



HENNEPIN COUNTY BOARD OF COMMISSIONERS
A-2400 GOVERNMENT CENTER
MINNEAPOLIS, MINNESOTA 55487-0240

May 7, 2019

Senator Chamberlain
Senator Senjem
Senator Dahms
Senator Howe
Senator Rest

Representative Marquart
Representative Loeffler
Representative Gomez
Representative Lislegard
Representative David

Dear Members of the Omnibus Tax Conference Committee:

I am writing on behalf of the Hennepin County Board of Commissioners to express our position on provisions in the House and Senate Omnibus Tax Bills. We greatly appreciate your efforts this session and your work ahead to negotiate a compromise.

Support County Program Aid Increase for Essential Services

County Program Aid (CPA) is a critical tool for all 87 counties to provide essential, quality services to every single Minnesotan. Minnesota's counties are responsible for the delivery of essential services, including health and human services, public safety, criminal justice, transportation and many other services mandated by the state.

The State of Minnesota requires counties to administer and deliver many critical services, but underfunds or provides no funding to do so. State-mandated services like child protection, protecting vulnerable seniors, and mental health care are major cost drivers for Hennepin County. For example, Minnesota law mandates that counties maintain systems to protect vulnerable children from abuse and neglect. Counties provide 45% of the costs of the system. Minnesota law also requires counties to maintain community-based systems of mental health treatment. The State mandates that counties pay for the cost of care when people committed to the state for mental health care no longer need to be in a hospital setting. Hennepin's cost for this treatment in 2016 was \$25 million, and in 2018 it jumped to \$30 million.

Counties' role in administering state-created programs has grown over time but state funding has not kept pace. Starting in 2003, CPA was cut drastically for over a decade. Counties had to fill the funding gap with property tax revenue. *We support the House Tax Bill's \$30.5 million in CPA to help every county across the state provide vital, quality services while minimizing the property tax burden.*

Exempt Construction Materials from Sales Taxes on Local Government Projects

Local governments must undergo costly and complicated contracting procedures to obtain the sales tax exemption on construction materials that often outweigh the benefit of the exemption. Streamlining the sales tax exemption to include construction materials incorporated into buildings and facilities used by local governments, will simplify the process for local governments and decrease project costs on building fire stations, public safety facilities and other essential local government facilities. This will result in direct property tax relief to Minnesotans across the state.

The House and Senate include sales tax exemptions for a few specific local government facilities' construction materials. The Governor's tax bill includes the sales tax exemption on construction materials providing uniformity for all local governments and nonprofits. *We support exempting construction materials from sales taxes on all local government projects.*

Extend PERA State Aid

The Public Employees Retirement Association (PERA) state aid program provides aid to every city, county, township, soil and water conservation district, county and city hospital, county nursing home, library system, public utility, and other special purpose districts which have employees covered for pension purposes by the PERA General Plan. In 1997, the state increased the required employer contribution and agreed to cover the increased cost with PERA aid. A promise was made by the state to fully fund the plan by June 30, 2020 and pay local governments PERA aid until that date. However, the PERA General Plan remains only 80 percent funded, will not be fully funded until June 30, 2048, and PERA aid is set to expire.

If PERA aid is not extended, these costs will be shifted onto local governments. *We support the House Tax Bill's extension of PERA aid to help local governments pay the required employer contributions.*

Restore the Met Council's Borrowing Authority

In 2017, the Legislature inadvertently restricted the Met Council's ability to cash-flow federal funds for transit projects. When the federal government funds a transit project, it disburses the funds over a period of years that can extend beyond project construction. As a result, transit agencies generally borrow against the federal commitment so that money is immediately available for project construction. The financing is typically done through "Grant Anticipation Notes" or "GANs," a simple, relatively low-cost financing vehicle. Without the ability to finance with GANs, the Council will be forced to use more cumbersome forms of borrowing, increasing costs and administrative burdens.

We support the House Tax Bill's technical fix to restore the Met Council's ability to use GANs to cash-flow federal funds, saving money and administrative burden. This fix maintains the original intent of the Legislature to prohibit the use of the Council's general obligation bonds for light rail transit construction and was included in the 2018 Omnibus Tax Bill that was vetoed by the Governor for unrelated reasons.

Increase Out-of-Home Placement Aid Increase

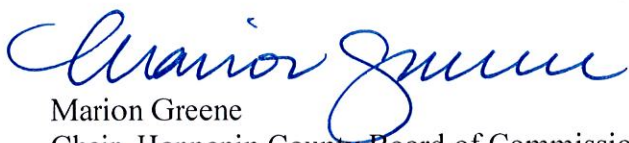
Out of Home Placement Reimbursement Aid is a specific-purpose aid designed to subsidize costs incurred by counties and tribes for out-of-home placement costs for children under the Indian Child Welfare Act (ICWA). *We support the Senate Tax Bill's increase in aid funding.*

Disabled Veterans Property Tax Exclusion

In Minnesota, disabled veterans are eligible for a property tax exclusion that reduces the value of their home for assessing property taxes. Due to the December 1st deadline to receive homestead status on a new home, if a disabled veteran purchases their home in the month of December they are not eligible to receive homestead status until the following year, delaying their ability to get the property tax exclusion. With modern technology, counties can process homesteads faster than before, allowing for a streamlined and more common-sense deadline at the end of the year. *We support moving the homestead deadline and the disabled veteran deadline to the end of the year, December 31.*

Thank you for your time and consideration, and if you have any questions about our requests, please do not hesitate to contact us.

Sincerely,



Marion Greene
Chair, Hennepin County Board of Commissioners