



April 30, 2020

Rep. Laurie Halverson
Chair, House Commerce Committee
503 State Office Building
St. Paul, MN 55155

Rep. Halverson,

On behalf of the League of Minnesota Cities, I would like to express our support for Section 4 of the DE2 amendment dated 4/29/2020 01:20pm which excludes costs related to long-term pension obligations from the calculation of municipal liquor store profitability in Minn. Stat. § 340A.602. This issue was raised by several of our smaller cities with municipal liquor stores.

The language modifies a statute originally enacted in 1981 that requires a city that operates a municipal liquor operation that experiences a net loss in any two of three consecutive years to hold a public hearing on the question of whether the city should continue to operate a municipal liquor store. After the required hearing, the law allows the city council to initiate a referendum on the continuation of the liquor operation or alternatively, allows a referendum on the continuation to be triggered upon petition of at least five percent of the registered voters in the city.

A Government Accounting Standards Board (GASB) statement, GASB 68 originally issued in 2012, established standards for measuring and recognizing various pension-related financial information including unfunded pension liabilities. With the current unfunded liability in the Public Employees Retirement Association General Plan, which includes employees of municipal liquor operations, the liability is apportioned to the city and then to municipal liquor store. When the long-term pension liability is considered in the profit/loss of the liquor store, it could, for purposes of the continuation statute, result in an otherwise profitable liquor operation appearing to be operating with a net loss.

Section 4 only modifies the consideration of the long-term pension liability for the continuation test and do not alter the reporting of pension liabilities for the city or municipal liquor store in their financial reports.

Thank you for considering our support for section 4 of the DE2 amendment.

Sincerely,

A handwritten signature in black ink that reads 'Gary N. Carlson'.

Gary Carlson
League of Minnesota Cities