



February 25, 2025

Chair Rest and Members of the Senate Tax Committee:

The Association of Minnesota Counties (AMC), an organization representing all of Minnesota's 87 county governments, writes in support of SF 375, a bill providing a uniform process for the implementation of local sales taxes with voter approval.

As members are aware, there has been a long history of public policy discussions related to the question of when and how local governments are allowed to utilize local sales tax mechanisms to support critical and regional infrastructure needs. The legislature has at many times attempted to provide direction and authority, but a consistent, clear, and workable statewide solution has eluded us, leading to many independent, special bills being brought forward to the Legislature for their consideration. The result of this process is confusion and, at times, inequity in what projects move forward alongside delays of important infrastructure.

These discussions have been further amplified the last few years after the Legislature created the Local Taxes Advisory Task Force in 2023 to "explore how cities and counties use local taxes to fund projects and to recommend possible improvements." This group met on 15 occasions throughout the summer, fall, and ultimately winter of 2023 and 2024. Through it all, Senator Rest has demonstrated a tenacity to delve into the details (and politics) of local sales tax authorization with a commitment towards creating a process that is uniform, transparent, accountable to the public, and not all-encompassing, recognizing the limits and tax sensitivity of both taxpayers and businesses, as well as the shortcomings of the sales tax mechanism to fund government. We appreciate her work.

At a high level, AMC particularly supports the following:

- The creation of clearer guidelines for eligible projects which include vital public safety facilities such as correctional facilities, justice centers, law enforcement and dispatch centers, court functions, and evidence storage and record retention (Sec. 4, subd. 1, paragraphs e, f, and g);
- A strong commitment towards public engagement via public hearing requirements, board resolutions (lines 8.4-9.17), and an ultimate voter referendum (lines 9.18-9.29);
- A reasonable allowance for inflationary project costs within a certain time period (lines 12.20-12.24).
- A cap on total administration fees by DOR to be related to the direct costs of administration but not more than 1 percent. We thank Chair Rest and the Department for their work on this (13.7-13.10);

As this bill progresses, counties would still like to discuss these elements:

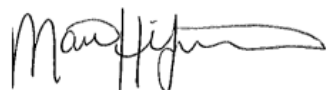
- **Referendum language limits (lines 10.17-10.19)** As previously demonstrated, county specific projects (i.e. correctional facilities/justice centers) are frequently improvements mandated by the Department of Corrections to continue operations. These projects by no means are an “option” by the local government, particularly when the result of not completing them would mean transporting inmates hundreds of miles at a long-term cost in excess of the project and creating disruption to incarcerated persons and their family and support community, lessening proven beneficial outcomes of keeping residents of these facilities nearby their support community to improve outcomes after reentry. Weakening these supports can increase the risk of re-offense, which can further drive up the costs of public safety.

In lieu of state capital support, the choice between funding correctional/justice centers is between that of property tax or sales tax. Limiting referendum language to not clearly state that decision may cause confusion and may cause some residents to pay more than they can afford. For example, without further context on the ballot, a voter may assume a “no” vote actually means a correctional facility modernization project may not go forward, when in fact, it will, but will result in a multiple % increase in the levy on property taxpayers. As such, we ask consideration of some kind language that would allow the ballot question to be clear on the choice, particularly for projects that are DOC/State-ordered.

- Lastly, while the Association does not have a specific platform on the Local Sales Tax Equalization Distribution section (Sec. 6), we do hold sympathy for smaller, less-tax-base-fortunate communities, who hold the exact same mandates and responsibilities as larger counties but have lesser means to fund them via sales tax. AMC would be interested in further conversations on this matter, supporting the intent of such a policy but wanting to make sure the mechanics work well.

In closing, we again thank Senator Rest, Senate Counsel, Department of Revenue, and other stakeholders for their work on this important tax policy issue and look forward to future collaboration.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Matt Hilgart', with a stylized, sweeping underline.

Matt Hilgart
Association of Minnesota Counties