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April 5, 2022

Senator Paul Marquart, Chair
597 State Office Building
75 Dr. Martin Luther King, Jr. Blvd.
Saint Paul, MN 55155

Dear Chair Marquart and Tax Committee Members:

Thank you for the opportunity to share written testimony in support of selected provisions in Articles 3, 4, 5, and 10 of H.F. 3669—Delete Everything Amendment (A-22).

The Minnesota Inter-County Association (MICA) represents fifteen of Minnesota’s larger and faster growing counties, including four suburban and 11 Greater MN counties. Like all counties, our members play a critical role in implementing state mandates and local programs that help create vibrant, safe, and healthy communities across the state.

MICA appreciates and supports provisions contained in **HF3669 – A-22 Delete Everything Amendment** to strengthen existing property tax aid and credit programs that are intended to partially offset costs incurred to implement state mandates and to help moderate property tax burdens. Specifically, we support:

- **Refund of State Sales Tax on Purchase of Construction Materials by Local Governments** (Article 3, Section 11). This change has long been supported by a broad coalition of local government, non-profit, contracting partners, and labor, along with having bi-partisan support and authorship over many years. Streamlining this exemption by allowing for a refund of all sales tax paid on construction materials is fairer than a project-by-project approach, and keeps local funds focused on local infrastructure needs. We thank the Chair and committee for including the provision effective for 18-months through December 2022. We urge that the change be considered for a permanent effective date as the bill proceeds.

- **County Program Aid (CPA)** (Article 5, Section 10) increase by \$13.0 million annually beginning in CY2023. CPA funding is at the same level it was twenty years ago, and only one-half the level it was at relative to total county levy. We thank Chair Marquart, Chair Youakim and committee members for recognizing that CPA warrants an increase, and we would support an increase comparable that for city LGA and past inflation.
- **Payment-in-Lieu-of-Taxes (PILT)** payments (Article 5, Section 11-13) – increases from \$2 to \$3 per acre the payment amounts for other natural resource lands, while also indexing future per acre amounts to inflation and setting a floor on allowable changes in appraised values for PILT purposes. These changes are consistent with the statutory purpose of ensuring PILT address areas with a disproportionate share of tax-exempt natural resource lands.
- **Homestead Market Value Exclusion Expansion** (Article 4, Section 22) – setting the exclusion at 40% of homestead market value up to \$80,300 (currently \$76,000) and phasing the exclusion out at \$437,100. This change will help mitigate, in the near-term, property tax shifts onto low and moderately valued homes resulting from values for single-family home rising faster than for most other classes of property.
- **Senior Property Tax Deferral** (Article 4, Sections 29-30) – expanding eligibility for the program by increasing the income eligibility threshold from \$60,000 to \$96,000 and reducing from 15 years to 5 years the time a senior (65 years of age or older) must have lived in the current property.

In addition, we also appreciate and support new initiatives that will support county and partner efforts to respond to growing and unmet needs, including:

- **Soil and Water Conservation District Aid** (Article 5, Section 14) appropriating \$22.0 million annually from the state General Fund for Soil and Water Conservation Districts (SWCD's) advances the important conservation work of SWCD's statewide.
- **Local Affordable Housing Aid** (Article 5, Section 16). Increased investment in affordable and workforce housing is a critical need in communities across the state. The proposed new aid program provides predictable, flexible, and needed funding to allow county government and their local partners to tailor housing solutions to the needs of individual communities. We also appreciate the author working with counties when developing this proposal. Housing construction and development is costly, and we will welcome the opportunity to continue working on the funding levels, allocation, and allowable uses for this new program.

- **Interest Rate Relief – Delinquent Taxes** (Article 4, Section 26-27) eliminates a statutorily set floor of 10% on the interest rate charged on delinquent property taxes and repurchase contracts. That 10% floor is well above where interest rates have been for many years, and its elimination is overdue and will better align interest charges with the goal of promoting homeownership and retaining affordable housing.

While our Association does not have a formal position on renter and homeowner property tax refund programs, we recognize that those programs, along with local aids and credits, are a key component of property tax mitigation efforts.

Article 10, section 31 provides for \$50 million for distribution to counties to provide additional pandemic business and community relief aid, and \$25 million to counties to provide rental assistance payments. Counties have been reliable partners throughout the pandemic to distribute business and rental assistance, as highlighted by the long list of relief appropriations in Section 30. Program flexibility and available capacity to administer those grants, either internally or working with local partners, has been key to the success of past efforts. The proposed additional business grant funding is broader in purpose, which is good, but more prescriptive in structure than past funding; we will appreciate opportunities to continue working with authors to ensure the goals of funding can be effectively implemented. Rental assistance continues to be an ongoing need and we support the proposed additional funding.

Finally, HF3669 – A-22 DE includes other provisions that support a strong state-local intergovernmental finance system, such as requiring a study of state-owned lakeshore, requesting a Legislative Audit of county-paid child protection costs, and establishing a contingency for restoration of a March 15 state aid payment dates. MICA supports these provisions.

Again, thank you Chair Marquart for your long-standing support for the work of local governments, and for the opportunity to comment on the provisions of HF3669.

Sincerely,



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