



April 9, 2025

Dear Chair Gomez, Chair Davids, and Members of the House Committee on Taxes,

Thank you for the opportunity to provide comments on HF 3027 (Gomez) on behalf of the Minnesota Inter-County Association (MICA). MICA is an organization of 17 of the largest counties in Minnesota outside of Hennepin and Ramsey.

### **The Current Process Doesn't Work**

We appreciate that HF 3027 recognizes that the current local sales tax authorization process is flawed and needs to be revamped. Under current law counties have to introduce a bill at the legislature and have it signed into law before going to the voters for approval for a capital project. This causes several problems. The legislature has a moving strike zone for the types of projects it tends to approve. Tax chairs in one biennium often disagree with tax chairs the following biennium. Counties only tend to consider bringing a local sales tax to the voters for larger projects. Those types of projects take years of planning. The moving strike zone makes the planning process much more difficult for counties to navigate when proposing these large projects. Additionally, these non-controversial projects get wrapped up in larger omnibus bills that jeopardize their passage, delaying essential projects and increasing their cost. HF 3027 would address these issues by providing a list of projects that are eligible for local governments to go directly to the voters to make their decision.

### **Challenges with HF 3027**

However, the bill creates new hurdles and such a narrow list of projects that functionally speaking it's unlikely that many, if any, county projects would be eligible to use this authority. Counties are often a less visible layer of government, fulfilling mandates and acting as the administrative arm of the state or federal government in communities across the state. That means that the types of projects that counties consider aren't going to generate as much excitement as projects like athletic complexes or community centers, but that doesn't make them any less essential.

We understand the concern with these funds being used for correctional facilities. There have been ongoing policy conversations about this issue but MICA is supportive of allowing this authority to apply to regional public safety projects such as justice centers/jails, court facilities, and sheriff office functions.

These aren't decisions that county commissioners take lightly. The [Minnesota Regional/County Consolidation Report](#) which was released in December 2024 found that among various stakeholder groups (County Attorneys, Sheriffs, defense counsel, jail administrators) county commissioners were the most interested in exploring more regional options. While that study did identify a couple possible opportunities for consolidation in more rural parts of the state, the study also recommended that regional planning should emerge from local initiative rather than top-down directives.



### **Revenue Sharing**

We appreciate the language in the bill this year that includes regional revenue sharing rather than a statewide approach. Given that the revenue from non-residents is mostly generated within the region it makes sense to share it within the region. We also agree with the author's approach to use adjusted net tax capacity per capita as the method in measuring a jurisdiction's fiscal capacity.

However, we do think that further discussion is needed about the contribution rate. The 15%-20% requirement in the bill is high and would raise the cost of projects, ultimately increasing local sales taxes significantly more than may be needed. We'd like to continue discussing the revenue sharing component of the bill with the committee and author, around what projects it's most appropriate for and what the rate should be.

### **Other Issues**

- Lines 10.10-10.12 requires that the ballot language reference that a portion of the tax will be dedicated to the revenue sharing requirement. The equalization fund is a complicated tool and referencing it on ballot questions is likely to be confusing for many voters.
- Lines 10.15-10.17 disallow the ballot language from informing voters that a "no" vote on the project means that it would instead be funded by property taxes. This language is likely appropriate for most projects included in the bill, but we would like to discuss this requirement more with the committee given that in some cases a "no" vote would undoubtedly increase property taxes, as seen in projects in Jackson, Rice, and Winona Counties this past November.
- There are also more technical aspects of the bill around adjusting the termination dates of the tax and disallowing commingling of local sales tax revenue with property tax revenue that we would like to have more discussions with the author about.

We appreciate the author and committee taking the time to consider the issues raised and stand ready to work with committee members as the session progresses.

Sincerely,

Nathan Jesson, Minnesota Inter-County Association