



DEDICATED TO A STRONG GREATER MINNESOTA

April 11, 2024

Re: HF 5336 – Local Sales Tax Proposal

Chair Klevorn and Members of the House State & Local Government Committee:

This letter is submitted on behalf of the more than 100 members of the Coalition of Greater Minnesota Cities (CGMC) to voice our significant concerns with House File 5336. Rather than make thoughtful improvements to the process of seeking local sales tax authority, this bill would put into law a set of rules that are likely to result in many more local governments needing to come before the tax committee to seek special legislation related to local sales taxes going forward.

Numerous CGMC member cities have employed local sales taxes (LSTs) to achieve projects that would not have been possible to fund otherwise, and contribute to community vitality, economic development, tourism, and have widespread benefits to regions of our state. The CGMC and its members closely watched the Local Taxes Advisory Task Force that was assembled by the legislature and run by the Department of Revenue. CGMC and its members commented actively on the Task Force's process, and while the CGMC does not support every recommendation made in the Task Force's report, we recognize its hard and thoughtful work. Unfortunately, in many ways, HF 5336 departs from the recommendations of the Task Force or modifies them in ways that create a less fair and predictable system for LST requests.

### **Project Definitions**

HF 5336 and the Task Force report recommend a list of project types that have presumptive regional benefit and could be submitted to local voters without seeking legislation. However, some of the criteria for meeting these project type definitions are too prescriptive to be usable and some are likely to create geographic inequities that favor wealthier cities or metropolitan area cities.

**Convention Centers.** The 50,000 square foot threshold recommended in this bill and the task force report is likely to benefit the largest, wealthiest communities in the state while small and mid-sized cities are forced to seek special legislation. Even some larger regional centers may be forced to upsize planned facilities or seek special legislation. In fact, while the CGMC's analysis is still ongoing, we are concerned that the popular and widely-used convention center in downtown Mankato—a larger regional center in Greater Minnesota—may not meet the minimum definition in the bill for exhibit and meeting spaces, as well as the requirement for parking facilities that serve the center.

**Community Centers.** The task force recommended allowing cities to approach their voters without special legislation for community center projects of greater than 10,000 square feet. We are disappointed to see this project category left out of the bill entirely, especially because the task force recommended additional, specific safeguards to ensure the regionality of community center projects, such as a requirement for collaboration with area community neighbors.

**Parks and Trails.** CGMC urges the committee to review testimony submitted by the Greater Minnesota Parks and Trails organization, which points out that the task force's recommendation to use the Legacy Plan criteria to determine regionality would not work for nearly any local parks and trails in Greater Minnesota. HF 5336 uses these same ill-fitting criteria but makes them more stringent and would apply the Legacy criteria in a manner contrary to how they were intended. This project category demands

additional stakeholder input, and we urge the Tax Committee to engage directly with Greater Minnesota Parks and Trails.

**Regional Sports Complexes.** The CGMC appreciates the inclusion of this task force recommendation.

**Libraries.** The CGMC appreciates that HF 5336 adopts the task force’s recommendation on library projects. These are a popular and fruitful use of LST authority that frequently enhance amenities that serve residents beyond a city’s borders.

**Airports.** HF 5336 also leaves out the Task Force’s recommendation that airports be counted in the definition of regional projects that do not need to seek special legislation. Many airports in Greater Minnesota are operated collaboratively by local jurisdictions and contribute significantly to local economies. We encourage the Tax Committee to revisit this subject and seek stakeholder input for additional input on how to define regional airport projects.

**Other Categories.** There are additional project categories that are not included in the Task Force report or this bill but should be considered for inclusion going forward. These include major regional needs such as flood mitigation, water and wastewater projects, and others.

### **Community Support**

Both the legislature and the Task Force have expressed in recent years that regional collaboration on sales tax funded projects should be encouraged where possible.

First, for projects that meet the criteria to move forward to voters without special legislation, letters or resolutions of support from two surrounding communities are required. This criteria has its roots in the Task Force’s recommendations, but HF 5336 dramatically expands this requirement beyond what the task force intended. The Task Force recognized that community center and sporting facility projects may be harder to define as regional on their face, so they recommended a structure of alternatives for proving regionality of these projects. HF 5336 takes this well-intended, flexible recommendation and applies to all projects—even those deemed regionally beneficial by the bill’s own definitions.

For projects where legislative approval is required, letters or resolutions are required from “each local government located in Minnesota that abuts the political subdivision.” This requirement is both vague and incredibly stringent. For example, it is not clear whether a city “abuts” the County it sits within, or vice versa. Moreover, it has never been a requirement that a project demonstrate unanimous regional *support* to move forward. Rather, projects have been required to demonstrate regional *benefit*. Requiring unanimous support from surrounding local governments encourages division between neighbors that have nothing to do with the benefits a project may deliver.

### **Equalization**

Because the bulk of HF 5336 is committed to making communities jump through hoops to prove the regionality of projects, the CGMC is disappointed to see the inclusion of a new, vaguely defined equalization and revenue sharing program. The Task Force noted in its discussions and its report that an equalization or revenue sharing program should be considered “if proposed capital projects are not regional.” In other words, the spirit of the Task Force’s recommendation is that equalization is only necessary if we aren’t otherwise putting in place a structure of proving regional benefit.

HF 5336 would force cities to undergo a burdensome process to prove the regionality of a project—either through the State Auditor process or to the legislature—and *still* be required to share the revenues they receive to deliver their regionally-beneficial projects.

Reducing the share of locally generated revenues cities can direct toward their project will also result in taxes needing to be collected for a greater period to accomplish the same work.

**Moratorium Repeal**

Finally, the CGMC appreciates that HF 5336 includes a repeal of the current moratorium on new sales tax proposals. Currently, the moratorium would foreclose any discussion of new sales tax proposals during the 2025 legislative session. The CGMC supports repeal of this moratorium as a component of any LST process reforms that move forward this session.

Thank you for your time and consideration.

A handwritten signature in black ink, appearing to read "Bradley Peterson". The signature is fluid and cursive, with a prominent loop at the end.

Sincerely,  
Bradley Peterson, Executive Director  
Coalition of Greater Minnesota Cities