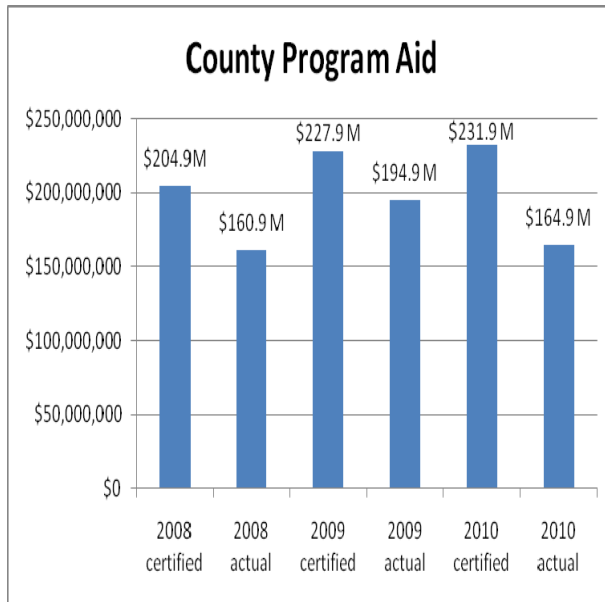




## MICA 2010 Legislative Recommendations Tax & Revenue

### Do Not Make Further Cuts in County Program Aid

*The MICA Board of Directors urges the 2010 Legislature to not make further cuts in funding for county program aid. Furthermore, it is critical that the 2010 legislature set 2011 program aid at a realistic, sustainable level that will not subsequently be cut when the rest of the 2012/13 biennial budget is adopted in 2011.*



Per the 2008 unallotments last December and the 2009 and 2010 unallotments announced last June, county program aid was cut \$44 million in 2008, \$33 million for 2009 and will be cut \$67 million in 2010. These cuts were compounded by the reimposition of levy limits in that the promised increase in certified aid in 2009 and 2010 reduced counties' levy authority regardless of the fact that these monies will not actually be received. Worse, counties have also been subject to cuts in the health and human services and public safety portions of the budget as well. Any further cuts would come after 2010 budgets have already been set making a difficult situation even more challenging. Even more layoffs and services reductions than those that have already occurred would be necessary.

In the same guise, it is critical that the 2010 legislature set 2011 program aid at a realistic, sustainable level that will not subsequently be cut when the rest of the 2012/13 biennial budget is adopted in 2011. Counties will be relying on the amount appropriated by the 2010 Legislature for certification of 2011 program aid when counties set their 2011 budgets in the fall of 2010. The 2010 Legislature must set 2011 county program aid at realistic level. Under levy limits, counties' 2011 levy authority will be determined by the amount of 2011 program aid certified in the summer of 2010. If the actual program aid paid in 2011 is less than the amount originally appropriated and certified in 2010, counties will be left with unanticipated and unbudgeted holes in their budgets as occurred in 2008 and 2009.

### Repeal or Relax Levy Limits. Oppose Property Tax Freezes or Reverse Referendums

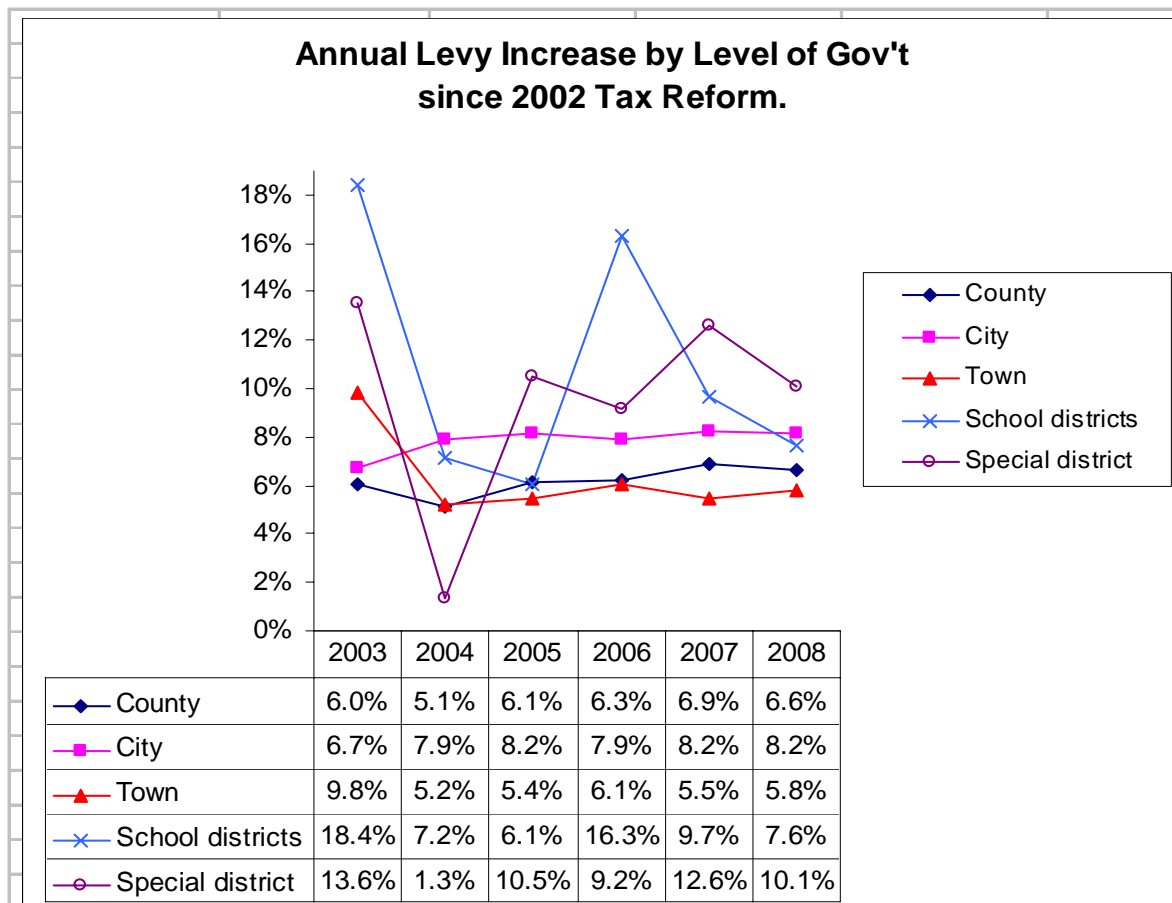
*The MICA Board of Directors urges the 2010 Legislature to relax or repeal levy limits and to not enact property tax freezes or reverse referendums on proposed property tax increases.*

Levy limits were reimposed in 2009, 2010 and 2011 after having been absent for four years - from 2005 through 2008. The newly imposed levy limits are much more restrictive than past levy limits with the adjustment for inflation limited to 3.9% and household and commercial industrial property growth to 50% of any increase. The inflation adjustment for 2010 was a paltry .83 percent increase.

Although “special levies” provide exceptions that allow increases outside the limits for some programs, levy limits largely ignore the fact that counties are obligated under state mandates and minimum spending requirements to spend \$100’s of millions without regard to levy limits’ intended restraint on tax increases. The state cannot have it both ways – on one hand telling counties to spend money while on the other hand telling counties to reduce property taxes.

Both state and county governments have shown themselves to be responsible stewards of taxpayer dollars by reducing state and local government spending as a percent of personal income since 1996. They have also shown themselves to be responsive to changing economic circumstances by limiting expenditure growth during economic downturns.

One objective of the 2001 reforms was to reduce the state’s perceived role in determining local property taxes and reinforce the fact that the property tax is a local tax for which local officials are accountable. As long as the state imposes levy limits, property tax freezes or reverse referendums, however, the property tax is neither local nor accountable.



**Oppose Cost Shifts to Counties**

*The MICA Board of Directors urges the 2010 Legislature to either fund the cost of state mandates or eliminate them.*

Over the last seven legislative sessions, counties have been required to pay for an increasing number of civil commitment holds for sex offenders, for counsel for indigent parents in children in need of protective services cases and for a portion of the health care costs of the developmentally disabled, mentally ill and under 65 individuals, in the later instances despite having given up state aid to pay for the costs of these services in the early 1990's. To the 2009 Legislature's credit, the short-term offender program, which shifted the incarceration of felons with less than six months to serve from the state to the counties, was repealed. But a new mandated cost - access transportation services for medical assistance recipients - was shifted from the state to the 11 greater Twin City metropolitan counties at a cost exceeding \$2 million annually. Cost shifts are a hidden way for the state to fund services the Legislature wants to provide without paying for them. Cost shifts allow the legislature to avoid accountability for their spending decisions.

### **Repeal Maintenance of Effort (MOE) Requirements**

*The MICA Board of Directors urges the 2010 Legislature to repeal maintenance of effort requirements that are counter-productive to cost-cutting efforts that have been encouraged by the Legislature and Administration.*

There are at least 12 maintenance of effort requirements in current law dictating how much counties have to spend for particular programs or services. With these laws, the Legislature is literally telling counties how much to spend or, in some cases, to increase their spending. Two MOE's - for libraries and mental health - were reconfigured by the 2009 Legislature but mandated spending levels remain in place. The Legislature cannot have it both ways. Either give counties the legal authority to actually reduce their expenditures or stop criticizing them when they increase expenditures and the property taxes to support them to meet the requirements of state law.

### **Allow Internet Publication in Lieu of Published Notice**

*The MICA Board of Directors urges the 2010 Legislature to modernize publication requirements to allow counties the option of distributing required notices via the Internet.*

Counties are required to publish board minutes, financial statements, budgets and truth-in-taxation advertisements in addition to numerous miscellaneous notices. The costs of these notices literally run in the \$100's of thousands annually. Utilizing the Internet via posting on county web sites and distributing notices via e-mail provide a cost-effective alternative to current publication requirements for those counties that opt to do so. Many counties already post board minutes, financial statements and budgets on their web sites so newspaper publication is duplicative and unnecessary. Summary notices in local newspapers along with supplemental mailings could address concerns about those without convenient Internet access. The resulting savings would assist counties in meeting the Legislature's push to cut spending.

### **Clarify Which Facilities Qualify for Capital Improvement Bonds and Give Counties the Same Authority for Capital Notes That Cities Have**

*The MICA Board of Directors urges the 2010 Legislature to clarify which facilities qualify for capital improvement bonds and to give counties the same authority to issue capital notes as cities and school districts have.*

Counties may issue bonds for various facilities to implement their capital improvement program. While administrative buildings, law enforcement centers, and roads and bridges are specifically listed as a qualifying purpose, adding "public safety facilities, public works facilities and records and data storage facilities" to the list would bring clarity to the statute. Similar to cities

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and school districts, counties also have the authority to issue capital notes for shorter-lived equipment. But the cities and school districts enjoy greater flexibility under current law. Counties could use that flexibility to acquire miscellaneous types of equipment and computer software in a cost-effective manner.

### **Increase Service or Dispensing Fee or Make Alternative Funding Arrangements When County Acting as a Fiscal Agent for Fund Recipients in Order to Facilitate Credit or Debit Card Transactions**

*The MICA Board of Directors urges the 2010 Legislature to increase service or dispensing fees or provide other alternative arrangements so counties acting as fiscal agents can recover the costs of credit or debit card or electronic or wire fund transfer transactions when others are receiving some or all of the proceeds.*

Counties are authorized to accept payments by credit or debit cards or all forms of electronic or wire transfer. They are authorized to add a service charge to such transactions to recoup their costs for providing the convenience of these alternative forms of payment. Unfortunately, the credit card industry resists the use of service charges making this manner of recovering a county's costs impractical. While the changing nature of commerce likely makes it inevitable that counties will have to bear the costs of credit or debit card or electronic or wire fund transfers in those instances when the county is the sole recipient of the funds paid, it is unfair to ask counties to bear all those costs when it is acting as the fiscal agent for others such as the state for deputy registrar transactions. In those instances, the service or dispensing fee should be increased to cover the cost of the credit, debit card transaction or electronic or wire transfer. Alternately, the recipient agency can pay the credit or debit card costs directly via contractual arrangements with their credit card processor and provision of suitable hardware and software to the local government agent.

### **Approve Omnibus Notary Public Legislation**

*The MICA Board of Directors urges the 2010 Legislature to approve the Secretary of State's omnibus notary public legislation as recommended by the notary public study group.*

The Secretary of State organized a notary public study group to examine Minnesota's statutes regulating notarial acts to develop recommendations on potential changes the Minnesota Legislature should make to the statutes to modernize, streamline, and upgrade the laws. The study group included representatives from state and local governments, the judiciary, legal and banking/mortgage interest, notaries, and other groups who provide or rely on notarial services. The study group made recommendations that will be embodied in an omnibus bill that includes among other provisions: consolidating state fees at the state level with no change to county revenue, setting the maximum notary fee at \$5.00, clarifying notary's rights, period of time the commission is issued, and specifications for the notarial stamp. These changes are worthy of action by the legislature.

### **Increase the Number of Tax Court Judges**

*The MICA Board of Directors urges the 2010 Legislature to increase the number of Tax Court judges to cope with their increased caseload.*

The Tax Court processes most property tax appeals. The court has seen a significant increase in the number of cases filed or transferred to them from the district courts in recent years. Because the outcome of these cases will ultimately impact tax collections and local government budgets, it is critical that these cases be processed in a timely manner. Particularly for large taxpayers, delays of years in adjudicating these cases can leave tax collections of millions of dollars in limbo. Delays are not only placing local governments in precarious fiscal circumstances, they are also placing undue

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pressures on counties to settle these suits in order to avoid those delays even though the county believes it will prevail when the case goes to trial months or years later. Thus, it is critical that the judge's caseloads be reduced by adding judges to permit more timely adjudication of property tax appeals. Increasing filing fees or limiting petitions to one parcel as discussed below are among the options that could pay the costs of adding additional judges.

### **Prohibit "Blanket" Multi-Parcel Tax Court Petitions**

*The MICA Board of Directors urges the 2010 Legislature to prohibit "blanket" multi-parcel Tax Court petitions.*

There is no current limit on the number of parcels that can be encompassed in one Tax Court petition or property tax appeal. Thus, petitions encompassing a 100 or more parcels are sometimes filed with the court. Counties have to prepare a defense for each of these parcels. Counties are not adverse to preparing a defense for parcels when their valuations or classifications and taxes are truly at issue, but there are many frivolous parcels included in some of these petitions due to the fact that the cost to file is the same, \$310, no matter if you have 1 parcel or if you have 300. If a petition is limited to one parcel or one homestead for multi-parcel farms, owners would most likely only file on those parcels where they feel there is a valid valuation or classification issue. In addition, this should help offset or pay for the additional costs that the Tax Court has when trying to handle the numerous petitions in front of them.

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