

May 8, 2023

Governor Tim Walz
130 State Capitol
75 Rev Dr. Martin Luther King Jr. Blvd.
Saint Paul, MN 55155

Speaker of the House Melissa Hortman
463 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, MN 55155

Senate Majority Leader Kari Dziedzic
3113 Minnesota Senate Building
95 University Avenue West
Saint Paul, MN 55155

I write on behalf of the Minnesota Inter-County Association (MICA), an organization that represents fifteen of Minnesota's larger and faster growing counties, including four metropolitan area counties and eleven in Greater Minnesota counties.

County Program Aid (CPA) has long been a key component of comprehensive property tax relief. However, the value of that appropriation has greatly diminished over the past twenty years. **Increasing CPA to a level that more closely reflects the state's historic commitment to county aids is a top priority for our Association this session.**

We strongly support adoption of the House proposal to increase County Program Aid by \$100 million beginning in 2024, and then annually adjusting the appropriation to reflect inflationary cost pressures.

Annual CPA appropriations are more than \$150 million lower in 2023 than they would be had those appropriation levels simply kept pace with rising costs over the past twenty years. Over the same time, state General Fund spending on county aids has declined from 2% to less than 1%. As a result, CPA now represents less than 7 percent of total county levy plus total general aid, compared to about 14% of levy plus aid twenty years ago.

We appreciate that each of you and your caucuses have been strong supporters of local governments, and have proposed increased funding for CPA and other dedicated local funding this session. Our urging for the significantly higher House appropriation for CPA is not simply to return to some historic funding level. Wages, benefits, technology, and other operating costs have continued to rise. Hiring and retaining essential local workforce has become ever more difficult in the current labor market.

Additionally, pending new statewide policy priorities will also increase operating costs for local public partners. For example, we estimate that implementation of Paid Family and Medical Leave (PFML) will require county governments to pay \$11 to \$22 million annually in premiums. CPA is designed to help offset those types of general operating costs while moderating levy amounts.

CPA appropriations have fluctuated, but funding levels are now at the same level as in 2002. As a consequence, county budgets for overhead, state required programs, and local services have become increasingly more reliant on property taxes. As multiple county officials testified to this session, most counties set their budgets and then subtract the certified CPA amount to arrive at a final levy. CPA is property tax relief.

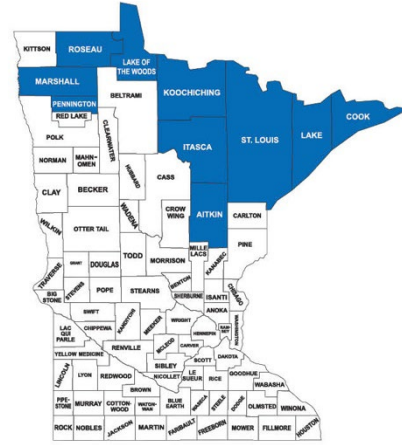
County governments will once again play a critical role in implementing new policies being adopted this legislative session. CPA helps ensure counties have the organizational capacity to do that work successfully, and without excessive property tax levies. **Increasing CPA by \$100 million and restoring the annual inflation adjustment of the CPA appropriation would renew and sustain a more stable state-county financial partnership.**

Best regards,



Matt Massman, *Executive Director*
Minnesota Inter-County Association

CC: Commissioner Paul Marquart, Minnesota Department of Revenue
Representative Aisha Gomez, Chair, House Taxes Committee
Senator Ann Rest, Chair, Senate Taxes Committee
Representative Lisa Demuth, House Minority Leader
Senator Mark Johnson, Senate Minority Leader



NORTHERN COUNTIES LAND USE COORDINATING BOARD

May 8, 2023

To: Chairs Rest and Gomez

Senators Klein, Dibble, Hauschild and Webber

Representatives: Lislegard, Lee, Agbaje and Davids

Re: Tax Omnibus Bill (HF 1938/SF1811)

Payment In Lieu of Taxes Amendments

The Northern Counties Land Use Coordinating Board (NCLUCB), a ten-county joint-powers board, *hosts 65% of the state's 8.5 million acres of Payment in Lieu of Taxes (PILT) eligible public lands*. NCLUCB member counties encompass 20% of the state's land area, 45% of the state's surface waters, 46% of the state's remaining wetlands, 65% of the state's forest lands, *37% of PILT revenues...*and 5% of the state's aggregate net tax capacity. We are a region rich in natural resources subject to the realities of a rural economy, the constraints of this vast public estate, and the inequities of the current PILT program. And in that context, we are disproportionately dependent on the Payment in Lieu of Taxes Program to support our local government operations.

The 2012 Legislature recognized this fiscal imbalance in the statewide geographic distribution of public lands by adopting an, as yet, unfulfilled purpose for the Payment in Lieu of Taxes Program:

M.S. A. Chapter 477A: **“...to address the disproportionate impact of state land ownership on units of government with a large proportion of state land.”**

Conversely, current PILT formulas allow those counties with estates of acquired public lands to automatically capture the market value growth of those lands through a 6-year re-appraisal cycle. In 2023 alone, acquired public lands will accrue an additional \$4.4 million in PILT revenues statewide. Most Northern counties' public lands, however, are limited to a flat PILT rate of \$2/acre. After a decade of this flat rate, Northern PILT compensation on a per acre basis has fallen severely behind regions where PILT payments reflect the value of private land market growth. While treating all PILT eligible lands to the same compensation formula of \$ 5.133 per acre or $\frac{3}{4}$ of 1% of market value would fully address the “disproportionate impact” of current

distribution inequities, we are doubtful there would be legislative support for the estimated \$37 million increase in the PILT annual appropriation such a solution would require.

The House version of HF 1938 is a reasonable means of recognizing the existing disproportionate geographic and fiscal impact of the state's public lands on Northern counties. The elected commissioners of the Northern Counties Land Use Coordinating Board respectfully urge the Omnibus Tax Conference Committee to adopt all provisions of the House version of HF1938. Thank you for your consideration.

Commissioner Neil Peterson, Chair NCLUCB, Pennington County

Commissioner Laurie Westerlund, Aitkin County

Commissioner Debra White, Cook County

Commissioner Terry Snyder, Itasca County

Commissioner Destry Hell, Koochiching County

Commissioner Rich Sve, Lake County

Commissioner Ed Arnesen, Lake of the Woods County

Commissioner Gary Kiesow, Marshall County

Commissioner Seth Nelson, Pennington County

Commissioner Jack Swanson, Roseau County

Commissioner Mike Jugovich, St. Louis County

Commissioner Paul McDonald, St. Louis County



May 8, 2023

Dear Chair Rest, Chair Gomez, and Members of the Tax Conference Committee

Thank you for your efforts to provide tax relief in a variety of ways for all Minnesotans, and especially for the low-income Minnesotans that Legal Aid serves and represents. In particular, Legal Aid expresses its gratitude for the inclusion of the elimination of the 10% minimum interest rate floor on tax property delinquencies in both House and Senate bills and urges adoption of the Revenue Recapture provisions that are currently in HF 1938, Article 12, Section 4 that limits the use of state Revenue Recapture to government entities, which is the appropriate use for which the law was originally intended.

The Revenue Recapture Act was enacted in 1980 for use only by public agencies. *See* 1980 Minn. Laws, ch. 607, art. 12, sec. 1. In 1999, the Legislature crossed a dangerous and, in our view, inappropriate threshold, adding a non-public entity to the Revenue Recapture Act, and allowing such non-public entity to access the state's tax capture collection authority and apparatus.

A significant percentage of seizures by non-governmental entities involve tax refunds of low-income Minnesotans struggling with medical debt. Many Legal Aid clients struggle with medical debt. This bill would significantly assist low-income patients by assuring that the low-income tax credits for which they are eligible and that they receive stay in their pockets and help them make ends meet and get ahead. Receipt of these type of tax credits have been shown to boost work and have been linked to better outcomes for children: improved school performance; greater college enrollment; and higher earnings as adults.¹ And, not surprisingly, these credits "greatly reduce poverty for working families."²

Further, because of this inordinate power to access the state's collection mechanism, nongovernmental entities have a perverse incentive not to negotiate any payment plan, let alone an affordable one, to taxpayers who are eligible for and receive low-income tax credits.

LSAP again thanks the conferees for including the elimination of the 10% minimum interest rate floor on tax property delinquencies in both the House and Senate Bills and urges the committee to adopt the Revenue Recapture provision in the House bill. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Ron Elwood".

Ron Elwood
Supervising Attorney

¹ Chuck Marr, Chye-Ching Huang, Arloc Sherman, and Brandon Debot, Center for Budget and Policy Priorities, *EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds*

² *Id.*

May 8, 2023

Dear Representative Aisha Gomez:

I correspond with you as the secretary of the Crookston Baseball Association (CBA), a non-profit 501(c)(3) entity. The CBA conducts e-pull tabs operations in the City of Crookston. The CBA provides funds to the University of Minnesota Crookston (UMC) with respect to baseball and softball programming. The CBA provides funds to Crookston High School (CHS) with respect to baseball and softball and to the City of Crookston with respect to baseball, softball and field maintenance including scoreboards and seating.

I'm writing to express the CBA's significant concern with respect to the provisions of the Tax Omnibus Bill which would significantly impact the use of e-pull tabs by the CBA. The Tax Omnibus Bill would eliminate the "open all" feature of electronic pull tab games which in turn would severely impact the generation of revenue for the CBA. With the loss of revenue, the CBA's ability to fund local baseball and softball programming would be substantially reduced, negatively impacting participation at the youth, high school, and collegiate levels. Such reduced participation is not good policy.

On behalf of the CBA, I urge you and your fellow legislators to remove the language of the Tax Omnibus Bill which eliminates the "open all" feature of electronic gaming. Removing the elimination of the "open all" feature from the Tax Omnibus Bill will allow the CBA and similar organizations to continue the great charitable work we do.

Thank you for your earnest consideration regarding this important matter. On behalf of the Crookston CBA, thank you for your consideration.

Sincerely,



Charles Reynolds, Secretary
Crookston Baseball Association