



Legislative Update

This week Metro Cities sent a letter to legislative leaders, along with the League of MN Cities and other city organizations, regarding our concerns with advancing legislation that would significantly restrict local government decision making and authority in various policy and funding areas. The letter can be found [here](#). A list of proposed bills can be found [HERE](#).

Metro Cities has responded to bills on a case by case basis, and has been working with legislators to modify some bills. In other cases, we have responded with direct opposition. In addition to various bills that would restrict local decision making, we are concerned with the statutory precedent that many bills would set, particularly in establishing supermajority requirements for local official actions, or providing for reverse referendum triggers on local levies and fees. Several bills have gained traction and are now included in omnibus bills, including reverse referendum provisions in the House tax bill, and the small cell wireless bill precluding local control over public rights of way included in the House Jobs bill that will be considered next week.

Metro Cities encourages city officials to engage with their legislators to express concerns on bills and the notable trend of bills that hinder local decision making. The LMC has drafted a sample resolution [HERE](#) that has been adopted by some cities. We also encourage city officials to keep abreast of newsletter updates and legislative alerts/action requests as bills are moving through the process. Please contact Patricia Nauman at 651-215-4002 or patricia@metrocitiesmn.org with questions or for additional information.

See below for specific legislative updates.

House Tax Bill Passes Tax Committee

The House Taxes Committee passed an omnibus tax bill, [HF 4-Davids](#), in the House Taxes Committee today. The bill provides \$1.3 billion in tax reductions/relief in the areas of social security, income, corporate franchise and estate taxes, and freezes the statewide property tax levy. The bill increases funding on a one-time basis for direct property tax relief, and contains TIF law special exceptions for several cities, and includes several local lodging and sales tax provisions. During its hearing today, the bill was amended to subject the CTIB (Counties Transit Improvement Board) counties to voter approval for taxes proposed to be greater than one quarter of one percent.

Items of interest to Metro Cities are below. Metro Cities has strong concerns with several provisions in the bill and supports others:

- Authorizes reverse referendum for all local levies for cities over 500 population, if signed by 10% of the voters, for any increase in a local levy over the previous year. Titled the "Property Tax Empowerment Act". (oppose)
- Subjects municipal use of franchise fees to reverse referendum approval with 5% of voters and requires a five-year renewal clause on fees. (oppose)
- Subjects lease revenue bonds to reverse referendum requirements. (oppose)
- Tax Increment Financing (TIF) minor modifications proposed by LMC. (support)
- One-time increase in Homestead Credit Refund program. (support)

- Prohibits municipalities from imposing a fee to review or investigate a permitted use to see if it complies with local controls (i.e. zoning). (oppose)
- Prohibits local governments from enacting fees or taxes on consumer bags. (oppose)
- No increase for Local Government Aid (LGA). Reductions in a city's LGA for factors not related to the LGA program including a city's contribution to a world fair or participation in unauthorized diversion program. (oppose)

The Senate is expected to release and consider its omnibus tax bill sometime next week. For additional information, contact Patricia Nauman at 651-215-4002 or patricia@metrocitiesmn.org.

Special Service District Repeal Heard but not Included in House Tax Bill

The House Property Tax Division debated a proposal that would restrict the use of special service districts. [HF 2412 – Drazkowski](#), as amended would change the special service district statute to require that service charges either be based on value or special benefit as defined in the special assessment law. This change would limit the amount of an assessment to the measurable effect an improvement has on the property's market value. Metro Cities opposed the bill.

Under the legislation, districts that now provide services (such as snow removal, marketing, sweeping) would no longer be authorized. Dale Granbush, who operates a special service district in White Bear Lake testified in opposition to the bill. He explained how White Bear Lake administers its district, works on behalf of the assessed property owners, and explained the services included in the assessment. Steve Cramer, who operates the downtown Minneapolis special service district also opposed the bill.

Metro Cities worked with the League of Minnesota Cities to secure an extension to SSD authority through 2028 in the 2013 legislative session. Thanks to all the cities which responded to this bill by contacting their legislators.

The bill was not included in either the Property Tax division report or the House omnibus Tax bill. Contact Charlie Vander Aarde at 651-215-4001 or charlie@metrocitiesmn.org with any questions.

Omnibus Transportation Bills Pass Committees in House and Senate

The House and Senate Transportation Finance Committees heard and passed omnibus transportation bills this week. The House bill is [HF 861](#) (Torkelson) and the Senate bill is [SF 1060](#) (Newman). Both bills were passed to the Taxes Committees. The bills provide for local road and bridge funding, and varying levels of funding for city streets. Neither bill provides new funding for transit in the metro area, and funding is reduced in future years. Transit funding for greater MN in the House bill does not receive new funding. The Senate bill continues the base level appropriation for greater MN transit. Metro Cities provided testimony on both bills, noting support for the small cities account funding and continued support for a large cities account, and concerns with levels of funding in the bills.

The Senate bill authorizes \$325 million in trunk highway bonds. Of this amount, \$200 million is for the Corridors of Commerce program. This bill reallocates \$511 million from the general fund and the flexible highway account to the Highway Users Tax Distribution Fund (HUTDF). \$383 million of this come from dedicating taxes on motor vehicle leases, short-term vehicle rental, vehicle rentals, and motor vehicle repair and parts.

The House bill authorizes \$1.3 billion in trunk highway bonds. Of this amount, \$300 million is for the Corridors of Commerce program and \$500 million is for general state road construction. The bill reallocates \$450 million from the general fund to a new Transportation Priorities Fund (TPF).

The taxes dedicated to transportation come from motor vehicle leases, short-term vehicle rental, vehicle rentals, and motor vehicle repair and parts.

City Street Funding

Municipal State Aid receives an increase in spending in both proposals. The House increases the base appropriation to MSA by \$30.3 million over the biennium. The Senate increases the base appropriation by \$32.8 million over the biennium. This increase is paid for from the General Fund. The Small Cities Funding Account created in 2015 receives funding in both bills. The House allocates \$12.5 million per year and is ongoing. The Senate funds the account with a one-time allocation of \$10 million in 2018 only.

Local Bridge Funding

The House bill creates a new Local Bridge Program with a base appropriation of \$24.7 million per year. This account would be dedicated to projects on a state priority list. The account would be funded through the TPF. The bill stipulates that the amount per project cannot exceed \$7 million. The Senate does not include a bridge account. However, the Senate bonding bill includes \$90 million for the Local Bridge Replacement program.

Transit

The Senate does not increase transportation funding for the Metropolitan Council's base appropriation. The Council projects a \$65 million transportation budget deficit and has begun discussions on fare increases and service changes. The Senate bill also makes policy changes related to transit and would allow additional communities to become replacement transit providers. It proposes limiting the current state share of operating costs for light rail transit to future projects with legislative approval. A Metro Mobility task force is created. The bill also applies eminent domain fees and limitations on the Met Council.

The House bill also does not increase the Metropolitan Council's base appropriation and does not address its \$65 million deficit, and stipulates that the Council must conform its budget to its base appropriation. The bill also phases out general fund appropriations for this purpose by 2021, replacing funding with Motor Vehicle Sales Tax (MVST) funds and Counties Transit Improvement Board (CTIB) funds for operating costs. Should the CTIB dissolve, CTIB counties would continue to be responsible for transit operating costs. The bill also creates a Metro Mobility Task Force and directs the Council to prioritize Metro Mobility when spending MVST funds. The bill prohibits Met Council, regional rail authorities, metro counties, and cities from spending funds to plan for or build LRT without legislative approval, which Metro Cities has opposed as this provision has moved through the process.

Other transit policy changes include:

- A Met Council directive to set a 40% fare box recovery objective.
- Increase to replacement transit providers from 3.7% to 4.3% of MVST revenues.
- Prohibits the Met Council from issuing certificates of participation as a finance tool.
- Creation of colocation of freight rail and LRT standards and liability limits for freight rail.
- Prohibition on the use of local funds as a state match for federal LRT fund applications.
- Repeal of the state's 50% match for LRT operating costs

Rail Safety

The House bill allocates \$6 million over the biennium for safety devices from the new TPF account. An additional \$2 million is allocated for quiet zones. The bill spends \$10 million for the biennium for hazardous rail grade separation projects. The Senate bill does not address train safety improvements. However, the Senate capital investment bill includes \$26 million for 2 grade separations, and \$1 million for rail warning devices.

Questions? Please contact Steve Huser at steven@metrocitiesmn.org or 651-215-4003.

Small Cell Wireless Bill, Bag Ban and Interim Ordinance Provisions in House Jobs Bill

[HF 2209](#), the House Jobs Omnibus Bill (Garofalo), includes provisions related to small cell wireless, ordinances and taxes related to consumer bags, and makes changes to interim ordinances.

The small cell wireless bill provision from [HF 739](#), would severely limit the ability of cities to regulate public rights of way and is opposed by Metro Cities in its current form. The language can be found on line 154.11 in the omnibus bill. The bill as proposed gives permission to wireless providers to place small wireless equipment on utility poles or other local government property, and prohibits cities from being able to negotiate zoning, rates, permit timelines or maintenance related to this equipment. Proponents of the bill elected to discontinue negotiations on the bill's provisions with cities and stakeholders last week. Metro Cities will send a legislative action alert on this item this afternoon and encourages cities to contact their local legislators about the provision. Contact information for Metro Cities staff working on this issue is included below.

This House Jobs bill also prohibits local governments from enacting ordinances for consumer bags. Metro Cities has expressed opposition to removing local authority in this area. This provision can be found on line 151.13 of the omnibus bill.

This bill also includes a provision from [HF 330](#) that makes changes to interim ordinances. The language included in the omnibus bill is identical to HF 330 that was passed by the House earlier this month. Metro Cities has been working with the LMC on this issue and is neutral on the language.

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

Senate, House Release MIF/JCF Funding Bills – Metro Excluded from JCF in House Bill

The House and Senate Jobs committees released their respective funding bills this week. The Senate Jobs committee released, debated and passed its bill, [SF 1937-Miller](#), this week. Under the Senate proposal, the Minnesota Investment Fund would receive \$12.5 million in both FY 2018 and FY 2019. \$4 million in FY 18 would be dedicated to a planned DigiKey expansion in Thief River Falls. Metro Cities and the Economic Development Association of Minnesota are advocating for \$15 million each year for MIF; this amount is also recommended by the Governor.

The bill would fund the Job Creation Fund (JCF) at \$8 million per year. Metro Cities and EDAM are advocating for \$12.5 million per year. The Redevelopment Grant Program would be funded at \$1.5 million each year. \$2 million could be moved between MIF and JCF accounts by DEED to meet business demand. Qualifying thresholds to be an eligible JCF business were lowered for projects in greater Minnesota or for businesses with majority ownership by women, a veteran, minority or person with a disability. The bill does not dedicate a majority percentage of JCF awards to greater Minnesota, a proposal debated earlier this session. Metro Cities testified in support of the MIF, JCF and redevelopment funding.

The House bill was released late Thursday and includes lower funding levels for MIF and JCF and a metro exclusion for accessing JCF funds. MIF would receive \$12 million in FY 18 and \$11 million in FY 19. \$4 million would be dedicated to DigiKey in FY 18 and \$700,000 would be dedicated to a wastewater biofuel project in Inver Grove Heights in FY 18.

The Job Creation Fund would receive \$5 million in each year. However, the seven-county metro would be excluded from applying for funds. Policy language attached to the appropriation

specifies that the only businesses eligible to enter the program are those located in counties in which the average unemployment rate for the prior 12 months is equal to or greater than the state average for the same 12 months, as determined by DEED. Metro Cities has received word from DEED that this would exclude dozens of counties across the state, including the seven-county metro.

Both bills contain a provision that would allow a city wider latitude to use some or all of its MIF revolving loan funds. A city would pay a 20 percent penalty to the state to use 80 percent for economic development or other general fund uses. This use would be permitted through June 30, 2018.

Both the House and Senate bills contained appropriations for workforce development. The Job Skills Partnership would receive \$4.2 million in both FY 18 and FY 19 under the House proposal and \$4.85 million each year under the Senate proposal.

The Senate funds the border-to-border broadband grant program at \$10.25 million in each FY 18 and FY 19. The House makes a single FY 18 appropriation of \$7 million, with no funding in FY 19.

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

Inflow-Infiltration Bill for Private Properties Heard

[SF 18-Klein](#), which would appropriate \$5 million from the Clean Water Fund for inflow-infiltration mitigation assistance for private properties in the metropolitan area, was heard on Wednesday in the Senate Environment and Legacy Funding Committee. The bill is supported by Metro Cities and staff provided testimony on Wednesday. Metro Cities is also supporting legislation for I/I assistance on local public infrastructure. The omnibus Senate capital investment bill contains \$2.5 million for this purpose.

Appropriations for private property I/I mitigation through the Clean Water Fund have been challenging to come by, as the Clean Water Council has not recommended legislative funding through their advisory process. Metro Cities secured \$1 million from the Clean Water Fund for this purpose in 2013, despite not being recommended by the Clean Water Council. A recent I/I task force of city officials and Met Council staff affirmed support for state funding to assist cities with mitigation efforts on private properties. Please contact Patricia Nauman at patricia@metrocitiesmn.org for further information.

Senate Committee Releases Budget for Housing Programs

The House and Senate released budgets for housing programs this week. One of the primary general fund appropriations for housing is the Challenge Program that can be used for multifamily, single family, rental and owner-occupied affordable housing. Metro Cities supports funding for this program because it is one of the most flexible funding pools for housing. The House bill also includes \$4 million for the workforce and affordable homeownership development program which was established in 2016. Communities in the metro are eligible for this program under their HRAs, through cooperatives and through community land trusts.

The budget proposed by the Senate would fund the Challenge Program at \$12.9 million per year. A program increase of \$600,000 in FY 18 and FY 19 would be dedicated to market rate workforce housing in greater Minnesota. The funding increase comes from a \$600,000 cut to the greater Minnesota rental rehab program and a \$500,000 cut to the Family Stabilization Plan that was funded in 2016. The Senate bill does not include a \$6.6 million carveout of the Challenge Program for greater Minnesota. The House would fund the Challenge Program at \$12.9 million in FY 18,

however, would not fund it at all in FY 19. Metro Cities is very concerned about this full program cut in FY 19 and will testify with those concerns at a committee hearing next week.

A proposal that would change how the state allocates its housing bonding authority is included in the House proposal. See the [February 17 Metro Cities News](#) for additional information. The Senate proposal does not include the language.

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

Legislative Audit Commission Narrows Topics for Audit Evaluation

On Monday, the joint Legislative Audit Commission subcommittee met to discuss final topics to be chosen for evaluation by the Office of the Legislative Auditor (OLA). There are 121 topics that have been suggested by legislators and citizens. The subcommittee chose 11 to be sent as a survey to all legislators to determine the final five for evaluation by the OLA.

The 11 topics that will be surveyed are: Guardians Ad Litem; Early Childhood Screening Programs; Teacher Diversity; University of Minnesota Administrative Expenses; Board of Animal Health; Office of MN.IT Services; Duplicative Agency Functions; Office of Health Facility Complaints; MnDOT Financial Effectiveness; Fiscal Impact of the Federal Refugee Resettlement Program; and Voter Registration.

Findings on a Clean Water Fund and Outcomes evaluation released this week found that the Fund met constitutional requirements for monies to be spent to protect, restore and enhance water quality, and that the Clean Water Council has used transparent processes to develop recommendations, but the report notes that some programs have been proven difficult to measure because the state lacks data. The report also noted that for some expenditures, discerning whether the monies are substituting or supplementing has been hard to conclude.

Recommendations from the OLA include having the Legislature set requirements for entities applying for funding to submit previous sources to allow for more informed decisions, and defining and clarifying administrative costs rather than indirect costs.

Senate Environment Bill Passed to Floor

[SF 723](#) (Ingebrigtsen) was passed out of the Environment Finance Committee and Senate Finance Committee and moved to the floor. It includes \$20,000 for grants to local governments for plastic bag recycling programs. It also includes \$8.54 million per year to the Metropolitan Council for regional parks. A ban on local governments adopting ordinances for consumer bag bans, fees or taxes is also included in this bill. Metro Cities remains opposed to this provision.

Questions? Please contact Steve Huser at steven@metrocitiesmn.org or 651-215-4003.

Met Council Waste Water Task Force Approved

The Metropolitan Council has established a Wastewater Reuse Policy Task Force that will be tasked with reviewing the existing wastewater reuse policies of Met Council, and will also make recommendations on how the Council should respond to future waste water reuse requests. These requests could come from private partners or other water users who want to use treated waste water for industrial, commercial or other uses. Members include city officials from throughout the metropolitan area. Metro Cities staff will also participate in this work.

Questions? Please contact Steve Huser at steven@metrocitiesmn.org or 651-215-4003.

DEED Awards \$1 Million in Redevelopment Grants

Six redevelopment projects were awarded more than \$1 million in DEED grants. The awards were split between the metro and greater Minnesota, with three metro projects receiving redevelopment funds. Funds for the metro projects will be used for demolition and infrastructure on three sites that will be redeveloped into various uses including a senior housing campus and an apartment complex.

These awards exhaust the state's redevelopment program's funds after a \$2 million appropriation in 2016. Metro Cities is advocating for additional funding this session for the Redevelopment Grant Program (see article in this newsletter).

Mark Your Calendars! Metro Cities Annual Meeting is April 20th!

Please mark your calendars for Metro Cities' Annual Meeting on Thursday, April 20th at the University Club in St Paul. The evening begins with a 5:30 pm social hour, guest speakers at 6:30 pm, and brief business meeting to elect members and officers to the Metro Cities Board at 7:00 pm. Guest speakers this year will be Briana Biersbach from MinnPost and Patrick Condon from the Star Tribune.

More details coming next week. In the meantime, please RSVP to Kim Ciarrocchi at kimberly@metrocitiesmn.org

EVENT: City Officials Invited to Tour Wastewater Plant and Transit Line Routes

The Metropolitan Council is working through Metro Cities to invite city officials on two April tours of regional facilities/services. The first is a tour of the Blue Lake Wastewater Treatment plant in Shakopee on Friday, April 21st starting at 9:30 am and a Green Line/Aline/future Orange Line route tour on Friday, April 28th. Both tours will run approximately two hours. Please contact Jennifer O'Rourke at the Metropolitan Council at 651-602-1576 for further details. Metro Cities will send details once finalized – watch for an email and future newsletter piece.

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.

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Metro Cities 145 University Ave W., St. Paul, MN 55103-2044 Phone 651-215-4000 Fax 651-281-1299
www.MetroCitiesMN.org *...click for full article*