

## February Budget Forecast Anticipates \$329 Million Surplus

The Department of Minnesota Management and Budget (MMB) released the February 2018 Budget and Economic forecast on Wednesday. The forecast, which will serve as the framework for any fiscal changes for the 2018 legislative session, projects a surplus of \$329 million for the FY 2018-19 biennium, replacing the November 2017 budget forecast that anticipated a \$188 million deficit for the biennium. State officials noted that the forecast also predicts a \$251 million positive balance into the FY 2020-21 biennium.

MMB officials pointed to projected higher receipts for all tax types, particularly the corporate income tax, and noted that the forecast reflects an increase in the nation's economic growth, including increased consumer spending and business investments, as well as recent lower tax rates enacted under federal tax law changes. Officials also noted that the state's unemployment rate is at 3.1%, lower than the national rate of 4.1%.

State officials explained several uncertainties affecting the November forecast are resolved and reflected in the current forecast, including effects on Minnesota from the federal tax changes, federal funding of the Children's Health Insurance Program (CHIP) and its effect on state HHS expenditures, and the recent enactment of legislation this session to fund the legislative appropriation that was vetoed in 2017. State officials noted that the growth in consumer spending is anticipated to be lower than the November forecast.

To see the MMB presentation, click [here](#). For the full report, click [here](#). MMB officials characterized the surplus as modest, and cautioned that the February forecast provides only a limited fiscal cushion in future years. Legislative majority and minority leaders responded to the forecast and highlighted the positive balance. State officials and lawmakers noted that funding priorities and complex work on a tax bill lie ahead as lawmakers address conformity with the federal tax law changes.

Questions? Contact Patricia Nauman at 651-215-4002 or [patricia@metrocitiesmn.org](mailto:patricia@metrocitiesmn.org)

## Legislative Auditor Evaluates Minnesota Investment Fund in New Report

The Office of the Legislative Auditor released a program evaluation of the Minnesota Investment Fund this week. The report made a number of findings and recommendations on the program, which serves as an important economic development tool for many communities in the metro region. Click here for a [report summary](#) and the [full report](#). The evaluation was completed as part of the OLA's charge to review one economic development incentive program per year.

The evaluation notes, "the Minnesota Investment Fund is one of the state's primary economic development programs." OLA staff framed their review with these questions: What have been the impacts of the Minnesota Investment Fund, particularly on jobs and wages? To what extent have local governments used local revolving loan funds seeded with Minnesota Investment Fund loan repayments, and for what purpose? How well does DEED administer the Minnesota Investment Fund? Does DEED have a clear basis for making project awards and determining whether loans need to be repaid?

The report notes geographic distribution of awards and award sizes. “The seven-county Twin Cities metropolitan area received about 46 percent of all awards in the past ten years (63 awards). In contrast, the 26 counties that make up economic development regions 1, 2, 4, and 6W received a total of four awards in this same time frame. Because DEED makes awards as it receives applications, the regional breakdown largely depends on which businesses and local governments apply for MIF loans.” The report goes on to explain, “the Twin Cities region has a majority of the state’s nonretail employers (56 percent in 2016), which helps explain its large share of MIF awards. The four regions mentioned above that together accounted for only four MIF awards in the past ten years (which was 3 percent of the total awards given in that period) had 9 percent of the state’s nonretail employers in 2016.”

The report notes the role of local governments in the MIF process. This includes applying for the DEED loan, receiving the loan repayment, then repaying the money to DEED. Local governments are able to keep forty percent of the repayment up to \$100,000 per loan. The report explained that since the MIF fund balance has increased (due to increased state appropriations since 2014), more of the loans have been forgiven by DEED. In those cases, the local government does not retain any funds.

The report expresses challenges to the value of business incentive programs. The report authors cite academic research to this effect and issues recommendations on how the state can increasingly target public assistance. However, the report also explains that “this broad conclusion may not be applicable to all individual economic development programs.”

The OLA report includes a list of recommendations, including: DEED should improve the usefulness and accuracy of its public reports on the Minnesota Investment Fund; the legislature should require stronger assurance that use of MIF is essential for a business project to proceed; the legislature should consider restructuring the MIF program so that loans are made directly by DEED to participating businesses; the legislature should consider amending state law to discontinue the practice of directing a portion of MIF loan repayments to local governments; DEED to publicly specify program criteria; and improved reporting on wage and benefit and compensation information.

Metro Cities’ policies recognize cities are the primary unit of government responsible for the implementation of economic development, redevelopment policies and land use controls. Metro Cities supports MIF as a state-funded program that supports new and expanding businesses and also supports competitive funding and geographically balanced awards between metro and greater Minnesota. Metro Cities also supports a percentage of MIF loan repayments to cities.

Metro Cities will monitor legislative and agency responses to the OLA report and respond to any legislation in a manner consistent with its policies.

Contact Charlie Vander Aarde at 651-215-4001 or [charlie@metrocitiesmn.org](mailto:charlie@metrocitiesmn.org) with any questions.

### **Met Council Hosts Wastewater Reuse Workshops**

The Metropolitan Council Environment Services Division (MCES) held two workshops related to proposed amendments to the Water Resource Policy Plan, and continue to accept comments on these amendments. MCES staff presented information on the proposed plan changes and answered stakeholder questions.

The proposed amendments follow work by a recent Wastewater Reuse Policy Task Force that reviewed regional wastewater reuse policies and made recommendations for potential regional/local partnerships for wastewater reuse. The task force, which included city officials, reached agreement on several policy considerations but did not find consensus on the use of

wastewater fees to support reuse opportunities. Two of the three amendment options for the Water Resources Policy Plan include a regional cost share (use of wastewater fee) using specific criteria. To view the amendment proposals, click [here](#). After all comments have been received, Met Council staff will draft new amendment language and make it available to the public before it is considered for adoption by the Met Council. A public hearing will also be held on March 13<sup>th</sup>.

### **Details for the upcoming Public Hearing are:**

#### **Metropolitan Council**

390 Robert Street North  
Saint Paul, MN, Room LLA  
Tuesday, March 13, 2018  
2:30 PM to 3:30 PM

To view a previous newsletter article on these amendments, click [here](#). To view the Wastewater Reuse Policy Task Force Report, click [here](#). To view the Water Resource Policy Plan, click [here](#).

Metro Cities will submit formal comments that will be included in a future newsletter. Members are encouraged to provide comments and attend the public hearing. Comments will be accepted through March 23, 2018. Comments can also be submitted in the methods below:

- Send written comments to: Tim O'Donnell at Metropolitan Council Environmental Services, 390 Robert St. N., St. Paul, MN 55101-1805
- Fax comments to: Tim O'Donnell at 651-602-1477
- Record comments on: Metropolitan Council Public Comment Line at 651-602-1500
- E-mail comments to: [info@metc.state.mn.us](mailto:info@metc.state.mn.us)
- Send TTY comments to 651-291-0904.

### **Legislative Committees Hear MNLARS Update**

Three legislative committees heard an update on the troubled Minnesota Licensing and Registration System (MNLARS) system. The Senate Transportation, House Transportation Policy and State Government Finance Committees all heard testimony from industries affected by the system. The Department of Public Safety (DPS) and Minnesota IT Services (MNIT) also answered questions on the progress being made to fix the system. The system, created to replace a 30-year old IT system for driver's license, identification card and vehicle registration transactions, has experienced numerous challenges since the motor-vehicle portion roll-out last summer. Legislators shared their frustration with continued system problems and the costs associated with fixing the system.

A motion made Thursday in the House to take up [HF 3272](#), Hansen, failed on a 55-74 vote. The bill would provide \$10 million that has been requested by the administration to address immediate work on fixing the MNLARS system. The administration has said that without this funding, some staff who have been working on system fixes will be laid off. DPS and MNIT have a total request of \$43 million DPS, with \$37 million for critical system improvements and \$6 million for customer service capacity increases. DPS and MNIT have warned that without this funding, high priority defects cannot be addressed until June 2020.

Legislation to provide funding to address costs incurred by deputy registrar offices resulting from MNLARS system defects have been introduced. They are [HF 2830, Hansen and HF 2835](#), Baker.

### **Senate Committee Hears Pair of Transit Bills**

The Senate Transportation Committee heard two bills this week. [SF 2751](#), Osmek makes changes to the definition of light rail operating costs. The Met Council testified that they were concerned a change included in this bill would limit state operations funding to current LRT operations levels. This would mean that expansions of service on current lines and the operation costs on future LRT lines would no longer be eligible for state funding. The bill was passed and moved to the Senate floor.

The committee also heard [SF 2752](#), Osmek. This bill directs the Met Council to clarify the budget assumptions used when reporting transit budgets to the state and federal governments. The Council must also provide reports and applications and other documentation sent to the Federal Government. The Met Council testified that they were neutral on this bill. The bill was passed and moved to the Senate floor.

### **Metro Mobility Report Presented to the Legislature**

A Metro Mobility Task Force has submitted recommendations to the Legislature. The task force was mandated by the Legislature and tasked with identifying options for improving efficiency, identifying potential service level approaches that involve partnering with and incorporating transportation network companies, taxi service providers or both, and identifying any recommendations for the program. The task force was comprised of representatives from Metro Mobility, counties, transportation network companies, taxi service providers, the Council on Disabilities, and other state agencies. For more information, click [here](#).

The task force report includes several recommendations to the Legislature and Metropolitan Council. The recommendations call for changes to the current system that will increase service options, maximize funding sources, comply with federal and state requirements and meet the needs of people with disabilities.

The task force recommends that the Council create a pilot program to promote an on-demand service provision that would include a variety of service options, provide for investment in public information and outreach to explain current and new service options, and conduct routine market analysis to evaluate driver wages and workforce stability.

The task force recommends that the Legislature create a dedicated funding source for the service. The recommendations also include support for statutory changes that allow Department of Human Services (DHS) and Metro Mobility to share data and leverage federal money, and to fund a study to determine how County/DHS and Metro Mobility can coordinate services and funding to capture all eligible federal dollars for waived service and medical assistance client transportation. To view the Metro Mobility Task Force Report, click [here](#).

### **EVENT: Opportunity Zones Training Forum – Friday, March 9**

The state's effort to identify "Opportunity Zones" continues. As Metro Cities has reported, Governor Dayton is seeking to identify and prioritize Opportunity Zones in Minnesota to encourage investments in low-income and urban communities nationwide. Governor Dayton is seeking local official input and participation.

The Minnesota effort is being spearheaded by the Department of Employment and Economic Development. More information is [available on DEED's website](#). Dayton, with local input, will select and submit 123 eligible Opportunity Zones. These zones represent the state's lowest income census tracts. The DEED website has a map that shows Minnesota [census tracts eligible](#) for Opportunity Zone designation. Click on metro region, then county, to zoom in.

The McKnight Foundation is convening a forum for local officials and other interested parties to learn more about the program.

### **Friday, March 9**

8:00 a.m. to 11:00 a.m.

Sunrise Banks Corporate Headquarters ([driving directions](#))  
2525 Wabash Avenue, St. Paul, MN 55114

**Registration:** Send an email to Renee Richie at [rrichie@mcknight.org](mailto:rrichie@mcknight.org) by March 6.

At the forum, attendees will:

- Get program details from the Economic Innovation Group – a bi-partisan economic policy organization that conceived of Opportunity Zones and garnered support from nearly 100 congressional cosponsors in 2017.
- Hear from investors and lenders active in underserved communities about the possibilities and challenges of attracting capital to Opportunity Zones.
- Learn about the State of Minnesota's role in selecting Opportunity Zones – which must be designated by the Governor on March 21, 2018 (with a 30-day extension potentially available)

### **RSVP Today for Metro Cities Annual Meeting!**

Mark your calendars and save the date for the Metro Cities Annual Meeting! This year's event will be held on **Thursday, April 19th** at the Como Park Zoo and Conservatory in the Bullard Rainforest Auditorium. The evening will start off with a social hour at 5:30pm, followed by a guest speaker at 6:30pm, and will wrap up with a brief (but important!) business meeting at 7:00pm to elect members and officers to the Board of Directors. All member city staff and elected officials are welcome and encouraged to attend! (More details to follow.)

There is no registration cost, but please **RSVP by April 6th** if you plan to attend. To RSVP, or if you have any questions, please contact Kimberly at 651-215-4000 or [kimberly@metrocitiesmn.org](mailto:kimberly@metrocitiesmn.org).

### **Bills of Note**

During the legislative session, Metro Cities will provide information on introduced bills of note and interest to metropolitan area cities. Below are bills that were introduced this week:

[HF 3017](#), O'Neill: establishing procedure for handling sexual assault examination kits; providing notice to victims.

[HF 3031](#), Metsa: ratifying public employee collective bargaining agreements.

[HF 3044](#), Vogel: requiring agencies to determine the impact of a proposed rule on the cost of residential construction or remodeling; requiring notice to the applicable legislative committees; permitting a legislative committee to require approval of a rule by law; proposing coding for new law in Minnesota Statutes, chapter 14.

[HF 3054](#), Rarick: A bill for an act proposing an amendment to the Minnesota Constitution, article IV, section 4, and article V, sections 2 and 4; placing limits on the terms of office of legislators and executive officers.

[HF 3095](#), Smith: modifying waste management provisions; amending Minnesota Statutes 2016, section 115A.94, subdivisions 4a, 4b, 4c, 4d, by adding subdivisions.

[HF 3108](#), Quam: requiring a special primary and a special election to be held on a Tuesday; amending Minnesota Statutes 2016, sections 204D.19, by adding a subdivision; 204D.21, subdivision 3.

[HF 3109](#), Haley: modifying the use of workforce development funds; requiring a report; amending Minnesota Statutes 2016, sections 116L.17, subdivision 2; 116L.19, by adding subdivisions;

116L.20, subdivision 2, by adding a subdivision; 116L.98, subdivisions 1, 3, 4, 5, 7; proposing coding for new law in Minnesota Statutes, chapter 116L.

[HF 3120](#), Fabian: modifying environmental agency permitting, rulemaking, and fees; providing for watershed credit exchange program; modifying compliance requirements; appropriating money; amending Minnesota Statutes 2016, sections 103G.2242, subdivision 14; 115.03, subdivision 5, by adding subdivisions; 115.035; Minnesota Statutes 2017 Supplement, section 116.07, subdivision 4d; proposing coding for new law in Minnesota Statutes, chapter 115.

[HF 3125](#), Hausman: appropriating money for preservation of public housing and to support issuance of additional housing infrastructure bonds; adding senior housing and manufactured home park improvements to the allowable uses of housing infrastructure bonds; authorizing the sale and issuance of state bonds; amending Minnesota Statutes 2016, section 462A.37, subdivisions 1, 2, by adding a subdivision; Minnesota Statutes 2017 Supplement, section 462A.37, subdivision 5.

[HF 3127](#), Dettmer: modifying expiration of metropolitan agricultural preserves; authorizing the sale and issuance of state bonds for predesign and design of the Gateway Trail; appropriating money; amending Minnesota Statutes 2016, section 473H.08, subdivisions 1, 4, by adding a subdivision

[HF 3145](#), Newberger: Public Employees Retirement Association; public employees defined contribution plan; permitting distributions while employed; clarifying provisions; amending Minnesota Statutes 2016, section 353D.07.

[HF 3149](#), Hornstein: restricting state and local officials from cooperating with federal immigration enforcement efforts; proposing coding for new law in Minnesota Statutes, chapter 1.

[HF 3150](#), Draskowski: modifying provisions governing mowing highway and road rights-of-way; providing penalties; amending Minnesota Statutes 2016, sections 160.23; 160.232; 160.2715; proposing coding for new law in Minnesota Statutes, chapter 160.

[HF 3153](#), Loonan: modifying matching funds requirement for local recycling programs; amending Minnesota Statutes 2016, section 473.8441, subdivision 4.

[HF 3156](#), Lueck: appropriating money for local roads and bridges; authorizing the sale and issuance of state bonds.

[HF 3219](#), Howe: establishing a local cost-share assistance account; appropriating money for local roads and bridges; authorizing sale and issuance of general obligation bonds; amending Minnesota Statutes 2016, section 174.52, subdivision 2.

[HF 3266](#), Carlson: expanding requirements governing use of vehicle lighting; amending Minnesota Statutes 2016, section 169.48, subdivision 1, by adding a subdivision; repealing Minnesota Statutes 2016, section 169.48, subdivision 2.

[HF 3276](#), Whelan: consolidating all residential property into a single classification; modifying class rates; eliminating the state general levy on seasonal-recreational property; eliminating the blind and disabled homestead classification and replacing it with a refund payment

[SF 2629](#), Draheim: modifying job training program requirements; amending Minnesota Statutes 2016, section 116J.8747, subdivisions 2, 3, 4.

[SF 2634](#), Sparks: requiring a majority vote of commissioners to approve real property sales and transfers; amending Minnesota Statutes 2016, section 469.055, subdivision 7.

[SF 2636](#), Mathews: prohibiting Pollution Control Agency from issuing administrative penalty order to operator of publicly owned treatment works until certain conditions have been satisfied; amending Minnesota Statutes 2016, section 116.072, by adding a subdivision.

[SF 2706](#), Dibble: A bill for an act proposing an amendment to the Minnesota Constitution, article I, section 10; providing that the right of citizens to be secure from unreasonable searches and seizures includes protection against unreasonable searches and seizures of electronic communications and data.

[SF 2739](#), Eichorn: requiring all local officials to file a statement of economic interest; amending Minnesota Statutes 2016, section 10A.09, subdivision 1.

[SF 2751](#), Osmeck: defining operating costs for purposes of the state share of light rail operating costs; amending Minnesota Statutes 2016, section 473.3994, subdivision 9.

[SF 2752](#), Osmeck: requiring the Metropolitan Council to identify the budget assumptions used to develop transportation and transit plans and forecasts; amending Minnesota Statutes 2016,

section 473.13, by adding a subdivision; Minnesota Statutes 2017 Supplement, section 473.4485, subdivision 2.

[SF 2755](#), Limmer: expanding the list of prior offenses that support a conviction of first-degree driving while impaired; amending Minnesota Statutes 2016, section 169A.24, subdivision 1.

[SF 2781](#), Dibble: enabling law enforcement and family members to petition a court to prohibit people from possessing firearms if they pose a significant danger to themselves or others by possessing a firearm; amending Minnesota Statutes 2016, section 624.713, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 245.

[SF 2792](#), Ruud: appropriating money for local roads and bridges; authorizing the sale and issuance of state bonds.

[SF 2809](#), Pratt: modifying governance of the Metropolitan Council; eliminating the Transportation Advisory Board; amending Minnesota Statutes 2016, sections 3.8841, subdivision 9; 473.123; 473.146, subdivisions 3, 4; Minnesota Statutes 2017 Supplement, section 15A.0815, subdivision 3; repealing Laws 1994, chapter 628, article 1, section 8.

[SF 2831](#), Latz: criminalizing the dissemination of personal information about law enforcement officials in certain circumstances; proposing coding for new law in Minnesota Statutes, chapter 609.

[SF 2844](#), Utke: permitting certain retired law enforcement officers to carry firearms in schools; amending Minnesota Statutes 2016, section 609.66, subdivision 1d.

[SF 2855](#), Ingebrigtsen: requiring notice to local governments by nongovernmental organizations acquiring fee title to land with money from the outdoor heritage fund and the environment and natural resources trust fund; amending Minnesota Statutes 2016, sections 97A.056, by adding a subdivision; 116P.08, by adding a subdivision.

[SF 2858](#), Newton: modifying conditions for meetings conducted via interactive television; amending Minnesota Statutes 2016, section 13D.02, subdivision 1.

[SF 2859](#), Bakk: making an adjustment for previously reduced aid; amending Minnesota Statutes 2016, section 477A.013, subdivision 13.

[SF 2874](#), Newman: providing a property tax exemption for certain child care facilities; amending Minnesota Statutes 2016, section 272.02, by adding a subdivision.

[SF 2668](#), Dahms: Bill appropriates \$167 million for clean water infrastructure programs.

[SF 2704](#), Jasinski: Bill creates state wide regulations for ride sharing companies. Preempts local ordinances.

[HF 3033](#), Thissen: Bill prohibits certain activities by Internet service providers serving Minnesota customers and those under contract to the state or political subdivisions.

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