PROPERTY TAX
Removal of Referendum Requirement for County Hospital Additions

April 3, 2001

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 962 (Cassell) / S.F. 1199 (Larson) **1st Engrossment of House Bill**

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**FY2005**
		(000's)		
General Fund		(Negligible)	(Negligible)	(Negligible)

Effective August 1, 2001.

EXPLANATION OF THE BILL

Current Law: In general, counties have authority to finance capital improvements for a county hospital by issuing bonds. If the bonds are issued as part of an approved capital improvement plan, the bonds are not subject to be submitted to the people for an election and may be issued for the purpose of acquisition or betterment of a hospital.

Before purchasing or constructing a hospital, however, counties are obligated under current law to submit the spending proposal to a vote of the people for approval. Before modifying an approved plan to construct an addition to a hospital, the county can proceed only by submitting the modifications to an election by the people, or by petition of the majority of voters in the last presidential election. The election requirement has the following exceptions:

- In any county with a population of 50,000 or less the county may appropriate annually from the general revenue of the county for the acquisition of lands for hospital purposes and the construction, improvement, alteration, equipment, and maintenance of the hospital.
- A county may enter into construction of an addition or remodeling projects without election requirements if the project can be funded from current county funds without incurring debt.
- In counties where there is no county hospital, the county board may spend county funds for the construction, maintenance, and operation of a private, nonprofit, or public hospital.

County hospital board members must be county residents and landowners.

Proposed Law: Eliminates the requirement that all members of county hospital boards must be residents and landowners in the county, though 80 percent must be county residents, all members must be residents of the county hospital service area, and county commissioners may be members of the hospital board. Also eliminates the provision requiring a vote of the people or a petition of the majority of voters to modify an approved plan to spend additional money for a hospital addition or to make changes or add equipment to a hospital addition previously authorized. Also clarifies that a county board may lease a county hospital to a nonprofit organization and that the exceptions to the election requirements apply to hospitals owned by the county but leased to another organization.

REVENUE ANALYSIS DETAIL

- The Douglas County hospital board intends to use county bond revenue to spend on a modified plan for an addition to the Douglas County hospital in Alexandria. This proposal would allow the bond revenue to be used without putting the plan to a vote of the people.
- Because current law allows the issuance of bonds for hospital improvements without election requirements, and permits exceptions to the election requirements for spending county revenue on hospitals, the proposed change is unlikely to significantly affect county levies, or to increase state costs for homeowner property tax refunds by more than a negligible amount.

Number of Taxpayers Affected: Taxpayers in Douglas County and possibly other counties could be affected by the proposal, though the effect is likely to be small.

ADMINISTRATIVE/OPERATIONAL IMPACT

There will be no significant administrative or operational costs or savings to DOR in administration of this bill.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/polic.html#analyses

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