

Minutes: Local Taxes Advisory Task Force Public Meeting

Date: 1/25/2024

Task Force Meeting 12:30-2:00 p.m., Hybrid

Task Force Attendees: Commissioner Paul Marquart (Chair), Members Lisa Bode, Pat Dalton, Jenny Max, Jill Sims, Michael Williams

Wilder Attendee: Ananya Matewos, Heather Britt

Agenda

- Welcome and check-in (Chair Marquart) *(12:00-12:35 p.m.)*
 - Confirm burden language in the report
 - Confirm bonding language in the report
- Subgroup Criteria *(12:35-1:20 p.m.)*
 - Vote on each of the subgroup criteria language
- Finalize recommendations for the report *(1:20 – 1:50 p.m.)*
 - Each of the recommendations will be reviewed and voted on for final approval
- Outstanding items including thoughts from public comments *(1:50-1:55 p.m.)*
- Adjournment *(1:55-2:00 p.m.)*
 - Final comments from the Chair and Members

Notes

- Welcome and check-in
 - Chair Marquart: Called the meeting to order. This is the last meeting. Information from today's meeting will be incorporated into the report. Thanks to all the members! You have gone above and beyond! Candid, respectful, great conversations that were difficult. We have the Task Force because it's not an easy issue, and you all really dug into it. Thanks to the Chairs and Representatives, Department of Revenue staff, Wilder, public, and testifiers. Ended up with a good, solid actionable report. All recommendations are good for the Legislature to review. We identified the importance of the voter, and the voter making the final decision. Flexibility for city/county to have revenue to meet the needs of constituents. Small businesses burden and is regressive. Have developed a process that has clarity and consistency for city/county, and defining

regionality and what projects qualify and meet what a local sales tax should be used for. Did we solve everything, no we did not. The report will lay out those areas, equalization is one. In the end we have a good report. Major goal was to have a report the Legislature could act on. Provided good guidance, provide leeway to the Legislature in some areas, process of clarity and defining things that are important. Today, there is much work at hand. There are 3 main things. One, look at the work of the three subgroups and vote on what we want to include on the report. Two Member Max's recommendation for equalization, we didn't come to consensus, but to have a list for the Legislature. Three, small tweaks in the report. Remind members that if you want to write a letter, that is due tomorrow at 1/26, 10am if you want it included. Once this is completed, I will talk to both tax Chairs. They are planning to hold a hearing. Invite and encourage members to attend and be a part of that. Will confirm how we will approach that later.

- Confirm burden language in the report
 - Matewos (WR): Question from Department of Revenue
 - : "For businesses, state agencies, and city and county governments, the collection, monitoring, auditing, and administration are a burden. For individuals, burden is the inequity some groups pay in sales taxes compared to others." Are there changes you would like to see?
 - Member Bode: Odd on individual element. Burden is paying the sales tax, it's not an equity burden and it's not comparative.
 - Chair Marquart: Regressivity of sales tax. I do like inequity in there, but we do need to recognize regressivity somewhere.
 - Member Dalton: For individuals the burden is the pain of the sales tax and the regressivity of the sales tax in general.
 - Member Bode: So the payment of sales tax and also the regressivity.
 - Chair Marquart: I think that gets to it. Is this OK Member Bode?
 - Member Bode: Yes
 - Chair Marquart: Any other thoughts?
 - Matewos: "For individuals, the burden is the payment of the sales taxes, and the regressive nature of sales taxes in general."
 - Member Dalton: The issue of people paying the tax that don't benefit.
 - Member Bode: Not sure we need to include that. Even in the community not all will benefit. We do address that in the principles we talk about.
 - Chair Marquart: Others want to include what Member Dalton included?
 - Member Dalton: We may already include it in a discussion of inequities. Not sure it needs to be in the burden.
 - Chair Marquart: [Calls for vote.]
 - Approved
- Confirm bonding language in the report
 - Matewos: [Read from slide- The bonding process involves legislative agreement on capital projects to fund with the proceeds the State of Minnesota receives

from issuing bonds to investors. General Obligation (G.O.) bonds require use “for a public purpose, authorized in the constitution, specified in law, and mature in not more than 20 years]

- Chair Marquart: Any need to go beyond that language? [No response]. So we can move forward.

- Subgroup Criteria

- Ballot Language

- Matewos: [Read ballot language- A local general sales tax should not be used for a capital project that is already under construction outside of costs incurred from planning and architecture.
 - Each capital project requires its own separate referendum vote.
 - Ballot language should be limited to the following components:
 - Description of the capital project.
 - If appropriate, acknowledging any state mandate for a government service
 - That the city or county is seeking authorization from voters to impose the sales tax
 - Cost of the project
 - Start date and sunset based on maximum revenue [project cost?] that can be generated or maximum years for the project, whichever comes first
 - Maximum of 30 years
 - Local sales tax rate for the capital project
 - By voting yes you are voting to [increase, extend, implement a new] local sales tax at x%.]
 - Chair Marquart: First part is the description, and the last bullet is what would go on the ballot.
 - Member Dalton: School example, you are voting to extend a tax that would otherwise expire on [date]. I think that’s important and makes it a little more real to people.
 - Chair Marquart: I don’t object, does anyone else object? [No one objects]. Ok good.
 - Member Bode: I submitted comments earlier today. Change to “start date and sunset based on maximum project cost that can be generated, or up to maximum of 30 years for the project, whichever comes first.”
 - Member Sims: Agree with these suggestions, revenue doesn’t make sense.
 - Member Dalton: I agree, “project” makes sense. I’d leave off the sunset. Regardless, the tax can’t extend more than 30 years. “start date and sunset based on maximum project cost that can be generated, for a period lasting no longer than 30 years”
 - Member Bode: “That can be generated” can be taken out.

- Matewos: “Start date and sunset based on maximum project cost, for a period lasting no longer than 30 years”
 - Chair Marquart: Ready to vote.
 - Approved.
- Surrounding Community Need
 - Matewos: Options 2,5, 7 have the most consensus.
 - Chair Marquart: Need consensus?
 - Matewos: Correct, need to agree if you want it included in the report. [Read Option 1- A report developed and conducted by an outside consultant or academic institute demonstrating that the proposed facility would provide a service currently needed within the region for residents and nonresidents. Methodology should be sound, and findings should be statistically significant. The study should demonstrate that the portion of the sales tax paid by non-residents is roughly proportional to the projected use of the facility by non-residents.]
 - Member Dalton: Did anyone read in the Star Tribune about Brooklyn Park? It said 40% is being paid by non-residents and they are charged 50% more to use it. This is why I’m torn about local sales tax for community centers at all.
 - Matewos: That’s in equal access.
 - Audel Shokohzadeh: We will have this discussion on if it is criteria or recommendations, it’s in that section.
 - Chair Marquart: I thought there was a part about regionality?
 - Shokohzadeh: In recommendation 1 on the report, page 1 of report, “counties and cities do not require legislative approval for local sales tax, and equal access is one of the options for residents and non-residents.”
 - Chair Marquart: We do have that part in the report.
 - Member Williams: That’s my point, that we had addressed earlier.
 - Chair Marquart: Option 1, who wants to include it in the report?
 - Matewos: There wasn’t a lot of support.
 - Chair Marquart: Ok, so we drop Option 1.
 - Matewos: [Read Option 2- An analysis of the surrounding region demonstrating that there is no community center or similar athletics complex open to nonresidents at the same cost as to residents, within a 20-mile radius. The task force encourages legislators to consider if there should be a different radius for rural parts of the state compared to major population centers. Another consideration is to utilize population size as a marker to determine square footage requirements, with larger regional population requiring facilities with more square footage.]
 - Member Max: I made some tweaks to bring sentences together, and suggested 10 miles, and thinking about population size and use a minimum square footage to be more specific and bring clarity.

- Member Bode: First bullet- rural parts of the state, we want to say Greater Minnesota, there is a lot of Greater Minnesota that isn't rural.
- Chair Marquart: I'm wary of miles as well. Trying to prevent one suburb from another.
- Member Dalton: I object to going to "Greater Minnesota", because there are larger cities in Greater Minnesota that I think should have the same radius as the 7-county area. We do mean the smaller communities in the state. I'd like to go back to rural parts of the state.
- Chair Marquart: I have used Greater Minnesota and rural synonymously.
- Member Bode: I won't argue with that- the clarification is helpful.
- Member Dalton: The Legislature will debate whatever radius we put in there. Those that object will make their case to the Legislature. I don't think 20 is unreasonable. I don't want to see suburbs putting in 8 different Blaine soccer complexes, nor do I want to see smaller cities in Greater Minnesota competing.
- Member Williams: In St. Cloud, 10 miles would get the neighboring cities. Twenty miles seems too far. Applying to St. Cloud area it is too much. Maybe in metro area it is not?
- Member Sims: 15 miles to split the difference?
- Chair Marquart: The Legislature will debate this, don't want to spend more time. 15 miles ok?
- Member Bode: I think it depends on the activity, they may not have ice or swim time, depending on the popularity of the area, it might not be enough, and they have a desire. Difficult to be prescriptive.
- Chair Marquart: Move to a vote, who thinks this should be included in the report. [An analysis of the surrounding region demonstrating that there is no community center or similar athletics complex open to nonresidents at the same cost as to residents, within a 15-mile radius. The task force encourages legislators to consider if there should be a different radius for rural parts of the state compared to major population centers. Another consideration is to utilize population size (or class of city) as a marker to determine square footage requirements, with larger regional population requiring facilities with more square footage.]
- Approved
- Matewos: Not as much consensus, but want to see what you think. [Read Option 3- Letter or resolutions from surrounding local governments that affirmatively acknowledge that there is a local or regional need for the proposed capital project.]
- Member Dalton: Suggest combining part of Option 4 into Option 3.
- Chair Marquart: I don't think these should be combined. One is letter and the other is threshold.

- Member Dalton: I understand there is more support for 4, but like I said, do you only need the smallest town to support it. How does the state auditor make a decision.
- [Option 4- Letter or resolutions from surrounding local governments that support the capital project, with x% threshold demonstrating support. Vote on option 4 for community support, not approved]
- Member Dalton: [Regarding Option 3] Clarify that Option 3 says that communities have to agree that there is a regional need. Not having to agree on if there should be a sales tax, or agree on what the project is, but agree that there is a need.
- Member Sims: Agree with Dalton on this, add that there should be at least two surrounding local governments that agree.
- Chair Marquart: Clarify that this is for community centers and athletics facilities. [Call for vote on Option 3- Letter or resolutions from at least two surrounding local governments that affirmatively acknowledge that there is a local or regional need for the proposed capital project. Approved]
- Matewos: [Read Option 5- A shared sales tax model with surrounding local governments, with revenue generated contributing to a major capital project and some aspect of revenue sharing for smaller projects that meet local needs.]
- Member Bode: How does this interact with the requirement that a sales tax be for a single project?
- Chair Marquart: This might be better under equalization.
- Member Dalton: This is basically the St. Cloud model, with six cities voting to approve the same project(s). I think we should allow this. It is one of the better models.
- Chair Marquart: [Call for vote on Option 5. Approved]
- Matewos: [Read Option 6- A public feedback and comment period from community members in the surrounding region, with a straw poll meeting x% of support for the capital project. There is not support.
- Matewos: [Read Option 7- A date where a city or county will conduct a public hearing for residents and nonresidents to provide comment on the proposed project.]
- Member Dalton: It should be a requirement, not a standalone option. If you want to use Option 2 or 5, you must have a public hearing, which is Option 7.
- Matewos: We can structure this to have a public hearing as a general requirement.
- Shokohzadeh: Regarding public safety facilities, the subgroup decided to define these facilities further, so that we can acknowledge the differing functions.
- Matewos: [Read Correctional Facility Criteria- If the DOC recommends the need for planning for long-term public safety needs, or the facility is over 30 years old and needs updates, or the facility (or planned facility) is a joint county project between at least two counties. To meet the criteria, the facility must be fully

licensed, and counties will provide one of the following: Official communications from DOC inspectors with analysis of the building, JPA or other official documentation with at least one other county demonstrating the facility will serve public safety functions for the region.]

- Matewos: [Read District Court Criteria- An existing facility that is at least 30 years old and requires capital improvements. To meet the criteria counties and courts will provide the following documentation: Age of the facility. *Broader recommendations:* State courts and counties should develop an evaluation method similar to the DOC and correctional facilities to better understand capital improvement needs for a court. District court capital improvements should be done in conjunction with correctional facility capital improvements.]
- Matewos: [Read Law Enforcement Criteria- Capital projects for a facility that serves multiple communities and provides public safety functions including but not limited to Emergency 911 and dispatch functions, training facilities, court security and support, emergency operations, evidence and record retention, and other public safety services. To meet the criteria counties must present: Formal documentation demonstrating agreements with other communities that the functions will meet the needs of multiple government entities.]
- Member Dalton: We need to be clear about the correctional facility portion vs the criminal court portion. Both of these are regional, and that portion of the center could be funded by the sales tax. We had disagreement about the law enforcement portion of the facility.
- Member Williams: With the law enforcement piece, we had consensus that much of these demonstrate regionality. I'm confused about what Member Dalton wrote in the final report as a suggestion.
- Chair Marquart: I thought the subgroup did good work here. The criteria seem well defined, and I wonder if we could adopt this whole part. Are there objections to adopting the criteria as a whole?
- Member Dalton: I think there was consensus that a public safety facility could include all of these criteria, but if it starts with a jail, it has to have these other functions included. And you had to prove that it was serving multiple communities.
- Member Williams: We did make a suggestion that these facilities be built all at once and have to prove that they are built in conjunction with each other. If we are already saying that it has these components, I don't know why they have to be built at the same time.
- Member Dalton: I've been convinced that jails are regional and district courts are regional, but law enforcement needs to be part of the larger facility, not a standalone facility.
- Chair Marquart: Does anyone think we should put in wording to the broader recommendation to address Member Dalton's concerns? I'm not seeing anyone else taking issue.

- Member Bode: Can you say "in conjunction with each other" to address this? Also add noun to criteria, such as "justice campus" or "justice center."
 - Member Williams: I don't see why we need to make this recommendation at all. There is already so much synergy with how these are built. It is not the norm that they are built separately.
 - Chair Marquart: Let's vote on this. Should these be done in conjunction? [Approved] We will now vote on the subgrat recommendation. [Approved]
- Finalize recommendations for the report
 - Chair Marquart: Moving to the report itself. Recommendation format - I recommended we include the five criteria under Recommendation 1. The idea is that we should have these criteria be recommendation. Member Dalton believes criteria should be separate recommendations. Any thoughts on how to format this?
 - Member Dalton: We should have the criteria within recommendation 1.
 - Member Williams: The first part of the sentence throws me off. I don't think it needs to meet all of the requirements.
 - Member Dalton: We could change the wording to "or" to make it clear that it doesn't have to meet all of these requirements.
 - Member Sims: I like this change and support it.
 - Chair Marquart: Where are we getting something different then is what is in the criteria.
 - Member Dalton: I made the criteria into separate recommendations.
 - Shokohzadeh: The question is do we approve of making these into recommendations?
 - Chair Marquart: My point is that the meaning is buried into recommendation 1. Worried about clarity. Some of the other parts are already mentioned in other areas.
 - Matewos: Following this recommendation is the project list. Question is do you want to keep criteria 1-5 or have them be recommendations?
 - Member Max: It is important to note that cities and counties don't need legislative approval.
 - Member Dalton: Maybe we should split the recommendation into two?
 - Chair Marquart: I still don't think this is going to be clear.
 - Member Dalton: If you look at the criteria, we need to make sure that this is what will apply to everything.
 - Chair Marquart: Let's look at what Member Dalton has proposed. Instead of criteria approach, it will be recommendations. We would have to make it clear which apply to everything.
 - Member Max: Assuming we're keeping in theme...?
 - Chair Marquart: Let's go with what we have before this. We will give Wilder guidance in how to format this.
 - Matewos: Need to review equalization options. You've seen them already in the homework. If you don't want one of these options included, now is the time to voice that, otherwise we will include all of them.
 - Chair Marquart: This is approved.

- Matewos: The order and number of recommendations will be changing, but the rest of the recommendations are approved.
- Shokohzadeh: Need to decide if three of the five criteria for parks and trails be a sufficient threshold.
- Member Max: [Reviews what the 5 criteria are in the parks and trails legacy plan.]
- Matewos: Member Williams suggested an acreage threshold.
- Member Williams: This was just a suggestion, we can meet three of the five criteria from the parks and trails plan.
- Chair Marquart: We have consensus. Moving on to page 27, I think we should stay away from things that lean one way or another regarding local government aid. The inflation charts and parts of the timeline don't seem to fit. The charts can speak for themselves. Suggest to eliminate the section "declines in local government aid."
- Member Dalton: Support taking this out. It doesn't provide enough context and is outside of the scope.
- Shokohzadeh: I will provide context on some edits.
- Adjournment and final comments
 - Chair Marquart: We can take final thoughts now.
 - Member Bode: The transportation issue between cities and counties was something that came up in public comments.
 - Member Williams: It's been a pleasure serving on the Task Force. Some of the things we talked about county governments using sales tax for are state mandated and paid for locally. Perhaps an equalization consideration for the Legislature is to look at how those are funded? The report is shaping up quite well.
 - Member Dalton: Thank you, this has been a really interesting Task Force to sit on. I agree with what Member Williams said, we are seeing more demand for sales tax at the county level because the state has not been paying attention to the funding of state mandated projects. If they were funded at the appropriate level, maybe there wouldn't be the demand for more sales tax. I hope that the Legislature recognizes that it may have made mistakes in the past and will look forward.
 - Member Max: This has been a great opportunity.
 - Chair: Thank you again to everyone, I think we have a solid and actionable report. We have certificates for the members. I hope that when we get a hearing date, that members are able to participate. I have seen some reports that don't move forward because they are unrealistic. I think this report is realistic and can move these issues forward.
 - Member Dalton: Having read a lot of legislative reports, this one goes further than many on solid, actionable recommendations.
 - Chair Marquart: Report is confirmed, group is adjourned.