbying is to get local special projects included in legislation. Such legislative actions preempt or substitute for local decisions.

We recommend:

- ☐ The Legislature should study, adopt and enforce criteria for considering local special projects. It should examine when it is appropriate for the state to finance local or regional improvements; when it might be

appropriate for the state to suspend referendum requirements for such projects; and when the Legislature should authorize state bonding for local public improvements.

STUDYING STRUCTURAL PROBLEMS

The Legislative Commission on Planning and Fiscal Policy and the Citizens League study committee on Financing and Managing State and Local Programs are engaged in separate reviews of Minnesota's fiscal system. That system distributes large sums of money to local governments and creates local dependence on the state for revenues. In considering possible changes to the fiscal system, both groups should examine how the system could be structured to decrease the need for local government lobbying.

We recommend:

- ☐ The commissions and committees studying Minnesota's state-local fiscal system should analyze and further develop the strong connection we've found between the state's fiscal system and the increased level of public sector lobbying activity.
- ☐ The Legislature should examine the close link between campaign financing and public sector lobbying. Our proposed recommendation for increased disclosure of lobbyist involvement in campaign financing could help expose this connection. However, it remains to be seen whether disclosure alone will be enough to avoid potential problems of undue influence.

APPENDICES

STATUTORY EXCERPTS

10A.01 Definitions.

Subd. 11. (a) "Lobbyist" means an individual:

- (1) engaged for pay or other consideration, or authorized to spend money by another individual, association, political subdivision, or public higher education system, who spends more than five hours in any month or more than \$250, not including the individual's own travel expenses and membership dues, in any year, for the purpose of attempting to influence legislative or administrative action, or the official action of a metropolitan governmental unit, by communicating or urging others to communicate with public or local officials; or
- (2) who spends more than \$250, not including the individual's own traveling expenses and membership dues, in any year for the purpose of attempting to influence legislative or administrative action, or the official action of a metropolitan governmental unit, by communicating or urging others to communicate with public or local officials.

10A.03 Lobbyist Registration.

Subd. 1. Each lobbyist shall file a registration form with the board within five days after becoming a lobbyist.

Subd. 2. The registration form shall be prescribed by the board and shall include (a) the name and address of the lobbyist, (b) the principal place of business of the lobbyist, (c) the name and address of each person, if any, by whom the lobbyist is retained or employed or on whose behalf the lobbyist appears, and (d) a general description of the subject or subjects on which the lobbyist expects to lobby. If the lobbyist lobbies on behalf of an association the registration form shall include the name and address of the officers and directors of the association.

Subd. 3. The board shall notify by certified mail or personal service any lobbyist who fails to file a registration form within five days after becoming a lobbyist. If a lobbyist fails to file a form within seven days after receiving this notice, the board may impose a late filing fee at \$5 per day, not to exceed \$100, commencing with the eighth day after receiving notice. The board shall further notify by certified mail or personal service any lobbyist who fails to file a form within 21 days of receiving a first notice that the lobbyist may be subject to a criminal penalty for failure to file the form. A lobbyist who knowingly fails to file a form within seven days after receiving a second notice from the board is guilty of a misdemeanor.

10A.04 Lobbyist Reports.

Subd. 1. Each lobbyist shall file reports of the lobbyist's activities with the board as long as the lobbyist continues to lobby. A lobbyist may file a termination statement at any time after ceasing to lobby.

Subd. 2. Each report shall cover the time from the last day of the period covered by the last report to 15 days prior to the current filing date. The reports shall be filed with the board by the following dates:

- (a) January 15;
- (b) April 15; and
- (c) July 15.

Subd. 3. Each person or association about whose activities a lobbyist is required to report shall provide the information required by sections 10A.03 to 10A.05 to the lobbyist no later than five days before the prescribed filing date.

Subd. 4. (a) The report shall include such information as the board may require from the registration form and the information required by this subdivision for the reporting period.

(b) Each lobbyist shall report the lobbyist's total disbursements on lobbying, separately listing lobbying to influence legislative action, lobbying to influence administrative action, and lobbying to influence the official actions of a metropolitan governmental unit, and a breakdown of disbursements for each of those kinds of lobbying into categories specified by the board, including but not limited to the cost of publication and distribution of each publication used in lobbying; other printing; media, including the cost of production; postage; travel; fees, including allowances; entertainment; telephone and telegraph; and other expenses.

(c) Each lobbyist shall report the amount and nature of each honorarium, gift, loan, item or benefit, excluding contributions to a candidate, equal in value to \$50 or more, given or paid to any public or local official by the lobbyist or any employer or any employee of the lobbyist. The list shall include the name and address of each public or local official to whom the honorarium, gift, loan, item or benefit was given or paid and the date it was given or paid.

(d) Each lobbyist shall report each original source of funds in excess of \$500 in any year used for the purpose of lobbying to influence legislative action, each such source of funds used to influence administrative action, and each such source of funds used to influence the official action of metropolitan governmental units. The list shall include the name, address and employer, or, if self-employed, the occupation and principal place of business, of each payer of funds in excess of \$500.

10A.05 Lobbyist Report

Within 30 days after each lobbyist filing date set by section 10A.04, the executive director of the board shall report to the governor, and the presiding officer of each house of the legislature, the names of the lobbyists registered who were not previously reported, the names of the persons or associations whom they represent as lobbyists, the subject or subjects on which they are lobbying, and whether in each case they lobby to influence legislative or administrative action or both. At the same time, the executive director of the board shall report to the governing body of each metropolitan governmental unit, the names of the registered lobbyists who attempt to influence the official action of metropolitan governmental units, the names of the persons or associations whom they represent as lobbyists, and the subject or subjects on which they are lobbying.

ETHICAL PRACTICES BOARD LOBBYIST REGISTRATION AND DISBURSEMENT FORMS

These form are attached on pages 33 and 34.