METRO CITIES
Association of Metropolitan Municipalities

Metro Cities News

June 7, 2019

2019 LEGISLATIVE SESSION REVIEW AND OUTCOMES

On Friday May 24, the Legislature met in a 21-hour special session that concluded at 7:00 am Saturday and passed omnibus budget bills (with the exception of the Higher Education bill that passed on the last day of the regular session) and an omnibus tax bill.

Passing bills within a one-day special session required a suspension of legislative rules that requires bills be 'read' on three separate days before passage, and it was not clear as the special session got underway whether there would be legislative agreement to suspend the rules. The special session had been called by Governor Walz on Thursday May 23 following meetings had begun earlier that week among the Governor, legislative leaders, committee chairs and commissioners to determine items that could be agreed to in the bills.

These meetings followed an announcement the preceding Sunday evening – the day before the end of the regular session – of broad budget parameters that had been agreed to by the Governor, Senate Majority Leader Paul Gazelka and House Speaker Melissa Hortman.

The broad budget agreement included a continuation of and cut in the rate of the health care provider tax from 2% to 1.8%, a middle-income tax bracket rate reduction, reduction in the statewide property tax, and funding levels for K-12, Health and Human Services, and Higher Education. The agreement contained no new transportation taxes or fees.

Overall, the state budget passed by the Legislature projects spending of $48.5 billion in FY2020-21, a 6.4% increase over FY2018-19. The state's projected budget for FY 2022-23 (the effect of the current budget on the subsequent planning period) is estimated to spend $51.4 billion from the General Fund, an increase of an additional 6.0% above FY 2020-21.

While the general fund budget for FY 2020-21 and FY 2022-23 were balanced, the budgets depend on significant one-time (non-reoccurring) resources. The FY 2020-21 budget includes a one-time transfer of $142,000 from the premium security account. The FY 2022-23 planning budget includes a transfer of $491.4 million from the budget reserve and assumes $100 million of additional transfer from the reserve if recommended modifications in the health and human services budget are not enacted in the 2021 session. Given the use of one-time resources, there may be pressure on future general fund budgets (beyond FY 2023) if revenues in future years do not grow sufficiently to offset spending increases enacted during the 2019 session that were paid with one-time resources in FY 2020-23.

Below is a summary of 2019 legislation of interest to Metro Cities, outcomes of legislation, information on the organization's policy positions, and links to bill language, summaries, and spreadsheets for the omnibus budget and tax bills. Staff contacts are provided if you need any additional information or have questions on legislative items.

Taxes

The omnibus tax bill, HF 5, was passed during the special session and provides federal tax conformity, a reduction in the second-tier income tax bracket from 7.05% to 6.80%, a continuation of the health care provider tax at a reduced of 1.8%, a transfer of $491.4 million from the state budget reserve to the general fund, an increase in the working family tax credit, reduction in the statewide property tax levy by $50 million, and modifications to laws for marketplace sales as a result of the court ruling on *Wayfair.* The bill includes several funding and policy provisions of interest to Metro Cities and includes specific local provisions for cities in the metropolitan area, detailed below.

Local Government Aid

HF 5 increases Local Government Aid (LGA) by $26 million in FY2020 and $30 million in FY2021 and going forward, for cities receiving aid under the statutory LGA formula. Metro Cities supported increasing the LGA appropriation. Several bills that would have modified the distribution of aid were considered, including a proposal introduced by Rep. Jerry Hertaus-Greenfield, that would have established an alternate per capita aid for cities not receiving aid under the existing formula. Of cities in the metropolitan area, nearly half receive no local government aid. A bill authored by Senate Tax Chair Roger Chamberlain would have increased aid for small cities only, by $15 million. House Tax Chair Paul Marquart indicated that he would like to discuss the LGA formula over the interim with representatives of city organizations. See HERE for the distribution of aid by city for FY2020. The distribution of LGA for cities in the metropolitan area is shown on the first four pages of the run.

Local Option Sales Taxes

HF 5 modifies and expands statutory requirements for local governments seeking authority for a local option sales tax. Specifically, legislative authority is required prior to a local government seeking approval for a local sales tax by voters, and separate questions must be held for each project to be financed with a local tax. The resolution required to be passed by a local government will restrict the resolution to no more than five capital projects, requires more detailed information on projects to be financed, and requires submission of the resolution to the chairs of the House and Senate Tax Committees by January 31 of the year in which legislative authority will be sought for a local tax. Language in the bill also clarifies that the local sales tax may only be used for capital projects with ‘clear regional benefit’. Metro Cities does not have a specific policy position regarding these provisions.

HF 5 also authorizes local option sales taxes for specific cities, including the metropolitan cities of West St. Paul and Excelsior, the first suburban cities to receive authorization for a local sales tax. The bill also authorizes a local lodging tax for the city of Plymouth, and motor vehicle excise tax for the city of Rogers, as well as modifies local lodging taxes for Minneapolis and Saint Paul.

Tax Increment Financing

HF 5 also includes local tax increment financing (TIF) provisions for the metropolitan cities of Edina, Bloomington, Hopkins, Roseville, Minneapolis, Champlin, and Anoka.

Sales Tax Exemptions for Construction Materials

HF 5 includes exemptions for the metropolitan cities of Minnetonka (fire and police station), Inver Grove Heights (fire station), and Mendota Heights (fire station).

Other Provisions

The bill appropriates several local government grants for some communities including for the metropolitan city of Lilydale in the amount of $275,000 for infrastructure upgrades.

The bill allows for early termination by a landowner (with a majority vote of the applicable zoning authority) for land located in a metropolitan agricultural preserve. The land must be enrolled for at least eight years and notice to the authority with a property description and desired date of termination must be provided.

HF 5 authorizes cities to fund local historical societies. This language was also included in the original omnibus House and Senate tax bills. Metro Cities supports this provision.

Provisions of Interest Not Included in HF 5

HF 5 does not include an extension of the PERA aid that is paid to local governments and is set to expire in 2020. Metro Cities supported extending this aid, and there was discussion of and support expressed by several legislators for the provision in the House State Government Committee and Legislative Commission on Pensions as bills were being processed in the lead up to the special session. HF 5 did not include an expansion of direct property tax relief programs included in the House omnibus tax bill and did not include modifications to simplify the process for local governments on the construction materials sales tax exemption.

The bill and summary can be found HERE and HERE. Click here to see the fiscal summary.

Please contact Patricia Nauman at 651-215-4002 or patricia@metrocitiesmn.org for additional information.

Housing

Housing funding and policy received significant consideration and legislators increased funding for housing. Of a $15 million increase to the Minnesota Housing Finance Agency, $5 million is a one-time increase and $10 million is ongoing in FY2020-23. The budget and policy language can be found in Chapter 1, spreadsheet here. Specific legislative provisions related to housing of interest to Metro Cities are noted below.

Housing Infrastructure Bonds

A $60 million stand-alone bill for housing infrastructure bonds (HIB) passed in the special session and was signed into law by Governor Walz. HIBs require a majority to pass, unlike traditional bonding bills that use general obligation bonds, which require a two-thirds majority to pass. These bonds can fund privately owned housing that is not eligible to receive GO bonds, as well as publicly owned housing. Infrastructure for manufactured home parks is a new, eligible use, as is acquisition of manufactured home parks (when a home park transitions to a cooperatively owned park). Metro Cities supported this legislation.

Economic Development and Housing Challenge Program

The Economic Development and Housing Challenge Program (EDHC) that provides funding for local housing needs received significant discussion, and the Challenge Program received a $5 million increase in FY2020 and $12.925 million in FY21. Metro Cities supported these increases. The Office of the Legislative Auditor performed a program evaluation in 2018 and released a summary and full report that recommended:

- The Legislature should review the EDHC program statutes to determine whether the program's broad purpose and flexibility accurately reflect legislative priorities.
- MHFA should work with stakeholders to streamline application processes for EDHC funds.
- MHFA should review EDHC rules to determine whether they are clear and contribute to an efficient and effective award process.

Rental Rehab Loan Program

A current rental rehabilitation loan program supports small landlords via loans to make improvements on rental units and MN Housing had limited the program to units in greater Minnesota. Metro Cities advocated for metropolitan area inclusion, and while the agency agreed to make this policy change internally, statutory language making the program statewide was included in the final housing bill.

Homeownership & WHOM

Homeownership program funding included $1.7 million for education, counseling and training; $1.2 million for capacity building grants; and $1 million for Build Wealth Minnesota. There is also $5.5 million for owner-occupied housing rehabilitation. The Workforce Homeownership Program (WHOM) was funded at $500,000 for single family homes and manufactured housing. Cities, while eligible under their HRAs, were made explicitly eligible under language included in the housing bill.

Manufactured Homes, Modular Homes and Home Parks

The housing budget includes $2 million for manufactured home park infrastructure grants. Modular homes may now be placed in manufactured home parks, but may not conflict with local zoning, subdivision, architectural or aesthetic requirements. Manufactured home parks may now establish a housing improvement area under M.S. 428A. The housing law also makes technical changes to park closure notifications and requirements including a public hearing convened by the local government 90 days following closure notice, and appointment of a neutral third party to act as paymaster and arbitrator. New language also defines the process for converting a park from private ownership to a cooperative. The law also sets a $2 million minimum balance for the manufactured home relocation trust fund and process to assess fees to fund it.

Landlord-Tenant Law Changes

A handful of policy changes affecting tenants, landlords and leases were debated in the House this session. Changes include landlords with 12 or more units must have written leases identifying the specific unit to be occupied and must identify the lease start and end dates and prorated rent for months that begin or end on dates other than the first or last day of the month.

The law also gives equal opportunity to tenants and landlords to make changes to the lease or intention to quit the premises. The tenant may give notice of an intention to quit the premises using either: (1) the time period provided in the lease for the tenant to give a notice of intention to quit the premises; or (2) the time period provided in the lease for the landlord to give a notice to quit the premises or notice of a rent increase. The landlord may not give a notice to quit the premises or notice of a rent increase that is shorter than the time period the lease provides for the tenant to give notice of an intention to quit the premises.

Legislative Commission on Housing Affordability

The Legislature established a new legislative commission on housing affordability that was proposed by the builders' association to focus on single family housing affordability. Metro Cities and the League of Minnesota Cities worked with the Senate author, Sen. Rich Draheim, to expand the legislation to define affordability and to look at the issue more broadly, including for renters. The commission, to be made up of eight legislators – two from each caucus - is charged with four duties:

- Study issues relating to housing affordability and the construction, preservation, and rehabilitation of owner-occupied and rental housing, including subsidized housing,

government regulations and market forces impacting affordability, and access to homeownership;
- Provide the legislature with research and analysis of emerging issues affecting housing affordability and homeownership access, including but not limited to construction work force, innovation, building practices, and building material costs;
- Provide the legislature with research and analysis of policies to reduce the homeownership equity gap; and
- Review and make recommendations on legislative and rulemaking proposals positively impacting personal housing affordability, access to homeownership, and other related barriers to homeownership, especially with regard to first-time homebuyers and economically disadvantaged buyers and renters.

The appointments were due to be made by June 1 but the Legislative Coordinating Commission that will provide staff support for the housing commission has not received names yet. Metro Cities will monitor the commission, participate when appropriate and report on its activities in future newsletters.

Changes to Tax Exempt Bond Priorities

The Legislature adopted points of consensus as defined by a committee of housing stakeholders that met in 2017 to review how the state could modify its distribution of tax-exempt bond funds to meet housing needs and market demands. The state receives approximately $550 million in federal dollars to support this effort. The 2019 Legislature adopted the committee's recommendations on the five agreement areas. These include:

- 55 Percent Limit for Bond Use – This incentive to use bonds efficiently means more projects could receive funding. Under the previous law, projects using bonds for 55-100 percent of costs meant fewer resources for other projects.
- Priority for Affordability, Long-Term, and projects in greater Minnesota – This priority targets bond funds toward projects serving people with lower incomes and in parts of Minnesota where funding has not reached. Previous priority factors included only preservation and multifamily.
- Random Selection of Projects, not Pro Rata – Selected projects will receive their full request and can proceed, instead of receiving only partial funding.
- Inclusion of Senior Housing Projects – Prioritizes senior housing projects. Previously, senior projects were prioritized below non-age restricted housing.
- No "parking" of bonds – This policy frees up bonds that can't be used sooner and allocates them so other projects can successfully close.

Another change was made to Minnesota Housing's single family set aside portion from tax-exempt bond proceeds. It was reduced from 31 percent to 27 percent for FY2021, then will return to 31 percent in FY2022. A Senate proposal to entirely remove the single family set aside did not become law.

A change to Minnesota Housing's application review requirements, made in 2018, was repealed. The change allows MHFA to look at per unit cost limitations and cost reasonableness when reviewing project applications.

Additional MHFA Policy Changes

New policy language requires Minnesota Housing to make efforts to reasonably balance awards between the metropolitan region and greater Minnesota. Minnesota Housing testified how the agency already makes efforts to accomplish this goal and awards depend on a number of factors including which parts of the state submit applications.

To increase transparency, the legislature also required Minnesota Housing to release quantitative scoring for its funding awards, show how funding decisions are made as well as a report listing cost per unit and cost per square foot financed by the agency. While no changes were made in statute, several legislators discussed their concerns with how prevailing wage requirements impact the costs of Minnesota Housing-funded projects. No consensus was reached on how to address those concerns and Metro Cities expects the topic to be debated in the 2020 legislative session.

Restrictive Covenants

A new law spurred by historical research into residential covenants was signed into law by Governor Walz on May 22. The law creates a statutory form that a homeowner could record with the county to discharge restrictive covenants affecting protected classes. Restrictive covenants are already prohibited and unenforceable. But in the abstract system, the covenants remain in the historical record. This form would allow a form recorded related to the title of the property to clarify the restrictive covenant is ineffective and is legally discharged from the property.

Addressing Homelessness

A number of programs to serve Minnesotans experiencing homelessness received increased funding. Homework Starts with Home that assists mobile students received $3.5 million; Family Homeless Prevention received a $3.5 million increase to $20.5 million; and Bridges rental assistance for people with mental illness received a $500,000 increase to $8.7 million. Emergency services for people experiencing homelessness received a $1 million one-time increase.

State Tax Credit

A state tax credit proposal received consideration in both the House and Senate Tax Committees but was not included in the final tax package. The credit would have allowed an investor to dedicate funds for affordable housing in exchange for a credit on their state taxes. The funds could either have been dedicated to a specific project or put into a general housing pool for later access via. Senator Carla Nelson-Rochester and Rep. Brad Tabke-Shakopee carried the bills which would have been capped at $50 million in tax credits in FY2020-21. Testimony from city and county officials, the private sector and local economic development organizations supported the bill to meet locally identified housing needs. Metro Cities supported the legislation as it would have spurred private sector investments as well as state funds for local housing needs.

4d Low Income Rental Housing First-Tier Valuation Limit

A proposal that would have modified the 4d low income rental housing first-tier valuation limit was considered but not included in the final tax bill. The proposal, SF 2571–Senjem, would set the class rate at 0.25 % for all 4d properties. Under current law, the class rate for 4d property is 0.75% on the first tier of value (first $150,000 for assessment year 2019) and 0.25% of the value exceeding the first-tier amount for each unit. Residential developer advocates for the bill explained the change would allow them to continue developing affordable units as well as preserve existing units due to the lower property taxes. The House tax bill provided for a study of the 4D tax classification. Neither the modification to the 4d limit nor study was included in the final tax bill. Metro Cities policies support expanding the 4d program, and the policy will be reviewed and discussed at this summer’s policy committee meetings.

Local Housing Trust Funds – State Match

A state match for local housing trust funds was a priority for Metro Cities this session. A state match would be available to cities or regions that have existing or newly established trust funds. The state match would have amplified local public dollars which could be used to fund new construction, rehabilitation, preservation, rental assistance or other ways decided locally. The House and Governor included $2 million in their respective budgets, but the final budget did not include funds for the match.

This Old House/This Old Shop

Metro Cities initiated language to reestablish the This Old House and This Old Shop programs that support community reinvestment in residential, commercial and industrial properties and along with the LMC, worked with bill authors Rep. Cheryl Youakim and Sen. Carla Nelson. The bills did not receive hearings this year. Metro Cities will continue to advocate for this initiative.

Contact Charlie Vander Aarde at 651-215-4001 or charlie@metrocitiesmn.org with any housing-related questions.

Economic Development and Workforce Funding

DEED's economic development programs, the MN Investment Fund, Job Creation Fund, and Redevelopment Program, were a focus of Metro Cities' advocacy efforts this session. Metro Cities worked with new Jobs chairs this year, Senate Chair Eric Pratt and House Chair Tim Mahoney, and legislators including Senators Utke and Dahms and Representatives Koegel, Stephenson and Claflin to advance priorities, and collaborated with the Economic Development Association of MN (EDAM) to successfully secure funding for the MN Investment Fund and Job Creation Fund this year. The final jobs budget is Chapter 7 and the spreadsheet can be found here. Click here to see the bill summary for HF 2.

Minnesota Investment Fund

The FY2020-21 budget includes $23.94 million ($11.97 million each year) for the Minnesota Investment Fund. Bill language includes a $2 million carveout for a Duluth paper mill project, as well as the redevelopment transfer authority. Thanks to Rep. Stephenson and Sen. Utke for carrying this funding bill. Cities have another opportunity to use a one-time exception to use limitations on local MIF revolving loan funds. Cities may use up to 80 percent of the local RLF balance for any lawful purpose, while paying 20 percent to the state. This authority was also granted in the 2017 legislative session.

Job Creation Fund

The FY2020-21 budget includes $16 million ($8 million each year) for the Job Creation Fund. These funding bills were authored by Rep. Claflin and Sen. Utke.

Redevelopment Grant Program and Demolition Loan Program

A priority for Metro Cities was to secure funding for the Redevelopment Grant Program, and the organization's efforts resulted in statutory language authorizing the Department of Employment and Economic Development (DEED) to fund the Redevelopment Grant Program account. Both the Redevelopment Grant Program and Demolition Loan Programs fund local redevelopment efforts and function under the same processes. While the new language does not represent a direct appropriation, it provides a transfer authority that expires this year under current law. The new language, included in the omnibus Jobs bill, will allow DEED to transfer funds from the Minnesota Investment Fund (funded at just under $24 million in FY20-21) for these programs. Any transfer of funds will be at the discretion of the DEED Commissioner.

Several legislators authored bills supporting the redevelopment program, including Senator Paul Utke, Senator Gary Dahms and Representative Erin Koegel. The Senate Jobs bill and Governor Walz's recommendation included the transfer authorization, but the Jobs bill introduced in the special session originally did not include the authority. Metro Cities worked with Chairs Pratt and Mahoney, legislative leadership and Governor Walz's office as the special session got underway and was able to secure the language in the bill.

More information on the programs, including application cycles, match requirements and eligible uses can be found on the DEED website. DEED runs two grant cycles each year - August 1 and February 1. While no details have been released for a potential fall 2019 grant round, Metro Cities will advocate for DEED to make grant funds available and notify cities of any funding rounds in the Metro Cities News newsletter.

Metro Cities is interested in hearing whether your city would potentially be able to use redevelopment grants or demolition loans. Please drop a line to Charlie Vander Aarde – charlie@metrocitiesmn.org.

Angel Tax Credit

The tax bill, signed into law, reauthorizes the Angel Investor Tax Credit program. It is funded at $10 million in each of the 2019 and 2021 tax years.

Broadband

The Border to Border Broadband Grant Program received $40 million ($20 million each year). There were not any policy changes to the program this year.

Workforce Funding

The jobs budget includes funds for workforce development programs. Traditional programs such as the Job Skills Partnership received $8.39 million. Some appropriations to specific nonprofits were not renewed; those organizations will now be eligible to apply to DEED for grants on a competitive basis. Direct appropriations from the Workforce Development Fund are included in the budget, however. Recipients include entities focused on new workers, neighborhood development, entrepreneurship and job training, and culturally specific community grants.

Launch Minnesota

A new DEED initiative, called Launch Minnesota, was funded at $5 million ($2.5 million each year). Launch Minnesota is intended to provide entrepreneurs and emerging technology-based companies business development assistance and financial assistance to spur growth. DEED may award grants up to $35,000 to an eligible business. These grants have priorities for a business owner or entrepreneur who is a woman, veteran, or minority group member or is located in greater Minnesota. DEED may also make entrepreneur education grants to institutions of higher education and other organizations to provide educational programming to entrepreneurs and provide outreach to businesses, federal and state agencies, institutions of higher education and trade associations working to advance high technology businesses throughout Minnesota.

The final bill did not include language precluding local governments from setting local wage and benefit ordinances for employers that was proposed in the Senate Jobs bill.

Contact Charlie Vander Aarde at 651-215-4001 or charlie@metrocitiesmn.org with any economic development-related questions.

Transportation

The final omnibus transportation bill, HF 6 contains various policy and funding provisions, and no new transportation taxes or fees initially proposed by the Governor and House majority. Funding in the final bill provides $93.5 million with $23.19 million for Metro Mobility, $13 million for deputy registrar reimbursements and $55.67 million to replace the Minnesota Licensing and Registration System (MNLARS).

A provision in the House bill to repeal the Dan Patch gag order was not included in the final agreement. Small Cities Account funding, supported by Metro Cities and included in original House and Senate bills, was not included in the final budget. Metro Cities advocated for funding for Municipal State Aid Street (MSA) and expanding the availability of local tools and resources to address improvements on local streets; these were not included in the final bill.

Road and Bridge Funding

The transportation bill provides base funding for both Municipal State Aid (MSA) and County State Aid Highway (CSAH), with MSA receiving $420 million and CSAH receiving $1.6 billion. According to an analysis by the Minnesota Transportation Alliance, there is an increase in County State Aid Funds (CSAH) of $128.3 million over the previous biennium, or about $64 million more per year, and an increase of $32 million in Municipal State Aid Funds (MSA), or $16 million per year. These increases are due to the 2017 transportation budget dedication of auto parts and repairs sales tax revenue and growth.

No changes were made to the statutory dedication of the sales tax on leased motor vehicles (MVLST), with these funds continuing to go to the local bridge fund. This fund is projected to receive $26.7 million for the biennium.

The MN Department of Transportation (MnDOT) budget will be increased by $104.8 million, for a total of $6.0 billion for the biennium. Operations and maintenance will receive $727 million, an increase of $53 million. The state road construction budget saw a cut of $23.5 million, for a total of $939 million in 2020 and $924 million in 2021. Debt service on trunk highway bonds is increased by $20.6 million to $486 million. An allocation of $50 million in trunk highway funds is appropriated for the Corridors of Commerce program. MnDOT is also directed to spend $5 million of federal funds from the Federal Transportation Alternatives Program on projects eligible under the MN Active Transportation Program. These projects are for bicycle, pedestrian and other non-motorized modes of transportation.

The transportation budget includes $20 million allocated to the Disaster Assistance Contingency Account and $13 million to Metro Mobility. These funds will be allocated if the state has a positive budget balance at the end of FY 2019, otherwise funds will be proportionately allocated, with 60.6% to disaster assistance and 39.4% to Metro Mobility.

MNLARS

The bill includes $55.67 million for a third-party system to replace MNLARS – the Vehicle Title and Registration System (VTRS). A $2.25 technology surcharge will be included on all driver's licenses and license plates and can be used to fund the operation of VTRS. A $1 filing fee increase is added for all deputy registrars. A Driver and Vehicle Systems Oversight Committee and the state legislative auditor will provide oversight and a vehicle registration task force will be established to study methods of vehicle registration. No new updates will be made to MNLARS after June 2019. The Department of Public Safety (DPS) is directed to engage in an expedited process to select a new vendor for VTRS, with selection intended to be completed by early summer of 2019 and implementation by the end of 2020.

The legislation allocates $13 million from the general fund to deputy registrars, including municipal deputy registrars, for reimbursement of costs related to the troubled MNLARS rollout. This appropriation is only available until July 31, 2019. The legislation splits funding so that 10% of funds would be divided equally among all registrars, 45% allocated proportionally based on transactions made between August 1, 2017 and December 31, 2019, and 45% based on transaction comparison looking back to a timeframe of July 1, 2014 to June 30, 2017.

Deputy registrars must request reimbursement from the Department of Public Safety and must agree to release and hold harmless the state and its employees from any claim arising from the development and deployment of MNLARS. Please note! Requests must be submitted on or before **June 30, 2019**. Metro Cities advocated for the $13 million for reimbursements, as well as transaction fee increases, in the bill.

Transit

Regional transit will receive two general fund appropriations - $65.5 million for operations and $114 million for Metro Mobility. Previously the Metropolitan Council received one appropriation. Metro Mobility costs were projected to use the Council's total allotment of state funding by FY 202. The two allocations are intended to help ensure available funding for regular transit as well as Metro Mobility service for the biennium. The funding will address short-term needs but not a projected 10-year $250 million bus operating deficit and does not include funding for proposed BRT projects. Proposals by the Governor and House majority to levy a metropolitan area sales tax for regional transit were not included in the final bill.

Metro Mobility will also receive a one-time appropriation of $23.19 million and a separate one-time appropriation of $13 million contingent upon a positive end-of-year state budget balance, to address a $36 million deficit identified in the FY 2020-21 Metro Mobility budget. The agreement also includes language to allow for data sharing between the Metropolitan Council and Department of Human Services related to Metro Mobility and includes a provision to expand the Metro Mobility service area to Lakeville.

The Metropolitan Council is authorized to issue bonds up to $92.3 million for transit vehicle replacement, such as buses and trains, and includes Metro Transit, suburban transit providers, Metro Mobility, and Transit Link services. The legislation expands Metro Mobility service to Lakeville and allows the Metropolitan Council and Department of Human Services to share data on riders for the purposes of creating efficiencies in Metro Mobility and other transportation services.

A $650,000 allocation is included for MnDOT to study the possibility of extending the Northstar commuter rail line to St. Cloud.

Metro Cities advocated for state and regional sources of funding for transit operating and capital costs, as well as for expansion of the regional transit system, including funding for Metro Mobility.

Transportation Policy

The final transportation bill contains two provisions granting cities the authority to set city speed limits. The first provision changes the definition of a residential roadway. This change now allows cities to reduce speeds on all non-arterial collector streets in a zoned residential area to 25 mph. The second provision allows a city to set speed limits on city streets without conducting an engineering and traffic investigation so long as they do so in a consistent manner, develop procedures based on safety, engineering, traffic analysis, and post appropriate signage.

MnDOT and DPS are required to submit a report to the legislature every odd numbered year that includes a list of all transfers from the Trunk Highway Fund and the Highway User Tax Distribution Fund.

Other policy provisions include:

- A two-year extension of the .35% regional allocation of transit funding to suburban transit providers.
- Allows vehicle platooning with approval by the Commissioner of MnDOT, on freeways and trunk highways only. All vehicles must have a human driver.
- Allows transportation network companies, such as Uber and Lyft, to display illuminated company signs on vehicles as long as they are mounted on the lower portion of the windshield.
- Technical and conforming changes to statutes related to airport zoning and municipal comprehensive plans, as well as providing an alternative process for a local government to establish and adopt custom airport zoning regulations.
- Directs Metropolitan Council to enter discussions with a condominium association regarding impacts on condominium structures due to Southwest LRT.
- Allows the cities of Burnsville and Minneapolis to adopt ordinances related to engine breaking specific sections of roadway.
- Permits the Anoka County Regional Rail Authority to use reserve funds for Northstar Commuter Rail operations until 2022.
- Directs Minneapolis to host annual rail safety meetings during construction of the Southwest LRT project.

Please contact Steven Huser at 651-215-4003 or steven@metrocitiesmn.org for additional information.

Environment

Emerald Ash Borer (EAB) Mitigation Funding

The final Environment Funding bill, SF 7, includes two funding provisions related to Emerald Ash Borer (EAB) mitigation. $300,000 is appropriated to DNR for EAB Response Grants for grants to local governments to replace ash trees from public land with ecologically appropriate trees. The Department of Natural Resources (DNR) will receive $700,000 for grants to local units of government, including cities, for the establishment of management plans and to replace ash trees. This is a matching grant program, and funds can be used for up to 75% of eligible costs. Both allocations are one-time appropriations. State funding for cities to mitigate the costs incurred by EAB infestation was a priority for Metro Cities this session.

Solid Waste Policy Language

The bill includes an amendment to application requirements for local government assistance with solid waste projects to require that capacity at existing facilities and the potential displacement of existing facilities must be examined prior to application. A provision in the bill also directs the MN Pollution Control Agency (MPCA) to provide a report to the legislature on the long-term health and availability of the metropolitan landfill contingency action trust account, including its ability to meet future obligations.

Metropolitan Inflow-Infiltration Mitigation Funding

Metro Cities initiated legislation requesting a capital appropriation in the amount of $10 million for inflow and infiltration mitigation assistance to metropolitan cities. $5 million was included in the Governor's capital investment recommendation and $8 million was included in a House Capital Investment bill that passed the Capital Investment Committee in the regular session but did not progress further. In addition, Metro Cities supported legislation that was considered this year to provide $5 million from the Clean Water Legacy fund for metro private property I/I mitigation. $1.5 million was included in the House's original omnibus Legacy bill but not included in the final Legacy bill.

No omnibus capital investment bill passed the Legislature in the regular or special session. Metro Cities will continue to advocate for metropolitan inflow-infiltration funding. The current I/I program funded with legislative capital (bonding) appropriations secured in 2017-18 is currently underway with grants to be awarded to metropolitan cities later this year.

State Government

Elections Funding; Local Government Salary Cap

The final omnibus State Government bill passed in the special session includes a provision for the allocation of $6.6 million in federal funds from the Help America Vote Act (HAVA). These funds are allocated to the Secretary of State for improving the administration and security of the state's elections. The final bill also includes $2 million for election equipment grants. Metro Cities supports the inclusion of these provisions in the bill. A provision that was included in the House omnibus state government bill to remove a statutory cap on local government salaries was not included in the final agreement. Metro Cities supported repeal of the salary cap.

City Consultant Bill

A new law requiring city consultants to provide an estimate of fees on work that will be paid by an applicant was signed into law May 17. The new statute lays out a process for the estimate of fees to be shared and the resulting timeline for city review of a completed application. Before a city engages a consultant to review an application, permit, license, or other approval relating to real estate development or construction, the applicant may request from the city a written nonbinding estimate of fees based on the information available at that time. If the applicant requests the estimate, the application is not complete until the city has: (1) provided the estimate to the applicant, (2) received the required application fees, (3) received a signed acceptance from the applicant of the fee estimate, and (4) received a signed statement that the applicant has not relied on the estimate of fees in its decision to proceed with the final application.

Metro Cities does not believe the law is necessary as the process prescribed in the law is not prohibited and city officials testified how the process is practiced at the local level.

Retainage Bill

The omnibus Jobs bill makes changes to the state's retainage policy, including language developed by stakeholders, including city official.

The new law adds requirements when using retainage in public building and construction contracts for public improvements. Current law permits a public contracting agency to reserve (retain) up to five percent from any progress payment to a contractor on a contract for a public improvement. Under current law, the agency may hold the retainage until work is complete.

The new law requires a contracting agency to release all remaining retainage no later than 60 days after substantial completion. It also requires a contractor to pay out any remaining retainage to its subcontractors no later than ten days after receiving retainage from the public contracting agency, unless there is a dispute about the subcontracted work. If there is a dispute, the contractor must pay out retainage to a subcontractor not involved in the dispute and provide a written statement about the reason for the withholding to the affected subcontractor. A public contracting agency, upon written request, is required to notify a subcontractor about a progress payment, retainage payment, or final payment made to the contractor.

After substantial completion of a project, a public contracting agency may withhold no more than: (1) 250 percent of the cost to correct or complete work at substantial completion; and (2) one percent of the value of the contract or $500, whichever is greater, pending submission of all final paperwork by a contractor. The bill requires written notification of any basis for withholding to the contractor and any requesting subcontractor, and requires any amounts withheld for incomplete or defective to be paid within 60 days after the completion of the work.

If a project is funded with federal or state aid, that portion of the contract does not need to be paid until the federal or state aid payments have been received by the public contracting agency. Payment is not required for a portion of a contract that is not complete or for which an invoice has not been submitted. The new law applies to agreements entered into on or after August 1, 2019.

Hands-Free Distracted Driving Law

HF 50 - Hornstein/Newman passed the Legislature and has been signed by the Governor. Under the new law, drivers will be able to send text messages or make phone calls only if they are in hands-free or voice-activated mode. The law makes an exception for devices physically integrated into a vehicle. The new law also applies to GPS technology, and requires drivers to have a location entered before the vehicle starts moving. The Department of Public Safety and law enforcement organizations will launch a public education campaign ahead of August 1. After August 1, law enforcement officers will be able to stop anyone they see holding a phone while driving. The penalty will carry a $50 fine for the first violation and a $275 fine for subsequent violations. The new law takes effect on August 1, 2019. A fact sheet on the new law can be found here:https://dps.mn.gov/divisions/ots/hands-free/Documents/hands-free-faq.PDF

Attending Public Meetings Via Interactive Television

HF 281- Jasinski/Koegel passed the Legislature and modifies open meeting laws related to interactive television. Under current law, officials subject to open meeting laws may attend meetings via interactive television only if the location of the official is open to the public. The new law will allow an exemption from this requirement up to three times per year if an official is serving in the military and is deployed or is on active duty. The minutes from the public meeting must reflect that a member was appearing by television and must state the reason for using it. This law is effective August 1, 2019.

Metropolitan Council Governance

Several bills were introduced in the regular 2019 session to modify the governance of the Metropolitan Council. Two different governance bills, SF 47-Osmek and HF 192-Masin, passed the Senate and House this year. SF 47 would have required units of local government to directly approve appointments of Metropolitan Council members and HF 192 staggered the terms of Council members, provided public notice requirements, expanded the size of the statutory nominating committee and increased the number of local officials on the committee. HF 192 is consistent with legislation initiated by Metro Cities in 2018, and the organization supported the bill.

Metro Cities opposed SF 47 this year as it was considered. Both bills passed their committees of jurisdiction and were sent to the floors but were not taken up for action this year.

Regional Water Supply Funding

The Legacy Finance bill, SF 3, included $2.75 million for addressing issues relating to water supply in the metropolitan region. Of this amount, $2 million is for projects that will cost-effectively address emerging threats to drinking water, support local implementation of water supply reliability and prevent degradation of groundwater resources. $750,000 will go to the Water Demand Reduction grant program for grants to cities for implementation of measures to reduce water demand and to ensure the reliability and protection of drinking water supplies. Metro Cities advocated in support of these allocations.

State Software User Acceptance Law

SF 316 - Howe/Masin requires an agency to provide an opportunity for user acceptance testing to a local government, including cities, if the local government will be the primary user and if operations of the local government will be impacted by a new information technology business software application implemented by the agency. The challenges with MNLARS and other software systems were the impetus for the legislation. The new law takes effect on August 1st, 2019.

Your Feedback is Needed: Metro Cities' License & Permit Fee Survey

Metro Cities has provided a License and Permit Fee Survey biennially for several years, and we're at the time when we would normally begin to open the survey for updates. The vendor Metro Cities contracts with has notified us that the survey software needs significant upgrades before it can be used again. Metro Cities will hold on updating the survey to address the necessary upgrades.

This presents a timely opportunity for Metro Cities to examine the survey product and determine member satisfaction levels and future needs. **Metro Cities is forming a focus group of city staff** to determine how the survey is utilized, its benefits and challenges, whether the survey should continue, and what a survey should look like going forward. We want to determine whether the survey meets your needs, what could be changed, and how to move forward to ensure that this is a useful product.

We would like to know - as soon as possible - whether you have an interest in serving on the focus group. The time commitment is expected to be three to four meetings over the summer and fall. **Your input is invaluable as we examine the survey product.** Regardless of whether or not you serve on the focus group, we invite and encourage you to share any feedback from your experience using the License and Permit Fee Survey or options for the survey that you wish would be available. Please email kimberly@metrocitiesmn.org.

Please note! Both the coordinator side and the results side of the survey are now closed. Please contact Kimberly if you wish to access the information.

Questions or comments? Please contact Kimberly at 651-215-4000 or kimberly@metrocitiesmn.org.

2019 Metro Cities Policy Committees

Don't forget to sign up for a Metro Cities Policy Committee! Policy Committees meet in July, August, and September and cover four different policy areas: Transportation and General Government, Municipal Revenues, Metropolitan Agencies, Housing and Economic Development. Policy Committees recommend legislative policies for the next legislative session, and those policies serve as a foundation for our work at Metro Cities. Being part of a Policy Committee is a great opportunity for your city to have a voice in the processes for the policies as well as at the legislature.

Policy committees are open to city staff and elected officials and the form to sign-up can be found on our website on the Policy Committees page. Whether you are new or have participated in the past, we welcome your participation on one or more committees in 2019.

Remember:

- Committees meet either Monday, Tuesday, or Wednesday in the morning from 9:00-11:30 am or the afternoon from 1:00-3:30. The committees and dates are listed on our website here, and updates and additional information will be posted on these pages as it becomes available.
- Please actively sign up HERE for the committee(s) you wish to attend, even if you have been on the committee in the past. This will help us keep our rosters current and correct!
- All meetings take place at the Metro Cities/League of MN Cities building at 145 University Avenue West, St. Paul.

We look forward to seeing you this summer!

Questions? Contact Kimberly at 651-215-4000 or kimberly@metrocitiesmn.org.

Metro Cities Breakfast at the June LMC Annual Conference

If you're attending the 2019 League of MN Cities' Annual Conference in June in Duluth at the Duluth Entertainment Convention Center (DECC), plan to join your metro colleagues for breakfast on **Thursday, June 27th at 7:30 am.** This is a great chance to mingle with other Metro Cities members and to hear a brief update from Metro Cities staff.

If you're able to join us, please let Kimberly know at 651-215-4000 or kimberly@metrocitiesmn.org as soon as possible. We hope to see you there!

Metro Cities News is emailed periodically to all Metro Cities member mayors, councilmembers, city managers and administrators to keep officials abreast of important metro city issues. This information is also intended to be shared with city staff.

If you'd like to sign up to receive Metro Cities News, please email newsletter@metrocitiesmn.org and provide the following: Name, Title, Employer and Email address. Thank you.

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