

March 20, 2025

Dear Chair Rest, Lead Weber, and Members of the Senate Tax Committee,

On behalf of the Association of Minnesota Counties (AMC), Minnesota Inter-County Association (MICA), and Minnesota Rural Counties (MRC), we write to submit comments regarding the Governor's proposed budget, specifically as it relates to tax policy and property tax outcomes.

Reduction of Aids

AMC, MICA, and MRC oppose proposals to reduce **Aquatic Invasive Species Aid (AIS)** and remove the State's commitment to providing local governments a share of the new cannabis revenue. As members are aware, counties are on the front lines of trying to prevent and contain the spread of aquatic invasive species. Between direct county efforts and strategic local partnerships, counties utilize AIS aid to target evidence-based practices that aim to stop the spread of invasive species that threaten one of Minnesota's most valuable resources: water. Counties join a litany of other groups in asking to preserve these funds for their intended use.

Regarding **Cannabis Aid**, counties have significant concerns about proposed efforts to repeal a recently passed provision to provide local governments with resources related to cannabis legalization, business registration, age verification and compliance. A small, but meaningful, dedication of 20% of the new gross receipts sales tax on cannabis sales is an important recognition of the role local communities (cities/counties) will play in the legalized cannabis market. Counties are particularly grateful for the Senate's work to incorporate this language in the original bill and hope legislators respect that work. Removing any local revenue sharing from local governments to fulfill these obligations and would be out of line with other states who provide their local governments significantly more resources and revenue options outside Minnesota's law.





Property Tax Concerns

The Governor's overall budget proposal includes several property-tax related concerns, specifically arising from four (4) health and human services-related cost shifts. While the policy language of these shifts is not included in the tax statutes, the outcomes of these proposed shifts would undoubtedly impact Minnesotan's property tax burdens and merit consideration by this committee.

In particular, the Governor's budget proposes:

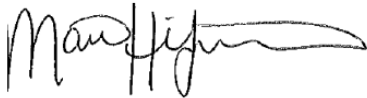
- A new, 5% county cost share for Disability Service Waivers—this cost shift alone would consume some counties' entire 2023 CPA increase.
- Expanding the current county "cost share" for MN Sex Offender Program participants from 10% or 25%, depending on when the person was admitted, to 40%—a program, similar to others, counties have not control over.
- Increased Behavioral Health Fund cost share from 22.95% to 50%
- New Competency Restoration Cost of Care cost shift

Combined these proposals represent over \$200m/biennium in new cost shifts to counties when they are in effect and will negatively impact county budget areas and would require the need for significant property tax increases. For references, we have provide a small handful of examples below.

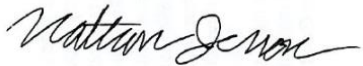
			
<p>Dakota</p>	<p>Anoka</p>	<p>Beltrami</p>	<p>Ramsey</p>
<p>\$11.5m in total shifts— \$10.5m disability waiver</p> <p>More than Library Collections, Park Services, Public Disease Control, Snow/Ice control budgets combined</p>	<ul style="list-style-type: none"> • \$8m increase in property tax shifts • \$2.1m MSOP shift, \$5m in disability waiver shift • 5% increase to levy on these HHS shifts alone 	<ul style="list-style-type: none"> • \$2.5m increase in HHS shifts • 9% increase in levy • County has highest tax rate in MN 	<ul style="list-style-type: none"> • \$13m impact in disability waivers in '27 • \$1.7m/year MSOP shift • \$1.1m shift from Behavioral Health Fund • \$1.4m/year increase in competency restoration
<p>► 7% levy increase</p>			<p>TOTAL \$17.8m, 4.7% levy increase</p>

We appreciate the Committee's consideration of our concerns and stand ready to work with committee members as the session progresses.

Sincerely,



Matt Hilgart, Association of Minnesota Counties



Nathan Jesson, Minnesota Inter-County Association



Britta Torkelson, Minnesota Rural Counties